

Pegmont Mines Limited

ABN 97 033 331 682

Corporate Office
13 Oden Street
Port Macquarie NSW 2444

Telephone: 6583 7747
Email: pegmont@hotmail.com

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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 30 June 2021

1. Summary

During the June quarter, our exploration activity was focused upon optimising the upcoming drill program to test for copper mineralisation within the Canyon EPM 27345 adjacent to and south of the Mount Kelly Solvent Extraction – Electrowinning (SXEW) Operation. Unfortunately, this program has been delayed until August.

- i. Cash balances (including Term Deposits) totalled \$1,802,359 at 30 June 2021, a decline of \$144,252 due mainly to administration \$44,406, exploration \$59,582 and legal expense on completion of the Templeton-Mingera Option agreement with South 32.
- ii. Most of the pre-drilling expenditure was incurred during the June quarter in optimising drill pad locations, finalising agreements with the landholder and Native Title interests and rock chip assaying.
- iii. A decision was made to allocate \$200,000 to the purchase of shares in producing mining companies, and others with a positive cash flow in order to earn investment profits in excess of bank interest of 0.1%pa.
- iv. Current metal prices for copper and gold remain steady after an initial reaction to their rapid escalation during the first quarter.

2. Exploration Activity

Drilling due to commence late May – June has deferred to August as a result of strong competition from other extended and larger drill programs combined with labour shortages. Various State lockdowns has exacerbated the problem by inducing drill contractors to relocate scarce rigs and experienced labour to West Australia where a number of significant discoveries have been made during the past twelve months.

3. Corporate Review

Whilst the Board remains optimistic about the outcome of the 2021 drill program at the Canyon prospect, it does not want to run down the Company's liquid funds much below \$1.5 million forecast at December 2021. A review of Corporate options is now an ongoing process and largely depends upon drill results.

Meanwhile, the Board had decided to allocate \$200,000 to "Patient Investing" whereby listed ASX shares will be progressively acquired in well managed mining and industrial companies with a strong growth profile over the next six months or more. An Investment Committee of all Directors plus John Armstrong (consultant) to review and authorise such investments.

4. Directorate – John Armstrong

Mr John Armstrong retired from the Board at the conclusion of the Annual General Meeting of the Company on 27 May 2021. In appreciation of his successful period of leadership from 1997 to 2021, some 24 years, the Company has entered into a two-year consulting agreement at \$20,000 per year for advising the Investment Committee.

Mr Hadyn Oriti, a practicing lawyer in Port Macquarie was appointed Director of the Pegmont Mines Limited and subsidiary companies at a following meeting to the AGM on 27 May 2021. He has a sound and decisive attitude that is expected to make a very positive contribution to the future of the Company.

5. Commodity Background

The London Metal Exchange (LME) continues to perform strongly in an uptrend since bottoming in March 2020 at 2,219 and reached a peak on 10 May 2021 at 4,400 (up 117.8%) at 30 June it was 4,169. The Australian (Perth Mint) price for gold was AU\$2,345 a very attractive price to most gold producers and explorers.

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

		2020 31 Dec	2021 30 June	(Decline) on 31.12.20 %
Oil	\$US/bbl	48.8	72.78	49.1
Iron ore (62% Fe fines)	\$US/t	155.7	216.3	38.9
LME Index		3,459.6	4,169	20.5
Lead	\$US/t	1,972.0	2,260	14.6
Zinc	\$US/t	2,723.5	2,965	8.9
Copper	\$US/t	7,741.5	9,410	21.6
Gold	\$US/oz	1,891.0	1,756	(7.1)
\$A/\$US		0.7657	0.752	(1.2)
All Ords Index		6,850.6	7,585	10.7
Gold Index (ASX 200)		7,334.2	6,627	(10.4)

Iron Ore has since risen to US\$216.3/t its highest level since 2011 whilst West Texas oil quotes have firmed to US\$72.8 on increased demand. The 'lock-down' effect is having less detrimental effect on European and UK activity. Investor confidence is rising in USA with profit results and greater vaccination coverage. Political tension between USA and China over Taiwan coincides with a firming gold price. Industry exploration activity continues to concentrate on the search for gold, although majors are interested in copper and gold in low-grade bulk deposits offering plus 20 year LOM. Merger and acquisition activity in Lithium producers points to industry consolidation. Investor attention is also focussing on battery metals, nickel and copper in particular, although lead is showing recent strengths.

6. Royalty Interests

Firming base metal prices could result in greater interest in developing the advanced stage projects within our Reefway Royalty tenements, including the Anthill copper-oxide resource at **Buckley River** by Austral Resources and the lead-zinc-silver deposit at **Pegmont** by Vendetta Mining Corp.

7. Option Agreement

At **Templeton and Mingera**, a preliminary soil sampling program on both tenements conducted with assay results yet to be reviewed and interpreted by South 32.

