

**PEGMONT MINES LIMITED**

**FINANCIAL REPORT**

**FOR YEAR ENDED  
31 DECEMBER 2006**

## Pegmont Mines Limited

### A Brief Overview

The Company's activities are mineral exploration and investment.

The main exploration asset is 100% ownership of the Pegmont lead-zinc deposit, some 180km south of Cloncurry and 25km west of the Cannington silver – lead – zinc mine in the Mount Isa region. The Pegmont deposit has a previously indicated and inferred resource of 8.3 million tonnes averaging 7.75% Pb and 3.46% Zn, containing 643,000 tonnes of lead and 281,000 tonnes of zinc being one of the larger undeveloped lead-zinc deposits in Australia. This deposit is valued in the accounts at \$3.0 million or 5.9 cents per share. Metallurgical test work on both the oxide and sulphide mineralization has commenced, indicating the amenability of sulphide areas to standard treatment processes.

- During the year, the company continued to invest in mineral related equities which realised a share trading profit of \$7,373,719 (2005 - \$2,059,569). Also, the company participated in several small seed capital situations. This activity has continued into 2007 on a profitable basis.
- Net profit after tax was \$4,258,461 (2005 - \$764,894) after charging tax \$1,990,484 (2005 - \$537,096) and exploration \$432,157 (2005 - \$351,369).
- The company's working capital improved by \$ 3,751,593 to \$ 7,894,723 (2005 - \$4,143,130) after payment of a maiden dividend of \$506,868 (2005-NIL)

### Performance at a Glance

Financial Results		2006	2005	2004	2003	2002
Gross Revenue	\$	20,874,974	9,124,489	3,395,669	15,960	26,685
Profit on share sales	\$	7,373,719	2,059,569	510,197	-	-
Exploration	\$	(432,157)	(351,369)	(54,586)	(307,450)	(287,113)
Administration	\$	(448,156)	(459,173)	(363,505)	(91,612)	(96,351)
Provision for share loss	\$	(390,000)	(110,000)	-	-	-
Net Profit/(Loss) before tax	\$	6,248,945	1,301,990	2,977,928	(383,850)	(175,116)
Net Profit/(Loss) after tax	\$	4,258,461	764,894	2,362,291	(383,850)	(175,116)
Total Assets	\$	12,260,796	8,073,861	7,722,011	6,630,423	6,673,561
Total Liabilities	\$	1,016,073	580,731	993,775	257,089	202,663
Shareholder's Funds	\$	11,244,723	7,493,130	6,728,236	5,661,421	5,687,740
Earnings per share (E)	cents	8.4	1.5	4.7	(0.8)	(0.4)
Dividends per share	cents	1.0	-	-	-	-
Net Tangible Assets per share	cents	22.2	14.8	13.3	11.2	11.9
Working Capital per share	cents	15.6	8.2	6.6	-ve	-ve
Share Price (last sale - P)	cents	12.0	4.0	8.0	8.0	8.0
Price Earnings ratio P/E	x	1.4	2.7	1.7	-	-
Shares on Issue	000	50,687	50,687	50,687	50,687	47,787
Options on Issue	000	1,549	4,129	5,301	6,194	9,450

## Pegmont Mines Limited

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### CHAIRMAN'S REPORT

Pegmont had another excellent year in 2006, assisted by continuing strong market conditions:

- Earnings after tax exceeded \$4.2million (8 cents per share).
- A maiden franked dividend of one cent per share was paid.
- Shareholder's funds are in excess of \$11.2 million ( 22 cents per share), and
- We have now become a self funding resource company.

Looking to the current year:

- Share trading profits are budgeted at \$4 million and pre-tax profits at \$2.7 million
- Our exploration budget is \$900,000.
- We intend to carry out a scoping study and continue metallurgical testing work on the Pegmont deposit to move it forward towards commercialisation.
- We will seek high grade assets in proven areas that can provide a relatively quick payoff and long-term upside potential, and
- A dividend payment will be considered provided that after tax profits exceed \$2 million.

During the past ten years since its formation, our Company has gone through some good and some difficult times and has continued to evolve to meet changing market conditions. We are at another turning point in the development of the company.

We now have a full time team of three people with experience in finance, mining investment and exploration which will allow us to increase our emphasis on the future development of the company.

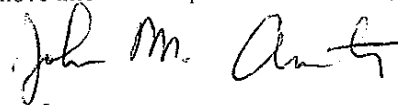
Trading so far this year has continued to be profitable, but we are very aware of market volatility and see that as an opportunity. We also have a strong focus on managing risk. We will endeavour to generate trading profits as long as the risk/reward ratio is attractive.

Our exploration efforts this year will focus on the Pegmont area. This prospect has not received sufficient attention because of previous lack of funds, low commodity prices and its relatively remote location. However, it is one of the larger undeveloped base metal projects in Australia and it may become a very valuable asset for the company if our current work program achieves its objectives.

We will also attempt to identify more advanced investment opportunities in the resources industry to supplement current trading activities and to diversify our sources of income. The objective will be to generate returns relatively quickly and to value add by delineating growth potential.

We were pleased to announce a maiden dividend of 1cent per share (fully franked) during the year. This dividend combined with an increase in share price from 8 cents to 12 cents, has delivered a total return of 5 cents or 62.5% to shareholders for the year. Since the share price continues to lag behind our working capital (mainly cash and trading investments) at 15.6cents, we anticipate that a similar total return of 4 to 5 cents per share to 16 to 17 cents could be expected during 2007 based on our pre-tax profit forecast of \$2.7 million.

I thank the board, our shareholders and our friends for their support during the past year. We look forward to another exciting year as we move into the next phase of our development.



John M. Armstrong  
Chairman

## REVIEW OF OPERATIONS

Pegmont's corporate strategy is to apply cash flow generated from investing activities to the following areas:

- Exploration of advanced projects including the Pegmont deposit.
- Build working capital to more than \$10 million in order to sustain the current level of activities during difficult market conditions.
- Acquire growth opportunities.
- Pay a dividend.

We have achieved our initial goal to be self-funding by generating sufficient income to cover overheads, company income tax (our biggest expense) and exploration. However, we have yet to achieve critical financial strength to sustain long term exploration activity at an acceptable level.

### Financial Results

During the year 2006, group activities resulted in a net after tax profit of \$4,258,461 (2005- \$764,894) determined as follows: -

	\$
Operating income	<u>\$7,519,258</u>
Less	
Administration	448,156
Exploration & metallurgy	432,157
Provision for share loss	<u>390,000</u>
	<u>1,270,313</u>
Pre tax Profit	6,248,945
Less, Company tax	<u>1,990,484</u>
Net Profit after tax	<u>4,258,461</u>
Earnings per share (cents)	8.4c

This result includes the write off of all exploration expenditures incurred during the year and does not include net unrealized gains on investments amounting to \$1,641,500 (2005- \$1,085,231)

On 15 December, we celebrated our good results by paying a 1 cent per share dividend amounting to \$506,868 (2005- NIL).

