

PEGMONT MINES LIMITED

CHAIRMAN'S ADDRESS

17th ANNUAL GENERAL MEETING

2 May 2013

Welcome to the 17th Annual General Meeting of Pegmont. I know that you have read the Annual Report so I won't cover the same ground again, but I will briefly comment on the 2012 year before we address more recent events and discuss the future.

As covered in the Annual Report, the 2012 year was a difficult year for the company. Our exploration activities at Pegmont where we tested two large geophysical targets were unsuccessful, likewise our exploration efforts on other copper-gold targets. We made a loss of \$1,462,588 which included exploration expenses written off of \$853,777.

In view of these results, your directors have taken decisive action to reduce costs and to bring a strong focus on the realisation of our core assets. Directors' fees and employee expenses have been reduced and all other expenses are being held to a minimum.

We have reviewed our exploration strategy and in order to focus efforts on our most important areas. 51 exploration sub-blocks have been relinquished and 18 retained together with 4 mining leases. We will continue with a modest drilling program in the current year in order to meet our lease obligations. Our 2013 drilling program will focus on targets at Pegmont and the SC- 3 and SC-8 prospects.

The 2013 year has begun on a more positive note, especially for the stock market as a whole, but that success has not carried over into the resources industry which is also going through a cost cutting exercise. Prices for most commodities have fallen and the decline in gold prices has been dramatic. The junior end of the resources industry is having a very difficult time and we suspect that the industry will consolidate at a more subdued level. Thus we intend to reduce our exploration to the necessary minimum in order to hold our key projects at Pegmont and New Hope.

CURRENT ACTIVITIES

Our Quarterly Activity Report for the first quarter of 2013 has just been released but you would have not yet received it in the mail so I will cover it in more detail.

Copies are available. We broke even on investing activities but this was more than offset by write-offs of exploration and administrative expenditure for a negative net cash flow of \$76,227, which was as expected. We had \$696,351 in liquid assets at the end of March.

Our three core assets are the Pegmont lead- zinc deposit, the New Hope gold-cobalt prospect and the Reefway Royalty Tenements. We have JORC resources at both Pegmont and New Hope. Our immediate exploration effort this year will focus on improving the resource at Pegmont.

At Pegmont, we plan to carry out a 1700 metre RC program designed to confirm our mineralized potential for conversion to additional resource.

At New Hope, no immediate exploration activity is planned or required.

We have signed Confidentiality Agreements with two different parties regarding potential deals on Pegmont and New Hope. Due diligence is being carried out on New Hope and a Letter of Intent is being negotiated on Pegmont. There can be no certainty that these activities will result in any outcome for either asset.

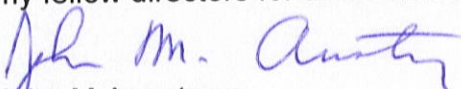
The Reefway Royalty Tenements at Mt Kelly in which we own a 76.3 % interest were sold in 2004 for cash/shares and a contingent royalty. The current owners are CST Mining Group Limited who are listed in Hong Kong. The royalty applies after 100,000 tonnes have been recovered. Copper production to 31 December 2012 totaled 33,400 tonnes. Exploration success at Anthill may eventually lead to additional royalty production and expedite an income stream for the company.

THE FUTURE

The future of your company depends greatly upon the outcome of our discussions covered above regarding Pegmont and New Hope. Progress on either asset would provide some additional cash which would be most welcome in the current environment. We will of course keep you advised of future developments. While we would like to be encouraging, these are very difficult times in the resource industry both in regard to commodity prices and access to new capital. Our concern is to ride through the trough and position ourselves for the next upturn.

This year being an election year in Australia creates many uncertainties for the mining industry but we remain optimistic about our prospects in the Mount Isa region and look forward to the remainder of 2013

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