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ASX ANNOUNCEMENT

30 October 2020

Quarterly Activities Statement – September 2020

Highlights

Victoria

- Petratherm to sell its Victorian Gold Tenements to a Canadian listed exploration company, Skarb Exploration Corp. The share sale agreement has an implied value of CAD\$ 18,000,000.
- The transaction will enable the Victorian gold assets to be housed in a well-funded Victorian gold exploration company with a mandate to conduct exploration on a large scale.
- Upon completion of the transaction, the shares received from the sale agreement will be distributed in-specie to Petratherm's shareholders.

South Australia

- Drilling at the Mabel Creek Project earlier in the year encountered pervasive Olympic Dam Style, Iron Oxide Copper-Gold (IOCG) alteration at the Area 5 prospect.
- Follow up drilling at Area 5 and several other Olympic Dam Style Geophysical targets are planned to start in the near term.
- Ground exploration activities to start in the next quarter at the Comet Gold Project Area, where historical drilling includes multiple shallow gold intersections, which are open at depth and along strike.

Summary of Operations

Petratherm Limited ("the Company/ Petratherm") has made significant progress during the quarter towards unlocking the value of its Victorian Gold Project Portfolio for its shareholders and ensuring these projects are well funded going forward. This work culminated with the execution of a Definitive Agreement for the sale of its Victorian Gold Assets to Skarb Exploration Corp. (Skarb), a Canadian mineral exploration company listed on the Canadian Securities Exchange (CSE). The share sale transaction has an implied value of CAD\$18,000,000.



Following the Company's encouraging drilling results at its Mabel Creek Project, where pervasive Olympic Dam Style Copper-Gold alteration was encountered (refer to PTR ASX release 30/07/20) at the Area 5 Prospect, a second round of drilling has been scheduled and preparations are underway. Geophysical modelling work undertaken during the quarter demonstrate that the Area 5 drill hole (MCDA5-01) may have only clipped the edge of the main part of the potentially mineralized system and as such further test drill holes are planned. Drill testing of several other high priority gravity targets in the area will also occur at the same time. Ground exploration works are scheduled to begin at the Company's Comet Gold Project during the next quarter.

The Company had capitalised exploration and evaluation costs of \$53,000 relating principally to the Mabel Creek Project target generation work. Administration and corporate costs totalled \$139,000 relating principally to the Victorian Gold Project Sale and annual financial auditing and reporting. The Company held \$2,285,000 cash at the end of the quarter. A summary of exploration activities during the quarter is presented below.

In accordance with ASX Listing Rules Guidance Note 23, the aggregate amount of payments to related parties of the entity and their associates disclosed under section 6.1 of the Appendix 5B totalled \$33,000 and comprised of Director's fees.

Victorian Gold Assets Sale

In October just after the reporting period (refer to 12/10/20 ASX Announcement) Petratherm Limited executed a Definitive Agreement for the sale of its Victorian Gold Assets to Skarb Exploration Corp. (Skarb), a Canadian mineral exploration company listed on the Canadian Securities Exchange (CSE).

The Proposed Transaction will see Skarb acquire the Company's gold projects located in Victoria (Figure 1), Australia ("the Project"), comprising of the following assets:

- Yuengroon Gold Project (EL 6897 & ELA 7280)
- Silver Spoon Gold Project (ELA 6951)
- Glenfine Gold Project Farm-In & Joint Venture (EL 5434, EL 5537 & EL 5344)
- Ballarat West Gold Project (ELA 7276)

The Glenfine Gold Project is subject to a joint venture which contains a pre-emption right in favour of the other joint venture parties. In consideration for the Project, the Company will receive 100 million shares in Skarb if the pre-emption right is waived or not exercised, or 50 million Skarb shares if the pre-emption right is exercised.

