PEGMONT MINES LTD
ACN: 97 003 331 682

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2013

PEGMONT MINES LIMITED

Directors' Report

The Directors' present their report on the results of the Company for the year ended 31 December, 2013 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 Chairman
Mr.David R Curtis 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 loss after providing for income tax and eliminating minority equity interests amounted to $742,180 (2012 - loss $1,462,588).

Dividends
No dividend was paid during the year (2011 - Nil).

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 that have not been covered in the 'Review of Operations'.

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 2013.

Options over Unissued Capital
The total number of options issued as at 31 December 2013 was NIL (2011-NIL). At 31 December 2013 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 2013.

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 2013 financial report; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

Mr. Rolf Garda
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. Malcolm A Mayger	5
Mr. David R Curtis	2

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 78 is a professional company director with over 40 years of 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 74 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 investment interests.

CURTIS, David R (Non- Executive Director) BBus

Mr. David R Curtis, aged 50, is a finance specialist with experience as a director with Credit Suisse in Australia, Hong Kong and Japan, and Macquarie Bank Ltd, Australia.

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 Caml Pty Ltd, an entity of which Mr. David Curtis was 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 preceding 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.

Key management personnel of Pegmont Mines Limited

	Short-Term		**Post Employment**		**Share-based Payments**	**Total**
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits		
	$	$	$	$	$	$
Directors						
John Armstrong						
2013	**40,000**	-	-	-	-	**40,000**
2012	**43,750**	-	-	-	-	43,750
Malcolm Mayger						
2013	**60,000**	-	-	-	-	**60,000**
2012	90,375	-	-	-	-	90,375
David Curtis						
2013	**10,000**	-		-	-	**10,000**
2012	21,250	-	-	-	-	21,250
Other key management personnel						
Chris Leslie						
2013	**15,150**	-	-	-	-	**15,150**
2012	50,650	-	-	-	-	50,650
Total key management personnel compensation						
2012	**125,150**	-	-	-	-	**125,150**
2012	206,025	-	-	-	-	206,025

Service agreements

Malcolm Mayger, Managing Director:

Pursuant a Service Agreement, which commenced on 25th of June 1987, the Directors have arranged for

Malcolm Mayger to provide his services as Managing Director of Pegmont.

Share-based compensation

Where options are issued to key management personnel as part of their remuneration the options are not issued based on performance criteria, but are issued to key management personnel of Pegmont Mines Limited to increase goal congruence between key management personnel and shareholders. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company.

There were no options granted to or vesting with key management personnel during the year, and there were no options forfeited during the year.

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Pegmont Mines Limited during the year.

Directors' Interest, in the Share Capital of the Company as at the date of this report

		Shares at 31/12/2012	Acquired/(Disposed) during the year	Shares at 31/12/2013
J M Armstrong	Direct	88,750	-	88,750
	Indirect	750,000	-	750,000
D R Curtis	Direct	412,500	-	412,500
	Indirect	2,450,162	-	2,450,162
M A Mayger	Direct	400,000	-	400,000
	Indirect*	33,460,000	-	33,460,000
		37,561,412	-	37,561,412

*Includes Pegasus Enterprises Ltd in which M A Mayger is a controlling shareholder.

Signed: at Sydney in accordance with a resolution of Directors.

M. Mayger

Malcolm A Mayger

Dated: 31 March 2014

Pegmont Mines Limited

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 2013 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.

