

Grace Geophysics Programs Completed

Highlights

- Numerous high-quality targets identified across a range of geological and structural settings
- Targets show similarities to nearby major gold deposits in the Paterson Province
- Significant untested possible basement conductivity target identified
- Plan of Works (POW) application submitted for drilling to commence in Q2
- Field programs to commence on site as soon as weather permits
- Paterson Resources well funded to complete extensive drilling program

Grace Project – Paterson Province, Western Australia

Recently completed gradient array induced polarisation (GAIP) and VTEM helicopter-borne electromagnetic survey data sets have been processed by experienced geophysical consultancy Resource Potentials Pty Ltd. Detailed data integration, interpretation and drill planning is ongoing. However, numerous geophysical targets and subsurface geological structures have been identified in a range of geological and structural settings, including:

- Identification of several major structurally sheared corridors with folds and late faults which may control gold mineralisation within the project area
- Untested extensions of GAIP conductivity and chargeability anomaly trends correlated to shear zones hosting known gold and copper mineralisation at the Grace-Bemm prospect
- Possible bedrock conductor identified in VTEM survey data located along a folded structural zone, which is proximal to an untested deep magnetic anomaly source and Au anomalism in shallow drilling
- Identification additional VTEM conductivity anomalies sitting over magnetic anomalies

Deep RC drilling is proposed for Q2 to test each of the target types identified above to identify the primary source of gold and copper mineralisation within the Grace project. Shallower RC drilling will focus on the extensions on the shear zones hosting known gold mineralisation along strike.

GAIP Survey

A detailed review of the GAIP survey acquired in Q4 2020 has identified that GAIP conductivity anomalies are well correlated with the know NW-SE orientated shear zone hosting gold mineralisation at Grace-Bemm, and that there are likely extensions of the shear along strike, where IP anomaly trends have been missed by existing drilling or correlate to Au anomalism

in shallow historical drilling (Figure 1). In addition a large dilatational zone was identified with folded stratigraphy between these major structural corridors. A conductive unit was identified along the contact between the IP anomalies and the magnetic high. Gold mineralisation is often found within these structures as they allow hydrothermal fluids to move through the host rocks depositing gold when conditions are suitable. Limited drilling to date has intersected high grade near surface mineralisation along these shears and along the dilatational zone.

