PEGMONT MINES N.L.

ACN 003 331 682

PROSPECTUS

THIS DOCUMENT IS IMPORTANT

This is an important document that should be read in its entirety before deciding to apply for Shares.

NEW ISSUE AND PLACEMENT

A one for two Pro-Rata Non-Renounceable Rights Issue of 14,915,380 fully paid ordinary shares each at an issue price of 10 cents per share to raise $1,491,538 and placement of a further 5,253,839 fully paid shares at 10 cents each to raise a further $525,386 making a total of 20,169,239 Shares offered under this Prospectus to raise $2,016,924.

This Prospectus is dated 29 September 2000.

Final closing date of New Issue for receipt of applications and payment in full is 27 October 2000 by 5pm EST.

Shares offered by this Prospectus are of a speculative nature. Applicants should consult their professional advisers before deciding to apply for Shares for the purpose of making an informed assessment of the financial position and prospects of Pegmont Mines NL and the rights attaching to and the speculative nature of the shares.

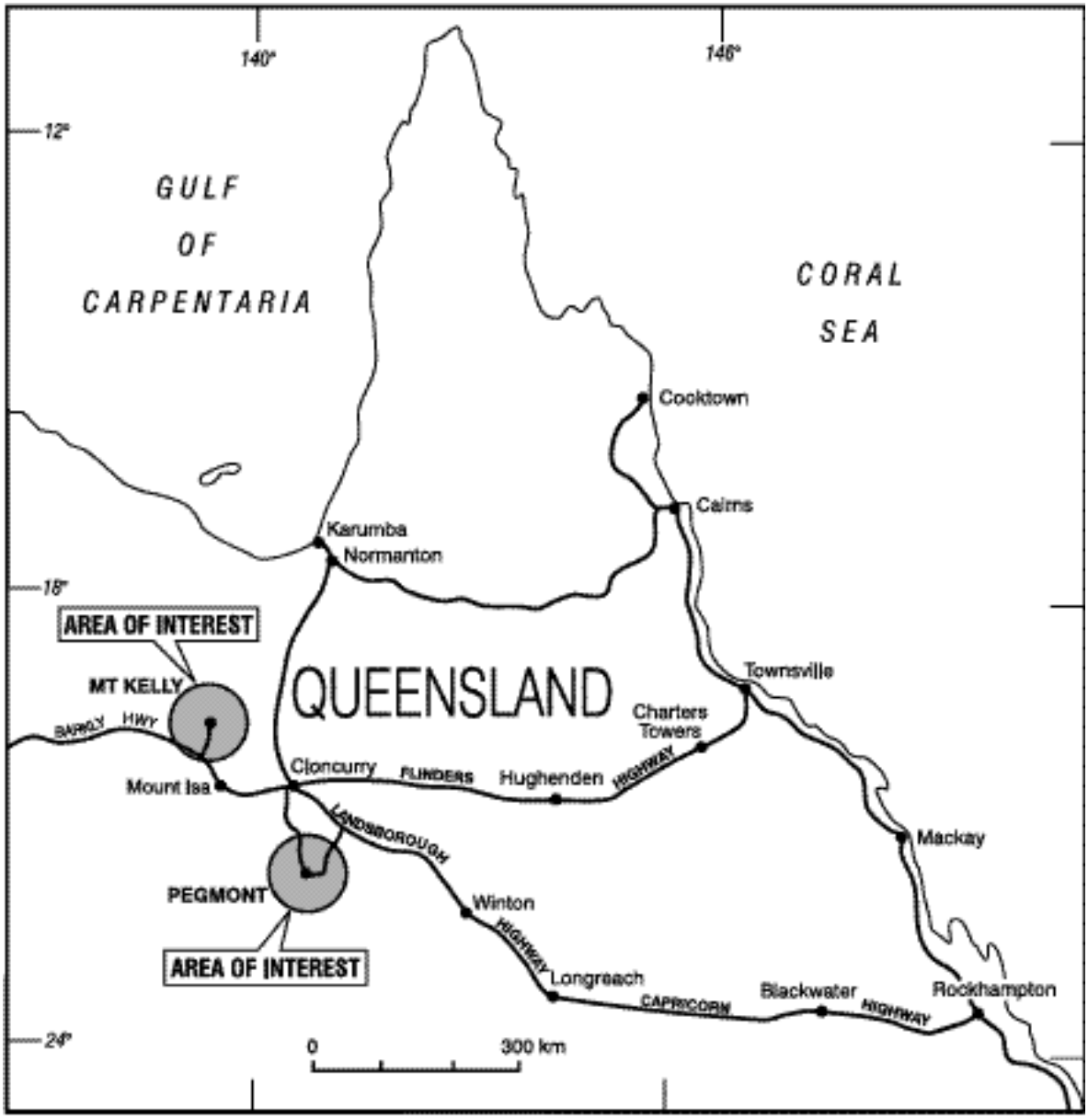

Figure 1 General Location, Mount Isa - Cloncurry Region, North Queensland

"Application will be made for listing of the Company's securities offered by this Prospectus by the Stock Exchange of Newcastle Limited.

The fact that the Stock Exchange of Newcastle Limited may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities.

The Stock Exchange of Newcastle Limited takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document."

CORPORATE DIRECTORY

Directors

John M Armstrong	Non-Executive Chairman
Malcolm A Mayger	Managing Director
Michael D Leggo	Non-Executive Director

Company Secretary

Christopher D Leslie

Senior Adviser

Bart C Ryan AM

Registered Office

C/- The Plaza
Level 7, 14 Martin Place
SYDNEY NSW 2000
Telephone: (02) 9224 8971
Facsimile: (02) 9224 8910
Internet: www.pegmont.com.au

Auditors and Share Registry

Rothsay - Chartered Accountants
Level 8, 49 York Street
SYDNEY NSW 2000
Telephone: (02) 9262 2922
Facsimile: (02) 9262 2422

Sponsoring Broker

Pritchard & Partners Pty Limited
10 Murray Street
Hamilton NSW 2303
Telephone: (02) 4969 2877

Supplementary Shareholder Information

Total Number of Shares on Issue	29,830,761

Distribution of Shareholdings

	Number of Shareholders	Total Shares
1 - 10,000	20	200,000
10,001 - 50,000	43	1,321,500
50,001 - 100,000	8	646,250
100,001 - 500,000	18	3,555,250
500,000 and over	9	24,107,761
TOTAL	98	29,830,761

Top 10 Shareholders	
Pegasus Enterprises Ltd	11,800,005
Malcolm A Mayger Pty Ltd	5,680,000
Warlam Pty Ltd A/C Lincon	1,274,750
Malcolm A Mayger Pty Ltd - Superannuation Fund	1,100,000
Darwood Investments Pty Ltd	1,000,000
Westpac Custodian Nominees Ltd	1,000,000
Scepha Investments Pty Ltd	908,000
Lozora Pty Ltd	690,000
Sydney Equities Pty Ltd	625,000
N. Anderson	340,000

Share Registry

National Registry Services Pty Limited
Level 6, Chifley Tower,
2 Chifley Square, Sydney, NSW 2001
Telephone: (02) 9259 3000

REGISTERED PROSPECTUS

A copy of this Prospectus has been lodged with the Australian Securities & Investments Commission (ASIC). Neither ASIC nor its officers take any responsibility for the contents of this Prospectus.

No securities will be allotted or issued on the basis of this Prospectus later than 12 months after the date of issue of this Prospectus. An application for Shares will only be accepted on the Application Form attached to this Prospectus.

Certain words and terms used in this Prospectus have defined meanings which appear in the Glossary and Definitions at pages 120 and 121 of this Prospectus.

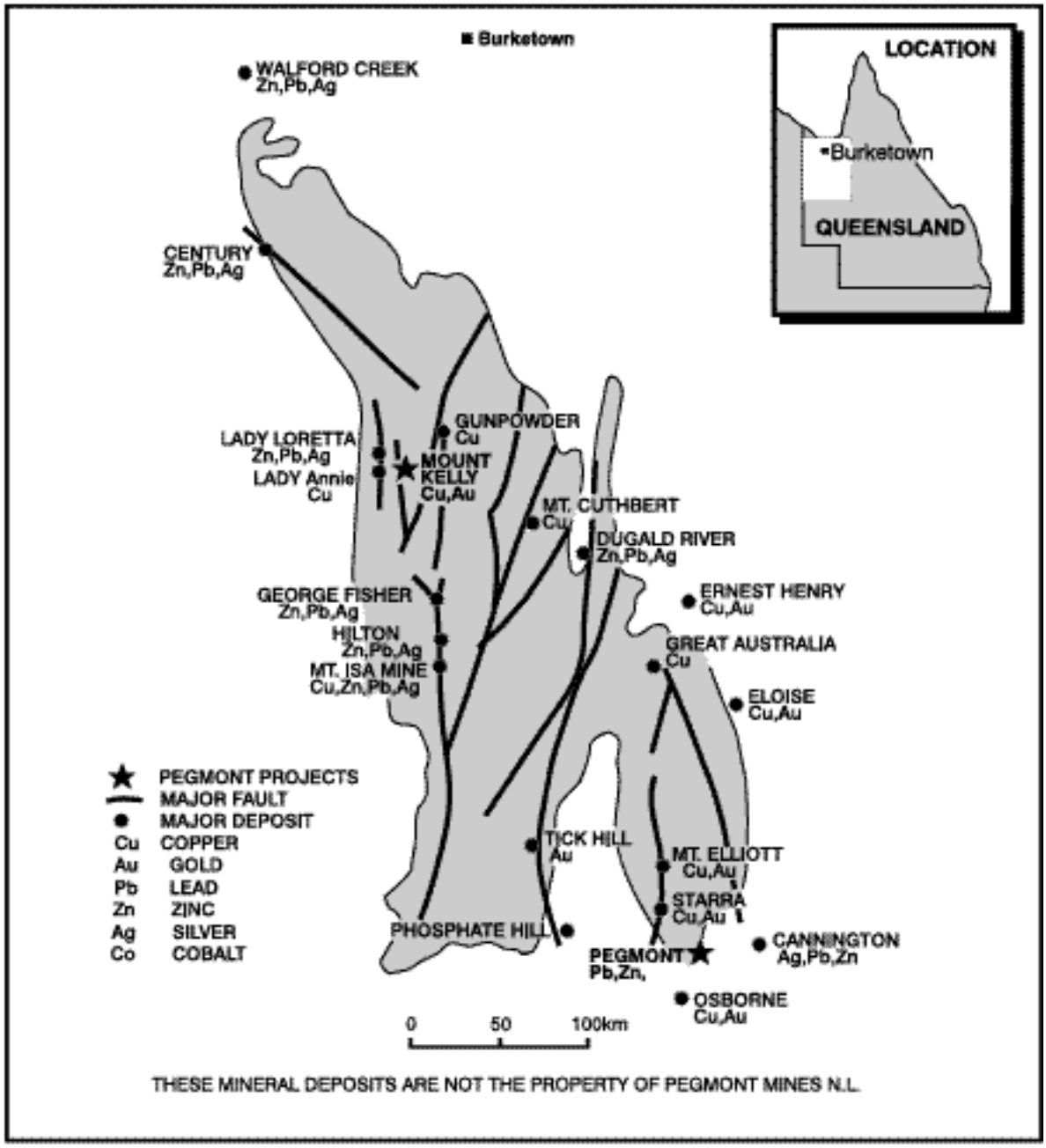

Figure 2 Mt. Isa Proterozic Inlier

North-west Queensland is undergoing a remarkable resource development boom. The Ernest-Henry copper-gold mine (a joint venture between MIM Holdings Ltd 51% and Pasminco Ltd 49%) commenced production in August 1997.

BHP's Cannington deposit (only 25km east of Pegmont) commenced production during November 1997. The mine is gearing up to produce 750 tonnes of silver from 265,000 tonnes of lead concentrate and 110,000 tonnes of zinc concentrate.

Both the Century zinc-lead mine (development cost $888 million) and Phosphate Hill deposits ($650 million) commenced production during late 1999.

The George Fisher lead-zinc mine is being developed by MIM Holdings Ltd and Western Metals Ltd is upscaling the Mount Gordon (Gunpowder) copper operation.

This region is one of opportunity for investors in resource development.

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IMPORTANT NOTICE – RISK FACTORS

Although the directors recommend to you to take up your entitlements of the New Issue which is the subject of this Prospectus, it is important to note that there are a number of risk factors that should be considered:-

(a) General Investment Risk is that the Company's shares may decline due to selling pressure in an illiquid market.

(b) Tenement Risk which may result in EPM application areas not being granted to either the Company or to Reefway because of competing applications, change in conditions of grant, Native Title issues or non-compliance for whatever reason which may delay the granting of title.

(c) Funding Risk in arranging adequate funding for ongoing exploration and evaluation activities. The Company does not have a cash flow operation to sustain ongoing activities.

(d) Exploration and Development Risks that arise from establishing the economic viability of resources suitable for development.

(e) Forward-looking Statements such as estimates and statements that describe future plans, objectives or goals, by their very nature involve risks and uncertainty as to their completion. A more complete discussion of risk factors appear on page 115.

DIRECTORS AND OFFICERS

John M Armstrong
Non-Executive Chairman

B.Sc. (Chem, Eng.), MBA, ASIA, FAICD
John Armstrong, age 65, is a professional Company Director with 30 years experience in the resources industry. He is a graduate in Chemical Engineering from the University of Illinois of USAwith Honours and has a Masters Degree in Business Administration from Harvard University. He has been a permanent resident of Australia since 1970 and has extensive experience in investment banking, and resource finance at senior management and Director levels. He is a member of the Securities Institute and the Australian Institute of Company Directors, and Director of Drillsearch Energy NL.

Malcolm A Mayger
Managing Director

B.Comm., ACA, FAICD
Malcolm Mayger, age 61, is a Mineral Economist with over 30 years experience in exploration, mining and mining investment. He has a Bachelors Degree in Commerce from University of Queensland and is an Associate of the Institute of Chartered Accountants of Australia (not in practice). He has held a number of company directorships during the past 26 years and is a Fellow of the Australian Institute of Company Directors. Malcolm Mayger founded Pegasus Enterprises Limited in 1987, and is Executive Chairman.

Michael D Leggo
Non-Executive Director

B.Sc., M.Sc., Ph.D., DIC, FAIG, FAusImm
Michael Leggo, age 59, is a Geoscientist with over 25 years experience. His qualifications are in geology and geochemistry backed by technical and managerial experience with major resource companies including General Manager, Minerals Exploration and Development with CSR during 1982-88 when the company discovered the Osborne copper-gold and the Granny Smith gold deposits. He is a Fellow of the Australian Institute of Geoscientists, The Australasian Institute of Mining and Metallurgy and the Association of Exploration Geochemists.

Christopher D Leslie
Secretary

B.Comm., FCA
Chris Leslie, age 46, is a Corporate Accountant with 18 years experience in the petroleum and mining industries. He has a Bachelors Degree in Commerce from the University of New South Wales and is a Fellow of the Institute of Chartered Accountants of Australia.

KEY POINTS

Pegmont Mines NLis an exploration company operating in the Mount Isa region of north-west Queensland with interests in two advanced stage exploration projects at Pegmont (lead-zinc) and at Mount Kelly (copper-gold) plus explorations areas under application.

- **Pegmont** is a Broken Hill-type lead-zinc deposit with an indicated and inferred resource of 8.6 million tonnes assaying 7.7% Pb and 3.5% Zn with very good potential for extra contiguous mineralisation.

- In addition, there is the opportunity for discovery of a large high grade deposit broadly analogous to the nearby Cannington silver-lead-zinc deposit. The next phase of drilling will be directed at this target called the Pegmont Deeps project.

- **Mount Kelly** is a Mount Isa-type copper deposit. Recent spatially restricted drilling has indicated between 200,000 – 300,000 tonnes assaying approximately 3% copper and between 2 to 3 g/t gold of potential mineralisation within a strike length of 120 metres. There is excellent potential to add to this tonnage along strike and to depth. A subsequent drill program of 1,756 metres has extended the strike length at MK 475 and tested new gold targets at Mt Kelly West and the Dividend prospect.

- The Company has an agreement with **Goldsearch Limited** whereby have an option to earn a 50% interest in Mount Kelly by completing a bankable feasibility study and to make a decision to mine.

- **The Net Asset Backing** upon completion of the Issue is estimated to vary from 13.5 cents to 32 cents per share with a most likely value of 17 cents.

- A Letter of Intent between Billiton and the Company signed on 15 September 2000, provides for an initial subscription by Billiton of $275,000 to acquire 2,750,000 Shares at 10 cents each with 2,750,000 free options exercisable at 10¢ each before 30.7.2002 and at the election of Billiton a further placement of $275,000 at a premium. These funds are to be used to drill test a Cannington-style target below the Pegmont Main Lode known as the **Pegmont Deeps.** Billiton may also make further investments in the Company of up to $400,000 to be used in each of **May Downs** and **Gun Creek** projects subject to the grant of these Tenements to the Company.

- Following the initial expenditure of $275,000, Billiton may elect to commence the Pegmont Joint Venture with the Company to earn in stages a 70% interest in the Pegmont Deeps Joint Venture by expending $4.0 million within six years thereof.

- The Company will conduct the initial exploration program and will be appointed the operator of phase 1 of the Pegmont Deeps Joint Venture.

- **An experienced team** of consulting geologists, with specialised knowledge of the Mount Isa region, has been developed during the Company's operations since 1996.

- **The funds raised** being $2,016,924 will be partly used to capitalise $1,015,404 in shareholder loans and the balance of $1,001,520 to be applied to exploration and working capital.

CHAIRMAN'S LETTER

Dear Shareholder/Investor,

We invite you to take up your entitlement of new shares arising from a one for two New Issue of fully paid ordinary shares at an **issue price of 10 cents per share** to raise $1,491,538. In addition, we offer to place an extra 5,253,859 fully paid shares at 10 cents each to raise a further $525,386.

The purpose of this New Issue is to raise sufficient funds to match Billiton's initial subscription of $275,000 and to provide working capital in order that the Company may:

- Fund ongoing exploration on the Mount Kelly mining leases and the surrounding EPM 7487 amounting to $90,000 p.a. This expenditure will be spent mainly on drilling copper and copper-gold targets.
- Review and acquire other opportunities in the Mount Isa region including the take up of application areas that may cost $300,000 next year.
- Undertake drilling at Pegmont to upgrade resources and pay rental of mining leases.
- Capitalise shareholder advances totalling $1,015,404.

Billiton Alliance

We are pleased to announce that we have entered into an alliance with Billiton for the exploration of the **Pegmont Deeps** to test for a Cannington-style target beneath the currently defined Banded Iron Formation (BIF) hosted lead-zinc resource. Our agreement also provides for the exploration of the May Downs zinc-lead prospect and the **Gun Creek** copper prospect should they be granted to the Company. Through staged contributions to fund authorised activities, Billiton's investment in the Company, if it makes all elections available to it, could exceed $1.6 million. Furthermore, Billiton could elect to joint venture into each of the projects to earn a 70% interest.

Billiton has contracted out part of its exploration activities to a number of junior companies by taking equity positions in them and dedicating funds so raised towards specified exploration targets. The Company is very pleased to have become a member of Billiton's stable of explorers.

Billiton is backing the technical expertise of the Company's exploration team and their concepts to explore high quality targets in the Mount Isa region. In the event of a discovery, Billiton has the financial ability to fund mine development.

We look forward to developing a successful and long term relationship with Billiton.

Exploration Strategy

Although **Pegmont** was discovered during 1971, exploration work to date has not drilled out the deposit or adequately explained the controls on mineralisation. Recent work by the Company has for the first time developed a structural framework for the deposit and has established a number of similarities between Pegmont and the nearby Cannington deposits. Future work by the Company will be aimed at establishing the existence of a structurally-controlled high grade silver-lead-zinc deposit analagous to that being mined at Cannington.

The Mount Kelly tenements are prospective for high grade copper and copper-gold targets. Further drilling at the **MK 475 Prospect** is required to firm tonnage estimates to a resource status. So far, drill results have been encouraging and tonnage estimates are expected to increase significantly during the year. Recent rock chip results at the **Mount Kelly West Prospect** have provided highly anomalous gold values. Follow up drilling is planned. Goldsearch Limited has an option to earn a 50% interest in these tenements.

The Kennedy Gap Project EPM application areas (subject to grant) are prospective for Mount Isa type zinc-lead-silver and copper mineralisation. At the **May Downs Prospect** there are excellent walk-up drill (geophysical and structural) targets which require little preparatory work prior to drilling. This prospect has major size potential.

The Mount Gordon Fault Zone EPM application areas, (subject to grant) including Gun Creek, are very prospective for repetitions of Mount Gordon and Mount Isa type copper mineralisation.

Corporate Strategy

A key strategy, until such time as the Company has access to an adequate level of funding, is to acquire highly prospective tenements and to keep its expenditure to a minimum by entering into joint venture arrangements. The Billiton alliance is an example of this strategy as it provides a comprehensive financing package for the Company to take projects through to production. Where possible, we will endeavour to retain operatorship. Our efforts will continue to concentrate on building economic resources by drilling and other studies that can lead us towards feasibility studies and a decision to mine.

Stock Exchange Listing Intention

Upon the raising of a minimum amount of $550,000 in new funds the Company will seek listing on the Stock Exchange of Newcastle Limited (NSX). However, NSX listing can not be guaranteed until all requirements have been met.

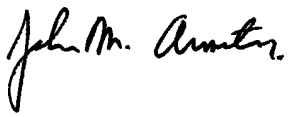
Exploration Budget

The Board has budgeted for expenditure of approximately $920,000 until 31 December 2001 on exploration and administration. This activity may include 3756 metres of drilling from July to 31 December 2000 and a further 8,300 metres during the year to 31 December 2001. Exploration programs and budgets will be reviewed regularly and adjusted in the light of results.

Other Information

This Prospectus sets out in detail the essential points of information for investment. Please read this information carefully. If you require any additional detail about the nature of the Company's activities, please contact Mr Malcolm Mayger, Managing Director on 02 9224 8971.

Yours sincerely



John M Armstrong
Chairman

THE OFFER

This Prospectus applies to an offer of 20,169,239 ordinary fully paid shares in Pegmont Mines NL. The application price under this offer is 10 cents per Share payable in full upon application.

Key Statistics

Offer price per Share	10 cents
Number of Shares being offered in this Prospectus	20,169,239
Number of Shares on issue following the Offer	50,000,000
Proceeds from the issue (net of capitalisation of shareholder advances)	$1,007,512
Market Capitalisation at the Offer price	$5,000,000

Placement Offer Period

Opening date of the Offer	Friday 13 October 2000
Expected closing date of the Offer	Friday 27 October 2000

The Directors reserve the right to close the Offer at any time without prior notice and to vary any of the important dates set out in this Prospectus, including extending the period of the Offer.

Minimum Total Applications

The minimum number of Shares to be allotted is 15,804,000 to raise $1,580,400 including 10,254,000 shares to promoters.

This Offer is partly underwritten

Malcolm A Mayger Pty Limited has entered into an agreement to underwrite the take up of 10,254,000 shares at 10 cents each in order to capitalise shareholder loans amounting to $1,015,404 and excess entitlements of $9,996.

No Shares will be allotted or issued pursuant to this Prospectus later than 12 months after the date of this Prospectus.

The Prospectus does not constitute an Offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Investors should note that for a period of up to fourteen days after the date of this Prospectus, the document is subject to public exposure. If this Prospectus is received with the application form during this period and the application form is completed and returned in this period, the investor will not have received any benefit that may arise from public scrutiny during the exposure period.

TIMETABLE OF IMPORTANT DATES

Date of Offer Information Statement	29 September 2000
New Issue Offer opens	13 October 2000
New Issue Offer closes and completed applications forms to be received by	27 October 2000
Intended allotment of the new Shares	10 November 2000

The Directors reserve the right to extend the New Issue Offer period and to place any shortfall shares.

Minimum Individual Application

For Shareholders wishing to take up their entitlements, there is no minimum application number for Shares to be taken up or its corresponding amount.

For Investors a minimum application for 20,000 shares at 10 cents each, at a cost of $2,000 is required.

INFORMATION FOR APPLICANTS

Instructions

This is an important document and should be read in its entirety. Before deciding to apply for Shares to be issued pursuant to this Prospectus you should consider whether the Shares are a suitable investment for you. If you are in any doubt as to how to apply for Shares under this Prospectus, please consult your financial or legal adviser.

Applications for Shares can only be made by, and will only be accepted on, the Application Form attached to this Prospectus. The Application Form must be completed in accordance with the instructions set out on its reverse side; and must not be circulated unless attached to a copy of this Prospectus.

The Application Form must be accompanied by payment of $0.10 per share. Cheques must be in Australian currency and be made payable to Pegmont Mines NL and crossed "Not Negotiable". No brokerage or stamp duty is payable by applicants.

Completed Application Forms and accompanying cheques should be returned to:

The Share Registrar
National Registry Services Pty Limited
Level 6, Chifley Tower
2 Chifley Square
SYDNEY NSW 2000

Applicants with queries on how to complete the Application Form or who require additional copies of this Prospectus should telephone Malcolm Mayger on 02-9224 8971 or fax 02-9224 8910. Applications must be received by 5.00pm Australian Eastern Summer Time on the Closing Date, 27 October 2000.

Allotment of Shares

The Directors reserve the right to allot any of the Shares in full on any application or to allot any lesser number of Shares or reject an application. If the number of Shares allotted is less than the number applied for, the surplus subscription money will be refunded within seven days of the allotment without interest. Holding statements will be despatched within 14 days of allotment.

Newcastle Stock Exchange Listing

Within seven days of the date of this Prospectus the Directors will make an application to The Stock Exchange of Newcastle Limited (NSX) for the Company to be admitted to the Official List of the Newcastle Stock Exchange for official quotation of the Shares offered under this Prospectus.

Should the Company not be granted listing on the NSX before the end of three months after the date of this Prospectus then any allotment of Shares pursuant to this Prospectus will be void and all application monies received will be refunded in full to Shareholders and Investors without interest.

INVESTMENT HIGHLIGHTS

Key Offer Statistics

Shares now offered	14,915,380 New Issue fully paid shares and 5,253,859 fully paid placement shares.
Total Ordinary Shares on Issue (after the issue)	50,000,000
Market Capitalisation (at Issue price of 10¢ per share)	$5,000,000
New Issue and Placement Proceeds	$2,016,924
Net Asset Backing per share (after the New Issue)	13.5 cents
Issue Price	10 cents per share

INVESTMENT SUMMARY

Capital Structure

Prior to this issue, the capital structure of the Company consisted of 29,830,761 ordinary shares of 20 cents each fully paid and 4,850,000 options to subscribe for ordinary shares.

The expanded capital of the Company upon the take up of all of the shares and options now offered will be:

50,000,000	Ordinary shares of fully paid
1,500,000	Options exercisable at 30¢ each by 31 March 2001
2,750,000	Options exercisable at 10¢ each by 30 July 2002
2,150,000	Options exercisable at 10¢ each by 31 December 2002
1,200,000	Options exercisable at 10¢ each by 31 December 2003
57,600,000	**Total shares and options on issue**

Net Asset Backing

The net asset backing of each Share after completion of this issue will be 13.5 cents per ordinary Share.

Dividend Policy

A dividend policy will only be set when mining operations have been established and profitability has been achieved and the Company's cash flow is such, that, in the opinion of the Directors, a dividend could be prudently considered. The New Issue and Placement shares will rank equally to the Existing Shares as to dividend participation rights and in all other respects.

DETAILS OF THE ISSUE

Purpose of the Issue

Pegmont Mines NL intends to raise $2,016,924 from a one for two New Issue of 14,915,380 shares to shareholders and the placement of 5,253,859 shares to investors. The funds from the Issue will be applied to:-

- Capitalisation of shareholder advances totalling $1,009,412
- Payment of creditors $40,000.
- Working capital requirements during the current year of operations including exploration review and administration expense $350,000. It is most likely that additional funds will be required during year 2001, which may be raised from future placements.
- Costs of the New Issue and Placement $125,000.

Shares now offered for Application

A total of 20,169,239 fully paid Shares are offered to shareholders and investors for subscription by this Prospectus. The total consideration of $0.10 per Share is payable in full on application.

Opening and Closing of Dates and Subscription Lists

Applications for Shares may be lodged at any time after the issue of this Prospectus and lodgement of applications will be accepted prior to the opening date.

The application lists will open not later than 9.00 am, Eastern Summer Time on 13 October 2000 (the "opening date") and will remain open until 5.00 PM, Eastern Summer Time 27 October 2000 (the "closing date"), subject to the right of the Directors to extend the closing time and date.

New Issue Offer

This offer expires 27 October 2000. No Shares will be allotted or issued on the basis of this Prospectus after that date unless the Directors have extended the closing time and date.

Over Applications/Placement

Over applications from shareholders and investors will be accepted up to a maximum of 5,253,859 shares at 10 cents each which shall be allotted at the discretion of the Board.

Allotment

Allotment of Shares will be made as soon as possible after the closing date.

Notice of allotment of Application moneys will be despatched to the applicant within 14 days of the closing date.

Shortfall

The Board has reserved the right to place any shortfall shares within three months of the close of the Issue.

Minimum Subscription

The minimum level of subscription that must be subscribed under this Prospectus is for 15,804,000 Shares. Unless the minimum subscription is received within four months of the date of this Prospectus no share will be allotted and all subscription monies will be refunded without interest.

Objectives of the Company

It is the objective of the Directors to establish Pegmont Mines NL as a successful mining and exploration company through focused exploration and mine development in the Mount Isa/Cloncurry region in northwest Queensland.

Corporate History

The Company, then called Pegasus Mines (No. 2) NL, was incorporated in 1987 as a wholly owned subsidiary of Pegasus Enterprises Limited ("Pegasus") to acquire mineral interests in Australia. During 1988, the Company changed its name to Dakota Consolidated Mines NL and subsequently considered a gold exploration opportunity in New South Wales. However, nothing eventuated and the Company's activities remained dormant until 1996 when an opportunity to buy the Pegmont lead-zinc deposit in northwest Queensland became available. During March 1996 the Company changed its name to Pegmont Mines NL and entered into the Sale and Purchase Agreement to acquire the Pegmont mining leases on 23 April 1996 and this was completed on 14 June 1996.

On 24 May 1996, Pegasus subscribed for 100,000 fully paid ordinary shares in the Company at 20 cents each increasing its holding from 5 to 100,005 ordinary shares at 20 cents each. Pegasus then subscribed for a further 10,000,000 ordinary shares of 20 cents each fully paid at a discount of 19.8 cents each together with 1,500,000 free options exercisable at 30 ¢ each on or before 31 March 2001 in consideration for making available funds to purchase the Pegmont deposit.

During October 1996, the Company made a pro-rata issue of 12,875,000 Ordinary Shares of 20 cents each fully paid to the shareholders of Pegasus via a registered Prospectus at a discount of 19.8 cents each.

During May 1997, the Company applied for 10,000,000 shares at one (1) cent each in Reefway Pty Ltd which resulted in the Company holding 80% and Pegasus holding 20% of the issued capital. Reefway had reached an agreement with Rio Tinto Exploration Pty Limited to acquire the Mount Kelly Tenements and it also applied for EPMs in both the Pegmont region and north of Mt Isa.

Corporate activities during 1997 were initially focused on developing a Prospectus for ASX listing which had to be abandoned due to poor market conditions. This resulted in a fundamental review of the direction of the Company and the Board decided that there was no alternative but to find joint venture partners and form strategic alliances.

Activities to June 1998 were concentrated on the completion of the Mount Kelly purchase agreement and developing joint venture negotiations with major companies in respect to the Pegmont tenements. These efforts resulted in an agreement being reached with North Limited on 7 August 1998 whereby they could earn 75% interest in the Pegmont leases by completing a bankable feasibility study.. However, they considered that their drilling results did not provide sufficient encouragement and elected to withdraw from the joint venture on 21 December 1999. Nevertheless, the work completed, including data compilation of previous activities provided valuable information about the geology of the Pegmont deposit.

Corporate Agreements

The Company's development has been highlighted by a series of agreements which have provided the building blocks for its current activities.

(a) **Purchase of the Pegmont mining leases** from a consortium of BHP Minerals Pty Ltd, Mount Isa Mines Limited and Newcrest Mining Limited for $200,000. This deal was completed on 14 June 1996 and provided the Company a strategic position in one of the most exciting mineral provinces in Australia. The Company has sought to consolidate its presence by making EPM applications in close proximity to the Pegmont deposit.

(b) **Reefway purchased the Mount Kelly mining leases and the surrounding EPM** 7487 from Rio Tinto Exploration Pty Ltd, Miniere Mining Pty Ltd and Mineral Commodities NL for $300,000 plus 1% royalty to a maximum amount of $1 million. This deal was signed on 14 May 1998 and required the payment of $200,000 upon assignment of the tenements and $100,000 six months later. Rio Tinto and Miniere Mining have the right to claw back 51% interest within seven (7) years of the date of the Agreement by reimbursing 300% of historic costs of exploration expenditure and 110% of pro rata capital expenditure.

This deal provided the Company with a high grade copper-gold target which could lead to early development of a mining project.

Since the Mount Kelly tenements were in a different geological domain to Pegmont, the Mount Kelly tenements and subsequent EPM applications were put into Reefway Pty Ltd. Pegmont owns 81.4% of the issued capital of Reefway.

(c) **The Heads of Agreement with Goldsearch NL** was completed on 22 May 1998 whereby that company would fund an initial exploration program for $200,000, (including $100,000 contribution to the acquisition cost) to investigate the high grade copper-gold potential at Mount Kelly. Goldsearch has subsequently drilled 3,014 metres to 31 December 1999 and since then it has undertaken a preliminary resource assessment. Goldsearch continues to explore in order to determine whether to proceed to acquire a 50% interest in the Mount Kelly tenements by completing a bankable feasibility study and making a decision to mine subject to the pre-emptive rights of Rio Tinto and Miniere Mining.

Should Goldsearch decide not to proceed, they will receive up to 1,875,000 shares in Reefway. Should Rio Tinto/Miniere Mining exercise their pre-emptive right, Goldsearch would receive 2,000,000 shares in Reefway.

This agreement effectively reduced the initial purchase cost of the Mount Kelly tenements to the Company and provided a confirmatory test of the high grade intersection of 57 metres assaying 2.9% Cu and 15.1 g/t Au; including 8.3 metres of 7.5% Cu and 98 g/t Au. The primary objective of the ongoing program is to establish the potential for a mineable resource.

(d) **The Billiton Subscription Agreement** provides for an initial subscription for 2.75 million Shares at 10 cents each at a cost of $275,000 as set out on page 9 and 10 of this Prospectus. Billiton has agreed to acquire these Shares on the condition that the Company raises an equal amount of new capital pursuant to this Prospectus.

THE BILLITON SUBSCRIPTION AGREEMENT

On 15 September 2000 the Company and Billiton agreed on the terms of a Letter of Intent (LOI) whereby Billiton have agreed to subscribe for an initial placement of 2.75 million Shares at 10 cents each at a cost of $275,000 to undertake exploration on the Pegmont Deeps Project together with 2,750,000 free options exercisable at 10 cents each on or before 30 July 2002; upon the condition that the Company raises at least $275,000 from non Billiton parties for general corporate purposes; pursuant to this Prospectus; that the Company list on the Stock Exchange of Newcastle Limited (NSX) and that Billiton's shareholding in the Company will not exceed 14.99% of the issued capital of the Company.

The other material terms of the Billiton Subscription Agreement include:

1. Following the expenditure of the $275,000 on the Pegmont Deeps Project to confirm or otherwise the presence of high grade zinc-lead-silver mineralisation, to be completed by 31 December 2000 including 2000m of drilling, Billiton may elect to make a further contribution of $275,000 by way of a second placement before 30 June 2001, or commence the Pegmont Deeps Joint Venture with the Company to further explore and possibly develop the Pegmont Deeps Project. This joint venture agreement includes the following conditions:-

   (a) Billiton may elect to proceed to earn 51% interest in the Pegmont Deeps Project Area below 120 metres depth by expending $1.75 million within 3 years; including completion of 12,000 metres of drilling within the Pegmont Deeps Project Area (Figure 5, page 17);

   (b) If it does earn 51%, Billiton may increase its interest in the Pegmont Deeps Joint Venture by a further 19% by expending a further $2.25 million on exploration including an additional 12,000 metres of drilling within a further 3 years;

   (c) In the event that Billiton earns 51% or reaches 70% interest in the Pegmont Deeps Joint Venture, and asks the Company to contribute to future expenditure then, the Company may elect to contribute to further expenditure on the joint venture, or elect to retain a Net Smelter Return (NSR) royalty which would vary from 1 to 4% according to metal grades of mill feed;

   (d) In the event of the Company electing to contribute to the Pegmont Deeps Joint Venture, each party will thereafter fund its share of expenditure or dilute; and

   (e) If the Company's interest in the Pegmont Deeps Joint Venture falls to 10% its interest will be "loan carried" at that level until the commencement of commercial production with the loan proceeds being repayable (together with interest) from 80% of the free cash flow produced from the operations of the Pegmont Deeps Joint Venture.

2. Other conditions include:

   (a) The appointment of the Company as manager of Pegmont Deeps Joint Venture during Phase 1 of the Pegmont Deeps Joint Venture;

(b) The Company will maintain its interest in the top 120 metres of the Pegmont mining leases in the Pegmont Deeps Project Area (which includes the existing lead-zinc resources) until such time as Billiton commits to a final feasibility study;

(c) Billiton's interest is in the defined area of the Pegmont Deeps Project Area (figure 5), although there may be other targets within the Tenements. Exploration of these other targets would be the subject of additional funding requirements; and

(d) Upon completion of mining and rehabilitation of the Pegmont Deeps Project site, the Tenements including the Pegmont Deeps Joint Venture will revert to the Company.

3. Other Agreements are:

Billiton has agreed to subscribe $200,000 at a premium of 25% to the market price of the Company's Shares at the date of grant of each of two EPM application areas (EPMA 11696 – Wilfred Creek and EPMA 11670 Gun Creek). Prior to entering into a joint venture on either or both tenements, Billiton has an option to subscribe a further $200,000 of Shares in relation to each of the EPMAs 11696 and 11670 at the same price as the original subscription. After subscribing the initial subscription funds in each area, Billiton may decide to earn a 51% interest in a portion of EPMA 11696 covering the May Downs prospect by expending $2.0 million including 15,000m of drilling and 51% of EPMA 11670 by expending $1.5 million including 10,000m of drilling over a period of three years from date of exercise of its option. Billiton may elect to a further expenditure of $2.5 million including 21,000m of drilling on EPMA 11696 and $2.0 million including 13,000m of drilling on EPMA 11670 to earn a 70% joint venture interest. Billiton and the Company would thereafter contribute on a pro-rata basis. Should the Company be called upon to contribute to the joint venture, it may elect to either contribute, dilute to 10% or to retain a NSR royalty. In the event of the Company being called upon to contribute and its interest subsequently falling to 10%, its interest will be loan carried at that level until commencement of commercial production.

