

Pegmont Mines Limited

ABN 97 033 331 682

Corporate Office
13 Oden Street
Port Macquarie NSW 2444

Telephone: 6583 7747
Email: pegmont@hotmail.com

30 October 2018

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

Dear Sir,

Quarterly Activity Report 30 September 2018

We are pleased to submit the following Quarterly Activity Report of Pegmont Mines Limited (the Company) for the three months to 30 September 2018.

1. Summary

- Cash balances (excluding guarantees and environmental bonds) were \$634,305 a reduction of \$177,539 on the cash balances at 30 June 2018.
- Field exploration activity in Templeton EPM 26647 commenced with field trips during July and August to sample outcrop and gain an understanding of the geological environment of the E1 and E2 Magnetic Anomaly areas. Both geology and assay results support the original concept that the magnetic anomalies are likely to represent intrusives at depth.
- Vendetta Mining Corp made an announcement on 9 August 2018 of an increase in Mineral Resource of the Pegmont lead-zinc deposit to 5.8 Mt Indicated and 8.3 Mt of Inferred Transition and Sulphide material.

2. Cash – \$634,305

Cash balances have declined by \$177,539, due to expenditure on Administration of \$114,052 (including insurance), exploration expense of \$60,798 (on Templeton and review of other nearby areas) and increased Working Capital of \$4,436, less Net Income of \$1,747.

3. Templeton EPM 26647

The Templeton EPM 26647 application was granted by the Mines Department on 10 May 2018 over an area of 96 sub-blocks for a term of five years. In order to maintain this tenement, the Company has committed to a total minimum expenditure of \$1,085,000 including 6,200 metres of drilling over the five-year term. The Landholder of Barkly Station has granted access for low impact work (surface sampling and mapping only). An Induction course conducted by Indjalandji-Dhidhanu Aboriginal members was completed prior to the commencement of fieldwork. Furthermore, a walkover of proposed drill sites has since been undertaken.

Meanwhile, 3D modelling of previously available magnetic data continued to better define depth of intrusive magmatic targets (some 13 in number that are estimated at between 150-400 metres depth). RC drilling should have little difficulty in testing these intrusive bulk tonnage targets.

Field work commenced on 18 July with the objective of mapping and surface sampling of rocks (low impact) that are altered and fractured and that may be associated with hydrothermal alteration and copper mineralisation. Results reveal a highly leached surface of low values of limited extent of outcrop and extensive alluvial and colluvial cover. Outcrop may consist of ferruginous/limonitic crust which may carry relatively anomalous copper values, some very small specs of gold were observed in several mineralogical samples.

4. Vendetta Activity at the Pegmont Project – 100% interest

Vendetta Mining Corp has an Option Agreement to acquire 100% interest in the Pegmont Lead-Zinc Project by the 30 November 2018 upon payment of \$4 million and a deferred 1.5% NSR royalty.

Vendetta has made the following announcements during the quarter:

12 July 2018	Vendetta intends to undertake a Preliminary Economic Assessment (PEA) on the Pegmont lead-zinc deposit following completion of the initial 2018 drill program. A total of 32 holes and one hole from 2017 was extended for a total of 4,670 metres.
9 August 2018	Vendetta increases Pegmont lead-zinc Mineral Resource to 5.8 million tonnes Indicated and 8.3 million tonnes of Inferred. Details of the Mineral Resource Estimate were provided.
24 August 2018	Additional high grade drill results from Zones 2 and 3 at the Pegmont lead-zinc project were announced.
30 August 2018	Near surface high grade results from planned start up pit area, and announcement of C\$1.5 million financing.
21 September 2018	Vendetta Mining closes first tranche of over-subscribed private placement for gross proceeds of C\$1,686,400.

5. New Hope gold-cobalt – 100% interest

Chinova Resources has an Option to acquire 100% interest in ML 2487 (New Hope) by 30 November 2018 upon payment of \$575,000. An application for Renewal was lodged with DNRME on 26 June 2018.

6. Reefway Royalty Tenements – Pegmont 76.5% royalty interest

CST Mining continues to acid-leach treat the Mount Kelly existing copper-oxide heaps. Cumulative Copper Cathode sold to June 2018 is 49,467 tonnes.

7. Commodity Background

Summary of Selected Commodity Price Movements
December 2017 – June 2018

		2017 29 December	2018 29 March	2018 29 June	2018 28 September	Improvement Since Dec 2017 %
Oil	\$US/bbl	60.41	64.86	74.08	73.11	21.0
Iron ore (62% Fe fines)	\$US/t	72.62	64.99	64.44	68.67	(5.4)
LME Index		3,418.5	3,204.8	3,203.9	3,004.3	(12.1)
Lead	\$US/t	2,485.0	2,411.0	2,432.0	2,002.0	(19.4)
Zinc	\$US/t	3,338.0	3,332.0	2,948.0	2,573.0	(22.9)
Copper	\$US/t	7,157.0	6,685.0	6,646.0	6,180.0	(13.7)
Nickel	\$US/t	12,260.0	13,245.0	14,910.0	12,480.0	1.8
Gold	\$US/g	1,295.2	1,338.0	1,250.2	1,182.8	(8.7)
\$/A/\$US		0.7802	0.7677	0.7388	0.7213	(7.5)
All Ords Index		6,167.3	5,868.9	6,309.9	6,325.5	2.6
Gold Index (ASX 200)		4,920.0	4,734.7	5,249.8	4,645.5	(5.6)

Oil was the standout commodity, because of the United States (US) embargo on Iranian exports and interruption of production from Libya. Nickel was firm because of rising demand from electric vehicle (EV) production. Gold has fluctuated due to US/China tension over a possible trade war of competitive tariff raising, (to reduce the US trade deficit) and a rising US dollar. The overall decline in the LME index does not bode well for mineral explorers, unless they can find a high grade deposit. However, a weaker Aussie dollar has partially offset lower metal prices.

8. Income Summary (cash basis)

Income Received	Estimate December Forecast 2018 \$	Actual to September 2018 \$
Interest/Dividends/Other	13,500	10,307
Realised profit/(loss) on sale of shares (cost basis)	–	1,800
	13,500	12,107
Add: Increased provisions to market value	–	(6,650)
Net Income/(Loss) from investing activities	13,500	5,457
Add: Chinova Prepayment	150,000	150,000
Add: Vendetta Option Proceeds	500,000	500,000
Payment of extension fee	–	9,091
Net Income	663,500	664,548
Less Expenditures (cash basis)		
Exploration		
Pegmont tenement expenses	4,000	3,631
General Investigations	56,000	38,806
New Hope expenses	20,000	17,703
Templeton	180,000	96,143
	260,000	156,283
Corporate		
Administration	150,000	110,228
Audit Fees	18,000	8,000
Directors' Fees	130,000	97,500
Working Capital	(12,000)	41,330
	286,000	257,058
Net Cash Surplus/(Deficit)	117,500	251,207
Add: Opening Cash Balances	383,098	383,098
Closing Cash Balances	500,598	634,305

Conclusion

The Company's current financial position is sufficient to meet Templeton expenditures (including drilling) for the year. Currently, both the Pegmont lead-zinc Project and the New Hope gold-cobalt deposit are under Option with two different parties. Should either or both deposits be sold, then a further substantial inflow of liquidity could occur in November 2018 which would underpin the Company's copper-gold exploration program in the Mount Isa Region for a number of years.

Yours faithfully



Malcolm A Mayger
Managing Director