

# Pegmont Mines NL

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12 April 2006

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

Dear Sir,

## Quarterly Activity Report to 31 March 2006

We submit the following report for Pegmont Mines NL for the three months to 31 March 2006.

### 1. Summary

Investment activities during the quarter realised **pre-tax trading profit of \$1,070,232** up 18.4% on March '05. Interest received during the quarter was \$ 10,899.

**Share investments** at cost, total \$4,173,152 (8.2c/share), having a market value of \$ 7,692,000 (15.2c/share). **Cash** at bank and on deposit was \$1,453,435 (2.8c/share) at 31 March 2006.

Exploration activities continued to be focused on evaluating the mineralogical and metallurgical characteristics of the **Pegmont lead-zinc deposit** in the Mount Isa region. The mix of oxide and sulphide mineralisation in hole PMD 056 is variable, yielding variable recoveries.

The Board has decided to support an exploration joint venture, in which it has 60% interest, in the **Kimberley region WA**. Applications have been made over known bauxite, copper and chromite mineralisation. Contributed expenditure was \$97,195.

### 2. Future Direction

The Board is proposing to members at the upcoming Annual General meeting to change the status of the Company to that of a Limited Company, which would recognise the broadening of activities beyond exploring the Pegmont deposit to that of developing a substantial resource company.

Depending upon sharemarket conditions, continuing investment activities may continue to be profitable and fund ongoing exploration activities and to build the strength of the company. The current emphasis of the trading portfolio has moved away from iron ore towards base metals and uranium with minor interests held in gold and petroleum. We feel cautions about the share market in the near term; this has resulted in selective selling of investments to increase cash holdings.

### 3. Investment Activities

Pre-tax realised profits from sale of shares totalled \$1,070,232 (2.1 c/share) for the quarter, plus interest received of \$10,899 from cash deposits.

#### Investment Activity Summary

Shares Traded	March Quarter 2006 \$000	March Quarter 2005 \$000	Budget Quarter 2006 \$000
Proceeds	2,905	2,901	10,000
Cost	1,835	1,999	8,500
Profits	1,078	918	1,500
Losses	(8)	(14)	-
<b>Net Profit/(Loss)</b>	<u>1,070</u>	<u>904</u>	<u>1,500</u>

The above results do not include net unrealised gains of \$3,519,000 (6.9c/share) at 31 March 2006. Subsequent share sales have realised trading profits which have increased total realised profits to date above our yearly budget.

### 4. Corporate Liquidity

The Company's cash position at 31 March 2006 was \$1,453,435 which included:

Bank Accounts	397
Bank Deposits	247,005
Investment CMT	<u>1,206,033</u>
	<u>\$1,453,435</u>

A subsequent reduction in the share portfolio has increased the CMT credit balance to more than \$2 million. A profit tax liability for the year 2005 of approximately \$ 425,000 is awaiting final assessment.

### 4. Exploration Activity

Mineralised drill samples from PMD 056 (**Pegmont lead-zinc deposit**) has indicated complex oxide mineralogy which makes metal recovery extremely difficult when using conventional leaching and flotation methods. However, preliminary reports from sulphide mineralisation are encouraging and suggest that standard treatment methods could achieve acceptable recoveries. The test work is still at an early stage. Additional drill samples from different parts of the deposit will be despatched for test work in order to assess the variability in mineralogical and metallurgical composition of the deposit.

**Duchess**, no activity during the quarter.

**Kimberley Joint Venture** (60% interest), The Company is participating in a joint venture to apply for Exploration Licences (ELs) over known deposits of bauxite, copper, heavy minerals, and chromite. No applications have yet been granted. Upon granting, it is proposed to transfer such ELs to a separate corporate entity – Kimberley Ventures Limited, with the intention of attracting seed capital and then proceeding towards ASX listing.

## 5. Income and Expenditure (cash basis)

Income received	March Quarter	Year 2006
	\$	\$
Interest	10,899	10,899
Net Profit/(loss) on sale of shares	<u>1,070,232</u>	<u>1,070,232</u>
	<u>1,081,131</u>	<u>1,081,131</u>
<b>Exploration Expenditure</b>		
Pegmont deposit - drilling & geology	(3)	(3)
- metallurgy	7,348	7,348
Pegmont regional	1,025	1,025
Duchess regional	275	275
Kimberley joint Venture	97,795	97,795
General Investigations	<u>3,957</u>	<u>3,957</u>
	<u>(110,397)</u>	<u>(110,397)</u>
<b>Corporate Expenditure</b>		
Administration	(44,594)	(44,594)
Working Capital	(87,739)	(87,739)
Share investments	(660,000)	(660,000)
Company Income Tax	-	-
	<u>(792,333)</u>	<u>(792,333)</u>
Net Cash Surplus/ (Deficit)	178,401	178,401
Add, Opening cash Balances	<u>1,275,052</u>	<u>1,275,052</u>
Closing Cash Balances	<u>\$ 1,453,453</u>	<u>\$ 1,453,453</u>

In summary, both exploration and administration expenditures together with a further increase in share investments (\$ 660,000) were funded by realised share trading profits. Profits are expected to realised in the June quarter, resulting in an increase in cash balances.

Yours Faithfully,



M.A. Mayger  
Managing Director