

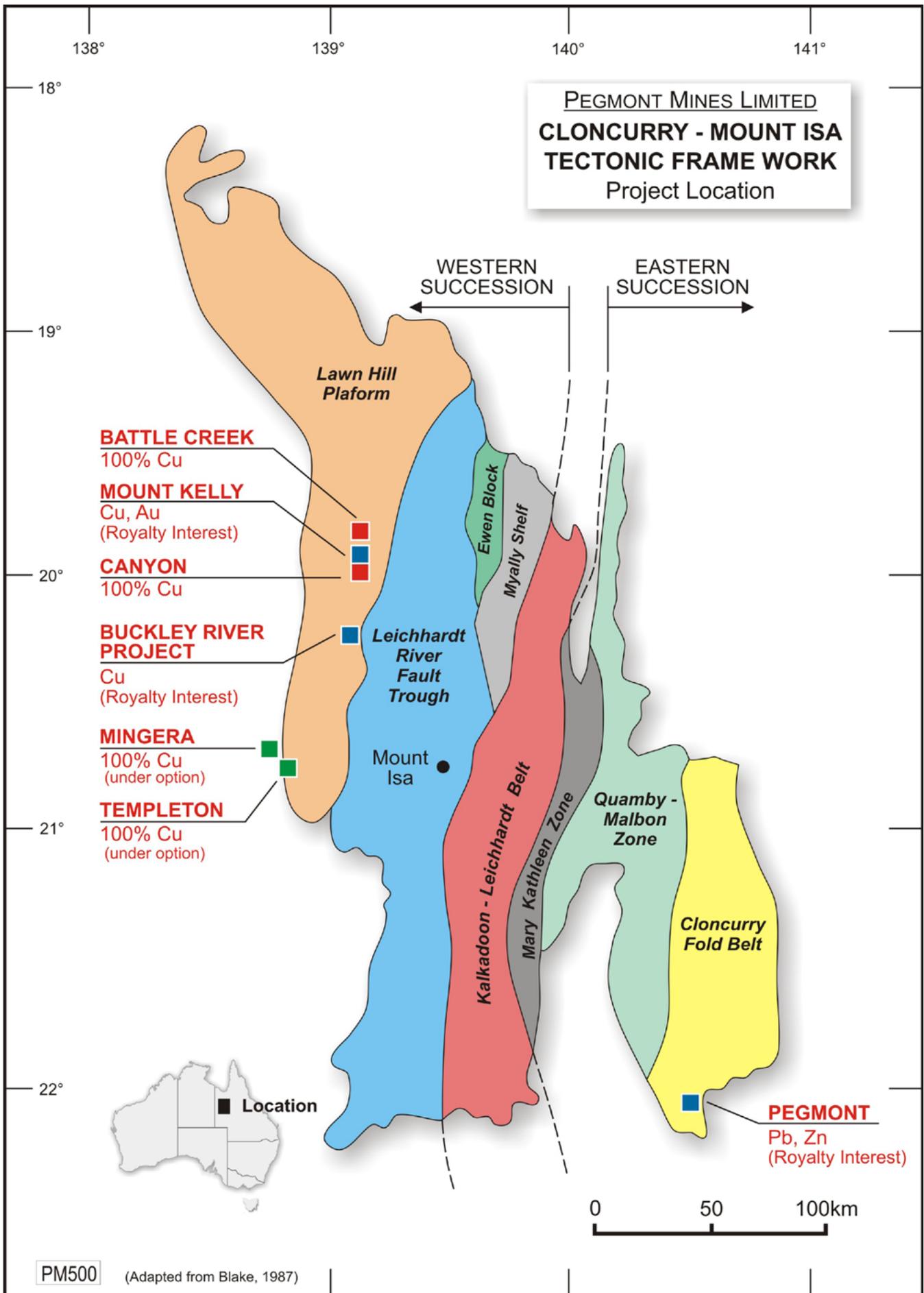
PEGMONT MINES LIMITED

Annual Report 2020

For the year ended
31 December 2020



PEGMONT MINES LIMITED
ABN 97 003 331 682



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

CHAIRMAN'S REVIEW

Following our successful 2019 in which we sold the Pegmont lease and paid a substantial fully franked dividend, 2020 was a year of transition for Pegmont. Our efforts at Templeton and Mingera were disappointing and we have moved on to more established copper areas with hopefully lower risk. Drilling will commence on our Canyon lease as soon as weather permits.

We made a \$530,406 loss for the year compared to a \$1,498,512 profit in 2019. The major cost item was exploration costs of \$269,000 written off which is our standard corporate policy. Our cash position at year end was \$2.20 million. We have carry-forward tax losses of \$9.8 million and unused Franking Credits of \$3.7 million

Our exploration efforts during the year were concentrated on our Canyon EPM 27345 which was granted in June and Battle Creek EPM 27255 which was granted in April. Battle Creek and Canyon tenements cover the north and south extension of the magnetic anomalies thought to be the source of the Mount Kelly copper mineralisation where there are north-west cross cutting faults through the McNamara Fault Zone. Our understanding of the complex structural nature of the tenements is still evolving. Confirmation of this concept by drilling is our primary objective.

Canyon is considered to be the most prospective and our efforts will be focused on that area. We expended \$269,000 on exploration during the year. The COVID-19 lock-down significantly affected exploration activities during the year. As a result the Queensland Department of Natural Resources, Mines and Energy has reduced expenditure obligations for 2020-2021.

Two reconnaissance field programs were undertaken following grant of the leases. The program included rock sampling and mapping of both tenements. Anomalous surface assay results resulted in several target areas requiring follow up. Mapping confirmed the location of the McNamara Fault Zone and McNamara West faults running through the Canyon prospect.

The aim of the exploration project was to define target areas as having economic copper and gold values. We know that the Mount Kelly fault and other nearby faults host economic oxide and sulphide mineralisation containing copper-cobalt and some gold values. The present SX-EW extraction plant producing cathode copper at Mount Kelly is from 2-7 kilometres distance from the Canyon prospect, thus enhancing anything we find.

Following the field program our activity was focused on the study and report preparation on field samples collected. The assay results of rock chip sampling were received and plotted. They broadly confirmed previous anomalous copper values, particularly around the Canyon prospect, a steep sided water course which has eroded cover rocks. The prospect is obviously mineralised but difficult to explore and assess due to terrain. Please refer the maps in the body of the report for more detail.

The Canyon prospect has about two kilometres on strike north of McLeod Hill mineralisation on the same branch of the McNamara Fault. This part of the fault is our primary exploration target for both oxide and sulphide mineralisation. A plan of operations to be presented to the Landholder and Native Title interests is being prepared for consultation and approval. A 1,000 metre program of RC drilling is being prepared to commence before June to test the extent and distribution of mineralisation.

Following our decision to proceed no further on Templeton and Mingera, we initiated discussions about the possibility of optioning out the two permits. In February an option agreement was signed with South 32 with a four year period with an option to extend for a further two years. This will eliminate future expenditure obligations and create potential for royalty income. This success continues our business model of identifying promising exploration areas and optioning them out after initial work has added value.

At Pegmont, Vendetta Mining Corp., the new leaseholder, has continued to add value to the lead-zinc project by metallurgical test work to increase metal recoveries. During January 2021 Vendetta announced an update of resource development of the project was 5.8Mt indicated and 8.3Mt inferred. In August Vendetta was awarded a \$200,000 grant from the Queensland Government to test the Pegmont Deeps zinc target. We retain a 1.5% net smelter royalty in the project after the recovery of \$5 million in imputed royalties. Vendetta has produced a Preliminary Economic assessment of the project with an estimated pre-tax IRR of 31% and a NPV of \$US204 million.

At our Reefway Royalty tenements, the new owner Austral Resources Lady Annie Pty Ltd continued heap leach operations at Mount Kelly to produce 99.99% cathode copper. We understand that Austral is planning to develop the Anthill deposit in the Buckley River project, which is also part of the Reefway Royalty area, to continue operations at the SX-EW facility.

In 2021 our focus will be on the Canyon exploration program. Given its proximity to the Mount Kelly mining lease which hosted a successful commercial copper mine, we are hopeful that economic mineralisation extends into our Canyon lease.

The COVID-19 pandemic has meant that the 2020 year has been a difficult one for many small explorers. Your company is in a relatively good financial position with a net \$2 million in the bank. However, it could support the current forecast expenditure of \$525,000 per annum for only four years without supplementary income or extra shareholder funding. Since the three present royalty agreements on Pegmont, Reefway and Templeton are not expected to generate income before 2025, consideration is being given to cease exploration in 2022 and for the company to seek short-term cash flow opportunities until the generation of royalty income.

In previous Annual Reports we have talked about the need for board renewal. Having been your chairman since 1998 and having reached the age of 85, I have decided not to stand for re-election at the forthcoming AGM. It has been a great pleasure serving you over that period and I will continue to follow the Company's progress with great interest. We have a good business model as evidenced by the recent success in optioning out the Templeton and Mingera leases to a substantial company with a strong position in the Mount Isa region and I have confidence in the future success of Pegmont.

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



John M Armstrong
Chairman

OUR TEAM

BOARD OF DIRECTORS

John M Armstrong

Non-Executive Chairman

BSc, MBA, FFin, FAICD

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

Peter J Read

Non-Executive Director

BEC, FAICD

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

Malcolm A Mayger

Managing Director

BComm, CA, FAICD

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

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

COMPANY SECRETARY

Christopher D Leslie

BComm, FCA

Mr Leslie has 34 years of experience in the mineral and petroleum industries at senior levels.

