

First MOU for Silica Sand Offtake Signed

ASX RELEASE

26th October 2020

ASX: PEC

CORPORATE DIRECTORY

Executive Chairman

Julian Babarczy

Managing Director

Robert Benussi

Non- Executive Director

Brett Grosvenor

Non- Executive Director &

Company Secretary

George Karafotias

Projects

Beharra Silica Sands Project,
Sargon,
Eneabba
Eneabba North

CONTACT DETAILS:

Suite 801,
Level 8
84 Pitt Street
Sydney NSW 2000

George Karafotias

Phone | +61 042 086 550

Robert Benussi

Phone | +61 410 415 335

Highlights

- *MOU for offtake signed with Shandong Yaoguo Solar Science & Technology Co. Ltd (“Yaoguo”)*
- *MOU with Yaoguo covers indicative interest to purchase 250,000 tonnes per annum of high-grade silica sand from Beharra*
- *Yaoguo is a significant purchaser of high-grade silica sand for use in the manufacture of high-quality glass and specialist glass products in China, with a specific focus on high end solar tubes and heating systems*
- *Initial MOU covers potential silica sand volumes for Yaoguo as well as the intention for Yaoguo to represent sales of Beharra high grade silica sands into China*
- *Discussions between Yaoguo and Perpetual are continuing regarding expansion of this initial MOU into a broader offtake and distribution arrangement*

Perpetual Resources Limited (ASX: PEC, “PEC” or “the Company”) is pleased to announce the signing of a Memorandum of Understanding (“MOU”) with Shandong Yaoguo Solar Science & Technology Co. Ltd (“Yaoguo”), with indicative interest from Yaoguo for the purchases of 250,000 tonnes per annum of high grade silica sand from Perpetual’s Beharra Project.

The MOU with Yaoguo covers indications of interest for Beharra sand for the purposes of Yaoguo's own use, as well as sales by Yaoguo, on behalf of Perpetual, to silica sand users in neighbouring regions of China (Yaoguo is headquartered in Shandong province). This MOU initiates what Perpetual anticipates being an expanded relationship with Yaoguo, with both parties now exploring a more comprehensive relationship that could open up a number of broader offtake and distribution arrangements for Perpetual silica sand products into China. More information will be provided on these potential additional arrangements once further discussions are completed.

PEC's Managing Director, Mr Robert Benussi commented on the MOU, *"We have continually said that the market for high quality silica sands in the Asian region is strong, with an even stronger expected outlook due to the restraint on traditional supply sources and the consistent growth in annual demand. We are proud to have concluded this initial MOU with Yaoguo, which is a successful Chinese end user of high-quality silica sand that they utilise in the manufacture of their high-end glass products and solar tubes. This MOU and our ongoing discussions with Yaoguo seek to explore a range of sales arrangements with Yaoguo that could greatly benefit both parties. We thank Mr. Hu, the Managing Director of Yaoguo for his assistance in formulating and executing this agreement and for our ongoing discussions"*.

Mr. Hu, of Yaoguo stated, *"We are extremely excited to be working with Perpetual, who we believe is likely to be strong source of high-quality silica sand in the future. We see many potential synergies between our respective operations and look forward to exploring a deeper relationship over time"*.

Key details of the signed MOU are detailed below.

- Contemplates the purchase of 250,000 tonnes per annum of high-grade silica sand from the Beharra Project
- Parties agree to negotiate the terms of a legally binding Offtake Agreement, which will contain specific terms in respect of pricing and payment structure, by no later than 30th June 2021
- MOU is binding on both parties, although non-exclusive until such time as a definitive offtake agreement is entered into

Negotiations around product pricing and payment terms are underway, with more definitive pricing discussions subject to the outcomes of the current metallurgical work program that Perpetual is undertaking as part of the Beharra PFS. Interim results from this metallurgical work program are expected in coming weeks, with end product samples due in November. Once the final product specifications from the Beharra high grade silica sand project are confirmed, pricing discussions with Yaoguo will commence in earnest.

Perpetual looks forward to updating shareholders as discussions develop.

About Shandong Yaoguo Solar Science & Technology Co. Ltd

Shandong Yaoguo Solar Science and Technology Co. Ltd. (“Yaoguo”) was founded in 2009 and is headquartered in Tengzhou City, Shandong Province, and employs 360 staff. Yaoguo has built a vertically integrated business, spanning research & development, production, wholesaling, and retailing. Yaoguo is also an installer of solar products and accessories and wind power equipment, and a wholesaler and retailer of solar energy photovoltaic products.

Yaoguo’s factories have installed capacity for 26,000 tons per annum of solar high borosilicate tubes; 12 million solar vacuum collector tubes, and 100,000 solar water heaters per annum. The company has established branches and/or offices in Beijing city, Hunan province, Hubei province, Henan province, and Shanxi Province.

Yaoguo is a significant purchaser of high-grade silica sand and raw quartz rock which it utilises in the manufacture of its various product streams including solar and vacuum collector tubes.



