

# Pegmont Mines Limited

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22 January 2021

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

Dear Sir,

## **Quarterly Activity Report 31 December 2020**

### **1. Summary**

During the December quarter, our exploration activity was focused on the study and report preparation on field samples collected on previous field trips to EPM 27345 (Canyon) and EPM 27255 (Battle Creek), south and north of the Mount Kelly copper oxide operations owned by another company. This review work resulted in maps confirmed elevated copper oxide results in a number of areas within the Canyon EPM.

- i. Cash balances (including Term Deposits) totalled \$2,204,446 at 31 December 2020, a decline of \$281,266 during the quarter due mainly by the repayment of \$100,000 advance, \$66,085 on exploration and \$56,979 on administration, partially offset by credits of \$3,983. Net debt is \$200,000.
- ii. Exploration expenditure of \$66,085, included \$59,153 on the Mount Kelly Trend project.
- iii. Negotiations continued on a proposed option deal in the Templeton and Mingera tenements.
- iv. Corporate Review 2012 – 2025.
- v. Royalty Potential
- vi. Commodity Background
- vii. Income and Expenditure Summary
- viii. Exploration map attachments

### **2. Exploration Activity**

The second batch of the assay results of rock chip sampling were received and plotted. They broadly confirmed previous anomalous copper values, particularly around the Canyon prospect, a steep sided water course which has eroded cover rocks. This prospect is obviously mineralised, but difficult to explore and assess due to terrain.

However, the Canyon prospect has about two kilometres on strike north of McLeod Hill mineralisation on the same western branch of the McNamara Fault (Figure 2). This part of the fault is our primary exploration target for both oxide and sulphide mineralisation. A plan of operations to be presented to the Landholder, Native Title interest is being prepared for consultation and approval.

A 1,000 metre program of RC drilling is being prepared to commence before June next to test the extent and distribution of mineralisation.



### 3. Option Deal Negotiations

Discussions have reached an advanced stage on a proposed option deal with a major company on the Templeton and Minger Tenements. Current discussions have progressed to several detailed refinements.

### 4. Corporate Review 2021 – 2025

Although the Company is in a relatively good financial shape with net \$2 million in the bank, it could support the current forecast expenditure of \$525,000 for only four (4) years without supplementary income or extra shareholder funding. Since the two existing Royalty Agreements on Mount Kelly and Pegmont projects are not expected to generate income before 2025; consideration is being given to cease exploration expenditure, in 2022 and to put the Company in a holding position until generation of royalty income.

### 5. Royalty Potential

Currently, Pegmont Mines has two royalty projects. The first being the Reefway royalty tenements including the copper-gold Mount Kelly mining leases and associated outlying exploration permits and secondly, the lead-zinc Pegmont mining leases and exploration tenements now owned by Vendetta Mining Corp.

The Board continuously reviews progress of our two royalty projects towards future developments.

### 6. Commodity Background

The relative growth of China, during 2020, continues to impact upon commodity prices. The elevated price of iron ore has underpinned the West Australian economy, whilst high gold prices (often 100% above current costs) has caused a major surge in exploration activity and expanded production. We expect this boom activity to continue into 2021.

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

		2020 31 Dec	2019 31 Dec	(Decline) on 31.12.19 %
Oil	\$US/bbl	48.8	61.11	(20.8)
Iron ore (62% Fe fines)	\$US/t	155.7	92.13	69.0
LME Index		3,459.6	2,843.3	21.7
Lead	\$US/t	1,972.0	1,926.2	2.4
Zinc	\$US/t	2,723.5	2,311.5	17.8
Copper	\$US/t	7,741.5	6,188.0	25.1
Gold	\$US/oz	1,891.0	1,523.0	24.2
\$A/\$US		0.7657	0.7015	9.2
All Ords Index		6,850.6	6,802.4	0.7
Gold Index (ASX 200)		7,334.2	6,847.5	7.1

Iron Ore outperformed other bulk mineral commodities and index markets; while 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. Investors continue to look to China to lead World recovery. This subdued economic scenario could put pressure on exploration apart from the search for gold.



## 7. Income and Expenditure Summary (cash basis)

	Dec 2020 Quarter \$	Year Dec 2020 \$
<b>Income Received</b>		
Interest/Dividends/Other	3,848	27,375
Realised (loss) from sale of shares	(32,036)	(32,036)
	(28,188)	(4,661)
Less, (Reduced) provision to market	32,171	25,356
Net Income from investing activities	3,983	20,695
<b>Net Income</b>	<b>3,983</b>	<b>20,695</b>
<b>Expenditures (cash basis)</b>		
<b>Exploration</b>		
Templeton – EPM 26647	180	24,105
Mingera – EPM 27113	–	79,006
Mount Kelly Trend Project	59,153	135,687
Other	6,752	19,183
	(66,085)	(257,981)
<b>Corporate</b>		
Administration	24,479	122,091
Audit Fees	–	10,000
Directors' Fees	32,500	130,000
	(56,979)	(262,091)
Net Operating Surplus/Deficit	(119,081)	(499,377)
Working Capital, net receipts	(162,185)	(227,098)
Net Cash Surplus/(Deficit)	(281,266)	(726,475)
Add: Opening Cash Balance	2,485,712	2,930,921
<b>Closing Cash Balances</b>	<b>2,204,446</b>	<b>2,204,446</b>

