

Pegmont Mines Limited

ACN 003 331 682

Financial Report

for the

Half-Year ended 30 June 2011

Pegmont Mines Limited

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Directors' Report

The Directors of Pegmont Mines Limited submit herewith the financial report for the half-year ended 30 June 2011. 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 40 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 71, has over 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 67, 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 2011 resulted in a net loss of \$1,493,038 an improvement on a loss of \$1,866,526 to June 2010. This result is after expensing all administration and exploration expenditure incurred during the six months and including share trading losses of \$839,465 (2010-\$1,229,834).

	Segment Revenue 2011	Segment Profit/(loss) 2011	Segment Profit 2010
	\$	\$	\$
Share Trading	3,640,350	(230,814)	(2,732,487)
Dividends Received	<u>3,443</u>	<u>9,353</u>	<u>9,353</u>
Gross Revenue from share trading	3,644,293	(266,871)	(2,723,134)
Other	<u>35,842</u>	<u>35,842</u>	<u>24,021</u>
	<u>3,680,135</u>	(191,029)	(2,699,113)
Exploration expenditure-net of recoveries		(332,525)	(386,681)
Unallocated expenses		<u>(356,890)</u>	<u>(274,032)</u>
Profit/(loss) from ordinary activities before tax		(880,444)	(3,359,826)
Income Tax expense/(credit)		-	-
Provision for share trading profit/(loss)		<u>(612,594)</u>	<u>1,493,300</u>
Profit/(loss) for half-year after income tax and provision		<u>(1,493,038)</u>	<u>(1,866,526)</u>
Earnings/(loss) per share		-2.9c	-3.6c

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

Activities

The Company has reduced its share trading activities while exploration continued to evaluate the Pegmont lead-zinc deposit and regional areas as per our Quarterly Activity Reports for March and June 2011. A maiden JORC compliant Indicated and Inferred Resource of 8.85Mt @ 5% Pb+Zn was estimated at Pegmont based on 381 drill holes and 40,409 metres of drilling. (JM Geological Consulting Pty Ltd- February 2011)

Drilling was delayed during the half year. However, field work was undertaken to prepare for a July/August drill program of 2500m RC drilling at the high grade New Hope gold-cobalt deposit which is expected to result in a JORC compliant resource. Also Eagle's Nest, MMA, and EMU prospects were drilled.

Copper cathode production continued to be sourced from the Reefway Royalty Areas (76.7% interest) making a cumulative total of 24,641 tonnes as 30 June 2011. Royalties are applicable when cumulative production exceeds 100,000 tonnes of payable copper metal. Exploration of the Royalty Areas continues to yield new discoveries and insitu resources now exceed 230,000 tonnes according to CST Mining Group Limited, the current operator. An update of copper resources within the Reefway Royalty Tenements, by CST Mining Group Limited is expected during December 2011.

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.

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 2011 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit review.

Frank Vrachas

Rothsay Chartered Accountants"

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

Dated this 8 day of September 2011

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 2011.

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 2011 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 2011 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

Frank Vrachas
Partner

Dated 8 September 2011



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 2011

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 8 day of September 2011.

Pegmont Mines Limited

Income Statement

For The Half-Year Ended 30 June 2011

	Note	Half-year ended 30 June 2011 \$	Half-year ended 30 June 2010 \$
Gross revenue from share trading		3,644,293	8,448,725
Cost of sales		3,871,164	11,171,859
Profit/ (loss) on sale of shares		(226,871)	(2,723,134)
Investment income		35,842	24,021
Expenses from ordinary activities		(689,415)	(660,713)
Income tax credit/(expense)		-	-
Unrealised gains/(losses) on revaluation of assets to fair value		(612,594)	1,493,300
Net Profit/ (loss) from ordinary activities for half-year after income tax		(1,493,038)	(1,866,526)
Minority interests		-	-
Profit/ (loss) for half year attributable to members of Pegmont Mines NL and recognised directly in equity		(1,493,038)	(1,866,526)
Retained Profits brought forward		432,215	1,801,622
Retained Profits at end of half-year		(1,060,823)	(64,904)
Earnings per share(cents per share) - basic	5	-2.9	-3.6

Balance Sheet

As at 30 June 2011

Current Assets

Cash	1,313,253	2,149,474	618,823
Receivables	74,940	150,219	1,107,586
Investments	1,383,634	2,149,474	2,008,434
Total Current Assets	2,771,827	4,172,091	3,734,843

Non-Current Assets

Mineral Tenements	3,595,425	3,595,425	3,595,425
Plant and Equipment	79,677	114,416	142,056
Total Non-Current Assets	3,675,102	3,709,841	3,737,481

Total Assets

Total Assets	6,446,929	7,881,932	7,472,324
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Current Liabilities

Accounts payable	105,440	47,405	160,115
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Total Current Liabilities

Total Current Liabilities	105,440	47,405	160,115
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Total Liabilities

Total Liabilities	105,440	47,405	160,115
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Net Assets

Net Assets	6,341,489	7,834,527	7,312,209
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Shareholders' Equity

Share capital	2,900,386	2,900,386	2,875,187
Reserves	4,556,193	4,556,193	4,556,193
Retained Profits (Accumulated losses)	(1,060,823)	432,215	(64,904)

Total parent entity interest

Total parent entity interest	6,395,756	7,888,794	7,366,476
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Outside equity interests in controlled entities

	54,267	54,267	54,267
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Total Equity

Total Equity	6,341,489	7,834,527	7,312,209
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Net Tangible Assets per share cents

	12.3		14.3
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Pegmont Mines Limited

Statement of Cash Flows

For The Half-Year Ended 30 June 2011

	Note	Current Half Year Consolidated \$	Previous Corresponding Half Year Consolidated \$
Cash Flows Related To Operating Activities			
Receipts from sale of shares		3,644,293	8,448,725
Payments for purchase of shares		2,375,769	(8,854,064)
Directors & Secretary fees		(195,200)	(177,500)
Payments to suppliers and contractors (inclusive of goods and services tax)		(81,951)	(71,153)
Interest and other items of a similar nature received		35,842	24,021
Income taxes paid			
Net Operating Cash Flows		1,027,215	(629,971)
Cash Flows Related To Investing Activities			
Outflow for purchases of property, plant & equipment			
Outflow for exploration expenditure		(332,525)	(294,880)
Net Investing Cash Flows		(332,525)	(294,880)
Cash Flows Related To Financing Activities			
Other		-	-
Net Financing Cash Flows		-	-
Net Increase (Decrease) In Cash Held		694,690	(924,851)
Cash at beginning of half year		618,563	1,543,414
Cash At End Of Half Year	3	1,313,253	618,563

Notes to the Financial Statements

For the Half-Year ended 30 June 2011

1. Basis of Preparation of Half-Year Financial Statements

These general purpose accounts for the half-year ended 30 June 2011 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 2010 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 2011

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	35,842	15,160
b) exploration expensed	(332,525)	(386,681)

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	97,224	64,272
Deposits at call	1,216,029	554,551
	<u>1,313,253</u>	<u>618,823</u>

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:	51,147,796	51,476,796		
Issued during current half year	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 2011

5. Earnings per share

	Current Half-Year Consolidated	Previous Corresponding Half Year Consolidated
Basic earnings per share	-2.9c	-3.6c
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	51,476,796	51,161,796
The diluted earnings per share is not materially different from the basic earnings per share.		

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 2011/12 amounts of approximately \$284,000 (2010/2011 \$284,000) 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 2011. An issue of 335,000 shares will be made to our exploration staff, contractors and landholders.