Pegmont Mines Limited

ABN 97 033 331 682

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

14 October 2011

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

Dear Sir,

Reefway Royalty Tenements

Lady Annie Operations, North-West Queensland

The Company directs your attention to an Announcement made by CST Mining Group Limited (CST Mining) on 12 October 2011in regard to a "New Copper Discovery" at their Lady Annie Copper Operation 120km north of Mt Isa.

This discovery, called Lady Colleen lies within the Mount Kelly Mining Area which is subject to a deferred 1% NSR royalty agreement with the former shareholders of Reefway Pty Ltd (Pegmont Mines Limited, 76.73% shareholder)

"Significant down hole copper intercepts from Lady Colleen (greater than 3.0% Cu) include:"

MTKC 0403	26m@ 3.21% Cu from 148m	oxide-transition
MTKC 0493	6m@ 5.60% Cu from 121m	transition
MTKC 0512	6m@ 3.06% Cu from 80m	oxide-transition
MTKC 0513	8m@ 4.24% Cu from 91m	oxide-transition
MTKC D038	11.3m@ 3.84% Cu from 153.3m	Sulphide
MTKC D038	31.6m@ 3.79% Cu from 207.9m	Sulphide

"CST Mining has completed 14,000m of RC drilling and over 2000m Diamond Drilling at Lady Colleen to date and is currently undertaking further exploration drilling to test for extensions to the mineralised zone. An internal Mineralised Resource Estimate is expected to be completed by the 2nd quarter of 2012. Full details of significant intercepts are included in Appendix1." As per the attached pages 9-11 of their report.

"CST Mining has pursed an aggressive exploration exploration campaign during 2011 to increase oxide/ transition resource inventory at Lady Annie Copper (operation). The main areas of drilling have been centred on granted mining leases surrounding the existing open pit operations at Mount Kelly. The Mount Kelly Mining area (forming part of the Reefway Royalty Tenements) includes the Flying Horse, Mt Clarke East and West Pits. The exploration team has discovered an exciting new zone of copper mineralisation within the Mount Kelly Mining Area. This new discovery, 1.5 km from ROM (Run of the Mine ore dump) has been called "Lady Colleen" and is located 700m west of Mt Clarke West Pit, adjacent to the haul road; Figure 3"

The above exerpts come from CST Mining's 12 October announcement; for full details please view their website or contact Mr Owen Hegarty Tel: +613 86441330.

For further information about the Reefway Royalty Tenements, please refer to Pegmont's previous announcement of 29 September 2011.

