

25th Annual General meeting of Pegmont Mines Limited

27 May, 2021

Welcome to the 25th Annual General Meeting of Pegmont Mines Limited.

Following a very successful year in 2019 with the sale of the Pegmont lease and the payment of a substantial fully franked dividend, the 2020 year was relatively quiet because of the COVID 19 lockdown. Exploration activity was hampered by limited access to our leases in north Queensland. However, our activity level came back in the December quarter and good progress was made on our Canyon and Battle Creek EPMs in the Mount Kelly area, North West Queensland.

During the December quarter our exploration activity was focused on the study and report preparation on field samples collected on previous field trips. This review work resulted in maps confirming elevated copper oxide results in number of areas within the Canyon EPM. We have now reached agreement with the landholder and Native Title interests in the Canyon EPM and a 1000 meter program of RC drilling will commence shortly. We are happy to be back in action again after an extended quiet period.

Canyon is considered to be our most prospective lease and our efforts will be focused on that area. The Canyon prospect has about two kilometres on strike north of McLeod Hill mineralisation on the same branch of the McNamara Fault. This part of the fault is our primary exploration target for both oxide and sulphide mineralisation.

Following the decision to proceed no further on Templeton and Mingera, we initiated discussions about the possibility of optioning out the two permits. In February an option agreement was signed with South 32 with a four year period with an option to extend for a further two years. This will eliminate future expenditure obligations and create potential for future royalty income. This agreement continues our business model of identifying promising exploration areas and optioning them out after initial work has added value.

At the Pegmont lease, Vendetta Mining Corp, the new leaseholder has continued to add value to the lead-zinc project by metallurgical test work to increase metal recoveries. In January Vendetta announced an update of resource development on the project with 5.8 Mt indicated and 8.3 Mt inferred. We retain a 1.5% net smelter royalty in the project after the recovery of \$5 million in imputed royalties. Vendetta has produced a Preliminary Economic assessment of the project with an estimated pre-tax IRR of 31% and a NPV of \$US 204 million.

At our Reefway Royalty tenements, the new owner Austral Resources Lady Annie Pty Ltd continued heap leach operations at Mt Kelly to produce 99.99% cathode copper, bringing cumulative cathode copper output to 56,700 tonnes from the royalty leases.

We made a \$530,406 loss for the 2020 year versus a \$1,498,512 profit in 2019. The major cost item was exploration costs of \$269,000 written off. Our cash position at year end was \$2.2 million. We have carry-forward tax losses of \$9.8 million and unused franking credits of \$3.7 million. Please refer to the Annual Report for more information on the profit-and-loss and balance sheet.

In the short term, our focus will be on the forthcoming drilling on the McNamara fault. The extent of our success there will be an important determinate of the future activity for Pegmont. Unless exploration results are outstanding, our strategy would be to option out the tenement, to reduce expenditure obligations and to build a future royalty revenue stream for a more sustainable future.

In past annual reports, we have talked about the need for renewal of the Pegmont board. That process has now started with my retirement as a Director and as your Chairman at the end on this AGM. We expect that this process will continue over the next few years.

While board renewal will continue, our business model remains the same:

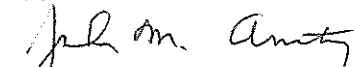
- Maintain adequate cash resources for the future

- Focus exploration in the Mt Isa region
 - o Develop strong tenement position in one mineralised area
 - o Drill resource targets with focus on potential for bonanza grade
 - o Option out for cash in limited areas
 - o Monitor Royalty Portfolio activity
- Develop strategic alliances with majors
- Build an investment portfolio for profit
- Pay fully franked dividends
- Remain an independent explorer and resource investor
- Invest exploration funds in established mineralised structure
- Invest in equities that have positive cash flow operations
- Buy into opportunities with high quality management

The 2020 year has been a difficult one for many small explorers. Your company is in a relatively good financial position with a net \$1.95 million in the bank at 31 March. However it cannot support the current forecast expenditure of \$525,00 per annum indefinitely without supplementary income or extra shareholder funding. Since the three existing royalty agreements over Pegmont, Reefway and Templeton are not expected to generate income before 2025, consideration is being given to cease exploration in 2022 and for the company to seek short term cash flow opportunities until the generation of royalty income.

As I foreshadowed in our Annual Report, it is my intention to retire as your Chairman at the close of this AGM. I have been your Chairman since 1998 and having reached the age of 85 have decided it is time to not stand for re-election. I have enjoyed my time as Chairman and it has been a great pleasure to serve you in that role. I will continue as a shareholder and shall follow the company's progress with great interest. I have great confidence in the future of our company and wish the new Chairman Peter Read every success in his new role, and welcome the election of Mr Hadyn Oriti as director after the close of this meeting.

We again thank our shareholders for their patience and continuing support. We record our appreciation for the efforts of our staff, consultants, lawyers and contractors.



John M Armstrong
Chairman