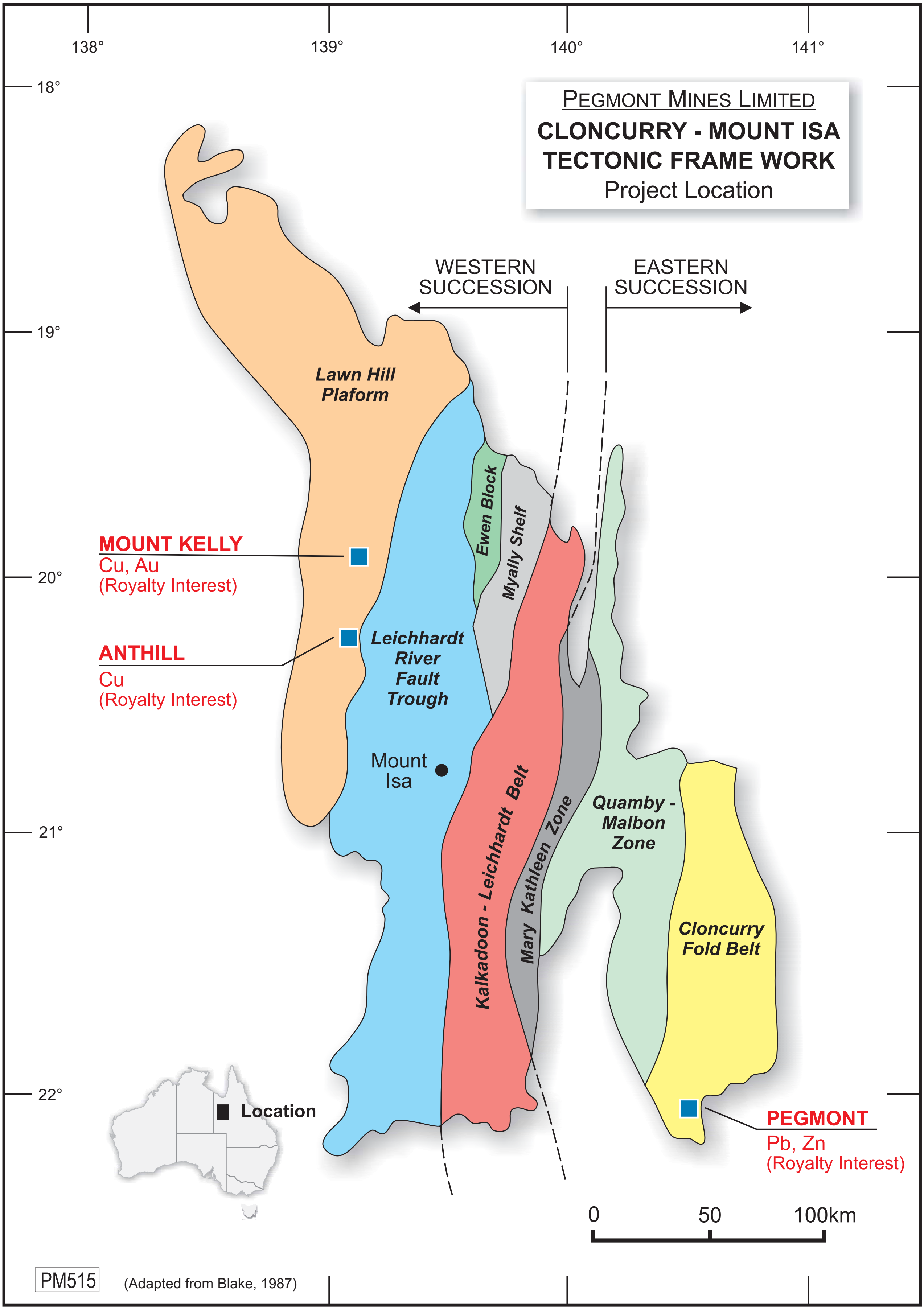
PEGMONT MINES LIMITED

Annual Report
2022

For the year ended
31 December 2022

PEGMONT MINES LIMITED
ABN 97 003 331 682


PEGMONT MINES LIMITED
CLONCURRY - MOUNT ISA
TECTONIC FRAME WORK
Project Location
138°
139°
140°
141°
18°
19°
20°
21°
22°
WESTERN
SUCCESSION
EASTERN
SUCCESSION
Lawn Hill
Plaform
MOUNT KELLY
Cu, Au
(Royalty Interest)
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
PM515
(Adapted from Blake, 1987)

MAP 1

CHAIRMAN'S REVIEW

TRANSITIONING TOWARDS A SUSTAINABLE FUTURE

Pegmont Mines Ltd. has made changes to prepare for the future.

Overview

In the Boardroom, I have been appointed Chair and John Montgomerie (Chartered Accountant) appointed Non-Executive Director. Mr. Peter Read after many years of service resigned on 31 December2022. We thank Peter for his contribution to the company and wish him well. Mr. Malcolm Mayger continues as Managing Director.

The Board has set out a four-year plan to limit expenditure and, as best we can, preserve cash resources. After that time, it is expected that income, by way of royalty flows, will commence from Austral Resources.

The company did not have any drill success in the exploration of Templeton project and more recently at Canyon near Mount Kelly. This has highlighted the need to limit the funds applied to exploration. The Board has determined to suspend exploration activity until cash liquidity is restored.

Implementation of the Patient Investing strategy commenced during the year and resulted in a Trading Profit of $25,267, plus interest and dividends of $5,281 on $200,000 set aside for this purpose. We are pleased with this result and seek to continue with this strategy.

Exploration

Exploration expenditure was only $58,968, spent mainly on assay results and a review from a limited MMI (mobile metal ion) soil survey in EPM 27345 (Canyon). This review resulted in seven anomalous areas requiring more detailed sampling, none of which had stand-out values. A minimum follow up program could cost between $200,000 and $250,000, including drilling. There is no assurance of locating any economic copper grades. Consequently, the Board resolved to surrender the tenement and not undertake further exploration activity activities for the time being.

Austral Resources commenced mining activities at Anthill in March and has since sold 3,848t of Cathode Copper plate sourced from Reefway tenements during the year included in 4,423t total sales during 2022. The leach pads are rapidly becoming more efficient with reported output of leachate producing 1,000t of CC plate in January 2023. This is an encouraging result, which, if maintained, could result in an accumulative copper result of 65,000t by year-end, leaving a balance of 35,000t before commencement of the payment of royalties to Pegmont Mines.

Austral Resources has announced an exploration budget of $7 million to drill 22,400m (over $300/m) of which 9,800m has been allocated to our royalty tenements, including Mt Kelly, Lady Colleen and Anthill, all in granted Mining Leases. This expedites early development. Accordingly, we view it as highly likely that they will be able to increase metal production and sales towards name plate capacity of 20,000t–30,000tpa. Their exploration activity is providing a great substitute for our own efforts.

