

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

21 October 2011

The Manager
National Stock Exchange of Australia
384 Hunter Street
Newcastle NSW 230
Dear Sir,

Quarterly Activity Report to 30 September 2011

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

1. Summary

- Exploration expenditure totalled \$566,960, including drill cost of \$284,450 and \$45,454 contribution to metallurgical test runs on high grade New Hope gold-cobalt drill cuttings.
- The cash position was \$1,287,933 at 30 September 2011 which together with listed shares at market value \$595,500 resulted in liquid assets at market of \$1,883,433 or 3.5c/share.
- Pre-Tax Share Trading loss was \$136,148 for the quarter compared to a profit of \$856,168 for the June'10 quarter. Interest received during the quarter was \$13,219. This loss was due to lower prices received on liquidated positions.
- The Board has announced a one for four new issue at 10 cents per share on 19 October 2011 to raise approximately \$1.3million for working capital purposes. The Shareholders will shortly receive the new issue "Offer Documents" which should be read in its entirety. Any queries arising therefrom should call Computershare information line on 1300136975 between 8.30am-5.00pm (AEDT).
- Off market transfers of 510,000 shares from a Director has resulted in 51 extra shareholders in the company making a total of 231 members.

2. Exploration Activity

The Company completed a RC drill program of 28 holes totalling 2,746 metres on the following five prospects during the quarter:

Pegmont magnetic anomaly (one hole) for 120 metres. There were no significant values.

Eagles Nest (two holes) for 146 metres. There were no significant values.

New Hope (twenty holes) for 2,084 metres. Significant values in 12 holes.

EMU (three holes) for 180 metres. There were no significant values.

MMA (two holes) for 336 metres. There were no significant values.

Apart from New Hope, drill assay results were disappointing and reflect the high risk of testing previously undrilled geochemical targets as at Eagles Nest, EMU and MMA. However, follow up work, by additional mapping, sampling and ground geophysical surveys will be undertaken. The Pegmont aero magnetic anomaly is likely to have been caused by previously drilled steel tubing which was not retrieved.

At **New Hope**, a small high grade gold-cobalt deposit has been tested by 50RC and 3 Diamond core holes totalling 4,586 metres. The best intercepts of the latest drill program were:-

NHP 036 **11metres @ 18.0 g/t Au** from 34 metres.
including 1m@128 g/t Au from 40metres.
including 4m@13,360ppm Co from 35metres.

NHP 046 **3metres @ 38.8 g/t Au** from 99metres.
including 3m@3,420ppm Co from 99metres

A full summary of drill results from NHP034 to NHP053 was announced to the NSX on 26 September 2011.

A follow up program of 5 holes totalling 370 metres, including 250 metres of HQ drill core has been completed targeted at the shallow(30-60 metre depth) high grade supergene zone to provide increased confidence for resource estimation and geotechnical information for open-pit studies. Metallurgical test work has also commenced on previous RC drill samples and will also include testing of core when it becomes available. Subject to results from these activities, our intention is to rapidly progress the New Hope feasibility studies.

3. Reefway Royalty Tenements (Pegmont 76.73% royalty interest)

The current owner and operator of the Reefway Royalty Tenements CST Mining Group Limited (CST Mining) announced on 12 October 2011 a “New Copper discovery” at their Lady Annie Copper Operation, 120Km north of Mount Isa. This discovery, called Lady Colleen lies within the Mount Kelly Mining Area which is subject to a deferred royalty agreement with Pegmont Mines Limited and others.

Your attention is drawn to our announcements of 29 September and 14 October 2011. Since future drilling is intended by CST Mining, the Company is optimistic that additional “discoveries” will be made on the Reefway Royalty Tenements which could enhance the likelihood of a future royalty stream to the Company.

Details of further exploration success, revisions to resource estimates and production expansion plans beyond 20,000 tonnes of cathode copper per year will be relayed in Company announcements when made by CST Mining.

4. Sharetrading Activities

The Net Trading result for the three months to 30 September 2011 was a loss of \$136,148 and \$983,633 for the nine months, after allowing for previous offsetting provision for loss on quoted and non quoted shares of \$1,004,661 from 31 December 2010.

Shares Traded	Sept Quarter 2011 \$000	Nine Months to Sept 2011 \$000	Year Budget 2011 \$000	Revised Estimate 2011 \$000
Proceeds	5,010	6,188	20,000	9,500
Cost	6,885	8,176	18,000	6,500
Profits	76	166	2,500	200
Losses	(1,829)	(2,154)	(500)	(3,200)
Realised (Loss)	(1,753)	(1,988)	2,000	(3,000)
Net Provision				
Profit/ (Loss)	1,617	1,004	-	2,000
Net Trading Profit/Loss	(136)	(984)	2,000	(1,000)

Heavy trading losses were incurred during the first half year due to a sharp sell off in resource issues as confidence in world economic recovery declined due to the European sovereign debt crises and sluggish economic activity in USA. These issues have continued to dog equity markets and continue to cause investor uncertainties. The Company share trading portfolio has been greatly reduced in order to lesson exposure to further market declines.

5. Income and Expenditure (cash basis)

Income Received	Sept Quarter \$	Nine Months 2011 \$	Revised Estimate 2011 \$
Interest	13,219	49,061	80,000
Net Profit (Loss) on sale of shares	(1,753,393)	(1,988,294)	(3,000,000)
Other Income	740	17,740	20,000
	(1,739,434)	(1,921,493)	(2,900,000)
Add: Write back of provisions	1,617,245	1,004,661	2,000,000
Trading result	(122,189)	(916,832)	(900,000)

Exploration Expenditure

Pegmont deposit – geology & general	95,829	171,021	250,000
– metallurgy	-	90,909	91,000
Pegmont regional- geology& drilling	140,173	230,777	240,000
New Hope- geology & drilling	285,224	345,336	450,000
-metallurgy	45,454	45,454	46,000
Other	280	1,267	5,000
Exploration expenditure	566,960	884,764	1,082,000

Corporate Expenditure

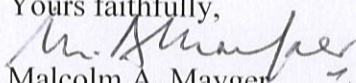
Administration	72,944	173,468	300,000
Directors' & Secretary fees	92,125	287,375	390,500
Share Investments	(830,861)	(1,400,900)	(1,500,000)
	(665,792)	(940,057)	(809,500)
Net Cash Surplus/ (Deficit)	(23,357)	(861,539)	(1,172,500)
Add opening cash balances.	1,311,290	2,149,472	2,149,472
Closing Cash Balances.	1,287,933	1,287,933	976,972

Summary

The Company has made excellent progress at **New Hope**. We will be able to estimate a JORC compliant resource before year end which together with ongoing metallurgical studies should enable commencement of feasibility studies.

The Company now has two advanced exploration projects at Pegmont (Pb-Zn) and New Hope (Au-Co) plus a major deferred royalty interest on the Mount Kelly copper operations. We can expect increased activity arising from these interests during 2012 which will provide a steady news flow. Please maintain your interest by regularly checking our website at www.pegmont.com.au

Yours faithfully,


Malcolm A. Mayger
Managing Director