

# Pegmont Mines Limited

ABN 97 033 331 682

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MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Chairman's Address Extraordinary General Meeting 26 September 2014

Welcome to this Extraordinary Meeting to consider, and if thought fit to pass a Special Resolution.

"The Board of Pegmont Mines Limited (**Pegmont**) be and are authorised to execute a Call Option agreement (**Call Option**) with Vendetta Mining Corp (**Vendetta**) (a company listed on the TSX-Venture Exchange of Canada) under which Vendetta is granted an option to purchase 100% of the Pegmont Lead-Zinc Deposit contained in Mining Leases 2620, 2621, 2623 and EPMs 14491 and 15106, within a four year period."

As you may be aware, your Board has been trying for several years to interest various parties to acquire the Pegmont Lead-Zinc deposit with the goal of bringing the project into production. The reason is simple, the Pegmont Project has grown in size and scope way beyond our capability and now it is time to pass it on to someone else with those skills to make it happen.

Since our acquisition of the Pegmont Lead-Zinc in 1996, The Company and others have drilled over 30,000 metres in 300 holes and spent in excess of \$5 million. Along the way our work has demonstrated that the deposit has considerable potential for a medium size mine with medium lead-zinc grades. Its one disadvantage is the unusually low silver value in ore, particularly when considered in the context of our next door neighbour the Cannington high grade silver-lead and zinc mine and the generally high silver tenor of the region. It is our view that this low silver anomaly will be redressed in time. Hence, we have made a point of especially providing for this possibility in our agreement with Vendetta.

Our recent drill program was most encouraging with a number of holes intersecting good thicknesses of 8-13% combined lead-zinc values.

In reaching our decision to option out Pegmont, the Board was very aware of our limited funding ability and limited skill base. To take on the task of project development would have involved the Company in excessive risk during this financially volatile period without an assured outcome. We have attempted to address this issue with the Call Option Agreement.

The Vendetta Call Option Agreement is attractive in that it provides the Company with an annual cash reimbursement, increasing with time together with a payout in four years. Also, we retain upside potential with a future royalty payable after the prepayments have been recouped by Vendetta. This agreement will enable us to consider exploration for other projects, while Vendetta progresses further drilling and development work. The near term cash flow will enable the Board to look around for new opportunities.

The Call Option Agreement will be our second major deal, the first being the Reefway Sale and Royalty Agreement. The combination of these two royalty based agreements could provide a future source of long term cash flow to fund new exploration activities.

Consequently, the Board is building a solid and low risk future for the Company and unanimously recommend acceptance of the Call Option Agreement with Vendetta to shareholders. Mr Malcolm A Mayger and associated interests have agreed to vote in favour of this resolution.

Yours sincerely

John M Armstrong  
Chairman

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## Registered Office

Walker Wayland Services Pty Ltd  
11<sup>th</sup> Floor, 60 Castlereagh Street  
Sydney NSW 2000  
Telephone: (02) 8437 3591  
Facsimile: (02) 8437 3599

22 August 2014

Dear Shareholder,

## Company Circulars

We are pleased to enclose the following documents for your consideration:

- **Notice of Extraordinary meeting** to be held on Friday, 26 September 2014:  
together with explanatory statement
- **Proxy Form**

Yours sincerely

John M Armstrong  
Managing Director