Patient Investing

December quarter experienced a very strong stock market which enabled us to recover previous loss provisions and earn a small realized profit and an overall trading profit of $25,267. At year end, we were holding one investment of $61,000, plus cash $151,235. Since 1 January 2023, we have cautiously made small investments in two other ASX listed growth stocks, in lithium exploration, and gold production. We consider their strong desire to grow should overcome current market volatility.

The Board has considered whether it is in the interests of the company to seek to raise capital. The outcome of that is that it is not something we are contemplating at this point as we do not consider it would be in the interests of shareholders to do so.

Auditors

To date our auditors have been Perth based. We consider it is in the interests of the Company that we secure experienced auditors located close to the directors in Port Macquarie who will be able to provide strong independent, comprehensive auditing skills as well as cost savings to the Company.

We have sought the consent of NorthCorp Chartered Accountants to act as the company's auditors.

Hadyn Oriti

Chairman

OUR TEAM

BOARD OF DIRECTORS

Hadyn G Oriti

Chairman

Mr Hadyn was appointed a Non-Executive Director on 27 May 2021 and Chairman on 26 May 2022.

LLB

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

Age 60

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 83

Richard S Woods

(Alternate for Malcolm A Mayger)

BComm, FCA

Mr Woods is a Chartered Accountant providing corporate advice.

Age 70

Peter J Read

Non-Executive Director (retired 31 December 2022)

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 83

John W Montgomerie

Non-Executive Director (appointed 24 November 2022)

FCA

Mr Montgomerie is a chartered accountant with more than 30 years of experience in chartered accounting, the raising of finance and in various listed and unlisted companies as a director, shareholder and founder.

Age 75

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

COMPANY SECRETARY

Christopher D Leslie

BComm, FCA

Mr Leslie has 36 years of experience in the mineral and petroleum industries at senior levels.

Age 69

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 (Deceased 11 June 2022)

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

The Board was very sad to lose David Hewitt last year as he was the backbone of all of our exploration activities since 1995, when the Company acquired the Pegmont deposit.

David was meticulous and methodical in his role as project geologist. He also became involved in the Mount Kelly project, bringing both projects to advanced status, suitable for optioning out. His dedication and loyalty will be difficult to replace. We owe a large debt of gratitude to David.

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 2022

Copper

Follow up Mobile Metal Ion (MMI) soil sampling survey was conducted at Canyon, but it did not produce compelling assay results. The tenement EPM 27345 has since been surrendered.

Cash – $1,061,137

These funds include $600,000 Term Deposits, $151,000 investment balance and $301,000 in bank working account.

Expenses were:

Exploration $58,968

Admin $273,428

Taxation was NIL as carried forward losses were $10.8 million and franking credits balance 30/6/21 were $3.7 million.

Royalty Agreements

The Reefway Royalty tenements are operated by Austral Resources Limited. Listed on the ASX, Austral intends to produce at the rate of 10,000tpa of copper cathode by mid-2023 from a reserve of 40,000 tonnes.

Austral plans to conduct an active exploration program on our royalty tenements which have considerable potential.

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

Tenements

Canyon (EPM 27345) has subsequently been relinquished thus the Company has ceased active exploration.

Austral Resources Limited

Austral commenced copper production at Anthill mid year, and sold 3,848 tonnes by year end. Subsequent production rate increased to 1,000 tonnes in January 2023.

Total accumulated copper sold since commencement of SX-EW operations at Mount Kelly is 56,702.3 tonnes.

Investment Activity

The Company has implemented an investment strategy to generate income by buying income producing assets as a means of reducing net administration costs. Total income for the year was $30,548.

Since current market conditions are challenging, trading income is expected to be limited to the same level as in 2022.

Outlook – 2023

The Company has reduced its exposure to exploration in order to reduce costs and conserve cash until the commencement of royalty income, possibly by 2027. Other corporate options could be considered.

CORPORATE STRATEGY

EXPLORATION

During the year, and particularly since the passing of David Hewitt, the Board has reviewed the Company's capacity to undertake productive exploration activity in the Mount Isa region.

The main factors to consider include an adequate level of cash to fund a portfolio of prospective tenements that may provide critical mass to support a standalone operation. Also, a dedicated, mature and experienced project geologist is required to manage project(s).

At present, the Company has neither adequate funding ($5 million minimum) for a 2–3 year program, nor a portfolio of advanced projects to spread the risk.

To achieve both attributes, an experience geologist or mining engineer would need to be recruited to provide a new vision that would attract funding.

Previous history of exploration activity is closely related to metal price cycles. Because of rising world-wide interest rates, investor interest in "sustainable" metals of lithium, nickel and copper may have peaked. However, there is still a high level of exploration activity which has caused a shortage of technical skills available to the Company.

When considering these factors, the Board has decided to defer setting a new exploration strategy for the time being and to concentrate on rebuilding the financial strength of the Company.

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 2027 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 10,000 tonnes of cathode copper per year.

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 outside of exploration and to better manage risks.

Patient Investing is a form of value investing that is applicable to volatile markets by selecting a group of 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 has maintained its allocation of $200,000 to the Patient Investing strategy. To date, only three growth stocks have been selected in gold production, lithium exploration and body armour products.

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.

2022 EXPLORATION REVIEW

In EPM 27345 (Canyon), Pegmont had previously drilled (2021) eight RC holes totalling 927 metres that intersected anomalous results of up to 4m @ 0.20% Cu (PCR 006). These results suggested that a broad approach was needed to better define targets.

Consequentially, a limited Mobile Metal Ion (MMI) soil survey with analysis of 61 elements was conducted in a zone bracketing the Northwest Fault between the McLeod Mining Leases towards the Canyon copper project.

The sampled area was not closed off in two directions to the northeast or to the west and southwest. Further MMI sampling was recommended to better define the limits of the anomalous copper zones.

A subsequent Petrographic study was undertaken for eight drill chip samples which concluded that there was no observable Cu sulphides or other likely Cu minerals in these oxidised rocks.

It became apparent from these reports that further grass-roots exploration of soil sampling was required to create drill targets under a cover of sands, gravels and laterised sandstone. Since this activity would be high risk and given the Company's financial constraint, the Board resolved not to continue exploration and to surrender the EPM 27345 tenement.

This decision by the Board means that the Company will not have any mineral tenements to explore, or future expenditure obligations.

However, exploration activity by other groups in the Mount Isa region will continue to be monitored for opportunities in advanced stage projects, where economic mineralisation is evident.

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 Operations Pty Ltd, outlined in the following maps. The royalty becomes payable when copper metal sales from the Reefway tenements exceeds 100,000 tonnes. Since commencement of production in 2007, total sales now exceed 56,702 tonnes at 30 December 2022; an increase of 3,653 tonnes since June 2022 when sales sourced from the Anthill mine commenced.

Austral announced production of 1,003 tonnes of cathode copper during January 2023 which is a positive step towards target output of 10,000 tones yearly. The upward trend in copper production is very pleasing and suggests achieving aggregate 100,000 tonnes by 2027.

