

# 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 31 December 2019

We are pleased to submit the following Quarterly Activity Report of Pegmont Mines Limited (the Company) for the three months to 31 December 2019.

### 1. Summary

- Cash balances (excluding guarantees and environmental bonds) at 31 December 2019 decreased by \$288,515 to \$2,930,921, including part payment of \$50,000 in deferred Director's fees from prior years.
- Drilling activity was undertaken at Templeton Anomaly 13 to test a Gold-Bismuth outcrop assaying up to 0.33g/t AU and 649ppm Bi. Final assay results did not disclose any significant results from this drill program. A detailed report was issued on 23 December 2019.
- A rehabilitation program on both track and drill pads testing Anomalies 7, 6, 5 and 13 was completed prior to the onset of the wet season.

### 2. Cash balance

Operating expenditures during the December quarter were a net deficit of \$278,272; including exploration of \$237,382 and administration of \$54,542, whilst working capital payments were \$10,243. Net income was \$13,535 resulting in a cash reduction of \$288,515.

### 3. Exploration Activity

The main thrust of our exploration activity continued to be on **Templeton** (where we expended \$223,742) as detailed in our report on 23 December 2019. Fieldwork included four angled RC holes for a total of 528 metres (or \$424 per metre) at Magnetic Anomaly 13 to test Au-Bi anomalous limonitic jaspers. No significant results for Au, Bi or Cu were obtained in the drilling which appears to have intersected oxidised and fresh hydrothermally altered "dolerite" intrusives only.

Other conclusions included; drilling has shown strong hydrothermal alteration with early magnetite overprinted by "red rock" alteration of haematite – K spar – sericite – biotite, as well as chlorite and veins of biotite and chlorite. Drilling has shown that not all surface geochemical anomalies indicate a source at depth since the magnetic anomaly was adequately tested.

Ground geophysics involving IP and MT methods were recommended in conjunction with surface geochemistry to define zones of conductive sulphides, particularly as faults and fault intersections bounding and within the buried intrusives may have helped to focus mineralising fluids derived from strong hydrothermal alterations.

These and other conclusions indicate a broader based exploration program (possibly including structural analysis as well as ground geophysics) is required which could be beyond the technical and financial resources of the Company. Thus, consideration is being given to try to interest a larger explorer(s) with these skills in an option deal.

Further rock sampling and mapping was conducted on the **Mingera Project** area. Should third party interest be generated in Templeton, then Mingera would be added to the option package.

Our exploration costs at Templeton were more than budget due to a number of factors including; opposition by the landholder to the establishment of a temporary camp on site, which resulted in more expensive accommodation in Mount Isa; fly-in fly-out of drill operators by chopper on a daily basis and high drill mobilisation costs due to limited drill activity in the region

Our EPM applications at Battle Creek and Canyon, north and south, along strike from the Mount Kelly SXEW Copper Operations are progressing towards grant. A draft Native Title agreement on Battle Creek is being negotiated for early finalisation, which could then be applied to Canyon. All being well, we hope to drill test these areas by the end of 2020.

#### 4. Commodity Background

Summary of Selected Commodity Price Movements  
December 2018 – December 2019

		2018 31 December	2019 31 December	Improvement On 31.12.19 %
Oil	\$US/bbl	45.10	61.11	35.5
Iron ore (62% Fe fines)	\$US/t	72.73	92.13	26.7
LME Index		2,801.1	2,843.3	1.5
Lead	\$US/t	2,009.0	1,926.2	(4.1)
Zinc	\$US/t	2,510.5	2,311.5	(7.9)
Copper	\$US/t	5,965.0	6,188.0	3.7
Gold	\$US/oz	1,279.6	1,523.0	19.0
\$A/\$US		0.7058	0.7015	(0.6)
All Ords Index		5,709.4	6,802.4	19.1
Gold Index (ASX 200)		5,465.3	6,847.5	25.3

Gold outperformed base metals as did oil and Iron ore reflecting subdued economic activity and continued tension in the Middle East and between China and the USA. The Australian dollar is well supported by Trade Surpluses.

## 5. Income Summary (cash basis)

	December 2019 Quarter \$	12 months to December 2019 \$	Budget to December 2019 \$
<b>Income Received</b>			
Interest/Dividends/Other	14,835	54,226	49,525
Realised profit from sale of shares	–	5,475	5,475
	14,835	59,701	55,000
Less, increased provision to market	(1,300)	(5,038)	–
Net Income from investing activities	13,535	54,663	55,000
Vendetta – Payment of Option extension fees	–	315,000	315,000
<b>Net Income</b>	<b>13,535</b>	<b>369,663</b>	<b>370,000</b>
<b>Expenditures (cash basis)</b>			
<b>Exploration</b>			
Templeton – EPM 26647	223,742	418,213	300,000
Mingera – EPM 27113	10,696	33,134	40,000
Mount Kelly Trend Project	624	58,434	60,000
Other	2,320	15,320	20,000
	237,382	525,101	420,000
<b>Corporate</b>			
Administration	21,925	185,955	300,000
Audit Fees	–	10,000	20,000
Directors' Fees	32,500	130,000	130,000
	54,425	325,955	450,000
Net Operating Surplus/Deficit	(278,272)	(481,393)	(500,000)
Vendetta Option exercise	–	3,000,000	3,000,000
Working Capital, net receipts (Note 1)	(10,243)	385,495	373,181
Special Dividend payment	–	(1,627,123)	(1,627,123)
Net Cash Surplus/(Deficit)	(288,515)	1,276,979	1,246,058
Add: Opening Cash Balance	3,219,436	1,653,942	1,653,942
<b>Closing Cash Balances (Note 2)</b>	<b>2,930,921</b>	<b>2,930,921</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 during the year 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 three-year copper-gold exploration program in the Mount Isa region based on drill testing magnetic anomalies along the Mount Kelly Trend. These areas have large undrilled targets, which offer considerable leverage to exploration success.

Yours faithfully



Malcolm A Mayger  
Managing Director