

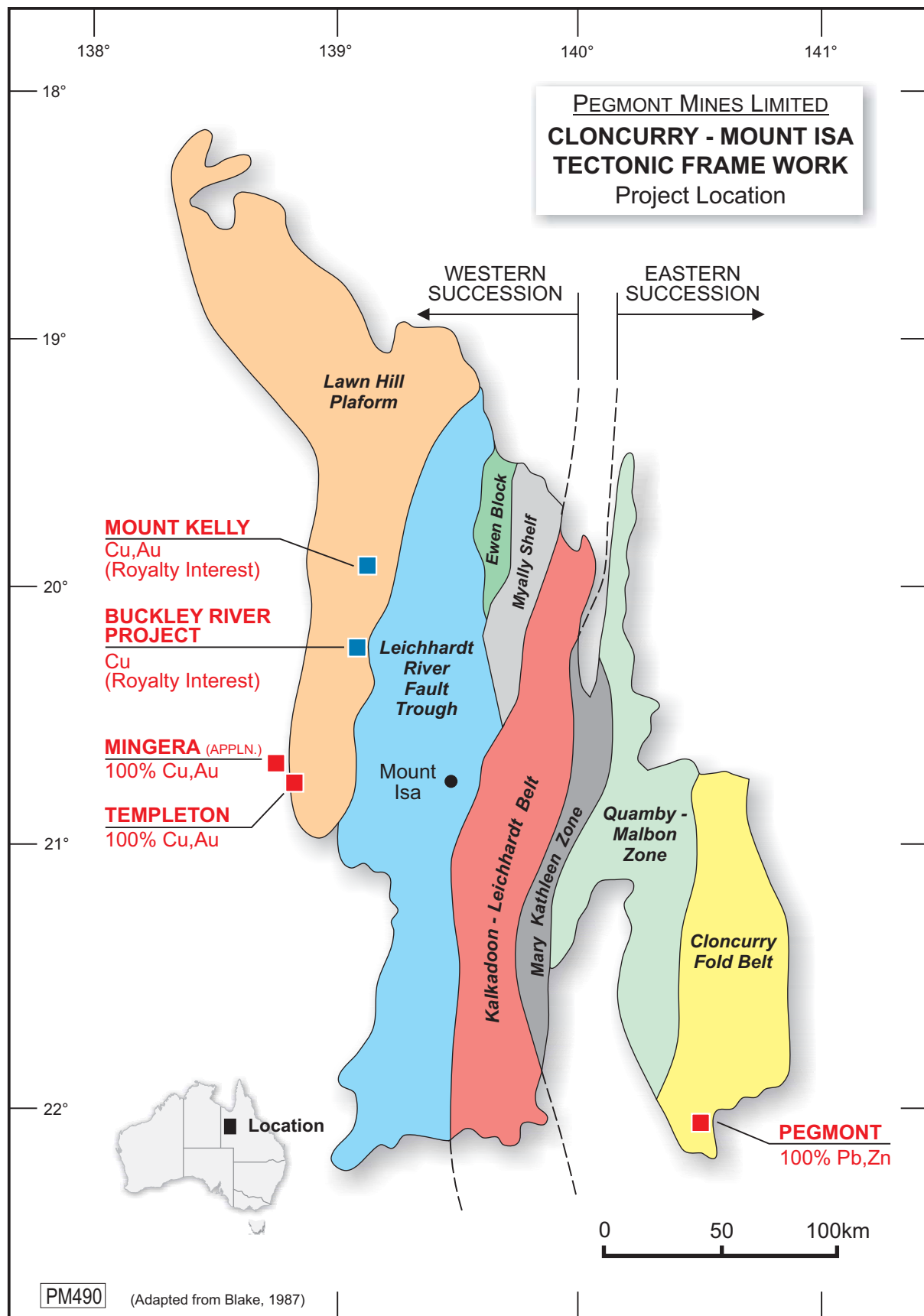
PEGMONT MINES LIMITED

Annual Report 2019

For the year ended
31 December 2019



PEGMONT MINES LIMITED
ABN 97 003 331 682



The Lawn Hill Platform suite of rocks overlay the older Proterozoic McNamara Group at generally increasing depth to the west.

Chairman's Review

The highlight of the 2019 year was the sale of the Pegmont lease and the payment of a fully franked dividend of 2.25 cents per share in June, following completion of the sale.

We retain a 1.5% net smelter royalty in the project payable after the recovery of \$5 million in imputed royalties. The sale of Pegmont ends a 25 year association with the project and is a major turning point for your company. We will aim to achieve a quicker turnover of future projects!

We have made a \$1,498,000 profit after tax in the year compared to \$1,626,000 in 2018. We made \$2,106,000 on the sale of the Pegmont tenements less an operating loss of \$568,000 for the year. Our cash position at year end was \$2.93 million.

Our exploration efforts during the year were concentrated on our Templeton EPM 26647 west of Mount Isa. We expended \$573,000 on exploration activities during the year, including \$437,000 on Templeton.

Field exploration activities at Templeton including rock chip sampling commenced during the second quarter, when a Conduct and Compensation Agreement was endorsed by the landholder. RC drilling commenced in late June on 3 magnetic high anomalies 5, 6 and 7. Additional rock sampling around Anomaly 13 produced several anomalous gold and bismuth assays. Drilling activity was then undertaken to test the outcrop. Final assay results did not disclose any significant results from the drill program. A rehabilitation program on track and drill pads testing anomalies 7, 6, 5 and 13 associated with the E2 magnetic anomaly was completed prior to the commencement of the wet season.

The results of the Templeton drilling program to date have not lived up to our expectations. Drilling has shown that not all surface geochemical anomalies indicate a source at depth since the magnetic anomaly was adequately tested. Additional ground geophysics involving IP and MT methods have been recommended to locate any sulphide concentrations at depth. This and other conclusions indicate that a broader based exploration program is required which could be beyond the technical and financial resources of the Company. As a result, consideration is being given to interest a larger explorer with these skills in an option deal to test several surface geochemical anomalies associated with the prominent E1 magnetic anomaly.

Rock chip sampling and mapping was also conducted on the Mingera project area which has generated several geochemical anomalies associated with magnetic highs. Should third party interest be generated in Templeton, the Mingera lease would be added to the option package.

During 2020 a new application EPMA 27255 Battle Creek was made in the Mount Kelly area, north of Mount Isa. A second application was made in August, EPMA 27345, Canyon which is adjacent to and to the south of the Mount Kelly copper oxide operations, over which the Company has royalty interest. These areas have several bullseye magnetic anomalies where no drilling has been undertaken.

To the south of Canyon at McLeod Hill several historic drill holes have made significant oxide copper intersections. The exploration objective is to test the magnetic anomalies for large volume copper mineralisation of bulk type in primary sulphide zone. Our EPM applications at Battle Creek and Canyon are progressing towards grant.

At our New Hope ML 2487, Chinova exercised its option to acquire 100% interest in the ML and paid \$632,000 (including GST) on 18 January 2019.

On 8 May 2019 Vendetta announced their intention to exercise their option to acquire 100% interest in the Pegmont project tenements for an exercise payment of \$3 million plus option extension fees. The Company retains a 1.5% NSR royalty, payable once Vendetta has recovered \$5 million from future production. Vendetta has announced a positive Preliminary Economic assessment of the project with an estimated pre-tax IRR of 31% and a NPV of \$204 million (US Dollars).

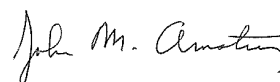
In June, Vendetta updated the Pegmont Mineral Resource to include 9.6 million tonnes Inferred and 2.2 million tonnes Indicated lead-zinc. The value of our royalty will become clearer when Vendetta moves the project into production but clearly it has significant value. Your Directors have placed a nominal value of \$100,000 on the royalty interest in the year end balance sheet, until a decision to mine is made and will then review potential royalty returns based on the economic parameters.

At our Reefway Royalty tenements (Pegmont 76.73% share) the previous owner and operator CST Mining Group Limited continued heap leach operations at Mount Kelly to produce 99.99% cathode copper until it transferred ownership to Austral Resources Lady Annie Pty Ltd in September 2019.

During our current year our focus will be on optioning out our Templeton/Mingera leases and turning our attention to the new Battle Creek and Canyon application areas near Mount Kelly. Given that they are in an established mining area they have a perceived lower risk and are more appropriate for a company of our size and financial resources. Expenses will be kept to a minimum.

The recent coronavirus pandemic has introduced considerable economic uncertainty into the world economic scene and clearly it will be a more difficult operating environment for smaller Australian explorers. Fortunately your company is in a sound financial position with minimal liabilities. Cash is King and we look forward to the future with confidence and to our ability to take advantage of opportunities which may arise in more difficult times.

We again thank our shareholders for their patience and continuing support. We record our appreciation for the efforts of our staff, consultants, legal advisors and contractors.



John M Armstrong
Chairman

Our team

Board of Directors

John M Armstrong

Non-Executive Chairman

BSc, MBA, FFin, FAICD

Mr Armstrong, is a professional company director with over 40 years of experience in investment banking and resource finance. He was appointed a Director in year 1998.

Peter J Read

Non-Executive Director

BEc, FAICD

Mr Read, is a corporate specialist in mining, marketing and business consulting. He was appointed in 2014.

