

Pegmont

Pegmont Mines Limited

ABN 97 003 331 682

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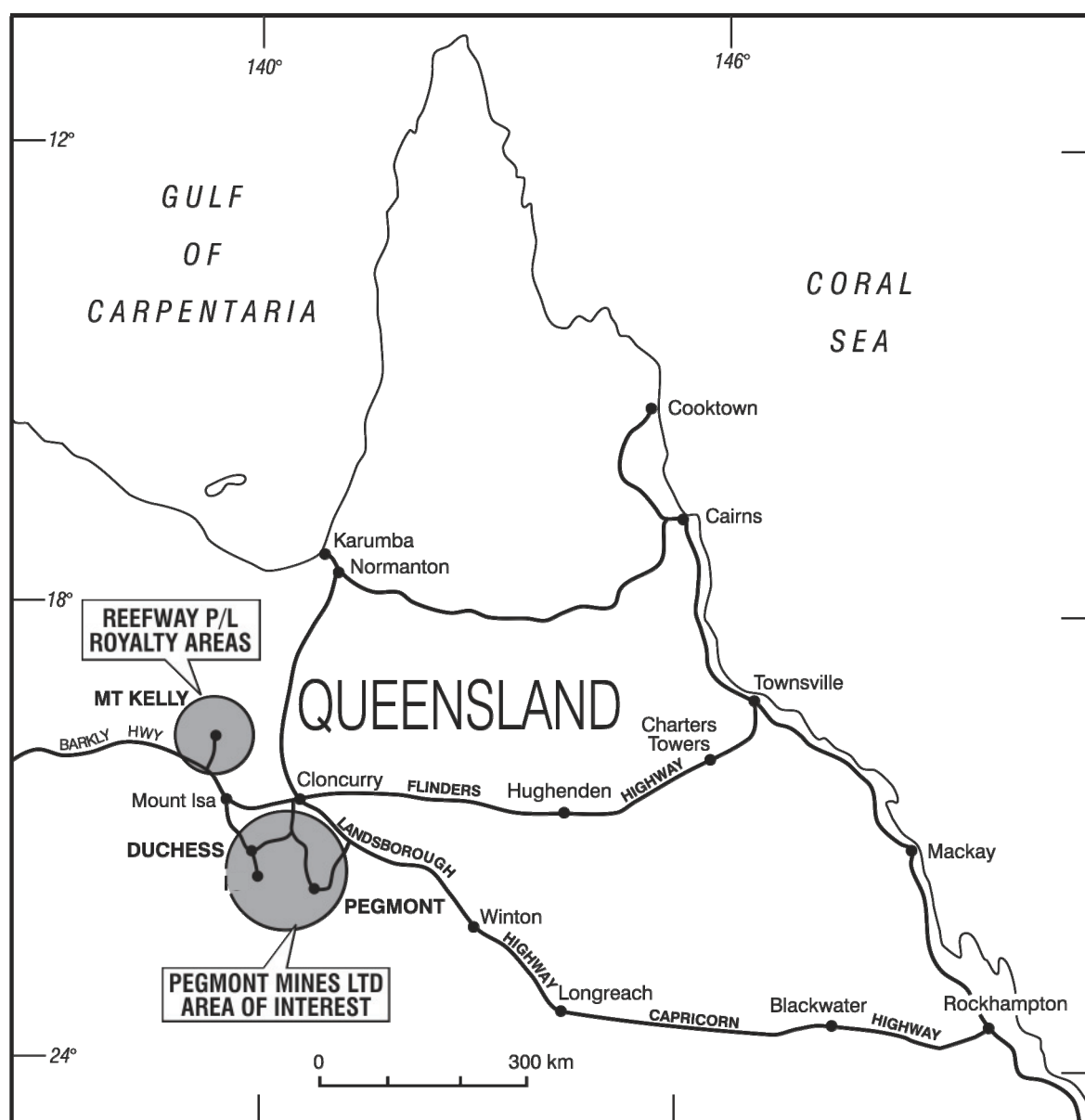


Figure 1 General Location, Mount Isa - Cloncurry Region, North Queensland

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	Mo	Chemical symbol for Molybdenum
Cut Off	The minimum grade for an economic deposit	Pb	Chemical symbol for lead
Cu	Chemical symbol for copper	RC	Reverse Circulation (hole)
DD	Diamond drill (hole)	SG	Specific gravity
Mineralisation	Process by which minerals are introduced and concentrated within a host rock, and the product of this process	Zn	Chemical symbol for zinc
		U	Chemical symbol for Uranium
		JORC	Joint Ore Reserves Committee

2009 PERFORMANCE HIGHLIGHTS

The Company was able to consolidate its financial position after the disastrous Global Financial Crisis (GFC) of 2008 by increasing net current assets to \$5,407,160 (10.5cents per share) at 31 December 2009.

This improved position arose from Net Trading Profit after provisions increased to \$3,051,944 , fully covering administration expenses of \$617,297, exploration expenditures of \$806,490 and payment of a fully franked dividend (one-half cent per share) totaling \$255,809. No tax was payable.

Exploration activity made steady progress under the guidance of our Senior geologist, David Hewitt laying the basis for expanding activity within a 25Km radius of Pegmont including:

- Ongoing systematic regional prospecting including rock chip sampling, ground magnetic surveys and structural interpretation has developed a number of interesting geochemical anomalies requiring drill testing. These prospects include **Frank's Find** (Cu-Au), **Frank's Find West trend** (Cu-Au-U), **MMA** (Mo), **SC7-SC5** anomalies (Au) and **EMU** (Cu-Co), each of which will require Native Title and other approvals before drilling.
- Drilling at **New Hope** (Au-Co) indicated near surface leaching (down to 35m) of Au-Co values over its 50 metre strike length, however high grade values below 35m indicate continued strike/depth potential. The option to purchase this deposit was exercised.
- Drilling and ground magnetic survey at **Pegmont** (Pb-Zn-Ag) indicates extensional potential.

The Company resumed the payment of a fully franked dividend at 0.5 cents per share.

2010 OBJECTIVES

Our key corporate objective for 2010 is to generate trading profits in excess of \$1,500,000 in order to cover ongoing administration and exploration costs. Any surplus above that amount will be applied to increasing working capital to above \$6 million and possible payment of a dividend.

Proposed exploration activities during 2010 include:-

- Drill testing of four regional prospects as indicated above to confirm copper and gold potential.
- Calculation of revised lead-zinc resources at Pegmont to JORC status.
- Undertaking a major metallurgical test program on Pegmont material using innovative technology that may cost up to \$500,000.
- Infill drilling of New Hope gold-cobalt mineralisation to resource status.
- Continued regional prospecting, particularly around the Lightning Creek magnetic anomaly and within the Squirrel Hills Granite complex.