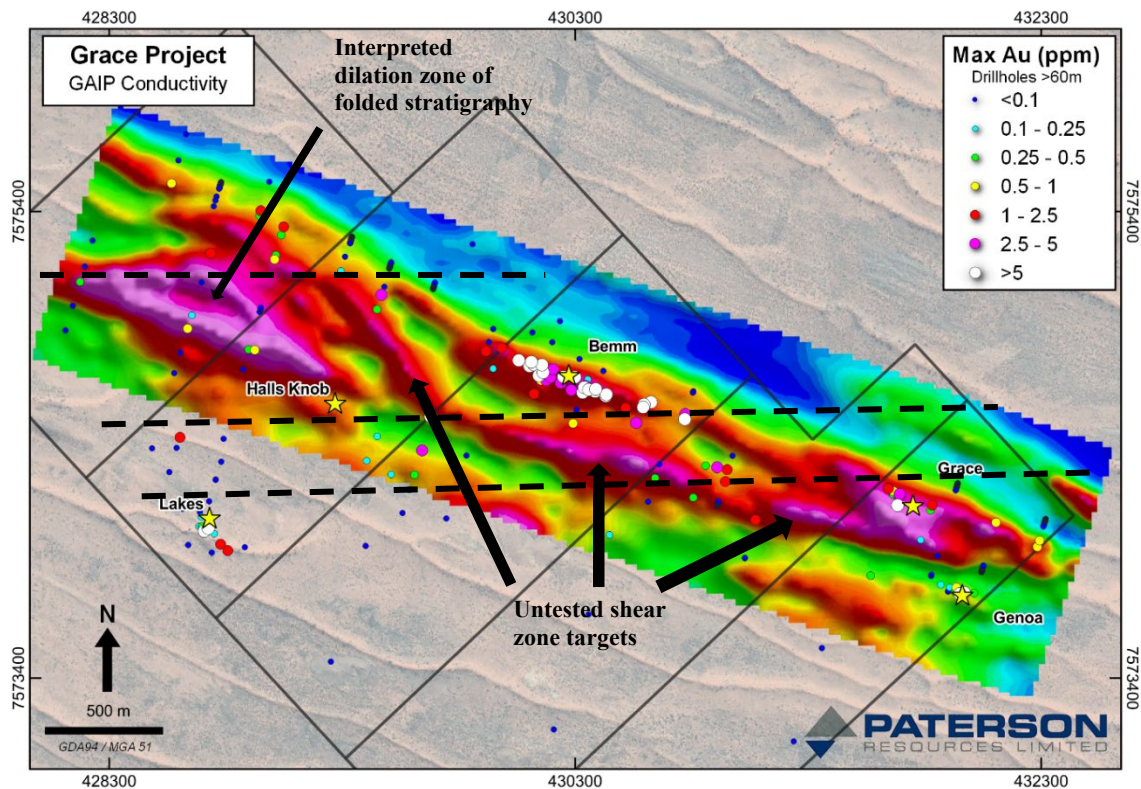


Figure 1: Image showing gridded GAIP conductivity data acquired at the Grace Project, along with maximum downhole gold assay values projected to surface for drillholes having a maximum downhole depth greater than 60m in order to enhance local structural trends, and exclude Au anomalism in shallower drilling that could be related to more oxide style mineralisation. This map highlights GAIP conductivity anomaly trends correlating to known gold mineralised shear zones at both the Grace and Bemm prospects, which is likely due to increased deep weathering along these shear zones. The map is also highlighting conductivity anomaly trends yet to be tested by drilling.

VTEM Survey Results

A review of the VTEM conductor anomalies overlain with airborne magnetic anomaly data highlighted several large untested conductive anomalies, some with anomalous gold mineralisation and brecciation in nearby drill holes.

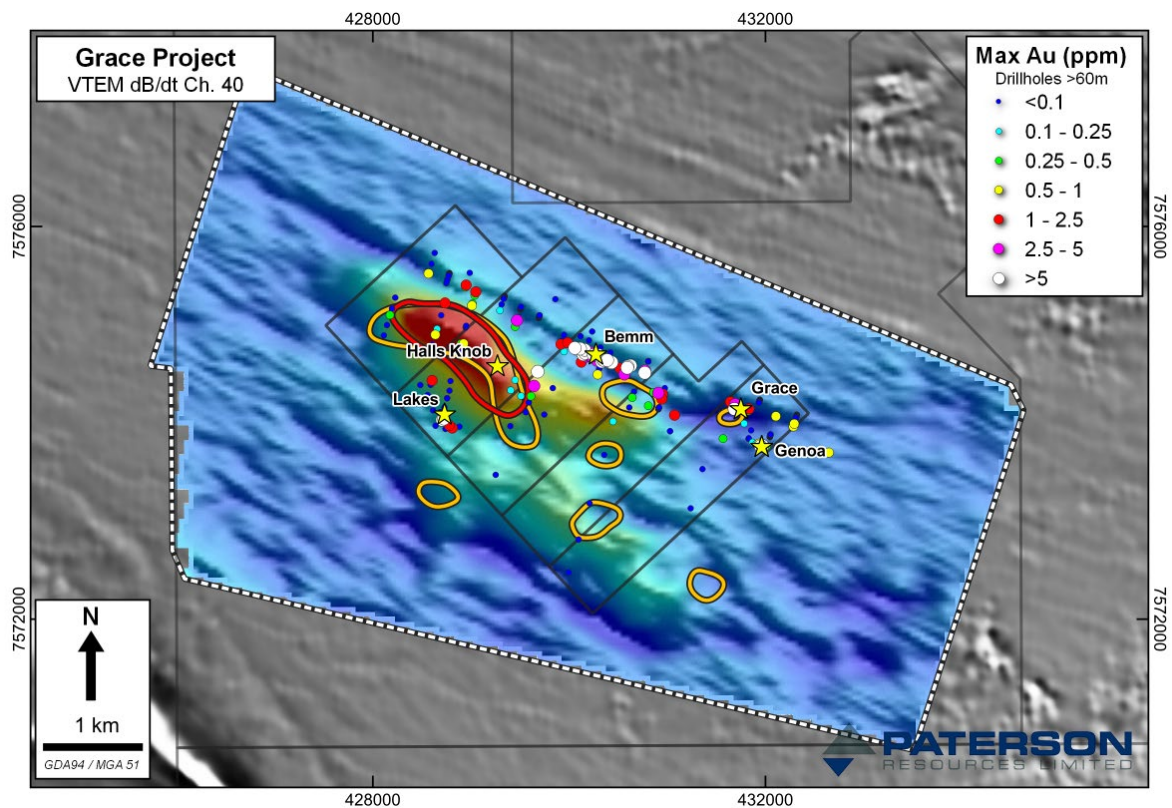


Figure 2: Image showing gridded late-time VTEM dB/dt Z component receiver data at the Grace Project, along with maximum downhole gold assay values projected to surface from drill holes with maximum depth greater than 60 m, and preliminary VTEM anomaly outlines.. Mid-time and late-time VTEM anomalies are shown by orange and red polygons, respectively. These mid-to-late time VTEM anomalies could potentially represent bedrock conductors or deeper weathering above mineralised features/structures. Further analysis of the VTEM survey data is required to model the depth, orientation and conductance of the VTEM anomalies.