We do realise that year 2006 surpassed all expectations despite a mid year stockmarket

correction. Our share trading profit budget for year 2007 is much more modestly set at \$4,000,000 representing a 45% return on current assets of \$8,910,796. Share trading results to date support this goal.

We have adopted a budget which could result in a pre-tax profit of \$2,700,000 for 2007 determined as follows:

Budget	2007 \$
Operating Income	
Interest on deposits	150,000
Sharetrading profits	<u>4,000,000</u>
	<u>4,150,000</u>
Less	
Administration	550,000
Exploration & metallurgy	<u>900,000</u>
	<u>1,450,000</u>
Pre-tax Profit Budget	<u>2,700,000</u>

Overall, the company is in a sound financial position to consider the acquisition of new projects to build a growth plan for the future.

## EXPLORATION ACTIVITIES

### Cloncurry District, Queensland

**Pegmont Deposit**  
Expenditure: \$158,154

Some geological field work was undertaken during the year, including further mapping, but no drilling was done. Jackhammer and costean samples (52) were obtained around Pegmont 4400N where anomalous gold had been detected in a drill sump. The results indicate that the anomaly is an isolated case.

A scoping study to determine the economics of developing a small scale operation at Pegmont based upon the current sulphide resource is planned. This study will require a consolidation of the historic drilling data on a common coordinate reference frame (GDA 94) and an updating of the database, further drilling as noted below, delineation of the oxide-sulphide interface and the structure of the mineralisation, and ongoing metallurgical testing of a representative range of mineralised material.

Whilst the primary sulphide mineralisation appears to be amenable to conventional flotation methods, the oxidised material contains complex mineralogy which will require newer and more experimental technologies to liberate the metals. Several lines of investigation will be pursued.

In order to support the scoping study, a 3000m drilling program has been budgeted for, comprising both diamond and RC (reverse circulation) drilling. To this have been added two exploratory deep holes (500m) into the Sharry Fault IP zone, a previously identified target, bringing the total to 4000m. Modelling of the anomalous IP response in this zone indicates that it could be a disseminated sulphide halo and that this could contain a massive sulphide accumulation which, at depths below 300 metres, would not be readily detectable. This target traverses ML 2621, and lies between the Gossan Lode and the Northern BIF Horizon. The proposed drilling in both cases is dependent upon suitable rig availability.

#### **District Exploration** Expenditure: \$75,372

During the year field work undertaken at the Freckle prospect on EPM 14784 confirmed that previous drilling had been carried out. Two separate targets have been tested by MIM, a 1.2 km long copper-gold bearing silicified shear and small N-S trending gossans carrying anomalous Au-Pd-Pt-Cu values. MIM concluded that the mineralisation was too inconsistent to warrant further investigation. This conclusion is being reviewed.

Preliminary investigations including rock chip sampling were undertaken at the New Hope copper-gold property during the year. A 500-600 metre drilling program will be undertaken in the 2007 dry season if a suitable drilling rig can be secured.

Increasing interest and exploration emphasis is being placed on Iron Oxide Copper Gold (IOCG) mineralisation in the Cloncurry District. This style can produce large scale, high grade deposits such as the Ernest Henry Mine near Cloncurry. Some of these systems also have associated uranium, e.g. Olympic Dam in South Australia. Ivanhoe Mines, exploring in the nearby Selwyn Mining District to the north of the Pegmont deposit, has announced four prospects containing

copper, gold and uranium mineralisation in intense alteration zones typical of significant IOCG deposits.

A review of previous geological and geophysical work undertaken on EPMs 14491 and 15106 adjoining the Pegmont MLs will be undertaken following the collation of the Pegmont deposit data to assess the exploration potential for base metals, gold and uranium including possible IOCG mineralisation. This will also apply to our Trekelano tenement (EPM 14784). It is proposed to extend these studies in the broad vicinity of our EPMs to seek other suitable opportunities, subject to land access. The latter could be by a variety of approaches such as direct application, joint venture, option arrangements or purchase.

#### **Kimberley Region, WA** Expenditure: \$177,424

Late in 2005 the Company formed a joint venture subsidiary to investigate opportunities in the Kimberley Region and in 2006 applied for 19 exploration tenements (Exploration Licence Applications - EPLs) covering variously bauxite, copper, precious metals, heavy minerals and uranium. Work undertaken included literature reviews and a helicopter supported reconnaissance and outcrop sampling program.

The key element in this activity was the need to secure an advanced stage project. This was seen to be the Mitchell Plateau bauxite deposits. The core of these deposits is currently held by the Mitchell Plateau Joint Venture (MPJV – Alcoa Australia and Comalco) under a Ministerial Temporary Reserve. The MPJV has no apparent intention of developing these deposits at an early date and has effectively sterilised them for more than two decades. Despite our best efforts in dealing with the WA Department of Industry and Resources, we have not been successful in gaining access to these deposits at this stage. We will leave in place our seven Exploration Licence Applications over the Mitchell Plateau in the hope that the MPJV's status will change.

With the principal reason for our interest in the Kimberleys being, at best, on hold, our interest in the region has significantly reduced. All except two of the non-bauxite EPL Applications have been withdrawn because of their grass roots nature and the lack of an underpinning advanced stage prospect. A limited field program on the

two non-bauxite areas is proposed for the 2007 dry season with the emphasis being on copper and silver mineralisation respectively.

#### General Exploration Strategy

- The Company is focused on creating an economic outcome from the Pegmont lead-zinc deposit.
- It will endeavour to build a resource inventory of copper-gold, lead-zinc or IOCG deposits within a 50 km radius of Pegmont in order to achieve critical mass to develop an economically viable mining project.
- Beyond Pegmont, the Company will investigate advanced stage projects with demonstrated high grade potential within Australia.
- Acquisition of equity interests in other companies or joint venture arrangements will be considered where there exists an attractive deposit requiring (project) funding.

Our objective is to fast track a profitable growth outcome by participating in Australian resource development.

## INVESTMENT ACTIVITIES

	2006	2005
	\$	\$
Turnover	20,729,435	8,961,526
Investments at year end	5,270,687	3,428,900

This year has seen a continuation of our policy of investing in resource equities which are supported by advanced exploration projects or production.

During the past year share market prices were strongly influenced by rising commodity prices to all time highs. This has triggered a production expansion and exploration boom due to strongly rising profits and cash flow for producers. New discoveries with consequent share price movements have caused considerable speculative activity, some of which may prove to be misjudged. Increased share turnover and price volatility has provided an ideal environment in which to operate. Our gross turnover increased from \$9.0M to \$20.9M, whilst realised profit increased from \$2.1M to \$7.4M as follows:

	2006	2005
	\$'000	\$'000
Proceeds from sale of shares	20,729	8,961
Realised profit	7,374	2,059
Profit margin	35.6%	23.0%

Net unrealised market gain increased from \$1,085,231 to \$1,641,500 which has been carried forward to 2007.