These activities should provide a better understanding of our resource potential and ultimately enhance the value of the Company.

A cautious approach to share trading and financial management will continue as economic and political events are likely to remain volatile. Should the current market remain difficult, then the proposed exploration program would be reviewed.

CHAIRMAN'S REPORT

Your company achieved a good recovery in 2009 from a very difficult 2008 year:

- Consolidated operating profit was \$1,686,891 (3.3 cents per share) compared with an after tax loss of \$6,944,915 in 2008;
- Shareholders funds increased to \$9,178,735 (+ 19%);
- Net working capital increased 33% to \$5,407,160;
- Dividends were resumed with a 0.5 cent per share payment.

Realized share trading profits were \$2,105,879 whilst write back of provision for impairment was \$946,065, resulting in a Net Trading Profit of \$3,051,944 after including other income. No tax was payable during the year due to the use of tax loss carry forwards.

Prospecting activity during the year has led to encouraging opportunities for the discovery of Cu-Au mineralization in our exploration leases north and west of Pegmont.

Our business model – we are a self funding exploration company which pays dividends when possible – is unusual in our industry. In order of priority, our cash flow is applied to pay operating expenses, then exploration expenditure, maintaining an adequate level of liquidity and finally to pay dividends.

This is all funded from share trading income. It is difficult to predict trading income in a volatile share market, thus requiring some flexibility in our use of funds. While most pundits predict a net gain for the current year, we may be faced with a short term downturn due to tightening credit conditions and wind-back of monetary and fiscal stimulus implemented during the GFC of 2008.

In hindsight, economic conditions were very expansive after 6 March 2009. We feel that the easy pickings have been made and that future gains will be more difficult. Accordingly, we have adopted a cautious near term share trading strategy of building cash to take advantage of inevitable opportunities which will arise.

2010 should witness ongoing growth by the Asian developing economies led by China and India joined by a tentative recovery in the USA and possibly the EEC. This scenario should maintain a firm demand for commodities and create investment opportunities in resource equities perhaps in the second half of the year.

In exploration, we have developed an expanded program for 2010 based on encouraging results arising from our systematic approach to prospecting tenements during the past two years.

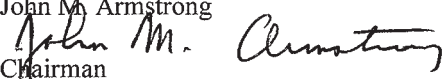
- Four new drill targets to test at Frank's Find, MMA, Emu and Sc 7-Sc5, with ongoing prospecting within the Squirrel Hill granite complex for Cu-Au-U-Mo;
- At Pegmont (Pb-Zn), resource estimation to JORC standard, extensional drilling on southern outcrops and experimental metallurgical test work.

Our objective is to develop a gold, copper-gold resource inventory which could have a short lead time to development while maintaining a longer term evaluation program on the large Pegmont lead-zinc deposit.

Due to favorable market conditions during 2009 we were able to resume a modest dividend payment despite not meeting our liquidity objective of \$6 million. We see dividend payments when possible as a necessary reward for the patience of our shareholders, while pursuing our long term exploration objectives which have more uncertain outcomes.

Our future in 2010 and beyond is challenging. Our strategy is to remain flexible to changing conditions by building cash balances when market downturns are foreseen. We are guardedly optimistic and will endeavor to take advantage of profitable opportunities.

We thank you for your support and for the dedicated work undertaken by our staff, consultants and contractors. A small issue of 275,000 shares was made in appreciation of their efforts.

John M. Armstrong

Chairman

Pegmont Mines Limited

Summary of Financial Results

Financial Results		2009	2008	2007	2006	2005
Gross Trading Revenue	\$000	20,940	7,297	36,314	20,875	9,124
Profit on share sales	\$000	2,105	(1,887)	8,230	7,374	2,059
Provision for share loss	\$000	946	(4,563)	(980)	(390)	(110)
Net Trading Profit	\$000	3,051	(6,415)	7,250	6,984	1,949
Exploration	\$000	(806)	(340)	(662)	(432)	(351)
Administration	\$000	(617)	(661)	(896)	(448)	(459)
Net Profit/(Loss) before tax	\$000	1,687	(7,138)	6,017	6,249	1,302
Net Profit/(Loss) after tax	\$000	1,687	(6,945)	3,916	4,258	765
Cash	\$000	1,014	610	4,043	3,591	1,272
Investments	\$000	4,289	3,003	7,528	5,271	3,429
Total Assets	\$000	9,206	7,743	15,424	12,261	8,074
Total Liabilities	\$000	27	17	864	1,016	580
Shareholders' Funds	\$000	9,179	7,726	14,670	11,245	7,493
Earnings per share (E)	cents	3.3	(13.6)	7.7	8.4	1.5
Dividends per share	cents	0.5	-	1.2	1.0	-
Net Tangible Assets per share	cents	17.9	15.1	28.9	22.2	14.8
Working Capital per share	cents	10.5	7.9	21.4	15.6	8.2
Share Price (last sale - P)	cents	8.0	6.0	18.0	12.0	4.0
Price Earnings ratio P/E	x	2.4	-ve	2.3	1.4	2.7
Shares on Issue	000	51,161	50,887	50,887	50,687	50,687
Options on Issue	000	-	-	-	1,549	4,129

Comment

Since September 2004, when the Company applied the proceeds from the sale of Reefway Pty Ltd to share investing, it has generated a total Net Trading Profit of \$13,413,000 (after provisions) from Gross Trading Revenue of \$94,385,000 for a margin of 14.2% on turnover. This result includes losses of \$6,415,000 in 2008.

From this trading income the Company has expended funds on exploration \$2,646,000, administration \$3,444,000, taxation \$4,629,000 and distributed dividends of \$1,375,000.

The current business model of the Company attempts to generate sufficient income from its working capital to cover administration and exploration expenses. Therefore, exploration expenditure is likely to vary with trading profits in order for management to maintain a minimum level of working capital of around \$6 million.

Since exploration expenditure during 2010 could increase to \$1,300,000 and administration expenses to \$700,000, the required rate of return on working capital (of approximately \$5.3 million) would be 37.7%. In a declining stock market, this ambitious target may not be possible, that could necessitate a deferral of some expenditures.

REVIEW OF OPERATIONS

2009 was a good year for Pegmont. Operations resulted in a profit of \$1,686,891 or 3.3 cents per share (2008- loss of \$6,944,915) after write back of provisions for share value impairment of \$946,065 (2008 increase of \$4,529,241).

The consolidated results for 2009 were:-

	Actual Budget	
	\$000	\$000
Operating profit	\$2,165	550
Write back provision for shares	<u>946</u>	<u>500</u>
Operating profit after provisions	<u>3,111</u>	<u>1,050</u>
Administration	617	550
Exploration & metallurgy	<u>807</u>	<u>500</u>
	<u>1,424</u>	<u>1,050</u>
Pre-tax Profit	1,687	-
Company tax	-	-
Net Profit after tax	<u>1,687</u>	-
Earnings per share (cents)	3.3	-

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 \$205,005 (2007- \$408,208). Company tax was not provided due to carry forward losses.

