

# Pegmont Mines Limited

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31 July 2013

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

Dear Sir,

## Quarterly Activity Report to 30 June 2013

We submit the following activity report for Pegmont Mines Limited for the three months to 30 June 2013.

### 1. Summary

- Field work was not undertaken during the quarter except as required in preparation for the upcoming drill program at Pegmont and the testing of copper-gold targets at SC-3 and SC-8. RC Drilling commenced at Pegmont on 8 July 2013.
- Mining Leases ML 2620, 2621 and 2623 were renewed for a further 10 years to 31 January 2022. They cover the outcrop of the Pegmont lead-zinc deposit.
- General discussions with several parties are ongoing in respect to the possible development of the New Hope gold-cobalt deposit. A review of previous drill data has highlighted a small near surface high grade target which requires follow drill testing.
- Share trading activities during the June quarter were limited, but resulted in a net trading loss of \$72,346 arising from increased provision against inventory holdings, part of which has been reversed in July. The market value of the share portfolio at 30 June 2013 was \$181,610.
- The cash position was \$282,552 at 30 June 2013 (a reduction of \$237,776 on 31 December 2012) which together with listed shares at market value of \$181,610 resulted in liquid assets of \$464,162 or 0.7 cents per share.



## 2. Exploration Activity (100% Owned)

No field work was undertaken during the quarter, although the Pegmont Camp was re-activated during June in preparation for drill activities that commenced on 7<sup>th</sup> July and completed 27<sup>th</sup> July.

The **Pegmont Project Area** is the Company's main exploration asset. It comprises three (3) Mining Leases and thirteen (13) Exploration Permit for Minerals sub-blocks covering the Pegmont Lead-zinc deposit.

An infill and extensional RC drill program of 22 holes totalling 3,000 metres commenced on 7<sup>th</sup> July over a strike length of 250m. Drill pads were prepared at 50m spacing to test an area thought to have "Mineral Potential". The proposed holes were vertical and limited to a depth of about 200 metres.

The drill program commences a long term systematic appraisal of extensional sulphide "mineral potential" of the Pegmont deposit that has a strike length of some 2,000 metres and possibly 1,500 metres of down dip extent, of which about one-third lies within the Mining Leases and two-thirds within the adjacent EPM 15106, to grid east of the MLs.

The Pegmont lead-zinc deposit is one of a number of Broken Hill type deposit, in the Soldiers Cap Group of the Eastern Mount Isa Block, the largest of those is Cannington some 25km distant (K. Maiden, May 2000). The mineralised system is associated with a Banded Iron Formation (BIF), generally 3-6m in width which has a magnetic signature. The BIF is generally confined to a single horizon, although multiple intersections have been made (thought to be associated with multiple folding). The deposit is transected by a number of faults which down throws or up-lifts the BIF horizon. Also, faulting has provided channel ways for the introduction of hydrothermal fluids at a later date, represented by quartz-garnet veining, which may have either destroyed, replaced or upgraded mineralisation.

Much of previous exploration has been focussed on magnetic anomalies as indicating the presence of BIF. However, mineralisation has been intersected in non-magnetic areas, particularly where cover exceeds 150-200 m depth. The extent of untested areas down to approximately 200 m depth probably exceeds 200 m down dip from the ML boundary over the 2,000 m strike length. To drill test this target area will require 160 holes on a 50 x 50 m grid, or 24,000 metres. A strike rate of 40%-50% may be expected due to the structural complexity of the deposit from such a program. Follow up drilling would be required to test the extent of any mineralisation intersected by a grid drill hole.

The current estimated Indicated and Inferred Resource of the Pegmont lead-zinc deposit is 8.8 M tonnes at 5% Pb + Zn (J M Geological Consulting Pty Ltd, February 2011) with an additional "Mineralised Potential" estimated at between 9 and 15 Mt of similar combined grade. Since "This Mineralised Potential has had insufficient exploration to define a Mineral Resource, infill drilling is needed to further define the mineralisation, but it is uncertain that such drilling will convert this to a mineral resource" (J M Geological Consulting Pty Ltd, February 2011).

**SC-3 and SC-8 copper-gold prospects** were also drilled in July. Visual inspection of drill cuttings does not indicate the presence of mineralisation beneath the surface rock chip anomalies and costeans. Should this be confirmed by assay results, the surrounding tenements in EPM 14491 are likely to be relinquished.

