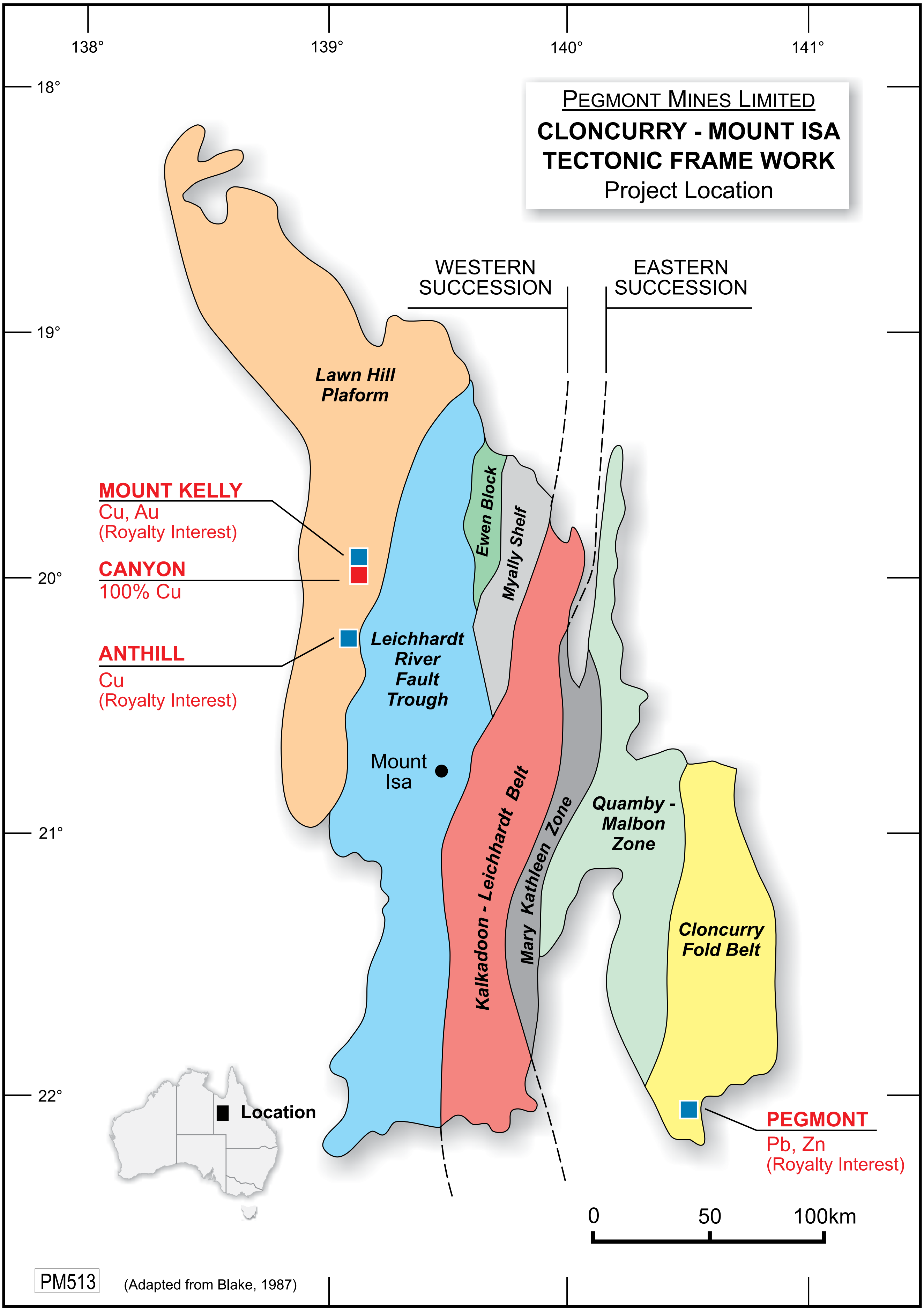
PEGMONT MINES LIMITED

Annual Report 2021

For the year ended
31 December 2021

PEGMONT MINES LIMITED
ABN 97 003 331 682


138°
139°
140°
141°
18°
19°
20°
21°
22°
PEGMONT MINES LIMITED
CLONCURRY - MOUNT ISA
TECTONIC FRAME WORK
Project Location
WESTERN SUCCESSION
EASTERN SUCCESSION
Lawn Hill Plaform
MOUNT KELLY
Cu, Au
(Royalty Interest)
CANYON
100% Cu
ANTHILL
Cu
(Royalty Interest)
Ewen Block
Myally Shelf
Leichhardt River Fault Trough
Mount Isa
Kalkadoon - Leichhardt Belt
Mary Kathleen Zone
Quamby - Malbon Zone
Cloncurry Fold Belt
PEGMONT
Pb, Zn
(Royalty Interest)
Location
0
50
100km
PM513
(Adapted from Blake, 1987)

CHAIRMAN'S REVIEW

PEGMONT HAS HAD A YEAR OF CHANGE AND CONSOLIDATION.

Reconstitution of the Board

John Armstrong, after serving for many years as Chairman, has retired. During his period as Chairman the company grew through exploration success, that was then sold to others such as Vendetta to carry out the mining which in turn provided the funds for continued exploration.

Peter Read who has been a member of the Board for several years has become the new Chairman.

Hadyn Oriti, a practicing solicitor in Port Macquarie has joined the Board. We welcome his practicable experience in a wide range of commercial matters.

Exploration

We have reduced exploration activities to concentrate on only one tenement namely Canyon.

All other tenements have been relinquished. We sought to interest South 32 in the Templeton and Mingera tenements, but when that did not bear fruit, we relinquished them.

We are looking at the possibility of conducting some small-scale exploration at Canyon but within our financial resources. We intend to do a bit more work on firming up a drill target, and at present we are ahead of expenditure obligations.

We remain highly dependent on the achievements of Austral Resources as an eventual royalty source.

Austral Resources (have reported) Contract mining of the Anthill Project to provide copper oxide ore feed to Mount Kelly. The Anthill Project has been the subject of internal and external studies over the past two years to provide costing data, optimise mining and crushing, agglomeration and stacking methods. The Anthill Project is fully permitted for development and is capable of providing sufficient ore to produce 40,000 tonnes of copper cathode over a four-year period. Mining commenced Q4 of 2021 with the first ore expected to be delivered to the leach pads in Q1 2022.

The Austral tenements are well endowed with copper containing 423Kt JORC compliant Inferred and Indicated Mineral Resource Estimate over 49 prospective copper targets have been defined from historic and recent exploration work, but we are not sure as to how much of this potential, lies within the royalty tenements. A review of sulphide and transitional mineralisation Mineral Resource Estimate of 324kt of contained Cu, not all in the Reefway royalty tenements for its potential to be economically mined and processed. Austral announced on 3 February 2022 an offtake agreement with Glencore (a major copper trading house) and prepayment of $21 million to expedite exploration and development activities through 2022.

Though Austral are currently planning an output of 10k tonnes per annum we view it as highly likely that they will be able to increase this production.

Patient Investing

In the meantime, we are following a policy of Patient Investing.

The market remains volatile with a summary of the top 150 Companies with about 1 in 6 such stocks are trading at 25% or more discount to their last highs. Warren Buffet has regained credibility by continuing to be a value investor. It is this approach that the Investing Committee intends to prevail with a process of Patient Investing, whereby quality stocks are acquired at discounted prices in anticipation of a profitable recovery.

We currently hold three investments at a total cost of $113,375 with a market value of $108,100 as of 24 March 2022. This is a gain of $21,050 on 31 December 2022 market values.

As of 31 December 2021, our total cash was $1,363,730. After expenses cash may decline to $904,000 by December 2022; a balance sufficient to last for three years. We are hopeful that investing opportunities will arise to augment this balance at years end.

Chairman

OUR TEAM

BOARD OF DIRECTORS

Peter J Read

Non-Executive Chairman

BEc, FAICD

Mr Read, is a corporate specialist in mining, marketing and business consulting. He was appointed a Director in 2014, and Chairman on 27 May 2021.

