

PEGMONT MINES LIMITED

CHAIRMAN'S ADDRESS

14TH ANNUAL GENERAL MEETING

21 APRIL 2010

Welcome to the 14th Annual General Meeting of Pegmont. As covered in our Annual Report, the 2009 year was a year of recovery after a very difficult year in 2008. We had a consolidated operating profit of \$1,686,981 in comparison to the after tax loss of \$6,944,916 in 2008. Our shareholders funds increased to \$9,178,735, an increase of 19%, and our net working capital to \$5,407,160, an increase of 33%. Dividends were resumed with a payment of 0.5 cents per share.

Net trading profit of \$3,051,944 was made up of realized share trading profits of \$2,105,879 and a write back of provisions for impairment of \$946,065. This more than covered our administration expenses of \$617,297, exploration expenditure of \$806,490 and the dividend payment of \$255,809.

We made steady progress on our exploration activity which is all focused within a 25 Km radius of Pegmont. Our ongoing prospecting program has identified a number of interesting geochemical anomalies which provide encouraging opportunities for the discovery of Cu-Au mineralization in our exploration leases north and west of Pegmont. Drilling at New Hope found near surface leaching but high grade values below 35 meters indicate continued depth potential. The option to purchase this deposit was exercised. Work at Pegmont has demonstrated extensional potential.

CURRENT ACTIVITIES

Our results for the first quarter have just been released and show a small loss on share trading for the first quarter, which is similar to the 2009 year. The level of losses incurred in the quarter was due to a deliberate policy of reducing our exposure to weak and non performing investments, clearing the decks and improving the quality of the portfolio. Market conditions remain volatile but Australia continues to experience a resource and exploration boom.

Thus, we are optimistic about achieving the income target of \$2.1 million for the calendar year outlined in the annual report which includes a share trading gain of \$1,500,000. Achievement of this target would cover our budgeted administration

and exploration expenses and give a breakeven result. We hope to do better which would allow us to continue to build our working capital and possibly to pay a dividend.

The monsoonal wet season did not allow any field work in the first quarter but we expect to commence field work next week. A geophysical review of tenements around the Lightning Creek magnetic anomaly has provided encouragement to follow up on the 2009 program of rock chip sampling which resulted in scattered highly anomalous rock chip geochemistry over a broad extent. A collection of 19 samples from the Squirrel Hills granite complex in the vicinity of the Lightning Creek anomaly were the subject of a detailed petrological and mineralogical examination. Several samples contained characteristics that may be compared with compositions of copper-gold bearing mafic monzonites in central-western NSW that have been shown to have mantle chemical contribution. These preliminary conclusions are considered to be very encouraging.

A drill program of around 3400 meters is planned to commence in June. This program of 31 RC holes is expected to test 6 new copper-gold-molybdenum-cobalt prospects as well as to carry out further work at New Hope and Pegmont. The extent of work done at New Hope and Pegmont will depend upon the results obtained from the earlier drill targets. Please refer to the Quarterly Report for more details of the individual drill targets.

This reconnaissance drill program will be the climax of several years of systematic prospecting and rock chip sampling. There will be both positive and negative surprises which should enhance our understanding of our tenement areas and provide the basis for future exploration activities.

Our objective is to delineate a gold and copper-gold resource inventory which could have a short lead time to development while maintaining a longer term evaluation program on the large Pegmont lead-zinc resource.

At Pegmont, a new resource estimation to JORC standard has been completed and a one page summary has just been released. We will cover this report in more detail following the meeting.

Finally, a major metallurgical test program on Pegmont material using innovative technology will begin in July to recover saleable lead-zinc product from refractory oxide material.

THE FUTURE

As you can see, this is an important and exciting year for Pegmont and the culmination of many years of effort. Needless to say we look forward to the results of the drilling program and other development work as I am sure you do.

In closing, I would like to emphasize what a unique company Pegmont Mines is and why we believe we are on the right track to future success:

- Our business model is unique – we are profitable, pay a dividend when possible as well as carrying out a very substantial exploration program for a company of our size.
- We offer a very considerable amount of “upside “compared to our market capitalization – our planned exploration expenditure of \$1.4 million is less than three times our present market cap of \$4million!
- Our exploration expenditure is focused and intense – we have a comparatively small lease area around the Pegmont base camp so our expenditure is efficient and low cost.
- We operate in a highly mineralized area where there are already many successful and profitable operations.
- We have access to good quality specialized consultants who we use only as required and thus hold our costs to a minimum.
- We are not dependant on only one prospect for our success – we now have a portfolio of exploration and development targets across a number of different metals.

We hope that you share our vision and that our hard work will ultimately pay off for those of you who have supported us prior to and after our listing 14 years ago.

On behalf of the board, I thank our employees, consultants, our shareholders and my fellow directors for their effort and support during the past year.

John M Armstrong
Chairman