Magnetic Anomalies

Review of the VTEM anomalies overlain with the regional magnetic data highlighted numerous large untested targets some with anomalous gold mineralisation and brecciation in nearby drill holes. There is a strong correlation between the mid to late time VTEM anomalies and the magnetic anomalies (figure 3). The target to the NW of the Halls Knob prospect has a conductive plate from the IP anomaly as well as coincident VTEM mid to late time anomalies and is planned for drill testing in Q2. The three southern coincident VTEM and Magnetic anomalies are also planned to be drill tested in Q2.

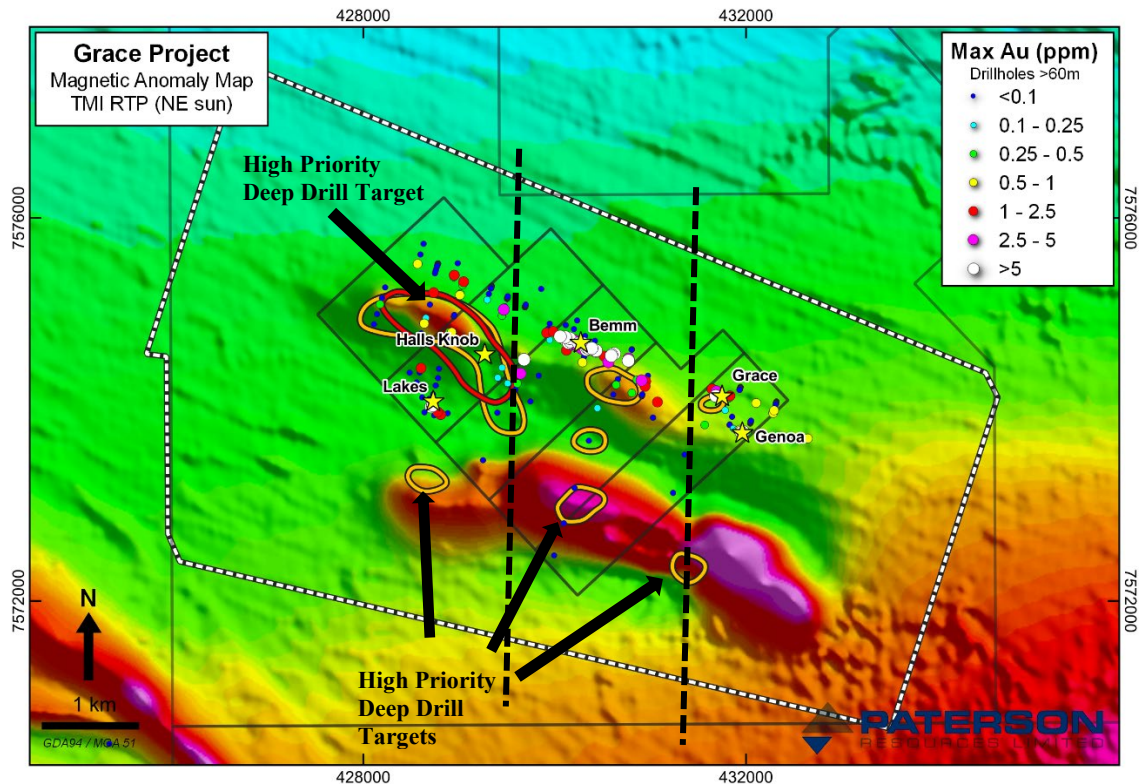


Figure 3: Image showing gridded total magnetic intensity data at the Grace Project, along with maximum downhole gold assay values projected to surface from drill holes with maximum depth greater than 60 m, and preliminary VTEM conductivity anomaly outlines. The VTEM survey outline is shown by the dashed white line. Mid-time and late-time VTEM conductor anomalies are shown by orange and red outlines, respectively.