TECHNICAL AND PROJECT MANAGEMENT

David Hewitt

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

After 28 years elsewhere in Australia and PNG, David commenced work in the Mount Isa Inlier in 1992, focussing on copper and gold mineralisation. Since 1996 he became project geologist at Pegmont Mines Limited, also at New Hope gold-cobalt discovery and Lightning Creek IOCG Projects in the Eastern Succession. He was also supervising geologist from 1998 until 2005 at Mount Kelly, Anthill, Dividend and May Downs prospects during their drilling. His responsibilities also included detailed mapping and identification of drill targets. This work successfully resulted in the identification of Mount Isa type mineralisation at Mount Kelly. After 2004, David was involved in advancing the Pegmont Project to resource status prior to the Option deal with Vendetta Mining Corp in 2018.

David is responsible for field activity and exploration at Battle Creek and Canyon EPM.

CONSULTANTS

We employ highly qualified consultants (on a needs basis) in geology, geophysics, mineralogy, petrology and metallurgy to provide specialist advice and services.

COMPANY'S ACTIVITIES DURING 2020



Cu & Au

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

Option Agreement Templeton/Mingera

An option agreement covering EPM 26647 (Templeton) and EPM 27113 (Mingera) with South 32 Ltd was signed on 23 February 2021 for a four year period to 2025 with a possible extension period of a further two years.

Mount Kelly Trend

A review of historic data on the Mount Kelly Cu (+Au) deposit (north of Mount Isa) associated with the McNamara Fault indicates a possible relationship between magnetic anomalies and the prominent McNamara Fault within the Canyon EPM 27345.

This concept was the basis of EPM applications at Battle Creek and Canyon.



\$2.2 million cash

After payments of \$220,000 in deferred liabilities, exploration \$258,000 and administration expenses \$262,000. Taxation was NIL as carried forward losses were \$9.8 million and the Franking Credit balance at 30 June 2020 was \$3.7 million, at 30 June 2020.

Drilling – NIL

No drilling was undertaken during 2020 as CV-19 access restrictions to Mount Isa were in place. They have since been lifted.

However, 1,000 metres of RC drilling is intended for 2021 at Canyon (EPM 27345) along the McNamara Fault and an intersecting NW Cross-fault.



Outlook – 2021

As investors focus on commodities to hedge against inflation, the price of copper and cobalt have performed strongly. Our royalty portfolio and exploration activity is orientated towards these metals.

CORPORATE STRATEGY

Our EPM Applications at Battle Creek (27225) and Canyon (27345) were granted in April and June 2020 respectively, enabling a detailed review of previous exploration activity in conjunction with up to date geophysical modelling. This work was followed by the three field visits by David Hewitt who is the responsible person of the Mount Kelly Trend project. It became obvious that rock sampling indicated the presence of copper despite unknown thickness of cover to bed rock.

EXPLORATION PROCESS

Step 1	Grant of Exploration Permits for Minerals (EPM) – completed
Step 2	Review of previous explorers' data including drill results – completed which indicated that most of the holes drilled in Canyon were shallow, down to 10 metres. At Canyon sporadic low-grade mineralisation was (previously) intersected as it was associated with the McNamara Fault.
Step 3	Three field visits to take surface rock chip sampling and for orientation with particular regard to previous nearby drill results were made. Anomalous surface samples were not generally supported by previous shallow drilling except in a couple of holes close to the interpreted position of the McNamara Fault.
Step 4	Since there is known mineralisation at McLeod Hill, Canyon prospect and at Mount Kelly all associated with the McNamara Fault, a Plan of Operations has been drawn up to test 350 metres of the Fault just north of McLeod Hill MLs to its intersection with a cross fault a further 350 metres along a prominent NW-SE fault – see map 2.
Step 5	Results of the drill program will then be reviewed and depending upon results, the Board may decide upon further drilling or to seek an option deal before year end.

EXPLORATION STRATEGY

Because of our limited financial and technical resources, we are most likely to continue to option deal on exploration projects to reduce our future exploration expenditure and to further develop a portfolio of mineral properties in the Mount Isa region that may yield a future royalty income.

FINANCIAL RETURNS TO SHAREHOLDERS

Our short-term aim is to create opportunities to further pay dividends and to reverse the depletion of working capital for a more sustainable future.

2020 EXPLORATION REVIEW

During 2020, the main emphasis of our exploration was directed at the **Canyon** EPM 27345 costing \$79,000 and the **Mount Kelly Trend** regional analysis \$12,000; an area of known copper mineralisation associated with significant faults.

The Canyon tenement is located between Mount Kelly and McLeod Hill copper deposits (Map 2) which are associated with a deep North-South structure called McNamara Fault.

We have undertaken a detailed analysis of previous exploration (mainly conducted by CRA in the 1990s) including drilling, and concluded that deep cover in the area has largely hidden the underlying geological formation of Dolomitic Siltstone that may host copper-gold mineralisation. The least risk option for confirming copper mineralisation is to drill the northern strike extension of the McNamara Fault from the known mineralisation at McLeod Hill, towards the Canyon prospect.

A draft Plan of Operations for 10 RC holes totalling 1,000-1,200 metres has been prepared for presentation to the Landholder and Native Title interests, prior to drilling due May-June 2021.

The Canyon tenement is close (3-5 kilometres) to the Mount Kelly Operational infrastructure (Map 4) owned by another party used to treat oxide ores by Solvent Extraction and Electro-Winning (SXEW) to produce high quality (99.99% pure) copper cathode. Their camp facilities are available to us for access to the tenement.

Additional outcrop sampling was conducted at **Mingera** \$79,000 to firm up a geochemical anomaly prior to seeking an Option deal package, including **Templeton**, with a major mining group. Negotiations have resulted in a subsequent offer being received in February 2021.

No drilling was conducted at either Mingera or Templeton during the year due to COVID-19 access restrictions on personnel entering the Mount Isa district.

MAP 1

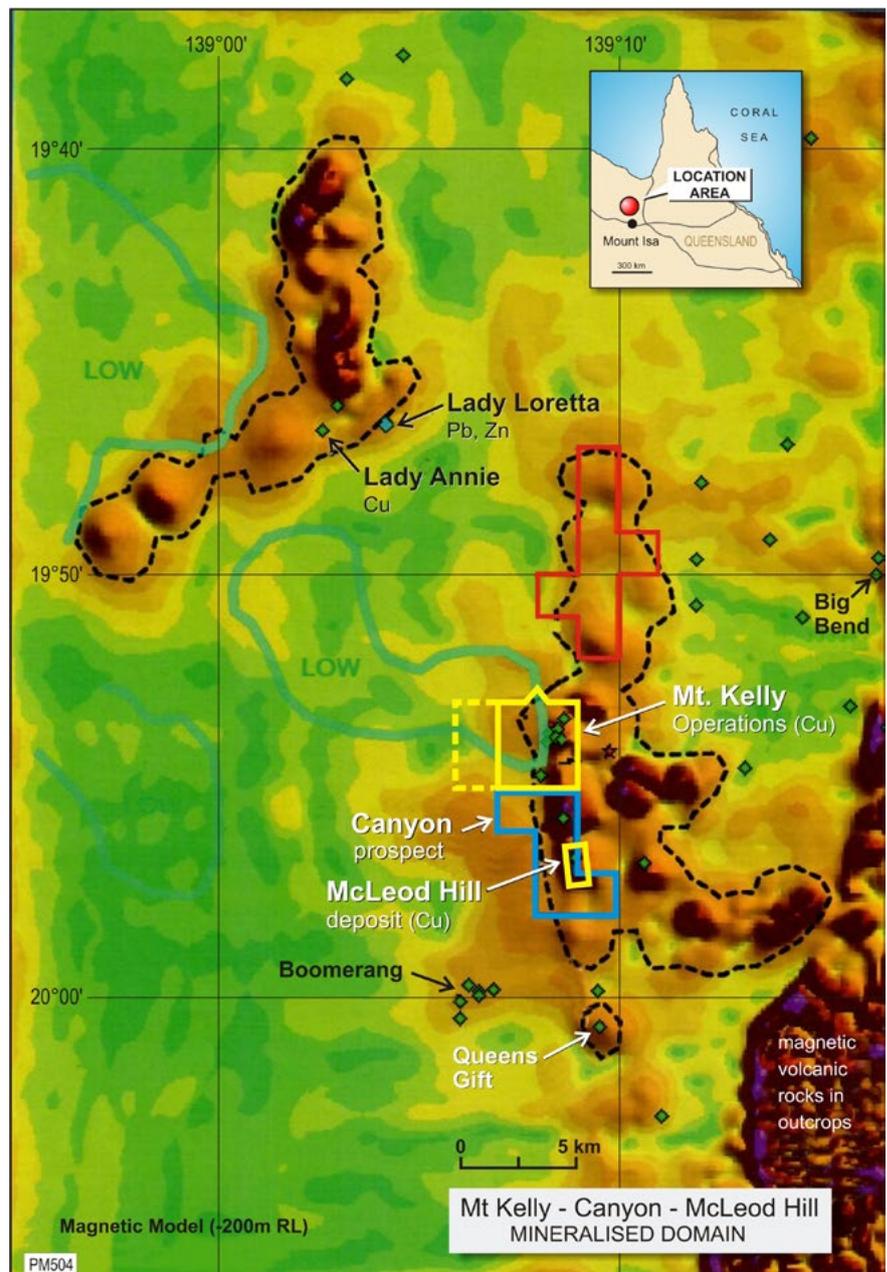
Map showing 'Depth to Magnetic Basement' (= 'depth to magnetic rock bodies under sedimentary strata') with reference elevation of 200m below sea level, prepared by Kate Nelson, using data from MIM survey on lines at 200m spacing.

