

Pegmont

Pegmont Mines Limited

ABN 97 003 331 682

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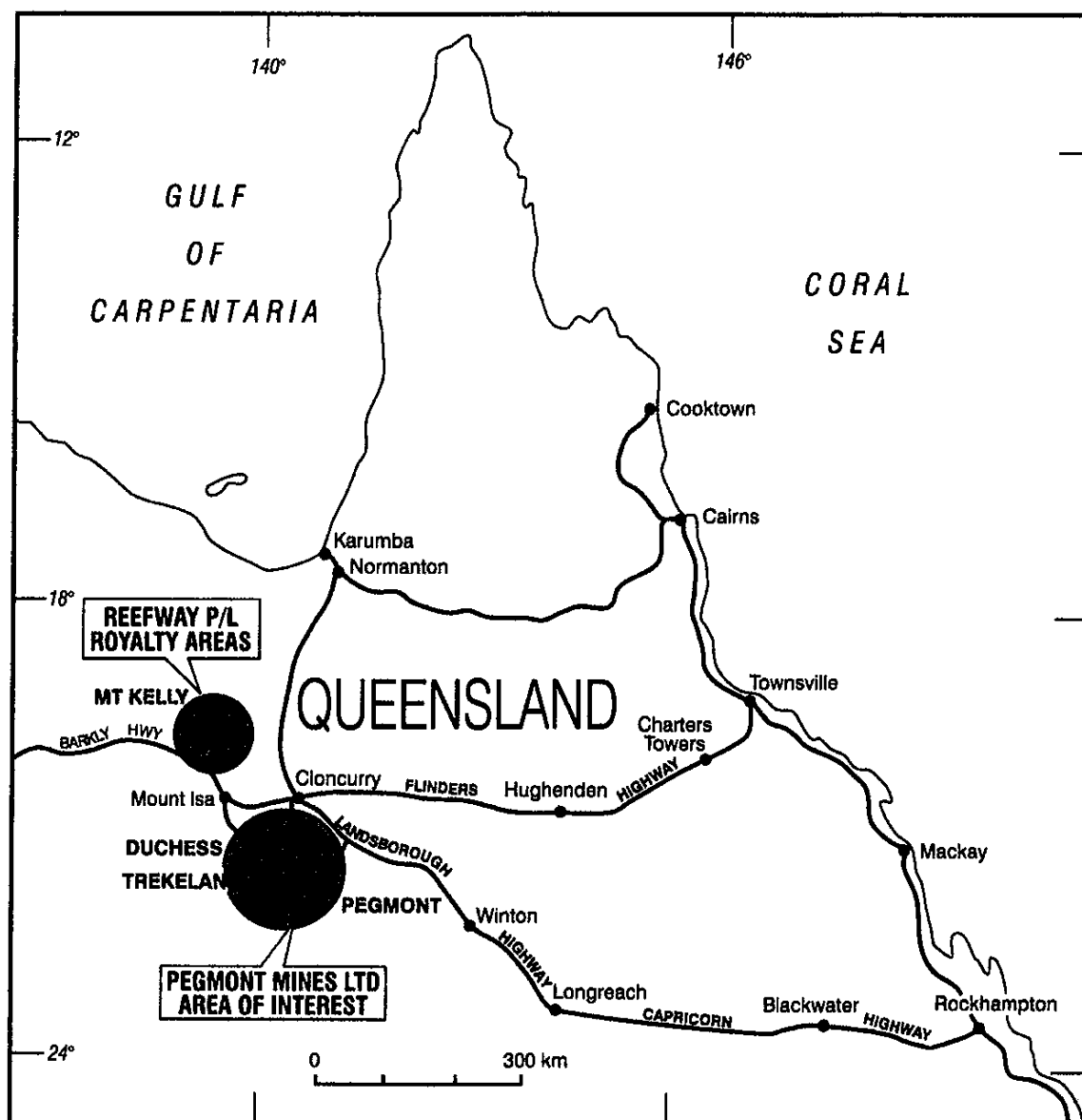
Pegmont Mines Limited**ANNUAL REPORT 2008**

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

2008 PERFORMANCE HIGHLIGHTS

The Company's activities continued to be focussed on investing and mineral exploration. The purpose of this dual activity is to self fund current exploration activity, pay the overheads and in good years pay a dividend. During the period 2004 to 2007 we were successful and generated some \$16.7 million in share trading profits, expended \$1.45 million on exploration and paid \$1.1 million in dividends (2.2 cents per share).

2008 was not a good year for investing. We made a realised loss of \$1.9 million and further provided \$4.5 million for impairment losses. Our working capital has decreased from \$10.9 million to \$4.0 million while cash balances fell from \$4.0 million \$0.6 million. The All Ordinaries Index fell 44.1% from 6421 to 3591. We hope 2009 will be a positive year.

Our exploration activities have yielded encouraging results:

- At New Hope (under option to purchase) further drilling has confirmed a small high grade gold-cobalt mineralised shoot, with potential, towards surface and down dip.
- EPM 14491(Selwyn sector) extensive rock chip sampling has outlined several anomalous gold areas associated with magnetic anomalies which require detailed follow up work. A successful outcome could enhance commercialisation of gold-cobalt mineralisation at New Hope.
- EPM 15106 and MLs 2620, 2621, 2623, covering the Pegmont lead-zinc deposit was explored by Cloncurry Metals Limited (CLU). A total of 81 new holes were drilled totalling 12,300 metres, substantially, expanding the mineral potential and improving our understanding of the deposit. However, on 30 December 2008 they advised that they did not wish to proceed with their option to purchase and have pulled out despite expanding the mineral potential.

Total exploration expenditure by the Company was \$339,486.

At 31 December 2008 our cash balances were \$609,537 (2007 \$4,043,012)

Pegmont Mines Limited

CHAIRMAN'S REPORT

Pegmont's consolidated operating loss during 2008 was \$6,944,915 (13.6cents per share) compared with an after tax profit of \$3,915,921 during 2007. This result reduced:

- Shareholders funds to \$7,725,653;
- Working capital to \$4,031,317
- Retained profits to \$370,540.

A dividend was not declared or paid during 2008.

These results were the result of the worst stock market decline since the 1930s. The All-Ordinaries index fell 44.1% from 6421 to 3591 and was trading around 3100 as at the date of this report.

Realised share trading losses were \$1,887,061 whilst provisions for impairment were \$4,529,241.

The Company made several investing errors during the year, including buying back into declining prices; not selling down more aggressively to cash and treating some holdings as investments, only to see value "evaporate". We are now in a trading market which has a very short term focus due to high volatility prevailing because of stress and uncertainty.

The collapse of the share market and our resulting losses, combined with Cloncurry Metals' Limited decision not to exercise or extend their option to purchase the Pegmont tenements has set us back in achieving our longer term goal of building net liquid assets to a substantial level in excess of \$15 million or 25 cents per share.

However, it continues to be our aim to remain a self funding exploration company by creating short term cash flow from share trading while pursuing the potential for longer term capital gain from exploration success, without repeated recourse to equity funding.

