

Pegmont Mines Limited

ACN 003 331 682

Corporate Office
65 Hume Street
Crows Nest NSW 2065
Postal address
PO Box 849
Crows Nest NSW 1585
Telephone: 02 8437 3591
Facsimile: 02 8437 3599

29 October 2013

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

Dear Sir,

Quarterly Activity Report to 30 September 2013

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

1. Summary

- Field activity was concentrated on RC drilling at the Pegmont lead-zinc deposit, SC-3 and SC-8 copper-gold prospects.
- Assay results at Pegmont were encouraging; the best down hole intersection was 5 metres of 7.16% Pb and 3.50% Zn in PMR 270 from 66m depth.
- Assay results from SC-3 and SC-8 prospects were very disappointing and resulted in a decision to relinquish those areas.
- Further relinquishments were made during the quarter as follows:
 - 5 sub-blocks from EPM 14491 and
 - 2 sub-blocks from EPM 15106

Resulting in a balance of 11 (eleven) sub-blocks remaining in a contiguous block (EPM14491 – 3 s/b and EPM 15106 – 8 s/b) in the Pegmont project area.

- Discussions continued with other parties to further explore the Pegmont lead-zinc deposit.
- Share trading activities during the September quarter were limited to the progressive realisation of existing trading stock to maintain liquidity. Share prices picked up from their June lows, resulting in a reduction in the provision for diminution of \$20,832.
- The cash position was \$45,254 at 30 September 2013, which together with listed shares at market value of \$130,040 resulted in liquid assets of \$175,294.

2. Exploration Activity (100% Owned)

A concentrated program of field activity, including an RC drilling program of 28 holes totalling 3,490 metres was conducted during the quarter for a cost of \$259,728 or \$74.40 per metre drilled.

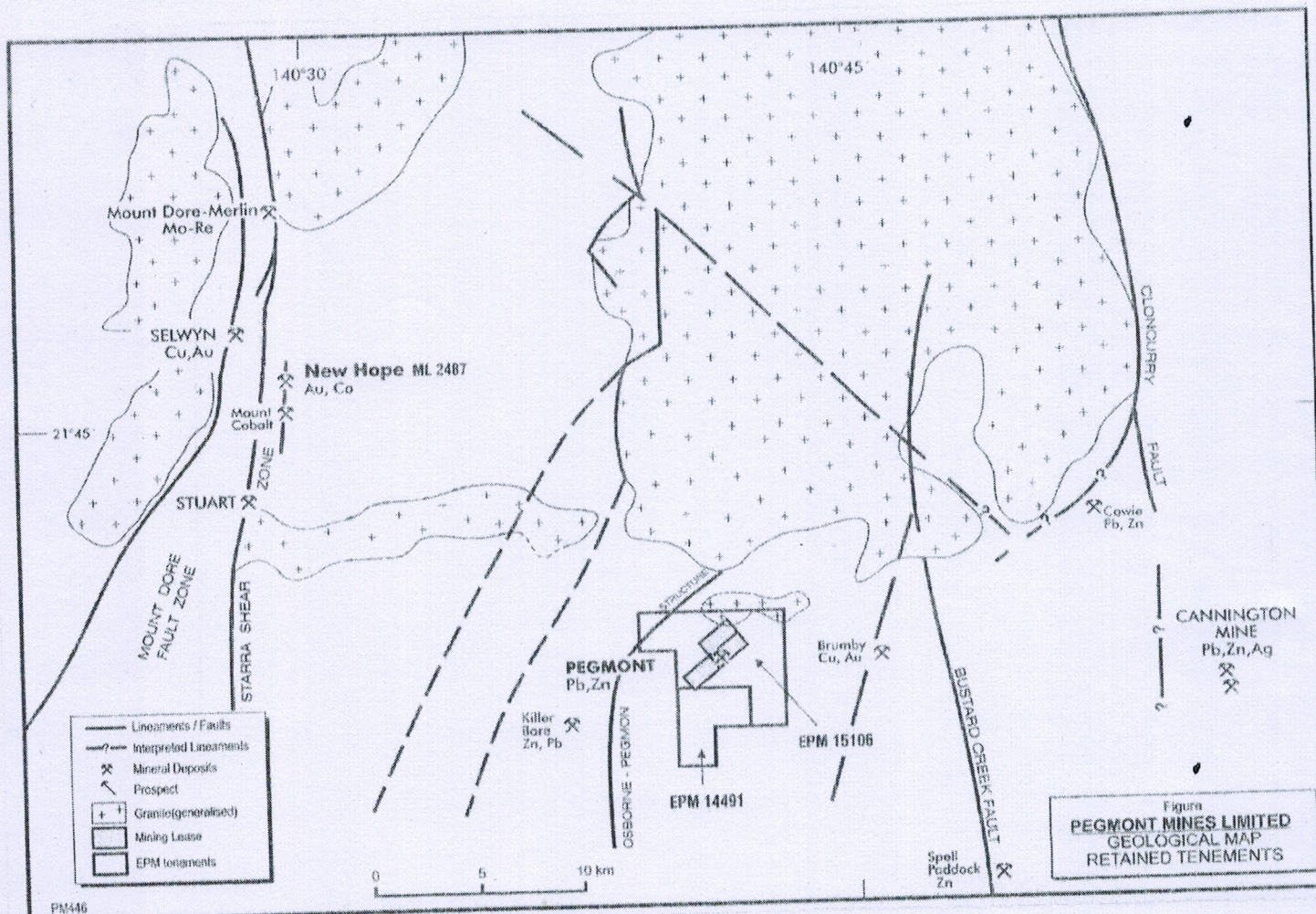
At **Pegmont (EPM 15106)**, 22 RC holes totalling 3,000 metres were drilled over a strike length of 250 metres on a 50 metre grid spacing. All holes were vertical and limited to a depth contour of about 200 metres. This limited program of extensional drilling to appraise a small section of the extent of Pegmont lead-zinc mineralisation thought to extend over 2,000 metres in a north-easterly direction and some 1,000m down dip extent to the south-east.