If the pre-emption right is exercised, Petratherm will receive CAD\$9 million from the other joint venture parties, must subscribe for 20 million Skarb securities on the same terms on which Skarb raises not less than CAD\$4 million from investors prior to completion of the Proposed Transaction, and must pay to Skarb an amount equal to 10% of the value of the gross proceeds received or payable to Petratherm in connection with the exercise of the pre-emption right (CAD\$900,000).

The 100 million Skarb shares (if the pre-emption right is waived or not exercised) or 70 million Skarb shares (if the pre-emption right is exercised) will be distributed in specie to the Company's shareholders "pro rata" in accordance with their shareholdings in Petratherm.

Key Terms

Skarb will acquire the Victorian gold assets and in return issue the Company 100,000,000 shares in Skarb if the pre-emption right is waived or not exercised, or 50 million shares in Skarb if the pre-emption right is exercised ("Consideration Shares").



Within 125 days (the “Distribution Wait Period”) after closing of the Proposed Transaction, the Company will distribute (the “Distribution”) the Consideration Shares, and the 20 million shares in Skarb to be subscribed for by the Company if the pre-emption right is exercised, in specie to shareholders, pro rata in accordance with their shareholdings in the Company. The Record Date for determining entitlements to these shares in Skarb will be at the end of the Distribution Wait Period.

