

# Pegmont Mines Limited

ABN 97 033 331 682

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29 January 2015

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

Dear Sir,

## Quarterly Activity Report

31 December 2014

We submit the following activity report of Pegmont Mines Limited (The Company) for the three months to 31 December 2014.

### 1. Summary

- No exploration activities by The Company were undertaken during the quarter.
- However, finalisation of an Option Agreement in September 2015 with Vendetta Mining Corporation (Vendetta) to acquire the Pegmont Project, enabled Vendetta to commence field activities at Pegmont in October which resulted in the drilling, as advised by Vendetta, of 18 holes totalling 3,527.8 metres by close of activities due to the monsoonal wet season.
- Discussions with other parties regarding the high grade New Hope gold-cobalt deposit did not result in a positive outcome despite its potential for additional resources.
- No sharetrading activities were undertaken as the market environment for resource was very negative due to sharp falls in major commodities of iron ore base metals and oil.
- The Company was content to harbour its financial resources which resulted in cash balances of \$410,859 and a small share portfolio with a market value of \$32,775.

### 2. Pegmont lead-zinc Project – 100% interest

In accordance with the Option Agreement to acquire the Pegmont Project, Vendetta has assumed operatorship. Their primary focus was directed towards the delineation of additional resource in Zone 5 (Pegmont Southern Lode) by 12 holes completed and confirmation of resources at the Gossan Lode where 6 holes were completed.

However, due to the onset of the wet season, the drill program was prematurely ended, but to be continued in the April-June quarter (Q2). Vendetta then intends to complete the Zone 5 drill program as a follow up program in Q2, 2015 with an update of the Pegmont mineral resource estimate planned for Q3, 2015. Assay results will be release as they become available.

**3. New Hope gold-cobalt deposit – 100% interest**

The Company retains 100% interest in the New Hope high grade gold-cobalt deposit. Drilling to date has delineated a resource of 93,000 tonnes averaging 6.8 g/t Au (20,000 ounces) and 0.18% Co with potential open to depth and along strike. The rising price of gold and declining value of the Australian dollar could make this deposit attractive for development of a small shaft operation feeding ore to a central operation. Deal opportunities will be considered.

**4. Reefway Royalty Tenements (Pegmont 76.7% interest)**

Sales of copper cathode from the Reefway tenements total 47,568 tonnes from commencement of mining to 31 December 2014. CST Mining, the current owner/operator of the tenements has lodged a Mining Lease application over a second area within the tenements at Anthill. However, the company has experienced delays in reaching an agreement with the Traditional Owners which has deferred possible mining until late 2015.

**5. Investment Activity**

No sharetrading activity was undertaken, however a loss of \$10,225 was incurred during the quarter arising from declining market value of the small portfolio of resource stocks. It is worth noting that the Australian dollar price of gold has increased from AUD\$1,469.60 to AUD\$1,628.80 per ounce (i.e. a 10.8% gain) since 2 January, resulting in a year to date gain of 29.1% in the ASX gold index.

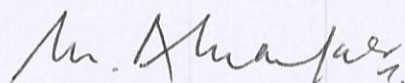
**6. Income and Expenditure (cash basis)**

The Company's cash balances increased from \$386,758 to \$410,859 during the quarter due to the reimbursement of \$28,000 by Vendetta for exploration expenses and a reduction in working capital items of \$47,264. Administration costs were \$48,355 and exploration expense \$3,786. Further cost reductions are expected in 2015 as the Company moves its Corporate Office to Port Macquarie at the end of March 2015. For cost details see the attached schedule of Sharetrading Activities and Income and Expenditure (cash basis).

**Conclusion**

The Company is now in a position to rebuild its cash position and look for new investment opportunities without the strain of meeting exploration commitments. We look forward to the continued enhancement of the Pegmont Project funded by Vendetta and to the ongoing production of copper by CST Mining from the Reefway Royalty Tenements. We are now in a financially sustainable position for the first time in a number of years.

Yours faithfully



Malcolm A Mayger  
Managing Director



## 6. Sharetrading Activities

### Investment Activity Summary

| Shares Traded                    | December<br>Quarter<br>2014<br>\$'000 | Year to<br>December<br>2014<br>\$'000 | Year to<br>December<br>2013<br>\$'000 | Budget<br>Year<br>2014<br>\$'000 |
|----------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|----------------------------------|
| Proceeds                         | -                                     | 135                                   | 296                                   | 400                              |
| Cost                             | -                                     | 216                                   | 518                                   | 360                              |
| Profits                          | -                                     | -                                     | 7                                     | 40                               |
| Losses                           | -                                     | (81)                                  | (229)                                 | -                                |
| <b>Realised Profit/(Loss)</b>    | -                                     | <b>(81)</b>                           | <b>(222)</b>                          | <b>40</b>                        |
| Net Provision                    | (10)                                  | (29)                                  | 176                                   | -                                |
| <b>Net Trading Profit/(Loss)</b> | <b>(10)</b>                           | <b>(52)</b>                           | <b>(46)</b>                           | <b>40</b>                        |

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

## 7. Income and Expenditure (cash basis)

### Income Received

|  | December<br>2014<br>Quarter<br>\$ | Year 2014<br>Actual | Year 2014<br>Budget |
|--|-----------------------------------|---------------------|---------------------|
| Interest/Dividends/Other                     | 978                               | 4,362               | 10,000              |
| Realised profit (Loss) on sale of shares     | -                                 | (80,485)            | 40,000              |
|  | 978                               | (76,123)            | 50,000              |
| Add: Reduced provisions to market value      | (10,225)                          | 29,069              | -                   |
| Net Income/ (Loss) from investing activities | (9,247)                           | (47,054)            | 50,000              |

|                                  |   |          |         |
|----------------------------------|---|----------|---------|
| Equity Capital Raised            | - | 499,505  | 600,000 |
| Less: Equity Capital Issue Costs | - | (15,262) |         |
| Shareholder Advance              | - | 165,000  | -       |
| Vendetta Option Proceeds         | - | 250,000  | -       |
| Total Funds Raised               | - | 899,243  | 600,000 |

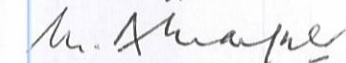
### Exploration Expenditure

|                         |          |           |         |
|-------------------------|----------|-----------|---------|
| Pegmont MLs             | 3,786    | 42,885    | 40,000  |
| Pegmont EPMS            | -        | 441,336   | 335,000 |
| Vendetta Reimbursement  | (28,000) | (350,000) |         |
| Exploration Expenditure | (24,214) | 134,221   | 375,000 |

### Corporate Expenditure

|                                     |                |                |               |
|-------------------------------------|----------------|----------------|---------------|
| Administration (Including Legals)   | 29,588         | 318,550        | 225,000       |
| Directors & Secretary Fees          | 15,000         | 47,950         | 50,000        |
| Working Capital Increase/(Decrease) | (53,722)       | (40,843)       | -             |
|                                     | (9,134)        | 325,657        | 275,000       |
| Net Cash Surplus/(Deficit)          | <b>24,101</b>  | <b>392,311</b> | -             |
| Add: Opening Cash Balances          | <b>386,758</b> | <b>18,548</b>  | <b>18,548</b> |
| Closing Cash Balances               | <b>410,859</b> | <b>410,859</b> | <b>18,548</b> |

Yours faithfully,



**Malcolm A. Mayger**  
Managing Director