

Pegmont Mines NL
ACN 003 331 682

Financial Report

for the

Half-Year ended 30 June 2005

Pegmont Mines NL

ACN 003 331 682

Directors' Report

The Directors of Pegmont Mines NL submit herewith the financial report for the half-year ended 30 June 2005. In order to comply with the provisions of the Corporations Act, the directors report as follows: -

The names and particulars of directors of the company in office on the day this report is made out are:

ARMSTRONG, John M. (Non-Executive Chairman). *BSc, MBA, ASIA, FAICD*

Mr Armstrong, aged 69 is a professional company director with over 30 years experience in investment banking and resource finance at senior management and director levels.

MAYGER, Mayger A (Executive Managing Director) *BCom, CA*

Mr Mayger, aged 65 is a mineral economist with over 30 years 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 substantial interests.

LEGGO, Michael D (Non-Executive Director) *BSc, MSc, PhD, DIC, FAIG, FAusIMM,*

(Independent Non-Executive Director)

Mr Leggo, aged 63, is an experienced Geoscientist and has held senior positions with major exploration and mine development companies. He has over 20 years experience in his field. He has held a variety of technical and managerial positions in Australia and overseas and more recently has held senior positions in corporate environmental management.

Review Of Operations

The review of the company's operations during the half year is as follows:

	Segment Revenue	Segment result
	\$	\$
Share Trading	3,262,678	471,633
Other	104,017	104,017
	<u>3,366,695</u>	<u>575,650</u>
Unallocated expenses		-
Abnormal item		-
Profit (loss) from ordinary activities before tax		<u>575,650</u>
Income Tax		<u>210,000</u>
Profit (loss) for half-year		<u>365,450</u>

Activities

The Company has continued its sharetrading activities and exploration of the Pegmont lead-zinc deposit.

Changes In State Of Affairs

During the half year there was no significant change in the Company's state of affairs other than that referred to in the half year accounts or notes thereto.

AUDITORS' INDEPENDENCE -SECTION 307C

The following is a copy of a letter received from the Company's auditors:

"Dear Sirs,
In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:
i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the half-year ended 30 June 2005 financial statements; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)
Rothsay Chartered Accountants"

This report is made in accordance with a resolution of the directors

Dated this 30th day of September 2005.

On behalf of the Directors

MA Mayger
Director

Independent Review Report To The Members of Pegmont Mines NL

SCOPE

We have reviewed the financial report of Pegmont Mines NL for the half-year ended 30 June 2005. The Company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" issued in Australia and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and cash flows and in order for the Company to lodge the financial report with the Australian Securities and Investment Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

INDEPENDENCE

In conducting our review we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act.

STATEMENT

Based on our review which is not an audit, we have not become aware of any matter that makes us believe that the half-year report of Pegmont Mines NL is not in accordance with:

- (a) the Corporations Act, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

ROTHSAY

GRAHAM R. SWAN
Partner

Dated this 30th day of September 2005.

Pegmont Mines NL

Directors' Declaration For The Half-Year Ended 30 June 2005

The directors declare that:

- (a) The attached financial statements and notes thereto comply with Accounting Standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) In the directors' opinion there are reasonable grounds to believe that Pegmont Mines NL will be able to pay its debts as and when they become due and payable.

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

MA Mayger
Director

Dated this 30th day of September 2005.

Pegmont Mines NL

Statement of Financial Performance

For The Half-Year Ended 30 June 2005

	Note	Half-year ended 30 Jun 2005 \$	Half-year ended 30 Jun 2004 \$
Revenue from ordinary activities		3,262,678	7,513
Expenses from ordinary activities		(2,687,028)	(200,817)
Profit (loss) from ordinary activities before income tax		575,650	(193,304)
Income tax		210,200	-
Net Profit (loss) from ordinary activities for half-year after income tax		365,450	(193,304)
Minority interests		-	-
Profit (loss) for half year attributable to members of Pegmont Mines NL and recognised directly in equity		365,450	(193,304)
Accumulated losses brought forward		(561,144)	(1,729,323)
Accumulated losses at end of half-year		(195,694)	(1,922,627)
Earnings per share - basic	5	.7c	(.4c)