The collapse in base metal prices during the latter part of 2008 was mainly responsible for Cloncurry Metals deciding not to exercise or extend their option to acquire the Pegmont lead-

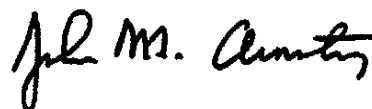
zinc deposit. Thus, management of this project reverts back to our company. Before proceeding further, a thorough review of all data generated by Cloncurry Metals Ltd and BHP Billiton Ltd will be made.

While Cloncurry's decision not to extend their option was a major disappointment, the exploration effort they expended on the project is likely to have substantially enhanced the geological understanding of the deposit. A total of 81 new holes were drilled totalling 12,300 metres at very substantial cost and valuable new data has been obtained. This drilling has resulted in the discovery of more mineralisation at Pegmont. We are very appreciative of the effort that Cloncurry has expended and have considerable sympathy with the very difficult situation they faced when the opportunity to proceed disappeared due to circumstances beyond their control. We are also actively exploring the application of new technology – EcoTechnology chlorine leach process- to expedite the development of and increase metal recoveries from the project.

At New Hope (under option to buy), drilling has provided further encouragement as did our metallurgical test work. Regional rock chip sampling of outcrop has generated a nearby gold anomaly with similar characteristics to New Hope. Should these rock chip results be confirmed, commercialisation of the anomaly and New Hope could be considerably enhanced.

2009 will be most challenging as we have an excellent portfolio of tenements with demonstrated gold-cobalt and lead-zinc mineralisation. We need to repair our balance sheet and continue the steady advancement of our exploration portfolio.

We are guardfully optimistic about 2009 and beyond. The current bear market is likely to give way to a strong rally that will provide profitable trading opportunities. In the meantime we thank you for your support and the support of our contractors and suppliers.



John M. Armstrong
Chairman

Pegmont Mines Limited

Summary of Financial Results

Financial Results		2008	2007	2006	2005	2004
Gross Revenue	\$000	7,297	36,314	20,875	9,124	6,208
Profit on share sales	\$000	(1,887)	8,230	7,374	2,059	510
Exploration	\$000	(340)	(662)	(432)	(351)	(55)
Administration	\$000	(661)	(896)	(448)	(459)	(363)
Provision for share loss	\$000	(4,528)	(980)	(390)	(110)	-
Net Profit/(Loss) before tax	\$000	(7,138)	6,017	6,249	1,302	2,978
Net Profit/(Loss) after tax	\$000	(6,945)	3,916	4,258	765	2,362
Cash	\$000	610	4,043	3,591	1,272	2,315
Investments	\$000	3,003	7,528	5,271	3,429	1,237
Total Assets	\$000	7,743	15,424	12,261	8,074	7,722
Total Liabilities	\$000	17	864	1,016	580	994
Shareholders' Funds	\$000	7,726	14,670	11,245	7,493	6,728
Earnings per share (E)	cents	(13.6)	7.7	8.4	1.5	4.7
Dividends per share	cents	-	1.2	1.0	-	-
Net Tangible Assets per share	cents	15.1	28.9	22.2	14.8	13.3
Working Capital per share	cents	7.9	21.4	15.6	8.2	6.6
Share Price (last sale - P)	cents	6.0	18.0	12.0	4.0	8.0
Price Earnings ratio P/E	x	-ve	2.3	1.4	2.7	1.7
Shares on Issue	000	50,887	50,887	50,687	50,687	50,687
Options on Issue	000	-	-	1,549	4,129	5,301

Comment

The above five year summary indicates an excellent growth trend from 2004 to 2007 which was broken by 2008 results. We are now back to our position in 2005, but operating in a different financial environment which demands a lot of caution. The nature of the stock market has changed from long term visionary objectives to short term imperatives where debt is bad and cash is king. We are determined to stabilize our trading results in 2009 and to resume growth in 2010.

Volatility in share trading results will continue to be a factor influencing our activities, however we will attempt to maintain a certain level of exploration, mostly on advanced projects, and to control administration costs at reasonable levels. Future dividend payments will depend upon the availability of "excess" profits and cash.

Pegmont Mines Limited

REVIEW OF OPERATIONS

2008 was not a good year for Pegmont. Operations resulted in a loss of \$6,944,915 or 13.6 cents per share (2007- profit of \$3,915,921) after provisions for share value impairment of \$4,529,241 (2007 \$980,000).

The consolidated results were:-

	\$
Operating loss	<u>\$1,608,653</u>
Administration	661,465
Exploration & metallurgy	339,486
Provision for share loss	<u>4,529,241</u>
	<u>5,530,192</u>
Pre-tax Loss	7,138,845
Add, Company tax recovery	<u>193,930</u>
Net Loss after tax	<u>6,944,915</u>
Earnings per share (cents)	-13.6

This result includes the write off against operating results of all exploration expenditures incurred during the year and excludes net unrealized gains on investments amounting to \$408,208 (2007- \$737,533).

The 2008 results reflect the ravages of a super bear market on our share portfolio. Only cash and government bonds were able to withstand the onslaught. Even gold was mildly affected, declining from US\$963.6 to US\$869.7 per ounce for a 10% decline compared with 44.1% decline for the All Ordinaries Index.

Share prices of a number of mining companies have fallen by over 90% from their peak, including many second rank producers. Cost inflation and falling metal prices created a powerful pincer effect which shredded fundamental assumptions on value. The theory of "stronger for longer" based upon a strong Chinese economy soon gave way and we were forced to understand that we all live in the same interdependent world economy. However China's economy is still led by infrastructure investment needs for roads, railways and urban construction. This emphasis places a heavy demand for raw materials which Australia supplies. Also, China is a major food importer. Both of these demands are likely to mitigate the effects of the current world economic downturn on Australia. China is likely to lead the world out of recession towards the end of this year as it's internal demand picks up.

Thus, we are optimistic about achieving a profitable share trading outcome for year 2009, albeit in the second half. Our goal is to earn \$1,000,000 from trading during 2009 determined as follows:

	\$000
Gross Share Turnover	10,000
Share trading profit	<u>1,000</u>
Margin	10%

These estimates include the taking of portfolio losses during the early part of 2009 in order to increase cash liquidity available for new investment and to reposition the portfolio towards current market runners.

Thus, our budget for 2009 is to cover both exploration and administration expense for a break even result estimated as follows:-

	2009
	\$000
Operating Income	
Interest on deposits	50
Share trading profits (after crediting Provisions)	<u>1,000</u>
	<u>1,050</u>
Less	
Administration	550
Exploration & metallurgy	<u>500</u>
	<u>1,050</u>
Pre-tax Profit Budget	<u>0</u>

This budget is aspirational and designed to keep us focussed on making profits and reducing risks.

Administration costs declined from \$897,785 in 2007 to \$661,465 in 2008 and are targeted to reduce to \$550,000 (including directors' fees).

Exploration activity declined in 2008 to \$339,486 because of expenditure refunds of \$324,125. However, activity will be maintained during 2009 with future drilling at New Hope (for cobalt and gold) and in EPM 14496 (for gold).

