

# Pegmont Mines Limited

ABN 97 033 331 682

**Corporate Office**  
13 Oden Street  
Port Macquarie NSW 2444

Telephone: 6583 7747  
Email: pegmont@hotmail.com

31 January 2022

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

Dear Sir,

## **Quarterly Activity Report 31 Decmeber 2021**

### **1. Summary**

A detailed geological and geophysical review of the Canyon Prospect (EPM 27345) was undertaken during the quarter, which resulted in a Report on Drilling (undertaken in August) by independent consultants GeoDiscovery Group dated 9 December 2021. This report indicated a prime drill target (adjacent to the drilled area) extending over 700 metre strike and 400 metre width and recommended for drill testing.

- i. **Cash** balances (including term deposits) declined by \$109,578 to \$1,363,726, due to administration expense \$86,661, exploration \$47,867, and lower working capital.
- ii. No additional equity investments were made due to volatility of the share market.
- iii. **Austral Resources** commenced development at the Anthill copper deposit (a Reefway Royalty tenement), by drilling and blasting overburden of waste rock and by refurbishing the Mount Kelly SX-EW plant. Austral plans to mine first ore at Anthill in April 2022.
- iv. **Vendetta Mining Corp** (Vendetta) was able to make several share placements to fund the further evaluation the Pegmont lead-zinc deposit.
- v. Export commodity prices for base metals were firm, but iron ore weakened.

## 2. Exploration Activity

A detailed review of the disappointing August drill results at the Canyon Prospect was undertaken by independent consultants GeoDiscovery Group. Their report dated 9 December was released to the market. Although drilling was based on testing the structural continuity of the McNamara West Fault and rock chip geochemistry, not enough emphasis was given to the geophysical characteristics of regional copper deposits, which subsequent indicated a relationship of deposits with a subtle magnetic anomaly and radiometric characteristics.

Subsequent analysis of similar magnetic anomalies at Canyon indicated a cluster of such magnetic features north of the drilled area and bordering the McNamara West Fault. This cluster of anomalies is now regarded as a prime drill target extending over a 700 metre strike and 400 metre width, partly coincident with a large uranium anomaly and is recommended for drill testing (see attached Figure 15 from the GeoDiscovery Report).

Three tenements were surrendered; EPMs 26647 (Templeton), 27113 (Mingera) and 27255 (Battle Creek).

## 3. Royalty Interests

**Austral Resources Ltd** (Austral) has commenced development of the Anthill Copper Project situated on a Reefway Royalty tenement. They plan to truck ore to the Mount Kelly SX-EW treatment facilities at an annual rate sufficient to produce 10,000 tonnes of cathode copper annually. Also, Austral intends to commence exploration for additional mineralisation to expand cathode production and to extend life of mine. Ore mining is expected to commence in April 2022.

**Vendetta Mining Corp** (Vendetta) made several announcements on fund raising and has reported high grade Pb/Zn intersections in Zone 5 at the Pegmont lead-zinc project outside current resource boundaries which is expected to result in expanded inferred resources. In January, Vendetta made an updated presentation which is available on their website. Further metallurgical work including ore sorting is intended to increase grade of ore for concentration.

## 4. Patient Investing

No investments were made during the quarter because of market volatility and lack of direction.

## 5. Commodity Background

The London Metal Exchange Index (LME), a leading economic indicator, is testing a previous high of 4757 in October 2021 (currently 4640) due to shortage of metal arising from COVID related supply chain problems. Base metal prices are firm.

### Summary of Selected Commodity Price Movements – December 2020 – December 2021

		2020 31 Dec	2021 31 Dec	(Decline) on 31.12.20 %
Oil	\$US/bbl	48.8	76.56	56.9
Iron ore (62% Fe fines)	\$US/t	155.7	115.1	(26.1)
LME Index		3,459.6	4,502	30.1
Lead	\$US/t	1,972.0	2,328	18.1
Zinc	\$US/t	2,723.5	3,519	29.2
Copper	\$US/t	7,741.5	9,695	25.2
Gold	\$US/oz	1,891.0	1,794	(5.2)
\$/A/\$US		0.7657	0.72	(6.0)
All Ords Index		6,850.6	7,844	14.5
Gold Index (ASX 200)		7,334.2	6,423	(12.4)

Iron ore prices have retreated from previous highs as steel production in China was reduced in front of their Winter Olympics. Gold prices have firmed recently as tension between Russia and USA/Europe escalated over Ukraine. Future metal prices will depend upon response measures by major economies to the surge in Omicron virus and also interest rate movements in response to inflation trends.



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

	Dec 2021 Quarter \$	Actual Dec 2021 Year \$	Budget Year Dec 2021 \$
<b>Income Received</b>			
Interest/Dividends/Other	(903)	7,286	9,000
Realised (loss) from sale of shares	–	–	–
	<b>(903)</b>	<b>7,286</b>	<b>9,000</b>
Less, Provision to market	(5,000)	(25,061)	–
Net Income from investing activities	(5,903)	(17,775)	9,000
<b>Net Income</b>	<b>(5,903)</b>	<b>(17,775)</b>	<b>9,000</b>
<b>Expenditures (cash basis)</b>			
<b>Exploration</b>			
Templeton – Mingera Canyon	12,621	13,041	5,000
Battle Creek	29,542	224,494	–
Mount Kelly Trend Project	539	20,175	} 233,000
General	(50)	2,950	
	5,215	19,875	11,000
	<b>(47,867)</b>	<b>(280,535)</b>	<b>(249,000)</b>
<b>Corporate</b>			
Administration	41,059	150,063	151,000
Audit Fees	10,000	10,000	20,000
Directors' Fees	35,602	130,135	130,000
	<b>(86,661)</b>	<b>(290,198)</b>	<b>(301,000)</b>
Net Operating Surplus/Deficit	(140,431)	(588,508)	(541,000)
Working Capital, net receipts	30,853	(252,216)	(200,000)
Net Cash Surplus/(Deficit)	(109,578)	(840,724)	(741,000)
Add: Opening Cash Balance	1,473,304	2,204,450	2,204,450
<b>Closing Cash Balances</b>	<b>1,363,726</b>	<b>1,363,726</b>	<b>1,463,450</b>