Age 82

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, Templeton, Mingera, Battle Creek and Canyon EPM areas.

Age 82

Hadyn G Oriti

Mr Hadyn was appointed a Non-Executive Director on 27 May 2021.

LLB

Mr Hadyn is a practicing lawyer in Port Macquarie, NSW.

Age 59

Richard S Woods

(Alternate for Malcolm A Mayger)

BComm, FCA

Mr Woods is a Chartered Accountant providing corporate advice.

Age 69

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

COMPANY SECRETARY

Christopher D Leslie

BComm, FCA

Mr Leslie has 35 years of experience in the mineral and petroleum industries at senior levels.

Age 68

INVESTMENT COMMITTEE

The Investment Committee is comprised of all directors and Mr John M Armstrong who is providing consulting advice on the Company's Patient Investing Strategy.

TECHNICAL AND PROJECT MANAGEMENT

David Hewitt

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

Mr Hewitt has extensive experience in the Mount Isa region, acting as project geologist and drill supervisor for the Company since 1996. He has detailed knowledge of the Mount Kelly and Anthill deposits which are now operated by Austral Resource Limited (ARI).

CONSULTANTS

The Company contracts highly qualified consultants to undertake specific tasks in geologic review, petrological analysis and geophysical targeting, thus the Company benefits from a wide spectrum of experience.

COMPANY'S ACTIVITIES DURING 2021

Copper

Exploration emphasis was maintained on copper in Battle Creek and Canyon EPMs, north and south of Mount Kelly in the Western Succession, Mount Isa region, North-West Queensland.

Mount Kelly Trend

A regional review of historic data on the Mount Kelly Cu (+Au) deposit (operated by Austral), adjacent and north of the Company's prospect at Canyon. Both of which are associated with the McNamara Fault Trend, a prominent north-south structure.

Drilling

927 metres of angled RC holes were drilled immediately north of the McLeod Hill MLs along the McNamara West Fault in eight holes. Hole PCR 006 was the most significant with broad zones of weak to moderate copper values including 4m @ 2,045ppm Cu.

A subsequent geophysical review indicated that a cluster of magnetic features (anomalies) were located immediately north and east of the drill area and associated with basaltic rocks bordering on the opposite (east) side of the McNamara West Fault. This cluster area over a 700 metre strike and 400 metre width is regarded as a prime drill target.

Cash – $1,363,730

After payments of $200,000 deferred liabilities, exploration $281,838 and administration $304, 624 and net loss on investments of $17,777. Taxation was NIL as carried forward losses were $10.4 million and franking credits balance 30/6/21 was $3.7 million.

Tenements

Templeton, Mingera and Battle Creek have been relinquished as not offering appropriate opportunity for successful exploration.

Only Canyon (EPM 27345) remains directly held by the Company.

Option Agreements

The Reefway Royalty tenements are operated by Austral Resources Limited, recently listed on the ASX. Austral intends to expand current copper production to 10,000 tonnes Cu p.a by mid-2022 on a reserve of 40,000 tonnes.

The Pegmont tenements are controlled by Vendetta Mines Corp, who continue to conduct feasibility studies and enlarge the Pegmont lead-zinc mineralisation.

Outlook – 2022

The Company has reduced its exposure to exploration in order to conserve cash until the commencement of royalty income, possibly by 2025.

CORPORATE STRATEGY

EXPLORATION

The Company has reduced its tenement interests to EPM 27345 (Canyon) which covers 5 sub-blocks with a remaining expenditure obligation of $602,000 spread over the next three years to 2025.(should drilling intersect economic copper values). Although drill results yielded only anomalous copper values, subsequent geophysical analysis indicated major magnetic and radiometric anomalies (lying adjacent to drilling) that present a drill target with dimensions of 700 metre strike and up to 400 metre width thus offering a significant target.

Our strategy is to offer an option on Canyon to another party to acquire the whole EPM for cash/shares plus a royalty.

PATIENT INVESTING

Your Board is acutely aware of the Company's limited financial resources and of the high risk of exploration, as demonstrated by drill results at Canyon, and previously at Templeton.

On the other hand, the prospect of a deferred royalty stream by 2025 is beginning to become possible through the proactive mining activities of Austral at Anthill and refurbishment of the Mount Kelly SX-EW treatment facilities to produce up to 10,000 tonnes of cathode copper per year by mid-2022.

The prospect of a deferred royalty stream from Austral is now within an exploration-to-mine time frame, although still only a possibility, not a certainty. However, a royalty possibility has provided the basis for the Board to consider investing options other than exploration and their associated risks.

Patient Investing is a form of value investing that is applicable to volatile markets by selecting a group or established and well managed stocks. Then waiting for a market correction that results in a significant price correction of up to 50% of their previous market high. A significant pull back may expose fundamental value in relation to future earnings potential without harming core balance sheet strength. Core balance sheet strength can be defined as having a net cash balance (after repayment of debt) combined with positive cash flow and positive working capital. The stock should also sell a high quality product into a diverse market uncontrolled by a monopoly buyer.

During the past year an investment committee was formed comprising all directors and an investment consultant to monitor the top ASX 150 stocks by market value and several other strongly managed growth companies. The Board allocated $200,000 to initiate and develop the Patient Investing strategy. To date, only three growth stocks have been selected in gold production and gas development.

SUMMARY

Our short-term aim is to create a profitable method of share investing which can contribute to our administration costs while we wait for future royalty revenue.

2021 EXPLORATION REVIEW

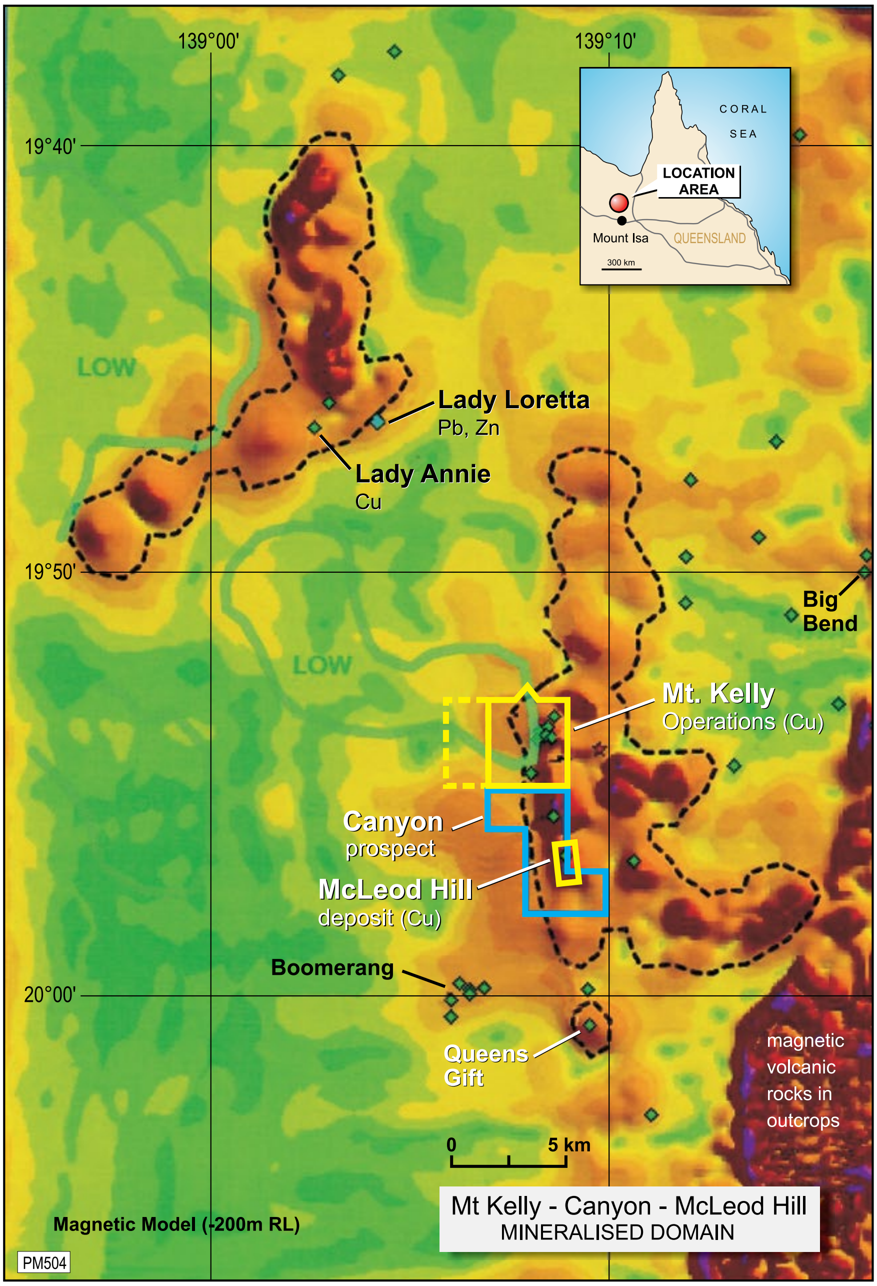
At Canyon a continued analysis of rock chip sample results and known regional deposits association with fault structures, led to a decision to drill the extension of the McNamara West Fault north of McLeod Hill mineralisation. Eight RC holes totalling 927 metres were drilled in August 2021.

