

ROTHSAY

CHARTERED ACCOUNTANTS

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FACSIMILE TRANSMISSION

TO: SCOTT EVANS

FAX: 4929 1556

FROM: GRAHAM SWAN


RE: PEGMONT MINES LTD

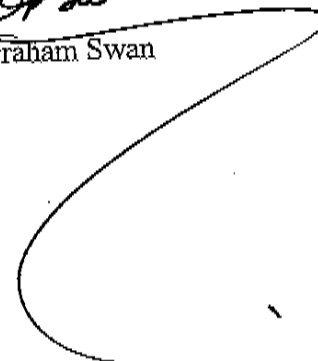
DATE: 27 September 2006

NO. PAGES: 11

Scott

Please find enclosed Pegmont's half yearly report to 30 June 2006.


Graham Swan



Pegmont Mines Limited
ACN 003 331 682

Financial Report

for the

Half-Year ended 30 June 2006

Pegmont Mines Limited
ACN 003 331 682

Directors' Report

The Directors of Pegmont Mines Limited submit herewith the financial report for the half-year ended 30 June 2006. 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 70 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 66 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 (Technical Director) *BSc, MSc, PhD, DIC, FAIG, FAusIMM,*

Mr Leggo, aged 64, 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. On the 1 September 2006 he became an executive director.

Review Of Operations

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

	Segment Revenue \$	Segment result \$
Share Trading	11,230,310	4,772,251
Other	75,274	75,274
	<u>11,305,584</u>	<u>4,847,525</u>
Exploration expenditure		(241,779)
Unallocated expenses		(255,822)
Profit (loss) from ordinary activities before tax		4,349,924
Income Tax		1,304,977
Profit (loss) for half-year		<u>3,044,947</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 2006 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 27th day of September 2006.

On behalf of the Directors

A handwritten signature in dark ink, appearing to read 'MA Mayger', with a small flourish at the end.

MA Mayger
Director

ROTHSAY

Level 1, 2 Barrack Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 9299 0091 Facsimile 9299 2595 E-mail swan2000@bigpond.com

Independent Review Report To The Members of Pegmont Mines Limited

SCOPE

We have reviewed the financial report of Pegmont Mines Limited for the half-year ended 30 June 2006. 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 134 "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 2001*.

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 Limited is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2006 and the performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.


ROTHSAY


GRAHAM R. SWAN
Partner

Dated this 27th day of September 2006.



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

Pegmont Mines Limited

Directors' Declaration For The Half-Year Ended 30 June 2006

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 Limited 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 27th day of September 2006.

Pegmont Mines Limited

Income Statement

For The Half-Year Ended 30 June 2006

	Note	Half-year ended 30 Jun 2006 \$	Half-year ended 30 Jun 2005 \$
Revenue from ordinary activities		4,847,525	3,262,678
Expenses from ordinary activities		(497,601)	(2,687,028)
Profit (loss) from ordinary activities before income tax		4,349,924	575,650
Income tax		1,304,977	210,200
Net Profit (loss) from ordinary activities for half-year after income tax		3,044,947	365,450
Minority interests		-	-
Profit (loss) for half year attributable to members of Pegmont Mines NL and recognised directly in equity		3,044,947	365,450
Retained Profits (Accumulated losses) brought forward		203,750	(561,144)
Retained Profits (Accumulated losses) at end of half-year		3,248,697	(195,694)
Earnings per share(cents per share) - basic	5	6.4	0.7