Operating profit increased due to the strong stock market recovery from 6 March 2009 which was led by BHP and other major companies, followed by an exploration boom. Significant profits were made in two junior companies which had made discoveries and raised money for development.

Provision for market loss was reduced because of market buoyance, and deliberate loss taking early in the year to increase liquidity and reposition the portfolio. Further pruning is intended.

Administration costs increased due to greater activity. However executive salaries were held constant.

Exploration expenditure increased due to expenditure refunds of \$324,125 in 2008 and increased expenditure in 2009 due to encouraging rock chip sampling results and our desire to conduct a more complete coverage of retained tenements. This activity resulted in the delineation of four new drill targets.

Company Tax was not provided against profits due to carried forward losses amounting to \$2,123,346 at 30 June 2009. This benefit is expected to apply for several years until worked down. Exploration and administration expenses are tax deductible against all income.

Gross Share Turnover

	Actual	Budget
	\$000	\$000
Share turnover	20,940	10,000
Trading profit	2,106	500
Margin %	10.1	5.0

Greater market activity and expanded margins resulted in a higher trading profit. However, short term trading to reduce risk did result, in some cases, in less than optimal results. Thus trading strategy is kept under constant review. The write back of provision for inventory loss did add a further 4.5% margin for a net result of 14.6%. Our longer term aim is to restore overall margins to above 20% achieved prior to the GFC.

Budget for 2010 (indicative)

For purposes of providing an indication of where the company is headed, the following budget is presented:

Trading Income:	\$000
Gross Share Turnover	15,000
Share trading profit	1,500
Margin	10%

We know from experience that these figures are subject to considerable change, depending upon economic and political factors impacting on market psychology. We enjoy volatility as it creates opportunity. Portfolio turnover is likely to be four to five times working capital.

We employ two trading strategies. Short term trading takes advantage of oversold or quickly rising situations. This activity usually results in a 5-10% margin. Longer term or strategic investing, sometimes for longer than a year, seeks returns of above 50%. The challenge is to balance the two strategies in order to achieve a desired outcome. During market downturns, investing activities are restricted and turnover declines.

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Investment Income

Due to higher interest rates and longer investment holding times, investment income is likely to increase to \$100,000.

Administration expense

Due to higher activity levels and possible additional clerical and computer requirements administration expense may increase to \$700,000.

Exploration

Current field activities are likely to be held at 2009 levels, except for drilling which may increase to 3,500 metres. However, a review of Pegmont resources to JORC compliant standard will be an additional expense. Also a major metallurgical program costing \$500,000 is set to commence in the June quarter.

Expenditure	\$000
Current activities (incl. drilling)	800
Pegmont resource review	100
Metallurgical test work	<u>500</u>
	<u>1,400</u>

Profit Forecast

The above estimates may vary according to trading results. At present, we are budgeting for a break-even result.

	\$000
Operating profit	1,500
Write back of provisions	500
Investment income	<u>100</u>
	2,100
Administration	(700)
Exploration	<u>(1,400)</u>
Pretax profit	-

It should be noted that the above income figures are aspirational and that the making of a Pretax profit is a desired outcome.

However, the stock market is hard to predict other than to say that it reacted on 11 January 2010 when China announced restrictions on bank lending.

INVESTMENT ACTIVITIES

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

Results for the year were:

	2009 \$000	2008 \$000
Turnover	20,940	7,297
Realised Profit/ (loss)	2,106	(1,887)
Profit Margin %	10.1	(25.9)
All Ordinaries Index at December	4,883	3,659

The share market commenced 2009 by declining to 3112 on 6 March when China announced a new stimulus package which sparked the 2009 stock market recovery to a 4981 close on 11 January 2010.

The Company incurred a first quarter loss of \$752,000 by realizing inventory losses due to sell down of illiquid positions at substantial discounts to cost. Liquidity was rebuilt from \$609,537 to a more comfortable level of \$1,411,434 at 31 March.

Increased cash levels supported greater participation in active issues; with proceeds in the June quarter expanding to \$6,193,000, trading profits to \$1,044,000 and cash to \$2,224,000.

The September quarter saw a further growth in activity with proceeds of \$8,065,000, Net trading profit of \$1,802,000 and cash increasing to \$2,407,000.

The December quarter slowed down considerably as trading conditions became choppy. The All Ordinary index at 30 September was 4739 and finished at 4883 on 31 December, a gain of 3%. Net trading profit increased by \$251,000. Cash balance declined to \$1,014,329 due to the take up of a major position.

On 7 January 2010, Chinese authorities tightened bank credit by increasing reserve ratios thus, causing the Shanghai market to react. The ASX All ordinaries index peaked at 4981 on 11 January 2010.

Cash levels have subsequently been rebuilt to around \$2,000,000 which experience suggests is a required level to take advantage of new opportunities that will arise from the current market reaction.

At 31 December 2009, funds available to invest increased from \$4.0 million to \$5.4 million, including cash balances.

Investible funds are comprised as follows:

	2009 \$000	2008 \$000
Cash and receivables	1,144	1,045
Shares	<u>4,290</u>	<u>3,003</u>
	5,434	4,048
Less, current payables	<u>27</u>	<u>17</u>
Net Current Assets (Working Capital)	<u>5,407</u>	<u>4,031</u>

Total Return on investment funds:

	2009 \$000	2008 \$000
Realised net Profit/(Loss)	2,106	(1,887)
Profit/(Loss): Provision	<u>946</u>	<u>(4,563)</u>
Net Trading Profit	<u>3,052</u>	<u>(6,450)</u>
Interest	26	125
Dividends	<u>24</u>	<u>44</u>
Investment surplus	<u>3,102</u>	<u>(6,281)</u>

Opening Balance of		
Net Current Assets	4,031	10,913
Return on Current Assets %	77.0	(57.5)
All Ordinaries index gain	33.5	(43.0)

It is evident that our share trading performance has an extra volatility factor, being mainly resource orientated. A careful review of our 2008 experience suggests that a negative market can be mitigated by increasing cash balances to plus 40% of the portfolio, to wait for obvious market recoveries to happen; and not to catch "falling swords". This of course requires a lot of discipline.

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.

The Pegmont lead-zinc deposit is located in the Eastern Fold Belt on the southern edge of the Williams Granite some 25 Km from each of Cannington (Pb-Ag-Zn) mine, Osborne (Cu-Au) mine and the Selwyn (Cu-Au)/ Mt Dore-Merlin (Cu-Mo) deposits. The recently discovered Merlin deposit hosts the richest concentration of Mo-Re in the world.