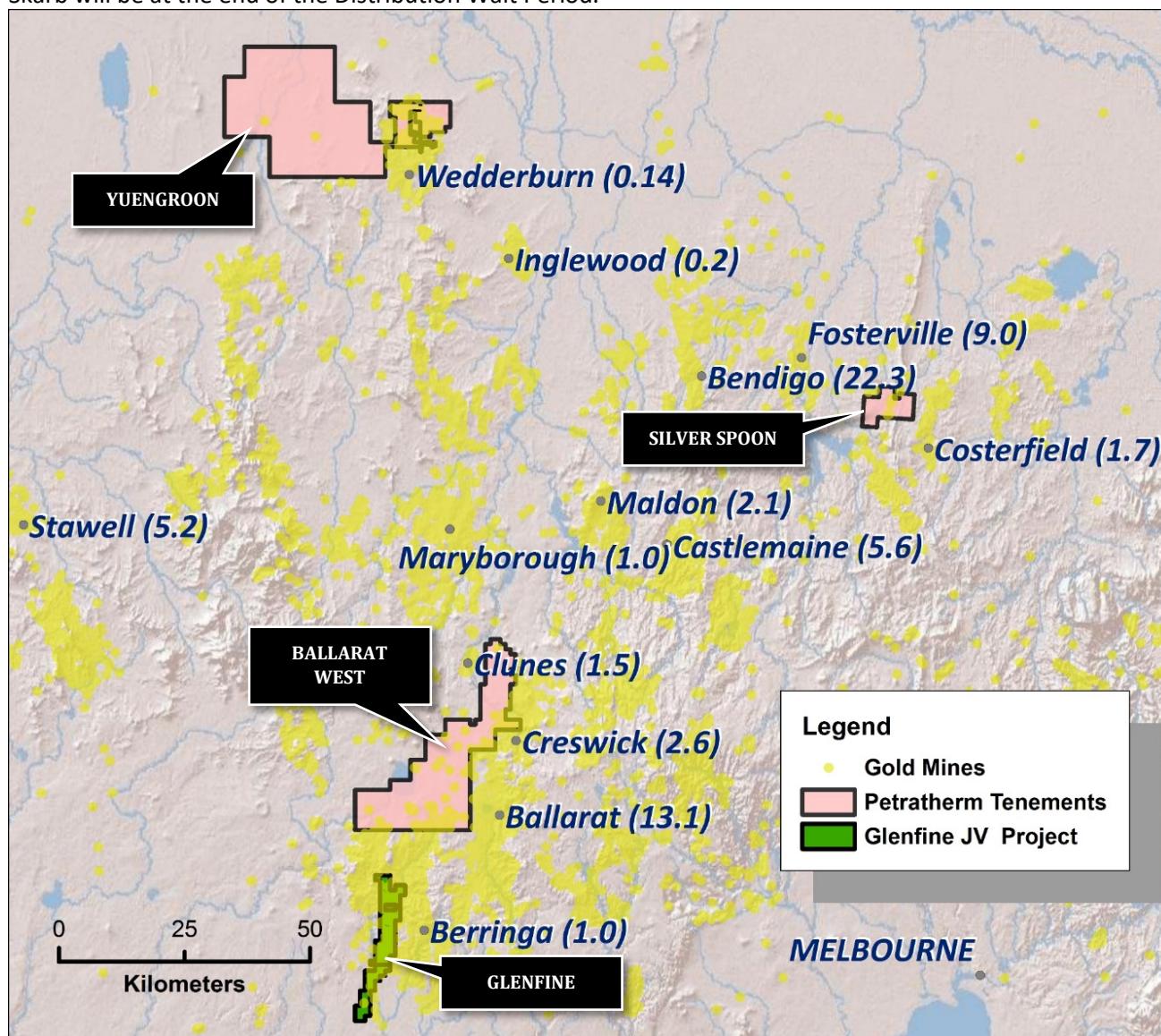


Figure 1: Petratherm's Victorian Tenement Portfolio.

Key Conditions Precedent

- Skarb completing a private placement for gross proceeds of not less than CAD\$4 million at or prior to closing of the Proposed Transaction;
- The receipt by Skarb of all required regulatory, consents, permits, waivers, exemptions and orders, including but not limited to approval of the CSE;
- The Company obtaining all approvals required by it in connection with the Proposed Transaction under Australian and/or Canadian law including, among other things, approval to distribute the Consideration Shares, and the 20 million shares in Skarb to be subscribed for by the Company if the pre-emption right is exercised, in specie to its shareholders;

- Approval of the Proposed Transaction by the shareholders of Skarb;
- If the pre-emption right is waived or not exercised, the Company obtaining the consent of Cape Clear Minerals Pty Ltd and Predictive Discovery Limited to the assignment to Skarb of the Company's rights and interests under the Mining Farm-In and Joint Venture Agreement in relation to EL 5344, EL 5434 and EL 5537 (Glenfine Gold Project); and
- Other condition precedents customary for a transaction, such as the Proposed Transaction.

Transactions Next Steps

The Company aims to hold a shareholder meeting as soon as possible to seek necessary approvals to finalise the transaction.

Mabel Creek Project

The Mabel Creek Ridge, 50 kilometres northeast of Coober Pedy in South Australia, is considered prospective for Olympic Dam Style Copper-Gold mineralised systems and related magnetite skarn copper and high value rare-earths. The Project comprises four granted tenements (EL's 6332, 6333, 6404 & 6405) totalling 2,852 km² (Figure 2).

The Company is encouraged by the evidence of Iron-Oxide Copper-Gold (IOCG) style alteration encountered in its maiden drill campaign at the Area 5 North Target Area (refer to PTR ASX release 25/06/20). This is a large geophysical anomaly spanning several square kilometres and the alteration observed may indicate other portions of this anomaly could be mineralised, warranting further geophysical surveying and test drilling.

During the period, modelling of the gravity and magnetic data show that the main gravity body (green) is potentially much shallower to the north and that the Area 5 drill hole (MCDA5-01) only clipped an edge of this dense body (Figure 3). The shallow high-density portion of the body will be followed up with further test drilling and drill planning is currently underway.

ADI Grant Award

In June Petratherm was successful in securing grant funding to a level of \$182,000 through the Accelerated Discovery Initiative (ADI) to assist drilling of Olympic Dam Style Copper Gold geophysical targets on the Company's Mabel Creek Project Area. The ADI program forms part of the South Australian Government's Growth State Agenda and aims to accelerate mineral discovery through innovative exploration and research projects in regional and frontier terrains throughout South Australia. The ADI grant monies will be utilised during the upcoming drill campaign.