4. Billiton shall have the right to participate in future issues of new Shares or securities convertible into Shares (other than pro-rata issues to all shareholders) by the Company in order that Billiton may preserve its level of shareholding in the capital of the Company.

5. Billiton shall have marketing rights over mineral products arising from the Company's share of production except for copper cathode produced on the mine site.

Billiton Group

The Billiton Group is one of the World's leading mining and metals businesses earning a net profit of $US577 million for the year to 30 June 2000. It has a diverse portfolio of major investments in Australian mining and smelting operations. The Billiton Group ranks among the World's major producers of aluminium, alumina, chrome, manganese, nickel, thermal coal and titanium minerals. We see our relationship with Billiton as an important milestone in the Company's corporate development.

COMPANY'S EXPLORATION ACTIVITY

Since commencement of exploration activities, the Company has provided regular reports to shareholders dating back to June 1996. We summarise the main points as follows:-

1996 Immediately following the acquisition of the **Pegmont** mining leases, drilling resulted in new lead-zinc mineralisation being discovered at the **Gossan Lode.** An inferred resource of 309,000 tonnes averaging 5.22% Pb, 3.77% Zn was outlined. Total drill activity for the year was 27 RC holes totalling 2,490 metres.

An independent review of the Pegmont deposit reassessed an inferred resource of 8.3 million tonnes averaging 7.75% Pb, 3.46% Zn in the **Pegmont Lodes.** Additional infill drilling has the potential to increase these resource estimates. Applications were made for several EPM's in the Pegmont region.

1997 A detailed ground magnetic survey resulted in the identification and definition of the Bonanza magnetic anomaly at Pegmont. Rock chip sampling identified anomalous ironstone outcrops as potential drill targets. The **Mount Kelly** tenements were acquired for Reefway Pty Ltd and applications were made for several EPM's in the Mount Kelly/Western Succession region.

1998 Upon finalisation of joint venture agreements with North Limited at Pegmont and with Goldsearch NL at Mount Kelly, field exploration recommenced. Four D/D bore holes for 852 metres were completed at **Mount Kelly** which resulted in a number of high grade copper-gold intersections. At **Pegmont**, five core holes totalling 820 metres were completed which resulted in several medium to low grade lead-zinc intersections. Additional EPM applications were made in both regions.

1999 A high level of activity was maintained at both projects. At **Mount Kelly** a further ten core holes totalling 2,162 metres were completed which resulted in a number of high grade copper intersections with minor gold values, except MK521 which intersected 3 metres of 2.87% Cu, 14.1 g/t Au. Detailed mapping and rock chip sampling at the **Dividend** prospect generated several copper and gold drill targets. At **Pegmont**, ten RC-D/D holes were completed for 1951 metres which resulted in low grade lead-zinc mineralisation (up to 5 metres @ 3.1% Pb, 3.7% Zn) being intersected at the **Bonanza** magnetic anomaly. At the conclusion of this program North Limited withdrew from the joint venture.

To August 2000 Review of previous work was completed at **Pegmont**, which together with structural analysis and reinterpretation of aeromagnetic data led to the recognition of new targets particularly beneath the Main Lode, called the **Pegmont Deeps.** At **Mount Kelly** an independent assessment of drill results to the end of 1999 resulted in an estimate of the Mount Kelly Fault Zone sulphide mineralisation as outlining 200,000 to 300,000 tonnes of mineralisation with grades of approximately 3%Cu and 2-3g/tAu within a strike length of 120 metres. A further drill program of nine holes were completed, totalling 1,756 metres during July/August 2000.

PROPOSED EXPLORATION BUDGET

Exploration expenditures during the next two years, depending upon results achieved, are projected as follows:-

	Half year July – December 2000 $000	Year to 31.12.2001 $000	Year to 31.12.2002 $000
1. **Mount Kelly**			
Mining leases	135	200	250
EPM 7487	30	90	90
	165	**290**	**340**
2. **Pegmont**			
Mining leases	**275**	**500**	**500**
3. **General Investigations**			
and Other Projects	**100**	**300**	**350**
4. **Office Administration**	**100**	**200**	**200**
	790	1290	1390
Less Joint Venture Contributions	440	790	840
Net Expenditure Budget	**200**	**500**	**550**

This budget assumes a drill program of 3,756 metres during the half year to 31 December 2000, including 1,756 metres at Mount Kelly and 2,000 metres at Pegmont. General Investigation costs could arise from additional opportunities to acquire interests in existing tenements owned by third parties or from the grant of application areas.

During the year to 31 December 2001, further drilling of 8,300 metres is expected to be undertaken including 2,500 metres at Mount Kelly and possibly 3,300 metres into the Pegmont Deeps project, depending upon results during 2000. General Investigations during 2000 may generate a drill opportunity requiring a further 2,500 metres.

During the year to 31 December 2002, further drilling of 9,000 metres could take place, including 2,500m at Mount Kelly 3,500m at Pegmont, and 2,500m in General Investigation depending upon results obtained during 2001.

It should be noted that monies raised in this Prospectus are only sufficient to fund the exploration program to 31 December 2001. Thereafter, extra capital will be required.

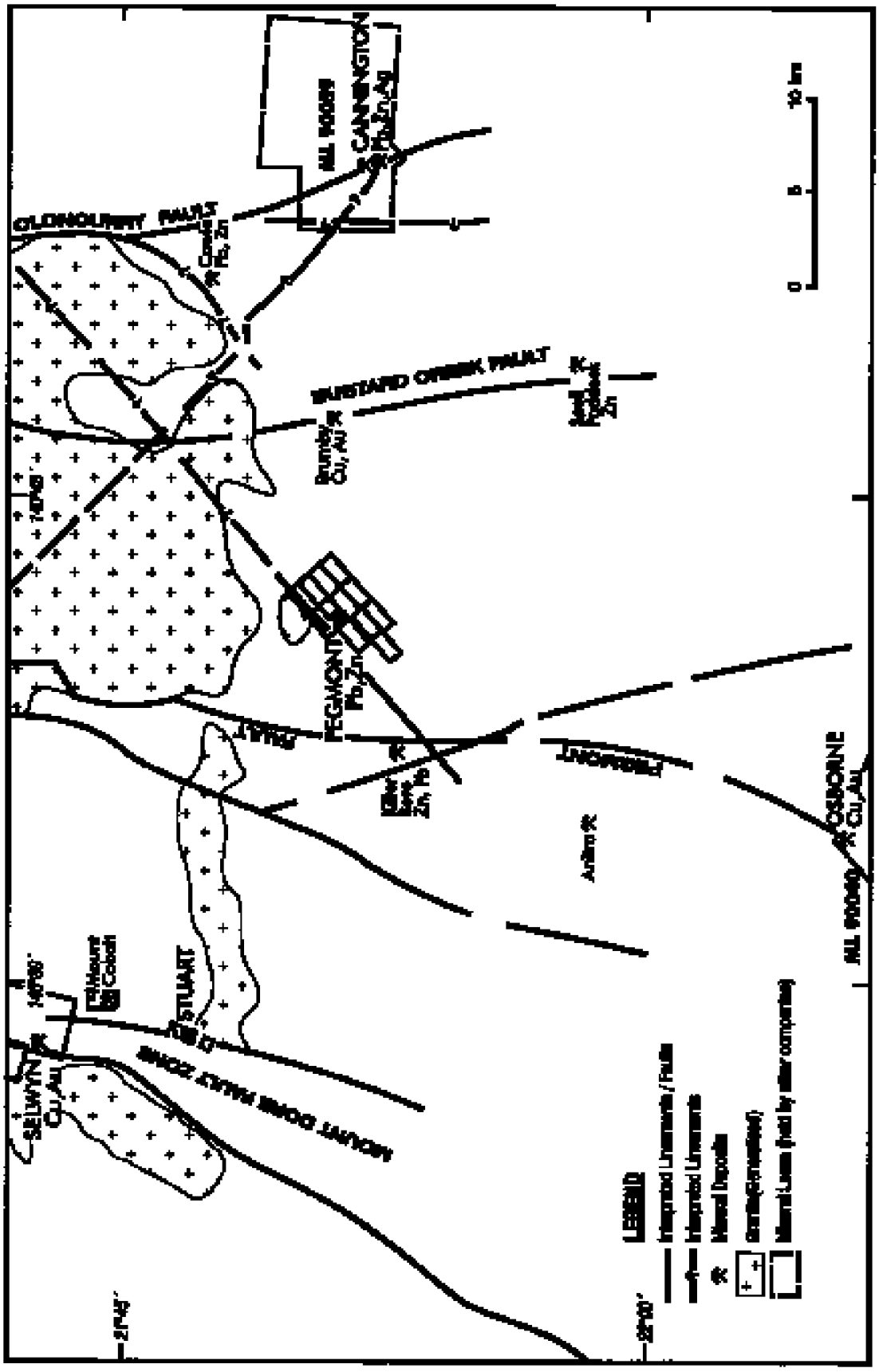


Figure 5 Mineral Leases in Eastern Succession

Pegmont

Pegmont is a "Broken Hill-type" lead-zinc deposit, probably formed initially as a syngenetic deposit in a fault-bounded marine sub-basin. Geochemical and geophysical anomalies show that the mineralised system extends over a total strike length of at least 8 km of which only 2 km has been drill tested in some detail.

Current inferred and indicated resource estimates total 8.3 million tonnes of 7.75 % Pb, 3.46 % Zn in the Main Lode and a further 0.3 million tonnes of 5.22 % Pb, 3.77 % Zn in the Gossan Lode.

Within the mining leases are bodies of cordierite-bearing gneiss that possibly represent zones of metamorphosed sub-sea floor hydrothermal alteration suggesting potential for adjacent bodies of proximal massive sulphides. The implication is that the Pegmont BIF Horizon, which formed the target of all previous exploration, may represent a broadly-distributed low grade distal exhalative mineralisation, while the high grade proximal massive sulphide mineralisation remains to be found.

Since most Broken Hill-type deposits consist of multiple stacked mineralised horizons, typically with a low grade horizon which caps the ore system, eg, the Inveravon Lode at Cannington, then by analogy, the known Pegmont BIF Horizon may be a low grade carapace obscuring a deeper high grade structurally-controlled ore system. This possibility is reinforced by the many similarities between the Pegmont and Cannington deposits.

The mineralisation at Cannington consists of four stratiform stacked orebodies whereas Pegmont has one stratiform body (no deep drilling for stacked bodies has been undertaken).

A siliceous breccia (Glenholme) reflecting metasomatic upgrading has occurred at Cannington with high zinc values. The Pegmont hole PGR 010 which intersected 3 metres of 21.7 % Zn could represent similar upgrading processes. It has yet to be followed up.

Despite massive high grade mineralisation at Cannington being located in the fold hinge of recumbent folds, previous explorers have not tested such targets by drilling below the Main Lode.

Proposed Activity

Thus, the proposed exploration program has targeted the **Pegmont Deeps** for locating high grade mineralisation.

The initial drill test program of 2,000 metres at a cost of $200,000 and funded by monies subscribed by Billiton will be directed at a postulated major recumbent fold position underneath the Main Lode, see Figures 6 and 7 on page 18. The drill results of this program will determine subsequent work, including follow up drilling. Additional expense to be incurred includes part payment of mining lease rental $20,000, geological supervision, review and reports $55,000.

In addition, shallow drilling will be undertaken to follow up possible metasomatic upgrading apparent in PGR010 along the Swager Fault, (Figure 6).

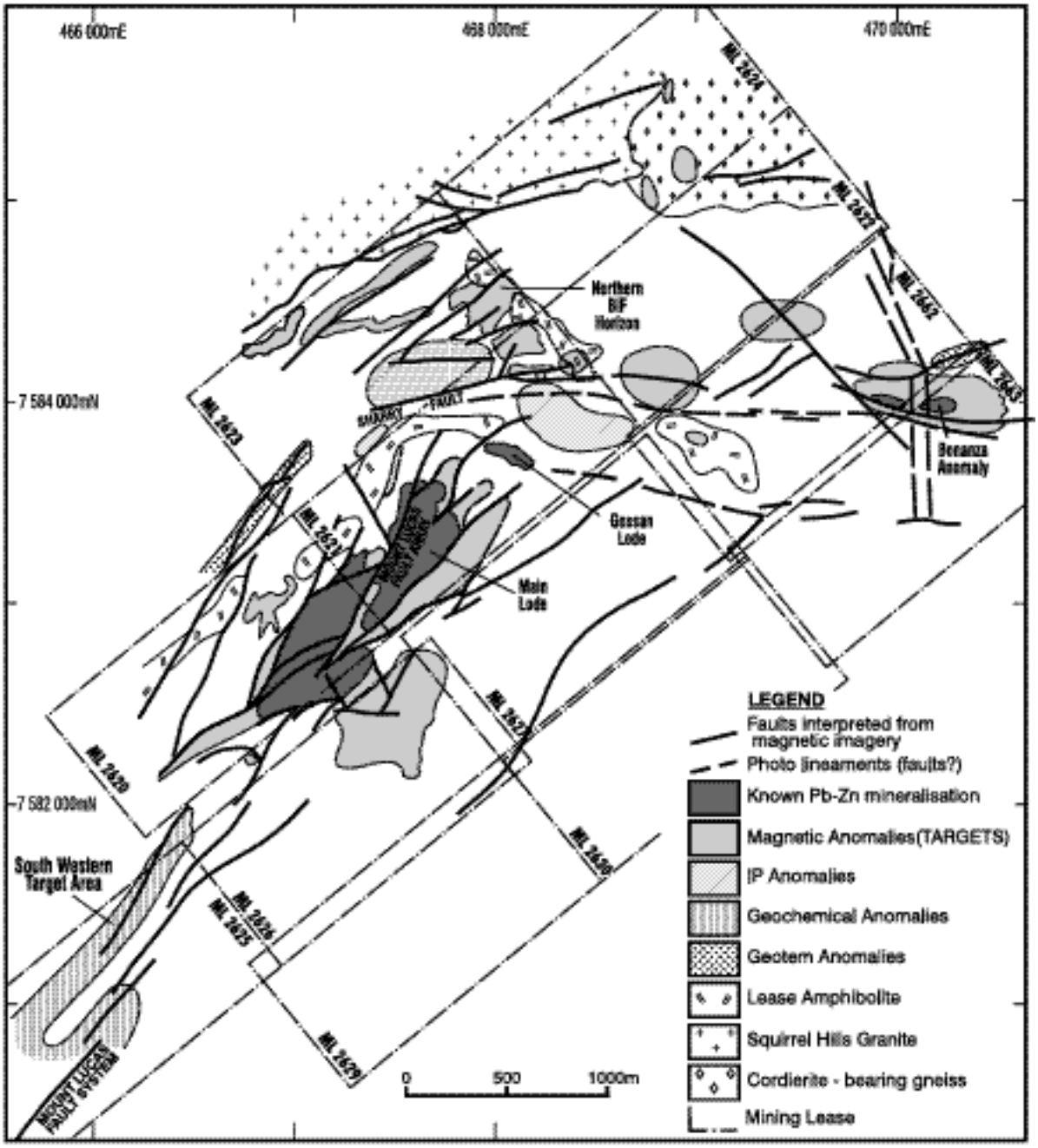


Figure 4 Pegmont Deposit - Structural Interpretation and Targets

Pegmont Deeps Target

Previous explorers interpreted only a single mineralised unit (the Pegmont BIF Horizon) and focussed their drilling on the known deposit. Most previous drill holes terminated just below the base of the BIF horizon without testing for deeper mineralised zones.

The Pegmont deposit has many similarities with the nearby high grade Cannington lead-zinc-silver deposit – similarities in host rock types, in structural style, in mineralogy and textures, and potentially in the processes of formation. As at Cannington, the structure at Pegmont is dominated by recumbent folding and the mineralised BIF horizon is associated with an amphibolite body.

At Cannington, thick bodies of high grade silver-lead-zinc ore are located in structurally-complex zones, especially in the hinge of a large recumbent fold and in fold zones adjacent to the amphibolite body. There are multiple ore horizons extending over tens to hundreds of metres of stratigraphy. A poorly-mineralised zone (the Inveravon Lode) lies at the top of the Cannington ore "package", up to 75 m above the upper ore body.

The Pegmont BIF Horizon is very similar mineralogically to the low grade Inveravon Lode at Cannington. It is possible that the Pegmont BIF Horizon is likewise only the top of a thick mineralised system and that multiple ore horizons remain to be discovered below it, i.e. the Pegmont BIF Horizon may be a carapace obscuring a high grade core.

The target area is shown in Figure 5 where the gravity anomaly (North Ltd, 1999) and the I P anomaly (Newmont, 1974) overlap in the middle of the mining leases.

Based on analogy with the Cannington deposit, there is a priority target for high grade silver-lead-zinc mineralisation below the known mineralised Pegmont BIF Horizon. The target concept is shown in Figure 7, the potential for deeper ore zones is the main commercial opportunity within the Pegmont Mining Leases. If deep drilling shows the existence of multiple mineralised horizons, the Pegmont property has the potential to host a major ore deposit.

BILLITON ALLIANCE

The Pegmont Deeps concept target has attracted Billiton to invest in the Company so that it will undertake an initial drill program of 2,000 metres to be completed before 31 December 2000. Depending upon results obtained Billiton may decide:

(i) to further explore by electing to take a second placement of $275,000 before 30 June 2001, or

(ii) to elect to commence the Pegmont Deeps Joint Venture and sole fund expenditures up to $4 million in stages and at its option over a six year period to earn 70% interest. The work program would include the completion of 24,000m of drilling and sufficient metallurgical testing to determine metal recovery figures for an indicative economic model on the project.

(iii) to withdraw any time after the initial drill program.

(iv) explore other targets in the area of influence, outside the Pegmont Deeps Project Area, for additional expenditure. The area of influence includes the Pegmont MLs and EPMAs 11671 and 12498.

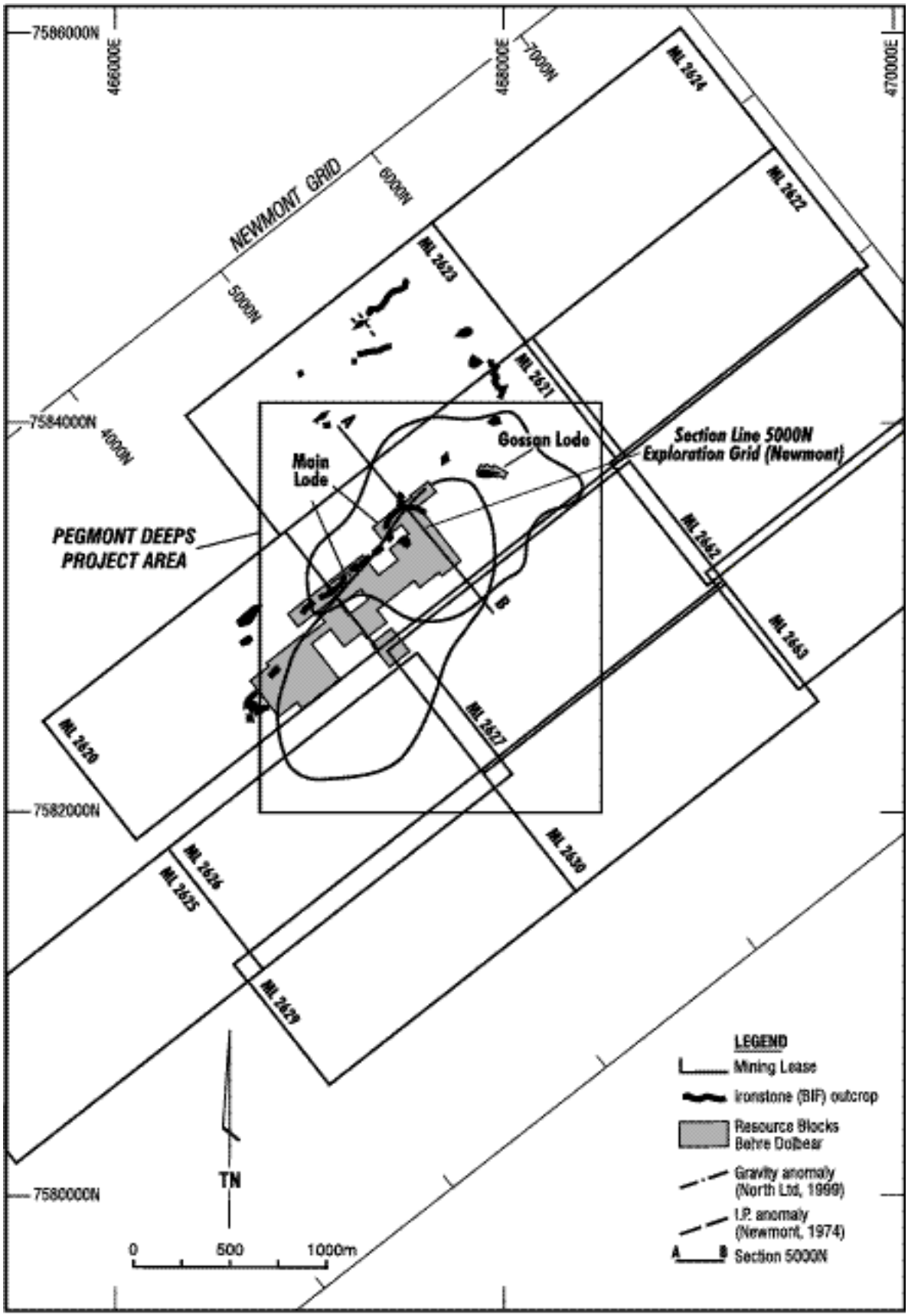


Figure 5 Behre Dolbear Resource Blocks in Relation to Ironstone Outcrops

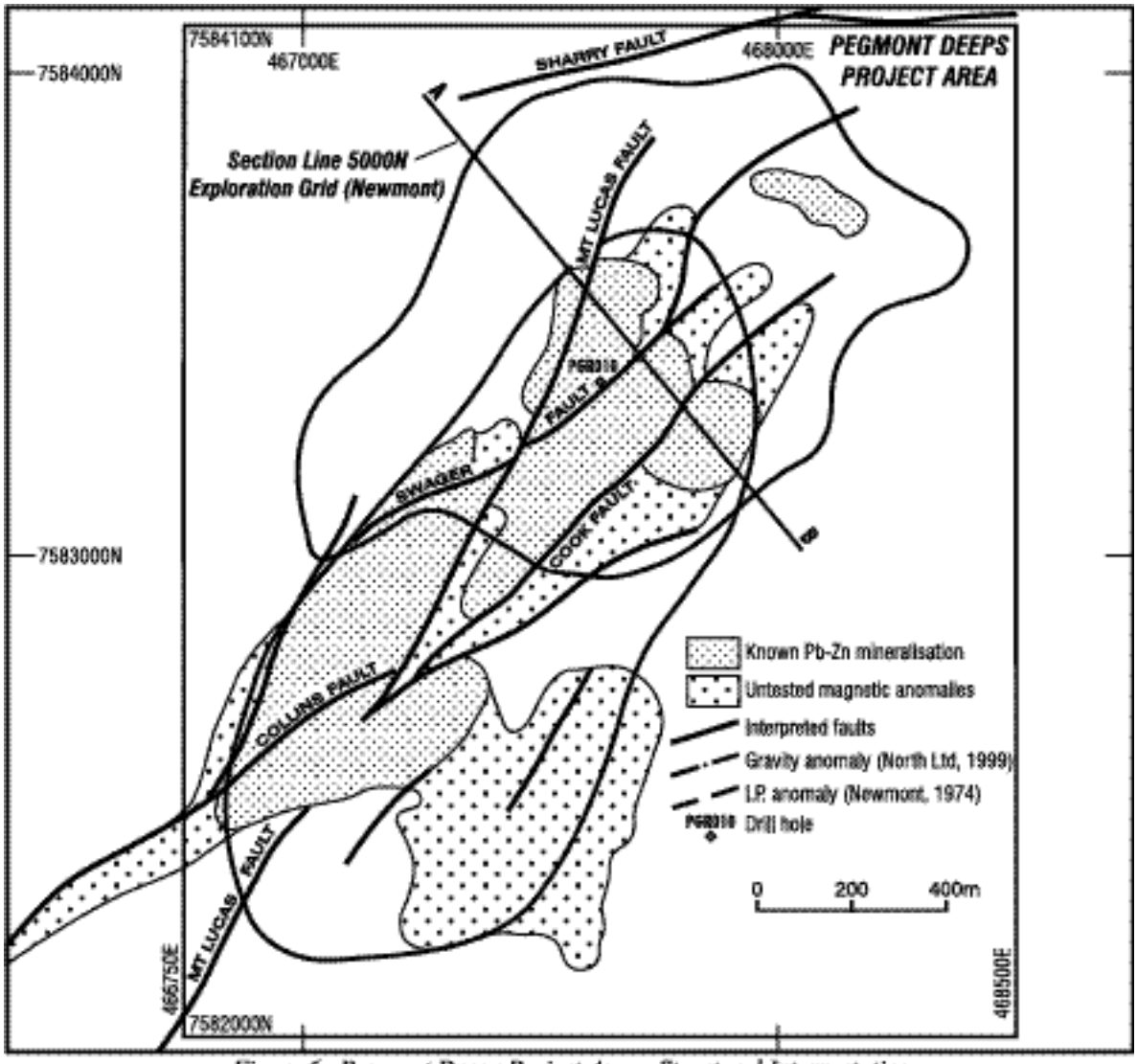


Figure 6 Pegmont Deeps Project Area - Structural Interpretation

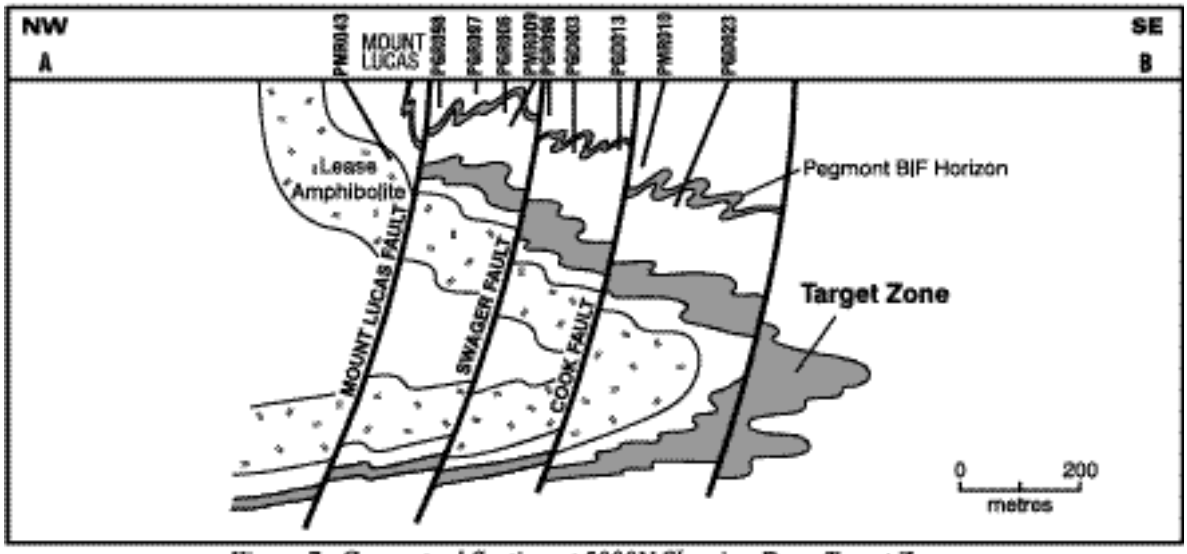


Figure 7 Conceptual Section at 5000N Showing Deep Target Zones

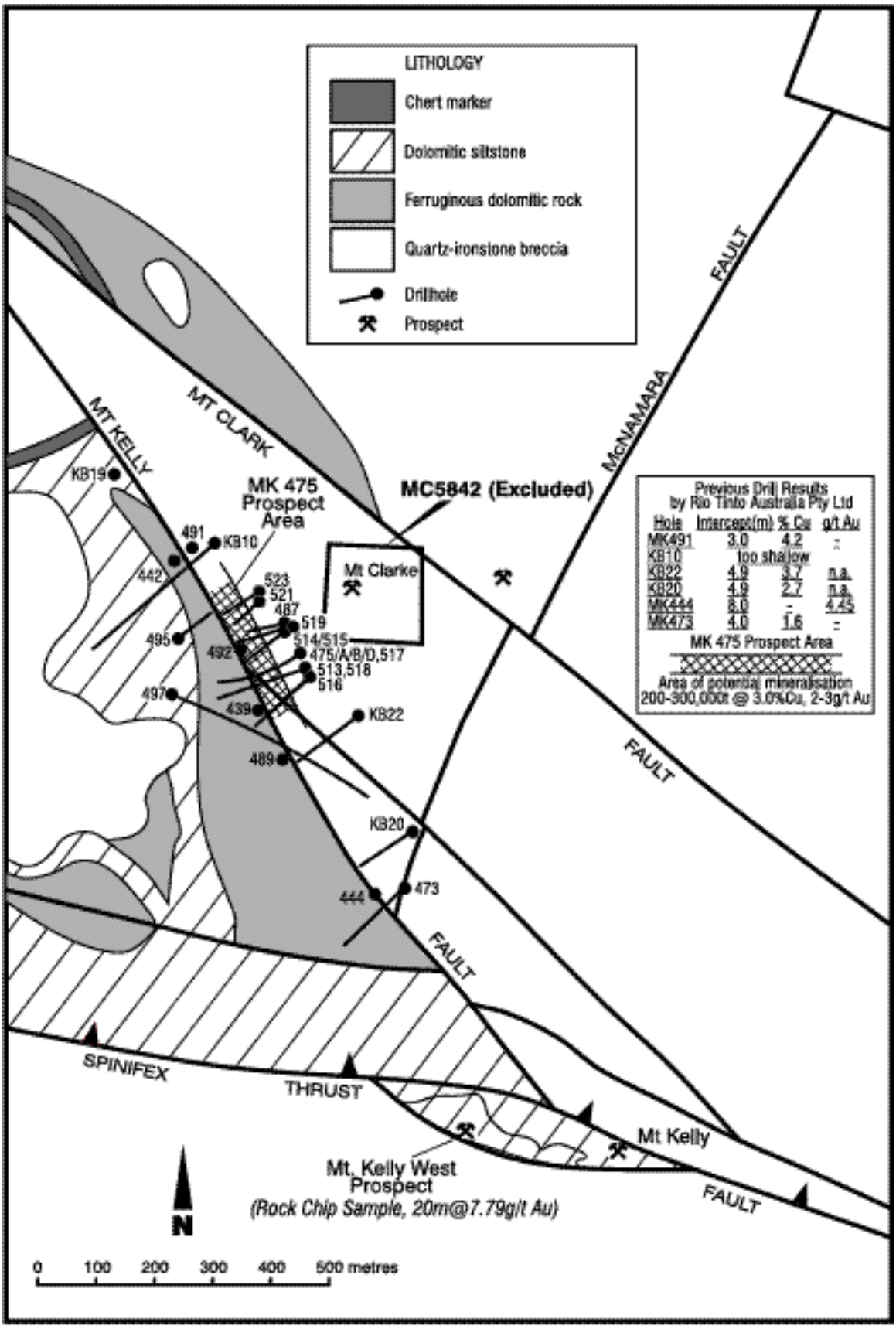


Figure 8 MK 475 Prospect Drill Locations

Mount Kelly

Mount Kelly is a "Mount Isa-type" copper deposit. These are characterised by extensive brecciation, varied host rocks and replacement mineralisation styles. High grade mineralisation is associated with fractured graphitic siltstone brecciated with a quartz-carbonate-sulphide-hematitic stockwork matrix. A previous drill hole intersected high grade copper (+ gold) mineralisation in **MK 475 including 57 metres @ 2.8 % Cu, 15 g/t Au.**

MK 475 PROSPECT DRILL RESULTS

Borehole	From m	Inter-section m	Copper (Cu%)	Gold g/t
MK 475 (Rio Tinto)	143	57.0	2.9	15.1
(incl)	155	8.3	7.4	98.0
MK 475 A	144	53.0	3.6	15.9
(incl)	156	25.0	5.1	33.3
MK 475 B	147	47.0	3.0	3.1
(incl)	155	7.0	4.5	16.0
MK 475 D	148	50.0	4.1	5.4
(incl)	154	22.0	5.7	11.5
MK 513	146	50.0	2.7	3.7
(incl)	163	24.0	4.3	7.2
MK 514	140	23.0	2.0	0.9
	169	19.0	2.1	0.3
MK 515		No Significant Values		
MK 516	146	45.0	2.5	0.3
MK 517	178	11.8	2.5	0.4
(incl)	186	3.8	4.4	1.1
MK 518		No Significant Values		
MK 519		No Significant Values		
MK 520	172	25.0	4.8	0.7
(incl)	172	10.0	5.4	1.3
MK 521	140	58.0	1.5	0.8
(incl)	142	3.0	2.9	14.1
(incl)	172	10.0	3.8	0.2
MK 522		No Significant Values		
MK 523	169	56.0	1.6	0.1
(incl)	179	5.0	4.8	0.5
(incl)	215	10.0	2.8	0.0

Close spaced drilling around MK 475 has outlined 200,000 to 300,000 tonnes of mineralisation with grades of approximately 3% Cu and 2-3 g/t Au within a strike length of 120 metres. Further drilling along the Mount Kelly fault could result in a substantial increase in tonnage. For location of drill holes see Figure 8 on page 19.

The Mount Kelly project area of 7.8 sq km covers a large mineralised system of complex faulting where brecciated ferruginous outcrops at MK 475 have anomalous copper values of 0.2 to 0.5 % Cu and gold grades from 0.1 to above 0.3 g/t Au. These rock chips values have generated drill targets for fault related primary mineralisation. Other areas of anomalous values include:

* **Mt Kelly West:** where a 20 metre chip sample assayed 7.8 g/t in quartz-ironstone breccia. This assay has not been confirmed by a follow up drill hole MK 524.

* **Dividend:** a small ironstone outcrop assaying 5 m @ 1.0 g/t Au in brecciated siltstone was confirmed by MK 525; intersecting 5 m @ 1.5 g/t au from 40 m.

Proposed Activity

A drill program of 1,756 metres at a cost of $165,000 was completed during July-August 2000 to test the following targets:-

(i) MK 475 Project: six holes totalling 1,438 metres confirmed strike extension of primary mineralisation

(ii) Mount Kelly West, one hole of 60 metres tested a brecciated quartzite oxide target without success.

(iii) Dividend prospect, two holes tested outcrop copper and copper-gold targets.

Further drilling programs during 2001 and 2002 are expected to be undertaken at an increased level of activity.

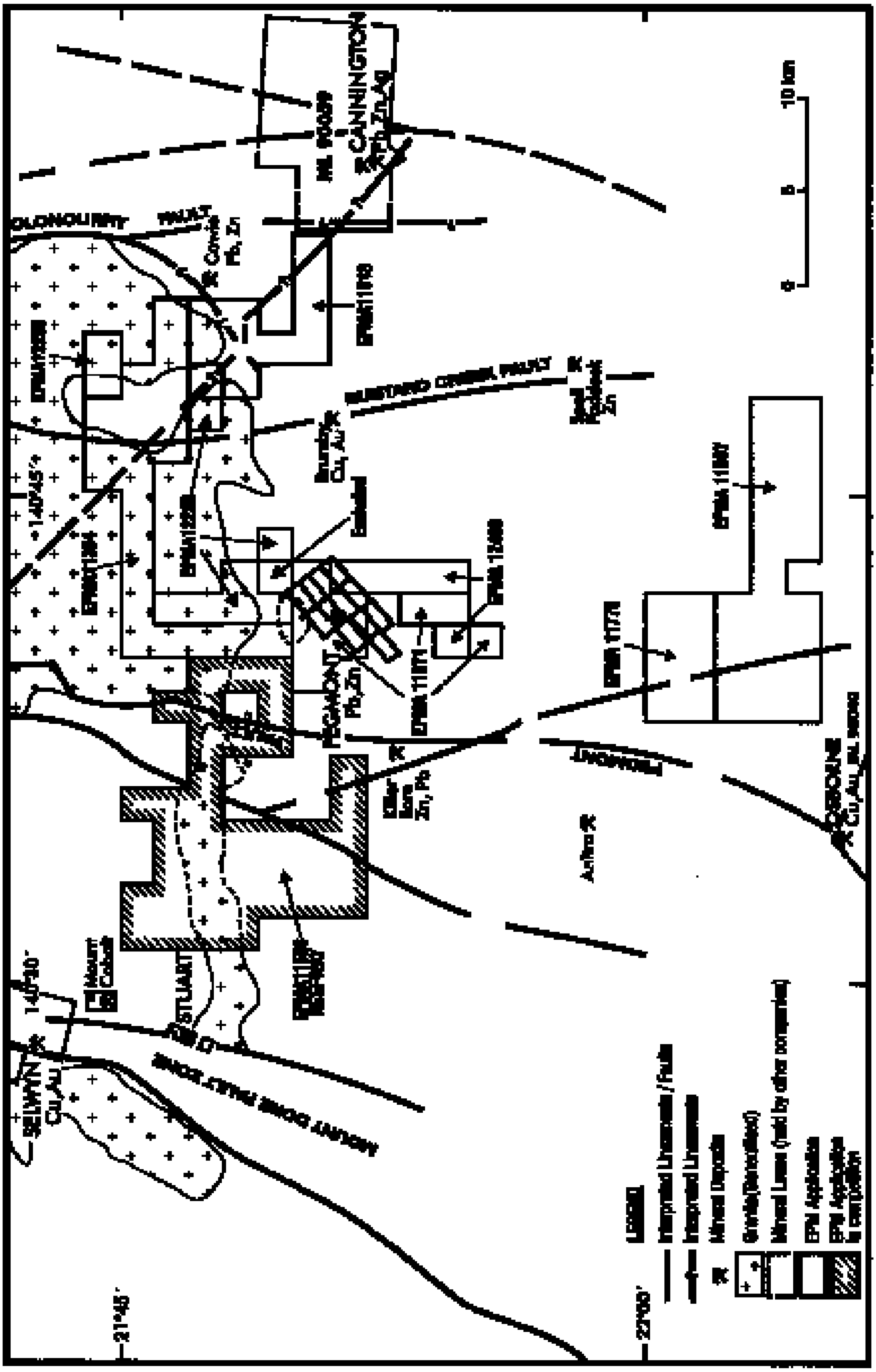


Figure 9 Mineral Tenement Eastern Succession

The Eastern Succession

The Cloncurry Fold Belt of the Eastern Succession around Pegmont is prospective for both epigenetic copper-gold and stratiform silver-lead-zinc deposits of world significance. This region contains the Ernest-Henry, Eloise, Selwyn and Osborne copper-gold deposits which are associated with ironstone formations. Also, the discovery of the immensely rich Cannington silver-lead-zinc deposit has highlighted the prospectivity of the region for precious metals as a valuable credit to base metal deposits.

