

Pegmont Mines Limited

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The Manager
The National Stock Exchange of Australia
Level 3
1 Bligh Street
SYDNEY NSW 2000

Dear Sir,

Quarterly Activity Report 30 June 2019

We are pleased to submit the following Quarterly Activity Report of Pegmont Mines Limited (the Company) for the three months to 30 June 2019.

1. Summary

- Cash balances (excluding guarantees and environmental bonds) at 30 June 2019 increased by \$1,376,494 to \$3,559,854 after payment of a Special Dividend of \$1,627,122 to shareholders.
- Vendetta Mining Corp exercised their Call Option to purchase the Pegmont Project, including tenements and field camp by paying \$3,000,000 plus extension fees of \$350,000, less GST.
- Field exploration activity conducted at Templeton EPM 26647 included rock chip sampling at Anomaly 13 (E2 cluster) and commencement of a drill program on Anomalies 7,6 and 5 (E2 cluster).
- The shares issued by the Company increased from 71,816,556 to 72,316,556 as a result of an incentive issue of 500,000 shares to contractors of the Company.

2. Cash balance

Cash balances increased by \$1,376,494 due to the receipt of \$3,300,000 from Vendetta exercising their Option on the Pegmont Project (including GST of \$27,272), net income of \$12,571 receipt of Option extension fees \$323,636, less payments of \$57,090 on exploration, \$125,701 on administration and Working Capital movements of \$149,800.

3. Exploration

A Conduct and Compensation Agreement (CCA) was endorsed by the landholder at Templeton, covering Reverse Circulation (RC) drilling, drill pads, access tracks and conduct of operations was concluded mid-June, which then allowed high impact activities to commence. RC drilling commenced on 28 June on Anomaly 7 and finished on 5 July. No further drilling is planned on anomaly targets 5, 6 and 7. Assay results and rock analysis are awaited.

Tenement Summary

Tenement	Project	Status	Area	Date of Grant	Expiry
EPM 26647	Templeton	Granted	96 s/b*	10.05.2018	09.05.2023
EPM 27113	Mingera	Granted	100 s/b*	21.05.2019	20.05.2024
EPMA 27255	Battle Creek	Application	7 s/b*	—	—

*s/b denotes sub blocks each covering 2.56km²

4. Vendetta exercised their Call Option

On 8 May 2019, Vendetta announced their intention to exercise their Option to acquire 100% interest in the Pegmont lead-zinc Project tenements, namely Mining Leases 2620, 2621 and 2623, also EPM 26210 plus camp facilities for an exercise payment of \$3 million plus Option extension fees. This brought to an end of the Company's direct involvement in the Pegmont Project after almost 25 years. However, the Company retains a 1.5% NSR royalty, payable once Vendetta has recovered \$5 million in production payments.

5. Special Dividend of 2.25 cents per share

Upon the exercise of Vendetta's Option on the Pegmont Project and receipt of the exercise price plus extension fees, a Special Dividend of 2.25 cents fully franked per share totalling \$1,653,942 was declared and paid on 21 June 2019 from 2017 and 2018 Net Profit before income tax. This payment has brought total dividends paid to 5.0 cents per share of \$3,028,942 or 66.7% of Contributed Equity; a standout performance for an exploration company.

6. Future Activities

After payment of this fully franked Special Dividend, the Company's cash balance total \$3,559,854 at 30 June 2019 is sufficient to undertake future exploration activities on three projects; Templeton, Mingera and Battle Creek for several years. These projects, being West and North-West of Mount Isa are targeting bullseye magnetic anomalies on the assumption that they represent mafic intrusions which may be mineralised. Within these project areas there are numerous magnetic anomalies which remain to be tested. Our objective is to prove the concept that such anomalies may be mineralised and then deal them out for cash/shares and NSR royalties.

