

Pegmont Mines Limited

ABN 97 003 331 682

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FAX TO: NATIONAL STOCK EXCHANGE OF AUSTRALIA
ATTENTION: MR SCOTT EVANS
FAX NO: (02) 49291556
FROM: CHRIS LESLIE
SUBJECT: AUDITED FINANCIAL ACCOUNTS TO 31 DECEMBER 2007
DATE: 28 MARCH 2008

Dear Scott,

We attach our Audited financial Report for the year ended 31 December 2007 together with the Chairman's report, review of operations and Directors' report.

Regards,


Chris Leslie



Pegmont

Pegmont Mines Limited

ABN 97 003 331 682

**2 0 0 7 a n n u a l
r e p o r t**

Pegmont Mines Limited

ANNUAL REPORT 2007

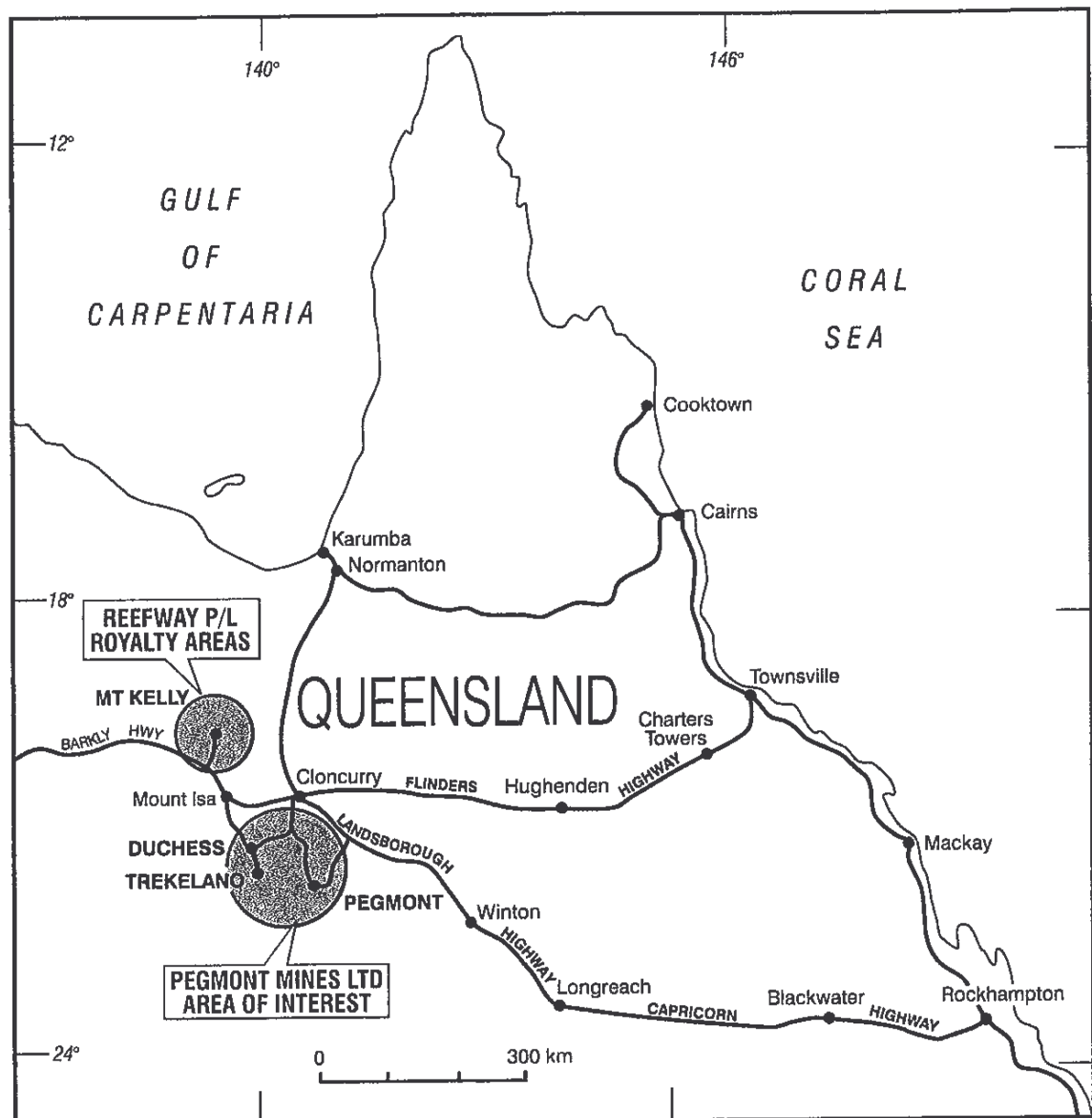


Figure 1 General Location, Mount Isa - Cloncurry Region, North Queensland

Glossary of Terms

Ag	Chemical symbol for silver	Orebody	Zone from which a mineral or minerals, of economic value, can be extracted
Au	Chemical symbol for gold		
Co	Chemical symbol for cobalt	Pb	Chemical symbol for lead
Cut Off	The minimum grade for an economic deposit	RC	Reverse circulation (hole)
Cu	Chemical symbol for copper	SG	Specific gravity
DD	Diamond drill (hole)	Zn	Chemical symbol for zinc
Mineralisation	Process by which minerals are introduced and concentrated within a host rock, and the product of this process		

Pegmont Mines Limited

2007 PERFORMANCE HIGHLIGHTS

The Company's activities are mineral exploration and investment which produced another successful result in 2007.

This dual purpose activity enabled the company to be self funding by creating short term cash flow from trading profit, to pay expenses (including exploration) while pursuing the potential for longer term capital gain from exploration success without repeated recourse to equity funding.

Since we sold our interest in Reefway Pty Ltd in September 2004, for \$4.1million, we have:

- Generated share trading profits of \$16.7 million at a margin of 24.5% on turnover;
- Spent \$1.45 million on exploration;
- Paid company tax of \$4.63million;
- Lifted shareholders' funds from \$6.7 million to \$14.7 million (ie 28.9 cents a share);
- Paid two fully franked dividends totalling \$1.1million (2.2 cents a share).

During the past year we negotiated an option sale agreement on the Pegmont tenements with Cloncurry Metals limited (ASX code CLU). If exercised by 28 February 2009, this could realise \$12.0 million in shares and cash, plus a 1.25% net smelter return royalty.

A drill program of 5,410 metres in 48 holes was completed at Pegmont, the results of which broadly confirmed earlier work and provides the basis for a further program of 6,000 metres planned for 2008.

Exploration on the New Hope gold-cobalt prospect, under option to the Company yielded promising high- grade drill results, for follow-up this year.

At 31 December 2007 our cash balances increased to \$4,043,012 (2006-\$3,591,064).

We are budgeting for \$1.5million share trading profit this year. This goal represents a profit margin of 7.5% on estimated turnover, compared with last year's very respectable margin of 22.7% before loss provision.

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CHAIRMAN'S REPORT

Pegmont consolidated its financial position during 2007:

- Earnings after tax were \$3,915,921 (7.7 cents per share);
- A fully franked dividend of 1.2 cents per share was paid; up 20%.
- Shareholder's funds are \$14.7million (ie 29 cents per share) up 30%.

These results were achieved despite several stock market pull backs during March (-6.3%), August (-12.2%) Nov-Jan (-23.8%) due to US subprime mortgage and banking difficulties.

The Company agreed to enter in an option sale agreement with Cloncurry Metals Limited (ASX code: CLU) whereby CLU may acquire the Pegmont tenements (including the Pegmont lead-zinc deposit) for \$12 million. The option agreement (exercise date is 28 February 2009) required the drilling of a minimum 4,000 metres by 31 December 2007 and a further 6000 metres during 2008.

