

Pegmont Mines Limited

ACN 003 331 682

Email to: www.newsx.com.au

The Manager
National Stock Exchange of Australia

Dear Sir,

We enclose our Quarterly Activity Report to 30 June 2008.

Yours Faithfully,

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

M A Mayger

Pegmont Mines Limited

ACN 003 331 682

Corporate Office65 Hume Street
Crows Nest NSW 2065**Postal address**PO Box 849
Crows Nest NSW 1585
Telephone: 02 8437 3591
Facsimile: 02 8437 3599

24 July 2008

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

Quarterly Activity Report to 30 June 2008

We submit the following report for Pegmont Mines Limited for the three months to 30 June 2008.

1. Summary

- Realised share trading losses before tax and GST adjustments were \$384,762 for the quarter compared to a profit of \$2,847,952 for June'07. The total loss for six months amounted to \$320,008. Interest received during the quarter was \$31,847, and \$87,947 for the six months. Other income was \$53,601 for the quarter and \$106,917 for the six months..
- The cash position was \$1,578,650 at 30 June 2008, which together with listed shares at cost of \$9,779,066 (market value \$7,033,848) resulted in liquid assets at market of \$8,612,498 or 16.9c/share. The company did not have any borrowings. Total assets approximate \$11.84 million or 23.2c/share.
- Drilling at New Hope has provided further encouragement **with NHP 0013 returning 15 metres averaging 102.9g/t gold from 45m**, including 1 metre assaying 1095g/t gold. These assays have not been cut.

2. Exploration Activity

2.1 Pegmont Drilling Program

An RC and DD core drill program managed by Cloncurry Metals commenced at Pegmont in June. The initial drilling targeting potentially new mineralisation is designed to test the southern extension deep magnetic anomaly. This will be followed by infill drilling at the northern end of the deposit, both to better quantify the lead-zinc deposit and also to seek incremental tonnage. It is anticipated by Cloncurry Metals that 10,000m of drilling could be undertaken at Pegmont during 2008. Their report will be posted on our website and lodged with the NSX.

2.2 New Hope Drilling

The option to acquire ML 2487 (New Hope) will be exercised shortly following encouraging drill results in 2008. Table 1 provides assay results (uncut) of gold and cobalt for the gold mineralised intervals drilled during the quarter. This table shows that cobalt is present at significant levels in a number of the gold-bearing intervals.

Table 1 New Hope Prospect

Selected analytical results (intervals based on contiguous uncut gold values)

Hole No.	From (m)	To (m)	Interval (m)	Au (g/t)	Co (ppm)	Comments
NHP012	57	58	1	<0.2	32	scissor hole to NPH005
NHP013 and	35 45	42 60	7 15	6.3 102.9	4558 989	incl. 1m@1.49% Co incl. 1 m @ 1095 ppm Au
NHP014	8	12	4	5.5	52	possibly a new lens
NHP015	93	96	3	25.6	3828	
NHP016	101	105	4	13.9	4317	
NHP017	101	102	1	5.1	60	
NHP018	116	118	2	2.4	383	
and	119	121	2	58.6	2695	

Note: sample preparation and analytical methods were the same as previously employed except that gold values in NHP013 in excess of 100 ppm (4x one metre samples) have been determined by fire assay fusion and gravimetric analysis (Au – GRA 21) to provide greater reliability. Other previous gold values greater than 30g/t will be subject to check analysis and may therefore change from the values included in this table 1 and previously reported.

A drill hole location map together with diagrammatic longitudinal section of drill intercepts is attached. The New Hope gold – cobalt shoot appears to be limited in strike extent to around 40 meters but remains open to depth. Further infill and drilling to depth is required to delineate the deposit.

2.3 New Hope Metallurgy

Previous metallurgical test work using a conventional cyanide leach indicated that 80% gold dissolution was obtained. Using the proprietary EcoGold approach, around 93% extraction of gold was achieved.

A sulphuric acid leach was conducted to try to dissolve cobalt but this failed to dissolve more than 1% of the contained cobalt. Previously reported cobalt extraction using the proprietary EcoTech chlorination process ranged between 40 and 65%. Further test work changing the chlorination operating conditions continue to be undertaken to optimise the cobalt extraction with promising results of up to 75% extraction.