Yaoguo’s borosilicate glass tube manufacturing facility (above)



Yaoguo's solar vacuum heat collection tube facility (above)



Yaoguo finished borosilicate glass tubes (above)

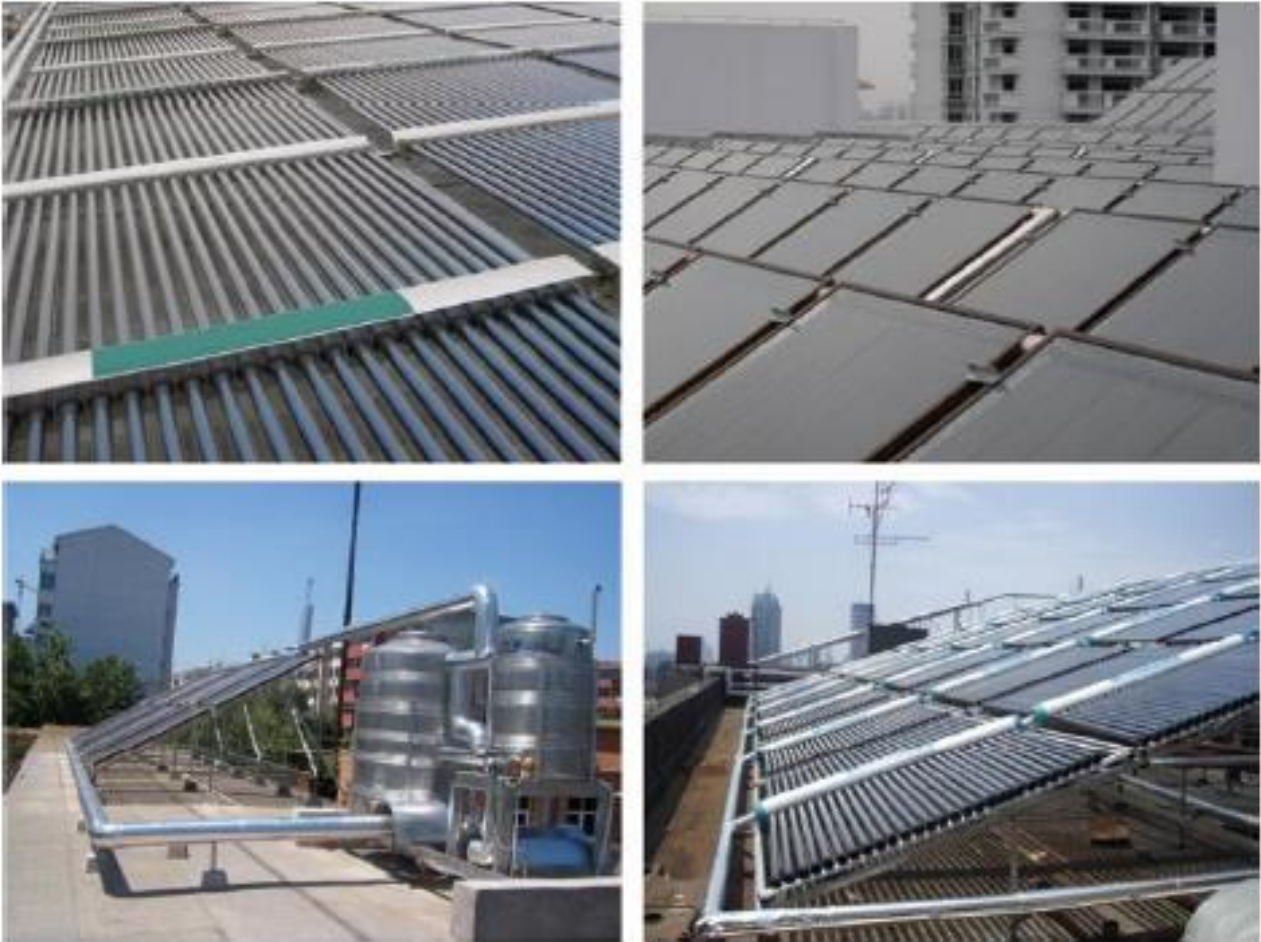


Yaoguo vacuum tubes (above)



Yaoguo solar high temperature power generation collection tube (above)

In addition to the design and manufacture of various solar heating and vacuum tubes, Yaoguo also designs, develops and installs civil and commercial solar heating units, which utilise Yaoguo's various heat collection glass and vacuum tubes, which Yaoguo installs at various civil and commercial project sites which enables energy saving as well as the environmental benefits that flow from renewable energy projects.



Various installations of solar heating units utilising solar and vacuum heat collection tubes

About Perpetual Resources Limited

Perpetual Resources Limited (Perpetual) is a focussed explorer of silica sands, aiming to produce high purity silica and construction sands for domestic and international markets.

Perpetual's flagship asset, the Beharra Project is located 300km north of Perth and is 96km south of the port town of Geraldton in Western Australia. Access to the Project from Geraldton (to the north) and Perth (to the South) is via the sealed Brand Highway, thence the Mt Adams unsealed road providing access to the centre of the tenure.



Mt Adams Road (above) & Proximal Rail (below)



Rail is about 10km from the Beharra Project and accessible via the Mt Adams Road, with the rail line potentially providing access directly to the Port of Geraldton. Rail distance from the road access point adjacent to the Beharra Project is approximately 91km. The port of Geraldton is utilised as a bulk materials handling facility and is currently utilised for the export of bulk materials, minerals and concentrates. Grains, copper concentrates, zinc concentrates, nickel concentrates, mineral sands, talc, and iron ore are currently being exported from the port. Extensive heavy mineral sands mining occurs to the south of the Project area, lime sands mining to the west and natural gas production to the south of the Project.

The Beharra Project comprises of a single exploration licence, E70/5221, covering an effective land area of 56.8km². Auger and air core drilling has confirmed the presence of extensive, high purity silica sands, with a maiden Mineral Resource Estimate completed in July 2020. A detailed Pre-Feasibility Study for Beharra is now underway with delivery expected in January 2021.

Silica Sands Market

Silica sands have an extensive range of uses including lower purity and grade applications such as construction sand, proppant sand used in well fracturing, and foundry sand. With increasing purity (>99.5% SiO₂) uses includes glass making including clear glass and related products. Uses for purity >99.8% includes semi-conductor fillers, LCD screens, and optical glass.

This announcement has been approved for release by the Board of Perpetual.

-ENDS-

For enquiries regarding this release please contact:

Mr George Karafotias

Company Secretary

Ph +61 421 086 550