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

Blue: CANYON EPM 27345

Red: BATTLE CREEK EPM 27255

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

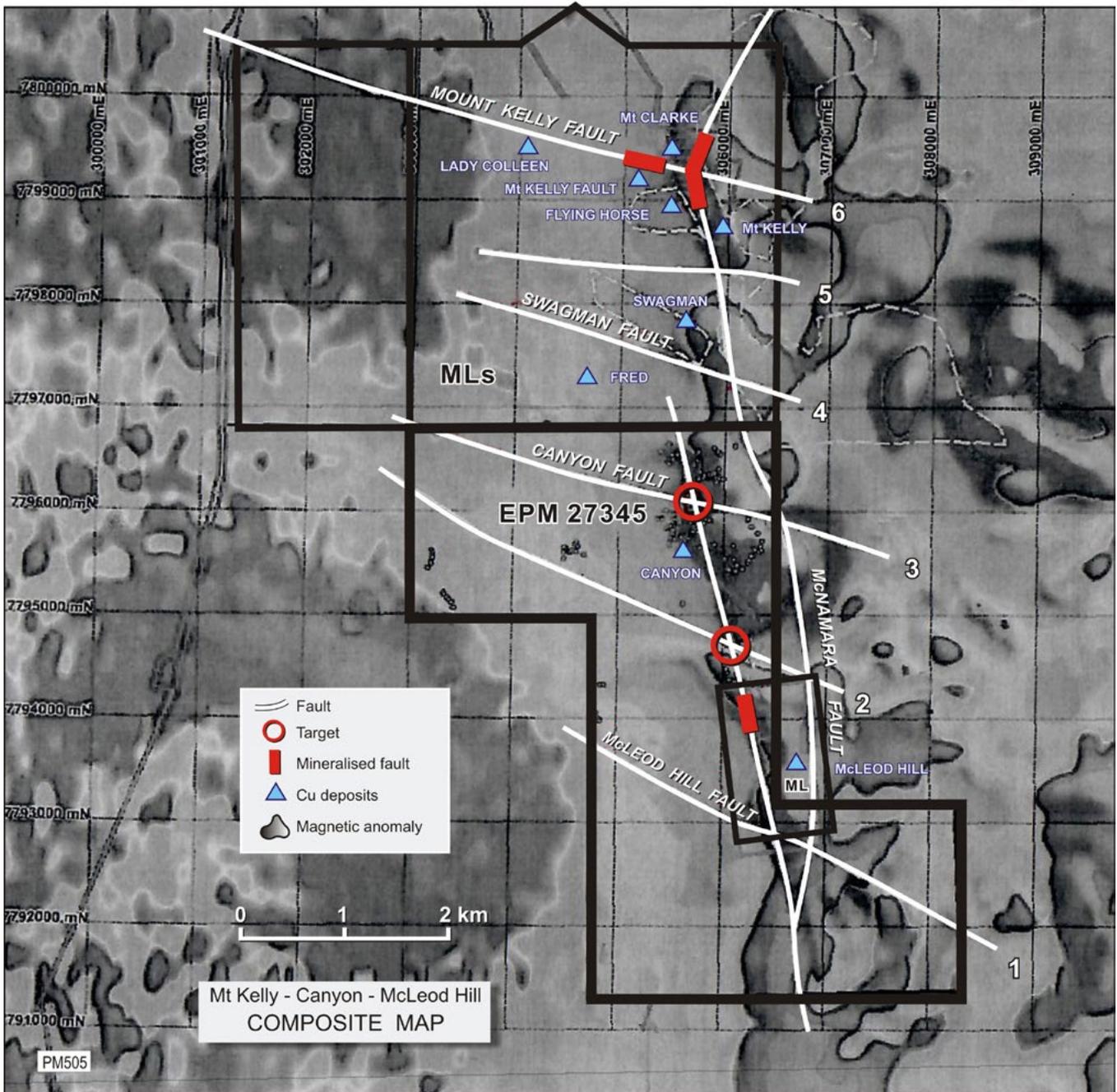


EXPLORATION REVIEW CONTINUED

MAP 2

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

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



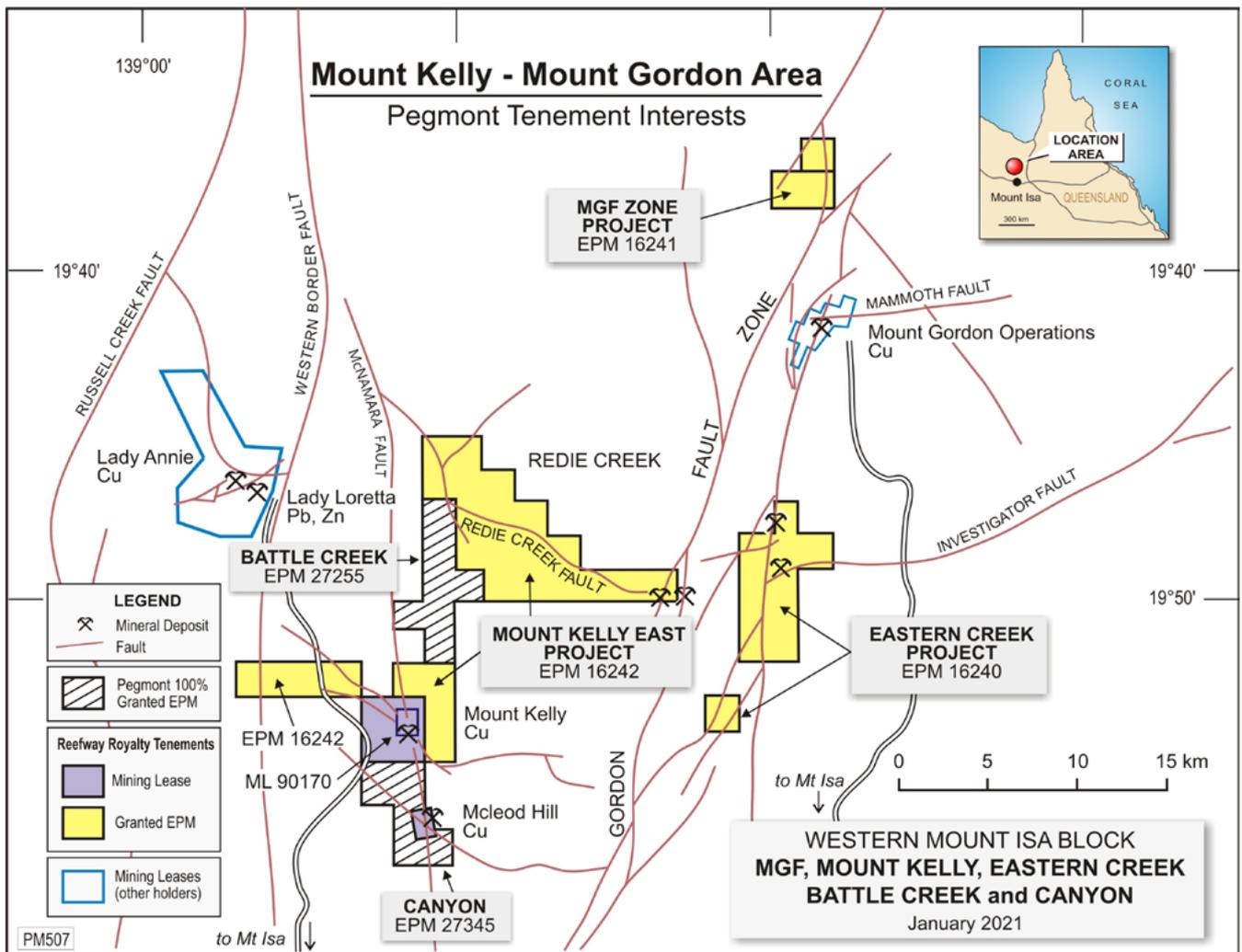
ROYALTY TENEMENT ACTIVITIES

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

Ownership of the Reefway Royalty Tenements is held by Austral Resources Lady Annie Pty Ltd outlined in the following map. The royalty becomes payable on copper when production exceeds 100,000 tonnes. Since commencement of production in 2007, total cathode copper sold to 31 December 2020 totals 51,717.6 tonnes. However, early development of mining at Anthill would expedite achievement of the minimum required tonnage of copper of 100,000 tonnes.

