

**Pegmont Mines Limited**  
ACN 003 331 682

**Financial Report**

**for the**

**Half-Year ended 30 June 2010**

# Pegmont Mines Limited

ACN 003 331 682

## Directors' Report

The Directors of Pegmont Mines Limited submit herewith the financial report for the half-year ended 30 June 2010. In order to comply with the provisions of the Corporations Act, the Directors report as follows: -

The names and particulars of Directors of the company in office on the day this report is made out are:

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

Mr Armstrong, aged 75, is a professional company director with over 35 years experience in investment banking and resource finance and investment management at senior management and director levels.

**MAYGER, Malcolm A.** (Executive Managing Director) *BCom, CA*

Mr Mayger, aged 70, has 40 years experience in exploration, mining and investment. Malcolm Mayger founded the company in 1987 and has guided its subsequent development from an exploration concept to mining investment and exploration activities.

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

Mr Sloan, aged 66, is an engineer with extensive mining and industrial experience. He is a director of Hill End Gold Ltd.

## Review of Operations

The company's operations during the half year to 30 June 2010 resulted in a net loss of \$1,866,526 a substantial turnaround on the profit of \$505,118 to June 2009. This result is after expensing all administration and exploration expenditure incurred during the six months.

	Segment Revenue 2010	Segment Profit/(loss) 2010	Segment Profit 2009
	\$	\$	\$
Share Trading	8,439,372	(2,732,487)	297,280
Dividends Received	<u>9,353</u>	<u>9,353</u>	<u>6,803</u>
Gross Revenue from share trading	8,448,725	(2,723,134)	304,083
Other	<u>24,021</u>	<u>24,021</u>	<u>11,519</u>
	<u>8,472,746</u>	(2,699,113)	315,602
Exploration expenditure-net of recoveries		(386,681)	(208,306)
Unallocated expenses		<u>(274,032)</u>	<u>(298,405)</u>
Profit/(loss) from ordinary activities before tax		(3,359,826)	(191,109)
Income Tax expense/(credit)		-	-
Provision for share trading profit/(loss)		<u>1,493,300</u>	<u>696,227</u>
Profit/(loss) for half-year after income tax and provision		<u>(1,866,526)</u>	<u>505,118</u>
Earnings/(loss) per share		-3.6c	1.0c

The profit/(loss) has been subjected to an independent review by the company's auditor.

The Stock market was extremely volatile during the period mainly attributed to the announcement by the Federal Government of a Resource Profits Tax which effectively killed overseas interest in Australia's resource equities causing sharp market losses in resource juniors. These losses were then compounded by tax loss selling during the latter part of June which drove prices to very low levels for some shares. This change in investor sentiment has created a difficult situation for junior explorers seeking to raise capital for future exploration and development. The company has needed to increase loss provisions and embark upon a deliberate sell down of exploratopn equities to reduce assets at risk in recognition of the changed environment. Overall , the stock market remains in a bearish mood with the All Ordinaries Index tracking below its 200 day moving average.

### Activities

The Company has changed its share trading strategy towards a more concentrated focus on producers while increasing cash holding to about 70% of the trading portfolio.

Exploration of the Pegmont lead-zinc deposit and regional areas continues as per our Quarterly Activity Reports for March and June 2010.

At Pegmont South a program of ten (10) shallow holes was undertaken to assess shallow potential. Results are encouraging and a follow up program is being developed to detail possible open cut material for inclusion in our maiden resource (JORC) statement. Also, drilling will be undertaken in the surrounding EPM 15106 to scope out other mineralised targets.

At Frank's Find/ Frank's Find West and Mort River Prospect 8, holes were drilled with no significant mineralisation being encountered. This result was a big disappointment and has caused a major review of future activities and consequential relinquishment of 50% of sub-blocks in EPMs 14491 and 15106 that do not form part of the Pegmont project area.

### Changes In State Of Affairs

During the half year there was no significant change in the Company's state of affairs other than that referred to in the half year accounts or notes thereto. Share trading losses were incurred instead of profits assumed in our annual accounts. This result has necessitated a substantial revision to forecast results for the year to December 2010 as provided in the June Activity Report. Share market conditions are expected to remain uncertain which necessitates considerable caution when investing. However, we remain optimistic about the longer term.

