

30 May 2019

CHAIRMAN'S ADDRESS
23RD Annual General Meeting
Pegmont Mines Limited

Welcome to the 23rd Annual General Meeting of Pegmont Mines

The past month has seen the culmination of many years of effort rewarded with the completion of the Vendetta purchase of the Pegmont project with the receipt of a payment of \$3.0 million, plus a \$300,000 extension fee. This brings Pegmont's cash holdings to \$5 million. We retain a 1.5% net smelter royalty in the project payable after the recovery of \$5 million in imputed royalties. In January, Vendetta released a Preliminary Economic Assessment (PEA), which was very positive and supports a substantial value for our royalty.

Following receipt of the Vendetta payment, your directors have declared a fully franked dividend of 2.25 cents per share payable on 21 June. After payment of the dividend, Pegmont will have cash holdings of \$3.4 million.

We made a \$1,626,162 profit after tax in the year compared to \$30,421 in 2017. The final \$575,000 New Hope payment was received in January, further bolstering our cash position.

The successful completion of the Vendetta transaction and the payment of a substantial dividend is an important step in rewarding shareholders as we transition to the "new" Pegmont. The first step in our transition was the identification of a new direction for the company. This began with the appointment of Jacob Rebek as Pegmont's Senior Advisor Geology. Jacob has many years of experience in the Resource industry at the senior level with a proven track record of discoveries.

Because of the prospectivity for base metals, your board decided to again explore for Mount Isa-type copper and copper-gold deposits in North Queensland. After researching the Western Succession area, Jacob suggested we look at an area to the west of Mt Isa which has similar geology to the well explored Eastern Succession but is under alluvial cover and therefore relatively under explored. Jacob identified several interesting prospects, which resulted in the application for the area that we call Templeton. The Templeton Exploration lease EPM 26647 was granted in mid 2018.

Fieldwork carried out in July-August 2018 at Templeton was encouraging. Work around major magnetic anomalies E1 and E2 has been completed and has resulted in the delineation of thirteen magnetic targets for drilling. Our concept is that these magnetic anomalies represent protrusions from a magmatic basement that could be mineralised with copper and gold. These protrusions are often oval shaped, extend to depth and offer large volumetric targets for drilling.

RC drilling to confirm mineralisation is planned to commence after agreement has been reached with the landholder. A Conduct and Compensation Agreement has not yet been finalised. We plan to test 6 anomalies this year and 6 next year. Depending upon results, follow-up drilling will be done as appropriate.

Following the fieldwork at Templeton, in November we applied for a second exploration area Northwest of Templeton that we have called Mingera (EPMA 27113). It comprises 100 sub blocks for a total lease period of five years. It appears to have similar geology to Templeton with a number of magnetic anomalies. This application has since been granted.

In April 2019 we made a third application for 7 sub blocks covering several north trending magnetic anomalies two kilometres from the Mount Kelly copper SXEW operations. This application is adjacent to our Reefway Royalty tenements of Redie Creek and Mount Kelly. It contains bullseye magnetic anomalies along a 7 kilometre strike, which remain untested despite proximity to known copper oxide mining operations at Mount Kelly (over which your company has a 76.73% royalty interest.)

At Mount Kelly the owner & operator CST Mining continued heap leach operations to produce 99.99% cathode copper. To date the royalty areas have been assessed for shallow oxide material, the source of which has not yet been identified.

As our drilling date approaches at Templeton, we are increasingly aware that the outcome will determine the future of the company. Drill success will make it easier to attract the right people to manage the task of building a bright future.

The transition to the "new" Pegmont is being built upon multiple drilling opportunities with considerable potential. We have retained a significant interest in the Pegmont project through our 1.5% net smelter royalty and the value of that asset will become clearer as Vendetta moves the Pegmont project into production. Our re-entry into the Mount Kelly region is designed to demonstrate the potential for sulphide related copper-gold deposits and thus activate exploration in the Reefway Royalty areas.

Success in any of these areas will hopefully draw investor attention to Pegmont Mines shares.

We again thank our shareholders for their patience and continuing support. I would particularly like to thank our legal advisor (and shareholder) Wally McDonald for his very important assistance on the Vendetta transaction. We record our appreciation for the efforts of our staff, consultants, lawyers and contractors.



John M Armstrong
Chairman