Our exploration strategy is to focus prospecting efforts on areas within this highly mineralized region within 25 Km radius of Pegmont. Through a long term sustained effort and by holding 100% interest in all tenements, we feel that there is every chance of discovering a significant mineral deposit.

Our self funding strategy, combined with a permanent field camp presence greatly enhances our chance of success.

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 the adjacent EPM 15106. A modern 10 man exploration camp was constructed during 2007 to support surrounding field work. We have a crew of one senior geologist, a camp supervisor and two prospectors dedicated to the area. Additional contractors are hired as required.

Work undertaken during 2009 at Pegmont included **four (4) RC drill holes totaling 726 metres**. Intersections in PMR 190 and PMR 192 extended the known lead-zinc mineralization a further 150 metres to grid east on 400N.

The work program during 2010 will considerably update our understanding of the deposit by:

- Incorporating a considerable amount of drilling into an existing data bank and determining a JORC resource estimate.

- Based on this revised data, to determine the best location for infill drilling for trial starter pit(s).
- Metallurgical test work to determine a process to treat oxide, intermediate and primary sulphide ores. This work may lead to the establishment of a demonstration plant on site during 2011/2012. A successful process could justify development of a stand alone operation.
- Regional exploration to understand the structural and tectonic relationship of the Pegmont deposit to the Squirrel Hills Granite Complex.

New Hope gold-cobalt deposit-100%.

The New Hope (ML2487) deposit is located 5Km south of Selwyn. Drilling has confirmed high grade Au-Co mineralization below a leached zone to 35 metres depth over a 50 metre strike length. Mineralisation is open at depth although the lease boundary may limit ore availability to the Company below 200 metres.

Work undertaken during 2009 at New Hope included the drilling of 15 RC holes totaling 875metres, details of results were included in the September quarterly report. The best result was NHP 032 of 9m @ 33.3g/t Au, 3587ppm Co from 64 metres down hole. A further 10-12 holes for 1200 metres will be required before resource estimations can be undertaken.

This drill program will be undertaken during 2010. There are considerable grade variations between drill holes which requires closely spaced (5-10metres) drilling.

Regional Exploration- Selwyn Sector

The Selwyn project area includes New Hope and nearby EPMs 14491, 17052 and 17053. Extensive rock chip sampling has delineated several promising anomalies which require follow up drilling.

SC7-SC5 geophysical anomalies are associated with a strong linear magnetic anomaly which appears to be linked to a dolerite unit. Marginal and cross-cutting quartz veins and gossans have returned up to 2.95g/t Au at Sc-7. No outcrop is

associated with Sc-5, but aeromagnetics suggest that these anomalies are on opposite limbs of a fold structure. Ground magnetics have provided very high readings which are consistent with the interpretation of a folded dolerite sill or dyke.

Sc-7 provides a look-like- New Hope target over strike length of 200 metres. A drill program of eight (8) RC holes totaling 700 metres is planned to test SC-7 and SC-5. Drill success would enhance early development of the nearby New Hope deposit.

MMA molybdenum prospect is defined by a cluster of Mo rock chip results over 100ppm. The prospect has a strike length of about 200m with potential for strike extensions north and south. A drill program of three(3) RC holes is planned totaling 260 metres.

EMU Copper prospect has sporadic Cu values in the 0.3%-0.5% range with elevated cobalt values occurring over a distance of about 700 metres. Outcrop is poor. A program of three(3) RC holes is planned totaling 260 metres.

Regional Exploration- Lightning Creek

The Lightning Creek magnetic anomaly lies on the southern edge of the Squirrel Hill Granite, (which is part of the southern portion of the Williams Granite complex) some 10Km north-east of the Pegmont lead-zinc deposit. This large magnetic anomaly has received considerable attention by past explorers, drilling to depths of around 200 metres. It has been interpreted as a poorly mineralized IOCG system.

However systematic rock chip sampling has located a considerable area of (Cu-Au-U-Mo) mineralization in the Squirrel Hills Granite complex within a few Km of the Lightning Creek magnetic anomaly, particularly in a belt extending north-east from the Frank's Find/ Frank's Find West prospects in EPM 14491.

This work has led to a greater appreciation of the potential of the area and prompted the application for an additional 17 sub-blocks in EPM 18347 to the north of EPM 14491.

Frank's Find/Frank's Find West

Mineralised haematite-quartz at Frank's Find occupies an area of about 25m by 15m with a narrow mineralized shear extending 150m NE.

Sporadic mineralization at Frank's Find West can be traced for about 500m NNE. Most outcrop are less than a metre wide, but the full extent is concealed by alluvium or rubble from adjacent hills.

Samples have been dispatched for petrological study in order to identify any features of the granite which could influence the mineralization.

An initial program of seven (7) RC holes is planned totaling 600 metres to test these two prospects.

In summary, systematic rock chip sampling and ground magnetic surveys have delineated a number of drill targets within the Company's tenements, mainly for copper-gold mineralization. A program of 38 RC holes totaling 3400metres is planned for mid year.

Also, further work will concentrate on the Squirrel Hills Granite complex, which could offer exciting IOCG-porphyry style targets.

Activity Summary

		2009	2008
Total expenditure	\$000	806	339
Metres drilled	'm	1,601	600
Drill cost	\$/m	503	565
Number of holes			
New Hope		15	7
Pegmont		4	-

The high cost of metres drilled during 2009 was due to the greater emphasis placed on prospecting activity in order to generate new drill targets. Activity during 2010 should be more balanced with increased metres to about 3,400 for the same cost of around \$800,000 or \$325/metre.

CORPORATE ACTIVITIES

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

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 and the withdrawal of Cloncurry Metals Limited from their option to purchase the Pegmont deposit.

This meant that responsibility for developing the Pegmont Project has come back to the Company. Our first priority is to evaluate and compile large amounts of geological and geophysical data generated by CLU and BHPB into a revised JORC resource from which we should be able to generate additional exploration targets. The regaining of responsibility for Pegmont has exposed the Company to increased expenditure commitments at a time of reduced funding ability.

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 stand alone open cut operation using modern leach technologies to produce a commercial end product on site. Our metallurgical test work during 2010 will demonstrate

if 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. All three options will be kept under review.

During 2010 we will endeavour to expand our high grade gold resources sufficiently to consider a central 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.

Corporate Assets

Our net written-down assets amount to \$9,178,735 (2008-\$7,725,653) made up as follows:-

	2009	2008
	\$000	\$000
Current Assets	5,434	4,049
Current Liabilities	(27)	(17)
Non Current Assets	<u>3,772</u>	<u>3,694</u>
Net Assets	<u>9,179</u>	<u>7,726</u>

The difference between the two years arises from net operating profit \$1,686,891, dividends paid of \$255,809 and issued shares of \$22,000.