Malcolm A Mayger

Managing Director

BComm, CA, FAICD

Mr Mayger, has over 50 years of experience in exploration and mining investment. He founded the Company in 1987 and then was involved in all tenement acquisitions, including Pegmont, Mount Kelly, Anthill, the Mount Gordon Fault Zone exploration areas and more recently the Templeton and Minger application areas.

The Board has regular meetings to discuss strategy and impact of current issues.

Company Secretary

Christopher D Leslie

BComm, FCA

Mr Leslie has 33 years of experience in the mineral and petroleum industries at senior levels.

Technical Management

David Hewitt

BSc (University of Queensland, 1964), and MSc in Exploration and Mining Geology (James Cook University, 1990)

After 28 years elsewhere in Australia and PNG, David commenced work in the Mount Isa Inlier in 1992, focussing on copper and gold mineralisation. Since 1996 he became project geologist at Pegmont Mines Limited, also at New Hope gold-cobalt discovery and Lightning Creek IOCG Projects in the Eastern Succession. He was also supervising geologist from 1998 at Mount Kelly, Anthill, Dividend and May Downs prospects during their drilling. His responsibilities also included detailed mapping and identification of drill targets. This work successfully resulted in the identification of Mount Isa type mineralisation at Mount Kelly. After 2004, David was involved in advancing the Pegmont Project to resource status prior to the Option deal with Vendetta Mining Corp.

David is responsible for field activity and exploration.

Senior Adviser – Geology

Jacob Rebek

Jacob graduated as a Geological Engineer from the University of Ljubljana, Slovenia in 1967. He joined CRA Limited in 1970 to work in Papua New Guinea and Solomon Islands. Since 1975, he worked in various parts of Australia and was the team manager responsible for the discovery of Century Zinc deposit (second largest zinc mine in the world).

Between 1998 and 2000, Jacob worked in the role of Rio Tinto Exploration Director for South America until retirement in 2003. Jacob has since continued to work in exploration in Australia and Chile.

Jacob has been a Member of the Australian Institute of Mining and Metallurgy since 1975. He has been involved in exploration for copper since 1970 and is fully familiar with a wide range of types of copper deposits in Australia, Papua New Guinea and Chile.

Jacob's previous experience was applied to the study of base metal exploration potential around Mount Isa, from which the Templeton and Minger Applications resulted. He is responsible for target selection and exploration oversight.

Company's Activities during 2019



Cu & Au

Exploration emphasis on copper-gold prospects in the Mount Isa region, North-West Queensland.

Farm-out/option being considered for Templeton

Drilling has indicated **several phases of intrusion with hydrothermal alteration**. Further work requires commitment of technical and financial resources beyond the Company.

13 bullseyes



Exploration activities were focused on **Templeton** (EPM 26647) E1 and E2 magnetic anomalies with 13 bullseye magnetic targets of which four have been drill tested in the E2 structure, namely Anomalies 7, 6, 5 and 13 without intersecting copper values above 0.08% Cu at shallow depth. E1 structure remains untested.

\$2.9 million cash



Asset sales and option proceeds to end the year resulted in a profit of \$1.5 million (2.1c/share) and cash of \$2.9 million.

Completion of the sale of Pegmont Project for \$3 million plus \$315,000 option proceeds allowed payment of a **special dividend of \$1.6 million**, whilst retaining sufficient cash to fund three years of activities.

1,140 RC metres

were drilled into the **E2 anomaly** at Templeton to test iron-stained weathered outcrop with some evidence of quartz-limonite veins and breccias.

However, no encouraging Cu values were intersected. Petrological analysis indicates the lack of a Cu source in drill samples provided.



Mount Kelly Trend

A review of historic data on the Mount Kelly Cu (+Au) deposit (north of Mount Isa) associated with the McNamara Fault indicates a possible relationship with nearby magnetic anomalies. This potential requires drill testing for confirmation.

Corporate Strategy

We are well down the track of transforming Pegmont Mines Limited from a quiescent company with lead-zinc interests to an active copper-gold explorer in the Mount Isa region. During 2019 we were able to substantially refinance (without recourse to raising additional equity) the Company's exploration activities and pay a dividend.

We continue to execute a plan put in place several years ago to create a re-invigorated Pegmont.

- | | |
|--------|---|
| Step 1 | The liquidation of New Hope and Pegmont Tenements – Completed |
| Step 2 | The appointment of Jacob Rebek (having a well-regarded track record) as Pegmont's Senior Adviser; Geology. |
| Step 3 | Application of EPMs 26647 and 27113 for Templeton and Mingera respectively (targeting copper-gold) on the western side of Mount Isa, as recommended by Jacob from research were granted for a period of five years. |
| Step 4 | A two-phase drill program on Templeton E2 anomaly was completed . No significant copper mineralisation was intersected. |
| Step 5 | Drill results have been reviewed and assessed which indicate possible intrusions with hydrothermal alteration at E2 Templeton. Further drilling and geophysical work is required to confirm vectors to mineralisation, which is likely to be beyond the technical and financial resources of the Company. |
| Step 6 | Look for a corporate deal (with a royalty interest) as a means of achieving a long-term royalty stream, to fund future exploration. |

We also paid a fully franked dividend of 2.25 cents per share to our patient shareholders from proceeds of the exercise payment by Vendetta (to acquire the Pegmont tenements) before 30 June 2019. This payment took total distributed dividends to \$3,002,000, being 5.0 cents per share, or 66.1% of contributed equity.

Exploration Strategy

Since Pegmont is a small company with geological expertise but limited financial resources, we conduct exploration activities within the highly endowed mineral province of the Mount Isa Inlier, which contains World Class mines. Our reason is that the profitability of discovery is above average and the chance of optimising the project is much higher. Longer term, our goal is to develop a portfolio of mineral properties that yield sufficient royalty income to fund our exploration activities.

Financial Returns to Shareholders

Also, we would like to turn over our properties in a shorter time frame to generate royalty receipts at a faster rate. Any capital profits will be used to pay dividends and increase working capital; 100% recovery of contributed capital would be a big achievement.

2019 Exploration Highlights

The main thrust of our exploration effort at **Templeton** (EPM 26647) during 2019 was to obtain sub surface understanding of geochemical data from outcrop sampling and desk top geophysical analyses on the E1 and E2 magnetic structures derived during 2018. “Based on geological observations and type of geochemical anomalies (from collected assay data) a conclusion was made that in the sulphide zone at depth there is potential for discoveries of copper mineralisation” (page 7 – 2018 Annual Report).

The first phase drilling of three vertical RC holes totalling 613 metres was undertaken on magnetic anomalies 7, 6 and 5 (in that order) that form part of the E2 magnetic structure. Although magnetic anomaly 7 target was relatively deep at 400 metres, it was large (over 1,000 metres by 300 metres) and very accessible.

However, from the outset, drilling PTR001 at Anomaly 7 was unexpectedly slow due to a shallow water bearing cavernous formation that presented difficulties in chip recovery. At 206 metres, it was decided to abandon the hole (in preference to drilling anomalies 6 and 5) before reaching target depth at 400 metres. The hole was cased down to 80 metres for subsequent re-entry by diamond drilling at a later date. The best assay of 0.079% Cu from 178–182 metres in metasediments was interpreted to be above the intrusion.

Both PTR 002 and PTR 003 (magnetic anomalies 6 and 5 respectively) intersected weathered and fresh but hydrothermally altered mafic intrusions where geochemical results were subdued. The depth of oxidation of about 114 metres was much deeper than anticipated. The rocks show locally strong primary haematite, chlorite and sericite alteration in the magnetite bearing intrusions. Assay results from these holes for copper and gold were well below expectations (see our detailed announcement 9 August 2019).

Our second phase drilling was directed at magnetic anomaly 13, some 800 metres north west of Anomaly 5 to test anomalous rock outcrop assays of up to 1,865ppm Bi and 0.73ppm Au within limonitic jaspers. No significant results for Cu, Au or Bi were recorded (see our announcement 23 December 2019). The drilling of four angled holes PTR 4–9 totalling 528 metres adequately tested the magnetic anomaly. However, drilling showed strong hydrothermal alteration with early magnetite overprinted by “red rock” alteration of haematite – K spar-sericite-biotite as well as chlorite and veins of quartz, biotite and chlorite, were intersected.

In summary, drilling indicated a mix of intrusives with strong hydrothermal alteration.

Petrochemical studies (29 February from Mason Geoscience) of four RC chip samples supported the following conclusions:

PTR 003 249–250 metres	Thinly fractured and weakly altered porphyritic micro-dolerite
PTR 007	Different rock types with Haematite overprinted (weathered)
PTR 009	Different rock types including; altered foliated meta-quartz and medium intensity altered leuco-granitoid

“The general absence of sulphides (e.g. pyrite, chalcopyrite from this altered assemblage suggests that the S and Cu were absent from the fluid or present in only very low amounts, resulting in lack of sulphides in the assemblage.”

The E1 magnetic complex may be different, where several outcrops of Proterozoic quartz sandstone (with copper assays in 200–2,740ppm Cu range) appear to be located adjacent to magnetic targets and in some cases also immediately adjacent to outcrops of mafic magnetic rocks.

“Some adjacent outcrops with abundant limonite (probably derived from oxidation of pyrite) with elevated cobalt and arsenic assays may be an indication of similarities with Mount Isa and Mammoth-Esperanza mines where cobaltiferous arseniferous pyrite is common in surrounds of copper orebodies” – Jacob Rebek 18 February 2020.

