

Pegmont Mines Limited

ABN 97 003 331 682

Corporate Office

65 Hume Street
Crows Nest NSW 2065

Postal Address

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FAX TO: NATIONAL STOCK EXCHANGE OF AUSTRALIA

ATTENTION: MR SCOTT EVANS

FAX NO: (02) 49291556

FROM: CHRIS LESLIE

SUBJECT: MEMORANDUM OF UNDERSTANDING

DATE: 4 SEPTEMBER 2008

Dear Scott,

Please find attached a letter in relation to a Memorandum of Understanding between Cloncurry Metals Ltd and BHP Billiton with respect to the Pegmont Deposit.

Regards,


Chris Leslie

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4 September 2008

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

Dear Sir,

Memorandum of Understanding with BHP Billiton

We are advised by Cloncurry Metals Limited (CLU) that CLU has signed a Memorandum of Understanding (MOU) with BHP Billiton in relation to the possible early development of the Pegmont lead-zinc Deposit. Attached is the Company Announcement issued by CLU to the Australian Securities Exchange Commission on 4 September 2008 in relation to the MOU.

It should be noted the Pegmont Deposit is under option to CLU which has the right to exercise the option by the 28 February 2009.

Yours faithfully,



Malcolm A. Mayger
Managing Director



cloncurry metals
LIMITED
ASX: CLM

4 September 2008

Company Announcements Office
Australian Securities Exchange Limited
Level 5, Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

Memorandum of Understanding with BHP Billiton

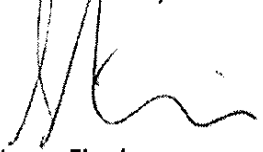
The Board of Cloncurry Metals Limited ("the Company") is pleased to announce that the Company has signed a Memorandum of Understanding (MoU) with BHP Billiton to assess various arrangements that would allow for an early development of the Pegmont Deposit and based on the premise of delivering the mined ore to the Cannington Plant for processing. The Cannington Mine is located approximately 25km east of Pegmont and is therefore a short and viable haulage distance.

The two Companies will work together to assess the various alternatives put forward by the MoU with the outcomes expected to be delivered by the end of October 2008. A period of due diligence has commenced, and the current drilling program continues in accordance with the program approved earlier this year.

This is extremely positive news for the Company and the Pegmont Deposit as it has the potential to provide a clear way forward to early development with a low capital cost.

Our Company looks forward to a long and mutually beneficial association with BHP Billiton and particularly the Cannington Mine.

Yours sincerely



Simon Finnis
Chief Executive Officer
Cloncurry Metals Limited

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