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Financial Condition

The Company's working capital position increased from \$4,031,717 in 2008 to \$5,407,160 in 2009; as represented by Current Assets less Current Liabilities.

Current Assets:

	2009	2008
	\$000	\$000
Receivables	130	436
Available for sale financial assets	4,290	3,003
Cash and cash Equivalents	<u>1,014</u>	<u>609</u>
	5,434	4,048

Less;

Current Liabilities

Payables	27	17
Provision for tax expense	<u>-</u>	<u>-</u>
	27	17

Working Capital	<u>5,407</u>	<u>4,031</u>
Cents per share	10.5	7.9

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

	2009	2008
	\$000	\$000
Pegmont field camp	176	244
Pegmont deposit	3,000	3,000
Regional tenements	350	350
Reefway royalty	100	100
New Hope project	<u>145</u>	<u>-</u>
Total Non-Current Assets	<u>3,771</u>	<u>3,694</u>

Non-current assets increased by \$77,239 due to the New Hope acquisition offset by depreciation on the Pegmont field camp.

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

Other Income

	2009	2008
	\$000	\$000
Interest received	26	125
Dividends received	24	44
Other revenue	<u>7</u>	<u>109</u>
Total	<u>57</u>	<u>278</u>

Interest received declined as interest rates fell to near lows. Dividends received decreased as invested funds were switched out of dividend payers while other income decreased due to lower camp rental.

Expenses

Expenses from continuing operations decreased to \$478,000 (2008-\$5,530,192) due mainly to the write back of provision for loss on shares of \$946,065 and to higher exploration expenses.

	2009	2008
	\$000	\$000
Audit & Directors' Fees	261	284
Exploration written off	806	339
Provision for share loss	(946)	4,529
Administration	<u>357</u>	<u>378</u>
	<u>478</u>	<u>5,530</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 during 2008 in two areas before withdrawing. 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.

Recently granted application areas EPM 17052 and 17053 lie close to the New Hope deposit and may contain similar geological features. EPM 17053 contains Sc7-Sc5 anomalies.

Furthermore, application EPMA 18347 was taken out of the NE extension of Frank's Find West rock chip anomaly within the Squirrel Hills Granite complex.

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

Royalty Interests-Mount Kelly project.

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 were sold to Cape Lambert Iron Ore Limited in late June 2009 which intends to float a new company on the ASX to further production.

The first production of copper cathode, derived from the Mount Kelly area, commenced in October 2007. A total of 17,201 tonnes of copper cathode were reported to have been produced to 30 June 2009. Royalty payments are not payable to the Company until a minimum 100,000 tonnes have been produced from the tenements. Total oxide resources within the Mount Kelly mining area after mining depletion at 30 June 2009 were estimated at 125,000 tonnes of copper metal including sulphide potential and at Buckley River.

There is potential for further additions to resources within the Reefway tenements which could support expanded production to 20,000 tonnes of (Cathode) copper per year, when operations recommence.

Significant Shareholdings

The Company has one significant shareholdings greater than 5% of issued capital:

Cloncurry Metals Limited (CLU)
4,000,000 shares for 6.86%

This investment arose from our participation in their IPO issue.

Cloncurry Metals Limited based their IPO upon their option agreement over the Pegmont tenements and their other tenements within the Mount Isa Eastern Succession, generally south of Pegmont. Since withdrawing from Pegmont, Cloncurry Metals intend to explore for base metals in Mexico.

This holding is subject to ongoing review and does not necessarily constitute a long term investment. Since the year end a few shares have been sold.

Pegmont Mines Limited

EXPLORATION TENEMENTS

TENEMENT	NAME	STATUS	REGISTERED HOLDER	DATE OF GRANT	DATE OF EXPIRY	AREA (sq-km)
EPM 15106	Pegmont Extended	Granted	Pegmont Mines Ltd	11.08.2006	10.08.2011	102.4
EPM 14491	Pegmont Extended #2	Granted	Pegmont Mines Ltd	11.08.2006	10.08.2011	108.8
ML 2620	Pegmont No. 1	Granted	Pegmont Mines Ltd	24.01.1974	31.01.2012	1.3
ML 2621	Pegmont No. 2	Granted	Pegmont Mines Ltd	24.01.1974	31.01.2012	1.3
ML2623	Pegmont No. 4	Granted	Pegmont Mines Ltd	24.01.1974	31.01.2012	1.3
ML2487	New Hope	Granted	Pegmont Mines Ltd	3.09.2009	1.01.2019	0.8
EPM17052	Mort River North	Granted	Pegmont Mines Ltd	3.02.2010	2.02.2014	1.2
EPM17053	Mort River South	Granted	Pegmont Mines Ltd	3.02.2010	2.02.2014	1.5
EPMA18347	Squirrel Hills	Application	Pegmont Mines Ltd			84.4

The above exploration tenements are 100% owned by Pegmont Mines Limited.

During the year, the company exercised its option to purchase the New Hope Mining Lease (ML 2487) for \$140,000 plus stamp duty costs. It also applied for 17 sub blocks (EPMA 18347) north of the Lightning Creek magnetic anomaly covering an extension of the Frank's Find West copper-gold trend.

ROYALTY TENEMENTS

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

MLs: 5426, 5435, 5446, 5447, 5474, 5476, 5478,
EPMs: 9916, 11637, 11669, 11670, 11672,
11777, 12589, 13331, 13739, 14112, 14149

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices that have been revised and updated, and in place since the 1st of July 2005. These corporate governance practices comply with the NSX Corporate Governance Council recommendations unless otherwise stated.

BOARD OF DIRECTORS

Role of the Board

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. To fulfil this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management, monitoring the achievement of these goals and ensuring policies and procedures are applied that facilitate accountability and performance.

Because of the limited size of the Company and its financial affairs and operations, the use of separate committees of the Board of Directors is not considered generally appropriate. All matters that might properly be dealt with by such committees are currently dealt with by the full Board of Directors. Decisions of the Board are, to the extent practicable, unanimous. There were no occasions during the year when decisions were not unanimous.

Composition of the Board

The names and details of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report.

The composition of the Board is determined using the following principles:

- Persons nominated as Non-Executive Directors shall be expected to have skills, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.
- The Chairperson should ideally be non-executive and independent and be elected by the Board based on his/her suitability for the position. Currently the Chairperson is a Non-Executive Director. The Board believes that this Chairperson is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairperson.
- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and programme, together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.
- Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting, one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.
- The Directors may appoint a Managing Director for a fixed term not exceeding five (5) years (Article 71(a)) unless otherwise approved by members in General Meeting.
- The remuneration of a Managing Director shall not exceed 15 times average weekly Earnings of Employees (AWE) (Article 6.5 (e)).
- The Chairperson and Deputy Chairperson hold office until otherwise determined by Directors, or until they cease to be Directors but in any case for a period not exceeding five (5) years (Article 9.6(a)) unless otherwise approved by members in General Meeting.