8. Income and Expenditure Summary (cash basis)

	June 2021 Quarter \$	June 2021 Half-year \$	Budget Year Dec 2021 \$
Income Received			
Interest/Dividends/Other	(2,807)	6,185	9,000
Realised (loss) from sale of shares	—	—	—
	(2,807)	6,185	9,000
Less, Provision to market	(258)	(1,400)	—
Net Income from investing activities	(3,065)	4,785	9,000
Net Income	(3,065)	4,785	9,000

Expenditures (cash basis)

Exploration			
Templeton – Mingera Canyon	1,250	1,670	5,000
Battle Creek	29,797	29,797	—
Mount Kelly Trend Project	12,742	16,869	—
General	2,000	3,030	233,000
	13,793	14,680	11,000
	(59,582)	(66,046)	(249,000)
Corporate			
Administration	44,406	52,270	151,000
Audit Fees	—	—	20,000
Directors' Fees	29,533	62,033	130,000
	(73,939)	(114,303)	(301,000)
Net Operating Surplus/Deficit	(136,586)	(175,564)	(541,000)
Working Capital, net receipts	(7,666)	(226,527)	(200,000)
Net Cash Surplus/(Deficit)	(144,252)	(402,091)	(741,000)
Add: Opening Cash Balance	1,946,611	(2,204,450)	2,204,450
Closing Cash Balances	1,802,359	1,802,359	1,463,450

The Company's cash balance at 30 June 2021 was \$1,802,359. Exploration expenditure for the quarter to 30 June 2021 was \$59,582. Administration costs were \$63,939.

9. Exploration Map Attachments

- Figure 1 Provides a location of the Company's 100% owned tenements in the Mount Kelly area. The Company's current 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, part of which will be drilled in the September quarter.
- Figure 3 Shows the proximity of the target zone to existing processing infrastructure (owned by another party) at Mount Kelly.

Conclusion

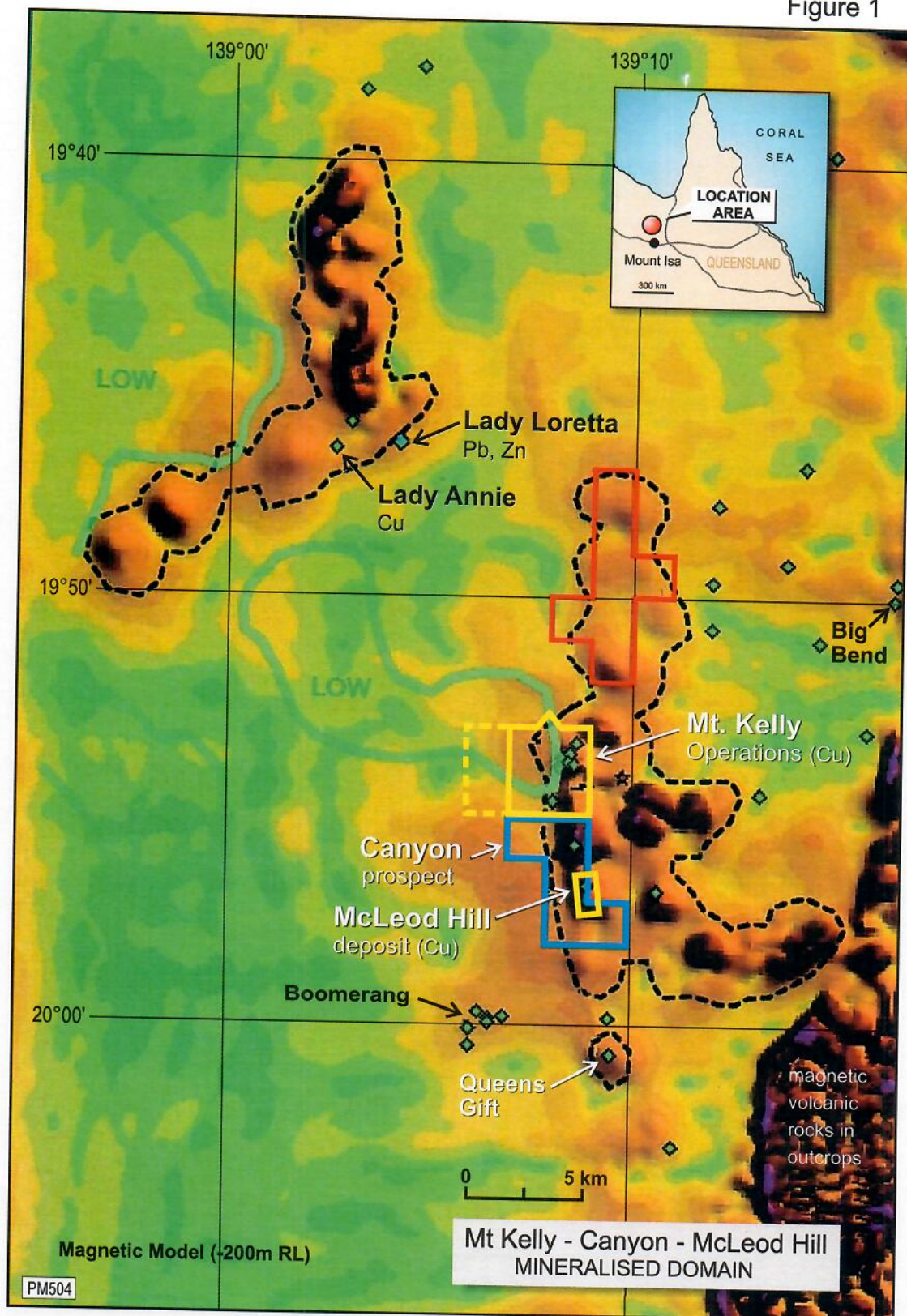
Our Corporate Strategy for 2021 is to drill up to 1,200 metres into the extension of the McNamara Fault, north of McLeod Hill MLs Figure 2. Unless exploration results are outstanding, our strategy would continue to option out the tenement, to reduce expenditure obligations (maintain an adequate cash position) and to build a future royalty revenue stream for a more sustainable future.