Yours faithfully,

Malcolm A. Mayger
Managing Director

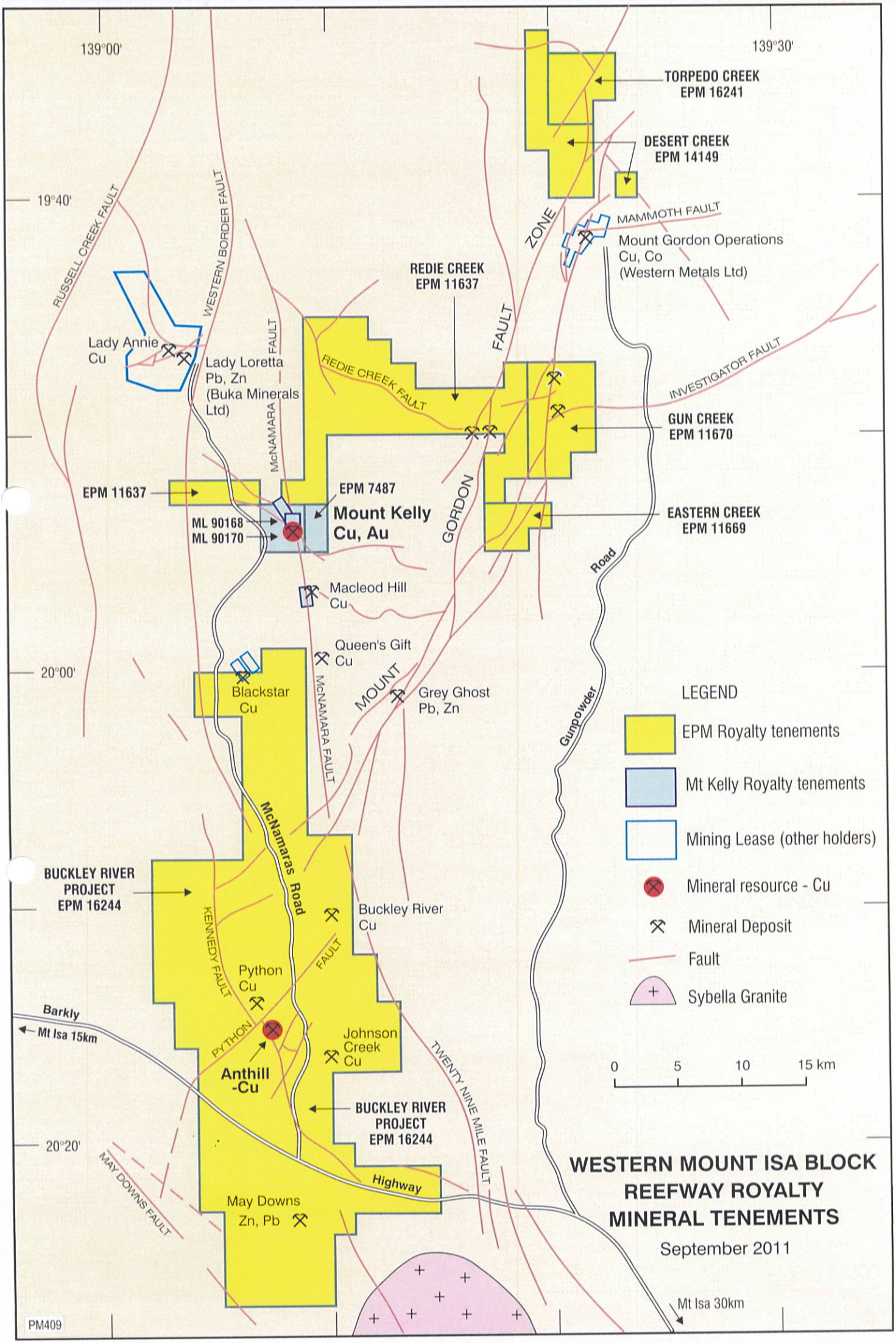

139°00'
139°30'
19°40'
20°00'
20°20'
TORPEDO CREEK
EPM 16241
DESERT CREEK
EPM 14149
MAMMOTH FAULT
Mount Gordon Operations
Cu, Co
(Western Metals Ltd)
ZONE
REDIE CREEK
EPM 11637
FAULT
INVESTIGATOR FAULT
GUN CREEK
EPM 11670
EASTERN CREEK
EPM 11669
RUSSELL CREEK FAULT
WESTERN BORDER FAULT
Lady Annie
Cu
Lady Loretta
Pb, Zn
(Buka Minerals
Ltd)
McNAMARA FAULT
REDIE CREEK FAULT
EPM 11637
EPM 7487
Mount Kelly
Cu, Au
ML 90168
ML 90170
GORDON
Macleod Hill
Cu
Queen's Gift
Cu
Blackstar
Cu
MOUNT
Grey Ghost
Pb, Zn
McNAMARA FAULT
McNamaras Road
Gunpowder
Road
BUCKLEY RIVER
PROJECT
EPM 16244
KENNEDY FAULT
Buckley River
Cu
FAULT
Python
Cu
PYTHON
Anthill
-Cu
Johnson
Creek
Cu
TWENTY NINE MILE FAULT
Barkly
Mt Isa 15km
BUCKLEY RIVER
PROJECT
EPM 16244
MAY DOWNS FAULT
Highway
May Downs
Zn, Pb
Mt Isa 30km
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
PM409

Figure 3 — Mt. Kelly Mining Area showing drillhole locations and operating mine pits.