A provision for share trading loss was made where a bid quote for an investment was less than average cost of the holding (ie the lower of market or cost valuation method).

	2006	2005
	\$'000	\$'000
Provision	390	110

Since stock market conditions during 2007 are not expected to remain as buoyant as experienced during 2006, we have budgeted for a profit of \$4,000,000 in the current year. This amount is based on approximately the same turnover of \$20M but with a lower profit margin of 20%.

Our investment policy is to continue with a selective approach of holding around 10-13 companies at any one time which have expanding production or have announced significant discoveries. These situations create conditions for rapid share price enhancement.

We also support seed capital opportunities which quickly lead to an IPO float on the ASX and also share placements.

Our investment process is to set quarterly profit targets to ensure that unrealised gains are converted into realised profits. Our aim is to generate a positive cash flow over and above exploration and administration expenditures for the year.

During 2006, funds available to invest increased from \$4.7M including cash on deposit to \$8.9M; our target for 2007 is \$10M by year end.

### Surplus Funds

	2006	2005
	\$	\$
Cash and deposits	3,591,064	1,271,970

Because we invest in a volatile market with high perceived risks, our strategy is to maintain relatively high cash balances to take advantage of price pull-backs. Sometimes our cash balances can exceed 40% of total liquid assets. This means that interest earned on cash on deposit was relatively high at \$123,129 (2005 \$149,164) and is expected to reach \$150,000 for 2007.

We hold surplus funds on deposit at call with major banks to earn interest. Trading funds used in investing are linked with a cash management trust whilst corporate funds are separately maintained to cover administration and exploration expenses as well as company taxation and possible dividend payments.

Until we can acquire or develop a cash flow resource, investment activities will continue to be our main source of corporate growth.

### Income and Expenditure

	2006	2005
	\$	\$
<b>Income</b>		
Interest & other income	145,539	162,963
Profit on sale of Investments	<u>6,983,719</u>	<u>1,949,569</u>
	<u>7,139,258</u>	<u>2,112,532</u>

### Expenditure

Audit Fees	8,500	9,000
Administration	125,156	80,173
Director's Fees	324,500	370,000
Exploration	<u>432,157</u>	<u>351,369</u>
Net Operating surplus before tax	<u>6,248,945</u>	<u>1,301,990</u>

After allowing for provision for sharetrading loss \$390,000 (2005-\$110,000) administration costs increased as Messrs Chris Leslie (Company Secretary) and Michael Leggo (Technical Director) became more involved in the expansion of group activities.

Exploration expense included \$177,424 (2005-NIL) on Kimberley exploration applications over the Mitchell Plateau bauxite deposits and other areas. A subsequent review of data and a short field program has resulted in a decision not to proceed with some applications which could result in refunds during 2007 totalling \$55,483.

Expenditure on metallurgical test work on Pegmont mineralisation will increase during 2007 as preliminary results offer encouragement.

## Finance

The Company's working capital position improved by \$3,751,593 to \$7,894,723 represented by:-

### Current Assets

	2006 \$	2005 \$
Cash at Bank	86,045	72,016
Short term deposits	3,505,019	1,199,954
Investments	5,270,687	3,428,900
Other Current Assets	<u>49,045</u>	<u>22,991</u>
	8,910,796	4,723,861

Less:

### Current Liabilities

Payables	235,410	154,938
Provision for tax expense	<u>780,663</u>	<u>425,793</u>
	<u>1,016,073</u>	<u>580,731</u>

<b>Working Capital</b>	7,894,723	4,143,130
Cents per share	15.6	8.2

Subsequent share trading profits has increased working capital.



## **Pegmont Mines Limited**

### **EXPLORATION TENEMENTS**

<b>TENEMENT</b>	<b>NAME</b>	<b>STATUS</b>	<b>REGISTERED HOLDER</b>	<b>DATE OF GRANT</b>	<b>DATE OF EXPIRY</b>	<b>AREA (sq-km)</b>
EPM 15106	Pegmont Extended	Granted	Pegmont Mines NL	11.08.2006	10.08.2011	166.4
EPM 14491	Pegmont Extended #2	Granted	Pegmont Mines NL	11.08.2006	10.08.2011	174.1
ML 2620	Pegmont No. 1	Granted	Pegmont Mines NL	24.01.1974	31.01.2012	1.3
ML 2621	Pegmont No. 2	Granted	Pegmont Mines NL	24.01.1974	31.01.2012	1.3
ML2623	Pegmont No. 4	Granted	Pegmont Mines NL	24.01.1974	31.01.2012	1.3
EPM14784	Trekelano	Granted	Queensland Copper Mines P/L	1.06.2006	31.05.2011	35.8

The above exploration tenements are 100% owned and are not subject to any joint venture agreement.

