

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 September 2023

1. Summary

- i. **Cash balances** declined by \$77,792 to \$771,065 due to corporate costs of \$72,170, and exploration \$10,924, partly offset by \$3,136 net income and a small change in working capital of \$2,168.
- ii. **Investment income** was \$14,136 before providing an extra \$11,000 provision for market loss.
- iii. **Royalty interests** relating to the Reefway tenements are operated by Austral Resources Ltd (ARI), who sought voluntarily suspension from making announcements to the ASX pending financial restructuring.
- iv. **Mineral commodity prices** are generally under pressure, except for oil and gold, due to slowing economic activity in USA, Europe and the UK. China is attempting to stabilise its housing sector.
- v. **Net operating deficit** was \$79,958 after net income of \$3,136 absorbing a market loss provision of \$11,000. Since the cause of this provision has been mitigated, a much better net income result is forecast for the year of \$38,000, 3.6% on total cash funds of \$1,062,054 at the beginning of the year.
- vi. Corporate matters of finance, and management are kept under review.

2. Cash and Investing Activities

Cash balances at ANZ Bank were \$666,211 including \$608,417 on Term Deposit. Macquarie Cash Vision account held to support investing activities was \$104,855.

Investing activities resulted in a realised share trading profit of \$7,766 during the September quarter and interest credited of \$6,370, making \$14,136 for the quarter and a total of \$34,360 for the nine (9) months to 30 September. A further provision of \$11,000 was made during the quarter resulting from a sell-down by an investment group in one of our investment holdings. This activity has since been completed and the shares have largely recovered in price towards cost. A provision of \$10,000 loss is carried forward to the year end, which may be obviated.

Market Volatility was a significant feature of the stock market during the September quarter; the ASX All Ordinary Index declined from 7,401 (30 June 2023) by 2.1% to 7,250 due to political and economic uncertainties in major economies. A cautious investment approach to the market was maintained, with a high cash ratio of 44.4% of portfolio costs.

3. Royalty Interests

Royalty interests are held in two groups of tenements in the Mount Isa geological province, one group around Mount Kelly (copper and gold) and the other group at Pegmont (lead-zinc with minor silver values) located near the large 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 mining lease marketing.

Continued exploration activity by **Austral** at McLeod Hill (a royalty deposit) on 15 August reported 5m @ 1.97% Cu, included in 29m @ 0.79% Cu oxide from 29m. On 6 September, Austral then reported 25m @ 1.41% Cu from transitional material. This mineralisation is said to be open and extends to the north-west into the adjoining sub-blocks at Canyon now held by Austral in a recently granted EPM 28881.

On 1 September, Austral (ARI) requested voluntary suspension by the ASX pending the release of details relating to corporate financing. An extension until 3 November was made on 29 September to enable completion of an agreement.

Vendetta Mining Corporation remained silent during the September quarter. Vendetta last traded at 3c/share on the Toronto TSX Venture Exchange.

The surrender of EPM 27345 (Canyon) was due to Pegmont's lack of adequate financial capabilities, which means that Pegmont does not have a direct interest or royalty in the Canyon area. Reported exploration expenditures relate to the cost of final rehabilitation and other reports. However, a surveillance is maintained on advanced exploration activities by other companies in the Mount Isa region to support possible future investment activities.

4. Commodity Background

Only oil and the gold index (ASX 200) gained substantially during the September quarter, the All Ordinaries Index was flat. Iron ore, and base metals went down, (copper down 2.2%) reflecting slowing economic growth in USA and Europe. The Australian dollar also depreciated by 5.9%, trading in the range of 63-66 cents to the US dollar. Lithium also reacted to slower EV batteries demand along with rare-earth elements, it has declined sharply during this calendar year by 66.4%.

Summary of Selected Commodity Price Movements – December 2022 to September 2023

		2023 30 Sep	2022 31 Dec	2023 30 Mar	2023 30 Jun	September (Decline) on 31.12.22 %
Oil – WTI	\$US/bbl	91.0	80.6	75.8	70.3	12.9
Iron ore (63% Fe lump)	\$US/t	119.2	117.1	126.4	113.6	(1.8)
LME Index		3,708.3	3,983.4	4,039.2	3,679.8	(6.9)
Lithium Carbonate	\$US/t	10,927	50,428	22,922	30,680	(66.4)
Zinc	\$US/t	2,657.4	2,983.9	2,947.5	2,385.6	(11.1)
Copper	\$US/t	8,210.0	8,397.5	8,957.1	8,265.0	(2.2)
Gold	\$US/oz	1,840.0	1,819.7	1,807.0	1,921.0	1.1
\$A/\$US		0.64	0.68	0.67	0.67	(5.9)
All Ords Index		7,249.7	7,197.3	7,312.4	7,401.0	0.7
Gold Index (ASX 200)		6,244.0	5,918.7	6,892.0	6,631.0	5.5

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

5. Income and Expenditure (cash basis) Unaudited

	Sep 2023 Quarter \$	Nine Months Sep 2023 \$	Estimate Year Dec 2023 \$
Income Received			
Interest/Dividends/Other	6,370	17,007	23,000
Realised profit/(loss) from sale of shares	7,766	17,353	25,000
	14,136	34,360	48,000
Less, Provision to market	(11,000)	(29,000)	(10,000)
Net Income from investing activities	3,136	5,360	38,000
Net Income	3,136	5,360	38,000
Expenditures (cash basis)			
Exploration			
Canyon	10,570	25,627	27,000
Royalty Agreement costs	(336)	–	–
General	690	4,927	6,000
	(10,924)	(30,554)	(33,000)
Corporate			
Administration	50,994	114,382	175,000
Audit Fees	3,800	16,300	25,000
Directors' Fees	17,376	71,313	110,000
	(72,170)	(201,995)	(310,000)
Net Operating Surplus/(Deficit)	(79,958)	(227,189)	(305,000)
Working Capital, net receipts	2,166	(63,800)	(32,000)
Net Cash Surplus/(Deficit)	(77,792)	(290,989)	(337,000)
Add: Opening Cash Balance	848,857	1,062,054	1,062,054
Closing Cash Balances	771,065	771,065	725,054

The Company's cash balance at 30 September 2023 was \$771,065 a decline of \$77,792 from June 2023. Administration costs were \$72,170, exploration costs were \$10,924 which relate to the preparation of final rehabilitation and other reports. While, net income was \$3,136. During the quarter investments increased by \$31,613.

6. Corporate Matters

The restructuring of the Company's activities has advance considerably over the past two years. The Board has been substantially renewed to reflect the change in nature of activities from exploration to investing. Whilst this change may appear radical, in fact, it is only a reversion to the Company's original activities. It has always been an investor in the mining and exploration industry. There are times to be an activate participant, or to be passive, or both. Right now, in volatile times and undercapitalised, our best and low risk option is to be an investor in liquid assets (cash and shares).

The current lack of capital is a major constraint on investing activities. At year end, cash resources are estimated to be \$725,000, sufficient for about three years to 2026. Thus, the Board is considering options for raising additional capital to extend our life to 2027 and beyond.

Conclusion

The nature of Pegmont Mines is to remain in mining, either directly or passively because it is exciting and offers big rewards upon success. To date, the Company has paid two-thirds of its issued capital back to shareholders in dividends and there is the prospect of a future royalty income which could return the other third tax free, as there are sufficient franking credits available. To achieve this objective the Company needs to remain independent and grow from strength.

Yours faithfully



Malcolm A Mayger
Managing Director