

Pegmont Mines Limited

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21 May 2007

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

Dear Sir,

**Option Agreement with Cloncurry Precious Metals Pty Ltd
with regard to the Pegmont lead-zinc deposit.**

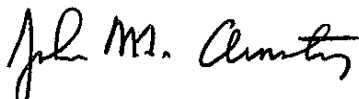
The Directors' of Pegmont Mines Limited (**"the Company"**) are pleased to announce the Company has agreed to enter into a 2 year option agreement with Cloncurry Precious Metals Pty Ltd (**"CPM"**) with regard to the Company's Pegmont lead-zinc deposit and adjacent tenements in Queensland.

The option period will extend to 28 February 2009 during which time there will be a minimum drill commitment of 4,000 metres by December 2007 undertaken by CPM.

The exercise terms of the option will be a pre-payment of a \$12 million royalty payable in cash \$9.6m and shares \$2.4m. Upon exercise of the option CPM will enter into a royalty agreement which will include provision for a 1.25% NSR royalty after recoupment of the \$12 million.

This agreement is dependent upon CPM listing on the ASX by 31 August 2007 or other satisfactory financing arrangements being made by 30 September 2007 to meets its obligations. Meanwhile, the Company will continue with its exploration program.

Yours faithfully,

John M. Armstrong
Chairman