Several holes intersected anomalous results including:

PCR 001	1,385ppm Cu	22–23m
	8,390ppm Pb	118–119m
PCR 003	1,645ppm Cu	58–67m
PCR 006	2,045ppm Cu	62–66m
and	1,688ppm Cu	78–83m

Subsequent analysis including geophysics, indicate a large but subtle magnetic feature and uranium anomaly lying adjacent to holes PCR 003 and PCR 006 over a 700 metre strike length and 400 metre width. It is regarded as a prime drill target.

Follow up work on the target area is required before further drilling is undertaken.



MAP 1

Map showing 'Depth to Magnetic Basement' (='depth to magnetic rock bodies under sedimentary strata') with reference elevation of 200m below sea level, prepared by Kate Nelson, using data from MIM survey on lines at 200m spacing.

Dashed black outline: Cluster of 'bulls-eye' type magnetic anomalies (basaltic rocks)

Blue: CANYON EPM 27345

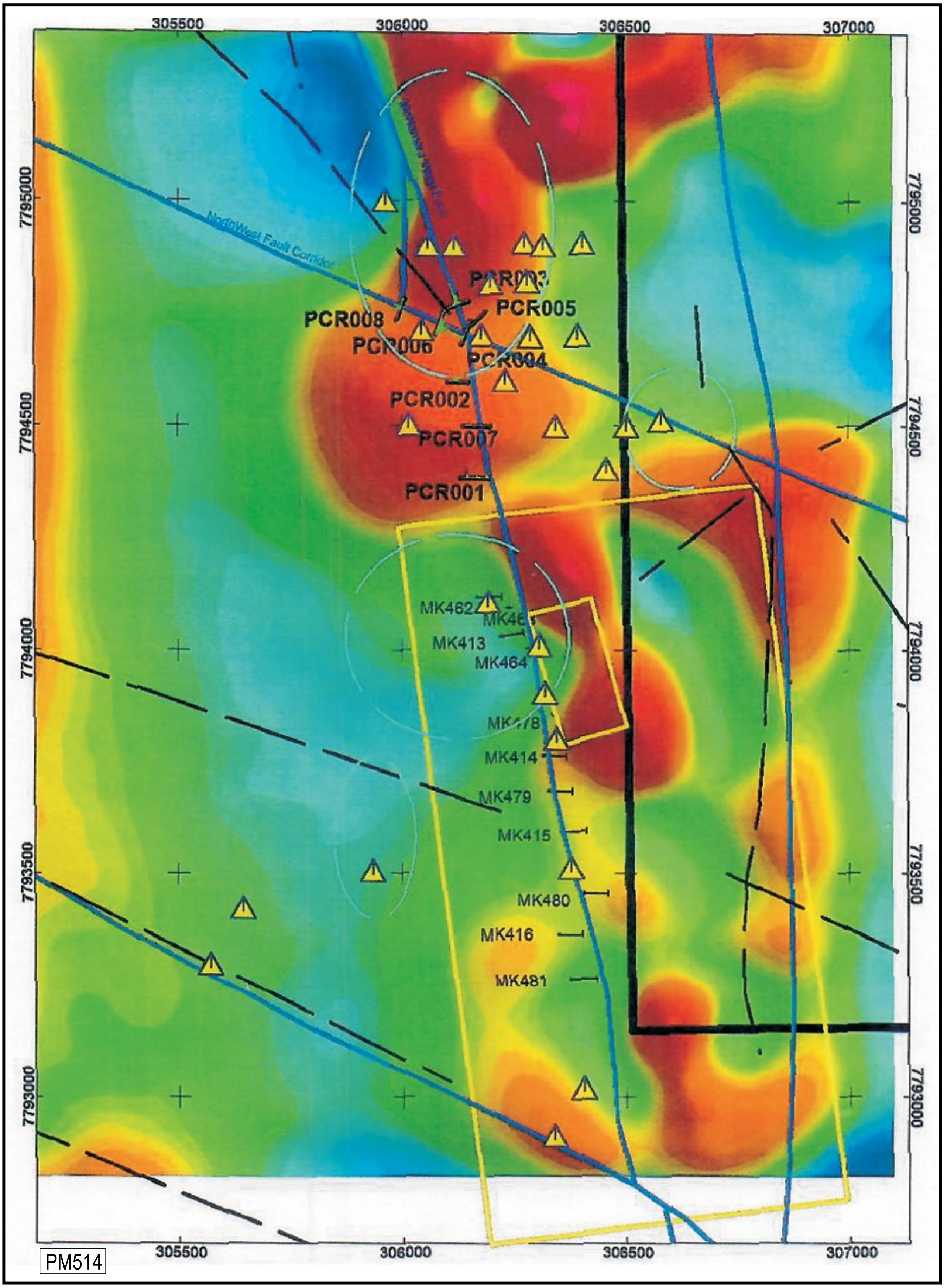
Yellow: Mount Kelly MLs and McLeod Hill MLs (not owned by the Company but subject to Reefway royalty.)

EXPLORATION REVIEW CONTINUED

MAP 2

Map showing Magnetic anomalies, main fault structures and mineralised areas.

Mount Kelly MLs and McLeod Hill MLs (not owned by the Company but subject to Reefway royalty.)