The Company's cash balance at 31 December 2020 is \$2,204,445 after payment of \$120,000 in Deferred Director's fees and repayment of \$100,000 advanced by Malcolm A Mayger Pty Limited during 2013/14, leaving a net balance owing of \$200,000. Exploration expenditure should be stable at \$250,000 in 2021, by switching expenditures from Templeton/Mingera to the Mount Kelly Trend project. Administration costs are expected to remain stable in 2020 at \$260,000.

## 8. Exploration Map Attachments

- Figure 1 Provides a location of the Company's 100% owned tenements in the Mount Kelly area. The Company's main area of interest lies within "Canyon" between Mount Kelly and McLeod Hill.
- Figure 2 Indicates known mineralisation at Mount Kelly and McLeod Hill to be associated with fault structures. There is a two kilometre target zone on the western branch of the McNamara Fault within the Canyon tenement.
- Figure 3 Shows the proximity of the target zone to existing processing infrastructure (owned by another party) at Mount Kelly.

## Conclusion

Our Corporate Strategy for 2021 will be to drill 1,000 metres into the extension of the McNamara Fault, north of McLeod Hill MLs Figure 2. Unless exploration results are outstanding, our aim will continue to option out tenements, reduce expenditure obligations to maintain an adequate cash position and to build a future royalty revenue stream for a more sustainable future.