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, including two non-executive directors of whom one is the Chairman.

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 other 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.

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.

DIRECTORS' REPORT

The Directors' present their report on the results of the Company for the year ended 31 December, 2009 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 profit after providing for income tax and eliminating minority equity interests amounted to \$1,686,891 (2008- loss \$6,944,915).

Dividends

During the year the company paid a fully franked final dividend of 0.5 cents per share amounting to \$255,809 (2008-NIL) from prior year profits.

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 significant increase in the stock market which has increased the carrying value of the Company's share portfolio. A provision write back of \$946,065 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 2009, other than that there has been a decline in the share market which may reduce the carrying value of the Company's share portfolio as well as reducing the opportunity for successful share trading activity.

Options over Unissued Capital

The total number of options issued as at 31 December 2009 was NIL (2008-NIL). At 31 December 2009 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 2009.

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 2009 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, 5 meetings of directors were formally held. The number of meetings attended by each director during the year is as follows:

Mr John M Armstrong	5
Mr Ian N S Sloan	5
Mr Malcolm A Mayger	5

In addition to these meetings, the non-executives directors are continuously updated on current activities.

Directors' Qualifications and Experience

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

Mr Armstrong, aged 74 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 70 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 66, is an Engineer with extensive mining and industrial experience. He is a director of Hill End Gold Ltd.

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 The Pitt Street Trust of which Mr Ian Sloan is a Director and beneficiary.
- d) 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	Fees for Current year \$	Total Remuneration \$	Options issued
M Mayger	Executive Managing Director	165, 000	165,000	NIL
J Armstrong	Non-Executive Chairman	50, 000	50,000	NIL
I Sloan	Non-Executive Director	20,000	20,000	NIL

CD Leslie	Company Secretary	120,000	120,000	NIL
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Directors' Interest in the Share Capital of the Company as at the date of this report.

		Shares at 31/12/2008	Acquired during the year	Shares at 31/12/2009	
JM Armstrong	Indirect	350,000	400,000	750,000	
INS Sloan	Indirect	50,000	-	50,000	
MA Mayger	Direct	300,000	-	300,000	
	Indirect*	30,719,045	-	30,719,045	
		31,419,045	-	31,819,045	

Shareholdings since 31/12/2009 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

Dated 25 February 2010

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 2010 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, 25 February 2010

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Income Statement

For The Year Ended 31 December 2009

	Note	Consolidated 2009 \$	2008 \$	Parent entity 2009 \$	2008 \$
Revenue from continuing operations					
Gross revenue from share trading		20,939,598	7,297,209	16,155,593	7,116,077
Cost of sales		18,833,719	9,184,270	14,423,638	8,799,176
Revenue from sale of shares		2,105,879	(1,887,061)	1,731,955	(1,683,099)
Interest received or due and receivable from other Corporations		26,528	125,129	26,528	125,129
Dividends received		24,378	44,321	19,878	44,321
Other revenue		7,828	108,958	7,828	108,958
		2,164,613	(1,608,653)	1,786,189	(1,404,691)
Expenses from continuing operations					
Audit fees		(26,100)	(20,000)	(26,100)	(20,000)
Directors fees		(235,000)	(264,178)	(235,000)	(264,178)
Exploration written off		(806,490)	(339,486)	(806,490)	(209,818)
Provision for quoted and non quoted shares		946,065	(4,529,241)	1,058,334	(4,505,768)
Impairment for subsidiaries		-	-	266,155	(356,538)
Stock exchange fees		(8,406)	(7,203)	(8,406)	(7,203)
Share registry fees		(8,309)	(7,308)	(8,309)	(7,308)
Secretarial & office expenses		(202,012)	(183,698)	(202,012)	(183,698)
Superannuation		(14,107)	-	(14,107)	-
Other expenses from ordinary activities		(123,363)	(179,078)	(123,363)	(179,078)
		(477,722)	(5,530,192)	99,298	(5,733,589)
Profit before income tax		1,686,891	(7,138,845)	1,686,891	(7,138,280)
Income tax attributable	2	-	(193,930)	-	(193,930)
Profit attributable to members of Pegmont Mines Ltd		1,686,891	(6,944,915)	1,686,891	(6,944,350)
Earnings per share for profit attributable to the ordinary equity holders of the Company:	19	\$0.033	(\$0.136)	\$0.033	(\$0.136)

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Balance Sheet

As At 31 December 2009

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Current Assets					
Receivables	3	130,105	435,904	129,577	401,434
Available for sale financial assets	4	4,289,971	3,003,360	3,763,917	2,883,432
Cash and cash equivalents	5	1,014,329	609,537	1,014,327	609,535
Total Current Assets		5,434,405	4,048,801	4,907,821	3,894,401
Non-Current Assets					
Held-to-Maturity Investments	6	-	-	526,584	154,400
Property, Plant & Equipment	7	176,150	244,336	176,150	244,336
Capitalised Exploration and Evaluation Expenditure	8	3,595,425	3,450,000	3,595,425	3,450,000
Total Non-Current Assets		3,771,575	3,694,336	4,298,159	3,848,736
Total Assets		9,205,980	7,743,137	9,205,980	7,743,137
Current Liabilities					
Payables	9	27,245	17,484	27,245	17,484
Total Liabilities		27,245	17,484	27,245	17,484
Net Assets		9,178,735	7,725,653	9,178,735	7,725,653
Equity					
Contributed equity	10	2,875,187	2,853,187	2,875,187	2,853,187
Reserves	11	4,556,193	4,556,193	4,556,193	4,556,193
Retained profits	11	1,801,622	370,540	1,747,355	316,273
Total parent entity interest		9,233,002	7,779,920	9,178,735	7,725,653
Outside equity interests in controlled entities		54,267	54,267	-	-
Total Equity		9,178,735	7,725,653	9,178,735	7,725,653

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Statement of Changes in Equity

For the year ended 31 December 2009

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Total equity at the beginning of the financial year	7,725,653	14,670,568	7,725,653	14,670,003
Total recognised income and expense for the year	1,686,891	(6,944,915)	1,686,891	(6,944,350)
Transactions with equity holders in their capacity as equity holders:				
Dividend paid during the year	(255,809)	-	(255,809)	-
Shares issued- note 10	22,000	-	22,000	-
Total equity at the end of the financial year	9,178,735	7,725,653	9,178,735	7,725,653
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	1,686,891	(6,890,648)	1,686,891	(6,944,350)
Minority interests	-	(54,267)	-	-
	1,686,891	(6,944,915)	1,686,891	(6,944,350)

