

Pegmont Mines Limited

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

Dear Sir,

Quarterly Activity Report to 31 December 2013

We submit the following activity report of Pegmont Mines Limited for the three months to 31 December 2013.

1. Summary

- All activities were placed on hold during the quarter, no field activities were undertaken on exploration areas at Pegmont, whilst share trading activities were limited to meeting liquidity requirements to cover ongoing expenses.
- On 21 November 2013, the Company announced the signing of a binding Letter of Intent with Vendetta Mining Corp, a company listed on the Toronto stock Exchange – Venture Market (VTT-TSX:V) granted Vendetta an option to acquire 100% interest in the Pegmont lead/zinc project.

The transaction contemplated by the LOI agreement is subject to ongoing due diligence investigations and relevant approvals from the Toronto Stock Exchange, the National Stock Exchange of Australia and Pegmont's shareholders. The due diligence period of the LOI Agreement has been extended to 14 February 2014, at the request of Vendetta Mining Corp.

- The cash position was \$18,548 at 31 December 2013, which together with listed shares at market value of \$88,300 resulted in liquid assets of \$106,848.
- A one for ten (1:10) Non- Renounceable Entitlement Issue at 6 cents per share to raise approximately \$376,000 (before costs) was announced on 28 November 2013. This issue is being supported by Malcolm A. Mayger Pty Limited up to a commitment of \$150,000. **This entitlement offer closes at 5.00pm AEDT on 31 January 2014.**

2. Reefway Royalty Tenements (Pegmont 76.7% interest)

The Reefway Royalty tenements operated by CST Mining Group Limited are subject to a 1% NSR Royalty once copper production exceeds 100,000 tonnes. Total reported production to 30 September 2013 was 36,585 tonnes of cathode copper.

3. Investment Activities

Share trading activities were limited to the sell down of shares to meet the Company's liquidity requirements.

Investment Activity Summary


Shares Traded	December Quarter 2013 \$'000	Year to December 2013 \$'000	Year to December 2012 \$'000	Forecast Year 2013 \$'000
Proceeds	43	296	1,835	300
Cost	198	518	1,967	550
Profits	-	7	41	10
Losses	(154)	(229)	(173)	(260)
Realised Profit/(Loss)	(154)	(222)	(132)	(250)
Net Provision	155	176	(104)	210
Net Trading Profit/(Loss)	1	(46)	(236)	(40)

4. Income and Expenditure (cash basis)

Income Received	December 2013 Quarter \$	Year Actual 2013 \$	Year Budget 2013 \$
Interest/Dividends	11,582	24,781	50,000
Net profit (Loss) on sale of shares	(154,002)	(221,708)	30,000
	(142,420)	(196,927)	80,000
Add: Reduced provisions to market value	155,471	176,303	-
Net Income/ (Loss) from investing activities	13,051	(20,624)	80,000
Exploration Expenditure			
Pegmont Deposit	30,371	247,866	200,000
Pegmont Regional	15,928	94,022	92,500
Pegmont SC-3, SC-8	13,182	55,298	-
New Hope	2,028	6,126	-
Other Prospects	-	10,299	7,500
Exploration Expenditure	61,509	413,611	300,000
Corporate Expenditure			
Administration	36,051	229,488	160,000
Directors & Secretary Fees	1,150	35,200	140,000
Share Investment/Increase	(58,953)	(197,143)	-
	(21,752)	67,545	300,000
Net Cash Surplus/(Deficit)	(26,706)	(501,780)	(520,000)
Add: Opening Cash Balances	45,254	520,328	520,328
Closing Cash Balances	18,548	18,548	328

Net Income for the quarter from Investing Activities was \$13,051, due to Interest/Dividends \$11,582 and a trading profit of \$1,469. Exploration expense was \$61,509. Administration expense \$37,201. Expenditures were funded by a drawdown of cash balances and sell down of shares.

Yours faithfully,


Malcolm A. Mayger
 Managing Director