

# Pegmont Mines Limited

ABN 97 033 331 682

## Corporate Office

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29 October 2022

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

Dear Sir,

## Quarterly Activity Report

30 September 2022

### 1. Summary

A soil sampling survey was conducted immediately north of the McLeod Hill mining lease (not owned by the Company) covering and extending beyond our drilled area. Assay results were received recently, and a preliminary review suggests two anomalous areas not coincident where drilling took place. A detailed report is being compiled.

- i. **Cash** balances declined by \$115,388 to \$1,106,814 due to increased administration costs \$61,664 including insurance and exploration \$27,547.
- ii. **Investment activity** resulted in several realised profits and benefited from increased deposit rates resulting in a gain of \$6,532. The current practice of Patient Investing demonstrated its applicability in the current Bear market.
- iii. **Royalty interests** continue to be enhanced by drill activity conducted by Austral Resources at the Lady Colleen deposit resulting in several high-grade intersections including 5m @ 7.10%Cu (5 September 2022) and 5m @ 5.74%Cu (27 September 2022). Vendetta Mining Corp's drill activities at Pegmont have been limited by wet weather, assay results are outstanding on reduced drilling.
- iv. **Mineral commodity prices** continue to be affected by fears of an on-coming recession resulting in copper continuing to slide to US\$7,582 down 21.8% on 31 December 2021.
- v. **Directorate;** Mr John Montgomerie FCA has been invited to join the Board. John is a Chartered Accountant with commercial experience in managing property developments, advising manufacturing companies, importers and service companies including those to the mining industry. He is retired but is keen to be involved in company activities such as those conducted by Pegmont Mines Ltd.

### 2. Cash and Investing

Cash balances to 30 September included cash at bank \$691,182, term deposit of \$300,742 (invested at 2.1% interest) and credit balance with a broker \$114,890 for a total of \$1,106,814. Corporate deposit rates are at a significant discount to retail rates. However, a further term deposit of \$200,000 is likely to be made prior to year-end to capture better rates.

Share investing has resulted in a small profit during the quarter which is a great result in a dismal market and illustrates the advantage of the Patient Investing method in a Bear market environment over a standard Bull market approach. The two methods are diametrically opposite. The standard Bull approach is to have high equity exposure no matter what happens (offset by put options, at a cost). Whereas a PI portfolio operates from a high cash base and only invests when a stock falls to a large price discount (usually 50% or more) to its previous cycle high. If the stock is well managed and has a sound financial record, then market risk is much reduced and could experience a meaningful short-term bounce (better than 15% increase). A bounce of this magnitude could be expected to happen 3-4 times in a year. During the in between periods the investor stays in cash waiting for the next opportunity. We are still at the early stage of this type of short-term investing and therefore very cautious.

### 3. Royalty Interests

**Austral Resources Ltd (Austral)** are developing the Anthill Mining operation and conducting an active exploration program, particularly at the Lady Colleen deposit (within the Mount Kelly Mining Lease). Austral has increased accumulated sales to 53,050 tonnes of cathode copper from the Reefway royalty tenements since commencement of mining operations in 2008. This leaves a balance of 46,050 tonnes to be sold before royalty starts to accrue.

Austral has announced a series of high-grade drill intersections at the Lady Colleen deposit including:

28 July 2022	Lady Colleen drilling update, commencement of drilling and quoted resource estimates by the previous mine owner of 66,750 contained copper tonnes.
2 August	Drilling at Flying Horse (a Reefway Royalty tenement) confirmed 14m @ 2.23% Cu.
26 August	Austral on track to produce 10,000 tonnes per annum of copper cathode (99.99% pure copper) from the Anthill mine by FY23
5 September	Strong new drilling results including 5m @ 7.10% Cu from Lady Colleen
16 September	Austral Board approves Scoping Study for Lady Colleen Development Project
27 September	Lady Colleen assays confirm 5m @ 5.74% Cu in step-out drilling
13 October	Step-out drilling delivers 6m @ 2.95% Cu at Lady Colleen

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

**Vendetta Mining Corp** – announced on 5 July recommencement of their drill program;

- To extend the high-grade portion of the Pegmont Zone 3, and to
- Drill 40 holes totalling 2,400 metres of PQ core in the shallow portion of the main open pit area to confirm grade and provide metallurgical samples.
- Further de-risk the development of Pegmont deposit.