Yours faithfully



Malcolm A Mayger
Managing Director

Figure 1



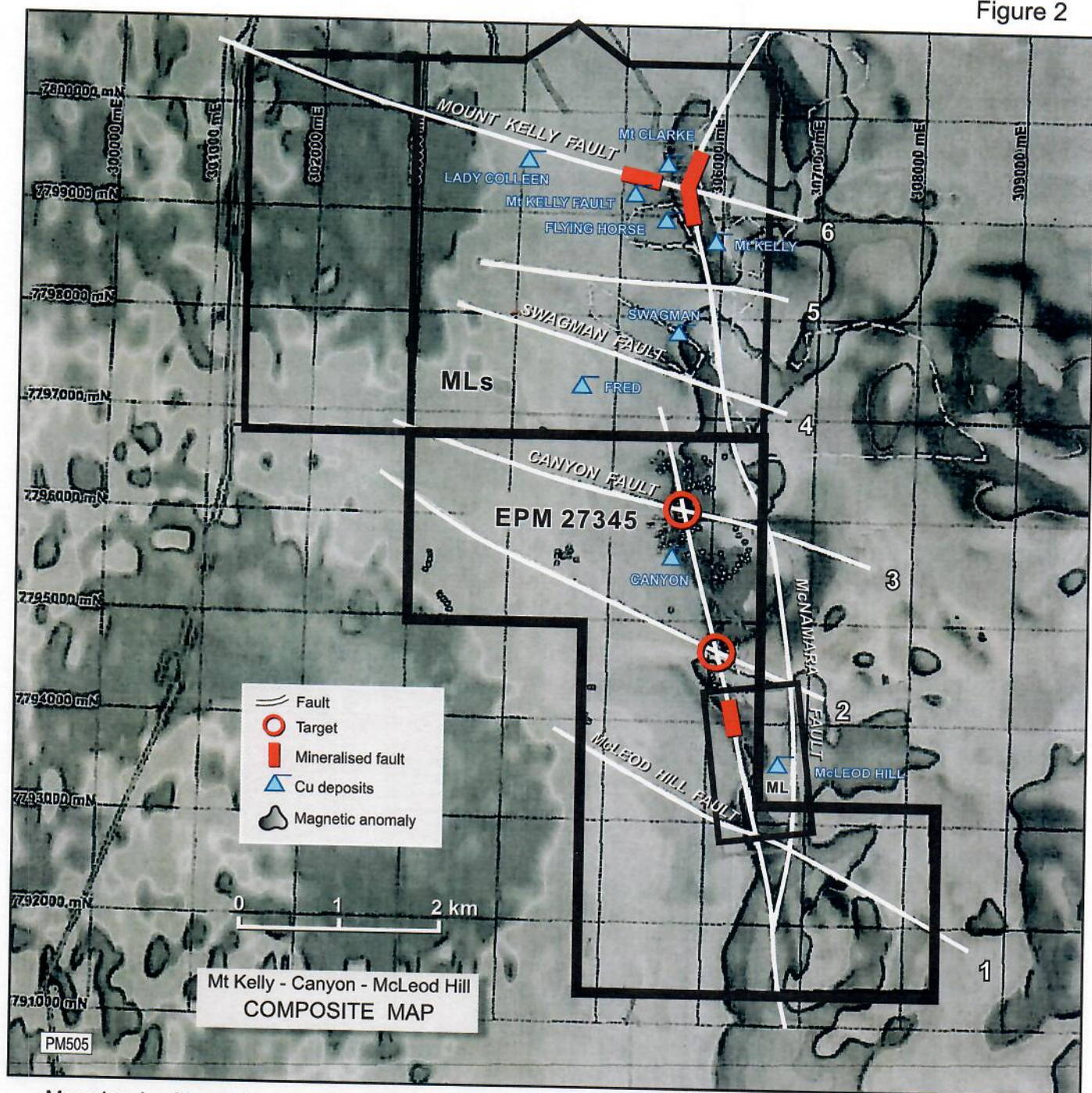
Map showing 'Depth to Magnetic Basement' (= 'depth to magnetic rock bodies under sedimentary strata') with reference elevation of 200m below sea level, prepared by Kate Nelson, using data from MIM survey on lines at 200m spacing.

