

Pegmont Mines Limited

ABN 97 003 331 682

Corporate Office

65 Hume Street
Crows Nest NSW 2065

Postal Address

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

3 March 2011

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

Dear Sir,

Preliminary Final Report To 31 December 2010

Pegmont Mines Limited submits its Preliminary Final Report for the year ended 31 December 2010 as follows:

	\$	UP/Down
Operating profit/(loss) before tax:	(1,369,891)	down 181.2%
Less: Income tax expense relating to Ordinary activities:	—	
Profit/(loss) from ordinary activities after related income tax :	<u>(1,369,891)</u>	down 181.2%
	2010	2009
	\$	\$

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

Profit/ (loss) on the sale of shares	244,887	3,051,944
Dividends received	14,402	24,378
Other income	82,653	34,353
Administration expense	(604,456)	(617,294)
Exploration	<u>(1,106,894)</u>	<u>(806,490)</u>
Operating Profit/ (loss) before tax expense	<u>(1,369,408)</u>	<u>1,686,891</u>
Less Income Tax (refund)	—	—
Net profit after taxation	<u>(1,369,408)</u>	<u>1,686,891</u>

A dividend was not paid due to the loss being incurred.

The Company's working capital position decreased by \$1,282,474 to \$4,124,686 which represents 8.0 cents per share at 31 December 2010 which supports the current exploration program.

The principal activities of the company will continue to be mineral exploration in the Mount Isa region. This year's drill program is planned to delineate a resource at New Hope (gold-copper) and to upgrade mineralisation at Pegmont (lead-zinc).

Current market volatility makes profit forecasts difficult to predict due to short term political and economic uncertainties. However, the Board remains optimistic about achieving a positive trading result as economic recovery takes hold.

Yours faithfully,

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

M.A. Mayger
Managing Director
Encl.

FORM: Half yearly/preliminary final report

Name of issuer

Pegmont Mines Limited

ACN or ARBN

97 003 331 682

Half yearly
(tick)

Preliminary
final (tick)



Half year/financial year ended
(Current period)

31 December 2010

For announcement to the market

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

Extracts from this statement for announcement to the market (see note 17).				\$A,000
Sales (or equivalent) operating revenue (item 1.1)	up /down	%10.9	to	18,660
Operating profit (loss) before abnormal items and tax (item 1.4	up /down	%181.2	to	(1,369)
Abnormal items before tax (item 1.5)		gain (loss) of	to	NIL
Operating profit (loss) after tax but before outside equity interests (item 1.8)	up /down	%181.2	to	(1,369)
Extraordinary items after tax attributable to members (item 1.13)		gain (loss) of	to	NIL
Operating profit (loss) and extraordinary items after tax attributable to members (item 1.16)	up /down	%181.2	to	(1,369)
Exploration and evaluation expenditure incurred (item 5.2)	up/ down	%43.9	to	1,107
Exploration and evaluation expenditure written off (item 5.3)	up/ down	%43.9	to	1,107
Dividends Franking rate applicable		100%		
Current period	NIL		¢	¢
Previous corresponding period	.5¢	¢	¢	¢
Record date for determining entitlements to the dividend, (in the case of a trust distribution) (see item 15.2)		N/A		
Short details of any bonus or cash issue or other items(s) of importance not previously released to the market:				
NIL				

Consolidated profit and loss account

(The figures are not equity accounted)

	Current period \$A Year to 31/12/2010	Previous corresponding period \$A 31/12/2009
1.1 Sales (or equivalent operating) revenue	18,659,561	20,939,598
1.2 Other revenue	97,055	58,734
1.3 Total revenue	18,756,616	20,998,332
1.4 Operating profit (loss) before abnormal items and tax	(1,369,891)	1,686,891
1.5 Abnormal items before tax (detail in item 2.1)	-	-
1.6 Operating profit (loss) before tax (items 1.4 + 1.5)	(1,369,408)	1,686,891
1.7 Less tax (tax refund)	-	-
1.8 Operating profit (loss) after tax but before outside equity interests	(1,369,408)	1,686,891
1.9 Less outside equity interests		
1.10 Operating profit (loss) after tax attributable to members	(1,369,408)	1,686,891
1.11 Extraordinary items after tax (detail in item 2.3)	-	-
1.12 Less outside equity interests	-	-
1.13 Extraordinary items after tax attributable to members	-	-
1.14 Total operating profit (loss) and extraordinary items after tax (items 1.8 1.11)	(1,369,408)	1,686,891
1.15 Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 .112)	(1,369,408)	1,686,891
1.16 Operating profit (loss and extraordinary items after tax attributable to members (items 1.10 +1.13)	(1,369,408)	1,686,891
1.17 Retained profits (accumulated losses) at beginning of financial period	1,801,622	370,540
1.18 Aggregate of amounts transferred from reserves	-	-
1.19 Total available for appropriation (carried forward)	432,214	2,057,431
1.20 Total available for appropriation (brought forward)	432,214	2,057,431