M. Mayger

MA Mayger
Director
Sydney, 31 March 2014

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Income Statement
For The Year Ended 31 December 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent Entity 2013 $	Parent Entity 2012 $
Revenue from continuing operations					
Gross revenue from share trading		296,137	1,835,143	296,137	1,835,143
Cost of sales		517,845	1,967,425	517,845	1,967,425
Revenue from sale of shares		(221,708)	(132,282)	(221,708)	(132,282)
Write back (increase) of provision for shares		176,303	(104,035)	176,303	(104,035)
Net trading profit after provisions		(45,405)	(236,317)	(45,405)	(236,317)
Interest received or due and receivable from other Corporations		12,032	48,948	12,032	48,948
Dividends received		250	-	250	-
Other revenue		14,075	2,750	14,075	12,750
		(19,048)	(184,619)	(19,048)	(174,619)
Expenses from continuing operations					
Audit fees		(15,000)	(20,000)	(15,000)	(20,000)
Directors fees		(110,000)	(155,375)	(110,000)	(155,375)
Exploration written off		(388,545)	(853,777)	(388,545)	(853,777)
Impairment for subsidiaries		-	-	(2,500)	(12,500)
Stock exchange fees		(11,830)	(13,297)	(11,830)	(13,297)
Share registry fees		(13,002)	(9,046)	(13,002)	(9,046)
Secretarial & office expenses		(70,978)	(117,991)	(70,978)	(115,491)
Superannuation		(6,377)	(19,481)	(6,377)	(19,481)
Other expenses from ordinary activities		(107,400)	(89,002)	(104,900)	(89,002)
		(723,132)	(1,277,969)	(723,132)	(1,287,969)
Profit before income tax		(742,180)	(1,462,588)	(742,180)	(1,462,588)
Income tax attributable	2	-	-	-	-
Profit attributable to members of Pegmont Mines Ltd		(742,180)	(1,462,588)	(742,180)	(1,462,588)
Earnings per share for profit attributable to the ordinary equity holders of the Company	19	(0.012)	(0.023)	(0.012)	(0.023)

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

Balance Sheet

As At 31 December 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
Current Assets					
Receivables	3	50,439	74,402	50,439	74,402
Available for sale financial assets	4	87,609	252,101	122,941	289,933
Cash and cash equivalents	5	18,550	520,330	18,548	520,328
Total Current Assets		156,598	846,833	191,928	884,663
Non-Current Assets					
Held-to-Maturity Investments	6	-	-	2	2
Property, Plant & Equipment	7	100,000	100,000	100,000	100,000
Mineral Tenements	8	3,245,425	3,395,425	3,245,425	3,395,425
Total Non-Current Assets		3,345,425	3,495,425	3,345,427	3,495,427
Total Assets		3,502,023	4,342,258	3,537,355	4,380,090
Current Liabilities					
Payables	9	146,277	103,333	181,610	141,165
Total Liabilities		146,277	103,333	181,610	141,165
Net Assets		3,355,744	4,238,925	3,355,745	4,238,925
Equity					
Contributed equity	10	3,979,800	3,970,800	3,979,800	3,970,800
Reserves	11	4,206,193	4,356,193	4,206,193	4,356,193
Retained profits	11	(4,775,982)	(4,033,801)	(4,830,248)	(4,088,068)
Total parent entity interest		3,410,011	4,293,192	3,355,745	4,238,925
Outside equity interests in controlled entities		54,267	54,267		
Total Equity		3,355,744	4,238,925	3,355,745	4,238,925

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

Statement of Changes in Equity

For the year ended 31 December 2013

	Consolidated		Parent entity	
	2013 $	2012 $	2013 $	2012 $
Total equity at the beginning of the financial year	4,238,925	5,686,584	4,238,925	5,686,584
Total recognised income and expense for the year	(742,180)	(1,462,588)	(742,180)	(1,462,588)
Transactions with equity holders in their capacity as equity holders:				
Shares issued- note 10	9,000	214,929	9,000	214,929
Revaluation of exploration areas	(150,000)	(200,000)	(150,000)	(200,000)
Total equity at the end of the financial year	3,355,745	4,238,925	3,355,745	4,238,925
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	(742,180)	(1,462,588)	(742,180)	(1,462,588)
Minority interests	-	-	-	-
	(742,180)	(1,462,588)	(742,180)	(1,462,588)

