

# Pegmont Mines Limited

ABN 97 033 331 682

## 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

## Exploration Update

29 May 2014

### 1. Pegmont Review

A geological and data review of the Pegmont lead-zinc project from discovery in 1972 to April 2014 was undertaken. The aim of this review was to provide an understanding of where the project currently stands and to appreciate the requirements for future development. The major points to emerge from this review are:

- Pegmont belongs to Broken Hill Type lead-zinc deposits, wherein mineralisation is associated with Banded Iron Formations (BIF) containing magnetite which usually carries a magnetic signature and often bounded by an amphibolite unit (also magnetic). This type of deposits usually have more than one mineralised zone.
- The Pegmont deposit is expressed at surface as a series of disconnected gossanous BIF outcrops which were regarded as being the eroded expression of a syngenetic stratiform basin ore body which dips gently to grid east.
- Because early drilling, being concentrated on the Main Lode outcrop, intersected one mineralised horizon which weakened to grid east, it was assumed that this characteristic applied to all the outcropping deposits in the project area.
- However, continued drilling particularly into the Pegmont Southern Lode (now exceeding 400 holes and over 40,000 metres) has increasingly intersected multiple zones of mineralisation without deterioration in grade. Also, mineralisation was extended beyond the then delineated magnetic anomalies, at increasing depth.
- To date, drilling has delineated an Indicated and Inferred Resource of 8.85Mt @ 5% (Pb + Zn) at 3% (Pb + Zn) cut-off (James McIlwraith, Feb 2011). Also, because of sparseness of drilling there was an exploration target of Mineralised Potential of 9-15Mt of similar grade (subject to drilling). The current drill program will be concentrated in this area of Mineralised Potential.
- Metallurgical test work on sulphide ores confirmed a standard floatation process to recover plus 90% of lead-zinc values. Low grade silver and gold values may be recoverable.
- The outstanding issues at April 2014, included confirmation of the Mineral Potential (at increasing depth) within the Southern Lode and the drill out of the Main Lode open cut and underground mineralisation (possibly containing up to 3Mt within the Pegmont Mine Leases). Delineation of a minimum of 10Mt of sulphide resources plus additional exploration potential is thought to be sufficient for a project scoping study, – including 3Mt open-cut and 7Mt of underground resource.

## 2. Drill Program

The Proposed Program to August 2014 is planned to progressively confirm half of the Mineralised Potential by drilling a series of eight RC/DD holes spaced 100 metres apart, totalling 2,000 metres between PMR 192 and PMRD 141 (see Figure 1). It is noted that these two holes intersected two zones of mineralisation of between 7-10% (Pb + Zn). This drill program is expected to commence mid to late June.

## 3. June High Resolution Aeromag Survey

In order to more precisely plan the drill program, a High Resolution Aeromag survey was flown over all the Pegmont Project tenements at approximately 45 metres height and 50 metre line spacing. 3D Images generated from this survey are in the process of being interpreted.

- A more detailed structural interpretation of the Project Area suggests the presence of a new granite mass – called the Pegmont Granite to the east of the deposit although its boundaries are not well defined (see Figure 2).
- The Pegmont deposits lie peripheral to the Pegmont Granite, with a faulted separation between the Main Lode and the Southern Lode. These two deposits appear to have different characteristics.
- Hole (PMRD 141) intersected 13 metres of mineralisation (below the amphibolite unit) some 300 metres east of the Southern Lode resource boundary.
- Vertical slices through the Southern Lode anomaly indicate a possible south-east plunging syncline to 500 metre depth over a strike length of 300-350 metres. Further analysis is required of lithology and magnetic susceptibility results to define a target.

