

Pegmont Mines Limited

ACN 003 331 682

Financial Report

for the

Half-Year ended 30 June 2012

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 2012. 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, Fin, FAICD*

Mr Armstrong, aged 76, 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 72, 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 resource evaluation activities.

CURTIS, David R. (Non-Executive Director) *B.Bus.*

Mr Curtis, aged 48, is a finance specialist with experience as a director with Credit Suisse in Australia, Hong Kong and Japan.

Review of Operations

The company's operations during the half year to 30 June 2012 resulted in a net loss of \$823,177 an improvement on a loss of \$1,493,038 to June 2011. This result is after expensing all administration and exploration and resource evaluation expenditure incurred during the six months and including share trading losses of \$131,826 (2011-\$839,465).

	Segment Revenue 2012	Segment Profit/ (Loss) 2012	Segment Profit/ (Loss) 2011
	\$	\$	\$
Share Trading	1,767,443	(120,005)	(230,814)
Dividends Received	0	0	3,943
Gross Revenue from share trading	1,767,443	(120,005)	(226,871)
Interest	32,057	32,057	35,842
	<u>1,799,500</u>	<u>(87,948)</u>	<u>(191,029)</u>
Exploration expenditure-net of recoveries		(500,564)	(332,525)
Unallocated expenses		(222,844)	(356,890)
Profit/(loss) from ordinary activities before tax		(811,356)	(880,444)
Income Tax expense/(credit)		-	-
Provision for share trading profit/(loss)		(11,821)	(612,594)
Profit/(loss) for half-year after income tax and provision		<u>(823,177)</u>	<u>(1,493,038)</u>
Earnings/(loss) per share		-1.3c	-2.9c

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

Activities

A maiden Resource estimation was completed on the **New Hope gold-cobalt deposit** which resulted in a JORC compliant resource estimate of Indicated and Inferred Resources of 92,239 tonnes assaying 6.8g/t gold and 0.2% cobalt. Since mineralisation has been interested outside the Resource boundaries, there is scope to expand this tonnage estimate. Metallurgical test work to date indicates high gold recoveries (including free gold) but low cobalt recoveries.

Exploration drilling of 1,235 metres was undertaken within the **Pegmont lead-zinc** project area, but outside the resource area (where Indicated and Inferred Resources have been estimated at 8.85 million tonnes assaying 5% Pb + Zn.) at the Sharry Fault IP anomaly and at the Bonanza magnetic anomaly. Unfortunately, this drilling was unsuccessful in locating mineralisation.

General investigation and field work is ongoing at **SC-8 Prospect** in **EPM 14491** and also in the newly granted **EPM 18347** to generate new drill targets particularly for copper and gold. EPM 17053 will be relinquished.

The **Reefway Royalty Tenement areas** (Pegmont 76.3% royalty interest) continue to yield encouraging copper drill intercepts. CST Mining Group Limited the current owner of the Tenements has boosted production and completed a significant amount of drilling during the half year. This activity has resulted in additional copper intersections at the **Lady Colleen** and **Flying Horse deposits** which provide encouragement for future expansion of the resource base in the **Mount Kelly mining area**. Also, excellent copper drill intersections have been achieved by CST Mining from the **Anthill West prospect** which together with the **Anthill deposit** supports a Mining Lease application. An initial Mineral Resource Estimate is pending for the September quarter 2012. We are very encouraged by the progress of CST Mining in expanding the prospective resource base of the Reefway Royalty Tenements.

Sharetrading activities have been limited due to recent unpredictable volatility arising from the Euro financial crisis. These activities resulted in a realised trading loss of \$120,005 for the half year (2011 – loss \$226,871). A small profit is forecasted during the next six months to December 2012.

Changes In State Of Affairs

During the half year there occurred a significant run down in the company's cash resources which will constrain future exploration activities, apart from that 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 2012 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit review.

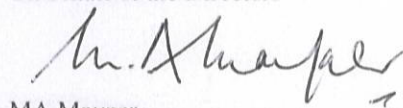
Frank Vrachas

Rothsay Chartered Accountants"

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

Dated this 3 day of August 2012

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 2012.

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 2012 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 2012 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 3 August 2012



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 2012

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 3 day of August 2012.