In order to achieve this target, Austral has announced a drill program of 22,400 metres costing $7 million or $312 per metre with focus on granted Mining Leases. Austral's key exploration goals released in 9 November 2022, are to

- Extend mine life at Anthill
- Expand current 420kt of copper in oxide resources in all their tenements including the Reefway Royalty tenements
- Capitalise on 210kt sulphide mineral resource, including Lady Colleen (a Reefway royalty deposit)

Their ambitious program is very encouraging for increasing potential "royalty" resources particularly at Anthill.

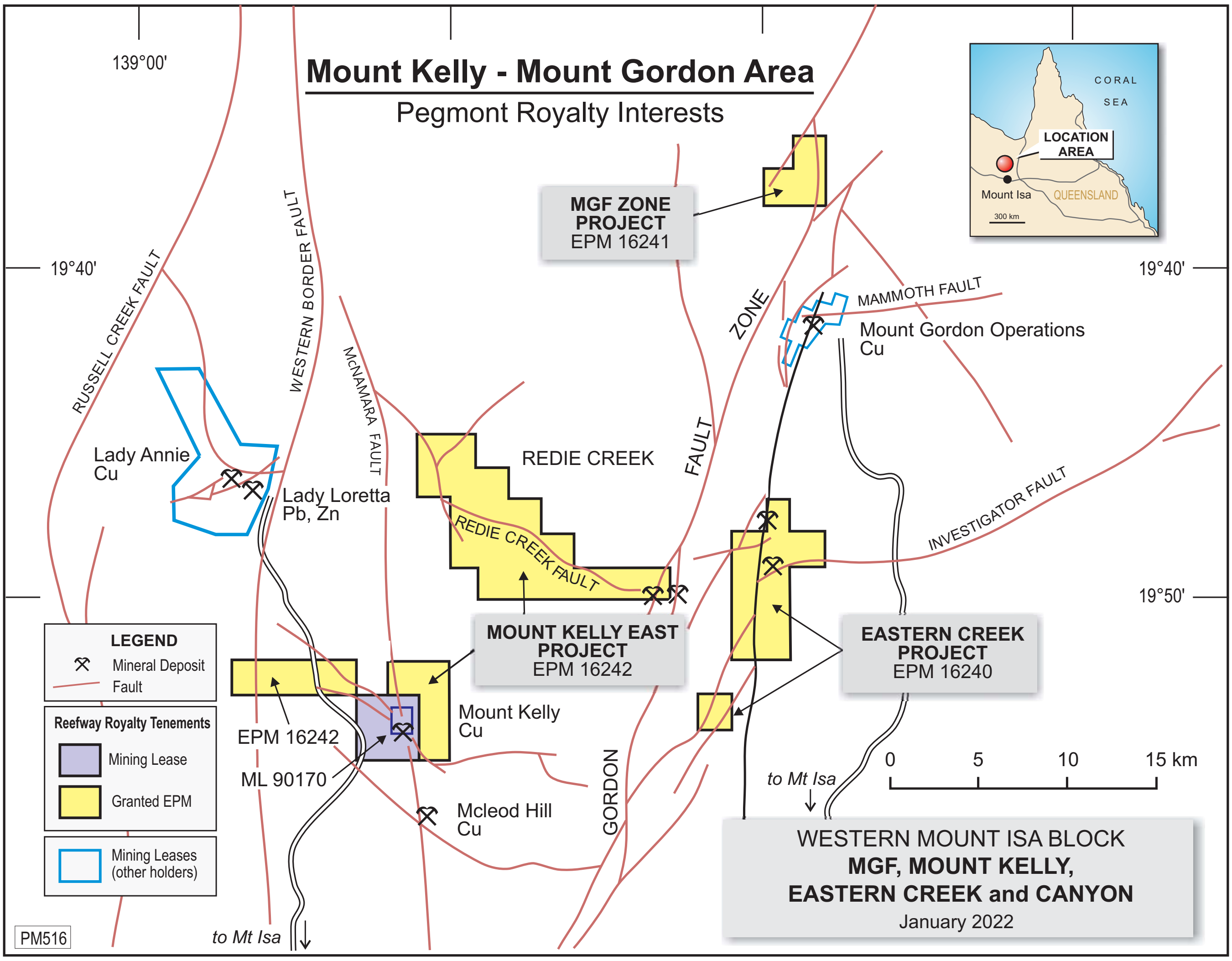
Mount Kelly Operations

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 and long-term potential may exist for the underlying primary sulphide mineralisation.

EXPLORATION REVIEW CONTINUED

MAP 2

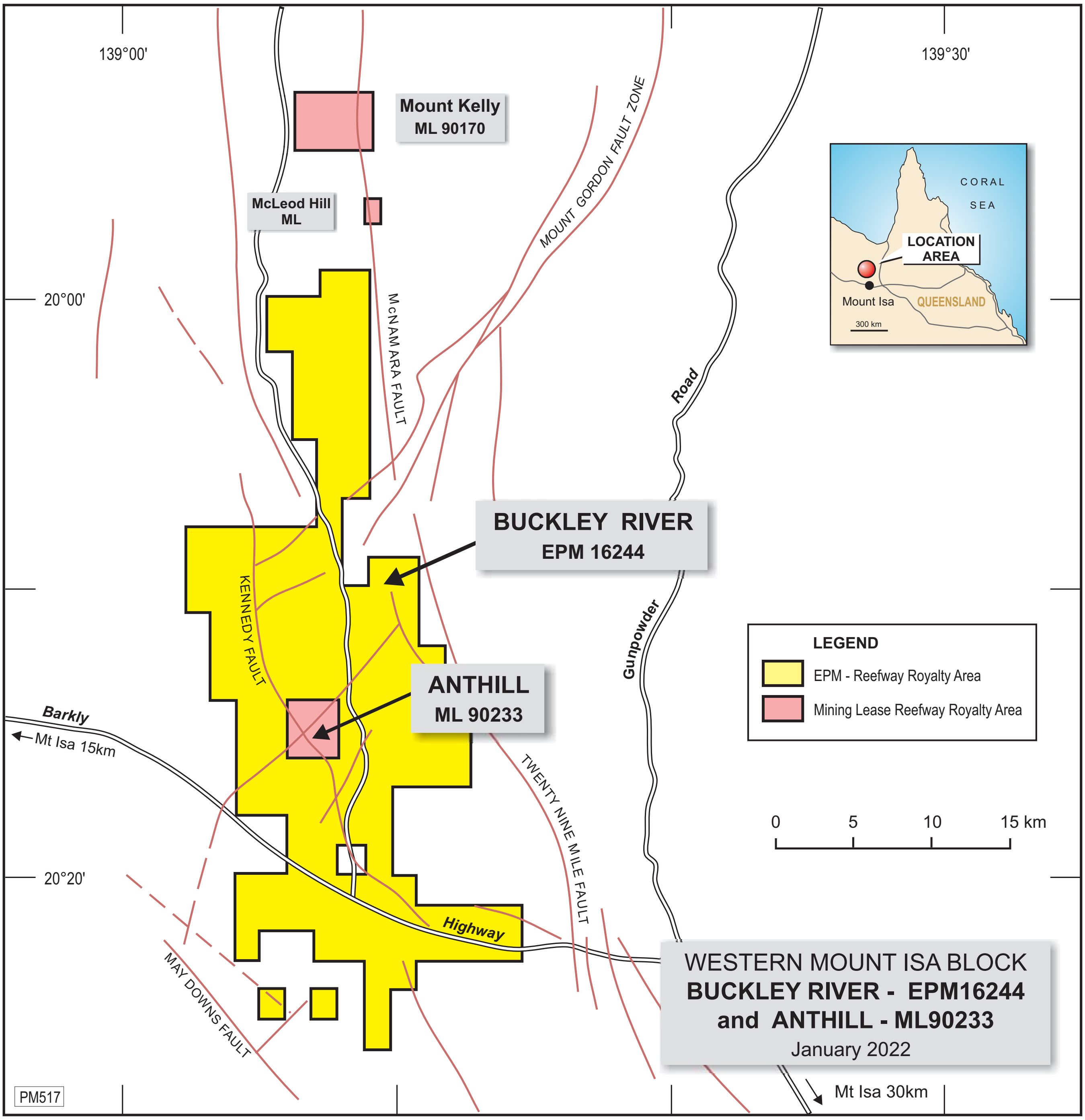
EPMs 16240, 16241, 16242 are held by Austral Resources Lady Annie Pty Ltd and are subject to the Reefway Royalty Agreement