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

Cash Flow Statement

For The Year Ended 31 December 2013

	Note	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
Cash Flows from Operating Activities					
Cash receipts in the course of operations		26,357	51,698	26,357	61,698
Cash payments in the course of operations		(556,295)	(590,194)	(553,795)	(587,694)
Net cash from operating activities	17	(529,938)	(538,496)	(527,438)	(525,996)
Cash Flows from Investing Activities					
Purchase of plant, property & equipment			-		-
Payments for investment securities		(436,295)	(1,895,810)	(436,295)	(1,908,310)
Exploration expenditure		388,545	853,777	388,545	853,777
Net cash provided for investing activities		(47,750)	(1,042,033)	(47,750)	(1,054,533)
Cash Flows from Financing Activities					
Increase in creditors		42,945	48,747	40,445	86,579
Increase/ decrease in debtors		23,963	30,180	23,963	30,180
Share issue		9,000	214,929	9,000	214,929
Net cash flow from financing activities		75,908	293,856	73,408	331,688
Net increase (decrease) in cash and cash equivalents		(501,780)	(1,286,673)	(501,780)	(1,286,673)
Cash and cash equivalents at the beginning of the financial year		520,330	1,807,003	520,328	1,807,001
Cash and cash equivalents at the end of the financial year	16	18,550	520,330	18,548	520,328

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For The Year Ended 31 December 2013

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 2013 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 2013

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 director's valuation after consideration of any impairment. It is reviewed on an annual basis at balance date, and is no longer depreciated.

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 2013

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 finanacial assets, other than goodwill, that sufferred an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and intangible assets that have an idefinite 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 of tenements 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 demonstrated economic grade, mineralisation; 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.

iii) Exploration expenditure is written off in the year during which it is incurred.

At certain milestones during the course of the evaluation of a project the carrying value is reviewed to a fair value, taking into account the likelihood of commercialisation and additional costs likely to be incurred to reach that stage. The last assessment of the carrying value of the Pegmont mining leases occurred in year 2000. Since then, a considerable amount of drilling has been undertaken which has led to the calculation of a maiden JORC compliant Resource in February 2011. Based on this information a review of the carrying value is being considered.

At the end of each financial year the Directors undertake a revaluation of capitalised exploration expenditure, and assess the carrying value of the acquisition expenditure carried forward in respect of each area of interest. 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 acquisition 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 2013

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.

Mineral Tenements are revalue annually by the directors, who in doing so, take into consideration whether there is any impairment and base it upon the parameters of AASB 6.

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 MinesLtd 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. No options were issued during the year.

Notes to the Financial Statements

For The Year Ended 31 December 2013

1. **Statement of Accounting Policies (Continued)**

v. **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:

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:

<u>Impairment of mineral tenements</u>

The future recoverability of the revalued mineral tenements 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 revalued 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 2013, the carrying value of mineral tenements of the group is $3,245,425 (2012-$3,395,425)

Notes to the Financial Statements

For The Year Ended 31 December 2013

	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
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	(742,180)	(1,462,588)	(742,180)	(1,462,588)
Timing and permanent differences	-	-	-	-
Prima facie tax payable at 30 %	-	-	-	-
Income tax/(refund) attributable to operating profit	-	-	-	-

3. Trade and other Receivables (Current)

	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
Security deposits DME & rental bond	36,328	35,780	36,328	35,780
GST control account	78	23,905	78	23,905
Prepayments	14,033	14,717	14,033	14,717
	50,439	74,402	50,439	74,402

4. Available for sale financial assets (Current)

	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
Quoted Shares	87,609	252,101	87,609	252,101
Unlisted Investments – at fair value	-	-	35,332	37,832
Closing balance at 31 December	87,609	252,101	122,941	289,933

5. Cash and cash equivalents (Current)

	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
Cash at bank and on hand	18,550	20,330	18,548	20,328
Cash on deposit	-	500,000	-	500,000
	18,550	520,330	18,548	520,328

Notes to the Financial Statements

For The Year Ended 31 December 2013

		Consolidated 2013 $	2012 $	Parent entity 2013 $	2012 $
6.	**Held-to-Maturity Investments (Non-current)**				
	Shares in controlled entities	-	-	199,361	199,361
	Loans to (from) subsidiaries				
	Loan to subsidiary	-	-	195,746	195,746
	Loan from subsidiary	-	-	(35,332)	(37,832)
	Provision for non-recovery	-	-	(359,773)	(357,273)
	At fair value 31 December 2013	-	-	2	2
7.	**Property, Plant and Equipment**				
	Property, plant & equipment - at cost	369,279	369,279	369,279	369,279
	Less: Accumulated depreciation	(269,279)	(269,279)	(269,279)	(269,279)
	Property, Plant & equipment – at Directors' valuation	100,000	100,000	100,000	100,000
	Reconciliation of carrying amount				
	Opening balance at 1 January 2012	100,000	66,280	100,000	66,280
	Plant & equipment acquired during year	-	-	-	-
	Disposals	-	-	-	-
	Depreciation write back during year	-	33,720	-	33,720
	Closing balance at 31 Dec 2013 – at Directors' valuation	100,000	100,000	100,000	100,000

Property, plant & equipment comprises the base camp at the Pegmont mineral tenement.