Cloncurry Metals Ltd will no longer be involved in the Pegmont lead-zinc deposit.

Pegmont Mines Limited

INVESTMENT ACTIVITIES

The Company invests mainly in resource equities which are in production or having advanced projects with near term production potential. Also, several seed capital positions are maintained.

Results for the year were:

	2008	2007
	\$000	\$000
Turnover	7,297	36,314
Realised Profit/ (loss)	(1,887)	8,230
Profit Margin %	(25.9)	22.7

The sharp market decline from November 2007 peak of 6,853 for the All Ordinaries index continued into 2008 with very sharp price breaks, closing out at 3,659 on 31 December 2008 for an overall fall of 46.6%. Since the New Year, there has been a further decline to about 3200 from the December close, a drop of 12.5%. Profitable trading is very difficult because of high short term volatility which easily wiped out unrealised profitable trades. Investment positions were shredded as commodity prices crashed causing many mine operations to become unprofitable. Forward sales contracts exposed some companies to highly geared derivative liabilities, whilst rollover of debt maturities became difficult thus increasing debt default risk. Several well established resource companies had near death experience.

In summary, it was not a good time to maintain portfolio positions based on long term fundamentals. The only way to trade profitably was to become a contrarian trader, the same as for hedge funds, but not including short selling.

Unrealised gains at 31 December 2008 were \$408,208 (2007- \$737,533).

We continue to liquidate our portfolio holdings in 2009, in order to:

- Have liquidity to trade into oversold situations.
- Reduce our exposure to further portfolio losses.
- Maintain adequate cash balances to cover administration and exploration expenditures in 2009.

Our short term outlook on the stock market is coloured by the bleak economic data being published by the major economies of USA , Japan, EEC and UK as negative growth continues to accelerate. We view the year into two parts. Prior to June 2009, economic difficulties will dominate but reduced interest rates, easy monetary policies and fiscal stimulus should generate a positive effect during the later half of 2009, or early 2010.

Our goal is to earn a net \$1,000,000 from share trading which may offset losses realised on existing positions, hence arriving at a zero result.

At 31 December 2008, funds available to invest declined from \$11.6M to \$9.6M by year end. In summary, our portfolio, at cost was:

	\$000	%
Listed shares	8,537	88.2
Seed Capital	475	4.9
CMT deposit	666	6.9
Portfolio at cost	<u>9,678</u>	<u>100.0</u>
Provision at 31/12/08	<u>(6,009)</u>	

Total Return on investment funds:

	2008	2007
	\$000	\$000
Realised net Profit/(Loss)	(1,887)	8,230
Less: Loss Provision	<u>(4,563)</u>	<u>(980)</u>
Net Trading Profit	(6,450)	7,250
Interest	125	238
Dividends	<u>44</u>	<u>5</u>
	<u>(6,281)</u>	<u>7,493</u>

Opening Balance of

Current Assets	11,777	8,911
Return on Current Assets %	(53)	84

The negative return of 53% compares with a decline of 43.0% for the All Ordinaries index and was caused by greater volatility of mining equities.



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EXPLORATION ACTIVITIES

The Company's exploration activities are focussed on North-west Queensland within the Mt Isa-Cloncurry mineral province. This province contains world class base metal and uranium deposits. Also, small high grade copper, copper-gold, cobalt and molybdenum deposits have been mined for profit.

Pegmont lead-zinc deposit-100%

The Company has 100% interest in the Pegmont lead-zinc deposit, specifically on mining leases 2620, 2621 and 2623 and EPM 15106. A modern 10 man exploration camp was constructed during 2007 to support evaluation work undertaken by Cloncurry Metals Limited (CLU) under an option to purchase agreement. CLU gave notice on 30 December 2008 of intending not to exercise their option. They have subsequently withdrawn.

During their exploration of the Pegmont deposit, CLU completed 48 drill holes for 5,410 metres during 2007 and a further 31 holes for 7,319 metres, including 4,116m RC and 3,203m D/D during 2008 as indicated by a drill location map on page 6. It is evident from their work that drill holes PMD 141 and 142 have extended the potential for mineralisation to the south-east. **Hole PMD #141 intersected 6.3m from 270.6m at 8.1% Pb, 4.7% Zn and 8g/t Ag and hole PMD # 142 intersected 6m from 376m at 4.2% Pb, 3.2% Zn and 5 g/t Ag; grid 200 metres north.**

Also at CLU's invitation, BHP Billiton Ltd (BHPB) undertook an infill due diligence drill program of 50 holes for a total of 5,225m (48 RC holes for 5134.5m and 2 HQ D/D holes for 90.8m)

In summary, the combined drill programs of CLU and BHPB have provided considerable geological and geochemical data on the Pegmont deposit. This drill data together with updated geophysical surveys need to be compiled and interpreted in order to prioritise the next stage of deposit evaluation.

No drilling was undertaken on the Lightning Creek magnetic anomaly or on the Sharpy Fault area which are both prospective for IOCG copper-gold mineralisation.

Metallurgical investigations on Pegmont mineralisation continued during 2008 to provide encouraging recovery results from transition and oxide mineralisation. A large bulk sample test program is required to confirm preliminary bench scale test results achieved to date.

Pegmont Exploration Activity:	2008	2007
	\$000	\$000
Expenditure:		
Pegmont/Cloncurry	1,158	1,044
Total Expenditure		
Metres drilled'm	12,544	5,410
Cost per metre drilled \$	92	193

During 2009 no drilling is intended but instead data compilation, review and assessment will be undertaken.

New Hope gold-cobalt deposit (under option to purchase)

The New Hope (ML 2487) prospect is located 5km south of Selwyn. Drilling during 2007 confirmed the presence of high gold values in what was thought to be a copper-cobalt prospect. A program of seven (7) holes were drilled during 2008 (limited by rig availability) totalling 600 metres provided further encouragement including **NHP 013** which intercepted **15 metres from 45 metres of 103g/t Au and 989 ppmCo**, also 7 metres from 35 m of 6.3g/t Au and 4558 ppm Co. Since NHP013 is our best hole, a follow up drill program of 12 near surface holes for 600-720 metres will be required in order to assess the size of open cut material, and to provide sufficient oxide sample for metallurgical test work.

Preliminary gravity gold recovery tests using a Knelson concentrator recovered 74% of the gold with 60% free gold determined by amalgamation of the gravity concentrate. However, only 40% of cobalt was recovered to gravity concentrate. Further test work is required to increase this recovery.

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New Hope exploration activity: 2008 2007

Total exploration		
Expenditure*\$000	221	293
Metres drilled'm	600	978
Cost per metre \$	318	279
* including option payments		

Our work program for 2009 includes shallow drilling and continued cobalt recovery test work for a budget of approximately \$200,000.

We intend to exercise our option to purchase the New Hope deposit at a cost of \$140,000.

