

# Pegmont Mines Limited

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23 October 2019

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

Dear Sir,

## Quarterly Activity Report

30 September 2019

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

### 1. Summary

- Cash balances (excluding guarantees and environmental bonds) at 30 September 2019 decreased by \$340,418 to \$3,219,436.
- Field exploration activity was mainly directed at the Templeton EPM 26647, including a drill program on Anomalies 7,6 and 5 (E2 cluster) and further rock sampling at Templeton and commencement of rock sampling and mapping at Mingerla (EPM 27113). A new EPM application was made adjacent to Mount Kelly.
- A separate exploration Report on EPM 26647 dated 15 August was subsequently lodged, detailing the drilling activities and summary conclusion (on page 1).

### 2. Cash balance

Operating expenditures were \$322,969, on exploration \$203,889 and administration of \$119,080 (including NSXA costs of \$45,028) less net income of \$7,074. Working capital increased by \$24,523 resulting in a reduction of \$340,418 in cash balances during the quarter.

### 3. Exploration Activity

The main exploration expenditure was on the **Templeton Project** (\$156,627), as detailed in the report on EPM 26647 dated 15 August 2019. Field work included preliminary drilling of three vertical RC holes totalling 612 metres on three magnetic (high) anomalies (7, 6 and 5) in the E2 cluster and additional rock sampling around Anomaly 13, which produced several anomalous gold and bismuth assays; including 0.33g/t Au and 649ppm Bi. This Report also indicated that follow up petrology of rock samples found evidence of hydrothermally altered, fractured and brecciated mineralised rocks with quartz veins and limonite (an iron hydroxide caused by weathering).

Ongoing reviews of Government aeromagnetic and gravity data indicate the possible coincidence of magnetic lows with gravity high areas that may support the concept of magnetic destruction and associated (hematite) alteration with possible mineralised overprint.



The follow up drill program of 4 RC holes in Anomaly 13, where the rock sampling assaying 0.33g/t Au and 649ppm Bi was located, conducted during early October was undertaken to test the aforementioned concept.

Preliminary rock sampling and mapping was conducted on the **Mingera Project** with further sampling conducted in October.

**Mount Kelly Project** comprises of EPMA 27255 (Battle Creek) and EPMA 27345 (Canyon).

Application EPMA 27345 – Canyon was made on 1 August 2019 over five (5) sub-blocks, adjacent and to the south of the Mount Kelly copper oxide operations (over which the Company has a royalty interest) – see attached map.

The Canyon EPMA covers several bullseye magnetic anomalies in the north-east part of EPMA where no drilling has been undertaken near such anomalies despite looking similar to magnetic anomalies to the south covered by the McLeods Hill ML 5474 (over which the Company has a royalty interest).

To the south of Canyon at McLeod Hill ML 5474 several historic drill holes have made significant copper intersections, including MK 464 (a vertical hole) 32–75 metres @ 1.2% Cu, MK 462 (an inclined hole intersected 76–104 metres @ 0.6% Cu and MK 414 (an inclined hole 36–46 metres @ 1.8% Cu in oxide zone and 60–72 metres @ 0.5% Cu in sulphide zone). These intersections were made almost 250 metres west of the centres of a bullseye type magnetic anomaly within ML 5474 which is excluded from the Canyon EPMA 27345 Application.

Since the Canyon application area lies between Mount Kelly and McLeod Hill copper properties, the exploration objective is to test the magnetic anomalies for large volume copper mineralisation of bulk type in primary sulphide zone.

#### 4. Commodity Background

Summary of Selected Commodity Price Movements  
December 2018 – September 2019

		2018 31 December	2019 29 March	2019 28 June	2019 September	Improvement On 31.12.18 %
Oil	\$US/bbl	45.10	61.59	58.17	54.04	19.8
Iron ore (62% Fe fines)	\$US/t	72.73	85.11	118.02	90.85	24.9
LME Index		2,801.1	3,015.7	2,816.6	2,774.3	(0.9)
Lead	\$US/t	2,009.0	2,003.5	1,914.0	2,126.7	5.8
Zinc	\$US/t	2,510.5	2,928.5	2,580.5	2,428.5	(3.3)
Copper	\$US/t	5,965.0	6,360.0	5,972.0	5,728.0	(4.0)
Gold	\$US/oz	1,279.6	1,290.2	1,414.7	1,489.9	16.4
\$A/\$US		0.7058	0.7127	0.7013	0.6754	(4.3)
All Ords Index		5,709.4	6,261.7	6,699.2	6,800.0	19.1
Gold Index (ASX 200)		5,465.3	5,884.9	7,035.0	7,413.0	35.6

Oil prices are range trading as demand slows, but Middle East tension continues. Gold has firmed due to US/China tensions on a trade agreement. Iron ore has firmed due to shortage of iron ore stockpiles in China. Base metal prices remain subdued. The Australian dollar appears to be well supported at around US 67.5 cents due to recent Balance of Trade surpluses.



