

Pegmont Mines NL

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

Dear Sir,

Tenement Acquisitions and Rationalisation

Further to our Quarterly Report to 30 June 2003, we wish to elaborate on recent Group tenement acquisitions and rationalisation that have occurred since then.

Pegmont Mines NL-100%

The Company has consolidated five previous Exploration Permits for mineral applications (ie EPMA 11394, 11671, 11813, 12255 and 12498) into the Pegmont Extended tenement EPM 14008. This tenement was granted to the company on 9 July 2003 for a five (5) year period.

We regard this tenement as having potential for granite related Ernest Henry-type iron oxide copper-gold deposits of which the nearby Brumby deposit (within the adjacent EPM13769 owned by Placer Pacific (Osborne) Pty Ltd) is an example.

The Company's tenement (EPM 14008) lies between the Pegmont and Cannington deposits (see the attached map) overlying the southern margins of the Williams Batholith surrounding and partially covering the Lightning Creek Magnetic Anomaly (LCMA), about 8km northeast of the Pegmont deposit. The LCMA represents a major hydrothermal centre (similar to that at Osborne) which may have accompanied the emplacement of the Williams Batholith resulting in the generation of hydrothermal fluids that were hot, hypersaline, oxidised and very rich in iron (>10%Fe) and copper (>1%Cu). Although a study by Perring et al (2000) concluded that the hydrothermal fluids were rich in Cu, the LCMA has not (yet) been found to contain significant Cu (+Au) mineralisation. This suggests that the mineralised fluids emanating out of this centre migrated along faults and may have deposited Cu in nearly sulphur rich (pyritic) dilation zones and other structured traps. Perring estimated that some 2000 million tonnes of Fe and by inference some 200 million tonnes of Cu may have been contained in the outpouring hydrothermal fluids and deposited under suitable conditions in neighbouring areas.

EPM 14008, covers the northern, eastern and western areas adjacent to and over a portion of the LCMA, thus representing an area of considerable potential for copper (+ gold) deposits.

Reefway Pty Ltd (74.87% owned by Pegmont Mines NL)

Reefway lodged on 8 July 2003 an expanded application (EPMA 14149) called Desert Creek over twelve (12) sub/blocks some 3-6km north of the Mount Gordon (Esperanza/Mammoth) Mine operations. This EPMA 14149 covers a portion of the northern extension of the highly prospective Mount Gordon Fault Zone, next to our other application (EPMA 11672 "Torpedo Creek" in competition) between the Mount Gordon mine operations and the Mount Oxide copper-gold deposit.

The application area contains the same rocks and structures which host the high grade Mammoth and Esperanza deposits to the south. It contains the Manitoba and possibly the New Zealand copper prospects which present immediate drill targets.

Reefway intends to explore for fault related breccia hosted Mount Isa-type copper deposits and for high-grade supergene (chalcocite) deposits similar to Esperanza and Mount Oxide. In the Southern most part of the Desert Creek EPMA there are a number of fault structures transecting the project area which provide promising locations for copper mineralisation at the Manitoba Creek and New Zealand prospects, where the Gunpowder Creek formation abuts the Esperanza formation.

In summary, we regard both areas, ie., Pegmont Extended and Desert Creek as having excellent potential for copper (+ gold) mineralisation. They contain a number of targets which could be the subject of early drilling.

Yours faithfully

Malcolm A Mayger
Managing Director