The minimum drill commitment of 4,000 metres has been completed with detailed results provided in the December quarterly report. This work largely confirmed previous drill results. CLU intends to undertake a follow up drill program of 6,000 metres during 2008.

Exploration undertaken on the New Hope (gold-cobalt) mining lease in North Queensland (under option to the company) has successfully outlined a small high grade gold deposit. Further work will be undertaken to delineate the deposit for possible development.

Looking to the current year:

- Share trading profits are budgeted at \$1.5 million which is a sharp reduction on the \$8.2 million earned during 2007 due to bearish sentiment and increased market volatility.
- Our exploration budget is \$800,000 including ongoing metallurgical research on refractory ores and further delineation of the New Hope gold-cobalt deposit.
- Ongoing drill activity by CLU at Pegmont in order to conclude the option agreement.

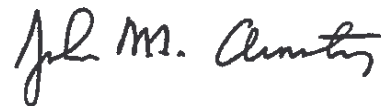
- Seeking new investment and corporate opportunities to continue the company's growth.
- Payment of a dividend provided that after tax profits exceed \$2 million.

The recent share market volatility, we suspect, may have been exaggerated by the combination of margin lending and short selling which have little regard to underlying investment values. However, this volatility has changed the nature of investment risk and requires us to hold larger cash balances and to increase our portfolio percentage of operating companies.

Despite the track record we are building, the Company's share price continues to lag behind our working capital (mainly cash and trading investments) at 21.4 cents per share. Should CLU exercise its option to acquire the Pegmont tenements, our working capital would increase significantly (net of tax) to around 40 cents per share.

Meanwhile we will continue to develop our business model of share trading for short term profits to pay expenses and dividends, provide seed capital and undertake mineral exploration for long term capital growth. This model has been the basis of our success in recent years.

I thank the board, our shareholders, contractors and our friends for their support during the past year. We look forward to another exciting year of opportunity.



John M. Armstrong
Chairman

Pegmont Mines Limited

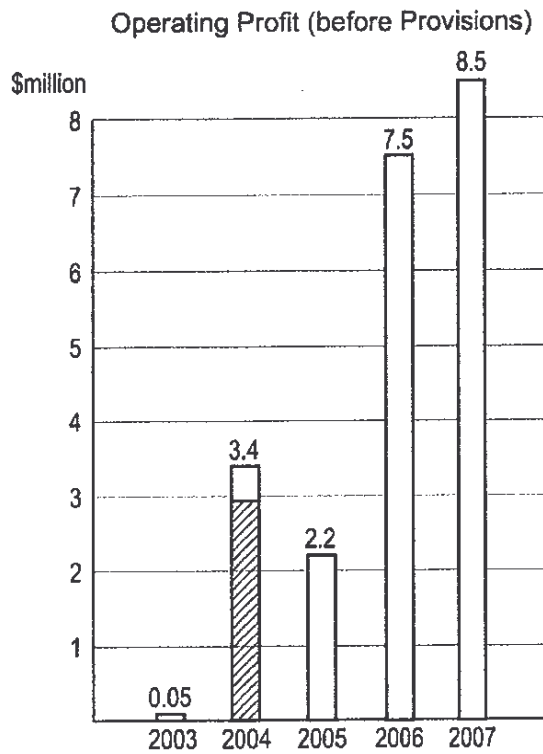
Summary of Financial Results

Financial Results		2007	2006	2005	2004	2003*
Gross Revenue	\$000	36,314	20,875	9,124	6,208	49
Profit on share sales	\$000	8,230	7,374	2,059	510	-
Exploration	\$000	(662)	(432)	(351)	(55)	(22)
Administration	\$000	(896)	(448)	(459)	(363)	(76)
Provision for share loss	\$000	(980)	(390)	(110)	-	-
Net Profit/(Loss) before tax	\$000	6,017	6,249	1,302	2,978	(384)
Net Profit/(Loss) after tax	\$000	3,916	4,258	765	2,362	(384)
Cash	\$000	4,043	3,591	1,272	2,315	64
Investments	\$000	7,528	5,271	3,429	1,237	-
Total Assets	\$000	15,424	12,261	8,074	7,722	6,630
Total Liabilities	\$000	864	1,016	580	994	257
Shareholders' Funds	\$000	14,670	11,245	7,493	6,728	5,661
Earnings per share (E)	cents	7.7	8.4	1.5	4.7	(0.8)
Dividends per share	cents	1.2	1.0	-	-	-
Net Tangible Assets per share	cents	28.9	22.2	14.8	13.3	11.2
Working Capital per share	cents	21.4	15.6	8.2	6.6	-ve
Share Price (last sale - P)	cents	18.0	12.0	4.0	8.0	8.0
Price Earnings ratio P/E	x	2.3	1.4	2.7	1.7	-
Shares on Issue	000	50,887	50,687	50,687	50,687	50,687
Options on Issue	000	-	1,549	4,129	5,301	6,194

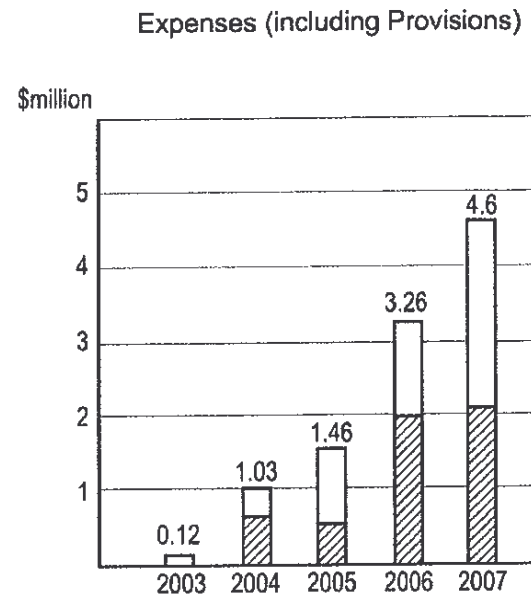
* Deconsolidated results to exclude Reefway Pty Ltd which was sold 28 September 2004.

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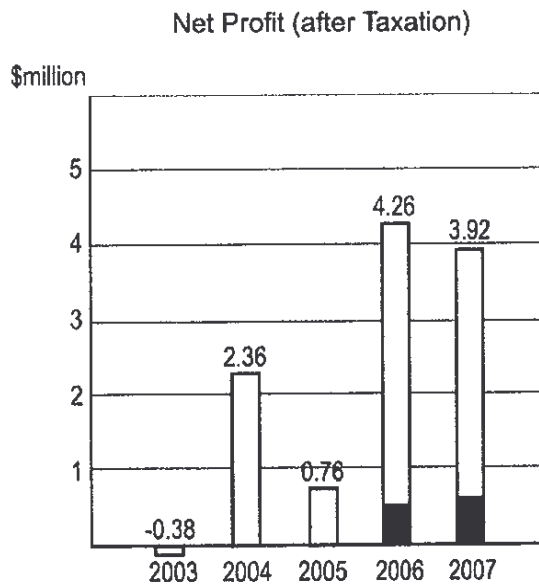
Performance at a Glance (2003-2007)



Reefway sale profit, \$2.86m



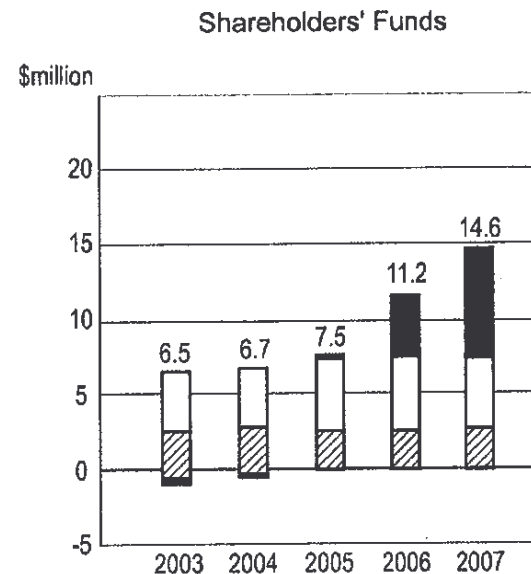
Provision for Company Tax



EPS ¢ -ve 4.7 1.5 8.4 7.7

Div ¢ - - - 1.0 1.2

Dividend paid \$000 - - 507 611



Contributed Capital

Reserves

Retained Profit / Losses

Pegmont Mines Limited

REVIEW OF OPERATIONS

2007 was another great year for Pegmont. Net after tax profit of \$3,915,921 (2006- \$4,258,462) was achieved and working capital exceeded \$10 million for the first time.

