

Pegmont Mines Limited

ACN 003 331 682

Financial Report for the
Half-Year ended 30 June 2015

Directors' Report

The Directors of Pegmont Mines Limited submit herewith the financial report for the half-year ended 30 June 2015. 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, Fiin, FAICD*

Mr Armstrong, aged 80, is a professional company director with over 40 years experience in investment banking, resource finance and investment management at senior management and director levels.

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

Mr Mayger, aged 75, 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.

READ, Peter J. (Non-Executive Director) *B. Ec.*

Mr Read, aged 76, is a corporate specialist with experience as a previous managing director with Drillsearch Energy Ltd and Queensland Resources NL. In addition he has extensive experience in marketing and business consulting.

Review of Operations

The company's operations during the half year to 30 June 2015 resulted in a net loss of \$157,422 an improvement on a loss of \$279,167 to June 2014. This result is after expensing all administration and exploration and resource evaluation expenditure incurred during the six months and including share trading losses of \$10,248 (2014-\$21,953).

	Segment Revenue 2015 \$	Segment Profit/(Loss) 2015 \$	Segment Profit/(Loss) 2014 \$
Share Trading	39,699	(61,370)	(80,709)
Dividends Received	25	25	-
Gross Revenue from share trading	39,724	(61,345)	(80,709)
Interest & Other	2,786	2,786	3,273
	42,510	(58,559)	(77,436)
Exploration expenditure-net of recoveries		(29,478)	(113,077)
Unallocated expenses		(120,507)	(147,409)
Profit/(loss) from ordinary activities before tax		(208,544)	(337,922)
Income Tax expense/(credit)		-	-
Provision for share trading profit/(loss)		51,122	(58,756)
Profit/(loss) for half-year after income tax and provision		(157,422)	(279,166)
Earnings/(loss) per share		(0.2c)	(0.4c)

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

Activities

No field exploration activities were undertaken by the Company as Vendetta Mining Corp continued to evaluate the Pegmont deposit during the 6 months in accordance with the Purchase Option Agreement with the Company. However, Vendetta has indicated their intention to conduct an active program of drilling during the remainder of 2015 in order to update Inferred Resource over Zone 5 (Southern Lode), estimate an Inferred Resource at the Gossan Lode and conduct metallurgical test work on Gossan and Zone 5 mineralisation.

Vendetta has advised that its direct expenditure on the Pegmont Project from commencement of the Option Purchase Agreement to 10 August 2015, the anniversary date of the EPM tenements, was \$1,073,062 plus administration costs of \$107,306. Together with prior expenditure incurred by Pegmont Mines Limited total expenditure comfortably exceeds expenditure requirements of EPMs 14491 and 1506 with one year to spare.

Vendetta's intention is to continue the drill program into 2016 in order to generate sufficient inferred Resources to provide the basis for a scoping study and justification for consolidation of the Pegmont Project tenements.

Changes In State Of Affairs

During the half year the Company has reduced corporate expenditure including deferred Directors' Fees (\$30,000) to approximately \$250,000 per annum which equates to anticipated receipts of \$250,000 from Vendetta Mining Corp's second option payment due November 2015. The Company is now in a financially sustainable position for the first time in a number of years. 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 2015 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit review.

Graham Swan
Rothsay Chartered Accountants"

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

Dated this 10 day of September 2015

On behalf of the Directors



MA Mayger

Director



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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 2015.

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 2015 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 2015 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay

Graham Swan FCA
Partner

Dated 10th September 2015



Chartered Accountants

Directors' Declaration

For The Half-Year Ended 30 June 2015

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 10 day of September 2015.

Statement of Profit and Loss and Other Comprehensive Income

For The Half-Year Ended 30 June 2015

	Note	Half-year Ended 30 June 2015 \$	Half-year ended 30 June 2014 \$
Revenue from continuing operations			
Gross revenue from share trading		39,699	73,300
Cost of sales		101,069	154,009
Loss on sale of shares		(61,370)	(80,709)
Write back (increase) of provision for shares		51,122	58,756
		(10,248)	(21,955)
Investment income		2,811	3,273
Expenses from ordinary activities		(149,985)	(260,486)
Income tax credit/(expense)		—	—
Net Profit/(loss) from ordinary activities for half-year after income tax		(157,422)	(279,166)
Minority interests		—	—
Profit/(loss) for half year attributable to members of Pegmont Mines NL and recognised directly in equity		(157,422)	(279,166)
Retained Profits brought forward		(5,155,459)	(4,775,982)
Retained Profits at end of half-year		(5,312,881)	(5,055,148)
Earnings per share (cents per share) – basic	4	(0.2)	(0.4)

