

Pegmont

PEGMONT MINES LIMITED

ABN 97 003 331 682

OFFER DOCUMENT

THIS DOCUMENT IS IMPORTANT

This is an important document AND should be read in its entirety before deciding to apply for Shares.

NEW ISSUE

A one for four pro-rata non-renounceable rights issue of 12,952,949 fully paid ordinary shares each at an issue price of 10 cents per share to all Shareholders at the Record Date to raise \$1,295,295.

This Offer Document is dated 19 October 2011

This is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this Offer Document, you have any questions about the securities being offered under this Offer Document, you should contact your stock broker, accountant or other professional adviser.

An investment in New Shares offered under this Offer Document should be considered as speculative.

Exploring the Mt Isa Region QLD



The Company conducts exploration activities in the Mount Isa region, north-west Queensland. It is seeking additional capital for working capital purposes to cover expenditures on exploration, general overhead costs and investing activities.

Application will be made for listing of the New Shares on NSX.

The fact that NSX may list the New Shares is not to be taken in any way as an indication of the merits of the Company or investing in the New Shares.

NSX takes no responsibility for the contents of this Offer Document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon part of the contents of this document.

Investment Overview

The Company is an exploration and resource investment company. It explores only in the Mount Isa region, a world class base metals province. The Pegmont lead-zinc deposit was acquired in 1996 followed by the purchase of Mount Kelly copper-gold leases in 1998. The Mount Kelly leases together with other regional tenements were sold in 2004 **for a cash profit** and a deferred royalty; thus initiating our philosophy of acquiring, exploring and selling advanced stage mineral properties.

The Business Model of the Company is to:-

- Invest in projects with mineral potential.
- Conduct exploration activity focussed on resource proving.
- Sell advanced major resource projects for cash/shares and a deferred long life royalty, eg Mount Kelly.
- Profit from sale of projects which together with royalties (if any) are reinvested in the next generation of mineralised projects.
- Use surplus working capital to generate share trading profits to cover exploration and overhead expenses, and reward shareholders with dividends. Dividends were paid in years 2006, 2007 and 2009.

Risk Management of the Company is directed towards:-

- Maintaining an adequate level of working capital to support the advancement of our exploration properties to project status.
- Reducing exploration risk by preferring outcrop geology with demonstrable mineralisation.
- Maintaining a balanced drill strategy of testing both shallow and deep targets and also small high grade targets and large low grade deposits, ie New Hope and Pegmont.
- Employing appropriately experienced consultants on a “needs only” basis.

The combination of our business model and risk management strategy has resulted in **a net profit** after tax in four out of the past six years, ie 2005, 2006, 2007, and 2009, after writing off all exploration expenditure, office overheads and payment of Company Tax. However, 2011 is likely to result in a loss due to volatile stock market conditions impacting on our investing portfolio.

The Board is aware of the need to reward shareholders during good years in recognition of the investment risks associated with the mining industry.

Current Activity

The Company completed during August a drill program of 28 holes totalling 2,866 metres on five prospects; including 20 holes at New Hope. A follow up program of RC and Core drilling at New Hope to provide additional geotechnical data and metallurgical samples for open cut evaluation studies has commenced. Subject to these results, our intention is to progress the New Hope deposit towards early production.

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IMPORTANT NOTICE – INFORMATION ON COMPANY ACTIVITIES

Since the Company is listed on the NSX it is obliged to lodge quarterly activity reports, financial statements and generally keep the market informed. These reports can be accessed via the Company's website - www.pegmont.com.au or NSX website - www.nsx.com.au/announcements_list.asp?nsxcode=PMI

A Letter from the Chairman

19 October 2011

Dear Shareholder

Re: Rights Issue at 10 cents

The purpose of this one for four Rights Issue, is to provide general working capital to expedite our plan to seek listing of your Company on the ASX during 2012. It is an opportunity for you to increase your holding at pre ASX listing prices.

The proceeds of this Issue amounting to nearly \$1.3 million together with existing financial assets of \$1.7 million will be used to accelerate drilling and metallurgical studies of the New Hope gold-cobalt deposit, pay for general exploration and overhead costs while ensuring an adequate level of working capital to take advantage of investment opportunities.

Your company has three important exploration assets:

- At Pegmont, (100% ownership) a JORC compliant Resource estimate at 8.8 million tonnes of 5% Pb + Zn above a 3% Pb+Zn cutoff was announced on 17 February. There is additional mineralised potential of between 8 and 15 million tonnes of similar grade. As an option, the Company would consider a senior mining company taking this project through to production on a basis similar to the sale of the Mount Kelly tenements.
- At New Hope, (100% ownership) we have drilled 53 holes into a high grade gold-cobalt deposit. Drill results on our mining lease have been very encouraging and we plan to compile a JORC compliant resource estimate as soon as possible following more drilling. Our aim is to evaluate the deposit for its open cut potential to speed up development.
- At Mount Kelly, (76.7% royalty ownership) a mining operation owned by another party has produced 25,000 tonnes of cathode copper. When 100,000 tonnes have been produced, royalty payments will commence. The potential of the tenements is such as to encourage us to anticipate a long life royalty stream commencing in about four to five years.

Our plan to drill further 5-14 holes on New Hope by late November 2011 (subject to rig availability) will help to maintain momentum towards our goal of commercialising this deposit.

I am very pleased to present this Offer for your consideration. All Eligible Shareholders will be entitled to one New Share for every four shares held at 10 cents per New Share. Over subscription would be most welcome, **as Eligible Shareholders will have priority to apply for any Shortfall Shares.**

This Offer Document provides details of the Offer and outlines the risks and the strategy of your Company. I encourage you to read this document in detail and urge you to support our efforts in Northwest Queensland, and look forward to delivering further exciting news there.

Yours sincerely



John Armstrong
Chairman

Important Notice

This Offer Document is dated 19 October.

Neither ASIC nor NSX takes any responsibility for the content of this Offer Document or the merits of the investment to which it relates.

This is an Offer Document for an offer of continuously quoted securities of the Company as defined by the Corporations Act and has been prepared in accordance with section 708AA of the Corporations Act. Section 708AA relates to rights issues that do not require the issue of a prospectus or other disclosure document. Accordingly, the level of disclosure in this Offer Document is significantly less than that required in a prospectus. Eligible Shareholders should therefore rely on their own knowledge of the Company and refer to disclosures already made by it to NSX and refer to their legal, financial and other professional advice before deciding whether to accept the Offer.

A copy of this Offer Document during the period of the Rights Issue can be obtained from the **Company's page on NSX's website at www.nsx.com.au**. The electronic version of this Offer document on the NSX website will not include an Entitlement and Acceptance Form. Eligible Shareholders will only be entitled to exercise their Entitlements and to take up New Shares in accordance with the instructions in the personalised Entitlement and Acceptance Form which accompanies a paper copy of this Offer Document.

This Offer Document does not constitute an offer in any place in which or to persons to whom it would not be lawful to make such an offer. This Offer Document has not been, nor will it be, lodged, filed or registered with any regulatory authority under the securities laws of any country.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document or which is not contained in any announcement made to the NSX. Any information or representation not contained in this Offer Document or prior announcement to the NSX may not be relied on as having been authorised by the Company or the Directors.

You should read this Offer Document in its entirety before deciding to complete and lodge an Entitlement and Acceptance Form. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the Company's financial performance. You should consider these factors in light of your personal circumstances (including financial, taxation and social security issues). The key risk factors that should be considered by potential investors are outlined under the section titled "Risk Factors". If you have any questions, you should seek professional advice from your stockbroker, accountant or other professional adviser before deciding to invest in New Shares.

Certain words and terms used in this Offer Document have defined meanings which appear in the section titled "Glossary and Definitions".

