

# **Pegmont Mines Limited**

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23 April 2009

The Manager  
National Stock Exchange of Australia  
384 Hunter Street  
Newcastle NSW 2300

Dear Sir,

## **Quarterly Activity Report to 31 March 2009**

We submit the following report for Pegmont Mines Limited for the three months to 31 March 2009.

### **1. Summary**

- Trading losses before tax and GST adjustments were \$102,780 for the quarter compared to a profit of \$64,754 for the March'08 quarter. Interest received during the quarter was \$4,575.
- The cash position was \$1,411,434 at 31 March 2009 (\$609,537 at 31 December 2008), which together with listed shares at market value \$2,147,683 resulted in liquid assets at market of \$3,559,117 or 7.0c/share compared to \$4,068,480 at 31 December 2008. The company does not have any borrowings.
- Drilling Results for exploration activity previously undertaken by both Cloncurry Metals Limited (CLU) and BHP Billiton (BHP) during 2008 have been reported separately on 6 April 2009.
- The Company is finalising the purchase of ML 2487 (New Hope) where high grade gold mineralisation has been intersected by prior drilling.

## **Exploration Activity**

Drilling was not conducted during the quarter due to wet weather and poor ground conditions.

### **2.1 Pegmont Exploration Program (EPM 15106& MLs)**

The results of the 2008 Drilling Programs undertaken by CLU and BHP were announced on 6 April 2009 which indicated extensions to known mineralisation and possible structural complexities. In 2009 we will be reviewing all the drill data from 2007 and 2008 programs to assess the effect of work undertaken by CLU and BHP upon the previous resource estimate at Pegmont. This compilation, interpretation and review of drill data from over 100 drill holes will require considerable resources.

### **2.2 New Hope (ML 2487)**

The Company has given "Notice to Acquire" the mining lease tenement ML 2487 (New Hope) and paid the final option payment of \$140,000. The Mineral Resources Act assignment form is currently being stamped by the Office of State Revenue.

A shallow drill program of twelve holes totalling 650 metres is planned for the June quarter to delineate open cuttable material.

### **2.3 EPM 14491 Selwyn Blocks**

A program of shallow drilling totalling 250 metre is planned for Camel Dam lead-zinc prospect later in the year following mapping, soil analysis and ground magnetic survey.

Further exploration work is proposed at anomaly Sc-3 in EPM14491 to follow up several encouraging rock chip results indicating anomalous gold assay values.

We are reviewing the exploration potential for copper- molybdenium in EPM 14491 in the light of recently announced success by Ivanhoe Australia Limited

### **EPM 14784 Trekelano**

This tenement will be relinquished in favour of ongoing work in EPMs 14491 and 15106.

## **Exploration Summary**

Our strategy is to review previous work undertaken at Pegmont including the compilation and assessment of drilling undertaken during 2007 and 2008; to follow up on promising high grade gold-cobalt drill results at New Hope, and nearby areas. Our objective is to delineate a small high grade open cuttable gold deposit. The total budget for exploration during 2009 is \$500,000.

### 3. Investment Activities

During January and February a number of shares were sold to increase liquidity from \$609,537 at 31 December 2008 to \$1,411,434 at 31 March 2009 and thus to position the company's share portfolio to take advantage of a short term rally in leading resource equities. As a consequence substantial losses were incurred totalling \$909,765 against which \$809,483 had been provided for in the Company's 2008 Annual Accounts.

#### Investment Activity Summary

| Shares Traded              | March<br>Quarter<br>2009<br>\$000 | March<br>Quarter<br>2008<br>\$000 | Budget<br>Year<br>2009<br>\$000 |
|----------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Proceeds                   | 2,647                             | 786                               | 10,000                          |
| Cost                       | 3,399                             | 722                               | 10,000                          |
| Profits                    | 158                               | 65                                | (1,000)                         |
| Losses                     | (910)                             | (1)                               | -                               |
| <b>Net realised (Loss)</b> | <b>(752)</b>                      | <b>64</b>                         | <b>-</b>                        |

A change in investment strategy from accumulating and holding equities with advanced stage projects, to short term trading of leading resource equities is regarded as being more in tune with current market conditions. This change in strategy involves the sell down of illiquid situations often at substantial discounts. However, we have started to see the benefit of this new strategy with profitable trading in April.

### 4. Corporate Liquidity

The company's cash position at 31 March 2009 was \$1,411,434 (2.8c/sh) which is a 132% improvement on 31 December 2008. Further sell down of non-producing investments is intended in order to raise liquidity towards \$2,000,000 which may be sufficient to generate enough income for the Company to be self-funding.

### 5. Income and Expenditure (cash basis)

| Income Received                     | March<br>Quarter<br>\$ | Year<br>2009<br>\$ | Budget<br>2009<br>\$ |
|-------------------------------------|------------------------|--------------------|----------------------|
| Interest                            | 4,575                  | 4,575              | 20,000               |
| Net Profit (Loss) on sale of shares | (752,224)              | (752,224)          | -                    |
| Other Income                        | -                      | -                  | 30,000               |
|                                     | (747,649)              | (747,649)          | 50,000               |
| Add: Write back of provisions       | 644,869                | 644,869            | 1,000,000            |
| Trading result                      | (102,780)              | (102,780)          | 1,050,000            |

|                                     | March<br>Quarter<br>\$ | Year<br>2009<br>\$ | Budget<br>2009<br>\$ |
|-------------------------------------|------------------------|--------------------|----------------------|
| <b>Exploration Expenditure</b>      |                        |                    |                      |
| Pegmont deposit – geology & general | 8,179                  | 8,179              | 30,000               |
| – metallurgy                        | -                      | -                  |                      |
| Pegmont regional                    | 9,265                  | 9,265              | 165,000              |
| New Hope- acquisition               | 140,000                | 140,000            | 140,000              |
| - exploration & metallurgy          | 19,738                 | 19,738             | 300,000              |
| Other                               | <u>898</u>             | <u>898</u>         | <u>5,000</u>         |
| Exploration expenditure             | <u>178,080</u>         | <u>178,080</u>     | <u>640,000</u>       |
| <b>Corporate Expenditure</b>        |                        |                    |                      |
| Administration                      | 48,722                 | 48,722             | 160,000              |
| Directors' & Secretary fees         | 83,750                 | 83,750             | 390,000              |
| Working Capital                     | (327,814)              | (327,814)          | -                    |
| Share Investments                   | <u>(887,415)</u>       | <u>(887,415)</u>   | <u>(1,000,000)</u>   |
|                                     | <u>(1,082,757)</u>     | <u>(1,082,757)</u> | <u>(450,000)</u>     |
| Net Cash Surplus/ (Deficit)         | 801,897                | 801,897            | 860,000              |
| Add opening cash balances.          | <u>609,537</u>         | <u>609,537</u>     | <u>609,537</u>       |
| <b>Closing Cash Balances.</b>       | <u>1,411,434</u>       | <u>1,411,434</u>   | <u>1,469,537</u>     |

Losses were realised during the quarter in order to build liquidity to ensure sufficient funds to meet administration and exploration expenses. We are confident that our new trading strategy will enable us to recoup these losses in the current year.

The exploration at New Hope and surrounding areas near Selwyn is expected to expand the potential for high grade gold-copper-cobalt mineralisation which may enable us to commence scoping studies for a small open cut operation.

We look forward to the challenging period ahead.

Yours faithfully,



M. A. Mayger  
Managing Director