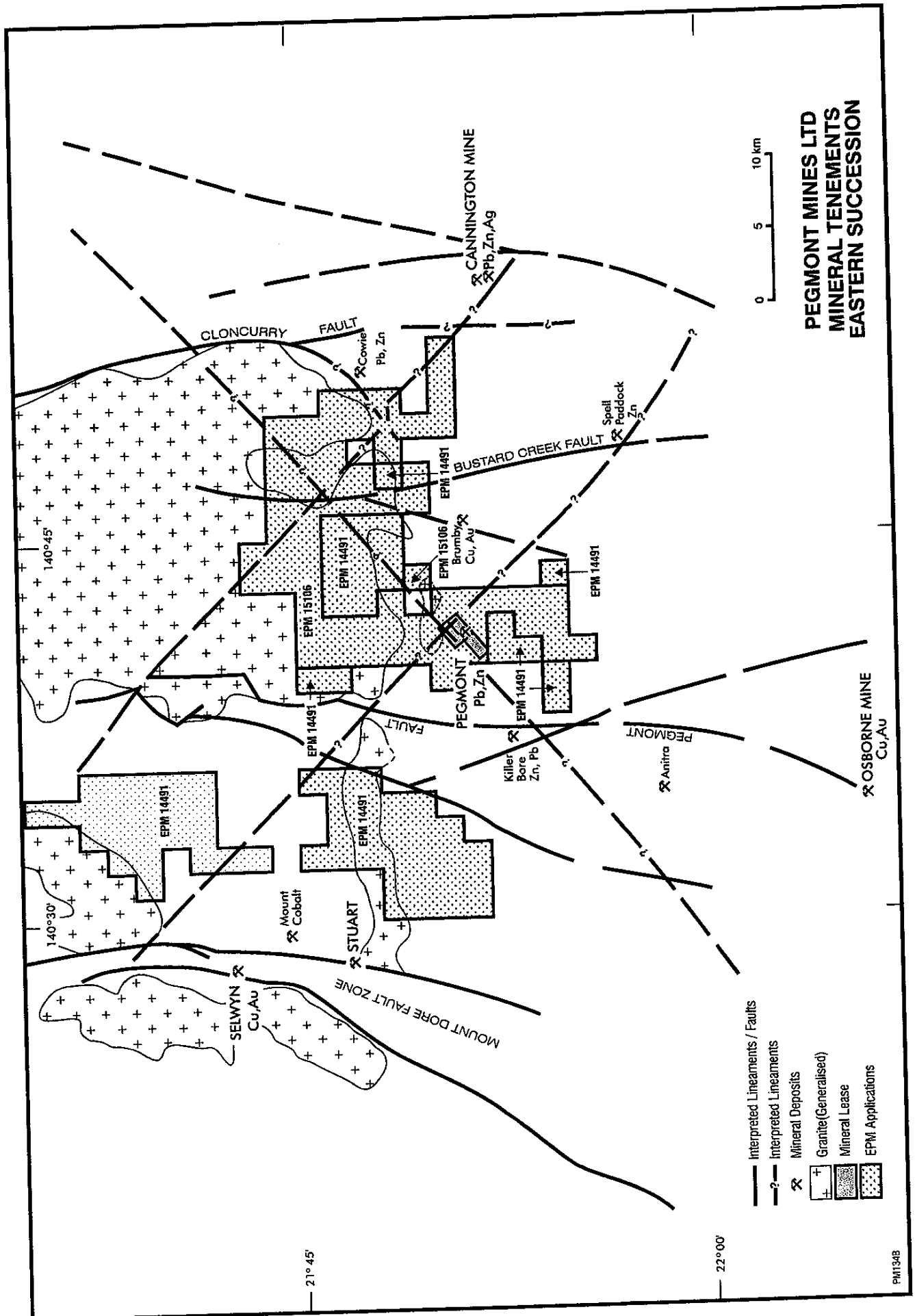
### **ROYALTY TENEMENTS**

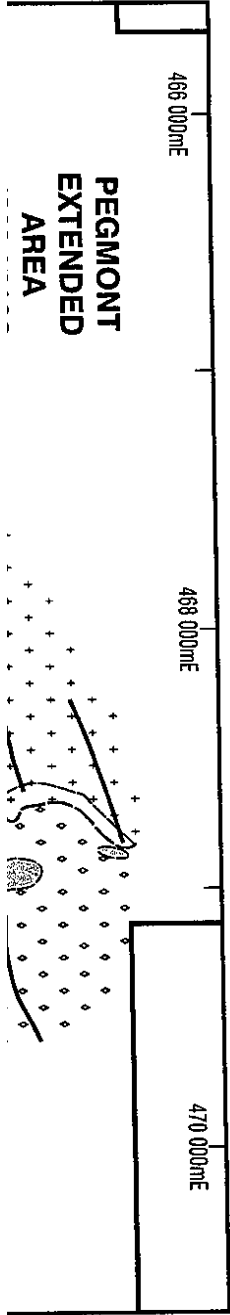
The following tenements in the Mount Isa region are subject to the Reefway Royalty Deed dated 28 September 2004, entered into with CopperCo Limited

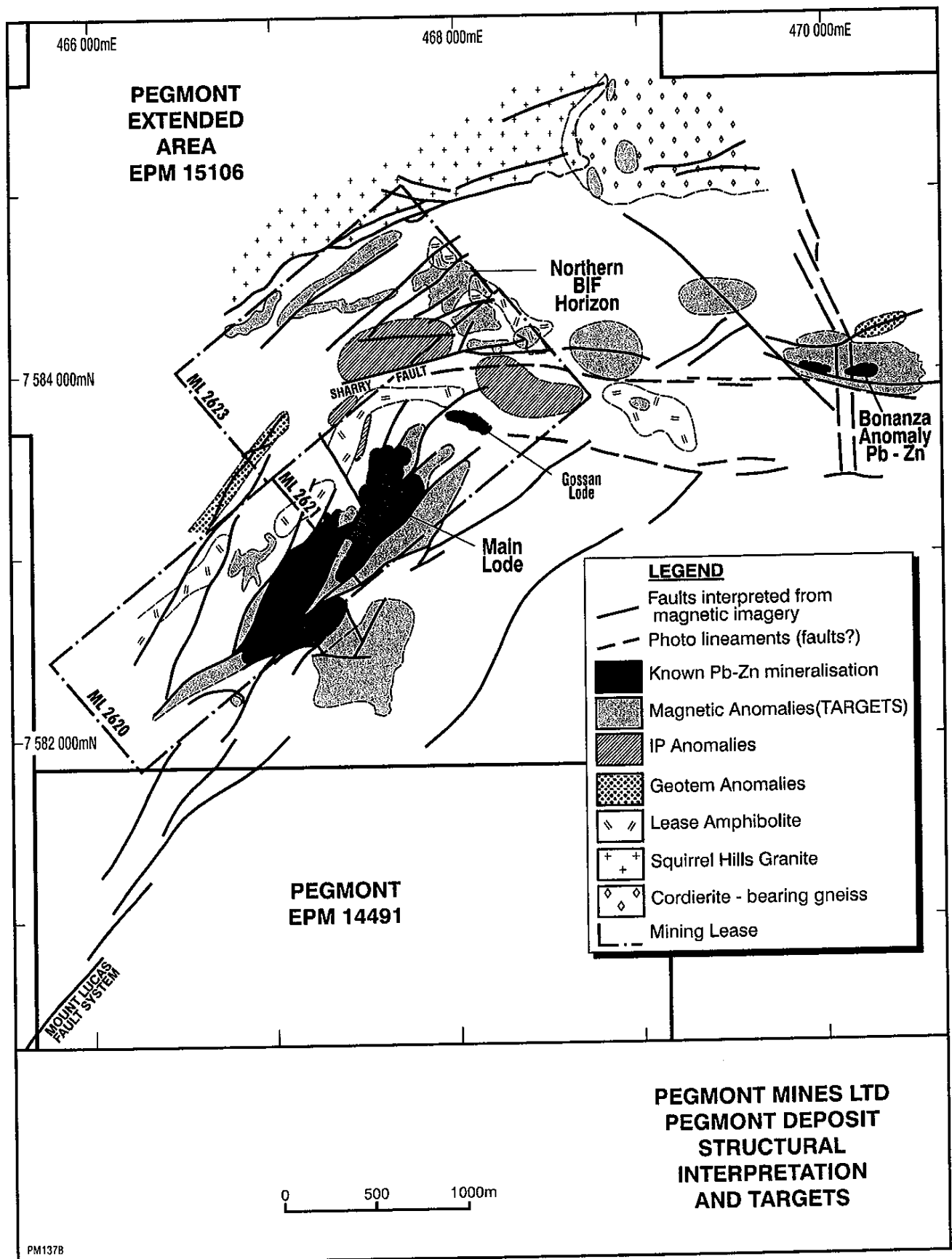
MLs: 5426, 5435, 5446, 5447, 5474, 5476, 5478,

