

Pegmont Mines Limited

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29 September 2011

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

Dear Sir,

Reefway Royalty Tenements

Current Mining and Exploration Activities

On 28 September 2004, the shareholders of Reefway Pty Limited (Pegmont Mines – 76.73% interest) sold their interests in consideration for cash, shares and a deferred royalty to Avon Resources Limited, which subsequently changed its name to CopperCo Limited. The cash and shares component of the Sale Agreement were satisfied upon completion and exchange of documents. The deferred royalty remains in place, and payable by the current owners of the “Reefway Royalty Tenements”, being CST Mining Group Limited (see attached map).

Summary of Royalty Terms

The main elements of the Royalty Agreement are:-

1. A Net Smelter Return Royalty of 1% is payable on all mineral ores, concentrates, or other primary, intermediate and final mineral products or other mineral substances mined from the Mining Tenements.
2. Pegmont's proportional royalty interest is 76.73%.
3. No Royalty is payable on the following metals, until production of that metal has reached the following threshold:-
 - Copper – 100,000 tonnes of Net Payable Copper;
 - Gold – 50,000 ounces of Net Payable Gold;
 - Lead – 100,000 tonnes of Net Payable Lead;
 - Zinc – 100,000 tonnes of Net Payable Zinc, and
 - Silver – 1,000,000 ounces of Net Payable Silver.
4. Royalty will be payable on Other Product (including by-product credits) from commencement of production.

Current Royalty Situation

At 30 June 2011, CST Mining advised that cumulative copper production from the Reefway Royalty Tenements was 24,641 tonnes of copper cathode (99.99%Cu), including 1,894.8 tonnes produced in the June quarter. CST Mining draws ore from two sources; from the Reefway Royalty Tenements and from the Lady Annie mining lease to feed a central processing plant, known as the Lady Annie Operations. To date, Pegmont has not been advised that other metals or products have been produced.

Total area covered by the Reefway Royalty Tenements is approximately 704 km².

CST Mining Group Limited

CST Mining Group is the current owner and mine operator of the Reefway Royalty Tenements. The Company is listed on the Hong Kong Stock Exchange and makes regular announcements on the Lady Annie Operations.

As at October 2010, the Lady Annie Mineral Resources Summary was stated as follows:-

Deposit	Measured Resources		Indicated Resources		Inferred Resources		Total		
	Mt	Total Cu%	Mt	Total Cu%	Mt	Total Cu%	Mt	Total Cu%	Cukt
Oxide									
Lady Annie/Lady Brenda	8.12	1.14	3.18	0.84	2.41	0.71	13.7	1.00	136.8
Reefway Royalty Tenements	9.08	0.49	4.60	0.50	4.20	0.65	17.89	0.54	96.0*
Sub-total	17.20	0.80	7.78	0.64	6.61	0.67	31.59	0.74	232.8
Transition									
Lady Annie/Lady Brenda	3.64	0.89	0.91	0.70	1.98	0.68	6.53	0.80	52.2
Reefway Royalty Tenements	3.81	0.50	1.43	0.49	0.89	0.45	6.14	0.49	30.2*
Sub-total	7.45	0.69	2.34	0.57	2.87	0.61	12.67	0.65	82.4
Sulphide									
Lady Annie/Lady Brenda	1.21	0.75	2.09	0.93	1.22	0.78	4.53	0.84	38.0
Reefway Royalty Tenements	1.08	0.52	4.67	0.74	10.63	0.62	15.37	0.69	106.7*
Sub-total	2.29	0.64	6.76	0.80	11.85	0.64	20.90	0.69	144.7
Grand Total	26.95	0.76	16.88	0.70	21.33	0.65	65.16	0.71	459.9
* Reefway Royalty Tenements									232.9

Small discrepancies occur due to rounding.

These resource estimates are “insitu” and are not the amount of recoverable net payable metal which depends upon metallurgical recoveries, mining costs, metal prices and exchange rates.