ROYALTY TENEMENT ACTIVITIES

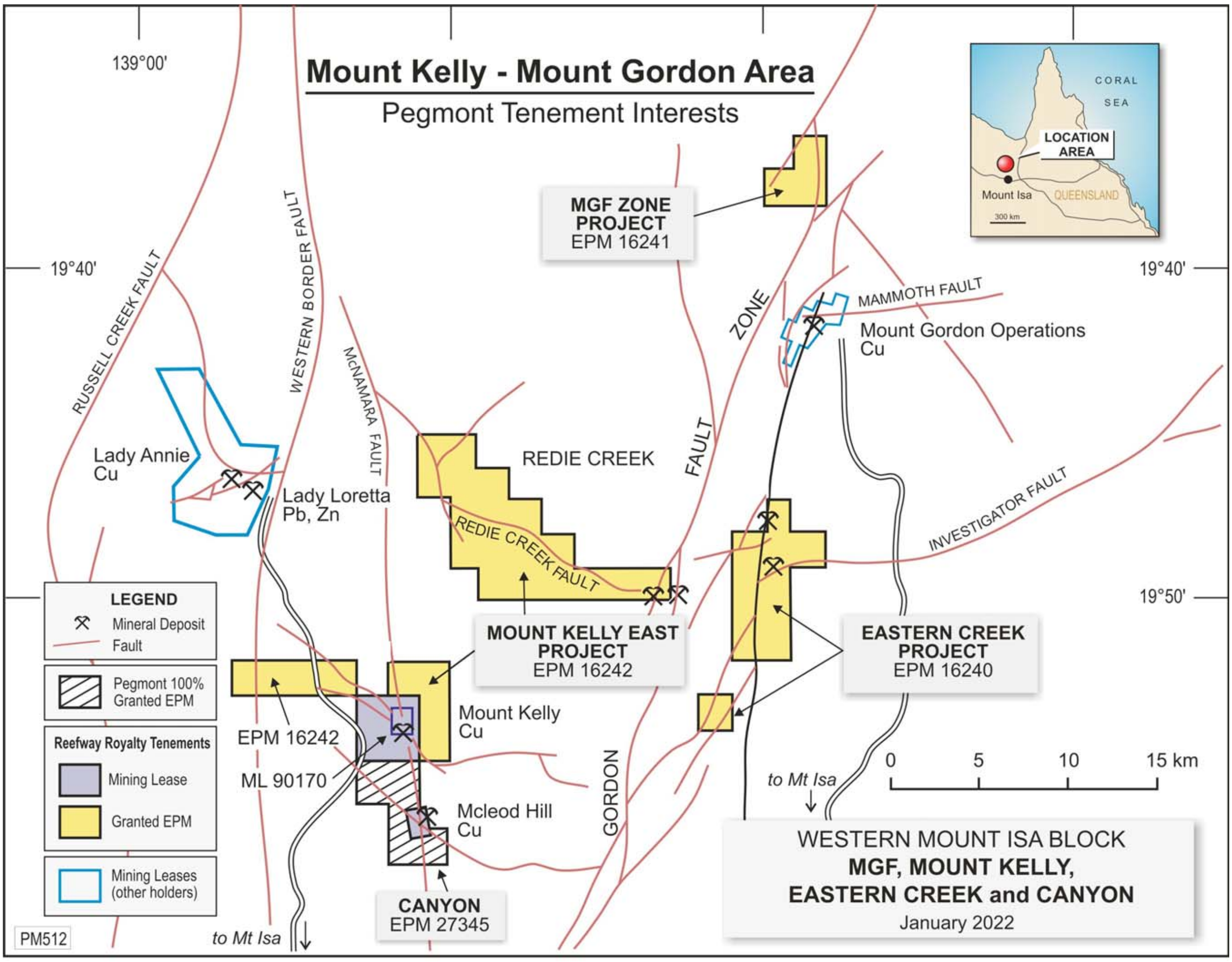
Reefway Royalty Tenements at Mount Kelly

(Pegmont 76.73% of 1% NSR Royalty Interest)

Ownership of the Reefway Royalty Tenements is held by Austral Resources Lady Annie Pty Ltd, outlined in map 3. The royalty becomes payable on copper metal produced from the Reefway tenements when production exceeds 100,000 tonnes. Since commencement of production in 2007, total cathode copper (from oxide ores) exceeds 52,000 tonnes from Mount Kelly. The following map shows a cluster of tenements to the east and south-east of ore processing facilities including an SX-EW plant at Mount Kelly.

MAP 3

EPMs 16240, 16241, 16242 are held by Austral Resources Lady Annie Pty Ltd and are subject to the Reefway Royalty Agreement



The fragmented nature of EPM sub-blocks reflects relinquishments that have taken place since the original Option Agreement in 2005. There remain two main clusters of EPMs surrounding granted Mining Leases. Namely, the Mount Kelly – Mount Gordon Area (Map 3) and the Buckley River Project (Map 4) surrounding the Anthill Mining Lease.

EXPLORATION REVIEW CONTINUED

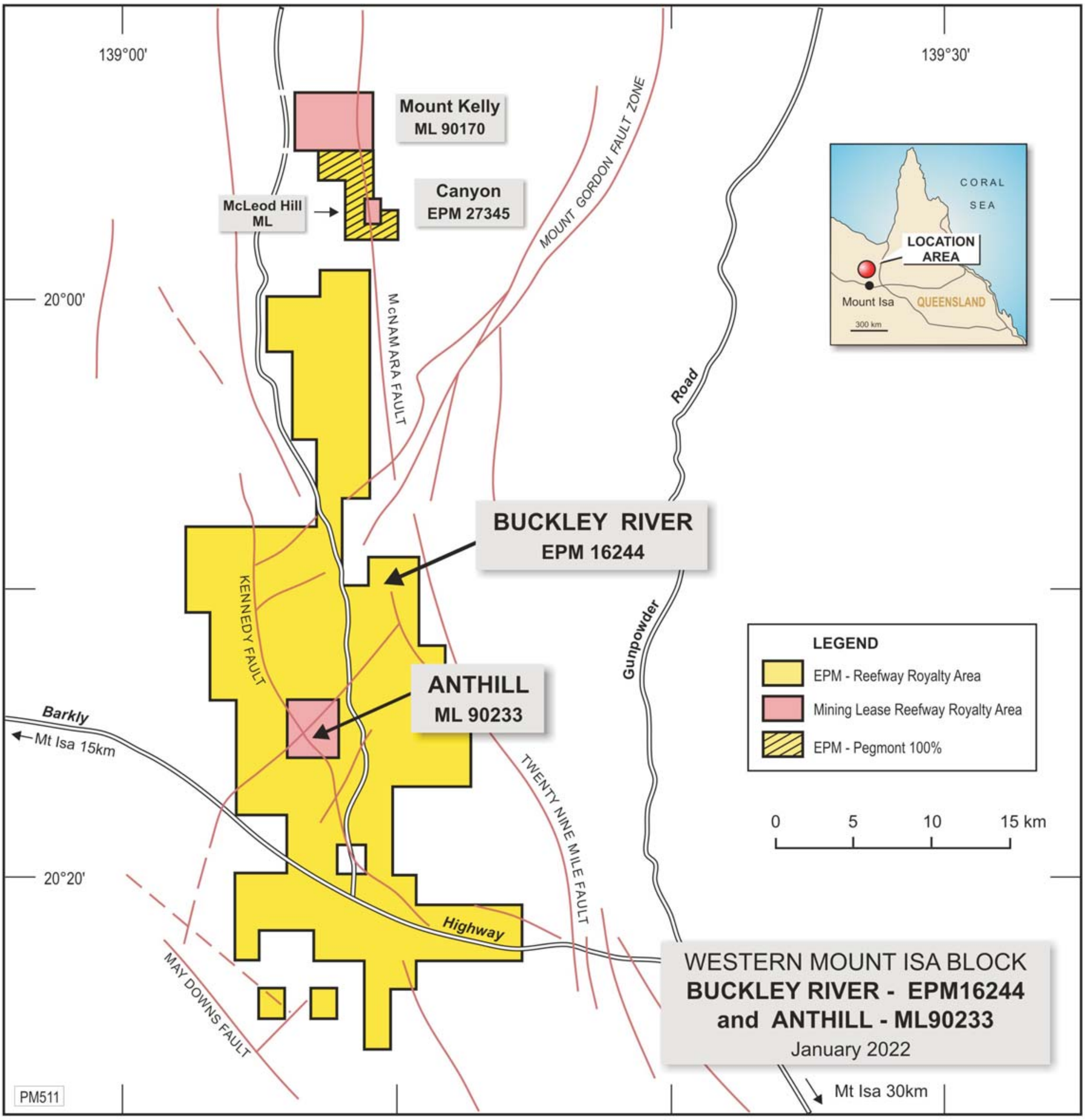
Mount Kelly Operations

The Reefway Royalty Tenements were originally sold to CopperCo Ltd in 2005 that established a solvent extraction-electrowinning (SX-EW) plant at Mount Kelly during 2007, based on resources at Mount Clarke and Flying Horse in ML 90170. Although these deposits are exhausted, acid leaching of the crushed ore heaps produced 1,015.9 tonnes during 2021. Nearby, the Lady Colleen oxide deposit within ML 90170 may become economic to mine at current copper prices. Long-term potential may exist for the underlying primary sulphide mineralisation.

