

Pegmont Mines Limited

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24 July 2018

The Manager
The National Stock Exchange of Australia
1 Bligh Street
SYDNEY NSW 2000

Dear Sir,

Quarterly Activity Report 30 June 2018

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

1. Summary

- Cash balances (excluding guarantees and environmental bonds) were \$811,844 a reduction of \$169,143 on the cash balances at 31 March 2018.
- Exploration activity in Templeton EPM 26647 was held up pending finalisation of an Agreement with Native Title interests and the granting of a Permission to Enter by the Landholder. Both agreements have since been finalised.
- Vendetta Mining Corp made an announcement on 10 May on commencing the 2018 field program at the Pegmont Lead-Zinc Project.

2. Cash – \$811,844

Cash balances have declined by \$169,143, due to increased expenditure on Administration of \$76,113 (mainly timing of Director's fees), increased exploration expense of \$55,467 (on Templeton and review of other nearby areas) and paydown of Current Liabilities.

3. Templeton EPM 26647

Further to the signing of an Agreement with Native Title parties, 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 has been completed prior to the commencement of fieldwork. Consequently, commencement of fieldwork was delayed until 18 July. Meanwhile, 3D modelling of previously available magnetic data continued to better define depth of targets (some 13 in number that are estimated at between 100-500 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 that may be associated with hydrothermal alteration and copper mineralisation.

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 6 November 2018 upon payment of \$4 million and a deferred 1.5% NSR royalty.

Vendetta has made the following announcements:

10 May 2018 Commenced 2018 field program at the Pegmont Project with the following objectives:

1. To expand the high grade lead-zinc mineralisation at the Bridge Zone
2. To develop a mineral resource around PVD 156 drilled late in 2017 (36.6m @ 9.07% Pb, 3.04% Zn)
3. Undertake further metallurgical drilling and test work
4. Exploration drilling on nearby lead-zinc targets
5. Undertake a Mineral Resource update

12 July 2018 The initial 2018 drill program has been successfully concluded. A total of 32 holes and one hole from 2017 was extended, for a total of 4,670 metres.

Vendetta intends to undertake a Preliminary Economic Assessment (PEA) on Pegmont. The project scope is for one million tonne per annum standalone processing plant with mill feed sourced from open pit and underground.

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	Improvement Since Dec 2017 %
Oil	\$US/bbl	60.41	64.86	74.08	22.6
Iron ore (62% Fe fines)	\$US/t	72.62	64.99	64.44	(11.3)
LME Index		3,418.5	3,204.8	3,203.9	(6.3)
Lead	\$US/t	2,485.0	2,411.0	2,432.0	(2.1)
Zinc	\$US/t	3,338.0	3,332.0	2,948.0	(11.7)
Copper	\$US/t	7,157.0	6,685.0	6,646.0	(7.1)
Nickel	\$US/t	12,260.0	13,245.0	14,910.0	21.6
Gold	\$US/g	1,295.2	1,338.0	1,250.2	(3.5)
\$/A/\$US		0.7802	0.7677	0.7388	(5.3)
All Ords Index		6,167.3	5,868.9	6,309.9	1.02
Gold Index (ASX 200)		4,920.0	4,734.7	5,249.8	1.07

Oil and Nickel were the two standout commodities. Oil because of the United States (US) embargo on Iranian exports and interruption of production from Libya and Nickel because of rising demand from electric vehicle (EV) production. Gold has declined moderately due to US/China tension over a possible trade war of competitive tariff raising, (to reduce the US trade deficit) offset by a raising US dollar.

8. Income Summary (cash basis)

Income Received	Estimate December Forecast 2018 \$	Actual half Year to June 2018 \$
Interest/Dividends/Other	10,000	6,960
Realised profit/(loss) on sale of shares (cost basis)	–	1,800
	10,000	8,760
Add: Increased provisions to market value	–	(5,050)
Net Income/(Loss) from investing activities	10,000	3,710
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	662,801
Less Expenditures (cash basis)		
Exploration		
Pegmont tenement expenses	2,000	–
General Investigations	56,000	29,226
New Hope expenses	7,000	15,615
Templeton	120,000	50,644
	185,000	95,485
Corporate		
Administration	140,000	36,676
Audit Fees	15,000	–
Directors' Fees	130,000	65,000
Working Capital	–	36,894
	285,000	138,570
Net Cash Surplus/(Deficit)	190,000	428,746
Add: Opening Cash Balances	383,098	383,098
Closing Cash Balances	573,098	811,844