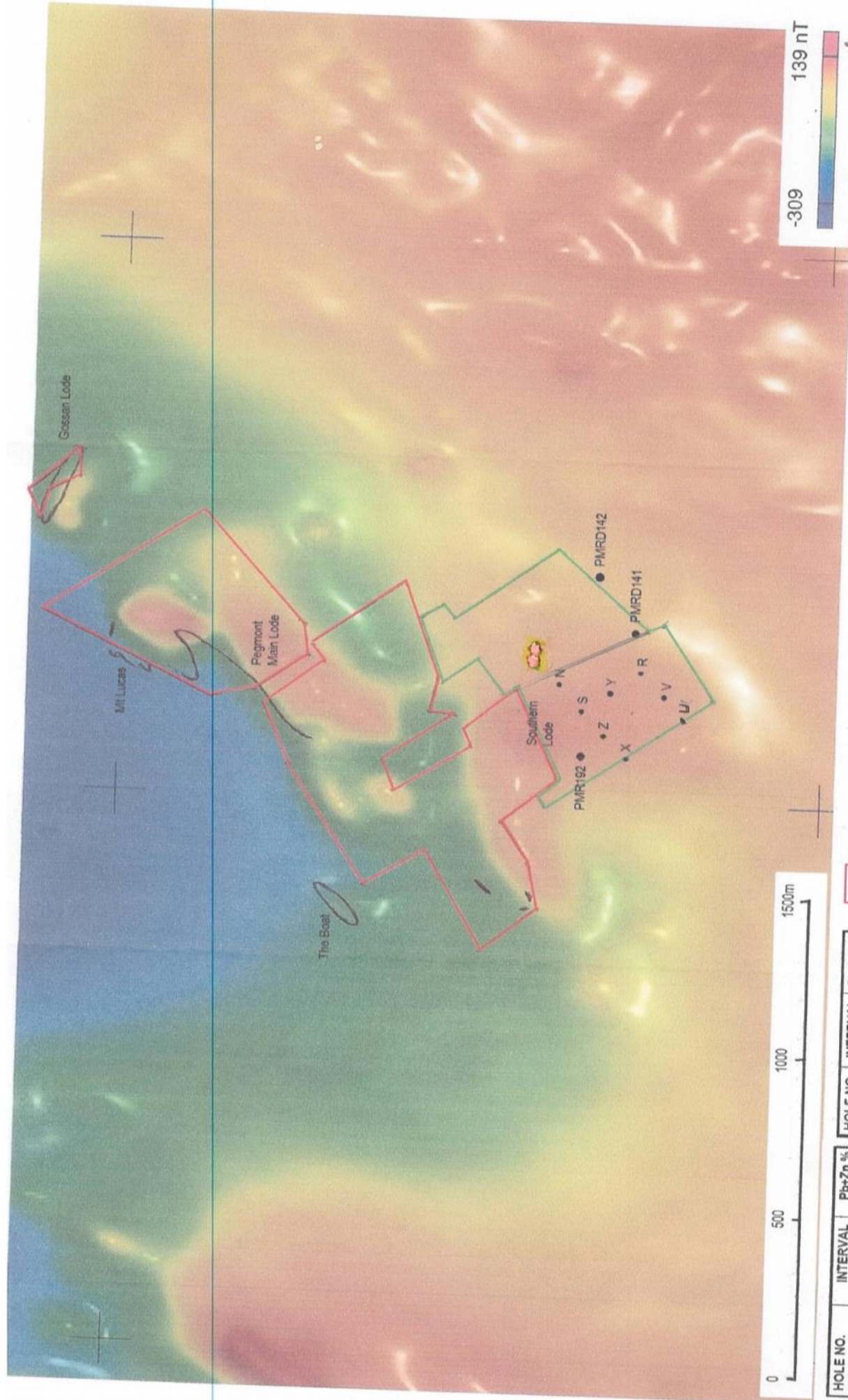
A review of previous drill results from over 400 holes is now required to match up with 3D magnetics of the aeromag survey. Already hole PMRD 141 is being viewed as possibly the most significant hole drilled to date on the Project as it may signpost an open ended extension of lead-zinc mineralisation with reasonable grade to the south-east. It is also apparent that known mineralisation may occur on the flanks of a magnetic anomaly. A geophysical down hole survey of the several holes in the up coming drill program may resolve some of the questions raised in the aeromag survey and provide a vector towards additional mineralisation.