These comments highlight an unfolding and complex exploration challenge.

Exploration at **Mingera** (EPM 27113) is still at the preliminary stage of outcrop sampling. However, a low order geochemical anomaly of 200–700ppm Cu, associated with several magnetic anomalies has been delineated and may constitute a drill target. Further mapping and sampling is intended.

Several major mining companies have been approached about the availability of Templeton and Mingera for farm-out/option deal(s).

Review of Operations

2019 Performance Highlights – Financial

Net Profit for 2019 was \$1,498,512 a decrease of \$127,650 on a profit of \$1,626,162 in 2018.

Cash balances increased by \$1,275,925 to \$2,929,867 at 31 December 2019, with the receipt of \$3,000,000 exercise and \$315,000 option payments by Vendetta, less payment of a special dividend of \$1,627,122 at 2.25 cents per share.

Share trading resulted in a profit of \$262 (2018 – loss of \$4,038).

The consolidated net result for 2019 was a profit of \$1,498,512, compared with a profit of \$1,626,162 in 2018, summarised as follows:

Consolidated Net Result	2019 \$000	2018 \$000
Net Trading Profit/(Loss)	–	(4)
Interest on deposits	53	15
Net Income from Investing Activities	53	11
Option extension fees	315	100
Option receipts	2,106	1,650
New Hope	–	428
Administration	(383)	(277)
Depreciation	(20)	(20)
Legal expense	(5)	(34)
Exploration expense	(568)	(232)
Profit before income tax	1,498	1,626
Earnings per share – cents	2.07	2.26

Administration costs were higher than last year due mainly to Independent Reports required by the NSXA \$35,521 and \$50,000 paid on completion of the Vendetta deal.

Depreciation of the Pegmont Camp facilities was \$20,000.

Legal expense was incurred on completion time costs incurred on the Vendetta Option Agreement to 31 December 2019.

Exploration expense included Templeton \$437,207 and \$130,505 on other studies.

Company Tax has not been provided or adjusted against profits as there were carried forward losses of \$8,992,000 at 30 June 2019. Option income received from Vendetta was credited as Other Income and therefore offset against carried forward losses. Also, there are Franking Credits that can be applied against future dividend payments amounting to \$3,711,000.

Commodity Background

Since exploration activity is driven by commodity price movements, it came as no surprise that investor attention, switched towards gold and iron ore during 2019.

Summary of selected Commodity Price Movements during 2019

	2019 31 Dec	2018 31 Dec	Improve- ment %
Oil – \$US/bbl	61.11	45.10	35.5
Iron ore (62% Fe fines) – \$US/t	92.13	72.73	26.7
LME Index	2,843.3	2,801.1	1.5
Lead – \$US/t	1,926.2	2,009.0	(4.1)
Zinc – \$US/t	2,311.5	2,510.5	(7.9)
Copper – \$US/t	6,188.0	5,965.0	3.7
Gold – \$US/g	1,523.0	1,279.6	19.0
\$A/\$US	0.7015	0.7058	(0.6)
All Ords Index	6,802.4	5,709.4	19.1
Gold Index (ASX 200)	6,847.5	5,465.3	25.3

Base metal prices declined during 2019 as economic growth slowed in China, Japan and Europe. The short-term outlook for commodities remains volatile as continued growth in the US economy may offset slack elsewhere.

However, the prospect of continued US GDP growth (resulting in a firmer US dollar) in 2020 could put a cap on higher commodity prices and induce weakness.

Gold equities outperformed bullion prices, which indicated a rising output from established producers and the importance of a lower Australian dollar to the bottom line.

The spread of the coronavirus in China and throughout the World since January 2020 has created widespread uncertainty resulting in downward pressure on commodity prices and in equity markets. Since coronavirus is similar to other respiratory infections (i.e. flu), it is likely to have a larger than normal economic impact on the World economy during 2020.

2019 Vendetta Exploration Activities at Pegmont (1.5% NSR Royalty Interest)

14 March 2019, Vendetta files N1-43-101 Technical Report with an Updated Mineral Resource Estimates and Preliminary Economic Assessment.

The current Mineral Resource at Pegmont

Indicated 5,758kt @ 6.5%Pb, 2.6% Zn, 11g/t Ag

Inferred 8,277kt @ 5.1%Pb, 2.8% Zn, 8g/t Ag

The Preliminary Economic Assessment (PEA) on Pegmont outlined in a 10 year mine plan that generates a strong economic return based on certain assumptions. It also alluded to the identification of several high priority exploration targets.

3 June 2019, Vendetta announced that it had completed all payments to secure 100% interest in the Pegmont Lead/Zinc Project.

11 July 2019, Vendetta announced progress on ore sorting (after the preliminary crusher) to lower cut-off grades and upgrade ore to the mill. Also, follow up exploration on the Bonanza and Airport BIF prospects were intended.

10 February 2020, Vendetta announced positive preliminary results from material sorting test work: lead grade improvement averaged 42%, zinc grade improvement averaged 38%. Additional and larger samples are required to be tested for confirmation.

11 February, Vendetta announced a Non-Brokered Private Placement to raise C\$550,000.

Water Intersections

At the Templeton E2 Anomaly water seems to sit at the base of the weathering profile, so it may be extensive, possibly yielding a good flow rate. Analysis describes it as good quality stock water. The lack of surface water may not be a problem to the landholder, should bores be sunk, as details have been passed on.

Reefway Royalty Tenement at Mount Kelly (Pegmont 76.73% of 1% Royalty Interest)

September 2019, ownership of the Reefway Royalty Tenements was transferred from CST Minerals Mining to Austral Resources Pty Ltd.

The Reefway Royalty Tenements comprise

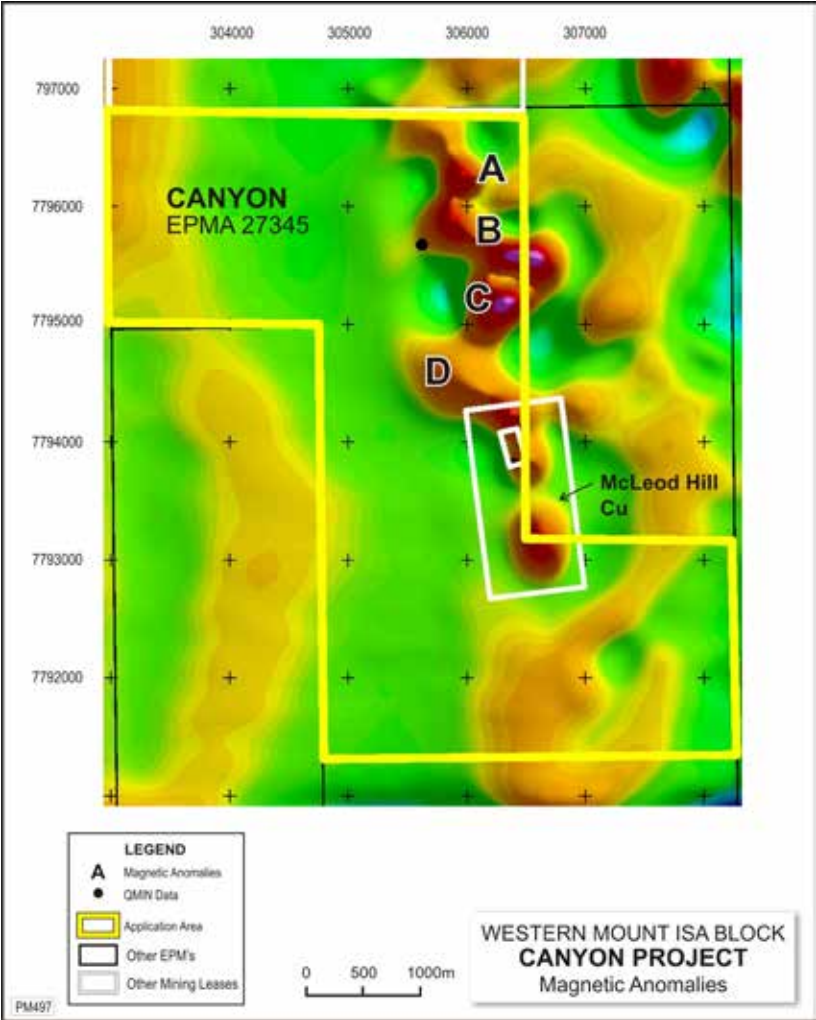
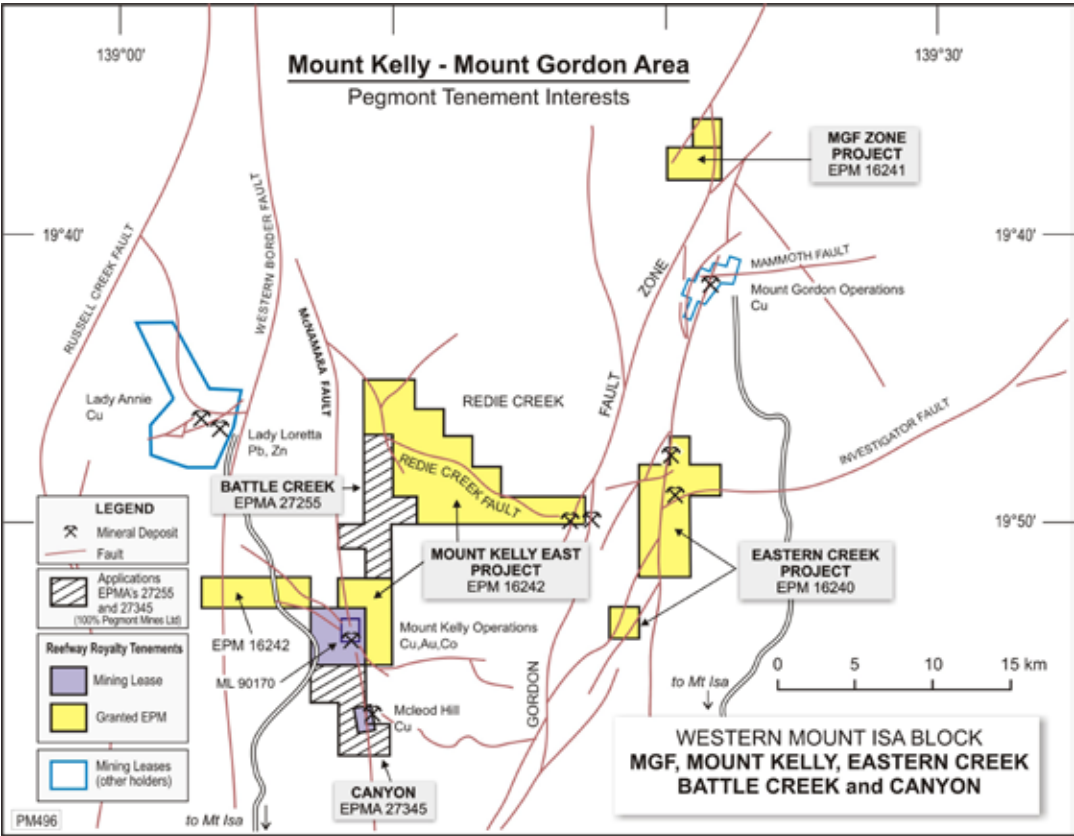
Tenement	Grant Date	Expiry Date
EPM 16240	26.04.2012	25.04.2020
EPM 16241	26.04.2012	25.04.2020
EPM 16242	26.04.2012	25.04.2020
EPM 16244	08.04.2010	07.04.2023
MLs 5462	10.01.1974	31.01.2027
5435		
MLs 5446		
5447		
5474		
5476	10.01.1974	31.01.2031
5478		
MLs 90168	14.12.2006	31.12.2027
90170		