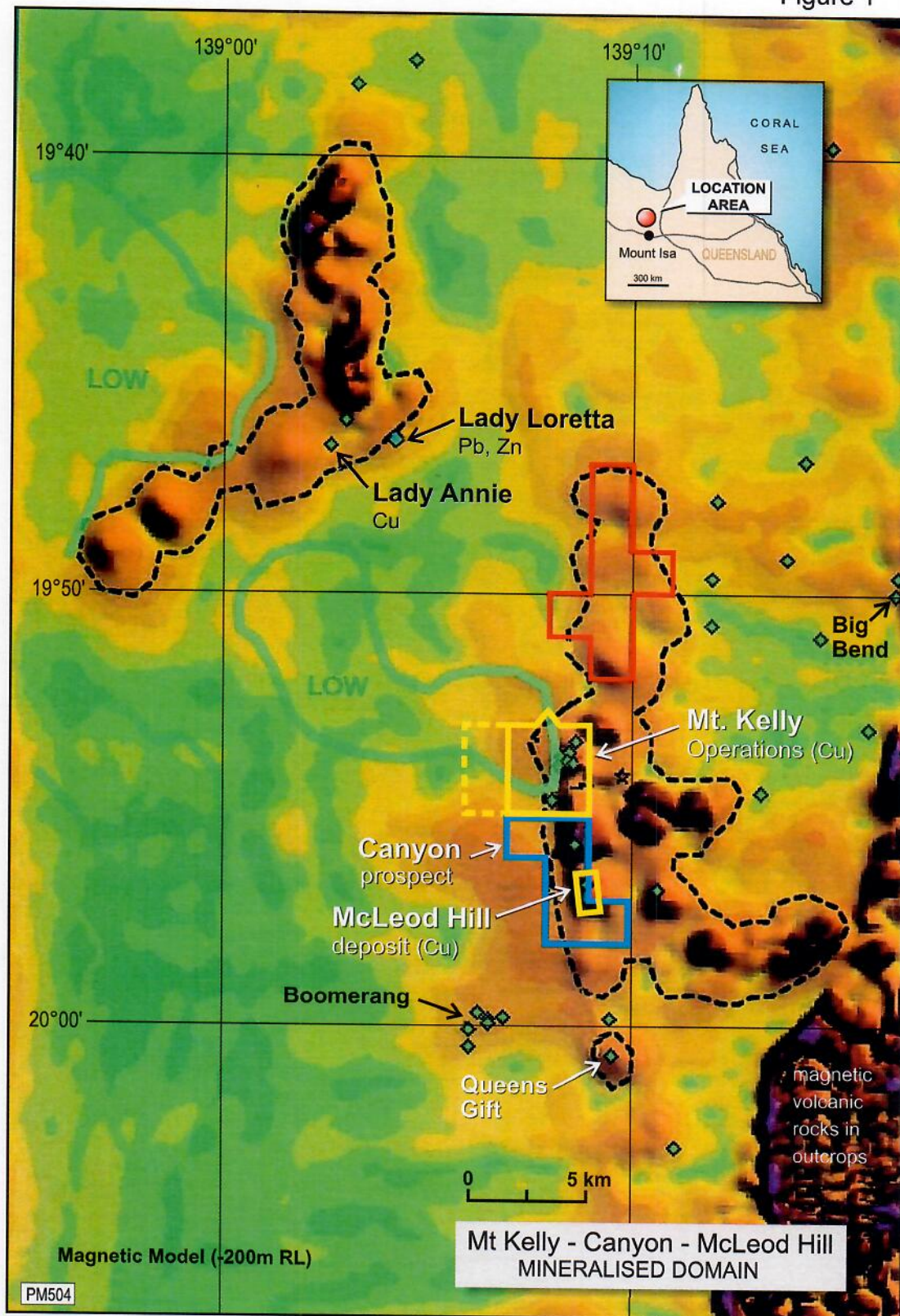
Yours faithfully



Malcolm A Mayger  
Managing Director



Figure 1



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.

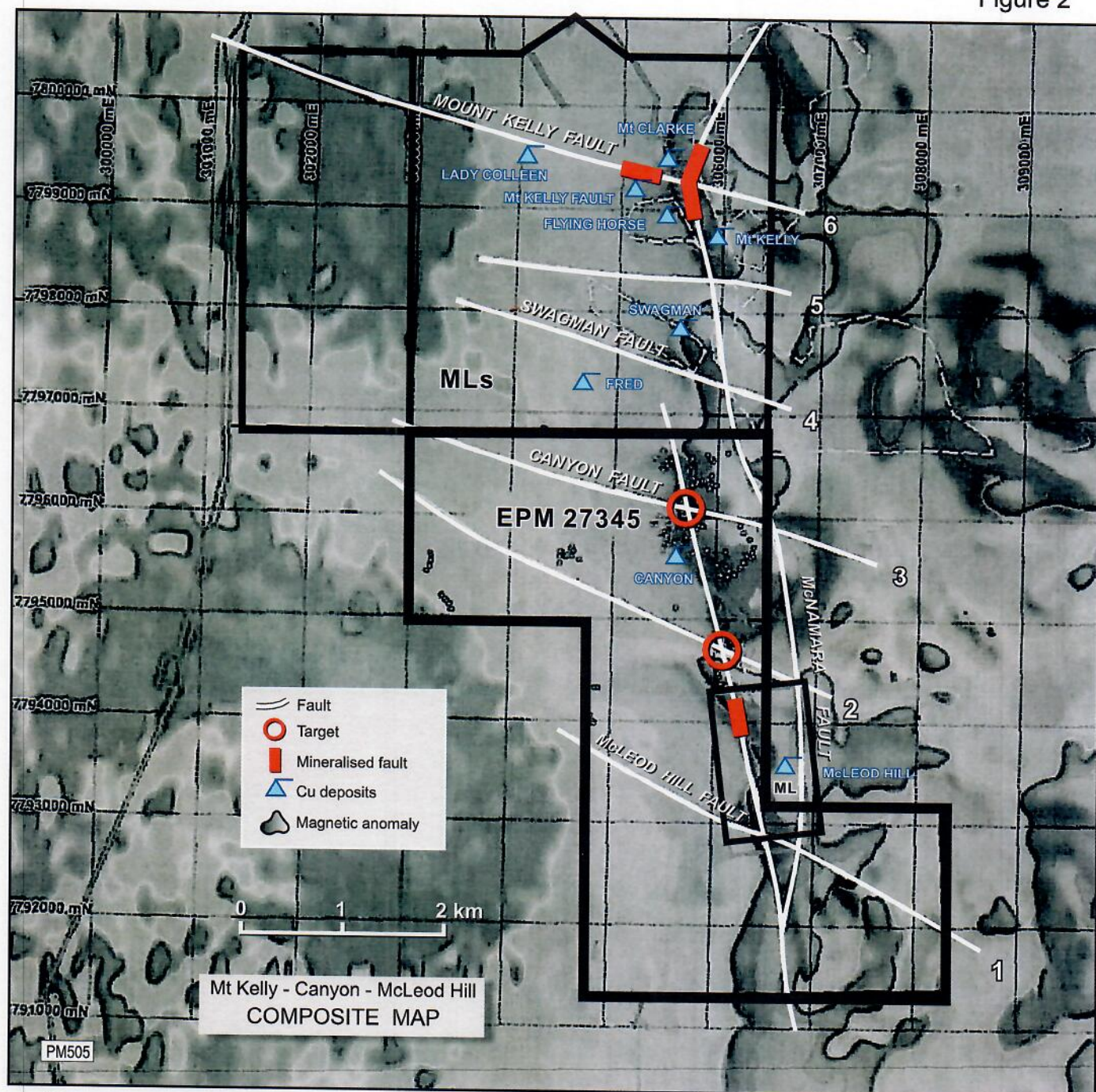
**Dashed black outline** : Cluster of 'bulls-eye' type magnetic anomalies (magnetic magmatic intrusives)

