

# Pegmont Mines Limited

ABN 97 033 331 682

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

Telephone: 6583 7747  
Email: pegmont@hotmail.com

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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 30 June 2022**

### **1. Summary**

No field exploration activity or desktop research was undertaken during the quarter. Rent refunds and security deposits were received on surrendered tenements. The Canyon tenement EPM 27345 was retained. The activities of The Company are now focussed on cash and investment management.

- i. **Cash** balances declined by \$88,961 to \$1,222,202 due to net investment of \$38,437 and administration costs of \$45,230.
- ii. **Investment activity** resulted in a loss of \$23,573 mainly attributed to the close down of a gold mining operation caused by a revenue-cost squeeze, and market diminution on a new investment caused by recession fears.
- iii. **Royalty interests** continue to provide positive news as Austral Resources Limited have announced commencement of ore production at the Anthill copper mine (a royalty tenement) whilst Vendetta Mining Corp have raised additional funds to commence exploration activities at the Pegmont Project to advance feasibility studies.
- iv. Mineral commodity prices have plummeted from peak levels on 7 March, two weeks after the start of the Ukraine war and application of economic sanctions against Russia.

### **2. Cash and Investing**

Cash balances at 30 June totalled \$1,222,202 and cost of investments were \$80,842. A major Term deposit was allowed to mature at a dismal rate of 0.2% and held pending an increase in deposit rates which are currently around 2.35–2.50%. As further increases in rates are expected, the Board is keeping the placement of deposits under review to take advantage of better rates.

A loss on sale was incurred on a mining investment which became a casualty of falling metal prices and a steep increase in operating costs rendering their operations uneconomic and to shut down. This cost-revenue squeeze has become a major problem for marginal producers in the mining industry and can only be partially offset by a declining value in the Australian dollar. Further investments in the mining sector are considered to be very high risk and have been deferred. The market generally is considered to be in a major bear market which may provide quality investment opportunities at 50% discount to previous highs of individual stocks, and higher maintainable dividend yields.

### 3. David Hewitt aged 79 years

The Board is much saddened by the passing of David Hewitt from a heart attack on 11 June. He was project geologist to The Company since the beginning of its exploration activities in 1995 at Pegmont and subsequently at Mount Kelly. David also supervised drilling at Templeton, and last year at Canyon prospects. He was very quiet, thoughtful and a detailed geologist, well trained by BHP early in his career, he provided high quality work which ensured success at Pegmont and Mount Kelly.

No exploration field work was undertaken during the June quarter.

### 4. Royalty Interests

**Austral Resources Ltd (Austral)** activity has progressed the development of the Anthill copper mine (a Royalty asset) to production, and made the following announcements on the Mount Kelly operations to the ASX:

26 April 2022	Austral announces 30,000 metre drilling program to extend mine life
28 April	First copper ore delivered from Anthill mine in March; with copper production significantly increasing from May due to Anthill ore processing
4 May	The new Anthill mine in full production ramping up to 10,000 tonnes per annum for the next four (4) years
12 May	Chairman's AGM address indicated that Anthill ore was being loaded to leach pads for processing (to produce cathode copper)
6 June	12,650 metres of drilling allocated initially to Lady Colleen and Dividend prospects (both royalty tenements) and to Lady Annie to extend current mine life beyond the current four years at Anthill and has commenced activities on all three key objectives
8 June	Presentation; Mount Kelly SX-EW processing facility has 30,000 tonnes per annum capacity with 10,000 tonnes per annum planned cathode production rate from August 2022 to produce 9,000 tonnes in 2022, 12,000 tonnes in 2023
14 June	First Anthill copper cathode produced at Mount Kelly, 354,000 tonnes of ore mined from Anthill to date containing 4,000 tonnes of copper

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

Their forthcoming June Quarterly Report will provide details on actual copper cathode produced and sold, and may provide exploration results, if available.

#### **Vendetta Mining Corp – Pegmont Lead-Zinc Project (a 1.5% NSR royalty asset)**

Vendetta have made two announcements recently, which may be summarised as follows:

14 April 2022	Vendetta announced an intention to drill 8,000 metre program, including core drilling for metallurgical test work and XRF ore sorting to upgrade mill feed from the proposed open pit area. Also, drilling of the Killer Bone prospect (non-royalty area) which has high grade zinc values.
5 July	Announced that drilling had commenced at Zone 3 Hinge zone where high grade (12% Pb/Zn) ore had previously been intersected. A program of 40 shallow PQ core holes will then be drilled into the main Pegmont open-pit area to upgrade resource category for a revise feasibility study.

