

21st Annual Meeting, Pegmont Mines Limited

25 May 2017

Welcome to the 21st Annual General Meeting of Pegmont Mines.

We have seen considerable progress on the Pegmont project during the past year and prospects look brighter for your company than they have for several years. Our Canadian partner Vendetta Mining completed a successful exploration program in 2016 and has recently completed a private placement of C\$4.24 million to fund the 2017 exploration program at Pegmont. Vendetta paid the \$350,000 option payment prior to the 28 February due date.

Vendetta has now commenced their 2017 drilling program, with one rig on site and a second rig to arrive before the end of May. Lead-zinc resource development drilling will commence with the “Z” fold and ZONE 3. The Z fold is a kink fold, located between Zone 2 and 3, where previous drilling has returned semi-massive sulphide mineralisation. The 2017 drill program will include about 12,000 meters of resource development drilling, which compares to the 6,808 meters completed in 2016.

Vendetta also reported a 3 meter intersection of 3.21% Cu, 0.57 g/t Au at 113 meters down hole located 2 Km. southwest of the Pegmont project. The high-grade intersection is similar in style to the nearby Osborne-Kulthor copper-gold deposit. Vendetta has increased the prospectivity of this intersection with a ground EM survey that has outlined an anomaly associated with the intersection. Follow up drilling with the second rig will be undertaken on this and two other anomalies in the next few

months. This discovery could introduce a new dimension to the project and enhance the value of the project.

Vendetta has commissioned an independent mineral resource update on the lead-zinc resource. The update will incorporate over 13,500 m of drilling undertaken since 2014, a new geological model and the 2016 metallurgical test work results. They expect to receive the new estimate shortly.

Given the expanded drilling program now underway, the expected receipt of the resource estimate in the near future, and the drilling of the new copper-gold target, we are now in an exciting and critical phase in the development of the Pegmont project. The next option payment of \$500,000 is due on 28 February 2018. By the end of 2017, the prospects for Vendetta's exercise of the option to acquire the Pegmont leases should be substantially clearer. Although our prospects are continuing to improve, and our confidence level increases, there is no certainty of success until the option "money is in the bank."

At New Hope, where we have a small high-grade gold-cobalt deposit, we will continue to review opportunities to monetise this project. We do not have any expenditure obligations on this tenement in 2017 other than updating the mining lease in preparation for sale.

At our Reefway Royalty Tenements (Pegmont 76.73 % share), the owner CST Mining continued heap leach operations to produce 99.9% copper. CST Mining has applied for a Mining Lease over the Anthill deposit within the Royalty tenements. Negotiations with traditional owners were concluded in 2015 but no commencement date for the mining of this deposit has been announced.

At the present time our share trading activity is minimal, and is expected to generate a modest profit for the year.

We are somewhat more optimistic for prospects for the world mining industry because of improved commodity prices and expectations for better world economic activity. Prospects for the lead-zinc industry are good as major mines exhaust their reserves and close. These improved conditions should make it easier for Vendetta to raise capital to fund their future work commitments and to make future option payments.

Your company's cash position is sound and sufficient to meet the Company's near term cash requirements. Despite our improving prospects, we are continuing to hold our costs to a minimum while focusing on capital recovery. We are a company in transition, but in the short term reliant primarily upon the continuing success of Vendetta.

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

- Return an appropriate portion of the option proceeds to shareholders through a fully franked dividend,
- Develop a plan for the future development of your company (very preliminary work has started),
- Renew and strengthen the Board, and
- Consider ways to improve liquidity for your shares, which could include a listing on the ASX.

Your Board is very aware of the lack of liquidity in your Company's shares, but is hopeful that further drill success by Vendetta will result in better recognition for Pegmont and a resultant improvement in market liquidity.

Our immediate aim is to build cash reserves in the Company through asset sales. Greater cash holdings will create new opportunities.

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