

Pegmont Mines NL

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29 October 2002

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

Dear Sir,

Quarterly Report to 30 September 2002

A limited field program of rock chip sampling and detailed geological mapping was commenced at both **Mount Kelly** and **May Downs** in order to firm up drill targets. Also, wide ranging discussions were held with International Base Metals Limited (IBM) and another party with a view to forming a regional exploration agreement on Reefway's tenement areas in the Western Succession, north of Mount Isa.

An **Access Agreement** on the May Downs prospect was determined by the Land and Resources Tribunal on Friday 11 October 2002. This Agreement will enable the Company to move things along by arranging a Field Inspection of proposed drill sites and access ways envisaged in the exploration program.

Mount Kelly copper-gold deposit (100% Reefway)

On reviewing previous drill hole data, IBM have indicated that the oxide potential of the Mount Kelly tenement was their top priority as a means of developing an early cash flow. A report prepared by P.L. Helman and Associates Pty Ltd in 1997 identified three areas closely associated with the Mount Kelly Fault/Spinifex Fault System that had copper oxide potential to 70-80 metres in depth. Based on cross sectional areas, **there was approximately 1.5mt of oxide/supergene copper mineralisation grading about 1.4% Cu.** The three target areas have potential for approximately 5 million tonnes within 70-80 metres of ground surface.

Ongoing discussions with IBM envisage a regional copper-oxide agreement covering other Reefway tenements down to 80-100m. This may provide sufficient exploration target areas to investigate the concept for a regional treatment facility to produce 10,000 tonnes of SX-EW cathode copper annually. IBM may earn 50% joint venture interest in Mt Kelly by spending a minimum of \$2 million and producing a bankable feasibility study.

May Downs zinc-lead Prospect (100% Reefway).

The May Downs prospect appears to be a large Mount Isa-type zinc-lead system. Finalisation of an Access Agreement as determined on 11 October 2002 by the Land and Resources Tribunal will enable Field Inspections to be carried out to ensure that all significant cultural and heritage sites can be fully protected and left undisturbed. Arrangements for Field Inspections by representatives of the claimants are underway. However due to the lateness of these inspections, it is most unlikely that the intended drill program of five (5) holes for 2000 metres to test the magnetic target will be undertaken before the oncoming wet season.

Pegmont lead-zinc deposit (100% Pegmont)

Despite interest being shown in the area, there were no parties wishing to farm into the Pegmont deposit. Previous discussions have been terminated.

Tenement Applications

No tenement applications or relinquishment were made during the quarter other than previously advised rationalisation of tenements at Pegmont and Mount Kelly.

Expenditure

Net cash expenditure during the three months was \$24,620

	September Quarter \$	Year to Date \$
Pegmont Project	3225	4063
Mount Kelly Project	8270	4106
May Downs Prospect-EPM13331	-	6887
- Native Title	11535	32395
Project generation	9819	12262
Total Exploration Expenditure	32,849	59,713
Corporate expenses-net of interest	12125	24140
Working capital – net payments	13380	53931
Shareholders advance	(33734)	(67734)
Net Cash Expenditure	<u>24,620</u>	<u>70,050</u>

Cash balances (excluding security deposits) totalled \$120,143.89, including \$118,144 set aside for the May Downs Project. These funds are not adequate to cover ongoing expenditure commitments without the raising of additional equity which is under consideration. Meanwhile, the Company depends upon shareholder advances to meet expenditures.

The Stock Exchange of Newcastle Limited

We are pleased to report that there is increasing investor acceptance on the Stock Exchange of Newcastle Limited (NSX), as a viable alternative stock exchange to the Australian Stock Exchange (ASX) for small to medium size companies. The NSX is now listing a company a month. We were invited by the NSX to make presentations at the recent Nickel Conference in Perth which raised the profile of both the NSX and the Company. As the Company's activities gain momentum we can expect increased investor interest. Therefore, it is important for you to be aware that the company's share price and turnover can be accessed through the website: **www.newsx.com.au**

Share Registry

Shareholders and Investors are advised that the Company's former share registry ie. National Registry Services Pty Limited, was acquired by **Computershare Investor Services Pty Limited** who are located at Level 3, 60 Carrington Street, Sydney NSW 2000. Their telephone number is (02) 8234 5000; facsimile (02) 8234 5050 should you wish to confirm your share holding or other details in Pegmont Mines NL. Please advise them of any change of address.

Yours faithfully

Malcolm Mayger
Managing Director