EIS Drilling Target

Together with the upcoming RC drilling program Paterson Resources will complete a drill hole to a depth of 900m which is co-funded with a \$200,000 grant from the Government of Western Australia. The hole will test a large magnetic anomaly below a broad zone of anomalous gold mineralisation. The magnetic target is approximately 2.5km in length and located to the south east of the current drilling. No drilling to that depth has previously been undertaken however recent exploration in the Paterson Province has shown a majority of the major discoveries occur at depth including the recent Haverson Discovery by Greatland Gold. Figure 3 shows the location on the hole in relation to historic drilling and the magnetic target.

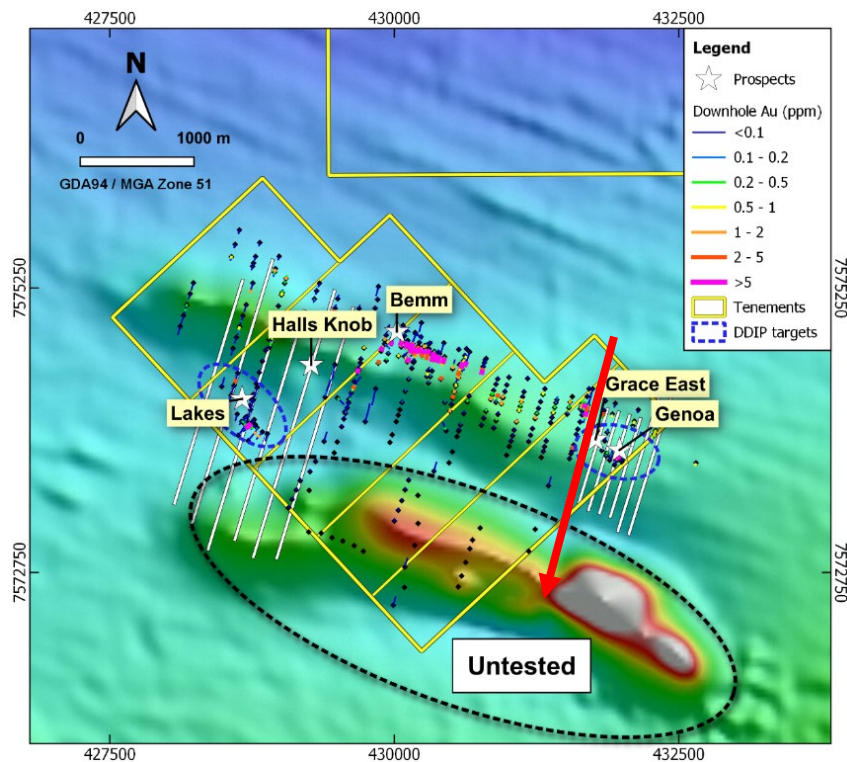


Figure 3. Magnetic intensity map covering the Grace and Bemm Shear zone trend, showing a large untested magnetic anomaly and the proposed drill hole.

About the Grace Project

The Grace Project area is located approximately 25 km southeast of the Telfer Gold Mine and consists of a sub-greenschist facies regional stratigraphic sequence of quartz rich sandstones and interbedded siltstone/dolomite units of the Malu and Isdell Formations. Hydrothermal breccia's cut the layered stratigraphy and gold mineralisation is associated with quartz-dolomite-pyrite veins and hydrothermal breccias.

The Grace deposit has been drilled along 450-500 metres of strike and 90m across strike to an average depth of 73.4m. High grade shallow oxide gold mineralisation commences from surface and in general transported cover. The historic drilling has allowed the calculation of an inferred mineral resource of 1.59mt @ 1.35g/t Au for 69,000 ozs (*PSL ASX Announcement 22 May 2020 – Entitlement Issue Prospectus).

The Grace Project is located in the highly prospective Paterson Province which is currently experiencing a significant uplift in exploration follow recent discovery of the Winu Cu-Au deposit by Rio Tinto and discovery of a large and continuous deep Au-Cu mineralised system below Havieron by Newcrest Mining Limited and Greatland Gold PLC (Figure 4).

