

Letter to Shareholders

ASX RELEASE

6th August 2020

ASX: PEC

CORPORATE DIRECTORY

Executive Chairman
Julian Babarczy

Executive Directors
Robert Benussi

Non- Executive Director
George Karafotias

Company Secretary
George Karafotias

Silica Sand Project Portfolio

- Beharra
- Sargon & Sargon North
- Eneabba & Eneabba North

CONTACT DETAILS:

Suite 801
Level 8
84 Pitt Street
Sydney NSW2000

George Karafotias
Phone | +61 042 086 550

Robert Benussi
Phone | +61 410 415 335

Dear Shareholder,

It has been three months since the last Letter to Shareholders and there is certainly a lot to report on from activities at Perpetual Resources Limited (“Perpetual” or “we” or the “Company”).

Key Milestones Achieved

I outlined in our last update that we intended to continue advancing the Company’s projects rapidly, despite the obvious potential obstacles that COVID-19 was presenting. I am pleased to report that we have done this, with the following key milestones being achieved since April;

- Completion of Perpetual’s maiden air core drilling program at Beharra, which included 40 holes for 506.7m of drilling (which supported the earlier 38-hole augur program in 2019) and which was announced to the market on 22nd July 2020
- Completed a maiden Mineral Resource Estimate at Beharra (prepared by Snowden Mining Industry Consultants Pty Ltd) which was announced to the market on 22nd July 2020
- Confirmed a further Exploration Target at Beharra (prepared by Snowden Mining Industry Consultants Pty Ltd) which was also contained in the announcement to the market on 22nd July 2020
- Commenced the planning for a second stage comprehensive laboratory (metallurgical) program to further define the upgradability of Beharra silica sand. Importantly, this program is being designed and conducted in conjunction with sand industry experts and will focus on optimizing the product quality, as well as undertaking a number of trade-off studies with a view to maximising the economic potential of our final product grade versus the achievable yield
- Commenced a Pre-Feasibility Study (“PFS”) on Beharra
- Acquired an additional project area adjacent to Perpetual’s existing Sargon tenement that we are currently exploring for its domestic and export construction sand potential
- Finalised a capital raising (including option exercise) that was strongly supported by existing shareholders and the Board, providing the Company with adequate balance sheet liquidity to maintain our fast pace of development and a cash runway well into 2021

It was particularly pleasing to achieve these outcomes largely on time and generally at a lower capital spend than initially estimated.

Elaboration of Results

I would now like to delve into some greater detail regarding some of these achieved milestones, as they provide good context for what the rest of the 2020 calendar year looks like for Perpetual.

Firstly, on 22nd July 2020, we released Perpetual's maiden Mineral Resource Estimate at Beharra, which is an important milestone for our Company. I encourage shareholders to read the Mineral Resource Estimate announcement in its entirety¹ and provide the following additional context.

- The resource was larger than we had anticipated and at slightly higher grade and notably, comes from an area representing only around 30% of the total Beharra tenement. As such, there exists significant scope for upgrading the size of resource, although for the moment, this resource size appears more than adequate to underpin our planned studies for an initial project with a considerable life
- The delineated resource contains >90% white sands, which are lower in impurities than the adjacent yellow sand sequences and which are generally easier to process and should result in a higher purity end product at a lower cash cost of production (all else equal)
- The maiden inferred resource is also augmented by an Exploration Target, which was classified as such due to its reliance on relatively shallower augur drilling. We anticipate this Exploration Target converting into the Mineral Resource Estimate over time, after we conduct more of the required drilling and analysis
- Investors should also note that the reported silica and impurity grades that made up the Mineral Resource Estimate are in-situ values only, and that this is not the specification of product that we intend to sell (should we ultimately progress with a project at Beharra). The maiden mineral resource estimate should be read in conjunction with our previously released metallurgical and petrological test work², which demonstrated that Beharra sands can be upgraded to a final product specification that appears highly suitable to the two largest markets for higher grade silica sands, being glass making and foundry uses
- The initial metallurgical work was undertaken based on results from our augur drilling program in 2019, and we consider these metallurgical results preliminary only, with future planned test work (referred to below) to utilize the more recent air core drill samples

As we announced to the market in recent weeks, we have commenced partnering with a number of silica sand industry specialists and consultants who have extensive experience in sand plant design, manufacture and installation, as well as metallurgical testing programs and sand-related project execution.