EPM 14491-100%

EPM14491 lies adjacent to New Hope and is prospective for gold and copper-cobalt mineralisation. An extensive regional rock chip sampling program was undertaken during 2008 which resulted in several anomalous areas requiring follow-up sampling and mapping. Our aim is to delineate a gold deposit which could compliment New Hope and thus increase the tonnage of economic material for processing.

Also, a lead-zinc anomaly at Camel Dam was pin- pointed which requires a limited drill assessment program.

Total exploration expenditure was \$210,518.

In summary, we have a number of exploration targets to follow up, outside of Pegmont. Our preference is to concentrate effort on expanding our gold inventory particularly as high grade material at New Hope could travel off site to a larger but possibly lower grade deposit within a radius of say 50km. The Selwyn region has good prospectivity for high grade precious metal deposits.

Detailed field work during 2009 will be directed towards exploring in detail the region between the New Hope and Pegmont deposits for a total budget of \$500,000.

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CORPORATE ACTIVITIES

Our Corporate goal is to build a financially strong, independent 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 investing activities are confined to Australia and to companies primarily operating in Australia.

We do not borrow, or use futures, options or derivatives to undertake investments, but instead rely upon making timely investment decisions.

The Board's policy is to be self-funding which means that we attempt to limit our expenditure to our income. During 2004-2007 this was not difficult as investing income comfortably exceeded expenses. However, 2008 witnessed the collapse of both the equity and commodity markets which resulted in substantial losses for the Company.

Furthermore, our option sale agreement with Cloncurry Metals Limited (CLU) also collapsed during late December as they decided not to extend or exercise their option to purchase the Pegmont tenements despite expending a considerable amount of time and money. Their decision was precipitated by advice from BHP Billiton (BHPB) that due to an alarming reduction in commodity pricing, changes in the world economy and self imposed spending restrictions, the negotiations between BHPB and CLU involving the Pegmont Project would have to be discontinued. This was a very disappointing outcome for both CLU and for the Company.

This means that responsibility for developing the Pegmont Project has come back to the Company. Because of our reduced financial circumstances we will confine our activities on the Pegmont Project to evaluating and compiling large amounts of geological and geophysical data generated by CLU and BHPB. We should be able to generate additional exploration targets that may interest other parties with a longer term need to gain access to resources.

There are three main pathways for developing the Pegmont Project:

- For the Pegmont deposit to become a satellite mine feeding ore to the Cannington mill (BHPB). This route appears closed for now, but may reopen when commodity prices improve.
- To develop an independent large scale one million tonne a year lead-zinc operation using standard technology. This option would be very costly and beyond the foreseeable financial resources of the Company or;
- Develop a small open cut operation using modern leach technologies to produce a commercial end product on site. Our metallurgical test work suggests that this option is a real possibility particularly if the process can be downscaled sufficiently to cost around \$50 to \$60 million.

Because the same generic leach process applies to both lead-zinc and also to gold-cobalt mineralisation there is potential for synergistic capital cost economies between New Hope and Pegmont.

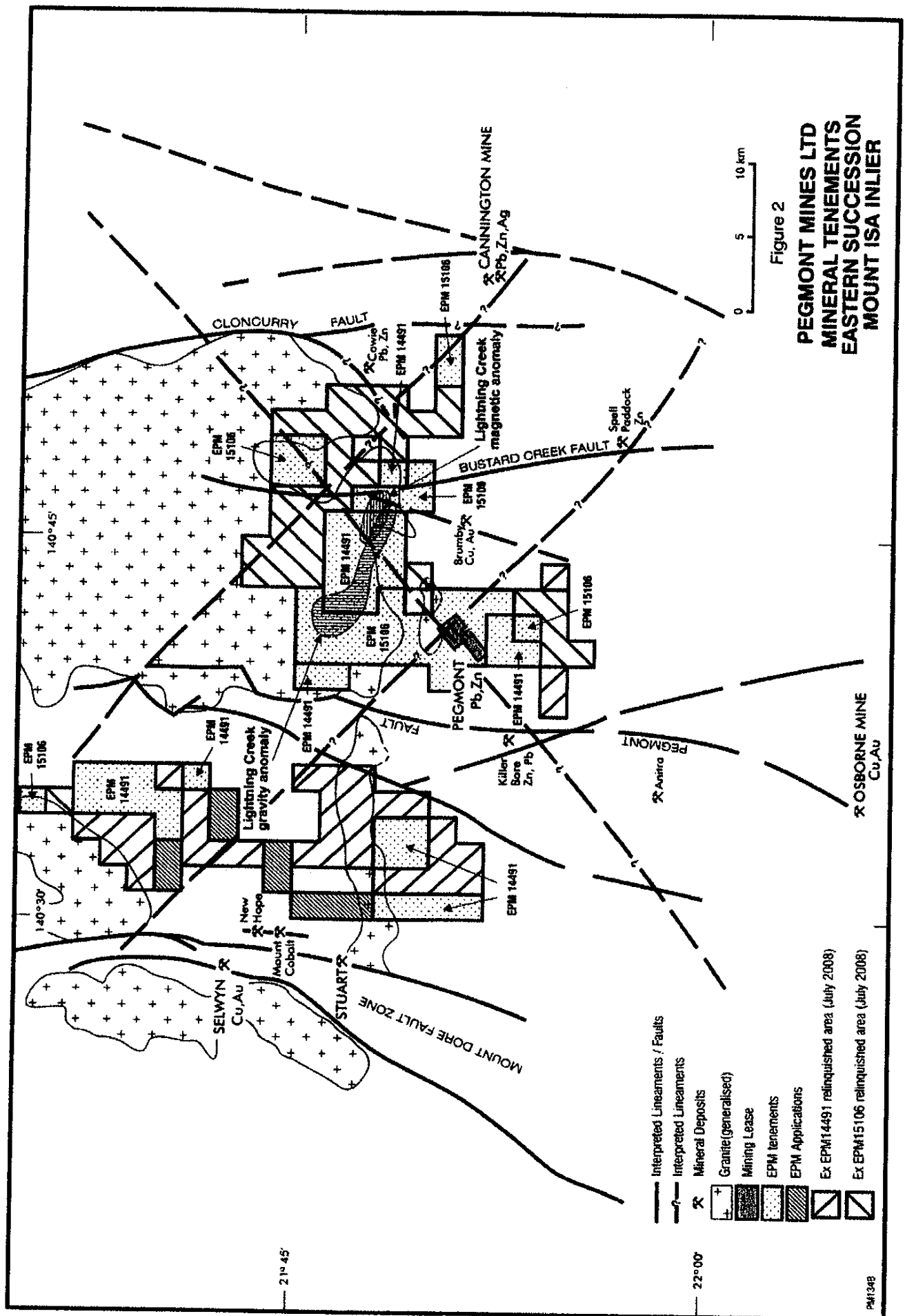
During 2009 we will endeavour to expand our high grade gold resources sufficiently to justify the building of a processing plant that could be used to leach gold-cobalt and lead-zinc minerals from the New Hope and Pegmont deposits. Also third party interest in the Pegmont deposit will be entertained.