By acquiring the Pegmont lead-zinc deposit and by making applications over nearby prospective ground, the Company has forged a potentially valuable portfolio of tenement application areas containing many aeromagnetic targets and favourable geological features.

Apart from the Pegmont mining leases, the Company has developed several conceptual target areas, based on the following observations:-

- The Pegmont-Cannington region has a high incidence of Ag-Pb-Zn and Cu-Au, mineralisation.
- Known deposits are related to major crustal structures.
- Deposits usually have magnetic signatures/anomalies.
- There are numerous magnetic anomalies that remain to be drill tested.

EPM applications made the Company (but not granted by the DME) are as follows:-

By the Company:

EPMA	Prospect Name	Area Km^2
11394	Squirrel Hills	67.2
11671	Sandy Creek	28.8
11813	Lily Creek	32.0
12255	North Pegmont	28.8
12498	Pegmont South – East	16.0
		172.8

11587	Kheri	73.6
11588*	Yellow Waterhole	121.6
11775	Cuckadoo	25.6
		220.8

* Note: EPMA 11588 was made in competition with other applicants.

Squirrel Hills/Lily Creek Project comprises two application areas. EPMA 11813 (Lily Creek) is adjacent to the Cannington silver-lead-zinc mine and EPMA 11394 (Squirrel Hills) is adjacent to the Pegmont lead-zinc deposit. Both areas are prospective for Cu-Au and Ag-Pb-Zn deposits. They both contain magnetic anomalies and extensions of the same structural trends that host the Cannington and Pegmont deposits.

Yellow Waterhole Project (EPMA 11588) contains favourable geological features including the north-trending Pegmont Fault which is associated with Cu-Au mineralisation at the Osborne mine. There are a number of untested magnetic anomalies within this tenement.

Activity Program

No regional work is intended to be undertaken until the grant of EPMAs.

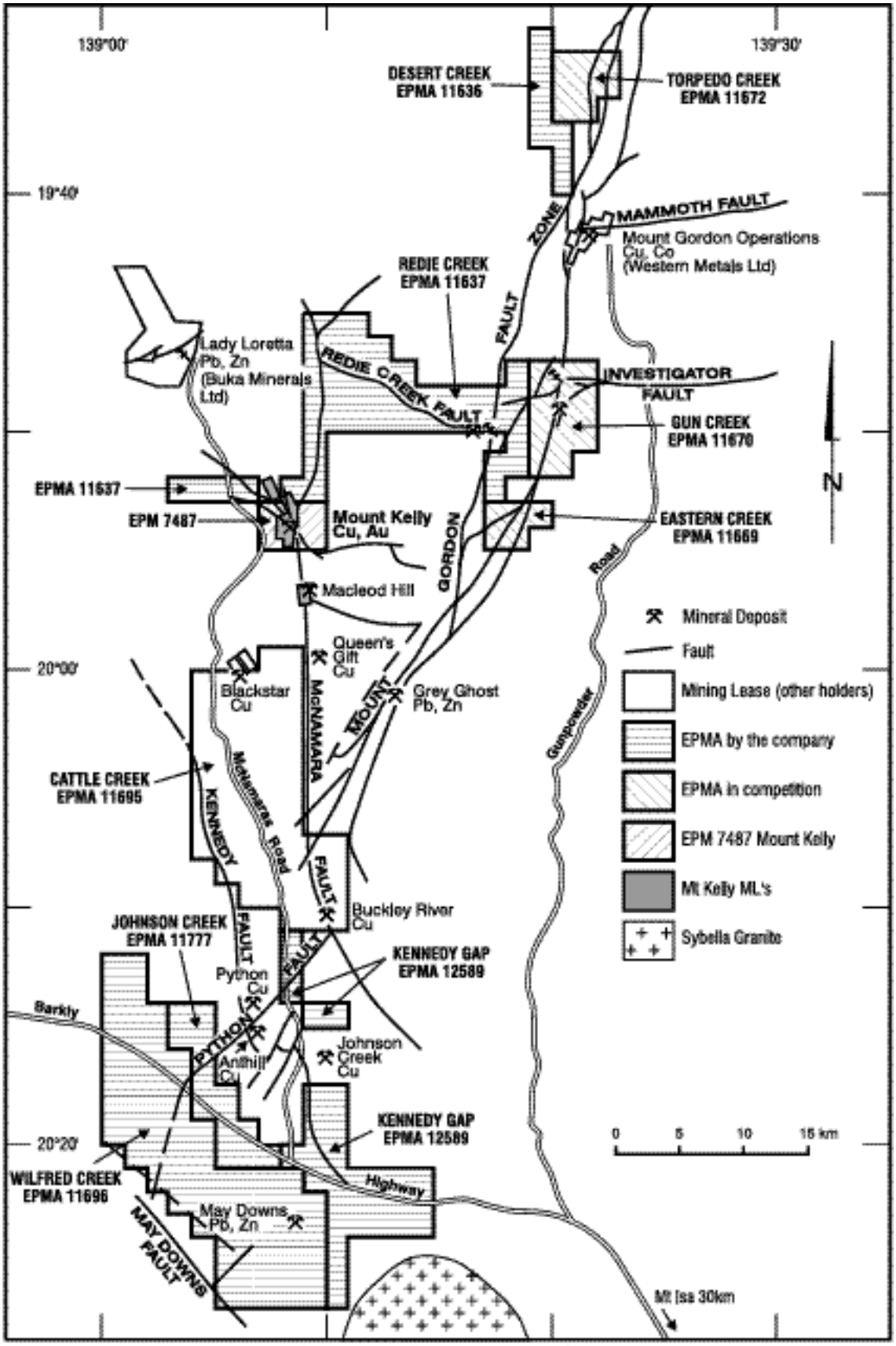


Figure 10 Western Succession Mineral Tenements

The Western Succession

The Company is attracted to the Western Succession because of its demonstrated high grade mineralisation at the Century (Zn-Pb), Lady Loretta (Zn-Pb), and Mount Gordon deposits (Cu-Co). The Mount Kelly deposit is located within this province and it is unusual for its gold content.

Since these deposits are associated with major fault structures, the Company has focussed its immediate activities on the McNamara Fault, Kennedy Fault and the Mount Gordon Fault Zone. These "old" fault systems have not been systematically explored despite their obvious prospectivity.

Previous exploration activities in the region by major companies have concentrated on looking for large stratiform deposits, eg. Century, without placing sufficient emphasis on the structural control that applies to Mount Isa-type copper deposits. The limitations of this previous approach have opened up an exciting opportunity for the Company to examine major structures in this lightly explored region.

EPMA	Prospect Name	Area Km^2
11636	Desert Creek	25.6
11637	Redie Creek	144.0
11695	Cattle Creek	185.6
11696	Wilfred Creek	211.2
11777	Johnson Creek	44.8
11669*	Eastern Creek	16.0
11670*	Gun Creek	44.8
11672*	Torpedo Creek	25.6
12589	Kennedy Gap	105.6
		803.2

*Note: EPMAs 11669, 11670 and 11672 are in competition with other applicants and may not be granted to the Company see Figure 10 on page 23.

The Company has three major projects in the Western Succession.

- **The Redie Creek Project Area** is prospective for fault controlled copper mineralisation similar to that at Mount Kelly. Previous explorers have located copper mineralisation along the Mount Wendy Fault by rock chip sampling but the target remains untested by drilling. Also, there are conceptual lead-zinc targets associated with the Redie Creek and McNamara Fault structures.

- **The Mount Gordon Fault Zone** EPM application areas are prospective for Gunpowder-type copper deposits (where the predominant mineralisation is chalcocite which is leachable and the copper recoverable by the SX-EW process). The main target area which lies at the intersection of the Investigator and Esperanza Faults remains largely untested by drilling: see figure 11.

- **The Kennedy Gap Areas** have major lead-zinc potential based on the May Downs geochemical feature and for copper mineralisation along the McNamara and Kennedy Fault structures.

Future Activity

Since exploration activity is dependent on the grant of tenements by the DME, future expenditure cannot be budgeted. Billiton is interested in the Mount Gordon Fault Zone, EPMA 11670. Upon grant, Billiton has agreed to subscribe $200,000 to undertake an initial program of exploration, including 1,500m of drilling. Also, Billiton has expressed interest in the May Downs prospect which lies within the most eastern part of EPMA 11696: see figure 12. Upon grant, Billiton has agreed to subscribe $200,000 to undertake an initial exploration program including 2,000m of drilling.

GUN CREEK PROJECT AREA

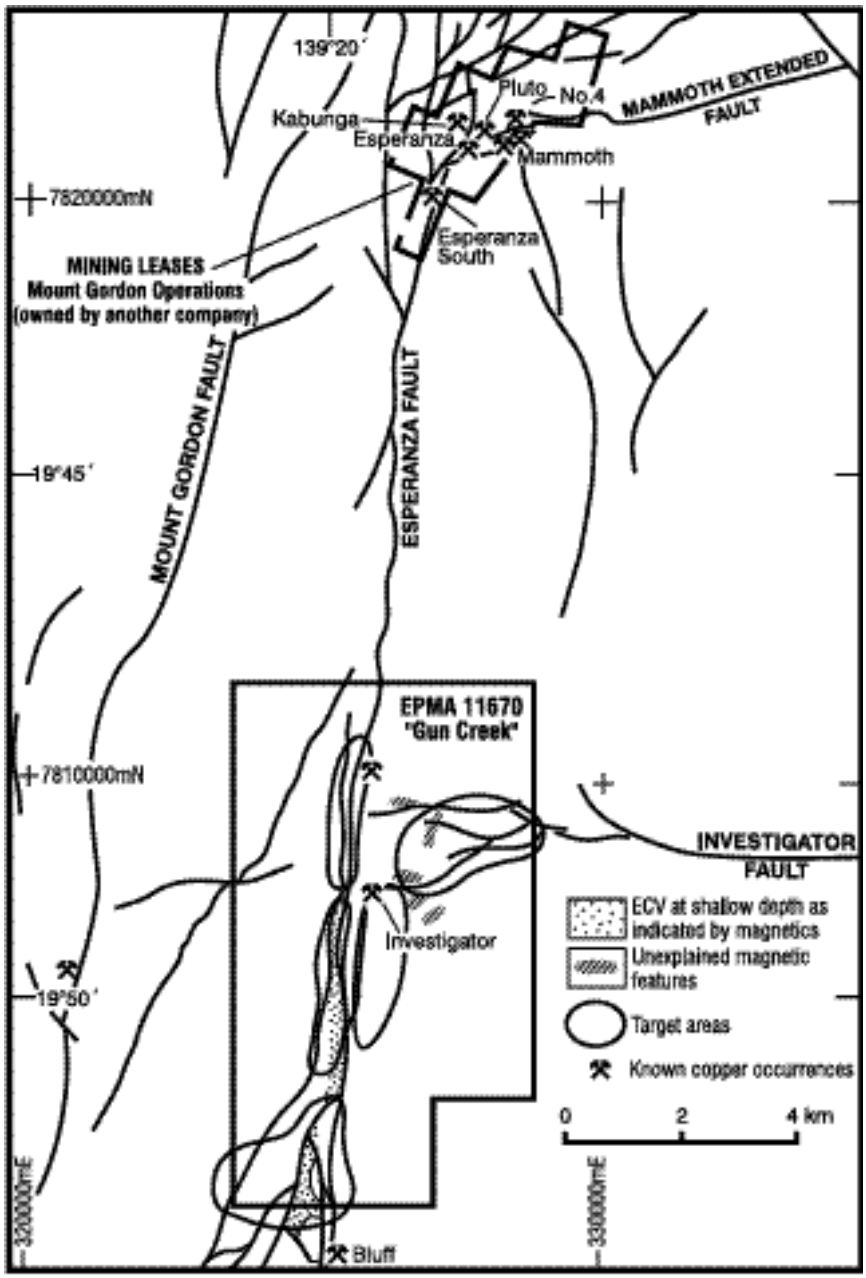


Figure 11 Gun Creek Project Area - EPM 11670

Gun Creek EPMA 11670 lies due south of the Esperanza and Mammoth mine operations. The application area has a number of targets associated with of the Esperanza Fault and the Investigator Fault; which provide structural settings analagous to the Esperanza and Mammoth deposits.

Previous drilling has intersected anomalous copper values of up to 0.64% Cu associated with silica-dolomite alteration and laminated fine grained pyrite.

In the event of our application EPMA 11670 being favourably determined, as it is the subject of a competing application, Billiton will subscribe $200,000 to undertake an initial exploration program including 1,500 metres of drilling.

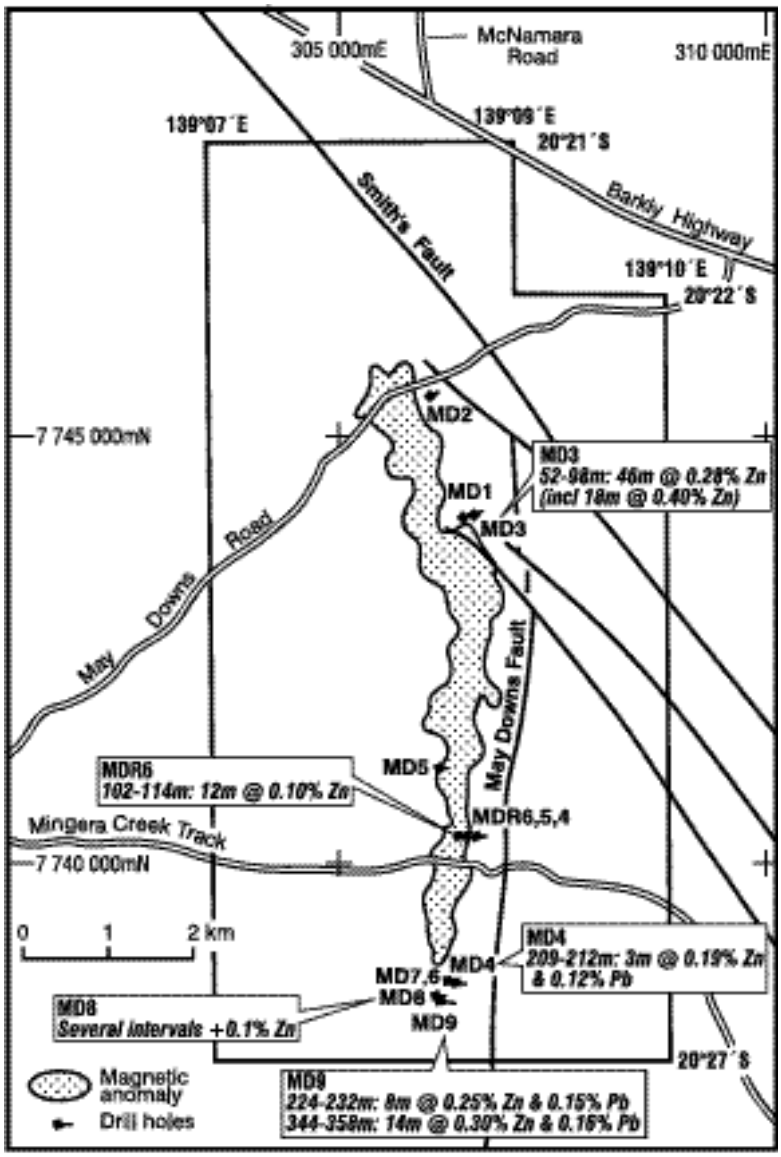


Figure 12 May Downs Project Area within EPMA 11696

The May Downs prospect consists of a north-trending zone, 7km in length, of discontinuous ferruginous (gossanous) siltstone outcrops with associated zinc-lead-copper geochemical anomalies and minor stratiform pyritic zinc-lead mineralisation. This outcrop and geochemical anomaly was the main target of previous drilling.

In addition, aeromagnetic imagery shows a subtle north-trending linear magnetic feature lying up to 500m west of the ferruginous outcrops and geochemical anomalies. Only two drill holes, MD5 and MDR6, were sited on the magnetic anomaly but were not drilled deeply enough to intersect unweathered rock. Hole MDR9 drilled to the south of the magnetic anomaly had a significant intersection of low grade zinc-lead mineralisation (14m @ 0.46% Zn and Pb in banded pyritic siltstone. Upon the grant of EPMA 11696 Billiton will subscribe $200,000 to undertake an initial exploration program, including 2,000m of drilling, in the eastern most seventeen sub-blocks which contains the May Downs Prospect.

PROJECT SUMMARY

Project/Prospect	Location	Resource /Target	
Pegmont MLs	160km SSE Cloncurry	8.6*mt* @ 7.7% Pb, 3.5% Zn	Potential to increase resources.
Mt Kelly MLs - oxide	90km N. Mt Isa	1.5. *mt* @ 1.4% Cu	Requires infill drilling for resource status
Mt Kelly MLs - sulphide		0.24 *mt* @ 3.0% Cu, 2 to 3.0g/ Au	Estimated over 120m of 450m strike length, plus potential to increase tonnage in other structures
Mt Kelly EPM 7487	90km N.Mt Isa	Cu/Au	2km of fault strike length to test copper-gold targets at the Dividend prospect
Redie Ck EPM 11637	110km N.Mt Isa	Cu/Pb-Zn	Several major Cu anomalies and prospective for
Pegmont #1 EPM 11394	15km NE Pegmont	Cu-Au/Pb-Zn	20 magnetic anomalies with major structures
Kheri EPM 11587	25km S.Pegmont	Cu-Au-Co/Pb-Zn	Co. anomaly plus several magnetic anomalies
Desert Creek EPM 11636	5-15km N.Gunpowder	Cu-Zn	Little prior exploration, requires RAB drilling
Pegmont #3 EPMA 11671	Surrounds Pegmont MLs	Pb-Zn	3 magnetic anomalies, extension of known
Cattle Creek EPM 11695	10-30 S.Mt Kelly	Cu/Pb-Zn	Buckley River Cu prospect and
Wilfred Creek EPM 11696	60km NE Mt Isa	Pb-Zn	May Downs
Cuckadoo EPM 11775	20km S.Pegmont	Cu-Au/Pb-Zn	On major structure requires RAB drilling
Johnson Creek EPM 11777	60km NE Mt Isa	Pb-Zn	Adjacent EPM 11696, syncline interference zone
Lily EPM 11813	15-20km E.Pegmont	Cu-Au/Pb-Zn	12 magnetic anomalies, major structures near to very prospective
Pegmont North EPMA 12255	Adjacent to Pegmont	Pb-Zn, Cu-Au	Several magnetic anomalies and major structures
Pegmont Southeast EPMA 12498	Adjacent to Pegmont	Pb-Zn, Cu-Au	Possible extension of
Kennedy Gap EPMA 12589	Adjacent to Wilfred Creek	Zn-Pb, Cu-Au	Kennedy Fault prospective for Mt
EPMs in Competition			
Pegmont #2 EPMA 11588	5-20km NW.Pegmont	Cu-Au/Pb-Zn	39 magnetic anomalies, on
Eastern Creek EPMA 11669	25km S.Gunpowder	Cu-Au	2 stream sediment Cu-Au anomalies
Gun Creek EPMA 11670	10-20km S.Gunpowder	Cu-Co/AuYY	Mt Isa style Cu target
Torpedo Creek EPMA 11672	15-20km N.Gunpowder	Cu-Zn	4km soil Cu-Zn anomaly, high metal values

PREVIOUS EXPLORATION ACTIVITY

The acquisition of the Pegmont Mining leases in June 1996 provided an exploration focus in the Eastern Succession of the Mount Isa Block. Follow up drilling confirmed the prospectivity for finding additional lead-zinc mineralisation. Continued review of regional geology and increased appreciation of the mineral potential around Pegmont has led the Company to apply for exploration permits (EPMs), on the basis **that there is significant potential for the hosting of several economic deposits within the region.**

In June 1998, the Company signed agreements with Rio Tinto Exploration Pty Ltd, Miniere Mining Pty Ltd and Mineral Commodities NL to acquire the Mount Kelly mining leases and the surrounding EPM.

The attraction of both Pegmont and Mount Kelly is their demonstrated mineralisation and secure tenure (ie mining leases). Their acquisition provide a considerable data bank of information that can be reviewed to provide an understanding of regional concepts.

Changing concepts during the past 25 years and the recent recognition of important vectors of mineralisation has enhanced the prospectivity of the Company's portfolio. This is particularly evident in the Western Succession, where prior activity was often directed at stratigraphy rather than appreciating the importance of structure for the localisation of mineralisation. This preoccupation with the synsedimentary deposit theory which assumed that mineralisation was laid down at the same time as (and within) a given sedimentary unit has meant that the importance of structure was down-played and that many worthwhile targets were ignored by previous explorers. Since mineralisation at Mt Kelly and the rich Esperanza copper deposit are strongly associated with fault structures, we perceive that the region is lightly explored with respect to our hypothesis and that there exists considerable potential for additional discoveries.

In the Eastern Succession, recognition of magnetite hosted orebodies has highlighted the important role of late stage granite emplacement to drive metal-bearing hydrothermal fluids to suitable trap structures and the use of geophysical methods to develop target areas. Recognition of wall rock halo alteration patterns and geochemical anomalies are required to confirm drill targets. Thus, the re-interpretation of previous data provides a valuable source of information.

PREVIOUS DRILL ACTIVITY

	Percussion		RC		D/D		Total
	No	Metres	No	Metres	No	Metres	Metres
Mount Kelly ML	16	958	31	4213	52	13313	18,484
Pegmont MLs	46	1091	56	3352	28	6621	11,064
Pegmont EPMs (not in competition)			4	490			490
Kennedy Gap EPMs			30	3230	10	2370	5,600
	62	**2049**	**121**	**11285**	**90**	**22304**	**35,638**

The Company has acquired a valuable data bank of information on prior work by previous explorers which includes 35,638 metres of drilling. In current dollars this represents an estimated minimum cost of $3.5 million and constitutes a valuable asset to the Company.

In order to provide focus and financing flexibility, the acquisition of and application for tenements in the Mount Isa mineral field were made in two different corporate structures. Pegmont Mines NL commenced its activities during 1996 by acquiring the Pegmont mining leases and applied for nearby EPM's. These areas are located south of Cloncurry, near the Cannington silver-lead-zinc mine. During 1997, a separate company, Reefway Pty Ltd, was formed by Pegasus Enterprises Limited to apply for areas to the north of Mount Isa; and in particular to acquire the Mount Kelly mining leases and the surrounding EPM. Pegmont Mines NL subsequently acquired 80% equity interest in Reefway Pty Ltd by contributing to expenditure. All the tenements in which the Company and Reefway have an interest are summarised as follows:-

1. GRANTED TENEMENTS

	Area Km_	Proposed Expenditure Commitment Year 1 $000	Year2 $000
PEGMONT MINES NL			
Pegmont MLs	15.5	58	58
REEFWAY PTY LTD			
Mount Kelly MLs	7.9	28	28
Mount Kelly EPM 7487	19.2	60	60
	42.6		
Expenditure commitment		**146**	**146**

2. APPLICATION FOR EPMs (not in competition)

The following EPM applications have been made, but not granted by the DME due to Native Title considerations.

	EPMA	Area Km2	Proposed Expenditure Commitment Year 1 $000	Year 2 $000
PEGMONT MINES NL				
Squirrel Hills EPM	11394	67.2	30 (2)	50 (2)
Sandy Creek	11671	28.8	150 (1)	190 (1)
Lily	11813	32.0	50 (2)	120 (2)
North Pegmont	12255	28.8	30 (2)	50 (2)
Pegmont South-East	12498	16.0	60	110
		172.8		
Expenditure commitment upon grant			**320**	**520**

Note (1) If granted, this EPM is likely to be incorporated into the Pegmont mining lease project on a reduced expenditure basis.

(2) Although these applications were made at different dates, they (if granted) could be amalgamated into one project with a possible reduction in aggregate expenditure commitment.

REEFWAY PTY LTD

EPMA	Area Km²	Proposed Expenditure Commitment Year 1 $000	Year2 $000
Kheri 11587	73.6	30	50
Dessert Creek 11636	25.6	12	18
Cuckadoo 11775	25.6	20	35
Redie Creek 11637	144.0	40	60
Cattle Creek 11695	185.6	65	130
Wilfred Creek 11696	211.2	65	130
Johnson Creek 11777	44.8	50	110
Kennedy Gap 12589	105.6	80	120
	816.0		
Expenditure commitment upon grant		**362**	**653**

3.APPLICATION FOR EPMs (in c

REEFWAY PTY LTD

EPMA	Area Km²	Proposed Expenditure Commitment Year 1	Year2
Yellow Waterhole 11588	121.6	40	60
Eastern Creek 11669	16.0	30	70
Gun Creek 11670	44.8	50	100
Torpedo Creek 11672	25.6	25	65
	208.0		
Expenditure commitment upon grant		**145**	**295**

When applications for EPMs are in competition with other applicants, the DME must appraise such proposals by a more rigorous process consisting of assessing the comparative merits of technical capability, the proposed exploration program and the financial capability, among competing applications. Consequently, there is a higher risk as to whether any such areas would be granted to the Company.

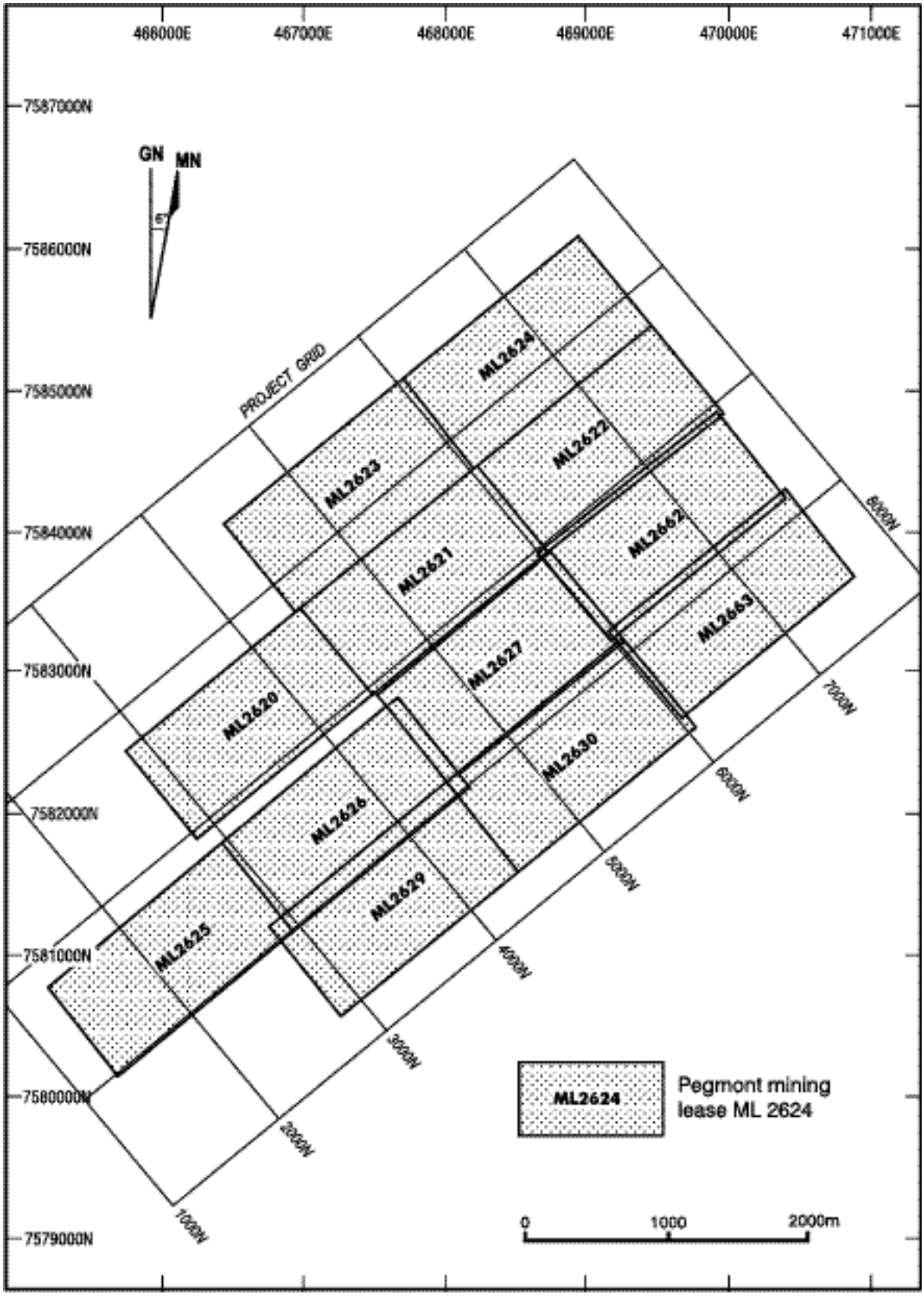


Figure 13 Pegmont Lead-Zinc Deposit Location of Mining Leases and Exploration Grid

Pegmont Mining Leases

The Company acquired twelve Mining Leases covering the Pegmont lead-zinc deposit from a joint venture comprising BHP Minerals, Mt Isa Mines Ltd and Newcrest Mining Ltd pursuant to an agreement dated 25 March 1996.

The Queensland Government approved the assignment of the mining leases to the Company on 2 July 1996 and accordingly, the Company is now the legal and beneficial owner of the Pegmont Mining Leases.

The total area of the mining leases is 1554 ha or 15.54 square km; this attracts a yearly lease rental of $56,628. There are no other expenditure obligations to the Queensland Department of Mines and Energy.

The status of the Pegmont Mining Leases is as follows:-

ML	Date of Original Grant	Expiry	Renewed to	Minerals	Area ha
ML2620	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2621	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2622	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2623	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2624	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2625	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2626	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2627	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2629	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2630	1-2-74	31-1-92	31-1-2002	Pb, Zn, Ag, Cu	129.5
ML2662	1-3-74	28-2-95	28-2-2005	Pb, Zn, Ag, Cu	129.5
ML2663	1-8-74	31-7-94	31-7-2004	Pb, Zn, Ag, Cu	129.5
				Total Area	1554.0
				Total Lease Rental	$56,628

The Pegmont Mining Lease title plan (Figure 13) indicates that certain Pegmont Mining Leases overlap, and may not all be contiguous. The Directors, pursuant to Section 299 Mineral Resources Act 1989, have made an application ML90119 to consolidate the subject leases and pursuant to Section 299(3), for a declaration in respect of non-contiguous titles.

Although the application for consolidation has been recommended by the Mining Warden, the decision by the Minister has been deferred pending clarification of "The Right to Negotiate" process.

It should also be noted that the Pegmont Mining Leases are over unallocated state land (previously known as vacant crown land) which is subject to the Native Title Act.

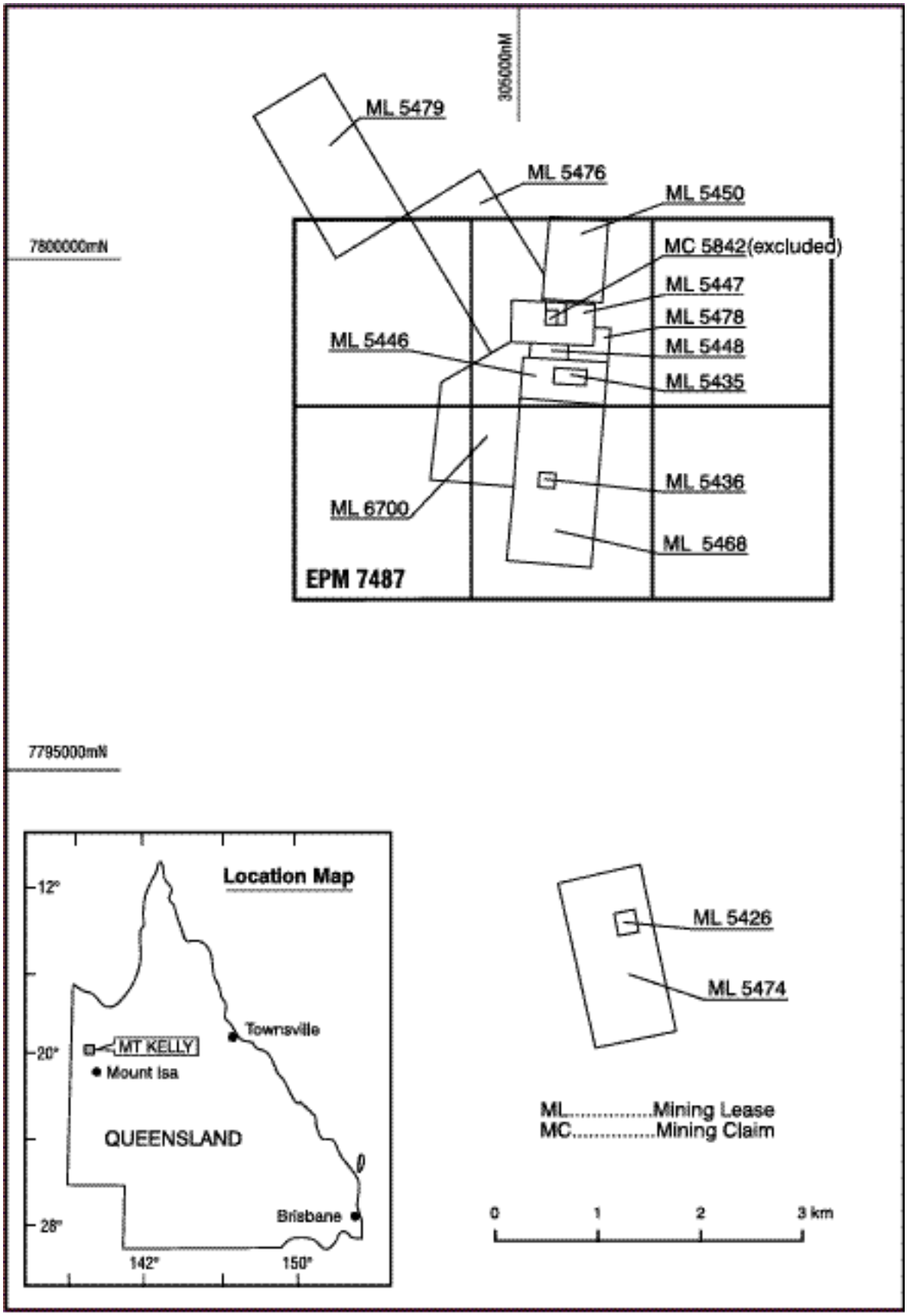


Figure 14 Mount Kelly Tenement Locations

Mount Kelly Leases

Reefway reached an agreement to acquire 13 Mining Leases and an option over one mineral claim covering an area of 7.86 sq km with Rio Tinto and Miniere Mining Limited on August 1997. This agreement also included the transfer of EPM 7487. (Figure 14 on page33)

The total area of the 13 Mining Leases is 785.5 ha which attracts a yearly rental of $27,225. There are no other expenditure obligations to the Queensland Department of Mines and Energy.

The status of the Mount Kelly Mining Leases are as follows:-

ML	Date of Original Grant	Expiry	Renewed to	Minerals	Area ha
5426	1-2-1974	31-1-1985	31.1.2006	Au, Cu, Pb, Zn, Ag, Mo, Cd, Co	4.05
5435	10-1-1974	31-1-1988	31.1.2009	Au, Cu, Pb, Zn, Ag, Mo, Cd, Co	3.96
5436	1-2-1974	31-1-1988	31.1.2009	Au, Cu, Pb, Zn, Ag, Mo, Cd, Co	4.05
5446	14-2-1974	28-2-1989	28.2.2010	Au, Cu, Pb, Zn, Ag, Mo, Cd, Co	28.37
5447	10-1-1974	31-1-1989	31.1.2010	Au, Cu, Pb, Zn, Ag, Mo, Cd, Co	28.32
5448	10-1-1974	31-1-1989	31.1.2010	Au, Cu, Pb, Zn, Ag, Mo, Cd, Co	8.09
5450	10-1-1974	31-1-1989	31.1.2010	Au, Cu, Pb, Zn, Ag, Mo, Cd, Co	48.56
5468	1-2-1974	31-1-1991	31.1.2011	Au, Cu, Pb, Zn, Ag, Mo, Cd, Co	125.46
5474	10-1-1974	31-1-1991	31.1.2011	Au, Cu, Pb, Zn, Ag, Mo, Ni, Cd, Co	130.0
5476	10-1-1974	31-1-1991	31.1.2011	Au, Cu, Pb, Zn, Ag, Mo, Ni, Cd, Co	130.0
5478	10-1-1974	31-1-1991	31.1.2011	Au, Cu, Pb, Zn, Ag, Mo, Ni, Cd, Co	16.19
5479	10-1-1974	31-1-1991	31.1.2011	Au, Cu, Pb, Zn, Ag, Mo, Ni, Cd, Co	130.0
6700	10-1-1974	31-1-1991	31.1.2011	Au, Cu, Pb, Zn, Ag, Mo, Ni, Cd, Co	129.5
				Total Area	786.55
				Total Lease Rental	$27,225

Cd is the chemical symbols for Cadmium
Mo is the chemical symbol for Molybdenum
Ni is the chemical symbol for Nickel

Mount Kelly EPM 7487

EPM 7487 comprises of six (6) sub-blocks being part of Mount Isa Block 3326, described as blocks S,T,U,X,Y,Z, surrounding the main mining leases at Mount Kelly, but excludes MC 58429 which is held by another party. The main area of interest lies on the south-western extension of the Spinifex Fault, and on the Crocodile Fault where anomalous gold values have been intersected by previous drilling. EPM 7487 has an expenditure obligation determined on a yearly basis which currently stands at $60,000.

Exploration Permits for Minerals (EPMs)

The Company has applied for seventeen (17) Exploration Permits for Minerals (EPMs) over areas totalling 1456 km2. These applications have **not** been granted by the Department of Minerals and Energy (DME) pending clarification of the Native Title Act.

The EPMs fall into two categories: those not in competition with other applicants, and those where two or more applications have been received by the DME on the same date. In either case the DME considers all applications on their merit, but where competition exists then such applications are compared against competing bids.

TERENCE WILLSTEED & ASSOCIATES

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T V WILLSTEED & ASSOCIATES PTY LTD ABN: 44 001 859 712

11 September 2000

The Directors
Pegmont Mines NL
7th Floor, 14 Martin Place
SYDNEY NSW 2000

Dear Sirs,

INDEPENDENT GEOLOGICAL REPORT AND VALUATION OF MINERAL INTERESTS - PEGMONT MINES NL

Terence Willsteed & Associates (TWA) has been requested by Pegmont Mines NL (The Company) to provide an independent geological review and valuation of the Company's mineral interests. This report is to be included in an Prospectus to be issued by Pegmont relating to an one for two Pro-rata Non-Renounceable Rights issue for 14,915,380 shares of 20 cents par value at an issue price of 10 cents per share and over subscription or placement of a further 5,253,859 fully paid shares at 10 cents each.