These specialists and consultants include global sand plant designers, manufacturers and installers CDE Global, experienced sand project study manager Matt Robins, as well as specialist metallurgical consultants, each of which are now working closely with Perpetual to further optimize the achievable product specifications at Beharra and advance our project to PFS level.

We are in the process of designing a further, much more detailed and rigorous metallurgical program, which will commence imminently and take around 10 weeks to complete. We remain highly encouraged that this more in-depth program will demonstrate even further upgradability of our Beharra product which has potential positive implications for the eventual product specifications and the revenue per ton that we might achieve. We will update shareholders in more detail once this program has been finalized.

¹ Please see ASX Announcement: <https://www.asx.com.au/asxpdf/20200722/pdf/44kr163nbs2wwq.pdf>

² Please see ASX Announcements: <https://www.asx.com.au/asxpdf/20200224/pdf/44fc8xgmc2gtf0.pdf> & <https://www.asx.com.au/asxpdf/20200218/pdf/44f5x32056csy5.pdf>

Future Activities

After ticking off these important milestones, we know full well our efforts to develop a silica sand mining operation at Beharra have only just begun. Below is a summary of the main items we hope to achieve at Beharra over the course of the 2020 calendar year.

- Beharra project
 - Complete an extensive metallurgical testing program to provide greater certainty on product quality specifications and provide significant amounts of marketing samples for offtake discussions
 - Upgrade our announced “Inferred” Mineral Resource Estimate to the “Indicated” category by way of further testing and analysis
 - Complete the previously announced PFS
 - Submit of a Mining License application
- Product Marketing
 - Generate significant product marketing samples from the expanded metallurgical program for use in customer engagement efforts
 - Commence discussions with silica sand end users in Australia and the Asia-Pacific region, with a view to confirming end market demand and pricing by way of Memorandum of Understandings, Letters of Intent and/or off-take agreements
- Resourcing
 - Further add to the already highly motivated qualified team to ensure that Beharra (and other projects) can progress as quickly as possible

With Beharra progressing well, we have now also turned our attention to some of our other project areas. The next most prospective appears our Sargon Hub (comprising Sargon and Sargon North), which is located around 40km from Geraldton Port, and which we believe has potential to host an attractive construction sand resource with both domestic and export market potential. The key deliverables for the Sargon project for the remainder of this calendar year are;

- Undertake initial exploration and appraisal work to determine suitability of the sand for domestic or export construction markets
- Commence detailed metallurgical activities to confirm product quality
- If economic viability looks promising, we will then look to
 - commence the required activities and studies to advance the project
 - explore sales and marketing arrangements

We will provide more updates on Sargon once we have received the initial laboratory test results on the augur drilling that was recently completed, which will inform our path forward, both in terms of activity and timeline.

Sand Market Update

We are undertaking these project advancement steps against a backdrop of what we believe are highly supportive macro forces. Put simply, sand, the commodity we are looking to sell, is in increasingly short supply. We direct investors to the following short videos which discuss the already emerging global sand shortage, and why we hold such a positive outlook on the commodity in the years ahead.

- TEDx Talks: Vince Beiser - "There's a global sand crisis and no one is talking about it"
 - <https://www.youtube.com/watch?v=f12SSCUfOhk>
- "Why Sand is in Short Supply - The Economist"
 - <https://www.youtube.com/watch?v=8J78ezpadFo>

As you can see, it has been a busy few month at Perpetual, with the next few looking equally as active. I thank you for your ongoing support and I look forward to updating you again in the future.

Kind Regards



Julian Babarczy
Chairman

For personal use only