

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
384 Hunter Street
NEWCASTLE NSW 2300

Dear Sir,

Quarterly Activity Report 31 December 2017

We submit the following Quarterly Activity Report of Pegmont Mines Limited (The Company) for the three months to 31 December 2017.

1. Summary

- A review of the under-explored mineral potential of the Mount Isa Western Succession continued for Mount Isa-type copper-gold deposits to the north and west of Mount Isa. See attached map.
- This review work, supervised by Mr Jacob Rebek, resulted in EPM 26647 – Templeton application on 17 August 2017 which covers a high priority geophysical target (magnetic high and coincident radiometric anomaly) that can be tested in the first year of exploration. Additional areas are being considered.
- Cash balances increased by \$165,232 during 2017 to \$383,096 at 31 December 2017.

2. Vendetta Mining Corp Option

Vendetta continued to evaluate the Pegmont lead-zinc deposit (100% Company interest). They made the following announcements:

17 October 2017 – Ongoing Development Activities included a total of 85 drill holes completed during the 2017 program for a total of 17,915 metres with priority in Zones 1 and 2 within the Mining Leases.

A subsequent presentation indicated that A\$6 million had been expended on exploration to date, including 24,500 metres drilled since commencement which had resulted in a 75% increase in Inferred tonnes and 44% increase in Indicated tonnes.

7 November drill results from Zone 5 were released (within EPM 26210). To date, a total of 93 drill holes had been completed for a total of 19,065 metres with drilling continuing.

15 November, further high grade results from Zone 2 (Open Pit Target) were released. At the copper-gold target, south-west of Zone 5, drilling of two holes failed to intersect economic mineralisation.

The objective of Vendetta's 2017 program, was to:

- a. Further delineate high grade open pit (sulphide) material in Zones 1, 2 and 3 within the Mining Leases
- b. Additional drilling in the Bridge Zone discovery area
- c. Test conceptual and advanced targets for lead-zinc mineralisation particularly in Zone 5 (EPM 26210); and
- d. Test the new copper-gold target, by follow up drilling of the recently identified 800 metre long EM conductor.

Vendetta is expected to report results from this program in an upgraded estimate of Resources during January/February 2018.

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. It was recently granted a Mining Lease (ML 90233) over the Anthill deposit which has total in-situ resources of 13.84 Mt of 0.7% Cu.

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. Negotiations have yet to commence with Native Title and Landholder interests.

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 29 December	Improvement %
Oil	\$US/bbl	53.95	60.41	12.0
Iron ore (62% Fe fines)	\$US/t	78.87	72.62	(7.9)
LME Index		2,659.6	3,418.5	28.5
Lead	\$US/t	1,985	2,485.0	25.2
Zinc	\$US/t	2,563	3,338	30.2
Copper	\$US/t	5,501	7,157.0	30.1
Gold	\$US/g	1,159.9	1,295.2	11.7
\$/A/\$US		0.7233	0.7802	7.9
All Ords Index		5,719.1	6,167.3	7.8
Gold Index (ASX 200)		4,080.9	4,920	20.6

Base metal prices firmed during 2017 as economic growth continued in USA, China, Japan and Europe. Oil prices have bottomed because of cutbacks by some OPEC countries and interruption of production from Libya. Iron ore (62% Fe fines) is subject to seasonal demand and heavy discounting for lower grade. The short-term outlook for commodities remains firm as the US economy strengthens into 2018.

7. Income Summary (cash basis)

Income Received	December Quarter 2017 \$	Actual Year to December \$
Interest/Dividends/Other	3,165	7,988
Realised profit/(loss) on sale of shares (cost basis)	1,225	(3,110)
	4,390	4,878
Add: Reduced provisions to market value	(4,800)	(10,600)
Net Income/(Loss) from investing activities	(410)	(5,722)
Add: Vendetta Option Proceeds	–	350,000
Net Income	(410)	344,278

Less Expenditures (cash basis)

Exploration	December Quarter 2017 \$	Actual Year to December \$
Pegmont tenement expenses	(1,104)	2,421
General Investigations	9,359	31,782
New Hope expenses	729	11,342
Templeton Application	2,876	11,692
	11,858	57,237
Corporate		
Administration	10,182	54,852
Audit Fees	–	6,000
Directors and Secretary Fees	31,450	56,450
Working Capital	9,149	4,507
	50,780	121,809
Net Cash Surplus/(Deficit)	(63,048)	165,232
Add: Opening Cash Balances	446,144	217,864
Closing Cash Balances	383,096	383,096