Consolidated profit and loss account continued

1.21	Dividends provided for or paid	-	255,809
1.22	Aggregate or amounts transferred to reserves	-	-
1.23	Retained profits (accumulated losses) at tend of financial period	432,214	1,801,622

Abnormal and extraordinary items

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

Comparison of half year profits

(Preliminary final statement only)

		Current year-\$A	Previous year-\$A
3.1	Consolidated operating profit (loss) after tax attributable to members reported for the 1st half year (item 1.10 in the half yearly statement)	(1,866,526)	505,118
3.2	Consolidated operating profit (loss) after tax attributable to members for the 2nd half year	497,118	1,181,773

Consolidated
(See note 5)

balance

sheet

Current assets		At end of current period \$A 31/12/2010	As shown in last annual report \$A 31/12/2009	As in last half yearly statement \$A 30/06/10
4.1	Cash	2,149,474	1,014,329	618,823
4.2	Receivable	150,219	130,105	1,107,586
4.3	Investments	1,872,398	4,289,971	2,008,434
4.4	Inventories	-	-	-
4.5	Other (provide details if material)	-	-	-
4.6	Total current assets	4,172,091	5,434,405	3,734,843
Non-current assets				
4.7	Receivables			
4.8	Investments			
4.9	Inventories			
4.10	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	3,595,425	3,595,425	5,595,425
4.11	Development properties (mining entities)			
4.12	Other property, plant and equipment (net)	114,416	176,150	142,056
4.13	Intangibles (net)			
4.14	Other (provide details if material)			
4.15	Total non-current assets	3,709,841	3,771,575	3,737,481
4.16	Total assets	7,881,932	9,205,980	7,472,324
Current liabilities				
4.17	Accounts payable	47,405	27,245	160,115
4.18	Borrowings		-	
4.19	Provisions		-	
4.20	Other (provide details if material)		-	
4.21	Total current liabilities	47,405	27,245	160,115
Non-current liabilities				
4.22	Accounts payable			
4.23	Borrowings			
4.24	Provisions			
4.25	Other (provide details if material)			
4.26	Total non-current liabilities	-	-	-
4.27	Total liabilities	47,405	27,245	160,115
4.28	Net assets	7,834,527	9,178,735	7,312,209

Consolidated balance sheet continued

Equity				
4.29	Capital	2,900,386	2,875,187	2,875,187
4.30	Reserves	4,556,193	4,556,193	4,556,193
4.31	Retained profits (accumulated losses)	432,215	1,801,622	(64,904)
4.32	Equity attributable to members of the parent entity	7,888,794	9,233,002	7,366,476
4.33	Outside equity interests in controlled entities	54,267	54,267	54,267
4.34	Total equity	7,834,527	9,178,735	7,312,209
4.35	Preference capital and related premium included as part of 4.31	NIL	NIL	NIL

Exploration and evaluation expenditure capitalised

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

	Current period \$A 31 December 2010	Previous corresponding period \$A 31/12/2010
5.1 Opening balance	3,595,425	3,450,000
5.2 Expenditure incurred during current period	1,106,894	806,490
5.3 Expenditure written off during current period	1,106,894	806,490
5.4 Acquisitions, disposals, revaluation increments, etc.	-	145,425
5.5 Expenditure transferred to Development Properties	-	-
5.6 Closing balance as shown in the consolidated balance sheet (item 4.9)	3,595,425	3,595,425

Development

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

properties

	Current period \$A 31/12/2010	Previous corresponding period \$A 31/12/2009
6.1 Opening balance	NIL	NIL
6.2 Expenditure incurred during current period		
6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.10)	NIL	NIL

Consolidated statement of cash flows

(See note 6)

