

Pegmont Mines Limited

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26 October 2021

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

Dear Sir,

Quarterly Activity Report 30 September 2021

1. Summary

During the September quarter, exploration activity was focused on drilling eight RC holes totalling 927 metres in EPM 27345, Canyon. There were no intersections of economic mineralisation, but zones of elevated Copper (Cu) values were obtained in several holes. Follow up detailed analysis of drill data, geology, and geophysics is underway to understand why only low copper values were intersected. A detailed independent report will be lodged when this review is completed.

- i. Cash balances (including Term Deposits) declined by \$329,055 to \$1,473,304, due to administration expense of \$89,234, exploration of \$166,622, trading investments of \$57,319 and increased working capital of \$15,880.
- ii. Two trading investments were made totalling \$57,319 in a gold producer with growth prospects and in a successful natural gas explorer with strong expansion plans. Due to the volatility of the market, no further investments are intended in the near term.
- iii. Both Austral Resources, owner of the Reefway Royalty Tenements and Vendetta Mining Corp (owner of the Pegmont Project royalty tenements) have made announcements to further their development plans towards future production.
- iv. Export commodity prices have weakened except for energy (oil and LNG gas) and zinc. Gold prices are trading around US\$1,700-\$1,750 off 8.8% on 31 December, but the Gold Index has declined by 21% due to production leverage.

2. Exploration Activity

Drilling in EPM 27345 (Canyon) was undertaken in August with assay results received in September. The target was structurally controlled copper mineralisation associated with the western branch of the McNamara Fault, particularly at its intersection with a major NW-SE cross fault (designated NW2).

The McNamara Fault is regarded as a major regional structure, analogous to the Mount Gordon Fault (host to the Mammoth and Esperanza copper mines). It is associated with copper mineralisation at Mount Kelly, some 4-5 kilometres north of our drilling. In each of these occurrences, the mineralisation is located at the intersection of cross faults where distal zones provide a favourable trap for the deposit of metal from hydrothermal fluids.

Drilling tested these concepts at shallow depth, down to 70–80 metres, but without intersecting anomalous values with obvious copper minerals. Future drill programs will depend upon the results of further analysis of results and possible petrographic examination of sections of elevated Cu values in several holes in weathered siltstone to identify their source.

3. Patient Investing

An investment of \$57,319 was made in two resource companies with well-defined development plans for future growth. Their purchase was made at a discount to their 12-month highs, but before the recent weakness in the share market. They will be held, as their management teams are well regarded to execute future plans.

4. Royalty Interests

Austral Resources has issued a Prospectus to finance the development of their Anthill copper project, which has since closed fully subscribed (within a Reefway Royalty Tenement) which is said to have 5.06MT @ 0.94% Cu or 47,500 contained Cu (page 9) with a leach SX-EW process of 85% efficiency/recovery (page 53) to yield 40,000t Copper Cathode CC (page 10). They expect to commence first ore to leach pads by the 1st quarter 2022 with (an initial) mine life of four years. Total oxide/transition reserves/resources at Anthill total 11.3Mt @ 0.73% to produce 80,000t CC (page 55).

Should these estimates be achieved, then Austral Resources could exceed the cumulative 100,000t barrier to commence royalty payments to Pegmont and others.

Vendetta has recently made several announcements

24 June 2021 – Their July/August exploration program would include nine drill holes for a total of 1,500 metres to follow up on three existing wide spaced Zone 5 intersections along a 300 metre strike centred on PVRD 196 high-grade intersection of 8.42m assaying 13% Pb/Zn.

9 August 2021 – Vendetta to acquire under option the key Killer Bore high-grade zinc exploration permit (EPM 2705) from Sandfire Resources. Historic drilling at Killer Bore is said to represent the distal part of the Pegmont mineralising system which is zinc dominant.

26 August 2021 – Vendetta closed the first tranche Private Placement to raise C\$530,750 share placement at 5 cents per unit. The funds will be used to advance the development of 100% owned Pegmont Lead-Zinc Project.

Since South 32 Option Agreement over the Templeton and Mingera Tenements has been terminated, the Board has resolved to relinquish these tenements, as the Company is not financially able to continue their exploration.

