

# Pegmont Mines Limited

ABN 97 033 331 682

**Corporate Office**  
13 Oden Street  
Port Macquarie NSW 2444

Telephone: 6583 7747  
Email: pegmont@hotmail.com

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The Manager  
The National Stock Exchange of Australia

Dear Sir,

## **Quarterly Activity Report 31 June 2016**

We submit the following activity report of Pegmont Mines Limited (The Company) for the three months to 30 June 2016.

### **1. Summary**

- No field exploration activities were undertaken by the Company.
- However, Vendetta Mining Corp (Vendetta) commenced a resource drill program on 1<sup>st</sup> June in accordance with the revised terms of the Call Option to purchase (the Pegmont) Tenements Agreement.
- A profit of \$8,376 was made from investing activities.
- The Company's cash balances improved by \$49,745 to \$270,468 after receipt of \$150,000 option payment from Vendetta.

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

Vendetta has an option to acquire 100% interest in the Pegmont lead-zinc project by meeting all the tenement expenditure obligations, 17,000 metres of drilling and total payment of \$5.25 million including option payments of \$2.25 million (\$400,000 received to date) and option exercise price of \$3.0 million by 6 November 2018.

Vendetta has commenced a validation exploration program, including metallurgical and resource drilling in order to update the Mineral Resource estimates and also extensional drilling to incorporate previously drilled PMR 141 and 142 high grade intersections. The immediate emphasis of the current program is to confirm and then expand the resource base. Approximately 1,500 metres were drilled to 30 June and more than 3,000 metres at the date of this report. Assay results are expected to become progressively available by mid August.

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

No further activity was undertaken during the quarter.

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

CST Mining has advised that copper cathode production from the Reefway Royalty Tenements during

the half year to 30 June was 756.9 tonnes, making a cumulative total of 47,826.4 tonnes since 2010. Cumulative production needs to exceed 100,000 tonnes before the royalty becomes payable.

CST Mining has reduced their operations during the current period of depressed copper prices. However, they have applied for a Mining Lease 90233 over the Anthill deposit, which if granted could be used to bridge the shortfall of metal to qualify for royalty payments. Their assessment of the long term potential of the Reefway Royalty Tenement remains undiminished as there are likely additional deposits at depth below existing open pits.

## 5. Sharetrading Activities

Sharetrading and investing activity was profitable during the quarter and for the six months to 30 June. Net income for the June quarter was \$8,376 (loss \$740 to March) due mainly to trading gold producers. Funds available for sharetrading have increased from \$17,365 to \$25,194 up 45.1% for the six months period.

There has occurred an improvement in investor/speculative interest in resource producers fuelled by firmer commodity prices:

		<b>2015 31 Dec</b>	<b>2016 30 Jun</b>	<b>Improvement %</b>
Oil	\$US/bbl	37.0	48.22	30.3
Iron ore	\$US/t	42.9	53.4	24.5
LME Index		2,203.0	2,369.3	7.5
Lead	\$US/t	1,820	1,780	(1.1)
Zinc	\$US/t	1,600	2,102	31.4
Copper	\$US/t	4,702	4,827	2.7
Gold	\$US/g	1,062.0	1,314.1	23.7
\$A/\$US		0.7302	0.7388	1.2
All Ords Index		5,344.6	5,310.4	(0.6)
Gold Index (ASX 200)		2,645.8	4,800.3	81.4

The outstanding performer during the past six months has been the ASX 200 Gold Index up 81.4% which spiked to 5,691.6 on 11 July, following Brexit. The price surge in Zinc, up 31.4%, has continued into July on the prospect of looming metal shortages due to the lack of new mine capacity to replace ore depletion. This is good news for Vendetta's decision to continue the exploration of the Pegmont lead-zinc deposit.

## 6. Income Summary (cash basis)

	June Quarter 2016 \$	Actual Year to June \$	Forecast Year December \$
<b>Income Received</b>			
Interest/Dividends/Other	401	846	3,000
Realised profit/(loss) on sale of shares	6,462	(3,121)	12,000
	6,863	(2,277)	15,000
Add: Reduced provisions to market value	1,513	9,913	10,000
Net Income/(Loss) from investing activities	8,376	7,636	25,000
Add: Vendetta Option Proceeds	150,000	150,000	150,000
	158,376	157,636	175,000

## 7. Expenditures (cash basis)

	June Quarter 2016 \$	Actual Year to June \$	Forecast Year December \$
<b>Exploration</b>			
Pegmont Resource update	4,243	24,651	30,000
Pegmont tenement expenses	4,432	5,922	15,000
New Hope expenses	684	2,936	10,000
	9,359	33,509	55,000
<b>Corporate</b>			
Administration	28,943	32,771	84,000
Audit Fees	10,800	10,800	16,000
Directors and Secretary Fees	22,200	27,200	75,000
Legal Fees	20,000	20,000	30,000
Working Capital	17,329	29,335	10,000
	99,272	120,106	215,000
Net Cash Surplus/(Deficit)	49,745	4,021	(95,000)
Add: Opening Cash Balances	220,723	266,447	266,447
<b>Closing Cash Balances</b>	<b>270,468</b>	<b>270,468</b>	<b>171,447</b>

## Conclusion

There has been a significant improvement in investor sentiment towards resource equities since early 2016 which has enabled Vendetta to raise significant funds to continue their Pegmont option deal with the Company. The continued involvement of Vendetta has resulted in the payment of the adjusted option fee of \$150,000 and future reimbursement of tenement holding costs amounting to approximately \$40,000. Added to other expense reductions, the Company's forecast cash position has improved by \$205,000 on our original forecast.

Yours faithfully



Malcolm A Mayger  
Managing Director