

Executive Chairman's Letter to Shareholders

ASX RELEASE

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ASX: PEC

CORPORATE DIRECTORY

Executive Chairman
Julian Babarczy

Executive Directors
Robert Benussi

Non- Executive Director
George Karafotias

Company Secretary
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Silica Sand Project Portfolio

- Beharra
- Sargon
- Eneabba
- Eneabba North

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Dear Shareholder,

It is my pleasure to write to you with this inaugural Shareholder Update Letter, since recently transitioning to the Executive Chairman role of Perpetual Resources Limited ("PEC" or the "Company").

To state the obvious, we're living in extraordinary times. COVID-19's impacts range from the clearly noticeable health-related impacts, through to the rapidly evolving economic and social impacts that result from the unprecedented limitations that have been applied to social interaction and commerce by governments all over the world.

While it is tempting to respond to this economic and social lockdown by instituting some form of corporate hibernation, to preserve scarce cash resources and merely "live to fight another day", we at PEC firmly believe that such a strategy is also the best way to prolong the effects of COVID-19 on a business for a prolonged period post the virus itself being contained.

We have therefore taken the very considered decision to raise a modest amount of capital (see ASX announcement dated 2nd April 2020) with the purpose of ensuring funding for the Company through the remainder of calendar year 2020. This new funding will enable PEC to achieve meaningful milestones that should give us the best chance of maximizing shareholder value over the medium to longer term, which is the time horizon over which the Board and senior executives make decisions within the business, and the timeframe over which we seek to be measured.

Since becoming involved in a non-executive capacity in mid-2018, when we set about initially refocusing the Company towards the silica sands industry, we have always aimed to keep overheads low and ensure that shareholders receive maximum leverage from limited capital deployment to minimize shareholder dilution. I can assure you that in the current climate of uncertainty this ethos will only be more closely adhered to with each investment and expense being closely scrutinized.

The recent capital raising ensured that we can continue to progress our flagship Beharra High Purity Silica Sand Project ("Beharra"), where the recently completed and comprehensive air core drilling program (see ASX announcement dated 1st April 2020) demonstrated some promising initial visual results. To provide greater transparency to our plans (and to give shareholders some meaningful way of measuring what we end up delivering versus what we currently plan to deliver), our specific aims at Beharra over the course of this quarter and the remainder of 2020 are listed below;

- Confirm laboratory analysis of recently completed air core drilling at Beharra over the course of April and May (which we believe will corroborate the high quality of the white sands we have already visually logged). This will involve the following specific tasks;
 - Completion of the drill hole logging and the sample compositing for delivery to our chosen consultant laboratory (Nagrom) next week
 - A topographic surface study and associated field work at Beharra, to be carried out in April with results available in May
 - An in-situ density analysis to be undertaken in April with results available in May
- Commence and complete PEC's maiden mineral resource estimation for Beharra by the end of June
- Commence and complete a Pre-Feasibility study on Beharra by the end of calendar year 2020
- 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 and/or off-take agreements, by the end of calendar year 2020
- Submission of a Mining Lease application by the end of 2020

We believe that PEC is now adequately funded to deliver all of the above, in addition to the potential for some limited and early stage exploration on some of PEC's other highly prospective silica sand tenements located in close proximity to the Geraldton port and which also sit within established infrastructure corridors.

Fortunately, PEC can continue to progress all the activities listed above, despite the current self-isolation requirements, with most activities able to be accomplished by the executive and consultant team working remotely. As the Company continues to execute the in-field activities necessary to complete the calculation of the potential maiden mineral resource estimate, we will at all times ensure the safest possible working environment for all our employees, consultants and contractors. We currently do not anticipate any COVID-19 related limitations to the completion of any of the required fieldwork, but we of course remain subject to any government-imposed changes to personnel movements which may unexpectedly impact our planned timeframes.

It is worthy of note that the capital raising was also supported by a range of existing investors, in addition to several new investors. The Board, including myself, also contributed a significant amount to the capital raising, which we believe demonstrates very strong alignment between the Board and our many shareholders. We will be publishing a notice of meeting in due course for shareholders to approve the participation of the Board in this placement. We are thankful for the support from all our new shareholders, in addition to all our existing shareholders, who have shown considerable fortitude with their PEC shareholders during the difficult times in markets in recent weeks.

This level of shareholder support also gives the Board confidence to invest in our various projects right through the economic cycle, affording us a genuine medium to longer term horizon in the way we think about and approach where to allocate capital and which projects to progress. PEC has a stated aim to acquire, explore and ultimately develop mining projects with relatively low capital requirements and high potential margins, ideally underpinned by exposure to commodities that exhibit much lower price volatility than base metals or bulk commodities.

In executing this strategic focus, we have been attracted to commodity markets that can best be described as comprising the industrial minerals complex, where we have strategically chosen silica sand as our first commodity exposure, based on its apparent global under supply and apparent strong and predictable growth in demand. By focusing on what many would consider to be the less “sexy” industrial minerals complex, we believe we have an improved likelihood (not a guarantee though) of building a company with more predictability and ultimately stronger and more reliable shareholder returns. This is in contrast to most smaller exploration and development companies that are focused on high impact single events that lead to sudden and large short term share price rallies. These types of share price movements in many instances quickly fade and, more importantly, are never able to be exploited by patient shareholders.

I would remind investors though, that despite our best efforts to reduce the Company’s exposure to a range of unwanted risk factors (as detailed above), PEC remains a high risk and speculative investment proposition until we are considerably more advanced on Beharra or another of the Company’s projects.

I am very grateful to the high-quality team we have managed to attract in the pursuit of our strategy, with several highly experienced professionals and consultants now actively engaged on progressing PEC’s various projects. It is notable that this team is largely comprised of individuals who are also meaningful shareholders in the Company, with the positive outcome that all involved therefore bring an owner’s mind-set to our day to day operations.

We are also cognizant that to date, PEC has not courted much public exposure, as we have been focused on bedding down our initial tenement acquisitions, cleaning up our capital structure, and moving to assess the quality and potential of the projects that we have in our portfolio. We do intend to take more initiative in the marketing of the Company in the future, and hopefully you will notice us becoming more visible in the various marketing channels that are used by companies of our size.

We would also like to draw your attention to our new company website, at www.perpetualresourceslimited.com.au which provides you with all the latest information on your Company, including ASX Announcements, latest Corporate Presentation, and more detailed information on the Company and each of our projects.

While the direct effects of COVID-19 will hopefully be temporary, I hope you can share our view that we are attempting to position PEC to be ideally placed to maximize shareholder returns once financial markets begin to look to the future again.

I thank you again for your support, and I look forward to updating you again in the future.

Kind Regards



Julian Babarczy
Chairman