Pegmont Mines Limited

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24 May 2018

The Manager,
The National Stock Exchange of Australia
384 Hunter Street,
NEWCASTLE NSW 2300

Dear Sir,

UPDATE
The Templeton Prospect AGM Presentation – 24 May 2018

Templeton EPM 26647 (100% interest)

EPM 26647 was granted to Pegmont Mines Limited on 10 May 2018 for a term of 5 years, initially covering 96 sub-blocks (246 square kilometres) with an approved work program of $1.085 million, including 6,200 metres of drilling. The work program could vary according to exploration results.

Location

The Templeton exploration area is located some 60 kilometres west of Mount Isa (Figure 1) where the Lawn Hill Platform overlaps the Leichhardt River Fault Trough which hosts the world class Mount Isa copper mine. The Templeton area is largely unexplored by modern methods as residual and alluvial cover limited surface rock exposures. However, it does have an interesting geophysical expression, not that dissimilar from the Cloncurry Fold Belt which hosts the Ernest Henry copper-gold mine.

Our Technical Team

- Jacob Rebek
  Senior Adviser – Geology
  Supervising the Templeton Project
- David Hewitt
  Technical Management
  Responsible for field activity and exploration
- Kate Nelson
  Principal Geophysicist of GeoDiscovery Group
  With 20 years experience in mineral exploration, she is responsible for providing geophysical data acquisition and processing information

Geology of Templeton

Outcrop geology of E1 and E2 magnetic anomalies are of Proterozoic Gunpowder Formation (Pmw) expressed as quartzites and quartz sandstones (see Figure 2).

It is possible that these Proterozoic rocks have been pervasively silicified due to hydrothermal alteration with magnetic magmatic intrusive bodies.

Geophysical Modelling

On regional scale magnetic map (Figure 3), we see "large parent intrusive complexes"

The Templeton magnetics appear to be fundamentally different to those related to the granite intrusives adjacent to Mount Isa. Such magnetic anomalies suggest a magmatic source/basement origin, from which clusters of magnetic highs may indicate subsequent intrusions to produce distinctive and pronounced magnetic anomalies. It is these anomalous magnetic spikes, often associated with radiometric anomalies that have caught Pegmont's attention (Figure 3).

Subsequent reprocessing of previous magnetic and radiometric surveys together with 3D modelling has indicated that E1 and E2 magnetic anomalies in particular reflect a broad magnetic basement high that may have been intruded by smaller late stage magnetic intrusive bodies to form pronounced magnetic "spikes" at varying depths with some peaking as high as –100 metres (below surface) (Figures 4 and 5).

Magmatic anomalies are coloured yellow, red and pink; Radiometric anomalies are coloured yellow oval shape for Uranium and grey oval shapes or Potassium (Figure 4). Magnetic anomalies become more pronounced and better defined with increased depth to 300 metres (below surface) and deeper (Figure 5).

Geological Model

A geological model that fits the observed magnetic anomalies suggests that the Templeton (EPM 26647) area is most likely to have a magnetic magmatic basement rocks with "sugarloaf" intrusive bodies having narrow, short, steep sided ridge shape (Figures 6 and 7 – Jacob Rebek, May 2018) with expression of alteration at surface. Field checking above the tops of individual magnetic spikes (of postulated magmatic intrusive bodies) by using GPS plus magnetometer will be employed to check for quartz veins, stockworks and breccias with quartz matrix. Geochemical sampling of outcrop for anomalous values of copper and associated minerals will follow, to define drill targets. There are up to a dozen magnetic targets associated with regional anomalies E1 and E2 to be checked. Induced Polarisation (IP) or other geophysical methods would be considered to better define targets for drilling.

Target Definition

Design of drill holes will be finalised after results of field work have been obtained. RC drilling method will be used for initial drill testing, because one can determine the nature of mineralisation and obtain assay results from RC drill samples. A dual purpose (RC/DD) rig to obtain samples from the primary sulphide zone may be used. A vertical, cylindrical shaped body could be drilled most cost effectively to delineate tonnage and grade.