Meanwhile our investing activities will be directed towards short term trades in keeping with the choppy nature of the market and to build up liquidity by selling down our 2008 portfolio.

Corporate Assets

Our net written down assets amount to \$7,725,653 (2007-\$14,670,003) made up as follows:-

	2008	2007
	\$000	\$000
Current Assets	4,049	11,777
Current Liabilities	(17)	(864)
Non Current Assets	<u>3,694</u>	<u>3,757</u>
Net Assets	<u>7,726</u>	<u>14,670</u>



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The difference between the two years mainly arises from net operating losses of \$6,944,915.

Financial Condition

The Company's working capital position declined from \$10,913,234 in 2007 to \$4,031,317 in 2008; as represented by Current Assets less Current Liabilities.

Current Assets:

	2008	2007
	\$000	\$000
Receivables	436	97

Less;

Current Liabilities

Payables	17	62
Provision for tax expense	-	802
	<u>17</u>	<u>864</u>
Working Capital	4,031	10,913
Cents per share	7.9	21.4

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

Non-Current Assets

	2008	2007
	\$000	\$000
Pegmont field camp	244	307
Pegmont deposit	3,000	3,000
Pegmont tenements	350	350
Reefway royalty	<u>100</u>	<u>100</u>
Total Non-Current Assets	3,694	3,757

Non current assets declined by \$62,433 due to depreciation on the Pegmont field camp.

Since all exploration expenditure is written off when incurred, the carried forward values of Pegmont and surrounding Pegmont tenements have remained constant, despite additional mineralisation being discovered by Cloncurry Metals during 2007 and 2008.

Other Income	2008	2007
	\$000	\$000
Interest received	125	238
Dividends received	44	5
Other revenue	<u>109</u>	<u>81</u>
Total	278	334

Interest received declined as funds were drawn down to pay expenses and income tax. Dividends received increased as invested funds were switched out of non operating equities to dividend payers while other income increased ~~expenses from continuing operations increased~~ to \$5,530,192 (2007-\$2,537,965) due mainly to increased provision (for losses) on quoted shares of \$3,525,768.

	2008	2007
	\$000	\$000
Audit & Directors' Fees	284	439
Exploration written off	339	662
Provision for share loss	4,529	980
Administration	<u>378</u>	<u>457</u>
	<u>5,530</u>	<u>2,538</u>

Other expenses were reduced.

Exploration Tenements

The Company has tenement interests within 50km radius of the Pegmont lead-zinc deposit.

The main tenement block covers and surrounds the Pegmont deposit where there is potential for a large resource some of which may become feed to the Cannington operations at a future date. To this end BHP Billiton undertook detailed drilling in two areas before slashing their drilling and exploration budget. The Pegmont deposit still has obvious potential to become a satellite provider of feed to the Cannington plant.

In the longer term, metallurgical advances may enable Pegmont to develop a stand alone operation, or in conjunction with the development of another deposit.

During July 2008, the two year anniversary date of granting of EPMs 14491 and 15106, required us to relinquish 50% of the tenement areas. The relinquishment areas are shown on page 10.

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The core tenement area around Pegmont was retained which also includes the Lightning Creek and Sharry Fault geophysical anomalies and a lead-zinc target at Camel Dam within EPM 14491.

It is intended to surrender EPM 14784 (Trekkelano) in order to focus activity around Pegmont, despite there being several narrow gold-copper shows that could be followed up.

We also have exploration applications covering the Mitchell Plateau bauxite deposit in the Kimberleys, which remain in limbo.

Royalty Interests-CopperCo Ltd (in receivership).

Royalty interests are held over the Reefway Pty Ltd tenements which were acquired by CopperCo Limited (in receivership). Unfortunately, CopperCo entered into Voluntary Administration on 26 November 2008 and the operation at Mount Kelly together with the Reefway tenements are for sale.

The first production of copper cathode, derived from the Mount Kelly area, commenced in October 2007. A total of 19,129 tonnes of copper cathode were reported to have been produced to 31 December 2008. Royalty payments are not due until a minimum 100,000 tonnes have been produced from the tenements. Total oxide resources within the Mount Kelly mining area amount to 76,200 tonnes of copper metal plus considerable sulphide potential. At Buckley River resources stated at 43,200 tonnes of contained copper have been delineated. There also exists considerable sulphide potential.

The Lady Annie Project and regional tenements are now listed for sale. This sale process will be monitored.

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)
3,040,000 shares for 5.06 %

Both these investments arose from our participation in their IPO issues.

Cloncurry Metals Limited based their IPO upon their option agreement over the Pegmont tenements and their other tenements within the Eastern Succession, generally south of Pegmont. Since withdrawing from Pegmont, Cloncurry Metals are reviewing their Corporate Strategy.

Galaxy Resources has 100% interest in the Mt Cattlin lithium/tantalum deposit near Ravensthorpe WA; currently the subject of a feasibility and marketing study. Lithium is a metal in demand as a key component in long life batteries for electric cars.

These holdings are subject to ongoing review and are not necessarily long term holdings.

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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 ensure 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, 2008 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 Chariman
Mr Ian N S Sloan	Non-Executive 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 consolidated loss after providing for income tax and eliminating minority equity interests amounted to \$6,944,915 (2007- Parent Entity profit \$3,915,921).

Dividends

During the year the company did not pay a dividend (2007-\$610,641).

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 turndown in the stock market which has reduced the carrying value of the Company's share portfolio. A provision of \$4,529,241 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 2008. 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 2008 was NIL (2007-NIL). At 31 December 2008 there were no unissued shares under option.

Environmental Issues

The Company is subject to performance bonds for the rehabilitation of a mining tenement. These performance bonds are required by the Mines Department to ensure that rehabilitation occurs as required under environmental regulation. Surface disturbance has been restored. There were no environmental incidents during the year. Occupational Health and Safety requirements were met through the development of an emergency plan, the provision of formal training to Pegmont contractors, toolbox meetings, site inspections and record keeping. There were no reportable incidents during 2008.

Pegmont Mines Limited

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 2008 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, 6 meetings of directors were held. The number of meetings attended by each director during the year is as follows:

Mr John M Armstrong	6
Mr Ian N S Sloan (appointed 10/6/2008)	5
Mr Malcolm A Mayger	6
Dr Michael D Leggo (resigned 10/6/2008)	1

Directors' Qualifications and Experience

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

Mr Armstrong, aged 73 is a professional company director with over 40 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 69 has over 40 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.

SLOAN, Ian N. S. (Non- Executive Director) B. Tech (Mech.) MAICD.

Ian Sloan, age 65, is an Engineer with extensive mining and industrial experience. He is a director of Hill End Gold Ltd.

Pegmont Mines Limited

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 The Pitt Street Trust of which Mr Ian Sloan is a Director and beneficiary.
- e) Consulting fees paid to Fonlie Accounting & Investments Pty Limited, an entity of which Mr Chris Leslie, is a Director and shareholder.