Key Offer Details

Offer price	10 cents per New Share payable in full on acceptance
Number of New Shares to be issued under the Offer	12,952,949
Eligible Shareholders' entitlement	One New Share for every four Shares held on the Record Date
Amount to be raised under the Offer (before costs)	\$1,295,295

Important Dates

Announcement of Offer and application for quotation of New Shares	19 October 2011
Lodgement of this offer Document and section 708AA notice with NSX	19 October 2011
Record Date	27 October 2011 7:00pm (Sydney time)
Offer Document dispatched to all Shareholders	2 November 2011
Opening date	3 November 2011
Closing Date – last date for acceptance and payment in full	21 November 2011 5:00pm (Sydney time)
Allotment and issue of New Shares	30 November 2011
Despatch date of holding statements	30 November 2011
Normal trading of New Shares on the NSX expected to commence no later than	6 December 2011

The dates above and other dates referred to in this Offer Document (except the date of this Offer Document) are indicative only. Subject to the Listing Rules and the Corporations Act, the Company reserves the right to change any date (including extending the Closing Date or to closing the Offer early) without prior notice.

It should be noted that your Entitlement will be determined by the number of shares you hold at the Record Date.

Details of the Offer

The Offer

A non-renounceable pro rata entitlement offer to Eligible Shareholders of one New Share for every four Shares held at the Record Date, at an offer price of 10 cents per New Share.

Under the Shareholder Offer 12,952,949 New Shares will be offered and it is expected that approximately \$1.3 million will be raised on a full subscription basis (before costs).

Fractional Entitlements to New Shares will be rounded down to the nearest whole number.

The Entitlement of each Eligible Shareholder under the Offer is shown on the personalised Entitlement and Acceptance Form accompanying this Offer Document. If you are an Eligible Shareholder and did not receive your personalised Entitlement and Acceptance Form, please call the Registry on 1300 850 505 or your stockbroker or professional adviser.

Underwriting of the Offer

The Offer is not underwritten.

Offers are non-renounceable

The Offer is non-renounceable, which means that your Entitlement cannot be sold. If you do not take up your Entitlement, it will lapse.

Shortfall of New Shares

The Directors of the Company reserve the right to allot, within two months after the **closing date** of this Offer Document, Shortfall Shares to persons, determined by the Directors at their discretion, who are Eligible Shareholders or are otherwise persons to whom disclosure need not be made in relation to that issue under Chapter 6D of the Corporations Act, at the Issue Price. The Directors have expressed a preference to issue such Shortfall Shares firstly to Eligible Shareholders who have applied for New Shares in addition to their Entitlement. However, the Directors will not make a final decision until the Offer has closed and all applications for New Shares have been received.

NSX quotation

The Company will apply for the quotation of all New Shares on NSX within seven business days after the date of this Offer Document. If official quotation of the New Shares is not granted by NSX within three months after the date of this Offer Document (or any longer period permitted by law), the Offer will be cancelled and subscription monies will be returned (without interest) to Eligible Shareholders as soon as practicable.

Allotment of New Shares

Allotment and issue of New Shares will only be made once the subscription monies have been received and NSX has granted permission for quotation of the New Shares.

If permission is granted, it is expected the New Shares will be allotted on Wednesday, 30 November 2011 and holding statements for the New Shares will be despatched on that day. All New Shares will rank equally with the Shares already on issue.

Eligible Shareholders who sell New Shares before they receive their holding statement do so at their own risk.

Rights Attaching to New Shares

The rights of the New Shares will be exactly the same as for any existing Shares and rank equally with the Shares already on issue.

Overseas Shareholders

This Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The Offer is not being extended to, and New Shares will not be allotted to, Shareholders with a registered address which is outside Australia or New Zealand.

The Company is of the view that it is unreasonable to extend the Offer to Shareholders whose address on the share register is a place other than in Australia or New Zealand having regard to:

- the small number of such Shareholders;
- the number and value of New Shares which would be offered; and
- the cost of complying with the legal requirements and requirements of the regulatory authorities in the respective overseas jurisdictions.

Unless otherwise agreed with the Company, envelopes containing an Entitlement and Acceptance Form should not be postmarked or otherwise sent from any place other than Australia or New Zealand. The Company reserves the right to treat as invalid any Entitlement and Acceptance Form that:

- appears to the Company or its agents to have been executed in or sent from a place other than Australia; or
- provides an address in a place other than Australia or New Zealand.

Beneficial shareholders not resident in Australia or New Zealand should consult their professional advisors to determine whether any government or other consents are required or whether formalities need to be observed to allow them to accept their Entitlement.

Actions required by Shareholders

How to accept the Offer

An Entitlement and Acceptance Form accompanies this Offer Document.

Acceptance of your Entitlement may be for any number of New Shares, but must not exceed your Entitlement as shown on the Entitlement and Acceptance Form. You may apply for additional New Shares in addition to your Entitlement and the Directors will, at their discretion, allocate Shortfall Shares to Eligible Shareholders who have expressed an appetite to receive additional New Shares.

To accept your Entitlement in full:

1. complete the Entitlement and Acceptance Form, filling in the details in the spaces provided;
2. attach your cheque for the total amount indicated on the Entitlement and Acceptance Form; and
3. use the addressed envelope enclosed with this Offer Document to post the relevant Entitlement and Acceptance Form with full payment to the Registry so it is received by the Closing Date, **5:00pm Sydney time, Monday 21 November 2011**.

To accept your Entitlement in part:

1. fill in the number of New Shares you wish to accept in the space provided on the Entitlement and Acceptance Form;
2. attach your cheque for the total subscription monies (at 10 cents per New Share); and
3. use the addressed envelope enclosed with this Offer Document to post the relevant Entitlement and Acceptance Form with full payment to the Registry so it is received by the Closing Date, **5:00pm Sydney time, Monday 21 November 2011**.

To apply for additional New Shares:

1. complete the Entitlement and Acceptance Form, filling in the details in the spaces provided, including the number of additional New Shares you wish to apply;
2. attach your cheque for the total subscription monies (at 10 cents per New Share) for your Entitlement plus the number of additional New Shares you have applied for. The Directors will allocate Eligible Shareholders with additional New Shares at their discretion. Any subscription monies received for additional New Shares which are not allotted will be refunded without interest within the time prescribed under the Corporations Act; and
3. use the addressed envelope enclosed with this Offer Document to post the relevant Entitlement and Acceptance Form with full payment to the Registry so it is received by the Closing Date, **5:00pm Sydney time, Monday 21 November 2011**.

Acceptances received after the Closing Date may not be accepted.

If you **do not wish to accept** all or part of your Entitlement, you do not have to do anything in respect of the Entitlement you are not accepting, and any entitlement not taken up will automatically lapse. You will receive no payment for your lapsed Entitlement. You cannot sell or transfer your Entitlement to another person.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

Payment

Use the enclosed envelope to post your completed Entitlement and Acceptance Form, accompanied by full payment in Australian currency by a cheque drawn on an Australian bank or bank draft, in each case payable to “**Pegmont Mines Limited – Share Issue Account**” and crossed “**Not Negotiable**” to the following address:

Computershare Investor Services Pty Ltd
GPO Box 505
MELBOURNE VIC 3001

Subscription monies

The Company is entitled to retain any interest paid on subscription monies, whether or not allotment and issue of the New Shares takes place. If quotation of the New Shares is not granted by NSX within the time required by law, no New Shares will be allotted and subscription monies will be refunded to Eligible Shareholders without interest within the time prescribed under the Corporations Act.

Closing Date

Your completed Entitlement and Acceptance Form and Payment must be received by the Registry no later than **5:00pm Sydney time, Monday 21 November 2011**.

The Company reserves the right, subject to the Corporations Act, the Listing Rules and any requirements of the NSX to accept late Acceptances or to extend the Closing Date without prior notice. If the Closing Date is varied, subsequent dates may also be varied accordingly. Unless the Company decides to accept late Acceptances or extend the Closing Date, Acceptances received after **5:00pm Sydney time, Monday 21 November 2011** may be rejected and subscription monies refunded without interest.

The Board reserves the right to place Shortfall Shares within two months of the **closing date** of this offer document, firstly to those Eligible Shareholders who have applied for New Shares in excess of their Entitlement, and secondly to new investors (to whom disclosure under Chapter 6D of the Corporation Act is not required) at no less than the Issue Price.

Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Eligible Shareholders under the Offer.