### AUDITORS' INDEPENDENCE -SECTION 307C

The following is a copy of a letter received from the Company's auditors:

"Dear Sirs,  
In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:  
i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the half-year ended 30 June 2010 financial statements; and  
ii) no contraventions of any applicable code of professional conduct in relation to the audit review.

Graham Swan (Lead auditor)  
Rothsay Chartered Accountants"

This report is made in accordance with a resolution of the directors

Dated this 16 day of August 2010

On behalf of the Directors



MA Mayger  
Director





Level 1, 12 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001  
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

### **Independent Review Report to the Members of Pegmont Mines Limited**

#### **The financial report and directors' responsibility**

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Pegmont Mines Limited for the half-year ended 30 June 2010.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and 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.

#### **Review approach**

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 30 June 2010 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pegmont Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### **Independence**

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

#### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Pegmont Mines Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 30 June 2010 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Graham R Swan  
Partner

Dated 16 August 2010



Chartered Accountants

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

# Pegmont Mines Limited

## Directors' Declaration For The Half-Year Ended 30 June 2010

The directors declare that:

- (a) The attached financial statements and notes thereto comply with Accounting Standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) In the directors' opinion there are reasonable grounds to believe that Pegmont Mines Limited will be able to pay its debts as and when they become due and payable.

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



MA Mayger  
Director

Dated this 16 day of August 2010.

# Pegmont Mines Limited

## Income Statement

For The Half-Year Ended 30 June 2010

	Note	Half-year ended 30 June 2010	Half-year ended 30 June 2009
Gross revenue from share trading		\$ 8,448,725	\$ 8,880,747
Cost of sales		11,171,859	8,576,664
Profit/ (loss) on sale of shares		(2,723,134)	304,083
Investment income		24,021	11,519
Expenses from ordinary activities		(660,713)	(506,711)
Income tax credit/(expense)		-	-
Unrealised gains/(losses) on revaluation of assets to fair value		1,493,300	696,227
Net Profit/ (loss) from ordinary activities for half-year after income tax		(1,866,526)	505,118
Minority interests		-	-
Profit/ (loss) for half year attributable to members of Pegmont Mines NL and recognised directly in equity		(1,866,526)	505,118
Retained Profits brought forward		1,801,622	370,540
Retained Profits(Accumulated losses) at end of half-year		(64,904)	875,658
Earnings per share(cents per share) - basic	5	-3.6	1.0

## Balance Sheet

As at 30 June 2010

### Current Assets

Cash

Receivables

Investments

**Total Current Assets**

### Non-Current Assets

Other - exploration and development tenements

Plant and Equipment

**Total Non-Current Assets**

**Total Assets**

### Current Liabilities

Accounts payable

Provisions

**Total Current Liabilities**

**Total Liabilities**

**Net Assets**

### Shareholders' Equity

Share capital

Reserves

Retained Profits (Accumulated losses)

**Total parent entity interest**

Outside equity interests in controlled entities

**Total Equity**

Net Tangible Assets per share cents

	Half-year 30 June 2010	Annual Report 31 Dec 2009	Half-year 30 June 2009
		\$	\$
Cash	618,823	1,014,329	2,217,095
Receivables	1,107,586	130,105	232,405
Investments	2,008,434	4,289,971	2,008,876
<b>Total Current Assets</b>	<b>3,734,843</b>	<b>5,434,405</b>	<b>4,458,376</b>
Other - exploration and development tenements	3,595,425	3,595,425	3,595,425
Plant and Equipment	142,056	176,150	210,243
<b>Total Non-Current Assets</b>	<b>3,737,481</b>	<b>3,771,575</b>	<b>3,805,668</b>
<b>Total Assets</b>	<b>7,472,324</b>	<b>9,205,980</b>	<b>8,264,044</b>
Accounts payable	160,115	27,245	33,273
Provisions	-	-	-
<b>Total Current Liabilities</b>	<b>160,115</b>	<b>27,245</b>	<b>33,273</b>
<b>Total Liabilities</b>	<b>160,115</b>	<b>27,245</b>	<b>33,273</b>
<b>Net Assets</b>	<b>7,312,209</b>	<b>9,178,735</b>	<b>8,230,771</b>
Share capital	2,875,187	2,875,187	2,853,187
Reserves	4,556,193	4,556,193	4,556,193
Retained Profits (Accumulated losses)	(64,904)	1,801,622	875,658
<b>Total parent entity interest</b>	<b>7,366,476</b>	<b>9,223,002</b>	<b>8,285,038</b>
Outside equity interests in controlled entities	54,267	54,267	54,267
<b>Total Equity</b>	<b>7,312,209</b>	<b>9,178,735</b>	<b>8,230,771</b>
Net Tangible Assets per share cents	14.3		16.2



