

20th Annual Meeting, Pegmont Mines Limited

26 May 2016

Welcome to the 20th Annual General Meeting of Pegmont Mines.

I know that you would not be surprised to hear that the past year has been a very difficult one for the resources industry and for junior explorers in particular, and we are no exception. When we prepared our Annual Report we were in a position of considerable uncertainty about Vendetta, although we were hopeful that things would work out given that we had agreed to some revisions to the option agreement in return for a higher royalty payment from them. This uncertainty has now been resolved in a very positive way and our outlook is now much brighter. We have not only survived, we believe we are now on track to ultimately prosper again.

During April our Canadian "partner" on the Pegmont project, Vendetta Mining, successfully raised C\$2.5 million in a share offer which was oversubscribed, and subsequently made their overdue annual option payment on 21 April. Vendetta now plans to undertake a resource drill program with a budget of \$900,000 this year. The program will commence on 1 June. In the fund raising Vendetta gained an important new resource investor listed on the New York Stock exchange as a shareholder with a positive view of the lead and zinc markets and corresponding opportunities.

Vendetta's 2016 program will include metallurgical and resource development drilling at the newly discovered Burke Hinge Zone and within Zone 5 (areas of increasing grade), and metallurgical test work. Drilling will commence shortly.

Vendetta also intends to update the Mineral Resource Estimate in Q4 2016. They will incorporate the proposed 2016 drilling and metallurgical work as well as the results from 6500m of drilling completed in the Burke Hinge Zone and Zone 5 since the February 2014 initial Mineral Resource Estimate on Zones 1 to 4.

Their success has ensured that our short to medium term financial position is secure, that our drilling commitments will be met, and equally importantly, has provided independent confirmation of the attractiveness of the Pegmont prospect.

Putting this outcome in a broader context, the world resources market is in an early recovery phase, led, as is often the case by the gold mining industry. It is still early days, but there is now considerable "light at the end of the tunnel." We also plan to apply to the Queensland Mines department to consolidate our Pegmont tenements under option into a single mining lease.

Having said that, we are still very cautious and making every attempt to conserve our scarce cash resources. We have closed our corporate offices with a significant saving in overhead costs. Director's fees and the Managing Director's fees have been reduced and we continue to run a very tight ship.

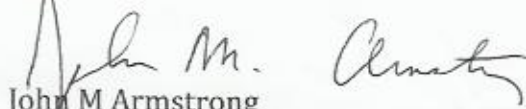
At the Reefway project, CST Mining have concluded negotiations with the Traditional Owners over the Anthill copper deposit and are hopeful that a mining lease will be granted shortly. The Anthill ML lies within the Reefway Royalty Tenements, which attracts a 1% NSR royalty entitlement (Pegmont 76.3% share).

We have recently received some interest in the New Hope gold-cobalt deposit, but nothing definite has eventuated yet.

Given the strong recovery in the Australian gold mining industry, we are hopeful that we will be able to realise some worthwhile value from this asset in the next few years.

The cyclical nature of mineral commodity prices is looking brighter than it has for some time. We look forward to the future with increasing confidence and believe that a major low in exploration interest is behind us. Our task is to identify new opportunities for growth.

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


John M Armstrong
Chairman