

Pegmont Mines Limited

ABN 97 033 331 682

Corporate Office
13 Oden Street
Port Macquarie NSW 2444

Telephone: 6583 7747
Email: pegmont@hotmail.com

13 July 2020

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

Dear Sir,

Quarterly Activity Report 30 June 2020

1. Summary

During the past three months, the Coronavirus (CV-19) epidemic has spread throughout the World, causing major economic disruption and social uncertainty. Rising assertiveness by China is causing a re-evaluation of Global power relationships through increasing use of the trade sanctions. These two factors are negatively impacting on World trade and commodity producers resulting in excess supply and consequent slowdown in exploration activity. These trends may not be resolved quickly, so our decision making is becoming more cautious.

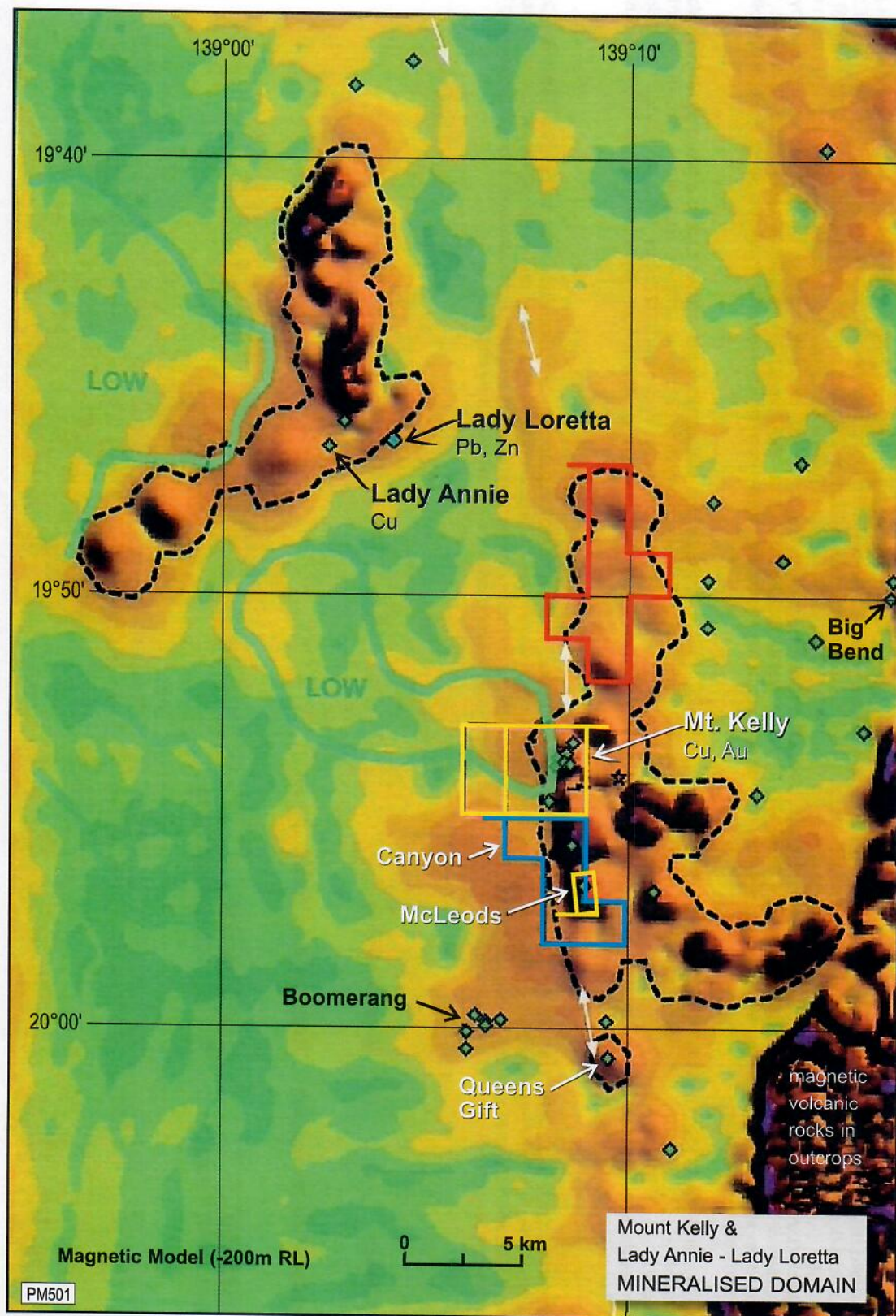
- i. Cash balances (excluding guarantees and security bonds, but including Term Deposits) totalled \$2,646,773 at 30 June 2020, a decline of \$190,655 after payment of \$60,000 in deferred Director's fees.
- ii. Exploration expenditure was \$61,033 including \$33,806 on Mingera and \$7,438 on Templeton. The Mount Kelly Trend project, including Battle Creek and Canyon expenditure was \$19,407. Titles were granted for both tenements.
- iii. Partial surrender of EPM 26647 (Templeton) and EPM 27113 (Mingera) has been effected resulting in a much reduced expenditure obligation.

