

# **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 28 September 2012**

We submit the following report for Pegmont Mines Limited for the three months ending 28 September 2012.

### **1. Summary**

- Exploration field activity was sharply curtailed to an expenditure of \$88,522 as all projects were put under review. EPM 17053 was relinquished while EPM 17052 and the western (Selwyn) tenements of EPM 14491 were retained in favour of drill testing several prospects during the fourth quarter. EPM's 14491 and 15106 were renewed for five years to August 2016.
- Discussions with several parties continue in regard to the Pegmont project and the Lightning Creek Magnetic Anomaly.
- Previous bulk sulphide test work on Pegmont RC drill samples revealed spotty gold values in source material which resulted in approximately 1g/t of gold reporting in the bulk concentrate. Silver values of around 37 g/t were also recovered.
- Share trading activity remained very subdued as the resource sector was largely sold down by yield conscious investors in favour of bank and utility stocks.
- The cash position at 28 September 2012 was \$850,159 (a decline of \$312,659) which together with listed shares at market value of \$273,220 resulted in liquid assets of market value of \$1,123,379 or 1.8 cents per share.



## 2. Exploration Activity

Following the lack of drill success at the **Bonanza (Magnetic) Anomaly** and the **Sharry Fault IP Anomaly** and subsequent withdrawal of interest by an incoming party on the Pegmont and Lightning Creek Anomaly project areas; exploration activity was greatly reduced to review of previous work. As a consequence **EPM 17053** was relinquished; which included previously drilled **SC-7** prospect.

During the quarter, four prospects were evaluated for a reconnaissance RC drill program during late October, as follows:-

- **SC-8** and **SC-2** rock chip Cu-Au anomalies in EPM 14491. Both prospects are associated with dolerite intrusives in surrounding metasediments. Fifty-one rock chips samples were collected from gossanous areas at **SC-8**, over a 1.5km strike length. Fifteen (15) samples assayed over 1000 ppm Cu, with a maximum of 2480 ppm. The highest Au assay was 0.24 g/t while the highest Co results were 598 and 591 ppm. At **SC-2**, sixteen (16) rock chip samples were taken over a fairly large area including a 300m gossanous zone which yielded a maximum value of 2910 ppm Cu and 0.47 g/t Au. Each prospect will be tested by at least one RC hole to 80 metres.
- **EPM 17052** contains a north trending shale unit which shows brecciation and quartz veining on extension of a WSW-trending fault. Rock chip sampling with maximum values for Cu 1.5%, Ag 27.4 ppm, and Au to 0.31 ppm over 250 metres strike provides a drill test target.
- **ML 7560 Two Bobs** (under option) is a small 1ha mining lease equi-distant from the Kuridala and Greenmount copper deposits. Several small shafts are located in the lease with a production record of 194t of ore yielding 22.4t Cu, 68g Au and 5089 g/t Ag. Mineralisation is hosted by quartzite interbedded with sulphide-bearing carbonaceous shale.

Results derived from this drill program will determine the retention or otherwise of exploration areas in the Selwyn sector. In the longer term the Company's regional strategy will continue to focus on copper-gold exploration and option out the Pegmont lead-zinc project.

## 3. Metallurgical Test Work

Metallurgical test work on the Pegmont bulk Pb-Zn concentrate is on hold pending availability of funding. However, limited test work on New Hope high grade Au-Co drill samples may be undertaken as an R&D project in order to raise Co recoveries from 30 to 60%.

## 4. Reefway Royalty Tenements (Pegmont 76.7% interest)

The Reefway Royalty tenements operated by CST Mining Group Limited are subject to a 1% NSR royalty in favour of Pegmont and others once production of copper metal exceeds 100,000 tonnes. Total reported production to 30 June 2012 was 29,474 tonnes of Cu.

On 3<sup>rd</sup> August 2012, CST Mining provided an update of their "New Global Copper Estimate at 71Mt 0.71% Cu for 503.0kt contained copper metal." Of this estimated total, some 62.7 % occurs in the Reefway Royalty Tenements or 300 kt subject to a recovery factor of 60-65%. Further upward



resource revisions are expected as ongoing drilling at the **Anthill West** prospect continues to intersect copper mineralisation. The Lady Annie Operations are expected to progressively increase total output to 25,000 tonnes of cathode copper annually of which approximately one-third could be sourced from the Reefway Royalty tenements.

