

Pegmont Mines Limited

ABN 97 003 331 682

Corporate Office

65 Hume Street
Crows Nest NSW 2065

Postal Address

PO Box 849
Crows Nest NSW 1585
Telephone: (02) 8437 3591
Facsimile: (02) 8437 3599

FAX TO: NATIONAL STOCK EXCHANGE OF AUSTRALIA

ATTENTION: MR SCOTT EVANS

FAX NO: (02) 49291556

FROM: CHRIS LESLIE

SUBJECT: PRELIMINARY FINAL REPORT

DATE: 5 MARCH 2010

Dear Scott,

Please find attached Pegmont Mines Limited Preliminary Final Report to 31 December 2009.

Regards,


Chris Leslie

Pegmont Mines Limited

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5 March 2010

The Manager,
National Stock Exchange of Australia
384 Hunter Street
Newcastle, NSW 2300

Dear Sir,

Preliminary Final Report To 31 December 2009

Pegmont Mines Limited is pleased to announce a consolidated net after tax profit of \$1,686,891 and submits its Preliminary Final Report for the year ended 31 December 2009 as attached.

	\$	UP/Down
Operating Profit before abnormal items and tax:	740,826	up 128.3%
Abnormal Item- Provision for loss on investments	<u>946,065</u>	
Operating profit before tax	1,686,891	
Less: Income tax expense relating to Ordinary activities:	<u>-</u>	
Profit from ordinary activities after related income tax :	<u>1,686,891</u>	up 124.2%

2009
\$

2008
\$

The operating profit/ (loss) before tax was made up as follows:

Profit/ (loss) on the sale of shares	3,051,944	(6,416,302)
Dividends received	24,378	44,321
Other income	34,353	234,087
Administration expense	(617,294)	(661,465)
Exploration net of recoveries	<u>(806,490)</u>	<u>(339,486)</u>
Operating Profit/ (loss) before tax expense	<u>1,686,891</u>	<u>(7,138,845)</u>
Less Income Tax (refund)	<u>-</u>	<u>(193,930)</u>
Net profit after taxation	<u>1,686,891</u>	<u>(6,944,915)</u>

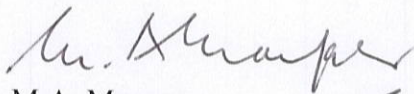
The company paid its third dividend of 0.5cents (fully franked) in four years amounting to \$255,809 during the year.

The Company's working capital position improved by \$1,375,443 to \$5,407,160 which represents 10.5 cents per share at 31 December 2009 which supports the current exploration program.

The principal activities of the company will continue to be mineral exploration in the Mount Isa region. This years drill program is expected to test four new prospects for copper (+gold,+molybdenum) in addition to ongoing work at New Hope (gold-copper) and at Pegmont (lead-zinc).

Whilst share trading activities have funded exploration activities over the past five years (by generating net \$13million); current market uncertainties make profit forecasts difficult to predict. In the short term global uncertainties suggest the market downtrend continuing, but we remain optimistic about producing a positive end of year result as economic recovery takes hold.

Yours faithfully,

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

M.A. Mayger
Managing Director

FORM: Half yearly/preliminary final report

Name of issuer

Pegmont Mines Limited

ACN or ARBN

97 003 331 682

Half yearly
(tick)

Preliminary
final (tick)



Half year/financial year ended
('Current period')