We have been assured that Austral Resources will be applying to renew three EPMs 16240, 16241 and 16242 for a further three years.

The Mount Kelly operations has not conducted mining operations during the year, but instead has continued to leach previously treated heaps, recovering approximately 936 tonnes of copper cathode from Reefway tenements making a cumulative total of 50,785.7 tonnes Cu. The Royalty agreement provided a 100,000 royalty free copper metal production from the tenements. We are hopeful that the new owner will commence assessment of primary sulphide targets to boost copper production towards achieving the 100,000 target.

The attached map on page 8 indicates the spread of Pegmont's interest in the Mount Kelly area in proximity to known mineralisation.

Review of Operations continued



Note
EPM 27345 application is for five (5) sub-blocks covering the extension of the McNamara Fault immediately south of the Mount Kelly Operations. The portion of the McLeod Hill Mining lease covered by the application is excluded, unless that tenement lapses.

Outlook for 2020

Commodity prices were mixed during 2019 with Oil and Iron Ore strong and base metals soft. Since the outbreak of the coronavirus, in late 2019, the prospect for China's economic growth has become uncertain thus impacting on oil and iron ore prices.

Consequently, the exploration sector of capital markets has become very circumspect and is demanding sure-fire projects to fund. The lack of drill success at Templeton means that we should seek alternative funding from within the industry to conserve our working capital while pressing ahead with our prospects. An invitation to Joint Venture or Royalty arrangement has been sent out to a number of "majors".

Asset Realisations during 2019 has enabled the payment of a special dividend of \$1,627,122, expend \$568,369 on exploration and retain \$2,929,867 in cash balances at year-end.

The Board proposes to cut back on exploration to \$559,000 with first round drilling at Mingera, Canyon and possibly at Battle Creek. Since we are ahead of expenditure obligations at Templeton, no drilling is intended during 2020/21.

Forecast Income/Expenditure – 2020

	Actual 2019 \$000	Forecast 2020 \$000
Sharetrading Profit/(Loss)	–	–
Dividends and Interest	53	24
Option/Exercise payments	2,106	–
Option extension payment	315	–
Total Income	2,474	24
Exploration		
Templeton	437	40
Other	131	519
Depreciation	20	–
Administration	388	335
Total Expense	976	894
Net Profit/(Loss)	1,498	(870)
Cash Balances	2,930	2,060

Notes

1. Actual results during 2020 may differ materially from these forward-looking estimates.

Financial Condition

The Company's Consolidated Net Assets at 31 December 2019 were \$2,733,400, after payment of a special dividend of \$1,627,122 a decrease of \$2,104,803.

	2019 \$000	2018 \$000
Current assets	3,014	2,282
Current liabilities	(481)	(564)
Working Capital	2,533	1,718
Non-current assets	200	3,120
Non-current liabilities	–	–
Net Assets	2,733	4,838
cents/share	3.8	6.2

Working Capital

Working Capital improved by \$815,197 to \$2,533,400 defined as the difference between current assets of \$3,014,773 less current liabilities of \$481,373 at year-end.

Thus the Company has adequate working capital to fund exploration activities of \$569,000 in 2020 and \$400,000 in 2021; plus administration expense of \$335,000 per year.

Non-Current Assets

	2019 \$000	2018 \$000
Pegmont field camp	–	20
Pegmont tenements	–	3,000
Pegmont Royalty	100	–
Reefway Royalty	100	100
	200	3,120

The Vendetta Option exercise price included the Pegmont Field Camp. Since future royalty receipts from the Pegmont Project tenements and from the Reefway Royalty tenements depend upon each project meeting certain future conditions a nominal value of \$100,000 has been ascribed to each project; despite the potential for greater returns.

Tenement Activity

The company has the following tenement interests:

- **Templeton EPM 26647** (100%)
- **Mingera EPMA 27113** (100%)
- **Royalty Interests** (NSR)
 - Pegmont lead-zinc Project – 1.5% NSR
 - Reefway Pty Ltd – 76.73% of 1% NSR

Templeton (100%) EPM 26647

The main focus of field activity was on E2 Magnetic Anomaly, which comprised of four separate sub-anomalies 7, 6, 5 and 13 in order of drilling.

The first three magnetic anomalies 7, 6 and 5 were drill tested in June/July 2019, for a total of 612 metres. Two holes confirmed the presence of mafic intrusive rocks, while the Anomaly 7 hole was stopped short of target depth due to excess water inflow. However, it did intersect anomalous copper values of 784ppm from 178–182 metres EOH.

The second round of drilling of 528 metres in 4 RC holes targeted magnetic anomaly 13, were rock sampling indicated anomalous Au and Bi values. However, the drilling appeared to have intersected oxidised and fresh hydrothermally altered “dolerite” intrusive.

Thus, drilling E2 indicated an intrusive complex with strong hydrothermal alteration overprinted by “red rock” alteration.

Rock outcrop sampling over the E1 anomaly has delineated two geochemical anomalies in a concave setting with strike lengths in excess of 400 metres. These anomalies present walk-up drill targets.

Total expenditure on Templeton was \$437,213 for a cumulative total of \$568,213 to date.

Mingera (100%) EPM 27113

Several field trips have delineated rock sampling geochemical (Cu – Zn) anomalies associated with limonitic jasper and strongly ferruginous zones. A preliminary drill program of 5 to 6 RC holes totalling 600 metres has been included in a draft CCA agreement for the Landholder’s consideration to be drilled May–June next.

Application Areas

Application areas, Battle Creek and Canyon have been made north and south of the Mount Kelly copper SXEW operations respectively; along a belt of magnetic anomalies termed the Mount Kelly Trend.

These magnetic anomalies lie to the east of the McNamara Fault, a major structure that is associated with the Mount Kelly and McLeod Hill copper mineralisation.

The exploration objective is to test these magnetic anomalies for bulk primary copper mineralisation as possibly providing the source of the nearby copper oxide resources at Mount Kelly.

We have been advised by the Queensland Government Department of Natural Resources, Mines and Energy that both applications for Battle Creek EPM 27255 and Canyon EPM 27345 have been reviewed and the work programs approved.

The next step in the tenement granting process will be the finalisation of an Agreement with the Native Title interests.

A draft exploration agreement for both Application Areas is being negotiated with Native Title interests. This is a necessary step towards grant.

Tenement Summary

	Area	Date of Grant	Date of Expiry
EPM 26647 Templeton	96 s/b	10.05.2018	09.05.2023
EPM 27113 Mingera	100 s/b	21.05.2019	21.05.2024

Expenditure Commitment

EPM 26647 Templeton	Yr 1 & Yr 2	\$330,000
	Actual	\$568,213
EPM 27113 Mingera	Yr 1	\$215,000
	Actual to 31 December 2019	\$42,874

Further rock sampling and possible drilling at Mingera will be undertaken prior to the Annual Report date of 21 May 2020.

