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22 April 2004

The Manager
Stock Exchange of Newcastle Limited
384 Hunter Street
Newcastle
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Dear Sir,

Quarterly Report to 31 March 2004

We submit the following report for Pegmont Mines N.L. and its subsidiary, Reefway Pty Ltd (76% owned) for the three months to 31 March 2004.

Field Activities

No field activities were undertaken during the period due to the "wet season" in the Mount Isa region. However, a review of drill results at Mt Clarke in the Mount Kelly tenements was prepared by independent consultants; Hellman and Schofield Pty Ltd. Resumption of shallow extensional and infill drilling by International Base Metals Ltd (IBML) will be undertaken in the April – June quarter. Also, Xstrata Copper intend to drill two holes into a MIMDAS geophysical anomaly associated with the Mt Clarke Fault.

Corporate Activities

The Mount Kelly Option and Joint Venture Agreement was executed by Xstrata. Also, the assignment of 100% interest in EPM 9916 (Buckley River) by Xstrata to Reefway was approved by the Department of Natural Resources, Mines and Energy (DNRME). This tenement covers the Anthill / Python prospects which contain similar rock types and geochemical signatures as at Mount Kelly.

The Company is in discussions with an ASX listed company in regard to the possible sale of its shares in Reefway for a combination of cash, shares in the listed company and royalties on the Reefway tenements.

1. Field Activities

The Mount Kelly option holders IBML requested Hellman & Schofield Pty Ltd to prepare a review of stage 1 exploratory shallow drilling program undertaken during 2003 for copper oxide mineralization at the Mt Clarke prospect. A resource estimation was made using the ordinary Kriging method constrained within a (nominal 0.2% Cu cut-off) mineralised envelope. The estimate is classified as Inferred under the JORC (1999) code. This is due to the absence of bulk density data, quality control of data, the lack of a geological model and the poor spatial continuity of copper grades at the current drill hole spacing. **At a 0.7% Cu cut-off grade, the Inferred Resource is estimated to be approximately 0.9Mt @ 1.1% Cu.** In view of the Mount Clarke mineralisation.

being open in all directions (vertically to the north and south and in parts to the east and west), it was recommended that further drilling should be planned to test these areas.

A program of approximately 25 Reverse Circulation holes of around 75 metres depth is planned to commence before the end of April. This program will include both infill and extensional drilling particularly north of hole MK571 which intersected 18 m @1.36% Cu less than 200 metres south of the MIMDAS anomaly. Xstrata are also planning a two hole program totalling 500 metres to test their MIMDAS anomaly. This anomaly of some 500 metres strike length appears to be associated with the Mt Clarke Fault and could be the north-west extension of the shallow copper oxide mineralisation located around Mt Clarke.

2. Corporate Activities

The execution by Xstrata of the assignment of EPM 9916 (Buckley River) to Reefway opens the way for expanded copper exploration activities by Reefway / IBML along the Kennedy Fault over a distance of about five (5) kilometres. Previous work by MIM Exploration Pty Ltd (now part of Xstrata Copper) has intersected mineralisation at the Anthill / Python prospect resulting in an estimated copper oxide resource (2003) of 1.6 Mt @ 1.9% Cu. This mineralisation is open in all directions. Detailed mapping and rock chip sampling is planned in the current quarter.

The company has received an offer to purchase its share holding in Reefway Pty Ltd for a combination of cash, shares in a ASX listed company and future production royalties on Reefway's tenements. The offeror has conducted due diligence on Reefway and has provided a detailed agreement for consideration.

The Board is considering the idea of selling Reefway as it would provide funds to the Company for exploration activities at Pegmont and surrounding areas. Future upside potential of the Reefway tenements could be protected by a suitable royalty arrangement.

The Pegmont lead-zinc deposit is potentially an important asset of the Company. There is an estimated inferred resource of 8.3 million tonnes for the Main Lode averaging 7.75% Pb and 3.46% Zn containing 643,000 tonnes of lead and 287,000 tonnes of zinc metal in the ground subject to recovery. Of this tonnage, approximately 50% is classified as primary sulphide of slightly higher grade material. Preliminary metallurgic tests have indicated encouraging metal recoveries of greater than 85% using standard treatment processes. Since there is exploration potential to expand these resources, the deposit could be developed as a satellite mine at current metal prices. However, the economics and therefore risks associated with the project could be significantly improved if additional resources of similar grade could be discovered. Our economic model of the Pegmont deposit indicates a Net Present Value (using a 15% discounting factor) of \$19.4 million; at a long term exchange rate of US74 cents and metal prices of \$US 600/t Pb, \$US 1000/t Zn. This NPV value could increase to \$29.4 million upon finding an extra one million tonnes of mineable material of similar grade. Previous geological studies have indicated this potential.

Thus, a modest investment of funds arising from the sale of Reefway could substantially add to the value of the Company and improve the prospects of developing the Pegmont lead-size deposit.

3. Tenement Acquisitions and Relinquishments

There were no changes to our tenement portfolio except for the assignment of EPM 9916 to Reefway.

4. Expenditure

Net expenditure by the Pegmont Group during the three months to 31 March 2004 was as follows:

	March Quarter (\$)	Year to Date (\$)
Exploration		
Pegmont	4,737	4,737
May Downs / Wilfred Creek	7,955	7,955
Buckley River	1,056	1,056
Mount Kelly (net of refunds)	2,204	2,204
Desert Creek	2,227	2,227
General Investigations	436	436
	<u>18,619</u>	<u>18,619</u>
Corporate		
Administration	18219	18219
Working Capital	2983	2983
Shareholder loan repayment	10000	10000
	<u> </u>	<u> </u>
Net Expenditure	<u>49 817</u>	<u>49 817</u>
Option / Joint Venture Expenditures		
Mount Kelly – IBML	35745	35745
Mount Kelly – Xstrata	10000	10000
	<u>45745</u>	<u>45745</u>

Cash balances (exclusive of security deposits) at 31 March 2004, totalled \$14 708. These funds are not adequate to cover ongoing expenditure commitments without raising additional capital by placements or sale of assets.

Yours sincerely,

Malcolm A. Mayger
Managing Director