		Current period \$A at 31/12/2010	Previous corresponding period \$A31/12/2009
	Cash flows related to operating activities		
7.1	Net receipts from sharetrading	-	2,105,879
7.2	Payments in the course of operations	(2,869,239)	(549,111)
7.3	Dividends received	14,402	24,378
7.4	Interest and other items of similar nature received	65,355	26,528
7.5	Interest and other costs of finance paid		-
7.6	Income taxes paid		
7.7	Other	17,298	7,828
7.8	Net operating cash flows	(2,772,184)	1,615,502
	Cash flows related to investing activities		
7.9	Payments for purchases of property, plant and equipment	(6,452)	-
7.10	Proceeds from sale of property, plant and equipment		-
7.11	Payment for purchases of equity investments		(318,546)
7.12	Proceeds from sale of equity investments	4,995,429	-
7.13	Loans to other entities		-
7.14	Exploration acquisition		(145,425)
7.15	Exploration Expenditure	(1,106,894)	(806,490)
7.16	Net investing cash flows	3,882,083	(1,270,461)
	Cash flows related to financing activities		
7.17	Proceeds from issues of securities (shares, options, etc.)	25,200	-
7.18	Proceeds from borrowings-increase in creditors	20,160	9,761
7.19	Repayment of borrowings-decrease in debtors	(20,114)	305,799
7.20	Dividends paid		(255,809)
7.21	Other (provide details if material)		
7.22	Net financing cash flows	25,246	59,751
	Net increase (decrease) in cash held	1,135,145	404,792
7.23	Cash at beginning of period (see Reconciliations of cash)	1,014,329	609,537
7.24	Exchange rate adjustments to item 7.23		
7.25	Cash at end of period (see Reconciliation of cash)	2,149,474	1,014,329

Non-cash financing and investing activities

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

NIL

Reconciliation of cash

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

		Current period \$A at 31/12/2010	Previous corresponding period \$A 31/12/2009
8.1	Cash on hand and at bank	58,827	122,799
8.2	Deposits at call	2,090,647	891,530
8.3	Bank overdraft	-	-
8.4	Other (provide details)	-	-
8.5	Total cash at end of period (item 7.25)	2,149,474	1,014,329

Ratios

		Current period \$A at 31/12/2010	Previous corresponding period \$A 31/12/09
	Profit before abnormals and tax/sales		
9.1	Consolidated operating profit (loss) before abnormal items and tax (items 1.4) as a percentage of sales revenue (items 1.1)	7.3%	3.5%
	Profit after tax/equity interests		
9.2	Consolidated operating profit (loss) after tax attributable to members (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.34)	17.48%	18.37%

Earnings per security (EPS)

10.1	Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
(a)	Basic EPS	(2.7)	3.3c
(b)	Diluted EPS (if materially different from (a))		

NTA backing (see note 7)		Current period 31/12/2010	Previous corresponding period 31/12/2009
11.1	Net tangible asset backing per ordinary security	15.2c	17.9c

Details of specific receipts/outlays, revenues/expenses

		Current period A\$ at 31/12/2010	Previous corresponding period \$A31/12/2009
12.1	Interest revenue included in determining items 1.4	65,355	26,528
12.2	Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3	Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	-	-
12.4	Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5	Outlays (excepts those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6	Depreciation (excluding amortisation of intangibles)	68,186	68,186
12.7	Amortisation of intangibles	-	-

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

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

Loss of control of entities having material effect*(See note 8)*

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

Reports for industry and geographical segments

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

Segments	Investments	Exploration	Admin	Total
Operating Revenue from sale of shares	18,673,963	-	82,653	18,756,616
Sales to customers outside the economic entity	-	-	-	-
Inter-segment sales	-	-	-	-
Unallocated revenue	-	-	-	-
Total revenue (consolidated total equal to item 1.3)	18,673,963	-	82,653	18,673,963
Segment result (including abnormal items where relevant)	341,942	(1,106,894)	(604,456)	(1,369,408)
Unallocated expenses/Tax				-
Consolidated operating profit after tax (before equity accounting) (equal to item 1.8)				(1,369,408)
Segment assets)				
Unallocated assets)				
Total assets (equal to item 4.16)	3,951,872	3,709,841	150,219	7,881,932

Dividends

15.1 Date the dividend is payable

N/A

15.2 Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)

N/A

18.3 Amount per security

N/A

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

Total annual dividend (distribution) per security

(Preliminary final statement only)

- 15.8 Ordinary securities
- 15.9 Preference securities

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

Total dividend (distribution)

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

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

The dividend or distribution plans shown below are in operation.