Buckley River EPM 16244

Buckley River Project is located 45 kilometres south of the Mount Kelly SX-EW Plant. It's centred on the Anthill ML 90233 which is being developed by Austral to commence producing ore feed to Mount Kelly Operations.

Apart from Anthill, there are numerous prospects within EPM 16244 with anomalous copper values promising exploration potential. A sealed road connects Anthill and other Buckley River prospects to Mount Kelly operations.



MAP 4

EPM 16244 is held by Austral Resources Lady Annie Pty Ltd (a Reefway Royalty Tenement)

ANTHILL COPPER PROJECT

The Anthill Copper Project (ML 90233), a Reefway Royalty tenement, is being rapidly developed by Austral Resources Australia Limited (ARI) upon its ASX listing on 3 November 2021. Since then Austral has made a series of announcements including:

9 November 2021	Austral to ramp up Anthill Mine development and Mount Kelly plant refurbishment
17 November 2021	Austral commences blasting (of overburden) at Anthill mine
11 January 2022	Austral commenced mining at Anthill
28 January 2022	First copper ore exposed in 26 January, and on track to commence production of 10,000 tonnes/p.a of copper cathode for four years from mid 2022
3 February 2022	Offtake and prepayment agreement secured with Glencore for up to 40,000 tonnes of copper cathode with a $21 million prepayment facility to fund expanded exploration and development activities through 2022

Interested investors should access Austral's website for further details.

The Board is optimistic that Austral will be able to grow minable resources based on exploration potential and be able to produce copper cathode in excess of 10,000 tonnes/p.a, which could trigger the 100,000 tonnes royalty hurdle by 2025.

PEGMONT LEAD-ZINC PROJECT

Vendetta Mining Corp is the owner of the Pegmont Project acquired in June 2019, south of Cloncurry in North-West Queensland, subject to a 1.5% NSR royalty agreement to the Company.

Vendetta has since undertaken drilling and evaluation studies on the Pegmont lead-zinc deposit and has substantially increased resources. Drilling reported on 8 November 2021 achieved significant intersections outside previously reported resources, including Zone 5. During 2022, Vendetta will drill the Hills Zone (previously known as the Bonanza Lode).

To fund their 2022 work program, Vendetta announced on 9 December 2021 a funding agreement with Singapore J&Y Investments Pte Ltd to raise $4.7 million to enhance the current mineral Resource Estimate as summarised below.

Indicated	5,758kt @ 6.5% Pb, 2.6% Zn, 11g/t Ag
Inferred	8,277kt @ 5.1% Pb, 2.8% Zn, 8g/t Ag

Further economic studies are intended as Vendetta works to optimise the economics of the project over a 10 year mine plan.

OUTLOOK FOR 2022

Given the unprecedented uncertainties arising from the continued COVID pandemic and political uncertainties both domestic and international it is surprising that the Australian economy is performing so well. However, financial market volatility is cause for caution. For this reason we have cut back exploration activities and plan to eke out our diminishing financial resources over the next four years to 2025. Administration costs will also be reduced.

FORECAST INCOME/EXPENDITURE – 2022

	Actual 2021 $000	Forecast 2022 $000
Share trading profit/(loss)	(25,061)	–
Interest and Dividends	7,284	4,000
Total Income	(17,777)	4,000
Exploration		
Royalty Asset	100,000	–
Canyon	(224,494)	(11,000)
Regional – Mount Kelly	(23,125)	(9,000)
Other	(34,219)	(4,000)
Administration	(304,624)	(250,000)
Total Expense	(486,462)	(274,000)
Net Loss	(504,239)	(270,000)
Working Capital[1]	1,398,755	1,128,755
Cash Balances	1,363,730	1,094,000

1. Working Capital payments during 2021 included repayment in full of $200,000 Director's advance to the Company incurred in 2014.

Cash balance at end of 2022 is estimated at $1,094,000.

FINANCIAL CONDITION

The Company's Consolidated Net Assets at 31 December 2021 were $1,698,755, including a $100,000 revaluation of the Reefway Royalty tenements to $200,000. There was a decrease of $504,233, summarised as follows:

	2021 $000	2020 $000
Current assets	1,422	2,234
Current liabilities	23	231
Working Capital	1,399	2,003
Non-Current assets	300	200
Non-Current liabilities	–	–
Net assets	1,699	2,203
Cents/share	2.3	3.0

WORKING CAPITAL

Working Capital declined by $604,000 to $1,398,755 or 1.9 cents per share thus the Company has adequate working capital to fund all intended expenditure including exploration. No royalty receipts are expected.

The Company's forward liquidity situation is reviewed regularly via preparation of a rolling four year cash flow forecast to 2025 based on known data.

NON-CURRENT ASSETS

	2021 $000	2020 $000
Reefway Royalty Agreement	200	100
Pegmont Royalty Agreement	100	100
	300	200

The Reefway Royalty Agreement was revalued because Austral is developing the Anthill copper mine into production with the intention of producing 10,000 tonnes of cathode copper annually. Also, Austral intends to undertake an active exploration program to increase output/life of mine, which could expedite future royalties.

TENEMENT ACTIVITY

The Company has only one granted tenement, EPM 27345 (Canyon).

The following tenements were surrendered:

Templeton	EPM 26647
Mingera	EPM 27113
Battle Creek	EPM 27255

Royalty Interests

1.5% NSR	Pegmont Project – lead-zinc-silver
0.77% NSR	Reefway tenements – copper

SURRENDERED TENEMENTS

Templeton and Mingera

were optioned out to South 32 Limited who undertook soil sampling to confirm previous work, and generate targets. Sample results were of no interest and they terminated their option.

Battle Creek

Additional rock chip sampling provided a low tenor of copper values. Geophysical review indicated deeper and less defined magnetic targets than Canyon, so it was surrendered.

Mount Kelly

regional review of known copper deposits was undertaken to benchmark target areas in Canyon. This work has defined a large magnetic anomaly with some radiometric anomaly overlay and adjacent to the area of recent drilling. These anomalies accord with other copper deposits in the region, and provide a promising drill target.

TENEMENT SUMMARY

Granted	Area	Date of Grant	Date of Expiry
EPM 27345	5 s/b	18/06/2020	17/06/2025

EXPENDITURE COMMITMENT

EPM 27345	Year 2	$122,000

Total expenditure to date is $60,000 above tenement obligation for Year 1 and 2 combined, thus reducing required expenditure in 2022.

SUMMARY OF FINANCIAL RESULTS

Financial results as at 31 December		2021 $000	2020 $000	2019 $000	2018 $000	2017 $000
Gross Trading Revenue		7	10	15	24	24
Net Trading Profit/(Loss)		(18)	21	53	11	(6)
Option Receipts		–	–	315	1,750	350
Exploration Recovery		100	–	2,106	428	–
Exploration		(282)	(269)	(568)	(232)	(81)
Administration		(304)	(282)	(388)	(311)	(203)
Depreciation		–	–	(20)	(20)	(30)
Net Profit/(Loss) before tax		(504)	(530)	1,498	1,626	30
Net Profit/(Loss) after tax		(504)	(530)	1,498	1,626	30
Cash		1,364	2,204	2,930	1,654	383
Investments		40	8	17	16	21
Working Capital		1,399	2,003	2,533	1,718	225
Total Assets		1,722	2,434	3,214	5,402	3,750
Total Liabilities		23	231	481	564	538
Shareholders' Funds		1,699	2,203	2,733	4,838	3,212
Contributed Equity		4,542	4,542	4,542	4,512	4,512
Earnings per share (E)	cents	(0.7)	(0.7)	2.07	2.2	–
Dividends per share	cents	–	–	2.25	–	–
Net Tangible Assets per share	cents	2.3	3.0	3.8	6.2	4.4
Working Capital per share	cents	1.9	2.8	3.5	2.4	0.3
Share Price (last sale)	cents	5.0	5.0	5.0	6.1	6.9
Price Earnings ratio P/E	–	-ve	-ve	2.4	2.8	–
Shares on Issue	000	72,317	72,317	72,317	71,817	71,817

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 $12,281,000 (after provisions) over seventeen years from Gross Trading Revenue of $122,751,000 at an average margin of 10.0% on turnover. During this period the Company has expended funds on exploration $7,873,000, administration $8,017,000, taxation $4,629,000 and distributed dividends of $3,002,000, being 5.00 cents per share or 66.1% of contributed equity.

