

Pegmont Mines Limited

ABN 97 003 331 682

24 May 2018

CHAIRMAN'S ADDRESS 22nd Annual General Meeting Pegmont Mines Limited

Ladies and Gentlemen,

Welcome to the 22nd Annual General Meeting of Pegmont Mines.

The past year has been another successful year for Pegmont and the current year will be a very important one and a year of transition for us. Our Canadian partner Vendetta continues to make good progress on the Pegmont project with the final option payment due in November.

Vendetta made a \$500,000 option payment in early March and commenced the 2018 field program at Pegmont earlier this month. The objectives of their 2018 program are:

1. To expand the high grade mineralisation at the Bridge Zone;
2. Develop a mineral resource around the high grade sulphide intersection in PVRDD156 drilled late in the 2017 program (36.1 metres @ 9.07% Pb, 3.04% Zn), interpreted as a previously unidentified fold structure in Zone 3;
3. Undertake further metallurgical drilling and test work on transition mineralisation; and
4. Exploration drilling on nearby lead-zinc targets.

The consultant who prepared their two previous Pegmont Mineral Resource Estimates has been retained to update the mineral resource estimate with the report due around the end of May. Vendetta also announced the exercise of common share purchase warrants for a total of \$C 5,000,000 to fund the 2018 exploration program and for general working capital.

The final preproduction payment of \$1,000,000 is due on 6 November, the option exercise date. A further \$3,000,000 will be received as a prepaid royalty upon transfer of the title.

As our financial position improved during 2017, we began to plan for the next stage of your company's development. Because of our commitment to and experience in North Queensland and its prospectivity for major base metal deposits, we decided to explore for Mount Isa style copper and gold deposits. We commissioned a highly regarded, experienced geologist, Mr Jacob Rebek, for ideas. He suggested that we look at an area to the west of Mount Isa, which has similar geology to the well explored Eastern Succession, but is under alluvial cover and therefore relatively underexplored.

Jacob identified several interesting prospects, which resulted in an application for an area, which we call the Templeton prospect. The area is 60 kilometres west of Mount Isa and has 96 sub-blocks or 248 square kilometres. The native title agreement between the Company and the Indjalandji-Dhidhanu Aboriginal Corporation was signed on 5 April. EPM 26647 (Templeton) was granted by the Mines Department on 10 May for an initial grant term of five years.

Geological setting in Templeton is similar to that in areas where copper mining has been undertaken, notably Mount Kelly and Lady Annie. Magnetic anomalies in the area are similar to those in Mount Kelly and Lady Annie.

The first year has started by reprocessing previous magnetic and radiometric data and applying 3D processing to generate drill target areas, which will be confirmed by field work and rock chip sampling for signs of hydrothermal alteration and mineralisation. Drilling is expected to be undertaken in late 2018. A detailed work program is being developed and will be discussed with the landholder shortly.

Our Managing Director Malcolm Mayger will provide more detail on Templeton following the conclusion of the formal part of the meeting.

Late in 2017 Chinova Resources Cloncurry Mines approached us with an offer for our New Hope project (ML 2487). On 5 January we signed an option agreement with Chinova for a non-refundable option fee of \$150,000, exercisable by 30 November 2018. If Chinova exercises the option we will receive consideration of \$725,000 less the \$150,000 payment. This deal makes sense for both parties because New Hope was a small project and Chinova holds all the surrounding ground.

At our Reefway Royalty Tenements (Pegmont 76.73% share) the owner CST Mining Group Limited is operating the tenements by acid leaching the existing copper oxide heaps at Mount Kelly. Total copper cathode sold since the commencement of operations to March 2018 was 49,281 tonnes. CST Mining has been granted a Mining Lease over the Anthill deposit within EPM 16244 (a Reefway Royalty Tenement.) The Anthill deposit has an in situ resource of 13.84Mt of 0.7% Cu oxide. The sulphide potential of the Royalty Tenements remains unexplored.

The Company's cash position has improved substantially as a result of the receipt of the Vendetta and Chinova payments and with careful expenditure control. As of today we have in excess of \$900,000 in the bank and we continue to hold costs to a minimum, but our exploration expenditure will pick up later in the year. We have an annual exploration budget for Templeton of \$200,000.

The net profit of \$30,421 for the year was a considerable improvement over the loss of \$123,955 in 2016. If we receive the option payments from Vendetta and Chinova later in the year, 2018 net profit and cash reserves will increase significantly.

Over the remainder of 2018 our primary focus will be on moving forward on the Templeton project. While we are open to the possibility of adding another project in the Mount Isa area should a very attractive opportunity arise, we are in no hurry to do so.

As outlined in our Annual Report, when and if the Vendetta option is ultimately exercised, your board will:

- Reward shareholders with an appropriate fully franked dividend.
- Consider ways to improve the liquidity for our shares, which could involve a placement to increase our shareholder spread followed by a transfer to the ASX. (Preliminary discussions with brokers have been positive.)
- Renew and strengthen management and the Board, and
- Be on the look out for other possible alternatives to improve the value of your Company.

Your Company is now in a considerably stronger position than it has been for some time, and we look forward to the future with increasing confidence.

We thank our Shareholders for their continuing support and patience during the year. We record our appreciation for the efforts of our staff, legal advisors and contractors.



John M Armstrong
Chairman