

PEGMONT MINES LIMITED

CHAIRMAN'S ADDRESS

18th ANNUAL GENERAL MEETING

29 May 2014

Welcome to the 18th Annual General Meeting of Pegmont. I know that you have read the Annual Report so I won't cover the same ground again, but rather will concentrate on trying to put the company's present position into a broader perspective and to outline our longer term prospects.

However, before I do that, I note that the 2013 year was another difficult year for your company. Your directors have taken all necessary steps to reduce costs and to preserve cash. Exploration areas have been substantially cut back. All controllable costs have been reduced or deferred. This cost and expenditure discipline will continue as long as necessary to ensure the survival of your company.

Your company is in a transition period similar to that of ten years ago, in 2004, when we sold our 76.7% interest in Reefway Pty Ltd, holder of an extensive group of tenements north of Mt Isa, around Mt Kelly. Since that time these tenements have produced over 40,000 tonnes of copper with a gross value of \$280,000,000, with much more production to follow.

From that transaction Pegmont Mines received \$2.85 million, resulting in a profit of \$2.4 million in 2004. The proceeds were used to sharetrade, generating gross trading revenues of \$122.4 million and a net trading profit of \$12.4 million, with dividends paid of \$1.375 million over the ten year period to 2013.

The financial fortunes of the company have closely followed the Small Ordinaries Index, as depicted on page 4 of this year's Annual Report. The rise and fall of the Index relates well with our own trading activity. As we speak, we consider that both the Index and the Company's future are at the bottom of their respective cycles and that the only direction from here is up!

The company is now positioned to sell its flagship project – the 100% owned Pegmont lead-zinc project (via a four year option deal for cash, shares and a deferred royalty of 1.25% net smelter royalty. Should we complete the transaction with Vendetta Mining Corp of Canada, it would enable us to participate in the next upwards move in the commodity cycle now beginning to take shape.

The Pegmont project has been very challenging for us, but perseverance and progressive disproval of pre-conceived myths has brought the project to a very interesting stage to having lots of potential – how big, who knows? But it is too big for us and the time has come to pass the baton to those who can take the Pegmont project to the next stage towards production.

After the Pegmont Project, we need to rebuild our financial strength (as we did in 2004), recommence paying dividends and look for the next long term project in the Mt Isa region. The next five years should see a number of developments for our company:

- The stock market climate for resource explorers, developers and producers should improve and provide opportunities for investors such as Pegmont Mines.
- Your board will look for new talent and skills to lead the company forward in the next resources wave.
- Since copper metal sales from the Reefway tenements are expected to increase significantly when the Anthill prospect is brought into production and with the development of significant sulfide lodes underlying the open cut oxide deposit mined to date, we can expect a copper royalty cash flow in the foreseeable future.
- With aggressive exploration drilling over the next two years by an incoming party, we can expect to see major progress on the Pegmont project within the next five years. That would then raise the ultimate prospect of a lead-zinc royalty cash flow.
- Our high grade Gold-Cobalt prospect at New Hope could act as a catalyst for a deal with our neighbors who control much of the ground surrounding the Pegmont deposit.

We are pleased to welcome our new director Peter Read to the board. We anticipate that he will be of considerable assistance in the development of the company as we move into our next phase.

I wish to thank our retiring director David Curtis for being most supportive and helpful during our past two most difficult years.

Our staff, contractors and consultants continue to be the backbone of the company and we are most appreciative of their support and dedication.

John M. Armstrong

Chairman