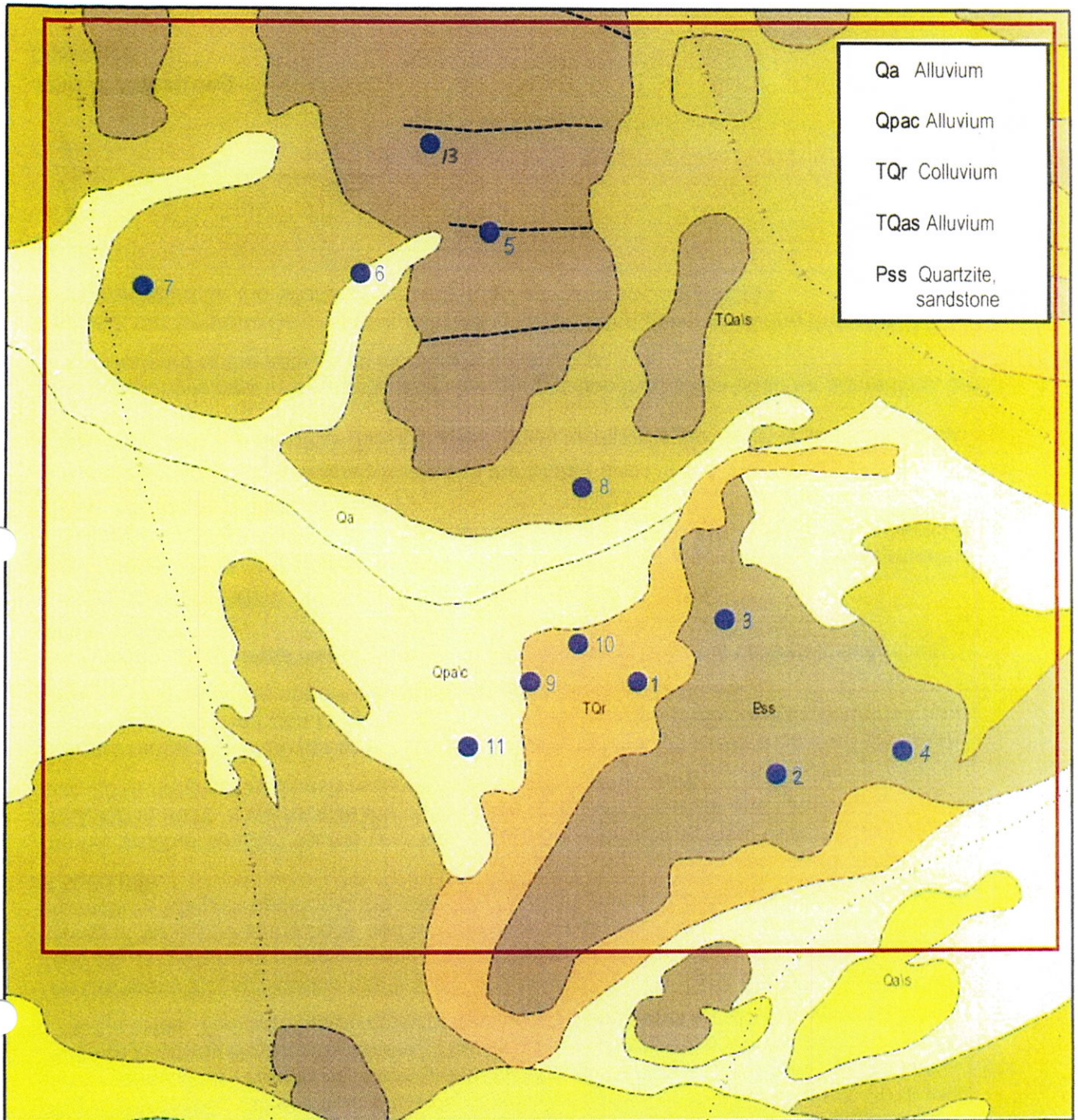
Conclusion

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 influx of liquidity would occur in November 2018 which would underpin the Company's copper-gold exploration program in the Mount Isa Region.

Yours faithfully



Malcolm A Mayger
Managing Director



Qa	Alluvium
Qpac	Alluvium
TQr	Colluvium
TQas	Alluvium
Pss	Quartzite, sandstone

MinesOnlineMaps

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All enquiries and feedback:
 email: MinesOnlineMaps@dnrm.qld.gov.au

	Reconnaissance, mapping and sampling 2018
	Magnetic highs 300m below surface

Scale 1 : 50,000

Geocentric Datum of Australia 1994 EPSG 4283

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