

Pegmont Mines Limited

ABN 97 003 331 682

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

FAX TO: NATIONAL STOCK EXCHANGE OF AUSTRALIA

ATTENTION: MR SCOTT EVANS

FAX NO: (02) 49291556

FROM: CHRIS LESLIE

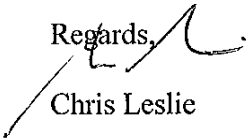
SUBJECT: QUARTERLY REPORT TO 31/12/08

DATE: 29 JANUARY 2009

Dear Scott,

Please find attached the Quarterly Report for the 3 months to 31 December 2008.

Regards,


Chris Leslie

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 January 2009

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

Quarterly Activity Report to 31 December 2008

We submit the following report for Pegmont Mines Limited for the three months to 31 December 2008.

1. Summary

- Realised share trading losses before tax and GST adjustments were \$1,518,396 for the quarter compared to a profit of \$466,914 for December'08. The total loss for twelve months amounted to \$1,894,180. Interest received during the quarter was \$13,316 and \$125,413 for the twelve months. Other income was \$36,786 for the quarter and \$153,814 for the twelve months.
- The cash position was \$937,351 at 31 December 2008, which together with listed shares at market value \$3,131,129 resulted in liquid assets at market of \$4,068,480 or 7.9c/share. The company did not have any borrowings.
- On 30 December, Cloncurry Metals Limited (CLU) decided not to exercise their option to acquire the Pegmont tenements. This decision by CLU follows advice from BHP Billiton to terminate negotiations with CLU in relation to the early development of the Pegmont deposit citing, diminishing commodity prices and self imposed spending restrictions. Consequently exploration activity undertaken during the quarter by both CLU and BHP Billiton on the Pegmont tenements will be announced by Pegmont Mines upon receipt of drill hole information.

2. Exploration Activity

2.1 Pegmont Drilling Program

During the December quarter BHP undertook a due diligence drill program at Pegmont. However, as noted above, BHP terminated negotiations with CLU with the result that CLU did not exercise or seek an extension of the option by 31/12/2009. We will be collating and reviewing all drill data from 2007 and 2008 programs during 2009 to assess the effect of work undertaken by CLU and BHP Billiton during the past eighteen months upon the previous resource estimate at Pegmont.

2.2 New Hope

The Company has given "Notice to Acquire" the mining lease tenement ML 2487 (New Hope). Since the ML is due for renewal, the option exercise is now awaiting the grant of a new ML which may be renewed for a period of 10 years.

Drilling was not undertaken during the quarter as field efforts were directed towards regional gold exploration in nearby tenements. Several anomalous rock chip samples were obtained which require follow up.

2.1 New Hope Metallurgy

Riffled samples of RC chips from drill hole NHP013, 35-60, NHP 014, 8-12 and NHP 015, 93-96 have been stored for possible metallurgical work using the EcoGold process. Preliminary results indicate a gold recovery in excess of 90% and cobalt recovery ranging between 40-70%.

2.4 EPM 14491 Selwyn Blocks

Initial rock chip sampling at Anomaly Sc-3 area produced one assay of 0.32 g/t Au in a ferruginous quartz breccia. A further fifteen samples were taken from the vicinity.

Anomaly Sc-3 covers a significant area and variety of possible mineralised environments, requiring detailed sampling and mapping.

However, results were received from follow up rock chip sampling of the **Anomaly Sc-7** in the Mort River area. The best result of 1.79g/t Au in a quartz vein was 120 metres south of a previously identified anomaly, giving a potentially mineralised strike length of over 300 metres. Costeaining and mapping will be required to generate a drill target. This anomaly is only 3km from New Hope.

3. Investment Activities

Realised share trading losses were \$1,518,396 for the quarter, resulting in a twelve months loss of \$1,894,180.

Investment Activity Summary

Shares Traded	March Quarter 2008 <u>\$000</u>	June Quarter 2008 <u>\$000</u>	September Quarter 2008 <u>\$000</u>	December Quarter 2008 <u>\$000</u>	Year Ended December 2008 <u>\$000</u>
Proceeds	786	4,785	635	1,091	7,297
Cost	722	5,169	691	2,009	8,591
Profits	65	689	59	11	824
Losses	<u>(1)</u>	<u>1,073</u>	<u>(115)</u>	<u>(1,529)</u>	<u>(2,718)</u>
Net Profit/(loss)	<u>64</u>	<u>(384)</u>	<u>(56)</u>	<u>(1,518)</u>	<u>(1,894)</u>

Trading losses to date arise from liquidating speculative positions in favour of building cash balances for when the market bottoms.

The above results do not include an additional provision for loss being \$5,855,463 less provision of \$1,480,000 at 31 December 2007.

4. Corporate Liquidity

The company's cash position at 31 December 2008 was \$937,351 (1.8c/sh). This position represents 23 % of total cash and listed share assets at market value.

5. Income and Expenditure (cash basis)

Income Received	Dec Quarter \$	Year Ended 2008 \$	Year Ended 2007 \$
Interest	13,316	125,413	237,896
Net Profit/ (Loss) on sale of shares	(1,518,396)	(1,894,180)	8,194,202
Other Income	<u>36,786</u>	<u>153,814</u>	<u>88,936</u>
	<u>(1,468,294)</u>	<u>(1,616,429)</u>	<u>(8,521,034)</u>

Exploration Expenditure

Pegmont deposit – geology & general	230	134,118	845,261
– metallurgy	-	34,048	85,170
– Camp site	-	13,919	327,014
Pegmont regional	101,156	293,644	55,774
New Hope exploration & metallurgy	15,150	223,399	114,111
Other	<u>4,765</u>	<u>16,565</u>	<u>21,364</u>
	<u>121,301</u>	<u>715,633</u>	<u>1,488,694</u>
CLU recovery	<u>(7,089)</u>	<u>(324,125)</u>	<u>(498,056)</u>
Net exploration expenditure	<u>114,212</u>	<u>391,508</u>	<u>950,638</u>

Corporate Expenditure

Administration	23,103	174,634	449,697
Directors' & Secretary Fees	94,928	411,466	418,000
Share Investments	(1,894,405)	(70,629)	3,560,110
Dividend	-	-	610,642
Company Income Tax	-	<u>582,250</u>	<u>2,080,000</u>
	<u>(1,776,374)</u>	<u>1,097,721</u>	<u>7,118,449</u>
Net Cash Surplus/ (Deficit)	193,868	(3,105,658)	451,947
Add opening cash balances.	<u>743,843</u>	<u>4,043,009</u>	<u>3,591,062</u>
Closing Cash Balances.	<u>937,351</u>	<u>937,351</u>	<u>4,043,009</u>

Share trading for profit was extremely difficult because of market volatility caused by the banking and sub prime debt crisis in the US having knock on effects. Commodity prices have slumped which means that mining profits are under pressure. Fundamentals supporting share value evaporated which in turn caused market prices to slump. Our share portfolio was badly affected. Losses were realised on some portfolio stocks to ensure adequate cash liquidity.

In summary, the downturn in our portfolio will limit exploration in 2009 to further sampling of Anomaly Sc-3 and Sc-7. Work on the Pegmont project in 2009 will be restricted to analysis of the drill data obtained from both the CLU and BHP Billiton. New drilling will depend upon cash generated from investment activities as we aim to remain self funded.

Yours faithfully,



M. A. Mayger
Managing Director