Conclusion

The Templeton exploration concept is that underlying magnetic/magmatic rocks may host smaller late stage magnetic intrusive bodies that could source significant copper mineralisation. It should be noted that the proceeding comments are very speculative and are subject to verification by subsequent field work and drilling. The concept that such magnetic anomalies within the Templeton EPM 26647 maybe economically mineralised could be disproved.

Yours sincerely,

Malcolm A Mayger
Managing Director

Figure 1

The Lawn Hill Platform suite of rocks overlay the older Proterozoic McNamara Group at generally increasing depth to the west.

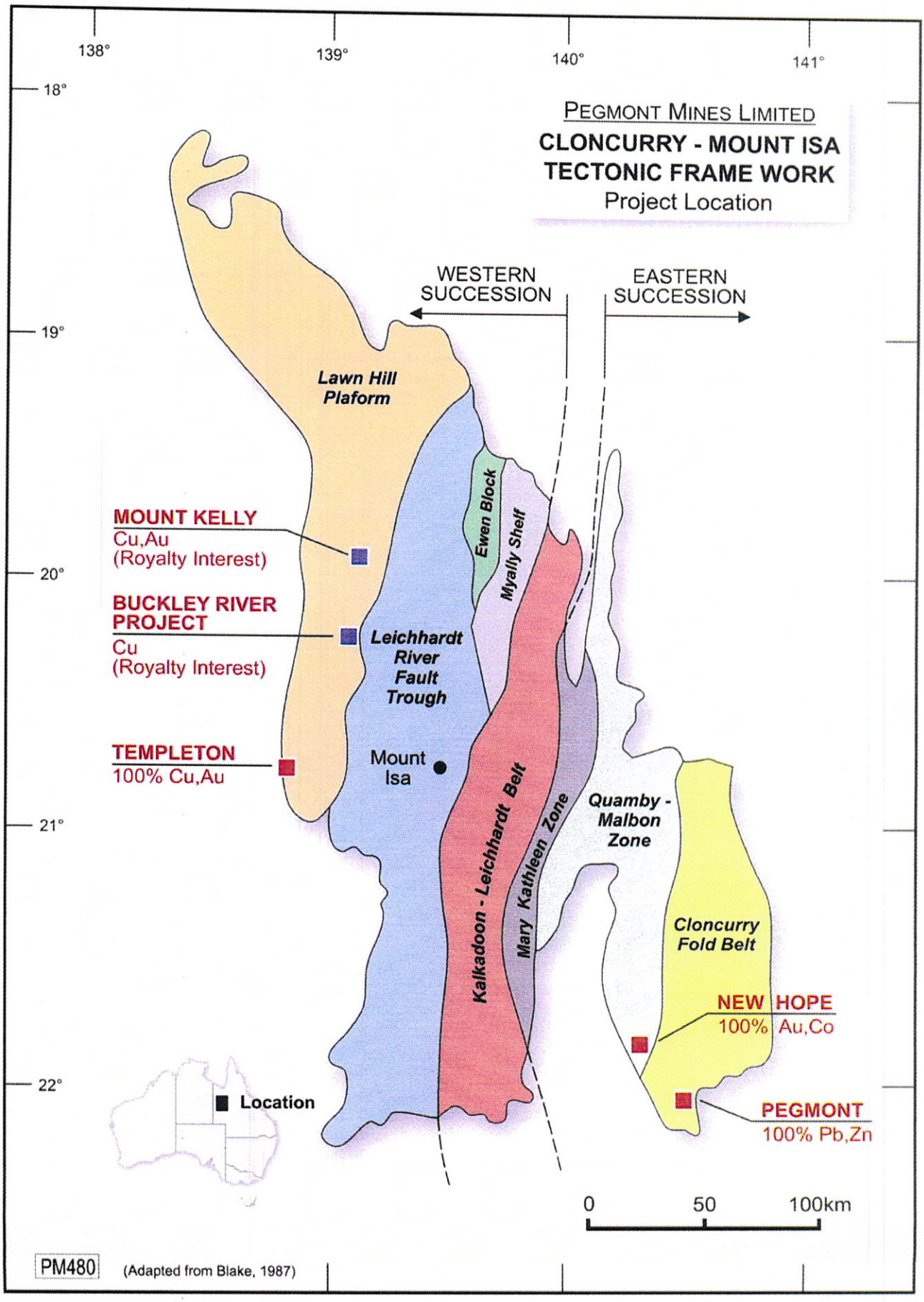


Figure 2 – Templeton Application Area

Geological map of Proterozoic outcrop and Radiometric anomaly covering E1 target.

