

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 30 June 2023

1. Summary

- i. **Cash balances** declined by \$116,694 to \$848,857 due to administration costs and working capital movement due to purchase of investment \$31,170.
- ii. **Investment activity** realised a profit of \$5,615, whilst income on interest bearing deposits during the quarter was \$5,437, but market loss provision increased by \$7,000, resulting in an overall net income of \$4,052.
- iii. **Royalty interests'** potential continue to be enhanced by operational activities of Austral Resources at Anthill with increased recoveries and copper prices above initial estimates.
- iv. **Mineral commodity prices** declined (except gold) due to slackening demand caused by rising interest rates in USA and Europe slowing economic activity.
- v. **Surrender of EPM 27345** has been accepted by the Queensland Mines Department. Hence, Pegmont does not have a direct interest in mineral tenements for the first time since listing on the National Stock Exchange of Australia.
- vi. The Annual Accounts of Pegmont Mines Limited for the year 31 December 2022 were audited by Rothsay Audit and Assurance Pty Ltd, based in Perth; who resigned at the Company's Annual General Meeting on 25 May 2023. Shareholders then appointed NorthCorp Accountants who are located in Port Macquarie.

2. Cash and Investing Activities

Cash balances at 30th June included ANZ Ordinary Account \$139,869 a decline of \$94,435. ANZ Term Deposits \$612,128, and Macquarie Cash Deposit \$96,860, totalling \$848,857 a decline of \$116,694. Administration expense were \$74,524 and exploration expense \$21,027.

Investing activities resulted in a realised trading profit of \$5,615 offset by an increase in provision to market loss of \$7,000, due to a sell-down by a significant shareholder in an investment holding. Market uncertainty prevails due to "high" inflation and threat of further increase in interest rates eroding consumer confidence. A cautious investment approach to the market was maintained.

3. Royalty Interests

Royalty interests are held in two groups of tenements in the Mount Isa geological province, around Mount Kelly (copper and gold) and at Pegmont (lead-zinc) with minor silver values located near the Cannington mine (silver, lead-zinc).

The Mount Kelly mining leases are operated by **Austral Resources Limited** using open pit mining at Anthill, then trucking ore to Mount Kelly for treatment by acid leaching to a Solvent Extraction Electrowinning (SXEW) process. The SXEW plant produces 99.99% pure copper cathode for off lease marketing.

Austral continues to make progress developing the Anthill copper deposit despite a high rainfall wet season. Austral's June Quarterly Activities Report stated that copper (cathode) production for the quarter was 2,315 tonnes making a total of 5,068.3 tonnes for the half year (most of which was sourced from the Anthill mine – a Reefway Royalty tenement). Furthermore, it commented that the Lady Colleen (another royalty tenement) Pre-Feasibility Study (PFS) was progressing well to materialise annual production of over 25,000 tonnes of copper per annum when combined with production from Anthill.

During the quarter, Austral has made the following announcements about its production and sales activities:

14 April 2023	Copper metal totalling 2,818 tonnes was sold during the March quarter mainly from Anthill ore.
20 April	The Board of Austral has indicated a goal to fast track development of (new) pits near existing production at Anthill to mine an extra 20,000–23,000 tonnes of contained copper oxide ore, plus additional cut-back oxide tonnes from Lady Colleen. The combined operation to increase annual production to over 35,000 tonnes of (cathode) copper over the next 3-5 years. It should be noted that Lady Colleen deposit is also a royalty tenement.
23 May AGM	In the Chairman's address "Mount Kelly's output levels continue to ramp up." There is a commitment to spend \$7 million on exploration to extend life of mine. Anthill ore reserves have been upgraded to 4.4Mt @ 0.85% Cu (containing copper 37.5Kt).
21 July	June 30 Quarterly Activities Report that 2,250 tonnes of copper metal was sold

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

Vendetta Mining Corp reported on 18 May 2023, several high-grade lead-zinc drill intersections in Zone 2 and 3 at the Pegmont lead-zinc project, Queensland from drilling during 2022. That exploration program was ceased by the early onset of the wet season.

