

Pegmont Mines Limited

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

Quarterly Activity Report to 30 September 2008

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

1. Summary

- Realised share trading losses before tax and GST adjustments were \$55,776 for the quarter compared to a profit of \$2,228,225 for September'07. The total loss for nine months amounted to \$375,784. Interest received during the quarter was \$24,150 and \$112,097 for the nine months. Other income was \$20,090 for the quarter and \$127,007 for the nine months.
- The cash position was \$743,483 at 30 September 2008, which together with listed shares at market value \$5,310,896 resulted in liquid assets at market of \$6,054,379 or 11.9c/share. The company did not have any borrowings.
- Cloncurry Metals Limited (CLU) holds an option to acquire the Pegmont tenements. This option expires on 28 February 2009 unless extended.
CLU has signed a Memorandum of Understanding with BHP Billiton that could allow for an early development of the Pegmont deposit on the premise of delivering mined ore to the Cannington Plant for processing. However before any decision can be made, BHP Billiton intends to conduct a due diligence program which may include infill drilling and metallurgical test work, and for CLU to exercise its option.

- CLU has indicated its desire for the option period to be extended beyond 28 February 2009. Discussions between CLU and the Company have commenced.

2. Exploration Activity

2.1 Pegmont Drilling Program

Since June, CLU have completed 32 holes totalling 7,319.3 metres, much of this work was extensional and infill drilling. CLU has reported that: "Many intersections of mineralisation were encountered outside the known mineralised envelope showing potential for significant upside at Pegmont"

A schedule of drill holes together with a location map is attached.

2.1 New Hope

The Company has given "Notice to Acquire" ML 2487 (New Hope). Since the ML is due for renewal, the option exercise is now awaiting the grant of a new ML. Discussions with the Mining Registrar were held on site and in Mount Isa and it appears the Mining Lease will be renewed for a period of 10 years.

Check assaying of the high grade intersection of 5m@ 103 g/t Au from 45m in drill Hole NHP013 has confirmed previously announced results and of the fine grain nature of contained gold. There was no drilling undertaken during the quarter as field efforts were directed towards regional exploration.

2.2 New Hope Metallurgy

Riffled samples of RC chips from drill hole NHP013 35-36 to 59-0, NHP 0148-9 to 11-12 and NHP 015 93-94 to 95-96 have been stored for possible metallurgical work using the EcoGold process. Preliminary results indicate a gold recovery of 93% and cobalt recovery ranging between 40-70%.

2.4 EPM 14491 Selwyn Blocks

Regional work undertaken by the company in EPM14491 included reconnaissance rock chip sampling of geophysical anomaly targets SC1 and SC4 was undertaken to check a dolerite body containing gossans, cross-cutting quartz-ironstone breccia veins and quartz-tourmaline pegmatites. A few anomalous gold values were recorded.

However, Anomaly Sc-7 in the Mort River area has provided elevated gold values ranging from 0.18 to 2.95 g/t over 200m of strike associated with a sporadically outcropping dolerite/amphibolite unit. Mineralisation appears to occur in conformable gossans and in cross-cutting quartz-ironstone fault breccias. Since Anomaly Sc-7 is located some 7 km east of the New Hope gold deposit, work is being expedited to

advance this prospect to "drill target" stage. A follow up program of costeans will be undertaken prior to drill test.

3. Investment Activities

Realised share trading losses were \$55,776 for the quarter, resulting in a nine months loss of \$375,784.

Investment Activity Summary				REVISED
Shares Traded	Sept Quarter 2008 \$000	Nine Months to Sept 2008 \$000	Nine Months to Sept 2007 \$000	Estimate Year 2008 \$000
Proceeds	635	6,205	30,969	7,600
Cost	691	6,581	23,242	8,000
Profits	59	813	8,137	900
Losses	(115)	(1,189)	(410)	(1,300)
Net realised (Loss)	<u>(56)</u>	<u>(376)</u>	<u>7,727</u>	<u>(400)</u>
Net Provision for loss	(2,144)	(4,491)	-	(4,491)

Trading losses to date arise from liquidating speculative positions in other exploration companies in favour of those entities already in production and producing positive cash flow.

We have set a goal to recover realised losses for 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. Difficult share market conditions are likely to persist for some time to come.

4. Corporate Liquidity

The company's cash position at 30 June 2008 was \$743,483 (1.5c/sh). This position represents 12.3 % of total cash and listed share assets at market value.

5. Income and Expenditure (cash basis)

Income Received	Sept Quarter \$	Nine Months to Sept 2008 \$	Revised Budget 2008 \$
Interest	24,150	112,097	127,000
Net (Loss) on sale of shares	(55,776)	(375,784)	(375,784)
Other Income	<u>20,090</u>	<u>127,007</u>	<u>167,000</u>
	<u>(11,536)</u>	<u>(136,680)</u>	<u>(81,784)</u>

Exploration Expenditure

Pegmont deposit – geology & general	1,010	133,888	137,000
– metallurgy	2,400	34,048	35,000
Pegmont regional	142,986	192,488	320,000
New Hope exploration & metallurgy	28,735	208,249	220,000
Other	<u>1,447</u>	<u>11,800</u>	<u>20,000</u>
	<u>176,578</u>	<u>580,473</u>	<u>732,000</u>
CLU recovery	<u>(600)</u>	<u>(317,036)</u>	<u>(320,000)</u>
Net exploration expenditure	<u>175,978</u>	<u>263,437</u>	<u>412,000</u>

Corporate Expenditure

Administration	45,070	151,531	170,000
Directors' & Secretary Fees	96,250	316,538	420,000
Share Investments	726,083	1,849,090	1,850,000
Company Income Tax	<u>(219,750)</u>	<u>582,250</u>	<u>582,000</u>
	<u>647,653</u>	<u>2,899,409</u>	<u>3,022,000</u>
Net Cash Surplus/ (Deficit)	<u>(835,167)</u>	<u>(3,299,526)</u>	<u>(3,515,784)</u>
Add opening cash balances.	<u>1,578,650</u>	<u>4,043,009</u>	<u>4,043,009</u>
Closing Cash Balances.	<u>743,483</u>	<u>743,483</u>	<u>527,225</u>

In summary, share trading for profit was extremely difficult because of market volatility caused by the banking and sub prime debt crisis in the US. Commodity prices have slumped recently which means that mining profits will be under pressure. However, mining service providers should continue to do well and as an investment sector they will continue to attract our attention.