Mabel Creek - Next Steps

In the next quarter the Company will undertake additional infill gravity surveying of key targets along with trialling of IP geophysics over the Area 5 gravity target and other high priority gravity targets. The IP geophysics aims to define chargeable features at depth associated with the gravity anomalies and therefore aid final drill targeting. A preferred drilling contractor has been secured with drilling operations most likely starting early in the new year.



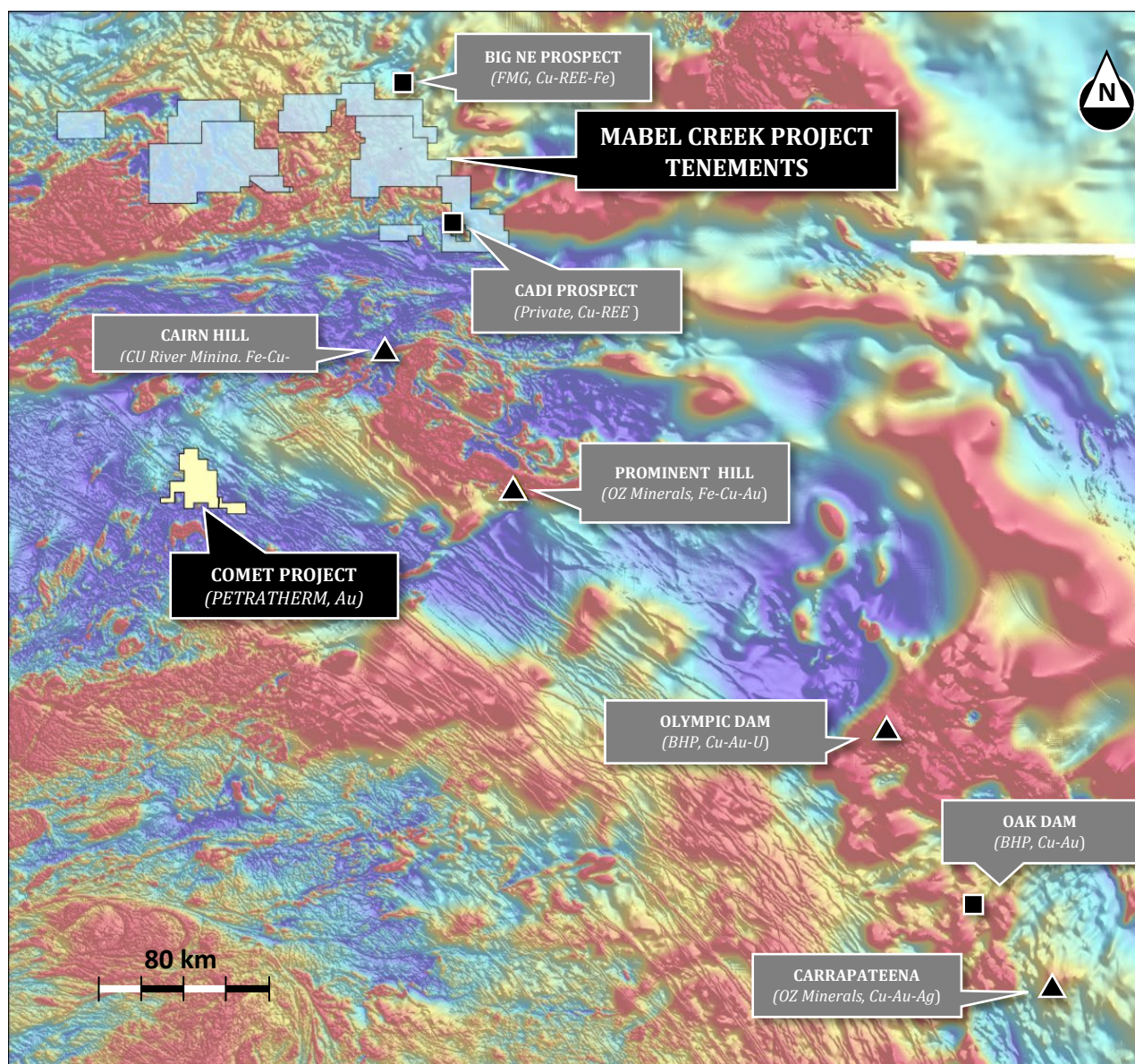


Figure 2 : Location map of Mabel Creek Project Tenements, IOCG mines and related prospects, overlying a reduced to pole aeromagnetic image (compiled from Sth. Aust. Government data).

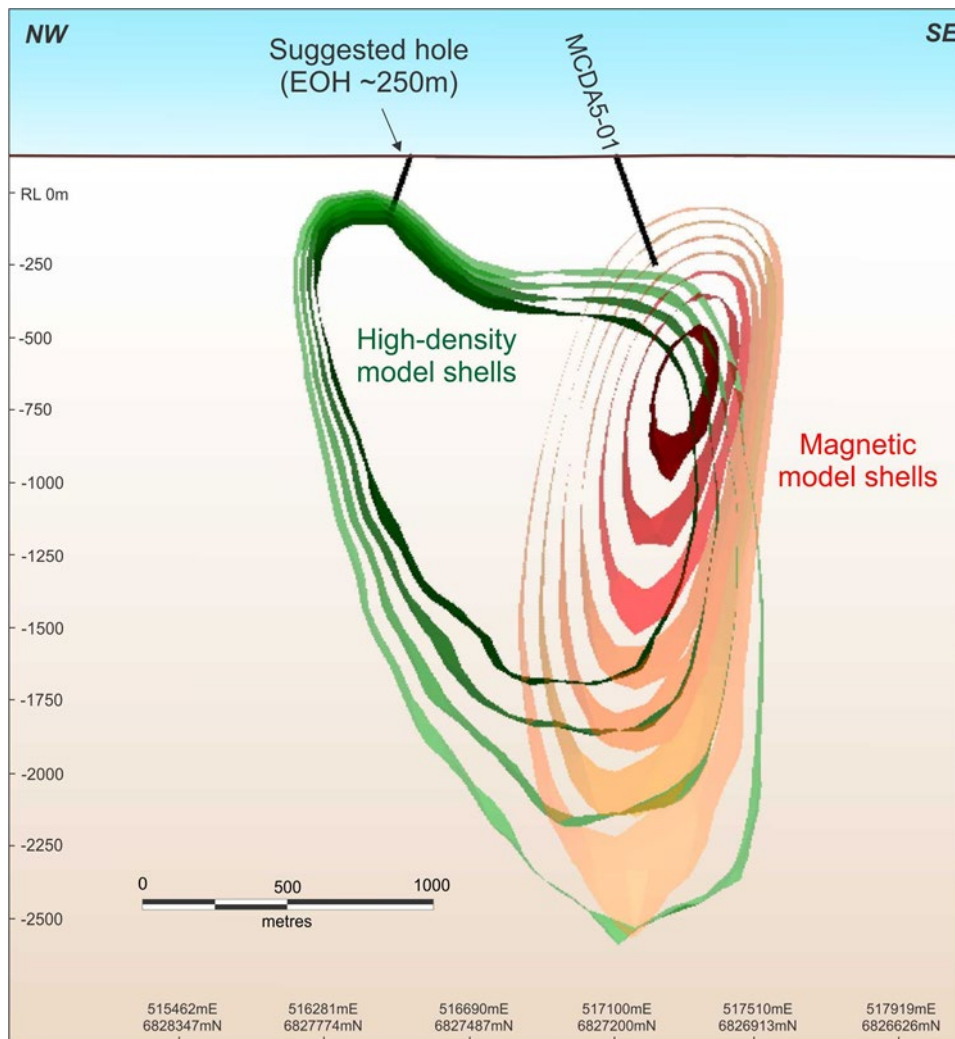


Figure 3: Cross-sectional view of the Area 5 Gravity and Magnetic body. Initial test hole (MCDA5-01) may have only clipped the edge of the target and follow up drilling is scheduled for the near term.

