

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 2016

We submit the following activity report of Pegmont Mines Limited (The Company) for the three months to 31 March 2016.

1. Summary

- No field exploration activities were undertaken by the Company. However, a review of 50 drill results since February 2011 was undertaken for the purpose of planning future drilling.
- Although Vendetta Mining Corp (Vendetta) was unable to meet its option payment obligation of \$150,000 by the 28 February 2016 the Board was assured that every effort was being made by Vendetta to remedy this delay. The option payment was subsequently received on 21 April 2016. Vendetta has since proposed a resource drill program commencing early May, having a budget of \$900,000.
- A small loss of \$740 was incurred on investing activities.
- The Company's cash balances declined by \$45,724 to \$220,723, excluding option proceeds of \$150,000 received subsequently. These additional funds are now expected to be adequate to meet existing expenditure obligations during the next twelve months.

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 and payment of \$5.25 million (including \$400,000 received to date) in option payments and the exercise price of \$3 million by 6 November 2018.

Vendetta is planning to commence a drill program at Pegmont during (early) May. Their 2016 Program will include metallurgical and resource development drilling at the near surface Burke Hinge Zone (Gossan Lode) and within Zone 5 (Southern Lode). Vendetta also intends to update the N1 43-101 Mineral Resource estimate in Q4 2016.

Thus, Vendetta will actively engage in field work during the next two quarters.

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 during the December 2015 quarter from the Royalty Tenements was 682.125 tonnes, making a cumulative total of 47,069.5 tonnes since 2010. Cumulative production needs to exceed 100,000 tonnes before royalty becomes payable.

5. Sharetrading Activities

Sharetrading activity was kept to a minimum during the quarter due to unusual market volatility. A losing position in a petroleum explorer was closed out. A trading loss of \$1,183 was made, partly offset by bank interest on deposits.

6. Income and Expenditure (cash basis)

Cash balances declined by \$45,724 due mainly to the following:

- Exploration expenditures were \$24,150 (including \$20,408 on Pegmont Resource update)
- Administration expenses were \$8,828 (including \$5,000 for Directors' Fees)
- Working capital payments were \$12,006 (including Accounts Payable)

7. Income and Expenditure Summary (cash basis)

Income Received	March Quarter 2016 \$	Actual Year to March \$	Budget Year December \$
Interest/Dividends/Other	443	443	4,000
Realised profit/(loss) on sale of shares	(9,583)	(9,583)	2,600
	(9,140)	(9,140)	6,600
Add: Reduced provisions to market value	8,400	8,400	8,400
Net Income/(Loss) from investing activities	(740)	(740)	15,000
Add: Vendetta Option Proceeds	–	–	–
	(740)	(740)	15,000

8. Expenditures (cash basis)

Exploration	March Quarter 2016 \$	Actual Year to March \$	Budget Year December \$
Pegmont Resource update	20,408	20,408	30,000
Pegmont tenement expenses	1,490	1,490	55,000
New Hope expenses	2,252	2,252	10,000
	24,150	24,150	95,000
Corporate			
Administration	3,828	3,828	100,000
Directors and Secretary Fees	5,000	5,000	120,000
Working Capital	12,006	12,006	-
	20,834	20,834	220,000
Net Cash Surplus/(Deficit)	(45,724)	(45,724)	(300,000)
Add: Opening Cash Balances	266,447	266,447	266,447
Closing Cash Balances	220,723	220,723	(33,553)

Conclusion

There has occurred 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. This improved climate suggests a bottoming in the commodity (price) cycle and possibly heralds a brighter future for the Company.

Yours faithfully



Malcolm A Mayger
Managing Director