

PEGMONT MINES LIMITED

CHAIRMAN'S ADDRESS

15TH ANNUAL GENERAL MEETING

26 MAY 2011

Welcome to the 15th Annual General Meeting of Pegmont. As covered in our Annual Report, the 2010 year was a difficult year for the company from a financial standpoint, in contrast to a successful 2009. We had a consolidated operating loss of \$1,369,408 in comparison to the after tax profit of \$1,686,891 in 2009. Our net working capital declined to \$4,124,686. However, the intrinsic value of the company increased substantially.

From a development standpoint, 2010 was a milestone year for the company. We achieved a JORC compliant resource estimate at Pegmont of 8.85 Mt at 5.0% Pb+Zn based on 381 drill holes and 40,409 meters of drilling. In addition, there is a potential for a further 14 to 25 Mt in adjacent areas to the Resource which could be delineated by an additional 20,000 meters of drilling. In other words, the deposit remains open to the North, South and particularly down dip to grid East. The more we drill, the more we will find. We have no doubt that Pegmont will become a significant long life lead zinc deposit. Although its grade is modest, it is relatively cheap to drill with about a 50% drill success ratio.

We can now see a clear pathway for development at Pegmont, requiring systematic grid drilling, infill drilling, metallurgical work, and scoping work leading to a bankable feasibility study during the next 3 to 4 years.

Also, our tenements contain copper-gold-cobalt potential which we are about to drill. Our aim is to infill drill the New Hope gold –cobalt deposit to JORC resource. This deposit contains very fine gold particles with a few top grades above 100g/t. Potentially, we share the deposit with another party.

Our current drill program commencing June also includes testing the MMA molybdenum prospect, EMU prospect (Cu-Au), Eagle's Nest (Cu-Au) and a Cu-Au gossan at Pegmont South.

While mentioning copper potential, we should not lose sight of our considerable Reefway Royalty interest areas which are centered around the Mount Kelly copper operation about 100 Km north of Mt Isa. The current holders of these

tenements CST Mining Group Limited (Chairman Owen Hegarty, former Oxiana MD) announced recently that their Lady Annie operation has a current capacity to produce 25,000 – 30,000 tonnes per annum of copper cathode. This operation draws ore from the Lady Annie and Mount Kelly leases. They published a total resource of 459.9 Kt Cu as at October 2010 of which 232.9 Kt were contained in the Reefway Mt Kelly royalty leases. These figures are important to Pegmont since it has a 76.7% of 1% NSR royalties due when cumulative production exceeds 100,000 tonnes of copper of which approximately 25,000 tonnes have been produced.

CURRENT ACTIVITIES

Our results for the first quarter have been released and show a small loss on share trading, which is similar to the 2010 and 2009 years. The market continues to be difficult and we are not expecting a profit for the first half, but we remain optimistic for the second half.

The wet season has limited field work so far but we but we recently recommenced field work. The exploration program for 2011 will focus on:

- RC drilling of (5) gold cobalt-copper and molybdenum targets including New Hope during June and July.
- Infill and extensional drilling of Pegmont lead-zinc deposit during Sept/Oct.

A metallurgical test program on Pegmont material using innovative technology will begin shortly.

Our objective is to develop a gold- copper- cobalt resource inventory which will have a short lead time to development while maintaining a longer term development program on the large Pegmont lead-zinc resource. We have reached the stage where we are starting to optimize the resource and seek higher grade mineralization.

THE FUTURE

We now feel confident that the Company has arrived as a serious exploration and development company with a promising future and are therefore ready to list on the Australian Stock Exchange (ASX). It has a substantial lead zinc resource at Pegmont, a small but high grade gold-cobalt deposit at New hope, a significant potential copper royalty interest over an expanding cathode copper operation at Mount Kelly plus some interesting exploration prospects.

Our business model is taking shape:

- Share trading to generate profits to fund exploration,
- Exploration activities are focused on proving up resources,
- Potential royalties (when received) to fund the next generation of projects,
- Share trading profits to reward shareholders with dividends in good years.

As you know, we have paid dividends in three of the past five years in 2006, 2007 and 2009. Last year we missed out because unpredictable volatility reduced net trading profit to \$244,887, insufficient to cover expenses and pay a dividend.

The remainder of the year will be very full. On March 4 we announced a two stage capital raising program to be completed by year end, which includes a one for five entitlement issue at 10 cents per share to be followed later in the year by a listing application to the ASX for 30 million shares at 20 cents per share.

It has been a long journey to this point requiring persistence and dedication by our entire team. I thank our Managing Director Malcolm Mayger, Company Secretary Chris Leslie, Chief Geologist David Hewitt, his field crew, our specialist consultants and my fellow directors for their ongoing effort and support during the past year.

John M Armstrong
Chairman