Taxation

It is the responsibility of all Eligible Shareholders to satisfy themselves of the particular tax consequences that apply to them, by consulting their own professional tax advisers. Neither the Company nor any of its officers, employees or agents, nor its taxation or other advisers accepts any liability or responsibility in respect of taxation consequences connected with the Offers.

Enquiries

If you are uncertain about any aspect of this Offer Document, including whether the Offer is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

Purpose and effect of the Offer

Purpose of the Offer

The purpose of the Offer is to raise funds to provide working capital for the Company and to undertake further exploration, including drilling of the Pegmont and New Hope projects as well as providing capital to cover the costs of the listing process of the Company on the ASX.

Use of funds

The proceeds raised from the Offer together with existing financial assets of the Company will be used to accelerate drilling and metallurgical studies of New Hope, pay for general exploration and overhead costs while ensuring an adequate level of working capital.

Effect of the Offer on the capital structure of the Company

The following table sets out the Company's current capital structure and its fully diluted capital structure immediately following the successful completion of the Offer.

Share capital	Shares
Shares on issue at the date of this Offer Document ¹	51,811,796
Maximum number of New Shares to be issued under the Offer	12,952,949
Fully diluted share capital on completion of Offer*	64,764,745

* Assumes that all Entitlements under the Offer are taken up and Shortfall Shares are issued to Eligible Shareholders or new investors

Effect of the Offer on the Control of the Company

Mr Mayger, the Managing Director of the Company is the largest shareholder of the Company and currently controls 57.90% of all Shares.² Mr Mayger* has indicated that he may not take up his full Entitlement under the Offer. By way of illustration, the following table sets out the effect on control of the Company if Mr Mayger takes up approximately 4 million of his Entitlements under the Offer.

All other Shareholders take up their Entitlements	Current	%	No Other Shareholders take up their Entitlements		50% of other Shareholders take up their Entitlements		All other Shareholders take up their Entitlements	
			Shares	%	Shares	%	Shares	%
Malcolm Mayger *	29,999,045	57.90%	34,000,000	60.90%	34,000,000	58.08%	34,000,000	52.50%
Other Shareholders	21,812,751	42.10%	21,812,751	39.10%	24,539,344	41.92%	30,764,745	47.50%
Total	51,811,796	100%	55,812,751	100%	58,539,344	100%	64,764,745	100%

* Mr Malcolm Mayger and associates will subscribe for a minimum of four million New Shares.

¹ Includes recent issue to landowners and contractors of the Company

² Held directly and indirectly through Pegasus Enterprises Limited, Malcolm A Mayger Pty Limited, Malcolm A Mayger Superannuation Fund, Lozora Pty Limited and Scepha Investments Pty Ltd.

Overview of the Company and its operations

Summary

The principal activities of the Company are mineral exploration and investment.

The Company's corporate strategy is to apply working capital to the following areas;

- exploration of advanced projects including Pegmont and New Hope projects;
- acquisition of new exploration opportunities with demonstrated mineralisation;
- invest surplus working capital in share trading activities and other investment opportunities to generate income; and
- pay a dividend when the Company has sufficient profits, after taking into account relevant considerations.

We have, in the past four out of six years achieved our goal to be self-funding by generating sufficient income to cover overheads, company income tax and exploration. However, we have yet to achieve critical financial strength to sustain long term exploration activity at an acceptable level, as investing income is unpredictable.

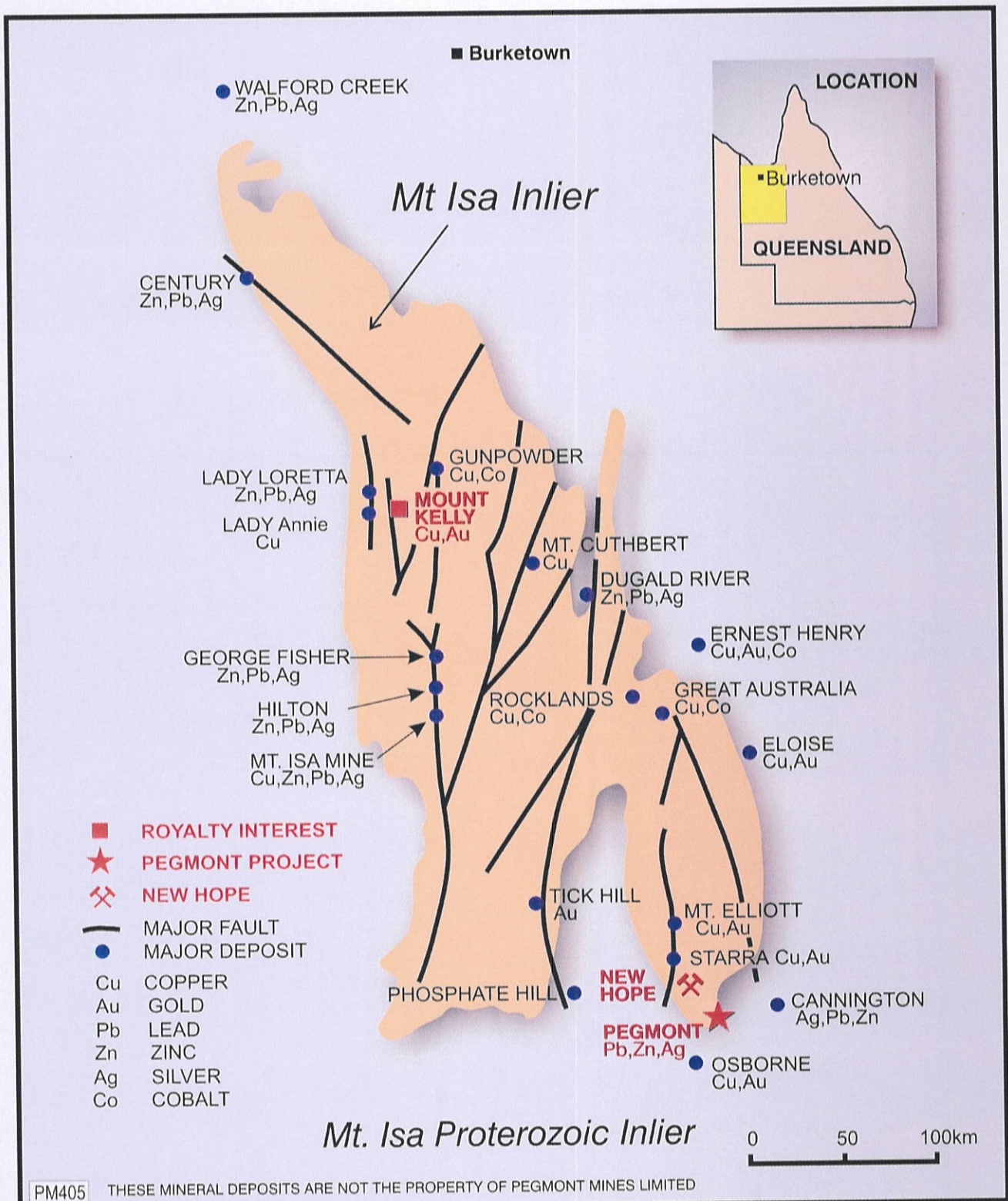
As our two main projects Pegmont and New Hope have advanced towards feasibility study status, the Company is challenged to increase its drill commitment. At Pegmont, 381 holes totalling 40,500 metres and New Hope, 53 holes totalling 4,586 metres have been completed. Each of these projects now requires a considerable amount of drilling for feasibility studies.

Cumulative exploration activity by the Company has resulted in Pegmont having significant size potential which provides opportunities to optimise its value according to grade and metal prices. Recently we achieved an important milestone by commissioning an independent review of Pegmont which estimated a maiden JORC compliant resource of 8.85Mt (5% Pb + Zn) of Indicated and Inferred Resource at 3% (Pb+Zn) cut-off (JM Geological Consulting Pty Ltd – February 2011).

Furthermore, New Hope has down plunge potential. Based on drill results to date, average grade is expected to be between 6-12g/t gold plus 1000-1500ppm cobalt credit depending upon cut-off grade used for estimation purposes. Further drilling for resource estimation purposes is intended as well as a review of near surface drill data to assess open cut potential for early development.

