

# Pegmont Mines Limited

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31 October 2017

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

Dear Sir,

## **Quarterly Activity Report 30 September 2017**

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

### **1. Summary**

- An in depth review of the under-explored potential of the Mount Isa Western Succession was undertaken by Mr Jacob Rebek, consulting geologist, from which the Templeton EPM Application resulted – see attached map.
- Pegmont has appointed Mr Jacob Rebek as Senior Adviser – Geology to supervise an intended long-term exploration in the Mount Isa Western Succession for copper-gold. Jacob has had a distinguished career as an exploration geologist with Rio Tinto and previously with CRA. For further details see Press Release PR001 on 23 October 2017.
- Vendetta Mining Corp continued to actively explore the Pegmont Project. They made the following announcements;
  - 25 July – Initial results from the high grade Zone 3
  - 24 August – Additional high grade results from Zone 2 and 3
  - 19 September – New high grade zone discovered, called the Bridge Zone which connects the Burke Hinge Zone to the flat dipping Zone 2
  - 17 October – Since recommencing exploration in mid May Vendetta has drilled 85 holes for a total of 17,915 metres to 17 October 2017. Further results for Zones 5, 1 and 2 are expected to be announced shortly. Meanwhile, Environmental Baseline Studies have commenced.
- The Company's cash balances were \$446,144 (June \$516,079).

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

Vendetta has a call Option over the Pegmont Project that can be exercised by 6 November 2018 upon the payments of \$500,000 by 28 February 2018 and \$1,000,000 by 6 November 2018 with a balance of \$3,000,000 upon transfer of title.

The objective of Vendetta's (current) 2017 program, is to:

- a. Further delineate high grade open pit (sulphide) material in Zones 1, 2 and 3
- b. Additional drilling in Bridge Zone discovery area
- c. Test conceptual and advanced targets for lead-zinc mineralisation; and
- d. Test the new copper-gold target, by follow up drilling of the recently identified 800 metre long EM conductor.

In order to prosecute this program, Vendetta recently raised an additional C\$1.0 million from the exercise of warrants. Field work is expected to continue to the end of November.

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

No field activity was undertaken as changes to the Mining Lease progress. The Company has been approached by third parties about its possible sale.

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

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

### 5. Templeton Application EPMA 26647

On 17 August 2017, the Company lodged an EPM Application called Templeton about 60 kilometres west of Mount Isa. The exploration target is Mount Isa-type copper mineralisation that may be concealed beneath an old Tertiary weathering surface. The application comprising of 96 sub-blocks, approximately 250 square kilometres, has been lodged with the Queensland Mines Department and advertised.

While Templeton is mainly a geophysical target of co-incident magnetic high and a radiometric anomaly, the geological setting of Templeton is similar to that in areas which copper mining has been undertaken, notably Mount Kelly and Lady Annie. The Templeton anomalies have not been tested by previous explorers.

## 6. Commodity Background

### Summary of Selected Commodity Price Movements December 2016 – September 2017

		2016 31 December	2017 30 September	Improvement %
Oil	\$US/bbl	53.95	51.62	(4.3)
Iron ore	\$US/t	78.87	62.89	(20.3)
LME Index		2,659.6	3,124.7	17.5
Lead	\$US/t	1,985	2,519	26.9
Zinc	\$US/t	2,563	3,217	25.5
Copper	\$US/t	5,501	6,485	17.9
Gold	\$US/g	1,159.9	1,288.0	11.0
\$A/\$US		0.7233	0.7843	8.4
All Ords Index		5,719.1	5,744.9	0.4
Gold Index (ASX 200)		4,080.9	4,369.1	7.1

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 remain weak because of the emergence of USA as an exporter and overproduction by some OPEC countries. Iron ore is subject to seasonal demand, which is weakening due to the onset of winter in China.

## 7. Income Summary (cash basis)

	September Quarter 2017 \$	Actual Year to September \$	Forecast to December 2017 \$
<b>Income Received</b>			
Interest/Dividends/Other	(741)	4,823	5,000
Realised profit/(loss) on sale of shares (cost basis)	–	(4,335)	(4,000)
	(741)	488	1,000
Add: Reduced provisions to market value	(6,900)	(5,800)	(6,000)
Net Income/(Loss) from investing activities	(7,641)	(5,312)	(5,000)
Add: Vendetta Option Proceeds	–	350,000	350,000
	(7,641)	344,688	345,000

## Less Expenditures (cash basis)

	September Quarter 2017 \$	Actual Year to September \$	Forecast to December 2017 \$
<b>Exploration</b>			
Pegmont tenement expenses	1,030	3,580	5,000
New Hope expenses	4,306	10,613	12,000
Templeton Application	8,186	8,186	10,000
General Investigations	22,835	23,000	27,000
	36,357	45,379	54,000
<b>Corporate</b>			
Administration	22,668	44,670	65,000
Audit Fees	6,000	6,000	15,000
Directors and Secretary Fees	5,000	25,000	50,000
Working Capital	(7,731)	(4,642)	(11,138)
	25,937	71,028	118,862
Net Cash Surplus/(Deficit)	(69,935)	228,281	172,138
Add: Opening Cash Balances	516,079	217,863	217,863
<b>Closing Cash Balances</b>	<b>446,144</b>	<b>446,144</b>	<b>390,000</b>

## 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 replacement of the Pegmont Project. An in depth review has resulted in the Templeton EPM 26647 Application, 60 kilometres west of Mount Isa.

Yours faithfully



Malcolm A Mayger  
Managing Director





NOTES:  
 Mount Kelly – 1% deferred NSR royalty  
 Templeton Application – 100% interest  
 Pegmont 100% under Option to Vendetta Mining Corp