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	-	165,000	165,000	NIL
J Armstrong	Non-Executive Chairman	25,000	50,000	75,000	NIL
M Leggo (resigned 10/6/2008)	Executive Director	13,000	71,923	84,923	NIL
I Sloan	Non-Executive Director	-	11,178	11,178	NIL
CD Leslie	Company Secretary	-	120,000	120,000	NIL

* Payments of prior year fees were authorised by members at the Company's Annual General Meeting on 30 April 2008.

Pegmont Mines Limited

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

		Shares at 31/12/2007	Acquired during the year	Shares at 31/12/2008	
JM Armstrong	Indirect	350,000	-	350,000	
INS Sloan	Indirect	50,000	-	50,000	
MA Mayger	Direct	300,000	-	300,000	
	Indirect*	30,719,045	-	30,719,045	
		31,419,045	-	31,419,045	

Shareholdings since 31/12/2008 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 9 March 2009

Pegmont Mines Limited

Directors' Declaration

The directors declare that the attached financial statements and notes:

- a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) give a true and fair view of the Company's and controlled entities' financial position as at 31 December 2008 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

- a) the financial statements and notes are in accordance with the Corporations Act; and
- b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



MA Mayger
Director
Sydney, 9 March 2009

Pegmont Mines Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

Income Statement

For The Year Ended 31 December 2008

	Note	Consolidated 2008 \$	2007 \$	Parent entity 2008 \$	2007 \$
Revenue from continuing operations					
Gross revenue from share trading		7,297,209	-	7,116,077	36,313,749
Cost of sales		9,184,270	-	8,799,176	28,083,618
Revenue from sale of shares		(1,887,061)	-	(1,683,099)	8,230,131
Interest received or due and receivable from other Corporations		125,129	-	125,129	237,898
Dividends received		44,321	-	44,321	5,400
Other revenue		108,958	-	108,958	81,537
		(1,608,653)	-	(1,404,691)	8,554,966
Expenses from continuing operations					
Audit fees		(20,000)	-	(20,000)	(21,500)
Directors fees		(264,178)	-	(264,178)	(418,000)
Exploration written off		(339,486)	-	(209,818)	(662,180)
Provision for quoted and non quoted shares		(4,529,241)	-	(4,505,768)	(980,000)
Impairment for subsidiaries		-	-	(356,538)	-
Stock exchange fees		(7,203)	-	(7,203)	(7,087)
Share registry fees		(7,308)	-	(7,308)	(10,313)
Secretarial & office expenses		(183,698)	-	(183,698)	(154,012)
Other expenses from ordinary activities		(179,078)	-	(179,078)	(284,873)
		(5,530,192)	-	(5,733,589)	(2,537,965)
Profit before income tax		(7,138,845)	-	(7,138,280)	6,017,001
Income tax attributable	2	(193,930)	-	(193,930)	(2,101,080)
Profit attributable to members of Pegmont Mines Ltd		(6,944,915)	-	(6,944,350)	3,915,921
Earnings per share for loss attributable to the ordinary equity holders of the Company:	20	(\$0.136)		(\$0.136)	\$0.076

- Consolidated accounts were not prepared at 31 December 2007 as the subsidiary companies at that date had not traded since incorporation.

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

Pegmont Mines Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

Balance Sheet

As At 31 December 2008

	Note	Consolidated 2008 \$	2007 \$	Parent entity 2008 \$	2007 \$
Current Assets					
Receivables	3	435,904	-	401,434	96,580
Available for sale financial assets	4	3,003,360	-	2,883,432	7,637,772
Cash and cash equivalents	5	609,537	-	609,535	4,043,012
Total Current Assets		4,048,801	-	3,894,401	11,777,364
Non-Current Assets					
Held-to-Maturity Investments	6	-	-	154,400	-
Property, Plant & Equipment	7	244,336	-	244,336	306,769
Capitalised Exploration and Evaluation Expenditure	8	3,450,000	-	3,450,000	3,450,000
Total Non-Current Assets		3,694,336	-	3,848,736	3,756,769
Total Assets		7,743,137	-	7,743,137	15,534,133
Current Liabilities					
Payables	9	17,484	-	17,484	62,387
Provisions	10	-	-	-	801,743
Total Liabilities		17,484	-	17,484	864,130
Net Assets		7,725,653	-	7,725,653	14,670,003
Equity					
Contributed equity	11	2,853,187	-	2,853,187	2,853,187
Reserves	12	4,556,193	-	4,556,193	4,556,193
Retained profits	12	370,540	-	316,273	7,260,623
Total parent entity interest		7,779,920	-	7,725,653	14,670,003
Outside equity interests in controlled entities		54,267	-	-	-
Total Equity		7,725,653	-	7,725,653	14,670,003

- Consolidated accounts were not prepared at 31 December 2007 as the subsidiary companies at that date had not traded since incorporation.

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

Pegmont Mines Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

Statement of Changes in Equity

For the year ended 31 December 2008

Note	Consolidated 2008 \$	2007 \$	Parent entity 2008 \$	2007 \$
Total equity at the beginning of the financial year	14,670,568	-	14,670,003	11,244,723
Total recognised income and expense for the year	(6,944,915)	-	(6,944,350)	3,915,921
Transactions with equity holders in their capacity as equity holders:				
Valuation of royalty interest	-	-	-	100,000
Shares issued	-	-	-	10,000
Options issued	-	-	-	10,000
Dividend paid during the year	-	-	-	(610,641)
Total equity at the end of the financial year	7,725,653	-	7,725,653	14,670,003
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	(6,890,648)	-	(6,944,350)	3,915,921
Minority interests	(54,267)	-	-	-
	(6,944,915)	-	(6,944,350)	3,915,921

- Consolidated accounts were not prepared at 31 December 2007 as the subsidiary companies at that date had not traded since incorporation.

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

Pegmont Mines Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2008

Cash Flow Statement

For The Year Ended 31 December 2008

Note	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash Flows from Operating Activities				
Cash receipts in the course of operations	278,408	-	278,408	8,554,966
Cash payments in the course of operations	(2,617,485)	-	(2,283,855)	(2,955,786)
Net cash from operating activities	18	(2,339,077)	(2,005,447)	5,599,180
Cash Flows from Investing Activities				
Purchase of plant, property & equipment	(14,164)	-	(14,164)	(326,769)
Payments for investment securities	(406,853)	-	(904,623)	(3,345,084)
Exploration expenditure	(339,486)	-	(209,818)	(662,180)
Net cash provided for investing activities		(760,503)	(1,128,605)	(4,334,033)
Cash Flows from Financing Activities				
Proceeds from issue of shares	-	-	-	20,000
Increase in creditors	5,429	-	5,429	(173,023)
Increase in debtors	(339,324)	-	(304,854)	(49,535)
Dividend paid	-	-	-	(610,641)
Net cash flow from financing activities		(333,895)	(299,425)	(813,199)
Net increase (decrease) in cash and cash equivalents		(3,433,475)	(3,433,477)	451,948
Cash and cash equivalents at the beginning of the financial year		4,043,012	4,043,012	3,591,064
Cash and cash equivalents at the end of the financial year	17	609,537	609,535	4,043,012

- Consolidated accounts were not prepared at 31 December 2007 as the subsidiary companies at that date had not traded since incorporation.