MAP 3

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

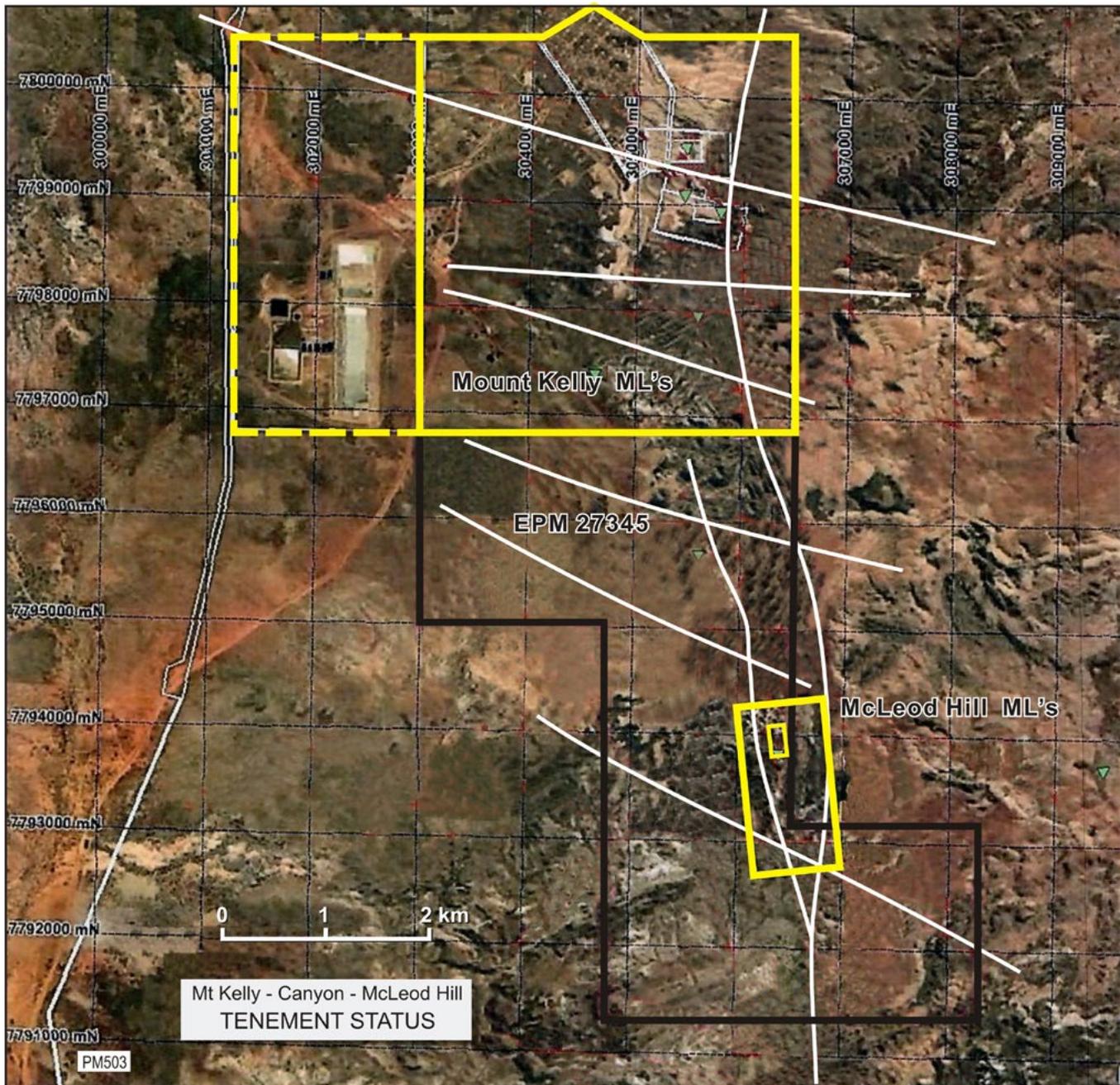


The fragmented nature of EPM sub-blocks reflects relinquishments that have taken place since the original Option Agreement in 2005. There remain two main clusters of EPMs surrounding granted Mining Leases. Namely, the Mount Kelly – Mount Gordon Area (Map 3) and the Buckley River Project (Map 5) surrounding the Anthill Mining Lease.

EXPLORATION REVIEW CONTINUED

Mount Kelly Operations

The Reefway Royalty Tenements were originally sold to CopperCo Ltd in 2005 and subsequently brought into production at Mount Kelly during 2007, based on resources established at Mount Clarke and Flying Horse deposits (in ML 90170) totalling 51,000 tonnes of in-situ oxide copper resources (CopperCo – 2008 Annual Report). These deposits are largely exhausted. The Lady Colleen deposit, although containing substantial mineralisation remains unmined. Additionally, there is nearby fault related sulphide mineralisation that have yet to be drilled out. Current exploration by Austral is to be directed toward discovering more oxide material for treatment. Oxide copper is then converted to Cathode Copper by an SXEW plant at Mount Kelly.



MAP 4

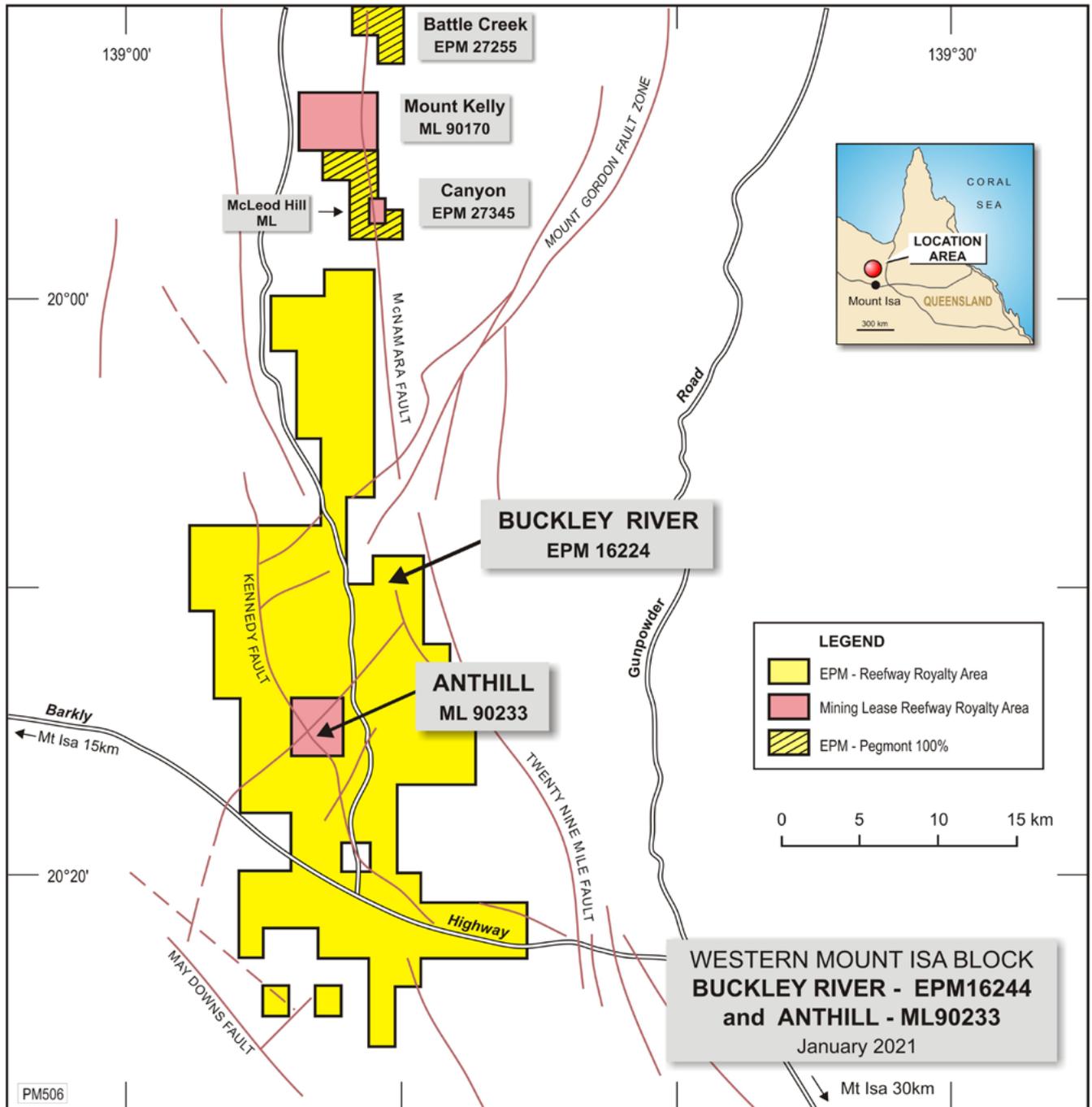
Solid Yellow: Mount Kelly MLs and McLeod Hill MLs (not owned by the Company but subject to Reefway royalty.)

Dashed Yellow: Mount Kelly ML not subject to Reefway royalty.

Buckley River Project

Buckley River Project is located 45 kilometres south of the Mount Kelly SXEW Operation, centred on the Anthill Mining Lease (ML 90233) where a blanket resource of Cu containing 38,000 tonnes (CST, 2013). Past drill results have produced several strong copper sulphide intercepts beneath the oxide blanket. Additionally, there are several prospects apart from Anthill that require drilling. Current high copper prices could spark renewed exploration activity and development of the Anthill deposit.

A total resource of 13.54Mt of oxide/sulphide material containing 38,000 tonnes of contained copper was announced by CST Mining Group Ltd (the previous owners) as at 31 December 2013 at the Anthill workings reported by independent consultants, and compliant with the JORC Code 2004. Although this estimate requires updating, a larger potential is indicated, particularly as there are a number of nearby prospects with promising exploration potential.