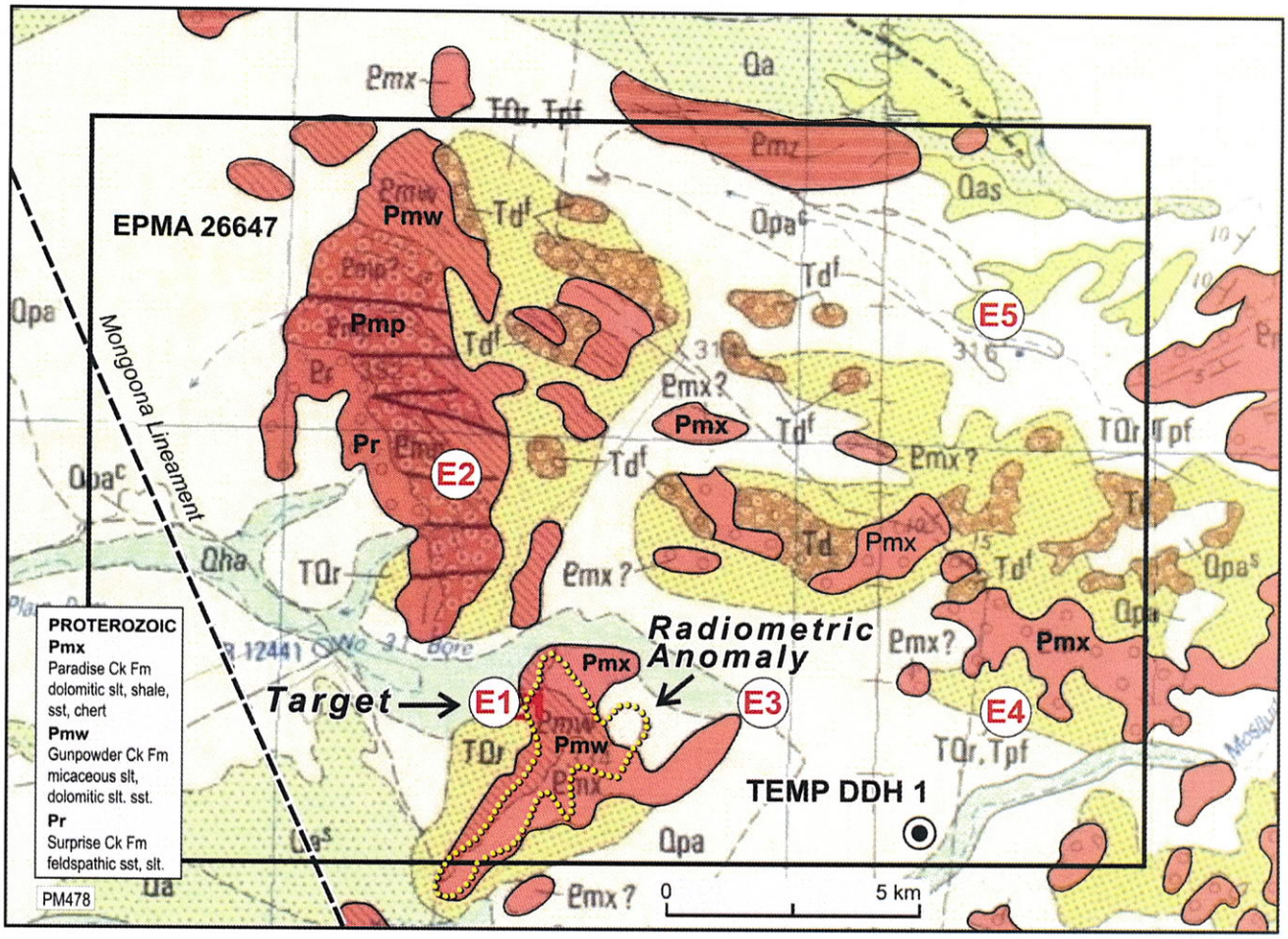


Figure 3 – Magnetics

As you can see from the regional magnetic overview, there is a fundamental difference between magnetic patterns between Templeton and Mount Isa.