Summary of Financial Results

Financial results at 31 December		2019 \$000	2018 \$000	2017 \$000	2016 \$000	2015 \$000
Gross Trading Revenue		15	24	24	78	44
Net Trading Profit/(Loss)		53	11	(6)	20	(23)
Option Receipts		315	1,750	350	150	–
Exploration Recovery		2,106	428	–	–	–
Exploration		(568)	(232)	(81)	(47)	(46)
Administration		(388)	(311)	(203)	(217)	(207)
Depreciation		(20)	(20)	(30)	(30)	–
Net Profit/(Loss) before tax		1,498	1,626	30	(124)	(222)
Net Profit/(Loss) after tax		1,498	1,626	30	(124)	(222)
Cash		2,930	1,654	383	217	266
Investments		17	16	21	24	16
Working Capital		2,533	1,718	225	140	229
Total Assets		3,214	5,402	3,750	3,616	3,677
Total Liabilities		481	564	538	460	403
Shareholders' Funds		2,733	4,838	3,212	3,156	3,274
Contributed Equity		4,542	4,512	4,512	4,486	4,480
Earning per share (E)	cents	2.07	2.2	–	(0.2)	(0.3)
Dividends per share	cents	2.25	–	–	–	–
Net Tangible Assets per share	cents	3.8	6.2	4.4	4.4	4.6
Working Capital per share	cents	3.5	2.4	0.3	0.2	0.3
Share Price (last sale)	cents	5.0	6.1	6.9	1.5	5.0
Price Earnings ratio P/E	–	2.4	2.8	–	-ve	-ve
Shares on Issue	000	72,317	71,817	71,817	71,392	71,192

Comment

Since September 2004 when the Company applied the proceeds from the sale of Reefway Pty Ltd to share investing, this activity generated a total Net Trading Profit of \$12,312,000 (after provisions) over fifteen years from Gross Trading Revenue of \$122,741,000 at an average margin of 10.0% on turnover. During this period the Company has expended funds on exploration \$7,322,000, administration \$7,431,000, taxation \$4,629,000 and distributed dividends of \$3,002,000, being 5.00 cents per share.

The current business model of the Company incorporates a small amount of share trading to contribute to administration. However, since the GFC in 2007 (when our Gross Trading Revenue peaked at \$36.3 million), share trading activity was greatly restricted due to the lack of working capital. Market volatility has further curtailed such activity.

Corporate Governance Statement

This statement outlines the main corporate governance practices that have been revised and updated, and in place since the 1st of July 2005. These corporate governance practices comply with the NSX Corporate Governance Council recommendations unless otherwise stated.

Board Of Directors

Role of the Board

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. To fulfil this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management, monitoring the achievement of these goals and ensuring policies and procedures are applied that facilitate accountability and performance.

Because of the limited size of the Company and its financial affairs and operations, the use of separate committees of the Board of Directors is not considered generally appropriate. All matters that might properly be dealt with by such committees are currently dealt with by the full Board of Directors. Decisions of the Board are, to the extent practicable, unanimous. There were no occasions during the year when decisions were not unanimous.

Composition of the Board

The names and details of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report.

The composition of the Board is determined using the following principles:

- Persons nominated as Non-Executive Directors shall be expected to have skills, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.
- The Chairperson should ideally be non-executive and independent and be elected by the Board based on his/her suitability for the position. Currently the Chairperson is a Non-Executive Director. The Board believes that this Chairperson is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairperson.
- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and program, together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.

- Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting, one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.
- The Directors may appoint a Managing Director for a fixed term not exceeding five (5) years (Article 71(a)) unless otherwise approved by members in General Meeting.
- The remuneration of a Managing Director shall not exceed 15 times average weekly Earnings of Employees (AWE) (Article 6.5 (e)).
- The Chairperson and Deputy Chairperson hold office until otherwise determined by Directors, or until they cease to be Directors, in any case for a period not exceeding five (5) years (Article 9.6(a)) unless otherwise approved by members in General Meeting.

The Company considers that the Board should have at least three Directors (minimum required under the Company's constitution) and strives to have a majority of independent Directors but acknowledges that this may not be possible at all times due to the size of the Company. Currently the Board has three Directors, including two non-executive directors of whom one is the Chairman.

The number of Directors is maintained at a level which will enable effective internal control, spreading of workload and efficient decision making.

The Board has accepted the following definition of an Independent Director:

"An Independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly with, a substantial shareholder of the Company;
2. has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
3. is not a principal of a professional adviser to the Company or another group member;
4. is not a significant consultant, supplier or customer of the Company or other group member, or an officer of or otherwise associated, directly or indirectly with, a significant consultant, supplier or customer;
5. has no significant contractual relationship with the Company or another group member other than as a Director of the Company;
6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with, the Director's ability to act in the best interests of the Company."

The Company considers a significant consultant, supplier or customer to be material if the total of their annual invoices amounts to more than 5% of the Company's total expenditure in that category.

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Performance of Directors

The performance of all Directors and the Board as a whole is reviewed annually in accordance with the Company's corporate governance guidelines (effective 1 July 2005).

Conflict of Interest

In accordance with the *Corporations Act 2001* and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Director's related entity transactions with the Company are set out in the related parties note in the financial statements.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

Remuneration Report

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Pegmont Mines Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives. The board of Pegmont Mines Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest caliber of executives and reward them for performance that results in long term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. If options are issued they are valued using the Black Scholes methodology.

The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$100,000). Fees for non executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in employee option plans approved by the board.

Performance based remuneration

The Company currently has no performance based remuneration component built into key management personnel remuneration packages.

Corporate Governance Statement continued

Principles used to determine the nature and amount of remuneration continued

Company performance, shareholder wealth and key management personnel remuneration

No relationship exists between shareholder wealth, key management personnel remuneration and Company performance.

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 31 December 2019.

Voting and comments made at the Company's 2019 Annual General Meeting

The Company received approximately 100% of "yes" votes on its remuneration report for the 2018 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of Remuneration

Details of the remuneration of the directors and the key management personnel of the Company are set out in the Directors' Report.

The key management personnel of Pegmont Mines Limited includes the directors.

Board Procedures and Policies

The Board applies the additional following procedures and policies:

The Board promotes ethical and responsible decision making by applying a corporate code of conduct which provides a framework for decisions and actions in relation to ethical conduct in employment. The Board sets guidelines for buying and selling securities in the company.

The Board safeguards the integrity in financial reporting by requiring the Chief Executive Officer and Chief Financial Officer (or equivalent) to make a statement (at the relevant times) that the Company's financial systems are founded on a system of risk management and internal compliance and control which implements the policies adopted by the board and the company's risk management and internal compliance and control systems is operating efficiently and effectively in all material respect.

The Board ensures the company makes timely and balanced disclosure by adopting a continuous disclosure policy.

The Board respects the rights of shareholders by adopting a shareholder communications strategy which aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The Board requests the external auditor to attend all annual general meetings of the company, to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Board determines the Company's 'risk profile' and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

Directors' Report

The Directors' present their report on the results of the Company for the year ended 31 December, 2019 and the state of affairs at that date.

Directors

The names of the Directors in office at the date of this report are:

Mr. John M Armstrong Non-Executive Chairman
Mr. Peter J Read Non-Executive Director
Mr. Malcolm A Mayger Managing Director

Principal Activity

The principal activities of the Company in the course of the year were mineral exploration and resource investment.

Operating Results

The consolidated profit after providing for income tax amounted to \$1,498,512 (2018, profit – \$1,626,162).

Dividends

During the year the Company paid a fully franked special dividend of 2.25cents per share amounting to \$1,627,122 (2018 – Nil) from prior year's profits.

Review of Operations

Information on the operations of the company during the year and the results of those operations are set out in the section titled "Review of Operations" in this Annual Report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company that occurred during the financial year that have not been covered in the 'Review of Operations'.

Matters Subsequent to the end of the Financial Year

No matters or circumstances have arisen since the end of the financial which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 December 2018.

Options over Unissued Capital

The total number of options issued as at 31 December 2019 was NIL (2018– NIL).

At 31 December 2019 there were no unissued shares under option.

Environmental Issues

The Company is subject to performance bonds for the rehabilitation of a mining tenement. These performance bonds are required by the Mines Department to ensure that rehabilitation occurs as required under environmental regulation. Surface disturbance has been restored. There were no environmental incidents during the year. Occupational Health and Safety requirements were met through the development of an emergency plan, the provision of formal training to Pegmont contractors, toolbox meetings, site inspections and record keeping. There were no reportable incidents during 2019.

Directors' Report continued

Auditors' Section 307C Declaration

Dear Sirs

In accordance with Section 307C of the *Corporations Act 2001* (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2019 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mr. Graham Swan FCA (Lead Auditor)

Rothsay Auditing

Dated 19 March 2019

Meeting of Directors

During the financial year, 5 meetings of directors were formally held. The number of meetings attended by each director during the year is as follows:

Mr. John M Armstrong	5
Mr. Malcolm A Mayger	5
Mr. Peter J Read	5

In addition to these meetings, the non-executive directors are continuously updated on current activities.

Directors' Qualifications and Experience

ARMSTRONG, John M

(Non-Executive Chairman) BSc, MBA, FFin, FAICD

Mr. Armstrong, aged 84 is a professional company director with over 40 years of experience in investment banking and resource finance at senior management and director levels.

MAYGER, Malcolm A

(Executive Managing Director) BCom, CA, FAICD

Mr. Mayger, aged 80 has over 50 years of experience in exploration, mining and investment. Malcolm Mayger founded the company in 1987 and has guided its subsequent development from concept to an explorer with royalty interests.