MAP 5

EPM 16244 is held by Austral Resources Lady Annie Pty Ltd

The Anthill ML 90233 containing the published resources is within trucking distance (45 kilometres) from the Mount Kelly SX-EW oxide treatment operations located in ML 90170.

EXPLORATION REVIEW CONTINUED

PEGMONT LEAD-ZINC PROJECT

Pegmont 100% interest in 1.5% NSR Royalty

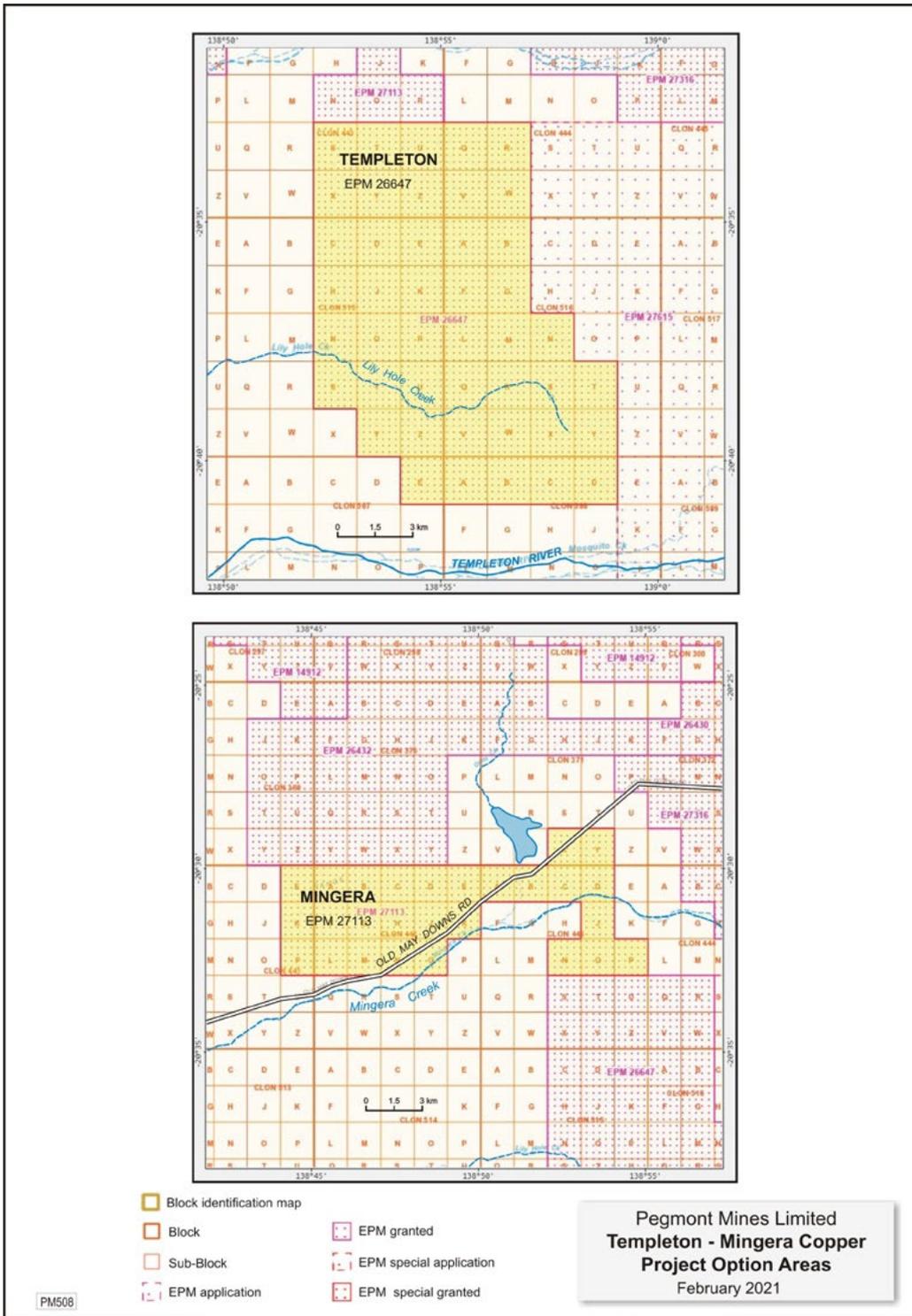
Ownership of the Pegmont royalty tenements were acquired in June 2019 by Vendetta Mining Corp listed on the Toronto Stock Exchange.

During January 2021, Vendetta announced an update of Resource Development of the Pegmont Lead-Zinc Project; Total Resource were 5.8Mt indicated and 8.3Mt inferred of which 8.9Mt was open pit and 1.7Mt of high grade underground ore. There are a number of exploration targets outside the resource boundary. Preliminary economic studies indicate an initial mine life of 10 years at 1.1Mt of ore per annum to produce 124Mlbs of lead, 50Mlbs of zinc and 298Koz of silver. Work by Vendetta on reducing project costs including ore sorting and increasing mill recoveries are ongoing.

TEMPLETON – MINGERA COPPER EXPLORATION PROJECT

Pegmont 100% optioned to South 32 Ltd 23 February 2021

MAP 6



OUTLOOK FOR 2021

Commodity prices firmed during 2020 with iron ore being a stand-out, up 69% for the year; copper rose by 25% and gold 24%. Despite the advent of COVID-19 reaping havoc on world economies, there is an expectation that 2021 will see a rebound in economic growth as measures to control COVID-19 take effect.

Stock markets have also been buoyant because of Quantitative Easing and very low interest rates with attention mainly directed at sectors not affected by COVID-19. However, the market has been volatile which makes investors cautious and not particularly partial to explorers without a near term prospect of cash flow.

This economic background frames the thinking of the Board in managing the activities of the Company in formulating a strategy for 2021 and beyond.

Drilling the Canyon prospect will be our main focus during the year. We plan to drill 10–12 RC holes for 1,000–1,200 metres to test the McNamara Fault system for oxide/sulphide mineralisation and also to test a prominent cross fault. Our premise is that the target area may replicate the Mount Kelly mineralised system.

FORECAST INCOME/EXPENDITURE – 2021

	Actual 2020 \$000	Forecast 2021 \$000
Share trading profit/(loss)	(6)	–
Interest	27	9
Option/Exercise payments	–	–
Total Income	21	9
Exploration		
Templeton/Mingera	103	10
Mt Kelly Trend + Other	87	70
Canyon	79	170
Administration	282	300
Total Expense	(551)	(550)
Net Profit/(Loss)	(530)	(541)
Working Capital ¹	(162)	(200)
Cash Balances	2,204	1,463

1. Working Capital payments include deferred Directors' fees from prior years and repayment of Directors' advance to the Company incurred to 2014.

FINANCIAL CONDITION

The Company's Consolidated Net Assets at 31 December 2020 were \$2,202,994, a decrease of \$530,406. Summarised as follows:

	2020 \$000	2019 \$000
Current assets	2,234	3,014
Current liabilities	231	481
Working Capital	2,003	2,533
Non-Current assets	200	200
Non-Current liabilities	–	–
Net assets	2,203	2,733
Cents/share	3.0	3.8

WORKING CAPITAL

Working Capital declined by \$530,000, (reflecting actual expenditures) to \$2,003,000 or 2.8cents per share thus, the Company has an adequate working capital to fund intended exploration activities during 2021. However, beyond 2021, expenditures may need to be reduced to less than \$300,000p.a. prior to royalty receipts expected from current options deals.

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

NON-CURRENT ASSETS

	2020 \$000	2019 \$000
Pegmont Royalty Agreement	100	100
Reefway Royalty Agreement	100	100
	200	200

Both royalty agreements have been valued at a nominal value of \$100,000 each due to their indeterminate nature of not knowing when royalty receipts may be received.

TENEMENT ACTIVITY

The Company has the following granted tenement interests.

100% Equity

Templeton EPM	26647 – copper
Mingera EPM	27113 – copper
Battle Creek EPM	27255 – copper
Canyon EPM	27345 – copper
Applications	NIL

Royalty Interests

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

TEMPLETON/MINGERA – EPMS 26647, 27113

Drilling during 2019 did not intersect mineralisation despite promising surface values and co-incident magnetic anomalies. This result led to the conclusion that a deeper level of understanding of the nature of the Templeton magnetic anomalies, including their structure, (geochemistry and genetic history) was required to achieve successful exploration.

Such a methodical approach although desirable was beyond the financial and technical resources of the Company, therefore a decision was made to seek an option taker and also surrender partial areas in each EPM. No drilling was undertaken during 2020.

MOUNT KELLY TREND – EPMS 27255, 27345

Three field trips were made for surface sampling, mapping and familiarisation. Austral Resources, the owner of Mount Kelly operations made available their camp facilities at Mount Kelly only 3 kilometres from the Canyon EPM.

Review of activities of previous explorers combined with up to date geophysical data indicated the use of drill testing of the major fault structures in the EPM. A program of up to 12 RC holes for 1,000-1,200 metres is anticipated. Further drilling would depend upon assay results.

Sampling at Battle Creek EPM did not yield much encouragement, further work is required as it does contain the northern extension of magnetic anomalies associated with the prospective McNamara Fault.

Geophysical interpretations of magnetic anomalies indicate a deeper setting of intrusions than at Canyon, requiring definitive surveys prior to deeper drilling. Positive drill results from Canyon, generating core would be essential to calibrate appropriate geophysical methods for the Battle Creek Tenement.