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 has commenced 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 3

EPM 16244 and ML 90233 (Anthill) are held by Austral Operations Pty Ltd (Reefway Royalty Tenements)

EXPLORATION REVIEW CONTINUED

RECENT AUSTRAL ANNOUNCEMENTS

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

28 July 2022	Drilling commenced at Lady Colleen (Mount Kelly) to assess both oxide and sulphide potential
2 August 2022	Drilling confirm sulphide potential at Flying Horse (Mount Kelly)
5 September 2022	Strong new drilling results from Lady Colleen
26 September	Earn-in Agreement by Mount Isa Mines (MIM) to explore for sulphide mineralisation with Austral retaining rights to copper oxides. EPM 16242 was included in the deal
13 October 2022	Further high-grade drill intercepts at Lady Colleen
13 October 2022	Quarterly Report, 444,367 tonnes of ore delivered from Anthill (4,400 tonnes of contained Cu)
28 October 2022	Lady Colleen Mineral Resource updated to 2.8 Mt @ 1.9% Cu (53,400 tonnes contained Cu)
23 December 2022	Austral hits steady state production of 1,000 t Cu/month
9 January 2023	Operation cash flow positive during December
20 January 2023	Copper sales of 2,393 tonnes (of CC), revenue $30.1 million in the December quarter
1 February 2023	Record production of 1,003 tonnes in January drives record sales of A$12.6 million
15 February 2023	Positive Scoping Study for Lady Colleen Project

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 2027.

PEGMONT LEAD-ZINC PROJECT

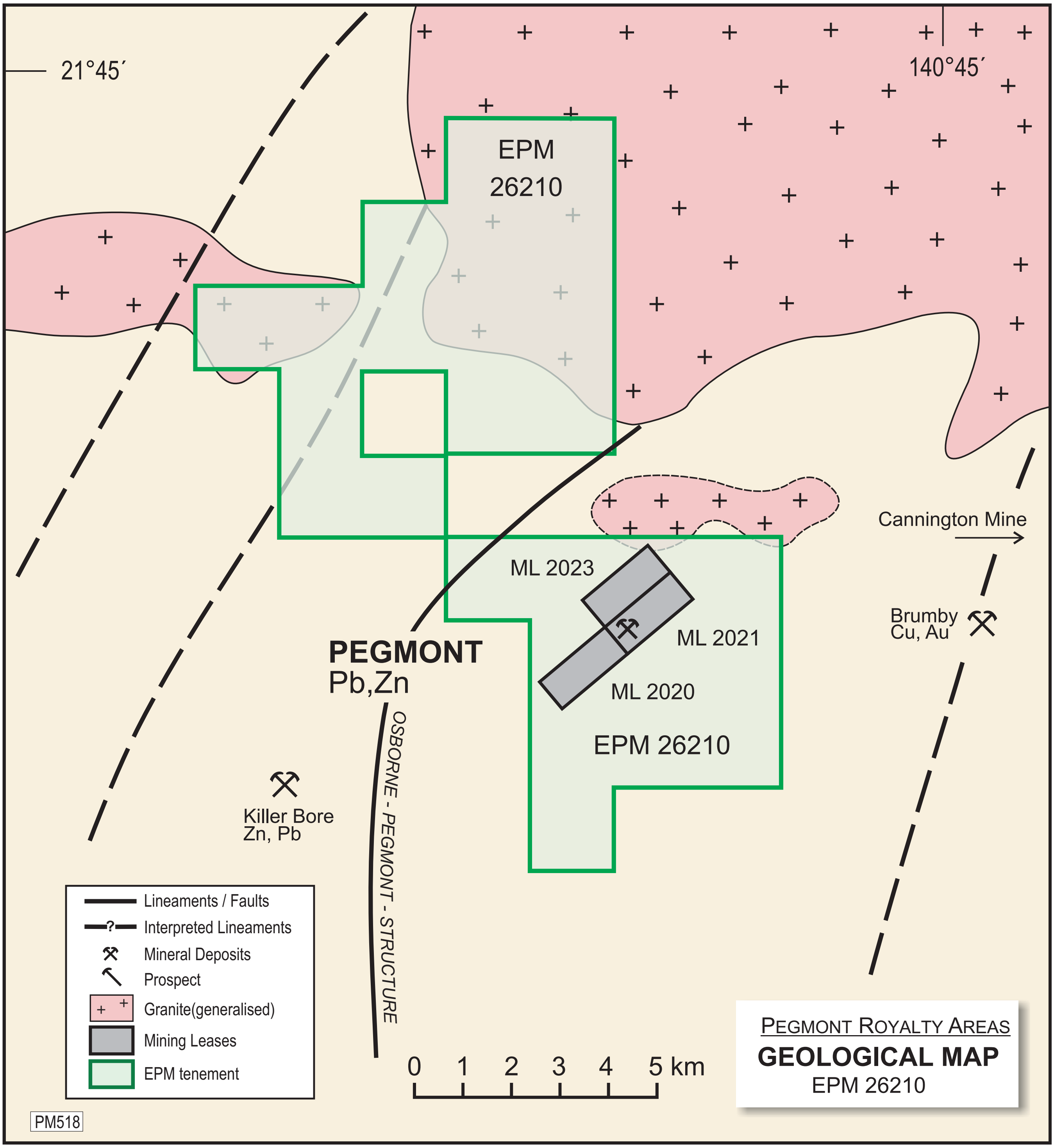
Vendetta Mining Corp is the owner of the Pegmont Project acquired in June 2019, south of Cloncurry in North-West Queensland, subject to a 1.5% NSR royalty agreement to the Company.