31 December 2009

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

					\$A,000
Sales (or equivalent) operating revenue (item 1.1)	up/down	%186.9	to		20,940
Operating profit (loss) before abnormal items and tax (item 1.4)	up/down	%128.3	to		741
Abnormal items before tax (item 1.5)		gain (loss) of	to		946
Operating profit (loss) after tax but before outside equity interests (item 1.8)	up/down	%124.2	to		1,687
Extraordinary items after tax attributable to members (item 1.13)		gain (loss) of	to		NIL
Operating profit (loss) and extraordinary items after tax attributable to members (item 1.16)	up/down	%124.2	to		1,687
Exploration and evaluation expenditure incurred (item 5.2)	up/down	%137.5	to		806
Exploration and evaluation expenditure written off (item 5.3)	up/down	%137.5	to		806
Dividends	Franking rate applicable	100%			
Current period		.5¢		¢	
Previous corresponding period		NIL¢		¢	¢
Record date for determining entitlements to the dividend, (in the case of a trust distribution) (see item 15.2)			18 November 2009		
Short details of any bonus or cash issue or other items(s) of importance not previously released to the market:					
NIL					

Consolidated profit and loss account

(The figures are not equity accounted)

	Current period \$A Year to 31/12/2009	Previous corresponding period \$A 31/12/2008
1.1 Sales (or equivalent operating) revenue	20,939,598	7,297,209
1.2 Other revenue	58,734	278,408
1.3 Total revenue	20,998,332	7,575,617
1.4 Operating profit (loss) before abnormal items and tax	740,826	(2,609,604)
1.5 Abnormal items before tax (detail in item 2.1)	946,065	(4,529,241)
1.6 Operating profit (loss) before tax (items 1.4 + 1.5)	1,686,891	(7,138,845)
1.7 Less tax (tax refund)	-	(193,930)
1.8 Operating profit (loss) after tax but before outside equity interests	1,686,891	(6,944,915)
1.9 Less outside equity interests		
1.10 Operating profit (loss) after tax attributable to members	1,686,891	(6,944,915)
1.11 Extraordinary items after tax (detail in item 2.3)	-	-
1.12 Less outside equity interests	-	-
1.13 Extraordinary items after tax attributable to members	-	-
1.14 Total operating profit (loss) and extraordinary items after tax (items 1.8 1.11)	1,686,891	(6,944,915)
1.15 Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 .112)	1,686,891	(6,944,915)
1.16 Operating profit (loss and extraordinary items after tax attributable to members (items 1.10 +1.13)	1,686,891	(6,944,915)
1.17 Retained profits (accumulated losses) at beginning of financial period	370,540	7,315,455
1.18 Aggregate of amounts transferred from reserves	-	-
1.19 Total available for appropriation (carried forward)	370,540	7,315,455
1.20 Total available for appropriation (brought forward)	2,057,431	370,540

Consolidated profit and loss account continued

1.21	Dividends provided for or paid	255,809	-
1.22	Aggregate or amounts transferred to reserves	-	-
1.23	Retained profits (accumulated losses) at tend of financial period	1,801,622	370,540

Abnormal and extraordinary items

Consolidated - current period			
	Before tax \$A'000	Related tax \$A'000	After tax \$A'000
• Abnormal items			
Provision for loss on Investments	946,065	-	946,065
2.2 Total abnormal items	946,065	-	946,065
2.3 Extraordinary items	NIL	-	-
2.4 Total extraordinary items	NIL	-	-

Comparison of half year profits

(Preliminary final statement only)

	Current year-\$A	Previous year-\$A
3.1 Consolidated operating profit (loss) after tax attributable to members reported for the 1st half year (item 1.10 in the half yearly statement)	505,118	(2,722,644)
3.2 Consolidated operating profit (loss) after tax attributable to members for the 2nd half year	1,181,773	(4,222,271)