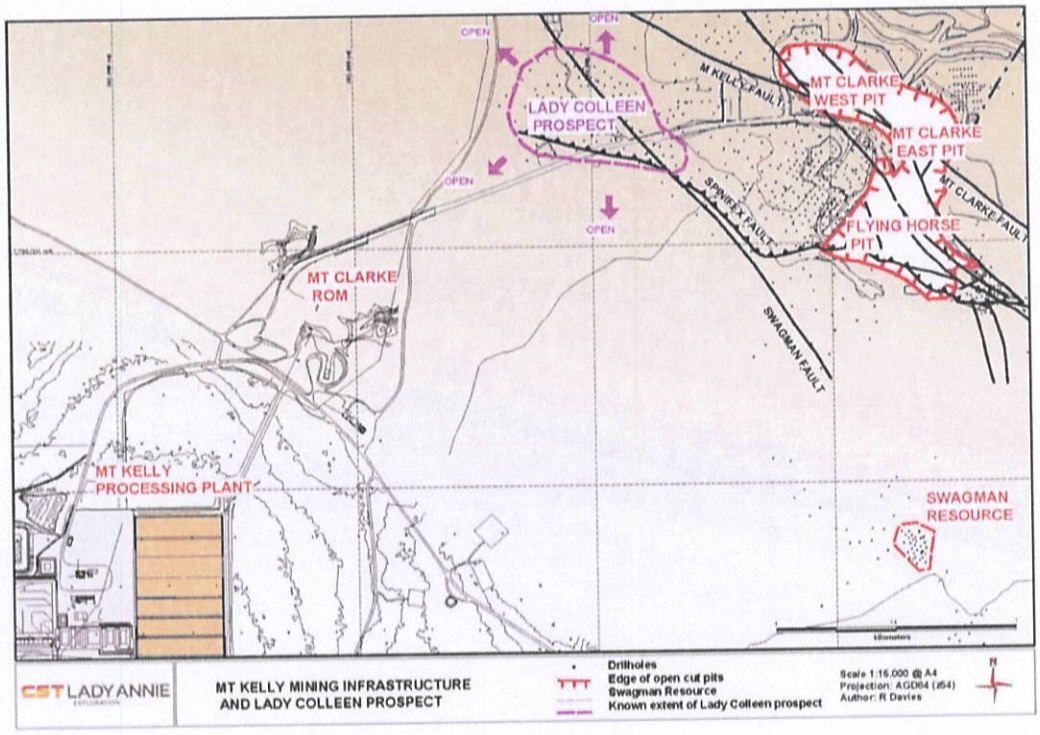
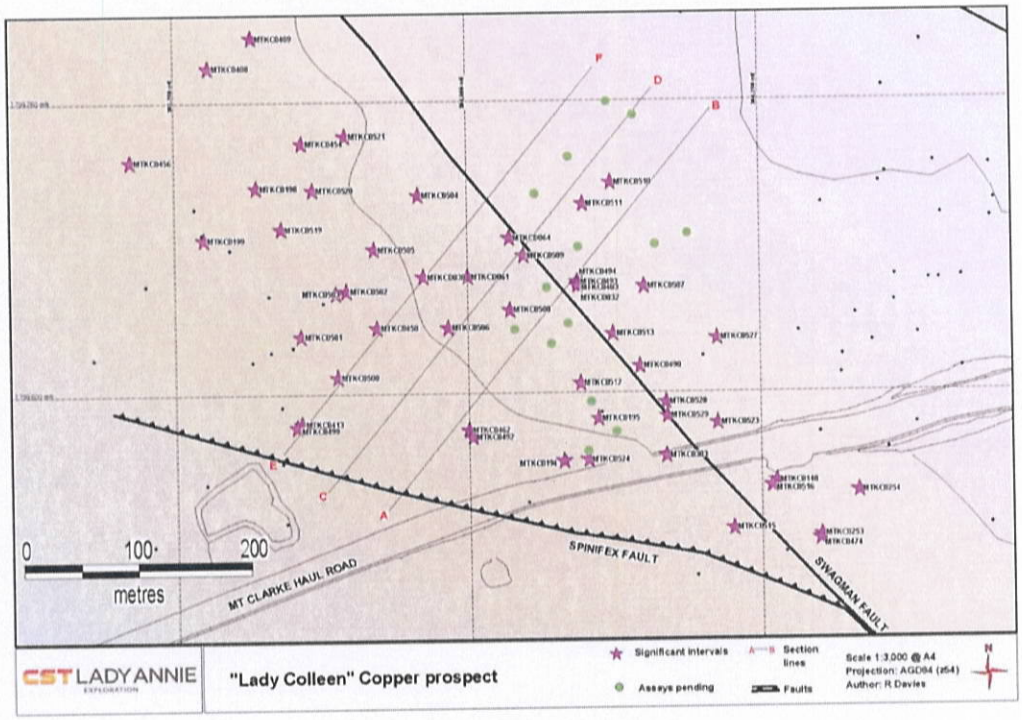