The current business model of the Company incorporates share trading to contribute to administration costs. 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 during 2021 also curtailed such activity. However, with economic stabilisation and world growth expected during 2022, investment opportunities, without undue risk, are likely to arise. We will look for such opportunities in well managed companies listed on the ASX.

Our ethos is to live within our means, and to take opportunities when they come without undue risk.

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 (Article71(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."

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 tota 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.

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 2021.

Voting and comments made at the Company's 2020 Annual General Meeting

The Company received approximately 100% of "yes" votes on its remuneration report for the 2020 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, 2021 and the state of affairs at that date.

DIRECTORS

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

Mr. Peter J Read – Non-Executive Chairman

Mr. Malcolm A Mayger – Managing Director

Mr. Hadyn G Oriti – Non-Executive Director

Mr. Richard Woods – (Alternate for Mr Malcolm A Mayger)

PRINCIPAL ACTIVITY

The principal activities of the Company in the course of the year were mineral exploration and resource investment. The Company's business remained the same during the year.

OPERATING RESULTS

The consolidated loss after providing for income tax amounted to $504,239 (2020, $530,406).

DIVIDENDS

No dividend was paid during the year. (2020 NIL.)

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 'Company Activities during 2021' 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 'Company Activities during 2021'.

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 2021.

OPTIONS OVER UNISSUED CAPITAL

The total number of options issued as at 31 December 2021 was NIL (2020– NIL).

At 31 December 2021 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 2021.

REMUNERATION REPORT

MEETING OF DIRECTORS

During the financial year, 6 meetings of directors were formally held. The number of meetings attended by each director during the year is as follows:

Mr. John M Armstrong	3
Mr. Malcolm A Mayger	6
Mr. Peter J Read	6
Mr. Richard Woods	4
Mr. Hadyn Oriti	4

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

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

READ, Peter J

(Non-Executive Chairman) BEc, FAICD

Mr. Peter J Read, aged 82 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.

MAYGER, Malcolm A

(Executive Managing Director) BCom, CA, FAICD

Mr. Mayger, aged 82 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.

ORITI, Hadyn G

Mr. Haydn Oriti, aged 59, is a practising solicitor in Port Macquarie with experience in commercial investments.

WOODS, Richard S

(Alternate for Mr. M A Mayger)

Mr Richard S Woods, aged 69, is a Chartered Accountant and a former partner of Walker Wayland NSW Chartered Accountants for 27 years.

ARMSTRONG, John M

(Retired 27 May 2021) BSc, MBA, FFin, FAICD

Mr. Armstrong, aged 85 is a professional company director with over 40 years of experience in investment banking and resource finance at senior management and director levels.

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:

a) Consulting fees paid to Malcolm A Mayger Pty Ltd, an entity of which Mr. Malcolm Mayger is a Director and shareholder.

b) Consulting fees paid to Armstrong Associates Pty Limited, an entity of which Mr. John Armstrong is a Director and shareholder.

c) Peter Read Consulting fees are paid to a jointly held bank account.

d) Chris Leslie consulting fees paid to a business 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.

DIRECTORS' REPORT CONTINUED

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						
2021	16,200	–	–	–	–	16,200
2020	40,000	–	–	–	–	40,000
Malcolm Mayger						
2021	60,000	–	–	–	–	60,000
2020	60,000	–	–	–	–	60,000
Peter Read						
2021	35,833	–	–	–	–	35,833
2020	30,000	–	–	–	–	30,000
Hadyn Oriti						
2021	18,103	–	–	–	–	18,103
2020	–	–	–	–	–	–
Other key management personnel						
Chris Leslie						
2021	30,629	–	–	–	–	30,629
2020	36,096	–	–	–	–	36,096
Total key management personnel compensation						
2021	160,765	–	–	–	–	160,765
2020	166,096	–	–	–	–	166,096

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 31/12/2020	Acquired/(Disposed) during the year	Shares at 31/12/2021
P J Read	Direct	100,000	–	100,000
	Indirect	–	–	–
M A Mayger	Direct	500,000	–	500,000
	Indirect*	38,543,333	–	38,543,333
H J Oriti	Direct	–	–	–
	Indirect	–	–	–
R S Woods (Alternate Director)	Direct	–	–	–
	Indirect	137,000	–	137,000
		39,280,333	**–**	**39,280,333**

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

This is the end of the Remuneration report.

Signed: at Sydney in accordance with a resolution of Directors

Malcolm A Mayger
15 March 2022

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 2021 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
15 March 2022

Financial Statements

For the year ended
31 December 2021

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	CONSOLIDATED 2021 $	CONSOLIDATED 2020 $	PARENT ENTITY 2021 $	PARENT ENTITY 2020 $
Revenue from continuing operations					
Gross revenue from share trading		–	9,994	–	9,994
Cost of sales		–	42,030	–	42,030
Revenue/(loss) from sale of shares		–	(32,036)	–	(32,036)
Fair value gain/(loss) on financial assets	2	(25,061)	25,356	(25,061)	25,356
Net trading profit/(loss) after provisions		(25,061)	(6,680)	(25,061)	(6,680)
Revaluation of royalty assets		100,000	-	100,000	-
Interest received or due and receivable from other Corporations		7,284	27,375	7,284	27,375
		82,223	20,695	82,223	20,695
Expenses from continuing operations					
Audit fees		(16,000)	(20,000)	(16,000)	(20,000)
Directors fees		(130,135)	(130,000)	(130,135)	(130,000)
Exploration written off		(281,838)	(268,843)	(281,838)	(268,843)
Stock exchange fees		(16,177)	(19,190)	(16,177)	(19,190)
Share registry fees		(9,277)	(7,675)	(9,277)	(7,675)
Secretarial & office expenses		(34,378)	(36,095)	(34,378)	(36,095)
Other expenses from ordinary activities		(98,657)	(69,298)	(98,657)	(69,298)
		(586,462)	(551,101)	(586,462)	(551,101)
Profit (Loss) before income tax		(504,239)	(530,406)	(504,239)	(530,406)
Income tax attributable		–	–	–	–
Total Comprehensive Profit/(Loss) attributable to members of Pegmont Mines Ltd		(504,239)	(530,406)	(504,239)	(530,406)
Earnings per share for profit attributable to the ordinary equity holders of the Company	18	(0.007)	(0.007)	(0.007)	(0.007)

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

BALANCE SHEET

AS AT 31 DECEMBER 2021

	NOTES	CONSOLIDATED 2021 $	CONSOLIDATED 2020 $	PARENT ENTITY 2021 $	PARENT ENTITY 2020 $
Current Assets					
Cash and cash equivalents	3	1,363,730	2,204,450	1,363,727	2,204,447
Receivables	4	17,902	21,834	17,902	21,834
Financial assets at fair value through profit or loss	5	40,000	7,742	40,000	7,742
Total Current Assets		1,421,632	2,234,026	1,421,629	2,234,023
Non-Current Assets					
Financial assets at fair value through other comprehensive income	6	–	–	3	3
Royalty assets	7	300,000	200,000	300,000	200,000
Total Non-Current Assets		300,000	200,000	300,003	200,003
Total Assets		1,721,632	2,434,026	1,721,632	2,434,026
Current Liabilities					
Payable	8	22,877	31,032	22,877	31,032
Loans		–	200,000	–	200,000
Total Current Liabilities		**22,877**	**231,032**	**22,877**	**231,032**
Total Liabilities		22,877	231,032	22,877	231,032
Net Assets		1,698,755	2,202,994	1,698,755	2,202,994
Equity					
Contributed equity	9	4,541,607	4,541,607	4,541,607	4,541,607
Reserves	10	2,200,000	2,200,000	2,200,000	2,200,000
Retained profits	10	(5,042,852)	(4,538,613)	(5,042,852)	(4,538,613)
Total parent entity interest		**1,698,755**	**2,202,994**	**1,698,755**	**2,202,994**
Outside equity interests in controlled entities		–	–	–	–
Total Equity		**1,698,755**	**2,202,994**	**1,698,755**	**2,202,994**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	CONSOLIDATED		PARENT ENTITY	
	2021 $	2020 $	2021 $	2020 $
Total equity at the beginning of the financial year	2,202,994	2,733,400	2,202,994	2,733,400
Total recognised income and expense for the year	(504,239)	(530,406)	(504,239)	(530,406)
Total equity at the end of the financial year	1,698,755	2,202,994	1,698,755	2,202,994
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	(504,239)	(530,406)	(504,239)	(530,406)
	(504,239)	(530,406)	(504,239)	(530,406)

