

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 2023

1. Summary

- i. **Cash balances** declined by \$22,497 to \$748,568 due to ongoing corporate costs of \$54,958, partly offset by net income of \$31,710 and a small change in working capital.
- ii. **Investment income** was \$25,332, including \$9,921 from interest on Term Deposits and realised profits of \$15,411 from share sales. Also, there was a positive writeback of \$6,378 on provision for market loss on shares held, selling at less than cost.
- iii. **Royalty interests** relating to the Reefway tenements operated by Austral Resources continued to source copper production which now totals 63,500 tonnes, an increase of 6,900 tonnes in nine (9) months to September 2023.
- iv. Base metals and lithium prices (except copper) declined during 2023 due to increased interest rates and restrictive monetary measures to curb inflation in advanced economies of USA, European Common Union and Japan. Increased demand for iron ore by China has strengthened prices. Political uncertainty in the World has increased demand for gold.
- v. An increase in quarterly income of \$31,710 reduced net operating deficit to \$22,756.

2. Cash and Investing Activities

Cash balances at ANZ Bank including Term Deposits and \$114,937 credit in Macquarie Cash Vision Account held to support investing activities total \$748,568.

Net income was \$31,710 for the December quarter and \$37,070 for the year after providing \$22,622 for market loss on shares held where the last sale price (29 December 2023) was below cost.

Realised investment results for the year are summarised as follows;

	2023 \$	2022 \$
Proceeds	235,419	210,720
Cost	202,655	208,798
Profit	32,764	1,922
Provision for market loss	(22,622)	23,345
Net Trading Profit	10,142	25,267
TOTAL PORTFOLIO		
Shares at cost	134,338	62,716
Cash	114,937	151,235
	249,275	213,951
Profit plus interest	12,856	26,209
Return on opening balance	6.0%	13.1%

Investment results were adversely effected by a sell down in an industrial holding despite having a profitable operation and being well regarded.

3. Royalty Interests

Royalty interests are held in two groups of tenements in the Mount Isa geological province, one group around Mount Kelly (copper and gold) north of Mount Isa (copper-lead-zinc-silver) and the other group at Pegmont (lead-zinc with minor silver values) located near the large Cannington mine (silver, lead-zinc).

The Mount Kelly mining leases are operated by **Austral Resources Limited** using open pit mining at Anthill, then trucking ore to Mount Kelly for treatment by acid leaching to a Solvent Extraction Electrowinning (SXEW) process. The SXEW plant produces 99.99% pure copper cathode for off mining lease marketing. Cumulative copper cathodes sales to September 2023 total 63,500 tonnes.

On 1 September, Austral (ARI) requested voluntary suspension by the ASX pending the release of details relating to corporate financing. An extension until 2 February was made on 29 December to enable completion of an agreement.

Vendetta Mining Corporation acquired the Pegmont tenements in June 2019. Subsequent exploration has increased resource estimates to;

Indicated 5.76Mt @ 6.5% Pb, 2.6% Zn, 11g/t Ag

Inferred 8.28Mt @ 5.1% Pb, 2.8% Zn, 8g/t Ag

Vendetta last traded at 2.5c/share on the Toronto TSX Venture Exchange.

4. Commodity Background

Counter inflationary measures enacted by central bankers by raising interest rates and restricting money supply negatively affected oil, base metals and lithium. Iron ore has performed strongly due to demand from China and gold up 13.5% reflecting heightened political tensions in Ukraine and the Middle East war between Gaza and Israel. The Aussie exchange rate declined slightly by 1.1%.