The accompanying notes form part of these financial statements

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Pegmont Mines Ltd ("the Company") as an individual entity and the consolidated entity consisting of Pegmont Mines Ltd and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

All amounts are presented in Australian dollars, unless otherwise noted.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRSs). Compliance with AIFRSs ensures that the consolidated financial statements and notes of Pegmont Mines Ltd comply with IFRSs.

Historical cost convention

These financial statements have been prepared under the historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Pegmont Mines Ltd ("the Company") as at 31 December 2008 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Pegmont Mines Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

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

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

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

c) Income Tax

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

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

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

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

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

d) Goods and Services Tax (GST)

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

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

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. **Statement of Accounting Policies (Continued)**

d) **Goods and Services Tax (GST) (continued)**

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

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

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

e) **Segment Reporting**

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

f) **Revenue Recognition**

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

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

g) **Royalties and other mining imposts**

Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises. Profit based royalties are accrued on a basis which matches the annual royalty expense with the profits on which the royalties are assessed (after allowing for permanent differences).

h) **Cash and cash equivalents**

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

i) **Trade and Other Receivables**

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

j) **Fair Value Estimation**

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

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

k) **Plant and Equipment**

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

l) **Investments and Other Financial Assets**

The Group classifies its investments in the following categories: loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. This designation is re-evaluated at each reporting date.

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Accounting Policies (Continued)

m) Impairment of assets

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

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

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

n) Trade Payables

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

o) Provisions

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

p) Exploration expenditure

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

- i) the area has proven commercially recoverable reserves; or
- ii) exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

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

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

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

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

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Accounting Policies (Continued)

q) 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.

r) Employee benefits

Wages and salaries, annual leave and sick leave

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

Long service leave

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

Superannuation

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

Redundancy

The liability for redundancy is provided in accordance with work place agreements.

s) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t) Earnings per share

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

u) Share based payments

Where shares or options are issued to employees, including directors, as remuneration for services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity.

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Accounting Policies (Continued)

v) New accounting standards and UIG interpretations

Certain new accounting standards have been published that are not mandatory for 31 December 2008 reporting periods. The Group has not applied any of the following in preparing this financial report:

Affected Standard	Nature of Change to Accounting Policy	Application *
AASB 8: Operating Segments	No impact on accounting policy, affects disclosures in relation to operating segments instead of business and geographical segments for the financial report ending 30 June 2010.	1 January 2009
AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB6, AASB102, AASB 107, AASB119, AASB127, AASB134, AASB136, AASB 1023 and AASB1038]	No impact on accounting policy, affects disclosures only	1 January 2009
AASB 2008-7: Amendments to Australian Accounting Standards [AASB1, AASB2, AASB4, AASB5, AASB107 and AASB128]	No impact on accounting policy, affects disclosures only	1 July 2008
AASB 2008-1: Amendments to Australian Accounting Standards arising from AASB 11	No impact on the consolidated financial report or the parent entity financial statements	1 March 2008
AASB 2008-4: Amendments to Australian Accounting Standards arising from ED 151 and other amendments	No impact on accounting policy or disclosures	1 July 2008
AASB Interpretation 11: Group and Treasury Share transactions	No impact on accounting policy or disclosures	1 March 2008

* Applicable to reporting periods commencing on or after the given date.

w) Critical accounting estimates & judgements

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

i) Significant accounting judgements

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

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

ii) Significant accounting estimates and assumptions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

As at 31 December 2008, the carrying value of exploration expenditure of the group is \$3,450,000 (2007-\$3,450,000)

Pegmont Mines Limited

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
2. Income Tax Expense				
a) Income tax expense				
Current tax		-		-
Deferred tax		-		-
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	(7,138,845)	-	(6,944,350)	6,017,001
Prima facie tax payable at 30 %	-	-	-	1,805,100
Timing and permanent differences	-	-	-	295,980
Income tax/(refund) attributable to operating profit	(193,930)	-	(193,930)	2,101,080
3. Trade and other Receivables (Current)				
DME security deposits	15,205	-	15,205	2,500
Other debtors	379,828	-	345,358	15,320
GST control account	40,871	-	40,871	58,376
Prepayments	-	-	-	20,384
	435,904	-	401,434	96,580
4. Available for sale financial assets (Current)				
Quoted Shares	2,528,060	-	2,408,132	7,162,472
Unlisted Investments -- at fair value	475,300	-	475,300	475,300
Closing balance at 31 December	3,003,360	-	2,883,432	7,637,772
Market value not taken to account due to volatility	3,131,129	-	3,010,749	9,380,535
5. Cash and cash equivalents (Current)				
Cash at bank and on hand	56,422	-	56,420	178,146
Cash on deposit	553,115	-	553,115	3,864,866
	609,537	-	609,535	4,043,012

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
6. Held-to-Maturity Investments (Non-current)				
Shares in controlled entities	-	-	199,361	199,361
	-	-	199,361	199,361
Loans to (from) subsidiaries				
Loan to subsidiary			361,909	-
Loan from subsidiary	-	-	(50,332)	(199,361)
Provision for non-recovery	-	-	(356,538)	-
At fair value 31 December 2008	-	-	155,400	-
7. Property, Plant And Equipment				
Property, plant & equipment - at cost	340,933	-	340,933	326,769
Less: Accumulated depreciation	(96,597)	-	(96,597)	(20,000)
	244,336	-	244,336	306,769
Reconciliation of carrying amount				
Opening balance at 1 January 2008	306,769	-	306,769	-
Plant & equipment acquired during year	14,164	-	14,164	326,769
Disposals	-	-	-	-
Depreciation during year	(76,597)	-	(76,597)	(20,000)
Closing balance at 31 December 2008	244,336	-	244,336	306,769
8. Exploration and Development Expenditure (Non-Current)				
Pegmont BIF project acquisition and exploration at fair value				
Opening balance at 1 January	3,000,000	-	3,000,000	3,000,000
Pegmont regional application areas and Reefway Pty Ltd royalty at fair value				
Closing balance at 31 December	450,000	-	450,000	450,000
	3,450,000	-	3,450,000	3,450,000

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

13 Key Management Personnel Disclosure - continued

Subsidiaries

Pilbara Ventures Ltd

Malcolm A Mayger and Christopher Leslie

Executives during year

Christopher Leslie

b) Directors and Director-Related Entities' Shareholdings

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

Name	Balance at the start of the financial period	Issued	Purchased/(Sold/)	Balance as the end of the financial period
(1) Shares				
JM Armstrong	350,000			350,000
MA Mayger	31,019,045			31,019,045
IN Sloan	50,000			50,000
Total shares	31,419,045			31,419,045

c) Key management personnel compensation

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

d) Related party transactions

Other than the transactions disclosed above there are no other transactions between related parties that require disclosure.