EPMs: 9916, 11637, 11669, 11670, 11672, 11777, 12589, 13331, 13739, 14112, 14149

The amount of royalty payable on production from the Reefway tenements, listed above, is the greater of the gross royalty payable on certain net payable metals derived from the tenements and a 1% Net Smelter Return in respect of major metals (ie. copper, lead, zinc, silver and gold). The royalty is only payable upon certain accumulation production thresholds of major metals being exceeded, for example 100,000 tonnes of the Net Payable Copper. CopperCo has announced that copper cathode production is scheduled to commence in late June 2007 at the rate of 15,000 tonnes of per year. They have announced their intention to expand production. They have also published that there are 54,310 tonnes of recoverable copper from Mount Clarke, Flying Horse, Mt Kelly workings and Swagman, all former Reefway tenements. There is a further inferred mineral resource of 12,030 tonnes of copper within the pits. Exploration is ongoing and encouraging drill results have been obtained at the Anthill Prospect, Buckley River, another former Reefway tenement. However, any royalty payments are still too indeterminate for them to be brought to account.







## **Pegmont Mines Limited**

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### **Directors' Report**

The Directors present their report on the results of the Company for the year ended 31 Decemeber, 2006 and the state of affairs at the date.

#### **Directors**

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

Mr John M Armstrong	Non-Executive Chariman
Dr Michael D Leggo	Technical Director
Mr Malcolm A Mayger	Managing Director

#### **Principal Activity**

The principal activities of the Company in the course of the year were mineral exploration and resource investments.

#### **Operating Results**

The net profit of the Company for the year, after provision for income tax amounted to \$4,258,461 (2005 - \$764,894).

#### **Dividends**

During the year the company paid a fully franked final dividend of 1 cent per share amounting to \$506,868 (2005-NIL) from net profits for the half year to 30 June 2006.

#### **Review of Operations**

Information on the operations of the company during the year and the results of those operations are set out section titled "Review of Operations" 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, other than a significant increase in net profit for the year.

#### **Matter Subsequent to the end of the Financial Year**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 December 2006. The Company continues to trade profitably during 2007.

#### **Options over Unissued Capital**

The total number of options issued as at 31 December 2006 totaled 1,549,200.

As at 31 December 2006 and the date of this report, unissued shares of the Company under options issued to Directors are:

Numbers Granted	Exercised Price	Expiry Date
1,280,000	10 cents each	31 December 2007

## **Pegmont Mines Limited**

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These options do not vest until the Company's shares are listed on the Australian Stock Exchange. They were issued in lieu of deferred remuneration payable to the Directors for the year ended 2003 as no payment had been made due to liquidity constraints experienced by the Company during those years.

As at 31 December 2006 and the date of this report, unissued shares of the Company under option to the Company Secretary and Consultants are:

	Numbers Granted	Exercised Price	Expiry Date
Company Secretary	100,000	10 cents each	31 December 2007
Consultants	<u>169,200</u> <u>269,200</u>	10 cents each	31 December 2007

The holders of unlisted options are not entitled to participate in any share issues of the Company and are not entitled to any voting rights until the options are exercised. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

The names of all persons who currently hold options are entered in a register kept by the Company pursuant to Section 168 (1) of the Corporations Act 2001, and the register may be inspected free of charge.

### **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.

### **Auditors' Section 307C Declaration**

The Directors

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 review of the 31 December 2006 financial report; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

Graham R Swan  
Lead Auditor

### **Meeting of Directors**

During the financial year, 5 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

Mr John M Armstrong	5
Dr Michael D Leggo	5
Mr Malcolm A Mayger	5

## **Pegmont Mines Limited**

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### **Directors' Qualifications and Experience**

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

Mr Armstrong, aged 71 is a professional company director with over 30 years 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 67 has 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 investment interests.

**LEGGO, Michael D** (Technical Director) BSc, MSc, PhD, DIC, FAIG, FAusIMM

Dr Leggo, aged 65, is an experienced geoscientist and has held senior positions with major exploration and mine development companies. He has over 30 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.

### **Directors' and Executives' Emoluments**

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

- a) Consulting fees paid to Malcolm A Mayger Pty Ltd, an entity of which Mr Malcolm Mayger is a Director and shareholder.
- b) Consulting fees paid to Armstrong Associates Pty Limited, an entity of which Mr John Armstrong is a Director and shareholder.
- c) Consulting fees paid to Madron Pty Limited, an entity of which Dr Michael Leggo is a Director and shareholder.
- d) Consulting fees paid to Fonlie Accounting & Investments Pty Limited, an entity of which Mr Chris Leslie, Company Secretary, is a Director and shareholder.

The statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors and shown in the Company's accounts, prepared in accordance with the Corporations Regulations, or the fixed salary of a full-time employee.

## Pegmont Mines Limited

### Directors' and Executives' Emoluments

The Company's remuneration policy is disclosed in the Corporate Governance Statement proceeding this report.

Details of the nature and amount of each element of each director and each of the officers of the company receiving the highest emoluments are set out in the following tables.

Name	Service	Prior year Fees * \$	Fees for Current year \$	Total Remuneration \$	Options issued
M Mayger	Executive Managing Director	75,000	147,000	222,000	NIL
J Armstrong	Non-Executive Chairman	15,000	30,000	45,000	NIL
M Leggo	Executive Director	10,000	47,500	47,500	NIL
Total Directors		100,000	224,500	224,500	
CD Leslie	Company Secretary	-	23,204	23,204	NIL

\* Payments of prior year fees were authorised by members at the Company's Annual General Meeting on 28 April 2006.

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

		Shares at 31/12/2005	Acquired during the year	Shares at 31/12/2006	Options at 10 cents by 31.12.07
JM Armstrong	Indirect	350,000	-	350,000	250,000
MD Leggo	Direct	-	70,000	70,000	130,000
MA Mayger	Direct	300,000	-	300,000	900,000
	Indirect*	30,424,045	195,000	30,619,045	-
		31,074,045	265,000	31,339,045	1,280,000

\*Includes Pegasus Enterprises Ltd in which MA Mayger is a controlling shareholder.

Signed at Sydney in accordance with a resolution of Directors.



Malcolm A Mayger  
Managing Director

Dated 2 March 2007



**Directors' Declaration**

In the opinion of the Directors of Pegmont Mines Ltd:

- (a) the financial statements and notes, set out on the following pages are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the financial position of the Company as at 31 December 2006 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date, and
  - ii complying with Accounting Standards and the Corporations Regulations 2001; 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.