Summary of Selected Commodity Price Movements – YEAR TO 31 DECEMBER 2023

		2023 30 Mar	2023 30 Jun	2023 30 Sep	2023 29 Dec	2022 31 Dec	December (Decline) on 31.12.22 %
Oil – WTI	\$US/bbl	75.8	70.3	91.0	71.6	80.6	(11.2)
Iron ore (63% Fe lump)	\$US/t	126.4	113.6	119.2	136.4	117.1	16.2
LME Index		4,039.2	3,679.8	3,708.3	3,713.2	3,983.4	(6.3)
Lithium Carbonate	\$US/t	22,922	30,680	10,927	7,000	50,428	(86.1)
Zinc	\$US/t	2,947.5	2,385.6	2,657.4	2,640.2	2,983.9	(10.9)
Copper	\$US/t	8,957.1	8,265.0	8,210.0	8,544.0	8,397.5	1.7
Gold	\$US/oz	1,807.0	1,921.0	1,840.0	2,065.1	1,819.7	13.5
\$A/\$US		0.67	0.67	0.64	0.67	0.68	(1.1)
All Ords Index		7,312.4	7,401.0	7,249.7	7,852.0	7,197.3	9.1
Gold Index (ASX 200)		6,892.0	6,631.0	6,244.0	7,379.0	5,918.7	24.7

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

5. Income and Expenditure (cash basis) Unaudited

	Dec 2023 Quarter \$	Year to Dec 2023 \$	Estimate Year Dec 2023 \$
Income Received			
Interest/Dividends/Other	9,921	26,928	23,000
Realised profit/(loss) from sale of shares	15,411	32,764	25,000
	25,332	59,692	48,000
 Provision to market gain/(loss)	6,378	(22,622)	(10,000)
Net Income from investing activities	31,710	37,070	38,000
Net Income	31,710	37,070	38,000
 Expenditures (cash basis)			
Exploration			
Canyon	979	26,606	27,000
Royalty Agreement costs	336	336	–
General	(1,807)	3,120	6,000
	(492)	(30,062)	(33,000)
Corporate			
Administration	19,583	133,965	175,000
Audit Fees	–	18,300	25,000
Directors' Fees	35,375	106,688	110,000
	(54,958)	(256,953)	(310,000)
Net Operating Surplus/(Deficit)	(22,756)	(249,945)	(305,000)
Working Capital, net receipts	259	(63,541)	(32,000)
Net Cash Surplus/(Deficit)	(22,497)	(313,486)	(337,000)
Add: Opening Cash Balance	771,065	1,062,054	1,062,054
Closing Cash Balances	748,568	748,568	725,054

The Company's cash balance at 31 December 2023 was \$748,568 a decline of \$313,486 for the year to 31 December 2023 an improvement on the estimate in the 2022 Annual Report. Administration costs were \$256,953, exploration costs were \$30,062 which relate to the preparation of final rehabilitation and other reports. While net income was \$37,070. During the quarter net investment income increased by \$31,710.

6. Corporate Matters

The restructuring of the Company's activities has advance considerably over the past two years. The Board has been substantially renewed to reflect the change in nature of activities from exploration to investing. Whilst this change may appear radical, in fact, it is only a reversion to the Company's original activities. It has always been an investor in the mining and exploration industry. There are times to be an activate participant, or to be passive, or both. Right now, in volatile times and being undercapitalised, the Company is an investor in cash and shares seeking exposure to opportunities for capital gain. This activity has an element of risk which is mitigated by owning growth shares when at their low price points and to hold the position until their potential is recognised.

The current lack of capital held by the Company is a major constraint on investing activities. At year end, cash resources were \$748,568, sufficient for about three years to 2026. Thus, the Board is considering options for raising additional capital to extend our life to 2027 and beyond, to benefit from a deferred royalty stream from Mount Kelly operations.

Conclusion

The nature of Pegmont Mines is to remain in the mining industry, either directly or as an investor because it is exciting and offers big rewards upon success. To date, the Company has paid two-thirds of its issued capital back to shareholders in dividends and there is the prospect of a future royalty income which could return the other third tax free, as there are sufficient tax losses and franking credits available. To achieve this objective the Company needs to remain independent and grow from strength. Our immediate challenge is to demonstrate a continued growth in investment income despite market volatility.

Yours faithfully



Malcolm A Mayger
Managing Director