



## CHAIRMAN'S ADDRESS TO THE INVESTIGATOR AGM 29 November 2018

### Ladies and Gentleman,

Welcome to the Investigator Resources Limited Annual General Meeting for financial year 2018. As per the precedent set in 2017, I will review the progress of the Company in 2018. The projections and undertakings offered to you in my 2017 Letter will also be reviewed, and the strategy in light of present market conditions assessed.

2017-2018 has been a year of unpredictable change in global resource equity markets and this has impacted Investigator, notably in the implementation of the change in strategy presaged in my Letter of 2017.

I would note that I wrote the bulk of this Letter prior to the spectacular copper-gold-uranium discovery announced by BHP at Oak Dam East on 27<sup>th</sup> November 2018, and generally speaking painted a negative picture for 2017-18 for Investigator in a year of technical disappointment and corporate change. The BHP discovery which lies 85 km north of the Investigator Maslins Prospect has changed the landscape for renewal of prospectivity on the Stuart Shelf and the investment climate, which has required a revision which I present to you today.

### The Current Market Environment and its Relevance to Investigator

As I noted last year the Acorn Microcap Resources Index, which captures the market capitalisation of about 600 ex-250 resource companies, had risen 2.9% in the 2017 financial year.

In the 2018 financial year, the Index peaked in late January 2018, fell 8% to the end of the financial year and has fallen an additional 17% to the present. Its fall was largely attributable to easing commodities prices until August 2018 when volatility and commodity price risk increased significantly with the threat of a global trade war. A dichotomy has arisen within the investment community between the view that commodity prices are generally supported by global growth and looming shortages versus an unimpressed

and uncommitted investor community which views the future as fraught with short- to medium-term risk.

Personally, I do not think the direction of global equities markets is predictable and the analyst opinion to which I have exposure suggests the same confusion is widespread.

A further factor which bears on the Microcap Sector is seen in the trend of capital raisings on the ASX during the past year. Data provided to me by Canaccord suggest that in the Microcap Sector of a total of A\$900 million raised only 8% accrued to companies with a market capitalisation of less than A\$10 million – this is the universe in which we are operating.

As for Investigator its share price has fallen 54% since the late January peak of \$0.022 to \$0.010/share in November 2018. This unsatisfactory share price performance is directly attributed to the following factors:

- The 15% fall in the silver price from US\$17/oz at the time of the 2017 AGM to about US\$14.50/oz today.
- The negative conclusions of the delayed Paris Prefeasibility Study.
- The failure of the Nankivel drilling programme.
- A lack of progress in farming-out Maslins, and
- More generally a loss of risk appetite by investors, reflecting the market environment described above.

### Vision for the future

In my Letter in 2017, I stated that I was of the view that, in consideration of the maturity of Australian exploration environment and the attendant geological risk, greenfields exploration was not the space for small companies such as Investigator to invest, despite the potential of high rewards.

Investigator was a Company based on the model of acquiring and testing high risk, greenfields prospects – its strategy resembled that of the major companies

in another time. It was successful in discovering the Paris silver deposit.

However, times have changed. Generally speaking, it seemed that the major companies were no longer consistently investing in grassroots exploration. Their approach was model-driven, management is centralised and, when engaged with small companies, exploration risk is often shifted to the junior partner. The successful mid-caps were similarly focussed. The Oak Dam discovery on the Stuart Shelf by BHP and the rumours of a grassroots discovery by RIO in the Paterson Province of Western Australia has perhaps started to change this perception. These discoveries and a change in the commodity price cycle may move the market in favour of small explorers, but at this juncture timing is unpredictable. In the interim small companies should have a strategy which entails:

- Reduction of expenditure, particularly in overheads and greenfield exploration.
- Focussing on what is possible within a constrained capital market environment.
- Avoiding as far as possible dilution risk to their shareholders.

Considering the foregoing, in the short- and medium-term our Company will:

- 1. Defer further work on the Paris Project:** Despite the fact that we considered Paris to be the premier pure silver deposit in Australia in terms of grade and potential, the reality check came from the comprehensive and detailed metallurgical study undertaken in the 2018 Prefeasibility Study. This showed that despite the high silver grades, owing to the silver being occluded in quartz, metallurgical recoveries were too low to make the deposit economically viable at current silver prices.

Moreover, the extensional drilling programme did not upgrade the size of the resource, but did suggest that a review of the geology of the deposit was overdue.

The Paris resource remains a valuable asset for the Company since it adds option value to the market capitalisation. No decision has been made to deal with the asset at this stage and its future will be determined by the silver price in the medium term. Over time the metallurgy and geological structure will be reviewed.

- 2. Develop the technical base of the Maslins Project:** Efforts to farm-out the Maslins Project have been deferred until the findings of the Geoscience Australia Magneto-Telluric survey of the Carrapatina region is released in early December 2018. These data and those collected by Investigator in early 2018 will be reinterpreted and re-presented to the market in early 2019. Maslins is a high risk/ high reward greenfields exploration prospect requiring a deep drilling programme. However, in the light of the Oak Dam East discovery the strategy for dealing with Maslins will be reviewed.
- 3. Generate projects with lower geological risk:** The process of project generation commenced in October 2018, with the appointment of Acting CEO Andrew McIlwain. To date 25 projects have been offered or solicited and the process of evaluation is continuing.

Overall, 2018 has been a disappointing year of challenge and change for Investigator and its shareholders. This cannot be rationalised. However, I am confident that the Company, with a reshaped strategy is well positioned to rebuild its fortunes and create value for shareholders in the coming year.

In closing, I would like to thank John Anderson and Bruce Foy for their contributions to Investigator over the past eleven years. We wish them well in their future endeavours.

Finally, I would like to thank the Investigator Team for their application to the tasks at hand. They are delivering the technical and environmental outcomes upon which our future is predicated.

**David Ransom**  
Chairman

**For further information contact:**

Mr Andrew McIlwain  
Acting CEO/Director  
Investigator Resources Limited  
info@investres.com.au  
Phone: 08 7325 2222

Mr Peter Taylor  
Investor Relations  
NWR Communications  
peter@nwrcommunications.com.au  
Phone: 041 203 6231

**Web:** [www.investres.com.au](http://www.investres.com.au)