2. Exploration Activity

The Queensland Department of Natural Resources, Mines and Energy has significantly reduced expenditure obligations for 2020-21 on account of CV-19 lockdown of intra-state travel to mining areas. Restrictions have been progressively removed which will enable mapping and outcrop sampling to commence at Battle Creek (EPM 27255) and Canyon (EPM 27345). These two tenements form part of the Mount Kelly Trend Project which also includes the Reefway Royalty tenements – see attached maps.

Battle Creek and Canyon tenements cover the north and south extension of the magnetic anomalies thought to be the source of the Mount Kelly copper mineralisation. Confirmation or otherwise of this concept is our primary objective this year.

Reduced expenditure obligations on Templeton and Mingera tenements will enable the Company to retain its interest in them pending any third-party interest being generated during the current exploration season. Otherwise, they will be relinquished.



Map showing 'Depth to Magnetic Basement' (= 'depth to magnetic rock bodies under sedimentary strata') with reference elevation of 200m below sea level, prepared by Kate Nelson, using data from MIM survey on lines at 200m spacing.

Dashed black outline : Cluster of 'bulls-eye' type magnetic anomalies (magnetic magmatic intrusives)

White arrows : McNAMARA FAULT ZONE

Blue : CANYON EPM 27345 ; **Red** : BATTLE CREEK EPM 27255 ;

Yellow : Mt. Kelly MLs and McLeods Hill MLs (not owned by the Company but subject to Reefway royalty.)

3. Commodity Background

Summary of Selected Commodity Price Movements – December 2019 – June 2020

		2020 30 June	2019 31 December	Decline on 31.12.19 %
Oil	\$US/bbl	39.62	61.11	(35.2)
Iron ore (62% Fe fines)	\$US/t	99.85	92.13	8.4
LME Index		2,683.0	2,843.3	(5.6)
Lead	\$US/t	1,791.7	1,926.2	(7.0)
Zinc	\$US/t	2,054.2	2,311.5	(11.1)
Copper	\$US/t	5,951.5	6,188.0	(3.8)
Gold	\$US/oz	1,771.5	1,523.0	16.3
\$A/\$US		0.6846	0.7015	(2.4)
All Ords Index		6,001.3	6,802.4	(11.8)
Gold Index (ASX 200)		8,255.8	6,847.5	20.6

Gold bullion outperformed all other bulk mineral commodities and index markets; with West Texas oil quotes collapsing due to a steep fall in demand. The 'lock-down' economy is having a very detrimental effect on World Trade and is reminiscent of the 1971–74 commodity recession when there was a large (4–5%) downward shift in World Commodity demand which took 5–7 years of economic growth to recover.

4. Income Summary (cash basis)

	June 2020 Quarter \$	June 2020 Half-year \$	Revised Estimate to December 2020 \$
Income Received			
Interest/Dividends/Other	8,813	22,690	30,000
Realised profit from sale of shares	–	–	–
	8,813	22,690	30,000
Less, (increased) provision to market	1,950	(7,250)	(6,000)
Net Income from investing activities	10,763	15,440	24,000
Net Income	10,763	15,440	24,000

Expenditures (cash basis)

Exploration			
Templeton – EPM 26647	7,438	17,544	25,000
Mingera – EPM 27113	33,806	69,637	75,000
Mount Kelly Trend Project	19,401	18,133	75,000
Other	388	–	5,000
	61,033	105,314	180,000
Corporate			
Administration	29,045	44,194	135,000
Audit Fees	10,000	10,000	20,000
Directors' Fees	32,500	65,000	130,000
	71,545	119,194	285,000
Net Operating Surplus/Deficit	(121,815)	(209,068)	(441,000)
Working Capital, net receipts	(68,840)	(75,080)	(135,000)
Net Cash Surplus/(Deficit)	(190,655)	(284,148)	(576,000)
Add: Opening Cash Balance	2,837,428	2,930,921	2,930,921
Closing Cash Balances	2,646,773	2,646,773	2,354,921