14. Segmental Information

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

15. Remuneration Of Directors

Type of transaction	Related party	Terms and conditions	Consolidated		Parent entity	
			2008	2007	2008	2007
	-directors		\$	\$	\$	\$
Directors' fees	MA Mayger	Normal commercial	165,000	150,000	165,000	150,000
Directors' fees	J Armstrong	Normal commercial	50,000	30,000	50,000	30,000
Directors' fees	M Leggo	Normal commercial	71,923	150,000	71,923	150,000
Directors' fees	I Sloan	Normal commercial	11,178	-	11,178	-

Prior years remuneration paid but not included above.

Directors' fees	MA Mayger	-	170,000	-	170,000
Directors' fees	J Armstrong	25,000	43,000	25,000	43,000
Directors' fees	M Leggo	13,000	25,000	13,000	25,000

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

16. Controlled Entities

Name	Inc	Class	Book value		Equity		Contribution to Group	
			2008 \$	2007 \$	2008 %	2007 %	2008 \$	2007 \$
Pilbara Ventures Ltd	NSW	Ord	19,359	19,359	100	100	(226,870)	-
Queensland Copper Mines Pty Ltd	NSW	Ord	1	1	100	100	-	-
Kimberley Ventures Ltd	NSW	Ord	180,001	180,001	60	60	(75,966)	-
			<u>199,361</u>	<u>199,361</u>				
Contribution to Group Profit (Loss) after minorities							<u>(6,642,079)</u>	<u>3,915,921</u>
Parent - Pegmont Mines Ltd							<u>(6,944,915)</u>	<u>3,915,921</u>
Profit (loss) for year - group								
Loans to (from) subsidiaries			311,577	(199,359)				
Provision for loss			<u>(356,538)</u>					
Parent net investment in subsidiaries			<u>155,400</u>	<u>1</u>				

Consolidated		Parent entity	
2008	2007	2008	2007
\$	\$	\$	\$

17. Reconciliation Of Cash

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

Cash at bank	56,422	-	56,420	178,146
Call deposits	553,115	-	553,115	3,864,866
	<u>609,537</u>	<u>-</u>	<u>609,535</u>	<u>4,043,012</u>

Cash at bank bear a weighted average interest rate of 6.2%

18. Reconciliation Of Net Cash Outflow From Operating Activities To Operating Loss After Income Tax

Operating Profit (Loss)	(6,944,915)	-	(6,944,350)	3,915,921
• Depreciation provision	76,597		76,597	(20,000)
• Taxation provision			-	(21,079)
• Provision for subsidiaries			356,538	-
• Unrealised loss on investments	4,529,241		4,505,768	(980,000)
• Other				(662,180)
Net cash provided for operating activities	<u>(2,339,077)</u>		<u>(2,005,447)</u>	<u>5,599,180</u>

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

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

19. **Subsequent Events**

No other matter or circumstance has arisen since 31 December 2008 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2008.

20. **Earnings Per Share (eps)**

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Basic (loss) per share				
(Loss) attributable to the ordinary equity holders of the Company	(6,944,915)	-	(6,944,350)	3,915,921
(b) Earnings used in calculating earnings per share				
(Loss) attributable to the ordinary equity holders of the Company	(6,944,915)	-	(6,944,350)	3,915,921
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	50,886,796	-	50,886,796	50,886,796
The diluted earnings per share is not materially different from the basic earnings per share.				

21. **Financial Risk Management**

The Company's activities expose it to a variety of financial risks.

Credit risk

The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Cash flow and fair value interest rate risk

Although the Company has significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company monitors interest rates to obtain the best terms and mix of cash flow.

Interest rate risk

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

	Weighted Average Effective Interest Rate %	Variable Interest \$	Fixed Maturity Date		Non-interest Bearing \$	Total \$
			Less than 1 year \$	1 to 2 years \$		
2008						
Financial assets						
Cash	-	-	-	-	56,420	56,420
Interest bearing deposits	6.2	553,115	-	-	-	553,115
Receivables	-	-	-	-	401,434	401,434
		553,115	-	-	457,854	971,023
Financial liabilities						
Accounts payable	-	-	-	-	17,484	17,484
		-	-	-	17,484	17,484

Pegmont Mines Limited

Notes to the Financial Statements

For The Year Ended 31 December 2008

Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules.

Financing arrangements

The Company has no financing facilities available to it

22. Auditors' Remuneration

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amount received or due and receivable by the auditor for:				
a) Audit services				
Audit and review of financial reports under the Corporations Act 2001	20,000		20,000	20,500
b) Non Audit services				
Income tax return preparation	1,000		1,000	1,000
Total remuneration of auditors	21,000		21,000	20,500

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

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

23. Expenditure Commitments

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2009 amounts of approximately \$260,000 (2008 \$230,000) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations.

ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PEGMONT MINES LIMITED

Scope

The financial report comprises the income statement, statement of changes in equity, balance sheet, statement of cashflows, accompanying notes, and the Directors' declaration of the group comprising Pegmont Mines Limited, the Company, and the entities it controlled at 31 December 2008 or from time to time during the financial year.

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. The Directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures in the directors' report comply with AASB 124 *Related Party Disclosures*. 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 and the consolidated entity's financial position, and of their performance and whether the remuneration disclosures are in accordance with AASB 124 *Related Party Disclosures*.

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

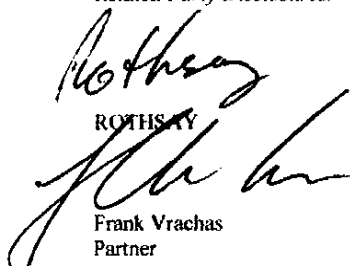
- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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.

Audit opinion

In our opinion the financial report of Pegmont Mines Limited is in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position of Pegmont Mines Limited and the consolidated entity as at 31 December 2008 and of their performance for the year ended on that date and complying with Australian Accounting Standards and the Corporations Regulations 2001.

The remuneration disclosures that are contained in the remuneration report in the directors' report comply with AASB 124 *Related Party Disclosures*.


ROTHSAY
Frank Vrachas
Partner

Dated 9 March 2009



Chartered Accountants

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

Pegmont Mines Limited

SUPPLEMENTARY INFORMATION

1. Issued Capital at 31 December 2008: **50,886,796 Ordinary Shares Fully paid**

2. Share Holdings at 3 March 2009

(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	72	3,931,330
100,000 and over	41	46,763,466
	134	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
Malcolm A. Mayger Pty Limited and associates (including Pegasus Enterprises Limited)	31,019,045	60.96

(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 3 March 2009

	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	1.69
Mrs Betty Christine Steele	776,000	1.70
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
	42,618,216	83.74
Other Shareholders	8,268,580	16.26
Total Issued Shares	50,886,796	100%



Pegmont

PEGMONT MINES LIMITED
ABN 97 003 331 682

Registered Office

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

Corporate Office:

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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

Directors

John M Armstrong	Non-Executive Chairman
Ian N S Sloan	Non-Executive 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) 9415 2500
Email: web.queries@computershare.com.au

Listed on The National Stock Exchange of Australia

Website: www.nsx.com.au

Code: PMI