	\$
Operating income	<u>\$8,554,966</u>
Less	
Administration	895,785
Exploration & metallurgy	662,180
Provision for share loss	<u>980,000</u>
	<u>2,537,965</u>
Pre-tax Profit	6,017,001
Less, Company tax	<u>2,101,080</u>
Net Profit after tax	<u>3,915,921</u>
Earnings per share (cents)	7.7
Dividend per share (cents)	1.2

This result includes the write off against profits of all exploration expenditures incurred during the year and excludes net unrealized gains on investments amounting to \$737,533 (2006- \$1,641,500).

In view of subsequent market volatility and downside market trends, our policy of providing for unrealised losses on an individual share basis appears appropriate.

On 4 December 2007, Pegmont paid its second dividend of 1.2 cents per share (2006-1cent per share) amounting to \$610,641 (2006- \$506,868).

2007 results may represent a high water mark for several years to come. 2008 has started on a challenging note with a banking /subprime mortgage crisis in USA and further interest rate hikes in Australia putting pressure on share market prices. The stock market All Ordinaries Index peaked on 1 November and fell 24% from previous close of 6853 to 5222 on 22 January 2008, thus heralding a possible bear market. Some mining stocks have fallen more than 60% from their peaks. Our own portfolio has suffered, necessitating a provision of \$1,480,000 for market loss at year end.

Despite current market volatility, we feel that the mining sector is likely to be resilient on account of China's ongoing demand for resources.

Our goal is to earn \$1,500,000 from trading on the share market in 2008, determined as follows:

	\$000
Gross Share Turnover	20,000
Profit Margin	7.5%
Operating Profit from share trading	1,500

These estimates are a sharp reduction on 2007 when gross share turnover was \$36.3 million at an average profit margin of 22.7% (before provision for share loss).

Our Company's budget for 2008 is for a pre-tax profit of \$250,000 estimated as follows:-

	2008
	\$000
Operating Income	
Interest on deposits	250
Share trading profits	<u>1,500</u>
	<u>1,750</u>
Less	
Administration	700
Exploration & metallurgy	<u>800</u>
	<u>1,500</u>
Pre-tax Profit Budget	<u>250</u>

Our profit estimate is aspirational and designed to keep us focused on making share profits to cover costs.

Administration costs are expected to decline, since 2007 included legal expenses of \$128,000 relating to the option agreement with Cloncurry Metals Ltd and payment of deferred Directors fees of \$238,000 from previous years.

Exploration activity during 2008 will concentrate on the New Hope gold-cobalt deposit and nearby application areas. This activity, including drilling, is budgeted to cost \$800,000.

Cloncurry Metals Limited will continue to evaluate the Pegmont lead-zinc deposit and other Company tenements Their expenditure may also exceed \$800,000.

Pegmont Mines Limited

INVESTMENT ACTIVITIES

	2007	2006
	\$000	\$000
Turnover	36,314	20,875
Realised Profit	8,230	7,374
Profit Margin %	22.7	35.3

The Company invests mainly in resource equities which are in production or who have advanced projects with near term production potential. Also we have provided seed capital to several pre- IPO opportunities.

After the August market break, we found it hard to operate in the volatile market conditions, causing profit margins to fall away to 8.7% for the December quarter. The sharp market decline since November has limited profitable opportunities. We are challenged to be able to trade profitably.

Net unrealised market gain at 31 December of \$737,533 (2006- \$1,641,500) has been carried forward to 2008.

A provision for market loss of \$570,000 (2006-\$390,000) was made over tradable share inventory where the bid quote for an investment was less than average holding cost (using the lower of market or cost valuation method). As a result of a post balance day event, where one of the Company's investments was placed in Administration, an additional provision of \$410,000 was made. Unrealised gains are not taken into account. Thus the total provision increased to \$1,480,000 (2006- \$500,000) at balance date.

Our current investment strategy is to concentrate on companies with production or near term production (within 2008) which are trading at a large discount to their peak value. In some cases they may be oversold due to technical market factors which can apply without reference to underlying value. Some companies have been marked down more than 60% from their peaks.

In order to take advantage of such opportunities a cash holding of between 15-30% of current assets is maintained.

During 2007, funds available to invest increased from \$8.9M to \$11.6M by year end. In summary, our portfolio, at cost was:

	\$000	%
Listed shares	8,643	74.4
Seed Capital	475	4.1
CMT deposit	<u>2,505</u>	<u>21.5</u>
Portfolio at cost	<u>11,623</u>	<u>100.0</u>

We can expect market volatility to last sometime, until it can be demonstrated that the US housing and equity markets have bottomed. Fortunately, Australia's resource sector is supported to a large extent by ongoing demand from China. Therefore, we anticipate limited time duration for the market correction in the resource sector.

	2007	2006
	\$000	\$000
The net trading result was:		
Realised net Profit	8,230	7,374
Less: Loss Provision	<u>980</u>	<u>390</u>
Net Trading Profit	<u>7,250</u>	<u>6,984</u>

Total Return on Investment funds	\$000	\$000
Net Trading Profit	7,250	6,984
Interest	238	141
Dividends	<u>5</u>	<u>4</u>
	<u>7,493</u>	<u>7,129</u>
Opening Balance of Current Assets	8,911	4,724
Return on Current Assets %	84	151

During the current market correction, we would consider genuine cash flow opportunities that may become available through corporate restructuring.

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EXPLORATION ACTIVITIES

Cloncurry District, N-W Queensland

Total Exploration	2007	2006
	\$000	\$000
Expenditure	1,104	432
Less: Cost recovery	<u>442</u>	<u>-</u>
Net Expenditure	<u>662</u>	<u>432</u>
Drill Activity-metres		
Pegmont	5,410	-
New Hope	<u>978</u>	<u>-</u>
	<u>6,388</u>	<u>-</u>
Cost per metre drilled (excluding metallurgy \$90,135)	\$159	

Pegmont

Exploration during 2007 was concentrated on the Pegmont Pb-Zn Prospect, specifically on Mining Leases 2620, 2621 and 2623. A modern 10 man exploration camp was constructed at Pegmont in the first half of the year at a cost of \$327,000. In the second half of the year a substantial drilling program was undertaken, co-managed by Pegmont and Cloncurry Metals. Exploration expenditure at Pegmont was \$908,015.