Vendetta has since undertaken further drilling and evaluation studies on the Pegmont lead-zinc deposit and has substantially increased resources. Drilling has achieved significant intersections outside previously reported resources, including Zone 5.

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.



MAP 4

OUTLOOK FOR 2023

The economic outlook for 2023 will be dominated by domestic issues arising from the rate of inflation (both real and perceived) and the interest rate response by the Reserve Bank of Australia (RBA). Since mid 2022, the RBA has raised the cash rate from 0.1% to 3.60% impacting particularly hard on low fixed rate mortgage borrowers that are now facing re-pricing at considerably higher rates. This rate adjustment will squeeze low income mortgage borrowers and have the effect of reducing aggregate consumption.

The RBA is not alone in implementing higher interest rates to counter inflation. Other major economies such as USA, UK and the EU members are doing the same thing to slow their economies. Consequentially, some economies may fall into recession and cause a decline in international trade and lower commodity prices.

The LME Index peaked at 5246 on February 28, 2022, four days after the Russian invasion of Ukraine. On 27 February 2023 it was 4119, a decline of 21.5% after hitting a low of 3451 on 11 July 2022.

High volatility in stock and commodity markets is concerning and requires investment flexibility to take advantage of market up-ticks and have surplus cash during the down-ticks. During the last quarter of 2022, we were able to recover losses and realise a small gain. The current year of 2023 brings higher deposit rates to augment income. We are forecasting the same level of share trading profit as 2022 but hope to do better with our cautious approach of holding high cash flow producing equities.

FORECAST INCOME/EXPENDITURE – 2023

	Actual 2022 $	Forecast 2023 $
Share trading profit/(loss)	25,267	24,000
Interest and Dividends	5,281	20,000
Total Income	30,548	44,000
Exploration	58,968	11,000
Administration	273,428	264,000
Provision against future royalties	100,000	–
Total Expense	(432,396)	(275,000)
Net Loss	(401,848)	(231,000)
Working Capital	1,096,907	865,907
Cash Balances	1,061,137	830,137

FINANCIAL CONDITION

The Company's Consolidated Net Assets at 31 December 2022 were $1,296,907, including $600,000 term deposits of one year maturity and $200,000 capitalisation of royalty tenements.

WORKING CAPITAL

Working Capital was $1,096,907 (a decline of $301,848) or 1.5 cents per share. Thus, the Company has sufficient Working Capital to fund the next three years expenditures.

Note – The above income and expense estimates are indicative quantification of intensions and may not be realised.

NON-CURRENT ASSETS

	2022 $000	2021 $000
Reefway Royalty Agreement	200	200
Pegmont Royalty Agreement	–	100
	200	300

Both royalty valuations have been subject to 10% DCF analysis and are considered conservative, particularly as the Reefway tenement at Anthill is in production and the current owner has an active exploration program to confirm additional mineralisation near mine. Because there is a shortfall of 43,298 tonnes of copper yet to be sold, the value of the Reefway Royalty Agreement has been held constant at $200,000.

However, since Vendetta has not announced plans to commence production at Pegmont, a full provision of $100,000 has been made resulting in NIL value for this project. Given the size of drill defined resources of some 14Mt of moderate Pb/Zn grade, we continue to be optimistic about the project's long-term development potential.

TENEMENT ACTIVITY

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

REEFWAY ROYALTY TENEMENTS

Tenements owned by other companies subject to royalty interests to Pegmont Mines Limited.

Reefway royalty tenements – Mount Kelly

Mining Leases (ML)
5426, 5435, 5446, 5447, 5448, 5474, 5476, 5478, 90170, 90233

Exploration Permits for Minerals (EPM)
16240, 16241, 16242, 16244

These tenements offer nine different project drill targets detailed by Austral Resources Ltd (November 2022).

ROYALTY INTERESTS

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

PEGMONT PROJECT ROYALTY TENEMENTS

Mining Leases (ML) 2620, 2621, 2623

Exploration Permit (EPM) 26210

These tenements contain a medium grade Lead-Zinc-Silver deposit having

Indicated Resource 5.7 Mt 6.5% Pb, 2.6% Zn, 11% Ag g/t

Inferred Resource 8.3 Mt 5.1% Pb, 2.8% Zn, 8% Ag g/t

Announced by Vendetta Mining Corp, the current owner, released January 2019.

Since then further drilling has intersected mineralisation outside the resource boundaries.

SURRENDERED TENEMENTS

Canyon (EPM 27345)
A review of the Mobile Metal Ion (MMI) soil survey undertaken during the year did not result in the delineation of drill targets, but only in further and more detailed MMI survey. It was therefore resolved to surrender the tenement and alleviate the obligation of further expenditure for uncertain results.

SUMMARY OF FINANCIAL RESULTS

Financial results as at 31 December		2022 $000	2021 $000	2020 $000	2019 $000	2018 $000
Gross Trading Revenue		211	7	10	15	24
Net Trading Profit/(Loss)		25	(18)	21	53	11
Option Receipts/Dividends and Interest		5	–	–	315	1,750
Exploration Recovery		(100)	100	–	2,106	428
Exploration		(59)	(282)	(269)	(568)	(232)
Administration		(273)	(304)	(282)	(388)	(311)
Depreciation		–	–	–	(20)	(20)
Net Profit/(Loss) before tax		(402)	(504)	(530)	1,498	1,626
Net Profit/(Loss) after tax		(402)	(504)	(530)	1,498	1,626
Cash		1,061	1,364	2,204	2,930	1,654
Investments		61	40	8	17	16
Working Capital		1,096	1,399	2,003	2,533	1,718
Total Assets		1,331	1,722	2,434	3,214	5,402
Total Liabilities		34	23	231	481	564
Shareholders' Funds		1,297	1,699	2,203	2,733	4,838
Contributed Equity		4,542	4,542	4,542	4,542	4,512
Earnings per share (E)	cents	(0.4)	(0.7)	(0.7)	2.07	2.2
Dividends per share	cents	–	–	–	2.25	–
Net Tangible Assets per share	cents	1.8	2.3	3.0	3.8	6.2
Working Capital per share	cents	1.5	1.9	2.8	3.5	2.4
Share Price (last sale)	cents	4.4	5.0	5.0	5.0	6.1
Price Earnings ratio P/E	–	-ve	-ve	-ve	2.4	2.8
Shares on Issue	000	72,317	72,317	72,317	72,317	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 $12,306,000 (after provisions) over eighteen years from Gross Trading Revenue of $122,962,000 at an average margin of 10.0% on turnover. During this period the Company has expended funds on exploration $7,932,000, administration $8,290,000, 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 2022 also curtailed activity. However, with economic stabilisation and world growth during 2022, investment opportunities provided a profit of $25,267 plus interest and dividends of $5,281. We will look for such opportunities in well managed companies listed on the ASX during 2023.

