

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 December 2022

1. Summary

- i. **Cash** balances declined by \$44,760 to \$1,062,104 due to administration costs of \$58,205, offset by working capital credits.
- ii. **Investment activity** realised a profit of \$17,544 due to a strong equities market, whilst accrued income on interest bearing deposits was \$3,894, and writeback of market loss provisions added \$8,727.
- iii. **Royalty interests** continue to be enhanced by drill activity conducted by Austral Resources at Mount Kelly for copper and by Vendetta Mining Corp at Pegmont. Also, Austral has announced improving copper recoveries to near 1,000 tonnes of cathode per month. They are yet to advise quarterly production and sales figures. Vendetta are yet to advise their drill results from Pegmont.
- iv. **Mineral commodity prices** have staged a significant recovery with the LME Index rising 12.6% with copper up by 10.5% and gold up by 21.6%. The Australian exchange rate increased by 6.25% to US68cents.
- v. **Directorate;** Mr John Montgomerie FCA consented to become a director of Pegmont Mines Limited on 11th October 2022, and become a director on 22 November 2022. Mr Peter Read resigned as a director of the Pegmont Group of Companies effective from 31 December 2022.
- vi. **Auditor,** ASIC has consented to the resignation of Rothsay Auditing Pty Ltd as auditor and that Rothsay Audit and Assurance Pty Ltd be appointed substitute auditor subject to confirmation by the members at the next Annual General Meeting of the Company to complete the audit of the 2022 Annual Accounts. However, it is the intention of the Board to appoint North Corp Accountants in Port Macquarie to undertake the audit of the Company's 2023 Annual Accounts.

2. Cash and Investing

Cash balances at 31 December 2022 included ANZ Ordinary Account \$306,848, ANZ Term Deposits \$604,021 and Macquarie Cash Deposit \$151,235. The share portfolio was valued at \$61,000, resulting in Net Liquid Assets of \$1,123,104. The Company has NO DEBT. Cash on Term Deposits is expected to earn \$20,000, depending upon interest rates.

Investing activity took advantage of a strong market performance in the quarter, when the All-Ordinaries Index rose 7.9% to 7,197.3 by realising profits of \$17,544.

After adding back previous market loss provisions, net income from investing for the year was \$31,515 including \$6,248 received from interest and dividends. After adjusting \$4,895 interest on the Term Deposit, net investing income was \$26,709 on an opening balance of \$186,173 yielding a return of 14.3%.

A cautious approach to investing has been implemented using the method of Patient Investing, whereby the majority of trading capital is usually held in cash (earning interest) and the balance is a small number of stocks. At 31 December 2022, the trading portfolio comprised of cash \$151,235 (71.3%) and trading stock \$61,000 (28.7%).

3. Royalty Interests

Royalty interests are held in two groups of tenements in the Mount Isa geological province, at Mount Kelly and at Pegmont operated by **Austral Resources Limited** (Austral) and **Vendetta Mining Corp** (Vendetta) respectively.

Austral is developing the Anthill Mining operation, north of Mount Isa and trucking ore to a solvent extraction-electrowinning plant (SXEW) at Mount Kelly for treatment and the production of 99.99% pure copper cathode. Austral has announced accumulated sales of cathode copper totalling 56,713 tonnes to 31 December, leaving a balance of 43,287 to be sold before royalty becomes payable.

Since then, Austral has made the following announcements furthering its progress towards meeting this target:

28 October	The Lady Colleen (project) grade increases 200% on re-estimate of total mineral resources of 2.8Mt @ 1.9% Cu, (for insitu copper content of 55,7210 tonnes). Lady Colleen lies within the Mount Kelly ML and subject to royalty.
2 November	Drilling of oxide exploration targets at Anthill and McLeod Hill within existing MLS in progress.
23 December	Austral hits steady state production and fast tracks Lady Colleen scoping study supported by two funding initiatives.
9 January	Commercial production and positive operational cash flow achieved at Anthill of 976 tonnes (of cathode copper) over a 29-day operating period in December.

For further and more detailed information, please refer to Austral's company announcements to the ASX on the internet.

Vendetta Mining Corp – have not provided an update on their proposed drill program at its Pegmont Lead-Zinc Project announced on 5 July 2022 when they expressed intention to drill 11 holes for 2,300m into Zone 5 and 40 PQ core holes into the main Pegmont open-pit for 2,400m.

Detailed information may be obtained from their website on the internet.

4. Exploration Activities

Exploration activities at Canyon prospect (EPM 27345) adjacent to Austral's Mount Kelly operations, included compilation of the MMI soil survey results. This review was undertaken by Mr Peter Gregory, geologist, consultant with GeoDiscovery Group.