The drilling program, which consisted of 5,410m in 48 holes of mainly reverse circulation (RC) percussion drilling with a minor amount of diamond drilling "tails", provided results which were broadly consistent with earlier work. New resource estimates have not been made, but the drilling will not have substantially altered the estimates previously established. However the program has accomplished the following:

- Infill (closer spaced) drilling which now exists in the known mineralisation will add confidence to calculations of resource volume and grade and, with the drilling planned this year, will contribute toward being able to classify the resource figures for selected areas, eg the Main Lode, under the JORC Code.
- Further metallurgical samples were obtained which provide a wider and therefore more representative spread

of the mineralisation than those samples previously investigated.

- An improved delineation and understanding of the oxide-sulphide interface is being established, with attention being paid to this important aspect in the geological logging of the holes.
- Magnetic susceptibility readings of the drill samples established that only the mineralised banded iron formation is strongly magnetic (which is important in the interpretation of the aeromagnetic and ground magnetic data).

A new ground magnetic survey was undertaken late in the field season. Magnetic inversion models (which take into account the effect of depth of the magnetic body on its magnetic signature) have been developed. These have led to increased clarification compared with previous data and, in conjunction with the magnetic susceptibility determinations, the recognition that the enhanced magnetic anomaly to the south of the main body of mineralisation offers potential for additional mineralised resources, albeit at greater depth.

In 2008, Cloncurry Metals will manage the exploration at Pegmont and on the neighbouring EPMs (see figure 2). They have indicated their intention to carry out a further 6000m of drilling, most of it on the Pegmont MLs and the extension onto EPM 15106. Both infill drilling and step out (or extensional) drilling will be undertaken, the latter based in part on the results of the magnetic inversion modelling. These aspects, including step out drill targets are provided in figure 1. A small proportion of Cloncurry Metals' drill program will be taken up on the Lightning Creek area in EPM 14491 (fig. 2), where the potential for a different style of mineralisation (IOCG – iron oxide copper gold) will probably be tested depending on the results of further geophysical work.

Metallurgical investigations on Pegmont mineralisation continued through 2007 at a cost of \$90,135. The fresh sulphide mineralisation is amenable to conventional metallurgical (flotation) treatment, but the oxide and transitional mineralisation is not. However encouraging results are being achieved at a laboratory scale using a micro fluid bed reactor in a non-conventional

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treatment approach. This will be pursued by Pegmont Mines' consultants in the first half of 2008 with larger scale fluid bed reactor equipment together with the further investigation of metal recovery circuits.

District Exploration

A major literature review of historical work on Pegmont Mining's EPMs was commissioned by Cloncurry Metals and completed earlier in 2007. Most of the direct fieldwork however concentrated on the activities described above. Further analysis and prioritising of potential target areas will be undertaken this year utilising the literature review and recent government aeromagnetic and gravity data.

Further analysis of the Freckle Prospect on EPM 14784 supported the conclusion of earlier investigators that the mineralisation was too inconsistent to warrant further work.

New Hope Mining Lease (ML 2487)

The New Hope ML is located 10km south of Selwyn. This small property is under option by Pegmont Mines. During the year, a total of 11 RC percussion holes were drilled for a total of 978 metres. Gold mineralisation together with associated cobalt, arsenic and copper was intersected in a number of holes in the southern part of the ML. A small, high grade (greater than 10g/t) gold zone has been partially outlined and further drilling will be undertaken this year to better define the extent and grade of this body.

Arising from this discovery, local and regional work and assessment will be undertaken in 2008 to determine the potential for the discovery and economic exploitation of small high grade resources of this kind.

Kimberley Region, WA

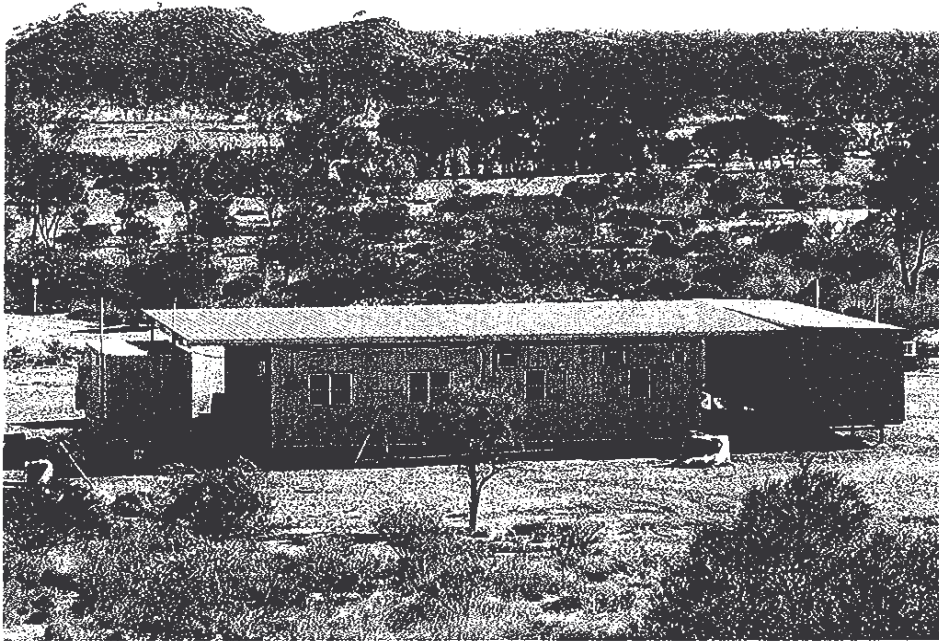
No field work was undertaken during the year. A number of tenement applications were withdrawn, resulting in a refund of \$49,228.

General Exploration Strategy

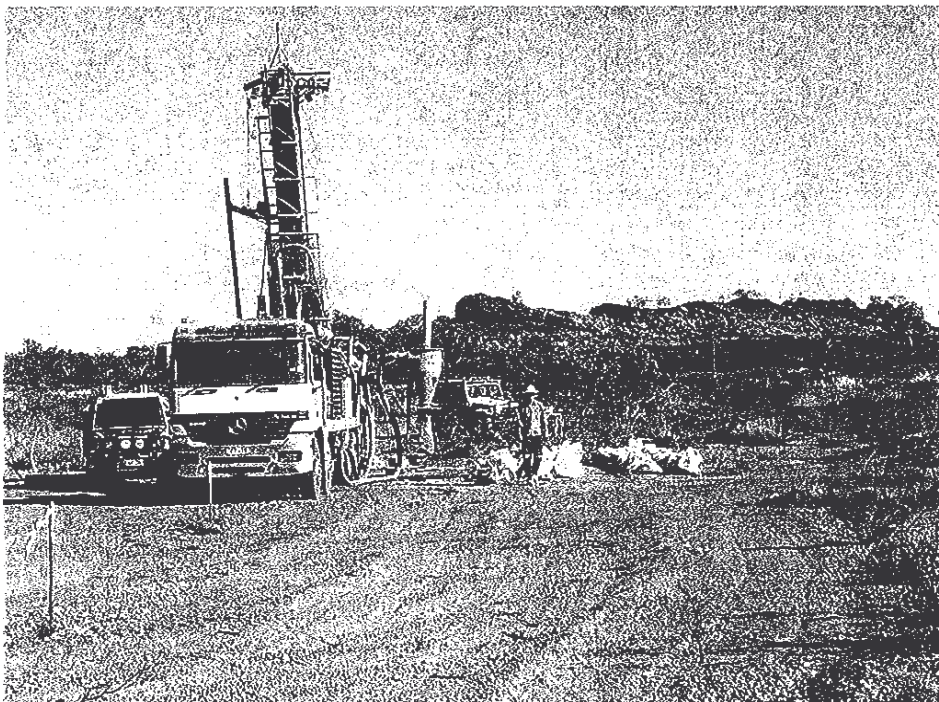
- The Company is focused on creating an economic outcome from the Pegmont lead-zinc deposit. The introduction of Cloncurry Metals Limited by an option agreement has brought fresh ideas and willingness to expedite this development process.
- We will continue to focus our attention on exploring the highly prospective mineral region within 50km radius of Pegmont. New Hope is located within this area.
- Beyond this circle, we will consider the acquisition of other mineral deposits in the Mount Isa region provided that there is additional prospective ground nearby in order to establish a worthwhile project.
- Apart from direct exploration exposure, we are prepared to back seed capital proposals with worthwhile concepts, and to leverage equity positions in listed companies with exploration expertise and established mineralisation.