We are informed by the Company that prior to the issue of the Prospectus, the Company had issued 29,830,761 shares to seed capital shareholders at 20 cents each. Ten million shares included in the new issue will provide for the capitalisation of funds previously loaned to the Company. We understand that upon listing by the Stock Exchange of Newcastle Ltd (NSX), some of the above mentioned shares and options will be classified as restricted securities to varying degrees by the NSX and as such will be subject to escrow provisions as applied by the NSX.

The mineral interests of Pegmont, which are described and valued in this report, are listed in the Schedule of Tenements included in a report prepared by Hetherington Exploration & Mining Title Services Pty Ltd (ACN 003 122 966) (Hetherington) in the Prospectus. The schedule outlines the Company's interest, and other beneficial interests,the lease conditions and expenditure requirements. We have not confirmed the tenement status and tenure in the preparation of this report.

This report has been prepared by Ralph N. Stagg, BSc, MSc, DIC, FAusIMM, MIMM, C. Eng., Independent Geologist, and T V Willsteed, BE(Min) Hons, BA, CPMin, FAusIMM, MMICA, Consulting Mining Engineer.

The key project sites have been visited by the Independent Geologist during the preparation of the Report.

The information used to prepare this report is drawn from the other independent technical reports accompanying the Prospectus as well as from discussion with consultants and management of the Company. The economic appraisals included in the report are based on conditions existing at 30 August 2000.

We do not doubt the authenticity or substance of previous investigation reports. We have not carried out an audit of the available information. We have relied on previous estimates and proposals for project development, where applicable, and have used this for valuation purposes, with qualifications applied where necessary.

This report is prepared in accordance with the relevant requirements and listing rules of the NSX. The practice notes and policy statements issued by the Australian Securities & Investment Commission (ASIC) in relation to the preparation of independent expert reports and valuations have been followed, including:

- Practice Note 42: Independent of Expert's Reports;
- Practice Note 43: Valuation Reports and Profit Forecasts; and
- Policy Statement 75: Independent Expert Reports to Shareholders.

The valuation has been prepared independently and in accordance with the VALMIN Code of the AusIMM. Because the interests dealt with are reported in detail in the directors report and independent technical reviews, the description of project areas, and production operations and marketing activities are summarised in this report. We believe all material facts are presented and that sufficient analysis is described to meet the transparency requirements of the Code.

1.0 LOCATION

Pegmont Mines NL (Pegmont) holds granted tenements in the Eastern and Western Blocks of the Mt Isa inlier, one of the major metallogenic provinces of the World. Both of the Company's two main Projects at Pegmont and Mount Kelly are covered by granted Mining Leases (See Hetherington Report for details). The Company has sought to consolidate its interests by applying for Exploration Permits for Minerals (EPMs) in proximity to these two projects.

In the Eastern Block the Pegmont lead-zinc deposit lies near the centre of a geographical triangle whose corners are sited at three substantial mining operations Selwyn, Osborne and Cannington. These and other mines have brought significant infrastructure developments to the region. A new pipeline has brought natural gas from southwest Queensland to fuel a new power station in Mt Isa, with a spur line to Osborne and Cannington. BHP Minerals has constructed a bitumen road from the township of McKinlay, on the Landsborough Highway, to Cannington. Just 25 kilometres (km) south of the Pegmont deposit, Osborne is connected by a sealed road to the railhead at Phosphate Hill. Cannington has an airfield with a 2 km long runway capable of handling large passenger aircraft.

In the Western Block the Mount Kelly deposit lies between the Mount Gordon mining operations (Esperanza) and the advanced project at Lady Loretta. The Mt Isa to Darwin sealed road has recently been upgraded,and the Mount Kelly Project lies north of this along a good quality gravel road. The Company's exploration applications in the Western Block lie both north and south of the sealed road. Overall the project is about 2 hours drive from Mt Isa.

1.1 SUMMARY OF MINERAL POTENTIAL

EASTERN BLOCK PROJECTS

Pegmont – 100% interest

The Pegmont lead-zinc deposit consists of a series of lodes segmented by the NNE-trending Mount Lucas fault and associated splays. The known deposit, hosted by the Pegmont BIF horizon, is part of a large mineralised system. This is expressed as mineralised BIF, untested BIF and untested geochemical and geophysical anomalies. The system extends over at least 8 km of strike, drilling has tested only about 2 km of this. A close analogy can be drawn between Pegmont and the high grade Cannington silver-lead-zinc deposit, indicating potential for a major deposit at Pegmont.

There has been no deep drilling through the Pegmont BIF horizon to test for multiple orebodies at depth. By analogy with Cannington, the known Pegmont BIF horizon could be a low grade carapace obscuring a core of high grade lead-zinc ore in structurally complex zones such as an inferred large recumbent fold closure. This provides the major conceptual target.

Other target concepts applicable to the Pegmont Project area include:

- Many of the earlier percussion drillholes were too shallow to intersect the Pegmont BIF horizon. Deeper drilling will likely result in resource increases.
- Extensions to the known BIF hosted lodes are indicated by subtle magnetic highs, ie deeper sourced. Further lodes are likely to be found through continued exploration of magnetic targets.
- The northern and airstrip BIF horizons are largely unexplored.
- The Bonanza deposit represents a new stratiform lead-zinc discovery. Exploration is at an early stage. Drill intersections to date have been low grade, but they provide incentive to continue exploration of the target.
- The area between the Pegmont and Bonanza deposits remains largely unexplored. Large untested magnetic anomalies provide targets.
- South west of the Pegmont deposit,geochemical anomalies along the Mount Lucas fault zone have not yet been drill tested.

Squirrel Hills, Yellow Waterhole, Cuckadoo – 100% interest

Regionally these EPMAs provide large exploration acreage covering ground that is prospective for both stratiform lead-zinc-silver and fault controlled copper (-gold) deposits.

Western Block Projects

Mount Kelly – 100% interest

Copper (-gold) mineralisation occurs at Mount Kelly. These deposits are related to a complex structural situation where the major north-trending McNamara Fault is intersected by cross faults. At Mount Kelly, drill holes have intersected high grade primary mineralisation over 120 metres (m) strike length of the Mount Kelly Fault. Mineralisation occurs in breccia zones and vein stockworks.

Much of the previous exploration had been directed at finding a large stratabound orebody. By contrast, recent exploration success has been achieved by drilling into the mineralised fault zone. A resource has not yet been defined, but there is sufficient encouragement for continued exploration targeting a mineable deposit.

In addition, secondary copper mineralisation at Mount Kelly is contained within a sub-horizontal "blanket" at shallow depth. Grid drilling is required to establish a resource.

A number of other prospects, eg Dividend and Macleod Hill, have, to date, received very limited drilling and there is excellent potential for copper (-gold) discoveries of similar style to Mount Kelly.

Mount Kelly and other occurrences in the area establish the McNamara Fault as a major mineralised structure, analogous to the Mount Isa Fault system and the Mount Gordon Fault Zone. The recent finding of gold values in quartzite at Dividend, as well as gold values in brecciated ironstone outcrops at Mt Kelly West Prospect, has added a new dimension to the potential of the Mount Kelly area. It also has interesting regional possibilities both for gold occurrences and for exploration of quartzite units in contact with faults.

Redie Creek – 100% interest

Known copper mineralisation at Big Bend and Mount Wendy/Barr Creek Prospects has not been systematically explored.

A number of other conceptual structural targets for fault-related copper deposits along the McNamara Fault have not previously been explored. Landsat imagery suggests development of a zone of iron-rich carbonate, which, by analogy with known deposits such as Lady Loretta, could indicate proximity to a stratiform zinc-lead-silver deposit.

Mount Gordon Fault Zone – 100% interest

Four tenement applications straddle the highly prospective Mount Gordon Fault Zone, which, outside the tenement applications, contains significant copper deposits at Gunpowder (Mammoth and Esperanza) and Mount Oxide.

The tenements contain known Mount Isa-type copper mineralisation at the Investigator prospect, as well as other untested geochemical anomalies, alteration zones and conceptual structural targets.

Kennedy Gap – 100% interest

The May Downs prospect consists of a 7 km long zone of geochemical anomalies apparently reflecting underlying stratiform pyritic zinc-lead-silver mineralisation of Mount Isa-type. A linear magnetic anomaly provides a focus for initial drilling.

Elsewhere in the tenements, fault intersections, splays and 'jogs' provide conceptual targets for both stratiform zinc-lead-silver and fault-related copper (-gold) deposits.

1.2 MINERAL ENDOWMENT OF NORTH WEST QUEENSLAND

The geological entity known as the Mt Isa Inlier or Block is one of the major metallogenic provinces of the world. This is evidenced by the massive Mt Isa, Hilton, George Fisher and Century orebodies in the Western Mt Isa Block and Cannington, Selwyn, Ernest Henry and Osborne ore bodies in the Eastern Mt Isa Block.

Geological Overview

Geologically, the Mount Isa Block consists of a central zone of older basement rocks (the Kalkadoon - Leichhardt Belt) older than 1800 million years, trending north-south, flanked by two zones of younger rocks (about 1800 to 1500 million years old), which are known respectively as the Eastern and Western Successions.

Although geological correlations may be drawn between the Eastern and Western Successions, they are best considered as separate entities. The rocks of the eastern Mount Isa Block are more highly deformed and metamorphosed than those in the Western Succession,there are different rock units in the two zones and the Eastern Succession is more heavily invaded by granites.

Importantly, the two zones contain distinctly different styles of mineral deposits. The western Mount Isa Block contains stratiform zinc-lead-silver deposits hosted by dolomitic and carbonaceous siltstone, and structurally-controlled copper(-gold)) deposits associated with breccias and silica-dolomite alteration zones. In the eastern Mount Isa Block, stratiform lead-zinc-silver deposits are associated with banded iron formation, and structurally-controlled copper-gold deposits are associated with concentrations of magnetite and hematite.

Although there remain question marks concerning rock ages and structural relationships, in broad terms the stratiform zinc-lead-silver deposits (in both the Eastern and Western Successions) are believed to have formed during or shortly after deposition of the host sedimentary sequences. Whereas the structurally-controlled copper-gold deposits were emplaced during regional hydrothermal events late in the deformation history of the region and subsequent to peak metamorphism. In the Eastern Mount Isa Block, the copper-gold deposits are apparently genetically related to emplacement of granite bodies.

Mineral Discovery and Development in the Mt Isa Block

Mine development in the Mt Isa Block commenced in the Cloncurry region and dates from discovery of the Great Australia copper deposit in 1867. During the ensuing 40 years, copper (with by-product gold) deposits were discovered and developed at Mount Elliott, Kuridala, Mount Cuthbert and elsewhere. In the western Mount Isa Block, copper was discovered at Gunpowder, Mount Oxide and Lady Annie. Production declined sharply after 1920 due to lower copper prices. During the early years, lead-zinc was discovered at Dugald River and at Lawn Hill, where it was mined on a small scale.

The giant Mount Isa zinc-lead-silver deposit was discovered in 1923 and brought into production in 1931. Subsequently, the Hilton and George Fisher zinc-lead-silver deposits were discovered. During the 1940s, copper mining commenced at Mt Isa. A total resource of 250 million tonnes [t] at 3.3% Cu has been estimated. During the 1960s and 1970s, the full size and importance of the 1100 copper orebody was realised, the deep Enterprise copper orebodies were discovered.

The demand for uranium in the 1950s led to the recognition of a number of uranium deposits, of which the chief one was Mary Kathleen, discovered in 1954. Growing demand for phosphate during the 1960s led to discovery of very substantial deposits at Phosphate Hill and elsewhere. Although at that stage no deposits were developed into commercial operations, the Phosphate Hill deposit is now a major development.

In the Western Mount Isa Block, large scale mineral exploration programmes led to discovery of the Lady Loretta zinc-lead-silver deposit and the Esperanza copper deposit in 1969 and the Century zinc-lead-silver deposit in 1990. The development of leach-solvent extraction-electrowinning (SX-EW) technology was important in the successful development of the Esperanza mine during the past couple of years.

In the Eastern Mount Isa Block,the Pegmont lead-zinc deposit,discovered in 1971,was recognised as having similarities with the Broken Hill deposit. Drawing on this analogy, exploration led to the 1990 discovery of the Cannington deposit. Copper-gold mining in the Eastern Mount Isa Block remained depressed until the Selwyn (Starra) operation was developed in 1987. The subsequent discovery of significant deposits at Osborne, Eloise and Ernest Henry, all buried beneath cover rocks and recognised as targets from aeromagnetic data, demonstrated the outstanding discovery potential of the Eastern Succession. Some of the historic mining centres (Great Australia, Mount Cuthbert) have now been re-developed.

The small but very rich gold-only deposit at Tick Hill was discovered in 1989. At the present time, this remains the only known deposit of its type in the Eastern Mount Isa Block.

Major new discoveries over the last ten years, which have now been developed, reflect the advances in understanding of metallogenesis within the province coupled with technological improvements and development of techniques to enhance exploration data interpretation.

Examples of recent copper (-gold) discoveries, including approximate resources, in the Eastern Block (not owned by Pegmont) are shown in *Table 1.1.*

Table 1.1 **Copper (-gold) projects in the eastern block of the Mt Isa Inlier**

Prospect/Mine	Tonnes (million)	% Cu	g/t Au
Ernest Henry	148	1.1	0.5
Osborne	36.0	2.0	1.0
Mt Dore	19.7	1.1	-
Tick Hill	0.7		22.5
Swan	13.5	0.9	0.5
Starra/Selwyn	7.0	2.1	4.5
Eloise	3.5	6.5	1.5
Kuridala	2.1	1.4	0.3
Mt Elliot/Corbould	5.2	3.8	1.9

1.3 TARGET DEPOSIT STYLES

FAULT-RELATED COPPER (-GOLD) DEPOSITS

Eastern Mt Isa Block

Although copper (-gold) deposits have been known in the Cloncurry region since the late nineteenth century, the discovery of the Selwyn (Starra) deposits during the 1980's showed a hitherto unrecognised relationship between copper (-gold) and magnetite. The subsequent discovery of significant deposits at Osborne,Eloise and Ernest Henry, all buried beneath cover rocks and recognised as targets from aeromagnetic data, provided a strong confirmation of the concept. They demonstrated and increased the discovery potential of these types of deposits in the Eastern Mt Isa Block.

The deposits are typically associated with zones of intense hydrothermal alteration developed along faults during a regional hydrothermal event associated with emplacement of the Williams Batholith. The deposits consist of chalcopyrite and native gold associated with iron sulphides (pyrite and/or pyrrhotite) and iron oxides (magnetite and/or hematite). Deposits are hosted by a variety of rock types, eg ironstone, carbonates, schist and volcanics. The style of mineralisation is also variable, some deposits are of vein stockwork style, some are within breccia bodies and others are stratabound replacement bodies.

Western Mt Isa Block

In the Western Block, two important features are:

- the deposits tend to have high copper grades; and
- the development of deep zones of leachable oxide ore and high grade supergene ore is to be expected.

The deposits resulted from a regional hydrothermal event during deformation accompanying waning metamorphism when copper-bearing hydrothermal fluids, generated within the crust, were focussed along major faults. Metal concentrations were precipitated in dilatant sites along the fault zones.

Host rocks are typically dolomitic and carbonaceous siltstone, but feldspathic quartzite hosts the Mammoth deposit. The deposits are associated with intense alteration, characterised by quartz-dolomite-chlorite-pyrite. Deposits may be either broadly stratabound or transgressive to stratigraphy. The style of mineralisation varies from veins and stockworks to breccia fillings, disseminated zones and massive replacements. In detail, there is considerable variation in deposit geometry and mineralisation style resulting from different host rocks, different fault geometry, and different fluid movement history.

Deep weathering of primary sulphides has led to development of very high grade (typically +5% Cu) zones of supergene enrichment. In outcrop,the mineralised fault zones are expressed as zones of siliceous ferruginous breccia with elevated copper (-gold) concentrations. These distinctive outcrops provide the exploration targets.

The Company's tenements in the Western Block cover portions of several of the known regional copper-bearing structures, including the Mount Gordon Fault Zone, the McNamara Fault and the Kennedy Fault.

STRATIFORM ZINC-LEAD-SILVER DEPOSITS

Eastern Mt Isa Block

Smaller lead-zinc prospects, including Pegmont, have been known in the Eastern Mt Isa Block for many years. The recognition that these deposits have similarities to Broken Hill in New South Wales and other major lead-zinc-silver deposits launched a number of companies into regional exploration. This resulted in the BHP Minerals discovery of the Cannington deposit in 1992. Cannington is a world-class deposit with a pre-mining resource of 44 million t at 11.3% Pb, 4.7% Zn and 511 g/t Ag. Its discovery demonstrated the potential in the region for the discovery of deposits of the Broken Hill type.

The deposit style typically occurs as a series of stacked lenses, conformable with layering in high grade metamorphic rocks. They are associated with a suite of distinctive iron-rich rocks collectively called banded iron formation (BIF) as well as other unusual rocks, especially garnet quartzite. The ores are usually banded or brecciated. The sulphide minerals are galena, sphalerite, iron sulphides (pyrite and/or pyrrhotite) and minor minerals such as tetrahedrite, chalcopyrite and arsenopyrite. Quartz, fluorite, magnetite and a range of iron- and manganese-bearing silicate minerals typically accompany them.

Western Mt Isa Block

The western Mount Isa Block is one of the world's great zinc provinces, hosting world-class deposits at Mount Isa, Hilton, George Fisher and Century, as well as the smaller Lady Loretta deposit and several other prospects. All deposits are located near to major faults, which have a long history of movement.

The deposits are hosted by carbonaceous and dolomitic siltstone containing iron as fine-grained pyrite or as siderite. Pyrrhotite (magnetic iron sulphide) is an important constituent in some deposits. The main ore minerals are galena and sphalerite. Sulphide bands alternate with bands of dolomite or siltstone, producing strongly layered ore. The deposits consist of multiple stacked conformable ore lenses, separated by barren or low-grade rock. Individual orebodies may be 5m or more in thickness. The total ore 'package' may be tens to hundreds of metres in thickness and contain tens of millions of tonnes of ore.

2.0 PROJECTS IN THE EASTERN MOUNT ISA BLOCK

2.1 PEGMONT

INTRODUCTION

The Company holds the following mining leases (MLs) over the Pegmont Project:

- ML 2620-27, 2629, 2630;
- ML 2662; and
- ML 2663.

These have varying expiry dates and cover a total area of 1,554 ha.

In addition, the Company has applied for EPMs covering ground adjacent to the Pegmont MLs as follows:

- EPMA 11394 (Pegmont Extended)
- EPMA 11671 (Sandy Creek)
- EPMA 11813 (Lily Creek)
- EPMA 12498 (Pegmont South-East)
- EPMA 12255 (Pegmont North)
- EPMA 11588 (Yellow Water Hole) (by Reefway).

These applications jointly cover (289.6 km2) and cover possible extensions to the Pegmont lead-zinc mineralisation. The tenement status has not been verified by TWA (See Independent Exploration and Mining Titles Report).

GEOLOGY

Stratigraphy and rock types

The tenements contain a metamorphosed sedimentary sequence consisting mainly of quartz-felspar-biotite (-garnet) gneiss, invaded by the Squirrel Hills pluton of the Williams Batholith. A large body of cordierite bearing gneiss outcrops in the northern project area.

The Pegmont lead-zinc deposit is contained within a stratiform body of BIF, 4m to 12m thick. It consists of banded quartz-magnetite-fayalite-garnet-hedenbergite-sulphide rock. The main sulphide minerals are galena and sphalerite with subordinate pyrrhotite, pyrite and chalcopyrite. Apatite, gahnite (zinc spinel) and graphite are common minor minerals. The ubiquitous presence of magnetite provides a distinct magnetic signature that allows the Pegmont BIF horizon to be traced in the sub-surface. In many drillholes there is a distinct correlation between magnetite and lead-zinc concentrations.

The rocks are weathered down to around 60m. In the weathered zone, the metal sulphides have been oxidised.

A large amphibolite body, the Lease Amphibolite, lies 200m to 250m northwest of the Pegmont deposit. A broad gravity anomaly associated with the Pegmont deposit may be due to the presence of the Lease Amphibolite underneath it. Another amphibolite body lies east of the Pegmont deposit. Small pegmatite bodies are emplaced into the metamorphic rock sequence and the Squirrel Hills granite (part of the Williams Batholith) invades the sequence in the northern part of the project area.

Structure

The rock sequence is deformed by recumbent folding that results in repetition of the Pegmont BIF Horizon as intersected in drill holes. The short limbs of asymmetric folds are structurally thickened as compared with the long limbs.

A NNE trending linked fault array, the Mount Lucas fault zone, transects and segments the Pegmont deposit. It consist of a number of northeast trending fault segments, cut by the NNE trending Mount Lucas fault, which extends almost right through the known lode system.

North of the Gossan Lode, the Mount Lucas fault is truncated by a series of east trending faults. These include the Sharry fault that extends to the Bonanza anomaly and beyond. The northern BIF horizon is cut by a number of northeast trending faults, one of which separates the northern BIF horizon from the airstrip BIF horizon. An ENE trend is also shown by the faulted southern margin of the Squirrel Hills granite.

In the eastern part of the Project area several northwest and north trending structures occur. Together with east trending faults, they intersect in the vicinity of the water supply dam on the eastern margin of the Mining Leases.

As presently interpreted, the Pegmont BIF horizon extends over almost 2000m as a northeast trending body segmented by the northeast trending Mount Lucas fault array into several disconnected lodes. These include the Mount Lucas lode, Southern lode, Main lode and Gossan lode. Magnetic anomalies indicate a number of undrilled extensions and peripheral bodies.

Alteration

A number of drill holes intersected lead-zinc concentrations in non-magnetic zones. This appears as zones of massive silicification and quartz-amphibole-garnet-biotite-pyrrhotite rock. Pervasive to fracture controlled quartz-K felspar alteration and quartz-chlorite-carbonate-sulphide veining also occurs in these non-magnetic zones. These effects are superimposed on the normal BIF hosted mineralisation and represent a phase of magnetite destructive alteration.

The holes that intersected this non-magnetic style of mineralisation are all sited next to interpreted faults. The features may indicate a late hydrothermal event along the faults. In at least one hole (PGR010) the late hydrothermal event has apparently resulted in the redistribution and upgrading of zinc within the zone of alteration.

Comparison with cannington

At Cannington, high grade lead-zinc-silver ore occurs within structurally complex zones, especially in the hinge of a large recumbent fold and in second order fold zones adjacent to an amphibolite body. The high grade zones are associated with a late hydrothermal alteration event that overprinted the primary stratiform mineralisation and resulted in extensive silicification, brecciation and upgrading. It is likely that a prominent fault zone provided the conduit for hydrothermal fluid, which was then focussed into low strain sites such as the fold hinges.

At Pegmont a number of drill holes have intersected highly altered rocks within and adjacent to faults, indicating the activity of late hydrothermal fluid. As at Cannington, this activity may also have produced siliceous breccia ore with high zinc grades. The potential for such high grade ore is shown in holes PGR010, sited in a fault zone, that intersected 3m at 1.8%Pb and 21.8%Zn within a zone of 12.2m at 6.3% Pb and 7.5% Zn.

There are many similarities between Pegmont and Cannington as follows:

- The two deposits are of the same age, are hosted by the same rock sequence and formed by the same processes of syngenetic metal sulphide precipitation associated with iron rich sediments;
- Bodies of amphibolite are associated with both deposits;
- They were both metamorphosed to upper amphibolite grade, resulting in mineralised BIF with similar mineral assemblages;
- Both rock sequences are deformed into large recumbent folds with superimposed second order fold zones. At Cannington, deformation of sulphide bearing rock resulted in structurally thickened ore zones, especially in the hinges of folds. At Pegmont, the fold hinges have not been tested by drilling;

- Both deposits were subjected to the same late hydrothermal overprinting event. At Cannington, this late alteration resulted in substantial upgrading of lead-zinc-silver in structurally controlled sites, especially with the formation of the Glenholme style siliceous breccia ore. At Pegmont, there has been no targeting of low strain zones such as faults and fold hinges to test for similar siliceous breccia mineralisation.

Table 3.1 shows the comparison between the features of Cannington and Pegmont.

At Cannington there are multiple stacked ore lenses. At Pegmont there has been no deep drilling below the known Pegmont BIF horizon.

Table 3.1 **Comparison between Pegmont and Cannington**

Feature	Cannington	Pegmont
Host Unit	Soldiers Cap Group	Soldiers Cap Group.
Host rock sequence	Psammitic and psammo-pelitic schist, quartzite, amphibolite	Psammitic and psammo-pelitic schist, quartzite, amphibolite.
Wallrocks	Quartzite, garnet quartzite, gar-biot schist, musc schist	Quartzite, garnet quartzite, gar-biot schist, musc schist.
Gangue mineralogy	Mafic: mag-fl-pxm-heden-qtz eg Burnham, Nithsdale & Kheri ore styles Siliceous: qtz-gar-chlor-carb-ap eg Cuckadoo, Glenholme	Mafic: qtz-fay-gar-heden-grun-mag-ap-gah Siliceous: zone in holes PGD006 & PGD 025.
Retrograde overprint	Carb-chlor-talc-musc Qtz-Kspar veins	Carb-chlor-musc Qtz-Kspar-po-py veins
Sulphide minerals	Ga-sl $\pm$ po-apy-py-cpy-loll-tet	Ga-sl + py-cpy-mo
Metal association	High Pb, moderate Zn, high Ag $\pm$ As Sb Cu Au	Mod Pb, mod Zn, low Ag + As Cu
Deformation	Early (D2) recumbent folds Later (D3) upright folds Late faults	Early (D2) recumbent folds Later (D3) upright folds Late faults
Relation to structure	Orebodies deformed by folds Thicker & richer ore in D_2 & D_3 fold hinges High grade ore in Brolga fault zone	Mineralisation deformed by folds Fold hinges not tested by drilling. Fault zones not tested by drilling.

Magnetic expression	Mafic ores are magnetic Siliceous ores are non-magnetic (eg Glenholme style)	BIF (mafic body) is magnetic Some non-magnetic siliceous mineralisation (Glenholme style?).
Chemical expression	Fe Mn Ca P F	Fe Mn P Ca
Exploration approach	Initial drilling on magnetic target Resource outlined by grid drilling	Initial discovery at outcrop Resource outlined by grid drilling. Additional drilling on magnetic and gravity targets.

Abbreviations used in *Table 3.1.*

mag	=	magnetite	fl	=	fluorite	pxm	=	pyroxmangite	heden	=	hedenbergite
qtz	=	quartz	fay	=	fayalite	grun	=	grunerite	gar	=	garnet
ap	=	apatite	gah	=	gahnite	carb	=	carbonate	chlor	=	chlorite
musc	=	muscovite	py	=	pyrite	Kspar	=	K felspar	biot	=	biotite
po	=	pyrrhotite	ga	=	galena	sl	=	sphalerite	apy	=	arsenopyrite
cpy	=	chalcopyrite	loll	=	lollingite	tet	=	tetrahedrite	mo	=	molybdenite

Past Exploration

Stage 1 (1971-1975)

Recognition of outcropping gossanous ironstone at Mount Lucas in 1971 combined with follow-up surveys and drilling led to the discovery of the deposit. During 1975, Newmont drilled 35 diamond core drill holes (totalling 7,230m) and over 100 shallow rotary and percussion drillholes (totalling 6,060m), mostly near vertical. Chemical analyses by partial digest were understated. Preliminary economic study showed the deposit to be marginal.

Stage 2 (1976-1995)

Little work was done until the early 1990s. BHP Minerals reviewed the Newmont work and concluded:

- The Newmont resource was based on an overly simplistic interpretation of the mineralised BIF geometry; and
- There are five areas with potential for additional resources.

BHP Minerals focussed their work on geological mapping,new geophysical surveys and limited drilling on EM targets away from the known deposits. They concluded "In view of the negative results returned from magnetic and gravity surveying over EM conductors and the downgrading of results returned from the lithotypes intersected, downhole EM surveying completed and geochemical discrimination applied, no further work is recommended".

Stage 3 (1996-1998)

Pegmont Mines acquired the Project in 1996. Re-evaluation of the data recognised that:

- The resource status of the Main Lode could be advanced through further drilling;
- There had been no deep drilling to test for multiple stacked mineralised horizons; and
- There are untested geochemical and geophysical anomalies.

Pegmont drilled additional RC drill holes ("PMR holes") within the known resource area. The results of these holes broadly confirmed the previous exploration results. However, they indicated that the geometry or the mineralisation is more complex than previously interpreted and the mineralisation may extend further to the south and east than previously thought. Some of the drill holes intersected several mineralised zones probably indicating recumbent folds in the BIF horizon. Behre Dolbear Australia Pty Ltd undertook a new resource estimation.

Eight RC drill holes at the Gossan lode, 500m north of Mount Lucas intersected zinc-lead concentrations in a steeply dipping lode 4m to 12m wide. This new discovery demonstrated the untested potential in the Project area and highlighted the importance of drilling BIF outcrops and magnetic anomalies.

Stage 4 (1998-1999)

In mid-1998 Pegmont Mines concluded a joint venture agreement with North Ltd. North carried out gravity and ground magnetic surveys over most of the Project area as well as IP and MALM surveys at selected sites.

North drilled six diamond and four RC drill holes to test specific targets. These did not include infill drilling,testing previous high grade intersections or deep drilling for multiple horizons.

At the Bonanza magnetic anomaly, IP and magnetic surveys were followed by four drill holes. Three of these intersected lead-zinc mineralisation associated with BIF (hedenbergite-garnet-magnetite rock) within a broad zone of garnet bearing rock.

North concluded that there was insufficient grade and tonnage potential to be of interest and withdrew from the joint venture.

Identified Resources

Newmont (1975)

Based on an interpretation of the Pegmont BIF as a single continuous horizon, tightly folded and steeply dipping near Mount Lucas, but flattening out to the east, Newmont estimated a resource. Sheppy and Verwoerd (1975) used drill sections and SGs of 3.75 (Oxide) and 4.2 (Sulphide) and a cutoff grade of 4% Pb+Zn. This resulted in the following resource that does not conform to current JORC Code guidelines:

- Indicated + Inferred Oxide: 4.5 million t at 6.4% Pb, 2.3% Zn 7.7 g/t Ag
- Indicated + Inferred Sulphide: 6.6 million t at 8.4% Pb, 3.7% Zn 11.5 g/t Ag

Behre Dolbear (1997)

This study undertaken by Hancock (1997) for independent mining Consultants, Behre Dolbear, used both Newmont and Pegmont Mines drill data and the Newmont SG and cutoff grade. Behre Dolbear also used a cross sectional estimation method. Each drill hole was reviewed and mineralisation correlated between sections if possible. Resource intersections were extrapolated halfway between adjacent holes and/or sections. *Table 3.2* summarises this resource.

Table 3.2 **Behre Dolbear Resource Estimate - Pegmont**

Ore Type	Resource Category	Tonnes (Million)	Grade Pb%	Contained Zn%	Tonnes Pb	Zn
Oxide	Inferred	2.6	7.72	2.84	199,800	73,500
	Indicated	1.7	7.04	2.50	119,900	42,500
Sulphide	Inferred	2.0	8.51	3.70	170,800	74,200
	Indicated	2.0	7.62	4.85	152,700	97,200
Total	Inferred	4.6	8.07	3.22	370,600	147,700
	Indicated	3.7	7.35	3.77	272,600	139,700
	Total	**8.3**	**7.75**	**3.46**	**643,200**	**287,400**

In addition Hancock (1997) also gave a preliminary resource estimate for the Gossan Lode of:

- Indicated + Inferred (Oxide): 190,000 t at 6.53% Pb 3.11% Zn
- Indicated + Inferred (Sulphide): 120,000 t at 3.19% Pb 4.81% Zn

Comments

Behre Dolbear used a more rigorous approach to their resource estimate that explains the difference to the Newmont estimate. The Newmont structural interpretation is overly simplistic and inconsistent with structural measurements. Hancock (1997) recognised that the BIF horizon was probably more tightly folded and that this folding could imply additional tonnage. However, in the absence of detailed information, Behre Dolbear interpreted simple ore block outlines. The lode system is cut by a number of faults that were incorporated into the later work to explain discontinuities between adjacent drill holes.

Broad spaced drilling results in gaps in the Behre Dolbear resource, whereas Newmont inferred continuity between drill holes. The maximum extrapolation used by Behre Dolbear is 62.5m. A number of drill holes apparently stopped short of the mineralised BIF horizon. Although geological interpretation could infer continuity, further drilling is required for resource estimation.

The Behre Dolbear report estimates that the estimate may be in error by + 20% to 30%, because of the drill hole spacing and the uncertainties of geological interpretation. The report says that infill drilling will probably increase the resource estimate as well as the confidence level.

Exploration Targets

Pegmont Deeps Project

Pegmont has entered into a conditional agreement with the Billiton Exploration Australia Pty Ltd (Billiton) to explore the Pegmont Deeps. Previous explorers interpreted only a single mineralised unit [the Pegmont BIF Horizon] and focussed their drilling on the known deposit. Most previous drill holes terminated just below the base of the BIF horizon without testing for deeper mineralised zones.

The Pegmont deposit has similarities with the nearby high grade Cannington lead-zinc-silver deposit in host rock types, in structural style, in mineralogy and textures, and in the processes of formation. The structure at Pegmont is dominated by recumbent folding and the mineralised BIF horizon is associated with an amphibolite body, similar to the Cannington deposit.

Using the Cannington deposit as a guide, there is a target for high grade lead-zinc-silver mineralisation below the known mineralised Pegmont BIF horizon. The potential for deeper ore zones is a significant discovery opportunity within the Pegmont Mining Leases.

Increases to the known Resource

The latest structural interpretation shows the known Pegmont deposit as consisting of a number of BIF segments separated by splays of the Mount Lucas fault system. With the benefit of this interpretation, much of the previous drilling seems to have been poorly sited. Many of the early percussion holes were drilled too shallow (50m) to intersect the BIF horizon. Deeper drilling is likely to result in increased resources.

Likely extensions to the known mineralised lodes are indicated by the new magnetic data. The Main lode, for example, is possibly joined, in the sub-surface, to the Gossan lode. To the southwest of known mineralisation, a magnetic anomaly extends for at least 600m and perhaps 1000m. These possible extensions could increase the resource substantially. In addition, marginal to the existing resource, there are several magnetic features that have not yet been drilled at all.

A number of previous drill holes intersected high lead-zinc grades. There has been no targeted follow-up of such intersections. For example hole PGR010 intersected 12.2m at 6.3% Pb and 7.5% Zn including 3.0m at 1.8% Pb and 21.8% Zn. The intersection occurs adjacent to a fault zone and the rocks have been altered during the late hydrothermal event. The high grade intersections indicate that re-concentration of metal may have accompanied the alteration. The fault zones thus provide targets for high grade zinc mineralisation.

Major high grade mineralisation

Previous exploration has focussed on the mineralised BIF horizon as a stratiform body controlled by primary sedimentary features. The relationship to the Mount Lucas fault zone indicates a degree of structural control not recognised by previous explorers. The many similarities between Pegmont and Cannington (Table 3.1) indicate potential for a large high grade mineralised body at Pegmont.

At Cannington, thick bodies of high grade lead-zinc-silver ore are located in structurally complex zones, especially in the hinge of a large recumbent folds and in second order fold zones adjacent to a large amphibolite body. As at Cannington, the structure at Pegmont is dominated by recumbent folding and there has been a metasomatic overprinting event that may have resulted in substantial upgrading of lead-zinc mineralisation. Furthermore, as at Cannington, an amphibolite body underlies the lead-zinc deposit, providing additional possibilities for structural complexity and associated high grade mineralisation. To date there has been no drilling to test for structurally thickened and upgraded mineralisation in such structurally complex zones.

Currently, only one mineralised unit (the Pegmont BIF horizon) is known at Pegmont. Based on the interpretation that there is only a single mineralised horizon, most drillholes terminated just below the base of this BIF without testing for deeper mineralisation. However, Cannington (and similar deposits elsewhere) has multiple mineralised horizons extending over tens and hundreds of metres of stratigraphy. A poorly mineralised zone (the Inveravon lode) lies at the top of the Cannington ore 'package', up to 75m above the upper orebody.

The Pegmont BIF horizon is very similar mineralogically to the low grade Inveravon style mineralisation at Cannington. It is possible that the Pegmont BIF horizon is likewise only the top of a stratigraphically thick mineralised system and that multiple, high grade, mineralised horizons remain to be discovered below it.. The Pegmont BIF horizon may be a carapace obscuring high grade mineralisation. If deeper drilling shows the existence of multiple mineralised horizons, the Pegmont Project has the potential to host a major mineralised deposit.

Northern Project Area

Specific targets in this area north of the Pegmont deposit include:

- Northern BIF Horizon. This horizon can be traced over approximately 800m of strike and contains outcrop geochemical anomalies up to 5.2% Pb and 1.2% Zn. Magnetic anomalies, indicating that the horizon extends eastwards in the sub-surface, are priority targets to be tested by drilling. In addition, the Sharry fault zone has potential for high grade zinc mineralisation in areas metasomatically upgraded by the late hydrothermal event.

- Airstrip BIF Horizon. Scattered outcrops and magnetic anomalies can be interpreted to suggest a folded BIF horizon with > 1000m of strike. RAB geochemistry produced a +500 parts per million (ppm) Zn anomaly associated with the BIF.

- Other magnetic anomalies near the margin of the Squirrel Hills granite are untested.

- IP anomalies. IP surveys by previous explorers have produced two large anomalous areas and several discrete anomalies. EM surveys by previous explorers have produced two ENE trending zones partly coincident with one of the large IP anomalies. Three drill holes have been drilled but were poorly sited to test the anomalies.

Bonanza Anomaly

This anomaly forms a large (800m by 300m) east trending magnetic high with a smaller (250m by 100m) magnetic high to the north. Drilling of four IP anomalies within the main magnetic high showed the anomaly to be caused by mineralised magnetite bearing BIF. Three holes intersected hedenbergite-garnet-magnetite rock (BIF) with low grade lead-zinc mineralisation, eg hole PMD037 intersected 5m at 3.1% Pb and 3.7% Zn from 203m depth downhole. These intersections showed that the magnetic anomaly is mineralised over at least 400m of strike and constitute a new stratiform lead-zinc discovery at Pegmont.

Within the still largely untested magnetic anomaly zone,a number of specific geophysical targets have been identified. A 'high priority' EM anomaly was detected by a 'fixed loop' survey about 200m north of the magnetic peak and 'medium to low priority' anomalies are associated with the two magnetic peaks. A single drill hole to test the EM anomaly intersected 60m of pyritic schist with elevated lead-zinc values. It is interpreted that the hole may have stopped short of the target.

