

Pegmont Mines Limited

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27 October 2014

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

Dear Sir,

Quarterly Activity Report 30 September 2014

We submit the following activity report of Pegmont Mines Limited (The Company) for the three months to 30 September 2014.

1. Summary

- Field activities included the drilling of 13 RC drill holes within the Pegmont Project area, particularly targeting extensions to the Southern Lode. The best down hole intersection was PMR 283 averaging 9m @ 13.23% Pb + Zn from 276 metres and two other intersections of 1m @ 2.41% Pb + Zn from 200 metres and 4m @ 6.53% Pb + Zn from 320 metre depth. For additional detail read our announcement of 3rd September 2014. Exploration expenditure for the quarter was \$363,603.
- Corporate activities included the exercise of 2,500,000 options at 6 cents each for \$150,000 and an additional advance of \$165,000 by Malcolm A Mayger Pty Limited. Additional placement of shares to a professional shareholder raised \$60,000, and to a former director and consultants an additional \$99,500. Thus, total equity capital raised was \$249,500 during the quarter.
- Negotiations with Vendetta Mining Corp, a company listed on the Toronto Stock Exchange, were satisfactorily concluded and ratified by Pegmont shareholders at an Extraordinary Meeting held on 26 September 2014. Finalisation of the option agreement to acquire the Pegmont Project released \$572,000 to The Company, including \$250,000 Option Proceeds and \$322,000 part reimbursement of exploration expenses.

2. Reefway Royalty Tenements (Pegmont 76.7% interest)

Sales of copper cathode from the Reefway tenements totalled 46,010 tonnes to 30 September, including 2,860 tonnes during the quarter. Delays continued in

reaching an agreement with Native Title interests to develop mining activities at the Anthill deposit. Pegmont and others are entitled to a 1% NSR royalty when production of copper product exceeds 100,000 tonnes from the Reefway Royalty Tenements.

3. New Hope Deposit (ML 2487), 100% interest

The Company retains 100% interest in the New Hope gold-cobalt deposit, where previous drilling has delineated a resource of 93,000 tonnes averaging 6.8g/t Au (20,000 ounces) and 0.18% Co with potential to depth constrained by the small size of ML 2487.

4. Pegmont Project (100% interest)

The Pegmont Project is now under a Call Option to Vendetta Mining Corp (VTT-TSX:V), the terms of which were set out in the Explanatory Statement attached to the Notice of Extraordinary Meeting of members held on the 26 September 2014. The Special Resolution granting the Call Option to Vendetta was passed unanimously.

Vendetta has assumed operatorship of the Pegmont Project and has commenced a fourteen (14) hole drill program for a minimum of 3,730 metres, including 2,040 metres of RC pre-collar and 1,690 metres of orientated HQ diamond core tails. The information and data generated from this drill program together with data generated from the Company's July drill program will be used to generate a revised resource estimate of the Pegmont Southern Lode. See the attached map PM 469 for drill details.

5. Investment Activity

Unfortunately, the incipient recovery of investor interest in junior miners and explorers was dashed by lower metal prices, particularly for iron ore, gold and base metals. Consequently, our investing activity was minimal.

6. Income and Expenditure (cash basis)

Total funds raised during the quarter amounted to \$996,500, including \$572,000 Option payment and exploration reimbursement from Vendetta. Total expenditure was \$642,318 including \$363,603 on Exploration and \$278,715 on Administration and legal fees associated with the Vendetta agreement. There was an increase of \$354,182 in liquidity before a provision of \$19,127 in market value of securities. Closing cash balances were \$386,758 which are likely to be maintained to the year end.

Conclusion

Pegmont is in a fortunate position of having cash in hand without exploration commitments and holding an interest in two major base metal projects i.e. the Reefway Royalty Tenements, (currently producing cathode copper) and the Pegmont lead-zinc project which has now reached a more advance stage of assessment. The Board of Pegmont will now be able to look for project opportunities (with demonstrated economic mineralisation) that have potential for enhancement to resource status, in the expectation that the exploration industry will go through a rationalisation process that could provide a suitable project for the Company.

Yours faithfully



Malcolm A Mayger
Managing Director

6. Sharetrading Activities

Investment Activity Summary

Shares Traded	September Quarter 2014 \$'000	Nine Months to September 2014 \$'000	Nine Months to September 2013 \$'000	Forecast Year 2014 \$'000
Proceeds	62	135	252	400
Cost	62	216	320	400
Profits	-	-	7	-
Losses	-	(81)	(75)	(81)
Realised Profit/(Loss)	-	(81)	(68)	-
Net Provision	(19)	40	21	75
Net Trading Profit/(Loss)	(19)	(41)	(47)	(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

	September 2014 Quarter \$	Nine Month Actual	Year 2014 Forecast
Interest/Dividends/Other	111	3,383	4,000
Realised profit (Loss) on sale of shares	224	(80,485)	(79,000)
	335	(77,102)	(75,000)
Add: Reduced provisions to market value	(19,462)	39,294	38,000
Net Income/ (Loss) from investing activities	(19,127)	(37,808)	(37,000)

Equity Capital Raised	259,500	499,505	499,505
Less: Equity Capital Issue Costs	-	(15,262)	(15,292)
Shareholder Advance	165,000	165,000	165,000
Vendetta Option Proceeds	250,000	250,000	250,000
Total Funds Raised	674,500	899,243	899,243

Exploration Expenditure

Pegmont MLs	27,427	38,767	40,000
Pegmont EPMs	336,176	441,667	450,000
Vendetta Reimbursement	(322,000)	(322,000)	(322,000)
Exploration Expenditure	41,603	158,434	168,000

Corporate Expenditure

Administration (Including Legals)	206,251	289,195	332,000
Directors & Secretary Fees	14,400	28,950	48,000
Working Capital Increase/(Decrease)	58,064	16,646	(29,331)
	278,715	334,791	350,669
Net Cash Surplus/(Deficit)	335,055	368,210	343,574
Add: Opening Cash Balances	51,703	18,548	18,548
Closing Cash Balances	386,758	386,758	362,122

Yours faithfully,

Malcolm A. Mayger
Managing Director

PEGMONT PROJECT
Southern Lode
Vendetta drill program
October 2014

