

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

25 July 2011

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

Dear Sir,

Quarterly Activity Report to 30 June 2011

We submit the following report for Pegmont Mines Limited for the three months to 30 June 2011.

1. Summary

- Pre-Tax Share Trading loss was \$522,670 for the quarter compared to a loss of \$1,146,358 for the June'10 quarter. Interest received during the quarter was \$16,751. This loss was due to a sharp downturn in small cap resource stocks as investors lost confidence in the Australian Story.
- Exploration expenditure totalled \$238,045, including field work in preparation for the July/August drill program and \$100,000 contribution to metallurgical test runs on Pegmont ore. Infill drilling has commenced at the high grade New Hope gold-cobalt deposit.
- The cash position was \$1,311,290 at 30 June 2011 which together with listed shares at market value \$1,395,002 resulted in liquid assets at market of \$2,706,292 or 5.2c/share. The Board intends to announce a one for five new issue at 10 cents per share during August to raise approximately \$1million prior to seeking a listing on the ASX.
- An off market transfer of 490,000 shares from a Director has resulted in 49 extra shareholders in the company making a total of 191 members. Further opportunities to increase shareholder spread, prior to the intended rights issue, are being considered.

2. Exploration Activity

A 3500m RC drill program has commenced including an infill program of seventeen (17) holes into the high grade New Hope gold-cobalt deposit designed to result in a JORC compliant resource. Other prospects to be drill tested include several magnetic anomalies at Pegmont for extensional Pb-Zn mineralisation; Eagle's Nest (Au-Ag), MMA (Cu-Mo) and EMU (Cu-Au). This program continues an assessment of our tenements not only for lead-zinc but also for copper, gold, silver and molybdenum within a highly prospective and well endowed mineral province. It is noted that Pegmont's tenements are located between Cannington, the World's largest silver producer, and the Mount D'Ore Copper- Molybdenum- Rhenium deposit, including the World's richest Moly-Rhenium ore body at Merlin.

3. Exploration Assets

Cumulative exploration activity by the Company over the year has resulted the Pegmont lead-zinc deposit having significant size potential which provide opportunities to optimise its value according to grade and metal prices.

Furthermore, the high grade gold-cobalt deposit at New Hope has down plunge potential. Average grade is expected to be between 10-12 g/t gold plus 1000-1500 ppm cobalt.

Lastly but not least, the Reefway Royalty Areas, currently in production, by other parties, are subject to a significant exploration program to increase resources. Since stated copper content in the Reefway Royalty Areas currently exceed the Royalty free allowance, then additional mineralisation from the current program could be expected to provide a basis for royalty cash flow in future years.

4. Investment Activities

The Net Trading result for the three months to 30 June 2011 was a loss of \$522,670 and \$847,485 for the half year, after allowing for an increase in the provision for loss on quoted and non quoted shares of \$612,584 from 31 December 2010.

Shares Traded	June Quarter 2011 \$000	Half Year to June 2011 \$000	Half Year To June 2011 \$000	Year Budget 2011 \$000	Revised Estimate 2011 \$000
Proceeds	1,178	3,640	8,435	20,000	10,000
Cost	1,291	3,875	11,165	18,000	10,000
Profits	29	90	476	2,500	1,000
Losses	(142)	(325)	(3,206)	(500)	(1,000)
Realised (Loss)	(113)	(235)	(2,730)	2,000	NIL
Net Provision					
Profit/ (Loss)	(410)	(613)	1,493	-	-
Net Trading Profit/Loss	(523)	(848)	(1,237)	2,000	NIL

Due to trading losses incurred, the current half year Budget for the year to 31 December has been revised down to NIL.

Although trading activities during the June quarter were curtailed and realised losses limited, a sharp decline in the market from 12 April to 28 June exposed the trading portfolio to increased loss provisions. The market decline was concentrated in small cap resource stocks resulting in significant price declines which in some cases has exposed M&A opportunities suitable for industry consolidation.

5. Income and Expenditure (cash basis)

Income Received	June Quarter	Half Year 2011	Revised Estimate 2011
	\$	\$	\$
Interest	16,751	35,842	80,000
Net Profit (Loss) on sale of shares	(113,561)	(234,901)	2,000,000
Other Income	-	17,000	20,000
	(96,810)	(182,059)	2,100,000
Add: Write back of provisions	(409,109)	(612,584)	-
Trading result	<u>(505,919)</u>	<u>(794,643)</u>	<u>2,100,000</u>

Exploration Expenditure

Pegmont deposit – geology & general	33,297	75,192	250,000
– metallurgy	90,909	90,909	500,000
Pegmont regional	66,048	90,604	99,000
New Hope Exploration	47,361	60,112	450,000
Other	<u>430</u>	<u>987</u>	<u>5,000</u>
Exploration expenditure	<u>238,045</u>	<u>317,804</u>	<u>1,300,000</u>

Corporate Expenditure

Administration	53,613	100,524	309,500
Directors' & Secretary fees	97,625	195,250	390,500
Share Investments	<u>(499,361)</u>	<u>(570,039)</u>	-
	<u>(323,123)</u>	<u>(274,265)</u>	<u>700,000</u>
Net Cash Surplus/ (Deficit)	(400,841)	(838,182)	100,000
Add opening cash balances.	<u>1,712,131</u>	<u>2,149,472</u>	<u>2,149,472</u>
Closing Cash Balances.	<u>1,311,290</u>	<u>1,311,290</u>	<u>2,249,472</u>

Summary

The past six months was very uncertain for investors as events may be reaching a resolution. For our part we are optimistic about the course set to realise the value in our exploration assets. But, caution prevails about our activities. We welcome our new shareholders who share our confidence of meeting the challenging period ahead.

Yours faithfully,


Malcolm A. Mayger
Managing Director

PEGMONT MINES LIMITED

Summary of Announcements (January 2011 to July 2011) to the National Stock Exchange of Australia (NSXA)

- 20 January- Investment Activity Report Summary, December Quarter 2010.
Net Trading Profit of \$624,954.
- 31 January- Quarterly Activity Report to 31 December 2010.
Cash position was \$2,148,476, listed shares \$1,876,045.
- 21 February- Market Disclosure and Trading Policy for Directors & Executives.
- 24 February- Pegmont Lead-Zinc Project Qld.
Summary of Resource Estimation Report of Indicated and
Inferred Resources together with Mineralised Potential.
- 3 March- Preliminary Final Report to 31 December 2010.
Disclosing Net Tangible Assets of 15.2 cents per share including
Working Capital of 8.0 cents per share.
- 4 March- Intended Capital Raising in two stages:
- Shareholders entitlement issue at 10cents per share.
 - A Public Offering at 20cents per share and to seek listing of
all shares on the ASX about December 2011.
- 19 April- Quarterly Activity Report to 31 March 2011.
Net Trading loss of \$325,815.
Cash position of \$1,712,131 and listed shares of \$1,749,272.
- 29 April- Investor Presentation.
- 26 May- Chairman's Address
- 28 June- Up Coming RC Drill Program, June-July 2011
A 29-34 RC hole program to test seven (7) targets including 17-20
infill holes at the high grade gold-cobalt New Hope deposit to JORC status.
- 30 June- Change in Directors' Interest and shareholding.
A sell down of 490,000 shares at 10 cents each to 49 new shareholders.
- 6 July- Preliminary Share Trading Report to 30 June 2011
Disclosure of a Net Trading Loss of \$523,000 for the quarter after providing
\$410,000 for a decline in portfolio value.
- Further information can be obtained from the company's website **www.pegmont.com.au**