

26 OCTOBER 2011

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2011

St George Mining Limited (ASX: SGQ) ("St George Mining"), a gold and nickel focused exploration company, presents its Quarterly Activities Report for the period ended 30 September 2011:

EAST LAVERTON PROPERTY

Gold Exploration - Activities

During the quarter, the Company commenced its 2011 field programme which will focus on drilling high priority gold targets at the Desert Dragon and Balmoral prospects as well as carrying out further multi-element MMI ("mobile metal ion") soil geochemical sampling over new gold targets.

The advanced Desert Dragon and Balmoral gold prospects were identified through the Company's MMI geochemical survey completed in 2010. A regional soil survey over 850 square kilometers was carried out in the 2010 field season that was followed by infill sampling in some key areas of interest. The MMI work provided the Company with a clear understanding of the geology, major structures and local controls on gold mineralisation at East Laverton and has enabled the Company to establish several very well defined drill targets for the 2011 field season.

Both air-core and RC drilling will be used during the 2011 field season. Drilling commenced in early September 2011 and is ongoing. The first test results from the drilling are expected by early November 2011.

Desert Dragon

This is a highly anomalous gold system located in an optimal trap site for gold mineralisation. The system is hosted by the north-west trending Stella Range Fault which is cross-cut by a fundamental north east-south west tensional fault system informally known as the "Tropicana Trend". Approximately 3km of strike length has been identified. The initial focus for drilling will be a 1.5km area in the southern section of the strike length which hosts three prominent gold zones.

Balmoral

This gold prospect is a large and complex gold system where the core zone has a surface expression of approximately 3km x 2km. The prospect was identified through the 2010 regional MMI survey and then mapped in detail using 50m spaced sampling, defining three distinct gold zones.

Processing and analysis of the regional multi-element sample data confirmed a large and zoned geochemical footprint at Balmoral. The geochemical footprint features a proximal molybdenum (Mo), silver (Ag) and copper (Cu) response surrounded by a tungsten zone with a strong NW trending arsenic (As) and antimony (Sb) response over 6km.

New Gold Targets

The Red Dragon and Cambridge gold prospects were also identified by the 2010 MMI geochemical survey. MMI multi-element geochemical soil sampling of these targets was carried out during the quarter.

Nickel Exploration – Project Dragon

St George Mining, through its wholly own subsidiary Desert Fox Resources Pty Ltd, has entered into a Farm-in Agreement with BHP Billiton Nickel West Pty Ltd (“Nickel West”) in regard to the nickel rights at certain of the tenements at the East Laverton Property.

During the quarter, exploration activities by Nickel West focused on:

- (a) preparation for the planned archaeological and ethnographic surveys to occur during the next quarter; and
- (b) continuing work on the planned PoW (plan of works) with a desktop environmental review and heritage assessment being undertaken during the next quarter.

At this stage, drilling by Nickel West is planned to occur during the first quarter of 2012.

Under the Farm-in Agreement, Nickel West will have the right to earn up to a 70% interest in the nickel rights by sole funding a bankable feasibility study. Further details on the Project Dragon farm-in arrangement are contained in the ASX Release dated 6 April 2011 issued by St George Mining and on our website at www.stgm.com.au/project-dragon.

East Laverton Tenements

St George Mining has 100% ownership of 24 tenements at the East Laverton Property. Of these, 23 are granted Exploration Licences and 1 is an application for Exploration Licence.

During the quarter, the Company acquired three tenements:

- (a) granted Exploration Licences E39/1066 and E39/1461 were purchased by the Company on 29 September 2011 for cash consideration; and
- (b) the Company lodged an application for Exploration Licence E39/1655 on 18 July 2011.

PINE CREEK PROPERTY

Exploration Activities – Pine Creek

During the quarter, and in advance of a diamond drilling programme at the Pine Creek Property scheduled for October 2011, St George Mining conducted a comprehensive review of the historical drill cores from the Pine Creek Property. These two cores are known as FEND 14 and FEND 18.

The previous explorer at the Pine Creek Property, Homestake Gold of Australia Limited (“HGAL”), carried out a successful regional diamond drilling programme over a broad area of the Fenton shear zone that included EL 27732, a tenement that now forms part of St George Mining’s Pine Creek Property. HGAL was part of the Homestake Group, one of the largest global gold miners during the 1990’s, and now merged with Barrick Gold Corporation.

Carbon and sulphide-rich gold mineralisation was intersected by HGAL at the current Pine Creek Property within the extensive and highly mineralised Koolpin Formation, which also hosts the Cosmo Howley gold mine about 30km to the northeast. The HGAL drilling was based on magnetic modeling of the interpreted pyrrhotite-rich mineralisation and the current depths of the intersections reflect this. The magnetic modeling would not have identified up-dip zones of oxidized gold mineralisation, where magnetic pyrrhotite appears to be altered non-magnetic pyrite. This suggests potential for up-dip extensions to the known mineralised zone.

The two historical drill cores were analysed using the CSIRO HyLogger hyperspectral logging technology. This is industry leading technology developed by the CSIRO, using different light bands to identify the various minerals present and distinguish whether they are original to the rock, a result of metamorphism (i.e. heat and pressure changes) or are alteration minerals, potentially associated with gold mineralisation.

The HyLogger detects mineral occurrences and changes not discernible by the human eye. It takes readings at every 10cm along the analysed drill core, providing a detailed and comprehensive record of mineralisation. This information can be correlated to alteration zoning that is known to exist in orogenic gold deposits, and can be used to identify the core of the gold system where the highest grades are anticipated.

