

1 June 2020

## Entitlement Offer – Letter to Eligible Shareholders

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Dear Shareholder

We write to you as the holder of Paterson Resources Limited (ASX: PSL) (**Paterson** or the **Company**) shares with a registered address in Australia, New Zealand or the United Kingdom as at today's date. As advised in the Company's ASX announcement dated 22 May 2020, Paterson is undertaking a non-renounceable pro-rata entitlement offer to eligible shareholders of ordinary fully paid shares in the Company at an issue price of \$0.001 per share and on the basis of 1 (one) new share (**New Share**) for every share held at the record date on 27 May 2020 (**Record Date**), to raise up to approximately \$1.93 million (before costs) (**Entitlement Offer**).

A prospectus in relation to the Entitlement Offer was lodged by Paterson with ASIC and ASX on 22 May 2020 (**Prospectus**). A copy of the Prospectus (along with information with respect to applying for your entitlement under the Entitlement Offer including your personalised Entitlement and Acceptance Form) is accessible at: <https://patersonresourcesoffer.thereachagency.com>. Hard copies of the Prospectus are also available upon request to Paterson's share registry, Computershare, on 1300 850 505 (within Australia) +61 3 9415 4000 (outside Australia).

Unless otherwise defined, capitalised terms used in this letter have the meaning given in the Prospectus.

### Purpose of the Entitlement Offer

Subject to the satisfactory completion of the Entitlement Offer, funds will be primarily used for exploration activities on the Company's Western Australian projects, and the Burruga Project in New South Wales, interest payments on the convertible notes, as well as for costs of the Entitlement Offer and general working capital.

The Entitlement Offer is available to all Paterson shareholders (**Shareholders**) registered on the Record Date whose registered address is in Australia, or subject to certain restrictions described in Section 1.17 of the Prospectus, New Zealand and the United Kingdom (**Eligible Shareholders**). The Entitlement Offer is not being extended to any Shareholders with addresses outside these jurisdictions.

Investors should note that Paterson is an early stage mineral exploration company, and that any investment made in it should be considered highly speculative. An investment in Paterson is subject to risks, including risks specific to Paterson (such as those associated with mining and exploration and its current suspension from official quotation on ASX) and general risks (such as those associated with the share market, government regulation and the economy in general). Detailed information about these risks is set out in Section 4 of the Prospectus, which I encourage you to read carefully in its entirety. Investors should also note that the Paterson shares are currently not trading on the ASX. Whilst there is no firm date for Paterson shares to commence trading on the ASX, the Company has received confirmation from the ASX that it sees no reason why the Company's shares ought not be reinstated to official quotation upon the satisfaction of certain conditions, as disclosed in Section 7.4 of the Prospectus.

### Key features of the Entitlement Offer

- The Entitlement Offer is on the basis of one (1) Paterson share for every one (1) Paterson share held as at the record date of 27 May 2020 (**Record Date**).

- **Eligible Shareholders** are shareholders of the Company with a registered address as at the Record Date in Australia, or subject to certain restrictions described in Section 1.17 of the Prospectus, New Zealand or the United Kingdom.
- Up to 1,930,248,656 Paterson shares to be issued at an offer price of \$0.001 each to raise up to \$1,930,249 (before costs).
- Non-renounceable and is available to all Eligible Shareholders registered on the Record Date.
- Applications and payment of funds must be received by the Company on or before 11 June 2020 (subject to variation in accordance with applicable laws and regulations), and unless the Offer is extended by the Company.
- New Paterson shares issued under the Entitlement Offer will be fully paid and rank equally with all existing Company shares on issue.

#### Key Dates for the Entitlement Offer

Indicative timetable	
Lodgement of Prospectus with ASIC and ASX Lodgement of Appendix 3B with ASX	22 May 2020
Ex date	26 May 2020
Record Date for determining Entitlements	27 May 2020
Prospectus and Application Form dispatched to Eligible Shareholders Opening Date	1 June 2020
Last day to extend Closing Date	5 June 2020
Closing Date (5pm WST)	11 June 2020
Announcement of results of Entitlement Offer	16 June 2020
Issue date of new Shares Lodgement of Appendix 2A with ASX	18 June 2020

#### Dates may change

The Company reserves the right to vary any and all of the above dates without notice, subject to the Corporations Act, Listing Rules and other applicable laws. In particular, the Company reserves the right to extend the Closing Date without prior notice, which may have a consequential effect on the other dates.

The date for reinstatement of the Company's Shares to Official Quotation is dependent on, amongst other things, ASX approval, which is largely outside of the control of the Company. The date for reinstatement of the Company's Shares to Official Quotation is also dependent on the timing of the issue of the Shortfall Shares.