5. Commodity Background

The London Metal Exchange Index (LME), a leading economic indicator continues to fluctuate in a broad range between 4,000–4,400, at 30 September it was 4,160. Zinc has strengthened recently to reach new cyclical highs. Copper and Iron Ore are under pressure due to recessionary factors in the Chinese economy:

Summary of Selected Commodity Price Movements – December 2020 – September 2021

		2020 31 Dec	2021 30 September	(Decline) on 31.12.20 %
Oil	\$US/bbl	48.8	74.83	53.3
Iron ore (62% Fe fines)	\$US/t	155.7	119.6	(23.2)
LME Index		3,459.6	4,160	20.2
Lead	\$US/t	1,972.0	2,157	9.4
Zinc	\$US/t	2,723.5	3,041	11.7
Copper	\$US/t	7,741.5	9,174	18.5
Gold	\$US/oz	1,891.0	1,725	(8.8)
\$A/\$US		0.7657	0.72	(6.0)
All Ords Index		6,850.6	7,630	11.1
Gold Index (ASX 200)		7,334.2	5,784	(21.1)

US\$ dollar prices of Iron Ore and Gold are under pressure as the Chinese economy is cramped by extraordinarily high energy prices of oil. LNG and coal due to world demand emerging out of easing COVID lockdown restrictions. Gold has fallen back due to economic recession in 2020/21, but appears well supported at these levels.

6. Income and Expenditure Summary Unaudited (cash basis)

	Sept 2021 Quarter \$	2021 Nine months \$	Budget Year Dec 2021 \$
Income Received			
Interest/Dividends/Other	2,002	8,189	9,000
Realised (loss) from sale of shares	—	—	—
	2,002	8,189	9,000
Less, Provision to market	(18,661)	(20,061)	—
Net Income from investing activities	(16,659)	(11,872)	9,000
Net Income	(16,659)	(11,872)	9,000

Expenditures (cash basis)

Exploration			
Templeton – Mingera Canyon	(1,250)	420	5,000
Battle Creek	165,155	194,952	—
Mount Kelly Trend Project	2,767	19,636	—
General	(30)	3,000	233,000
	(20)	14,660	11,000
	(166,622)	(232,668)	(249,000)
Corporate			
Administration	56,734	109,004	151,000
Audit Fees	—	—	20,000
Directors' Fees	32,500	94,533	130,000
	(89,234)	(203,537)	(301,000)
Net Operating Surplus/Deficit	(272,515)	(448,077)	(541,000)
Working Capital, net receipts	(56,540)	(283,069)	(200,000)
Net Cash Surplus/(Deficit)	(329,055)	(731,146)	(741,000)
Add: Opening Cash Balance	1,802,359	2,204,450	2,204,450
Closing Cash Balances	1,473,304	1,473,304	1,463,450

The Company's cash balance at 30 September 2021 was \$1,473,304. Exploration expenditure for the quarter to 30 September 2021 was \$166,622. Administration costs were \$89,234.