CST Mining indicated that new copper and gold intersections were not included in the resource update.

On 16 May 2011, CST Mining announced that they were on track to meet target (production) of 24,000 to 25,000 tonnes of copper cathode and that a ramp up to 30,000 tonnes per annum was proceeding as planned. The Company has decided to invest \$28 million on exploration activities at Lady Annie in 2011.

Since the resource estimate, significant copper intercepts were confirmed at the Anthill prospect (RRT) and drilling was scheduled to commence in May 2011 at Anthill. Four new priority targets within five kilometres of the Anthill deposit were to be drill tested in the third quarter of 2011.

On 7 June 2011, CST Mining announced Anthill Mineral Resource Inventory at above 0.3% Cu cut-off.

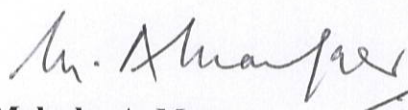
	Indicated Resource		Inferred Resource		Indicated and Inferred Resource		
	Mt	Total Cu%	Mt	Total Cu%	Mt	Total Cu%	Cukt
Oxide, transitional	5.85	0.88	0.39	0.64	6.23	0.87	54.1
Sulphide	-	-	0.27	0.67	0.27	0.67	1.8
	5.85	0.88	0.66	0.65	6.50	0.86	55.9

“Exploration step out drilling in the Buckley River (including Anthill) has been very successful with two new zones of copper mineralisation being discovered. At Mount Kelly, 13,005 metres was drilled during the (June) quarter. Excellent results were received to be announced in the third quarter. As a result of near-mine exploration and extensional drilling, a new zone of mineralisation, named Lady Colleen, has been discovered to the north-west of the Mount Kelly mining area (within the existing Mining Lease” (RRT).

Proposed exploration activity for the September quarter by CST mining was stated: “Resource extension and infill drilling, for oxide transition and sulphide resources will continue at the Mount Kelly (RRT) and Lady Annie Mining areas, and at the Anthill Resource (RRT). Significant resource upgrades are anticipated at all three project areas”.

Pegmont Mines looks forward to confirmation of the above comments by CST Mining in their September Quarterly Report, and a revised resource statement in December 2011.

Yours faithfully,



Malcolm A. Mayger
Managing Director

139°00'

139°30'

19°40'

20°00'

20°20'

EPM 11637

ML 90168
ML 90170

EPM 7487

**Mount Kelly
Cu, Au**

Macleod Hill
Cu

Queen's Gift
Cu

Blackstar
Cu

Grey Ghost
Pb, Zn

**BUCKLEY RIVER
PROJECT
EPM 16244**

Python
Cu

**Anthill
-Cu**

Johnson
Creek
Cu

**BUCKLEY RIVER
PROJECT
EPM 16244**

May Downs
Zn, Pb

**TORPEDO CREEK
EPM 16241**

**DESERT CREEK
EPM 14149**

MAMMOTH FAULT

Mount Gordon Operations
Cu, Co
(Western Metals Ltd)

**REDIE CREEK
EPM 11637**

**GUN CREEK
EPM 11670**

**EASTERN CREEK
EPM 11669**

LEGEND



EPM Royalty tenements



Mt Kelly Royalty tenements



Mining Lease (other holders)



Mineral resource - Cu



Mineral Deposit



Fault



Sybella Granite

0 5 10 15 km

**WESTERN MOUNT ISA BLOCK
REEFWAY ROYALTY
MINERAL TENEMENTS**

September 2011

Mt Isa 30km

Barkly
Mt Isa 15km

RUSSELL CREEK FAULT

WESTERN BORDER FAULT

McNAMARA FAULT

REDIE CREEK FAULT

FAULT

INVESTIGATOR FAULT

MOUNT

McNAMARA FAULT

McNamara Road

KENNEDY FAULT

FAULT

TWENTY-NINE MILE FAULT

MAY DOWNS FAULT

Highway

ZONE

Road

Gunpowder