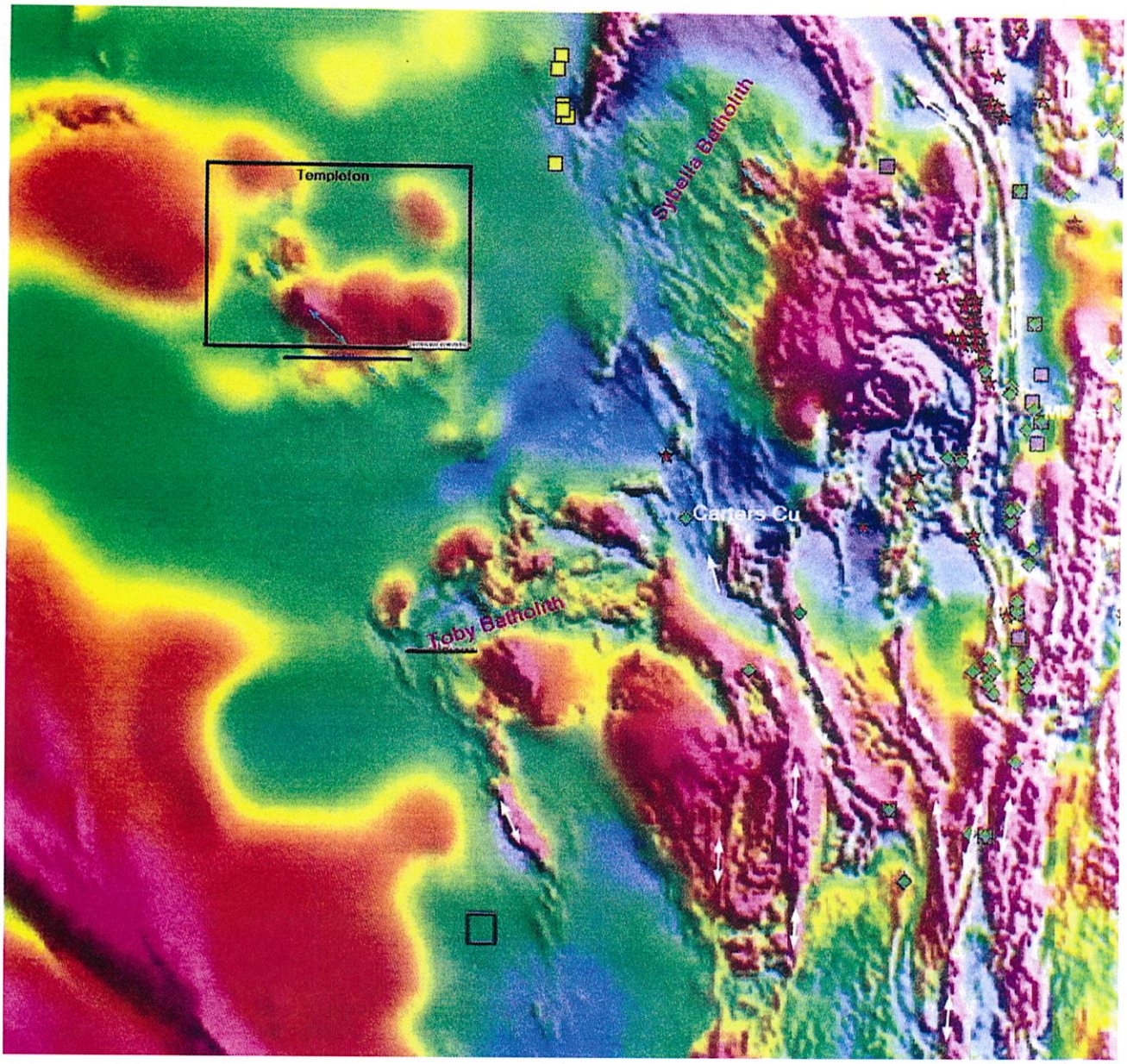