4. Commodity Background

Only gold and the gold index (ASX 200) gained during the June quarter, the All Ordinaries Index and the LME index were flat. Oil, iron ore, and base metals were down, copper down only 1.7% reflecting slowing economic growth in USA and Europe. The Australian dollar was broadly stable, trading in the range of 66-68 cents to the US dollar. Copper is regarded as essential to EV batteries production along with lithium and rare-earth elements.

Summary of Selected Commodity Price Movements – March 2022 – March 2023

		2022 30 Dec	2022 30 Sep	2022 30 Jun	2023 30 Jun	June (Decline) on 31.12.22 %
Oil – WTI	\$US/bbl	80.42	79.49	105.37	70.3	(12.6)
Iron ore (62% Fe lump)	\$US/t	117.0	98.14	122.61	113.6	(2.9)
LME Index		3,985.1	3,538.8	3,870.0	3,679.8	(0.8)
Lead	\$US/t	2,340.1	1,912.7	1,894	2,091.3	(10.6)
Zinc	\$US/t	2,983.3	2,964.8	3,151.0	2,385.6	(20.1)
Copper	\$US/t	8,375.2	7,582.4	8,183.4	8,232.0	(1.7)
Gold	\$US/oz	1,819.7	1,672.0	1,807.0	1,921.0	5.6
\$A/\$US		0.68	0.64	0.69	0.67	(1.5)
All Ords Index		7,197.3	6,667.6	6,746.5	7,401.0	2.8
Gold Index (ASX 200)		5,918.7	4,638.7	4,918.1	6,640.0	12.2

Despite economic uncertainties, the US economy remained firm with declining inflation.

5. Income and Expenditure (cash basis) Unaudited

	Jun 2023 Quarter \$	Half Year \$	Budget Year Dec 2023 \$
Income Received			
Interest/Dividends/Other	5,437	10,637	20,000
Realised profit/(loss) from sale of shares	5,615	9,587	24,000
	11,052	20,224	44,000
Less, Provision to market	7,000	(18,000)	–
Net Income from investing activities	4,052	2,224	44,000
Net Income	4,052	2,224	44,000
Expenditures (cash basis)			
Exploration			
Canyon	14,514	15,057	11,000
Royalty Agreement costs	–	336	–
General	3,719	4,237	–
	(18,233)	(19,630)	(11,000)
Corporate			
Administration	46,107	63,388	144,000
Audit Fees	2,105	12,500	20,000
Directors' Fees	26,312	53,937	100,000
	74,524	129,825	(264,000)
Net Operating Surplus/(Deficit)	(88,705)	(147,231)	(231,000)
Working Capital, net receipts	(27,989)	(65,966)	(31,054)
Net Cash Surplus/(Deficit)	(116,694)	(213,197)	(262,054)
Add: Opening Cash Balance	965,551	1,062,054	1,062,054
Closing Cash Balances	848,857	848,857	800,000

The Company's cash balance 30 June 2023 was \$848,857 a decline of \$116,694 from March 2023. Administration costs were \$74,524, exploration costs were \$21,027, while net income was \$4,052. During the quarter investments increased by \$31,170.

Conclusion

Year 2023 concludes Pegmont's exploration activities, after some 27 years, in the Mount Isa region in favour of investing activities to enhance interest earned on term deposits, pending receipt of royalty income.

By holding a high proportion of our portfolio in cash, we mitigate short-term market volatility and by having a focus on producing mining companies, we are able to analyse statistics on ore production, grade and costs to assess the impact of metal price volatility on future earnings and share price. Since new high-grade discoveries are game changers that depend upon experienced and high-quality management to successfully execute their development, our strategy is to wait for confirming results to emerge.

Fortunately, there are a number of high-grade deposits being developed by high quality management teams to offer investment opportunities with potential for share price growth. It is this market segment that offers Pegmont the opportunity to regrow its financial assets.

We are also encouraged by the positive attitude of Austral towards developing and further exploring the extensive Reefway Royalty tenements with the prospect of accelerating copper production towards the royalty target of 100,000 tonnes of copper sold.

The combination of these two strategies offer Pegmont the prospect of receiving a royalty cash flow during 2026 which would regenerate the Company growth potential.

Yours faithfully



Malcolm A Mayger
Managing Director