We are optimistic about the current resource boom that it may continue for some time, presenting an opportunity to grow the Company to a more economic size.

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The Pegmont Camp constructed in mid 2007



Drilling at Pegmont during the 2007 field season (with Mt. Lucas in the background)

Figure 1
PEGMONT MINES LIMITED
PEGMONT PROJECT
DRILL HOLE LOCATIONS
MAIN LODE AND GOSSAN LODE AREAS
SHOWING EXPLORATION POTENTIAL

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CORPORATE ACTIVITIES

Our Corporate goal is to build a financially strong and self-sustaining resource company.

Through share trading and investing in resource equities we become aware of opportunities to participate in the exploration, development and production process.

Our activities are confined to Australia and to companies primarily operating in Australia.

We do not use gearing, futures, options or derivatives to undertake investments.

To some investors, we could have a "lazy" balance sheet, but holding cash allows us to take up unforeseen opportunities. Last year, we earned \$237,898 (2006-\$141,539) interest which represented an average cash holding of \$4.1 million.

Corporate Assets

The Company has additional cash and other current assets to meet Administration, Exploration and Taxation expenses as follows:

	2007 \$000
Bank, current accounts	178
Bank, deposit accounts	1,360
Other and sundry debtors	<u>38</u>
	<u>1,577</u>

Other Income

Other income items excluding interest and dividends were:

	2007 \$000	2006 \$000
Management fees	66	-
Rental Income	<u>15</u>	<u>-</u>
	<u>81</u>	<u>-</u>

Administration Expense

Several one-off expenses incurred during 2007 which may not happen in 2008, including:

	\$000
Interest Paid	12
Legal charges	128
Directors' fees from previous years	<u>238</u>
	<u>378</u>

Interest of \$12,051 was paid on a long outstanding account which was paid out including \$10,000 for 100,000 shares issued at 10 cents each.

Legal charges of \$128,340 were incurred on formulating and negotiating option and other agreements with CLU.

Administration expense increased as a result of executives Messrs M Leggo and C Leslie providing services to the company for a full 12 months.

Directors' fees of \$238,000 were paid in regard to deferred remuneration for the years 2001 and 2002 not paid due to previous liquidity constraints. The only outstanding payment is \$128,000 in regard to 2003, subject to shareholder authorisation.

Thus, administration expense is expected to decline during 2008 from \$896,000 to \$700,000.

Financial Condition

The Company's working capital position improved to \$10,913,234 (2006- \$7,894,723) as represented by Current Assets less Current Liabilities.

Current Assets

	2007 \$000	2006 \$000
Cash at bank	178	86
Short term deposits	3,865	3,505
Investments	7,638	5,271
Other current assets	<u>96</u>	<u>49</u>
	<u>11,777</u>	<u>8,911</u>

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Less;

Current Liabilities

Payables	62	235
Provision for tax expense	<u>802</u>	<u>781</u>
	864	1,016
Working Capital	<u>10,913</u>	<u>7,895</u>
Cents per share	21.4	15.6

We hold surplus cash funds on deposit at call with major banks to earn interest. Trading funds used in investing are linked with a cash management trust account. Corporate funds to pay for administration, exploration and taxation expenses are held separately.

Exploration Tenements

The Company has tenement interests in the Pegmont region, Mt Isa, Qld, for base metals and tenement applications in the Kimberley region of WA for bauxite.

The main tenement block covers and surrounds the Pegmont lead-zinc deposit which contains some 8 million tonnes of 11% combined lead-zinc mineralisation. These tenements are reflected in our accounts at a revalued amount of \$3,350,000 (2006-\$3,350,000). They are subject to an option agreement with Cloncurry Metals Limited at an exercise price of \$12 million by 28 February 2009.

Recently, two small EPM applications have been made east of the New Hope gold-cobalt deposit.

The Company has an interest in five exploration applications covering the Mitchell Plateau in the Kimberleys WA. Due to their speculative nature, no value is ascribed to them.

Two other exploration applications in the Kimberleys have been vendored into an intended IPO for shares and options.

Royalty Interests

Royalty interests held over the Reefway Pty Ltd tenements, by a subsidiary of CopperCo (ASX code: CUO), have been valued at \$100,000 on the basis that copper production has commenced from these tenements and drill resources now exceed the minimum amount required to pay a royalty.

The amount of royalty on payable metal production from the Reefway tenements listed in the Schedule of Exploration Tenements is 1% net smelter return. In the case of major metals like copper, lead, zinc, silver and gold, production above certain thresholds apply, for example 100,000 tonnes for copper.

CopperCo is now in production at an annualised rate of 19,000 tonnes of copper metal per year, ramping up to 25,000 tonnes per annum by mid 2008. This output is backed by total resource tonnes exceeding 149,000 tonnes of copper. (which at 80% recovery exceeds 119,000t) within the Reefway tenements. Further exploration at Anthill is expected to enlarge resources further and thus support a further increase in metal production.

Our option sale agreement with Cloncurry Metals Limited over the Pegmont tenements including the lead-zinc deposit also includes a provision for a royalty payment once the initial payment of \$12 million has been recovered.