To the west of the Bonanza discovery are two large magnetic features (designated M1 and M2). The lower magnetic intensity suggests that these anomalies may represent more deeply buried bodies of BIF. Their presence can be interpreted as evidence that the Bonanza BIF is a smaller part of a more extensive zone of mineralisation,over 2000m long, between the Northern BIF horizon and the Bonanza discovery.

Southwestern area

Magnetic trends can be interpreted to suggest that the Mount Lucas fault zone continues to the SSW of the Pegmont deposit. The fault coincides with a large untested geochemical anomaly (+500 ppm Zn) that extends for 2500m south west of known mineralisation.

2.2 SQUIRREL HILLS

Three tenement applications,EPMA 11813 (Lily Creek), EPMA 12255 (Pegmont North) and EPMA 11394 (Squirrel Hills) cover an area of 150 km2 over metamorphic rocks of the Soldiers Cap Group that are invaded by Squirrel Hills granite and cut by faults. The area has potential for stratiform lead-zinc and fault related copper (-gold) deposits.

This prospectivity is demonstrated by the presence, within a few kilometres of the tenements, of the major Cannington lead-zinc-silver mine, the Cowie lead-zinc prospect and the Brumby copper (-gold) prospect.

Of particular significance in exploration for copper (-gold) deposits are fault related zones of rock alteration, evident in magnetic imagery that indicate activity of metal bearing hydrothermal fluids. Magnetic anomalies, possibly caused by concentrations of magnetite formed during hydrothermal activity provide initial exploration targets.

2.3 YELLOW WATERHOLE

This application, by Reefway Pty Ltd (EPMA 11588), covers an area of 38 sub-blocks (121.6 km2) over part of the Soldiers Cap Group that is invaded by the Yellow Waterhole Granite. The application has been made in competition with other applicants (see Hetherington's Report). It has potential for stratiform lead-zinc and fault related copper (-gold) deposits.

Known copper (-gold) mineralisation occurs to the north of the application and alteration along shear zones provides evidence of mineralisation within the application area. Drilling by previous explorers along one target zone has intersected 3m grading 0.3% Cu and 0.8 g/t Au within magnetite bearing schist.. The target has not been adequately tested. Geochemical and geophysical anomalies provide other targets for follow-up exploration.

2.4 CUCKADOO

These two applications by Reefway Pty Ltd, EPMA 11587 (Kheri) and 11775 (Cuckadoo) cover 99.2 km2 over strata of the Soldiers Cap Group. They are partially obscured by a thin (up to 50m) cover of undeformed Mesozoic sedimentary rocks. Because of this cover there has been little previous exploration.

Using aeromagnetic imagery, many Proterozoic geological features can be interpreted beneath the cover rocks, but a detailed structural analysis from airborne magnetic imagery remains to be carried out.

The major Osborne copper (-gold) deposit lies a few kilometres west of the applications' boundary and demonstrates the potential of the region. Successful exploration beneath Mesozoic cover requires persistence as well as good geological models and exploration techniques. Several low order magnetic anomalies in the applications provide initial exploration targets.

3.0 PROJECTS IN THE WESTERN MOUNT ISA BLOCK

3.1 MOUNT KELLY

INTRODUCTION

The Mount Kelly project area is covered by:

- 13 Mining Leases (MLs 5426, 5435-36, 5446-48, 5450, 5468, 5474, 5476, 5478 to 5479 and 6700) totalling 7.84 km2 in area. The MLs were granted in 1974 and were renewed at various dates between February 1985 and February 1991 for periods of 20 to 21 years; and
- EPM 7487 (Mount Kelly) covering 6 sub-blocks (19.2 km2) overlapping the MLs.

A small Mining Claim (MC 5842) around the old Mount Clarke workings is not included within the project. The tenement status has not been verified by TWA.

Geology

The Eastern Creek Volcanics (ECV) lie at shallow depth and are overlain by quartzite and siltstone of the Surprise Creek Formation. West of the McNamara Fault are outcrops of the Gunpowder Creek Formation and Paradise Creek Formation, consisting mainly of dolomitic and carbonaceous siltstone with subordinate quartzite and dolomite.

The strata are folded and faulted, but remain essentially unmetamorphosed. Mount Kelly and other copper deposits are related to a zone of complex structure where cross faults intersect the major north-trending McNamara Fault. The strata are silicified, fractured, veined and brecciated up to 200m away from the fault zone.

A second set of faults trends west to WNW. The Spinifex Fault dips north at about 30° and may be a thrust. Other faults, including the Mount Kelly Fault, trend NNW. These three fault sets, intersecting in the vicinity of Mount Kelly, create a complex zone of dilation, fracturing and brecciation, which has localised the copper-gold concentrations.

Known Deposits

The project area contains a number of old copper workings at Mount Kelly, Mount Clarke, Spinifex Queen and Macleod Hill. Small tonnages of high grade copper ore have been produced from these in the past. Other copper mineralisation is also known at the Swagman, Canyon and Dividend prospects.

The known deposits are hosted by dolomitic and carbonaceous siltstones of the McNamara Group and are all closely related to faults. Mount Kelly, Mount Clarke, Spinifex Queen and Macleod Hill lie on or near the McNamara Fault where it is intersected by cross faults. Swagman and Canyon prospects lie along splays of the McNamara Fault. Dividend prospect lies along a complex of east-trending structures.

Primary mineralisation consists of chalcopyrite and pyrite,concentrated in the matrix of breccia zones and in quartz-carbonate stockworks. The breccias contain angular clasts of carbonaceous and siliceous siltstone and vein material, set in a matrix of quartz-carbonate-sulphide-hematite and cut by quartz-carbonate-sulphide veins. High grade breccia-hosted mineralisation is flanked by zones of lower grade stockworks. Gold is locally present, both as discrete grains and locked in chalcopyrite. Much of the mineralisation is highly carbonaceous.

The primary mineralisation has been affected by weathering processes to produce a supergene zone below the base of oxidation. In places, an oxide copper zone occurs as sub-horizontal concentrations at shallow depth.

Exploration History

Since the 1960s, the area has been subjected to a number of exploration campaigns by a number of different explorers. In the 1990s, work by CRA Exploration led to:

- The discovery of high grade primary copper-gold mineralisation along the Mount Kelly Fault. This was intersected in diamond core drillhole MK475, located 600m northwest of the old Mount Kelly mine, which intersected 58m at 2.87% Cu and 15.1 grams per tonne (g/t) Au from 143m depth (including 8.3m at 7.4% Cu and 98 g/t Au from 154.7m);
- The intersection of primary chalcopyrite and the discovery of a zone of shallow gold at the Dividend prospect; and
- The discovery of a sub-horizontal blanket of oxide copper mineralisation, 3m to 14m thick, at depths of 18m to 40m in a zone northwest of Mount Kelly.

Since 1998, Reefway Pty Ltd (a subsidiary of Pegmont Mines NL), in option agreement with Goldsearch NL, has carried out the following work:

- 13 diamond core drillholes in the MK475 Zone have traced high grade copper-gold over 120m of strike of the Mount Kelly Fault; further drilling is in progress;
- Several diamond core drillholes have intersected primary copper-gold associated with the "western ironstone", which probably marks a fault lying 80m southwest of, and parallel to,the Mount Kelly Fault; and
- Geological mapping and outcrop sampling at the Dividend prospect has provided additional drilling targets.

Mount Kelly primary copper-gold deposit

Step-out drilling from MK475 by Reefway and Goldsearch has confirmed high grade copper-gold mineralisation over 120m of strike of the Mount Kelly Fault. Intersections average approximately 3.0% Cu and 2 g/t to 3 g/t Au over about 20m in true thickness, with sporadic high copper and gold values. The deposit remains open along strike and at depth.

Hellman and Schofield (April 2000) have undertaken an assessment of drilling results. They report that "for intervals over 1% CuEq, approximately 240,000 t of 2.5 g/t Au and 3.0% Cu occurs as 'potential mineralisation' within a strike-length of 120m." CuEq (Copper equivalent) is equated in this report as 1 g/t Au with 1% Cu, eg 0.5% Cu + 0.2 g/t Au = 0.7% CuEq. Hellman and Schofield stress that "tonnages and grades are not resource estimates and are only intended to provide an indication of the size of potential mineralisation." The main uncertainty relates to continuity of copper-gold grades between drill holes. This issue will be addressed by infill drilling.

Further work is required to characterise the nature and distribution of gold. Preliminary data suggest erratically distributed coarse gold, which has implications both for sample preparation procedures and for mineral processing options. Hellman and Schofields's report covers in detail the issue of sample preparation.

Michael J Noakes and Associates Pty Ltd have undertaken preliminary metallurgical testwork. This work indicates that gravity recovery of gold is likely to be very good, ranging from 64% to 70% for graphitic ore and up to 86% for non-graphitic ore. Overall, a gravity recovery of 75% to 80% of the gold could reasonably be expected.

Discovery potential at Mount Kelly

Much of the previous exploration in the area by other explorers has been directed at finding a large stratabound orebody. By contrast, recent exploration success at the MK475 Zone has been achieved by drilling into the mineralised fault zone. The cluster of high grade intersections achieved close to Hole MK475 shows the potential of other similar but less explored targets. This supports optimism that exploration success will continue and that an initial resource target of at least 1.0 million t at about 3.0% Cu and 2 to 3 g/t Au can be achieved with further drilling on the identified mineralised structure. At this early stage of drilling, it appears likely that a series of high grade copper-gold ore "shoots" or ore "pods" occur within a broad zone of mineralisation developed along the Mount Kelly Fault. The structural controls on the localisation of these ore shoots are not known at the present time. Exploration of the target zone will depend heavily on closely-spaced drilling to determine the location and extent of the ore shoots.

Geological mapping has shown that mineralised faults can be recognised at surface as zones of ferruginous siliceous breccia with elevated copper concentrations. These fault zones provide targets for future exploration programmes. In particular, a number of holes intersected copper-gold associated with the "western ironstone". These intersections were not included in the Hellman and Schofield 'potential mineralisation' estimate. The zone of ironstone that trends northerly along the trace of the McNamara Fault also offers considerable potential for follow-up exploration.

Outcrop sampling in an area 100m to 200m west of the old Mount Kelly mine had detected gold (up to 2.33 ppm Au) in brecciated quartzite, opening up a potential new target style. More recent followup sampling at this Mt Kelly West Prospect has located a zone with values up to 20m at 7.8 g/t Au in an ironstone, quartz-breccia.

Dividend Prospect

Previous drilling by past explorers has intersected minor primary copper, but most holes have not specifically targeted the fault zones. Detailed geological mapping and outcrop sampling have indicated a number of drilling targets. Drill holes have also intersected thick zones of shallow low grade gold, eg 52m at 0.42 g/t Au from 4m depth in Hole MK505, with some narrow higher grade intersections, eg 2m at 5.2 g/t Au from 30m depth also in Hole MK505. The intersections encourage more persistent exploration for gold-rich mineralisation. More broadly, the Mount Kelly - Dividend "corridor", a distance of over 2 km, is regarded as having high potential for copper-gold.

Other Target Areas

Mount Kelly secondary copper

Oxide copper is distributed as a sub-horizontal 'blanket' in several separate zones, which require infill drilling to try to delineate a resource.

Macleod Hill

The zone of interest is outlined by a soil and bedrock copper geochemical anomaly over 1000m in length along the McNamara Fault. Limited drilling has shown the presence of both primary and secondary copper mineralisation. By analogy with Mount Kelly, there is scope for structurally controlled high grade copper-gold mineralisation in the zone of complex fault intersections.

Swagman prospect

Secondary copper is known from previous shallow drilling along the Swagman Fault. The target zone is outlined by a soil/bedrock copper geochemical anomaly over 500m in length. There is no record of deep drilling to test for primary copper.

Canyon prospect

Available data show only one deep diamond hole (drilled during the 1970s), that intersected minor primary copper flanking a splay of the McNamara Fault. There is no record of subsequent drilling.

3.2 REDIE CREEK

Introduction

The Redie Creek Project comprises EPMA 11637 covering 45 sub-blocks (144 km2). The tenement has not yet been granted by the DME pending clarification of native title issues (See Hetherington's Report). The tenement status has not been verified by TWA.

Geology

The tenement covers an important structural zone, the WNW-trending Redie Creek Fault, which links the north-trending McNamara Fault with the NNE-trending Mount Gordon Fault Zone. The Redie Creek Fault is downthrown to the south and has numerous splays and cross faults. A zone of silica alteration, with associated veined,brecciated and ferruginous rocks marks the fault trace. Rock units within EPMA 11637 range from the Eastern Creek Volcanics to the Lady Loretta Formation (McNamara Group).

Known Mineralisation

The former Big Bend copper mine, at the eastern end of the Redie Creek Fault, is associated with a broad area of copper showings, silica-dolomite alteration and brecciation. Exploration by BHP Minerals during the 1990s resulted in discovery of primary and secondary copper concentrations at the Barr Creek prospect. At both Big Bend and Barr Creek, the mineralisation is similar in style to other copper deposits in the region. The prospects have not been assayed for gold.

Exploration Targets

Barr Creek

The Mount Wendy Fault provides a target length of approximately 5 km. The area contains the Mount Wendy and Patricia Joy copper workings, as well as the Patterson and Daley prospects where copper mineralisation was intersected in BHP drill holes. Sampling of ferruginous siliceous breccia outcrops along the faults has shown elevated copper concentrations.

Big Bend mine

The Big Bend mine is at a geologically favourable position near the intersection of the WNW-trending Redie Creek Fault with the NNE-trending Mount Gordon Fault Zone. The McNamara Group is juxtaposed against the ECV across the Mount Gordon Fault and the ECV lies at moderate depth on the northern side of the Redie Creek Fault. The association of copper with silica-dolomite alteration and brecciation is indicative of a Mount Isa-type mineralised system and provides a high degree of encouragement to pursue exploration of the area.

Conceptual targets for fault-controlled copper deposits

The north-trending McNamara Fault has not been explored north of Mount Kelly and provides a large target zone, 15 km long, for future exploration. Structural intersections,especially with the Redie Creek Fault, provide conceptual targets. Landsat TM imagery shows several zones of iron enrichment, which could be due to alteration related to mineralisation.

Conceptual target for stratiform zinc-lead-silver deposits

Where the Lady Loretta Formation wedges out against the Redie Creek Fault,Landsat imagery shows progressive iron enrichment in the unit. Around other stratiform zinc-lead-silver orebodies, eg Century and Lady Loretta, there is an increase in the iron content of carbonate minerals. The iron enrichment at Redie Creek suggests a possible analogy with these other deposits.

3.3 MOUNT GORDON FAULT ZONE

INTRODUCTION

The Mount Gordon Fault Zone Project comprises four tenement applications covering 81 km2. Three of the application areas (EPMAs 11669, 11670 and 11672) are in competition with other applicants and might not be granted to Pegmont by the DME (See Hetherington's report). The tenement status has not been verified by TWA.

GEOLOGY

The Mount Gordon Fault Zone is a major regional structure, which was active during deposition of the rock sequences and remained intermittently active during subsequent geological events. Within the fault zone,the geology is complex, with tilted and folded blocks of rocks juxtaposed against others from different parts of the stratigraphy.

KNOWN DEPOSITS

No significant copper (-gold) occurrences are known in the Company's application area. However, outside these tenements, the Mount Gordon Fault Zone contains substantial deposits at Gunpowder (Mammoth and Esperanza) and Mount Oxide, and numerous small copper 'showings'.. All these deposits are located within structurally controlled dilatant sites at fault intersections, fault splays and abrupt changes in fault orientation, and are associated with zones of brecciation and alteration of the host rocks.

The Esperanza deposit, with average grades of +7% Cu, shows the substantial upgrading occurring through supergene enrichment related to processes of weathering acting on primary chalcopyrite mineralisation. This deposit style is a primary target in the Company's application areas.

PREVIOUS EXPLORATION

Most of the application areas have only been covered by reconnaissance exploration. The only previous drilling has been at the Investigator prospect.

EXPLORATION TARGETS

Gun Creek - EPMA 11670

The Investigator Fault, which links to the Esperanza Fault, is a priority target area. Minor chalcopyrite (up to 0.64% Cu) associated with silica-dolomite alteration suggests that drill holes of previous explorers may have intersected the outer halo of a Mount Isa-type copper system. The target zone extends along the Investigator Fault for about 2 km.

Pegmont has entered into a conditional agreement with Billiton, subject to the grant of title, to carry out a major exploration programme on the Gun Creek Project. This agreement provides for two phases of exploration, each of 3 years duration, with total expenditure commitment of $3.5 million [including 24,500m of drilling].

Eastern Creek - EPMA 11669

A drainage geochemical survey by previous explorers defined two broad copper-gold anomalies,Crocodile and Chert. These occur in structurally favourable zones formed by fault splays linking the Esperanza and Mount Gordon Faults. There has been no follow-up exploration.

Torpedo Creek - EPMA 11672

A drainage geochemical survey by previous explorers delineated a 4 km long zinc-copper anomaly, which was supported by a follow-up soil geochemical survey. There has been no further work.

Desert Creek - EPMA 11636

A number of anomalies (up to 1350 ppm Cu) from outcrop sampling by previous explorers have not been followed-up.

Conceptual targets for fault-related copper deposits

The complex fault intersections within the application areas also provide a number of conceptual targets, providing structural/lithological situations analogous to known copper deposits.

3.4 KENNEDY GAP

INTRODUCTION

The Kennedy Gap Project comprises four applications, EPMAs 11695, 11696, 11777and 12589 covering covering 530.1 km2.. These have not yet been granted by the DME pending clarification of native title issues (See Hetherington's Report). Pegmont has entered into a conditional agreement with Billiton, subject to the grant of title, to carry out a major exploration programme on the May Downs Project. This agreement provides for two phases of exploration, each of 3 years duration, with total expenditure commitment of $4.5 million [including 37,000m of drilling].

GEOLOGY

The application areas contain strata of the McNamara Group, which in the south flanks two basement highs of Haslingden Group volcanic and sedimentary rocks. The sequences are cut by several major faults which are known to be mineralised viz May Downs Fault, Kennedy Fault, McNamara Fault and Mount Gordon Fault Zone.

PREVIOUS EXPLORATION

Previous exploration programmes have been mainly of a reconnaissance nature. These programmes have identified a number of targets, which remain to be investigated. The only significant previous exploration has been at the May Downs zinc-lead-silver target, where 11 holes have been drilled in previous exploration campaigns.

EXPLORATION TARGETS

May Downs zinc-lead prospect

Previous exploration has identified a 7 km long target zone containing pyritic zinc-lead mineralisation with values up to 14m at 0.5% Pb+Zn. A linear magnetic feature, lying a few hundred metres west of the known mineralisation, may be due to pyrrhotite, perhaps indicating the presence of higher-grade stratiform zinc-lead mineralisation. Previous drilling has either been too shallow or targeted at the footwall sequence. This magnetic anomaly has not been tested. A second linear magnetic anomaly lies 4 km northwest of the May Downs target.

Conceptual stratiform zinc-lead-silver targets

Structural interpretations have identified a number of target areas where major long-lived faults intersect lithologically favourable strata. These untested areas provide 'blue sky' potential for long-term exploration.

Conceptual targets for fault-related copper (-gold) deposits

The known copper deposits of the western Mount Isa Block are located in structurally complex sites within and adjacent to major faults. There is known copper mineralisation near to, but outside the Company's tenement applications at the Anthill, Johnson Creek, Queen's Gift and Copper Ghost prospects. As at Mount Kelly, the mineralised fault zones are likely to be indicated by siliceous ferruginous breccia with elevated copper (-gold) concentrations.

Within the application areas, there are conceptual targets to be tested where the major structures are intersected by cross faults. Limited previous exploration has indicated a number of geochemically anomalous areas but there has been little detailed exploration in these areas.

3.5 COMMENTS ON PREVIOUS EXPLORATION

There are numerous factors, which may have limited the effectiveness of past exploration campaigns and previous exploration is not considered to have comprehensively tested the mineral potential of the Company's tenements. New techniques and new exploration concepts, different to those tested during previous exploration programmes, make the region highly attractive to new explorers.. Within the past decade,significant deposits have been discovered at Century (zinc-lead-silver) and Esperanza (copper). The region remains one of Australia's most prospective base metal provinces.

Exploration models

Much of the pre-1990s copper exploration was based upon concepts of stratigraphic control. Exploration targeted 'favourable' rock units and most holes were drilled vertically to intersect the 'favourable' strata. The understanding that the copper deposits are controlled by faults has opened up exploration niches that were not investigated during earlier exploration campaigns.

Furthermore, in earlier years the nature and extent of alteration zones around copper deposits was not well known, and their exploration importance in outlining target areas of hydrothermally altered rock was not generally appreciated.

Previously, quartzite was generally considered as being lithologically unfavourable, so has received little exploration attention. However, the Mammoth deposits at the Mount Gordon Operations are hosted by quartzite. The potential of quartzite units is confirmed by the recent detection of elevated gold concentrations in fractured and brecciated quartzite near Mount Kelly.

Gold potential

Up until the 1990s,the widespread belief that the western Mount Isa Block contains no significant gold was reflected in the almost complete lack of gold analyses in exploration programmes. The intersection of high grade copper-gold at Mount Kelly, eg 57m at 2.87% Cu and 15 g/t Au has completely changed the picture and opened up the possibility for gold concentrations associated with copper mineralisation. Because of the lack of previous gold analyses, the gold potential of the region is largely untested. This is evidenced by the good gold results obtained in recent sampling at the Mt Kelly West and Dividend Prospects.

GEOCHEMICAL EXPLORATION TECHNIQUES

The rocks are deeply weathered, generally to 60m to 80m, in places to over 100m depth. In such material, any pre-existing base metals may have been largely removed by leaching processes. Furthermore, over much of the area there is a thin cover of transported material and laterite, which may obscure the geochemical response from underlying mineralisation.

The geochemical techniques used prior to the 1990s were not entirely effective because they were not designed to take adequate account of the deep weathering and the cover of transported material. The geochemical expression of buried deposits may be quite subtle. From previous exploration work, there are many low order anomalies still to be tested. New geochemical techniques developed over the past ten years or so, can be used to focus in on these targets.

4.0 EXPLORATION PROGRAMME

4.1 OPINION OF EXPLORATION PROGRAMME

Pegmont's exploration programme for each of it's tenement interests has been planned to meet the requirements of the particular geological environments,exploration and development methodologies which have been outlined in this Prospectus. The exploration budget for the first 2.5 years of the proposed programme is tabulated below. A total expenditure of $3.47 million is planned for the exploration of the properties outlined in this Prospectus.

The exploration programme and expenditures as outlined below cover the prospects reviewed in this report. The programme covers a wide range of technical activities, the enhancement of previous geochemical and geophysical investigations and the commencement of new programmes. Information derived from previous and future investigations of this type and systematic project exploration will provide additional targets for drilling. Drilling programmes are planned on the Pegmont (2000m) and Mount Kelly (1600m) projects. Further drilling is dependent on results.

An Option Agreement exists relating to the Mount Kelly Project and Exploration Joint Venture has been entered into regarding the Pegmont Project and the May Downs and Gun Creek exploration prospects, subject to grant. These Agreements provide substantial funding for the exploration programmes.

EXPLORATION BUDGET (2 YEARS)
($ 000's)

Project	2000 (Half Year)	2001	2002	Total
PEGMONT				
Mining Leases	275	500	500	1,275
MOUNT KELLY				
Mining Leases	135	200	250	585
EPM 7487	30	90	90	210
GENERAL INVESTIGATIONS & Other Projects	100	300	350	750
ADMINISTRATION	100	200	200	500
Less: Joint Venture Contributions	(440)	(790)	(840)	(2,070)
NET EXPENDITURE BUDGET	**200**	**500**	**550**	**1,250**

We consider that the planned exploration programme is satisfactory and clearly defined and that the project and expenditure budgets are reasonable, having regard to the stated objectives of Pegmont, the prospectivity of the individual exploration areas and the exploration database already available. We are of the opinion that sufficient exploration work has taken place on Pegmont's tenements in the last two years to justify the planned exploration and budgeted expenditure programmes. Continued exploration within granted tenement areas based on success from these programmes will require additional funding not budgeted in these programmes for resource definition and feasibility studies.

5.0 VALUATION

5.1 VALUATION METHODOLOGY

The exploration interests of the Company and their prospectivity and potential resource target areas are described above. A description of the prospectivity is contained in the Report and is used as the basis for valuation.

The range of values which can be estimated for the interests are based on current market prices for equivalent properties, the geological potential of the properties taking into account the possibility of outlining resources, the value of having granted mining leases,and the probability of present value being derived from individual recognised areas of mineralisation. The valuation also takes account of previous and planned expenditure and commitments, and the expenditures and investment made by other parties to earn, acquire or retain their interests. The range of value estimated for each project allows for the sensitivity of the project values to expected variations in commodity prices and exchange rates,and for the changes in property market value with changing investment expectations. Valuations estimated for acquisition and listing for similar projects in the same geological environment have been used as a market guide including valuations for base metal interests such as Buka Minerals Limited, and Coolgardie Gold NL, which have lead-zinc properties in the Mt Isa region.

The expenditure on a project considered to be effective in terms of advancing the prospectivity of the areas is used, in conjunction with a subjective Prospectivity Enhancement Multiplier, to derive a value of the project which takes into account the valuer's judgment of prospectivity and the value of the data base. Future planned committed expenditure is also considered as a measure of the estimated investment value of the property, to which a Future Exploration Multiplier can be applied. In this review, we take into account expenditure of previous explorers and their joint venture partners and also past expenditure by the Company on the project.

Sensitivity Analysis

A conceptual cash flow analysis can be carried out based on the currently estimated resources and using engineering and performance data interpolated from other similar projects. Cost and revenue estimates can be based on current project costs, metal prices and exchange rates.

The range of values estimated for the project would allow for the sensitivity of the project value to possible variations in future commodity prices and exchange rates,production costs, resource tonnages and for the changes in property market value with changing investment expectations. A range of sensitivity of analyses have been carried out in the preparation of the cash flow analysis and are tabulated below.

Estimation Risks

The principal estimation risks to be taken into account in assessing or valuing mineral resource projects including grade, tonnage and metallurgical/mineralogical characteristics, are discussed in the Independent Geological Report and outlined below. In addition, other material risks exist are detailed in the Prospectus, as follows:

Mining and Exploration Risks

The successful exploitation of mineral resources and the design and construction of efficient mining facilities has inherent risks which can be hampered by force majeure circumstances, cost over-runs, inconsistent grades and other unforeseen events. The technical risks attached to the resource project development and production is unknown at this stage because the projects are at an early stage of technical design and investigation.

General Economic Conditions

Base metal mining production and sales are subject to international market conditions, exchange rates and normal cost inflation. For conceptual valuation purposes, the cost pricing and structures outlined below are considered to be acceptable, and in line with recent industry projection.

Environmental Impact Constraints

Development of any resources will be dependent on the project meeting environmental guidelines. There are no environmental impacts indicated at this stage. The resource extraction projects are relatively small. Their impact would be moderate.

Native Title and Sacred Sites

The effect of the Native Title Act 1994 [Commonwealth] is that the mining tenement and exploration permit applications and existing tenements in Australia may be affected by Native Title Claims or procedures.

Land Access

A Company would be required to seek consent of landholders to obtain access to mineral resources and for exploration. State and Commonwealth legislation could restrict access to tenements. No such restrictions are foreseen at this stage. The Specific conditions,which apply to the applications,are outlined in the Hetherington Report in the Prospectus.

5.2 PEGMONT PROJECT

Potential Development Concepts

Although engineering and other studies have not been commenced at this stage preliminary technical and economic analysis indicate that specific development concepts can be envisaged which could support an economically viable project, producing lead and zinc in metal form, or as saleable compounds or concentrates. The viability of the projects has been significantly improved by recent new process developments and infrastructure development in the region.

These include the use of recent processes, such as lance injection smelting techniques (Sirosmelt) for direct ore or concentrate processing on small scales, differential solvent extraction for lead-zinc recovery and dense media separation for ore upgrading. The Cloncurry region infrastructure is also undergoing substantial upgrading following the discovery and development of new mine projects providing road and airfield access. A designated road access route is approved to the Pegmont project site. The construction of the gas pipeline to Mt Isa and the Duchess Phospate Project, and the spur line to Cannington and Osborne, provide an economic fuel source to the Pegmont Project.

The development programmes proposed by the Company would be based on a further exploration and study programme, followed by engineering and feasibility studies. Based on this work, mine development could start in the third year of the project.

For valuation purposes, an initial oxide ore open pit-mining programme is envisaged to commence followed soon after by open pit primary ore extraction and processing. A waste to ore ratio of 9 is estimated from conceptual pit planning. Eventually primary ore extraction could continue into deeper resource areas, utilising underground extraction methods mechanised mining and decline access but this concept has not been included in current projections. Processing would commence at the same time as open pit development and continue until the end of resource life.

Production rates of 500,000 tpa are envisaged from the open pit operations, depending on the overall resource confirmation. A project life range from 9 years is envisaged based on the current resource projections, and allowing for some upgrading by reducing the volume of recoverable resources. These projections have not been engineered but initial economic factors can be projected for conceptual financial modelling based on the performance of similar operations.

Although it cannot be taken into account in current conceptual economic studies, the possibility of shared facilities with other operations could significantly lower capital and production costs.

Increased resource cut-off grades would be selected to provide increased head grade. It is assumed that only 20% of the oxide resource would be selected for processing. Mine recovery of 80% of the sulphide resources is assumed to provide for mining losses.

Metallurgical Concepts

Conventional metallurgical treatment of lead/zinc ore from Pegmont leases using differential flotation and marketing of separate lead and zinc concentrates is considered to be viable, and performance estimates can be projected from other base metal mining projects.

A low operating cost with high metal recovery is possible using direct smelting of oxide and sulphide ores. However this could only be achieved at a significantly higher capital cost for the metallurgical treatment plant. For the preliminary analysis a simple gravity-flotation concentration process is assumed.

Magnetic pre-concentration is possible to process the oxide resource to allow for projected lower recovery performance from flotation of the oxide resources.

Detailed test work is planned as part of the project feasibility studies to provide for flowsheet selection and plant design.

Exploration Expenditure

Major exploration programmes in recent years over the Pegmont project tenements and surrounding areas have provided substantial data.

Alone and in joint venture, The Company, since initiating the project in 1996, has recorded expenditure of $1.2 million relating to prospecting, drilling and sampling data acquisition, compilation and assessment. Pegmont has acquired from the previous exploration group's substantial and significant geological and resource data from the previous exploration activities since 1971. The expenditure to acquire such information in current cost terms is estimated to total $2.1 million.

The total effective previous exploration expenditure on the Pegmont granted licence areas is estimated, in current dollar values, to be $3.3 million.

Exploration Potential

The main exploration opportunities at the Pegmont project property are as follows:

- Possible multiple, high grade horizons below the Pegmont BIF system.
- The Main Lode is structurally complex and there is potential for a significant increase in resource.
- The Gossan Lode extension to the Main Lode.
- There are untested ironstone outcrops in a number of places.
- There are several large untested geochemical and geophysical anomalies.

Previous exploration at Pegmont focused on the gossanous ironstone outcrops. The rest of the property is under-explored but has excellent potential for further Pb-Zn-Ag mineralisation.

The EPMA area is also considered to have potential for Au-Cu deposits hosted within fractured and altered granite and within metamorphic rocks adjacent to major structures. There is potential for Pb-Zn-Ag deposits in the areas of metamorphic rocks.

The Billiton agreement calls for an immediate expenditure of $275,000 to test the Pegmont Deeps concept with 2000m of drilling. If results are positive, Billiton may elect to enter into a joint venture to expend a further $4 million over 6 years including 24,000m of drilling confined to the Pegmont Deeps Project area. The strategy of the programme has an aim of expanding the resource from the current 8.6 million t of plus 10% Pb+Zn.

VALUATION

The valuation bases and the estimated valuation range for the Pegmont Project are summarised as follows:

Tenement Areas

- 12 ML covering 1554 ha granted 1974 and not subject to Native Title claim, except as relating to an application for consolidation of the leases, which is currently being processed.
- 2 EPMA covering 43.4 sq km which are subject to Native Title Claim.

Exploration Expenditure

Previous (attributable)	$2.8 million
Commitments - Government	$58,000 per year lease rental
Proposed Billiton farm-in	$4 million Billiton Joint Venture farm-in over 6 years to earn 70% interest.

Oxide and Sulphide Resources [Indicated and Inferred]

Main Lode	8.6 million t	7.7% Pb	3.5% Zn,	10 g/t Ag.
Gossan Lode	310,000 t	5.2% Pb	5.2% Zn.	

Cash Flow Model

The following parameters are used to support a preliminary conceptual cash flow analysis of the project concepts:

Recovered mineable resource	Oxide	0.5 million t 6.9% Pb 2.3% Zn 10 g/t Ag.
	Sulphide	4.0 million t 8.1% Pb 3.4% Zn 12 g/t Ag.
Production schedule	Year 1	500,000 tpa oxide
	Years 2 - 9	500,000 tpa sulphide
Processing recovery	Oxide	60% Pb 70% Zn 55% Ag.
	Sulphide	70% to 80% Pb 80% to 85% Zn 70% Ag.
Average contained metal produced concentrates [sulphide]		40,000 tpa Pb 20,000 tpa Zn 6000 kg Ag.
Sales price metal		US$450/t Pb US$1150/t Zn US$5.0/oz Ag.
Exchange Rate		US$0.60
Annual revenue		$46 million.
Annual production costs		
Concentrate handling and smelting charges		$13.8 million
Operating costs		$27.9 million
Capital expenditure		
Initial		$34 million over 3 years.
Rehabilitation		$4.5 million
Exploration		$0.5 million/year
Project life		9 years
Sensitivity factors		± 10% costs, metal prices, foreign exchange and recovery.

Net Present Value Range [$ million]

Discount Rate %	Base Case	Metal Price	Recovery	Mine Cost	Exchange Rate
		+10%	+10%	-10%	[54c]
10	6.5	26.4	18.6	20.7	23.0
15	0.0	15.4	9.4	11.1	13.0
		-10%	-10%	+10%	[66c]
10	6.5	[13.2]	[5.5]	[7.6]	[7.1]
15	0.0	[15.4]	[9.5]	[11.2]	[10.7]

Comparative Market range

Recent northwest Queensland base metal project valuations sales transactions include:

	% Zn	% Pb	g/t Ag
Buka Minerals NL - 8.5 million t Project Valuation - $34.3 million.	18.4	8.4	125
Coolgardie Gold NL - Potential mineralisation 75% interest for expenditure $10 million over 6 years.	8.2	1.6	
Diversified Mineral Resources NL - 1 million t Project acquisition price - $3 million.	4.3	6.6	63

Valuation Range

Based on the above data, the valuation range of Pegmont is estimated as follows:

Low $3 million based on a Prospectivity Enhancement Multiplier equivalent the value of the data base, which provides for the value added to the data base by the discovery of widespread mineralisation, and a Future Exploration Multiplier equivalent to the planned exploration programme cost discounted to present value.

High $7 million based on the probability and median net present value of the conceptual cash flow, and taking account of comparative transactions.

Most Likely $4.5 million, allowing for the conceptual nature of the analysis.

5.3 MOUNT KELLY PROJECT

Exploration Potential

At Mount Kelly, drill holes have intersected structurally-controlled primary copper mineralisation (+2% Cu) over 120m strike length. A series of high grade copper-gold ore shoots exist within a mineralised system along the Mt Kelly Fault. Drilling to date,has indicated potential mineralisation of 200,000 t to 300,000 t with drill hole assays averaging approximately 3% Cu and between 2 g/t to 3 g/t Au over a strike length of 120m.

Secondary copper mineralisation at Mount Kelly is contained within a sub-horizontal layer at shallow depth.

At the Dividend prospect,previous drilling has intersected a zone of low grade gold mineralisation at shallow depth. There is further potential for copper-gold discovery within the Mount Kelly-Dividend corridor and at other prospects in the tenements.

At the Macleod Hill prospect, a zone of interest is outlined by a soil and bedrock copper geochemical anomaly over 1000m in length. There is scope for structurally-controlled high grade copper-gold mineralisation in the zone of complex fault intersections.

At the Swagman prospect near-surface secondary mineralisation is hosted within the adjacent to the Swagman Fault. The target zone is outlined by a soil/bedrock copper geochemical anomaly over 500m in length.

Outside of the known mineralised zones, there has been little detailed exploration. The north-west of Mount Kelly, the Mount Kelly Fault, Spinifex Fault and other structures provide conceptual target zones for future exploration.

Since acquiring the project areas in 1998, Pegmont has recorded expenditure of $0.5 million. Expenditure on previous exploration activities on the areas, which is estimated in current cost terms to have been $1.7 million, has also been acquired by Pegmont.

The Company has purchased the twelve Mount Kelly Mining Leases for $200,000 and EPM 7487 for $100,000. A 1% net smelter return royalty to a maximum of $1.0 million will be payable from production from the leases after the production of the initial 10,500 t of copper. The vendors have the right to buy back up to an aggregate 51% interest of the project prior to commencement of production at a price, which includes three times the exploration costs plus 110% of their equity interest in the development expenditures.

Initial test work has been carried out to determine gold metallurgical response. The gold is mainly coarse grained, largely free and gravity recoverable. A small proportion of the gold could be locked in sulphides. Cyanidation of the non-gravity recoverable gold was unsuccessful. It appears that overall copper and gold recoveries should be satisfactory in a correctly designed circuit.

VALUATION

Tenement Areas 13 ML covering 7.86 sq km in 1974 and an EPM covering 27.9 sq km, not subject to Native Title Claim.
Interest 100% subject to farm-in

Expenditure
Previous $2.2 million
Commitment for farm-in Expenditure to bankable feasibility study to earn 50%.

Mineralisation
Potential mineralisation Primary 200,000 to 300,000 t + 3.0% Cu 2 to 3 g/t Au
Deposit target About 1.0 million t

Value range:

Low $2.0 million based on value of data base and prospectivity, and taking into account recognised risk factors.

High $4,300,000 based on conceptual economic potential of mineralised targets, the possible mineral content and the possible value of the buy back of the joint venture interest.

Most Likely $2.0 million

5.4 EASTERN BLOCK EXPLORATION AREA

SQUIRREL HILLS/LILY CREEK PROJECT

Three EPMA's cover areas prospective for both Cu-Au and Pb-Zn-Ag deposits. Known mineralisation, the major Cannington Pb-Zn-Ag deposit, the Cowie Pb-Zn prospect and the Brumby Cu-Au prospect, lies within a few kilometres.

VALUATION

Tenement Areas 129.9 sq km (subject to grant and Native Title legislation).
Interest 100%

Expenditure
Previous $180,000
Planned $250,000

Prospectivity Magnetic anomalies and prospective geology related to nearby mineral deposits.

