

Pegmont Mines Limited

ACN 003 331 682

Corporate Office

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FAX TO: STOCK EXCHANGE OF NEWCASTLE LIMITED

ATTENTION: MR SCOTT EVANS

FAX NO: (02) 49291556

FROM: CHRIS LESLIE

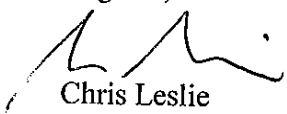
SUBJECT: QUARTERLY ACTIVITY REPORT TO 30 SEPTEMBER 2006

DATE: 19 OCTOBER 2006

Dear Scott,

Please find attached our quarterly activity report to 30 September 2006.

Regards,



Chris Leslie

Pegmont Mines Limited

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19 October 2006

The Manager
Stock Exchange of Newcastle Limited
384 Hunter Street
Newcastle, NSW 2300

Dear Sir,

Quarterly Activity Report to 30 September 2006

We submit the following report for Pegmont Mines Limited for the three months to 30 September 2006.

1. Summary

Investment activities during the quarter realised a **pre-tax share trading profit of \$ 1,167,541**, resulting in a total profit of \$5,976,577 for the nine months to 30 September 2006, up 346.6 % on September '05. Interest received during the quarter was \$48,872 a total of \$91,919 for the nine months; down 27.2% on September'05.

Share investments, at cost, total \$5,828,653 (11.5c/share), having a market value of \$ 6,393,382 (12.6c/share). Cash at bank and on deposit was \$ 3,198,940(6.3c/share) at 30 September 2006.

Exploration expenditure was \$80,614 during the quarter, comprising application costs for areas over known bauxite deposits in the **Kimberley** region WA \$17,062 and geological field costs on **Pegmont** leases \$21,546, **Pegmont** regional areas \$21,517 and the **New Hope** prospect \$11,018.

2. Corporate

The Australian Securities and Investments Commission advised during the quarter the company's name changed to Pegmont Mines Limited on the 4 August 2006.

Dr Michael Leggo has become an executive director of Pegmont with the title of Technical Director. Dr Leggo's role will encompass responsibility of all group exploration activities including Pegmont's metallurgical studies and bauxite exploration in the Kimberley region.

The Company Secretary of Pegmont, Mr Christopher Leslie, has become a full time executive as Company Secretary/Financial Controller of Pegmont and all group activities.

3. Investment Activities

Pre-tax realised share trading profits were \$ 1,167,541 (2.3c/share) for the quarter, plus interest received of \$48,872. Total realised trading profits and interest received for the nine months to 30 September'06 was \$6,068,496 which represented 128.5% return on current assets at 31 December 2005.

Investment Activity Summary

Shares Traded	March Quarter 2006 \$000	June Quarter 2006 \$000	September Quarter 2006 \$000	Year to to September 2006 \$000	Year Revised Estimate 2006 \$000
Proceeds	2,905	8,345	4,074	15,324	17,500
Cost	1,835	4,605	2,907	9,347	11,500
Profits	1,078	3,848	1,214	6,140	6,500
Losses	(8)	(109)	(47)	(164)	(500)
Net Profit / (Loss)	<u>1,070</u>	<u>3,739</u>	<u>1,167</u>	<u>5,976</u>	<u>6,000</u>

The above results do not include net unrealised gains of \$564,729 at 30 September 2006. Stock market interest remains high in speculative resource companies despite recent falls in oil and metal prices. Therefore, we remain cautious with high cash levels and an unchanged trading profit estimate for the year at \$6 million. The expenditure budget for administration and exploration activities remain at \$1,000,000 for the year. Thus, estimated pre-tax profits for the current year could total \$ 5 million, being 9.9 cents per share.

4. Corporate Liquidity

The company's cash position at 30 September 2006 was \$ 3,198,940 (6.3c/sh) after payment of company income tax \$370,000 towards the current year liability and exploration expense of \$80,614. Share investments held ,at cost, increased by \$1,633,343 to \$5,828,653.

5. Exploration Activity

Metallurgical test work on drill samples from **Pegmont** continues to indicate complex mineralogy with very poor recovery results from oxide material. However, tests on

sulphide mineralisation are encouraging which suggest that standard treatment methods could achieve acceptable recoveries.

The company has secured an option over the "**New Hope**" copper-gold prospect, 15 km north-west of Pegmont. Previous rock chip sampling indicate a 400 metre strike length of anomalous copper-gold values. This prospect will be drilled as soon as a rig becomes available.

We have continued to apply for exploration areas over known bauxite deposits in the **Kimberley region**, WA. However, no applications have been granted since the areas are subject to a long standing prior title. Upon granting it is proposed to transfer such tenements to Kimberley Ventures Ltd for a royalty consideration.

6. Income and Expenditure (cash basis)

Income Received	September Quarter \$	Year to September 2006 \$	Estimate 2006 \$
Interest	48,872	91,919	100,000
Net Profit on sale of shares	<u>1,167,541</u>	<u>5,976,577</u>	<u>6,000,000</u>
	<u>3,804,803</u>	<u>6,068,496</u>	<u>6,100,000</u>
Exploration Expenditure			
Pegmont deposit – general	21,546	35,803	60,000
- metallurgy	6,180	35,594	100,000
Pegmont regional	21,517	26,579	50,000
New Hope prospect	11,018	22,805	150,000
Duchess regional	3,280	6,113	20,000
Kimberley Joint Venture (60%)	17,062	182,479	220,000
General Investigations	<u>11</u>	<u>4,012</u>	<u>20,000</u>
	<u>(80,614)</u>	<u>(312,665)</u>	<u>(620,000)</u>
Corporate Expenditure			
Administration	53,669	83,756	105,000
Directors Fees	7,500	86,250	275,000
Working Capital	(21,731)	(62,470)	-
Share Investments	1,633,343	2,494,793	1,775,052
Company Income Tax	<u>370,000</u>	<u>1,229,614</u>	<u>1,500,000</u>
	<u>(2,042,781)</u>	<u>(3,831,943)</u>	<u>(3,665,052)</u>
Net Cash Surplus/Deficit	(906,982)	1,923,888	1,824,948
Add opening cash balances.	<u>4,105,922</u>	<u>1,275,052</u>	<u>1,275,052</u>
Closing Cash Balances.	<u>3,198,940</u>	<u>3,198,940</u>	<u>3,100,000</u>

In summary, there was a decrease in cash balances of \$906,982 during the quarter after payment of company income taxation of \$370,000 and share investments of \$1,633,343. Should the above 2006 estimates be realised, the net tangible asset backing of the Company could exceed 21 cents per share, including 16 cents for cash and shares. Your board continues to lookout for new investment and exploration opportunities to further grow the company.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'M. A. Mayger', with a stylized flourish at the end.

M. A. Mayger
Managing Director