## 5. Income Summary (cash basis)

	September 2019 Quarter \$	9 months to September 2019 \$	Estimate to December 2019 \$
<b>Income Received</b>			
Interest/Dividends/Other	16,943	39,391	49,525
Realised profit from sale of shares	–	5,475	5,475
	16,943	44,866	55,000
Less, increased provision to market	(1,233)	(3,738)	–
Net Income from investing activities	15,710	41,128	55,000
Vendetta – Payment of Option extension fees	(8,636)	315,000	315,000
<b>Net Income</b>	<b>7,074</b>	<b>356,128</b>	<b>370,000</b>
<b>Expenditures (cash basis)</b>			
<b>Exploration</b>			
Templeton – EPM 26647	156,627	194,471	300,000
Mingera – EPM 27113	19,123	22,438	40,000
Mount Kelly Trend Project	32,475	57,810	60,000
Other	(4,336)	14,336	20,000
	203,889	289,055	420,000
<b>Corporate</b>			
Administration	76,580	197,242	300,000
Audit Fees	10,000	10,000	20,000
Directors' Fees	32,500	97,500	130,000
	119,080	304,742	450,000
Net Operating Surplus/Deficit	(315,895)	(237,669)	(500,000)
Vendetta Option exercise	–	3,000,000	3,000,000
Working Capital, net receipts (Note 1)	(24,523)	430,286	373,181
Special Dividend payment	–	(1,627,123)	(1,627,123)
Net Cash Surplus/(Deficit)	(340,418)	1,565,494	1,246,058
Add: Opening Cash Balance	3,559,854	1,653,942	1,653,942
<b>Closing Cash Balances (Note 2)</b>	<b>3,219,436</b>	<b>3,219,436</b>	<b>2,900,000</b>

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

## Conclusion

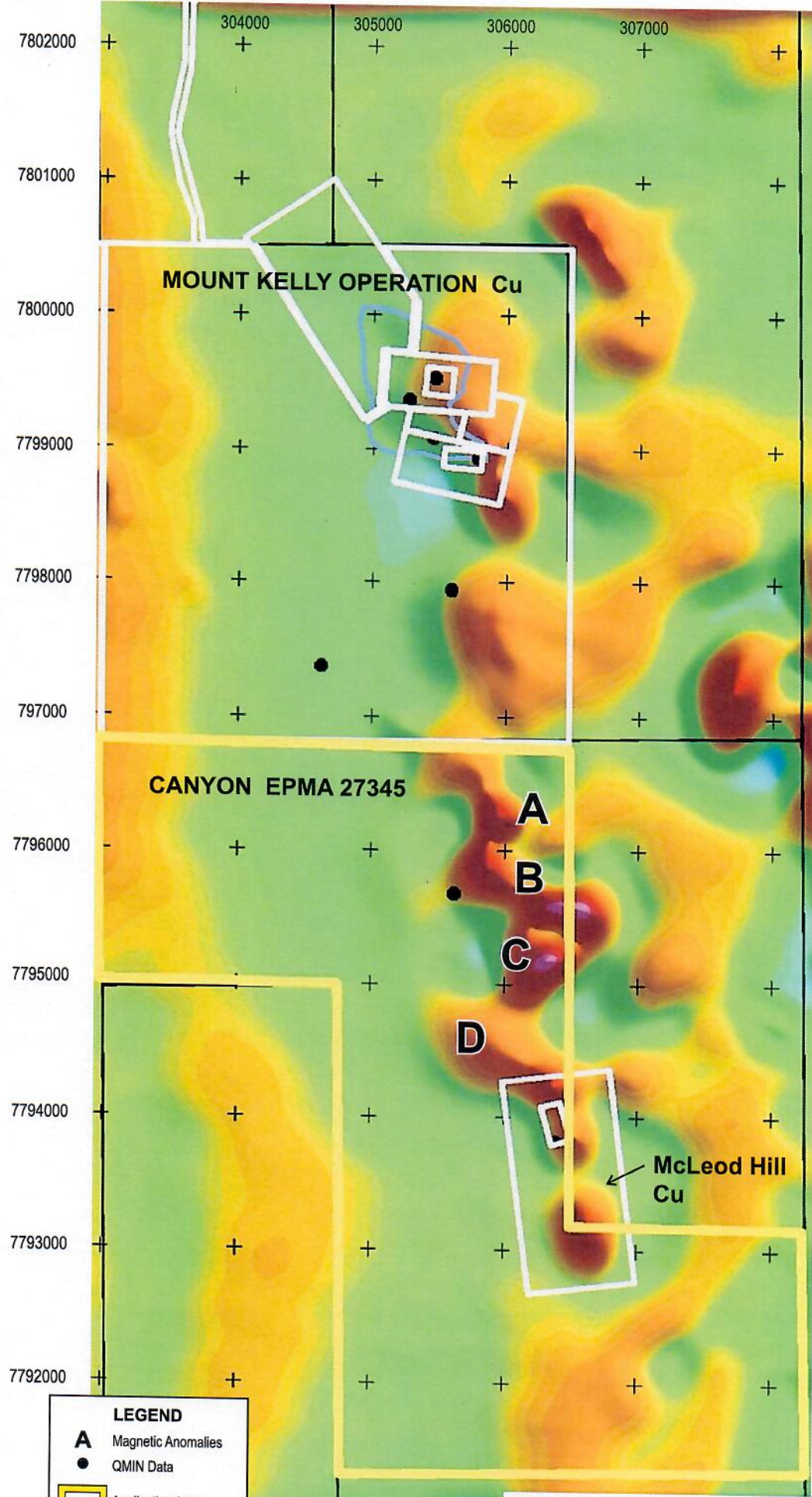
The Company's financial position improved considerably as we completed the disposal of our previous assets for cash. Consequently, after payment of a Special Dividend, we now have sufficient funds to support a two-year copper-gold exploration program in the Mount Isa region based on drill testing magnetic anomalies at Templeton, Mingera and the Mount Kelly Trend. These areas have many undrilled targets, which offer considerable leverage to exploration success. A second round of drilling at Templeton commenced on 10 October to test the E2 of magnetic anomaly 13 as per attached map, and finished on 11 October 2019, assay results are not expected before the end of the month.

