

Pegmont Mines NL

ABN 97 003 331 682

17 June 2004

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

Registered Office
C/- BKR Walker Wayland
8th Floor, 55 Hunter Street
Sydney NSW 2000

Telephone/Fax: (02) 9349 6836
Mail: GPO Box 3596
Sydney NSW 2001

Dear Sir,

Proposed Sale of Reefway Pty Ltd

The Directors of Pegmont Mines Limited ("**Pegmont**" or "**the Company**") are pleased to announce the proposed sale of all of its shares held in Reefway Pty Ltd to Avon Resources Limited ("**Avon**").

The principal activity of Reefway is the exploration and evaluation of its mineral tenements in the Mount Isa Block and in particular its Mount Kelly and Buckley River copper projects.

The shareholders of Reefway are Pegmont Mines NL with a 76.7% interest, Pegasus Enterprises Limited with a 14.3% interest and Goldsearch Limited with a 9% interest.

Consideration

Avon will purchase 100% of Reefway for 66,666,666 Avon shares, \$3,060,000 payable on completion, \$1,000,000 plus interest payable by 30 June 2005 and a royalty calculated on production from Reefway's tenements.

Royalty

A royalty is payable on production from the Reefway tenements which is the greater of a gross royalty payable on certain net payable metals and a 1% Net Smelter Return. In respect of the major metals, the royalty is only payable upon certain accumulated thresholds being exceeded, for example 100,000 tonnes of Net Payable Copper.

The sale of Reefway to Avon must be viewed as part of the formulation of a substantial enterprise which will be renamed CopperCo. The new board of CopperCo will pursue an aggressive growth strategy to become a major independent copper producer in the Mount Isa region by merging the mineral interests of Reefway with those of Savannah Resources Pty Limited and the acquisition of 100% of the Lady Annie Project from Buka Minerals Limited.

The acquisition and ultimate development of the Lady Annie Project will allow CopperCo to rapidly become a copper producer.

In order that investors may fully appreciate the ramifications of the Reefway sale within the overall corporate intentions of Avon/CopperCo, please refer to the attached announcement by Avon Resources Limited to the Australian Stock Exchange.

Yours faithfully,



Malcolm Mayger
Managing Director