

# Pegmont Mines Limited

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

Dear Sir,

## **Tenement Relinquishments and Exploration Strategy**

Further to the December Quarterly Report wherein it was stated that:

“The Company intends to cut back exploration activities to its core asset, the Pegmont Project area”

An ongoing corporate review carried out by the Board has concluded that all expenditure, including exploration, should be further reduced in order to conserve funds and to focus on immediate drill targets.

The following tenements will be retained:

The **Pegmont Project area** comprising three Mining Leases and thirteen sub-blocks will be retained. These tenements contain an Indicated and inferred Resource of **8.8 Mt @ 5% Pb + Zn** using a 3% Pb + Zn cut-off grade based on 381 drill holes totalling 40,409 metres. The deposit has additional Mineralised Potential of between 9Mt and 15 Mt at between 4% and 5% Pb + Zn at 3% Pb + Zn cut-off grade (J M Geological Consulting Pty Ltd – 7 February 2011). Future exploration, mainly drilling, will be focused on confirming this mineralised potential for conversion to additional resource. A program of 1,700m of extensional RC drilling is planned for this year to begin this resource program.

**The New Hope Mining Lease (ML 2487)** where intensive drilling has delineated a Measured Indicated and Inferred Resource of 93,500 tonnes averaging 6.8g/t Au and 0.2% Co; containing 20,400 ounces of gold (J M Geological Consulting Pty Ltd – 28 May 2012). This resource has extra potential along strike (to the south) and to depth. No immediate exploration activity is intended.

Two exploration prospects for copper-gold mineralisation at **SC-3** and **SC-8** will be drill tested in the same program as for Pegmont. They offer incremental tonnage potential to bulk up the New Hope deposit.

All other tenements will be relinquished. The result of this decision will be as follows:

- 51 Sub-blocks will be relinquished (figure 1) and 18 Sub-blocks will be retained (figure 2)
- Ongoing exploration activity will focus on drill targets at Pegmont, SC-3 and SC-8 prospects.
- The New Hope project, being within a Mining Lease, can be held in abeyance for the time being.

### **Exploration Strategy during 2013**

Field work will be limited to a 2,000 metre RC drill program at Pegmont and a test of SC-3 and SC-8 prospects.

The company continues to look for an option deal on Pegmont that would include a work commitment extending over several years, with an exercise price of cash plus royalty. A similar possibility would be considered for New Hope.

These measures are considered necessary in the present investment climate of limited funding available for exploration.

Yours faithfully,

**Malcolm A. Mayger**  
Managing Director