7. Commodity Background

Summary of Selected Commodity Price Movements December 2018 – June 2019

		2018 31 December	2019 29 March	2019 28 June	Improvement on 31.12.19 %
Oil	\$US/bbl	45.10	61.59	58.17	29.0
Iron ore (62% Fe fines)	\$US/t	72.73	85.11	118.02	62.27
LME Index		2,801.1	3,015.7	2,816.6	0.55
Lead	\$US/t	2,009.0	2,003.5	1,914.0	(4.73)
Zinc	\$US/t	2,510.5	2,928.5	2,580.5	2.79
Copper	\$US/t	5,965.0	6,360.0	5,972.0	0.12
Gold	\$US/oz	1,279.6	1,290.2	1,414.7	10.56
\$A/\$US		0.7058	0.7127	0.7013	(0.62)
All Ords Index		5,709.4	6,261.7	6,699.2	17.34
Gold Index (ASX 200)	1 July 2019	5,465.3	5,884.9	7,035.0	28.72

Oil prices are range trading as demand slows, but Middle East tension grows. Gold has firmed due to US/China tensions on a trade agreement. Iron ore has firmed due shortage of iron ore stockpiles in China. Base metal prices remain subdued. The Australian dollar appears to be well supported at around US70 cents due to rising Balance of Trade surplus.

8. Income Summary (cash basis)

Income Received	June 2019 Quarter \$	Half Year to June 2019 \$	Estimate to December 2019 \$
Interest/Dividends/Other	13,671	22,448	40,000
Realised profit from sale of shares	–	5,475	–
	13,671	27,923	40,000
Less, increased provision to market	(1,100)	(2,505)	–
Net Income from investing activities	12,571	25,418	40,000
Vendetta – Payment of Option extension fees	323,636	323,636	323,636
Net Income	336,207	349,054	363,636

Expenditures (cash basis)

Exploration			
Templeton – EPM 26647	17,833	37,844	250,000
Mingera – EPM 27113	3,135	3,315	30,000
Battle Creek – EPMA 27255	19,069	25,335	30,000
Other	17,053	18,672	30,000
	57,090	85,166	340,000
Corporate			
Administration	93,201	120,662	} 380,000
Audit Fees	–	–	
Directors' Fees	32,500	65,000	
	125,701	185,662	380,000
Net Operating Surplus	153,416	78,226	(356,364)
Vendetta Option exercise	3,000,000	3,000,000	3,000,000
Working Capital, net receipts (Note 1)	(149,800)	454,809 ¹	449,545
Special Dividend payment	(1,627,123)	(1,627,123)	(1,627,123)
Net Cash Surplus/(Deficit)	1,376,493	1,905,912	1,466,058
Add: Opening Cash Balance	2,183,361	1,653,942	1,653,942
Closing Cash Balances (Note 2)	3,559,854	3,559,854	3,120,000

Note 1 Include receipt of \$632,500 from Chinova (including 10% GST) upon exercise of option over New Hope gold-cobalt deposit.