The Reefway Royalty Tenements, currently in production, owned and operated by other parties, are subject to a significant exploration program to increase resources. Since stated resource copper content in the Reefway Royalty Tenements currently exceeds the royalty free allowance, then additional mineralisation within the Reefway Royalty Tenements arising from the current exploration program could be expected to provide a basis for royalty cash flow in future years. A revised resource estimate by CST Mining Group Limited is expected during December 2011.

Pegmont's exploration tenements are situated within the Eastern Succession of the Proterozoic Mount Isa Inlier, covering areas of metasediments, dolerite and granite. Similar rock types host the rich Cannington silver-lead-zinc mine to the east, and the Selwyn, Mount Dore and Merlin copper-gold/-molybdenum- rhenium deposits of the Mount Dore Fault Zone to the north-west. The region is widely mineralised and offers considerable exploration potential.



Mt Isa Proterozoic Inlier

Exploration strategy

The Company's focus is on the Mount Isa region of north-west Queensland which is host to world class base metal deposits at Mount Isa Centuary, Ernest Henry and Cannington see map 13. The region is extensively mineralised with abundant outcrop geology.

The Company is prepared to acquire mineralised prospects with demonstrated economic potential offering drill ready targets. The Company's aim is to convert mineralised potential to Resources by drilling. In the event of the resource potential requiring expertise beyond the Company's capability, consideration would be given to sell the project to mine developers for a consideration of cash/shares plus a royalty.

Exploration assets

The Company has three significant assets:

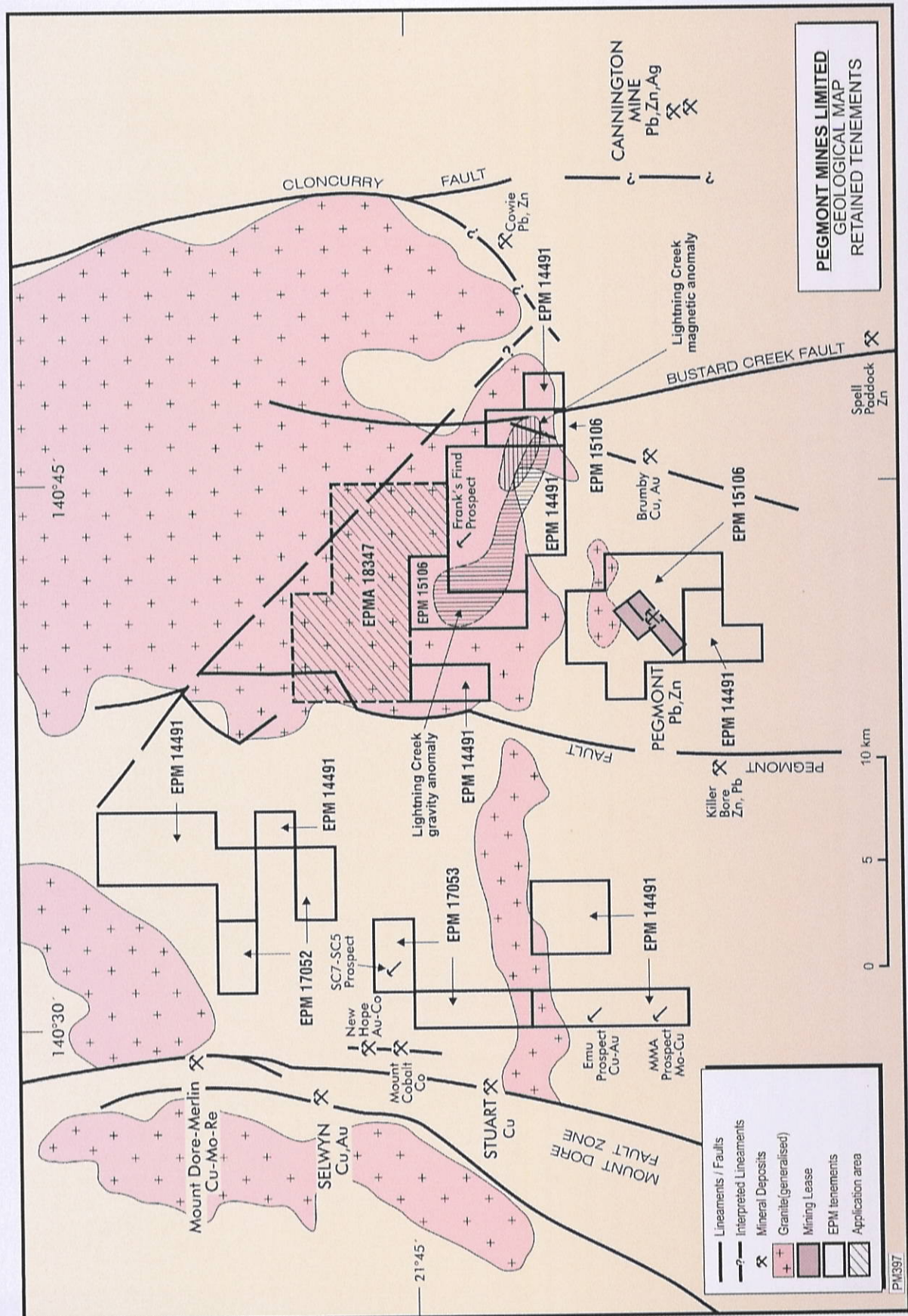
	Tenement Ownership	Comment
New Hope	100%	Potential for a small high grade open cut as an initial start to mining.
Pegmont	100%	Potential for an extensive low to medium grade open cut and underground operation.
Reefway Royalty	76.7% Royalty Interest	Currently in production at approximately 20,000 tonnes of cathode copper metal per year. Plans to increase copper production to 30,000tpa by 2012.

Regional geology

The Pegmont asset is located between the rich Cannington, silver-lead-zinc mine to the east and the Selwyn-Mount Dore-Merlin, copper-molybdenum-rhenium deposits of the Mount Dore Fault Zone to the north-west. The region is highly mineralised and offers considerable exploration potential.

The Company's exploration tenements are clustered in three areas (page 15):-

- i. The Selwyn target areas have several styles of mineralisation including:
 - shear hosted; Cu-Co-Au mineralisation in dolerites at **New Hope**;
 - granite contact; Cu-Au-Mo-Re potential in metasediments which may be fault controlled, eg EMU prospect; and
 - potential fault controlled; Cu-Au-Mo mineralisation in transgressive quartz veins in metasediments, eg MMA prospect.
- ii. The Pegmont prospect is a Broken Hill Type lead-zinc deposit hosted in stratiform banded-iron formation within highly deformed metasediments.
- iii. The **Lightning Creek Magnetic Anomaly** is considered to have potential for a major I.O.C.G. system at depth since shallow drilling down to 300 metres has not intersected significant copper-gold values.



PEGMONT LEAD-ZINC DEPOSIT (100%)

Resource: 8.85Mt @ 5% Pb+Zn of Indicated and Inferred Resource at 3% Pb+Zn cut-off³

Based on: 381 drill holes and 40,409 metres to at least 350 metre depth

Mineralised potential: 9.0Mt – 15Mt @ 4-4.5% Pb+Zn³

Attributes:

- Easy and cheap to explore with vertical reverse circulation holes.
- Mineralisation outcrops to grid west with shallow open cut potential, dips to east.
- Mineralisation is often associated with banded iron formation (BIF) which has a magnetic signature resulting in distinct anomalies.
- Exploration cost to date is moderate per tonne of resource due to its shallow nature. But this cost will increase with depth when drilling to the east to confirm higher grade targets.
- There are a number of high grade (>8% Pb+Zn) intercepts that require follow-up.

General Comments:

The Pegmont project is a Broken Hill Type Pb-Zn deposit hosted by stratiform banded iron formation within highly deformed sediments.

