

Pegmont Mines Limited

ABN 97 033 331 682

Corporate Office
13 Oden Street
Port Macquarie NSW 2444

Telephone: 6583 7747
Email: pegmont@hotmail.com

28 July 2017

The Manager
The National Stock Exchange of Australia
384 Hunter Street
NEWCASTLE NSW 2300

Dear Sir,

Quarterly Activity Report 30 June 2017

We submit the following Quarterly Activity Report of Pegmont Mines Limited (The Company) for the three months to 30 June 2017.

1. Summary

- No field exploration activities were undertaken by the Company. However, desktop review has commenced on several properties in the Mt Isa region. Vendetta Mining Corp (Vendetta) has an option to acquire 100% interest in the Pegmont Tenements by 6 November 2018.
- Vendetta announced on 27 June 2017, that an updated resource estimate for the Pegmont lead-zinc deposit of 2.245Mt Indicated Resource assaying 5.6% Pb, 2.6% Zn and Inferred Resource of 9.647Mt of 5% Pb, 2.9% Zn. Also, Vendetta has announced results of Metallurgical work which confirmed separate, marketable lead and zinc concentrates were producible.
- Vendetta commenced a 12,000 metre drill program on 12 May 2017 that will continue for three months to mid August and also conduct Environmental Baseline studies commencing with ground water studies. To date they have completed a total of 7,180 metres in their current program. For details see Vendetta's announcement dated 25 July 2017. Drilling continues with two rigs currently working in Zone 5.
- The Company's investing activities during the quarter were minimal due to ongoing political and economic uncertainties. A Net Trading loss of \$8,781 was incurred partially offset by interest on bank deposits of \$3,996.
- The Company's cash balances increased to \$516,079 (March \$510,135), augmented by a refund of \$33,822 tenement expenses by Vendetta.

2. Pegmont lead-zinc Project – 100% interest

The completion of the Updated Mineral Resource Estimate marks an important milestone for Vendetta, stated President Michael Williams. The resulting increase in Mineral Resource, coupled with the open pit shells, predominately falling within the Mining Licenses will put Vendetta on the trajectory needed to maximise value. Total Open Pit Constrained Zones Mineral Resource were: Indicated 2.1Mt assaying 5.5% Pb, 2.6% Zn and Inferred 6.3Mt of 5.4% Pb, 2.4% Zn, using drilling results to 8 May 2017, including 12,491 metres in 60 new holes. This revised resource estimate excludes oxide mineralisation of 1.1Mt (as there is no effective method of mineral processing this material) included in the previous 2014 Resource estimates. Vendetta will also be initiating mine geotechnical studies, metallurgical and comminution studies primarily focusing on the potential open pit with environmental baseline field work.

The objective of Vendetta's (current) 2017 program as outlined in their Resource announcement on 27 June 2017 is to:

- a. Further delineate high grade open pit (sulphide) material
- b. To further expand the underground potential of Zone 5 (additional to an Inferred Resource of 2.8Mt @ 4.1% Pb, 3.9% Zn included in the Resource Update)
- c. Test conceptual and advanced exploration targets for lead-zinc mineralisation; and
- d. Test the new copper-gold target, by follow up drilling of the recently identified EM conductor.

In order to fund this program, Vendetta raised C\$4.2 million by Private Placement (announced 28 April 2017)

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

No field activity was undertaken during the quarter. However, an application for a new Mining Lease has been made, subject to a Native Title Heritage Agreement.

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

CST Mining is operating the Reefway Royalty tenements by acid leaching of existing copper oxide heaps.

5. New Project Opportunities

Desktop studies have commenced on several prospects in the Mt Isa region with emphasis on copper-gold mineralisation.

6. Economic Background

Bulk commodities of Oil and Iron Ore have weakened during the six months to June 2017, whereas LME base metals and gold have generally firmed, but largely offset by a firmed Australian dollar:

Summary of Selected Commodity Prices December 2016 – March 2017

| | | 2016 31 December | 2017 30 June | Improvement % |
|----------------------|----------|---------------------|-----------------|------------------|
| Oil | \$US/bbl | 53.95 | 45.97 | (14.8) |
| Iron ore | \$US/t | 78.87 | 64.71 | (18.0) |
| LME Index | | 2,659.6 | 2,853.5 | 7.3 |
| Lead | \$US/t | 1,985 | 2,274.0 | 14.6 |
| Zinc | \$US/t | 2,563 | 2,754.0 | 7.5 |
| Copper | \$US/t | 5,501 | 5,907.5 | 7.4 |
| Gold | \$US/g | 1,159.9 | 1,243.1 | 7.2 |
| \$A/\$US | | 0.7233 | 0.7678 | 6.2 |
| All Ords Index | | 5,719.1 | 5,764.0 | 0.8 |
| Gold Index (ASX 200) | | 4,080.9 | 4,346.4 | 6.5 |

The short term price outlook for base metals during 2017 has firmed as economic growth continues in USA, China, Japan and Europe. However, oil prices have weakened because of the emergence of USA as an exporter and overproduction by some OPEC countries. Iron ore is subject to seasonal demand from China and has firmed recently.

7. **Income Summary (cash basis)**

| Income Received | June Quarter 2017 \$ | Actual Year to June \$ | Forecast to December 2017 \$ |
|--|-------------------------------------|---------------------------------------|---|
| Interest/Dividends/Other | 3,996 | 5,564 | 9,500 |
| Realised profit/(loss) on sale of shares (cost basis) | (6,935) | (4,335) | 10,000 |
| | (2,939) | 1,229 | 19,500 |
| Add: Reduced provisions to market value | (1,846) | 1,100 | 500 |
| Net Income/(Loss) from investing activities | (4,785) | 2,329 | 20,000 |
| Add: Vendetta Option Proceeds | — | 350,000 | 350,000 |
| | (4,785) | 352,329 | 370,000 |

Less Expenditures

| Exploration | June Quarter 2017 \$ | Actual Year to June \$ | Forecast to December 2017 \$ |
|------------------------------|-------------------------------------|---------------------------------------|---|
| Pegmont tenement expenses | 2,004 | 2,495 | 5,000 |
| New Hope expenses | 3,292 | 6,307 | 10,000 |
| General Investigations | — | 220 | 35,000 |
| | 5,296 | 9,022 | 50,000 |
| Corporate | | | |
| Administration | 11,940 | 22,585 | 85,000 |
| Audit Fees | — | — | 15,000 |
| Directors and Secretary Fees | 5,000 | 20,000 | 120,000 |
| Working Capital | (32,965) | 2,506 | 20,000 |
| | (16,025) | 45,091 | 240,000 |
| Net Cash Surplus/(Deficit) | 5,944 | 298,216 | 80,000 |
| Add: Opening Cash Balances | 510,135 | 217,863 | 217,863 |
| Closing Cash Balances | 516,079 | 516,079 | 297,863 |

Conclusion

Vendetta's increased involvement in the Pegmont lead-zinc project is very encouraging and an indication of their desire to ultimately exercise their Call Option over the tenements. Their decision must be made by 6 November 2018. With this possibility in mind, a desktop review of project opportunities in the Mt Isa region has commenced for a Pegmont replacement.

Yours faithfully



Malcolm A Mayger
Managing Director