Of the 22 holes drilled, 8 intersected better than 1% Pb + Zn mineralisation (ie 36.4%) having an average intercept of 3.75m at a weighted average grade of 8% Pb + Zn. Much of previous drilling was focussed on magnetic anomalies, indicating the presence of BIF. However the recent program was conducted outside such anomalies in non-magnetic areas. Drill results also reflect the structural complexity of the deposit. A number of extrapolated target areas were affected by either quartz-garnet veining or pegmatite intrusion.

It is estimated that a follow up program of 160 drill holes totalling 24,000m on a 50 x 50m grid would be required to test the 200m depth contour over 1,200m strike. Since this program is beyond the current financial resources of the Company; a farm-in or some other arrangement is being considered.

At **SC-3 and SC-8, (EPM 14491)** three holes were drilled into each prospect, totalling 490m. Assay results were very disappointing compared with surface rock chip sampling. Consequently a decision was made to relinquish the prospect areas.

No field activity was undertaken on the **New Hope gold-cobalt deposit (ML 2487)**, although desk top studies indicate shallow follow-up potential.



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 exceeds 100,000 tonnes. Total reported production to 30 June 2013 was 35,027 tonnes of cathode copper. CST Mining is yet to report their September quarterly activities.

4. Commodity Prices

Base metal prices have gradually firmed during the past three months, with the LME index rising from 2940.7 (28/6) to 3137.4 (27/9) for a gain of 6.7%. The Aussie dollar has also increased from US\$0.9272 to US\$0.9361, a gain of 0.9%. BHP led the resource sector recovery.

Metal Prices July/September 2013

		28 June 2013	27 September 2013	% Gain (Decline)
LME Index		2940.7	3137.4	6.67
Cu	3 mths, \$US/tonne	6,806	7,297	7.21
Pb	3 mths, \$US/tonne	2,066	2,109	2.08
Zn	3 mths, \$US/tonne	1,867	1,914	2.52
BHP	\$A/share	31.57	36.36	15.17
\$US/\$A	\$US	0.9272	0.9361	0.96

Consequently, since June overseas investors have bought into a selected few leading resource groups, particularly producers with healthy cash reserves, and generally neglected junior explorers.

5. Investment Activities

The Company's investment activities during the quarter related to liquidation of inventory to meet exploration expenditure. Losses incurred were offset by the write back of provisions previously made; resulting in a notional trading profit of \$16,415 for the quarter as summarised below.

Investment Activity Summary

Shares Traded	September Quarter 2013 \$'000	Nine Months to September 2013 \$'000	Nine Months to September 2012 \$'000	Forecast Year 2013 \$'000
Proceeds	94	252	1,825	300
Cost	134	320	1,951	550
Profits	-	7	41	10
Losses	(40)	(75)	(167)	(260)
Realised Profit/(Loss)	(40)	(68)	(126)	(250)
Net Provision	56	21	(58)	210
Net Trading Profit/(Loss)	16	(47)	(184)	(40)

6. Comments

Equity Investors remain cautious and mainly direct their attention towards banks and other high yielding securities. Interest in junior resource issues (like Pegmont) continues to be almost non-existent. Only the wholesale market of opportunistic resource professionals remains open for bargains. The outlook for the mineral exploration sector remains subdued waiting for an upward trend in commodity prices.

In this environment raising equity is very difficult, but when it must be done, it is done at a discount price. We will need to raise capital regardless of any potential agreements on Pegmont in the offering, prior to the year end. An announcement for that purpose will be made shortly.

7. Income and Expenditure (cash basis)

Income Received

	September 2013 Quarter \$	Nine Month Actual 2013 \$	Year Budget 2013 \$
Interest/Dividends	2,968	13,199	50,000
Net profit (Loss) on sale of shares	(39,194)	(67,706)	30,000
	(36,226)	(54,507)	80,000
Add: Reduced provisions to market value	55,609	20,832	-
Net Income/ (Loss) from investing activities	19,383	(33,675)	80,000

Exploration Expenditure

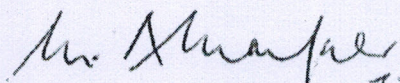
Pegmont Deposit	215,473	217,495	200,000
Pegmont Regional	945	78,094	92,500
Pegmont SC-3, SC-8	42,116	42,116	
New Hope	339	4,098	-
Other Prospects	855	10,299	7,500
Exploration Expenditure	259,728	352,102	300,000

Corporate Expenditure

Administration	33,242	193,437	160,000
Directors & Secretary Fees	4,050	34,050	140,000
Share Investment/Increase	(40,339)	(138,190)	-
	(3,047)	89,297	300,000
Net Cash Surplus/(Deficit)	(237,298)	(475,074)	(520,000)
Add: Opening Cash Balances	282,552	520,328	520,328
Closing Cash Balances	45,254	45,254	328

Net Income for the quarter from Investing Activities was \$19,383, due to Interest/Dividends \$2,968 and a trading profit of \$16,415. Exploration expense was \$259,728. Administration expense \$37,292. Expenditures were funded by a drawdown of cash balances and sell down of shares.

Yours faithfully,



Malcolm A. Mayger
Managing Director