

PEGMONT MINES N.L.

ACN 9900 3331 682

Corporate Office:

C/- The Plaza, 7th Floor, 14 Martin Place
SYDNEY NSW 2000

Telephone: (02) 9224 8971

Facsimile: (02) 9224 8910

Postal Address: GPO Box 3596
SYDNEY NSW 1044

23 April 2001

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

Dear Sir,

Quarterly Report to 31 March 2001

No field activities were conducted during the quarter as it was the wet season in North Queensland. Instead, emphasis was placed on undertaking metallurgical work on drill samples from the **Pegmont** lead-zinc deposit; review and assessment of previous copper-gold drill results from **Mount Kelly**; and reapplication for the Wilfred Creek area which includes the **May Downs** prospect in order to expedite early granting of the tenement.

Pegmont

Results from two completed holes on the **Pegmont Deeps Project** were reviewed and it was concluded that high grade mineralisation was unlikely to be located beneath the Main Lode. Thus, it was decided that further drilling in the target area was unlikely to be successful. However, a new target zone centred around the **Sharry Fault** could be worth testing as it has the potential for tight synclinal folding and for mineralisation to be associated with a possible keel structure. An Induced Polarisation (IP) and Resistivity survey of seven lines totalling 5,600 metres over a strike length of 1,200 metres is planned immediately after the Easter break with three-dimensional inversion model processing of the IP data. Should results indicate faulting and associated anomalies that indicate sulphide content, then follow up drilling will be undertaken before the end of June.

Metallurgical testing of the mineralised Reverse Circulation (RC) drill samples of the Banded Iron Formation (BIF) Horizon from holes PMR 45 and PMR 46 as announced in the December quarterly report provided encouraging results:

- Early indications are that the metallurgy of the Pegmont BIF Horizon sulphide mineralisation is typical for polymetallic Pb-Zn ores and a good response was obtained.
- Magnetite removal allowed a 20% upgrade of process feed with minor recovery loss.
- A bulk Pb-Zn floatation cleaner concentrate containing 22.2% Pb and 21.6% Zn was obtained at a combined metal recovery of about 90% from a magnetite scalped ore feed.
- It was shown that an acceptable Pb-Zn flotation could be achieved from the sulphide ores.
- It was indicated that a moderate lead flotation performance (66-70% lead recovery) might be achievable from oxide ores. A combined recovery of about 70% for zinc using flotation and leach-solvent extraction may be possible.

These results provided considerable encouragement and that further metallurgical and flotation test work is both indicated and recommended. These results exceeded recovery assumptions used in a financial model of the Pegmont Project contained in the recent Prospectus.

Mount Kelly (Reefway 100%)

The Mount Kelly drill results from the year 2000 program were reviewed and an updated assessment report has been received. This report indicated the presence of 360,000 tonnes of mineralisation averaging 2.9% Cu and 2.5-3.0 g/t Au using a Polygonal method and also using a Specific Gravity factor of 3 at a 1% copper equivalent (CuEq) over a strike of 220 metres. A lower SG factor of 2.7 reduces mineralisation estimates to approximately 330,000 tonnes. However, a block model estimation with 20 metre spacing and grades cut to 10% Cu and 30 g/t Au with an SG of 2.7 indicated 450,000 tonnes averaging 2.0% Cu and 1.3 g/t Au. An increase in the cut-off grade to 3% CuEq reduced tonnage estimates to 160,000 tonnes assaying 2.8%Cu, 3 g/t Au.

Since mineralisation is open along strike in both directions for at least 450 metres, further drilling is warranted. Goldsearch Limited has an option until 30 April 2001 to decide to continue funding exploration or to withdraw and be allotted up to 2 million fully paid shares in Reefway in consideration for their past expenditure.

May Downs Prospect (Reefway 100%)

The May Downs Prospect is subject to the Billiton Subscription Agreement whereby they would subscribe \$200,000 upon grant of EPM 13331 to undertake 2000 metres of drilling. Depending on results Billiton may or may not elect to earn up to 70% joint venture interest by expending a minimum of \$4.5 million (including 38,000m of drilling) over a six year period. Commencement of exploration is dependent on the granting of the Wilfred Creek Application (EPM 13331) area and receipt of approval in accordance with the Native Title legislation.

The tenement application has been offered to the Company and it will be accepted Field work must now await completion of the Native Title approval process.

The application area has five target areas for significant concentration of base metals. The **May Downs Prospect (Target 1)** is located in the south-east portion of the tenement. It is a large north-south trending geophysical and geochemical anomaly of some 7km in length and from 200-700m in width. It is expressed by discontinuous (gossanous) siltstone outcrops. Previous drilling have intersected low grade Pb and Zn values including MD3 which intersected 46 metres @ 0.28% Zn from 52m in pyritic siltstone, and MD9 which intersected 8m @ 0.25% Zn, 0.15% Pb from 224m and 14m @ 0.30% Zn, 0.16% Pb from 334m with quartz-dolomite-chalcopyrite veining.

The prospect is a Mount Isa type lead-zinc system and thus constitutes an important exploration target. Although field work is not expected to get underway until around next September, there are a number of walk up targets which are likely to be drilled before the year end.

The other four target areas are; The **North-west Magnetic Anomaly (Target 3)** lying 4km north-west of the May Downs Prospect on the western limb of the Minger Creek Syncline, and three conceptual targets for stratiform Zinc-Lead-Silver deposits along the **Smiths Fault (Target 2)**; the **May Downs Fault/Minger Creek Fault intersection**, (Target 4); and the **Wilfred Creek Syncline (Target 5)**; The application area is grossly under-explored for its considerable potential.

Expenditure

Net cash expenditure during the March quarter was \$109,658

	March Quarter	Year to Date
	\$	\$
Mount Kelly Project – net of contributions	217	217
Pegmont BIF Project	5,729	5,729
Pegmont Deeps Project	-	-
Project generation and review	4,618	4,618
	<hr/> 10,564	<hr/> 10,564
Corporate expense – net of interest	3,274	3,274
Working capital – net payments	77,340	77,340
Shareholders Loan repayments	18,480	18,480
Net Expenditure	<hr/> 109,658	<hr/> 109,658

Cash balances (excluding security deposits) at 31 March 2001 were \$379,453 including \$191,148 set aside for the Pegmont Deeps project.

Yours faithfully,

MALCOLM A MAYGER
Managing Director