This project with a strike length in excess of 2km and dip extension of 1km requires a considerable amount of drilling on a 50 x 50 metre grid to upgrade inferred resource to indicated resource, then possibly 20 x 20 metres infill drilling to a measured category. In addition there are a number of magnetic anomalies which require drill testing to confirm additional potential – see page 18

Oxide and Transition mineralisation are refractory in nature and difficult to process yielding low recoveries with standard technology. However, bench scale and pilot plant testwork using new technology has provided encouraging recoveries. Sulphide mineralisation is amenable to standard recovery techniques.

Conceptual pits have been generated from the block model produced for the Pegmont Resource Report (J M Geological Consulting – 17 February 2011). This indicative analysis generated some 8.7 million tonnes of 4% Pb+Zn% at above a 2% Pb+Zn cut-off together with a waste of 54.2Mt for a strip ratio of approximately 6. These are purely indicative numbers only and would require a considerable amount of drilling and geotechnical work for confirmation (J M Geological Consulting – 28 February 2011).

³ Resource Estimate Report by JM Geological Consulting Pty Ltd, 17 February 2011

Resource (indicated + inferred) estimates

Cut-off Grade	Total Tonnes		Oxide+Transition		Sulphide	
(Pb+Zn)	(Indic+Inf)	Average Grade Pb+Zn%	Pb+Zn Tonnes	Average Grade Pb+Zn%	Pb+Zn Tonnes	Average Grade Pb+Zn%
2%	13,316	4.1	5,545	3.4	7,771	4.7
3%	8,852	5.0	2,858	4.2	5,994	5.3
4%	5,794	5.7	1,365	5.0	4,429	6.0

Note: Figures are '000 tonnes

These resource estimates of tonnages and grades are contained in “Pegmont Lead/Zinc Project, Qld Resource Estimation Report”, by J M Geological Consulting Pty Ltd - 17 February 2011.

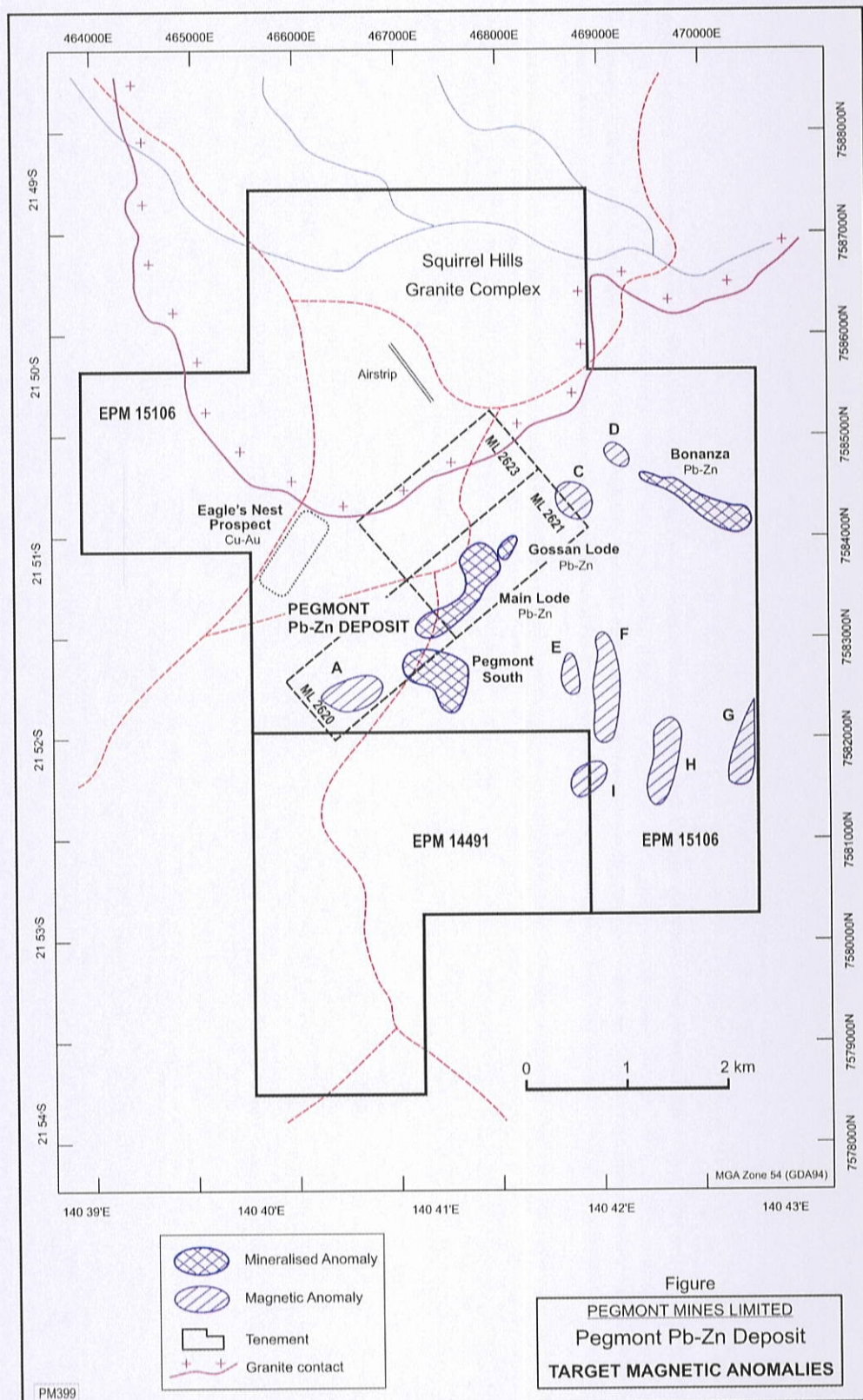
Additional Potential

Oxide Target		Sulphide Target	
Pb+Zn Tonnes	Average Grade Pb+Zn%	Pb+Zn Tonnes	Average Grade Pb+Zn%
1 – 4 Mt	5 – 3 %	25 – 14 Mt	4 – 6%

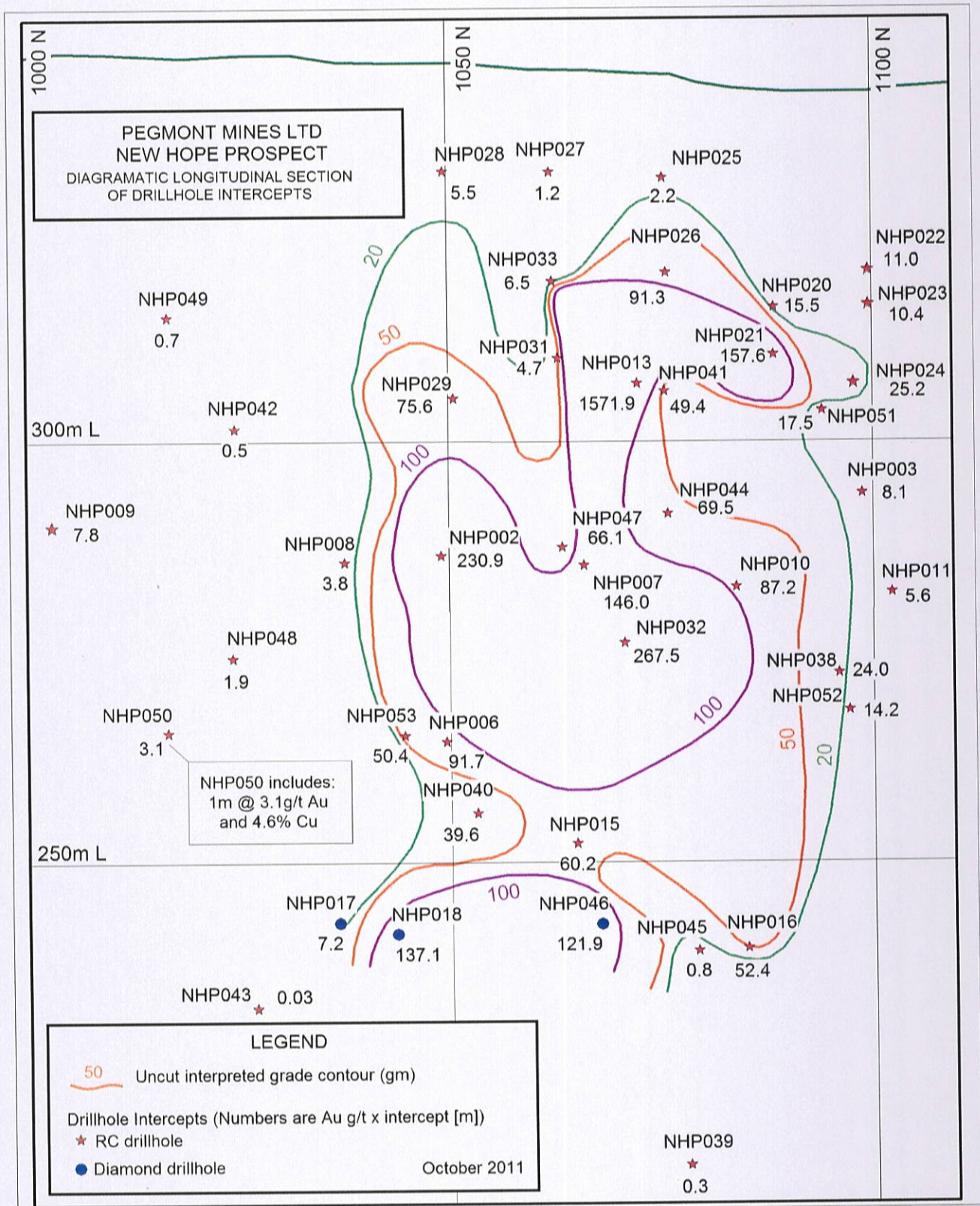
Note: Lesser tonnage at higher average grade could also apply.