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

Cash Flow Statement

For The Year Ended 31 December 2009

	Note	Consolidated		Parent entity	
		2009	2008	2009	2008
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		2,164,613	278,408	1,786,189	278,408
Cash payments in the course of operations		(549,111)	(2,277,999)	(549,111)	(2,075,037)
Net cash from operating activities	17	1,615,502	(1,999,591)	1,237,078	(1,796,629)
Cash Flows from Investing Activities					
Purchase of plant, property & equipment		-	(14,164)	-	(14,164)
Payments for investment securities		(318,546)	(746,339)	98,314	(1,114,441)
Exploration expenditure		(806,490)	(339,486)	(806,490)	(209,818)
Exploration acquisition		(145,425)		(145,425)	
Net cash provided for investing activities		(1,270,461)	(1,099,989)	(858,101)	(1,338,423)
Cash Flows from Financing Activities					
Increase in creditors		9,761	5,429	9,761	5,429
Increase/ decrease in debtors		305,799	(339,324)	271,863	(304,854)
Dividend paid		(255,809)	-	(255,809)	-
Net cash flow from financing activities		59,751	(333,895)	25,815	(299,425)
Net increase (decrease) in cash and cash equivalents		404,792	(3,433,475)	404,792	(3,433,477)
Cash and cash equivalents at the beginning of the financial year		609,537	4,043,012	609,535	4,043,012
Cash and cash equivalents at the end of the financial year	16	1,014,329	609,537	1,014,327	609,535

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For The Year Ended 31 December 2009

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 2009 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 differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases 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.

Notes to the Financial Statements

For The Year Ended 31 December 2009

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.

Notes to the Financial Statements

For The Year Ended 31 December 2009

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.

Notes to the Financial Statements

For The Year Ended 31 December 2009

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.

Notes to the Financial Statements

For The Year Ended 31 December 2009

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 2009 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 an 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 2009, the carrying value of exploration expenditure of the group is \$3,595,425 (2008-\$3,450,000)

Notes to the Financial Statements

For The Year Ended 31 December 2009

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
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	1,686,891	(7,138,845)	1,686,891	(6,944,350)
Prima facie tax payable at 30 %	506,067	-	506,067	-
Timing and permanent differences	(506,067)	-	(506,067)	-
Income tax/(refund) attributable to operating profit	-	(193,930)	-	(193,930)
3. Trade and other Receivables (Current)				
DME security deposits	35,460	15,205	35,460	15,205
Other debtors	43,913	379,828	43,385	345,358
GST control account	37,126	40,871	37,126	40,871
Prepayments	13,606	-	13,606	-
	130,105	435,904	129,577	401,434
4. Available for sale financial assets (Current)				
Quoted Shares	4,289,971	2,528,060	3,763,917	2,408,132
Unlisted Investments – at fair value	-	475,300	-	475,300
Closing balance at 31 December	4,289,971	3,003,360	3,763,917	2,883,432
5. Cash and cash equivalents (Current)				
Cash at bank and on hand	122,799	56,422	122,797	56,420
Cash on deposit	891,530	553,115	891,530	553,115
	1,014,329	609,537	1,014,327	609,535

Notes to the Financial Statements

For The Year Ended 31 December 2009

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
6. Held-to-Maturity Investments (Non-current)				
Shares in controlled entities	-	-	199,361	199,361
Loans to (from) subsidiaries				
Loan to subsidiary	-	-	467,992	361,909
Loan from subsidiary	-	-	(50,332)	(50,332)
Provision for non-recovery	-	-	(90,437)	(356,538)
At fair value 31 December 2009	-	-	526,584	155,400
7. Property, Plant And Equipment				
Property, plant & equipment - at cost	340,933	340,933	340,933	340,933
Less: Accumulated depreciation	(164,783)	(96,597)	(164,783)	(96,597)
	176,150	244,336	176,150	244,336
Reconciliation of carrying amount				
Opening balance at 1 January 2009	244,336	306,769	244,336	306,769
Plant & equipment acquired during year	-	14,164	-	14,164
Disposals	-	-	-	-
Depreciation during year	(68,186)	(76,597)	(68,186)	(76,597)
Closing balance at 31 December 2009	176,150	244,336	176,150	244,336
8. Exploration and Development Expenditure (Non-Current)				
Pegmont BIF project acquisition and exploration at fair value				
	3,000,000	3,000,000	3,000,000	3,000,000
Pegmont regional application areas and Reefway Pty Ltd royalty at fair value				
	450,000	450,000	450,000	450,000
New Hope project acquisition at cost				
	145,425	-	145,425	-
	3,595,425	3,450,000	3,595,425	3,450,000

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 decisions in what is known generally as the "Mabo" and the "Wik" cases 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 affect any mining title area whether granted by the State or not.

Notes to the Financial Statements

For The Year Ended 31 December 2009

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
9. Trade and other Payables (Current Liabilities)				
Trade creditors and other loans	27,245	17,484	27,245	17,484

	Number	Parent entity	
		2009	2008
		\$	\$
10. Ordinary shares – Fully paid	51,161,796	2,875,187	50,886,796
			2,853,187

During the year 275,000 shares were issued at a deemed price of 8 cents per share, to contractors and to landowners where the company's exploration projects are located.

Terms and conditions of ordinary shares:

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

11. Reserves and Retained Earnings

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
(A) Reserves				
Asset Revaluation Reserve	2,556,193	2,556,193	2,556,193	2,556,193
Capital Profit Reserve	2,000,000	2,000,000	2,000,000	2,000,000
	4,556,193	4,556,193	4,556,193	4,556,193
(B) Retained Earnings				
Balance 1 January	370,540	7,315,455	316,273	7,260,623
Profit for the year after related income tax expense	1,686,891	(6,944,915)	1,686,891	(6,944,350)
Dividend paid	(255,809)	-	(255,809)	-
Balance 31 December	1,801,622	370,540	1,747,355	316,273

(C) Nature and purpose of reserves

The capital reserve is used to quarantine profits of a capital nature, whilst the asset revaluation reserve is used to accumulate adjustments to fair value after they have been posted through the profit and loss account.

12. Key Management Personnel Disclosure

a) Directors

The names of Directors who have held office during the financial year are:

Pegmont Mines Ltd & Subsidiaries

Malcolm A Mayger, John Armstrong and Ian Sloan

Executives during year

Christopher Leslie

Notes to the Financial Statements

For The Year Ended 31 December 2009

12(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	-	400,000	750,000
MA Mayger	31,019,045	-	-	31,019,045
IN Sloan	50,000	-	-	50,000
Total shares	31,419,045	-	400,000	31,819,045

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.

13. 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 .