TENEMENT SUMMARY

Granted	Area	Date of Grant	Date of Expiry
EPM 26647	44 s/b	10/05/2018	09/05/2023
EPM 27113	27 s/b	21/05/2019	20/05/2024
EPM 27255	7 s/b	08/04/2020	08/04/2025
EPM 27345	5 s/b	18/06/2020	17/06/2025

EXPENDITURE COMMITMENT

EPM 26647	Year 3	\$25,000
EPM 27113	Year 2	\$16,300
EPM 27255	Year 1	\$26,000
EPM 27345	Year 1	\$126,000

All statutory obligations have been completed and that the tenements are in good standing.

SUMMARY OF FINANCIAL RESULTS

Financial results as at 31 December		2020 \$000	2019 \$000	2018 \$000	2017 \$000	2016 \$000
Gross Trading Revenue		10	15	24	24	78
Net Trading Profit/(Loss)		21	53	11	(6)	20
Option Receipts		–	315	1,750	350	150
Exploration Recovery		–	2,106	428	–	–
Exploration		(269)	(568)	(232)	(81)	(47)
Administration		(282)	(388)	(311)	(203)	(217)
Depreciation		–	(20)	(20)	(30)	(30)
Net Profit/(Loss) before tax		(530)	1,498	1,626	30	(124)
Net Profit/(Loss) after tax		(530)	1,498	1,626	30	(124)
Cash		2,204	2,930	1,654	383	217
Investments		8	17	16	21	24
Working Capital		2,003	2,533	1,718	225	140
Total Assets		2,434	3,214	5,402	3,750	3,616
Total Liabilities		231	481	564	538	460
Shareholders' Funds		2,203	2,733	4,838	3,212	3,156
Contributed Equity		4,542	4,542	4,512	4,512	4,486
Earnings per share (E)	cents	(0.7)	2.07	2.2	–	(0.2)
Dividends per share	cents	–	2.25	–	–	–
Net Tangible Assets per share	cents	3.0	3.8	6.2	4.4	4.4
Working Capital per share	cents	2.8	3.5	2.4	0.3	0.2
Share Price (last sale)	cents	5.0	5.0	6.1	6.9	1.5
Price Earnings ratio P/E	–	-ve	2.4	2.8	–	-ve
Shares on Issue	000	72,317	72,317	71,817	71,817	71,392

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 sixteen years from Gross Trading Revenue of \$122,751,000 at an average margin of 10.0% on turnover. During this period the Company has expended funds on exploration \$7,591,000, administration \$7,713,000, 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 2020 also curtailed such activity. However, with economic stabilisation and world growth expected during 2021, investment opportunities, without undue risk, are likely to arise. We will look for such opportunities in well managed companies listed on the ASX.

CORPORATE GOVERNANCE STATEMENT

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

BOARD OF DIRECTORS

Role of the Board

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

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

Composition of the Board

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

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

- Persons nominated as Non-Executive Directors shall be expected to have skills, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.
- The Chairperson should ideally be non-executive and independent and be elected by the Board based on his/her suitability for the position. Currently the Chairperson is a Non-Executive Director. The Board believes that this Chairperson is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairperson.
- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and program, together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.
- Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting, one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.

- The Directors may appoint a Managing Director for a fixed term not exceeding five (5) years (Article 71(a)) unless otherwise approved by members in General Meeting.
- The remuneration of a Managing Director shall not exceed 15 times average weekly Earnings of Employees (AWE) (Article 6.5 (e)).
- The Chairperson and Deputy Chairperson hold office until otherwise determined by Directors, or until they cease to be Directors, in any case for a period not exceeding five (5) years (Article 9.6(a)) unless otherwise approved by members in General Meeting.

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

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

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

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

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

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

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

PERFORMANCE OF DIRECTORS

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

CONFLICT OF INTEREST

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

INDEPENDENT PROFESSIONAL ADVICE AND ACCESS TO COMPANY INFORMATION

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

REMUNERATION REPORT

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

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Remuneration Policy

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

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

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

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

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

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

Performance based remuneration

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

CORPORATE GOVERNANCE STATEMENT CONTINUED

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION *continued*

Company performance, shareholder wealth and key management personnel remuneration

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

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 31 December 2020.

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

The Company received approximately 100% of "yes" votes on its remuneration report for the 2019 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, 2020 and the state of affairs at that date.

DIRECTORS

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

Mr. John M Armstrong Non-Executive Chairman

Mr. Peter J Read Non-Executive Director

Mr. Malcolm A Mayger Managing Director

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

PRINCIPAL ACTIVITY

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

OPERATING RESULTS

The consolidated loss after providing for income tax amounted to \$530,406 (2019, profit – \$1,498,512).

DIVIDENDS

No dividend was paid during the year. (2019 2.25cents per share amounting to \$1,627,122 from prior year's profits.)

REVIEW OF OPERATIONS

Information on the operations of the company during the year and the results of those operations are set out in the section titled 'Company Activities during 2020' 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 2020'.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 December 2020.

OPTIONS OVER UNISSUED CAPITAL

The total number of options issued as at 31 December 2020 was NIL (2019– NIL).

At 31 December 2020 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 2020.

REMUNERATION REPORT

MEETING OF DIRECTORS

During the financial year, 3 meetings of directors were formally held. The number of meetings attended by each director during the year is as follows:

Mr. John M Armstrong	3
Mr. Malcolm A Mayger	2
Mr. Peter J Read	3
Mr. Richard Woods	2

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

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

ARMSTRONG, John M

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

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

MAYGER, Malcolm A

(Executive Managing Director) BCom, CA, FAICD

Mr. Mayger, aged 81 has over 50 years of experience in exploration, mining and investment. Malcolm Mayger founded the company in 1987 and has guided its subsequent development from concept to an explorer with royalty interests.

READ, Peter J

(Non-Executive Director) BEc, FAICD

Mr. Peter J Read, aged 81 is a corporate specialist with experience as Managing Director with Drillsearch Energy Ltd and Queensland Resources NL. In addition, he has extensive experience in Marketing and Business Consulting.

WOODS, Richard S

(Alternate for Mr. M A Mayger)

Mr Richard S Woods, aged 68, is a Chartered Accountant and a former partner of Walker Wayland NSW Chartered Accountants for 27 years.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

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

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

KEY MANAGEMENT PERSONNEL OF PEGMONT MINES LIMITED

	SHORT-TERM		POST EMPLOYMENT		SHARE-BASED	TOTAL
	Salary & Fees \$	Non Monetary \$	Super- annuation \$	Retirement benefits \$	PAYMENTS \$	\$
Directors						
John Armstrong						
2020	40,000	–	–	–	–	40,000
2019	40,000	–	–	–	–	40,000
Malcolm Mayger						
2020	60,000	–	–	–	–	60,000
2019	60,000	–	–	–	–	60,000
Peter Read						
2020	30,000	–	–	–	–	30,000
2019	30,000	–	–	–	–	30,000
Other key management personnel						
Chris Leslie						
2020	36,096	–	–	–	–	36,096
2019	42,791	–	–	–	–	42,791
Total key management personnel compensation						
2020	166,096	–	–	–	–	166,096
2019	172,791	–	–	–	–	172,791

DIRECTORS' REPORT CONTINUED**KEY MANAGEMENT PERSONNEL OF PEGMONT MINES LIMITED** continued**Service agreements****Malcolm Mayger, Managing Director:**

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

Share-based compensation

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

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

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

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

		Shares at 31/12/2019	Acquired/(Disposed) during the year	Shares at 31/12/2020
J M Armstrong	Direct	99,688	-	99,688
	Indirect	800,000	-	800,000
P J Read	Direct	100,000	-	100,000
	Indirect	-	-	-
M A Mayger	Direct	500,000	-	500,000
	Indirect*	38,543,333	-	38,543,333
R S Woods	Direct	-	-	-
	Indirect	137,000	-	137,000
		40,180,021	-	40,180,021

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

This is the end of the Remuneration report.

Signed: at Sydney in accordance with a resolution of Directors



Malcolm A Mayger

11 March 2021

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 2020 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

11 March 2021

Financial Statements

For the year ended
31 December 2020

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	CONSOLIDATED		PARENT ENTITY	
		2020 \$	2019 \$	2020 \$	2019 \$
Revenue from continuing operations					
Gross revenue from share trading		9,994	15,362	9,994	15,362
Cost of sales		42,030	9,887	42,030	9,887
Revenue/(loss) from sale of financial assets		(32,036)	5,475	(32,036)	5,475
Fair value gain on financial assets		25,356	(5,213)	25,356	(24,572)
Net trading profit/(loss) after provisions	2	(6,680)	262	(6,680)	(19,097)
Interest received or due and receivable from other Corporations		27,375	53,050	27,375	53,050
Option proceeds		–	315,000	–	315,000
Recovery of exploration expenditure		–	2,106,193	–	2,106,193
		20,695	2,474,505	20,695	2,455,146
Expenses from continuing operations					
Audit fees		(20,000)	(20,000)	(20,000)	(20,000)
Directors fees		(130,000)	(130,000)	(130,000)	(130,000)
Exploration written off		(268,843)	(567,712)	(268,843)	(567,712)
Depreciation		–	(20,000)	–	(20,000)
Stock exchange fees		(19,190)	(58,184)	(19,190)	(58,184)
Share registry fees		(7,675)	(14,462)	(7,675)	(14,462)
Secretarial & office expenses		(36,095)	(42,792)	(36,095)	(42,792)
Other expenses from ordinary activities		(69,298)	(122,843)	(69,298)	(122,843)
		(551,101)	(975,993)	(551,101)	(975,993)
Profit (Loss) before income tax		(530,406)	1,498,512	(530,406)	1,479,153
Income tax attributable	3	–	–	–	–
Profit attributable to members of Pegmont Mines Ltd		(530,406)	1,498,512	(530,406)	1,479,153
Earnings per share for profit attributable to the ordinary equity holders of the Company	20	(0.007)	0.021	(0.007)	0.020

