

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 31 March 2020

1. Summary

The Coronavirus (CV-19) epidemic throughout the world has caused a major disruption in economic activity, reduced demand for mineral and petroleum commodities and has introduced unprecedented caution among investors (including ourselves). The effect of CV-19 pervades our decision making and future outlook.

- i. Cash balances (excluding guarantees and security bonds) but including Term Deposits totalled \$2,837,428, a decline of \$93,493.
- ii. Exploration expenditure was \$44,281 including \$35,831 on Mingera. Administration was \$47,649. No drilling activity was undertaken due to the onset of a late 'wet season'.
- iii. The Board has decided to partially surrender EPM 26647 (Templeton) and EPM 27113 (Mingera) (see attached relinquishment map) to focus attention on areas with demonstrated geochemical anomalies.

2. Exploration Activity

Prior to the onset of the 'wet season', a follow up program of outcrop sampling was undertaken at Mingera in which 176 samples were collected, assayed and plotted, a subtle geochemical anomaly of some 500 metre strike and 350 metre width oval shape was confirmed with a maximum Cu value of 1,220ppm; situated between several geophysical anomalies. This value is not regarded as economic but could be worthy of follow up sampling at a later date.

Also, a review of structural setting of Mingera was undertaken which highlighted the Mongoona Fault as a fundamental deep-seated fault-controlled corridor that bordered the eastern magnetic complex of Mingera and the western edge of the Templeton magnetic complex.

This work at Mingera was undertaken to define a compelling drill target, which was not the result as the top Cu value was less than 2,000ppm needed to indicate mineralisation instead of surface enrichment. Consequently, efforts are being made to farmout or option the Templeton Project. Should these efforts not prove successful then the remainder of the area could be relinquished in favour of concentrating exploration effort on the Mount Kelly Trend project.

The Mount Kelly Trend is progressing with completion of a NT agreement covering both Battle Creek and Canyon EPMS. The Department of Natural Resources, Mines and Energy (DNRME) granted Exploration Permit for Mineral EPM 27255 on 9 April 2020 for a period of five years with expenditure obligations of \$26,000 in Year 1 and \$62,000 in Year 2 (including 400 metres of RC drilling). Phase 1 exploration activity will be to rock sample and map the area using our previous experience at Mount Kelly to delineate drill targets.

3. Commodity Background

Summary of Selected Commodity Price Movements December 2019 – March 2020

		2020 31 March	2019 31 December	Decline on 31.12.19 %
Oil	\$US/bbl	20.46	61.11	(66.5)
Iron ore (62% Fe fines)	\$US/t	82.98	92.13	(9.9)
LME Index		2,335.3	2,843.3	(17.9)
Lead	\$US/t	1,712.0	1,926.2	(11.1)
Zinc	\$US/t	1,867.5	2,311.5	(19.2)
Copper	\$US/t	4,797.0	6,188.0	(22.5)
Gold	\$US/oz	1,613.3	1,523.0	5.9
\$A/\$US		0.6189	0.7015	(11.8)
All Ords Index		5,110.6	6,802.4	(24.9)
Gold Index (ASX 200)		5,869.3	6,847.5	(14.3)

Gold bullion outperformed all other bulk mineral commodities and index markets; with West Texas oil quotes collapsing due to a steep fall in demand. The 'lock-down' economy is having a very detrimental effect on World Trade and is reminiscent of the 1971–74 commodity recession when there was a large (4–5%) downward shift in World Commodity demand which took 5–7 years of economic growth to recover.

The prospect of repetition of this possibility has invited a large degree of caution from the exploration industry. Since only outstanding results that indicate Tier I potential will attract investor attention during the foreseeable future, the Company will cautiously evaluate results and try to avoid over expenditure on any one prospect.

4. Income Summary (cash basis)

	March 2020 Quarter \$	Estimate to December 2020 \$
Income Received		
Interest/Dividends/Other	13,877	24,000
Realised profit from sale of shares	-	-
	13,877	24,000
Less, increased provision to market	(9,200)	-
Net Income from investing activities	4,677	24,000
Net Income	4,677	24,000
Expenditures (cash basis)		
Exploration		
Templeton – EPM 26647	10,106	40,000
Mingera – EPM 27113	35,831	50,000
Mount Kelly Trend Project	(1,268)	100,000
Other	(388)	10,000
	44,281	200,000
Corporate		
Administration	15,149	185,000
Audit Fees	-	20,000
Directors' Fees	32,500	130,000
	47,649	335,000
Net Operating Surplus/Deficit	(87,253)	(511,000)
Working Capital, net receipts (Note 1)	(6,240)	-
Net Cash Surplus/(Deficit)	(93,493)	(511,000)
Add: Opening Cash Balance	2,930,921	2,930,921
Closing Cash Balances (Note 2)	2,837,428	2,419,924

Conclusion

Our Corporate Strategy will be to explore cautiously and conserve our cash position for a more buoyant economic recovery and higher metal prices. Unless exploration results are outstanding, our aim will continue to be to option out tenements to maintain cash and build a future royalty revenue stream.

Yours faithfully



Malcolm A Mayger
Managing Director

