

Pegmont Mines NL

ACN 003 331 682

Corporate Office:
c/- The Plaza 7th Floor 14 Martin Place
Sydney NSW 2000

Telephone: (02) 9349 6836
Facsimile: (02) 9224 8910

Mail: GPO Box 3596
Sydney NSW 2001

23 April 2003

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

Dear Sir,

Quarterly Report to 31 March 2003

Discussions with M.I.M. Exploration Pty Ltd on the **Mount Kelly copper-gold project** resulted in a "Heads of Agreement" being signed on 14 March 2003 and a revised agreement with International Base Metals Limited (IBML) on 28 March 2003. These agreements provide for a two tier approach for exploring Mount Kelly.

Billiton Exploration Australia Pty Ltd have made a further contribution of \$106,285.63 towards the **May Downs zinc-lead** project which is expected to be drilled during mid May. The Board allotted Billiton 850,285 ordinary fully paid shares at 12.5 cents each.

Although a review of reprocessed geophysical data on the Sharry Fault IP anomaly confirmed that an anomaly does exist; a farm-in offer was not made on the **Pegmont lead-zinc** deposit.

Mount Kelly copper-gold deposit (Reefway 100%)

The Heads of Agreement with M.I.M. on Mount Kelly provides them with an opportunity to explore for a deep seated Mount Isa-type copper deposit. They propose to use their MIMDAS geophysical process to "look" down to 500 metres depth for anomalous structures to drill. This survey is expected to commence during May and depending upon results, a follow up drill program may be undertaken around September. The agreement provides for a minimum expenditure commitment of \$100,000. Thereafter, MIM may pull out at any time; prior to earning 75% interest by expending \$10 million over a ten year period. A full option and joint venture agreement has yet to be finalised.

Our agreement with IBML was modified to enable MIM to explore Mount Kelly at depth, therefore, IBML's proposed exploration activities will be confined to the top 100 metres from surface. This fits their corporate strategy to fast track a regional search for oxide/supergene copper mineralisation to support a centralised Solvent Extraction-Electrowinning (SX-EW) operation. IBML may earn 50% interest in the shallow mineralisation at Mount Kelly by expending \$2.5 million and completing a bankable feasibility study by October 2006.

We are hopeful that the combined activities of MIM and IBML at Mount Kelly will provide sufficient impetus to create a mineable deposit within the near future.

Regional Copper Exploration (Reefway 100%)

Based on these agreements on Mount Kelly, we are in discussions to press ahead with regional agreements with both MIM and IBML covering other Reefway tenement interests.

May Downs zinc-lead prospect (Reefway)

The May Downs zinc-lead prospect lies within EPM 13331. It is farmed out to BHP Billiton Ltd who has recently subscribed further funds for the upcoming drill program of five (5) holes totalling 2000 metres. This program is designed to test sections of a large 7 km north-south geophysical anomaly to depths of around 400 metres. Previous shallow drilling has intersected anomalous zinc-lead values in oxidised material, including 46 metres (from 52-98m) averaging 0.28% Zn (including 18m @ 0.4% Zn). The May Downs prospect appears to be a large Mount Isa-type zinc-lead target.

Issued Capital

Upon the allotment of 850,285 ordinary fully paid shares to Billiton Exploration Australia Pty Ltd, the issued capital of the Company has increased to 48,636,796 Ordinary Shares. In addition there are 9,449,800 options exercisable at 10 cents each.

Expenditure

Net receipts during the March quarter was \$ 3761.

	March Quarter \$	Year to Date \$
Mount Kelly – net of rental refunds	(11,137)	(11,137)
Wilfred Creek – net of interest	<u>(703)</u>	<u>(703)</u>
	(11,840)	(11,840)
Corporate expenses	1449	1449
Working Capital	<u>6630</u>	<u>6630</u>
NET CASH EXPENDITURE/(RECEIPTS)	<u>(3761)</u>	<u>(3761)</u>

Cash balances (excluding security deposits) at 31 March 2003, totalled \$209,085 including \$193,151.34 set aside for the May Downs project. These funds are not adequate to cover ongoing expenditure commitments without the raising of additional capital and financial support by major shareholders.

Yours faithfully

Malcolm A. Mayger
Managing Director