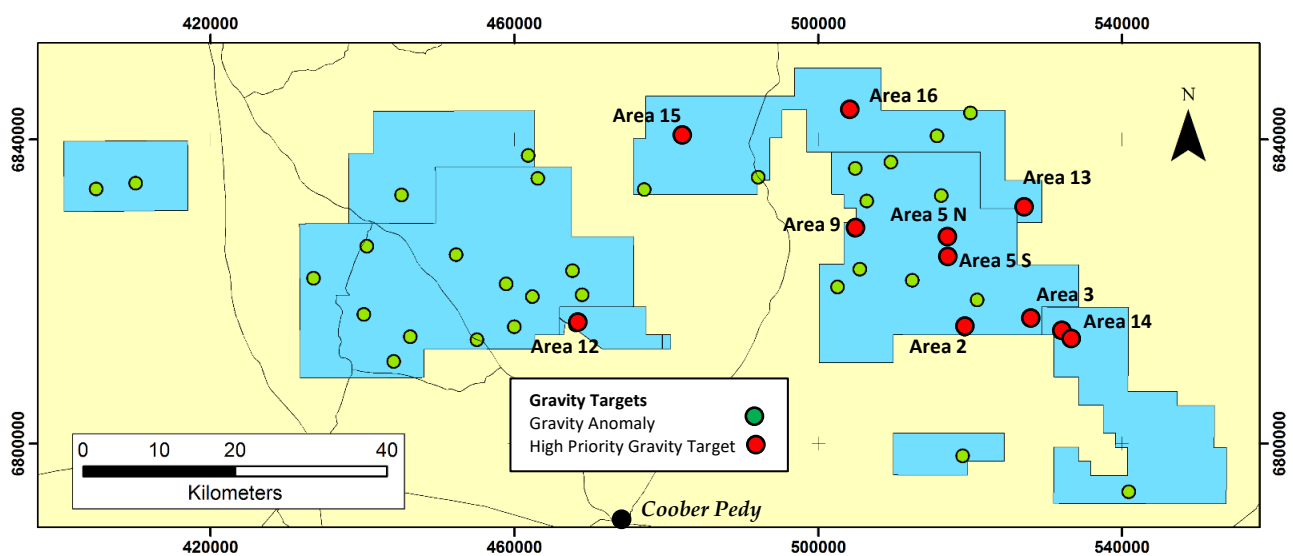


Figure 4: Petratherm's Mabel Creek Tenement Holdings and Gravity Target Locations

Comet (EL 6443) Project

The Comet Project Tenement (EL6443) is located within the northern Gawler Craton of South Australia, which hosts numerous significant, gold occurrences, including the Challenger gold deposit (recorded historical production of 1.1 million ounces at an average grade of 5.1g/t) (Figure 5).

The tenement includes the Comet Gold Prospect, where limited RC drilling identified a continuous zone of gold intersections, over at least 150 metres of strike, and remains open to the north, south and at depth (Figure 7). Best historical drill intercepts (not true width; refer to PTR ASX release 18/10/19 for historical drilling details) include:

- **CM023C** – 12m @ 1.0 g/t Au from 56m to then end of hole
- **CM030C** – 28m @ 0.4 g/t Au from 48m
- **RCCM1** – 16m @ 1.9 g/t Au from 28m and 8m @ 0.7 g/t Au from 48m
Inc. 2m @ 6.17 g/t Au from 30m
- **RCCM5** – 4m @ 3.75 g/t Au from 36m
Inc. 1m @ 6.97 g/t Au from 39m
- **RCCM7** – 12m @ 0.53 g/t Au from 72m
Inc. 1m @ 4.6 g/t Au from 82 m

