

Pegmont Mines NL

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

Dear Sir

Mount Kelly – Copper Oxide Project

We wish to advise that an initial drill program of twelve (12) RC holes totalling 943 metres directed towards assessing the copper oxide potential at Mount Kelly provided the following encouraging results:-

Mount Kelly – RC Drill Results – August 2003

Drill Hole #	EOH (m)	Mineralisation Assay Results			
		From – To(m)	Intercept(m)	%Cu	G/t Au ⁽³⁾
MK 538	73	4-12	8	1.26	0.20
		20-25	5	0.61	0.17
MK 539	97	49-61	12	0.76	-
		71-78	7	0.79	-
		92-97	5	1.40	0.27
MK 540 ⁽¹⁾	67	32-34	2	0.93	0.10
MK 541	101	83-91	8	1.27	-
MK 542	79	28-32	4	2.09	0.37
		77-79	2	0.92	0.18
MK 543	82	46-51	5	0.84	-
MK 544	73	21-40	19	1.24	-
MK 545 ⁽²⁾	37	-	-	-	-
MK 546	97	38-48	10	0.46	-
MK 547 Including "	97	30-39	9	0.56	-
		42-68	26	1.15	-
		42-48	6	2.96	-
		56-68	12	0.76	-
MK 548 Including	67	16-45	29	1.47	-
		16-30	14	2.74	0.21
MK 549 Including " "	73	0-32	32	1.05	-
		0-7	7	2.99	-
		7-13	6	0.70	-
		30-32	2	0.89	-

Note: All holes were drilled vertically

- (1) MK 540 was drilled into cavernous work with high water flow with resultant sample loss
- (2) MK 545 was drilled outside the copper target area
- (3) There are sporadic gold values within the system. Preliminary metallurgy suggests the presence of free gold which could be recovered by gravity methods.

This reconnaissance drill program was designed to test three target areas (see attached map).

Spinifex Fault

Holes MK 540, 544, 545, 546 were drilled into the Spinifex Fault area. Results from these holes together with those from prior drilling indicates a zone averaging 10-12m thickness with a stripping ratio of around 1:1. Soil geochemical anomalies indicate possible extensions along the Spinifex Fault for an overall target potential of 1.0-1.5 million tonnes @ 1-1.2% Cu (i.e. 400 x 150m x 10m thick x SG 2.2=1.3Mt).

Central Project Area

The recent drilling of MK 539, 541, 542, 543 indicates oxide copper mineralisation at deeper levels and more erratic values than elsewhere in the project area. This may represent greater geological complexity. Thus, the definition of a resource will require more detailed drilling.

Mount Clarke Area

The best overall results came from the Mount Clarke area in drill holes MK 538, 547, 548, 549, indicating a thick blanket (20m or more) of oxide copper mineralisation at shallow depth. A follow up program of some 25 holes to 40metres depth is intended to scope out the extent of mineralisation for a target size of 4-5 million tonnes (i.e. 400x250x20m thick x SG 2.2=4.4Mt). This area lies adjacent to the high grade MK475 sulphide project (see attached map).

In summary, we are encouraged with these results. International Base Metals Limited who funded the drill program and who have the right to earn 50% of Reefway's interest in the Mount Kelly tenements intend to undertake a follow up program in order to meet their option requirements of drilling 2000 metres by 30 September 2003.

Yours faithfully

Malcolm A. Mayger
Managing Director