Consolidated

(See note 5)

balance**sheet**

Current assets		At end of current period \$A 31/12/2009	As shown in last annual report \$A 31/12/2008	As in last half yearly statement \$A 30/06/09
4.1	Cash	1,014,329	609,537	2,217,095
4.2	Receivable	130,105	435,904	232,405
4.3	Investments	4,289,971	3,003,360	2,008,876
4.4	Inventories	-	-	-
4.5	Other (provide details if material)	-	-	-
4.6	Total current assets	5,434,405	4,048,801	4,458,376
Non-current assets				
4.7	Receivables			
4.8	Investments			
4.9	Inventories			
4.10	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	3,595,425	3,450,000	3,595,000
4.11	Development properties (mining entities)			
4.12	Other property, plant and equipment (net)	176,150	244,336	210,243
4.13	Intangibles (net)			
4.14	Other (provide details if material)			
4.15	Total non-current assets	3,771,575	3,694,336	3,805,668
4.16	Total assets	9,205,980	7,743,137	8,264,044
Current liabilities				
4.17	Accounts payable	27,245	17,484	33,273
4.18	Borrowings	-	-	-
4.19	Provisions	-	-	-
4.20	Other (provide details if material)	-	-	-
4.21	Total current liabilities	27,245	17,484	33,273
Non-current liabilities				
4.22	Accounts payable			
4.23	Borrowings			
4.24	Provisions			
4.25	Other (provide details if material)			
4.26	Total non-current liabilities)	-	-	-
4.27	Total liabilities	27,245	17,484	33,273
4.28	Net assets	9,178,735	7,725,653	8,230,771

Consolidated balance sheet continued

Equity				
4.29	Capital	2,875,187	2,853,187	2,853,187
4.30	Reserves	4,556,193	4,556,193	4,556,193
4.31	Retained profits (accumulated losses)	1,801,622	370,540	875,658
4.32	Equity attributable to members of the parent entity	9,233,002	7,779,920	8,285,038
4.33	Outside equity interests in controlled entities	54,267	54,267	-
4.34	Total equity	9,178,735	7,725,653	8,230,771
4.35	Preference capital and related premium included as part of 4.31	NIL	NIL	NIL

Exploration and evaluation expenditure capitalised

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

	Current period \$A 31December 2008	Previous corresponding period \$A 31/12/2007
5.1 Opening balance	3,450,000	3,450,000
5.2 Expenditure incurred during current period	806,490	339,486
5.3 Expenditure written off during current period	806,490	339,486
5.4 Acquisitions, disposals, revaluation increments, etc.	145,425	-
5.5 Expenditure transferred to Development Properties	-	-
5.6 Closing balance as shown in the consolidated balance sheet (item 4.9)	3,595,425	3,450,000

Development

(To be completed only by issuers with mining interests if amounts are material)

properties

	Current period \$A 31/12/2007	Previous corresponding period \$A 31/12/2006
6.1 Opening balance	NIL	NIL
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.10)	NIL	NIL

Consolidated statement of cash flows

(See note 6)

	Current period \$A at 31/12/2009	Previous corresponding period \$A31/12/2008
Cash flows related to operating activities		
7.1 Net receipts from sharetrading	2,105,879	(1,887,061)
7.2 Payments in the course of operations	(549,111)	(584,868)
7.3 Dividends received	24,378	44,321
7.4 Interest and other items of similar nature received	26,528	125,129
7.5 Interest and other costs of finance paid	-	-
7.6 Income taxes paid		(145,556)
7.7 Other	7,828	108,958
7.8 Net operating cash flows	1,615,502	(2,339,077)
Cash flows related to investing activities		
7.9 Payments for purchases of property, plant and equipment	-	(14,164)
7.10 Proceeds from sale of property, plant and equipment	-	-
7.11 Payment for purchases of equity investments	(318,546)	(406,853)
7.12 Proceeds from sale of equity investments	-	-
7.13 Loans to other entities	-	-
7.14 Exploration acquisition	(145,425)	-
7.15 Exploration Expenditure	(806,490)	(339,486)
7.16 Net investing cash flows	(1,270,461)	(760,503)
Cash flows related to financing activities		
7.17 Proceeds from issues of securities (shares, options, etc.)		-
7.18 Proceeds from borrowings-increase in creditors	9,761	5,429
7.19 Repayment of borrowings-decrease in debtors	305,799	(339,324)
7.20 Dividends paid	(255,809)	-
7.21 Other (provide details if material)		-
7.22 Net financing cash flows	59,751	(333,895)
Net increase (decrease) in cash held	404,792	(3,433,475)
7.23 Cash at beginning of period (see Reconciliations of cash)	609,537	4,043,012
7.24 Exchange rate adjustments to item 7.23		
7.25 Cash at end of period (see Reconciliation of cash)	1,014,329	609,537