The **New Hope gold-cobalt deposit (ML 2487)** is being evaluated by a third party for acquisition to complement other small high grade gold deposits in the region. Discussion with the surrounding tenement holder are also being conducted.

## 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 30 June 2013 was 35,027 tonnes of cathode copper. CST Mining has applied for a mining licence over an extensive area around the **Anthill project** within EPM16244 (a Reefway Royalty Tenement).



Granting of the Anthill ML is expected during 2014 and consequently it could provide additional ore for processing and thus accelerate the production of royalty-free copper production. Revised resource estimates of the Anthill project and other Reefway tenements may be expected in the current year.

### 3. Commodity Prices

Base metal prices appear to have bottomed, with the LME Index testing 2930 support levels several times during late June – early July 2013, as continuing US economic recovery becomes established.

Although both Japan and the UK are also showing signs of better performance, a slowdown in China growth is of some concern. Current lead and zinc prices are not much different to their levels in April 2013, whereas the Aussie exchange rate has declined by 11.7%, thus improving the Aussie dollar equivalent commodity price.

#### Metal Prices April/July 2013

		19 April 2013	19 June 2013	% Gain (Decline)
LME Index		3,072	3,006	(2.15)
Cu	\$US/tonne	6,922	6,933	0.16
Pb	\$US/tonne	2,004	2,042	1.90
Zn	\$US/tonne	1,872	1,863	(0.48)
BHP	\$A/share	31.45	33.86	7.66
\$US/\$A	\$US	1.03	0.91	(11.7)

Since the break down of the \$A through parity with the \$US on 13 May, overseas investors have brought back into resource equities, (particularly producers) with some issues gaining 50% from their cyclical lows.

### 4. 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 by share trading in resource related listed shares. Both activities have been radically curtailed during the past two years as commodity prices declined against an oppressively high Aussie dollar. Minimal investing activity was undertaken during the quarter. However, the currently held share portfolio suffered a sharp mark down into the bottom of late June, when market concerns about Bernanke's tapering of QEIII reached its peak. Since then the portfolio has bounced from an oversold position.

#### **Investment Activity Summary**

<b>Shares Traded</b>	<b>June Quarter 2013 \$'000</b>	<b>Half Year to June 2013 \$'000</b>	<b>Half Year to June 2012 \$'000</b>	<b>Forecast Year 2013 \$'000</b>
Proceeds	46	158	1,757	500
Cost	46	186	1,877	500
Profits	1	7	39	50
Losses	(1)	(35)	(159)	(100)
<b>Realised Profit/(Loss)</b>	<b>-</b>	<b>(28)</b>	<b>(120)</b>	<b>(50)</b>
Net Provision	(74)	(35)	(12)	50
<b>Net Trading Profit/(Loss)</b>	<b>(74)</b>	<b>(63)</b>	<b>(132)</b>	<b>-</b>

At the date of this report, the Net Provision is about square. Due to financial constraints the investment portfolio is likely to be run down to meet expenditure obligations.



## 7. Income and Expenditure (cash basis)

### Income Received

	June 2013 Quarter \$	Half Year Actual 2013 \$	Half Year Budget 2013 \$
Interest/Dividends	1,907	10,231	25,000
Net profit (Loss) on sale of shares	(311)	(27,870)	15,000
	1,596	(17,639)	40,000
Add: Increased provisions market value	(73,942)	(34,777)	
Net Income from investing activities	(72,346)	(52,416)	40,000

### Income Received

(72,346)	(52,416)	40,000
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### Exploration Expenditure


Pegmont Deposit	-	2,023	10,000
Pegmont Regional	65,593	77,147	70,000
New Hope	2,509	3,759	-
Other Prospects	8,390	9,444	10,000
Exploration Expenditure	76,492	92,373	90,000

### Corporate Expenditure

Administration	102,895	160,195	80,000
Directors & Secretary Fees	15,150	30,000	70,000
Share Investment/Increase	(105,334)	(97,208)	-
	12,711	92,987	150,000
Net Cash Surplus/(Deficit)	(161,549)	(237,776)	(200,000)
Add: Opening Cash Balances	444,101	520,328	520,328
Closing Cash Balances	282,552	282,552	320,328

Cash expenditure was \$37,776 above budget due to legal expenses arising from Pegmont agreements and geological review reports. Otherwise, expenditures were tightly constrained. However, exploration expenditure arising from drilling will increase in August.

Yours faithfully,



**Malcolm A. Mayger**  
Managing Director