

Pegmont Mines Limited

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The Manager
National Stock Exchange of Australia
384 Hunter Street
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Quarterly Activity Report to 31 December 2009

We submit the following report for Pegmont Mines Limited for the three months to 31 December 2009. The financial figures are subject to audit.

1. Summary

- **Pre- tax share trading profits were** \$445,782 for the quarter. Net trading profit after provisions for twelve months amounted to \$3,046,793. Interest received during the quarter was \$8,368 and \$26,527 for the twelve months. Other income was \$11,575 for the quarter and \$32,206 for the twelve months.

Thus, Net Trading Profit (after provisions) interest and other income totalled \$3,105,526 which represents a return of 77.2% on net current assets compared to a gain of 33.4% by the All Ordinaries index for the year to 31 December 2009.

- **The cash position was** \$1,014,327 at 31 December 2009, which together with listed shares at market value \$4,290,724 resulted in liquid assets at market of \$5,305,051 or 10.3c/share after payment of a dividend of 0.5 cents per share totalling \$255,809. The company did not have any borrowings.
- **Exploration** expenditure totalled \$234,117 for the quarter which was mainly regional to delineate anomalous areas of copper-gold and molybdenum values. This activity resulted in the generation of new target areas particularly in the Squirrel Hills Granite Complex.

Exploration Activity

The company has two advanced projects at the Pegmont lead- zinc deposit and at New Hope (gold-cobalt) and several encouraging prospects at Franks Find (copper-gold) and MMA (molybdenum).

2.1 The Pegmont Project

No drilling was undertaken during the quarter. A ground magnetic survey was conducted to trace the Pegmont BIF mineralisation extending to the south of PMR 062. Drilling is proposed in 2010 to investigate this possibility.

In addition to field work, major renovations were carried out on the Pegmont camp. Rainwater storage was quadrupled and roof catchments extended.

2.2 New Hope (ML 2487)

Drilling was not undertaken during the quarter as field efforts were directed towards regional gold exploration in nearby tenements. Several anomalous rock chip samples were obtained which require follow up. Three magnetic lines were read across the New Hope prospect, as orientation for dolerite- hosted shear-controlled Au/Co/Cu mineralisation.

2.3 Regional Exploration

The main emphasis during the quarter was reconnaissance exploration including rock chip sampling over the **Squirrel Hills Granite complex** between Lightning Creek and Acacia Creek, in EPMs 14491 and 15106. Widespread copper (-gold -uranium - molybdenum) values have been located, particularly in a belt extending northeast from the **Frank's Find / Frank's Find West prospects** over a strike length of 1.8 Km.

These anomalous rock chip values appear to be related to a recently named Swagman Fault which is recognisable as a topographical and magnetic lineament, extending north from the western end of the Lightning Creek anomaly, to the Irishman prospect. Specimens from the mineralised shear and adjoining granite units have been collected for petrological examination.

The former **Irishman** lease lies roughly at the SE corner of an area of relatively subdued topography within the Squirrel Hills Granite measuring about 1.8 km by 1.6 km, in which an unusually high number of copper occurrences have been found. Over ninety rock chip samples were taken from this area, most of which contained malachite or other evidence of mineralisation. Individual occurrences appear to be

shear-controlled, with various orientations and dimensions of the order of 100m by 2m maximum. In addition to copper (up to 8%), anomalous gold (up to 2.73ppm), uranium (142 ppm) and molybdenum (147.5 ppm) are present.

At **MMA prospect** in EPM 14491 nine 400m long lines of magnetics were run across the belt of anomalous molybdenum samples and its possible extensions. There was no magnetic anomaly associated with anomalous Mo values, however, it does appear to lie at the contact of rocks with different magnetic background (51440 nT and 51410 nT). This possible contact appears to extend northwards under cover.