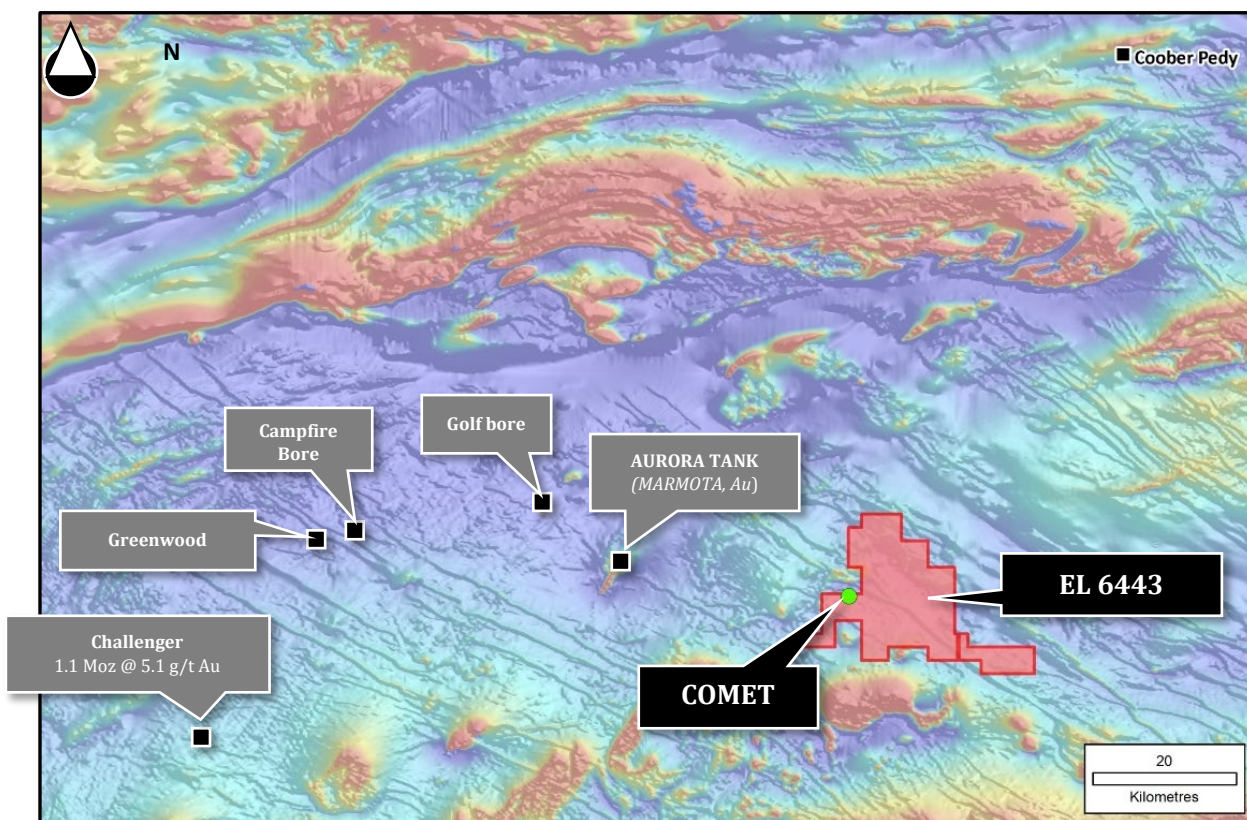


Figure 5: Location map of the tenement area, Comet Gold Prospect and proximal contained gold Resources overlying a regional reduced to pole aeromagnetic image (compiled from St. Aust. Government data).