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

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

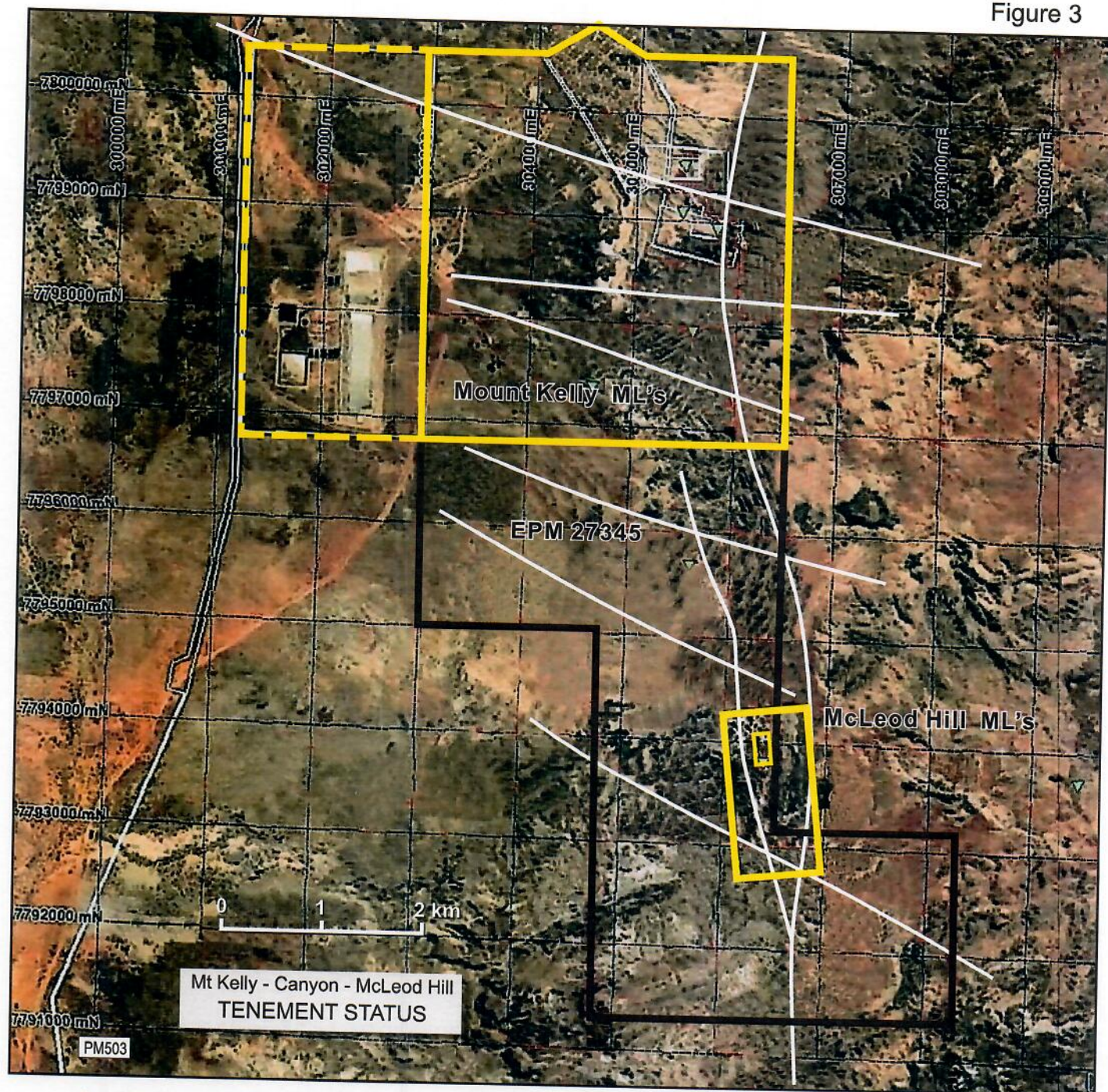
Yellow : Mount Kelly MLs and McLeod Hill MLs (not owned by the Company but subject to Reefway royalty.)

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.