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 2021

	NOTES	CONSOLIDATED 2021 $	CONSOLIDATED 2020 $	PARENT ENTITY 2021 $	PARENT ENTITY 2020 $
Cash Flows from Operating Activities					
Cash receipts in the course of operations		7,284	37,369	7,284	37,369
Cash payments in the course of operations		(304,624)	(324,288)	(304,624)	(324,288)
Net cash from operating activities	16	**(297,340)**	**(286,919)**	**(297,340)**	**(286,919)**
Cash Flows from Investing Activities					
Financial assets decrease		(57,319)	34,289	(57,319)	34,289
Decrease in non-current assets		–	–		–
Exploration expenditure		(281,838)	(268,843)	(281,838)	(268,843)
Net cash provided for investing activities		**(339,157)**	**(234,554)**	**(339,157)**	**(234,554)**
		(636,497)	(521,473)	(636,497)	(521,473)
Cash Flows from Financing Activities					
Increase/(decrease) in creditors		(8,155)	(150,341)	(8,155)	(150,341)
(Increase)/decrease in debtors		3,932	46,397	3,932	46,397
Increase/(decrease) in loans		(200,000)	(100,000)	(200,000)	(100,000)
Net cash flow from financing activities		**(204,223)**	**(203,944)**	**(204,223)**	**(203,944)**
Net increase (decrease) in cash and cash equivalents		**(840,720)**	(725,417)	**(840,720)**	(725,417)
Cash and cash equivalents at the beginning of the financial year		2,204,450	2,929,867	2,204,447	2,929,864
Cash and cash equivalents at the end of the financial year	15	**1,363,730**	**2,204,450**	**1,363,727**	**2,204,447**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 January 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

b) 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 Australian Accounting Standards 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.

c) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Pegmont Mines Ltd ("the Company") as at 31 December 2021 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.

d) 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 substantively enacted 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.

e) 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.

f) 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.

g) 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.

h) 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.

i) 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.

j) Trade and Other Receivables

Trade and other receivables are recognized 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.

k) 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.

l) 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. All repairs and maintenance expenses are written off as occurrence.

m) Investments and Other Financial Assets

The Group classifies its investments in the following categories: loan and receivables, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

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.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

m) Investments and Other Financial Assets (cont)

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs. Refer to note 21 for further information.

n) 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.

o) 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.

p) 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.

q) 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.

r) 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.

s) 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.

t) 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.

u) 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.

v) 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.

w) 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 2021, the carrying value of royalty assets of the group was $300,000 (2020 – $200,000).

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

	CONSOLIDATED		PARENT ENTITY	
	2021 $	2020 $	2021 $	2020 $
2. OTHER INCOME				
Net fair value gain/(loss)	(25,061)	(6,680)	(25,061)	(6,680)
3. CASH AND CASH EQUIVALENTS (CURRENT)				
Cash at bank and on hand	369,017	461,466	369,014	461,463
Cash on deposit	994,713	1,742,984	994,713	1,742,984
	1,363,730	**2,204,450**	**1,363,727**	**2,204,447**
4. TRADE AND OTHER RECIEVABLES (CURRENT)				
Security deposits DME & rental bond	4,500	4,500	4,500	4,500
Other debtors	3,992	254	3,992	254
GST control account	9,410	17,080	9,410	17,080
	17,902	**21,834**	**17,902**	**21,834**
5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CURRENT)				
Quoted Shares	40,000	7,742	40,000	7,742
Unlisted Investments – at fair value	–	–	–	–
Closing balance at 31 December	40,000	**7,742**	**40,000**	**7,742**
6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NON–CURRENT)				
Shares in controlled entities	–	–	3	3

7. ROYALTY ASSETS (NON-CURRENT)

	CONSOLIDATED 2021 $	CONSOLIDATED 2020 $	PARENT ENTITY 2021 $	PARENT ENTITY 2020 $
Pegmont Lead-Zinc project royalty at fair value	100,000	100,000	100,000	100,000
Reefway Pty Ltd royalty at fair value	200,000	100,000	200,000	100,000
At Fair Value	300,000	200,000	300,000	200,000

The company has two royalty projects located at Pegmont and Mount Kelly(Reefway Royalty) in the Mt Isa region. Royalty amounts are payable after certain production amounts are reached on both projects. The Directors' have assessed the fair value of the Pegmont royalty project of $100,000 at 31/12/2021and increased the fair value of the Reefway royalty project to be $200,000 following the operators announcement of the commencement of the development of the Anthill Copper Project with mining of ore expected to commence in April 2022.

The Company's activities in the mining industry are subject to regulation and approval 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.

8. TRADE AND OTHER PAYABLES (CURRENT LIABILITIES)

	CONSOLIDATED 2021 $	CONSOLIDATED 2020 $	PARENT ENTITY 2021 $	PARENT ENTITY 2020 $
Trade creditors and accruals	22,877	31,032	22,877	31,032

9. ORDINARY SHARES – FULLY PAID

	PARENT ENTITY Number	2021 $	Number	2020 $
	72,316,556	4,541,607	72,316,556	4,541,607

There were no shares or options issued during the year.

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.

10. RESERVES AND RETAINED EARNINGS

	CONSOLIDATED 2021 $	CONSOLIDATED 2020 $	PARENT ENTITY 2021 $	PARENT ENTITY 2020 $
a) Reserves				
Asset Revaluation Reserve	200,000	200,000	200,000	200,000
Capital Profit Reserve	2,000,000	2,000,000	2,000,000	2,000,000
	2,200,000	2,200,000	2,200,000	2,200,000
b) Retained Earnings				
Balance 1 January	(4,538,613)	(4,008,207)	(4,538,613)	(4,008,207)
Profit/(Loss) for the year after related income tax expense	(504,239)	(530,406)	(504,239)	(530,406)
Balance 31 December	(5,042,852)	(4,538,613)	(5,042,852)	(4,538,613)

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 FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

11. 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, Peter J Read, Hadyn G Oriti and Richard S Woods (Alternate for Malcolm A Mayger)

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 at the end of the financial period
Shares				
M A Mayger	39,043,333	–	–	39,043,333
P J Read	100,000	–	–	100,000
R S Woods	137,000	–	–	137,000
Total shares	**39,280,333**			**39,280,333**

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

During the year the Company repaid an interest free, payable on demand loan of $200,000 from Malcolm A Mayger Pty Ltd, a company associated with Mr Mayger, a Director of Pegmont Mines Limited.

