

## **24th Annual General Meeting, Pegmont Mines Limited**

16 July 2020 PJR revision

### **Welcome to the 24th Annual General Meeting of Pegmont Mines Limited.**

The 2019 year was a successful year for your company with the sale of the Pegmont lease and the payment of a fully franked dividend of 2.25 cents per share in June following completion of the sale. We retain a 1.5% net smelter royalty in the project after the recovery of \$5 million in imputed royalties.

We made a \$1,498,00 profit after tax in the year compared to \$1,626, 000 in 2018. We made \$2,106,000 on the sale of the Pegmont tenements less an operating loss of \$568,000 in the year. Our cash position at year end was \$2.93 million.

However events since that date have been less successful. For the past two years we have been concentrating our exploration efforts on the Templeton EPM 22647 west of Mt Isa. We expended \$573,000 on exploration activities including \$437,000

on Templeton in 2019,. The results of the Templeton drilling program have not lived up to expectations. These results to date have led us to conclude that broader based exploration is required which is beyond the technical and financial resources of the company. We have attempted to interest a larger explorer with these skills in an option deal, so far without success.

Exploration work was also conducted on the Mingera project area which has generated several geochemical anomalies associated with magnetic highs. Should third party interest be generated in Templeton, Mingera would be added to the option package.

Due to the COVID 19 disruptions our expenditure obligations on Templeton and Mingera have been substantially reduced. In the current year we need to spend only \$25,000 on Templeton and \$16,500 on Mingera, which amounts to no more than outcrop sampling.

As tenements have become available our exploration emphasis has now been redirected to the Mount Kelly trend. We have completed

a Native Title agreement covering both the Battle Creek and Canyon EPMs. An Exploration permit was granted for Mineral EPM 27255 on 9 April for a period of 5 years with expenditure obligations of \$26,000 in year 1 and \$62,000 in year 2.

Phase 1 exploration activity will be to rock sample and map the area using our previous experience at Mt Kelly to delineate drill targets.

As a result of the recent disappointing exploration outcomes, the board has taken the opportunity to review the direction your company should take in the future. In previous Annual Reports we have noted that the management and board are towards the end of their careers and that management and board renewal is necessary.

That time has now arrived (with some assistance from the COVID 19 crisis.)

Although we could continue our exploration efforts with a focus on the Mt Kelly area as the sole activity of the company, that would be a high risk approach with the very real possibility that our cash reserves would be used up without a worthwhile discovery. Our limited cash resources and the age of the management and board preclude us from pursuing a major new direction.

The conclusion that your company needs a new direction is reinforced by the fact that your company holds some important assets whose value is not necessarily reflected in the share price. These include cash of \$2.64 million at 30 June, the Pegmont royalty, plus some useful franking credits and tax losses.

If a continuation of the status quo is not an attractive alternative, especially under the current economic conditions, then some form of corporate action appears to be the logical alternative. This would be assisted by the fact that your company has a controlling shareholder who would be supportive of such an outcome providing it is in the interests of all shareholders. Our strong cash position and the existence of a controlling shareholder means we will not be the target of an unwanted takeover and are under no time pressure to do a deal.

Some preliminary discussions have taken place but it is still very early days. An outcome which allowed us to use up some of our tax losses followed by the payment of a franked dividend would be attractive but we will ultimately be driven by what is feasible and most attractive to all shareholders. The Mt Kelly interests would

remain in Pegmont and in which existing shareholders are likely to retain an interest. Your board would welcome the input of existing shareholders and any ideas which they may have on ways to optimise shareholder value.

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.

For and on behalf of John M Armstrong  
Chairman