READ, Peter J

(Non-Executive Director) BEc, FAICD

Mr. Peter J Read, aged 80 is a corporate specialist with experience as Managing Director with Drillsearch Energy Ltd and Queensland Resources NL. In addition, he has extensive experience in Marketing and Business Consulting.

Directors' and Executives' Emoluments

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts or received as the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than:

- Consulting fees paid to Malcolm A Mayger Pty Ltd, an entity of which Mr. Malcolm Mayger is a Director and shareholder.
- Consulting fees paid to Armstrong Associates Pty Limited, an entity of which Mr. John Armstrong is a Director and shareholder.
- Consulting fees paid to Fonlie Accounting & Investments Pty Limited, an entity of which Mr. Chris Leslie is a Director and shareholder.
- Peter Read Consulting fees are paid to a jointly held bank account.

The Company's remuneration policy is disclosed in the Corporate Governance Statement preceding this report.

Details of the nature and amount of each payment to each director and each of the officers of the company receiving emoluments are set out in the following tables.

Key management personnel of Pegmont Mines Limited

	SHORT-TERM		POST EMPLOYMENT		SHARE-BASED PAYMENTS	TOTAL
	Salary & Fees \$	Non Monetary \$	Super -annuation \$	Retirement benefits \$	\$	\$
Directors						
John Armstrong						
2019	40,000	—	—	—	—	40,000
2018	40,000	—	—	—	—	40,000
Malcolm Mayger						
2019	60,000	—	—	—	—	60,000
2018	60,000	—	—	—	—	60,000
Peter Read						
2019	30,000	—	—	—	—	30,000
2018	30,000	—	—	—	—	30,000
Other key management personnel						
Chris Leslie						
2019	42,791	—	—	—	—	42,791
2018	36,575	—	—	—	—	36,575
Total key management personnel compensation						
2019	172,791	—	—	—	—	172,791
2018	166,575	—	—	—	—	166,575

Directors' Report continued

Service agreements

Malcolm Mayger, Managing Director:

Pursuant a Service Agreement, which commenced on 25th of June 1987, the Directors have arranged for Malcolm Mayger to provide his services as Managing Director of Pegmont.

Share-based compensation

Where options are issued to key management personnel as part of their remuneration the options are not issued based on performance criteria, but are issued to key management personnel of Pegmont Mines Limited to increase goal congruence between key management personnel and shareholders. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company.

There were no options granted to or vesting with key management personnel during the year, and there were no options forfeited during the year.

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Pegmont Mines Limited during the year.

Directors' Interest, in the Share Capital of the Company as at the date of this report

		Shares at 31/12/2018	Acquired/ (Disposed) during the year	Shares at 31/12/2019
J M Armstrong	Direct	99,688	–	99,688
	Indirect	800,000	–	800,000
P J Read	Direct	100,000	–	100,000
	Indirect	–	–	–
M A Mayger	Direct	500,000	–	500,000
	Indirect*	38,543,333	–	38,543,333
		40,043,021	–	40,043,021

* Includes Pegasus Enterprises Ltd in which M A Mayger is a controlling shareholder.

Signed: at Sydney in accordance with a resolution of Directors.



Malcolm A Mayger

19 March 2019

Directors' Declaration

The directors declare that the attached financial statements and notes:

- a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Company's and controlled entities' financial position as at 31 December 2019 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Malcolm A Mayger

Director

Sydney

19 March 2019

FINANCIAL STATEMENTS

For the year ended 31 December 2019

Income Statement

For the Year Ended 31 December 2019

	Notes	CONSOLIDATED		PARENT ENTITY	
		2019 \$	2018 \$	2019 \$	2018 \$
Revenue from continuing operations					
Gross revenue from share trading		15,362	24,487	15,362	24,487
Cost of sales		9,887	25,462	9,887	25,462
Revenue/(loss) from sale of shares		5,475	(975)	5,475	(975)
Write back (increase) of provision for shares		(5,213)	(3,063)	(24,572)	(3,063)
Net trading profit/(loss) after provisions		262	(4,038)	(19,097)	(4,038)
Interest received or due and receivable from other Corporations		53,050	15,016	53,050	15,016
Option proceeds		315,000	1,750,000	315,000	1,750,000
Recovery of exploration expenditure		2,106,193	427,587	2,106,193	427,587
		2,474,505	2,188,565	2,455,146	2,188,565
Expenses from continuing operations					
Audit fees		(20,000)	(18,000)	(20,000)	(18,000)
Directors fees		(130,000)	(130,000)	(130,000)	(130,000)
Exploration written off		(567,712)	(231,710)	(567,712)	(231,710)
Depreciation		(20,000)	(20,000)	(20,000)	(20,000)
Stock exchange fees		(58,184)	(15,977)	(58,184)	(15,977)
Share registry fees		(14,462)	(11,060)	(14,462)	(11,060)
Secretarial & office expenses		(42,792)	(36,575)	(42,792)	(36,575)
Other expenses from ordinary activities		(122,843)	(99,081)	(122,843)	(99,081)
		(975,993)	(562,403)	(975,993)	(562,403)
Profit before income tax		1,498,512	1,626,162	1,479,153	1,626,162
Income tax attributable	2	–	–	–	–
Profit attributable to members of Pegmont Mines Ltd		1,498,512	1,626,162	1,479,153	1,626,162
Earnings per share for profit attributable to the ordinary equity holders of the Company	19	0.021	0.022	0.020	0.022

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet

as at 31 December 2019

	Notes	CONSOLIDATED		PARENT ENTITY	
		2019 \$	2018 \$	2019 \$	2018 \$
Current Assets					
Receivables	3	68,231	612,607	68,231	612,607
Available for sale financial assets	4	16,675	15,887	16,675	35,247
Cash and cash equivalents	5	2,929,867	1,653,942	2,929,864	1,653,938
Total Current Assets		3,014,773	2,282,436	3,014,770	2,301,792
Non-Current Assets					
Held-to-Maturity Investments	6	–	–	3	3
Property, Plant & Equipment	7	–	20,000	–	20,000
Mineral Tenements	8	200,000	3,100,000	200,000	3,100,000
Total Non-Current Assets		200,000	3,120,000	200,003	3,120,003
Total Assets		3,214,773	5,402,436	3,214,773	5,421,795
Current Liabilities					
Payables	9	181,373	264,233	181,373	264,233
Loans		300,000	300,000	300,000	300,000
Total Current Liabilities		481,373	564,233	481,373	564,233
Non-Current Liabilities					
Loans		–	–	–	–
Total Non-Current Liabilities		–	–	–	–
Total Liabilities		481,373	564,233	481,373	564,233
Net Assets		2,733,400	4,838,203	2,733,400	4,857,562
Equity					
Contributed equity	10	4,541,607	4,511,607	4,541,607	4,511,607
Reserves	11	2,200,000	4,206,193	2,200,000	4,206,193
Retained profits	11	(4,008,207)	(3,879,597)	(4,008,207)	(3,860,238)
Total parent entity interest		2,733,400	4,838,203	2,733,400	4,857,562
Outside equity interests in controlled entities		–	–	–	–
Total Equity		2,733,400	4,838,203	2,733,400	4,857,562

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the Year Ended 31 December 2019

	CONSOLIDATED		PARENT ENTITY	
	2019 \$	2018 \$	2019 \$	2018 \$
Total equity at the beginning of the financial year	4,838,203	3,212,041	4,857,562	3,231,400
Total recognised income and expense for the year	1,498,512	1,626,162	1,479,153	1,626,162
Transactions with equity holders in their capacity as equity holders:				
Shares issued – note 10	30,000	–	30,000	–
Dividend paid during the year	(1,627,122)	–	(1,627,122)	–
Asset Revaluation	(2,006,193)	–	(2,006,193)	–
Total equity at the end of the financial year	2,733,400	4,838,203	2,733,400	4,857,562
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	1,498,512	1,626,162	1,479,153	1,626,162
	1,498,512	1,626,162	1,479,153	1,626,162

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the Year Ended 31 December 2019

	Notes	CONSOLIDATED		PARENT ENTITY	
		2019 \$	2018 \$	2019 \$	2018 \$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		2,489,605	2,217,090	2,489,605	2,217,090
Cash payments in the course of operations		(418,168)	(356,155)	(418,168)	(356,155)
Net cash from operating activities	17	2,071,437	1,860,935	2,071,437	1,860,935
Cash Flows from Investing Activities					
Financial assets decrease		13,999	2,187	14,000	2,187
Decrease in non-current assets		893,807	167,413	893,807	167,413
Exploration expenditure		(567,712)	(231,710)	(567,712)	(231,710)
Net cash provided for investing activities		340,094	(62,110)	340,095	(62,110)
		2,411,531	1,798,825	2,411,532	1,798,825
Cash Flows from Financing Activities					
Increase/(decrease) in creditors		(82,860)	26,411	(82,860)	26,411
(Increase)/decrease in debtors		544,376	(554,392)	544,376	(554,392)
Dividend paid		(1,627,122)	–	(1,627,122)	–
Share issue		30,000	–	30,000	–
Net cash flow from financing activities		(1,135,606)	(527,981)	(1,135,606)	(527,981)
Net increase (decrease) in cash and cash equivalents		1,275,925	1,270,844	1,275,926	1,270,844
Cash and cash equivalents at the beginning of the financial year		1,653,942	383,098	1,653,938	383,094
Cash and cash equivalents at the end of the financial year	16	2,929,867	1,653,942	2,929,864	1,653,938

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Pegmont Mines Ltd ("the Company") as an individual entity and the consolidated entity consisting of Pegmont Mines Ltd and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

All amounts are presented in Australian dollars, unless otherwise noted.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRSs). Compliance with AIFRSs ensures that the consolidated financial statements and notes of Pegmont Mines Ltd comply with IFRSs.

