

# Pegmont Mines NL

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

Dear Sir,

**May Downs Zinc – Lead Prospect  
Drilling to commence by 9 May 2003**

We are pleased to announce that arrangements have been made for Major Pontil Pty Limited to commence drilling the May Downs zinc-lead prospect by Friday 9 May. Major Pontil proposes to utilise a 685 Schramm with an auxiliary booster/compressor unit. This rig is only able to drill Reverse Circulation (RC) holes to depths of 500metres.

The program calls for the drilling of five (5) holes (MD 10-14) for a total of 2000 metres. The location of each hole is shown on the attached map (RF 115 B). The expected time to complete the five hole program is about five weeks, provided that ground conditions are conducive to RC drilling. Otherwise, a UDR 1000 rig will have to be used to drill core holes which would take longer to complete.

Previous shallow drilling has intersected anomalous zinc-lead values in oxidised material including 46 metres (from 52 – 98m) averaging 0.28%Zn. The May Downs prospect appears to be a large Mount Isa-type zinc-lead target with a 7km strike length.

Billiton Exploration Australia Pty Ltd, a subsidiary of BHP Billiton Ltd may elect to earn a 70% joint venture interest by expending \$4.5million, including 36,000 metres of drilling, over a six year period, following the initial commitment to drill 2000 metres on the upcoming program.

Yours sincerely,

Malcom A Mayger  
Managing Director



