

PELSART RESOURCES N. L.
A.C.N. 009 449 101
Ground Floor, 849 Wellington Street, West Perth, WA 6005

15 March 2024

Dear Shareholder

**SCHEME OF ARRANGEMENT FOR ACQUISITION OF MINORITY
SHAREHOLDING INTERESTS IN PELSART RESOURCES NL**

We write to inform you that your company Pelsart Resources N.L. (**Pelsart** or **Company**) has received a proposal from its major shareholder Sanfield Holdings Limited (**Sanfield**) for Sanfield to acquire all the remaining ordinary shares in Pelsart that Sanfield does not already own from Pelsart's shareholders at a cash price of A\$0.035 per Pelsart share, to be effected by means of a 'Scheme of Arrangement' (**Scheme**).

Your directors have considered the Scheme proposal and have determined that Pelsart enter into an agreement with Sanfield for the proposed implementation of the Scheme, known as a 'Scheme Implementation Deed' (**SID**).

Sanfield, a wholly owned subsidiary of Primecorp Enterprises Limited, currently has a 92.91% shareholding interest in Pelsart. The remaining ordinary shares in Pelsart (**Scheme Shares**) held by other shareholders of Pelsart comprise 7.09% of the total Pelsart shares.

Implementation of the Scheme will require, among other things, the approval of Pelsart's shareholders (other than Sanfield) and Court approval.

Pelsart shareholders other than Sanfield (**Shareholders**) will be given the opportunity to vote on the Scheme at a meeting of Shareholders (**Scheme Meeting**), which is currently proposed to occur in June 2024. If the Scheme is approved by the requisite majority of Shareholders and the Court:

- all of the Scheme Shares, and all the rights attaching to those Scheme Shares, will be transferred to Sanfield in consideration for the payment to Shareholders of a cash price of A\$0.035 per Scheme Share (**Scheme Consideration**); and
- Pelsart will become a wholly owned subsidiary of Sanfield.

Rationale for the proposed Scheme

As you will be aware, Pelsart, through its wholly owned subsidiary Pelsart International N.L., holds a 70% interest in PT Pelsart Tambang Kencana (**PTK**) as the Company's major asset. PTK is developing its gold and silver mine in Kalimantan, Indonesia.

As noted in the Company's soon to be released Annual Report, exploration and development of the potential mine has cost US\$65.1 million up to 31 December 2023 and is expected to cost an additional US\$202 million over the next three years in order to get a mine into production and cash flow positive. To date, Pelsart's share of these costs has been financed by loans provided

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by a minority shareholder of PTK (being a related party of Sanfield), as Pelsart has not had the financial resources to meet its 70% share of the commitment.

Sanfield has proposed the Scheme on the terms set out in the SID to effectively acquire the minority interests in Pelsart because Sanfield considers:

- the loans advanced to PTK by the related party of Sanfield will in due course need to convert to equity in either PTK or Pelsart (because the related party will expect equity returns for the financial risks it has taken); the conversion of these loans to equity, or repayment of these loans would most likely result in an increase in Sanfield's shareholding interest in Pelsart and a dilution of the interests of other Shareholders because:
 - in circumstances where Sanfield already has a shareholding interest of 92.91%, the most feasible (and possibly only) means of Pelsart raising sufficient equity capital to convert or repay the loans would be pursuant to a rights issue of Pelsart shares where the rights issue is underwritten and/or committed to by Sanfield in respect of its entitlement; but
 - inevitably, in any rights issue, not all shareholders of Pelsart will subscribe for their entitlements to the rights issue; and
- the Scheme Consideration offered to acquire the Scheme Shares presents an opportunity for Shareholders to realise certain cash value for their Pelsart shares.

Sanfield has proposed the Scheme Consideration payable to Shareholders based on a consideration of:

- the value of PTK's gold and silver projects, including the reserves and resources of the projects, and PTK's mine and operating plan; and
- consideration of Pelsart's financial position, including the financial position of Pelsart as at 31 December 2023.

Pelsart Board support

An independent committee of the Pelsart board, comprising James Chan and Richard Tan, has been established to consider the proposed Scheme. The independent Board committee presently considers that implementation of the Scheme is in the best interests of Shareholders and propose to recommend that Shareholders vote in favour of the Scheme, in the absence of any superior proposal and subject to an independent expert concluding (and continuing to conclude) that the Scheme is fair and reasonable and in the best interests of Shareholders.

Pelsart's other directors, Mr Sean Hughes and Dr Enk Ee Tan, who are also directors of Sanfield and are not "independent directors", decline to make a recommendation due to their interests in Sanfield.

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Overview of the SID

Pelsart and Sanfield have entered into the SID, which sets out the terms and conditions on which it is proposed and agreed the Scheme will be implemented and associated matters.

Implementation of the Scheme is subject to the satisfaction of certain approvals and conditions, including:

- the Company obtaining all required regulatory consents and approvals;
- no court or government agency issuing or taking steps to restrain or prohibit the implementation of any material aspect of the Scheme;
- an independent expert issuing an independent expert's report (**IER**) concluding that the Scheme is in the best interest of Pelsart's Shareholders;
- Pelsart Shareholder approval of the Scheme at the Scheme Meeting by the required majorities required under section 411(4)(a)(ii) of the Corporations Act;
- Court approval of the Scheme in accordance with section 411(b)(i) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations on either party (acting reasonably); and
- other customary conditions.

The SID contains customary exclusivity provisions including no-shop, no-talk and due diligence restrictions, with the no talk and due diligence provisions being subject to customary fiduciary carve-outs.

Full details of the SID and the Scheme will be set out in a notice of meeting and information booklet (**Scheme Booklet**) proposed to be provided to Shareholders for their consideration and approval of the Scheme.

Implementation of the Scheme will be subject to regulatory review of the Scheme Booklet by the Australian Securities & Investments Commission (**ASIC**) and Court approval.

Next steps

No action is required to be taken by Shareholders at this stage in relation to the proposed Scheme.

A Scheme Booklet containing information relating to the Scheme, the reason for the Pelsart board's recommendation, the IER and details of the Scheme Meeting is being prepared and is expected to be sent to Shareholders in May 2024, subject to ASIC review and Court approval.

Shareholders will then have the opportunity to vote on the Scheme at the Scheme Meeting, expected to be held in June 2024 and, if approved, the Scheme would be implemented shortly thereafter.

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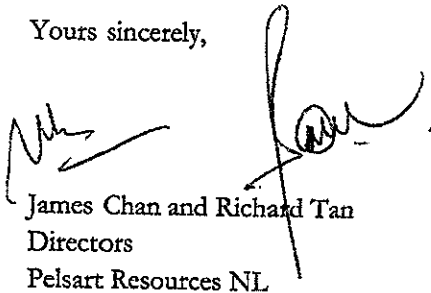
An indicative timetable for the Scheme is set out below - these dates are indicative only and subject to possible change:

Event	Proposed Date
Draft Scheme Booklet given to ASIC for review	29 April 2024
ASIC completes review of Scheme Booklet	13 May 2024
First Court hearing	17 May 2024
Despatch of Scheme Booklet to Pelsart Shareholders	21 May 2024
Scheme Meeting of Pelsart Shareholders	12 June 2024
Second Court hearing	14 June 2024
Scheme Effective date	18 June 2024
Record date to determine entitlements of Shareholders	21 June 2024
Implementation date	25 June 2024

We look forward to providing the Scheme Booklet to you for consideration at the Scheme Meeting.

Thank you for your continued support as a shareholder of Pelsart.

Yours sincerely,


James Chan and Richard Tan
Directors
Pelsart Resources NL