Value range:

Low $200,000 based on the attributable value of exploration.

High $400,000 based on an allowance for future exploration and recognised high prospectivity enhancement.

Most Likely $200,000 allowing for risk of grant of tenement.

YELLOW WATERHOLE PROJECT

The tenement EPMA contains geological features favourable for stratiform lead-zinc and copper deposits.

The application area is in competition with another applicant and may not be granted.

VALUATION

Tenement Areas	117.8 sq km (subject to grant and Native Title legislation and competing application).
Interest	100% (subject to grant).
Expenditure	
Previous	$123,000
Planned	$100,000
Value range:	
Low	$100,000
High	$150,000
Most Likely	$100,000 allowing for risk of grant of application.

CUCKADOO-KHERI PROJECT

The two EPMA's cover outcropping favourable strata and adjacent covered areas. Several low order but discrete and potentially important magnetic anomalies remain untested.

VALUATION

Tenement Areas	99.1 sq km (subject to grant and Native Title legislation)
Interest	100%
Expenditure	
Previous	$52,000
Planned	$135,000
Value range:	
Low	$ 50,000 based on low order of prospectivity.
High	$150,000 based on future expenditure enhancement.
Most Likely	$ 50,000 allowing for risk of grant of application.

5.5 WESTERN BLOCK EXPLORATION AREAS

REDIE CREEK PROJECT

Within the EPMA area, there is known oxide/supergene copper mineralisation, which has not been systematically explored. Near the old Big Bend mine,copper mineralisation is associated with silica-dolomite alteration and brecciation.

The tenement covers an important structural zone, the WNW-trending Redie Creek Fault, which links the north-trending McNamara Fault Zone with the NNE-trending Mount Gordon Fault Zone.

Valuation

Tenement Areas	139 sq km
Interest	100% (subject to grant and Native Title legislation)
Expenditure	
Previous	$720,000
Commitment	$100,000
Value range:	
Low	$300,000 based on lower target intensity.
High	$700,000 based on value of data base, and proximity to Mt Kelly Project.
Mosy Likely	$500,000 allowing for risk of grant of application.

Mount Gordon Fault Zone Project

Four EPMA's straddle the Mount Gordon Fault Zone, which contains significant copper deposits at Gunpowder (Mammoth and Esperanza) and Mount Oxide. These deposits are not located within the Company's tenement. The Company's tenements contain untested geochemical anomalies, alteration zones and conceptual structural targets.

The Investigator prospect contains indications of a Mount Isa-type copper system, including known mineralisation (up to 0.64%Cu in drill intersections) and characteristic alteration patterns. The Eastern Creek tenement contains two large Cu-Au drainage geochemical anomalies, which have not been followed-up with detailed exploration. The Torpedo Creek tenement contains a large untested Cu-Zn soil geochemical anomaly.

Valuation

Tenement Areas	108.5 sq km.
Interest	100% (subject to grant and Native Title legislation and competing application) reducing to 30% conditional on completion of farm-in expenditure.
Expenditure	
Previous	$1,100,000
Billiton farm-in	$3.5 million over 6 years.
Value range:	
Low	$550,000 based on previous Expenditure Enhancement Multiplier of 0.5.
High	$2.2 million based on discounted value of proposed exploration expenditure.
Most LIkely	$550,000 allowing for risk of grant and technical risk factors.

Kennedy Gap Project

Four EPMA's cover major deep-seated structures, which control Pb-Zn-Ag and Cu-Au mineralisation elsewhere in the region, and which extend into the tenements. The May Downs prospect consists of a 7 km long zone of discontinuous gossan with associated Pb-Zn mineralisation and geochemical anomalies. The zone has been inadequately tested in previous exploration programmes and constitutes a priority target for Mount Isa-type Pb-Zn-Ag deposits. Untested geochemical anomalies,aeromagnetic anomalies and structural intersections in favourable host rocks provide additional targets for follow-up exploration.

Tenement Areas	530 sq km
Interest	100% (subject to grant and Native Title legislation) reducing to 30% conditional on completion of farm-in expenditure.
Expenditure	
Previous	$690,000
Billiton farm-in	$4.0 million over 6 years.
Value range:	
Low	$350,000 based on previous Expenditure Enhancement Multiplier of 0.5.
High	$2.25 million based on discounted value of proposed exploration expenditure.
Most LIkely	$700,000 allowing for risk of grant and technical risk factors.

6.0 SUMMARY VALUATION OF PEGMONT'S MINERAL INTERESTS

The valuation of the separate Pegmont interests and their total value are tabulated below:

Project	Project Value Low	High [$ x 1000]	Most Likely
Pegmont Project	3.0	7.0	4.5
Mt Kelly Project	2.0	4.3	2.0
Eastern Block Exploration areas	0.35	0.7	0.35
Redie Creek	0.3	0.7	0.5
Mt Gordon Fault Zone	0.55	2.2	0.55
Kennedy Gap	0.35	2.25	0.70
TOTAL	**6.55**	**17.15**	**8.50**

The Pegmont's exploration interests are estimated to have a value of $8.5 million in a range of $6.6 million to $17.15 million. The valuation of the interests is enhanced by the management and technical expertise of the Pegmont staff and directors, and the exploration programmes which are outlined in the Prospectus.

QUALIFICATIONS

TWA is a Mining Engineering Consultancy, which has had considerable experience in the valuation of mining interests and investments, and in advising both prospective purchasers and sellers of such interests and investments. The persons responsible for this report are:

T V Willsteed — **BE(Min)Hons, BA, CPMin, FAusIMM, MMICA, Consulting Mining Engineer**

Mr Willsteed is the Principal of Terence Willsteed & Associates. He has had extensive experience in the mining industry over 45 years, the last 30 years of which have been as a consultant to the industry. He holds a First Class Mine Managers Certificate of Competency, and has been extensively involved in mineral project evaluation and management. He is Licensed as an Investment Adviser by the ASIC.

R N Stagg — BSc, MSc, DIC, FAusIMM, MIMM
Consulting Geologist

Mr Stagg has 30 years experience in economic geology including project generation,exploration planning, managerial experience in listed and unlisted exploration and mining companies, preparation of ore reserve estimates and technical studies. Mr Stagg's work has been carried out over a wide range of precious metals, metalliferous and industrial minerals projects in Australia, Southeast Asia,the United Kingdom and Africa.

DECLARATION

This report has been prepared for inclusion in the Prospectus of Pegmont Mines NL. This report is designed to assist prospective shareholders in Pegmont to assess the value of Pegmont's mineral interests and was not prepared for any other purpose.

The statements and opinion contained in this report are given in good faith but, in the preparation of this report, TWA has relied substantially on information provided by the Directors and Consultants of Pegmont. We do not have reason to doubt the information so provided. The company has confirmed that:

- All material information has been provided for a proper assessment to be carried out and that the information is complete, accurate and true.
- All information provided is approved for public reporting, or if certain areas are confidential,that these will be signified by Pegmont.
- A status report and legal tenement schedule is available relating to the exploration property title, and to agreements entered into by Pegmont.
- The most recent financial projection for Pegmont's projects, are provided along with a proper assessment of assets, liabilities and planned activities and cash flow as far as they are known to the director's.
- Specific information relating to current and future native title,taxation and royalties,market restrictions, environmental impacts, legal claims and other similar issues of economic importance, as far as they are known to Pegmont has been made available.

To conform with the VALMIN Code, Pegmont has agreed to indemnify TWA for liability arising from its reliance on the information provided or for available information not provided, and for any further activities relating to NSX, ASIC and AusIMM enquiries arising from the Valuation Report.

TWA consents to the inclusion of this report, and references to it, in the form and context in which it is included. Apart from that, neither the whole nor any part of this report, nor any references thereto, may be included in or with or attached to any document,circular, resolution,letter or statement without the prior written consent of TWA.

DISCLAIMER OF INTERESTS

At the date of this report,TWA and Terence Willsteed do not have, nor have had, any relationship with Pegmont.

TWA has no relevant interest in, nor any interest in the acquisition or disposal of any securities of Pegmont. TWA have no pecuniary or other interest that could be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the acquisition of the mineral interests by Pegmont.

Neither TWA nor T V Willsteed and Ralph Stagg have received or may receive any pecuniary or other benefits, whether direct or indirect or in connection with the preparing of this report other than normal consultancy fees based on fee time at normal professional rates plus out-of-pocket expenses.

Yours faithfully,

TERENCE WILLSTEED & ASSOCIATES

T V WILLSTEED
Principal

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Reefway Pty Ltd. Preliminary Notes on Mt Kelly Sulphide Ore Metallurgy. M J Noakes, 11 March 2000.

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GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

Alluvium	Unconsolidated sediments deposited by streams
Alteration	Changes in the chemical and mineralogical composition of a rock commonly brought about by reactions with hydrothermal solutions
Amphibole	A group of common silicate minerals containing magnesium, iron, calcium, sodium and aluminium
Amphibolite	A metamorphic rock composed mainly of amphibole minerals and typically formed by metamorphism of basalt
Anomaly	A value (e.g. of geochemical or geophysical parameters) significantly higher or lower than the expected or norm
Anticline	A fold in strata that is convex upward with a core of older rocks
Apatite	A calcium phosphate mineral containing some chlorine and fluorine
Assay	Determination of the proportion of metals in a mineral sample
Azurite	A copper carbonate mineral, typically found in the oxide zone of copper deposits
Basalt	A mafic volcanic rock composed mainly of feldspar and pyroxene
Base metals	The common metals such as lead, copper, zinc, nickel, tin
Batholith	A large mass of intrusive igneous rock
Banded iron formation	A layered sedimentary or metamorphic rock composed mainly of iron-rich minerals
Bedding	Layering in sedimentary rock strata
Bedrock	Solid rock underlying surficial deposits
Belt	A large (map-scale) elongate zone of a particular kind of rock or rocks
Biotite	Common black mica
Block	A large (map-scale) region with distinct geological (and usually age) characteristics
Bornite	A copper-iron sulphide mineral, commonly found in the supergene zone of copper deposits
Breccia	A rock consisting of large angular fragments cemented together. Fragmentation ("brecciation") can be caused by processes such as faulting, igneous intrusion and hydrothermal activity
Calcite	A common calcium carbonate mineral, the main component of limestone and marble
Calc-silicate rock	Metamorphic rock consisting of calcium silicate minerals
Cambrian	A division of geological time from 570 to 500 million years ago
Carapace	Literally, a turtle's shell. Used geologically to express a covering of one rock or group of rocks by another
Carbonaceous	A rock containing concentrations of carbon, commonly as graphite
Carbonate	Minerals containing carbon and oxygen combined with metals
Carbonate rock	A sedimentary rock, usually limestone or dolomite, consisting mainly of the carbonate minerals calcite or dolomite
Cerussite	A lead carbonate mineral, typically found in the oxide zone of lead-rich ore deposits
Chalcocite	A copper sulphide mineral, typically found in the supergene zone of copper deposits
Chalcopyrite	Copper-iron sulphide. The main ore mineral of copper
Chert	A sedimentary rock consisting of very fine-grained silica
Chlorite	A green platy iron-magnesium-aluminium silicate mineral
Chrysocolla	A hydrated copper silicate mineral, found in the oxide zone of copper deposits
Cleavage	A plane of breakage in metamorphic rocks, formed by alignment of platy minerals
Colluvium	Loose and incoherent deposits of gravel formed by rock fragments sliding down weathered rock slopes
Conformable	Referring to bedded rocks deposited on one another without a break
Contact	The surface between two rock units
Crust	The outer layer of the Earth, usually up to about 50 km thick in continental areas
Deformation	Any change in the original form of rock masses produced by geological forces
Diamond drilling	Recovery of drill core using a hollow drilling bit studded with diamonds
Dilation	Process of widening of a fault or fracture. Important in allowing the injection of hydrothermal fluids

Dip	The angle that rock strata make with a horizontal surface, measured at right angles to the strike
Dolomite	(a) A common magnesium-calcium carbonate mineral (b) A sedimentary rock composed mainly of the mineral dolomite
Drainage geochemistry	See "stream sediment sampling"
Drill core	Long cylinders of rock recovered by diamond drilling
Dyke	A discordant tabular body of igneous rock that was injected into a fissure when molten
Electromagnetic survey	A geophysical survey in which electromagnetic pulses are induced into the earth to measure rock conductivity
Fault	A break in a rock sequence, along which there has been movement
Fayalite	An iron silicate mineral
Feldspar (adj: feldspathic)	Common potassium-sodium-calcium-aluminium silicate minerals
Felsic	Referring to igneous rocks composed of light-coloured minerals such as quartz and feldspars
Ferruginous	Iron-rich
Float	Pebble to boulder sized rock fragments scattered over the land surface, i.e. not as outcrop
Fluorite	A calcium fluoride mineral
Fold, folding	Referring to the bending of rock strata during deformation
Foliation	A structure developed in metamorphic rocks by alignment of platy minerals such as micas
Formation	The ordinary unit of geological mapping consisting of a large and persistent stratum of some kind of rock
Gahnite	A zinc aluminium oxide mineral
Galena	Lead sulphide. The main ore mineral of lead
Gangue	The waste minerals (as opposed to ore minerals) within an orebody
Garnet	A family of common iron-manganese-aluminium silicate minerals
Geochemical	Prospecting techniques which measure the content of certain metals in soils and rocks and define anomalies for further testing
Geological mapping	Recording of geological information on a map
Geophysical	Prospecting techniques which measure the physical properties of rocks and define anomalies for further testing
Gneiss	A normally banded coarse grained metamorphic rock with a poorly defined foliation
Gossan	A surface capping of hydrated iron oxides formed by weathering of metal sulphide minerals
Grunerite	An iron-magnesium amphibole
Grade	The relative quantity or percentage of metal contained in mineral deposits
Granite	A felsic intrusive rock containing quartz, feldspar and mica
"Grass roots" exploration	Early stage of mineral exploration prior to discovery of a deposit
Grid	A systematic array of lines set in place for observation purposes
Group	An assemblage of related rock formations
Hedenbergite	A calcium-iron pyroxene mineral
Hematite	Hydrated iron oxide mineral
Hinge	In a fold, the line along which a change in direction of dip takes place
Horizon	A time plane recognisable in rock strata by some characteristic feature. Commonly used as a synonym for "bed" or "beds"
Hornblende	A common iron-magnesium-aluminium amphibole mineral
Hydrothermal	Literally, hot water. Hydrothermal fluids, typically carrying metals in solution, develop in the Earth's crust through a number of processes
Igneous	Formed by crystallisation of molten rock (magma)
Induced polarisation	A geophysical method in which electrical current is passed into the ground to test for the presence of metal sulphide concentrations
Inlier	A large (map-scale) body of older rocks surrounded by younger formations
Intrusion	A mass of igneous rock which, while molten, was forced into or between other rocks
Jog	A sharp change in orientation of a fault plane
Landsat	An earth-orbiting satellite designed to measure radiation emitted from the Earth's surface

Laterite	An iron-rich residual rock formed at the Earth's surface by intense and prolonged weathering of other rocks
Leach	To dissolve minerals or metals out of a rock or ore
Lens	A bed or other body of rock strata having impersistent lateral extent, producing the shape of a lens
Lineament	An alignment of surface features, generally indicating the presence of a deep crustal structure
Mafic	Referring to igneous rocks composed mainly of dark-coloured minerals such as pyroxene and amphibole
Magma (adj: magmatic)	Molten rock material
Magnetic survey	A geophysical survey in which natural variations of the Earth's magnetic field are measured
Magnetite	A magnetic iron oxide mineral
Malachite	A green copper carbonate mineral, typically found in the oxide zone of copper deposits
Metamorphism	The processes by which rocks become mineralogically and texturally altered under the influence of crustal heat and pressure
Mineralisation	The concentration of metals within a body of rock
Muscovite	Common white mica
Ore shoots	Structurally-controlled bodies of ore, normally part of a mineral deposit
Outcrop	The part of a rock formation which appears at the surface of the Earth
Oxide zone	Near-surface zones of ore deposits affected by weathering processes such that primary metal sulphide minerals are replaced by a range of new minerals. In copper deposits, primary chalcopyrite is typically replaced by malachite, azurite and chrysocolla in the oxide zone
Pegmatite	A very coarse grained felsic intrusive rock
Percussion drilling	Drilling by a succession of blows, producing only chips of rock
Petrological	Pertaining to the study of rocks.
Pluton	A body of intrusive igneous rock, typically part of a batholith
Proterozoic	A division of geological time from 2400 to 570 million years ago
Pseudomorph	One mineral occurring in the crystal form of another
Pyrite	A common iron sulphide mineral
Pyroxene	A family of common iron-magnesium-calcium silicate minerals
Pyroxmangite	A manganese-iron pyroxene
Pyrrhotite	A magnetic iron sulphide mineral
Quartz	Silica or silicon dioxide, a very common mineral
Quartzite	A metamorphic rock composed essentially of quartz and derived from sandstone
Rotary air blast (RAB)	A drilling technique which uses a rotating drill bit to cut the rock and compressed air to recover the rock cuttings
Recumbent fold	A subhorizontal fold
Reserve	An estimate of tonnage and grade of a mineral deposit based on detailed sampling and measurement
Resource	An estimate of tonnage and grade based on broad knowledge of the geological character of the deposit. There may be relatively few samples or measurements
Reverse circulation (RC)	A percussion drilling technique in which rock cuttings are recovered through the drill rods, thus minimising sample losses
Rock-chip geochemistry	Obtaining a sample for assay by breaking chips off a rock outcrop. Also called "outcrop geochemistry"
Replacement	The processes by which rocks become chemically altered when they come into contact with crustal fluids. See "alteration"
Sandstone	A sedimentary rock consisting of cemented sand grains
Schist	A metamorphic rock with a characteristic foliation
Secondary mineralisation	A term which embraces supergene and oxide zone mineralisation
Sedimentary rocks	Rocks formed through Earth surface processes such as mechanical (transport of solid particles), chemical and biological activity
Sequence	A succession of sedimentary and volcanic rocks laid down in order
Shale	A fine grained, clay-rich, laminated sedimentary rock

Shear zone	A planar zone of strongly deformed rock
Siderite	An iron carbonate mineral
Siliceous	Referring to a rock containing a high proportion of fine quartz
Silicified	Referring to a rock which has been altered through addition of silica
Siltstone	A sedimentary rock consisting of cemented silt particles
Soil geochemistry	Systematic collection and chemical analysis of soils to study the distribution of geochemical assay values
Sphalerite	Zinc sulphide. The main ore mineral of zinc
Splay	A branch fault from a major fault
Stockwork	A zone of intersecting multiple veins
Stratabound	A descriptive term for mineral concentrations hosted within rock strata
Stratiform	A descriptive term for mineral concentrations which are parallel to the rock strata
Stratigraphy	Refers to the classification of a series of layered rock or strata
Stream sediment	Systematic collection and chemical analysis of sediment from stream beds to compare geochemistry the geochemical assay values and their distribution. Synonymous with "drainage geochemistry"
Strike	The course or bearing of a layer of rock or a rock structure
Structural	Pertaining to geological structure
Sulphide	A mineral composed of sulphur combined with metals
Supergene zone	Zone of metal sulphide deposits affected by near-surface weathering processes resulting in formation of new sulphide minerals. In copper deposits, primary chalcopyrite is typically replaced by supergene chalcocite and bornite
Surficial deposits	Occurring on the Earth's surface
Syncline	A fold in rock strata that resembles a trough or dip or bowl, i.e. concave upwards
Talc	A soft hydrous magnesium silicate mineral
Tenement	A mining or exploration title, such as a Mining Lease or Exploration Permit for Minerals (EPM), conferred on the holder by the State government
Tectonic	Pertaining to large scale processes operating within the Earth
Title	See tenement
Unconformable	Pertaining to a break in the continuity of successive geological strata
Unit (stratigraphic)	A distinct rock type that can be recognised and mapped over a region
Vein	Generally tabular or reef-like mineral deposit, usually relatively narrow and occurring between well defined walls. Commonly quartz-bearing
Volcanic	Pertaining to the activities, structures or rock types of a volcano
Weathering	Processes, such as oxidation and hydration, which act on rocks in the near-surface and eventually convert them to soil

ABBREVIATIONS AND CHEMICAL SYMBOLS

Ag	silver
As	arsenic
Au	gold
Ca	calcium
Co	cobalt
Cu	copper
Fe	iron
K	potassium
Mn	manganese
P	phosphorus
Pb	lead
REE	rare earth elements
Ti	titanium
U	uranium
Zn	zinc

ASC	Australian Securities Commission.
BIF	Banded iron formation
DDH	Diamond drill hole
DME	Department of Mines and Energy (Queensland)
E.M.	Electromagnetic (electrical geophysical exploration technique)
EOH	End of hole, i.e. bottom of drill hole.
EPM(A)	Exploration Permit for Minerals (application)
g/t	Grams per tonne (1 g/t = 1 ppm)
I.P.	Induced polarisation (electrical geophysical exploration technique)
JORC	Joint Ore Reserves Committee
JV	Joint venture
m, km2	Kilometres, square kilometres
m	Metres
Ma	Million years ago
MALM	Mise-a-la-masse (electrical geophysical exploration technique)
ML	Mining lease
NE, ENE	Northeast, east-northeast
NW, NNW	Northwest, north-northwest
PDH	Percussion drill hole
ppb	Parts per billion
ppm	Parts per million
RAB	Rotary air blast drilling
RC	Reverse circulation drilling
SG	Specific gravity
SX-EW	Solvent extraction - electrowinning (copper recovery process)
t, Mt	Tonnes, million tonnes

Hetherington
Exploration & Mining Title Services Pty. Ltd.
A.B.N. 64 003 122 996

INDEPENDENT EXPLORATION AND MINING TITLES REPORT

This Report has been prepared for inclusion in a Prospectus to be dated on or about 28 September 2000 ("the Prospectus") issued by Pegmont Mines NL in relation to a one for two Pro-Rata Non-Renounceable Rights Issue of 14,915,380 fully paid ordinary shares each at an issue price of 10 cents per share to raise $1,491,538 and placement of a further 5,253,839 fully paid shares at 10 cents each to raise a further $525,386 making a total of 20,169,239 shares offered under Prospectus to raise $2,016,924.

Scope of Instructions

Hetherington Exploration & Mining Title Services Pty Ltd has been instructed by Pegmont Mines NL (the Company) to:

Conduct searches of and briefly outline the rights conferred by:

(a) the existing mining tenements of the Company and Reefway Pty Ltd (Reefway)

(b) the Exploration Permit for Minerals ('**EPM**') applications made by both the Company and Reefway; and

Conduct searches of and summarise the effect upon such tenements of any native title claims over the subject land.

Summary

The Company is the holder (100%) of 12 Mining Leases, the applicant of one Mining Lease and the applicant for five Exploration Permits for Minerals. Reefway is the holder (100%) of 13 Mining Leases, one granted Exploration Permit for Minerals and the applicant for 12 Exploration Permits for Minerals.

Table 1 summarises the tenement information.

Four of the applications for Exploration Permits for Minerals (EPM's 11588, 11669, 11670 and 11672) are considered to be simultaneous applications as the subject applications were lodged on the same day as by another party over all or part of the application lodged by Reefway.

The Minister for Mines and Energy has not yet determined the priority of these competing applications.

The Company has lodged an application ML 90119 for consolidation of the 12 mining leases (located at 'Pegmont'). The application was lodged on 20 August 1996 pursuant to s. 299 Mineral Resources Act 1989 Queensland ('**MRA**') to rectify inaccuracies of initial mark out of the constituent mining leases. This application has not yet been determined.

Searches carried out at the Department of Mines and Energy and relevant local authorities indicate that the Company and Reefway have paid annual rental on the mining leases to 31 December 2000, local authority rates as levied by the Cloncurry Shire Council and the Mount Isa City Council, and have lodged the relevant royalty returns as required by the MRA.

Compensation Agreements have been filed for all the granted mining leases including ML's 2620-27 (inclusive), 2629, 2630, 2662 and 2663 which are located on unallocated state land. No payments are required until surface of the mining lease land is disturbed. The annual quantum will be $5 per hectare disturbed. A search of EPM 7487 indicates that rental has been paid to 28 August 2000. An application for renewal has been lodged.

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There is a statutory requirement to reduce the area of an exploration permit by 50% every year after Year 2 of tenure. Although, the Minister has discretion to allow the holder to retain all or an area greater than 50% upon renewal, as may be the case for EPM 7487 at Mount Kelly.

Encumbrances
A Tenement Sale and Royalty Agreement of 23 July 1998 between Rio Tinto Exploration Pty Limited (Rio Tinto) and Pegasus Enterprises Limited is recorded on the register for EPM 7487. This Permit is also subject to a consent caveat lodged by Rio Tinto pursuant to that Agreement as are the Mount Kelly mining leases (ML's 5426, 5435, 5436, 5446, 5447, 5448, 5450, 5468, 5474, 5476, 5478, 5479 and 6700).

Schedule of Mineral Tenements
Table 1 of the Schedule is based upon searches of publicly available records held by the Queensland Department of Mines and Energy conducted in June 2000 and confirmed on 11 September 2000 and is an accurate statement of the Mineral Tenements and applications for Mineral Tenements which the Company and Reefway hold in Queensland. There are no material matters or events subsequent to those searches, except as disclosed in this Prospectus, that have come to attention during the course of enquiries.

Exploration Permits for Minerals
The holder of an EPM under the MRA obtains a right of entry onto the specified land for the purposes of undertaking exploration activities for specified minerals, subject to certain specified obligations. The holder is required to lodge a security deposit, presently $10 000 per application prior to grant.

An EPM grants to the holder an exclusive right to explore for all minerals within the area of the Permit. The holder of an EPM has a priority right to the application of a mineral development licence or mining lease over the subject land.

An EPM is granted for an initial term (determined by the Minister) of up to five years, subject to a right of renewal, which may be granted at the discretion of the Minister. The total period of the initial term and any renewal must not exceed five years (unless determined otherwise by the Minister).

Mining Lease
The holder of a mining lease under the MRA has an entitlement during the currency of the lease to enter in and upon the land comprised in the mining lease for the purpose for which the mining lease was granted and to do all such things as are permitted by the MRA.

The holder of a mining lease is subject to the conditions specified in the MRA and the Mineral Resources Regulations 1990.

Native Title
The decision of the High Court of Australia in *Mabo and Others v The State of Queensland* in 1992 recognised that the concept of Aboriginal native title to land had survived the Crown's acquisition of sovereignty. Native title is the term given to the collection of rights held by certain Aboriginal peoples to use lands in accordance with their traditional customs and laws.

The *Native Title Act 1993* ('**NTA**') was substantially amended in 1998 in response to the 1996 decision of the High Court of Australia in *Wik Peoples v The State of Queensland.* The NTA and 1998 amendments establish and clarify the rights of government, native title and non-native title parties in dealings with native title lands.

The NTA recognises and protects native title under the laws of Australia, and provides a legislative scheme for:

- clarifying how native title is validly extinguished;
- validating previously invalid acts in relation to native title lands occurring prior to the NTA;
- authorising valid acts in relation to native title lands occurring after the commencement of the NTA;
- prescribing the negotiating process to be carried out between government, native title and non-native title parties for certain future uses of native title lands; and
- providing a mechanism for the payment of compensation to native title parties for the extinguishment or impairment of native title rights.

The common law of Australia provides that upon acquisition of sovereignty by the Crown, native title became vulnerable to extinguishment by legislative or executive actions of government which manifested a clear and plain intention to extinguish native title. Valid alienation of land by the Crown, such as the granting of an interest which is wholly or partially inconsistent with a continuing right to enjoy native title, extinguishes native title to the extent of any inconsistency. Grants of freehold interests in land will extinguish native title.

Under the NTA, the grant of an interest in land after 1 January 1994 will generally be a *'future act'* if the grant extinguishes native title or is wholly or partly inconsistent with native title.

Tenements granted in Queensland after 23 December 1996 are future acts or intermediate past acts. Accordingly, tenements granted in Queensland will have been validated if the procedures in the NTA were followed.

Under the NTA procedure, the party responsible for the future act (in this case the government) must initiate negotiations to obtain the agreement of relevant native title parties to the carrying out of the proposed future act on the native title lands. The NTA prescribes certain time limitations on negotiations, beyond which any of the negotiation parties is able to apply to the relevant arbitral body for a determination whether or not the proposed act can be done on the native title lands.

Under the NTA, the grant of the mining tenements will only be valid if the future act procedures, and in particular the *'right to negotiate'* process, have been complied with.

The State of Queensland had enacted "alternative State provisions" under s. 26b, 43a and 43 of the Commonwealth *Native Title Act 1993* (as amended in 1998) which were inserted into the MRA by the *Native Title (Queensland) State Provisions Amendment Act (No 2) 1998* and the *Native Title (Queensland) State Provisions Amendment Act 1999.*

On 30 August 2000 the Senate disallowed six of the 13 determinations obtained from the Commonwealth Attorney-General under the NTA. As a result of the Senate disallowance it was necessary for the Queensland Government to amend the "alternative State provisions". Accordingly the MRA and the Land and Resource Tribunal Act 1999 will be amended.

To accommodate these changes the Queensland Government amended the State provisions by the Native Title Resolution Act 2000 which was passed by the Queensland Parliament on 8 September 2000. The provisions commenced on 18 September 2000.

For low-impact exploration applications, the provisions require consultation with native title parties on the protection of native title rights and interests, and the reaching of an access agreement before entry onto the land.

For high-impact exploration applications, consultation and negotiation with native title parties is required to enable the grant of the tenement. Native title parties are entitled to object. If agreement for grant cannot be negotiated, the matter is heard by the Land and Resources Tribunal (Tribunal). The Minister may overrule the Tribunal only in limited circumstances.

Mediation is available if requested in the consultation and negotiation phases.

Settling of compensation is not required before the grant of Exploration Permits, but native title parties may request a compensation agreement or apply to the Tribunal for compensation or an amount to be paid into trust, as the case may be, at any time after grant.

For Mining Lease applications, consultation and negotiation with native title parties is required for the grant of the tenement. Native title parties are entitled to object. If agreement for grant cannot be negotiated, the matter is heard by Tribunal in conjunction with any other hearing necessary under the MRAAct. Again, the Minister may overrule the Tribunal only in limited circumstances.

Mediation is available if requested in the consultation and negotiation phases.

Settling of compensation for disturbance to native title interests is required before the grant of a Mining Lease on land where native title has been recognised (ie by a determination of the Federal Court), either by agreement or a determination by the Tribunal. Where native title has not yet been recognised but there are native title claimants, if agreement with the claimants is not possible, the Tribunal determines an amount to be paid into trust. If the grant of a Mining Lease needs to be heard by the Tribunal, and there is no agreement on compensation at that stage, the Tribunal must determine the compensation, or decide an amount to be paid into trust as the case may be, at the same hearing rather than at a later date.

The transitional provisions within the alternative State provisions provide that the processes for applications existing as at 18 September 2000 cannot be commenced by applicants until notified of a starting date by the Department of Mines and Energy.

The Queensland Government is also negotiating with Queensland Indigenous Working Group in respect of a possible State indigenous land use agreement. This matter has not been finalised.

The subject tenements comprise in part a validly granted Exploration Permit and validly granted mining leases. The land subject to applications (mining leases and exploration permits) is generally non-exclusive land and subject to Native Title claims. These applications will not proceed to grant until the processes of the NTA are applied or alternative legislation is enacted.

Native Title Claims
Searches carried out on 11 September 2000 of publicly available information from the National Native Title Tribunal, reveal that native title claims have been lodged over lands either wholly or partially comprising the Mineral Tenement applications. The relevant native title claims are listed in **Table 2.**

Aboriginal Cultural Heritage
Aboriginal traditional or cultural heritage is protected by the Queensland Cultural Record (Landscapes Queensland Estate) Act 1987 which protects any evidence of human occupation which is of prehistoric or historic significance and is at least 30 years old. The legislation also provides for the designation of landscape areas.

Aboriginal Sites of Significance
Both State and Commonwealth Aboriginal heritage protection laws apply in Queensland.

The Commonwealth *Aboriginal and Torres Strait Islander Heritage Protection Act, 1984* is of national application. The purposes of the Act are the preservation and protection from injury or desecration of areas and objects in Australia and in Australian waters, being areas and objects that are of particular significance to Aboriginals in accordance with Aboriginal tradition.

Compensation
In summary, the NTA provides for a right of compensation in favour of the affected native title parties to the extent that future acts affect native title.

At the date of this Report, it is not possible to assess if compensation may be payable to native title parties in relation to any grants of the Mineral Tenements made by the Queensland Government using the NTA procedure. It is reasonable to assume that (any) compensation would be dealt with under the "right to negotiate" process.

Rehabilitation of Land
Statutory requirements in Queensland require Mineral Tenements to be rehabilitated when the land surface is disturbed.

At the present time the environmental regulation of mining activities in Queensland is administered by the Department of Mines and Energy (DME). This responsibility is about to be transferred from the DME to the Environmental Protection Authority (EPA). Upon transfer the policies and procedures for environmental regulation will change. Specific details of the changes cannot be provided at this stage as the relevant government departments are currently negotiating the revised procedures.

Exploration activities conducted under the authority of an exploration permit are considered to be a level two Environmentally Relevant Activity (ERA) under schedule one of the Environmental Protection Regulations 1995. Such an activity requires a licence to be issued under the *Environmental Protection Act* (EPA). At the present time, these licences are issued by the DME via delegation of administrative powers from the EPA. Prior to the issue of such a licence the DME requires the holder to comply with all requirements and conditions of the "Code of Practice". This document details the rehabilitation requirements for disturbances created under the authority of an exploration permit.

The transfer of environmental regulation from the DME to the EPA is expected to occur some time between 1 September 2000 and 1 November 2000. Upon transfer it is expected that the EPA will require holders to comply with the proposed "Code of Practice" upon renewal or grant of all exploration permits.

Rehabilitation requirements for specific mining leases are detailed in the approved Environmental Management Overview Strategy (EMOS) for the relevant project.

Environmental Matters
Mining Leases
All mining leases addressed in this report are covered in either the Pegmont Project (PJ 90040) or the Mount Kelly Project (PJ 90084). Specific details of the projects are as follows:

Project Name:	Pegmont
Project Number:	PJ 90040
Project Controller:	Pegmont Mines NL
Auditor:	Malcolm Mayger
Plan of Ops Expiry Date:	31 May 2001
Performance Category:	6
Total Liability:	$4 800
Total Security Required:	$4 800
Security Currently Held:	$4 800
Tenures in Project:	- ML's 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2629, 2630, 2662, 2663 & MLA 90119
Notes:	- An initial review of the Pegmont project has not identified any outstanding issues at this point in time.

Project Name:	Mount Kelly
Project Number:	PJ 90084
Project Controller:	Reefway Pty Ltd
Auditor:	Malcolm Mayger
Plan of Ops Expiry Date:	31 May 2005
Performance Category:	6
Total Liability:	$35 000
Total Security Required:	$35 000
Security Currently Held:	$35 000
Tenures in Project:	- ML's 5426, 5435, 5436, 5446, 5447, 5448, 5450, 5468, 5474, 5476, 5478, 5479 & 6700
Notes:	- An initial review of the Mount Kelly project has not identified any outstanding issues at this point in time.

Environmental Management
Exploration Permits
The Environmental Management of Exploration Permits relies upon a Code of Practice for managing environmental impacts of most exploration activities and an additional Environmental Management Plan for activities that have a significant impact.

Pursuant to s.144 MRA the holder is required to lodge a security deposit with the Minister for Mines and Energy for:
- Compliance with conditions of exploration permit
- Compliance with provisions of MRA
- Rectification of any actual damage caused to land and improvements situated within the permit area

The Minister for Mines and Energy holds as a security deposit against EPM 7487 a Bank Guarantee for $6000. The holder has committed to the Interim Policy for Environmental Management for Activities under Exploration Permits including the "Code of Practice".

Exclusions and Constraints to Grant of Applications
EPMA 11637 is within Restricted Area RA 33 (Gunpowder Creek Damsite) and the application must be referred to the State Water Projects, Department of Natural Resources for its views pursuant to s. 391(e) MRA.

EPMA 11696 includes a parcel of land for a Microwave Repeater Station which is classified as Sterile Land and is excluded from any grant of that permit area.

Disclosure of Interest
Hetherington Exploration & Mining Title Services Pty Ltd at the date of this report nor any of its employees has any interest in Pegmont Mines NL or Reefway Pty Ltd either directly or indirectly, nor in the outcome of the issue. Unless specifically referred to in this report, or elsewhere in the Prospectus, Hetherington Exploration & Mining Title Services Pty Ltd was not involved in the preparation of any other part of the Prospectus, nor has authorised or caused the issue of the Prospectus.

Conclusions
Preparation of this Report, relating to the Mineral Tenements as well as native title claims, has relied upon:

- information available upon public enquiry from records maintained by the NNTT; and
- information available from Queensland Government Department of Mines and Energy.

(which information has not been independently verified). In reliance upon this information, it is believed that this Report does not contain anything which is false in a material particular or which is materially misleading in the form and context in which it appears.

Consent
Hetherington Exploration & Mining Title Services Pty Ltd has given and has not, before the lodgement of this Prospectus, withdrawn its consent to the issue of the Prospectus with this report included in form and context in which it appears.