Since our discovery of high grade gold-cobalt mineralisation at New Hope (ML 2487) on the Mt Cobalt shear zone, a re-evaluation of the potential of EPM 14491 (Selwyn sector) was commenced with regional rock chip sampling for target generation. Encouraging drill results by ourselves and CLU at New Hope and Pegmont respectively should result in an active 2009 drill year testing a variety of targets for gold-cobalt and BHT lead-zinc targets in the Selwyn Sector and IOCG targets in the Pegmont Sector and progress towards mine feasibility studies.

Yours faithfully,



M. A. Mayger
Managing Director

CLONCURRY METALS LIMITED – QUARTERLY REPORT FOR SEPTEMBER 2008

ATTACHMENT 1 – 2008 Pegmont Drilling Summary

HOLE ID	GRID1 EAST	GRID1 NORTH	GRID AZIMUTH	DIP	RC Pre- Collar (m)	Diamond Drilling (m)	TOTAL DEPTH (m)	MINERALISED INTERSECTIONS
PMD111	5210	4000	270	-60	150	156.1	306.1	0.9m from 154.75m at 0.86% Pb, 1.14% Zn and 3g/t Ag; 2.35m from 158.35m at 4.57% Pb, 2.86% Zn and 12.1g/t Ag; 2.55m from 168.35m at 6.0% Pb, 6.46% Zn and 8.4g/t Ag
PMR112	5090	4200	270	-60	80	0	80	6m from 37m at 6.66% Pb, 4.07% Zn and 8.8g/t Ag
PMR113	5149	4200	90	-60	120	0	120	No intersection
PMD114	5320	4100	270	-70	174	216.4	390.4	4m from 124m at 0.7% Pb, 1.25% Zn and 3.2g/t Ag (4m sample)
PMR115	4840	4200	270	-60	100	0	100	5m from 33m at 4.13% Pb, 1.66% Zn and 1.2g/t Ag
PMD116	5285	4200	270	-65	150	152.8	302.8	2m from 58m at 0.93% Pb, 2.79% Zn and 1.4g/t Ag
PMR117	5140	4200	270	-65	180	0	180	1m from 71m at 1.42% Pb, 0.62% Zn and 3.2g/t Ag
PMR118	4705	4200	270	-60	120	0	120	10m from 42m at 9.16% Pb, 4.51% Zn and 13.7g/t Ag
PMR119	4945	4400	270	-60	126	0	126	No intersection
PMD120	4880	4600	270	-60	60	82.3	142.3	No intersection
PMR121	4705	5100	270	-60	150	0	150	4m from 58m at 1.8% Pb, 0.07% Zn and 7.3g/t Ag (4m sample)
PMD122	4800	5100	270	-60	89.9	102.1	192	2m from 149m
PMD123	4845	5100	270	-67	120	111	231	7m from 138m;
PMD124	5070	5100	270	-60	119.3	153	272.3	9m from 215m and 2m from 237m
PMD125	4955	5100	270	-60	101.6	129.1	230.7	2m from 129m
PMD126	4825	5200	270	-60	101.5	141	242.5	2m from 156m; 1m from 168m and 2m from 226m
PMD127	4925	5200	270	-60	113.8	99.1	212.9	12m from 145m
PMD128	4725	5200	270	-60	89.7	81.2	170.9	2m from 124m
PMD129	5025	5200	270	-70	120.1	144	264.1	2m from 155m and 2m from 194m
PMR130	4625	5300	270	-60	120	0	120	No intersection
PMD131	5050	5300	270	-65	140.9	164	304.9	1.7m from 193.8m

CLONCURRY METALS LIMITED – QUARTERLY REPORT FOR SEPTEMBER 2008

HOLE_ID	GRID1_E	GRID1_N	GRID_AZI	DIP	RC Pre-Collar (m)	Diamond Drilling (m)	TOTAL DEPTH (m)	MINERALISED INTERSECTIONS
PMD132	5405	4600	270	-65	120	102	222	2m from 185m
PMD133	5185	4600	270	70	90	60	150	5m from 115m
PMD134	5295	4600	270	-70	116.3	48.7	165	0.8m from 137m
PMD135	5245	4700	270	-70	119.8	78.2	198	4.5m from 161.5m
PMD136	5360	4700	270	-70	150	68.3	218.3	3.2m from 193m and 1m from 200.5m
PMD137	5480	4700	270	-65	179.3	141.7	321	No intersection
PMD138	5150	4700	270	-70	137.8	52.2	190	5m from 153m
PMD139	5230	4795	270	-65	149.9	93	242.9	No intersection
PMD140	5330	4795	270	-70	180	84	264	2.5m from 224.5m
PMD141	5660	4200	270	-70	166	452.1	618.1	6.5m from 270m; 2.7m from 324m, and 1.7m from 330m.
PMD142	5690	4400	270	-70	180	291.1	471.1	3.3m from 375.5m and 0.8m from 385.1m
TOTAL					4,115.9	3,203.4	7,319.3	