** PSL confirms that it is not aware of any new information or data that materially affects the information included in the previous market announcement and, in the case of estimates of mineral resources, that all material assumptions and technical parameters underpinning the estimates in the previous market announcement continue to apply and have not materially changed.*

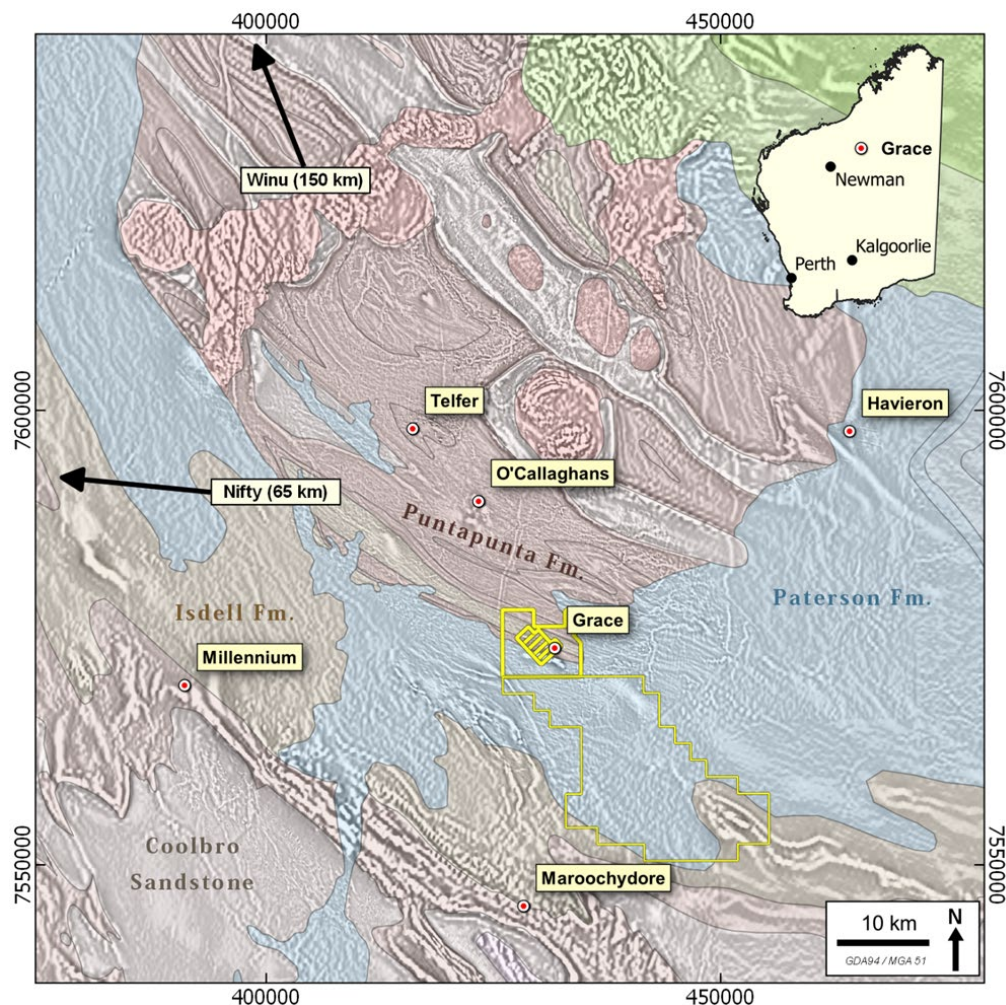


Figure 4. Grace Project location and Paterson Resources tenements (yellow outline) showing nearby copper-gold deposits over an image of Paterson Province geology draped over a magnetic anomaly image.

For further information, please visit www.patersonresources.com.au or contact the Company on +61 (8) 6559 1792.

For and on behalf of the Board
 Sarah Smith
 Company Secretary

This announcement has been authorised for release to ASX by the Board of Paterson Resources Limited.

COMPETENT PERSON'S STATEMENT:

The information in this announcement that relates to exploration results is based on and fairly represents information reviewed or compiled by Mr Matt Bull, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Bull is a Director of Paterson Resources Limited. Mr Bull has sufficient experience that is relevant to the styles of mineralisation and types 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 Bull has provided his prior written consent to the inclusion in this announcement of the matters based on information in the form and context in which it appears.

Disclaimer

Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which Paterson operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside Paterson Resources (PSL) control.

The Company does not undertake any obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions or conclusions contained in this announcement. To the maximum extent permitted by law, none of PSL, its Directors, employees, advisors or agents, nor any other person, accepts any liability for any loss arising from the use of the information contained in this announcement.

You are cautioned not to place undue reliance on any forward-looking statement. The forward-looking statements in this announcement reflect views held only as at the date of this announcement. This announcement is not an offer, invitation or recommendation to subscribe for, or purchase securities by PSL. Nor does this announcement constitute investment or financial product advice (nor tax, accounting or legal advice) and is not intended to be used for the basis of making an investment decision. Investors should obtain their own advice before making any investment decision.