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

NIL

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current period \$A at 31/12/2009	Previous corresponding period \$A 31/12/2008
8.1 Cash on hand and at bank	122,799	56,422
8.2 Deposits at call	891,530	553,115
8.3 Bank overdraft	-	-
8.4 Other (provide details)	-	-
8.5 Total cash at end of period (item 7.25)	1,014,329	609,537

Ratios

	Current period \$A at 31/12/2009	Previous corresponding period \$A 31/12/08
Profit before abnormals and tax/sales		
9.1 Consolidated operating profit (loss) before abnormal items and tax (items 1.4) as a percentage of sales revenue (items 1.1)	3.5%	35.7%
Profit after tax/equity interests		
9.2 Consolidated operating profit (loss) after tax attributable to members (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.34)	18.37%	89.8%

Earnings per security (EPS)

10.1 Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
(a) Basic EPS	3.3c	(13.6c)
(b) Diluted EPS (if materially different from (a))		

NTA backing*(see note 7)*

	Current period 31/12/2009	Previous corresponding period 31/12/2008
11.1 Net tangible asset backing per ordinary security	17.9c	15.1c

Details of specific receipts/outlays, revenues/expenses

	Current period A\$ at 31/12/2009	Previous corresponding period \$A31/12/2008
12.1 Interest revenue included in determining items 1.4	26,528	125,129
12.2 Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3 Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	-	-
12.4 Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5 Outlays (excepts those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6 Depreciation (excluding amortisation of intangibles)	68,186	76,597
12.7 Amortisation of intangibles	-	-

Control gained over entities having material effect*(See note 8)*

13.1 Name of <i>issuer</i> (or <i>group</i>)	NIL
13.2 Consolidated operating profit (loss) and extraordinary items after tax of the <i>issuer</i> (or <i>group</i>) since the date in the current period on which control was acquired	\$ NIL
13.3 Date from which such profit has been calculated	-
13.4 Operating profit (loss) and extraordinary items after tax of the <i>issuer</i> (or <i>group</i>) for the whole of the previous corresponding period	\$ NIL

Loss of control of entities having material effect

(See note 8)

14.1	Name of entity (or group)	NIL
14.2	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group) for the current period to the date of loss of control	\$ NIL
14.3	Date from which the profit (loss) in item 14.2 has been calculated	-
14.4	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group) while controlled during the whole of the previous corresponding period	\$ NIL
14.5	Contribution to consolidated operating profit (loss) and extraordinary items from sale of interest leading to loss of control	\$ NIL

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: Financial Reporting by Segments. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 1005 and indicates which amount should agree with items included elsewhere in this statement.

Segments

	Investments	Exploration	Admin	Total
Operating Revenue from sale of shares	20,963,976	-	34,356	20,998,332
Sales to customers outside the economic entity	-	-	-	-
Inter-segment sales	-	-	-	-
Unallocated revenue	-	-	-	-
Total revenue (consolidated total equal to item 1.3)	20,963,976	-	34,356	20,998,332
Segment result (including abnormal items where relevant)	3,110,678	(806,490)	(617,297)	1,686,891
Unallocated expenses/Tax				-
Consolidated operating profit after tax (before equity accounting) (equal to item 1.8)				1,686,891
Segment assets)				
Unallocated assets)				
Total assets (equal to item 4.16)	5,304,300	3,771,575	130,105	9,205,980

Dividends

15.1	Date the dividend is payable	14 December 2009
15.2	Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)	18 November 2009
18.3	Amount per security	0.5cents