14. Remuneration Of Directors

Type of transaction	Related party	Terms and conditions	Consolidated		Parent entity	
			2009	2008	2009	2008
	-directors		\$	\$	\$	\$
Directors' fees	MA Mayger	Normal commercial	165,000	165,000	165,000	165,000
Directors' fees	J Armstrong	Normal commercial	50,000	50,000	50,000	50,000
Directors' fees	I Sloan	Normal commercial	20,000	11,178	20,000	11,178
Directors' fees	M Leggo	Normal commercial	-	71,923	-	71,923

Prior years remuneration paid but not included above.

Directors' fees	J Armstrong	-	25,000	-	25,000
Directors' fees	M Leggo	-	13,000	-	13,000

Notes to the Financial Statements

For The Year Ended 31 December 2009

15. Controlled Entities

Name	Inc	Class	Book value		Equity		Contribution to Group	
			2009	2008	2009	2008	2009	2008
			\$	\$	%	%	\$	\$
Pilbara Ventures Ltd	NSW	Ord	19,359	19,359	100	100	373,871	(266,870)
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>1,313,020</u>	<u>(6,642,079)</u>
Parent –Pegmont Mines Ltd							<u>1,686,891</u>	<u>(6,944,315)</u>
Profit (loss) for year – group								
Loans to (from) subsidiaries			417,660	311,577				
Provision for loss			<u>(90,437)</u>	<u>(356,538)</u>				
Parent net investment in subsidiaries			<u>526,584</u>	<u>154,400</u>				

Consolidated		Parent entity	
2009	2008	2009	2008
\$	\$	\$	\$

16. 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	122,799	56,422	122,797	56,420
Call deposits	891,530	553,115	891,530	553,115
	<u>1,014,329</u>	<u>609,537</u>	<u>1,014,327</u>	<u>609,535</u>

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

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

Operating Profit (Loss)	1,686,891	(6,944,915)	1,686,891	(6,944,350)
• Depreciation provision	68,186	76,597	68,186	76,597
• Exploration	806,490	339,486	806,490	209,818
• Provision for subsidiaries	-	-	(266,155)	356,538
• Unrealised loss on investments	(946,065)	4,529,241	(1,058,334)	4,505,768

Net cash provided for operating activities	<u>1,615,502</u>	<u>(1,999,591)</u>	<u>1,237,078</u>	<u>(1,795,629)</u>
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The Company has no credit standby or financing facilities in place other than disclosed on the statement of financial position.

Notes to the Financial Statements

For The Year Ended 31 December 2009

18. Subsequent Events

No other matter or circumstance has arisen since 31 December 2009 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 2009.

19. Earnings Per Share (eps)

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Basic (loss) per share				
(Loss) attributable to the ordinary equity holders of the Company	1,686,891	(6,944,915)	1,686,891	(6,944,350)
(b) Earnings used in calculating earnings per share				
(Loss) attributable to the ordinary equity holders of the Company	1,686,891	(6,944,915)	1,686,891	(6,944,350)
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	51,161,796	50,886,796	51,161,796	50,886,796
The diluted earnings per share is not materially different from the basic earnings per share.				

20. 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 Less than 1 year \$	1 to 2 years \$	Non- interest Bearing \$	Total \$
2009						
Financial assets						
Cash	-	-	-	-	122,799	122,799
Interest bearing deposits	2.0	891,530	-	-	-	891,530
Receivables	-	-	-	-	130,105	130,105
		891,530	-	-	252,904	1,194,434
Financial liabilities						
Accounts payable		-	-	-	27,245	27,245
		-	-	-	27,245	27,245

Notes to the Financial Statements

For The Year Ended 31 December 2009

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

21. **Auditors' Remuneration**

	Consolidated		Parent entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amount received or due and receivable by the auditor for:				
a) Audit services				
Audit and review of financial reports under the Corporations Act 2001	26,000	20,000	26,000	20,000
b) Non Audit services				
Income tax return preparation	500	1,000	500	1,000
Total remuneration of auditors	26,500	21,000	26,500	21,000

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.

22. **Expenditure Commitments**

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2010 amounts of approximately \$260,000 (2009 \$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.



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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).

SUPPLEMENTARY INFORMATION

1. Issued Capital at 31 December 2009: 51,161,796 Ordinary Shares Fully paid

2. Share Holdings at 18 February 2009

(a) Distribution of Shareholders

Shareholding	Number of holders	Ordinary Shares
1-1000	1	1,000
1001-5000	1	5,000
5001 - 10,000	18	176,000
10,001 - 100,000	80	4,306,330
100,000 and over	40	46,673,466
	140	51,161,796

(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	28.52
Malcolm A. Mayger Pty Limited	11,746,760	22.96
Malcolm A. Mayger Pty Limited and associates (including Pegasus Enterprises Limited)	31,019,045	60.62

(c) Interests associated with Malcolm A Mayger Pty Ltd hold 31,019,045 (60.62%) Ordinary fully paid shares.

Pegmont Mines Limited

Directors' Interests

	Shares
J M Armstrong - Indirect	750,000
I N S Sloan- Indirect	50,000
M A Mayger - Direct	300,000
Indirect*	30,719,045
Total Shares	31,819,045

*Includes Pegasus Enterprises Limited

Top Twenty Shareholders at 18 February 2010

	Number of Shares	% issued Capital
Pegasus Enterprises Ltd	14,592,285	28.52
Malcolm A Mayger Pty Ltd	11,746,760	22.96
Lozora Pty Ltd	1,985,000	3.88
Mc Donald Family S/F A/C	1,984,756	3.88
Malcolm A Mayger Superannuation Fund	1,395,000	2.73
Fitel Nominees Limited	1,100,000	2.15
Goldrim Investments Pty Ltd	1,100,000	2.15
P. & J Hutchins (PGH Super Fund)	1,000,000	1.95
Scepha Investments Pty Ltd	1,000,000	1.95
Mrs Betty Christine Steele	865,130	1.69
Mr I J Holland & Mrs D Holland	859,000	1.68
Bedel and Sowa Corp Pty Ltd	850,000	1.66
H Wallace-Smith and Co Pty Ltd	800,000	1.57
Perpetual Trustee Company Ltd	600,000	1.17
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
WHI Securities Pty Ltd (Crown Credit Corporation A/C)	500,000	0.98
Martin Place Securities Staff Super Fund	450,285	0.88
Riomin Australia Gold Pty Ltd	400,000	0.78
	42,728,216	83.52
Other Shareholders	8,433,580	16.48
Total Issued Shares	51,161,796	100%

Pegmont Mines Limited

CORPORATE INFORMATION

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:

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

Listed on The National Stock Exchange of Australia

Website: www.nsx.com.au

Code: PMI

Directors

John M Armstrong	Non-Executive Chairman
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) 94152500
Email: web.queries@computershare.com.au

Auditors:

Rothsay Chartered Accountants
Level 1, 12 O'Connell Street,
Sydney NSW 2000
Telephone: (02) 88155400
Facsimile: (02) 88155401



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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) 9473 2570
Website: www.computershare.com

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