

PEGMONT MINES LIMITED

CHAIRMAN'S ADDRESS

19TH ANNUAL GENERAL MEETING

28 MAY 2015

Welcome to the 19th Annual General Meeting of Pegmont.

2014 was a successful year for Pegmont in a difficult environment. The minerals industry, especially the smaller end, is not having an easy time. Prices for most commodities have fallen and the world economy is struggling with record low interest rates reflecting relatively slow growth rates. It is a time to be cautious and your company is carefully managing its resources.

The high point of the year was the completion of an Option Agreement with Vendetta Mining Corporation of Canada on the Pegmont project which raised a total of \$600,000 for the company from option proceeds and reimbursement for exploration expenditure. The agreement relieves us of exploration expenditure obligations while it is in place.

The company also raised almost \$500,000 in new equity while reducing our levels of administration expenditures. Our cost reduction programme continues into the current year. The net result of those actions was an increase in our cash position to \$410,000 at year end.

The company's exploration programme during the year was successful and demonstrated that the Pegmont project is not constrained by a limited resource potential. It instead conforms to a typical Broken Hill multi-stacked layer model and that mineralised lenses can contain attractive grades.

Vendetta commenced drilling in October in the Gossan Lode and the Southern Lode completing 18 RC/DC holes prior to the onset of the wet season. They achieved attractive lead-zinc grades. They have advised that they intend to start their 2015 drilling programme on the 31st of May, in order to be in a position to update the Pegmont mineral resource estimate later this year.

We are pleased that Vendetta has brought new perspectives to the Pegmont project as it progresses towards the feasibility stage. We understand that their objective is to substantially upgrade resource estimates towards a near term target of 10 million tonnes of medium grade sulfide mineralisation.

In 2015 we are further reducing administration costs and minimising exploration expenditure in order to conserve our cash. Should Vendetta continue with their Pegmont option, we expect to receive a future option payment of \$250,000 in September which will push our cash position back to \$400,000 and a further \$500,000 in September 2016. These sums would be brought into income when received and hopefully result in a small surplus in each year.

Our Reefway Royalty tenements have produced 47,618 tonnes of copper since commencement of operations. CST Mining, the owner/operator of the tenements, has lodged a Mining Lease application over a second area within the tenements at Anthill. However, the company has experienced delays in reaching agreement with the Traditional Owners which has deferred possible mining on the Anthill tenements until late 2015. Royalty payments will commence when 100,000 tonnes of production has been reached on all the royalty tenements.

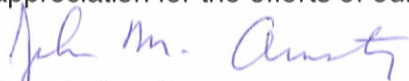
The company retains 100% interest in the New Hope high-grade gold-cobalt deposit. Drilling to date has delineated a resource of 93,000 tonnes averaging 6.8 g/t gold (20,000 ounces) and 0.18 % cobalt, with potential open to depth and along strike. The current price of gold and the lower value of the Australian dollar could make this deposit attractive for development of a small shaft operation feeding ore to a central operation. We are open to proposals on this project.

We have scaled down our share trading activity in light of difficult conditions in the market.

We are confident about the future prospects for your company. The world economy and the Australian economy are going through a slow period but the likelihood is that the world will muddle through this period as it has in the past. The company is now in a position to rebuild its cash position without the strain of meeting exploration commitments. We look forward to the continuing enhancement of the Pegmont project funded by Vendetta and the ongoing production of copper by CST Mining from the Reefway Royalty tenements. We are now in a financially sustainable position for the first time in a number of years.

While your company is in a quiet period at the moment, this is due to a conscious decision to regroup and to rebuild. As a result, we will be in a strong position to move forward again in the next few years when the right opportunity presents itself and economic conditions have improved.

We thank our shareholders for their continuing support during the year. We record our appreciation for the efforts of our staff, legal advisors, consultants and contractors.



John M Armstrong
Chairman