## 5. Corporate Activities

Discussions with several parties potentially interested in the Pegmont Pb-Zn project and in the Lightning Creek Magnetic Anomaly for an IOCG deposit are ongoing. Our goal is to reach an option agreement before the year end. However, at this stage no certainty exists as to such an outcome.

## 6. Investment Activities

Net Trading loss for the three months to 30 September 2012 was \$51,784 resulting in a loss of \$183,942 for the nine months; after allowing for an increase in provision for loss on quoted shares of \$46,552.

### Investment Activity Summary

Shares Traded	Sept Quarter 2012 \$'000	Nine Months to Sept 2012 \$'000	Nine Months to Sept 2011 \$'000	Budget Year 2012 \$'000	Revised Budget 2012 \$'000
Proceeds	68	1,825	6,188	10,000	3,500
Cost	73	1,951	8,176	9,000	3,600
Profits	2	41	166	1,000	100
Losses	(7)	(167)	(2,154)	-	(200)
<b>Realised Profit/(Loss)</b>	<b>(5)</b>	<b>(126)</b>	<b>(1,988)</b>	<b>1,000</b>	<b>(100)</b>
Net Provision	(47)	(58)	1,004	-	-
<b>Net Trading Profit/(Loss)</b>	<b>(52)</b>	<b>(184)</b>	<b>(984)</b>	<b>1,000</b>	<b>(100)</b>

### Comment

Guarded investor confidence has gradually returned to the stock market since July principally in banks and other high yielding equities as evidence mounted as to the bottoming of the US housing market and decline in US employment to 7.8%. During September there was a concerted stimulus push by China (7/9) investment surge, followed by Europe / ECB (11/9) liquidity flush, US (12/9) QE III bond buy-back and followed by Japan (19/9) bond buy-back. However, debt problems in Europe have not been resolved, whilst political tensions between China and Japan continue to mount which if allowed to fester could cause further uncertainties and a market pullback. A slowdown in world economic activity and international trade is likely to keep commodity prices depressed.

Thus, the outlook for the mineral exploration sector will remain subdued and can be expected to cause a rationalisation of the industry. Grass roots exploration is likely to be reduced in favour of resource proving activity and feasibility studies.



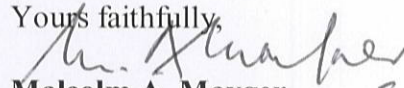
## 7. Income and Expenditure (cash basis)

Income Received	Sept 2012 Quarter \$	Nine Months 2012 \$	Revised Forecast 2012 \$
Interest/Dividends	1,773	33,830	40,000
Net profit (Loss) on sale of shares	(5,232)	(125,568)	(150,000)
Other Income	-	-	-
	3,459	(91,738)	(110,000)
Add: Increased provisions market value	(46,552)	(58,374)	-
Net Income from investing activities	(50,011)	(150,112)	(110,000)
<b>Placement of Short Fall Entitlement Issue funds received (net)</b>	-	215,000	215,000
Income Received	(50,011)	64,888	105,000
<b>Exploration Expenditure</b>			
Pegmont Deposit - geology and drilling:	29,894	220,962	310,000
- Metallurgy	2,120	20,302	21,000
Pegmont Regional - geology and drilling	50,200	249,841	320,000
New Hope - geology and reports	6,255	87,478	90,000
- metallurgy	53	552	1,000
Other	-	4,369	8,000
Exploration Expenditure	88,522	583,504	750,000
<b>Corporate Expenditure</b>			
Administration	71,232	180,389	240,000
Directors & Secretary Fees	20,051	136,875	180,000
Share Investment/(Decrease)	82,843	120,962	(157,999)
	174,126	438,226	262,001
Net Cash Surplus/(Deficit)	(312,659)	(956,842)	(907,001)
Add: Opening Cash Balances	1,162,818	1,807,001	1,807,001
<b>Closing Cash Balances</b>	<b>850,159</b>	<b>850,159</b>	<b>900,000</b>

### Summary

Since share trading resource equities remains difficult we will continue to limit our activities and press down on administration and exploration costs in order to conserve cash.

Yours faithfully,

  
**Malcolm A. Mayger**  
 Managing Director