

Pegmont Mines Limited

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29 April 2013

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

Dear Sir,

Quarterly Activity Report to 31 March 2013

We submit the following report for Pegmont Mines Limited for the three months ending 31 March 2013.

1. Summary

- No field work was undertaken during the quarter due to normal seasonal weather conditions. Instead, previous exploration activities were reviewed and the Board authorised the relinquishment of 51 exploration (EPM) sub-block areas, whilst retaining 18 sub-block areas and 4 (four) Mining Leases.
- Discussions with a third party commenced on the Pegmont lead-zinc project, including preparation of a draft agreement. However, since there are several points requiring resolution and the due diligence process is yet to commence, no assurance can be given on a successful outcome.
- Several drilling companies have provided quotes to undertake a 2000m RC drill program at SC-8 and SC-2 prospects (totalling 300m) and an infill / extensional program at Pegmont (1700m). Competitive contract rates indicate considerable cost savings.
- Share trading activity was limited during the quarter but resulted in a Net Trading Profit of \$11,182 after provisions. Investors continued to dump commodity equities in favour of high yielding banks and industrial shares.
- The cash position at 31 March 2013 was \$444,101 (a decline of \$76,227) which together with listed shares at market value of \$252,250 resulted in liquid assets of market value of \$696,351 or 1.1 cents per share.

2. Exploration Activity

No field work was undertaken.

The Board resolved to **relinquish** the following 51 sub-blocks over the following areas as per our Company announcement of 20 February 2013.

EPM 14491 – 26 sub-blocks; including EMU, MMA, Frank's Find prospects and the Lighting Creek Anomaly.

EPM 15106 – 6 sub-blocks; including the Thunder EM Anomaly.

EPM 17052 – 2 sub-blocks; including the Airport prospect.

EPM 18347 – 17 sub-blocks; including the Irishman prospect.

Relinquishment reports over these areas are in progress.

The following tenements were **retained**:

The **Pegmont Project Area** comprises of thirteen (13) sub-blocks and three (3) Mining Leases (MLs). A work program of 1700 RC metres is planned for mid-year of infill and extensional drilling in EPM 15106. Discussions with third parties to increase this activity is currently underway to enhance the resource of 8.8 Mt @ 5% PG+Zn using a 3% cut-off grade.

The **New Hope Mining Lease (ML 2487)**, is being evaluated by a third party under a Confidentiality Agreement for possible acquisition.

The **SC-8 and SC-3 prospects** covered by five (5) sub-blocks in EPM 14491 are held for shallow RC drilling (300m). They are characterised by well defined anomalous copper + gold rock chips values over several hundred metres in association with shear zones. Any success would complement the New Hope gold-cobalt deposit.

3. 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 31 December 2012 was 33,400 tonnes of cathode copper. This cumulative output could total 38,000 tonnes by the year end. CST Mining has applied for a Mining Licence over an extensive area around the **Anthill Project** within EPM 16244. Regional exploration activities also cover the Johnson Creek and Python prospects near Anthill. Granting of the ML is expected to be made during 2014, and could provide an additional source of oxide feed to the central processing plant, thereby extending the life of current operations. Follow up drilling for high grade sulphide mineralisation is expected.

4. Commodity Prices

Base metal prices peaked out during February 2011, when the LME index hit a post GFC closing high of 4478, likewise copper made a closing high of US\$ 10,040/t or AU\$ 10,139/t; following the US monetary expansion of QEII in November 2010. Since then both the LME index and in particular copper (the industrial bell weather metal) has traded in a broad declining trend channel; declining by 31% from their peak.

Metal Prices February 2011 – April 2013

		Post GFC Peak 2011	19 April 2013	% Decline
LME Index		4,478	3,072	(31.4)
Cu	\$us/tonne	10,040	6,922	(31.1)
Pb	\$us/tonne	2,688	2,004	(25.4)
Zn	\$us/tonne	2,552	1,872	(26.6)
BHP (Peak April 2011)	\$A/share	49.55	31.45	(36.5)
\$A/\$US (Peak August 2011)	\$US	1.10	1.03	(6.4)

Both BHP and the LME Index are at important chart support levels. Their future direction will be determined by China's growth in industrial activity and therefore demand for commodities. Short term weakness is currently evident. However China's five year plan calls for 7.5% annual growth which should stabilise commodity prices at around current levels until new supply capacity is absorbed.

5. Investment Activities

The company's investment activities are related to the resource industry by its involvement in mineral exploration in the Mount Isa Region and share trading in resource related listed shares. Both activities have been radically curtailed during the past two years.

Exploration expenditure peaked during 2011 at \$1.25 million when drilling at the Pegmont lead-zinc deposit resulted in the delineation resource of 8.8 million tonnes of 5% Pb+Zn. Current expenditure is budgeted at \$0.3 million.

Post GFC share trading activity peaked during 2009 with turnover of \$20.9 million and a profit of \$3.05 million. Turnover during 2012 was \$1.8m resulting in a loss of \$0.2 million. During the March 2013 quarter, turnover was only \$139,561, resulting in a Net Trading Profit of \$11,182. Since our investing activity is resource related, the Company has not participated in the price surge of high yielding bank and industrial shares, but remains exposed to a continued sell-off in resource issues.

Investment Activity Summary

Shares Traded	March Quarter 2013 \$'000	March Quarter 2012 \$'000	Budget Year 2013 \$'000
Proceeds	111	665	1,000
Cost	139	643	950
Profits	6	22	50
Losses	(34)	-	-
Realised Profit/(Loss)	(28)	22	50
Net Provision	39	(24)	-
Net Trading Profit/(Loss)	11	(2)	50

It should be noted that the positive movement in the Net Provision was largely offset by realised losses.

7. Income and Expenditure (cash basis)

Income Received

	March 2013 Quarter \$	Budget 2013 \$
Interest/Dividends	8,325	50,000
Net profit (Loss) on sale of shares	(27,983)	30,000
	(19,658)	80,000
Add: Increased provisions market value	39,165	
Net Income from investing activities	19,507	80,000
Income Received	19,507	80,000

Exploration Expenditure

Pegmont Deposit	4,262	200,000
Pegmont Regional	4,507	92,500
New Hope	1,251	
Two Bob	1,054	
Other	7,151	7,500
Exploration Expenditure	18,225	300,000

Corporate Expenditure

Administration	57,300	160,000
Directors & Secretary Fees	14,850	140,000
Share Investment/Increase	5,359	-
	77,509	300,000
Net Cash Surplus/(Deficit)	(76,227)	520,000
Add: Opening Cash Balances	520,328	520,328
Closing Cash Balances	444,101	328

Summary

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

Yours faithfully,



Malcolm A. Mayger
Managing Director