The information produced by the HyLogger review has provided the Company with a better understanding of the gold system at the Pine Creek Property including the relative position of FEND 14 and FEND 18 within the larger gold system. The most significant insight was that in the high grade zones intersected in FEND 18, where visible gold had been detected by HGAL, the alteration was still “patchy” and not pervasive as would be expected. This suggests FEND 18 intersected gold mineralisation that is still proximal to the core of the main gold system rather than the core itself. It follows that St George Mining may encounter larger and higher grade gold intersections in areas associated with more pervasive deformation, alteration and mineralisation, nearer the core of the system.

The Company commenced its 2011 field programme at Pine Creek in early October 2011 with a regional MMI geochemical survey. The diamond drilling programme for Pine Creek commenced on 17 October 2011 and is ongoing.

Pine Creek Tenements

There are seven tenements comprising the Pine Creek Property in which St George Mining has an 80% interest. At the commencement of the quarter, 4 of the tenements were granted Exploration Licences and 3 were applications for Exploration Licences.

On 25 August 2011, the 3 applications – being for EL28332, EL28463 and EL28465 – were granted.

No tenements, in part or whole, were relinquished, surrendered or otherwise divested during the quarterly period ended 30 September 2011.

CORPORATE ACTIVITIES

Entitlements Issue

On 2 August 2011, the Company launched a 1 for 5 non-renounceable entitlements issue of shares at 15 cents per new share, to raise up to \$1.575 million (“Entitlements Issue”).

Existing shareholders were offered the opportunity to purchase one (1) new share for every five (5) shares held by them as at the record date of 15 August 2011 at a price of 15 cents per share. For every two (2) shares purchased under the Entitlements Issue, shareholders received three (3) free options. The key terms of the free options are:

- the exercise price of each option shall be 20 cents each;
- the Company will apply to have the options quoted on the ASX;
- the expiry date of each option shall be 28 November 2014; and
- options may be exercised at any time prior to expiry.

The Entitlements Issue was fully subscribed resulting in the ordinary shares issued by the Company increasing from 52,500,000 to 63,000,000. In addition, a total of 15,750,000 options were issued by the Company as part of the Entitlements Issue. The options commenced trading on ASX under the code SGQO on 1 September 2011.

Pine Creek Options

As part consideration for the acquisition of an 80% interest in the Pine Creek Property, the Company had agreed to issue 800,000 options to the vendors of the Pine Creek Property (the **Pine Creek Options**). Further details of the consideration payable to the Pine Creek vendors can be found in the Solicitor's Report included in the IPO Prospectus dated 18 August 2010.

On 8 September 2011, the Company issued 800,000 options to the Pine Creek vendors. The options are on the same terms and conditions as the free options issued under the Entitlements Issue.

As at the end of the quarter, the total number of options issued by the Company was 16,550,000.

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COMPETENT PERSON STATEMENT:

The information in this announcement that relates to Exploration Results and Mineral Resources is based on information compiled by Andrew Hawker of Hawker Geological Services Pty Ltd. Mr Hawker is a member of the Australasian Institute of Mining and Metallurgy has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which he is undertaking. This qualifies Mr Hawker as a "Competent Person" as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hawker consents to the inclusion of information in this announcement in the form and context in which it appears.

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

St George Mining Limited

ABN

21 139 308 973

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(292)	(292)
(b) development	-	-
(c) production	-	-
(d) administration	(163)	(163)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	13	13
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	50	50
1.7 Other - GST	(21)	(21)
Net Operating Cash Flows	(413)	(413)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(413)	(413)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(413)	(413)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,575	1,575
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other - Cost of issue	-	-
	Net financing cash flows	1,575	1,575
	Net increase (decrease) in cash held	1,162	1,162
1.20	Cash at beginning of quarter/year to date	1,114	1,114
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	2,276	2,276

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	134
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

	\$'000
Directors fees and remuneration	115
Accounting, bookkeeping and secretarial services	19

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 8 September 2011 St George Mining Limited allotted to the vendors of exploration licence E27732, a tenement comprised in the Company's Pine Creek Property, 800,000 Options exercisable at \$0.20 on or before 28 November 2014. The Options are on the same terms and conditions as those detailed in the Entitlement Prospectus dated 5 August 2011.

The Company acquired an option to purchase an 80% interest in E27732 under an Option Agreement dated 23 June 2010. The Options allotted represent part consideration due under that Option Agreement.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	NIL	NIL
3.2 Credit standby arrangements	NIL	NIL

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	450
4.2 Development	-
4.3 Production	-
4.4 Administration	125
Total	575

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2,276	1,114
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	2,276	1,114

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A	N/A	N/A	N/A

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

6.2 Interests in mining tenements acquired or increased	E39/1066	Exploration Licence	NIL	100%
	E39/1461	Exploration Licence	NIL	100%
	EL27732	Exploration Licence	NIL	80%
	EL28332	Exploration Licence	NIL	80%
	EL28463	Exploration Licence	NIL	80%
	EL28465	Exploration Licence	NIL	80%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Performance Securities	100	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	63,000,000	37,755,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	10,500,000	10,500,000	\$0.15	\$0.15
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	16,550,000	15,750,000	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 28 November 2014
7.8 Issued during quarter	16,550,000	15,750,000	\$0.20	28 November 2014
7.9 Exercised during quarter				

+ See chapter 19 for defined terms.

7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Marcus Michael

Date: 26 October 2011

Print name: Marcus Michael

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.