# Pegmont Mines Limited

## Statement of Cash Flows

For The Half-Year Ended 30 June 2010

	Note	Current Half Year Consolidated \$	Previous Corresponding Half Year Consolidated \$
<b>Cash Flows Related To Operating Activities</b>			
Receipts from sale of shares		8,448,725	8,880,747
Payments for purchase of shares		(8,853,804)	(6,671,665)
Directors' fees		(177,500)	(172,500)
Payments to suppliers and contractors (inclusive of goods and services tax)		(71,153)	(86,812)
Interest and other items of a similar nature received		24,021	11,519
Income taxes paid		-	-
<b>Net Operating Cash Flows</b>		(629,711)	1,961,289
<b>Cash Flows Related To Investing Activities</b>			
Outflow for purchases of property, plant & equipment		-	-
Outflow for exploration expenditure		(294,880)	(208,306)
Outflow for the purchase of mining lease		-	(145,425)
<b>Net Investing Cash Flows</b>		(294,880)	(353,731)
<b>Cash Flows Related To Financing Activities</b>			
Other		-	-
<b>Net Financing Cash Flows</b>		-	-
<b>Net Increase (Decrease) In Cash Held</b>		(924,591)	1,607,558
Cash at beginning of half year		1,543,414	609,537
<b>Cash At End Of Half Year</b>	3	618,823	2,217,095

## Notes to the Financial Statements

For the Half-Year ended 30 June 2010

### 1. Basis of Preparation of Half-Year Financial Statements

These general purpose accounts for the half-year ended 30 June 2010 have been prepared in accordance with Accounting Standard AASB134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2009 and any public announcements made by Pegmont Mines Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The half-year report has been prepared on an historical cost basis and the half-year has been treated as a discrete reporting period

# Pegmont Mines Limited

## Notes to the Financial Statements

For the Half-Year ended 30 June 2010

### 2. Revenue and Expense

Operating profit before income tax is arrived at after:

	Current Half-Year Consolidated \$	Previous Corresponding Half Year Consolidated \$
a) crediting interest as revenue	15,160	11,519
b) exploration expensed	(386,681)	(208,306)

### 3. Reconciliation of cash

Cash at the end of the half-year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:

Cash on hand and at bank  
Deposits at call

64,272	46,962
554,551	2,170,095
618,823	2,217,095

### 4. Issued and quoted securities at end of current half-year

Category of Securities	Number Issued	Number Quoted	Par Value Cents	Paid-Up Value Cents
Ordinary Shares:				
Issued during current half year	51,161,776	51,161,776		
	Nil	Nil		
Options:			Exercise Price	Expiry Date
Listed	Nil	Nil		
Unlisted	Nil	Nil		
Issued during current half year	Nil	Nil		
Exercised during half-year	Nil	Nil		
Expired during half-year - Listed	Nil	Nil		
Expired during half-year - Unlisted	Nil	Nil		



# Pegmont Mines Limited

## Notes to the Financial Statements

For the Half-Year ended 30 June 2010

### 5. Earnings per share

	Current Half-Year Consolidated	Previous Corresponding Half Year Consolidated
Basic earnings per share		
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	-3.6c	1.0c
The diluted earnings per share is not materially different from the basic earnings per share.	51,161,796	51,161,796

### 6. Commitments for expenditure

#### Mineral tenement leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2010/11 amounts of approximately \$284,000 (2009/2010 \$260,000) in respect of tenement lease rentals, exploration expenditures and mining lease work commitments to meet the minimum expenditure requirements of the Queensland Department of Mines and Energy. These obligations will be fulfilled in the normal course of operations and at present these obligations are exceeded by current expenditure.

### 7. Segmental Information

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

### 8. Subsequent Events

No matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the half-year ended 30 June 2010.