Balance Sheet

As at 30 June 2015

	Half-year 30 June 2015	Annual Report 31 Dec 2014	Half-year 30 June 2014
	\$	\$	\$
Current Assets			
Cash	290,795	410,861	51,705
Receivables	47,838	57,381	42,013
Investments	23,925	32,412	67,709
Total Current Assets	362,558	500,654	161,427
Non-Current Assets			
Hold to – Maturity Investments	–	–	–
Property, Plant and Equipment	100,000	100,000	100,000
Mineral Tenements	3,245,425	3,245,425	3,245,425
Total Non-Current Assets	3,345,425	3,345,425	3,345,425
Total Assets	3,707,983	3,864,079	3,506,852
Current Liabilities			
Payables	76,696	57,371	205,531
Total Current Liabilities	76,696	57,371	205,531
Non-Current Liabilities—Loans	300,000	300,000	–
Total Non-Current Liabilities	376,696	357,371	205,531
Net Assets	3,331,287	3,448,708	3,301,321
Equity			
Contributed equity	4,465,108	4,465,108	4,204,543
Reserves	4,206,193	4,206,193	4,206,193
Retained profits	(5,312,881)	(5,155,459)	(5,055,148)
Total entity interest	3,358,420	3,515,842	3,355,588
Outside equity interests in controlled entities	27,133	27,134	54,267
Total parent equity interest	3,331,287	3,448,708	3,301,321
Net tangible assets per share cents	4.7	4.9	4.9

Statement of Cash Flows

For The Half-Year Ended 30 June 2015

		Half-year Ended 30 June 2015	Half-year ended 30 June 2014
	Note	\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations			
Receipts from sale of shares		39,699	73,300
Cash payments in the course of operations			
Payments for purchase of shares		(34,923)	(7,677)
Directors & Secretary fees		(30,600)	(14,550)
Payments to suppliers and contractors		(52,575)	(132,859)
Interest and other items of a similar nature received		2,811	3,273
Net cash from operating activities		(75,588)	(78,513)
Cash Flows Related To Investing Activities			
Exploration expenditure		(29,478)	(113,077)
Net cash provided from investing activities		(29,478)	(113,077)
Cash flows from financing activities			
Share Placement		—	224,743
Repayment of loan		(15,000)	—
Net cash flows from financing activities		(15,000)	224,743
Net increase/(decrease) in cash and cash equivalents		(120,066)	33,153
Cash and cash equivalents at the beginning of the half year		410,861	18,550
Cash and cash equivalents at end of half year	3	290,795	51,703

Statement of Change in Equity

For the Half-Year Ended June 2015

	Half-year Ended 30 June 2015 Number Issued	Half-year Ended 30 June 2014 Number Issued
Ordinary shares issued at 31 December 2013		62,698,722
31 December 2014	71,041,556	—
Issued during current half year	—	4,017,834
Ordinary shares issued at 30 June 2013		66,716,556
30 June 2014	71,041,556	—
	71,041,556	71,041,556

Note: All shares that are Issued are Quoted.
There were no other category of Issued or Quoted Securities.

Options: There were no options on issue.

Notes to the Financial Statements**For the Half-Year ended 30 June 2015****1. Basis of Preparation of Half-Year Financial Statements**

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2015 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001* and International Financial Reporting Standards.

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 2014 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 2015, 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 2014.

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 2015. 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.

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	2,786	192
b) crediting insurance recoveries as revenue	—	3,081
c) exploration expensed	(29,478)	(113,077)

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	40,795	51,703
Deposits at call	250,000	—
Cash and cash equivalents at 30 June 2015	290,795	51,703

NOTES TO THE FINANCIAL STATEMENTS (CONT)**4. Earnings per share**

	Current Half-year Consolidated	Previous Corresponding Half-year Consolidated
	\$	\$
Basic earnings per share	-0.2c	-0.4c
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	71,041,556	66,716,556

The diluted earnings per share is not materially different from the basic earnings per share.

5. Commitments for expenditure**Mineral tenement leases**

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay during 2015/16 amounts of approximately \$25,000 (2014/2015 \$425,000) only in respect of tenement lease rentals. However, additional exploration expenditures to meet the minimum expenditure requirements in accordance with the Option Purchase Agreement with Vendetta will be undertaken.

6. Segmental Information

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

7. 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 2015.