

22 September 2020



PSL
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Share Purchase Plan – Letter to Eligible Shareholders

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 7pm (AEST) on 11 September 2020 (**Record Date**). As advised in the Company's ASX announcement dated 14 September 2020, Paterson is undertaking a share purchase plan offer to provide Eligible Shareholders with the opportunity to subscribe for new Shares in the Company at an issue price of \$0.0035 per Share (**SPP Offer**). The Company is also proposing to issue one new Option for every one Share issued under the SPP Offer, subject to the receipt of Shareholder approval to be sought at the Company's Annual General Meeting. The SPP Offer provides Eligible Shareholders with the opportunity to subscribe for new Shares at the same issue price as the Placement completed on 18 September 2020. If you are an Eligible Shareholder, you can apply for up to a maximum of \$30,000 worth of new Shares.

A prospectus in relation to the SPP Offer was lodged by Paterson with ASIC and ASX on 18 September 2020 (**Prospectus**). A copy of the Prospectus (along with information with respect to applying for Shares and Quoted Options under the SPP Offer including your personalised Application Form) is accessible at: <https://patersonsppoffer.thereachagency.com/>. Hard copies of the Prospectus are also available upon request to Paterson's share registry, Computershare, on 1300 850 505 (within Australia) or +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 SPP Offer

Subject to the satisfactory completion of the SPP Offer, funds will be primarily used for:

- completion of geophysical surveys at the Grace Gold-Copper Project;
- exploration and resource definition drilling at the Grace Gold-Copper Project;
- deep exploration drilling of aeromagnetic targets on E45/4524 and E45/5130 within the Grace Gold-Copper Project;
- resource definition drilling of the Hackneys Creek Gold Prospects at the Burranga Copper-Gold Project;
- costs of the SPP Offer; and
- corporate administration and general working capital and management expenses.

The SPP Offer is available to all Paterson shareholders registered on the Record Date whose registered address is in Australia, or subject to certain restrictions described in Section 1.13 of the Prospectus, New Zealand and the United Kingdom (**Eligible Shareholders**). The SPP 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 general risks (such as those associated with the share market, government regulation and the economy in general). Detailed information about these risks is in Section 4 of the Prospectus, which I encourage you to read carefully in its entirety.

Key features of the SPP Offer

- The SPP Offer provides Eligible Shareholders with the opportunity to subscribe for new Shares in the Company up to a maximum of \$30,000 worth of new Shares at an issue price of \$0.0035 per share. The Company will issue one (1) free-attaching Quoted Option for every one (1) SPP Share subscribed for subject to and conditional on the receipt of Shareholder approval to be sought at the Company's Annual General Meeting.
- 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 1.13 of the Prospectus, New Zealand or the United Kingdom.
- It is presently intended that a maximum of \$1,500,000 will be raised under the SPP Offer (428,571,429 Shares). Applications will be scaled back on a pro-rata basis, if required. The Board presently intends that the SPP Offer will close after the maximum amount of \$1,500,000 has been raised, however the Company reserves the right to accept oversubscriptions.
- Up to 428,571,429 Paterson Shares to be issued at an offer price of \$0.0035 each to raise up to \$1,500,00 (before costs).
- Available to all Eligible Shareholders registered on the Record Date.
- Applications and payment of funds must be received by the Company on or before 9 October 2020 (subject to variation in accordance with applicable laws and regulations) (**Closing Date**), and unless the SPP Offer is extended by the Company.
- New Paterson shares issued under the SPP Offer will be fully paid and rank equally with all existing Company Shares on issue.

Key Dates for the SPP Offer

Indicative timetable	
Record Date for determining eligibility	11 September 2020
Announcement to ASX of Placement and SPP	14 September 2020
Lodgement of Prospectus with ASIC and ASX	18 September 2020
SPP Offer Letter dispatched to Eligible Shareholders Opening Date	22 September 2020
Closing Date (5pm WST)	9 October 2020
Issue date of SPP Shares Lodgement of Appendix 2A with ASX	20 October 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 Company also reserves the right not to proceed with the SPP Offer at any time before the issue of Shares to Applicants. If the SPP Offer is cancelled or withdrawn before settlement, all Application Monies provided under the offer will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.

You should note that the Company may elect to close the SPP Offer at any time, or extend the Closing Date. Accordingly, the Company encourages Shareholders to submit their applications as soon as practicable.

