

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 2018

We submit the following Quarterly Activity Report of Pegmont Mines Limited (The Company) for the three months to 31 March 2018.

1. Summary

- Cash balances increased by \$597,889 to \$980,987 at 31 March 2018 upon the receipt of \$150,000 non-refundable payment by Chinova Resources Cloncurry Mines (Chinova) and \$500,000 preproduction payment by Vendetta Mining Corp (Vendetta).
- The Templeton Agreement for Exploration between the Company and Indjalandji – Dhidhanu Aboriginal Corporation was signed on 5 April.
- Vendetta made four announcements on their evaluation results on the Pegmont lead-zinc Project and a presentation at the Metals Investor Forum in Vancouver during January.

2. Cash – \$980,987

The receipt of \$150,000 from Chinova and \$509,091 from Vendetta has put the Company in a strong financial condition to undertake exploration activities at Templeton (our sole exploration tenement). As a result Working Capital increased to \$791,664 at 31 March 2018.

Additional payments of \$1,575,000 may be received before year-end from Chinova (\$575,000) and Vendetta (\$1,000,000) in regard to the sale of the New Hope gold-cobalt deposit and the exercise by Vendetta to purchase the Pegmont Project.

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

Vendetta made the following announcements:

- | | |
|------------------|--|
| 19 January 2018 | Second Resource update due Q1 2018 with a further resource revision in Q4 2018. Drilling to expand shallow open pit resource (Zones 1,2 and 3) and the nearby (Bridge Zone) underground mineralisation |
| 31 January 2018 | Announced shallow high grade results from Zone 1 from 2017 drilling which confirmed that mineralisation was more extensive than expected |
| 13 February 2018 | Additional high grade drill results from the “Bridge Zone” discovery, an underground target from 2017 drilling |

- 28 February 2018 High-grade intersections in Zones 2 and 3, including an intersection in a new fold structure. Three holes also intersected multiple mineralised beds in a relatively large drag fold, referred to as the “Z Fold”, located between Zones 2 and 3
- 5 March 2018 Metallurgical test work demonstrated high lead and zinc recoveries and concentrate grades, highlighting that saleable high quality concentrates can be produced from both lead and zinc zones tested

Fieldwork and drilling is expected to recommence during April 2018.

4. New Hope gold-cobalt – 100% interest

By making \$150,000 non-refundable payment to the Company, Chinova has an Option to acquire ML 2487 (New Hope) by 30 November 2018 and making a balance payment of \$575,000 upon transfer of title. Meanwhile, the Company is to renew the tenement.

5. Templeton Application EPMA 26647

Upon signing an Agreement with the Indjalandji – Dhidhanu Aboriginal Corporation, the Company can now approach the landholder with an exploration plan, including an aero-magnetic and radiometric survey, to upgrade previous data to better define a number of pronounced magnetic targets. Furthermore, permission to enter will be required to map and sample surface geology over the magnetic target areas.

Initially, and prior to acquiring new geophysical data, it is proposed to extract and reprocess existing open file digital data sets for their structural detail along with target delineation, which would then assist in planning the most suitable airborne geophysical survey. It is expected that more detailed data could break up a single magnetic anomaly into a cluster of magnetic bodies, particularly in regard to E1, E2a, E2b, E3, E4a and E4b, because depth to top may not be excessive. An increase in discrete magnetic anomalies could provide better defined drill targets.

6. 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. Total copper cathode sold to March 2018 is 49,281 tonnes.

7. Commodity Background

Summary of Selected Commodity Price Movements
December 2017 – March 2018

		2017 29 December	2018 29 March	Improvement %
Oil	\$US/bbl	60.41	64.86	7.4
Iron ore (62% Fe fines)	\$US/t	72.62	64.99	(10.5)
LME Index		3,418.5	3,204.8	(6.3)
Lead	\$US/t	2,485.0	2,411.0	(3.0)
Zinc	\$US/t	3,338.0	3,332.0	(0.2)
Copper	\$US/t	7,157.0	6,685.0	(6.6)
Gold	\$US/g	1,295.2	1,338.0	3.3
\$A/\$US		0.7802	0.7677	(1.6)
All Ords Index		6,167.3	5,868.9	(4.8)
Gold Index (ASX 200)		4,920.0	4,734.7	(3.8)

Oil prices have bottomed because of cutbacks by some OPEC countries and interruption of production from Libya. Gold has firmed due to US/Russia tension over Syria and US/China tension over a possible trade war of competitive tariff raising, to reduce the US trade deficit.