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

**Yellow** : Mount Kelly MLs and McLeod Hill MLs (not owned by the Company but subject to Reefway royalty.)



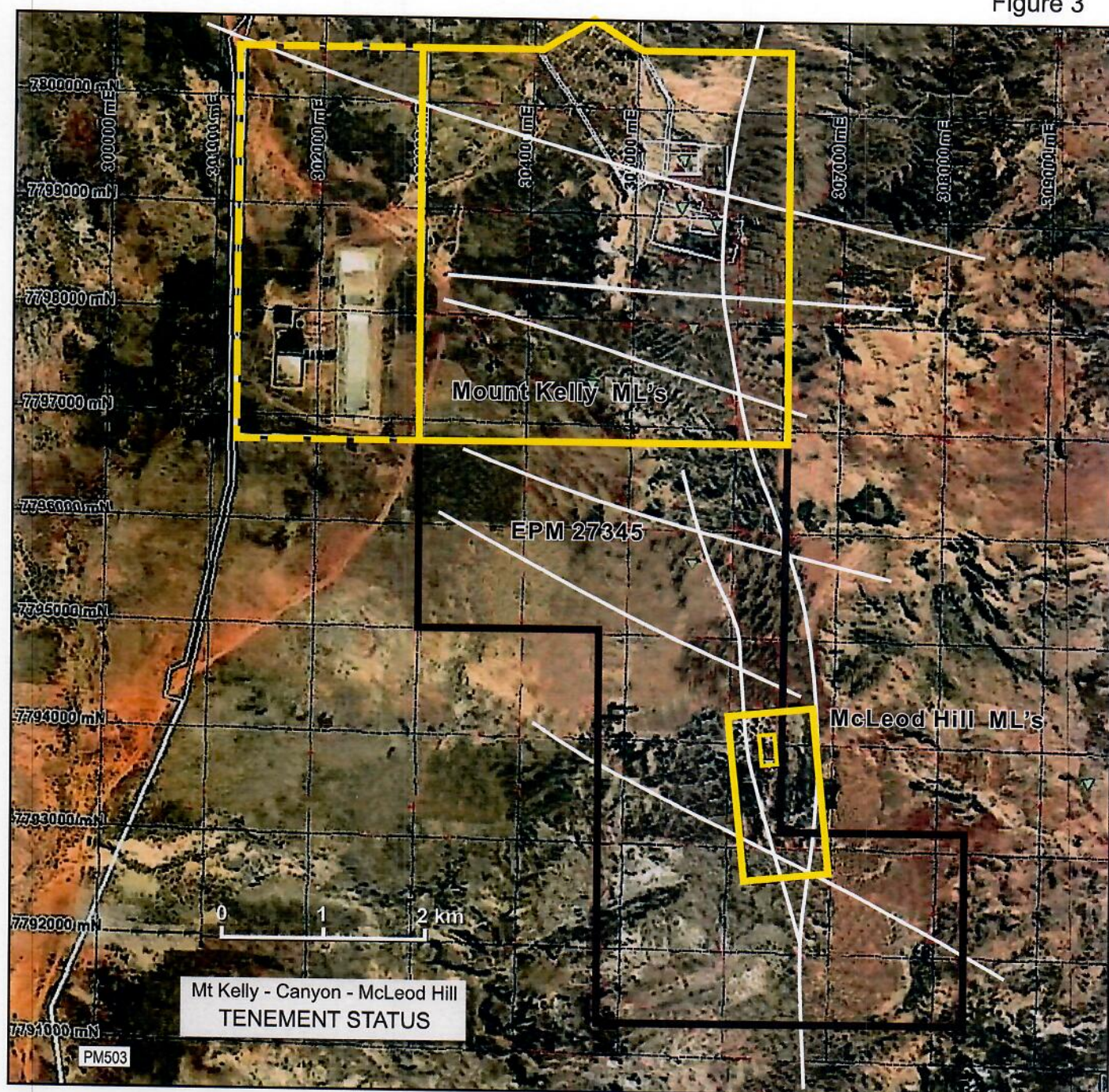
Figure 2



Map showing Magnetic anomalies, main fault structures and mineralised areas.  
 Mount Kelly MLs and McLeod Hill MLs (not owned by the Company but subject to Reefway royalty.)



Figure 3



**Solid Yellow** : Mount Kelly MLs and McLeod Hill MLs (not owned by the Company but subject to Reefway royalty.)  
**Dashed Yellow** : Mount Kelly ML not subject to Reefway royalty.