

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 March 2023

1. Summary

- i. **Cash** balances declined by \$96,553 to \$965,551 due to administration costs of \$55,301, and working capital payments \$37,977.
- ii. **Investment activity** realised a profit of \$3,972, whilst income on interest bearing deposits was \$5,200, but market loss provisions increased by \$11,000, resulting in an overall loss of \$1,828.
- iii. **Royalty interests** continue to be enhanced by operational activities of Austral Resources at Mount Kelly for copper production and sales. Austral has announced improving copper recoveries to near 1,000 tonnes of cathode per month with sales of 2,818 tonnes for the March quarter. Vendetta are yet to advise their drill results from Pegmont.
- iv. **Mineral commodity prices** stabilised with the LME Index rising 1.3% to 4,038.5 with copper up by 8.2% to \$US9,058 and gold up by 8.2% to \$US1,969.5. The Australian exchange rate was stable at US67cents.
- v. Subject to the ASIC consent to the current auditor Rothsay Audit and Assurance Pty Ltd resignation, the Directors propose at the Company's Annual General Meeting to appoint NorthCorp Chartered Accountants, based in Port Macquarie, who having consented, to be the **Auditors of Pegmont Mines Limited** and its subsidiaries.

2. Cash and Investing

Cash balances at 31 March 2023 included ANZ Ordinary Account \$234,304, ANZ Term Deposits \$607,565 and Macquarie Cash Deposit \$123,678.74. The share portfolio was valued at \$82,178, resulting in Net Liquid Assets of \$1,047,729. The Company has NO DEBT. Cash on Term Deposits is expected to earn \$20,000, (depending upon interest rates).

Investment markets were volatile in the quarter, resulting in the All-Ordinaries Index rising 2.4% to 7,373.3. A realised profit of \$3,972 was offset by a sharp selloff in one of our holdings.

A cautious approach to investing has been implemented using the method of Patient Investing, whereby the majority of trading capital is usually held in cash (earning interest) and the balance invested in a small number of stocks. At 31 March 2023, the trading portfolio comprised of cash \$123,679 (60.1%) and trading stock \$82,176 (39.9%).

3. Royalty Interests

Royalty interests are held in two groups of tenements in the Mount Isa geological province, at Mount Kelly and at Pegmont operated by **Austral Resources Limited** (Austral) and **Vendetta Mining Corp** (Vendetta) respectively.

Austral is mining the Anthill Mining operation, north of Mount Isa and trucking ore to a solvent extraction-electrowinning plant (SXEW) at Mount Kelly for treatment and the production of 99.99% pure copper cathode. Austral has announced accumulated sales of cathode copper totalling 59,100 tonnes to 31 March 2023, leaving a balance of 40,900 to be sold before royalty becomes payable.

During the quarter, Austral has made the following announcements about its progress towards meeting this target:

23 December	Austral hits steady state production and fast tracks Lady Colleen scoping study supported by two funding initiatives.
9 January	Commercial production and positive operational cash flow achieved at Anthill of 976 tonnes (of cathode copper) over a 29-day operating period in December.
20 January	Total cathode copper produced during the December quarter was 2,507 tonnes resulting in sales of 2,393 tonnes.
1 February	Record production of 1,003 tonnes (cathode copper) in January. Exploration strategy includes extending mine life of Anthill by discovering additional copper oxide ore.
15 February	Positive scoping study on Lady Colleen Copper Project, having approximately 44,000 tonnes of Cu at a cut-off grade of 0.7% Cu (in addition to Anthill).
14 April	Copper sales of 2,818 tonnes in March Quarter, mainly from Anthill. Development of Lady Colleen could increase annual production to over 25,000 tonnes per annum of copper.

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

Vendetta Mining Corp – have not provided an update on their drill program at its Pegmont Lead-Zinc Project announced on 5 July 2022 when they expressed intention to drill 11 holes for 2,300m into Zone 5 and 40 PQ core holes into the main Pegmont open-pit for 2,400m.

