

Pegmont Mines Limited

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

Dear Sir,

Quarterly Activity Report 31 March 2017

We submit the following activity report of Pegmont Mines Limited (The Company) for the three months to 31 March 2017.

1. Summary

- No field exploration activities were undertaken by the Company.
- No field exploration activities were undertaken by Vendetta Mining Corp (Vendetta) at the Pegmont deposit due to the wet season. However, Vendetta announced on 10 April last, that they were updating their N143-101 Mineral Resource Estimate due for release by mid May, a revised geological model and recent metallurgical results to be announced shortly.
- Vendetta has also announced a private placement of \$3.0 million to fund the 2017 exploration program at Pegmont which will include 12,000 metres of development drilling and continued metallurgical test work.
- The Company's investing activities during the quarter were minimal due to ongoing uncertainties in the Resource sector. Net Trading Profit was \$5,546 (including a write back of \$2,946 in Share Loss Provision)
- The Company's cash balances increased by \$292,272 to \$510,135 at 31 March 2017 upon receipt of \$350,000 Option fee payment by Vendetta.

2. Pegmont lead-zinc Project – 100% interest

Vendetta announced on 10 April last, that it was mobilising for the start of its 2017 exploration program on the Pegmont lead-zinc project after completing a private placement (of shares) of \$3.0 million.

The 2017 drill program will include about 12,000 metres of resource development drilling scheduled to commence during May 2017 (vide Vendetta's announcement 10 April). Also, an EM survey will be conducted over the copper discovery in RC hole (PVR 040) which intersected 3.0 metres of 3.21% Cu and 0.57 g/t Au from 113 metres down hole. Coarse chalcopyrite mineralisation was intersected in a silica altered pegmatite similar to the nearby Osborne-Kalthor Copper-Gold deposits. In addition, drilling will be conducted to test for repetitions of the Burke Hinge Zone (Gossan Lode) mineralisation.

In summary, Vendetta has proposed a very active drill program at the Pegmont lead-zinc deposit during 2017.

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

No field activity was undertaken during the quarter.

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

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

5. Sharetrading Activities

Minimal sharetrading activity was undertaken during the quarter resulting in a Net Trading Profit of \$5,546 as investors switched their interest more towards industrials as a protection against a firmer Aussie dollar and increasing uncertainty in Asian commodity markets. Lead and Zinc were relative out performers during the quarter.

**Summary of Selected Commodity Prices
December 2016 – March 2017**

		2016 31 December	2017 31 March	Improvement %
Oil	\$US/bbl	53.95	50.49	(6.4)
Iron ore	\$US/t	78.87	81.78	3.7
LME Index		2,659.6	2,858.7	7.5
Lead	\$US/t	1,985	2,310.0	16.3
Zinc	\$US/t	2,563	2,782.5	8.6
Copper	\$US/t	5,501	5,849.0	6.3
Gold	\$US/g	1,159.9	1,242.4	7.1
\$A/\$US		0.7233	0.7643	5.7
All Ords Index		5,719.1	5,903.8	3.2
Gold Index (ASX 200)		4,080.9	4,405.9	8.0

The short term outlook for commodity prices during 2017 remains uncertain. The LME index appears to be meeting strong resistance at around the 2,850 level, with Copper showing signs of weakening to the US\$5,750/t level, whilst iron ore has “crashed to the low US\$60s, after peaking around US\$93/t for 62% Fe ore.

6. Income Summary (cash basis)

	March Quarter 2017 \$	Actual Year to March \$	Forecast to December 2017 \$
Income Received			
Interest/Dividends/Other	1,568	1,568	6,000
Realised profit/(loss) on sale of shares (cost basis)	2,600	2,600	18,000
	4,168	4,168	24,000
Add: Reduced provisions to market value	2,946	2,946	–
Net Income/(Loss) from investing activities	7,114	7,114	24,000
Add: Vendetta Option Proceeds	350,000	350,000	350,000
	357,114	357,114	374,000

Less Expenditures

	March Quarter 2017 \$	Actual Year to March \$	Forecast to December 2017 \$
Exploration			
Pegmont tenement expenses	491	491	5,000
New Hope expenses	3,015	3,015	10,000
General Investigations	220	220	35,000
	3,726	3,726	50,000
Corporate			
Administration	10,645	10,645	85,000
Audit Fees	—	—	15,000
Directors and Secretary Fees	15,000	15,000	100,000
Working Capital	35,471	35,471	20,000
	61,116	61,116	220,000
Net Cash Surplus/(Deficit)	292,272	292,272	104,000
Add: Opening Cash Balances	217,863	217,863	217,863
Closing Cash Balances	510,135	510,135	321,863

Conclusion

Firmer lead-zinc metal prices during the quarter contributed towards Vendetta being able to raise additional funding. Vendetta's continued and persistent 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.

Yours faithfully



Malcolm A Mayger
Managing Director