Statement of Financial Position

As at 30 June 2005

Current Assets

Cash	2,218,765	2,315,275	60,825
Receivables	25,221	815,922	39,027
Other	9,650	-	-
Investments	2,616,170	1,237,204	-
Total Current Assets	4,869,807	4,368,401	99,852

Non-Current Assets

Other - exploration and development tenements	3,350,869	3,353,610	6,450,000
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Total Non-Current Assets

	3,350,869	3,353,610	6,450,000
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Total Assets

	8,220,676	7,722,011	6,549,852
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Current Liabilities

Accounts payable	268,677	378,139	53,585
Borrowings	-	-	172,237
Provisions	825,637	615,636	144,000
Other	32,674	-	-

Total Current Liabilities

	1,126,988	993,775	369,822
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Total Liabilities

	1,126,988	993,775	369,822
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Net Assets

	7,093,686	6,728,236	6,180,030
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Shareholders' Equity

Share capital	2,833,187	2,833,187	2,833,187
Reserves	4,456,193	4,456,193	4,559,159
Accumulated losses	(195,694)	(561,144)	(1,922,627)

	7,093,686	6,728,236	5,469,719
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Minority interests

	-	-	710,311
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Total Shareholders' Equity

	7,093,686	6,728,236	6,180,030
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Pegmont Mines NL

Statement of Cash Flows

For The Half-Year Ended 30 June 2005

	Note	Current Half Year Consolidated \$	Previous Corresponding Half Year Consolidated \$
Cash Flows Related To Operating Activities			
Receipts from sale of shares		3,262,678	-
Payments for purchase of shares		(3,924,023)	-
Directors' fees		(85,000)	(25,000)
Payments to suppliers and contractors (inclusive of goods and services tax)		(29,738)	(147,528)
Interest and other items of a similar nature received		90,218	7,513
Net Operating Cash Flows		(685,865)	(165,013)
Cash Flows Related To Investing Activities			
Outflow for purchases of property, plant & equipment		(2,741)	-
Outflow for exploration expenditure		(131,250)	(28,291)
Outflow for equity investments		-	-
Proceeds from sale of equity investments		767,300	-
Net Investing Cash Flows		638,791	(28,291)
Cash Flows Related To Financing Activities			
Other		(49,436)	123,897
Net Financing Cash Flows		(49,436)	123,897
Net Increase (Decrease) In Cash Held		96,510	(69,407)
Cash at beginning of half year		2,315,275	130,232
Cash At End Of Half Year	3	2,218,765	60,825

Notes to the Financial Statements

For the Half-Year ended 30 June 2005

1. Basis of Preparation of Half-Year Financial Statements

These general purpose accounts for the half-year ended 30 June 2005 have been prepared in accordance with Accounting Standard AASB 1029: Half-Year Accounts and Consolidated Accounts. It is recommended that this report should be read in conjunction with the Annual Report for the year ended 31 December 2004 and any public announcements made by Pegmont Mines NL during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act.

The Company has moved from Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) in the half year ended 30 June 2005.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

Going Concern Basis

The half year accounts have been prepared on the going concern basis of accounting which contemplates the continuity of normal business activity, and the realisation of assets and the settlement of liabilities in the normal course of business.

The directors are of the opinion that the basis upon which the half year accounts are presented is appropriate in the circumstances.

Pegmont Mines NL

Notes to the Financial Statements

For the Half-Year ended 30 June 2005

International Accounting Standards

With regard to AASB 1047 Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, the Company has instigated a continual review of International Accounting Standards and the effects they will have on the Company's future financial statements.