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 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 total expenditure in that category.

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

Performance of Directors

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

Conflict of Interest

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

Independent Professional Advice and Access to Company Information

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

Remuneration Report

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

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Remuneration Policy

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

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

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

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

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

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

Performance based remuneration

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

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 2022.

Voting and comments made at the Company's 2021 Annual General Meeting

The Company received approximately 100% of "yes" votes on its remuneration report for the 2021 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, 2022 and the state of affairs at that date.

DIRECTORS

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

Mr. Hadyn G Oriti – Non-Executive Chairman

Mr. John W Montgomerie – Non-Executive Director, appointed 24 November 2022.

Mr. Malcolm A Mayger – Managing Director

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

Mr Peter J Read – Resigned 31 December 2022

PRINCIPAL ACTIVITY

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

OPERATING RESULTS

The consolidated loss after providing for income tax amounted to $401,848 (2021, $504,239).

DIVIDENDS

No dividend was paid during the year. (2021 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 2022" 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 2022'.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

In March 2023 the Company temporarily suspended exploration operations. No other matters or circumstances have arisen since the end of the financial year 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 2022.

OPTIONS OVER UNISSUED CAPITAL

The total number of options issued as at 31 December 2022 was NIL (2021– NIL).

At 31 December 2022 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 2022.

REMUNERATION REPORT

MEETING OF DIRECTORS

During the financial year, 4 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

Mr Hadyn G Oriti 4

Mr Malcolm A Mayger 4

Mr. Peter J Read (resigned 31/12/2022) 3

Mr. John W Montgomerie (appointed 24/11/2022)......... 1

Mr. Richard S Woods.. 4

In addition to these meetings there were 2 Board resolutions approved by circulation as well as the non-executive directors being continuously updated on current activities.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

ORITI, Hadyn G (Non-Executive Chairman) LLB

Mr. Hadyn Oriti, aged 60 is a practising solicitor in Port Macquarie with experience in commercial investment.

MAYGER, Malcolm A (Executive Managing Director) BCom, CA, FAICD

Mr. Mayger, aged 83 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 an exploration concept to a mineral royalty holder and investment interests.

MONTGOMERIE, John W (Non-Executive Director) FCA (appointed 24 November 2022)

Mr. Montgomerie aged 75 has over 30 years of experience as a partner in a national firm of Chartered Accountants. He has extensive commercial experience and has been involved in various listed and unlisted companies as a director, shareholder and founder.

WOODS, Richard S (Alternate for Mr MA Mayger) B,Bus,CA

Mr. Woods aged 70 is a Chartered Accountant and a former partner of Walker Wayland NSW Chartered Accountants for 27 years.

READ, Peter J (Retired 31 December 2022) BEc, FAICD

Mr. Peter J Read, aged 83 is a corporate specialist with experience as a previous managing director with Drillsearch Energy Ltd and Queensland Resources NL. In addition, he has extensive experience in Marketing and Business Consulting.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

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

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

b) Hadyn Oriti consulting fees paid to a business held bank account.

c) John Montgomerie consulting fees paid to a business held bank account.

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

e) 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						
Hadyn Oriti						
2022	25,687	–	–	–	–	25,687
2021	18,103	–	–	–	–	18,103
Malcolm Mayger						
2022	50,000	–	–	–	–	50,000
2021	60,000	–	–	–	–	60,000
Peter Read						
2022	24,722	–	–	–	–	24,722
2021	35,833	–	–	–	–	35,833
John Montgomerie						
2022	4,402	–	–	–	–	4,402
Richard Woods						
2022	–	–	–	–	–	–
2021	–	–	–	–	–	–
Other key management personnel						
Chris Leslie						
2022	41,576	–	–	–	–	41,576
2021	34,378	–	–	–	–	34,378
Total key management personnel compensation						
2022	146,387	–	–	–	–	146,387
2021	148,314	–	–	–	–	148,314

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.

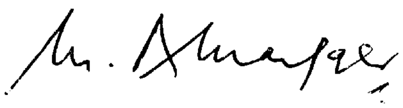
There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Pegmont Mines Limited during the year.

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

		Shares at 31/12/2021	Acquired/(Disposed) during the year	Shares at 31/12/2022
H G Oriti	Direct	–	238,000	238,000
	Indirect	–	–	–
J W Montgomerie	Direct	n/a	–	–
	Indirect	n/a	–	–
R S Woods	Direct	–	–	–
	Indirect	137,000	–	137,000
M A Mayger	Direct	500,000	–	500,000
	Indirect*	38,543,333	–	38,543,333
		39,180,333	**238,000**	**39,418,333**

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

Signed: at Sydney in accordance with a resolution of Directors



Malcolm A Mayger
30 March 2023

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 2022 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
30 March 2023

Financial Statements

For the year ended
31 December 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	NOTES	CONSOLIDATED 2022 $	2021 $
Revenue			
Gain from sale of financial assets		1,922	–
Fair value gain/(loss) on financial assets	3	23,345	(25,061)
Revaluation of royalty assets		–	100,000
Interest received or due and receivable from other Corporations		4,781	7,284
Dividend received		500	–
		30,548	82,223
Expenses			
Audit fees		(20,000)	(16,000)
Directors' fees		(104,812)	(130,135)
Exploration expenditure written off		(58,968)	(281,838)
Stock exchange fees		(17,651)	(16,177)
Share registry fees		(9,397)	(9,277)
Secretarial & office expenses		(41,576)	(34,378)
Impairment of royalty assets		(100,000)	–
Other expenses		(79,992)	(98,657)
		(432,396)	(586,462)
(Loss) before income tax		(401,848)	(504,239)
Income tax expense	2	–	–
Other Comprehensive Income		–	–
Total Comprehensive Income		(401,848)	(504,239)
Earnings per share for profit attributable to the ordinary equity holders of the Company	18	(0.006)	(0.007)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		CONSOLIDATED	
	NOTES	2022 $	2021 $
Current Assets			
Cash and cash equivalents	4	1,061,137	1,363,730
Trade and other receivables	5	9,270	17,902
Financial assets at fair value through profit or loss	6	61,000	40,000
Total Current Assets		1,131,407	1,421,632
Non-Current Assets			
Royalty assets	7	200,000	300,000
Total Non-Current Assets		200,000	300,000
Total Assets		1,331,407	1,721,632
Current Liabilities			
Trade and other payables	8	34,500	22,877
Total Current Liabilities		**34,500**	**22,877**
Total Liabilities		34,500	231,032
Net Assets		1,296,907	1,698,755
Equity			
Contributed equity	9	4,541,607	4,541,607
Reserves	10	2,200,000	2,200,000
Retained profits		(5,444,700)	(5,042,852)
Total Equity		**1,296,907**	**1,698,755**

