

# 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 2022

### 1. Summary

No field exploration activity was undertaken during the quarter due to Mount Isa "wet season" conditions. However, a petrological report on drill samples was received which provided a greater understanding of the geology of the Canyon area.

- i. **Cash** balances (including a term deposit) declined by \$52,567 to \$1,311,163, due mainly to administration expense \$55,726.
- ii. Investment income was \$18,391, including share trading profit of \$4,891 and dividends of \$500. Unrealised market gain was \$13,000.
- iii. **Austral Resources** announced that "First oxide ore deliveries from (the) Anthill Mine to Mount Kelly plant commenced on Tuesday 22 March 2022. The Anthill project is subject to a deferred 1% NSR royalty agreement with Pegmont Mines and others.
- iv. **Vendetta Mining Corp** (Vendetta) completed a private placement of C\$4,472,000. Funds will be applied to retire a portion of loan debt, advancement of the Pegmont Project as well as for general working capital purposes. The Pegmont Project is subject to a 1.5% NSR royalty to Pegmont Mines.
- v. Export commodity prices for base metals firmed upon the outbreak of war between Ukraine and Russia due to sanctions against Russia resulting in supply shortages.

## 2. Cash and Investing

Since the Company has only \$1.3 million in cash and deposits at a time of low interest rates; the Board has adopted a cautious pro-active approach to generating an alternative source of income to reduce net expenditure.

We have adopted a method of "value investing" which is focussed on well managed companies, usually a top 150 ASX listed stock, with a compelling history or growth and financial conservatism. Selection is determined by attempting to purchase shares at a substantial discount to their previous high due to market factors that are not related to their operations. It may take a while for the "right" conditions to occur, that is why we call the method "patient investing". To date, a small portfolio of gold and energy stocks have been acquired. A profitable trade resulted in a profit of \$4,891 in the quarter.

## 3. Exploration Activity

A petrological report on eight RC drill chip samples from the Canyon prospect was received from Dr D R Mason. There being no observable Cu sulphides or other likely copper (Cu) minerals in the oxidised rocks. No field work was conducted during the quarter.

## 4. Royalty Interests

**Austral Resources Ltd** made the following announcements on their progress towards developing a mining operation at the Anthill copper deposit; details may be found on the ASX website announcements:-

11 January 2022	Mining commences at Anthill
29 January 2022	December Quarterly Report
3 February 2022	Off take and Pre-payment agreement secured
1 March 2022	Company presentation update, ore deliveries to Mount Kelly plant in April
31 March 2022	Anthill Mine ore shipments commence

These announcements indicate a quickening pace of mine development with ore stacking at Mount Kelly resulting in monthly production estimates in April of 125 tonnes of copper cathode (CC), increasing to 653 tonnes by June and 1,187 tonnes in September putting Austral on track to produce 10,000 tonnes CC per year. Exploration activity is being expanded to extend production beyond four years. Further announcements about exploration activities can be expected.

### **Vendetta Mining Corp**

On March 24, 2022 Vendetta announced completion of fund raising for gross proceeds of C\$4,472,000 to retire the balance of a prior loan and to provide exploration funding and general working capital. This follows the announcement in November 2021 of high-grade drill intersections in Zone 5 on the Pegmont Lead-Zinc project; outside the current Mineral Resource boundary. A portion of the newly raised capital will be used to follow up the November drill results to expand total resources towards 15 million tonnes and a 10 year mine life. Current lead and zinc prices are very supportive to new mine development.

## 5. Commodity Background

The Russia-Ukraine conflict has firmed LME base metal prices with zinc rising 18.6% during the quarter, with oil (WTI) up 31%, Iron Ore up 30.4% and Gold up 11.0%.

### Summary of Selected Commodity Price Movements – January-March 2022

		2022 31 Mar	2021 31 Dec	(Decline) on 31.12.21 %
Oil – WTI	\$US/bbl	100.28	76.56	31.0
Iron ore (62% Fe fines)	\$US/t	150.1	115.1	30.4
LME Index		5,173.0	4,502	14.9
Lead	\$US/t	2,344.8	2,328	0.7
Zinc	\$US/t	4,175.4	3,519	18.6
Copper	\$US/t	1,042.0	9,695	7.5
Gold	\$US/oz	1,942.1	1,794	8.3
\$A/\$US		0.75	0.72	4.4
All Ords Index		7,789.6	7,844	(0.8)
Gold Index (ASX 200)		7,129.3	6,423	11.0

The war in Ukraine has increased metal demand, whilst embargos against Russia's metal sales has cut supply to world markets.

## 6. Income and Expenditure Summary Unaudited (cash basis)

	Mar 2022 Quarter \$	Actual Dec 2021 Year \$	Budget Year Dec 2022 \$
<b>Income Received</b>			
Interest/Dividends/Other	500	7,284	4,000
Realised (loss) from sale of shares	4,891	–	–
	<b>5,391</b>	<b>7,284</b>	<b>4,000</b>
Less, Provision to market	13,000	(25,061)	–
Net Income from investing activities	18,391	(17,777)	4,000
<b>Net Income</b>	<b>18,391</b>	<b>(17,777)</b>	<b>4,000</b>
<b>Expenditures (cash basis)</b>			
<b>Exploration</b>			
Templeton – Mingera	–	13,041	–
Canyon	–	224,494	11,000
Battle Creek	–	20,175	9,000
Mount Kelly Trend Project	–	2,950	
General	957	21,178	4,000
	(957)	(281,838)	(24,000)
<b>Corporate</b>			
Administration	30,726	140,712	134,000
Audit Fees	–	16,000	16,000
Directors' Fees	25,000	130,135	100,000
	(55,726)	(286,847)	(250,000)
Net Operating Surplus/Deficit	(38,292)	(586,462)	(270,000)
Working Capital, net receipts	(14,275)	(254,258)	(270)
Net Cash Surplus/(Deficit)	(52,567)	(840,720)	(269,730)
Add: Opening Cash Balance	1,363,730	2,204,450	1,363,730
<b>Closing Cash Balances</b>	<b>1,311,163</b>	<b>1,363,730</b>	<b>1,094,000</b>

The Company's cash balance at 31 December 2021 was \$1,311,163. Exploration expenditure for the quarter to 31 March 2022 was \$957. Administration costs were \$55,726. Net income was \$18,391 above budget with additional interest expected in the June quarter.

**Conclusion**

The above quarterly results reflect the change in corporate strategy by reducing exploration activity, cutting administration cost and implementing our "patient investment" system. Market volatility has favoured our investments in energy and gold producers but it is too premature to change our budget to forecast in regard to early investment results.

Exploration opportunities will continue to be considered, particularly in upgrading the Canyon prospect for optioning out. The progress of Austral Resources Limited will continue to be monitored in the expectation of success in their production and exploration activities. We also look forward to successful activities by Vendetta Mining Corp on their Pegmont project in expanding their mineral resources and metallurgical ore upgrade test work.

Yours faithfully



Malcolm A Mayger  
Managing Director