

Pegmont Mines Limited

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29 July 2014

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

Dear Sir,

Quarterly Activity Report to 30 June 2014

We submit the following activity report of Pegmont Mines Limited for the three months to 30 June 2014.

1. Summary

- Field activities included an 1146.6 line Km of high resolution airborne radiometric and magnetic survey over the Pegmont Project tenements followed up by ground magnetic mapping and drill pad preparation.
- Corporate activities included the appointment of Peter Read to the board of Directors and the retirement of David Curtis as a Director. Peter was subsequently re-elected at the Company's Annual General Meeting.
- A short term option to 31 August over 2,500,000 shares at 6 cents to Malcolm A Mayger (a director of the Company) was ratified by shareholders at the Company's AGM to be applied to the upcoming drill program.
- Negotiations continued with Vendetta Mining Corp. a company listed on the Toronto Stock Exchange in regard to a four year option to purchase the Pegmont Project for cash and a royalty.
- The Department of Natural Resources and Mines has granted a variation to the conditions of EPM 14491 and EPM 15106 that has reduced expenditure obligations and deferred relinquishment of sub-block area until August 2016. This variation will greatly assist our resource evaluation activities.

2. Reefway Royalty Tenements (Pegmont 76.7% interest)

Production of copper cathode from the Reefway tenements totalled 40,723 tonnes at 31 March 2014. We have been advised that a new ML application has been made over the Anthill deposit some 40km south of current operations.

3. Exploration Activities

Exploration activities are focused on the Pegmont tenements, where 3,000m of RC drilling was completed during July 2014. This program was designed to infill and test extensional targets at the Pegmont South Lode in EPM 15106. Also, several magnetic targets in EPM 14491 were drill tested. Assay results are expected in several weeks time.

4. Metal Prices

Both lead and zinc prices have recovered strongly during the quarter which has generated greater investor interest in advanced projects such as Pegmont.

5. Liquidity

The company is dependent upon raising additional (equity) capital of \$500,000 during the next six months.

6. Sharetrading Activities

Investment Activity Summary

Shares Traded	June Quarter 2014 \$'000	Half Year to June 2014 \$'000	Half Year to June 2013 \$'000	Forecast Year 2014 \$'000
Proceeds	7	73	158	400
Cost	43	154	186	400
Profits	-	-	7	-
Losses	(36)	(81)	(35)	(81)
Realised Profit/(Loss)	(36)	(81)	(28)	-
Net Provision	26	59	(35)	75
Net Trading Profit/(Loss)	(10)	(22)	(63)	(6)

It should be noted that the positive movement in Net Provision largely reduced the realised loss.

7. Income and Expenditure (cash basis)

Income Received

	June 2014 Quarter \$	Half Year Actual	Year 2014 Forecast \$
Interest/Dividends/Other	86	3,272	6,000
Realised profit (Loss) on sale of shares	(36,200)	(80,709)	(81,000)
	(36,114)	(77,437)	(75,000)
Add: Reduced provisions to market value	26,287	58,756	75,000
Net Income/ (Loss) from investing activities	(9,827)	(18,681)	-
Entitlement Issue Funds	-	223,355	223,355
Less: Entitlement Issue Costs	(6,671)	(15,262)	(18,592)
Additional Equity Requirement	6,000	16,650	500,000
Total Equity Raised	(671)	224,743	704,763

Exploration Expenditure

Pegmont MLs	9,218	11,340	50,000
Pegmont EPMs	64,551	105,491	375,000
Exploration Expenditure	73,769	116,831	425,000

Corporate Expenditure

Administration	51,776	82,928	160,000
Directors & Secretary Fees	11,950	14,550	115,000
Share Investment/Increase	(32,064)	(41,402)	-
	31,662	56,076	275,000
Net Cash Surplus/(Deficit)	(115,929)	33,155	4,763
Add: Opening Cash Balances	167,632	18,548	18,548
Closing Cash Balances	51,703	51,703	23,311

Yours faithfully,



Malcolm A. Mayger
Managing Director