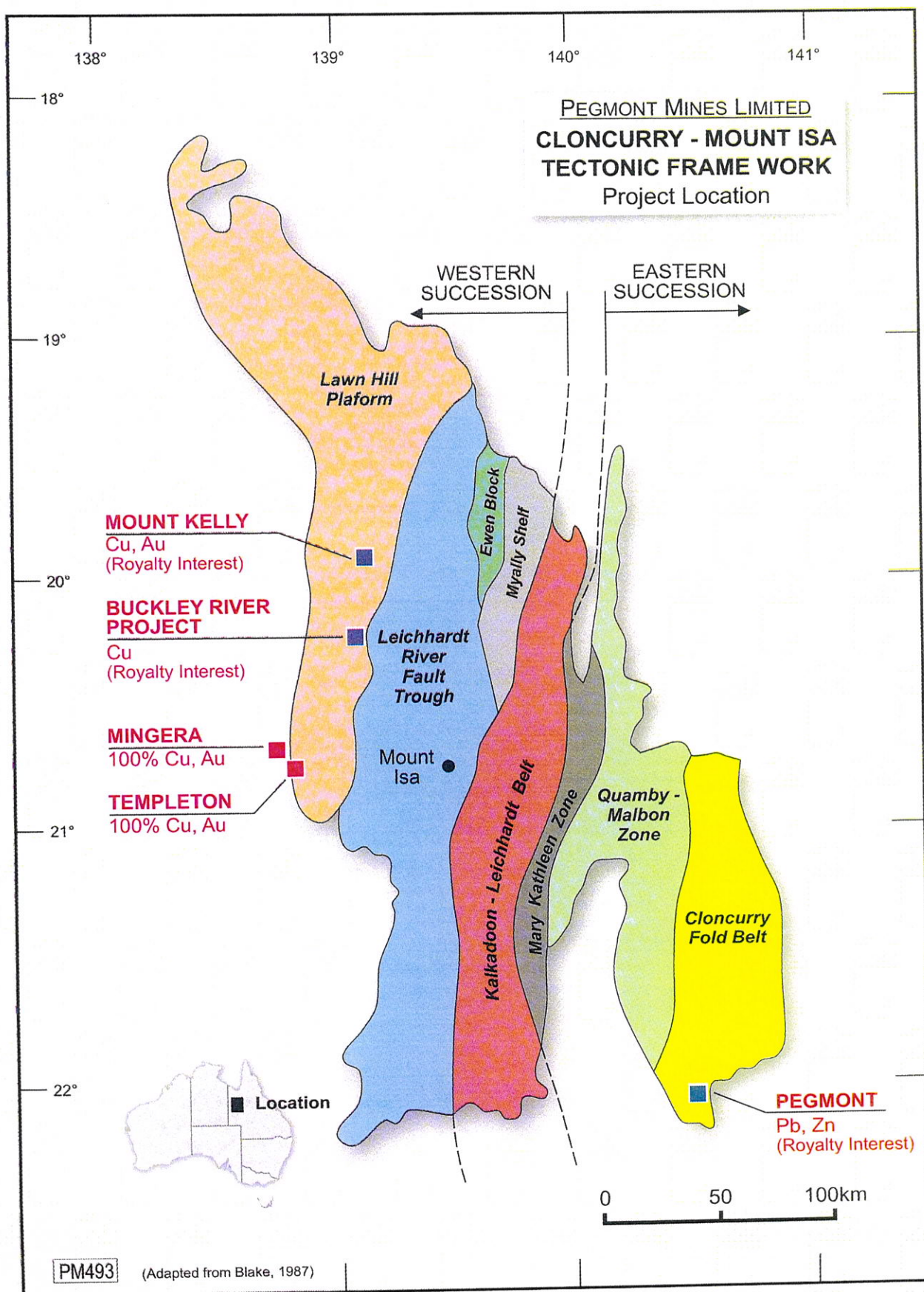
Conclusion

The Company's financial position improved considerably as we completed the disposal of our previous assets for cash. Consequently, after payment of a Special Dividend, we now have sufficient funds to support an exciting two-year copper-gold exploration program in the Mount Isa region based on drill testing magnetic anomalies at Templeton, Mingera and Battle Creek. These areas have many undrilled targets, which offer considerable leverage to exploration success. Drilling at Templeton commenced on 28 June to test the E2 cluster of magnetic anomalies 7, 6 and 5 as per attached map, and finished on 4 July 2019, assay results are awaited.

