

Pegmont Mines NL

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20 January 2006

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

Dear Sir,

Quarterly Activity Report to 31 December 2005

We submit the following report for Pegmont Mines NL for the three months to 31 December 2005.

1. Summary

Investment activities during the quarter resulted in a realised **pre-tax trading profit of \$713,132**. Total realised pre-tax profits from share trading for the year were \$2,051,253. Interest received during the quarter was \$ 17,722 making a total of \$143,962 for the year.

Current assets total \$4,733,951 ie 9.3 cents per share.

Exploration activities continued to be focused on evaluating the Pegmont lead-zinc deposit in the Mount Isa region. Metallurgical test work on drill sample from PMD 056 which interescted 41 metres averaging 9.24% lead and 2.98% zinc from 0 to 41 metres, commenced during late December. Preliminary test work on oxide material has indicated complex mineralogy.

2. Future Direction

The Board will continue investment activities with the aim of generating share trading profits to fund ongoing exploration activities and to build the financial strength of the Company. The major emphasis of the trading portfolio is currently on iron ore, base metals and uranium although minor interests are held in gold and petroleum companies. As a consequence of investing in a limited number of companies, we have been able to establish a dialogue with management in several instances for mutual benefit. We feel that there is a developing niche opportunity for interactive investing among small mining groups, which could enhance the company's performance and its share price. Our aim for the current year is to remain self funding and to grow our net investment assets above \$5 million.

3. Investment Activities

Pre-tax realised profits from sale of shares totalled \$713,132 for the quarter, plus interest received of \$17,722 from cash deposits.

Investment Activity Summary

	March Quarter <u>\$000</u>	June Quarter <u>\$000</u>	September Quarter <u>\$000</u>	December Quarter <u>\$000</u>	Year 2005 <u>\$000</u>
Shares Traded					
Cost	1999	443	3059	1403	6902
Proceeds	2901	362	3574	2116	8953
Profits	918	40	599	747	2304
Losses	(14)	(121)	(84)	(34)	(253)
Net Profit/(Loss)	904	(81)	515	713	2051

The above results do not include net unrealised gains of \$925,232 at 31 December 2005 (2004 - \$322,373).

Funds invested in the share trading portfolio at cost were \$3,458,899, plus broker and cash management credits of \$757,645 for a total of \$4,216,544, ie 8.3 cents per share.

4. Corporate Liquidity

During the quarter, the Company paid income tax \$726,740 and deferred fees to Directors of \$200,000 arising from the period 1996 to December 1998 as authorised by shareholders. These payments depleted the Companys cash position to \$1,275,052 which included:

Bank Accounts	75,098
Bank Deposits	442,309
Investment CMT	757,645
Total Cash at bank	\$1,275,052

It is the Board's intention to rebuild cash reserves towards \$2 million during the March quarter by reducing the share portfolio.

The Company's current assets totalled \$4,733,951 (ie 9.3 cents per share), represented by cash at bank \$1,275,052 and shares (at cost) held for resale of \$3,458,899.

4. Exploration Activity

Mineralised drill samples from the Pegmont deposit of oxide, transition and sulphide mineralisation have been forwarded to a laboratory for test work on their leaching and flotation characteristics. Analysis of sample mineralogical composition has commenced.

At Duchess, no activity was undertaken due to delays in the granting of tenement.

5. Income and Expenditure (cash basis)

Income received	December Quarter	Year 2005
	\$	\$
Interest	17,222	143,962
Sub underwriting fees	-	5,000
Net Profit/ loss on sale of shares	<u>713,132</u>	<u>2,051,253</u>
	<u>730,354</u>	<u>2,200,215</u>

Exploration Expenditure

Pegmont deposit - drilling & geology	76,824	339,775
- metallurgy	594	594
Pegmont regional	1785	14,415
Duchess regional	330	4,090
General Investigations	<u>217</u>	<u>3,346</u>
	<u>79,750</u>	<u>362,220</u>

Corporate Expenditure

Administration	27,943	187,781
Working Capital	(6,161)	(462,998)
Share Investments	571,126	2,226,695
Company Income Tax	726,740	726,740
Deferred Director fees paid	<u>200,000</u>	<u>200,000</u>
	<u>1,491,705</u>	<u>2,878,218</u>
Net Cash Surplus/ (Deficit)	(841,101)	(1,040,223)
Add, Opening cash Balances	<u>2,116,153</u>	<u>2,315,275</u>
Closing Cash Balances	<u>1,275,052</u>	<u>1,275,052</u>

In summary, the increase in share investments during the year was funded from income received (including realised share trading profits) whereas all other expenditures were funded by drawing down cash balances. This situation is likely to be reversed during the current year.

Yours Faithfully,

M.A. Mayger
Managing Director