

# Pegmont Mines Limited

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The Manager  
The National Stock Exchange of Australia  
384 Hunter Street  
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22 January 2015

Dear Sir,

## **Quarterly Activity Report**

**31 December 2015**

We submit the following activity report of Pegmont Mines Limited (The Company) for the three months to 31 December 2015.

### **1. Summary**

- No field exploration activities were undertaken by the Company as Vendetta Mining Corp (Vendetta) continued to evaluate the Pegmont deposit in accordance with their Purchase Option Agreement.
- However, the Company and Vendetta adjusted the terms of the Option Agreement by agreeing to a \$750,000 reduction in cash consideration (to reflect current low metal prices) to \$5,250,000 in exchange for increase exploration expenditure commitment and an increase in NSR royalty rate to 1.5%. For further information, refer to our announcement of 7 December 2015.
- A small loss of \$5,179 was incurred on investing activities as investor interest reached new lows. The share portfolio had a market value of \$17,370.
- The Company's cash balances increased by \$52,191 during the December quarter due to the reimbursement of Pegmont tenement expenses \$39,547 and refund of previous West Australia exploration license applications, since refused, totalling \$45,579. However, option proceeds of \$250,000 from Vendetta due in November were deferred to 28 February 2016 and were reduced to \$150,000.
- The Board allotted 250,000 shares at 6 cents each (total \$15,000) to acquire the minority interests in Kimberley Ventures Limited (\$6,000) and to an exploration consultant (\$9,000) for conducting general investigations.

**2. Pegmont lead-zinc Project – 100% interest**

No field activity was undertaken during the quarter.

However, a Resource review was commenced mid December to incorporate drill results undertaken by the Company and Vendetta since the original resource estimate in February 2011.

This review is expected to reflect the increased grade of the more recent drill intercepts.

**3. New Hope Gold-Cobalt deposit – 100% interest**

No further interest by possible investors has been received during the quarter.

**4. Reefway Royalty Tenements (Pegmont 76.5% royalty interest)**

CST Mining has ceased mining operation for the time being but continues to heap leach stockpiled material. Total reported cathode copper sold during the nine months to September 2015 derived from the Royalty tenements, total 2,547.96 tonnes.

**5. Sharetrading Activities**

Sharetrading activity was kept to a minimum due to the unpredictable market volatility. However, repositioning of the portfolio to include gold producers was undertaken which resulted in a realised loss of \$6,225 on a successful heavy metals explorer.

**6. Income and Expenditure (cash basis)**

The Company's cash position improved by \$52,191 to \$261,540 at 31 December 2015 as a result of reimbursement of \$39,547 received from Vendetta for Pegmont tenement expenses and \$45,579 from the West Australian Department of Mines and Petroleum for refund of previous tenement application monies. Administration expenses were held to budget, whilst a portion of Director's fees were deferred.

**7. Income and Expenditure (cash basis)**

<b>Income Received</b>	<b>December Quarter 2015 \$'000</b>	<b>Actual Year to December \$'000</b>	<b>Budget Year December \$'000</b>
Interest/Dividends/Other	646	3,740	8,000
Realised profit/(loss) on sale of shares	(6,225)	(67,595)	(60,000)
	(5,579)	(63,855)	(52,000)
Add: Reduced provisions to market value	400	44,384	60,000
Net Income/(Loss) from investing activities	(5,179)	(19,471)	8,000
Shareholder Advance	–	(15,000)	(15,000)
Vendetta Option Proceeds	–	–	250,000
Total Funds Raised	–	(15,000)	235,000

8. Expenditures (cash basis)

Exploration	December Quarter 2015 \$'000	Actual Year to December \$'000	Budget Year December \$'000
Refund of WA Tenement fees	(45,579)	(45,579)	–
Pegmont MLs (after reimbursements)	(24,400)	7,730	2,500
Pegmont EPMs	2,063	10,649	2,500
Other, general investigations	10,135	24,653	25,000
Total exploration expense	(57,781)	2,547	30,000
<b>Corporate Expenditure</b>			
Administration	44,740	109,079	110,000
Directors and Secretary Fees	19,700	73,800	150,000
Working Capital Increase/(Decrease)	(64,029)	(70,578)	–
	411	112,301	260,000
Net Cash Surplus/(Deficit)	52,191	(149,319)	(47,000)
Add: Opening Cash Balances	209,349	410,859	410,859
<b>Closing Cash Balances</b>	<b>261,540</b>	<b>261,540</b>	<b>363,859</b>

**Conclusion**

While base metal prices continue to reach fresh lows investor interest in providing exploration funds will continue to be non-existent. However, the decline in the Australian dollar has provided a cushion to gold producers, who as a result of strict cost control are now experiencing attractive cash margins. The gold sector could thus provide the basis for a recovery in selective exploration and development opportunities.

Yours faithfully



Malcolm A Mayger  
Managing Director