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	CONSOLIDATED	
	2022 $	2021 $
Total equity at the beginning of the financial year	1,698,755	2,204,994
Loss for the year	(401,848)	(504,239)
Total equity at the end of the financial year	1,296,907	1,698,755
Issued Capital	4,541,607	4,541,607
Retained Losses	(5,444,700)	(5,042,852)
Reserves	2,200,000	2,200,000
Total equity at the end of the financial year	1,296,907	1,698,755

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		CONSOLIDATED	
	NOTES	2022 $	2021 $
Receipts from customers		–	–
Payments to suppliers and employees		(309,796)	(648,004)
Interest received		4,781	7,284
Dividends received		500	–
Cash Flows from operating activities	**16**	**(304,515)**	**(640,720)**
Cash Flows from Investing Activities			
Proceeds from sale of financial assets		210,720	–
Purchase of financial assets		(208,798)	–
Net cash provided from investing activities		**1,922**	**–**
Cash Flows from Financing Activities			
Loans repaid		–	(200,000)
Net cash flow from financing activities		–	**(200,000)**
Net (decrease) in cash and cash equivalents		**(302,593)**	**(840,720)**
Cash and cash equivalents at the beginning of the financial year		1,363,730	2,204,450
Cash and cash equivalents at the end of the financial year	**15**	**1,061,137**	**1,363,730**

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022 and the results of all controlled entities for the year then ended An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if and only if the investor has all the following: (a) power over the investee (b) exposure, or rights, to variable returns from its involvement with the investee and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

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

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) 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.

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.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

m) Impairment of assets

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

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

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

n) Trade Payables

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

o) Provisions

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

p) Exploration expenditure

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

i. the area has demonstrated economic grade, mineralisation; or

ii. exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

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

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

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

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

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

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

q) Mineral Tenements

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

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

r) Employee benefits

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

Long service leave

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

Superannuation

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

s) Contributed Equity

Ordinary shares are classified as equity.

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

t) Earnings per share

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

u) Share based payments

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

v) Critical accounting estimates & judgements

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

i) Significant accounting judgements

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

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

ii) Significant accounting estimates and assumptions

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

Royalty Asset Recovery

The future recoverability of royalty assets is dependent on a number of factors, including the life of the mining lease where production of the minerals is occurring and the continued mining by the operator of the lease

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

At 31 December 2022, the carrying value of royalty assets of the group was $200,000 (2021 – $300,000).

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2022

	CONSOLIDATED	
	2022 $	2021 $

2. INCOME TAX

Prima facie tax payable on operating loss at 25%	(100,462)	(126,060)
Deferred tax assets not brought to account	100,462	126,060
Income Tax Expense	–	**–**

The Company at 31/12/2022 had carried forward tax losses of $10,822,082 which have not been brought to account.

3. OTHER INCOME

Net fair value gain/(loss)	23,345	(25,061)

4. CASH AND CASH EQUIVALENTS (CURRENT)

Cash at bank and on hand	458,084	369,017
Cash on deposit	603,053	994,713
	1,061,137	**1,363,730**

5. TRADE AND OTHER RECIEVABLES (CURRENT)

Security deposits DME & rental bond	3,000	4,500
Other debtors	6,270	13,402
	9,270	**17,902**

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CURRENT)

Quoted Shares	61,000	40,000
Closing balance at 31 December	61,000	**40,000**

7. ROYALTY ASSETS (NON-CURRENT)

Pegmont Lead-Zinc project royalty at fair value	–	100,000
Reefway Pty Ltd royalty at fair value	200,000	200,000
At Fair Value	200,000	300,000

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 maintained the assessed value at 31/12/2022 for the Reefway royalty project at $200,000 unchanged since 2021.

The Directors used a Discounted Cash Flow model to estimate a Net Present Value (NPV) of $2.249 million for the Reefway Royalty tenements. The NPV used a discount rate of 10%. Production is expected to commence in 2027 with royalty payments commencing 2027 through to 2030 at higher production/sales rates. A probability of 66%has been ascribed to receiving royalty payments based on expected cumulative sales of 66,000 tons of copper by end of 2023. A base price of $70 per ton was used.

In relation to the Pegmont royalty the Directors' have impaired $100,000 since the operator Vendetta Mining Corp have not reached a decision to mine.

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)

	2022 $	2021 $
Trade creditors and accruals	34,500	22,877

9. ORDINARY SHARES – FULLY PAID

	Number	2022 $	Number	2021 $
	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

	CONSOLIDATED	
	2022 $	2021 $
a) Reserves		
Asset Revaluation Reserve	200,000	200,000
Capital Profit Reserve	2,000,000	2,000,000
	2,200,000	2,200,000

b) Nature and purpose of reserves

The capital reserve is used to quarantine net realised profits of a capital nature. The asset revaluation reserve is used to accumulate adjustments to the fair value of non-current assets.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

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, Hadyn G Oriti, John W Montgomerie, Peter J Read and Richard S Woods (Alternate for Malcolm A Mayger)

Executives during year – 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
H G Oriti	238,000	–	–	238,000
R S Woods	137,000	–	–	137,000
Total shares	**39,418,333**			**39,418,333**

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 at note 12 and in the remuneration report within the Directors' Report.

d) Related party transactions

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

12. SEGMENT 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	
Type of transaction	Related party– directors	Terms and conditions	2022 $	2021 $
Directors' fees	MA Mayger	Normal commercial	50,000	60,000
Directors' fees	HG Oriti	Normal commercial	25,687	18,103
Directors' fees	JW Montgomerie	Normal commercial	4,402	–
Directors' fees	PJ Read (Retired 31/12/2022)	Normal commercial	24,722	35,833

14. CONTROLLED ENTITIES

Name	Inc	Class	2022	2021
Pilbara Ventures Ltd	NSW	Ord	100%	100%
Queensland Copper Mines Pty Ltd	NSW	Ord	100%	100%
Kimberley Ventures Ltd	NSW	Ord	100%	100%

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	
	2022 $	2021 $
Cash at bank	458,084	369,017
Call deposits	603,053	994,713
	1,061,137	**1,363,730**

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	
	2022 $	2021 $
Operating (Loss)	(401,848)	(504,239)
Unrealised (gain)/loss on financial assets	(23,345)	25,061
Revaluation of royalty assets	–	(100,000)
Impairment of royalty assets	100,000	–
Realised gain on sale of financial assets	1,922	–
Changes in assets and Liabilities		
Increase/(decrease) in creditors	10,124	(65,474)
(Increase)/decrease in debtors	8,632	3,932
Net cash provided for operating activities	**(304,515)**	**(640,720)**

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

17. SUBSEQUENT EVENTS

On 1 March 2023 the Company temporarily suspending exploration activities. Apart from the above matter, no matter or circumstance has arisen since 31 December 2022 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 2022.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

	CONSOLIDATED 2022 $	2021 $
18. EARNINGS PER SHARE (EPS)		
a) Basic Earnings per share		
Earnings attributable to the ordinary equity holders of the Company	(0.006)	(0.007)

b) Earnings used in calculating earnings per share		
Earnings attributable to the ordinary equity holders of the Company	(401,848)	(504,239)
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	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 $
2022						
Financial assets	–	–	–	–	–	–
Cash	–	–	–	–	458,084	458,084
Interest bearing deposits	2	–	603,053	–	–	603,053
Trade and other receivables	–	–	–	–	9,270	9,270
			603,053		467,354	1,070,407
Financial liabilities						
Trade and payables	–	–	–	–	**34,500**	**34,500**

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 or indirectly.