The annual revaluation was undertaken on 31Dec 2013.

		Consolidated 2013 $	2012 $	Parent entity 2013 $	2012 $
8.	**Mineral Tenements (Non-Current)**				
	Pegmont Lead-Zinc project at cost	893,807	893,807	893,807	893,807
	Exploration expenditure during the year	388,545	853,777	388,545	853,777
	Exploration expenditure expensed during the year	(388,545)	(853,777)	(388,545)	(853,777)
	Revaluation by Directors	2,106,193	2,106,193	2,106,193	2,106,193
	At Directors' valuation	3,000,000	3,000,000	3,000,000	3,000,000
	Pegmont regional exploration areas at fair value	-	150,000	-	150,000
	Reefway Pty Ltd royalty at fair value	100,000	100,000	100,000	100,000
	New Hope project acquisition at cost	145,425	145,425	145,425	145,425
	At Directors' valuation	3,245,425	3,395,425	3,245,425	3,395,425

A directors' revaluation, taking into account any impairment, was undertaken on 31 December 2013. It was based on the parameters of AASB 6.

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 "Wiki" 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 2013

	Consolidated 2013 $	2012 $	Parent entity 2013 $	2012 $
9. **Trade and other Payables (Current Liabilities)**				
Trade creditors and other loans	146,278	103,333	181,610	141,165

	Number	Parent entity 2013 $	Number	2012 $
10. **Ordinary shares – Fully paid**	62,698,722	3,979,800	62,548,722	3,970,800

During the year, 150,000 shares were issued at a deemed price of 6 cents per share, to contractors and to landowners where the company's exploration projects are located.

On 28 November 2013 the Company announced a non-renounceable pro-rata entitlement offer to shareholders of 1 new share for every 10 shares held at an offer price of $0.06 per new shares. The Entitlement offer closed on 31 January 2014.

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 2013 $	2012 $	Parent entity 2013 $	2012 $
(A) Reserves				
Asset Revaluation Reserve	2,206,193	2,356,193	2,206,193	2,356,193
Capital Profit Reserve	2,000,000	2,000,000	2,000,000	2,000,000
	4,206,193	4,356,193	4,206,193	4,356,193
(B) Retained Earnings				
Balance 1 January	(4,033,801)	(2,571,213)	(4,088,068)	(2,625,480)
Profit for the year after related income tax expense	(742,180)	(1,462,588)	(742,180)	(1,462,588)
Balance 31 December	(4,775,982)	(4,033,801)	(4,830,248)	(4,088,068)

(C) Nature and purpose of reserves
The capital reserve is used to quarantine net realised 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 M Armstrong and David R Curtis

Executives during year
Christopher Leslie

Notes to the Financial Statements

For The Year Ended 31 December 2013

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	838,750	-	-	838,750
MA Mayger	33,860,000	-	-	33,860,000
DR Curtis	2,450,162	-	-	2,450,162
Total shares	37,148,912	-	-	37,148,912

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 exploration for gold, lead-zinc and other minerals and equity investments within Australia.