2. Revenue and Expense

Operating profit before income tax is arrived at after:

	Current Half-Year Consolidated \$	Previous Corresponding Half Year Consolidated \$
a) crediting interest as revenue	90,218	7,513
b) charging interest as expense	-	-
c) depreciation and amortisation	-	-

3. Reconciliation of cash

Cash at the end of the half-year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:

Cash on hand and at bank	1,069,342	8,206
Deposits at call	1,146,923	-
Other – Bank guarantee	2,500	52,619
	<u>2,218,765</u>	<u>60,825</u>

4. Issued and quoted securities at end of current half-year

Category of Securities	Number Issued	Number Quoted	Par Value Cents	Paid-Up Value Cents
Ordinary Shares:	50,686,796	50,686,796		
Options:			Exercise Price	Expiry Date
	1,171,800	Nil	10c	31/12/05
	1,100,000	Nil	10c	30/04/06
	1,599,200	Nil	10c	31/12/06
	1,430,000	Nil	10c	31/12/07

5. Earnings per share

	Current Half-Year	Previous Corresponding Half Year
Basic earnings per share	.7c	(0.4c)
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	50,686,796	50,686,796
The diluted earnings per share is not materially different from the basic earnings per share.		

Pegmont Mines NL

Notes to the Financial Statements

For the Half-Year ended 30 June 2005

6. Commitments for expenditure

Mineral tenement leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2005/06 amounts of approximately \$165,000 in respect of tenement lease rentals, exploration expenditures and mining lease work commitments to meet the minimum expenditure requirements of the Queensland State Government. These obligations will be fulfilled in the normal course of operations.

7. Contingency

The Company is not currently involved in any litigation or arbitration.

8. Segmental Information

The economic entity operates predominantly in one geographic location. The operations of the economic entity consist of share trading and exploration within Australia.

9. Income Tax

	Current Half-Year	Previous Corresponding Half Year
a) Prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the accounts as follows:		
Operating Profit (loss)	575,650	(193,304)
Income tax expense calculated at 30% of operating profit (loss)	172,695	(57,991)
Effect of timing differences	37,305	57,991
Income tax attributable to operating profit (loss)	210,000	-

10. Subsequent Events

No matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the half-year ended 30 June 2005.

11. Impacts of adopting Australian equivalents to International Financial Reporting Standards

The Company has moved from Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) in the half year ended 30 June 2005.

Set out below are the key areas where accounting policies have changed on adoption of AIFRS and the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on the result for the halfyear ended 30 June 2005.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Current Half-Year	31 December2004 \$
Total equity under AGAAP	7,093,686	6,728,236
Adjustments for effect of transition to AIFRSs	-	-
Total equity under AIFRS	7,093,686	6,728,236

Pegmont Mines NL

Notes to the Financial Statements

For the Half-Year ended 30 June 2005

(b) Reconciliation of net loss under AGAAP to that under AIFRS

	Current Half-Year Consolidated
	\$
Net profit as reported under AGAAP	365,450
Adjustments for effect of transition to AIFRSs	-
Net profit under AIFRS	365,450

There were no material impacts in relation to the statements of financial performance and cash flows.

Changes to accounting policies on adoption of AIFRS

A Taxation

Under AASB 112, the Australian equivalent to IAS 12 “Income Taxes”, a balance sheet approach will be adopted for calculating taxation, replacing the “statement of financial performance approach”. This method recognizes deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statement of financial position or performance. The Company will not bring to account the estimated future income tax benefits attributable to tax losses and temporary differences as a deferred tax asset, as it is not yet considered probable that future taxable profit will be available for utilisation.

B Share based payments

Under AASB 2 “Share Based Payments”, the Company will be required to bring to account the effect of share-based payments, including options, on its financial performance and financial position.

C Impairment of Assets

Under the Australian equivalent to IAS 36 “Impairment of Assets” the recoverable amount of an asset is determined as the higher of net selling price and value in use. This resulted in a change to the company’s accounting policy which had determined the recoverable amount of an asset on the basis of discounted (undiscounted) cashflows. Under the new policy it is likely that the impairment of assets will be recognized sooner and the amount of write downs will be greater.