Yours faithfully
HETHERINGTON EXPLORATION & MINING TITLE SERVICES PTY LTD

R HETHERINGTON
Director

20 September 2000

TABLE 1 – SCHEDULE OF MINERAL TENEMENTS

Tenement	Name	Status	Registered Holder / Applicant	Date of Grant / Application Date	Date of Expiry	Area (ha or sb) (1)
EPM 11394	Pegmont Extended	Application	Pegmont Mines NL	04.09.1996	–	21 sb
EPM 11671	Pegmont Extended #3	Application	Pegmont Mines NL	03.03.1997	–	9 sb
EPM 11813	Lily	Application	Pegmont Mines NL	02.06.1997	–	10 sb
EPM 12255	Pegmont	Application	Pegmont Mines NL	01.06.1998	–	9 sb
EPM 12498	Pegmont Southeast	Application	Pegmont Mines NL	01.12.1998	–	5 sb
ML 2620	Pegmont #1	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2621	Pegmont #2	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2622	Pegmont #3	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2623	Pegmont #4	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2624	Pegmont #5	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2625	Pegmont #7	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2626	Pegmont #8	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2627	Pegmont #9	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2629	Pegmont #15	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2630	Pegmont #16	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2662	Pegmont #17	Granted	Pegmont Mines NL	21.02.1974	28.02.2005	129.5 ha
ML 2663	Pegmont #18	Granted	Pegmont Mines NL	11.07.1974	31.07.2004	129.5 ha
ML 90119	Pegmont Consolidated	Application	Pegmont Mines NL	20.08.1996	–	1553.99 ha
EPM 11587	Kheri	Application	Reefway Pty Ltd	02.01.1997	–	23 sb
EPM 11588	Pegmont Extended #2	Application	Reefway Pty Ltd	02.01.1997	–	38 sb
EPM 11636	Desert Creek	Application	Reefway Pty Ltd	19.02.1997	–	8 sb
EPM 11637	Redie Creek	Application	Reefway Pty Ltd	19.02.1997	–	45 sb
EPM 11669	Eastern Creek	Application	Reefway Pty Ltd	03.03.1997	–	5 sb
EPM 11670	Gun Creek	Application	Reefway Pty Ltd	03.03.1997	–	14 sb
EPM 11672	Torpedo Creek	Application	Reefway Pty Ltd	03.03.1997	–	8 sb
EPM 11695	Cattle Creek	Application	Reefway Pty Ltd	13.03.1997	–	58 sb
EPM 11696	Wilfred Creek	Application	Reefway Pty Ltd	13.03.1997	–	66 sb
EPM 11775	Cuckadoo	Application	Reefway Pty Ltd	01.05.1997	–	8 sb
EPM 11777	Johnson Creek	Application	Reefway Pty Ltd	01.05.1997	–	14 sb
EPM 12589	Kennedy Gap	Application	Reefway Pty Ltd	01.03.1999	–	33 sb
EPM 7487	Mount Kelly	Granted	Reefway Pty Ltd	29.08.1990	28.08.2000 (2)	6 sb
ML 5426	McLeod Hill	Granted	Reefway Pty Ltd	01.02.1974	31.01.2006	4.05 ha
ML 5435	Mt Kelly	Granted	Reefway Pty Ltd	10.01.1974	31.01.2009	3.96 ha
ML 5436	The Swagman	Granted	Reefway Pty Ltd	01.02.1974	31.01.2009	4.046 ha

Tenement	Name	Status	Registered Holder / Applicant	Date of Grant / Application Date	Date of Expiry	Area (ha or sb) (1)
ML 5446	Flying Horse #1	Granted	Reefway Pty Ltd	14.02.1974	28.02.2010	28.37 ha
ML 5447	Spinifex Queen	Granted	Reefway Pty Ltd	10.01.1974	31.01.2010	28.32 ha
ML 5448	Flying Horse #2	Granted	Reefway Pty Ltd	10.01.1974	31.01.2010	8.09 ha
ML 5450	Spinifex Queen #2	Granted	Reefway Pty Ltd	10.01.1974	31.01.2010	48.56 ha
ML 5468	Suzie #1	Granted	Reefway Pty Ltd	01.02.1974	31.01.2011	125.46 ha
ML 5474	Suzie #6	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	130 ha
ML 5476	Suzie #12	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	130 ha
ML 5478	Suzie #14	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	16.19 ha
ML 5479	Suzie #16	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	130 ha
ML 6700	Suzie #17	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	129.5 ha

NOTES

(1) A sub-block is approximately 300 hectares

(2) Renewal lodged 1 August 2000

TABLE 2

Native Title Claims Over Tenement Applications

EPM	Claims
11636	QC 99/32, QC 97/63 part
11637	QC 99/32, QC 97/63
11669	QC 99/32, QC 97/63 part
11670	QC 99/32, QC 97/63 part
11672	QC 99/32, QC 97/63 part
11695	QC 99/32
11696	QC 99/32
11777	QC 99/32
12589	QC 99/32

EPM Applications 11394, 11587, 11588, 11671, 11775, 11813, 12255, 12498 and ML 90119 are not subject to any known Native Title Claims at this time.

Name of Application: (QG6170/98) Indjilandji/Dithannoi People
NNTT File No: QC97/63
General Location: Mt Isa region
Representative: Ebsworth & Ebsworth
Date Lodged: 23/12/97
Acceptance Status: Registered 23/12/97
Next Stage of Process: This application was found to comply with s. 190Arequirements on 30/09/99. The Register of Native Title Claims was updated on 20/10/99. Federal Court Hearing on 27/06/2000.

Name of Application: (Q6031/99) Kalkadoon People
NNTT File No: QC99/32
General Location: Around Mt Isa, NWQ
Representative: Reidy/Maurice
Date Lodged: 29/10/99
Acceptance Status: Registered 19/11/99
Next Stage of Process: This application was found to comply with s. 190Arequirements on 19/11/99. This application is a combination of QC96/12 and QC99/10. Federal Court Hearing 16/06/2000.

EXTRACTED FROM NATIONAL NATIVE TITLE TRIBUNAL TIME LINE OF APPLICATIONS AS AT 11 SEPTEMBER 2000

Rothsay Consulting Services Pty Ltd

ACN 008 939 446

The Directors
Pegmont Mines NL
Level 7
14 Martin Place
SYDNEYNSW 2000

25 September 2000

Dear Sirs

INVESTIGATING ACCOUNTANT'S FINANCIAL REPORT

INTRODUCTION

We have prepared this report for inclusion in the Prospectus to be dated on or about 29 September 2000, to be issued by Pegmont Mines NL ("Pegmont") in relation to the one for two pro-rata non-renounceable rights issue and over subscription or placement for a total of 20,169,239 shares at an issue price of 10 cents each to raise $2,016,924.

We understand the purpose of this report is for inclusion in an Prospectus to be issued in relation to a proposed listing on the Newcastle Stock Exchange ("NSX"). We understand that the offer has been partly underwritten.

Expressions defined in the Prospectus have the same meaning in this report.

BACKGROUND

Pegmont was incorporated as Pegasus Mines (No2) NL in 1987 as wholly owned subsidiary of Pegasus Enterprises Limited to acquire mineral leases in Australia. In essence Pegmont remained dormant until 1996 when it entered into an agreement to acquire the Pegmont mining leases.

In 1997, through a subsidiary Reefway Pty Ltd, Pegmont reached agreement to acquire leases at Mount Kelly and applied for additional EPM's in both the Pegmont and Mt Isa regions.

PURPOSE AND SCOPE OF OUR REPORT

Scope

The Directors have requested Rothsay Consulting Services Pty Ltd prepare an Investigating Accountants' Financial Report dealing with the following financial information:

- the audited profit and loss statements for the 3 years ended 31 December 1999 and the six months to 30 June 2000; and
- the audited balance sheet as at at 30 June 2000 together with the proforma balance sheet as at 30 June 2000 as it would appear assuming that the transactions the subject of this Prospectus had taken place at that date.

A copy of this financial information together with the basis of preparation, as at 30 June 2000 is presented in Appendix 1 to this report.

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Phone 9262 2922 Fax 9262 2422 Email swan2000@bigpond.com.au

The Directors are responsible for the preparation and presentation of the financial information and have determined that the basis of accounting used is appropriate. We have performed our review of the financial information in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial information is not presented fairly in accordance with the accounting policies disclosed in note 2 of Appendix 1 of this report and generally accepted accounting practice as applied in Australia for presenting financial information in an Prospectus.

The scope of our review was conducted in accordance with Australian Auditing Standards applicable to review engagements including Australian Auditing Standard AUS 902 " Review of Financial Reports". This review was limited primarily to inquiries of company personnel, work papers and other documents, analytical financial procedures applied to the financial data, performance of certain limited verification procedures and a review of the application of accounting standards and policies.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit carried out in accordance with Australian Auditing Standards. We have not performed and, accordingly do not express an audit opinion.

Pro forma balance sheet

The pro forma balance sheet has been prepared by Pegmont as at 30 June 2000 by adjusting the audited balance sheet of Pegmont for the financial effects of:

- the issue of 20,169,239 fully paid ordinary Pegmont shares at an issue price of 10 cents each
- the capitalisation of shareholder advances amounting $1,009,412
- the investment of the net proceeds after payment of expenses associated with the Prospectus estimated at $125,000.

The proforma balance sheet has been reviewed by the Directors and they have confirmed to Rothsay Consulting that the pro forma balance sheet is a reasonable reflection of the state of affairs of Pegmont as at 30 June 2000, taking into account the above transactions.

OPINION

Based on our review, which, is not an audit, nothing has come to our attention, which causes us to believe that the financial information included in this report does not fairly represent:

- the profit and loss statement for Pegmont for the 3 years ended 31 December 1999 and 6 months ended 30 June 2000; and
- the balance sheet as at at 30 June 2000 together with the proforma balance sheet as at 30 June 2000 as it would appear assuming that the transactions the subject of this Prospectus had taken place at that date as presented in Appendix 1 to this report,

in accordance with the accounting policies disclosed in note 2 of Appendix 1 of this report and generally accepted accounting practice as applied in Australia for presenting financial information in an Prospectus.

SUBSEQUENT EVENTS

To the best of our knowledge and belief, there have been no material items, transactions or events outside the ordinary course of the company’s business that have occurred subsequent to 30 June 2000 which are not otherwise disclosed in this Prospectus and require comment upon, or adjustment to, the information referred to in this report or which would cause such information to be misleading or deceptive.

INTERESTS AND OTHER INFORMATION

At the date of this report the information contained herein is to the best of our knowledge correct. Except for this report Rothsay Consulting were not involved in the preparation of any other part of this Prospectus and accordingly make no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

Rothsay Consulting has not been a member of the Pegmont due diligence committee and Rothsay Chartered Accountants are the auditors of Pegmont.

Rothsay Consulting is entitled to receive a fee for the completion of this report and except for this fee Rothsay Consulting has not received, and will not receive, any pecuniary or other benefit whether direct or indirect in relation to the preparation of the report.

Rothsay Consulting has consented to the issue of this report in the form and context in which it is included in the Prospectus and has not withdrawn that consent before lodgment of the Prospectus with the Australian Securities & Investment Commission.

Yours faithfully
Rothsay Consulting Services Pty Ltd

Graham R Swan
Director

PEGMONT MINES NL

CONSOLIDATED PROFIT AND LOSS STATEMENT

	six months to	twelve months ended		
	30 June	31 Dec	31Dec	31 Dec
	2000	1999	1998	1997
	$	$	$	$
Operating revenue	8,367	15,000	-	472
Operating loss before income tax	28,003	198,655	95,165	102,130
Income tax attributable to operating loss	-	-	-	-
Operating loss after income tax	28,003	198,655	95,165	102,130
Accumulated losses at the beginning of the financial period	425,991	227,336	132,171	30,041
Accumulated losses at the end of the financial period	453,994	425,991	227,336	132,171
Operating loss before income tax has been determined after:				
Crediting as income				
Other revenue	8,367	15,000	-	472
Charging as expense				
Amortisation of share issue expenses	-	10,492	53,746	2,829
Depreciation	-	1,869	278	-
Exploration written off	-	140,000	-	-
Adjustment to reported results	-	-	-	-

The accompanying notes form part of these accounts.

APPENDIX 1

PEGMONT MINES N.L.

BALANCE SHEET AS AT 30 JUNE 2000

	NOTES	Actual	Proforma	Actual	Proforma
		$	$	$	
		Economic Entity		Chief Entity	
CURRENTASSETS					
Cash	2	43,757	926,269	1,890	884,402
TOTAL CURRENTASSETS		43,757	926,269	1,890	884,402
NON-CURRENTASSETS					
Other	3	6,550,000	6,550,000	3,350,000	3,350,000
Investment in Subsidiary	4	-	-	1,289,985	1,289,985
TOTALNON CURRENT ASSESTS		6,550,000	6,550,000	4,639,985	4,639,985
TOTALASSETS		6,593,757	7,476,269	4,641,875	5,524,387
CURRENT LIABILITES					
Creditors and Borrowings	5	1,079,025	69,613	1,079,025	69,613
TOTAL LIABILITIES		1,079,025	69,613	1,079,025	69,613
NET ASSETS		5,514,732	7,406,656	3,562,850	5,454,774
SHAREHOLDERS EQUITY					
Share Capital	6	751,326	2,643,250	751,326	2,643,250
Reserves	7	4,565,648	4,565,648	3,203,011	3,203,011
Accumulated losses		(453,994)	(453,994)	(391,487)	(391,487)
SHAREHOLDERS EQUITY ATTRIBUTABLE TO MEMBERS OF THE CHIEF ENTITY		4,862,980	6,754,904	3,562,850	5,454,774
Outside equity interests in controlled entities		651,752	651,752	-	-
TOTAL SHAREHOLDERS EQUITY		5,514,732	7,406,656	3,562,850	5,454,774

The accompanying notes form part of these accounts.

PEGMONT MINES N. L.
NOTES TO AND FORMING PART OF THE ACCOUNTS

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

The financial information included in this report are extracts from a special purpose financial report which has been prepared in accordance with generally accepted accounting principles applied in Australia for presentation of financial information for inclusion in an Offer Information Statement. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies set out below have been consistently applied unless otherwise stated.

Principles of consolidation

The consolidated accounts comprise the accounts of Pegmont Mines NL the chief entity and all of its controlled entities. A controlled entity is any entity controlled by Pegmont Mines NL. Control exists where Pegmont Mines NL has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Pegmont Mines NL to achieve the objectives of Pegmont Mines NL.

A list of controlled entities is contained in Note 4 to the accounts. All inter-company balances and transactions between entities in the economic entity, including any unrealised profit of losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the period, their operating results have been included from the date control was obtained or until the date control ceases.

Mineral Exploration, Evaluation, Development And Construction Costs

Costs incurred during exploration, acquisition, evaluation development and construction activities which relate to an area of interest are carried forward where drilling in the areas of interest has demonstrated significant mineralisation. Lease rentals relating to such areas are written off as incurred.

General investigation and exploration expenditures incurred on current projects where significant mineralisation has not been demonstrated by drilling are written off in full or fully provided against in the period in which they occur. Costs carried forward in respect of an area of interest that is abandoned are written off in the Period in which the decision to abandon is made.

The ultimate recoupment of costs related to areas of interest in the exploration and/or evaluation phase is dependent on the successful development and commercial exploitation or sale of the relevant areas.

Segment Information

The Economic Entity operates in Australia in the exploration and development of mining tenements, surplus funds are invested in short term deposits at call.

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (con't)

Income Tax

The Economic Entity adopts the liability method of tax effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating profit before tax, adjusted for permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of operating profit and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit.

Further income tax benefits are not brought to account as an asset unless realisation of the benefit is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of these benefits are based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

Property, plant and equipment

Property, plant and equipment are included at cost. Depreciation is provided on a straight line basis on all property, plant and equipment at rates calculated to write off the costs, less estimated value at the end of the useful lives of the assets, over those estimated useful lives.

Investments

Investments represents shares in listed and unlisted corporations recorded at cost or valuation. Where the market value of an investment is below cost, a provision is made. Investments in controlled entities are carried at their net asset value.

Intangible assets - Costs of shares issue

Costs associated with the share issues are amortised over five years.

Going concern basis

The accounts have been prepared on a going concern basis of accounting which contemplates the continuity of normal business activity, the joint venture and the realisation of assets and the settlement of liabilities in the normal course of business.

The directors are of the opinion that the basis upon which the accounts are prepared is appropriate in the circumstances. However if the company is unable to raise sufficient funds to remain as a going concern, the ability to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial statements may be affected.

Proforma Adjustments

The pro forma balance sheet has been prepared by Pegmont as at 30 June 2000 by adjusting the audited balance sheet of Pegmont for the financial effects of:

- the issue of 20,169,239 fully paid ordinary Pegmont shares at an issue price of 10 cents each
- the capitalisation of shareholder advances amounting $1,009,412
- the investment of the net proceeds after payment of expenses associated with the Offer Information statement estimated at $125,000.

PEGMONT MINES N. L.
NOTES TO AND FORMING PART OF THE ACCOUNTS

	Economic Entity		Chief Entity	
	Actual	Proforma	Actual	Proforma
	$	$	$	$
NOTE 2 - CURRENT ASSETS - CASH				
Secured deposits	41,867	41,867	-	-
Cash at bank and on hand	1,890	884,402	1,890	884,402
	43,757	926,269	1,890	884,402

The secured deposits support DME rehabilitation guarantees.

NOTE 3 - NON-CURRENT ASSETS - OTHER

MINERAL EXPLORATION EXPENDITURE

Mineral tenements - at directors valuation				
Pegmont Mining Leases	3,000,000	3,000,000	3,000,000	3,000,000
Eastern Block Application areas	350,000	350,000	350,000	350,000
Mount Kelly project	2,000,000	2,000,000	-	-
Redie Creek project	300,000	300,000	-	-
Mount Gordon Project	550,000	550,000	-	-
Kennedy Gap Project	350,000	350,000	-	-
	6,550,000	6,550,000	3,350,000	3,350,000

NOTE 4 - NON CURRENT ASSETS- INVESTMENT IN SUBSIDIARY

Shares at Cost	-	-	489,933	296,933
At Valuation	-	-	800,000	800,000
Advance	-	-	52	220,052
	-	-	1,289,985	1,289,985

The company has an 81.4% interest in Reefway Pty Ltd represented by 13,100,000 ordinary shares of 1cent each fully paid out of a total issued capital of 16,100,000.

NOTE 5 - CURRENT LIABILITIES – CREDITORS AND BORROWINGS

Pegasus Enterprises Limited Joint Venture contribution	273,236	-	273,236	-
Malcolm A Mayger Pty Ltd Joint Venture contribution	273,555	-	273,555	-
Loan from Malcolm A Mayger Pty Ltd	302,725	-	302,725	-
Loan from Lozora Pty Ltd	129,500	-	129,500	-
Accounts payable	100,009	100,009	100,009	100,009
	1,079,025	100,009	1,079,025	100,009

PEGMONT MINES NL
NOTES TO AND FORMING PART OF THE ACCOUNTS

	Economic Entity		Chief Entity	
	Actual $	Proforma $	Actual $	Proforma $
NOTE 6 - SHARE CAPITAL				
29,830,761 ordinary shares fully paid	751,326	751,326	751,326	751,326
20,169,239 ordinary shares issued under the offer	-	2,016,924	-	2,016,924
Expenses of the offer information statement	-	(125,000)	-	(125,000)
	751,326	2,643,250	751,326	2,643,250

A Table detailing the movement in the issued capital of the Company since incorporation is included as Appendix 2.

NOTE 7 - RESERVES				
Asset Revaluation Reserve	4,565,648	4,565,648	3,203,011	3,203,011

NOTE 8 - RELATED PARTY DISCLOSURES
The Directors of the company during the period to 30 June 2000 were:

John M Armstrong
Malcolm A Mayger
Michael D Leggo

The Directors and interests associated with them will have the following equity holdings as at 30 June 2000 and after completion of all transactions associated with this Offer information statement and upon Pegmont being admitted to the official list of the NSX are as follows:

	Ordinary Shares	Options
John M Armstrong	275,000	450,000
Malcolm A Mayger	20,808,005	3,250,000
Michael D Leggo	-	300,000

NOTE 9 - CONTINGENT LIABILITIES

On the 18th October 1996 the Company and Malcolm A Mayger entered into a Retirement Benefits Deed pursuant to which the Company agreed to pay Malcolm A Mayger benefits upon retirement or loss of office. Such benefit is to be equal to the greater of one year's lump sum director's fees or the amount payable to Malcolm Mayger Pty Ltd upon termination of the Service Agreement.

The Company has a contingent liability to the Department of Mines and Energy in Queensland to undertake rehabilitation of mining leases and other tenements at Pegmont. Guarantees totalling $6,000 have been lodged to cover this liability. This guarantee is secured by a similar amount on deposit.

Reefway Pty Ltd has a contingent liability to the Department of Mines and Energy in Queensland to undertake rehabilitation of mining leases and other tenements at Mount Kelly. Guarantees totalling $41,000 have been lodged to cover this liability. This guarantee is secured by a similar amount on deposit.

Reefway Pty Ltd has a contingent liability of $1 million in royalties to Rio Tinto Exploration Pty Ltd from future production from the Mount Kelly Mining Leases.

NOTE 10 - COMMITMENTS

In order to maintain current rights of tenure to mining tenements the economic entity will be required to outlay in 2000 amounts of approximately $150,000 in respect of lease rentals and exploration expenditures to meet the minimum expenditure requirements on the Mount Kelly Tenements. These obligations are expected to be fulfilled in the normal course of operations.

APPENDIX 2

MOVEMENTS IN ISSUED CAPITAL SINCE INCORPORATION

Month Issued	Issued to/for	Issue Price Cents	Cash Contribution	Share Capital Number	Share Capital Paid $
July 1987	Subscribers	20	1	5	1
May 1996	Pegasus placement*	20	20,000	100,000	20,000
Sept 1996	Pegasus placement*	0.2	20,000	10,000,000	20,000
Dec 1996	Pegasus shareholders*	0.2	25,750	12,875,000	25,750
May 1997	Investor placement	10	217,500	2,175,000	217,500
July 1997	Placement	10	27,500	275,000	27,500
Sept 1997	Placement	10	25,500	250,000	25,000
May 1998	Placement	10	25,500	250,000	25,000
Dec 1998	Shareholders	10	261,825	2,618,256	261,825
Dec 1998	Placement	10	61,250	612,500	61,250
March 1999	Placement	10	12,500	125,000	12,500
May 1999	Placement	10	5,000	50,000	5,000
Aug 1999	Placement	10	50,000	500,000	50,000
	TOTAL		**751,326**	**29,830,761**	**751,326**
Sept 2000	New Issue	10		20,169,239	2,016,924
	TOTAL			**50,000,000**	**2,768,250**

* Issued to Pegasus Enterprises Limited, a vendor to the Company.

** Issued pursuant to a prospectus dated 30 September 1996, being an entitlement issued to shareholders of Pegasus Enterprises Limited.

APPLICATION OF FUNDS TO BE RAISED BY THE ISSUE

	$	$
Funds to be raised		2,016,924
Application:		
Capitalisation of shareholder advances	1,009,412	
Cost of New Issue	125,000	
Working Capital	882,512	
		2,016,924

PROFORMA BALANCE SHEET

The proforma consolidated balance sheet as at 30 June 2000 is presented by the Directors to demonstrate the financial position which Pegmont Mines NL would have had at that date including the Prospectus Issue of 20,169,239 shares at 10 cents each raising $2,016,924 less expenses and assuming the issue of shares occurs as planned and the proceeds applied as described as at that date; for details see the Investigating Accountant's Report.

ASSETS	**$000**
Cash (including DME deposit guaranties $42)	926
Plant and equipment	-
Share Issue costs	-
Prepayments	-
Tenements	6,550
Total Assets	**7,476**
LIABILITIES	
Trade Creditors	
NET ASSETS	7,407
SHAREHOLDERS EQUITY	
Share Capital	2,643
Reserves	4,566
Accumulated losses	(454)
Outside equity interests	652
TOTAL SHAREHOLDERS EQUITY	7,407
TOTAL SHARES AFTER NEW ISSUE '000	50,000
NET ASSET BACKING ¢ per share (after deducting outside equity interests)	**13.5**

VALUATION OF MINERAL INTERESTS

The Independent Valuation of mineral interests by Terence Willsteed & Associates dated 11 September 2000 (page 70) are tabulated below:-

Project	**Project Value ($million)**		
	Low	**High**	**Most Likely**
Pegmont Project	3.00	7.00	4.50
Mt Kelly Project	2.00	4.30	2.00
Eastern Block Exploration areas	0.35	0.70	0.35
Redie Creek	0.30	0.70	0.50
Mt Gordon Fault Zone	0.55	2.20	0.55
Kennedy Gap	0.35	2.25	0.70
TOTAL	**6.55**	**17.15**	**8.50**

On 31 August the Directors resolved to revalue the Company's and Reefway's mineral interests to the "Low Project Value" as determined in the above mentioned report.

NET ASSET BACKING

In the event that Investors may wish to apply the range of Project Values to the Company's Proforma Balance Sheet, then the Range of the Net Asset Backing would be calculated as follows:-

Balance Sheet Items	**Range of Net Asset Backing ($million)**		
	Low	**High**	**Most Likely**
Tenements at Independent Valuation	6.55	17.15	8.50
Add, Proforma Cash	0.93	0.93	0.93
Less, Creditors	(0.07)	(0.07)	(0.07)
Total Shareholder Equity	7.41	18.01	9.36
Less, Outside Equity Interests*	0.65	1.76	0.68
Net Equity	**6.76**	**16.25**	**8.68**
Total Shares after Issue – million	50.00	50.00	50.00
Net Asset Backing ¢ per share	**13.5**	**32.5**	**17.4**

* Outside Equity Interests are calculated as having 18.6% interest in all projects other than in the Pegmont Project and the Eastern Block Exploration areas.

The Net Asset Backing, using the Most Likely valuation of mineral tenements, is 17.4 cents per share.

CAPITAL STRUCTURE

The capital structure of Pegmont Mines NL at the completion of the issue of ordinary shares pursuant to this Prospectus will be as follows:

No. of Shares		Paid Up $
	Issued Capital	
29,830,761	Shares previously issued	751,327
20,169,239	Shares offered by this Prospectus	2,016,924
50,000,000	**Total issued and paid up capital at the completion of the Issue**	2,768,251

OPTIONS

Since incorporation and prior to the issue of this Prospectus, 1,500,000 Options exercisable at not less than 30¢ each by 31 March 2001 ("Existing Options") were issued to Pegasus Enterprises Limited. In addition, 3,350,000 have been issued to the Directors, Company Secretary and Senior Advisor, exercisable at 10 cents each in recognition of their unpaid time.

SHAREHOLDING STRUCTURE

The shareholding structure of Pegmont Mines NL upon the allotment of the shares offered by this Prospectus will be:

Shareholders	Shares	%	Options	Shares & Options	%
Promoting Shareholders:-					
Pegasus Enterprises Limited*	14,592,285	29.18	-	14,592,285	25.33
Malcolm A Mayger Pty Ltd*	11,746,760	23.49	3,250,000	14,996,760	26.04
Lozora Pty Limited*	1,985,000	3.97	-	1,985,000	3.44
Directors & Associates					
John M Armstrong	275,000	0.55	450,000	725,000	1.26
Malcolm A Mayger*	300,000	0.60	-	300,000	0.52
Michael D Leggo	-	-	300,000	300,000	0.52
Billiton Exploration Australia Pty Ltd	2,750,000	5.50	2,750,000	5,500,000	9.55
Other Shareholders	18,350,955	36.71	850,000	19,200,955	33.34
	50,000,000	100.00	7,600,000	57,600,000	100.00

*Interests associated with Malcolm A Mayger represent 59.05% of the expanded issued capital.

Restricted Securities

Upon seeking NSX listing the Company may be required to enter into Escrow Agreements with certain promoter shareholders. Such Escrow Agreements would prohibit the transfer of effective ownership or control of 10 million shares.

Interests of Directors

As at the date of this Prospectus, the Directors of the company and entities controlled by them will hold a total of 20,753,005 ordinary fully paid Shares of 20 cents each and 4,000,000 options, after capitalising shareholder loans.

Directors Shareholdings

The Directors of the Company and their Association will have subscribed for a total of 31,550,000 ordinary shares of 20 cents each described as follows:-

(i) **Malcolm A Mayger and Associates (MAM P/L):**

(a) Pro-rata issue during December 1996 of fully paid shares of 20 cents each to shareholders of Pegasus at a discount of 19.8 cents – 7,362,000 to MAM P/L and 25,000 to M A Mayger

(b) Subsequent new issue and placement of fully paid 20 cent shares at 10 cents each to:-
MA Mayger 275,000
MAM P/L 1,015,000

(c) Capitalisation of shareholder advances of $736,176 at 10 cents per share, will result in the issue to MAM P/L 7,361,760

(d) Take up of 99,960 extra shares as per the Underwriting Agreement at a cost of $9,996.

Thus, MAM P/L will hold 16,139,720 ordinary fully paid shares of 20 cents each upon allotment of shares in accordance with the Underwriting Agreement.

(ii) Pegasus:-

(a) Five subscriber shares of 20 cents each at par and an initial issue of 100,000 shares at 20 cents each.

(b) Placement of fully paid shares of 20 cent each at a discount of 19.8 cents - 10,000,000.

(c) Shortfall from a pro-rata issue to the shareholders of Pegasus issued at a discount of 19.8 cents – 682,500.

(d) Subsequent new issue of 1,017,500 fully paid shares of 20 cents each at 10¢ each.

(e) Capitalisation of shareholder advances totalling $279,228 at 10¢ per share will result in the issue of 2,792,280 new shares

Thus, Pegasus will hold 14,592,285 ordinary fully paid shares of 20 cents each in the Company and 1,500,000 options exercisable at 30 cents each by 31 March 2001.

Mr M A Mayger is the Chairman of Directors and a substantial shareholder of Pegasus.

(iii) **John M Armstrong and associates:-**

Placement of 275,000 fully paid shares at 10 cents each.

Benefits to and interests of Directors of the Company are set-out on pages 109-110 in the Additional Information section, of this Prospectus.

SHAREHOLDER INFORMATION

The following are particulars of holders of ordinary Shares and Options registered with the Company at 29 September 2000.

			Number of Holders	*Ordinary Shares*	*Existing Options*
1.	**Total number of shareholders and shares**		97	29,830,761	
2	**Total number of option holders and options**		8		4,850,000
3.	**Distribution schedule – shares**				
	number of holders of shares in the following categories:-				
		1-10,000	20	200,000	
		10,001-50,000	43	1,452,500	
		50,001-100,000	7	545,250	
		100,001-500,000	19	4,055,250	
		500,001 and over	8	33,577,761	
4.	**Distribution schedule – options**				
	number of holders of options in the following categories:-				
		0-10,000	-		
		10,001-100,000	-		
		100,001-250,000	4	850,000	
		250,001 and over	4	4,000,000	
5.	**Directors Interests**				
	M A Mayger	-direct		300,000	2,250,000
	-indirect*			20,178,005	1,000,000
	-direct				
	J M Armstrong	-indirect		275,000	450,000
	M D Leggo	-direct		-	300,000
6.	**Substantial Shareholders**				
	Pegasus Enterprises Limited		*	11,800,005	
	Malcolm A Mayger Pty Limited		*	5,680,000	
7.	**Other Indirect Interests associated with M A Mayger:**				
	Malcolm A Mayger Pty Limited – Superannuation Fund		*	1,100,000	
	Scepha Investments Pty Ltd		*	908,000	
	Lozora Pty Ltd		*	690,000	
	* Indirect interests associated with Malcolm A Mayger – including Pegasus Enterprises Limited			20,178,005	

The rights attaching to ownership of the Shares are detailed in the Constitution of the Company which may be inspected during normal business hours at the registered office of the Company. The following is a summary of the major provisions of the Constitution.

Summary of Rights Attaching to Shares

The Shares offered for subscription by this Prospectus (and the shares and options already on issue in the Company) will carry the following rights, privileges and restrictions.

Voting

Subject to any special rights or restrictions for the time being attached to any class or classes of shares in the Company (at present there are none) that:

(a) all calls due to the Company in respect of any share has been paid and:

(b) the securities to which the vote relates are classified by the NSX or under the Listing Rules as restricted securities, there is no subsisting breach of the Listing Rules or any restrictions agreements in respect of those securities.

At a general meeting every shareholder present (and in the case of joint shareholders, the first named in the share register if more than one joint shareholder present) in person or by proxy, representative or attorney will have one vote on a show of hands and, on a poll one vote for each fully paid share held and a proportionate vote in respect of partly paid shares to the extent to which they are paid up.

General Meetings

Each shareholder will be entitled to receive notice of (and in the case of joint shareholders, the first named in the register shall be entitled to notice), and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be furnished to shareholders under the Constitution of the Company or the Corporations Law or the Listing Rules.

Dividends (Article 28.4)

Subject to the rights of the shares issued with any special or professional or preferential rights (at present there are none), any future profits of the Company which the directors may from time to time determine to distribute by way of dividend will be divisible amongst the shareholders in proportion to the amount of the nominal share capital paid up on the shares held by them respectively (provided that all calls due and payable in respect of a share have been paid).

Issue of Shares

The allotment and issue of any additional Shares in the Company is under the control of the Directors, subject to any restrictions imposed by the Corporations Law and the Listing Rules.

Transfer of Shares

Shareholders will be permitted to transfer their Shares. The Company will not generally refuse to register or give effect to any transfer in registerable form of a fully paid or partly paid security issued by the Company on the Official list of the NSX. The Company may refuse to register transfers of Shares where:-

- permitted by the Listing Rules;
- an Australian Law is or will be contravened; and
- the Shares are considered as "Restricted Securities" during the escrow period (subject to the Listing Rules and NSX).

Return of Capital (Article 34.2)

Subject to the provisions of the Articles relating to the preferred, deferred or other special classes of shares (at present there are none), all monies and property that are to be distributed amongst shareholders on a winding up will be distributed amongst the shareholders in proportion to the shares held by them respectively, irrespective of the amounts paid up or credited as paid up on the shares (provided that all amounts owing in respect of any call on a share have been fully paid and satisfied).

Summary of Rights attaching to Options

(a) 1,500,000 options issued by the Company to Pegasus, entitle the holder to subscribe for ordinary 20 cent fully paid shares in the Company at 30 cents per share on the following terms:-

(i) Each Option entitles the holder to subscribe for one Share upon payment of 40 cents to the Company.

(ii) The Existing Options shall lapse at 5.00 pm NSWST on 31 March 2001.

(b) 2,150,000 options exercisable at 10 cents each by 31 December 2002 were issued to the Directors, officers and Senior Advisor to the Company following approval by the shareholders on 27 May 1999 on the following terms:

(c) A further 1,200,000 options were approved by shareholders on 30 June 2000 to Directors and Others. The options are exercisable at 10 cents per share by 31 December 2003.

The exercise of the Directors options are subject to and conditional upon:

(i) Listing of the Company on an Australian stock exchange, by 31 December 2002, or Acceptance of a take-over or change in control of the Company whichever occurs soonest.

(iii) There are no participating rights and entitlements inherent in the existing Options as holders will not be entitled to participate in new issues of capital on the basis of Options held which may be offered to shareholders during the currency of the options.

(iv) However, holders of existing Options have the right to exercise their options, prior to the date of determining entitlements of any capital issue to the then existing shareholders of the Company made during the currency of the options into ordinary shares which will have the same rights as the previously issued ordinary shares.

(v) Shares issued upon the exercise of the existing Options will rank pari passu with the then existing issued ordinary shares from the date of allotment.

(v) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the number and exercise price of the existing Options will be reconstructed in the same proportion as the issued capital of the Company is reconstructed and in a manner which will not result in any additional benefits being conferred on the holders of the Existing Options which are not conferred on shareholders (subject to the same provisions with respect to rounding off of entitlements as sanctioned by the meeting of shareholders at which the reconstruction of capital is approved), but in all other respects the terms of exercise will remain unchanged.

CHESS

The Company will participate in The Clearing House Electronic Subregister System (CHESS). Accordingly, the Company will not provide share certificates to successful applicants. Following allotment, the Company will provide all shareholders with a holding statement that sets out the number of shares allotted to each shareholder in accordance with this Prospectus. That notice will also advise shareholders of their Holder Identification Number (HIN) and Sponsoring Issuer Number.

If there is a change in shareholding during the month the relevant shareholder will receive a Statement to that effect at the end of that month. A shareholder may also require the Company to provide a Statement at other times subject to the payment of an administration fee.

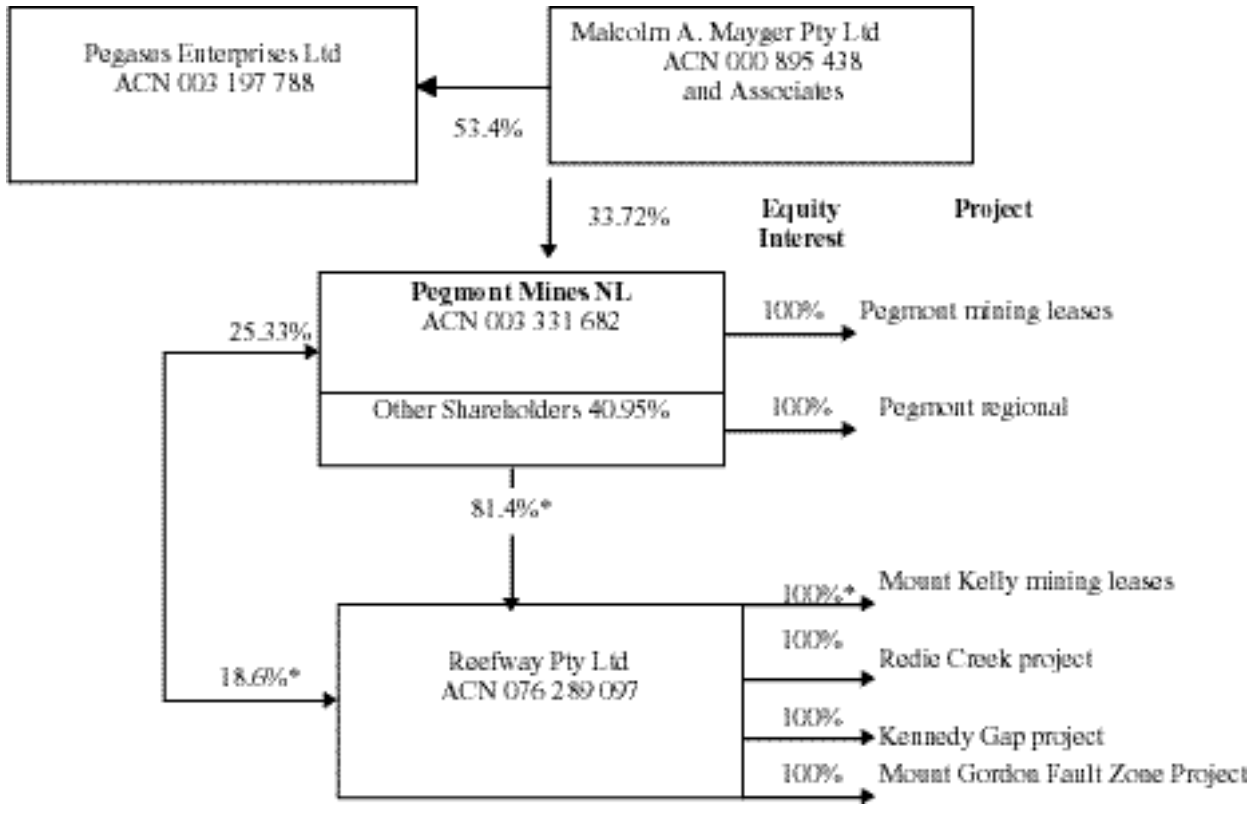
MANAGEMENT

The current Directors have considerable mining and general business experience at a senior level.

Mr M A Mayger, Managing Director, was responsible for the selection and evaluation of prospects as outlined in this Prospectus. He has 34 years experience in the mining industry, commencing in 1966 with a major mining group. He has been involved in exploration and producing mining companies as a company director since 1974 and during that time. Those companies made a number of discoveries and new mine developments in New South Wales, Western Australia, Northern Territory and Queensland. Since the acquisition of the Pegmont Mining Leases in June 1996, he has been responsible for the recruitment of exploration, metallurgical and mining consultants as required; and has been the driving force in bringing the company to its current status.