Balance Sheet

As at 30 June 2006

	Note	Half-year 30 Jun 2006 \$	Annual Report 31 Dec 2005 \$	Half-year 30 Jun 2005 \$
Current Assets		4,185,081	1,271,970	2,218,765
Cash		22,413	4,519	25,221
Receivables		34,456	18,472	9,650
Other		4,079,638	3,428,900	2,616,170
Investments		8,321,588	4,273,861	4,869,807
Total Current Assets		12,640,768	8,993,152	9,733,513
Non-Current Assets		3,350,000	3,350,000	3,350,869
Other - exploration and development tenements		3,350,000	3,350,000	3,350,869
Total Non-Current Assets		3,350,000	3,350,000	3,350,869
Total Assets		16,000,768	12,343,152	13,084,382
Current Liabilities		139,325	73,688	268,677
Accounts payable		-	-	-
Borrowings		835,186	425,793	825,637
Provisions		159,000	81,250	32,674
Other		1,133,511	580,731	1,126,988
Total Current Liabilities		1,133,511	993,775	1,126,988
Total Liabilities		1,133,511	993,775	1,126,988
Net Assets		14,867,257	11,349,377	11,957,394
Shareholders' Equity		2,833,187	2,833,187	2,833,187
Share capital		4,456,193	4,456,193	4,456,193
Reserves		3,248,697	203,750	(195,694)
Retained Profits (Accumulated losses)		10,538,077	7,493,130	7,093,686
Minority interests		-	-	-
Total Shareholders' Equity		10,538,077	7,493,130	7,093,686

Pegmont Mines Limited

Statement of Cash Flows

For The Half-Year Ended 30 June 2006

	Note	Current Half Year Consolidated \$	Previous Corresponding Half Year Consolidated \$
Cash Flows Related To Operating Activities			
Receipts from sale of shares		11,230,310	3,262,678
Payments for purchase of shares		(7,026,425)	(3,924,023)
Directors' fees		(130,000)	(85,000)
Payments to suppliers and contractors (inclusive of goods and services tax)		(70,430)	(29,738)
Interest and other items of a similar nature received		47,049	90,218
Income taxes paid		(895,614)	-
Net Operating Cash Flows		3,154,890	(685,865)
Cash Flows Related To Investing Activities			
Outflow for purchases of property, plant & equipment		-	(2,741)
Outflow for exploration expenditure		(241,779)	(131,250)
Outflow for equity investments		-	-
Proceeds from sale of equity investments		-	767,300
Net Investing Cash Flows		(241,779)	638,791
Cash Flows Related To Financing Activities			
Other		-	(49,436)
Net Financing Cash Flows		-	(49,436)
Net Increase (Decrease) In Cash Held		2,913,111	96,510
Cash at beginning of half year		1,271,970	2,315,275
Cash At End Of Half Year	3	4,185,081	2,218,765

Notes to the Financial Statements

For the Half-Year ended 30 June 2006

1. Basis of Preparation of Half-Year Financial Statements

These general purpose accounts for the half-year ended 30 June 2006 have been prepared in accordance with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2005 and any public announcements made by Pegmont Mines Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of accounting standards mandatory for accounting periods beginning on or after 1 January 2006 which have had no effect on the result for the period or contributed equity.

The half-year report has been prepared on an historical cost basis and the half-year has been treated as a discrete reporting period

Pegmont Mines Limited

Notes to the Financial Statements

For the Half-Year ended 30 June 2006

2. Revenue and Expense

Operating profit before income tax is arrived at after:

- a) crediting interest as revenue
- b) exploration expensed

Current Half-Year Consolidated	Previous Corresponding Half Year Consolidated
\$	\$
43,049	90,218
(241,779)	(131,250)

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
Deposits at call

1,121,136	1,069,342
3,063,945	1,149,423
<u>4,185,081</u>	<u>2,218,765</u>

Pegmont Mines Limited

Notes to the Financial Statements

For the Half-Year ended 30 June 2006

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		
Issued during current half year	Nil	Nil		
Options:			Exercise Price	Expiry Date
Listed	Nil	Nil		
Unlisted	1,480,000	Nil	10c	31/12/2006
	1,549,200	Nil	10c	31/12/2007
Issued during current half year	Nil	Nil		
Exercised during half-year	Nil	Nil		
Expired during half-year - Listed	Nil	Nil		
Expired during half-year - Unlisted	1,100,000	Nil	10c	30/04/06

5. Earnings per share

	Current Half-Year Consolidated	Previous Corresponding Half Year Consolidated
Basic earnings per share	6.4c	.7c
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.		

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 \$100,000 (2004/2005 \$165,000) in respect of tenement lease rentals, exploration expenditures and mining lease work commitments to meet the minimum expenditure requirements of the New South Wales Department of Primary Industries and Western Australian Department of Industry and Resources. These obligations will be fulfilled in the normal course of operations.

7. Segmental Information

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

Pegmont Mines Limited

Notes to the Financial Statements

8. 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 2006.