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



#### 4. Commodity Background

The sharp sell-off of all base metals and gold continued during the September quarter, from their peak value attained around 7 March when the LME index hit a high of 5,504, then fell to 3,538.8 on 30 September for a drop of 35.8%. Gold has declined from a high of US\$2,052/oz on 8 March to US\$1,672, a 18.5%, drop from its peak reflective of a bearish sentiment of a possible US/Europe recession during 2023 and the effect of a strong US dollar.

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

		2022 30 Sep	2022 30 Jun	2022 31 Mar	2021 31 Dec	September (Decline) on 31.12.21 %
Oil – WTI	\$US/bbl	79.49	105.37	100.28	76.56	3.8
Iron ore (62% Fe lump)	\$US/t	98.14	122.61	150.1	115.1	(14.7)
LME Index		3,538.8	3,870.0	5,173.0	4,502	(21.4)
Lead	\$US/t	1,912.7	1,894	2,344.8	2,328	(17.8)
Zinc	\$US/t	2,964.8	3,151.0	4,175.4	3,519	(15.7)
Copper	\$US/t	7,582.4	8,183.4	10,042.0	9,695	(21.8)
Gold	\$US/oz	1,672.0	1,807.0	1,954.0	1,794	(6.8)
\$A/\$US		0.64	0.69	0.75	0.72	(11.1)
All Ords Index		6,667.6	6,746.5	7,789.6	7,844	(15.0)
Gold Index (ASX 200)		4,638.7	4,918.1	7,129.3	6,423	(27.8)

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.

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

	Sep 2022 Quarter \$	Sep 9 Months \$	Forecast Year Dec 2022 \$
<b>Income Received</b>			
Interest/Dividends/Other	1,069	2,354	4,000
Realised profit/(loss) from sale of shares	2,104	(15,622)	(15,622)
	<b>3,173</b>	<b>(13,268)</b>	<b>(11,622)</b>
 Add, Provision to market	 3,359	 14,618	 14,618
Net Income from investing activities	6,532	1,350	2,996
<b>Net Income</b>	<b>6,532</b>	<b>1,350</b>	<b>2,996</b>
 <b>Expenditures (cash basis)</b>			
<b>Exploration</b>			
Canyon	13,998	21,239	60,000
Mount Kelly Trend Project			-
General	10,753	4,910	10,000
	<b>(27,547)</b>	<b>(26,149)</b>	<b>(70,000)</b>
<b>Corporate</b>			
Administration	61,664	108,895	135,000
Audit Fees	7,000	11,000	18,000
Directors' Fees	25,685	75,410	100,000
	<b>(94,349)</b>	<b>(195,345)</b>	<b>(253,000)</b>
Net Operating Surplus/Deficit	(115,364)	(221,454)	(320,004)
Working Capital, net receipts	(24)	(35,462)	(2,726)
Net Cash Surplus/(Deficit)	(115,388)	(256,916)	(322,730)
Add: Opening Cash Balance	1,222,202	1,363,730	1,363,730
<b>Closing Cash Balances</b>	<b>1,106,814</b>	<b>1,106,814</b>	<b>1,041,000</b>

The Company's cash balance 30 September 2022 was \$1,106,814, \$37,327 below budget for September. Administration costs were \$96,249, Exploration costs were \$27,547, while net income was \$6,532.

Increased Exploration expenditure was incurred on soil sampling at Canyon. Preliminary analysis of geochemical assays indicated two areas of possible interest. Further analysis is required.

## Conclusion

This year is turning out to be very positive for the Company. By year end we will have met our major objectives of renewing the Board of Directors by welcoming John Montgomerie (accounting and finance background) and Hadyn Oriti (lawyer) as Chairman. Also, the Company has reduced its direct exposure to exploration, but now benefiting from its indirect exposure through exploration success by its deferred royalty interest held by Austral Resources Ltd.

Recent high-grade copper assays announced by Austral at the Lady Colleen deposit within the Mount Kelly ML highlights the potential for expanding copper oxide and sulphide resources available to meet the royalty threshold.

We are countering the pervasive economic uncertainties now evident in financial and commodity markets by reducing our costs, a process which will continue into 2023 and by remaining largely uncommitted in the use of our cash resources. By the end of 2023 there will be many new opportunities to acquire assets at considerable discount to current prices. The concept of Patient Investing fits well into this uncertain economic environment and should yield positive results as we proceed.

Yours faithfully



Malcolm A Mayger  
Managing Director