Historical cost convention

These financial statements have been prepared under the historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Pegmont Mines Ltd ("the Company") as at 31 December 2017 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Pegmont Mines Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

The effects of all intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated in full.

Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated profit and loss account and balance sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated profit and loss account from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

c) Income Tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in

the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially accepted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

e) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operation in other economic environments.

f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Notes to the Financials Statements continued

For the Year Ended 31 December 2019

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

g) Royalties and other mining imposts

Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises. Profit based royalties are accrued on a basis which matches the annual royalty expense with the profits on which the royalties are assessed (after allowing for permanent differences). Since the Company is not in production, no royalties are payable.

h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

i) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value, less impairment provision, of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

k) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 3 to 5 years. A net valuation of \$20,000 has been applied to the Pegmont field camp in activities. All repairs and maintenance expenses are written off as occurrence.

l) Investments and Other Financial Assets

The Group classifies its investments in the following categories: loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. This designation is re-evaluated at each reporting date.

m) Impairment of assets

Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

n) Trade Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

o) Provisions

Provisions are recognised when the Company has a present obligation and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

p) Exploration expenditure

Expenditure on acquisition of tenements relating to an area of interest is carried forward where rights to tenure of the area of interest are current and:

- i) the area has demonstrated economic grade, mineralisation; or
- ii) exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.
- iii) Exploration expenditure is written off in the year during which it is incurred.

At certain milestones during the course of the evaluation of a project the carrying value is reviewed to a fair value, taking into account the likelihood of commercialisation and additional costs likely to be incurred to reach that stage.

At the end of each financial year the Directors assess the carrying value of the acquisition expenditure carried forward in respect of each area of interest and where the carried forward carrying value is considered to be in excess of (i) above, the value of the area of interest is written down.

Capitalised acquisition expenditure is considered for impairment based upon areas of interest on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

q) Mineral Tenements

The Company's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decision in what is known generally as the "Mabo" case and any State or Federal legislation regarding native and mining titles. Approvals, although granted in most cases, are discretionary.

The question of native title has yet to be determined and could effect any mining title area whether granted by the State or not.

r) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in creditors and borrowings in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with wages and salaries above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits only where there is a reasonable expectation that a liability will be incurred.

Superannuation

The amounts charged to the statement of financial performance for superannuation represents the contributions to superannuation funds in accordance with the statutory superannuation contributions requirements or an employee salary sacrifice arrangement. No liability exists for any further contributions by the Company in respect to any superannuation scheme.

Redundancy

The liability for redundancy is not provided as the Company employs independent consultants.

s) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t) Earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Pegmont Mines Ltd by the weighted average number of ordinary shares outstanding during the year.

u) Share based payments

Where shares or options are issued to employees, including directors, as remuneration for services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity. No options were issued during the year.

v) Critical accounting estimates & judgements

In preparing this Financial Report the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation expenditure is written off during the year in which it is incurred.

ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised acquisition expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

At 31 December 2019, the carrying value of mineral tenements of the group was \$200,000 (2018 – \$3,100,000).

Notes to the Financial Statements continued

For the Year Ended 31 December 2019

	CONSOLIDATED		PARENT ENTITY	
	2019 \$	2018 \$	2019 \$	2018 \$
2. INCOME TAX				
Prima facie tax payable on operating profit at 30%	449,554	487,848	443,746	487,848
Timing Differences	(449,554)	(487,848)	(443,746)	(487,848)
Income Tax Expense	–	–	–	–
3. TRADE AND OTHER RECEIVABLES (CURRENT)				
Security deposits DME & rental bond	16,205	22,517	16,205	22,517
Other debtors	254	4,855	254	4,855
GST control account	29,170	2,045	29,170	2,045
Prepayments	22,602	8,190	22,602	8,190
Trade Debtor	–	575,000	–	575,000
	68,231	612,607	68,231	612,607
4. AVAILABLE FOR SALE FINANCIAL ASSETS (CURRENT)				
Quoted Shares	16,675	15,887	16,675	15,887
Unlisted Investments – at fair value	–	–	–	19,360
Closing balance at 31 December	16,675	15,887	16,675	35,247
5. CASH AND CASH EQUIVALENTS (CURRENT)				
Cash at bank and on hand	376,076	242,992	376,073	242,988
Cash on deposit	2,553,791	1,410,950	2,553,791	1,410,950
	2,929,867	1,653,942	2,929,864	1,653,938
6. HELD-TO-MATURITY INVESTMENTS (NON-CURRENT)				
Shares in controlled entities	–	–	3	3
7. PROPERTY, PLANT AND EQUIPMENT				
Property, plant & equipment – at cost	369,279	369,279	369,279	369,279
Less: Accumulated depreciation	(369,279)	(349,279)	(369,279)	(349,279)
	–	20,000	–	20,000
Reconciliation of carrying amount				
Opening balance at 1 January 2019	20,000	40,000	20,000	40,000
Plant & equipment acquired during year	–	–	–	–
Disposals	–	–	–	–
Depreciation write off during year	(20,000)	(20,000)	(20,000)	(20,000)
Closing balance at 31 December 2018	–	20,000	–	20,000

	CONSOLIDATED		PARENT ENTITY	
	2019 \$	2018 \$	2019 \$	2018 \$

8. MINERAL TENEMENTS (NON-CURRENT)

Pegmont Lead-Zinc project at cost	–	893,807	–	893,807
At cost	–	893,807	–	893,807
Pegmont Lead-Zinc project at fair value	–	2,106,193	–	2,106,193
Pegmont Lead-Zinc project royalty at fair value	100,000	–	100,000	–
Reefway Pty Ltd royalty at fair value	100,000	100,000	100,000	100,000
At Fair Value	200,000	2,206,193	200,000	2,206,193

During the year, Vendetta Mining Corp exercised their Call Option to acquire 100% interest in the Pegmont lead-zinc Project Tenements, namely Mining Leases 2620, 2621 and 2623, also EPM 26210 plus camp facilities for an exercise payment of \$3 million plus Option extension fees. This brought an end to the Company's direct involvement in the Pegmont project after almost 25 years. However, the Company retains a 1.5% NSR royalty, payable once Vendetta has recovered \$5 million in production payments. The Directors have placed a nominal value on the royalty of \$100,000 at 31/12/2019.

The Company's activities in the mining industry are subject to regulation and approvals including mining, heritage, environmental regulation, and any State or Federal legislation regarding native and mining titles. Approvals, although granted in the most cases, are discretionary. The question of native title has yet to be determined and could affect any mining title area whether granted by the State or not.

9. TRADE AND OTHER PAYABLES (CURRENT LIABILITIES)

Trade creditors and accruals	181,373	264,233	181,373	264,233
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	PARENT ENTITY			
	Number	2019 \$	Number	2018 \$

10. ORDINARY SHARES – FULLY PAID

72,316,556	4,541,607	71,816,556	4,511,607
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During the year 500,000 shares were issued at a deemed price of 6 cents per share to contractors of the Company.

Terms and conditions of ordinary shares:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings. In the event of winding up of the company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

	CONSOLIDATED		PARENT ENTITY	
	2019 \$	2018 \$	2019 \$	2018 \$

11. RESERVES AND RETAINED EARNINGS

a) Reserves

Asset Revaluation Reserve	200,000	2,206,193	200,000	2,206,193
Capital Profit Reserve	2,000,000	2,000,000	2,000,000	2,000,000
	2,200,000	4,206,193	2,200,000	4,206,193

b) Retained Earnings

Balance 1 January	(3,879,597)	(5,505,759)	(3,860,238)	(5,486,400)
Profit for the year after related income tax expense	1,498,512	1,626,162	1,479,153	1,626,162
Dividend paid	(1,627,122)	–	(1,627,122)	–
Balance 31 December	(4,008,207)	(3,879,597)	(4,008,207)	(3,860,238)

c) Nature and purpose of reserves

The capital reserve is used to quarantine net realised profits of a capital nature, whilst the asset revaluation reserve is used to accumulate adjustments to fair value after they have been posted through the profit and loss account.

Notes to the Financial Statements continued

For the Year Ended 31 December 2019

12. KEY MANAGEMENT PERSONNEL DISCLOSURE**a) Directors**

The names of Directors who have held office during the financial year are:

Pegmont Mines Ltd & Subsidiaries

Malcolm A Mayger, John M Armstrong and Peter J Read

Executives during year – Jacob Rebek and Christopher D Leslie

b) Directors and Director-Related Entities' Shareholdings

The interests of Directors and their Director related entities in shares and share options at the end of the financial period are as follows:

Name	Balance at the start of the financial period	Issued	Purchased/(Sold)	Balance as the end of the financial period
Shares				
JM Armstrong	899,688	–	–	899,688
MA Mayger	39,043,333	–	–	39,043,333
P J Read	100,000	–	–	100,000
Total shares	40,043,021	–	–	40,043,021

c) Key management personnel compensation

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in the remuneration report within the Directors' Report.

d) Related party transactions

Other than the transactions disclosed above there are no other transactions between related parties that require disclosure.

