

# Pegmont Mines Limited

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

Dear Sir,

## Quarterly Activity Report to 30 June 2009

We submit the following report for Pegmont Mines Limited for the three months to 30 June 2009.

### 1. Summary

- **Pre-tax share trading profits** were \$1,044,312 for the quarter compared to a loss of \$384,762 for the June'08 quarter. Interest and other income received during the quarter was \$13,744.
- **Exploration** expenditure totalled \$163,121, which was mainly directed towards extensive rock chip sampling of EPM 14491. This work resulted in several geochemically anomalous areas requiring follow up. Half year expenditure was \$341,201. Administration expenses were \$125,661 during the quarter and \$258,133 for the half year to 30/6/09.
- **The cash position** was \$2,223,914 at 30 June 2009 (\$609,537 at 31 December 2008), which together with listed shares at market value \$2,471,125 resulted in liquid assets at market of \$4,695,039 or 9.2c/share compared to \$3,740,666 at 31 December 2008. The company does not have any borrowings.

## **Exploration Activity**

Drilling was not conducted during the quarter as field activity was concentrated on rock chip sampling and follow up of geophysical targets. This work has highlighted several gold and molybdenum geochemically anomalous areas within EPM 14491.

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

Activity during the quarter comprised the ongoing compilation, interpretation and review of drill data from over 100 drill holes undertaken during the 2007 and 2008 drill program.

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

Drill pads were cleared in preparation for a shallow closely spaced twelve drill hole program at New Hope to define the near-surface high grade gold mineralisation. Drilling is expected to commence in the last week of July '09 to delineate a small high grade open cuttable gold deposit.

Sampling from costeans were analysed returning low values of gold, copper and cobalt, which indicate near surface leaching with complementary supergene enrichment at depths of around 40-50m in NHP 013.

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

The Camel Dam (lead-zinc) prospect covers a discontinuous linear magnetic high extending some 5km south of the Yellow Waterhole granite. A ground magnetic survey was carried out together with soil and rock chip sampling. This work resulted in several anomalous areas containing elevated gold, copper and molybdenum values. Further work is required before drilling can be undertaken.

Ground magnetics were read over seventeen 1km lines across anomaly Sc-3 to follow up several encouraging rock chip results indicating only low gold values.

## **Exploration Summary**

During the quarter our exploration emphasis was directed towards ground work on several geophysical anomalies with the objective of developing drill targets. To date results have been promising.

### 3. Investment Activities

During the previous quarter a number of shares were sold to increase liquidity and thus to take advantage of the rally in resource equities from March'09. The redeployment of funds into active situations resulted in a trading profit of \$1,044,312 for the quarter.

Shares Traded	June Quarter 2009 \$000	Half Year to June 2009 \$000	Half Year To June 2008 \$000	Year Budget 2009 \$000	Revised Estimate 2009 \$000
Proceeds	6,193	8,840	5,571	10,000	20,000
Cost	5,149	8,544	5,891	10,000	19,000
Profits	1,049	1,211	754	1,000	2,000
Losses	(5)	(915)	(1,074)	(1000)	(1,000)
<b>Trading Profit</b>	<b><u>1,044</u></b>	<b><u>296</u></b>	<b><u>(320)</u></b>	<b><u>-</u></b>	<b><u>1,000</u></b>
<b>Net Provision- Profit/ (Loss)</b>	<b><u>-</u></b>	<b><u>695</u></b>	<b><u>(897)</u></b>	<b><u>1,000</u></b>	<b><u>1,000</u></b>
<b>Net Trading Profit After provisions</b>	<b><u>1,044</u></b>	<b><u>991</u></b>	<b><u>(1,187)</u></b>	<b><u>1,000</u></b>	<b><u>2,000</u></b>

The improved profit for the three months together with increased liquidity has resulted in a revised profit estimate for the year of \$2,000,000. We expect market volatility to continue in the near term which may create future profitable share trading opportunities.

### 4. Corporate Liquidity

The company's cash position at 30 June 2009 was \$2,223,914 (4.3c/sh), an improvement of 265% on 31 December 2008.

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

Income Received	June Quarter \$	Half Year 2009 \$	Revised Estimate 2009 \$
Interest	6,941	11,516	20,000
Net Profit (Loss) on sale of shares	1,044,312	295,974	1,000,000
Other Income	<u>6,803</u>	<u>6,803</u>	<u>30,000</u>
	1,058,056	314,293	1,050,000
Add: Write back of provisions	-	<u>695,000</u>	<u>1,000,000</u>
<b>Trading result</b>	<b><u>1,058,056</u></b>	<b><u>1,009,293</u></b>	<b><u>2,050,000</u></b>

	June Quarter \$	Half Year 2009 \$	Revised Estimate 2009 \$
<b>Exploration Expenditure</b>			
Pegmont deposit – geology & general – metallurgy	23,719	31,898	35,000
Pegmont regional	86,455	95,720	160,000
New Hope- acquisition	5,425	145,425	150,000
- exploration & metallurgy	22,993	42,731	278,000
Pegmont Camp Security	22,425	22,425	22,000
Other	<u>2,104</u>	<u>3,002</u>	<u>5,000</u>
Exploration expenditure	<u>163,121</u>	<u>341,201</u>	<u>650,000</u>

#### Corporate Expenditure

Administration	36,911	85,633	160,000
Directors' & Secretary fees	88,750	172,500	390,000
Working Capital	141,602	(186,212)	-
Share Investments	<u>(184,808)</u>	<u>(1,018,206)</u>	<u>(1,432,732)</u>
	<u>82,455</u>	<u>(946,285)</u>	<u>(882,732)</u>
Net Cash Surplus/ (Deficit)	812,480	1,614,377	2,282,732
Add opening cash balances.	<u>1,411,434</u>	<u>609,537</u>	<u>609,537</u>
<b>Closing Cash Balances.</b>	<u>2,223,914</u>	<u>2,223,914</u>	<u>2,892,269</u>

The change in investment strategy from accumulating and holding equities with advanced stage projects, to short term trading of leading resource equities resulted in profitable trading but with lower margins. Continuing market volatility will result in short term trading and increased cash holdings.

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