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



## 5. Commodity Background

There was a sharp sell-off of all base metal and gold during the June quarter, from their peak value attained around 7 March when the LME index hit a high of 5,504, then falling to a low of 3,870 on 6 July for a drop of 29.6%. Gold also declined from a high of US\$2,052/oz on 8 March to US\$1,807 on 30 June, a 12% drop and has since continued to US\$1,738/oz on 6 July

### Summary of Selected Commodity Price Movements – January–June 2022

		2022 30 Jun	2022 31 Mar	2021 31 Dec	June (Decline) on 31.12.21 %
Oil – WTI	\$US/bbl	105.37	100.28	76.56	37.6
Iron ore (62% Fe fines)	\$US/t	122.61	150.1	115.1	6.5
LME Index		3,870.0	5,173.0	4,502	(14.0)
Lead	\$US/t	1,894	2,344.8	2,328	(18.4)
Zinc	\$US/t	3,151.0	4,175.4	3,519	(10.5)
Copper	\$US/t	8,183.4	10,042.0	9,695	(15.6)
Gold	\$US/oz	1,807.0	1,942.1	1,794	0.7
\$A/\$US (low 1/1/09 – 0.6425)		0.69	0.75	0.72	(4.2)
All Ords Index		6,746.5	7,789.6	7,844	(14.0)
Gold Index (ASX 200)		4,918.1	7,129.3	6,423	(23.4)

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

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

	Jun 2022 Quarter \$	Jun Half Year \$	Forecast Year Dec 2022 \$
<b>Income Received</b>			
Interest/Dividends/Other	785	1,285	4,000
Realised (loss) from sale of shares	(22,617)	(17,726)	(17,726)
	<b>(21,832)</b>	<b>(16,441)</b>	<b>(13,726)</b>
Add, Provision to market	(1,741)	11,259	11,259
Net Income from investing activities	(23,573)	(5,182)	(2,467)
<b>Net Income</b>	<b>(23,573)</b>	<b>(5,182)</b>	<b>(2,467)</b>
<b>Expenditures (cash basis)</b>			
<b>Exploration</b>			
Canyon	4,445	4,445	20,000
Mount Kelly Trend Project	–	–	–
General	(6,800)	(5,843)	4,000
	<b>2,355</b>	<b>1,398</b>	<b>(24,000)</b>
<b>Corporate</b>			
Administration	16,505	47,231	134,000
Audit Fees	4,000	4,000	16,000
Directors' Fees	24,725	49,725	100,000
	<b>(45,230)</b>	<b>(100,956)</b>	<b>(250,000)</b>
Net Operating Surplus/Deficit	(66,448)	(104,740)	(276,467)
Working Capital, net receipts	(22,513)	(36,788)	(270)
Net Cash Surplus/(Deficit)	(88,961)	(141,528)	(276,197)
Add: Opening Cash Balance	1,311,163	1,363,730	1,363,730
<b>Closing Cash Balances</b>	<b>1,222,202</b>	<b>1,222,202</b>	<b>1,087,533</b>

The Company's cash balance at 30 June 2022 was \$1,222,202, in line with budget. Administration costs were \$100,956, Exploration a surplus of \$1,398 after rental refunds, while net Income was in deficit \$5,182.

**Conclusion**

The Ukraine War in Europe has caused increased volatility in both financial and commodity markets. Also, it has been a very polarising event of dividing the world into two major political blocks, that of USA-Europe and of China-Russia. This has had consequential effects on commodity prices and exchange rates. Unfortunately, energy cost inflation is taking a toll on marginal mineral producers which caused a shutdown of operations in one of our gold producing investments, as ore grades could not be adjusted upwards to compensate extra costs. Since inflation generally is of major concern affecting all commercial operations; the opportunity of making profitable investment decisions has diminished.

Direct exploration activity by The Company is not being considered. We are fortunate that Austral Resources has embarked on an active exploration program to increase their operating life beyond four years. Also, Vendetta has commenced an active program to increase the status of their resources at Pegmont. Both of these projects could enhance the value of royalty interests over their tenements held by The Company.

Yours faithfully



Malcolm A Mayger  
Managing Director