Significant Shareholdings

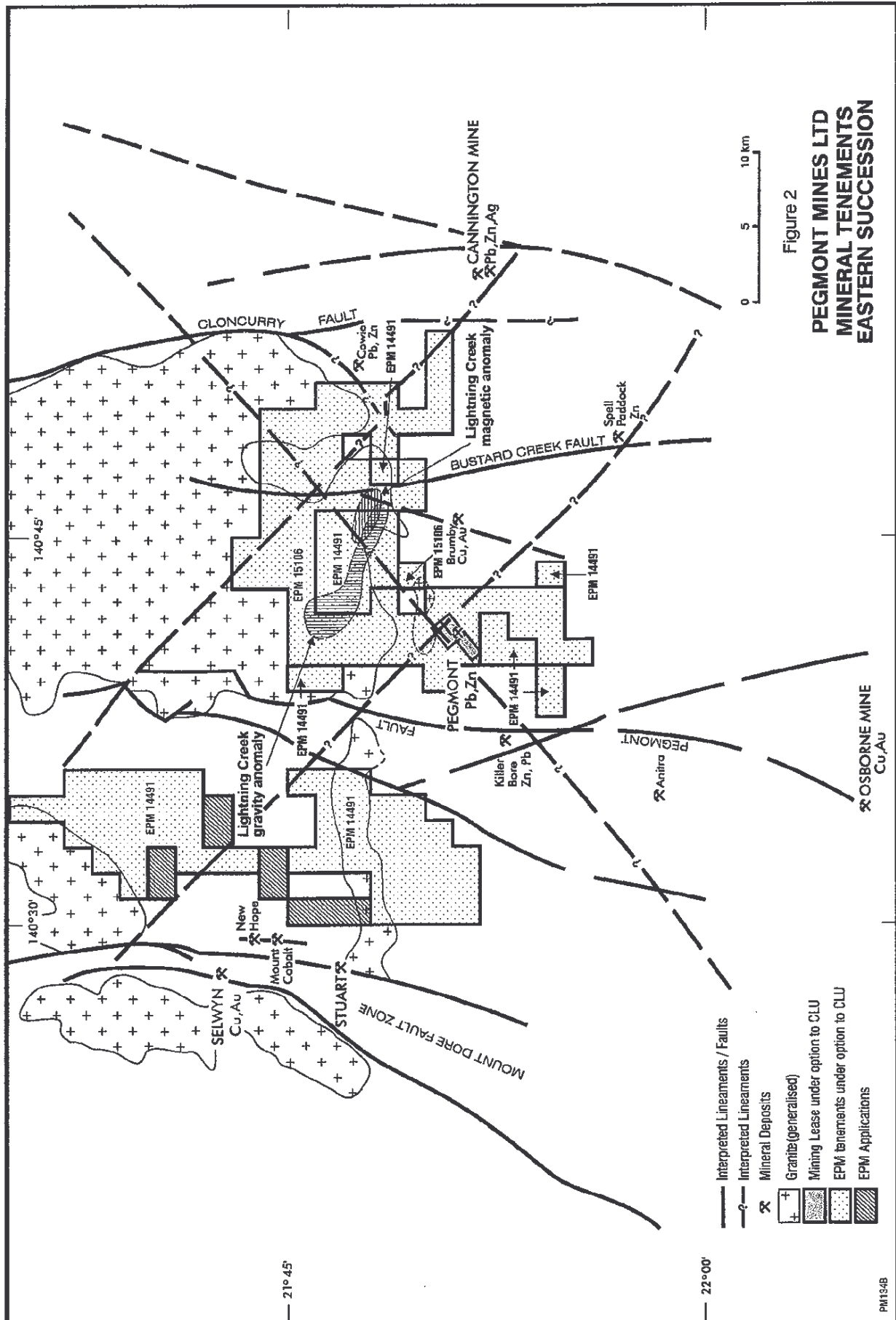
The company has two significant shareholdings greater than 5% of issued capital:

Cloncurry Metals Limited (CLU)
4,000,000 shares for 6.86%
Galaxy Resources Ltd (GXY)
3,163,717 shares for 7.08%

We took out cornerstone investments in both their IPO issues. Cloncurry Metals has an option interest in the Pegmont lead-zinc deposit.

Galaxy Resources has 100% interest in the Mt Cattlin lithium/tantalum deposit near Ravensthorpe WA, currently the subject of a feasibility study. An initial resource estimate was completed during the December'07 quarter of 12.3 million tonnes at 14.7% spodumene (1.00% Li₂O) and 135ppm Ta₂O₅. A feasibility study has commenced for a 1 million tonnes per annum mining operation.

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EXPLORATION TENEMENTS

TENEMENT	NAME	STATUS	REGISTERED HOLDER	DATE OF GRANT	DATE OF AREA EXPIRY	(sq-km)
EPM 15106	Pegmont	Granted	Pegmont Mines NL	11.08.2006	10.08.2011	166.4
EPM 14491	Extended					
EPM 14491	Pegmont	Granted	Pegmont Mines NL	11.08.2006	10.08.2011	174.1
	Extended #2					
ML 2620	Pegmont	Granted	Pegmont Mines NL	24.01.1974	31.01.2012	1.3
	No. 1					
ML 2621	Pegmont	Granted	Pegmont Mines NL	24.01.1974	31.01.2012	1.3
	No. 2					
ML2623	Pegmont	Granted	Pegmont Mines NL	24.01.1974	31.01.2012	1.3
	No. 4					
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 subject to an option agreement with Cloncurry Metals Limited.

In addition the Company has an option to purchase the New Hope mining lease, and has made applications for EPM 17052 "Mort River North" and EPM 17053 "Mort River South" in the vicinity of the New Hope gold-cobalt deposit. These tenements are held 100% for the Company and are not subject to option to Cloncurry Metals Limited.

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.

Pegmont Mines Limited

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 programme, 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 but in any case for a period not exceeding five (5) years (Article 9.6(a)) unless otherwise approved by members in General Meeting.

Pegmont Mines Limited

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, of which only one is independent.

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

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

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

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
2. has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
3. is not a principal of a professional adviser to the Company or another group member;
4. is not a significant consultant, supplier or customer of the Company or another 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.

Pegmont Mines Limited

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 Board of Directors maintains remuneration policies which are aimed at attracting and retaining a motivated workforce and management team. The intention is to match the outcomes from the remuneration system with the performance of the Company and ultimately the value received by our shareholders on a long-term basis.

As an overall policy, the Company will remunerate in such a way that it:

- motivates Directors and management to pursue the long-term growth and success of the Company; and
- demonstrates a clear relationship between key executive performance and remuneration.

Full details of Directors' and specified executives' remuneration are set out in the Directors' Report and in the Directors' and Executives' Disclosures note in the financial statements.

Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate for Pegmont.

Non-Executive Directors' fees are paid within an aggregate limit which is approved by the shareholders from time to time, which is currently set at \$100,000.

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.

Pegmont Mines Limited

Directors' Report

The Directors present their report on the results of the Company for the year ended 31 December, 2007 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
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 investment.

Operating Results

The net profit of the Company for the year, after provision for income tax amounted to \$3,915,921 (2006 - \$4,258,462).

Dividends

During the year the company paid a fully franked final dividend of 1.2 cents per share amounting to \$610,641 (2006-\$506,868) from net profits for the half year to 30 June 2007.

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 "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 sharp tumdown in the stockmarket which has reduced the carrying value of the Company's share portfolio. A provision of \$980,000 was made at year end.

Matters 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 2007. Further provisions against the Company's share portfolio may be required if the stock market continues to decline.

Options over Unissued Capital

The total number of options issued as at 31 December 2007 were NIL (2006-1,549,200). Previously granted options to Directors totalling 1,280,000 lapsed at 31/12/2007.

Pegmont Mines Limited

These options did not vest as the Company's shares had not 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 2007 and the date of this report, unissued shares of the Company under option to the Company Secretary and Consultants were:

	At 31/12/2006 Number Granted	Exercised	Lapsed	At 31/12/07 Balance
Company Secretary	100,000	100,000	-	-
Consultants	<u>169,200</u>	<u>-</u>	<u>169,200</u>	<u>-</u>
	<u>269,200</u>	<u>100,000</u>	<u>169,200</u>	<u>NIL</u>

The holders of unlisted options were not entitled to participate in any share issues of the Company and were 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.

Environmental and Occupational Health and Safety Performance

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. Recent surface disturbance has been restored and the majority of historical excavations has been filled in and rehabilitated during 2007. 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 inductions and record keeping. There were no reportable incidents during 2007.

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 2007 financial report; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

Frank Vrachas
Lead Auditor

Meeting of Directors

During the financial year, 7 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

Mr John M Armstrong	7
Dr Michael D Leggo	7
Mr Malcolm A Mayger	7

Pegmont Mines Limited

Directors' Qualifications and Experience

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

Mr Armstrong, aged 72 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 68 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 66, 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 receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts or received as the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than:

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

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 payment to each director and each of the officers of the company receiving 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	170,000	150,000	320,000	NIL
J Armstrong	Non-Executive Chairman	43,000	30,000	73,000	NIL
M Leggo	Executive Director	25,000	150,000	175,000	NIL
Total Directors		238,000	330,000	568,000	
CD Leslie	Company Secretary	25,000	84,000	109,000	NIL

* Payments of prior year fees were authorised by members at the Company's Annual General Meeting on 24 April 2007.