NIL

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

Any other disclosures in relation to dividends (distributions)

N/A

Equity accounted associated entities and other material interests

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

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

Material interests in entities which are not controlled entities

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

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

Issued and listed securities

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

Category of securities		Number issued	Number listed	Par value (cents)	Paid-up value (cents)
18.1	Preference securities (description)	NIL	NIL		
18.2	Issued during current period	NIL	NIL		
18.3	Ordinary securities	51,476,796	51,476,796		
18.4	Issued during current period	315,000	315,000		
18.5	Convertible debt securities (description and conversion factor)	NIL	NIL		
18.6	issued during current period	NIL	NIL		
18.7	Options (description and conversion factor)			Exercise price	Expiry date
		-	-	-	-
18.8		NIL	NIL	-	-
18.9		NIL	NIL	-	-
18.10		NIL	NIL	-	-
18.11	Debentures (totals only)	NIL	NIL		
18.12	Unsecured Notes (totals only)	NIL	NIL		

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

Basis of accounts preparation

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

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

Operating profit decreased due the 1st half year result being severely affected by the Government announcement of a Resource Rent Tax with the market for resource investments going into deep freeze. A write back in provision for loss of \$2,578,196 was made because of a buoyant market in the second half of the year. Exploration expenditure increased due 2 drilling programs during the year and the commissioning of a maiden JORC compliant resource. Administration remained constant.

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

The JORC resource report was completed giving a maiden inferred and indicated resource of 8.85MT averaging 5% Pb+Zn. Also, mineralised potential at Pegmont estimated between 9 and 15MT at between 4.0-5.5% combined Pb+Zn at a 3% Pb+Zn cut-off.

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

Due to the payment of tax in prior years, the company has franking credits available to fully cover the payment of dividends. Future fully franked dividends will be paid when net profits are generated.

Changes in accounting policies since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph 15(c) of AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final statement in accordance with AASB 101: Accounting Policies-Disclosure.)

NIL

Annual meeting*(Preliminary final statement only)*

The annual meeting will be held as follows:

Place

Walker Wayland Services P/L Level 8
55 Hunter Street, Sydney, NSW 2000

Date

26 May 2011

Time

12 noon

Approximate date the annual report will be available

17 April 2011

Compliance statement

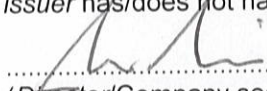
1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

NIL

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

Sign here:


(Director/Company secretary)

Date:

3/3/2011

Print name:CHRIS D LESLIE.....

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down.
2. **True and fair view** If this statement does not give a true and fair view of a matter (for

example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.

3. **Consolidated profit and loss account**

- Item 1.1 The definition of "operating revenue" and an explanation of "sales revenue" (or its equivalent) and "other revenue" are set out in *AASB 1004: Disclosure of Operating Revenue*.
- Item 1.2 "other revenue" includes abnormal items, but excludes extraordinary revenue items.
- Item 1.4 "operating profit (loss) before abnormal items and tax" is calculated before dealing with outside equity interests and extraordinary items, but after deducting interest on borrowings, depreciation and amortisation.
- Item 1.7 This item refers to the total tax attributable to the amount shown in item 1.6. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as operating expenses (eg. fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.

5. **Consolidated balance sheet**

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

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of paragraphs 19-21 of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of *AASB 1029* and paragraph 11 of *AASB 1030*.

6. **Statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 1026: Statement of Cash Flows*. *Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. Mining exploration *issuers* may use the form of cashflow statement in Appendix 5B.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security*.

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer's* consolidated operating profit (loss) and extraordinary items after tax by more than 5% compared to the previous corresponding period.

9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.

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



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 AUDIT REPORT TO THE MEMBERS OF PEGMONT MINES LTD

We have audited the accompanying financial report of Pegmont Mines Ltd (the Company") which comprises the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) 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. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.



Chartered Accountants

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



Audit opinion

In our opinion the financial report of Pegmont Mines Ltd is in accordance with the Corporations Act 2001, including:

- a) (i) giving a true and fair view of the Company's and the group's financial position as at 31 December 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the Corporations Regulations 2001; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

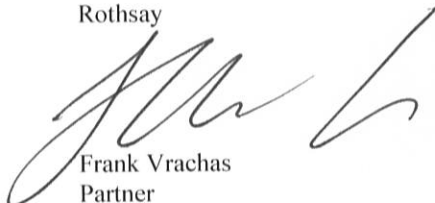
Report on the Remuneration Report

We have audited the remuneration report included in the Directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Pegmont Mines Ltd for the year ended 31 December 2010 complies with section 300A of the *Corporations Act 2001*.

Rothsay



Frank Vrachas
Partner

Dated

March 2011