Detailed information may be obtained from their website on the internet.

4. Exploration Activities

Exploration activities at Canyon prospect (EPM 27345) have ceased and an application to surrender was made to the Mines Department.

5. Commodity Background

Equities, gold and base metal prices except lead gained during the March quarter, although not recovering their March 2022 peaks. US Consumer Price Index peaked at 9.1% in July with subsequent monthly declines. The All-Ords index gained 2.4%, gold by index by 15.8% and copper by 8.2%, as investors expect the US Federal Reserve to moderate further interest rate increases. The Australian dollar exchange rate was stable in the range of \$A/\$US0.67 to \$US0.68.

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

		2022 30 Dec	2022 30 Sep	2022 30 Jun	2022 31 Mar	2023 31 Mar	March (Decline) on 31.12.22 %
Oil – WTI	\$US/bbl	80.42	79.49	105.37	100.28	75.7	(5.9)
Iron ore (62% Fe lump)	\$US/t	117.0	98.14	122.61	150.1	126.7	8.3
LME Index		3,985.1	3,538.8	3,870.0	5,173.0	4,038.0	1.3
Lead	\$US/t	2,340.1	1,912.7	1,894	2,344.8	2,126.9	(9.1)
Zinc	\$US/t	2,983.3	2,964.8	3,151.0	4,175.4	2,967.5	(0.6)
Copper	\$US/t	8,375.2	7,582.4	8,183.4	10,042.0	9,058.0	8.2
Gold	\$US/oz	1,819.7	1,672.0	1,807.0	1,954.0	1,969.0	8.2
\$A/\$US		0.68	0.64	0.69	0.75	0.67	(1.5)
All Ords Index		7,197.3	6,667.6	6,746.5	7,789.6	7,373.3	2.4
Gold Index (ASX 200)		5,918.7	4,638.7	4,918.1	7,129.3	6,851.0	15.8

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

6. Income and Expenditure Summary Unaudited (cash basis)

	Mar 2023 Quarter \$	Budget Year Dec 2023 \$
Income Received		
Interest/Dividends/Other	5,200	20,000
Realised profit/(loss) from sale of shares	3,972	24,000
	9,172	44,000
Less, Provision to market	(11,000)	–
Net Income from investing activities	(1,828)	44,000
Net Income	(1,828)	44,000
Expenditures (cash basis)		
Exploration		
Canyon	543	11,000
Royalty Agreement costs	336	–
General	518	–
	(1,397)	(11,000)
Corporate		
Administration	17,281	144,000
Audit Fees	10,395	20,000
Directors' Fees	27,625	100,000
	(55,301)	(264,000)
Net Operating Surplus/Deficit	(58,526)	(231,000)
Working Capital, net receipts	(37,977)	(31,054)
Net Cash Surplus/(Deficit)	(96,503)	(262,054)
Add: Opening Cash Balance	1,062,054	1,062,054
Closing Cash Balances	965,551	800,000

The Company's cash balance 31 March 2023 was \$965,551 a decline of \$96,503 from December 2022. Administration costs were \$55,301, exploration costs were \$1,397, while net Income was a loss of \$1,828. During the quarter investments cost \$33,176.

Conclusion

Year 2023 will conclude Pegmont's exploration activities, after some 27 years, in the Mount Isa region in favour of investing activities in positive cash flow and profitable ASX listed companies.

By holding a high proportion of our portfolio in cash, we mitigate short-term market volatility. By a focus on holding mining producing 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 prices. New high-grade discoveries are game changers, but depend upon experienced and high quality management to successfully execute their development.

Fortunately, there are a number of high-grade deposits being developed by high quality management teams to offer investment opportunities with potential for high 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 in developing and further exploration of the 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 an exciting future.

Yours faithfully



Malcolm A Mayger
Managing Director