Figure 4 — Lady Colleen drillhole location detail.



Appendix 1 — Selected significant copper intersections returned by exploration drilling at the Lady Colleen Prospect.

Parameters: Allow 2m consecutive internal waste, allow repeated zones of 2m internal waste, minimum grade of final intersection 0.5% Cu.

* Australian Map Grid 1984 zone 54

Hole ID	Easting* (m)	Northing* (m)	From (m)	To (m)	Downhole length (m)	Cu %	Dip (Deg)	Azi (Deg)	EOH (m)
MTKC0148	304263	7799424	37	38	1	0.94	-60	220	54
MTKC0194	304081	7799442	52	56	4	1.02	-60	220	78
MTKC0195	304111	7799478	44	50	6	0.77	-60	220	66
MTKC0198	303820	7799677	45	46	1	0.68	-60	220	60
MTKC0199	303775	7799633	31	32	1	0.57	-60	220	60
MTKC0253	304301	7799377	61	69	8	0.75	-60	220	77
MTKC0254	304333	7799415	79	81	2	0.64	-60	220	149
MTKC0303	304169	7799446	85	86	1	0.55	-60	214	89
MTKC0403	304098	7799593	148	174	26	3.21	-60	220	174
MTKC0408	303780	7799780	51	52	1	0.63	-60	220	78
MTKC0409	303817	7799806	19	20	1	0.56	-60	220	72
MTKC0413	303857	7799475	129	141	12	1.16	-60	220	162
MTKC0454	303859	7799715	67	68	1	0.64	-60	220	78
MTKC0456	303713	7799700	75	78	3	0.55	-60	220	78
MTKC0458	303922	7799556	42	55	13	1.93	-65	46	300
MTKC0458	303922	7799556	59	68	9	0.93	-65	46	300
MTKC0458	303922	7799556	78	87	9	2.82	-65	46	300
MTKC0458	303922	7799556	250	252	2	1.52	-65	46	300
MTKC0462	304000	7799469	93	96	3	1.26	-60	220	96
MTKC0474	304300	7799374	83	96	13	2.74	-60	40	119
MTKC0474	304300	7799374	102	104	2	0.81	-60	40	119
MTKC0490	304147	7799522	124	125	1	0.75	-65	220	180
MTKC0492	304003	7799463	106	123	17	2.64	-60	40	210
MTKC0492	304003	7799463	148	155	7	0.56	-60	40	210
MTKC0492	304003	7799463	162	163	1	0.65	-60	40	210
MTKC0493	304094	7799595	121	127	6	5.6	-60	270	204
MTKC0493	304094	7799595	130	135	5	1.01	-60	270	204
MTKC0493	304094	7799595	195	204	9	2.33	-60	270	204