		Franking rate applicable	30%		
	(Preliminary final statement only)			¢	
15.4	Final dividend: Current year	0.5¢	N/A		N/A
15.5	Previous year	NIL¢	N/A	¢	¢
	(Half yearly and preliminary final statements)				
15.6	Interim dividend: Current year	NIL¢	N/A	¢	N/A
				¢	¢
15.7	Previous year	NIL¢	¢		

Total annual dividend (distribution) per security
(Preliminary final statement only)

- 15.8 Ordinary securities
15.9 Preference securities

Current year	Previous year
0.5¢	NIL¢
NIL¢	NIL¢

Total dividend (distribution)

- 15.10 Ordinary securities
15.11 Preference securities
15.12 **Total**

Current period \$A 31/12/2009	Previous corresponding period - \$A31/12/2008
\$255,809	\$NIL
\$NIL	\$NIL
\$255,809	\$NIL

The dividend or distribution plans shown below are in operation.

NIL

The last date(s) for receipt of election notices to the dividend or distribution plans	N/A
--	-----

Any other disclosures in relation to dividends (distributions)	N/A
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Equity accounted associated entities and other material interests

Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate notice. See AASB 1016: Disclosure of Information about Investments in Associated Companies.

Investments in associated entities		Current period A\$	Previous corresponding period A\$
16.1	Statutory carrying value of investments in associated entities (SCV)	NIL	NIL
16.2	Share of associated entities' retained profits and reserves not included in SCV:	NIL	NIL
	Retained profits		
	Reserves		
16.3	Equity carrying value of investments	NIL	NIL

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

		Percentage of ownership interest (ordinary securities, units etc) held at end of period		Contributing to operating profits (loss) and extraordinary items after tax	
17.1	Equity accounted associated entities	Current period	Previous corresponding period	Current period	Previous corresponding period
		NIL	NIL	Equity accounted	
17.2	Other material interests	NIL	NIL	Not equity accounted (ie part of item 1.14)	

Issued and listed securities

Description includes rate of interest and any redemption or conversion rights together with prices and rates.

Category of securities		Number issued	Number listed	Par value (cents)	Paid-up value (cents)
18.1	Preference securities (description)	NIL	NIL		
18.2	Issued during current period	NIL	NIL		
18.3	Ordinary securities	51,161,796	51,161,796		
18.4	Issued during current period	275,000	275,000		
18.5	Convertible debt securities (description and conversion factor)	NIL	NIL		
18.6	issued during current period	NIL	NIL		
18.7	Options (description and conversion factor)			Exercise price	Expiry date
		-	-	-	-
18.8	Issued during current period	NIL	NIL	-	-
18.9	Exercised during current period	NIL	NIL	-	-
18.10	Expired during current period	NIL	NIL	-	-
18.11	Debentures (totals only)	NIL	NIL		
18.12	Unsecured Notes (totals only)	NIL	NIL		

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Half-Year Accounts and Consolidated Accounts. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. [Delete if in applicable.]

Material factors affecting the revenues and expenses of the issuer for the period

Operating profit increased due to the strong stock market recovery from 6 march 2009 followed by an exploration boom. In addition a write back in provision for loss of \$946,065 was made because of market buoyance and deliberate loss taking early in the year. Exploration expenditure increased due to expenditure refunds of \$324,125 depressed net expenditure in 2008 whilst increased expenditure in 2009 was due to encouraging rock chip sampling results and our desire to conduct a more complete coverage of retained tenements. Administration expense increased due to greater activity.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

The share market continued to experience volatility since the end of the current period with the All Ordinaries Index peaking at 4981 on 11 January compared to 4651 on 28 February for a decline of 6.6%.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Due to the payment of tax in prior years, the company has franking credits available to fully cover the payment of a dividend of 0.5 cents per share paid on 14 December 2009. Further fully franked dividends will be paid when net profits are generated.