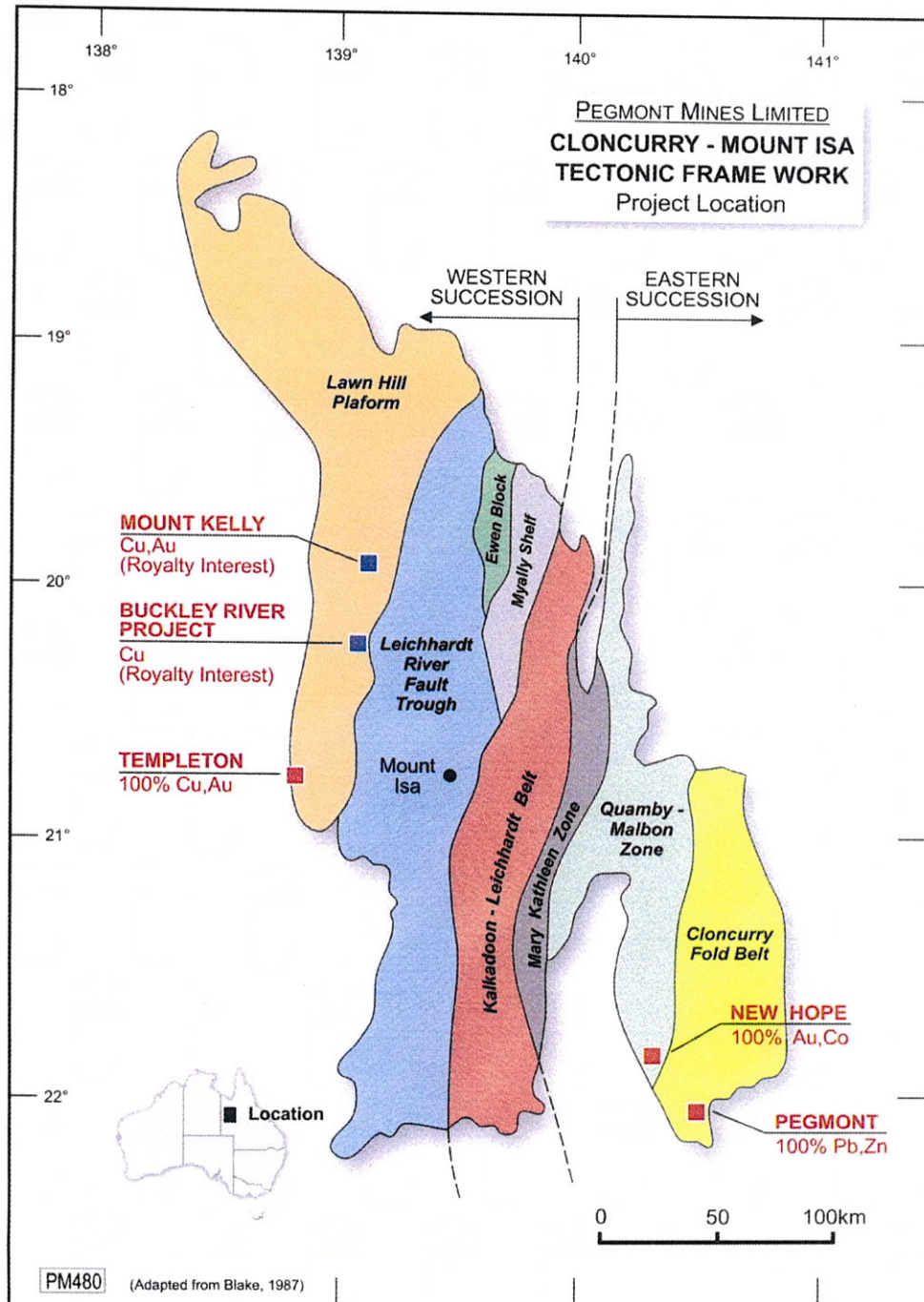
Conclusion

The Company's financial position improved by \$165,232 during 2017, from \$217,863 to \$383,096 with the receipt of \$350,000 in Option payment from Vendetta and careful expenditure control. Currently, both the Pegmont lead-zinc Project and the New Hope gold-cobalt deposit are being considered by two different parties. Should either or both deposits be sold, then a substantial influx of liquidity is anticipated during 2018 which would enable the Company to continue its copper-gold-cobalt exploration program.

Yours faithfully



Malcolm A Mayger
Managing Director



The Lawn Hill Platform suite of rocks overlay the older Proterozoic McNamara Group at generally increasing depth to the west.