The **SC-7 and SC-5** anomalies on EPMA 17053 are associated with a strong linear magnetic anomaly which previous reconnaissance linked to a dolerite unit. Marginal and cross-cutting quartz veins and gossans have returned rock chip values of up to 2.95 g/t Au at SC-7. No outcrop is associated with SC-5, but aeromagnetics suggest that these anomalies are on opposite limbs of a fold nose.

Ground magnetics totalling 10.8 line km were read E-W across strike to cover both anomalies. One N-S line was run across the interpreted fold nose.

Very high readings of up to 55000nT were obtained over the SC-7 anomaly, correlating quite well with dolerite sub-outcrop, and contrasting with 51000nT over adjacent metasediments. A maximum of 53700nT was obtained over SC-5, which is more complex, with one or more subsidiary parallel anomalies.

Magnetic results are consistent with the interpretation of a folded dolerite sill or dyke. Supplementary anomalies at SC-5 may represent fault repetitions, which could be structurally favourable sites for mineralisation.

3. Investment Activities

Investment Activity Summary

Shares Traded	Nine Months to		
	September	December	Year Ended
	Quarter	Quarter	December
	2009	2009	2009
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
Proceeds	16,905	4,034	20,939
Cost	15,250	3,589	18,839
Profits	2,647	545	3,192
Losses	<u>(992)</u>	<u>(100)</u>	<u>(1,092)</u>
Trading Profit	<u>1,655</u>	<u>445</u>	<u>2,100</u>
Net Provision-			
Profit/ (Loss)	<u>1,140</u>	<u>(194)</u>	<u>946</u>
Net Trading Profit			
After provisions	<u>2,795</u>	<u>251</u>	<u>3,046</u>

4. Income and Expenditure (cash basis)

Income Received	Dec Quarter	Year Ended 2009	Year Ended 2008
	\$	\$	\$
Interest	8,368	26,527	125,413
Net Profit/ (Loss) on sale of shares	445,782	2,100,728	(1,893,656)
Other Income	<u>11,575</u>	<u>32,206</u>	<u>153,814</u>
	<u>465,725</u>	<u>2,159,461</u>	<u>(1,616,429)</u>

Exploration Expenditure

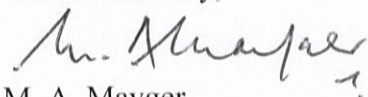
Pegmont deposit – geology & general	71,055	200,473	134,118
– metallurgy	-	-	34,048
– Camp site	-	22,425	13,919
Pegmont regional	130,404	394,987	293,644
New Hope- exploration	31,958	179,164	223,399
- acquisition	-	145,425	-
Other	<u>700</u>	<u>1,752</u>	<u>16,505</u>
	<u>234,117</u>	<u>944,226</u>	<u>715,633</u>
Cloncurry Metals recovery	-	-	(324,125)
Net exploration expenditure	<u>234,117</u>	<u>944,226</u>	<u>391,508</u>

Corporate Expenditure

Administration	48,367	186,376	174,634
Directors' & Secretary Fees	83,750	355,000	411,466
Share Investments & working capital	1,236,688	13,258	257,185
Dividend	255,809	255,809	-
Company Income Tax	-	-	582,250
	<u>1,624,614</u>	<u>810,443</u>	<u>1,425,535</u>
Net Cash Surplus/ (Deficit)	(1,393,006)	404,792	(3,433,472)
Add opening cash balances.	<u>2,407,333</u>	<u>609,537</u>	<u>4,043,009</u>
Closing Cash Balances.	<u>1,014,327</u>	<u>1,014,329</u>	<u>609,537</u>

On a cash basis total investing profits and other income covered total expenses by \$404,792 after tax including the acquisition cost of New Hope (\$145,425) and a dividend payment of \$255,809. The write back of \$946,065 in provision against diminution in share portfolio is a non-cash credit to shareholder's funds. No tax was paid during the year due to carried forward losses.

Yours faithfully,



M. A. Mayger
Managing Director