The Company's cash balance at 31 December 2021 was \$1,363,726. Exploration expenditure for the quarter to 31 December 2021 was \$47,867. Administration costs were \$86,661. Next year's budget expenditures will be revised down to reflect reduced activity.

### Conclusion

Disappointing results at Canyon caused a review of exploration assumptions which resulted in the surrender of the Battle Creek tenement (EPM 27255) in favour of retaining Canyon (EPM 27345) for further exploration. Both Templeton and Mingera were also relinquished. We welcome Austral Resources vigorous efforts to bring the Anthill deposit into production which could result in the generation of royalty income to the Company within the next five years.

Yours faithfully



Malcolm A Mayger  
Managing Director



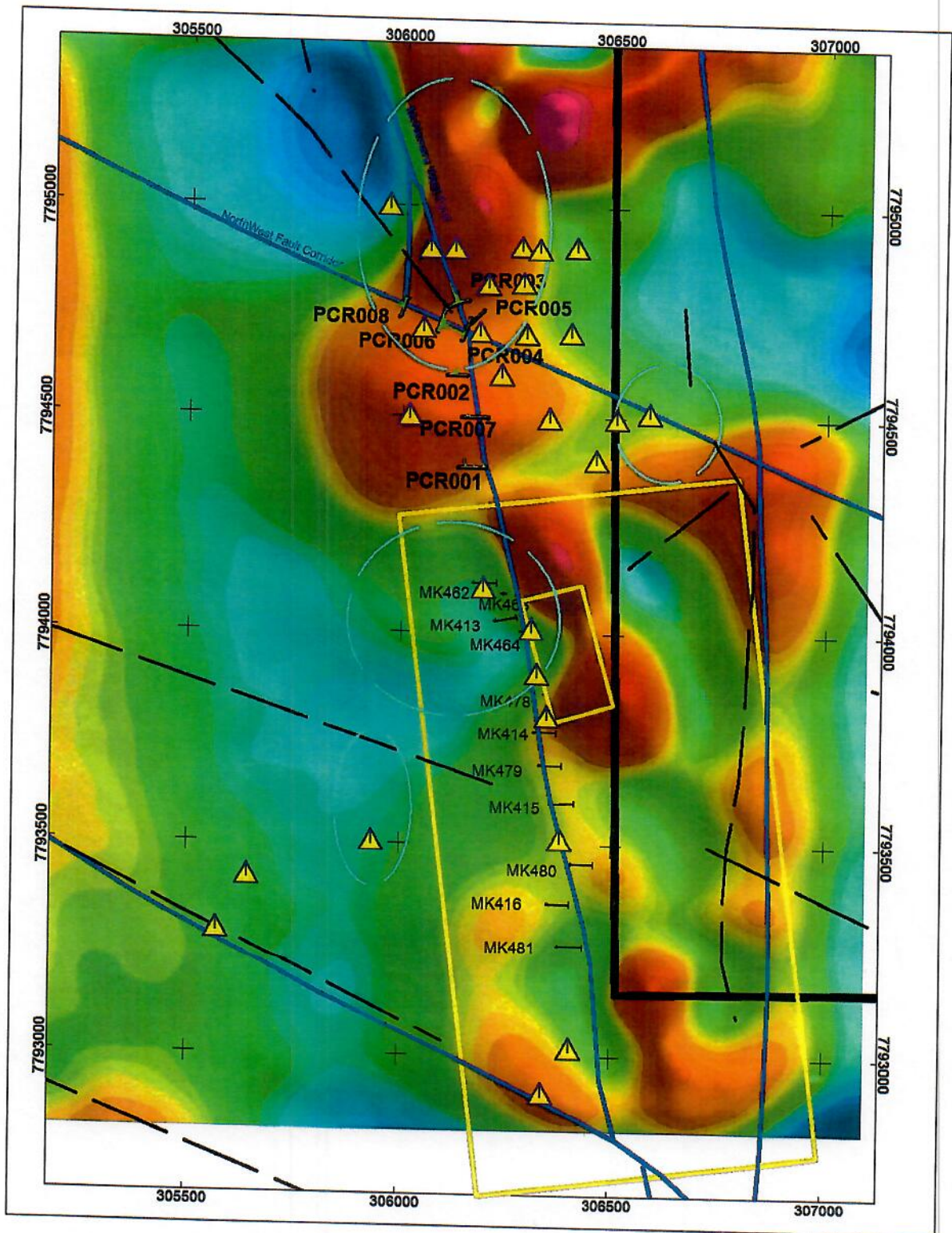


Figure 15. Summary Magnetic Depth Slice 50m below the surface with subtle magnetic features (yellow triangles) and main uranium anomalies (blue polygons).