Additional Potential is conceptual in nature and it is uncertain if further exploration will result in the determination of a Mineral Resource. These estimates are based on an assessment of extensional drilling targets and assume continuity of Mineralised BIF through the target areas. Drill confirmation would require 98 holes or 19,300 metres.

In summary, since the Pegmont project has large potential which is more suited for a larger mining group our plan is to outline size and grade potential without conducting feasibility studies.



The Pegmont resource estimates include mineralisation associated with the Main Lode, Gossan Lode and Pegmont South anomaly only. Mineralisation intersected in the Bonanza anomaly was excluded. A follow up drill program during 2012 will test other anomalies for mineralisation.



NEW HOPE GOLD-COBALT DEPOSIT (100%)

- Resource:** A resource estimation is expected to be calculated following completion of the initial 53 hole drill program plus additional core holes and assay checks.
- Mineralisation:** High grade mineralisation is associated with a shear zone within a dolerite host rock near to a metasediment contact. This shear zone appears to be the continuation of the Mount Cobalt Shear Zone controlled by another company.
- Best assay results:** NHP 013, 15m @ 103g/t Au (uncut above 100g/t), 989ppm Co from 45 metres; down hole intersect. Mineable material is more likely to have an average grade of between 6-12g/t depending on cut-off grade applied to estimate resources.

Attributes:

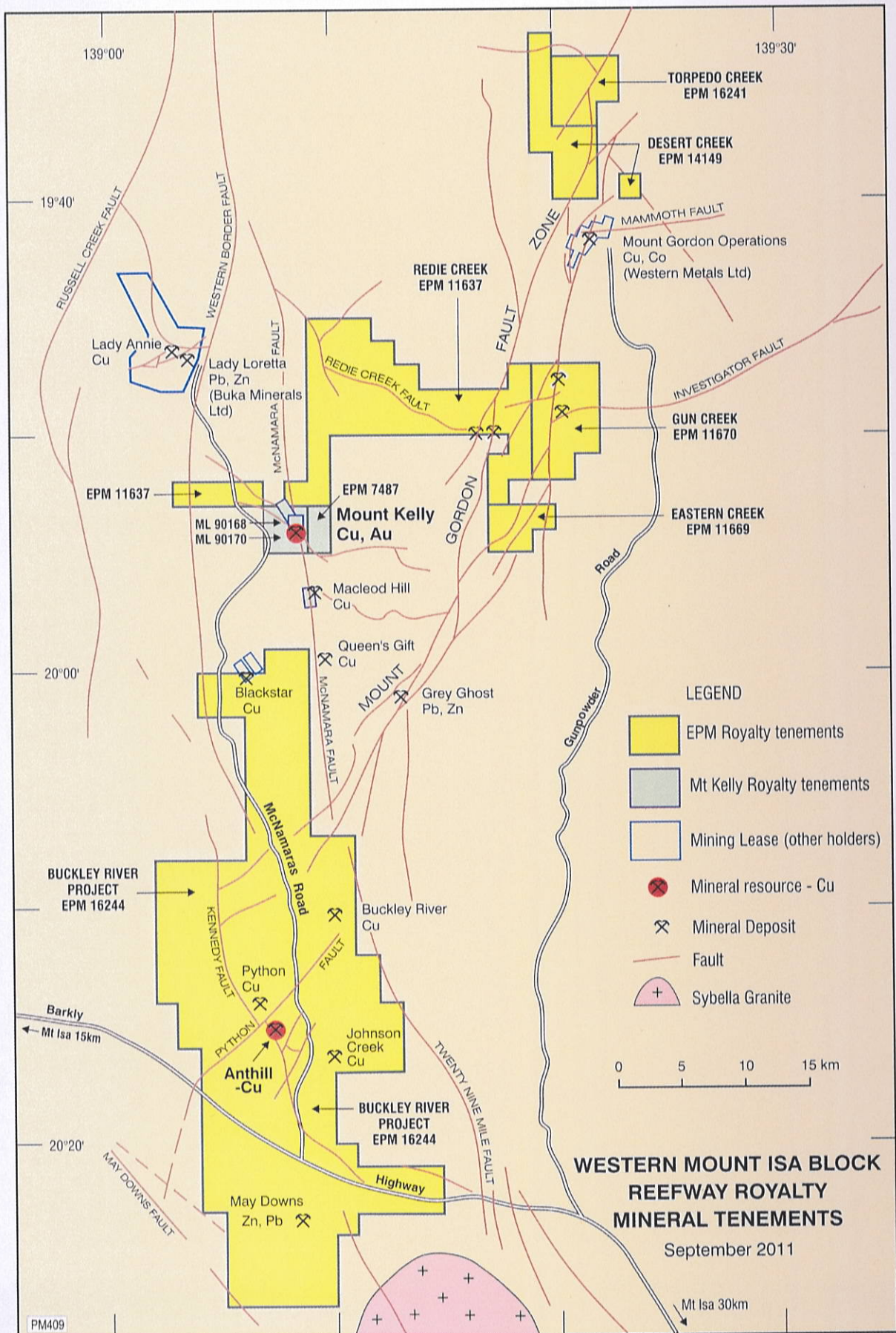
- Near surface mineralisation from about 35 metres depth.
- Sporadic high grade gold values > 100g/t and cobalt > 1% (ie 10,000ppm) Co.
- Limited strike length, about 50 metres.
- Open at depth, below 120 metres.
- Average of mineralised drill intercepts, 4-6 metres.

General Comments:

So far, 50 RC holes and 3 DD core holes totalling 4,586 metres have been completed at New Hope with another 5-14 RC/DD holes planned to 100 metres depth. This intensity of drilling on approximately 5 x 15 metre grid should support a resource estimation; particularly above 65 metres depth. New drilling will concentrate on delineating material suitable for open-cut extraction.

Although gold particle size is fine at New Hope, nevertheless grade can vary considerably with assay values sometimes exceeding 100g/t over one metre intervals in several holes. These high values require different check assay techniques. Furthermore, grade varies considerably over distance between drill hole intercepts requiring close space drilling to support Resource estimation. Also, a 'top-cut' factor may be applied to offset excessive influence of exceptional values.

Bench scale testwork suggests recovery of gold by standard metallurgical techniques, but cobalt is generally refractory requiring a special process being developed by new technology and confirmation by pilot plant testwork, which has commenced.