The Company also reserves the right not to proceed with any or all of the Offers at any time before the issue of Shares to Applicants. If an Offer is cancelled or withdrawn before settlement, all Application Monies provided under

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that Offer will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

## Capital Structure

Capital structure	
Securities currently on issue	
Shares <sup>1</sup>	1,930,248,656
Options <sup>2</sup>	48,926,578
Convertible Notes <sup>3</sup>	150,000
Maximum Securities on issue on completion of the Offers	
Shares <sup>1</sup>	4,010,497,312
Options <sup>2</sup>	48,926,578
Convertible Notes <sup>3</sup>	Nil

### Notes:

1. The figures shown above assume the Offers are fully subscribed, that no Options are exercised and that all Convertible Notes are converted under the Noteholder Offer.
2. Refer to Section 7.1 of the Prospectus for a summary of the terms and conditions of the Shares.
3. Refer to Section 7.2 of the Prospectus for a summary of the terms and conditions of the Options.
4. Refer to Section 7.3 of the Prospectus for a summary of the terms and conditions of the Convertible Notes.
5. The Company has agreed to issue 20,000,000 Options to the Lead Manager for partial consideration of its services in connection with the Offers, subject to the receipt of prior Shareholder approval. Refer to Section 5.3 of the Prospectus for additional information.

## Proposed Use of Funds

Source of funds	\$
Funds currently available	\$35,988
Maximum funds to be raised under the Offers	\$1,930,249
<b>TOTAL</b>	<b>\$1,966,237</b>

Allocation of funds	\$	%
Exploration activities on the Grace Gold-Copper Project	\$1,213,119	62%
Exploration activities on the Pilbara and Murchison Western Australian Gold and Base Metal Projects	\$50,000	3%
Exploration activities on the Burranga Copper-Gold Project in New South Wales	\$130,000	7%
Interest payments on Convertible Notes <sup>1</sup>	\$17,607	1%
Corporate administration, management and working capital <sup>2</sup>	\$410,700	21%
Costs of the Offers	\$144,811	7%
<b>TOTAL</b>	<b>\$1,966,237</b>	<b>100%</b>

**Notes:**

1. Assumes the Convertible Notes are converted into Shares on the maturity date and the interest is settled in full by a cash payment. If the Convertible Notes are converted earlier (such that less interest is payable), or the interest is settled by an issue of Shares (again, such that less interest is payable in cash), the Company intends to reallocate this expenditure towards its exploration activities.
2. Working capital includes but is not limited to corporate administration and operating costs and may be applied to additional directors' fees or executive fees, ASX and share registry fees, legal, tax and audit fees, insurance and travel costs.
3. The above table assumes the maximum amount offered under the Offers is raised. In the event that a lesser amount is raised, the Company intends to reduce the scope of its anticipated exploration programmes focusing on projects which in the Company's opinion have the greatest value in the short term.
4. Refer to Section 7.10 of the Prospectus for information regarding the expenses of the Offers.

**Actions required by Eligible Shareholders**

The number of new Paterson shares to which Eligible Shareholders are entitled (your **Entitlement**) is shown on the Entitlement and Acceptance Form that accompanies the Prospectus by entering your personal details (which are set out at the top of this letter and on the **enclosed** holding statement) at the following link: <https://patersonresourcesoffer.thereachagency.com>.

As an Eligible Shareholder, you may:

- take up all of your Entitlement (refer to Section 2.2 of the Prospectus);
- take up part of your Entitlement (refer to Section 2.3 of the Prospectus);

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- if you take up all of your Entitlement, you may also apply for Shortfall Shares under the Shortfall Offer (refer to Section 2.4 of the Prospectus); or
- allow all or part of your Entitlement to lapse (refer to Section 2.5 of the Prospectus).

As noted above, you may request a hard copy of the Prospectus (and corresponding Entitlement and Acceptance Form) by contacting Computershare on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

If you choose to participate in the Entitlement Offer, please ensure your application money for the Entitlement you wish to take up is received by Paterson by no later than 5.00pm (WST) on 11 June 2020. Applicants are encouraged to pay by BPAY. You will be treated as applying for as many Shares as your payment will pay for in full. Should you wish to accept your Entitlement in full and you are not paying by BPAY, then Applications for Shares under the Prospectus must be made on the Application Form which accompanies the Prospectus in accordance with the instructions referred to in the Prospectus and on the Application Form. Please read the instructions carefully.

### **Shortfall Offer**

If you wish to apply for Shares in excess of your Entitlement by applying for Shortfall Shares you may do so by completing the relevant separate section of the Application Form relating to the Shortfall Offer and which accompanies the Prospectus, in accordance with the instructions referred to in the Prospectus and on the Application Form.

Any Shares applied for in excess of your Entitlement will be applied for under the Shortfall Offer and will be issued in accordance with the allocation policy described in Section 1.2 of the Prospectus.

Please note that if you pay by BPAY you are taken to have applied for such number of Shortfall Shares in respect of such whole number of Shares that is covered in full by the funds transferred, less your full Entitlement.

If you have any queries about the Entitlement Offer, please contact Computershare on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

Yours sincerely



Nick Johansen  
**Non-Executive Chairman**  
**Paterson Resources Limited**