Level 3: Unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
2022				
Financial Assets				
Ordinary shares at fair value through profit or loss	61,000	–	–	**61,000**
2021				
Financial Assets				
Ordinary shares at fair value through profit or loss	40,000	–	–	**40,000**

Financing arrangements

The Company has no financing facilities available.

20. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2022 $	2021 $
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	16,000
b) **Non- Audit services**	–	–
Total remuneration of auditors	**20,000**	16,000

The auditor of the Company and its subsidiaries is Rothsay Audit & Assurance Pty Ltd

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.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2022

21. PARENT ENTITY INFORMATION

The accounting policies of the Parent Entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Financial Position	2022	2021
Assets		
Current Assets	1,131,404	1,421,629
Non Current Assets	200,003	300,003
Total Assets	**1,331,407**	**1,721,632**
Liabilities		
Current Liabilities	34,500	22,877
Total Liabilities	**34,500**	**22,877**
Equity		
Issued Capital	4,451,607	4,451,607
Reserves	2,200,000	2,200,000
Retained Earnings	(5,444,700)	(5,042,852)
Total Equity	**1,206,907**	**1,698,755**
Financial Performance		
Loss for the year	401,848	504,239
Other comprehensive income	–	–
Total comprehensive income for the year	**401,848**	**504,239**

22. EXPENDITURE COMMITMENTS

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2023 amounts of approximately $164,000 (2022 $122,000) in respect of tenement lease rentals and minimum exploration expenditure commitments. The Directors have resolved to relinquish the Company’s remaining tenement EPM 27345. Once this occurs there will be Nil amounts in respect of tenement lease rentals and minimum exploration expenditure commitments.

ROTHSAY
AUDIT & ASSURANCE PTY LTD

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 2022, 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 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion the accompanying 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 2022 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.

A Level 1/6 O'Connell Street
Sydney NSW 2000

A Level 1, Lincoln Building,
4 Ventnor Avenue, West Perth WA 6005

E info@rothsay.com.au
W www.rothsay.com.au

ABN 14 129 769 151

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

PEGMONT MINES LIMITED (continued)

Key Audit Matter – Carrying Value of Royalty Assets. Refer to Note 7	***How our Audit Addressed the Key Audit Matter***
The Company has two royalty assets: one with Vendetta Mining Corp (Vendetta) amounting to $100,000 and one with Austral Resources Australia Ltd (Austral) amounting to $200,000. The Vendetta royalty asset was impaired in full.	Our audit procedures included amongst others the following: • We reviewed management's assessment for impairment and the publicly available information in relation to the tenements subject to the royalty deed agreements. • We assessed the key assumptions used by management in the discounted cash flow used to support the carrying value of these royalty assets. • We concurred with management's assessment to impair in full the Vendetta royalty asset. • We assessed the adequacy of the disclosures in relation to the carrying value of the royalty assets.

Information other than the Financial Report and Auditor's Report Theron

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 2022, but does not include the financial report and our auditor's report thereon.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

PEGMONT MINES LIMITED (continued)

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 2022.

In our opinion the remuneration report of Pegmont Mines Limited for the year ended 31 December 2022 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 Audit & Assurance

Graham Webb
Director

30 March 2023

ROTHSAY
AUDIT & ASSURANCE PTY LTD

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 2022, 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 Audit & Assurance Pty Ltd

Graham Webb
Director

30 March 2023

A Level 1/6 O'Connell Street
Sydney NSW 2000

A Level 1, Lincoln Building,
4 Ventnor Avenue, West Perth WA 6005

E info@rothsay.com.au
W www.rothsay.com.au

ABN 14 129 769 151

SUPPLEMENTARY INFORMATION

1. Issued Capital at 31 December 2022: 72,316,556 Ordinary Shares Fully paid

2. Share Holdings at 1 February 2023

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	59	67,366,517
	261	72,316,556

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

Shareholding	Number of Shares	% Issued Capital
Malcolm A. Mayger Pty Limited	18,440,000	25.50
Pegasus Enterprises Ltd	16,683,333	23.07
Malcolm A. Mayger Pty Limited and ssociates (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
H O Oriti	Direct	238,000
	Indirect	–
M A Mayger	Direct	500,000
	Indirect*	38,543,333
Total Shares		39,418,333

* Includes Pegasus Enterprises Limited.

Top Twenty Shareholders at 1 February 2023

	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
Estate of David Hewitt	1,482,750	2.05
Longbrow Croft Capital P/L (R C Bishop S/F A/C)	1,330,000	1.84
Citicorp Nominees Pty Ltd	1,200,000	1.66
Scepha Investments Pty Ltd	1,125,000	1.56
Perpetual Trustee Company Ltd	800,000	1.11
Mrs Dolores Holland	671,000	0.93
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 Pty Ltd (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
	59,717,481	82.59
Other Shareholders	12,599,075	17.41
Total Issued Shares	72,316,556	100%

NOTES

CORPORATE DIRECTORY

PEGMONT MINES LIMITED
ABN 97 003 331 682

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

Telephone: (02) 9951 5400
Facsimile: (02) 9951 5454

Corporate Office
13 Oden Street
Port Macquarie NSW 2444

Mail: 13 Oden Street,
Port Macquarie NSW 2444

Phone: (02) 6583 7747
Email: pegmont@hotmail.com
Website: www.pegmont.com.au

Listed on The National Stock Exchange of Australia
Code: PMI

Directors

Peter J Read	Non-Executive Director (retired 31 December 2022)
Hadyn G Oriti	Non-Executive Chairman
Malcolm A Mayger	Managing Director
John W Montgomerie	Non-Executive Director (appointed 24 November 2022)
Richard S Woods	Alternate Director

Company Secretary
Christopher D Leslie

Share Registry
C/- Computershare Investor Services Pty Ltd

Shareholder enquiries:
Telephone: 1300 850 505
Facsimile: (03) 9473 2500
Email: web.queries@computershare.com.au

Auditors
Rothsay Audit & Assurance Pty Ltd
Level 1, 4 Ventor Avenue,
West Perth WA 6849
Telephone: (02) 8815 5400

PEGMONT MINES LIMITED
ABN 97 003 331 682