8. Income Summary (cash basis)

	Estimate December Forecast 2018 \$	Actual Year to March 2018 \$
Income Received		
Interest/Dividends/Other	10,000	694
Realised profit/(loss) on sale of shares (cost basis)	–	1,800
	10,000	2,494
Add: Increased provisions to market value	–	(3,051)
Net Income/(Loss) from investing activities	10,000	(557)
Add: Chinova Prepayment	150,000	150,000
Add: Vendetta Option Proceeds	500,000	500,000
Payment of extension fee	–	9,091
Net Income	660,000	658,534
Less Expenditures (cash basis)		
Exploration		
Pegmont tenement expenses	2,000	–
General Investigations	56,000	19,592
New Hope expenses	7,000	4,318
Templeton Application	120,000	16,107
	185,000	40,017
Corporate		
Administration	140,000	4,067
Audit Fees	15,000	–
Directors' Fees	130,000	22,500
Working Capital	–	(5,939)
	285,000	20,628
Net Cash Surplus/(Deficit)	190,000	597,889
Add: Opening Cash Balances	383,098	383,098
Closing Cash Balances	573,098	980,987

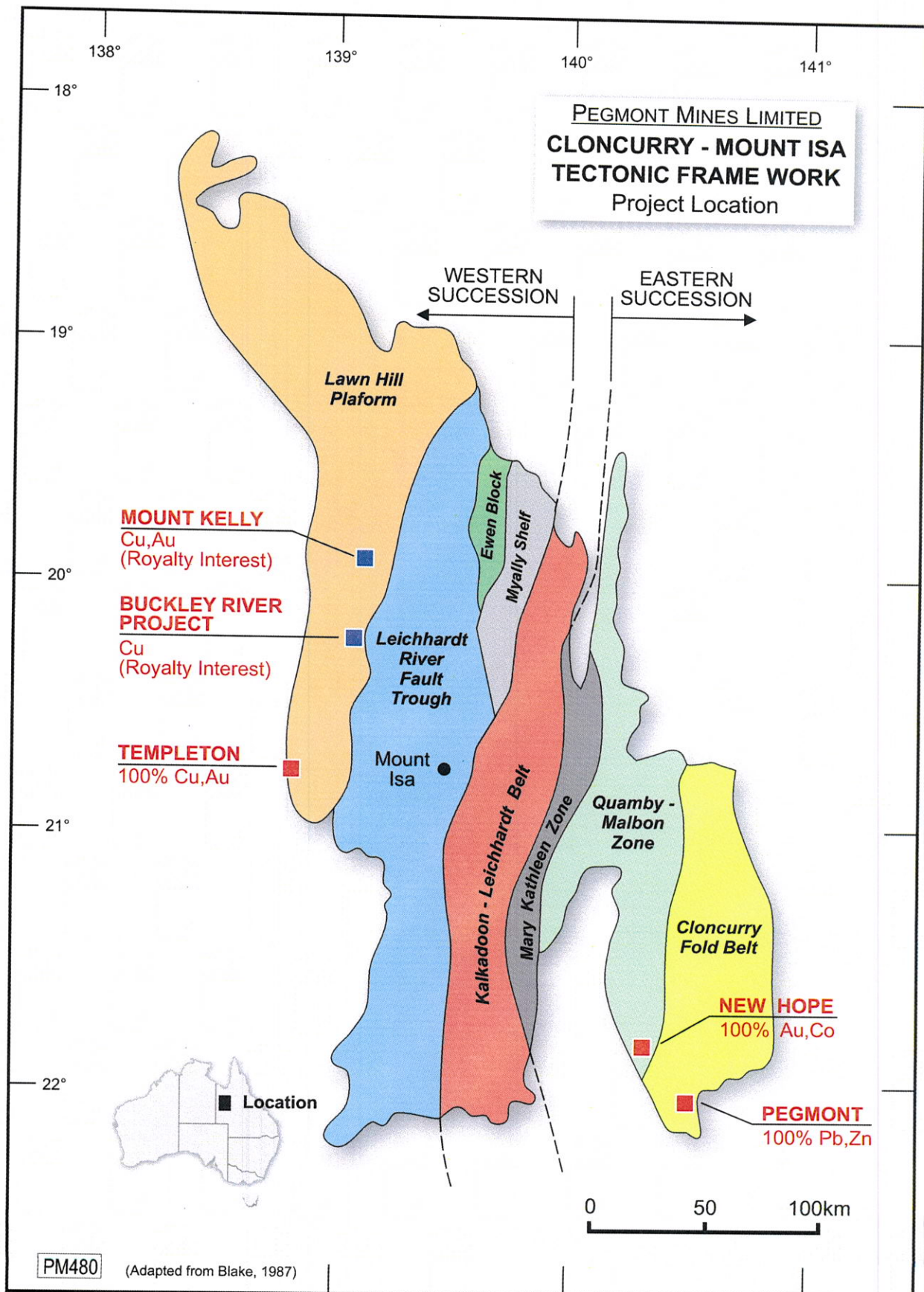
Conclusion

The Company's financial position has greatly improved by \$597,889 since December 2017, from \$383,098 to \$980,987. 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 influx of liquidity would occur in November 2018 which would underpin the Company's copper-gold exploration program in the Mount Isa Region. Meanwhile, we shall proceed to explore the Templeton magnetic anomalies.

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.