Changes in accounting policies since the last annual report are disclosed as follows.
(Disclose changes in the half yearly statement in accordance with paragraph 15(c) of AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final statement in accordance with AASB 101: Accounting Policies-Disclosure.)

NIL

Annual meeting*(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

WALKER WAYLAND SERVICES P/L

Level 8 55 Hunter Street, Sydney, NSW
2000

Date

21 April 2010

Time

12 noon

Approximate date the annual report will be available

12 March 2010

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

NIL

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does/does not* (*delete one*) give a true and fair view of the matters disclosed (see note 2).
4. This statement is based on financial statements to which one of the following applies:
- ☒ The financial statements have been audited. ☐ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☐ The financial statements are in the process of being audited or subject to review. ☐ The financial statements have *not* yet been audited or reviewed.
5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)
6. The *issuer* has/does not have* (*delete one*) a formally constituted audit committee.

Sign here: 
(Director/Company secretary)

Date: 4 MARCH 2010

Print name:CHRIS D LESLIE.....

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down.

2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.
3. **Consolidated profit and loss account**
 - Item 1.1 The definition of "operating revenue" and an explanation of "sales revenue" (or its equivalent) and "other revenue" are set out in *AASB 1004: Disclosure of Operating Revenue*.
 - Item 1.2 "other revenue" includes abnormal items, but excludes extraordinary revenue items.
 - Item 1.4 "operating profit (loss) before abnormal items and tax" is calculated before dealing with outside equity interests and extraordinary items, but after deducting interest on borrowings, depreciation and amortisation.
 - Item 1.7 This item refers to the total tax attributable to the amount shown in item 1.6. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as operating expenses (eg. fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.
5. **Consolidated balance sheet**

Format The format of the consolidate balance sheet should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029*. Banking institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of paragraphs 19-21 of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of *AASB 1029* and paragraph 11 of *AASB 1030*.
6. **Statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 1026: Statement of Cash Flows*. *Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. Mining exploration *issuers* may use the form of cashflow statement in Appendix 5B.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security*.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer's* consolidated operating profit (loss) and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting

figures are required in the first period following its adoption.

10. **Rounding of figures** This statement anticipates that the information required is given to the nearest \$1,000. However, an *issuer* may report exact figures, if the \$A'000 headings are amended. If an *issuer* qualifies under an ASIC Class Order dated 17 August 1994, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A'000 headings are amended.
11. **Comparative figures** Comparative figures are normally the unadjusted figures from the previous corresponding period. However, if the previously reported figures are adjusted to achieve greater comparability, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.
12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the list rules for an *issuer* to complete this statement does not prevent the *issuer* issuing reports more frequently. Additional material lodged with the ASIC under the *Corporations Act* must also be given to the Exchange. For example, a *directors'* report and statement, if lodged with the ASIC, must be given to the Exchange.
13. **Accounting Standards** the Exchange will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one) must be complied with.
14. **Borrowing corporations** As at 1/7/96, this statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards. However, borrowing corporations must comply with Schedule 5 of the Corporations Regulations. See regulation 3.6.02(4).



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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 2009 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 2009 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 25 February 2010



Chartered Accountants

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

ROTHSAY

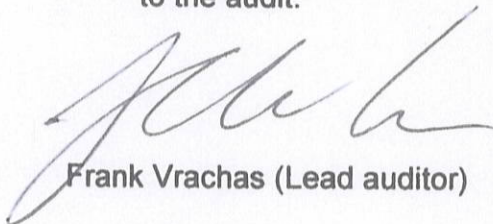
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Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

The Directors
Pegmont Mines Ltd
PO Box 849
Crows Nest NSW 1585

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2009 annual financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Frank Vrachas (Lead auditor)



Rothsay Chartered Accountants

Dated 25 February 2010



Chartered Accountants

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under the Professional Standards Act 1994 (NSW).