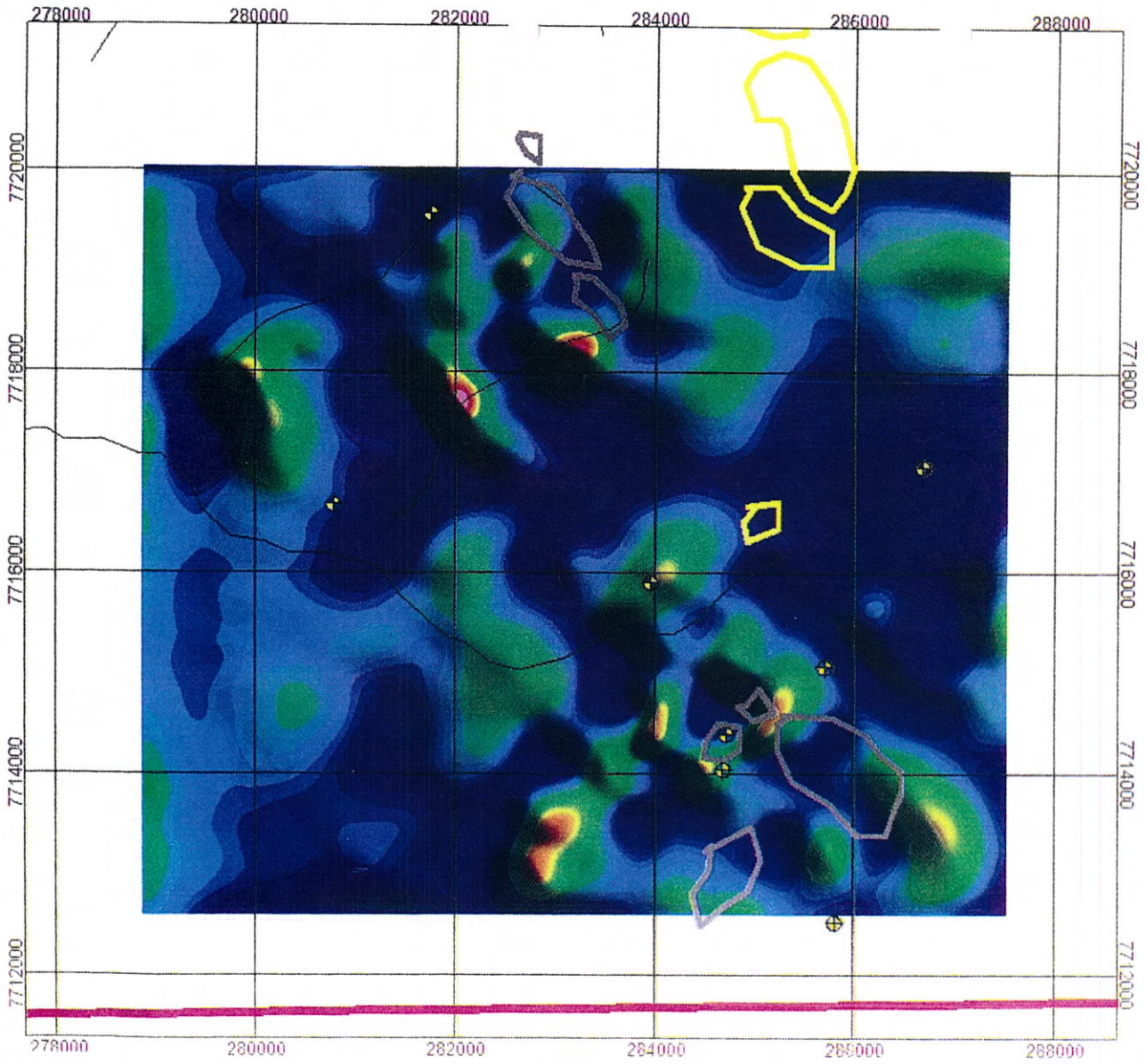