Exploration activities are conducted by experienced geologists on an "as required basis" for project evaluation. The Board intends to develop an incentive scheme to issue up to an aggregate of 1,000,000 options per year to retain their services, maintain continuity of work activities and to attract the appropriate skills.

CORPORATE STRUCTURE



* The corporate structure as shown above, after the issue of Shares and Options, is subject to an option agreement with Goldsearch Ltd over 1,875,000 shares in Reefway the exercise of this option would result in Goldsearch holding 10.3% interest in the expanded issued capital of Reefway, thus reducing the Company's holding to 73.0% and Pegasus'holding to 16.7%.

The Board of Directors of the Company has made a commitment to the principles of best practice in corporate ethics encompassed in the concept of "corporate governance".. The Board of Directors has overall responsibility for the Company's strategic direction, review of plans established by the management team and the monitoring of performance against these plans. It will review matters which may require disclosure to the stock market.

The Board is composed of a majority of non-executive directors, one of whom is appointed as Chairman. The whole board considers matters of membership and there is no separate nominating committee. Additional members will be appointed as required by the expanding nature of activities. Individual directors are entitled to independent professional advice at the Company's expense, if they have a need for professional assistance in the fulfilment of their duties. Such advice would be available to the Company.

Composition of the Board (Articles 15.1, 16.1)

(a) The number of Directors will be not less than 3, no more than 7.

(b) The Company in general meeting by ordinary resolution may increase or reduce the maximum of minimum number of Directors provided that the minimum will not be less than 3.

At every annual general meeting, one-third of the relevant Directors will retire from office and be eligible for re-election.

Managing Director and Executive Directors (Articles 19.1, 19.2(a), 19.3)

The Directors shall have the power to appoint not more than 2 Executive Directors.

(a) The Directors may appoint a Managing Director for a fixed term not exceeding 5 years.

A Managing Director shall not while continuing to hold office be subject to retirement by rotation.

Chairman and Deputy Chairman of Directors (Article 20.8(d) and (h))

(d) The Chairman and Deputy Chairman hold office until otherwise determined by the Directors or until they cease to be Directors but in any case for a period not exceeding five years.

(h) A Managing Director may not be elected a Chairman or Deputy Chairman.

Committees of Directors (Article 20.9(a))

The Directors by unanimous resolution may delegate any of their powers to committees consisting of one or more members who are Directors as they think fit, and the Directors may from time to time revoke that delegation.

Insider Dealing

The Board of Directors has adopted an internal code of dealing in the Company's shares for Directors and officers which restricts their ability to trade on the basis of unpublished price sensitive information.

GENERAL

No Liability Company Status

The Company is presently a "no liability" company which differs from a public company limited by shares ("limited company") in the following ways:

(i) Dividends payable by a no liability company are payable to shareholders in proportion to shares held by them respectively, irrespective of the amount paid up.

(ii) Surplus assets available for distribution to shareholders of a no liability company are distributed to the shareholders in proportion to the shares held by them respectively, irrespective to the amounts paid up on those shares.

(iii) Holders of partly paid shares in a no liability company have no contractual liability to pay up the unpaid portion of the issue price of those shares, although the shares will be forfeited if a call on the shares is not paid.

(iv) A no liability company is not entitled to engage in activities outside mining purposes.

Company Tax Status

The Directors expect the Company will be taxed in Australia as a public company. At present the Company has accumulated losses which could give use to substantial tax benefits on future income.

Audit Committee

The Audit Committee of the Company is comprised of John Armstrong the Non-Executive Chairman; Christopher Leslie, the Company Secretary and Graham Swan, the Company Auditor.

Founder Shares

There are no founder, management or deferred shares.

No Legal Proceedings

No litigation of a material nature has been commenced against the Company and the Directors are not aware of any pending or threatened litigation which may significantly affect the Company.

INTEREST OF DIRECTORS

No Director and no firm in which a Director is a partner, has or has had within 2 years prior to the date of this Prospectus:

(a) any interest in the promotion of or in the property proposed to be acquired by the Company in connection with its formation, or promotion;

(b) been paid any sum, in cash or shares or otherwise, or is entitled to be paid any such sum, either to induce him to become a Director or to qualify him as a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company other than as set out in this Prospectus.

Other payments which have been made in respect of the promotion and day to day operation of the Company are as follows:

(i) Since the Company's incorporation Malcolm A Mayger Pty Limited (MAM P/L) has been reimbursed normal operating expenses which have been incurred on behalf of the Company. MAM P/L is the family company of Malcolm A Mayger (MAM) the founding director. In addition, MAM P/L has provided the services of MAM in relation to the conduct of the day to day administration, and technical operations of the Company (including services in connection with the preparation of this Prospectus) for which no payments have been paid.

(ii) During April 1996 the Company entered into an agreement with MAM P/L whereby it called upon the expertise of Malcolm A Mayger to select and manage the Company's exploration activities within Australia. This agreement provided for the payment of remuneration at normal commercial rates. The agreement provides for an initial term of 5 years commencing 1 January 1997 subject to the Company listing on the ASX. The agreement may be terminated by the Company in a number of specific circumstances, including if MAM becomes unable through illness or other cause to perform

the obligations incurred by MAM P/L under the Agreement, or if MAM P/L becomes negligent in the performance of its duties under the Agreement. Upon termination MAM P/Lis entitled to be paid the retainer applicable to the unexpired portion of the term of the agreement. No payments have been made. Upon the listing of the Company on the NSX, this agreement will be cancelled at no cost to the Company and a new agreement will be drawn up for shareholder approval.

(iii) On 18th October 1996, the Company and MAM entered into a Retirement or Loss of Office Agreement. Such benefit is to be equal to the greater of one year's lump sum directors fees or the amount payable to MAM P/L upon termination of the Services Agreement. The terms of the Retirement Benefits Deed was approved by the Company on 18th October 1996.

(iv) On 24 May 1996, the Company entered into a Joint Venture Agreement with Pegasus and MAM P/L to fund the acquisition of the Pegmont mining leases and ongoing expenditure on the evaluation of the Pegmont deposit. This Agreement will be terminated by the capitalisation of advances made by MAM P/L which total $273,555, by the allotment of 2,735,550 shares at 10 cents each.

(v) Pegasus advanced $273,236 (at no interest) to the Company at call, to fund the acquisition of the Pegmont mining leases and ongoing exploration. This amount will be capitalised by the issue of 2,732,360 shares at 10 cents each.

(vi) MAM P/L and associated interests have advanced a further amount of $462,621 to the Company (at no interest) at 30 June 2000. This amount will be capitalised by the issue of 4,626,210 shares at 10 cents each.

(vii) On 1 November 1996, Malcolm A. Mayger was appointed Managing Director for a period of five years. Mr M A Mayger is a Director and major shareholder and/or option holder of Pegasus.

BENEFITS OF DIRECTORS

Prior to 31 August 2000 the Company has not paid any Directors fees. Directors fees will be payable by the Company from date of listing as determined but no more than at the annual rate of $20,000 per director (excluding the Managing Director) and $30,000 to the Chairman.

The relevant provisions of the Articles of Association of the Company covering remuneration of Directors are as follows:-

Remuneration of Non-Executive Directors (Article 17.1)

Non-Executive Directors will be paid fees by way of a fixed sum (not being a commission on or percentage of profits or operating revenue) as is determined at a general meeting from time to time but until so determined will be such sum as the Directors determine.

Remuneration of Executive Directors (Article 17.2(a))

The Remuneration of Executive Directors will, subject to the provisions of any contract between each of them and the Company, be fixed by the Directors.

Remuneration of Managing Director (Article 17.2(b))

The remuneration of a Managing Director shall be reviewed yearly and subject to the provisions of any contract between him and the Company, be fixed by the Directors. Such remuneration shall not exceed 15 times the average weekly earnings of employees in Australia as published from time to time by the Australian Bureau of Statistics.

Payments on Retirement, Loss of Office or Death of Director (Article 17.3)

Subject to the Corporations Law and Listing Rules, the Directors may give a prescribed benefit including an exempt benefit to a person in connection with that person's loss of prescribed office or the retirement of a person from a prescribed office in relation to the Company. Additionally, each Director shall, upon retirement, be entitled to a lump sum payment equal to that Director's remuneration paid by Company for the full year immediately preceding that Director's retirement.

Remuneration of Directors for Extra Services (Article 17.4)

If any Director is called upon to perform extra services, the Company may pay additional remuneration or provide benefits to that Director as the Director may determine. Further, Directors are also entitled to be paid the reasonable travelling, accommodation and other expenses incurred in the execution of their duties as Directors.

Interest in Staff Funds (Article 17.5)

Subject to the Corporations Law and Listing Rules, Directors may participate in any schemes established for the benefit of employees or Directors of the Company or for the benefit of the dependants of any such persons.

Director's Contracts with Company (Article 18)

A Director may hold any other office or place of profit in the Company (except that of auditor) in conjunction with the office of Director, on such terms as the Directors arrange.

A Director will not be disqualified by virtue of being a Director from contracting with the Company (or any corporation of which the Company is a shareholder or is otherwise interested) or nor will any such contract or arrangement entered into by or on behalf of the Company in which any Director is any way interested be avoided.

INTERESTS & BENEFITS OF EXPERTS

No expert nor any firm of which such expert is a partner has any interest in the promotion or formation of the Company or in property proposed to be acquired by the Company except as disclosed in this Prospectus.

Expert Fees

Terence Willsteed & Associates have provided the Independent Geological Report and Valuation of Mineral Interests on pages 36 to 78 of the Prospectus. An amount of approximately $17,200 is payable for the preparation of that Report.

Graham R. Swan of Rothsay is the auditor of the Company and will be paid professional fees of approximately $5,000 for providing the Independent Accountant's Report.

Hetherington Exploration Mining Title Services Pty Ltd (ACN 003 122 996) being mining title consultants to the company, have prepared an Independent Titles Report on the status of the company's mineral tenements and interests including the impact or otherwise of native title issues for which they will be paid professional fees of approximately $8,800.

Except as otherwise disclosed in this Prospectus no expert whose report appears in this Prospectus and no Director has:-

(a) any shareholding in the company

(b) the right (whether legally enforceable or not) to subscribe for Shares in the Company, and

(c) the right (whether legally enforceable or not) to nominate any persons to subscribe for Shares in the Company.

Pritchard & Partners Pty Limited ABN 84 073 393 049 is the sponsoring broker to the Issue and will be paid professional fees by the Company for these services of approximately $15,000.

Consents and Disclaimers of Responsibility

The following have given their written consent to the issue of this Prospectus with their respective reports or references of their reports and to them and to statements made by them or attributed to them being included, and have not withdrawn their consent before lodgement of this Prospectus with the ASIC.

1. Terence Willsteed & Associates has consented in writing to the inclusion of the Independent Geological Report and Valuation of Mineral Interests in the form and context in which it is included and to be named in this Prospectus and has not withdrawn its consent before the lodgement of this Prospectus. Terence Willsteed & Associates has neither caused or authorised the issue of this Prospectus and has neither made, nor caused to have made, any statement in this Prospectus other than in their report.

2. Graham R. Swan of Rothsays has consented in writing to the inclusion of the Independent Accountant's Report in the form and context in which it is included and to be named in this Prospectus and has not withdrawn his consent before the lodgement of this Prospectus.

Graham R. Swan has neither caused nor authorised the issue of this Prospectus and has neither made nor caused to have made, any statement in this Prospectus other than in their report.

3. Hetherington Exploration Mining Title Service Pty Ltd (ACN 003 122 996) has consented in writing to the inclusion of the Independent Title Report in the form and context in which it is included and to be named in this Prospectus and has not withdrawn their consent before the lodgement of this Prospectus. Hetherington Exploration & Mining Title Services Pty Ltd has neither made nor caused to have made any statement in this Prospectus other than in their report.

4. National Registry Services Pty Limited have given their written consent to be named in the Corporate Directory section of this Prospectus as the Share Registry of the Company for the issue and have not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC.

   For the purpose of the Corporations Law, National Registry Services Pty Limited did not authorise or cause the issue of this Prospectus and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.

Rothsay - Chartered Accountants have given their written consent (which consent has not been withdrawn before lodgement of this Prospectus) to be named in this Prospectus as auditors of the Company. Rothsay have been named for information purposes only and have not been involved in the preparation of any part of this Prospectus.

Consents

The Company will cause a true copy, verified by statements in writing, of the consents of the persons, firms and companies listed above to be deposited at the registered office of the Company within seven days after lodgement of this Prospectus, and shall keep each such copy for a period of at least twelve months after the lodgement of this Prospectus for inspection by any person without charge.

Other Consents

Pritchard & Partners Pty Limited has given its written consent to be named in this Prospectus as sponsoring broker and has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC. Pritchard & Partners Pty Limited has neither caused or authorised the issue of this Prospectus and was not involved in the preparation of this Prospectus and does not make, or purport to make, any statement in the Prospectus.

UNDERWRITING AGREEMENT

This Non-Renounceable Rights Issue is partly underwritten to the extent of 10,254,002 entitlement shares accruing to MAM P/L and Associates.

On 30 June 2000, MAM P/L signed an Unconditional Underwriting Agreement in regard to the issue of 10,254,002 New Shares by the Company arising from an intended one for two entitlement issue. The application amount payable totalling $1,025,400 would be satisfied by the capitalisation of shareholder loans of $1,015,404 and cash contribution of $9,996.

Upon the capitalisation of all loans between the Company, Pegasus and MAM P/L, the Joint Venture arrangements between the three parties will be terminated.

There were no underwriting fees or other benefits payable to either MAM P/L or to Pegasus.

MATERIAL CONTRACTS

The Company has entered into the following contracts which the Directors are of the opinion may be material to the issue of this Prospectus.

(a) **Pegmont** - Sale and Purchase Agreement dated 23 April 1996 was completed on 7th July 1996 whereby the Company acquired 100% interest in 12 mining leases: 2620-2627, 2629-2633, 2662-2663 from BHP Minerals Pty Ltd, Mount Isa Mines Limited and Newcrest Mining Limited for $200,000. The mining leases are registered in the Company's name.

(b) **Mount Kelly** - Sale and Royalty Agreement Mt Kelly leases and claim was signed on 14 May 1998 whereby Reefway acquired 100% interest in 13 mining leases; 5426, 5435-36, 5446-50, 5468, 5474, 5476, 5478-79, 6700 from Rio Tinto Exploration Pty Limited and Miniere Mining Pty Limited by the payment of $200,000 and a future 1% royalty of Net Smelter Return to a maximum of $1,000,000.

(c) **Mount Kelly** - Tenement Sale Agreement Mount Kelly - EPM 7487 was signed on 1 July 1998 with Mineral Commodities NL and Rio Tinto Exploration Pty Ltd and acquired by the payment of $100,000 and a future 1% royalty of Net Smelter Return to a maximum of $1,000,000 including royalty payments arising from the mining leases in clause (b).

The Vendors (Rio Tinto and Miniere Mining) have a Buy-Back Right as to 51% interest in the Tenements during a seven (7) year period commencing from the Agreement date at three times exploration costs and 110% of pro-rata capital expenditure costs together with a once only pre-emptive right to match any joint venture offers.

(d) **Goldsearch NL** – A Heads of Agreement with Goldsearch NL was signed on 22 May 1998 whereby that company may earn 50% JV interest in the Mount Kelly mining leases and surrounding EPM 7487 by spending not less than $750,000 (including the payment of $50,000 contribution towards the purchase consideration of the Mount Kelly tenements) required to complete a bankable feasibility study and to make a decision to mine the Project. Goldsearch NL has an option until 31 October 2000 to elect to proceed with the agreement or withdraw in which case they would be issued with up to 1,875,000 shares in Reefway.

(e) **Billiton Subscription Agreement:** The Company has concluded discussions with Billiton which has agreed under the Billiton Subscription Agreement to subscribe for 2,750,000 Shares at a cost of $275,000 together with 2,750,000 free options exercisable at 10¢ per share on or before 30 July 2002 upon the terms and conditions as set out as follows:-

(i) The Company be admitted to the Official List of the Newcastle Stock Exchange for official quotation of Shares offered under this Prospectus;

(ii) The Company receiving applications and subscriptions for Shares, from parties other than Billiton totalling $275,000 as part of the Issue;

(iii) The Shares subscribed for by Billiton shall not exceed 14.99% of the issued Share capital of the Company at anytime;

(iv) The subscribed funds are to be used solely on the Pegmont Deeps Project and completed before 31 December 2000, including 2,000m of drilling

(v) Billiton may elect to subscribe a further $275,000 in Shares at 25% premium to the then market price of Shares in the Company before 30 June 2001 to further advance the Pegmont Deeps Project; including a further 2,000m of drilling.

(vi) Billiton will have the right to participate in future issues of new shares or securities convertible into shares (other than pro-rata issues to all its shareholders) by the Company in order that Billiton may preserve its level of shareholdings in the capital of the Company.

(f) **Billiton – Pegmont Deeps Joint Venture**

Upon completion of the initial program at Pegmont Deeps, Billiton may elect to commence the Pegmont Deeps Joint Venture and either:

(i) sole fund the next $1.75 million exploring the Pegmont Deeps including 12,000m of drilling and sufficient metallurgical testing to determine metal recovery figures for an indicative economic model on the project, within 3 years from the exercise of its option to earn 51% interest; or

(ii) withdraw and retain no interest (other than as a shareholder of the Company).

Upon the expenditure of $1.75 million, Billiton has the option to:

(i) increase its interest in the Pegmont Deeps Joint Venture by an additional 19% by sole funding a further $2.25 million of the Pegmont Deeps Joint Venture expenditure and completing a further 12,000m of drilling within 3 years from the date of its election to do so, or

(ii) call upon the Company to contribute to the Pegmont Deeps Joint Venture expenditure, or

(iii) sell or reduce its interest in the Pegmont Deeps Joint Venture

Should the company be called upon to contribute to Joint Venture expenditure, then it may decide to:

(a) contribute, subject to dilution clauses, and if the Company's interest falls to 10% its interest will be loan carried at that level until the commencement of commercial production with loan proceeds being repayable (together with interest) from 80% of the free cash flow produced from the operations of the Pegmont Deeps Joint Venture or;

(b) the Company may revert to a Net Smelter Return (NSR) royalty arrangement whereby the royalty rate may vary between 1 to 4% depending on head grade of mill feed to the processing facilities.

In the event that Billiton should decide to commence a Final Feasibility Study, Billiton will acquire the top 120 metres of the Pegmont tenements.

(g) Additional Billiton Subscription Agreements and Joint Venture Agreements

The Company and Billiton have reached an agreement whereby in the event of application areas EPMA 11696 (Wilfred Creek) and EPMA 11670 (Gun Creek) are granted to the Company by the DME then;

(i) Billiton will subscribe for additional Shares in the Company at 25% premium to the market price equal to $200,000 for each EPMA tenement together with an option to subscribe a similar amount on the same terms within six months of the earlier subscriptions.

(ii) After expending the subscribed funds and meeting drill metreage commitments, Billiton may elect, or not, to commence a Joint Venture with the Company in respect of each of the Tenement area and to earn 51% interest by spending $2.0 million on the May Downs prospect within EPMA 11696 and $1.5 million within EPMA 11670 within 3 years of date of election. Billiton may then decide to earn an additional 19% interest in either or each Joint Venture by spending a further $2.5 million on the May Downs prospect and $2.0 million in EPMA 11670 within a further 3 years. In the event of the Company being called upon to contribute to joint venture expenditures, it may elect to either contribute subject to dilution clauses and a 10% loan carry interest or revert to a Net Smelter Return (NSR) royalty which may vary between 1-4% for lead-zinc ores and 1-3.5% for copper (+gold) ores depending on head grade of mill feed to the processing facilities.

(h) Other Clauses to Billiton Subscription Agreements and Joint Venture Agreements

General conditions relating to the Billiton Subscription Agreements and Joint Venture Agreements include:

(i) Billiton's subscribed funds are to be used solely for Authorised Activities which, in the first place, will be directed at the Pegmont Deeps Project.

(ii) Billiton's shareholding in the Company will not exceed 14.99%.

(iii) Billiton or its nominee will have the right to participate in future issues or placements of new shares, or securities convertible into shares, in order that Billiton may preserve its level of shareholding in the capital of the Company.

(iv) After the initial subscription to any particular project; Billiton may elect to withdraw, subscribe further funds, or proceed to a Joint Venture agreement. Details of subscription and Joint Venture agreements are subject to separate negotiation and will vary from project to project.

(v) The Company will conduct the initial project program and will be appointed the operator of phase 1 of each Joint Venture.

(vi) Billiton will be appointed to act as the exclusive marketing agent for the Company of minerals generated from each Joint Venture for an initial period of three years renewable on certain conditions.

(vii) The Company will retain marketing rights to its share (if any) of cathode copper produced on site.

(viii) Each Joint Venture will consider the use of advanced new technologies to produce metal on site, if commercially viable.

(ix) Upon completion of mining and rehabilitation of the site, the Tenements, the subject of each Joint Venture will revert to the Company.

RISK FACTORS

The following is a summary of more material risk factors to be considered. Since this summary is not exhaustive, Investors should examine the contents of this Prospectus and consult their advisers before deciding whether to apply for the new Shares offered.

(a) General Investment Risk

Factors that affect the investment climate such as inflation, interest rates, currency fluctuations, commodity prices and international stock markets will determine the Company's subsequent share price and return to investors, which could cause it to rise or fall unexpectedly.

(b) Tenement Risk

The activities of the Company could be affected by political and social issues which may hamper or impede successful development of the tenements held by the Company, including heritage and environmental considerations, native land rights claims, industrial disputes and changes to Government regulations and legislation. The Directors are aware of native title claims which may affect the operations of the Company on currently held Mining leases and condition of grant on EPM applications.

(c) Funding Risk

Upon completion of this Issue, the Company should have adequate financial resources to undertake exploration during the next twelve months. However, the Company will require additional funding should EPM applications be granted by the DME which are not covered by JV agreements. The Directors intend to make additional share placements of up to $500,000 during the next twelve months to maintain its tenement interests. However, there is no certainty that future fund raisings can be achieved on terms which will add value to the shares issued under this Prospectus.

(d) Exploration and Development Risk

While the prospect of finding additional mineralisation within the Pegmont and Mount Kelly mining leases is considered to be excellent, this outcome can not be guaranteed. The economic viability of future development will be governed by metal prices, grade of mineralisation, metallurgical recoveries and operating costs. None of these factors can be accurately predicted at this moment.

(e) Development Capital Risk

The Company will require additional capital to develop its mineral interest into production. The ability of the Company to raise capital will depend upon the prevailing response of investors, including its shareholders.

There is no certainty that future capital raisings can be achieved on terms which does not result in dilution of shareholder values.

(f) Forward-looking Statements

Although the Company can undertake feasibility studies on which it can estimate costs with reasonable confidence, other factors may not be controllable or predictable over a period of several years including commodity prices and exchange rates. These factors could have a significant effect on the future of the Company.

(g) Litigation

The Company is not engaged in any litigation at the date hereof and is not aware of any threatened litigation.

ISSUE EXPENSES

The total estimated amount of the expenses of the Issue is $125,000 comprising:

	$
Sponsorship and Listing fees	35,000
Printing and distribution costs	15,000
Other expenses	5,000
Independent Reports	31,000
Stockbroker Commissions	39,000
	$125,000

Documents Available for Inspection

A true copy, verified by written statement of every Material Contract referred to in this Prospectus together with the Constitution of the Company shall be kept at the registered office of the Company for a period of twelve (12) months after the date of this Prospectus for inspection by shareholders without charge. A Confidentiality Agreement may be required to sight the material contracts.

DOCUMENTS AVAILABLE FOR INSPECTION

- **Annual Reports** to Shareholders for the years 1998, 1999 together with audited Accounts.
- **Activity Reports** circulated to shareholders since 1998.

7/5/1998 **Chairman's Address** attached to the 1997 Annual Accounts detailing activities for the year, and progress on possible joint venture agreements.

28/5/1998 **Chairman's Update** presented at the Annual General Meeting of Members outlining progress on joint venture discussions with Goldsearch NL on the Mount Kelly leases and other companies in regard to Pegmont mining leases and the Mount Gordon Fault Zone project.

13/8/1998 **Chairman's Update** – Summary of a Letter Agreement with North Limited on the Pegmont mining leases and surrounding areas together with further details on a joint venture deal with Goldsearch NL. Announcement of a Non-Renounceable Rights Issue of one for ten (1/10) 20 cents fully paid ordinary shares at 10 cents each.

8/9/1998 **Appointment of Senior Advisor** – Mr Bart C. Ryan AM was appointed to the position of Senior Advisor to the Company. He had recently retired from the Boards of Placer Dome Inc. (Canada) and Placer Pacific Ltd.

29/10/1998 **September 1998 Activities Report** included details on a joint venture agreement with North Limited at Pegmont, completion of the acquisition of the Mount Kelly tenements and results of the Non-Renounceable Rights Issue to Shareholders resulting in a shortfall of 434,000 shares.

3/12/1998 **Directors Remuneration,** a request for shareholder comment about a conditional issue of 2,150,000 options to Directors and Others which could be exercised against deferred remuneration.

29/1/1999 **December 1998 Activities Report** disclosed promising drill results from Mount Kelly (funded by Goldsearch NL) and from Pegmont (funded by North Limited). The placement of 434,000 shortfall shares was completed prior to 31 December 2000.

30/4/1999 **March 1999 Activities Report** included drill results from Mount Kelly and completion of review studies on the Mount Gordon Fault Zone and the Kennedy Gap Project. Exploration details from Pegmont.

7/5/1999 **Notice of Annual General Meeting of Shareholders** included a special resolution for the issue of 2,150,000 options to Directors and Others to be exercised at 10 cents each to 31 December 2002.

30/7/1999 **June 1999 Activities Report** included drill results from Mount Kelly and Pegmont. Rock chip sampling at the Dividend Prospect in EPM 7487 disclosed wide spread anomalous copper values (and a few gold values) associated with ferruginous outcrops.

30/10/1999 **September 1999 Activities Report** included drill results from Mount Kelly and details of geological work at Pegmont. A rights issue at 10 cents per share was foreshadowed upon completion of drilling by North Limited at Pegmont.

7/2/2000 **December 1999 Activities Report** included low grade drill results from Pegmont and the decision by North Limited on 21 December 1999 to withdraw from the Pegmont joint venture.

5/5/2000 **March 2000 Activities Report** included reference to an independent assessment of the Mount Kelly copper-gold deposit prepared by Hellman and Schofield Pty Ltd. The option period to Goldsearch Ltd was extended to 30 September 2000. A geological review of the Pegmont deposit was in progress.

15/8/2000 **June 2000 Activities Report** included a summary of a review of the Pegmont Deposit and approval of special resolutions put to Shareholders on 30 June 2000.

- **Technical Reports available for inspection**

February 1999 Copper Deposits of the Western Mount Isa Block
Volume 1: Exploration Models
by Dr. Ken Maiden and Matt Stephens

April 1999 Mineral Potential of the Kennedy Gap
Project Area, Western Mount Isa Block
by Dr. Ken Maiden

July 1999 Information on Mineral Properties
Mount Isa Region – Western Succession
by The Company

November 1999 A short geological summary of Exploration Tenements in the Pegmont region by The Company.

December 1999 Farm-out Proposal
Redie Creek – Mount Kelly Gordon Project
by Dr. Ken Maiden

April 2000 Information on Mount Kelly Copper-Gold Deposit
Mount Isa Region
by The Company

April 2000 Assessment of the Mount Kelly Copper-Gold Resource
by Hellman & Schofield Pty Ltd

May 2000 Pegmont Lead-Zinc Project, Western Queensland
Assessment of Potential
by Dr. Ken Maiden

- **Letter of Intent dated 14 September 2000 between the Company, Reefway and Billiton** summarises the basis of legally binding agreements relating to the Billiton Subscription Agreements, Joint Venture Agreements, Marketing Agreements and NSR Royalty Agreements in respect to the Pegmont Deeps Project, the May Downs Project and Gun Creek Project.

DIRECTORS' REPORT AND DECLARATION

The Directors of the Company report that, after due enquiry by them in relation to the interval between 30 June 2000 (being the date to which the audited financial statements which have been prepared and used in the preparation of the Independent Accountant's Report) and the date this Prospectus is signed, they have not become aware of:

(a) any circumstances which in their opinion materially have affected or will affect the assets and liabilities, financial position, profits and losses and prospects of Pegmont Mines NL.

(b) or any contingent liabilities of Pegmont Mines NLadditional to those disclosed in this Prospectus or which have arisen in the ordinary course of business of Pegmont Mines NL.

The Directors declare:

(a) that the financial statements, and the notes to the financial statements, comply with the accounting standards;

(b) that the financial statements and notes give a true and fair view of the financial position and performance of the Company;

(c) that, in the Director's opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(d) that, in the Director's opinion, the financial statements and notes are in accordance with the "Corporations Law".

This Prospectus is dated 29 September 2000, signed in accordance with a resolution of the Directors on 29 September 2000, and consent is given to the issuance of this disclosure document.

This Prospectus has been signed by Malcolm A. Mayger (director of the Company) on behalf of all the Directors of the Company, each of whom has consented to the signing and lodgement of this Prospectus at the ASIC and has not withdrawn that consent before lodgement.

.....
MA Mayger
Director

GLOSSARY AND DEFINITIONS

In this Prospectus unless the context otherwise requires:-

"$" All dollar amounts are in Australian dollars.

"Ag" is the chemical symbol for Silver.

"Application Form" means the attached Acceptance and Application Form.

"ASIC" means the Australian Securities and Investments Commission.

"Associate" means a party in which another party has a substantial interest.

"ASX" means the Australian Stock Exchange Limited ACN 008 624 691.

"Au" is the chemical symbol for Gold.

"Billiton Group" means Billiton plc and its affiliated companies.

"Billiton Subscription Agreements" means the agreements dated 20 September 2000 between the Company and Billiton described on pages 11 to 12 of this Prospectus.

"Billiton" means Billiton Exploration Australia Pty Ltd ACN 002 542 145.

"Billiton Shares" means the 2,750,000 shares to be subscribed for by Billiton Exploration at a cost of $275,000 pursuant to the Billiton Subscription Agreement.

"Board" means the board of directors of the Company.

"Co" is the chemical symbol of Cobalt.

"Company" means Pegmont Mines NL (ACN 003 331 682).

"Cu" is the chemical symbol of Copper.

"Directors" means at any time the directors of the Company.

"DME" means the Queensland Department of Minerals and Energy.

"EPM" means Exploration Permit for Minerals granted pursuant to the Mining Act (QLD).

"EPMA" means an application for an EPM.

"EST" means Australian Eastern Summer Time.

"Goldsearch" means Goldsearch Ltd (ACN 006 645 754)

"Investor" means any person other than a shareholder who applies for Shares pursuant to this Prospectus.

"Issue" means the Issue of shares pursuant to this Prospectus.

"Issuer Sponsored Sub-Register" means the issuer sponsored sub-register maintained on behalf of the Company by the share registry.

"Listing Rules" means the listing rules of NSX as issued by the NSX from time to time.

"MAM P/L" means Malcolm A Mayger Pty Limited (ACN 000 895 438) and Associates.

"ML" means mining lease.

"Mount Kelly Mining Leases" means the mining leases designated ML5426, 5435-36, 5446-48, 5450 5468, 5474, 5476, 5478,-79, 6700.

"Mount Kelly Tenements" means the Mount Kelly Mining Leases and EPM 7487

"New Issue" means the one for two pro-rata non-renounceable rights issue of 14,915,380 fully paid ordinary shares at an issue price of 10 cents each.

"New Issue Offer" means the Rights Offer.

"N.L." means No Liability.

"North" means North Limited (ACN 005 233 689)

"NSR" means Net Smelter Return which is calculated on net proceeds from sale of Mineral products after deducting costs of delivery, commission, refining and smelting costs.

"NSX" means the Stock Exchange of Newcastle Limited ACN 000 902 063.

"Offer" means the Placement Offer.

"Official List" means the official list of the NSX.

"Options" means options to acquire fully paid ordinary Shares at a future exercise date at a nominated price.

"Pb" is the chemical symbol for Lead.

"Pegasus" means Pegasus Enterprises Limited ACN 003 197 788.

"Pegmont" means the Pegmont lead-zinc deposit contained within the Pegmont Mining Leases.

"Pegmont Mining Leases" means the mining leases designated ML 2620 - 2627 (inclusive), 2629 - 2630 (inclusive) and 2662 - 63 (inclusive).

"Placement Offer" means an offer of 5,253,839 ordinary fully paid shares at an issue price of $0.10 each pursuant to this Prospectus.

"Promoter" means a promoting shareholder who has advanced monies to the Company.

"Promoting Shareholder" means Pegasus Enterprises Ltd, Malcolm A Mayger Pty Ltd and Lozora Pty Ltd.

"Prospectus" means this Prospectus for a non-renounceable Issue to Shareholders of 14,915,380 fully paid ordinary shares at an issue price of $0.10 per share and over subscription or placement of a further 5,253,839 fully paid shares at 10 cents each to raise a total amount of $2,016,924.

"Reefway" mains Reefway Pty Ltd ACN 076 289 097.

"Rights Issue" means an issue of 14,915,380 ordinary fully paid shares to shareholders at an issue price of $0.10 each, pursuant to this Prospectus.

"Rights Offer" means an offer of 14,915,380 ordinary shares, at $0.10 each, pursuant to this Prospectus.

"Shareholder" means any person who is a registered shareholder of Pegmont Mines NLas at 5.00 pm EST on 30 June 2000.

"Share Registry" means National Registry Services Pty Limited; ABN 2607 34 85 971 Level 6, Chifley Tower, 2 Chifley Square, Sydney NSW 2000. GPO Box 4063 Sydney 2001.

"Shares" means fully paid ordinary shares in the capital of the Company.

"Tenement" means a ML, EPM, EPMA or any other form of mineral license or title held or applied for the Company or Reefway or in which the Company has an interest.

"Underwriter" means Malcolm A Mayger Pty Limited ACN 000 895 438.

"Underwriting Agreement" means an agreement dated 30 June 2000 between the Company and the Underwriter.

"Zn" is the chemical symbol for Zinc

Application Form

To meet the requirements of the Corporations Law, this Application must not be handed on unless attached to the Prospectus

PEGMONT MINES N.L.

ACN 003 331 682

PUBLIC SHARE OFFER

The instructions on how to complete this application form are set out on the reverse of this form.

A I/We apply for [ ] Shares in Pegmont Mines N.L. at $0.10 per share or such lesser number of shares which may be allocated to me/us by the Directors

B And lodge application moneys of A$ [ ]

C Name(s) to be registered

Title	Given Name(s)	Surname

D Postal Address

Address
Suburb State Postcode

E Contact Details

Telephone Number	Contact:

F Application Cheque Details

Drawer	Bank	Branch	Amount

G E-Mail Address

IMPORTANT NOTICE

I/We by lodging this form hereby apply for the shares offered in accordance with the Prospectus dated 29 September 2000. I/We acknowledge that the allotment of Shares is at the discretion of the Company. I/We hereby authorise the Directors of Pegmont Mines N.L. to register me/us as the holder(s) of the shares allotted to me/us, and I/we agree to be bound by the Constitution of the Company, notwithstanding that my/our signature does not appear on the form.

H Tax File Number(s), Australian Business Number(s) or Exemption(s)

Holder 1		Holder 2		Holder 3	

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM

Lodgement of Application Forms

All completed forms must be accompanied by the cheque and lodged with the Registry at the following address:

Street Address
National Registry Services Pty Limited
Level 6 The Chifley Tower
2 Chifley Square
SYDNEY NSW 2000

Postal Address
National Registry Services Pty Limited
GPO Box 4063
SYDNEY NSW 2001

How to Complete the Application Form

Please complete all relevant sections of the Application Form **USING BLOCK LETTERS**. These instructions are cross referenced to each section of the Form.

A. Insert the number of Shares you wish to apply for. The Application must be for a minimum of 20,000 Shares and thereafter in increments of 500.

B. Insert the relevant amount of Application Moneys. To calculate your Application Moneys, multiply the number of Shares applied for by $0.10. This value should agree to the value of all cheques lodged.

C. Write the FULL NAME(S) you wish to appear on the register. Applications must be in the name(s) of natural persons or the name of a company. You should refer below under "Correct Forms of Registrable Name" if you are unsure how your holding should be registered.

Applications in the name of a minor, a trust or estate, business, firm or partnership, club, association or other unincorporated body cannot be accepted. Applications made in the individual name(s) of the person(s) who is (are) the legal guardian(s), trustee(s), proprietor(s), partner(s) or office bearer(s) (as applicable) of those entities are acceptable.

D. Enter your POSTAL ADDRESS for all correspondence. All communications to you from the Registrar (statements, dividend cheques/advices, annual/interim reports, correspondence, etc) will be mailed to the person(s) and address as shown. For joint applicants only one address can be entered.

E. Please enter a TELEPHONE NUMBER and contact name in case we need to contact you in relation to your Application. Where possible, please quote a number we may use during business hours.

F. Please complete the cheque details for all cheques lodged with the application and ensure the following:

- Make your cheque(s) payable to **"Pegmont Mines N.L. Share Offer Account"** in Australian currency and cross it "Not Negotiable". Your cheque must be drawn on an Australian Bank.
- The total amount of your cheque(s) should agree with the amount shown at item B.
- Sufficient cleared funds should be held in your account as cheques returned unpaid will result in your Application being rejected.
- Pin (do not staple) your cheque(s) to the Application Form.

G. If the Company implements the despatch of notices by e-mail they will forward them to this address.

H. Enter your TAX FILE NUMBER (TFN), AUSTRALIAN BUSINESS NUMBER (ABN) if a business account or exemption category. Where applicable, please enter the TFN or ABN for each Joint Applicant. Collection of TFNs and ABNs is authorised by taxation laws. Quotation of you TFN or ABN is not compulsory and will not affect your Application.

Correct Forms of Registrable Name

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to Pegmont Mines N.L.. At least one full name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by the way of an account designation if completed exactly as described in the examples below:

Type of Investor	*Correct Form*	*Examples of Incorrect Form*
Trusts *(Do not use the name of trust, use trustee(s) personal names)*	John Smith <Smith Family A/C>	John Smith Family Trust
Deceased Estates *(Do not use the name of deceased, use executor(s) personal names)*	Michael Smith <Est John Smith A/C>	Estate of the Late John Smith
Partnerships *(Do not use the name of Partnership, use partners' personal names)*	John Smith and Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies *(Do not use name of club or body, use name of trustee of club or body)*	John Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds *(Do not use name of fund, use name of trustee of fund)*	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Application Form

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PEGMONT MINES N.L.

ACN 003 331 682

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