Yours faithfully



Malcolm A Mayger  
Managing Director

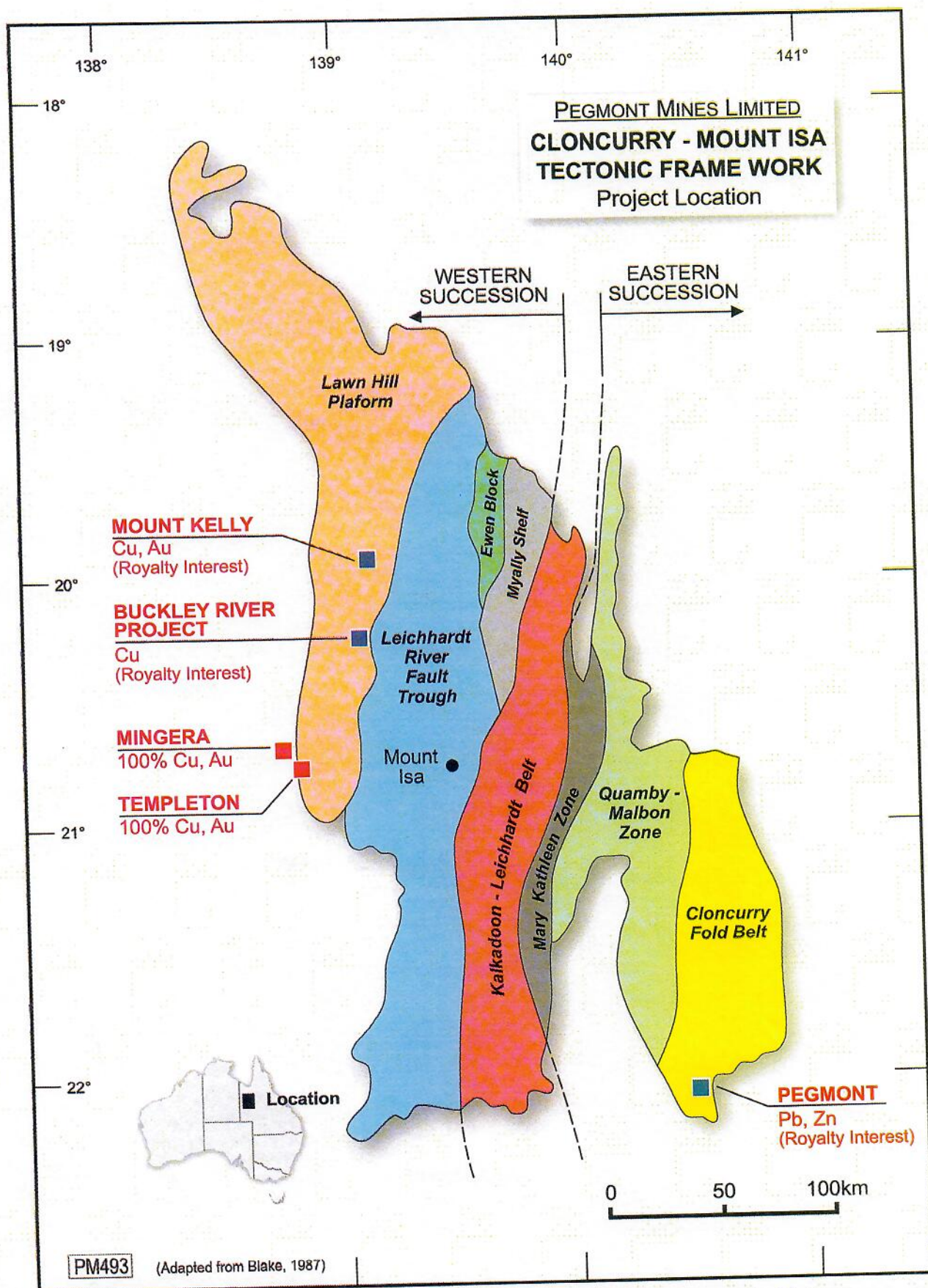




**WESTERN MOUNT ISA BLOCK  
CANYON PROJECT**  
Magnetic Anomalies







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