Pegmont Mines Limited

Income Statement

For The Half-Year Ended 30 June 2012

	Not e	Half-year ended 30 June 2012 \$	Half-year ended 30 June 2011 \$
Gross revenue from share trading		1,767,443	3,644,293
Cost of sales		1,887,448	3,871,164
Profit/ (loss) on sale of shares		(120,005)	(226,871)
Investment income		32,057	35,842
Expenses from ordinary activities		(723,408)	(689,415)
Income tax credit/(expense)		-	-
Unrealised gains/(losses) on revaluation of assets to fair value		(11,821)	(612,594)
Net Profit/ (loss) from ordinary activities for half-year after income tax		(823,177)	(1,493,038)
Minority interests			
Profit/ (loss) for half year attributable to members of Pegmont Mines NL and recognised directly in equity		(823,177)	(1,493,038)
Retained Profits brought forward		(2,571,213)	432,215
Retained Profits at end of half-year		(3,394,390)	(1,060,823)
Earnings per share(cents per share) - basic	5	-5.4	-2.9

Balance Sheet

As at 30 June 2012

Current Assets

Cash	1,162,822	1,807,003	1,313,253
Receivables	88,005	104,582	74,940
Investments	173,363	167,880	1,383,634
Total Current Assets	1,424,190	2,079,465	2,771,827

Non-Current Assets

Mineral Tenements	3,595,425	3,595,425	3,595,425
Plant and Equipment	100,000	66,280	79,677
Total Non-Current Assets	3,695,425	3,661,705	3,675,102
Total Assets	5,119,615	5,741,170	6,446,929

Current Liabilities

Accounts payable	41,279	54,586	105,440
Total Current Liabilities	41,279	54,586	105,440

Total Liabilities

Total Liabilities	41,279	54,586	105,440
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Net Assets

Net Assets	5,078,336	5,686,584	6,341,489
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Shareholders' Equity

Share capital	3,970,800	3,755,871	2,900,386
Reserves	4,556,193	4,556,193	4,556,193
Retained Profits (Accumulated losses)	(3,394,390)	(2,571,213)	(1,060,823)
Total parent entity interest	5,132,603	5,740,851	6,395,756
Outside equity interests in controlled entities	54,267	54,267	54,267
Total Equity	5,078,336	5,686,584	6,341,489

Net Tangible Assets per share cents

8.1

12.3

Pegmont Mines Limited

Statement of Cash Flows

For The Half-Year Ended 30 June 2012

	Note	Current Half Year Consolidated \$	Previous Corresponding Half Year Consolidated \$
Cash Flows Related To Operating Activities			
Receipts from sale of shares		1,767,443	3,644,293
Payments for purchase of shares		(1,875,392)	(2,375,769)
Directors & Secretary fees		(131,825)	(195,200)
Payments to suppliers and contractors (inclusive of goods and services tax)		(150,904)	(81,951)
Interest and other items of a similar nature received		32,057	35,842
Income taxes paid			
Net Operating Cash Flows		(358,621)	1,027,215
Cash Flows Related To Investing Activities			
Outflow for exploration expenditure		(500,564)	(332,525)
Net Investing Cash Flows		(859,185)	694,690
Cash Flows Related To Financing Activities			
Share Placement		215,000	-
Net Financing Cash Flows		215,000	-
Net Increase (Decrease) In Cash Held		(644,185)	694,690
Cash at beginning of half year		1,807,003	618,563
Cash At End Of Half Year	3	1,162,818	1,313,253

Notes to the Financial Statements

For the Half-Year ended 30 June 2012

1. Basis of Preparation of Half-Year Financial Statements

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2012 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated 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 2011 and any public announcements made by Pegmont Mines Limited 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.

Adoption of new and revised Accounting Standards

In the half-year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Pegmont Mines Limited

Notes to the Financial Statements

For the Half-Year ended 30 June 2012

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	32,057	35,842
b) exploration expensed	(500,564)	(332,525)

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	406,922	97,224
Deposits at call	755,898	1,216,029
	1,162,820	1,313,253

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

Category of Securities	Number Issued	Number Quoted
Ordinary Shares:	62,548,722	62,548,722
Issued during current half year	2,175,000	2,175,000
Options:		
There are no Options on issue.		

5. Earnings per share

	Current Half-Year Consolidated	Previous Corresponding Half Year Consolidated
Basic earnings per share	-1.3c	-2.9c
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	62,548,722	51,476,796
The diluted earnings per share is not materially different from the basic earnings per share.		

Pegmont Mines Limited

Notes to the Financial Statements

For the Half-Year ended 30 June 2012

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 2012/13 amounts of approximately \$355,000 (2011/2012 \$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 2012.