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

		Shares at 31/12/2006	Acquired during the year	Shares at 31/12/2007	
JM Armstrong	Indirect	350,000	-	350,000	
MD Leggo	Direct	70,000	-	70,000	
MA Mayger	Direct	300,000	-	300,000	
	Indirect*	30,619,045	100,000	30,719,045	
		31,339,045	-	31,439,045	

Shareholdings since 31/12/2007 have not changed to the date of this report.

*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 28 February 2008

Pegmont Mines Limited

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 2007 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 28 February 2008

Pegmont Mines Limited

PEGMONT MINES LIMITED

FINANCIAL REPORT

**FOR YEAR ENDED
31 DECEMBER 2007**

Pegmont Mines Limited

Statement of Financial Position As at 31 December, 2007

	NOTES	2007 \$	2006 \$
CURRENT ASSETS			
Receivables	4	96,580	49,045
Investments	5	7,637,772	5,270,687
Cash and cash equivalents	6	4,043,012	3,591,064
TOTAL CURRENT ASSETS		<u>11,777,364</u>	<u>8,910,796</u>
NON-CURRENT ASSETS			
Plant and Equipment	7	306,769	-
Exploration & Evaluation expenditure	8	3,450,000	3,350,000
TOTAL NON-CURRENT ASSETS		<u>3,756,769</u>	<u>3,350,000</u>
TOTAL ASSETS		<u>15,534,133</u> =====	<u>12,260,796</u> =====
CURRENT LIABILITIES			
Payables	9	62,387	235,410
Provisions	10	801,743	780,663
TOTAL LIABILITIES		<u>864,130</u>	<u>1,016,073</u>
NET ASSETS		<u>14,670,003</u> =====	<u>11,244,723</u> =====
EQUITY			
Contributed Equity	2	2,853,187	2,833,187
Reserves	3	4,556,193	4,456,193
Retained Profits	13	7,260,623	3,955,343
TOTAL EQUITY		<u>14,670,003</u> =====	<u>11,244,723</u> =====

The accompanying notes form part of these statements.

Pegmont Mines Limited

Statement of Financial Performance For the year ended 31 December, 2007

	NOTES	2007 \$	2006 \$
Gross revenue from sharetrading		36,313,749	20,875,435
Cost of sales		28,083,618	13,501,716
		-----	-----
Profit on sale of shares		8,230,131	7,373,719
Interest income		237,898	141,539
Dividends received		5,400	4,000
Other income		81,537	-
		-----	-----
Total revenue from ordinary activities		8,554,966	7,519,258
Auditors' fees	11	(21,500)	(8,500)
Directors' fees		(418,000)	(287,000)
Exploration written-off		(662,180)	(432,157)
Provision for sharetrading loss		(980,000)	(390,000)
Stock exchange fees		(7,087)	(6,896)
Share registry fees		(10,313)	(7,254)
Secretarial and office expenses		(154,012)	(56,550)
Other expenses from ordinary activities		(284,873)	(81,955)
		-----	-----
Profit from ordinary activities before related income tax expense		6,017,001	6,248,946
Income tax expense relating to ordinary activities	12	2,101,080	1,990,484
		-----	-----
Net profit attributable to members of Pegmont Mines Ltd		3,915,921	4,258,462
		=====	=====

Statement of Changes in Equity For the year ended 31 December, 2007

Total equity at the beginning of the year	11,244,723	7,493,130
Total recognised income and expense for the year attributable to members of Pegmont Mines Ltd	3,915,921	4,258,461
Transactions with equity holders in their capacity as equity holders:		
Valuation of Reefway P/L royalty interest	100,000	-
Shares issued	10,000	-
Options exercised	10,000	-
Dividend paid during the year	(610,641)	(506,868)
	-----	-----
Total Equity at the end of the year	14,670,003	11,244,723
	=====	=====

The accompanying notes form part of these statements.

Pegmont Mines Limited

Statement of Cash Flows For the year ended 31 December, 2007

		Inflow/ (Outflow) 2007 \$	Inflow/ (Outflow) 2006 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		8,554,966	7,519,258
Cash payments in the course of operations		(2,955,786)	(2,083,770)
Net Cash Provided (Utilised) by Operating Activities	21	<u>5,599,180</u>	<u>5,435,488</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for Investments		(3,345,084)	(2,231,787)
Payment for Exploration and evaluation		(662,180)	(432,157)
Payment for plant and equipment		(326,769)	-
		<u>(4,334,033)</u>	<u>(2,663,944)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		20,000	-
Increase in creditors		(173,023)	(80,472)
Increase in debtors		(49,535)	26,054
Dividend paid		(610,641)	(508,868)
		<u>(813,199)</u>	<u>(452,450)</u>
Net Increase in Cash Held		451,948	2,319,094
Cash at 1 January		<u>3,591,064</u>	<u>1,271,970</u>
Cash at 31 December	21	<u>4,043,012</u> =====	<u>3,591,064</u> =====

Pegmont Mines Limited
Notes to the Financial Statements
For the Year Ended 31 December 2007

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.

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 \$3,450,000 in regard to its Pegmont interests where a resource has been delineated by drilling.

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

Pegmont Mines Limited
Notes to the Financial Statements
For the Year Ended 31 December 2007

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

	2007 \$	2006 \$
Issued Capital		
50,886,796 (2006-50,686,796) ordinary shares fully paid	2,853,187 =====	2,833,187 =====

Terms and conditions of contributed equity

During the year 100,000 options over ordinary shares were exercised at 10 cents each and 169,200 options expired. In addition 100,000 ordinary shares were allotted to a consultant at 10cents each in settlement of a long outstanding debt.

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.

Pegmont Mines Limited
Notes to the Financial Statements
For the Year Ended 31 December 2007

NOTE 3 – RESERVES

	2007 \$	2006 \$
Capital Profit	2,000,000	2,000,000
Asset Revaluation	2,556,193	2,456,193
	<u>4,556,193</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. During the year the directors increased this reserve by \$100,000 to reflect a royalty right on the Reefway Pty Ltd tenements.

NOTE 4 - RECEIVABLES

DME Security deposit	2,500	2,500
Other Debtors	15,320	10,837
GST Control account	58,376	19,080
Prepayments	20,384	16,628
	<u>96,580</u>	<u>49,045</u>
	=====	=====

NOTE 5 - INVESTMENTS

Available for sale financial assets – listed investments*	7,162,472	4,690,687
Other unlisted investments	475,300	580,000
	<u>7,637,772</u>	<u>5,270,687</u>
	=====	=====

* Market value \$9,380,535 (2006 \$6,392,382)

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.

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash at Bank and on hand	178,146	86,045
Short Term Deposits	3,864,866	3,505,019
	<u>4,043,012</u>	<u>3,591,064</u>
	=====	=====

NOTE 7 – PLANT & EQUIPMENT

Pegmont camp site equipment	326,769	-
Provision for depreciation	(20,000)	-
	<u>306,769</u>	<u>-</u>
	=====	=====

A detailed reconciliation has not been provided as all the assets were purchased during the year and there were no disposals.

Pegmont Mines Limited
Notes to the Financial Statements
For the Year Ended 31 December 2007

	2007 \$	2006 \$
NOTE 8 – EXPLORATION & EVALUATION EXPENDITURE		
Mineral tenements – at valuation		
Pegmont BIF Project*	3,000,000	3,000,000
Pegmont Regional Application areas*	350,000	350,000
Reefway Pty Ltd Royalty	100,000	-
	-----	-----
	3,450,000	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 Wilsteed & Associates in 2000.