REEFWAY ROYALTY TENEMENTS (76.7%)

Reefway Pty Limited had acquired the Mount Kelly mineral tenements and an extensive portfolio of exploration areas some 120km north of Mount Isa. The Company and others then sold their shares in Reefway Pty Limited, in September 2004 to CopperCo. The share sale of Reefway Pty Limited was for cash/shares and a deferred royalty. Subsequent events have resulted in CST Minerals Lady Annie Pty Limited assuming the royalty payment obligation.

Royalty in respect of copper is applicable at the greater of a gross royalty and 1% NSR after 100,000 tonnes of net payable copper metal has been extracted from the tenements the subject of the Reefway Royalty Tenements on page 21, including the Mount Kelly Royalty tenements and the EPM Royalty Tenements.

Actual production sold to 30 June 2011 totals 24,641 tonnes of cathode copper.

General Comments:

Published resource estimates by CST Mining Group Limited on 13 December 2010 relating to the Reefway Royalty Tenements totalled 233,000Kt Cu. Since then, CST Mining Group Limited has announced encouraging exploration results from an extensive work program and expects to update resource estimates in a report during December 2011. The Company is hopeful CST Mining will continue their exploration success at **Anthill**.

The total area of the Reefway Royalty Areas, as depicted on page 21 coloured in blue (Mount Kelly royalty tenements) and yellow (subsequent EPM areas applied by Reefway) is approximately 710 km². This area is subject to progressive relinquishment requirements as determined by the appropriate Queensland State Government department.

COMPETENT PERSONS STATEMENT

Geological content in this document has been reviewed by David Hewitt M.Sc., who is a Member of the Australasian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the style of mineralisation and types of deposit under consideration, and to the activity which he is undertaking, to qualify as a **Competent Person** as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (the JORC Code). He consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Risk Factors

Overview

There are a number of factors, both specific to the Company and of a general nature, which may affect the future operating and financial performance of the Company, the industry in which it operates and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward-looking statements will be realised. This section describes certain (but not all) risks associated with an investment in the Company. Each of the risks set out below could, if it eventuates, have a material adverse impact on the Company's operating performance, profits and the value of its Shares.

Before deciding to invest in the Company, potential investors should read the entire Offer Document and the risk factors that could affect the financial performance of the Company. Potential investors should specifically consider the factors contained within this section, in order to appreciate fully the risks associated with an investment in the Company. You should carefully consider these factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

General investment risk

Factors that affect the investment climate such as inflation, interest rates, currency fluctuations, commodity prices, political decisions and international stock markets will determine the Company's subsequent share price and return to investors, which could cause it to rise or fall unexpectedly. The price of the Shares may decline due to selling pressure in an illiquid market.

Share trading risk

The Company has invested surplus working capital in share trading activities and seed capital opportunities. During the period from September 2004 to December 2010, this activity generated an audited net trading profit of \$13,658,000 (after provisions). This result includes a loss during the 'global financial crises' in 2008. Subsequently, trading profits were made in 2009 and 2010. However, for the half year to 30 June 2011, net trading losses of \$803,623 were incurred. Consequently, share trading activity is currently restricted to limited opportunities. Since difficult market conditions may apply for some time, previous money making performance may not apply in the future.

Tenement risk

The activities of the Company could be affected by political and social issues which may hamper or impede successful development of the tenements held by the Company, including heritage and environmental considerations; native land rights claims, industrial disputes and changes to Government regulations and legislation. The Pegmont Mining Lease MLs 2620, 2621 and 2623 expire on 31 January 2012 and EPMs 14491 and 15106 expired on 10 August 2011. Applications for renewal of these tenements have been made which are expected to be granted in the normal course of events. Meanwhile, the Company may continue exploration activities unless otherwise advised.

Funding risk

Upon completion of this Offer, the Company should have adequate financial resources to undertake exploration during the next 12 months. However, the Company does not have a regular cash flow to sustain ongoing activities. The Directors intend to raise additional capital during the next 12

months to fund future exploration and feasibility studies. However, there is no certainty that future fund raisings can be achieved on terms which will add value to the Shares. **This Offer is not underwritten.**

Use of funds

The Company's management will have broad discretion in applying the net proceeds of the Offer and the Company cannot assure investors that such expenditure will ultimately lead to profitability.

Exploration and development risk

While the prospect of finding additional mineralisation within the Pegmont and New Hope assets is considered by the Directors to be excellent, this outcome cannot be guaranteed. The economic viability of future development will be governed by metal prices and grade of mineral mined and environmental and cultural issues.

Development capital risk

The Company will require additional capital to develop its mineral interests into production. The ability of the Company to raise capital will depend upon the prevailing response of investors, including its shareholders. It is an option for the Company to sell its interest in the Pegmont assets for cash/shares plus a royalty but no offers are to hand at present.

Forward-looking statements

Forward-looking statements such as estimates and statements that describe future plans, objectives or goals, by their very nature involve risks and uncertainty as to their completion. Although the Company can undertake feasibility studies on which it can estimate costs with reasonable confidence, other factors may not be controllable or predictable over a period of several years including commodity prices, exchange rates and government legislation. These factors could have a significant effect on future actions of the Company.

Litigation

The Company is not engaged in any litigation at the date hereof and is not aware of any threatened litigation.

Reliance on key personnel

The Company is committed to providing an attractive employment environment, conditions and prospects to assist in retaining its key senior management personnel. However, there can be no assurance the Company will be able to retain these key personnel. The loss of key personnel or the inability to recruit and retain high-calibre staff could have a material adverse effect on the Company. The addition of new employees and the departure of existing employees, particularly in key positions, can be disruptive and could have a material adverse effect on the Company.

Liquidity and realisation risk

There can be no guarantee that an active market in the Shares on NSX will exist at all times. There may be relatively few or many potential buyers or sellers of the Shares on NSX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Eligible Shareholders are able to sell their Shares. This may result in Eligible Shareholders receiving a market price for their Shares that is less or more than the Issue Price. While it is the intention of the Company to seek listing on the ASX during 2012 to improve market liquidity, no guarantee can be given that this intention is consummated.

Tax risk

Although the Company does not currently pay any income tax, due to the existence of accumulated income tax losses, any change to the rate of company income tax in jurisdictions in which the Company operates may impact on future Shareholder returns, as will any change to the rates of income tax applying to individuals or trusts. Any change to the tax arrangements between Australia and other jurisdictions could have an adverse impact on future earnings and the level of dividend franking.

Legislative and regulatory changes

Legislative changes, including environmental regulations or regulatory changes in relation to tenements held by the Company, could have an adverse impact on the Company.

Profitability and commercialisation

No representations or assurances as to future profitability or dividends can be given by the Company, since these elements are dependent on the future success of proposed exploration and development programs being undertaken, tenement deals, share trading or other activities of a commercial nature.

Management will endeavour to mitigate these and any other risks in order to build financial strength and social values.

Financial Effect of the Offer on the Company

General

The Offer will have an effect on the capital structure and the financial position of the Company.

Effect on capital structure

The potential effect on the capital structure of the Company is set out on page 28.

Effect on financial position – pro-forma balance sheet

The effect on the Company's financial position will be to increase Shareholders' funds and net assets by approximately \$1.3 million before payment of the expenses of the Offer.⁴

Basis of preparation

To illustrate the effect of the Offer on the Company, the following pro-forma consolidated balance sheet of the Company has been prepared based on the unaudited management accounts as at 30 June 2011.

The accounting policies adopted in the preparation of the pro-forma consolidated balance sheet are consistent with the accounting policies adopted and described in the Company's Annual Report for the financial year ended 31 December 2010 and should be read in conjunction with that report.

The financial information has been prepared in accordance with the requirements of the Corporations Act, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

Assumptions and qualifications

The pro-forma column two is the unaudited balance sheet as at 30 June 2011 adjusted to reflect the following pro-forma transactions:

- the position as if the Offer were fully taken up and effected on 30 June 2011 on or before the Record Date; and
- receipt of approximately \$1.3 million under the Offer from the issue of approximately 12 million New Shares.

The funds raised by the Offer (after deduction of associated costs) will initially be placed on interest-bearing deposit.