13. SEGMENTAL INFORMATION

The economic entity operates predominantly in one geographic location. The operations of the economic entity consist exploration for gold, lead-zinc and other minerals and equity investments within Australia.

14. REMUNERATION OF DIRECTORS

Type of transaction	Related party – directors	Terms and conditions	CONSOLIDATED		PARENT ENTITY	
			2019 \$	2018 \$	2019 \$	2018 \$
Directors' fees	MA Mayger	Normal commercial	60,000	60,000	60,000	60,000
Directors' fees	JM Armstrong	Normal commercial	40,000	40,000	40,000	40,000
Directors' fees	PJ Read	Normal commercial	30,000	30,000	30,000	30,000

15. CONTROLLED ENTITIES

Name	Inc	Class	BOOK VALUE		EQUITY		CONTRIBUTION TO GROUP	
			2019 \$	2018 \$	2019 %	2018 %	2019 \$	2018 \$
Pilbara Ventures Ltd	NSW	Ord	19,359	19,359	100	100	–	–
Queensland Copper Mines Pty Ltd	NSW	Ord	10,000	10,000	100	100	–	–
Kimberley Ventures Ltd	NSW	Ord	192,001	192,001	100	100	–	–
			221,360	221,360				
Contribution to Group Profit (Loss) after minorities								
Parent – Pegmont Mines Ltd							1,494,153	1,626,16
Profit (loss) for year – group							1,513,512	1,626,16
Loans to (from) subsidiaries			–	–				
Provision for loss			(221,357)	(201,999)				
Parent net investment in subsidiaries			3	19,361				

	CONSOLIDATED		PARENT ENTITY	
	2019 \$	2018 \$	2019 \$	2018 \$

16. RECONCILIATION OF CASH

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

Cash at bank	376,076	242,992	376,073	242,988
Call deposits	2,553,791	1,410,950	2,553,791	1,410,950
	2,929,867	1,653,942	2,929,864	1,653,938

Cash at bank bear a weighted average interest rate of 1.9%.

17. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

Operating Profit (Loss)	1,498,512	1,626,162	1,479,153	1,626,162
Exploration	567,712	231,710	567,712	231,710
Unrealised loss on investments	5,213	3,063	24,572	3,063
Net cash provided for operating activities	2,071,437	1,860,935	2,071,437	1,860,935

The Company has no credit standby or financing facilities in place other than disclosed on the statement of financial position.

18. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2019 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2019.

Notes to the Financial Statements continued

For the Year Ended 31 December 2019

	CONSOLIDATED		PARENT ENTITY	
	2019 \$	2018 \$	2019 \$	2018 \$
19. EARNINGS PER SHARE (EPS)				
a) Basic Earnings per share				
Earnings attributable to the ordinary equity holders of the Company	0.021	0.022	0.020	0.022
b) Earnings used in calculating earnings per share				
Earnings attributable to the ordinary equity holders of the Company	1,498,512	1,626,162	1,479,153	1,626,162
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	72,316,556	71,816,556	72,316,556	71,816,556

The diluted earnings per share is not materially different from the basic earnings per share.

20. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks.

Credit risk

The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Cash flow and fair value interest rate risk

Although the Company has significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company monitors interest rates to obtain the best terms and mix of cash flow.

Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables:

	FIXED MATURITY DATE					Total \$
	Weighted Average Effective Interest Rate %	Variable Interest \$	Less than 1 year \$	1 to 2 years \$	Non-interest Bearing \$	
2019						
Financial assets						
Cash	—	—	—	—	376,076	376,076
Interest bearing deposits	2.4	—	2,553,791	—	—	2,553,791
Receivables	—	—	—	—	68,231	68,231
		—	2,553,791	—	444,307	2,998,098
Financial liabilities						
Accounts payable		—	—	—	166,373	166,373

Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the NSXA Listing Rules.

Financing arrangements

The Company has no financing facilities available.

	CONSOLIDATED		PARENT ENTITY	
	2019 \$	2018 \$	2019 \$	2018 \$
21. AUDITORS' REMUNERATION				
Amount received or due and receivable by the auditor for:				
a) Audit services				
Audit and review of financial reports under the <i>Corporations Act 2001</i>	20,000	18,000	20,000	18,000
b) Non Audit services	–	–	–	–
Total remuneration of auditors	20,000	18,000	20,000	18,000

The auditor of the Company and its subsidiaries is Rothsay Chartered Accountants.

The Company has received notification from the Company's auditor that he satisfies the independence criterion and that there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct in relation to the audit. The Company is satisfied that the non-audit services provided is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

22. EXPENDITURE COMMITMENTS

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2020 amounts of approximately \$417,820 (2019 \$160,000) in respect of tenement lease rentals and minimum exploration expenditure commitments.



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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PEGMONT MINES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pegmont Mines Limited ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Cash and cash equivalents

The Group's cash and cash equivalents make up a substantial balance of total assets. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.





Our procedures over the existence of the Company's cash and cash equivalents included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions; and
- Agreeing 100% of cash holdings to independent third party documentation.

We have also assessed the appropriateness of the disclosures included in notes 1 and 5 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.



From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2019.

In our opinion the remuneration report of Pegmont Mines Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay Auditing
Dated 19 March 2020

Graham Swan FCA
Partner



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 Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
 Pegmont Mines Limited
 13 Oden St
 Port Macquarie NSW

Dear Directors

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2019 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay Auditing

Dated 19 March 2020



Liability limited by a scheme approved under Professional Standards Legislation

Supplementary Information

1. Issued Capital at 31 December 2019: 72,316,556 Ordinary Shares Fully paid

2. Share Holdings at 12 February 2020

a) Distribution of Shareholders

Shareholding	Number of holders	Ordinary Shares
1 – 1000	1	1,000
1001 – 5000	1	5,000
5001 – 10,000	75	746,000
10,001 – 100,000	126	4,273,039
100,000 and over	58	67,291,517
	261	72,316,556

b) Names of Substantial Shareholders shown in the Company's Register holding 5% or more of the Issued Capital of the Company are:

Shareholding	Number of Shares	% Issued Capital
Malcolm A. Mayger Pty Limited	18,440,000	25.50
Pegasus Enterprises Ltd	16,683,333	23.07
Malcolm A. Mayger Pty Limited and associates (including Pegasus Enterprises Limited)	39,043,333	53.99
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF Account)	4,726,361	6.53

c) Interests associated with Malcolm A Mayger Pty Ltd hold 39,043,333 (53.99%) Ordinary fully paid shares.

Directors' Interests

		Shares
J M Armstrong	Direct	99,688
	Indirect	800,000
P J Read	Direct	100,000
	Indirect	–
M A Mayger	Direct	500,000
	Indirect*	38,543,333
Total Shares		40,043,021

* Includes Pegasus Enterprises Limited.

Top Twenty Shareholders at 12 February 2020

	Number of Shares	Capital Issued %
Malcolm A Mayger Pty Ltd	18,440,000	25.50
Pegasus Enterprises Ltd	16,683,333	23.07
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF account)	4,726,361	6.53
Bayerisch Super Pty Ltd (Bayerisch Fam Priv S/F A/C)	2,951,375	4.08
Gollum Opportunities	2,450,162	3.39
Bedel & Sowa Corp Pty Ltd	2,002,500	2.77
Lozora Pty Ltd	2,000,000	2.77
Longbrow Croft Capital	1,530,000	2.12
David Hewitt	1,482,750	2.05
HSBC Custody Nominees (Australia) Ltd	1,340,000	1.85
Scepha Investments Pty Ltd	1,125,000	1.56
Perpetual Trustee Company Ltd	800,000	1.11
Mr I J Holland & Mrs D Holland	759,000	1.05
Mr Andrew George Poulos	585,000	0.81
Henroth Pty Ltd	550,000	0.76
Warlam Pty Ltd (Lincoln A/C)	520,000	0.72
Malcolm A Mayger	500,000	0.69
TCWH Super Fund	500,000	0.69
Rado Jacob Rebek	500,000	0.69
Martin Place Securities (Crown Credit Corporation AC)	500,000	0.69
	59,945,481	82.90
Other Shareholders	12,371,075	17.10
Total Issued Shares	72,316,556	100%

Notes

Corporate Information

PEGMONT MINES LIMITED

ABN 97 003 331 682

Registered Office

C/- Walker Wayland Services P/L
Level 11, 60 Castlereagh Street
Sydney NSW 2000

Telephone: (02) 9951 5400

Facsimile: (02) 9951 5454

Corporate Office

13 Oden Street
Port Macquarie NSW 2444

Mail: 13 Oden Street,
Port Macquarie NSW 2444

Phone: 0417 023 989

Email: pegmont@hotmail.com

Website: www.pegmont.com.au

Listed on The National Stock Exchange of Australia

Code: PMI

Directors

John M Armstrong	Non-Executive Chairman
Peter J Read	Non-Executive Director
Malcolm A Mayger	Managing Director

Company Secretary

Christopher D Leslie

Share Registry

C/- Computershare Investor Services Pty Ltd

Shareholder enquiries:

Telephone: 1300 850 505

Facsimile: (03) 9473 2500

Email: web.queries@computershare.com.au

Auditors

Rothsay Chartered Accountants
Level 1, 4 Vantor Avenue,
West Perth WA 6849

Telephone: (08) 9486 7094



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ABN 97 003 331 682

pegmont.com.au