Conclusion

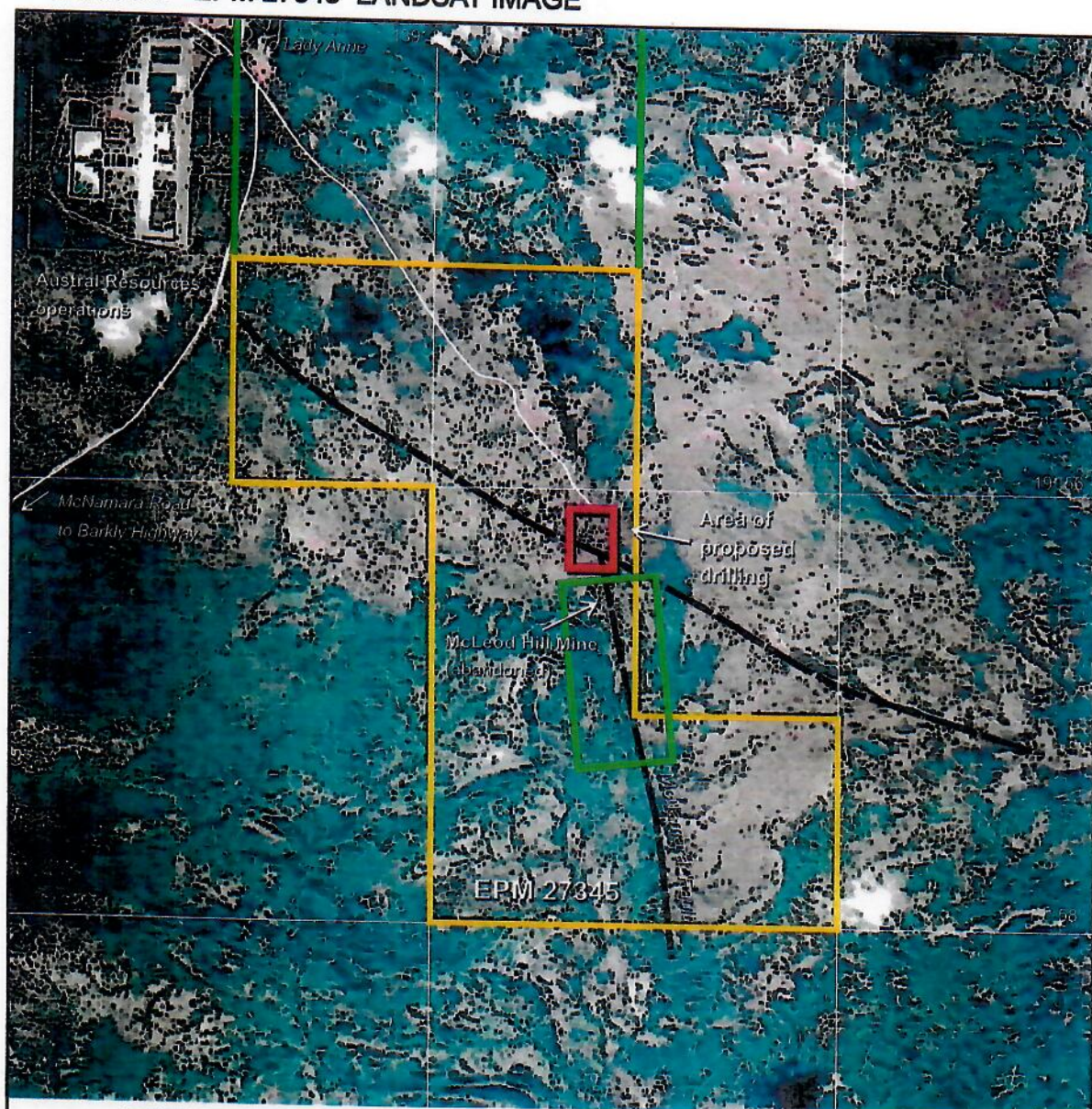
Drilling of 927 metres at Canyon into the extension of the West McNamara Fault, north of McLeod Hill MLs yielded low anomalous copper values see attached table of Drill Results. A review report by our independent consultants GeoDiscovery Group is underway but may not be completed for several weeks. This report will be lodged with the NSXA when becoming available.

