

Pegmont Mines Limited

ABN 97 033 331 682

Corporate Office

65 Hume Street
Crows Nest NSW 2065

Postal Address

PO Box 849
Crows Nest NSW 1585
Telephone: (02) 8437 3591
Facsimile: (02) 8437 3599

19 August 2014

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

Dear Sir,

Vendetta Mining Corp Definitive Agreement regarding the Pegmont Lead-Zinc Deposit

Negotiations have concluded with Vendetta Mining Corp (VTT-TSX:V) (**Vendetta**) whereby Pegmont Mines Limited (the **Company**) and Vendetta have executed a Call Option agreement (**Call Option**), under which Vendetta is granted an option to purchase 100% of the Pegmont Lead-Zinc deposit within a four year period, subject to several option exercise preconditions.

The key terms of the Call Option are as follows:

- Vendetta to make progressive cash option payments to Pegmont totalling \$3 million, including:
 - \$250,000 within two days of the Toronto Stock Exchange (TSX) approval of the transaction;
 - \$250,000 on the 12 month anniversary,
 - \$500,000 on the 24 month anniversary,
 - \$750,000 in the 36 month anniversary: and
 - finally \$1,250,000 on the 48 month anniversary. In addition, Vendetta has agreed to reimburse \$350,000 of exploration expenditure incurred by The Company during the negotiation period.
- The exercise of the option is also subject to Vendetta meeting certain expenditure and exploration requirements including a minimum of \$800,000 per year including 5,000 metres of drilling during each of the first three years plus 2,000 metres before the end of 2014. A total of 17,000 metres of drilling must be completed prior to the exercise of the option.
- Vendetta has the right to terminate the Call Option by giving notice after the first year of the Call Option has passed.
- In the event of Vendetta exercising the option, Vendetta has agreed to pay an advance royalty of \$3 million. Vendetta will then receive a royalty credit of the cash option payments and advanced royalty payment for a total of \$6 million, to be credited against future royalty payments.

- Upon exercise of the Call Option, the tenements for the Pegmont Lead-Zinc deposit will be transferred to Vendetta and a Royalty Deed will come into effect, with the Company's ongoing royalty interest to be secured by a mortgage over the tenements.
- Under the terms of the Royalty Deed, the Company will hold a royalty right on future concentrated production from the Pegmont property of 1.25% net smelter return (NSR) after allowing for \$6 million credited against future royalties. In the event of ore rather than concentrate being sold by Vendetta, a separate royalty formula allows for a royalty of \$1.05 per tonne of ore sold indexed to the lead price (with an indexation floor of 85%). An additional silver royalty in regard to silver assays in ore above 64g/t is also payable, indexed to the silver price (also with an indexation floor of 85%) at the following rates:

PPM of Silver	Royalty payable for that tonne of run of mine ore
Not more than 64 ppm	A\$0.00
More than 64 ppm but not more than 100 ppm	A\$0.06 for every ppm above 64 ppm
More than 100 ppm but not more than 150 ppm	A\$2.16 plus A\$0.08 for every ppm above 100 ppm
More than 150 ppm but not more than 200 ppm	A\$6.16 plus A\$0.10 for every ppm above 150 ppm
More than 200 ppm	A\$11.16 plus A\$0.15 for every ppm above 200 ppm

Escrow Deed

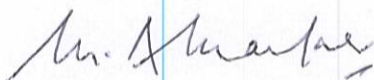
The Company and Vendetta have signed an Escrow Deed, whereby Vendetta has obtained conditional approval from TSX-V and placed the initial option fee (\$250,000) plus reimbursement of certain exploration costs incurred by the Company (\$322,000) in escrow. If Vendetta does not obtain final TSX-V approval by 28 August 2014, the Call Option deed may be terminated by the Company and, if terminated the funds in escrow would revert to Vendetta. Furthermore, if the Company does not obtain Shareholder approval by 30 September 2014, the funds in escrow must be released to Vendetta and the condition precedent to the Call Option will not be fulfilled.

Comment

The Board of your Company has carefully considered the above terms, negotiated over a period of more the six months, relative to alternative possibilities of either a Joint Venture or raising additional equity capital. Following consideration of a number of alternative approaches, the Company has decided to pursue the Call Option arrangement with Vendetta.

As a condition precedent to the Call Option, the Company must obtain shareholder approval and a Notice of Extraordinary General Meeting of Shareholders will be mailed shortly. I note that as a majority shareholder of the Company, I have agreed to vote in favour of the resolution to approve the Call Option.

Yours sincerely



Malcolm A Mayger
Managing Director