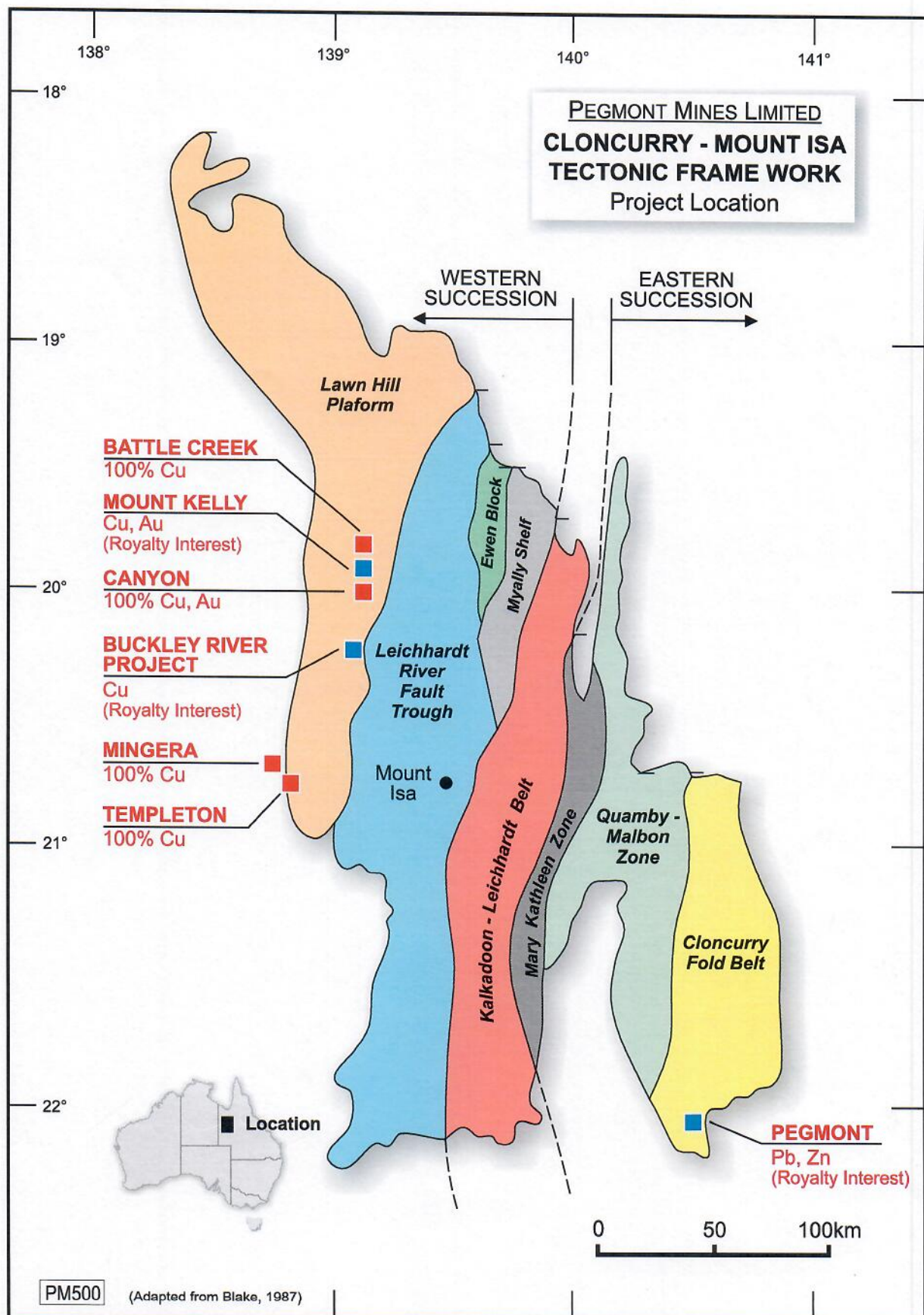
Conclusion

Our Corporate Strategy will be to explore cautiously and conserve our cash position for a more buoyant period of economic recovery and higher metal prices. Unless exploration results are outstanding, our aim will continue to option out tenements, reduce expenditure obligations to maintain cash and build a future royalty revenue stream.

Yours faithfully



Malcolm A Mayger
Managing Director



The Lawn Hill Platform suite of rocks overlay the older Proterozoic McNamara Group at generally increasing depth to the west.