Yours faithfully



Malcolm A Mayger
Managing Director

CANYON - EPM 27345 LANDSAT IMAGE



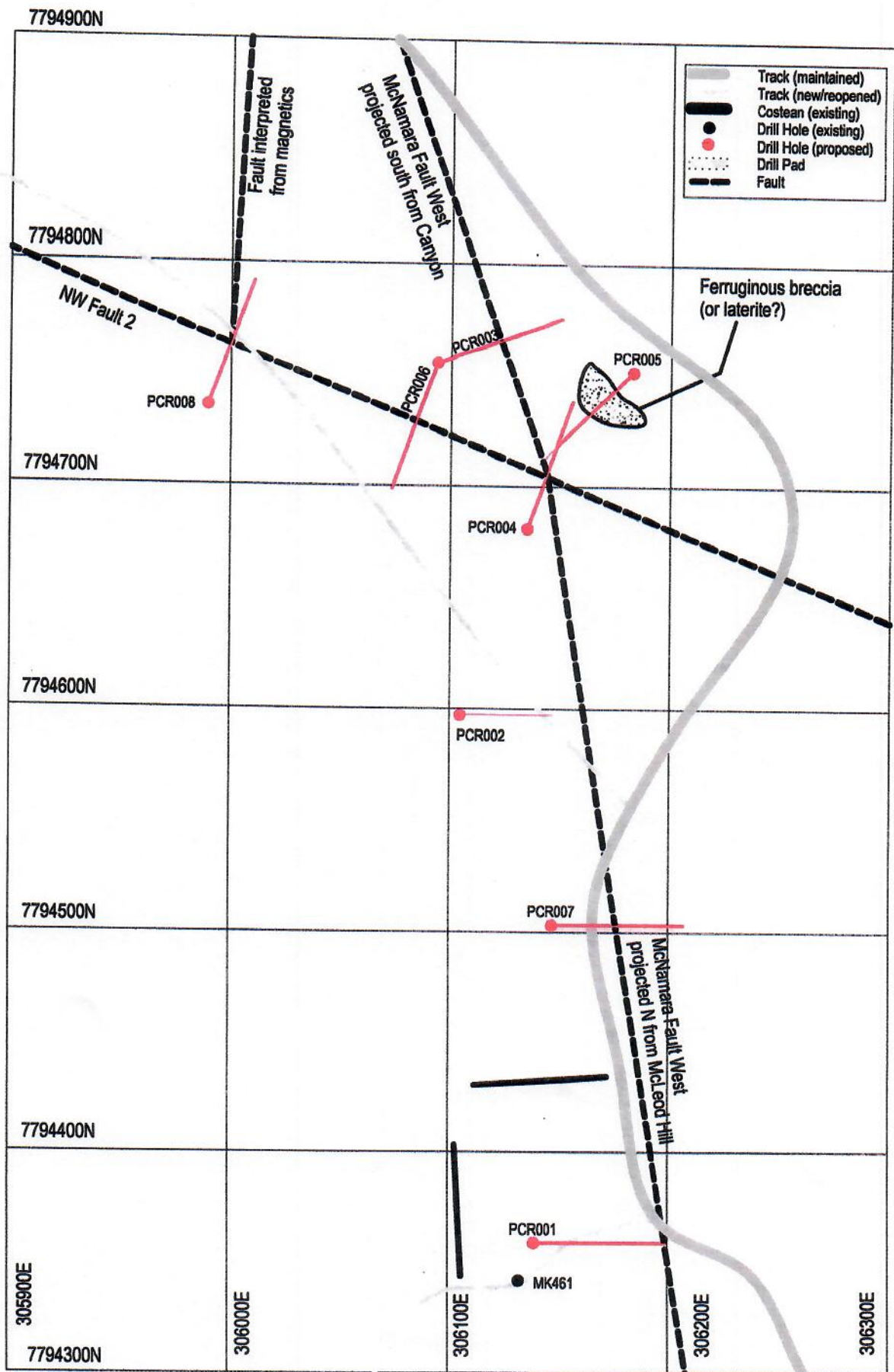
LEGEND

- Area of proposed activity
(1000 - 1200m RC drilling)
- Boundary of EPM 27345
- Mt. Kelly MIs and McLeod Hill MIs
(not owned by the Company but
subject to Reservoir royalty.)
- Interpreted N-W fault 2
- McNamara Fault

PM509

0 1 2 km

Pegmont Mines Limited
CANYON PROJECT
May 2021



EPM 27345 DRILL SITES

PEGMONT MINES LIMITED EPM 27345 ("CANYON") DRILLING AUGUST 2021

HOLE NO	E_GDA	N_GDA	DEC	AZI	TD	RESULTS
PCR001	306133	7794383	60	90	124	Best Cu 1385ppm 22-23m, Pb 8390ppm 118-119 (local fine disseminated sulphides)
PCR002	306105	7794597	70	90	124	Best Cu 1100ppm 64-65m
PCR003	306094	7794756	60	70	118	Cu 1645ppm 58-67m
PCR004	306135	7794680	60	20	112	Cu 1420ppm 30-33m
PCR005	306185	7794750	60	226	118	No anomalous Cu values
PCR006	306096	7794756	60	200	118	Elevated Cu: 2045ppm 62-66m 1145ppm 73-74m 1688ppm 78-83 1155ppm 88-89m 1050ppm 91-92m
PCR007	306140	7794500	60	90	118	Elevated Cu 16-32 (best assay 594 ppm 16-17m)
PCR008	305990	7794735	60	20	95	Best Cu 1240ppm 41-42m 1180ppm 58-59m

Table compiled by David Hewitt MSc MAusIMM