

# Pegmont Mines NL

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

Dear Sir

## Quarterly Report to 31 December 2003

We submit the following quarterly report for Pegmont Mines NL and its subsidiary, Reefway Pty Limited (75% owned) for the three months to 31 December 2003.

**Field activities** were concentrated on the Mount Kelly Option and Joint Venture tenements with International Base Metals Limited at the Mount Kelly and Buckley River prospects. Detailed mapping and rock chip sampling has confirmed a drill target at the Anthill prospect within EPM 9916.

**Corporate activities** include the Mt Kelly Option and Joint Venture agreement with Xstrata Copper Australia which has been executed by Reefway. Buckley River EPM 9916 is in the process of being transferred to Reefway as part of this agreement.

### 1. Field Activities

**Field activities at Mount Kelly** (Reefway 100%) undertaken by Xstrata Copper Australia completed a – 80# soil sampling survey. The rationale for the survey was to test for anomalous copper and/or gold indications over a strongly-chargeable moderate-conductor that occurs to the east (local grid) of the Mount Kelly Fault.

The survey delineated a broadly coherent zone of +100 ppm Cu over 100m x 600m with local values >200 ppm Cu. The gold assays produced spotty highs to 455 ppb, but with no significant coherent anomalies. Further integration of soil results with geology is required prior to a decision regarding further field work at this target.

**Field activities at the Anthill prospect** (Reefway acquiring 100%) within EPM 9916 – Buckley River, (40km south of Mount Kelly) included a reconnaissance and rock chip sampling program. Fifty four (54) rock chip samples were collected, mainly from breccias and ironstone outcrops.

Spot copper values of greater than 1000 ppm Cu were obtained from the vicinity of the Kennedy Fault and its intersecting structures over a distance of about five (5) kilometres. At the Anthill Prospect, samples over 100 metres strike along the Camp Fault were also anomalous in gold with values from 0.32g/t Au to 1.45 g/t Au, silver (up to 7.6 ppm Ag) and lead (up to 284 ppm Pb). Such Pb values are usually found in the alteration halo of Mount Isa-type copper mineralisation.

Since not all ferruginous breccia material contained elevated Cu values, and other ironstones and laterites were generally low (< 100 ppm Cu) such anomalous Cu at the Anthill Prospect may be indicative of underlying mineralisation rather than scavenging by iron oxides during weathering. These results are regarded as being encouraging, particularly as they are similar in tenor to outcrop values associated with the Mount Kelly Fault mineralisation. Also, the Camp Fault outcrop is closely associated with copper oxide mineralisation (1.6mt @ 1.9% Cu, estimated by MIM 2003) – see attached map RF167.

Follow up work including drilling will be undertaken during 2004 to assess both oxide/supergene and primary copper mineralisation at the Anthill prospect.

### **Pegmont Region**

No field work was undertaken.

## **2. Corporate Activities**

**Xstrata Copper Australia** are continuing to explore the Mount Kelly tenements below 100 metres depth from surface for Mount Isa-type mineralisation in accordance with their Option and Joint Venture agreement. They may earn 75% interest in the Mount Kelly tenements upon the expenditure of A\$10 million.

**International Base Metals Ltd** are continuing to explore the Mount Kelly tenements above 100 metres depth from surface and the exploration of EPM 9916, Buckley River in accordance with their Option and Joint Venture agreement. They may earn 50% interest of Reefway's interest in Mount Kelly and Buckley River tenements by the minimum expenditure of \$4 million and completion of a bankable feasibility study.

## **3. Tenement Acquisitions and Relinquishments**

Further rationalisation of previous EPM applications in the Pegmont region resulted in the relinquishment of EPMA11775, 11587 and 11588 by Reefway and a new application EPMA 14491 by Pegmont covering portion of the old EPMA 11588 plus other available areas within the region. This will consolidate Pegmont's tenement holdings and enhance exploration prospectivity for copper-gold mineralisation.

#### 4. Expenditure

Net cash expenditure by the Pegmont Group during the three months to 31 December was \$

	<b>December Quarter \$</b>	<b>Year to Date \$</b>
<b>Exploration</b>		
Pegmont	8,974	10,735
May Downs (net of interest)	(4,494)	241,543
Wilfred Creek	240	6,995
Buckley River	601	6,516
Mount Kelly (net of rental refunds)	4,940	(5,564)
General Investigations	<u>5,616</u>	<u>8,680</u>
	15,877	268,905
<b>Corporate expense</b>	9,012	39,393
Working Capital	37,101	(40,895)
Mount Kelly – buy back acquisition	(8,010)	80,001
Shareholder advance	5,000	(30,500)
Equity Issue	<u>(100,000)</u>	<u>(180,000)</u>
 NET EXPENDITURE	 <u>( 41,020)</u>	 <u>136,904</u>

Option/Joint Venture expenditures:

Mount Kelly – Xstrata Copper Australia	16,883	237,989
Mount Kelly – IBML	<u>119,584</u>	<u>249,914</u>
	<u>136,467</u>	<u>487,903</u>

Cash balances (excluding security deposits) at 31 December 2003, totalled \$70,356. These funds are not adequate to cover ongoing expenditure commitments without raising additional capital by placements or sale of assets.

Yours faithfully

Malcolm A. Mayger  
Managing Director