3. Investment Activities

Realised share trading losses were \$384,762 for the quarter, resulting in a half yearly loss of \$320,008.

Investment Activity Summary				REVISED
Shares Traded	June Quarter 2008 <u>\$000</u>	Half Year to June 2008 <u>\$000</u>	Half Year to June 2007 <u>\$000</u>	Estimate Year 2008 <u>\$000</u>
Proceeds	4,785	5,571	19,969	10,000
Cost	5,169	5,890	12,470	10,000
Profits	689	754	5,772	2,000
Losses	<u>1,073</u>	<u>(1,074)</u>	<u>(273)</u>	<u>2,000</u>
Net realised (Loss)	<u>(384)</u>	<u>(320)</u>	<u>5,499</u>	<u>-</u>
Net Provision for loss	-	(2,347)	-	(2,347)

The quarter result was largely affected by the write off of \$248,861 against the cost of options held in View Resources Ltd after going into Voluntary administration in January 2008. Additional losses were realised on other emerging gold producers which were having production difficulties and on resource exploration companies which did not have the prospect of achieving early production in 2009.

Since Bear market conditions have heavily depreciated investment positions that are being held for longer term reasons, an additional provision of \$2,347,000 was made. No allowance for unrealised gains were taken into account.

We are optimistic in being able to recover realised losses to achieve a break-even result for the year, although additional losses may result from rebalancing the portfolio, to create extra liquidity and to focus on established cash generating opportunities.

4. Corporate Liquidity

The company's cash position at 30 June 2008 was \$1,578,650 (3.1c/sh). This position represents 18.3% of total cash and listed share assets at market value.

5. Income and Expenditure (cash basis)

Income Received	June Quarter \$	Half Year 2008 \$	Revised Budget 2008 \$
Interest	31,847	87,947	200,000
Net (Loss) on sale of shares	(384,762)	(320,008)	-
Other Income	<u>53,601</u>	<u>106,917</u>	<u>110,000</u>
	<u>(299,314)</u>	<u>(125,144)</u>	<u>310,000</u>
Exploration Expenditure			
Pegmont deposit – geology & general	68,629	128,222	130,000
– metallurgy	14,099	36,193	106,000
Pegmont regional	47,759	49,502	134,000
New Hope exploration & metallurgy	140,526	178,513	225,000
Other	<u>15,916</u>	<u>16,864</u>	<u>30,000</u>
	<u>286,929</u>	<u>409,294</u>	<u>625,000</u>
CLU recovery	<u>91,298</u>	<u>316,436</u>	<u>336,000</u>
Net exploration expenditure	<u>195,631</u>	<u>92,858</u>	<u>289,000</u>
Corporate Expenditure			
Administration	67,579	106,461	180,000
Directors Fees	120,038	220,288	512,000
Share Investments	7,192	1,117,608	-
Company Income Tax	<u>-</u>	<u>802,000</u>	<u>802,000</u>
	<u>194,829</u>	<u>2,246,357</u>	<u>1,494,000</u>
Net Cash Surplus/ (Deficit)	(689,774)	(2,464,359)	(1,515,000)
Add opening cash balances.	<u>2,268,424</u>	<u>4,043,009</u>	<u>4,043,009</u>
Closing Cash Balances.	<u>1,578,650</u>	<u>1,578,650</u>	<u>2,528,009</u>

In summary, share trading for profit was extremely difficult because of market volatility caused by the banking crisis in the US and rising inflation and interest rates in Australia. Commodity prices have been mixed which means that some mining sectors may continue to generate substantial profits, albeit at discounted earnings multiples. Mining service providers should continue to do well and as an investment sector they will continue to attract our attention. We were able to make some profits from the May short term rally. Our aim is to make sufficient profit to recover realised losses to date and earn a small surplus.

Exploration at New Hope and surrounding areas near Selwyn has provided encouragement for locating additional cobalt (+gold) mineralisation. Further regional reconnaissance rock chip sampling is under way to confirm new targets.

Cloncurry Metals Ltd has an active drill program around Pegmont to support their upcoming option exercise decision. Their results will be reported separately and become available on their web site: www.cloncurrymetals.com.au

Yours faithfully,



M. A. Mayger
Managing Director





