

Pegmont Mines NL

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21 October 2005

The Manager
Stock Exchange of Newcastle Limited
384 Hunter Street
Newcastle, NSW 2300

Dear Sir,

Quarterly Report to 30 September 2005

We submit the following report of Pegmont Mines NL for the three months to 30 September 2005.

1. Summary

Investment Activities during the quarter resulted in a realised pre-tax profit of \$515,289. Total realised pre-tax profits from share trading for the nine months to 30 September 2005 were \$1,338,121 which compares favourably with our budget of \$1,000,000 for the year. Interest received during the quarter was \$33,495 making a total of \$126,240 for the year to date.

Exploration activities were focused on the Pegmont lead-zinc deposit in the Mount Isa region. A program of 15 drill holes for 1072 metres was completed in July. PMD056 intersected 41 metres of mineralisation from 0 to 41 metres averaging 9.24% lead and 2.98% zinc. This hole was interpreted to have been drilled down dip, with an estimated 6-8 metres of true width. This drill program was designed to generate both oxide and sulphide samples for metallurgical test work to be undertaken during the remainder of the year.

Metallurgical test work will commence shortly on oxide material in order to assess leach characteristics and possible application of the Intech Polymetal Process or the Electrometals process to produce a high quality product.

Future Direction

The Board will continue investment activities with the aim of generating sharetrading profits to fund ongoing exploration activities and to build the financial strength of the Company. Investment activities are concentrated on Iron Ore, Uranium and Gold sectors. Exploration activities will continue to be focused on appraising the Pegmont lead-zinc deposit with the objective of scoping out an economic deposit suitable for commercial development.

2. Investment Activities

Pre-tax realised profits from sale of Shares totalled \$515,289 for the quarter, to which are added interest received of \$33,495 on cash deposits. The Company benefited from strong market conditions from mid May to a peak on 29 September.

Investment Activity Summary

Shares Traded	March Quarter \$000	June Quarter \$000	September Quarter \$000	Year to Date \$000
Cost	1999	443	3059	5,499
Proceeds	2901	362	3574	6,837
Profits	918	40	599	1,557
Losses	<u>(14)</u>	<u>(121)</u>	<u>(84)</u>	<u>(219)</u>
Net Profit/(Loss)	<u>904</u>	<u>(81)</u>	<u>515</u>	<u>1338</u>

The Company has continued to trade profitably in the new quarter; although increased market volatility has become evident. Funds invested in share trading activities total \$3,515,000 including \$627,000 cash management credits. This does not include unrealised gains of \$1,091,116 at 30 September 2005.

3. Corporate Liquidity

The Company's policy is to maintain adequate liquidity to meet all exigencies, including provision for taxation. These credit balances include:

Bank Accounts	\$307,155
Bank Deposits	1,181,439
Investment CMT	<u>627,559</u>
Cash in bank accounts	<u>\$2,116,153</u>

Thus, current assets total \$5,003,926, represented by cash in bank of \$2,116,153 and shares held for resale of \$2,887,773 at cost.

4. Exploration Activity

At Pegmont, fifteen RC and DD holes totalling 1072 metres were completed around the Mount Lucas outcrop between 4500N and 5000N, local grid, see attached map. Since four holes did not intersect mineralisation, the mineralised strata is structurally more complex than previously thought. PMD 056 is a twin hole of PMR054 in order that comparable solid core and RC chips can be used for metallurgical test work. Follow up shallow trenching has indicated a 200 metre strike length to the sub-outcrop at PMD056. Depth of weathering appears to be 25 metres.

Mineralised Samples have been forwarded to a laboratory for test work. Initially, the weathered component of drill samples will be tested for leaching characteristics with the pregnant solutions being subject to further work by Intec Ltd and Electrometals Technologies Limited for recovery of a high grade product. This work will commence during the current quarter.

At Dutchess, no activity was undertaken due to delays in the granting of tenements, however minor holding costs were incurred.

5. Income and Expenditure (cash basis)

	September Quarter \$	Year to Date \$
Income received		
Interest	33,495	126,240
Net Profit on sale of shares	<u>515,289</u>	<u>1,338,121</u>
	<u>548,784</u>	<u>1,464,361</u>
Exploration Expenditure		
Pegmont deposit	230,175	262,951
Pegmont regional	9,392	12,630
Dutchess regional	1,716	3,760
General Investigations	<u>915</u>	<u>3129</u>
	<u>242,198</u>	<u>282,470</u>
Corporate Expenditure		
Administration	115,327	159,838
Working Capital	(27,732)	(479,394)
Share investments	<u>321,603</u>	<u>1,700,569</u>
	<u>409,198</u>	<u>1,381,013</u>
Net Cash Surplus	(102,612)	(199,122)
Add, opening cash balances	<u>2,218,765</u>	<u>2,315,275</u>
Closing Cash Balances	<u>2,116,153</u>	<u>2,116,153</u>

Yours Faithfully,



M. A. Mayger
Managing Director