12. SEGMENTAL INFORMATION

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

13. REMUNERATION OF DIRECTORS

			CONSOLIDATED		PARENT ENTITY	
Type of transaction	Related party–directors	Terms and conditions	2021 $	2020 $	2021 $	2020 $
Directors' fees	MA Mayger	Normal commercial	60,000	60,000	60,000	60,000
Directors' fees	JM Armstrong	Normal commercial	16,200	40,000	16,200	40,000
Directors' fees	PJ Read	Normal commercial	35,833	30,000	35,833	30,000
Directors' fees	H G Oriti	Normal commercial	18,103	–	18,103	–

14. CONTROLLED ENTITIES

			BOOK VALUE		EQUITY		CONTRIBUTION TO GROUP	
Name	Inc	Class	2021 $	2020 $	2021 %	2020 %	2021 $	2020 $
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							(504,239)	(530,406)
Profit (loss) for year – group							(504,239)	(530,406)
Loans to (from) subsidiaries				–				
Provision for loss			(221,357)	(221,357)				
Parent net investment in subsidiaries			3	3				

15. 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:

	CONSOLIDATED		PARENT ENTITY	
	2021 $	2020 $	2021 $	2020 $
Cash at bank	369,017	461,466	369,014	461,463
Call deposits	994,713	1,742,984	994,713	1,742,984
	1,363,730	**2,204,450**	**1,363,727**	**2,204,447**

Cash at bank bear a weighted average interest rate of 1%.

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

	CONSOLIDATED		PARENT ENTITY	
	2021 $	2020 $	2021 $	2020 $
Operating Profit (Loss)	(504,239)	(530,406)	(504,239)	(530,406)
Exploration	281,838	268,843	281,838	268,843
Unrealised loss on investments	25,061	(25,356)	25,061	(25,356)
Revaluation of royalty assets	(100,000)	–	(100,000)	–
Net cash provided for operating activities	**(297,340)**	**(286,919)**	**(297,340)**	**(286,919)**

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

17. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2021 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 2021.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

	CONSOLIDATED		PARENT ENTITY	
	2021 $	2020 $	2021 $	2020 $
18. EARNINGS PER SHARE (EPS)				
a) Basic Earnings per share				
Earnings attributable to the ordinary equity holders of the Company	(0.007)	(0.007)	(0.007)	(0.007)
b) Earnings used in calculating earnings per share				
Earnings attributable to the ordinary equity holders of the Company	(504,239)	(530,406)	(504,239)	(530,406)
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	72,316,556	72,316,556	72,316,556	72,316,556

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

19. 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				
	Weighted Average Effective Interest Rate %	Variable Interest $	Less than 1 year $	1 to 2 years $	Non-interest Bearing $	Total $
2021						
Financial assets	–	–	–	–	–	–
Cash	–	–	–	–	369,017	369,017
Interest bearing deposits	1	–	994,713	–	–	994,713
Receivables	–	–	–	–	17,902	17,902
			994,713		386,919	1,381,632
Financial liabilities						
Accounts payable	–	–	–	–	**22,877**	**22,877**

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.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly c indirectly.

Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
2021				
Consolidated Assets	40,000	–	–	**40,000**
Ordinary shares at fair value through profit or loss				
Parent Entity	–	3	–	**3**
Ordinary Shares at fair value through other comprehensive income	40,000	3	–	**40,003**
2020				
Consolidated Assets	7,742	–	–	**7,742**
Ordinary shares at fair value through profit or loss				
Parent Entity	–	3	–	**3**
Ordinary Shares at fair value through other comprehensive income	7,742	3	–	**7,745**

Financing arrangements

The Company has no financing facilities available.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2021

	CONSOLIDATED		PARENT ENTITY	
	2021 $	2020 $	2021 $	2020 $
20. AUDITOR'S REMUNERATION				
Amount received or due and receivable by the auditor for:				
a) Audit services				
Audit and review of financial reports under the *Corporations Act 2001*	20,000	20,000	20,000	20,000
b) **Non- Audit services**	–	–	–	–
Total remuneration of auditors	**20,000**	20,000	**20,000**	20,000

The auditor of the Company and its subsidiaries is Rothsay Auditing.

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 confirms that no non-audit services have been provided by the auditor.

21. EXPENDITURE COMMITMENTS

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2022 amounts of approximately $122,000 (2021 $193,300) in respect of tenement lease rentals and minimum exploration expenditure commitments. Expenditure on EPM 26647 Templeton, EPM 27113 Mingera and EPM 27255 Battle Creek are not included as those tenements are in the process of surrender.

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INDEPENDENT AUDITOR'S 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 controlled entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2021, 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.

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 2021 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 (including Independence Standards)* (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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

PEGMONT MINES LIMITED (continued)

Key Audit Matter - Cash and Cash Equivalents	***How our Audit Addressed the Key Audit Matter***
The Group's cash and cash equivalents make up 96% of total assets by value and are considered to be the key driver of the Group's operations. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, however due to the materiality in the context of the financial statements as a whole, this is 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 Group's cash and cash equivalents included but were not limited to: • Documenting and assessing the processes and controls in place to record cash transactions; • Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and • Agreeing significant cash balances to independent third-party confirmations. We have also assessed the appropriateness of the disclosures included in the financial report.
Key Audit Matter - Royalty Assets	***How our Audit Addressed the Key Audit Matter***
The Group has two royalty projects: one with Vendetta Mining Corp, and the other with a subsidiary of Austral Resources Australia Limited. One of the projects was revalued in the current year based on the scheduled developments by the operator.	Our procedures over the valuation of the royalty assets included, but was not limited to: • Reviewing the management's assessment of the project valuation for reasonableness of inputs; • Reviewing the compliance of the valuation technique and presentation in the financial statements of the Group in accordance with AASB 15 *Revenue from Contracts with Customers*.

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 2021, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

PEGMONT MINES LIMITED (continued)

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

PEGMONT MINES LIMITED (continued)

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 2021.

In our opinion the remuneration report of Pegmont Mines Limited for the year ended 31 December 2021 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

Rothsay Auditing

Dated 17 March 2022

Donovan Odendaal
Partner

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*

As lead auditor of the audit of Pegmont Mines Limited for the year ended 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

- **no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and**
- **no contraventions of any applicable code of professional conduct in relation to the audit.**

This declaration is in respect of Pegmont Mines Limited and the entities it controlled during the year.

Rothsay Auditing

Donovan Odendaal
Partner
17 March 2022

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AUSTRALIA + NEW ZEALAND

SUPPLEMENTARY INFORMATION

1. Issued Capital at 31 December 2021: 72,316,556 Ordinary Shares Fully paid

2. Share Holdings at 1 February 2022

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	125	4,198,039
100,000 and over	58	67,366,517
	260	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
R S Woods	Direct	–
	Indirect	137,000
P J Read	Direct	100,000
	Indirect	–
M A Mayger	Direct	500,000
	Indirect*	38,543,333
Total Shares		39,280,333

* Includes Pegasus Enterprises Limited.

Top Twenty Shareholders at 1 February 2022

	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
Bedel & Sowa Corp Pty Ltd	2,812,500	3.89
Gollum Opportunities Pty Ltd	2,450,162	3.39
Bayerisch Super Pty Ltd (Bayerisch Fam Priv SF A/C)	2,341,375	3.24
Lozora Pty Ltd	2,000,000	2.77
David Hewitt	1,482,750	2.05
HSBC Custody Nominees (Australia) Ltd	1,340,000	1.85
Longbrow Croft Capital P/L (R C Bishop S/F A/C)	1,330,000	1.84
Scepha Investments Pty Ltd	1,125,000	1.56
Perpetual Trustee Company Ltd	800,000	1.11
Mrs Dolores Holland	759,000	1.05
Mr Andrew George Poulos	585,000	0.81
Netwealth Investments Ltd (Wrap Services A/C)	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 DIRECTORY

PEGMONT MINES LIMITED
ABN 97 003 331 682

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C-/- Walker Wayland Services P/L
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Listed on The National Stock Exchange of Australia
Code: PMI

Directors

Peter J Read	Non-Executive Chairman
Malcolm A Mayger	Managing Director
Hadyn G Oriti	Non-Executive Director
Richard S Woods	Alternate Director

Company Secretary
Christopher D Leslie

Share Registry
C/- Computershare Investor Services Pty Ltd

Shareholder enquiries:
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Facsimile: (03) 9473 2500
Email: web.queries@computershare.com.au

Auditors
Rothsay Chartered Accountants
Level 1, 4 Ventor Avenue,
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Telephone: (08) 9486 7094

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ABN 97 003 331 682