Figure 4 – 200 metres below surface

- Indicating Magmatic anomalies (yellow – red – pink)
- Radiometric anomalies
  - Yellow ovals for Uranium
  - Grey ovals for Potassium



Scale

1 kilometre

Figure 5 – 300 metres below surface

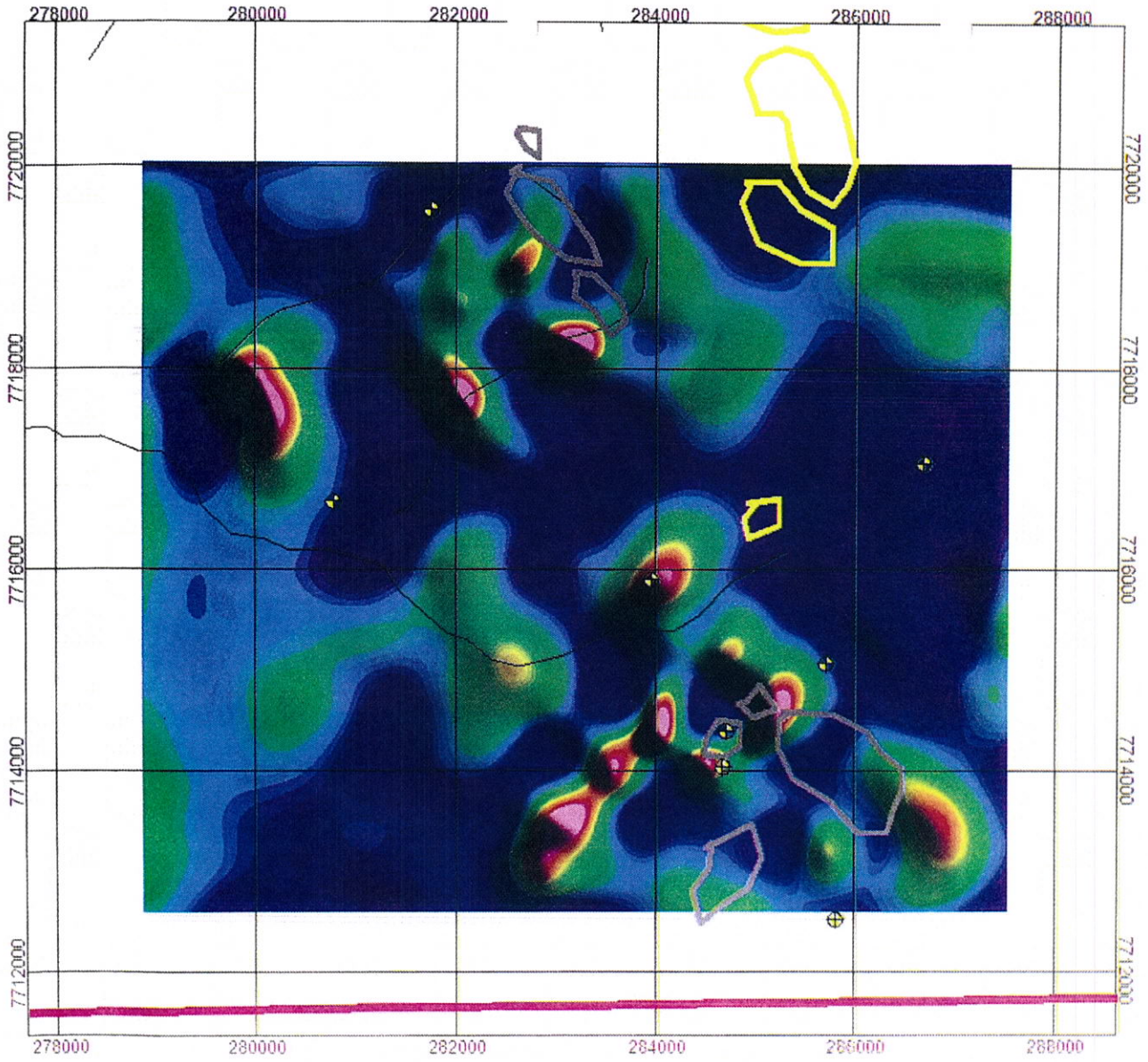


Figure 6

Schematic cross-section through magnetic magmatic intrusive body and copper mineralisation.