Signed at Sydney in accordance with a resolution of the Directors:



Malcolm A Mayger  
Managing Director

Dated 12 March 2007

**Statement of Financial Position  
As at 31 December, 2006**

	NOTES	2006 \$	2005 \$
<b>CURRENT ASSETS</b>			
Receivables	4	49,045	22,991
Investments	5	5,270,687	3,428,900
Cash and cash equivalents	6	3,591,064	1,271,970
<b>TOTAL CURRENT ASSETS</b>		<u>8,910,796</u>	<u>4,723,861</u>
<b>NON-CURRENT ASSETS</b>			
Exploration & Evaluation expenditure	7	3,350,000	3,350,000
<b>TOTAL NON-CURRENT ASSETS</b>		<u>3,350,000</u>	<u>3,350,000</u>
<b>TOTAL ASSETS</b>		<u>12,260,796</u> =====	<u>8,073,861</u> =====
<b>CURRENT LIABILITIES</b>			
Payables	8	235,410	154,938
Provisions	9	780,663	425,793
<b>TOTAL LIABILITIES</b>		<u>1,016,073</u>	<u>580,731</u>
<b>NET ASSETS</b>		<u>11,244,723</u> =====	<u>7,493,130</u> =====
<b>EQUITY</b>			
Contributed Equity	2	2,833,187	2,833,187
Reserves	3	4,456,193	4,456,193
Retained Profits		3,955,343	203,750
<b>TOTAL EQUITY</b>		<u>11,244,723</u> =====	<u>7,493,130</u> =====

The accompanying notes form part of these statements.

**Statement of Financial Performance**  
**For the year ended 31 December, 2006**

	NOTES	2006 \$	2005 \$
Gross revenue from sharetrading		20,729,435	8,961,526
Cost of sales		13,355,716	6,901,957
		-----	-----
Profit on sale of shares		7,373,719	2,059,569
Interest income		141,539	149,164
Dividends received		4,000	-
Management & Underwriting fees		-	13,799
		-----	-----
Net revenue from ordinary activities		7,519,258	2,222,532
Auditor's fees	10	(8,500)	(9,000)
Consultants fees		-	(20,000)
Directors fees		(287,000)	(370,000)
Exploration written-off		(432,157)	(351,369)
Provision for sharetrading loss		(390,000)	(110,000)
Stock exchange fees		(6,896)	(5,959)
Share registry fees		(7,254)	(7,048)
Secretarial and office expenses		(56,550)	(24,249)
Other expenses from ordinary activities		(81,956)	(22,917)
		-----	-----
Profit from ordinary activities before related income tax expense		6,248,945	1,301,990
Income tax expense relating to ordinary activities	11	1,990,484	537,096
		-----	-----
Net profit attributable to members of Pegmont Mines Ltd		4,258,461	764,894
		=====	=====

**Statement of Changes in Equity**  
**For the year ended 31 December, 2006**

Total equity at the beginning of the year	7,493,130	6,728,236
Total recognised income and expense for the year attributable to members of Pegmont Mines Ltd	4,258,461	764,894
Transactions with equity holders in their capacity as equity holders:		
Dividend paid during the year	(506,868)	-
	-----	-----
Total Equity at the end of the year	11,244,723	7,493,130
	=====	=====

The accompanying notes form part of these statements.

**Statement of Cash Flows**  
**For the year ended 31 December, 2006**

		<b>Inflow/ (Outflow) 2006 \$</b>	<b>Inflow/ (Outflow) 2005 \$</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		7,519,258	2,222,532
Cash payments in the course of operations		(2,083,770)	(1,186,112)
Net Cash Provided (Utilised) by Operating Activities	20	<u>5,435,488</u>	<u>1,036,420</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for Investments		(2,231,787)	(2,301,696)
Payment for Exploration and Evaluation		(432,157)	(347,759)
		<u>(2,663,944)</u>	<u>(2,649,455)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Increase in creditors		80,472	(223,201)
Increase in debtors		(26,054)	792,931
Dividend paid		(508,868)	-
		<u>(452,450)</u>	<u>569,730</u>
Net Increase in Cash Held		2,319,094	(1,043,305)
Cash at 1 January		<u>1,271,970</u>	<u>2,315,275</u>
Cash at 31 December	20	<u>3,591,064</u> =====	<u>1,271,970</u> =====

**Pegmont Mines Ltd****Notes to the Financial Statements****For the Year Ended 31 December 2006**

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**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES**

This financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the requirements of the Corporations Act 2001.

This financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards ('AIFRSs').

It has been prepared on the basis of historical costs and except where stated does not take into account changing money values or current valuation of non-current assets. The following specific accounting policies have been consistently applied, unless otherwise stated.

a. **Income Tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of prior years.

Deferred tax is provided using the balance sheet liability method, providing for temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. No deferred tax provisions have been raised in the company's financial statements.

b. **Exploration Expenses**

Exploration and evaluation costs are written off when incurred in respect of each separate area of interest, until such activities in the area of interest have reached a stage which permits reasonable assessment of the existence of economically recoverable reserves, and a decision to mine has been made.

The company is carrying forward a total valuation of \$3,350,000 in regard to its Pegmont interests where a resource has been delineated by drilling. This value will be reviewed upon completion of the planned scoping study.

The ultimate recoupment of the value related to the Pegmont areas is dependent on the successful development and commercial exploitation or sale of the relevant areas.

Each area of interest is reviewed annually to determine whether costs should continue to be carried forward in respect of that area of interest. Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision is taken. Provision for the cost of restoration of sites is made at the various relevant stages and included in the cost of that stage.

The 'area of interest' principle which is in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* continues to allow an area of interest approach to impairment and the standard effectively permits the grandfathering of accounting treatments of exploration and evaluation expenditure. Impairment

**Pegmont Mines Ltd****Notes to the Financial Statements****For the Year Ended 31 December 2006**

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tests of exploration and evaluation assets will be required once technical feasibility and commercial viability is determinable.

**c. Investments**

The Company classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Available-for-sale financial assets comprise marketable equity securities which are recorded at the lower of cost or market value.

**d. 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.

**NOTE 2 – CONTRIBUTED EQUITY**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Issued Capital		
50,686,796 ordinary shares fully paid	2,833,187 =====	2,833,187 =====

**Terms and conditions of contributed equity**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the company, ordinary shareholders rank after creditors which are fully entitled to any proceeds of liquidation.

**Options**

The company has 1,549,200 options on issue exercisable at 10 cents each summarised as follows:

Directors	1,280,000 by 31 December 2007
Officers	100,000 exercisable at varying dates to 31 December 2007
Consultants	169,200 exercisable at varying dates to 31 December 2007

**Pegmont Mines Ltd**  
**Notes to the Financial Statements**  
**For the Year Ended 31 December 2006**

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**NOTE 3 – RESERVES**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Capital Profit	2,000,000	2,000,000
Asset Revaluation	2,456,193	2,456,193
	<u>4,456,193</u>	<u>4,456,193</u>
	=====	=====

Nature, Purpose and Movements of Reserves:

*Capital Profit Reserve:*

The capital profit reserve is used to quarantine profits from the sale of non-current investments.

*Asset Revaluation Reserve:*

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. This reserve can only be used to pay dividends in limited circumstances.