Yours faithfully



Malcolm A Mayger  
Managing Director





-309 139 nT



## Pegmont Main and Southern Lodes

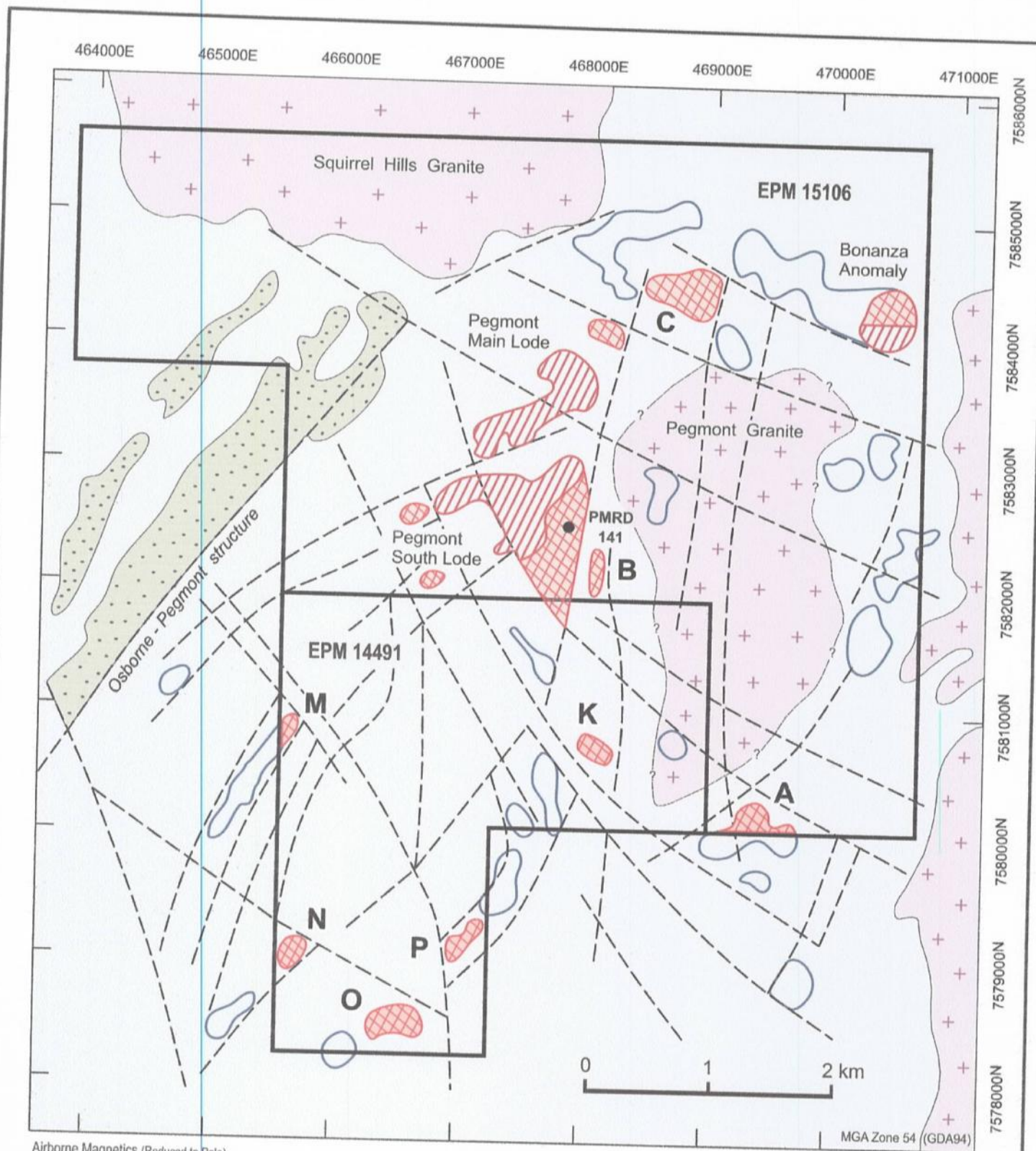
## Airborne Magnetics (RTP) and Resource Blocks

- Inferred/Indicated Resource
- Mineralised Potential
- Drill Hole
- BIF outcrop/sub-outcrop

HOLE NO.	INTERVAL	Pb+Zn %
PMRD192	187-195	9.12
	196-204	8.50

HOLE NO.	INTERVAL	Pb+Zn %
PMRD141	271-277	12.69
	278-279	3.68
	328-328	13.87
	330-332	4.39
PMRD142	376-378	13.75





Airborne Magnetics (Reduced to Pole)  
Filtered with residual 200m conditional median filter

- N** Target Areas
- Mineralised Areas
- Magnetic Anomaly

- Granite
- Dolerite (interpreted)
- Metasediments
- Structures (interpreted)

Figure 2

**PEGMONT MINES LIMITED**

**Structural Interpretation**

**Airborne Magnetics**

EPM 14491, EPM 15106