During the year ended 31 December 2007 the Directors reviewed 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. In particular the directors increased the Reefway Pty Ltd royalty right to reflect the potential for royalty on those tenements.

NOTE 9 - PAYABLES

Trade Creditors	61,887	220,410
Accrued Directors' fees	-	15,000
Other Loans	500	-
	-----	-----
	62,387	235,410
	=====	=====

NOTE 10 – PROVISIONS

Income Tax Expense	801,743	780,663
	=====	=====

NOTE 11 – AUDITORS' REMUNERATION

Auditors' remuneration		
- auditing the accounts	20,500	7,500
- other services	1,000	1,000
(the auditors received no other benefits)	-----	-----
	21,500	8,500
	=====	=====

NOTE 12 - INCOME TAX EXPENSE

Prima facie tax on operating profit at 30%	1,805,100	1,874,683
Timing and permanent differences	262,980	115,801
	-----	-----
Income tax attributable to operating loss	2,101,080	1,990,484
	=====	=====

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

Pegmont Mines Limited
Notes to the Financial Statements
For the Year Ended 31 December 2007

	2007 \$	2006 \$
NOTE 13 – RETAINED PROFITS		
Balance at the beginning of the year	3,955,344	206,750
Net profit attributable to members	3,915,921	4,258,462
Dividend paid	(610,642)	(506,868)
Balance at the end of the year	<u>7,260,623</u> =====	<u>3,955,344</u> =====

NOTE 14 - EARNINGS PER SHARE

Basic earnings per share (cents per share)	7.7	8.4
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	50,686,796	50,686,796

NOTE 15 - 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 \$230,000 (2006: \$100,000). 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. The proposed exploration by Cloncurry Metals Limited in accordance with its option to purchase the Pegmont tenements is likely to cover the bulk of this expenditure obligation.

NOTE 16 - REMUNERATION OF DIRECTORS and OFFICERS

Name	Service	Prior year fees \$	Fees for Current year \$	Total Remuneration \$
M Mayger	Executive Managing Director	170,000	150,000	320,000
J Armstrong	Non-Executive Chairman	43,000	30,000	73,000
M Leggo	Non-Executive Director	25,000	150,000	175,000
Total Directors		238,000	330,000	568,000
CD Leslie	Company Secretary	25,000	84,000	109,000

\$105,607 of directors fees paid to Dr M Leggo were allocated to exploration tenements.

Pegmont Mines Limited
Notes to the Financial Statements
For the Year Ended 31 December 2007

NOTE 17 - 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	
JM Armstrong	Indirect	350,000	
MD Leggo	Direct	70,000	
MA Mayger	Direct	300,000	
	Indirect*	30,719,045	
		31,439,045	

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

NOTE 18 - SEGMENTAL INFORMATION

The Company derived income from investments.

	Profit Contribution	Tax Expense	Net Contribution
Investment activity and interest income	7,574,966	(2,566,490)	5,008,476
Exploration	(662,180)	198,654	(463,526)
Administration	(895,785)	266,756	(629,029)
Sub -Total	6,017,001	(2,101,080)	3,915,921
Net Profit after Tax			3,915,921

NOTE 19 - 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:

2007	Average Interest Rate	Variable Interest Rate 1 Year	Fixed Interest Rate Maturity Less than 1 year	Non-interest Bearing	Total
	%	\$	\$	\$	\$
Cash	-	-	-	178,146	178,146
Deposits - Cash	6.0	3,864,866	-	-	3,864,866
Receivables	-	-	-	96,580	96,580
Accounts Payable	-	-	-	62,387	62,387

Pegmont Mines Limited
Notes to the Financial Statements
For the Year Ended 31 December 2007

NOTE 19 – FINANCIAL INSTRUMENTS (con't)

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	-	-	-	203,149	203,149

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 20 - 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 2007 except as disclosed in these accounts and reports attached hereto.

NOTE 21 - 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 bank overdrafts and investments in money market instruments.

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

	2007 \$	2006 \$
Cash at Bank	178,146	86,046
Cash on Deposit	3,864,866	3,505,019
Cash and cash equivalents	<u>4,043,012</u> =====	<u>3,591,064</u> =====

Pegmont Mines Limited

Notes to the Financial Statements

For the Year Ended 31 December 2007

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

	Inflow/ (Outflow) 2007 \$	Inflow/ (Outflow) 2006 \$
Operating Profit after Income Tax	3,915,921	4,258,461
Non Cash Flows in Operating Profit		
Provision for loss on investments	980,000	390,000
Provision for depreciation	20,000	-
Provision for taxation	21,079	354,870
Non operating expenses - exploration	662,180	432,157
Net Cash Provided (Utilised) by Operating Activities	<u>5,599,180</u> =====	<u>5,435,488</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 2007.

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 2007 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



Frank Vrachas
Partner

Dated 28 February 2008

Pegmont Mines Limited

SUPPLEMENTARY INFORMATION

1. Issued Capital at 31 December 2007: 50,886,796 Ordinary Shares Fully paid

2. Share Holdings at 28 February 2008

(a) Distribution of Shareholders

Shareholding	Number of holders	Ordinary Shares
1-1000	1	1,000
1001-5000	1	5,000
5001 - 10,000	19	186,000
10,001 - 100,000	76	4,005,460
100,000 and over	41	46,689,336
	138	50,886,796

(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	28.68
Malcolm A. Mayger Pty Limited	11,746,760	23.08

(c) Interests associated with Malcolm A Mayger Pty Ltd hold 31,019,045 (60.96%) Ordinary fully paid shares.

Pegmont Mines Limited

Directors' Interests

	Shares
J M Armstrong - Indirect	350,000
M D Leggo - Direct	70,000
M A Mayger - Direct	300,000
Indirect*	30,719,045
Total Shares and Options	31,439,045

*Includes Pegasus Enterprises Limited

Top Twenty Shareholders at 28 February 2008

	Number of Shares	% issued Capital
Pegasus Enterprises Ltd	14,592,285	28.68
Malcolm A Mayger Pty Ltd	11,746,760	23.08
Lozora Pty Ltd	1,985,000	3.90
Warlam Pty Ltd A/C Lincoln	1,774,756	3.49
Malcolm A Mayger Superannuation Fund	1,395,000	2.74
Fitel Nominees Limited	1,100,000	2.16
Goldrim Investments Pty Ltd	1,100,000	2.16
P. & J Hutchins (PGH Super Fund)	1,000,000	1.97
Scepha Investments Pty Ltd	1,000,000	1.97
Riomin Australia Gold Pty Ltd	800,000	1.57
H Wallace-Smith and Co Pty Ltd	800,000	1.57
Mr I J Holland & Mrs D Holland	779,000	1.53
Mrs Betty Christine Steele	776,000	1.52
Bedel and Sowa Corp Pty Ltd	650,000	1.28
BIMH Pty Ltd (Union Street Super Fund)	500,000	0.98
Henroth Pty Ltd	500,000	0.98
Mr B McCubbing B McCubbing Super Fund A/C	500,000	0.98
Mrs Patricia Wallace-Smith	500,000	0.98
WHI Securities Pty Ltd (Crown Credit Corporation A/C)	500,000	0.98
Martin Place Securities Staff Super Fund	450,285	0.88
	42,449,086	83.40
Other Shareholders	8,437,710	16.60
Total Issued Shares	50,886,796	100%

Pegmont Mines Limited

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Pegmont Mines Limited

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

Listed on The National Stock Exchange of Australia
Website: 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

Auditors:

Rothsay Consulting Services Pty Ltd
Level 18, 6 O'Connell Street,
Sydney NSW 2000
Telephone: (02) 88155400
Facsimile: (02) 88155401



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