

Pegmont Mines Limited

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

Dear Sir,

Field Exploration activity to commence early March 2012

We are pleased to report that a Longyear GK850 Rig capable of drilling NQ core to 700 meters depth has been contracted to commence at Pegmont on 5th March next or thereabouts, depending upon weather and ground conditions. The program is designed to test large targets associated with complex structures in proximity to known mineralisation. This rig will undertake a minimum program of 1,500 metres to test three prospects:

- **Sharry Fault IP Anomaly** is located within the Sandy Creek Shear zone which is defined by a series of E-W Shears, separating the Northern banded iron formation (BIF) from the Pegmont BIF and the Gossan Lode BIF. This shear zone is characterised by a low magnetic intensity which could indicate hydrothermal silification. The IP anomaly occurs within the Shear Zone where the Sharry Fault merges with the Collins Fault.

The IP Anomaly provides a large target (100m x 150m at 200m depth, increasing to 500m x 250m at 400m depth).

Of previous drilling within the anomaly area only one hole PGH 28 came close to the target. It was drilled to 230m and intersected disseminated sulphides near its end. The anomaly will be tested by a +600m hole with downhole EM surveys at regular intervals, for possible hydrothermal upgrading to massive sulphides.

- **Bonanza magnetic Anomaly** is a prominent magnetic anomaly reflecting banded iron formation (BIF) that sits on the northern margin of the Sandy Creek Shear Zone some 2.5km east of the Sharry Fault IP anomaly. The substantial size of this magnetic feature (500m x 400m) indicates potential to host a large body of mineralization.

Previous exploration includes four drill holes including PMD 037 that intersected 5m of (Pb + Zn) >6%.

- **Mount Lucas – Gossan Lode EM Anomaly** is a moderate conductor with a strike length of 400 metres at about 200m depth, located between Mt Lucas and the Gossan Lode BIF outcrops. No deep drilling of consequence has been undertaken in this area. In order to locate this conductor more accurately a further ground EM survey will be run prior to drilling. A 400m hole is anticipated to test this target.

Summary

The proposed three (3) hole drill program is very different from our previous exploration programs which targeted shallow BIF mineralisation. The upcoming program has used geophysical criteria including the reprocessing of previously compiled data with modern software, use of 3D IP data, EM data and geological re-interpretation of a considerable data bank of information. Drill success would create new opportunities.

Yours sincerely,


Malcolm A Mayger
Managing Director

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Squirrel Hills
Granite

Corderite-bearing
rock

Bonanza
Anomaly

Deep IP Anomaly

Northern
BIF

Pegmont
BIF
Horizon

Shear Zone

Gossan
Lode

PEGMONT
PROJECT
AREA

EPM 14491

EPM 15106

0 500 1000m

PEGMONT MINES N.L.
TOTAL MAGNETIC INTENSITY IMAGE
PEGMONT PROJECT AREA