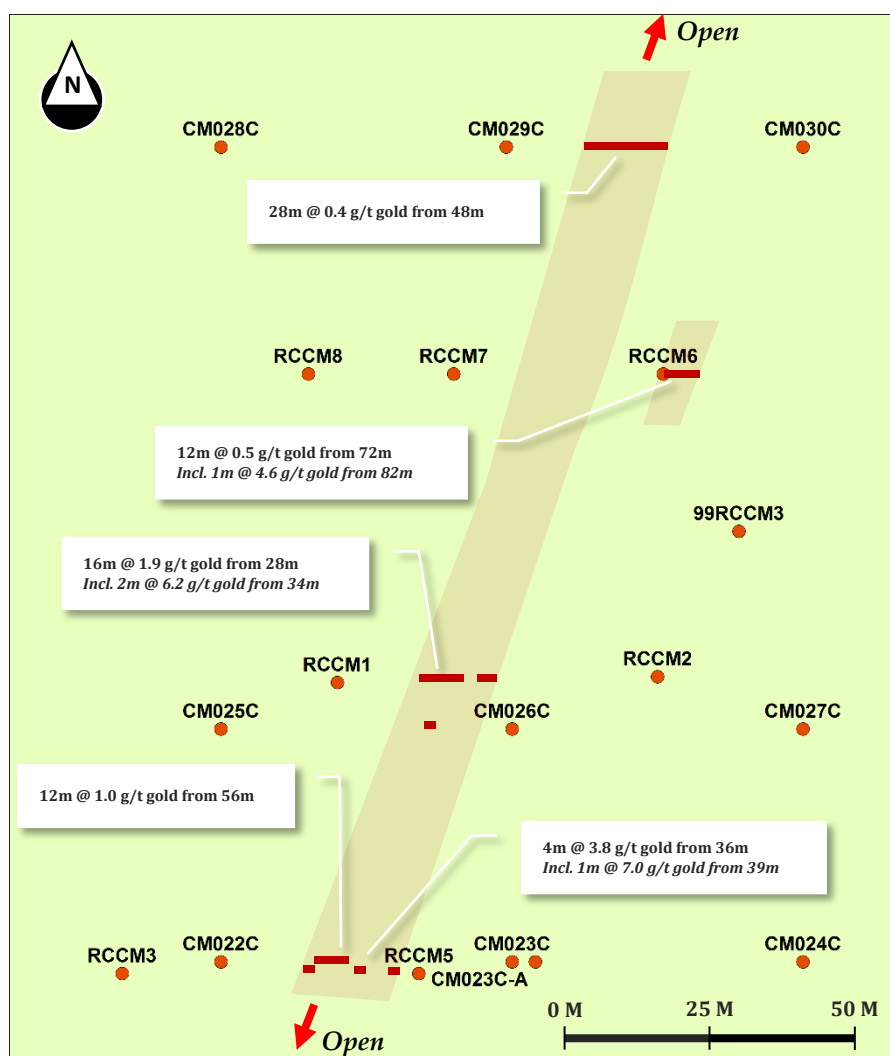


Figure 6: Comet Drill Collar Map. Historical anomalous gold intercepts (red lines) projected to surface. Gold intercepts occur over a strike length more than 150 metres and is open to the north, south and at depth.

Follow up drill testing of the Comet Prospect is a priority for the Company. The Company is also re-evaluating the broader tenement area which may have been prematurely down-graded based on ineffective historical surface soil geochemistry and will apply other exploration methods to target gold and other metals. This work will include some surface geochemical methods, where the cover-type is suitable, but will also target potential structural / magnetic target sites via reconnaissance based shallow RAB/Auger grid drilling to identify prospective mineralised zones. The Company is currently preparing to undertake a Native Heritage Survey, with ground exploration works to follow immediately after.

For further information, please contact:

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This ASX announcement has been approved by Petratherm's Board of Directors and authorised for release by Petratherm's Chairman Derek Carter

Competent Persons Statement: The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Peter Reid, who is a Competent Person, and a Member of the Australian Institute of Geoscientists. Mr Reid is not aware of any new information or data that materially affects the historical exploration results included in this report. Mr Reid is an employee of Petratherm Ltd. Mr Reid has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Reid consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.