The MMI soil survey indicated a number of anomalies that require follow up detailed infill sampling and extensional work along the McNamara West Fault. The estimated cost of this work is \$56,000–\$113,200 depending on line spacing; without confirmatory drill costs of 1,000 metre RC for an extra \$200,000. Effort to attract an Option deal is contemplated.

5. Commodity Background

Equities, gold and base metal prices bottomed early October as US Consumer Price Index peaked at 9.1% in July with subsequent monthly declines fuelling further price gains. The All-Ords index gained 7.9%, gold by 8.8% and copper by 10.5%, as investors expect the US Federal Reserve to moderate further interest rate increases. The Australian dollar exchange rate improved by 6.25% to \$A/\$US 0.68.

Summary of Selected Commodity Price Movements – January–December 2022

		2022 30 Dec	2022 30 Sep	2022 30 Jun	2022 31 Mar	2021 31 Dec	December (Decline) on 31.12.21 %
Oil – WTI	\$US/bbl	80.42	79.49	105.37	100.28	76.56	5.0
Iron ore (62% Fe lump)	\$US/t	117.0	98.14	122.61	150.1	115.1	1.7
LME Index		3,985.1	3,538.8	3,870.0	5,173.0	4,502	(11.5)
Lead	\$US/t	2,340.1	1,912.7	1,894	2,344.8	2,328	0.1
Zinc	\$US/t	2,983.3	2,964.8	3,151.0	4,175.4	3,519	(14.2)
Copper	\$US/t	8,375.2	7,582.4	8,183.4	10,042.0	9,695	(13.6)
Gold	\$US/oz	1,819.7	1,672.0	1,807.0	1,954.0	1,794	1.4
\$A/\$US		0.68	0.64	0.69	0.75	0.72	(5.6)
All Ords Index		7,197.3	6,667.6	6,746.5	7,789.6	7,844	(8.4)
Gold Index (ASX 200)		5,918.7	4,638.7	4,918.1	7,129.3	6,423	(7.9)

The continued war in Ukraine has increased economic uncertainties, whilst embargos have continued against Russia's exports resulting in a trade war in energy and food to supply world markets.

6. Income and Expenditure Summary Unaudited (cash basis)

	Dec 2022 Quarter \$	Dec 12 Months \$	Forecast Year Dec 2022 \$
Income Received			
Interest/Dividends/Other	3,894	6,248	4,000
Realised profit/(loss) from sale of shares	17,544	1,922	(15,622)
	21,438	8,170	(11,622)
Add, Provision to market	8,727	23,345	14,618
Net Income from investing activities	30,165	31,515	2,996
Net Income	30,165	31,515	2,996

Expenditures (cash basis)

Exploration			
Canyon	36,024	54,138	60,000
Mount Kelly Trend Project		3,125	
General	(3,336)	1,574	10,000
	(32,688)	(58,837)	(70,000)
Corporate			
Administration	28,803	137,698	135,000
Audit Fees	–	11,000	18,000
Directors' Fees	29,402	104,812	100,000
	(58,205)	(253,510)	(253,000)
Net Operating Surplus/Deficit	(60,728)	(280,832)	(320,004)
Working Capital, net receipts	15,968	(20,844)	(2,726)
Net Cash Surplus/(Deficit)	(44,760)	(301,676)	(322,730)
Add: Opening Cash Balance	1,106,814	1,363,730	1,363,730
Closing Cash Balances	1,062,054	1,062,054	1,041,000

The Company's cash balance 31 December 2022 was \$1,062,054 a decline of \$44,760 from September. Administration costs were \$58,205, Exploration costs were \$32,688, while net Income was \$30,165.

Conclusion

Year 2022 turned out to be very positive in respect of Austral Resources achieving commercial scale copper production in December (almost 1,000 tonnes per month) and successful drilling at Lady Colleen. These results are significant steps towards meeting minimum royalty sale tonnage requirements by 2026. Furthermore, we are hopeful that additional resources are found around the Anthill mine enabling an extension of mine life and hence providing royalty tonnes of copper.

Patient Investing paid off in the December quarter by contributing \$26,271 towards Net Income. We do not expect this result to happen every quarter but, once or twice a year would provide a useful help in meeting the financial gap prior to royalty receipts. Interest on Term Deposits could earn \$20,000 during 2023 which helps to pay for basic administration.

Although year 2023 will continue to be volatile, but the major uncertainty factors are known and measures to reduce their effect on the world economy are being implemented. Thus, with a degree of caution, we are confident of steady progress towards our goal of becoming a sustainable mining investment company and be able to resume exploration activities.

Yours faithfully



Malcolm A Mayger
Managing Director