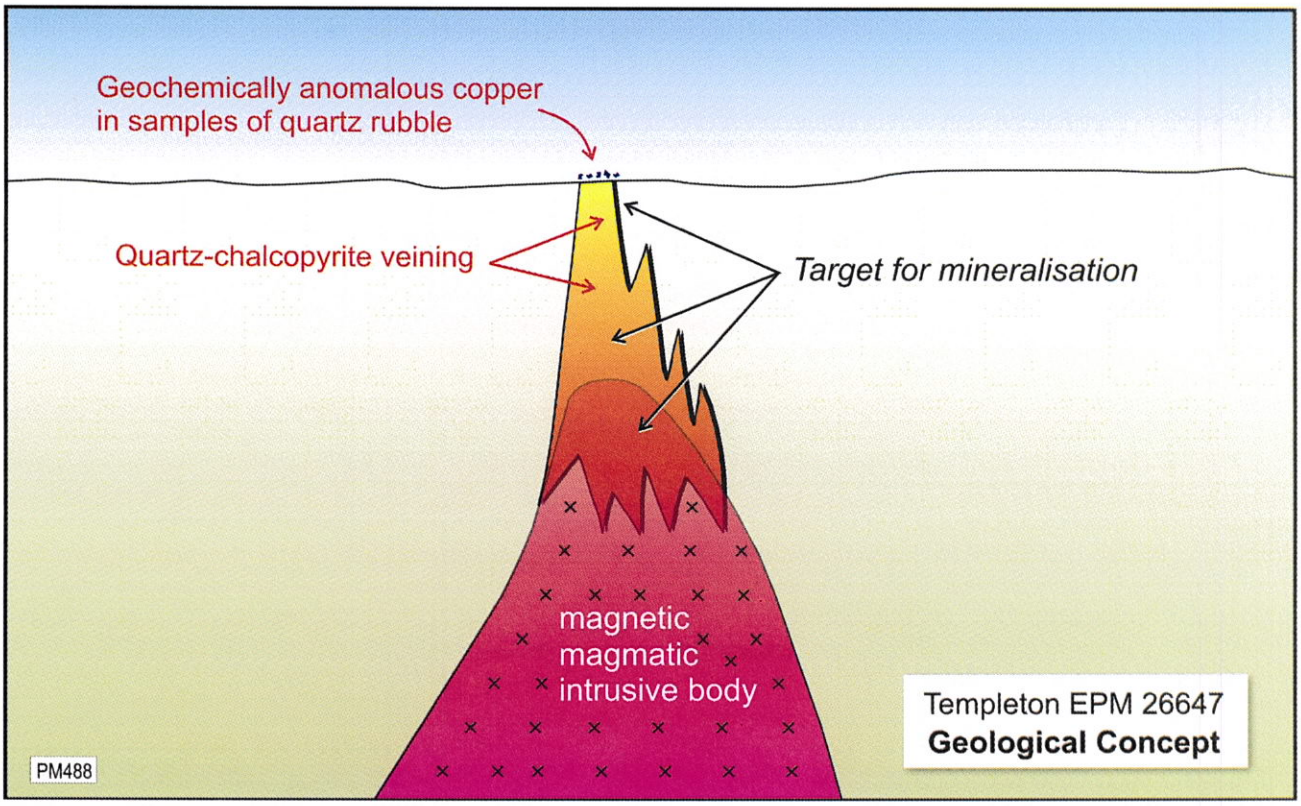


Figure 7

Schematic cross-section through magnetic magmatic intrusive body and copper mineralisation.