Hole ID	Easting* (m)	Northing* (m)	From (m)	To (m)	Downhole length (m)	Cu %	Dip (Deg)	Azi (Deg)	EOH (m)
MTKC0494	304094	7799595	111	129	18	2.81	-60	180	216
MTKC0499	303853	7799472	187	192	5	1.01	-75	40	300
MTKC0500	303888	7799514	62	63	1	0.82	-70	40	162
MTKC0501	303857	7799549	222	224	2	0.77	-60	220	228
MTKC0502	303896	7799588	76	79	3	1.12	-60	130	174
MTKC0502	303896	7799588	148	153	5	1.15	-60	130	174
MTKC0503	303887	7799586	237	239	2	0.6	-60	220	246
MTKC0504	303958	7799670	71	72	1	0.6	-60	220	252
MTKC0505	303920	7799624	42	44	2	0.61	-60	220	240
MTKC0506	303983	7799556	66	69	3	1.04	-60	220	270
MTKC0507	304151	7799591	122	139	17	1.65	-60	220	192
MTKC0507	304151	7799591	156	169	13	0.79	-60	220	192
MTKC0508	304036	7799571	192	198	6	0.65	-60	220	234
MTKC0509	304048	7799618	86	92	6	1.58	-60	220	216
MTKC0509	304048	7799618	98	102	4	2.04	-60	220	216
MTKC0509	304048	7799618	114	122	8	0.59	-60	220	216
MTKC0510	304123	7799680	157	165	8	2.19	-60	220	252
MTKC0510	304123	7799680	175	182	7	0.49	-60	220	252
MTKC0510	304123	7799680	186	193	7	0.65	-60	220	252
MTKC0510	304123	7799680	238	244	6	0.85	-60	220	252
MTKC0511	304099	7799662	141	161	20	2.53	-60	220	246
MTKC0511	304099	7799662	164	168	4	1.31	-60	220	246
MTKC0511	304099	7799662	231	234	3	0.7	-60	220	246
MTKC0512	304096	7799508	80	86	6	3.06	-60	220	162
MTKC0513	304124	7799550	91	99	8	4.24	-60	220	180
MTKC0513	304124	7799550	107	112	5	0.71	-60	220	180
MTKC0513	304124	7799550	118	122	4	3.33	-60	220	180
MTKC0515	304226	7799383	43	53	10	1.6	-60	40	174
MTKC0516	304259	7799420	62	75	13	0.75	-60	40	192
MTKC0519	303841	7799642	72	74	2	0.77	-60	220	162
MTKC0520	303868	7799675	92	93	1	0.82	-60	220	170
MTKC0521	303896	7799721	55	56	1	0.83	-60	220	162
MTKC0523	304213	7799474	78	85	7	1.36	-60	170	162
MTKC0524	304102	7799443	27	38	11	1.15	-60	220	150
MTKC0524	304102	7799443	43	52	9	1.28	-60	220	150

Hole ID	Easting* (m)	Northing* (m)	From (m)	To (m)	Downhole length (m)	Cu %	Dip (Deg)	Azi (Deg)	EOH (m)
MTKC0527	304213	7799546	109	117	8	1.37	-60	220	156
MTKC0528	304169	7799492	119	120	1	0.73	-60	220	162
MTKC0529	304170	7799480	93	95	2	0.87	-60	180	144
MTKCD032	304094	7799592	110	117	7	1.32	-60	220	278.8
MTKCD032	304094	7799592	129	135	6	0.6	-60	220	278.8
MTKCD032	304094	7799592	167.1	180.5	13.4	2.69	-60	220	278.8
MTKCD038	303962	7799600	145.3	147.1	1.8	2.63	-60	40	356.8
MTKCD038	303962	7799600	153.3	164.6	11.3	3.84	-60	40	356.8
MTKCD038	303962	7799600	167	168	1	0.55	-60	40	356.8
MTKCD038	303962	7799600	207.9	239.5	31.6	3.79	-60	40	356.8
MTKCD038	303962	7799600	242.8	245	2.2	2.8	-60	40	356.8
MTKCD038	303962	7799600	267	269	2	2.27	-60	40	356.8
MTKCD038	303962	7799600	272	277.5	5.5	1.02	-60	40	356.8
MTKCD039	303923	7799551	83	89	6	1.69	-60	40	338.7
MTKCD039	303923	7799551	246	250	4	1.31	-60	40	338.7
MTKCD061	304000	7799600	48	51	3	0.58	-60	220	60
MTKCD064	304036	7799633	78	91	13	1.08	-60	220	102

All analytical results presented are carried out by ALS laboratories in Townsville, Queensland, Australia. Industry standard QA-QC for analytical methods is adopted by both the laboratory and the Company. The intercepts presented are downhole intercepts.

Source : CST Mining Group Limited- 12 October 2011.