14. **Remuneration of Directors**

			Consolidated		Parent entity	
Type of transaction	**Related party -directors**	**Terms and conditions**	2013 $	2012 $	2013 $	2012 $
Directors' fees	MA Mayger	Normal commercial	60,000	90,375	60,000	90,375
Directors' fees	JM Armstrong	Normal commercial	40,000	43,750	40,000	43,750
Directors' fees	DR Curtis	Normal commercial	10,000	21,250	10,000	21,250

Notes to the Financial Statements

For The Year Ended 31 December 2013

15. **Controlled Entities**

Name	Inc	Class	Book value 2013 $	Book value 2012 $	Equity 2013 %	Equity 2012 %	Contribution to Group 2013 $	Contribution to Group 2012 $
Pilbara Ventures Ltd	NSW	Ord	19,359	19,359	100	100	-	-
Queensland Copper Mines Pty Ltd	NSW	Ord	1	1	100	100	-	-
Kimberley Ventures Ltd	NSW	Ord	180,001	180,001	60	60	(2,500)	(12,500)
			199,361	199,361				
Contribution to Group Profit (Loss) after minorities								
Parent –Pegmont Mines Ltd							(739,680)	(1,450,088)
Profit (loss) for year – group							(742,180)	(1,462,588)
Loans to (from) subsidiaries			160,414	157,914				
Provision for loss			(359,773)	(357,273)				
Parent net investment in subsidiaries			2	2				

	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
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	18,550	20,330	18,548	20,328
Call deposits	-	500,000	-	500,000
	18,550	520,330	18,548	520,328

Cash at bank bear a weighted average interest rate of 2.5%

	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
17. Reconciliation Of Net Cash Outflow From Operating Activities To Operating Loss After Income Tax				
Operating Profit (Loss)	(742,180)	(1,462,588)	(742,180)	(1,462,588)
• Depreciation provision	-	(33,720)	-	(33,720)
• Exploration	388,545	853,777	388,545	853,777
• Provision for subsidiaries	-	-	2,500	12,500
• Unrealised loss on investments	(176,303)	104,035	(176,303)	104,035
Net cash provided for operating activities	(529,938)	(538,496)	(527,438)	(525,996)

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 2013

18. **Subsequent Events**

No other matter or circumstance has arisen since 31 December 2013 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 2013.

19. **Earnings Per Share(eps)**

	Consolidated 2013 $	2012 $	Parent entity 2013 $	2012 $
(a) Basic (loss) per share				
(Loss) attributable to the ordinary equity holders of the Company	**(0.012)**	**(0.023)**	**(0.012)**	**(0.023)**
(b) Earnings used in calculating earnings per share				
(Loss) attributable to the ordinary equity holders of the Company	**(742,180)**	**(1,462,588)**	**(742,180)**	**(1,462,588)**
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**62,698,722**	**62,548,722**	**62,698,722**	**62,548,722**

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 $	Fixed Maturity Date 1 to 2 years $	Non-interest Bearing $	Total $
2013						
Financial assets						
Cash	-	-	-	-	18,550	18,550
Interest bearing deposits	2.5	-	-	-	-	-
Receivables	-	-	-	-	50,439	50,439
		-	-	-	68,989	68,989
Financial liabilities						
Accounts payable		-	-	-	146,277	146,277
		-	-	-	146,277	146,277

Notes to the Financial Statements

For The Year Ended 31 December 2013

	Weighted Average Effective Interest Rate %	Variable Interest $	Fixed Maturity Date Less than 1 year $	1 to 2 years $	Non-interest Bearing $	Total $
2012						
Financial assets						
Cash	-	-	-	-	20,328	20,328
Interest bearing deposits	4.1	500,000	-	-	-	500,000
Receivables	-	-	-	-	74,402	74,402
		500,000	-	-	94,730	594,730
Financial liabilities						
Accounts payable		-	-	-	103,333	103,333
		-	-	-	103,333	103,333

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 NSXA Listing Rules.

Financing arrangements

The Company has no financing facilities available to it

21. Auditors' Remuneration

	Consolidated 2013 $	Consolidated 2012 $	Parent entity 2013 $	Parent entity 2012 $
Amount received or due and receivable by the auditor for:				
a) **Audit services**				
Audit and review of financial reports under the Corporations Act 2001	15,000	20,000	15,000	20,000
b) **Non Audit services**				
Income tax return preparation	-	-	-	-
Total remuneration of auditors	15,000	20,000	15,000	20,000

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. There are no non-audit services provided.

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 2014 amounts of approximately $880,000 subject to relinquishment (2013 $880,000) 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.

ROTHSAY

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 2013 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.

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 2013 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 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rolf Garda
Partner

Dated 31st March 2014