**NOTE 4 - RECEIVABLES**

DME Security deposit	2,500	2,500
Other Debtors	10,837	4,519
GST Control account	19,080	-
Prepayments	16,628	15,972
	<u>49,045</u>	<u>22,991</u>
	=====	=====

**NOTE 5 - INVESTMENTS**

Available for sale financial assets – listed investments*	4,690,687	3,298,900
Other unlisted investments	580,000	130,000
	<u>5,270,687</u>	<u>3,428,900</u>
	=====	=====

- Market value \$6,835,152 (2005 \$4,384,131)

Other unlisted investments includes \$500,000 in a company which has successfully undertaken an IPO listing on the ASX.

The company owns 100% of the issued capital of Queensland Copper Mines Pty Ltd and Pilbara Ventures Ltd the incorporation costs of which have been written off. Both companies are dormant, and have not traded since incorporation. The company owns 60% of Kimberley Ventures Limited awaiting grant of tenements, but has not traded since incorporation.

**NOTE 6 – CASH AND CASH EQUIVALENTS**

Cash at Bank and on hand	86,045	72,106
Short Term Deposits at bank unsecured	3,505,019	1,199,954
	<u>3,591,064</u>	<u>1,271,970</u>
	=====	=====

## Pegmont Mines Ltd

## Notes to the Financial Statements

For the Year Ended 31 December 2006

	2006 \$	2005 \$
<b>NOTE 7 – EXPLORATION &amp; EVALUATION EXPENDITURE</b>		
Mineral tenements – at valuation		
Pegmont BIF Project*	3,000,000	3,000,000
Pegmont Regional Application areas*	350,000	350,000
	-----	-----
	3,350,000	3,350,000
	=====	=====

\*These projects are valued in accordance with the "Low" project value placed on these tenements in an independent Geological Report and Valuation of Mineral Interests prepared by Terence Wilstead & Associates in 2000.

During the year ended 31 December 2006 the Directors have maintained the valuation of the Company's interests in mining tenements to reflect the future exploration and income potential of the areas. This value is dependent upon confirmation of metallurgical recoveries and completion of a scoping study as outlined in the Review of Operations.

**NOTE 8 - PAYABLES**

Trade Creditors	220,410	100,190
Accrued Directors' fees	15,000	53,750
Other Loans	-	998
	-----	-----
	235,410	154,938
	=====	=====

**NOTE 9 – PROVISIONS**

Income Tax Expense	780,663	425,793
	=====	=====

**NOTE 10 – AUDITORS' REMUNERATION**

Auditors' remuneration		
- auditing the accounts	8,000	8,000
- other services	500	1,000
(the auditors received no other benefits)	-----	-----
	8,500	9,000
	=====	=====

**NOTE 11 - INCOME TAX EXPENSE**

Prima facie tax on operating profit at 30%	1,874,683	390,597
Timing differences	115,801	47,603
Under/(over) provision prior year	-	98,896
	-----	-----
Income tax attributable to operating loss	1,990,484	537,096
	=====	=====

A franking credit is created on the payment of the income tax.



## Pegmont Mines Ltd

## Notes to the Financial Statements

For the Year Ended 31 December 2006

	2006 \$	2005 \$
<b>NOTE 12 – ACCUMULATED PROFITS/(LOSSES)</b>		
Balance at the beginning of the year	203,750	(561,144)
Net Profit attributable to members	4,258,461	764,894
Dividend paid	(506,868)	-
Balance at the end of the year	<u>3,955,343</u> =====	<u>203,750</u> =====

**NOTE 13 - EARNINGS PER SHARE**

Basic earnings per share (cents per share)	8.4	1.5
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	50,686,796	50,686,796

Diluted earnings per share is not disclosed because potential ordinary shares, being options granted, are not dilutive and their conversion to ordinary shares would not demonstrate an inferior view of the earnings performance of the Company.

**NOTE 14 - CAPITAL COMMITMENTS**

In order to maintain current rights of tenure to granted exploration tenements the Company is required to perform minimum exploration work to meet minimum expenditure requirements. The estimated exploration and joint venture expenditure commitments for the ensuing year amount to \$100,000 (2005: \$165,000). This expenditure will only be incurred should the Company retain its existing level of interest in its granted exploration areas and provided access to mining tenements is not restricted.

**NOTE 15 - REMUNERATION OF DIRECTORS and OFFICERS**

Name	Service	Prior year fees \$	Fees for Current year \$	Total Remuneration \$
M Mayger	Executive Managing Director	75,000	147,000	222,000
J Armstrong	Non-Executive Chairman	15,000	30,000	45,000
M Leggo	Non-Executive Director	10,000	47,500	57,500
Total Directors		100,000	224,500	324,500
CD Leslie	Company Secretary	-	23,204	23,204

Mr Michael Leggo was appointed an executive director on 1<sup>st</sup> September 2006.  
Mr Christopher Leslie was appointed Financial Controller on 1<sup>st</sup> July 2006.

## Pegmont Mines Ltd

## Notes to the Financial Statements

For the Year Ended 31 December 2006

**NOTE 16 - RELATED PARTY TRANSACTIONS****Directors and Director Related Entities' Shareholdings**

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

		Shares	Options at 10 cents by 31.12.07
JM Armstrong	Indirect	350,000	250,000
MD Leggo	Direct	70,000	130,000
MA Mayger	Direct	300,000	900,000
	Indirect*	30,619,045	-
		31,339,045	1,280,000

\*Includes Pegasus Enterprises Ltd in which MA Mayger is a controlling shareholder.

**NOTE 17 - SEGMENTAL INFORMATION**

The Company derived income from investments.

	Profit Contribution	Tax Expense	Net Contribution
Investment activity and interest income	7,129,258	(2,138,777)	4,990,481
Exploration	(432,157)	129,647	(302,510)
Administration	(448,155)	18,645	(429,510)
Sub -Total	6,248,946	(1,990,485)	4,258,461
Net Profit after Tax			4,258,461

**NOTE 18 - FINANCIAL INSTRUMENTS****Significant Accounting Policies**

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the accounts.

**Interest Rate Risk**

The following table details the Company's exposure to interest rate risk as at the reporting date:

2006	Average Interest Rate	Variable Interest Rate 1 Year	Fixed Interest Rate Maturity Less than 1 year	Non-interest Bearing	Total
	%	\$	\$	\$	\$
Cash	-	-	-	86,045	86,045
Deposits - Cash	5.9	3,505,019	-	-	3,505,019
Receivables	-	-	-	49,045	49,045
Accounts Payable	-	-	-	235,410	235,410

## Pegmont Mines Ltd

## Notes to the Financial Statements

For the Year Ended 31 December 2006

**NOTE 18 – FINANCIAL INSTRUMENTS (con't)**

2005	Average Interest Rate	Variable Interest Rate 1 Year	Fixed Interest Rate Maturity Less than 1 year	Non-interest Bearing	Total
	%	\$	\$	\$	\$
Cash	-	-	-	72,016	72,016
Deposits – Cash	4.6	1,199,954	-	-	1,199,954
Receivables	-	-	-	22,991	22,991
Accounts Payable	-	-	-	154,938	154,938

**Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair basis.

The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. Cash and cash on deposit is held with major Australian trading banks.