The Company's actual financial position on completion of the Offer may differ from the position illustrated in the pro-forma capital structure and pro-forma balance sheet due to movements in profit/(loss) and in the asset and liability levels during the period between 30 June 2011 and the date when the Offer is completed.

⁴ Assuming all Entitlements are taken up or otherwise all Shortfall Shares are issued to Eligible Shareholders or new investors

Pro-forma Consolidated Balance Sheet

		As at 30 June 2011 (audit reviewed accounts)	As at 30 June 2011 (unaudited pro-forma)
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash	refer note 1	1,313,253	2,608,548
Receivables		74,940	74,940
Investments	refer note 2	1,383,634	1,383,634
TOTAL CURRENT ASSETS		2,771,827	4,067,122
NON-CURRENT ASSETS			
Mineral tenements		3,595,425	3,595,425
Plant and equipment		79,677	79,677
TOTAL NON-CURRENT ASSETS		3,675,102	3,675,102
TOTAL ASSETS		6,446,929	7,742,224
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable		105,440	105,440
TOTAL CURRENT LIABILITIES		105,440	105,440
TOTAL LIABILITIES		105,440	105,440
NET ASSETS		6,341,489	7,636,784
EQUITY			
Issued capital		2,900,386	4,195,681
Reserves		4,556,193	4,556,193
Accumulated losses		(1,060,823)	(1,060,823)
PARENT INTERESTS		6,395,756	7,691,051
Outside equity interests in controlled entities		54,267	54,267
TOTAL EQUITY		6,341,489	7,636,784

Note 1: Cash on hand at the date of this document was \$1,238,939

Note 2: Investments at the date of this document were \$595,500

Additional Information

Continuous disclosure and inspection of documents

The Company is a disclosing entity for the purpose of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations.

The Company believes that it has complied with the general and specific disclosure requirements of the Corporations Act and Listing Rules, which require the Company to notify NSX of information about specific events or matters as they arise, for the purpose of NSX making that information available to the market conducted by NSX.

This Offer Document is issued pursuant to section 708AA of the Corporations Act. This section enables disclosing entities to make offers of securities, under a rights issue, without disclosure to investors under part 6D.2 of the Corporations Act. Accordingly, this Offer Document does not contain all of the information that an investor would find in a prospectus or which may be required by Eligible Shareholders or new investors to make an informed decision about taking up their entitlements or acquiring Shortfall Shares.

This Offer Document should be read in conjunction with the Company's continuous disclosure announcements. Copies of the Company's continuous disclosure announcements lodged with ASIC and NSX may be obtained from or inspected at an office of ASIC or from NSX's website.

Interests of Directors in Shares

The Directors (and their associates) have the following interests in the Company as at the date of this Offer Document:

Director	Shares (direct)	Shares (indirect)	Total Shares (direct and indirect)
Mr J M Armstrong, Non-Executive Chairman	75,000	662,500	737,500
Mr M A Mayger, Managing Director	300,000	29,699,045	29,999,045
Mr D R Curtis, Non- Executive Director	10,000	1,320,130	1,330,130

The Directors may participate in the Rights Issue.

Remuneration

Each of the Directors receives directors' fees from the Company. Details of fees paid to Directors are set out in the Company's last annual report.

Expenses of the Offer

The total expenses of the offer payable by the Company are estimated at approximately \$40,000. These expenses include listing fees, legal fees, printing and other miscellaneous expenses. They will be borne by the Company.

Subscription moneys and interest

Moneys received from an Eligible Shareholders on account of New Shares offered under this Offer Document will, until those New Shares are issued, be held by the Company in a bank account established and kept by the Company for the purpose of depositing subscription moneys.

To the fullest extent permitted by law, each Eligible Shareholder agrees that such moneys do not bear interest as against the Company and that any interest earned in respect of the application moneys paid into that account or kept in the separate account belongs to the Company, irrespective of whether or not all or any of the New Shares applied for by that Eligible shareholder are issued to that Eligible Shareholder.

Privacy

As a Shareholder, the Company and the Registry have already collected certain personal information from you. If you apply for New Shares, the Company and the Registry may update that personal information or collect additional personal information. Such information will be used to assess your acceptance of New Shares, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Access to this information may be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Privacy Act 1988 (Commonwealth).

If you are paying by bank draft or cheque and do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your form.

Under the Privacy Act, you may request access to your personal information held by or on behalf of the Company or the Registry. You can request access to your personal information by contacting the Registry. A fee may be charged to access to your personal information.

Glossary and Definitions

\$	Australian Dollars unless otherwise stated
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Limited ACN 008 504 532
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange financial market operated by it (as the context requires)
Board	Board of Directors of the Company
Chemical Symbols	
Ag	Silver
Au	Gold
Co	Cobalt
Cu	Copper
Mo	Molybdenum
Pb	Lead
Re	Rhenium
U	Uranium
Zn	Zinc
CHESS	The Clearing House Electronic Subregister System operated by the ASTC
Closing Date	The date on which the Offer closes being 21 November 2011 or such other earlier or later date as determined by the Company
Company	Pegmont Mines Limited ACN 003 311 382
Corporations Act	<i>Corporations Act</i> 2001 (Cth)
DD	Diamond Drillhole
Directors	The directors of the Company
Eligible Shareholders	Shareholders at the Record Date with registered addresses on the share register of the Company in Australia
Entitlement	In respect of an Eligible Shareholder, the number of New Shares that an Eligible Shareholder is entitled to subscribe for under the Offer
Entitlement and Acceptance Form	The entitlement and acceptance form accompanying this Offer Document
JORC	Joint Ore Reserve Committee

Issue Price	The price for each New Share, being 10 cents per New Share
Listing Rules	The Listing Rules of the NSX
New Shares	Shares in the capital of the Company to be issued pursuant to this Offer Document
NSX	National Stock Exchange of Australia Ltd ABN 11 000 902 063 or the financial market operated by it (as the context requires)
Offer	The offer of New Shares pursuant to this Offer Document
Offer Document	This offer document dated 19 October 2011
RC	Reverse Circulation Drillhole
Record Date	7:00pm (Sydney time) on 27 October 2011
Registry	The Company's share registry being Computershare Investor Services Pty Ltd
Rights	The rights to subscribe for New Shares under the offer
Rights Issue	A pro-rata non-renounceable rights issue of approximately 12,952,949 fully paid Shares on the basis of one (1) New Share for every four (4) Shares held at an issue price of 10 cents per share
Share	A fully paid ordinary share in the capital of the Company
Shareholder	A person registered as the holder of a share on the Share Register
Share Register	The register of holders of Shares in the Company
Share Registry	Where share transactions are recorded and provides information on share holdings. This information is maintained by Computershare Investor Services Pty Ltd
Shortfall Shares	The number of New Shares offered under this Offer Document for which valid Entitlement applications have not been received from Eligible Shareholders

Corporate Directory

Board of Directors

John M Armstrong	Non-Executive Chairman
Malcolm A Mayger	Managing Director
David R Curtis	Non-Executive Director

Company Secretary

Christopher D Leslie

Senior Geologist

David Hewitt

Registered Office

C/- Walker Wayland Services Pty Ltd
Level 8, 55 Hunter Street
Sydney NSW 2000
Phone: (02) 9951 5400
Fax: (02) 9951 5454

Corporate Office

65 Hume Street
Crows Nest NSW 2065
Phone: (02) 8437 3591
Fax: (02) 8437 3599
Website: www.pegmont.com.au

Shareholder Information

Total Number of Shares on Issue - 51,811,796
Number of Shareholders - 240

Share Registry

C/- Computershare Investor Services Pty Ltd
Shareholder enquiries
Phone: 1300 850 505
Fax: (03) 9415 2500
Email: web.queries@computershare.com.au

Listed on the National Stock Exchange of Australia

Website: www.nsx.com.au

Code: PMI

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Phone: (02) 9253 9999
Fax: (02) 9253 9900

Auditors

Rothsay Chartered Accountants
Level 1, 12 O'Connell Street
Sydney NSW 2000
Phone: (02) 8815 5400
Fax: (02) 8815 5401