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

BALANCE SHEET

AS AT 31 DECEMBER 2020

	Notes	CONSOLIDATED		PARENT ENTITY	
		2020 \$	2019 \$	2020 \$	2019 \$
Current Assets					
Cash and cash equivalents	4	2,204,450	2,929,867	2,204,447	2,929,864
Receivables	5	21,834	68,231	21,834	68,231
Financial assets at fair value through profit or loss	6	7,742	16,675	7,742	16,675
Total Current Assets		2,234,026	3,014,773	2,234,023	3,014,773
Non-Current Assets					
Financial assets at fair value through other comprehensive income	7	-	-	3	3
Property, Plant and Equipment	8	-	-	-	-
Mineral Tenements	9	200,000	200,000	200,000	200,000
Total Non-Current Assets		200,000	200,000	200,003	200,003
Total Assets		2,434,026	3,214,773	2,434,026	3,214,773
Current Liabilities					
Payable	10	31,032	181,373	31,032	181,373
Loans		200,000	300,000	200,000	300,000
Total Current Liabilities		231,032	481,373	231,032	481,373
Non-Current Liabilities					
Loans		-	-	-	-
Total Non-Current Liabilities		-	-	-	-
Total Liabilities		231,032	481,373	231,032	481,373
Net Assets		2,202,994	2,733,400	2,202,994	2,733,400
Equity					
Contributed equity	11	4,541,607	4,541,607	4,541,607	4,541,607
Reserves	12	2,200,000	2,200,000	2,200,000	2,200,000
Retained profits	12	(4,538,613)	(4,008,207)	(4,538,613)	(4,008,207)
Total parent entity interest		2,202,994	2,733,400	2,202,994	2,733,400
Outside equity interests in controlled entities		-	-	-	-
Total Equity		2,202,994	2,733,400	2,202,994	2,733,400

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	CONSOLIDATED		PARENT ENTITY	
	2020 \$	2019 \$	2020 \$	2019 \$
Total equity at the beginning of the financial year	2,733,400	4,838,203	2,733,400	4,857,562
Total recognised income and expense for the year	(530,406)	1,498,512	(530,406)	1,479,153
Transactions with equity holders in their capacity as equity holders:				
Shares issued	–	30,000	–	30,000
Dividend paid	–	(1,627,122)	–	(1,627,122)
Asset Revaluation	–	(2,006,193)	–	(2,006,193)
Total equity at the end of the financial year	2,202,994	2,733,400	2,202,994	2,733,400
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	(530,406)	1,498,512	(530,406)	1,479,153
	(530,406)	1,498,512	(530,406)	1,479,153

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	CONSOLIDATED		PARENT ENTITY	
		2020 \$	2019 \$	2020 \$	2019 \$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		37,369	2,489,605	37,369	2,489,605
Cash payments in the course of operations		(324,288)	(418,168)	(324,288)	(418,168)
Net cash from operating activities	18	(286,919)	2,071,437	(286,919)	2,071,437
Cash Flows from Investing Activities					
Financial assets decrease		34,289	13,999	34,289	14,000
Decrease in non-current assets		–	893,807	–	893,807
Exploration expenditure		(268,843)	(567,712)	(268,843)	(567,712)
Net cash provided for investing activities		(234,554)	340,094	(234,554)	340,095
		(521,473)	2,411,531	(521,473)	2,411,532
Cash Flows from Financing Activities					
Increase/(decrease) in creditors		(150,341)	(82,860)	(150,341)	(82,860)
(Increase)/decrease in debtors		46,397	544,376	46,397	544,376
Dividend paid		–	(1,627,122)	–	(1,627,122)
Share issue		–	30,000	–	30,000
Increase/(decrease) in loans		(100,000)	–	(100,000)	–
Net cash flow from financing activities		(203,944)	(1,135,606)	(203,944)	(1,135,606)
Net increase (decrease) in cash and cash equivalents		(725,417)	1,275,925	(725,417)	1,275,926
Cash and cash equivalents at the beginning of the financial year		2,929,867	1,653,942	2,929,864	1,653,938
Cash and cash equivalents at the end of the financial year	17	2,204,450	2,929,867	2,204,447	2,929,864

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Pegmont Mines Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

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

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

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

d) Income Tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued***e) Goods and Services Tax (GST)**

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

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

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

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

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

f) Segment Reporting

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

g) Revenue Recognition

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

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

h) Royalties and other mining imposts

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

i) Cash and cash equivalents

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

j) Trade and Other Receivables

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

k) Fair Value Estimation

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

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

l) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 3 to 5 years. All repairs and maintenance expenses are written off as occurrence.

m) Investments and Other Financial Assets

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

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. This designation is re-evaluated at each reporting date.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. 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.

n) Impairment of assets

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

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

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

o) Trade Payables

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

p) Provisions

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

q) Exploration expenditure

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

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

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

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

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

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

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

r) Mineral Tenements

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

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

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES *continued***s) Employee benefits**

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

Long service leave

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

Superannuation

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

Redundancy

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

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.

u) Earnings per share

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

v) Share based payments

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

w) Critical accounting estimates & judgements

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

i) Significant accounting judgements

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

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

ii) Significant accounting estimates and assumptions

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

Impairment of capitalised acquisition expenditure

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

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

At 31 December 2020, the carrying value of mineral tenements of the group was \$200,000 (2019 – \$200,000).

	CONSOLIDATED		PARENT ENTITY	
	2020 \$	2019 \$	2020 \$	2019 \$
2. OTHER INCOME				
Net fair value gain/(loss) on financial assets	(6,680)	262	(6,680)	(19,097)
3. INCOME TAX				
		(19,097)		
Prima facie tax payable on operating profit at 30%		449,554	–	443,746
Timing Differences	–	(449,554)	–	(443,746)
Income Tax Expense	–	–	–	–
4. CASH AND CASH EQUIVALENTS (CURRENT)				
Cash at bank and on hand	461,466	376,076	461,463	376,073
Cash on deposit	1,742,984	2,553,791	1,742,984	2,553,791
	2,204,450	2,929,867	2,204,447	2,929,864
5. TRADE AND OTHER RECEIVABLES (CURRENT)				
Security deposits DME & rental bond	4,500	16,205	4,500	16,205
Other debtors	254	254	254	254
GST control account	17,080	29,170	17,080	29,170
Prepayments		22,602		22,602
	21,834	68,231	21,834	68,231
6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CURRENT)				
Quoted Shares	7,742	16,675	7,742	16,675
Unlisted Investments – at fair value	–	–	–	–
Closing balance at 31 December	7,742	16,675	7,742	16,675
7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (NON-CURRENT)				
Shares in controlled entities	–	–	3	3

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

	CONSOLIDATED		PARENT ENTITY	
	2020 \$	2019 \$	2020 \$	2019 \$
8. PROPERTY, PLANT AND EQUIPMENT				
Property, plant & equipment – at cost	–	369,279	–	369,279
Less: Accumulated depreciation	–	(369,279)	–	(369,279)
	–	–	–	–
Reconciliation of carrying amount				
Opening balance at 1 January 2019	–	20,000	–	20,000
Plant & equipment acquired during year	–	–	–	–
Disposals	–	–	–	–
Depreciation write off during year	–	20,000	–	20,000
Closing balance at 31 December 2020	–	–	–	–

9. MINERAL TENEMENTS (NON-CURRENT)

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

The company has two royalty projects located at Pegmont and New Hope in the Mt Isa region. Royalty amounts are payable after certain production amounts are reached on both projects. The Directors' have placed a nominal value on both royalty projects of \$100,000 at 31/12/2020.

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

10. TRADE AND OTHER PAYABLES (CURRENT LIABILITIES)

Trade creditors and accruals	31,032	181,373	31,032	181,373
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	PARENT ENTITY		2019 \$
	Number	2020 \$	

11. ORDINARY SHARES – FULLY PAID

	72,316,556	4,541,607	72,316,556	4,541,607
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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.