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.

**Net Fair Value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

**NOTE 19 - SUBSEQUENT EVENTS**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 December 2006 except as disclosed in these accounts and reports attached hereto. The company continued to share trade profitably.

**NOTE 20 - STATEMENT OF CASH FLOWS****RECONCILIATION OF CASH**

For the purposes of this Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bankoverdrafts and investments in money market instruments.

Cash at the end of the year is shown in the statement of financial position as:

	<b>2006</b>	<b>2005</b>
	\$	\$
Cash at Bank	86,045	72,106
Cash on Deposit	3,505,019	1,199,954
	<hr/>	<hr/>
Cash and cash equivalents	3,591,064	1,271,970
	=====	=====

**Pegmont Mines Ltd****Notes to the Financial Statements****For the Year Ended 31 December 2006**

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**RECONCILIATION OF CASH FLOWS FROM  
OPERATIONS WITH OPERATING PROFIT(LOSS)  
AFTER INCOME TAX**

	<b>Inflow/ (Outflow) 2006 \$</b>	<b>Inflow/ (Outflow) 2005 \$</b>
Operating Profit after Income Tax	4,258,461	764,894
Non Cash Flows in Operating Profit		
Provision for loss on investments	390,000	110,000
Increase in provision for taxation	354,879	189,843
Non-operating expenses – exploration	432,157	351,369
Net Cash Provided (Utilised) by Operating Activities	<u>5,435,488</u> =====	<u>1,036,420</u> =====

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
PEGMONT MINES LTD  
ACN 003 331 682**

**Scope**

The financial report comprises the statement of financial performance, statement of financial position, statement of cashflows, accompanying notes and the directors' declaration for Pegmont Mines Ltd the company, for the year ended 31 December 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

**Audit approach**

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory professional reporting requirements in Australia a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

**Independence**

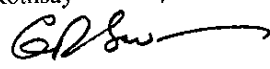
We are independent of the company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.

**Audit opinion**

In our opinion, the financial report of Pegmont Mines Ltd is in accordance with:

- a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.

  
Rothsay

  
Graham R Swan  
Partner

Dated 12 March 2007

The liability of Rothsay Chartered Accountants is limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

**Pegmont Mines Limited****SUPPLEMENTARY INFORMATION**

1. **Issued Capital at 31 December 2006:** **50,686,796 Ordinary Shares Fully paid**  
**1,549,200 Options exercise at 10 cents each**

2. **Share Holdings at 1 March 2007**

**(a) Distribution of Shareholder's and Option Holders**

Shareholding	Number of holders	Ordinary Shares	Holder of Options	Number of Options
1-1000	1	1,000	-	-
1001-5000	1	5,000	-	-
5001 - 10,000	19	186,000	-	-
10,001 - 100,000	60	3,175,460	1	100,000
100,000 and over	41	47,319,336	4	1,449,200
	122	50,686,796	5	1,549,200

- (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
Pegasus Enterprises Ltd	14,592,285	28.79
Malcolm A. Mayger Pty Limited	11,746,760	23.18
Malcolm A. Mayger Pty Limited and associates (including Pegasus Enterprises Limited)	30,919,045	61.00

- (c) Names of Substantial Option Holders in the Company's Register is:

Malcolm A Mayger 900,000

- (d) Interests associated with Malcolm A Mayger Pty Ltd hold 30,919,045 (61.00%)  
Ordinary fully paid shares.

**Pegmont Mines Limited****Directors' Interests**

	<b>Shares</b>	<b>Options @ 10c by 3.12.2007</b>
J M Armstrong - Indirect	350,000	250,000
M D Leggo - Direct	70,000	130,000
M A Mayger - Direct	300,000	900,000
Indirect*	30,619,045	
<b>Total Shares and Options</b>	<b>31,339,045</b>	<b>1,280,000</b>

\*Includes Pegasus Enterprises Limited

**Top Twenty Shareholders at 1 March 2007**

	<b>Number of Shares</b>	<b>% issued Capital</b>
Pegasus Enterprises Ltd	14,592,285	28.79
Malcolm A Mayger Pty Ltd	11,746,760	23.18
Dr Trent Patrick Barry	2,200,000	4.34
Lozora Pty Ltd	1,985,000	3.92
Warlam Pty Ltd A/C Lincoln	1,774,756	3.50
Malcolm A Mayger Superannuation Fund	1,295,000	2.55
Goldrim Investments Pty Ltd	1,100,000	2.17
National Nominees Limited	1,100,000	2.17
Scepha Investments Pty Ltd	1,000,000	1.97
Riomin Australia Gold Pty Ltd	800,000	1.58
H Wallace-Smith and Co Pty Ltd	800,000	1.58
Mr I J Holland & Mrs D Holland	680,000	1.34
Martin Place Securities Staff	570,285	1.13
Bedel and Sowa Corp Pty Ltd	500,000	0.99
BIMH Pty Ltd	500,000	0.99
Henroth Pty Ltd	500,000	0.99
Mr B McCubbing B McCubbing Super Fund A/C	500,000	0.99
Mrs Patricia Wallace-Smith	500,000	0.99
WHI Securities Pty Ltd ( Crown Credit Corporation A/C)	500,000	0.99
WHI Securities Pty Ltd (Nominee A/C)	500,000	0.99
	<b>43,024,086</b>	<b>84.88</b>
Other Shareholders	7,662,710	15.12
<b>Total Issued Shares</b>	<b>50,686,796</b>	<b>100%</b>

**Pegmont Mines Limited**

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**CORPORATE INFORMATION**

**PEGMONT MINES LIMITED**  
**ABN 97 003 331 682**

**Registered Office**

C/-BKR Walker Wayland  
Level 8, 55 Hunter Street  
Sydney NSW 2000  
Telephone: (02) 9951 5400  
Facsimile: (02) 9951 5454

**Corporate Office:**

65 Hume Street  
Crows Nest NSW 2065  
Mail: PO Box 849,  
Crows Nest NSW 1585  
Phone: (02) 8437 3591  
Fax: (02) 8437 3599  
Website: [www.pegmont.com.au](http://www.pegmont.com.au)

Listed on The National Stock Exchange of Australia  
Website: [www.nsx.com.au](http://www.nsx.com.au)  
Code: PMI

**Directors**

John M Armstrong	Non-Executive Chairman
Michael D Leggo	Technical Director
Malcolm A Mayger	Managing Director

**Company Secretary**

Christopher D Leslie

**Share Registry:**

C/-Computershare Investor Services Pty Ltd  
Shareholder enquiries:  
Telephone: 1300 850 505  
Facsimile: (03) 94152500  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)