Yours faithfully

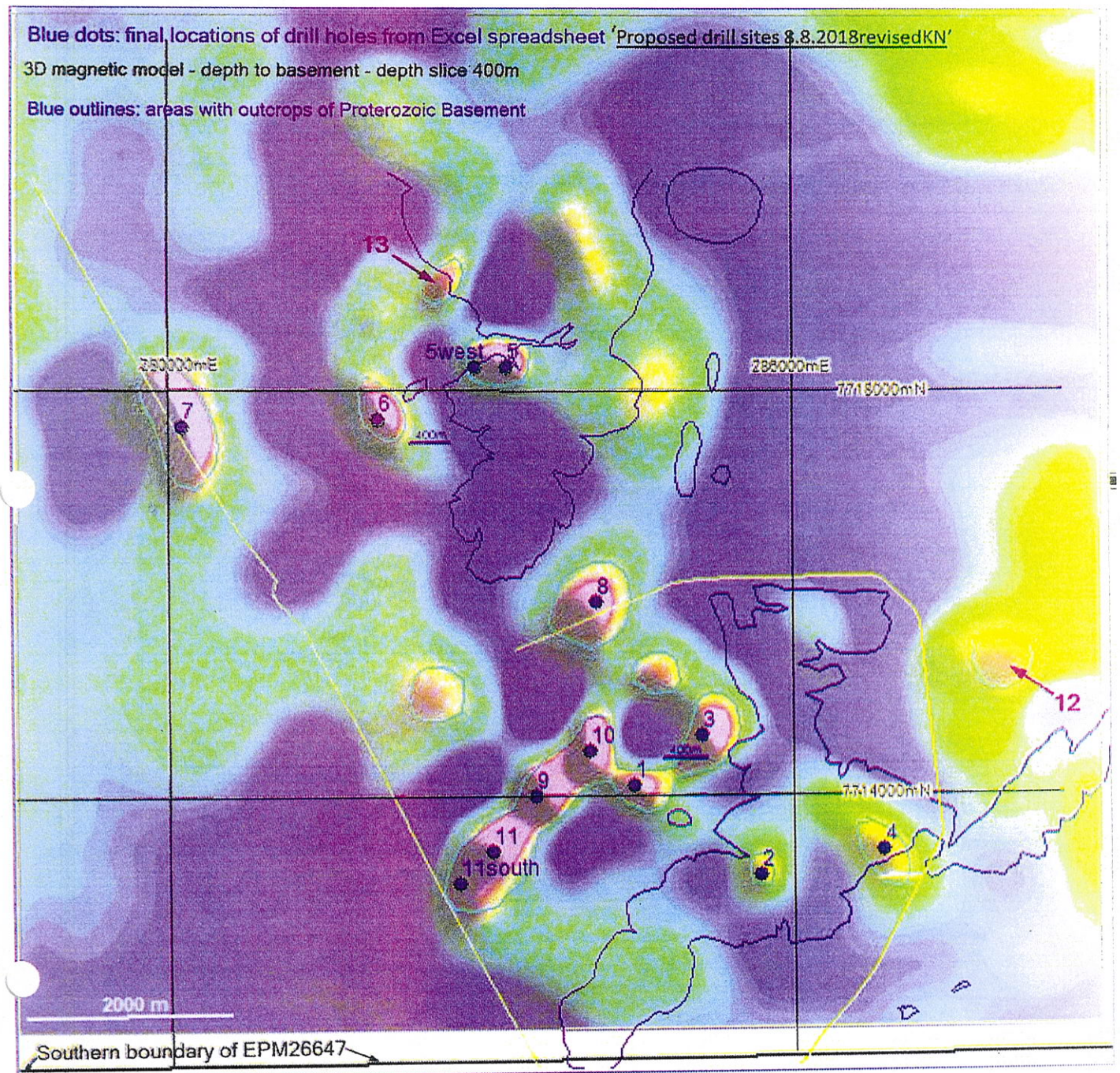


Malcolm A Mayger
Managing Director



The Lawn Hill Platform suite of rocks overlay the older Proterozoic McNamara Group at generally increasing depth to the west.

[Map of Magnetic anomalies relating to E1 and E2 structure]



Depth to magnetic basement map for depth of 400m (yellow contour on magnetic basement at depth of 400m, orange to violet contours at lesser depths, green and blue at greater depths)

Blue dots: Final version of proposed drill site locations