	CONSOLIDATED		PARENT ENTITY	
	2020 \$	2019 \$	2020 \$	2019 \$

12. RESERVES AND RETAINED EARNINGS

a) Reserves				
Asset Revaluation Reserve	200,000	200,000	200,000	200,000
Capital Profit Reserve	2,000,000	2,000,000	2,000,000	2,000,000
	2,200,000	2,200,000	2,200,000	2,200,000
b) Retained Earnings				
Balance 1 January	(4,008,207)	(3,879,597)	(4,008,207)	(3,860,238)
Profit for the year after related income tax expense	(530,406)	1,498,512	(530,406)	1,479,153
Dividend paid	–	(1,627,122)	–	(1,627,122)
Balance 31 December	(4,538,613)	(4,008,207)	(4,538,613)	(4,008,207)

c) Nature and purpose of reserves

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

13. KEY MANAGEMENT PERSONNEL DISCLOSURE

a) Directors

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

Pegmont Mines Ltd & Subsidiaries

Malcolm A Mayger, John M Armstrong, Peter J Read and Richard S Woods (Alternate for Malcolm A Mayger)

Executives during year – Jacob Rebek and Christopher D Leslie

b) Directors and Director-Related Entities' Shareholdings

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

Name	Balance at the start of the financial period	Issued	Purchased/ (Sold)	Balance as the end of the financial period
Shares				
J M Armstrong	899,688	–	–	899,688
M A Mayger	39,043,333	–	–	39,043,333
P J Read	100,000	–	–	100,000
R S Woods	137,000	–	–	137,000
Total shares	40,180,021	–	–	40,180,021

c) Key management personnel compensation

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

d) Related party transactions

The Company has received an interest free, payable on demand loan of \$200,000 from Malcolm A Mayger Pty Ltd, a company associated with Mr Mayger, a Director of Pegmont Mines Limited.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

14. SEGMENTAL INFORMATION

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

15. REMUNERATION OF DIRECTORS

Type of transaction	Related party – directors	Terms and conditions	CONSOLIDATED		PARENT ENTITY	
			2020 \$	2019 \$	2020 \$	2019 \$
Directors' fees	MA Mayger	Normal commercial	60,000	60,000	60,000	60,000
Directors' fees	JM Armstrong	Normal commercial	40,000	40,000	40,000	40,000
Directors' fees	PJ Read	Normal commercial	30,000	30,000	30,000	30,000

16. CONTROLLED ENTITIES

Name	Inc	Class	BOOK VALUE		EQUITY		CONTRIBUTION TO GROUP	
			2020 \$	2019 \$	2020 %	2019 %	2020 \$	2019 \$
Pilbara Ventures Ltd	NSW	Ord	19,359	19,359	100	100	–	–
Queensland Copper Mines Pty Ltd	NSW	Ord	10,000	10,000	100	100	–	–
Kimberley Ventures Ltd	NSW	Ord	192,001	192,001	100	100	–	–
			221,360	221,360				
Contribution to Group Profit (Loss) after minorities								
Parent – Pegmont Mines Ltd							(530,406)	1,494,153
Profit (loss) for year – group							(530,406)	1,513,512
Loans to (from) subsidiaries			–	–				
Provision for loss			(221,357)	(221,357)				
Parent net investment in subsidiaries			3	3				

17. 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:

	EQUITY		CONTRIBUTION TO GROUP	
	2020 %	2019 %	2020 \$	2019 \$
Cash at bank	461,466	376,076	461,463	376,073
Call deposits	1,742,984	2,553,791	1,742,984	2,553,791
	2,204,450	2,929,867	2,204,447	2,929,864

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

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

	EQUITY		CONTRIBUTION TO GROUP	
	2020 %	2019 %	2020 \$	2019 \$
Operating Profit (Loss)	(530,406)	1,498,512	(530,406)	1,479,153
Exploration	268,843	567,712	268,843	567,712
Unrealised loss on investments	(25,356)	5,213	(25,356)	24,572
Net cash provided for operating activities	(286,919)	2,071,437	(286,919)	2,071,437

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

19. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2020 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 2020.

20. EARNINGS PER SHARE (EPS)

	CONSOLIDATED		PARENT ENTITY	
	2020 \$	2019 \$	2020 \$	2019 \$
a) Basic Earnings per share				
Earnings attributable to the ordinary equity holders of the Company	(0.007)	0.021	(0.007)	0.020
b) Earnings used in calculating earnings per share				
Earnings attributable to the ordinary equity holders of the Company	(530,406)	1,498,512	(530,406)	1,479,153
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	72,316,556	72,316,556	72,316,556	72,316,556

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

21. 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.

NOTES TO THE FINANCIALS STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2020

21. FINANCIAL RISK MANAGEMENT CONTINUED**Interest rate risk**

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

	FIXED MATURITY DATE					Total \$
	Weighted Average Effective Interest Rate %	Variable Interest \$	Less than 1 year \$	1 to 2 years \$	Non-interest Bearing \$	
2020						
Financial assets						
Cash	–	–	–	–	461,466	461,466
Interest bearing deposits	1	–	1,742,984	–	–	1,742,984
Receivables	–	–	–	–	21,834	21,834
		–	1,742,984	–	483,300	2,226,284
Financial liabilities						
Accounts payable		–	–	–	31,032	

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
2020				
Consolidated Assets				
Ordinary shares at fair value through profit or loss	7,742	–	–	7,742
Parent Entity				
Ordinary shares at fair value through other comprehensive income	–	3	–	3
2019				
Consolidated Assets				
Ordinary shares at fair value through profit or loss	16,675	–	–	16,675
Parent Entity				
Ordinary shares at fair value through other comprehensive income	–	3	–	3

Financing arrangements

The Company has no financing facilities available.

	CONSOLIDATED		PARENT ENTITY	
	2020	2019	2020	2019
	\$	\$	\$	\$

22. AUDITORS' REMUNERATION

Amount received or due and receivable by the auditor for:

a) Audit services

Audit and review of financial reports under the <i>Corporations Act 2001</i>	20,000	20,000	20,000	20,000
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b) Non Audit services

	-	-	-	-
Total remuneration of auditors	20,000	20,000	20,000	20,000

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

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

23. EXPENDITURE COMMITMENTS

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2021 amounts of approximately \$193,300 (2020 \$417,820) in respect of tenement lease rentals and minimum exploration expenditure commitments. The decrease from 2020 year has resulted from DNRME CV-19 rent relief and expected reduced expenditure on EPM 26647 Templeton and EPM 27113 Mingera.



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PEGMONT MINES LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pegmont Mines Limited ("the Company") and its controlled entities ("the Group") which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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





**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PEGMONT MINES LIMITED (continued)**

<i>Key Audit Matter - Financial Assets</i>	<i>How our Audit Addressed the Key Audit Matter</i>
<p>The Group's financial assets make up 90% of total assets by value and are considered to be the key driver of the Group's operations.</p> <p>We do not consider financial assets to be at a high risk of significant misstatement, however due to the materiality in the context of the financial statements as a whole, this is considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.</p>	<p>Our procedures over the existence of the Group's financial assets included but were not limited to:</p> <ul style="list-style-type: none"> • Documenting and assessing the processes and controls in place to record cash transactions; • Testing a sample of cash payments to determine they were bona fide payments, were properly authorised and recorded in the general ledger; and • Agreeing significant financial assets to independent third-party confirmations. <p>We have also assessed the appropriateness of the disclosures included in the financial report.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Directors' Responsibility for the Financial Report

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PEGMONT MINES LIMITED (continued)

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 2020.

In our opinion the remuneration report of Pegmont Mines Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Rothsay Auditing

Dated 11 March 2021

Daniel Dalla
Partner



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

As lead auditor of the audit of Pegmont Mines Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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

Rothsay Auditing

A handwritten signature in black ink that reads 'Dalla'.

Daniel Dalla
Partner
11 March 2021



SUPPLEMENTARY INFORMATION

1. ISSUED CAPITAL AT 31 DECEMBER 2020

72,316,556 Ordinary Shares Fully paid

2. SHARE HOLDINGS AT 1 FEBRUARY 2021

a) Distribution of Shareholders

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

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

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

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

SUPPLEMENTARY INFORMATION CONTINUED

DIRECTORS' INTERESTS

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

* Includes Pegasus Enterprises Limited.

TOP TWENTY SHAREHOLDERS AT 1 FEBRUARY 2021

	Number of Shares	Capital Issued %
Malcolm A Mayger Pty Ltd	18,440,000	25.50
Pegasus Enterprises Ltd	16,683,333	23.07
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF account)	4,726,361	6.53
Bedel & Sowa Corp Pty Ltd	2,812,500	3.89
Gollum Opportunities Pty Ltd	2,450,162	3.39
Bayerisch Super Pty Ltd (Bayerisch Fam Priv SF A/C)	2,341,375	3.24
Lozora Pty Ltd	2,000,000	2.77
David Hewitt	1,482,750	2.05
HSBC Custody Nominees (Australia) Ltd	1,340,000	1.85
Longbow Croft Capital P/L (Robert C Bishop S/F A/C)	1,330,000	1.84
Scepha Investments Pty Ltd	1,125,000	1.56
Perpetual Trustee Company Ltd	800,000	1.11
Mrs Dolores Holland	759,000	1.05
Mr Andrew George Poulos	585,000	0.81
Netwealth Investments Ltd (Wrap Services A/C)	550,000	0.76
Warlam Pty Ltd (Lincoln A/C)	520,000	0.72
Malcolm A Mayger	500,000	0.69
TCWH Super Fund	500,000	0.69
Rado Jacob Rebek	500,000	0.69
Martin Place Securities (Crown Credit Corporation AC)	500,000	0.69
	59,945,481	82.90
Other Shareholders	12,371,075	17.10
Total Issued Shares	72,316,556	100%

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: 0417 023 989

Email: pegmont@hotmail.com

Website: www.pegmont.com.au

Listed on The National Stock Exchange of Australia

Code: PMI

Directors

John M Armstrong Non-Executive Chairman

Peter J Read Non-Executive Director

Malcolm A Mayger Managing Director

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 Chartered Accountants

Level 1, 4 Vantor Avenue,

West Perth WA 6849

Telephone: (08) 9486 7094



PEGMONT MINES LIMITED
ABN 97 003 331 682