Capital Structure

Capital structure	
Securities currently on issue	
Shares ¹	4,003,354,455
Options ²	3,401,578
Convertible Notes ³	150,000
Maximum Securities on issue on completion of the Offers	
Shares ¹	4,431,925,884
Options ²	574,830,150
Convertible Notes ³	150,000

Notes:

- The figures shown above assume the SPP Offer and Placement Options Offer (as described in the Prospectus) are fully subscribed, that no oversubscriptions are accepted, that no Options are exercised and that no Convertible Notes are converted and that Shareholder approval is received at the Annual General Meeting for the issue of the Quoted Options pursuant to the SPP Offer and the Placement Options Offer.
- Refer to Section 5.1 of the Prospectus for a summary of the terms and conditions of the Shares.
- Unquoted Options exercisable at \$0.044 each on or before 1 October 2020.
- Convertible Notes with a face value of \$1 each, convertible into a maximum of 150,000,000 Shares. Although the holders of the Convertible Notes have committed to convert their Convertible Notes (rather than require them to be redeemed), such conversion may occur at any time before the maturity date of the Convertible Notes (8 January 2021).
- Assumes 142,857,143 Quoted Options are issued pursuant to the Placement Options Offer and 428,571,429 Quoted Options are issued pursuant to the SPP Offer. Refer to Section 5.2 of the Prospectus for the terms and conditions of the Quoted Options.
- In addition to the Securities noted in the above table, the Company proposes to issue the following Securities, in each case, subject to the receipt of prior Shareholder approval to be sought at the Annual General Meeting:
 - 20,000,000 Options to Baker Young (or its nominees) for partial consideration of its services in connection with the Company's entitlement offer completed in June 2020. The Options are intended to have an issue price of \$0.0035 each, exercisable at \$0.003 each on or before the date that is three years after the date of issue. Refer to Section 5.3 of the Company's prospectus dated 22 May 2020 for additional information.

- b. 100,000,000 Shares to Director, Matt Bull (or his nominee) at an issue price of \$0.001 each, being the offer price of the Company's recent entitlement offer completed in June 2020.
 - c. 40,000,000 Options to Director, Brian Thomas as part of his remuneration package following his appointment as Technical Director on 14 August 2020. The Options will be exercisable at \$0.003 each on or before the date which is 3 years from the date of issue.
7. In light of the number of Securities on issue, the Company may seek to undertake a consolidation in the near term, which may include seeking Shareholder approval at the Annual General Meeting.

Proposed Use of Funds

Source of funds	\$
Funds currently available	\$2,000,642
Maximum funds to be raised under the Offers	\$1,500,000
TOTAL	\$3,500,642

Allocation of funds	\$	%
Completion of geophysical surveys at the Grace Gold-Copper Project	\$200,000	6%
Exploration and resource definition drilling at the Grace Gold-Copper Project	\$850,000	24%
Deep exploration drilling of aeromagnetic targets on E45/4524 and E45/5130 within the Grace Gold-Copper Project	\$950,000	27%
Resource definition drilling of the Hackneys Creek & Lucky Draw Gold Prospects at the Burranga Copper-Gold Project	\$850,000	24%
Interest payments on Convertible Notes ¹	\$18,000	1%
Corporate administration, management and working capital ²	\$556,221	16%
Costs of the Offers	\$76,241	2%
TOTAL	\$3,500,642	100%

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 SPP Offer 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 6.11 of the Prospectus for information regarding the expenses of the SPP Offer.

Actions required by Eligible Shareholders

If you are an Eligible Shareholder, you can apply for up to a maximum of \$30,000 worth of SPP Shares. Eligible Shareholders can select one of the following alternatives:

Offer	Application amount	SPP Shares
A	\$2,000	571,429
B	\$5,000	1,428,571
C	\$10,000	2,857,143
D	\$15,000	4,285,714
E	\$30,000	8,571,429

You must pay the issue price per SPP Share (\$0.0035 each) and any fees or charges incurred by you in participating in the SPP Offer, for example, bank fees or fees of professional advisors. No commission is payable by the Company on the issue of the SPP Shares and no brokerage applies.

No fractions of SPP Shares will be issued.

Applications under the SPP Offer may only be made using the Application Form provided with the Prospectus or pay directly via BPay®, in accordance with the instructions on the Application Form and Prospectus. For full details of how to apply for new Shares under the Plan are set out in the Prospectus and Application Form which can be accessed at: <https://patersonsppoffer.thereachagency.com/>.

The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by or attached to a complete and unaltered copy of this Prospectus.

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

If you have any queries about the SPP 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

