

Pegmont Mines Limited

ACN 003 331 682

Financial Report for the
Half-Year ended 30 June 2017

Directors' Report

The Directors of Pegmont Mines Limited submit herewith the financial report for the half-year ended 30 June 2017. 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, FFin, FAICD*

Mr Armstrong, aged 82, 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, FAICD*

Mr Mayger, aged 77, 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. FAICD*

Mr Read, aged 78, 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 2017 resulted in a net profit of \$226,738 an improvement on a loss of \$10,955 to June 2016. This result is after expensing all administration and exploration and resource evaluation expenditure incurred during the six months and including share trading loss of \$3,235 (2016- profit \$6,915).

	Segment Revenue 2017 \$	Segment Profit/(Loss) 2017 \$	Segment Profit/(Loss) 2016 \$
Share Trading	16,774	(4,335)	(2,998)
Dividends Received	—	—	—
Gross Revenue from share trading	16,774	(4,335)	(2,998)
Interest	5,564	5,564	850
Option proceeds	350,000	350,000	150,000
	372,338	351,229	147,852
Exploration expenditure-net of recoveries		(22,145)	(34,584)
Unallocated expenses		(103,446)	(134,136)
Profit/(loss) from ordinary activities before tax		225,638	(20,868)
Income Tax expense/(credit)		—	—
Provision for share trading profit/(loss)		1,100	9,913
Profit/(loss) for half-year after income tax and provision		226,738	(10,955)
Earnings/(loss) per share		0.3c	(0.01c)

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

Activities

Apart from desktop reviews on several properties in the Mt Isa Region no field exploration activities were undertaken by the Company. Vendetta Mining Corp(Vendetta) under the Option Agreement with the Company to acquire the Pegmont lead-zinc Project tenements commenced a 12,000 metre drill program on 12 May 2017 that will continue for four months to September. Completion of this drill program would fulfill Vendetta's drilling obligations under the Option Agreement.

Vendetta announced on 27 June 2017 an updated resource estimate for the Pegmont lead-zinc deposit of 2.245Mt Indicated Resource assaying 5.6% Pb, 2.6% Zn and Inferred Resource of 9.647Mt of 5% Pb, 2.9% Zn. Vendetta has continued drilling and has provided updated drill assay results on 25 July and 25 August.

Changes In State Of Affairs

The Company's investing activities were minimal due to ongoing political and economic uncertainties. The continued involvement of Vendetta has resulted in the payment of their option fee of \$350,000 and reimbursement of tenement holding costs amounting to approximately \$33,822. The Company continues to be in a financially sustainable position for the foreseeable future. On 22 August 2017 the Company, applied for an Exploration Permit for Minerals (EPM) in the Mt Isa region. 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 2017 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit review.

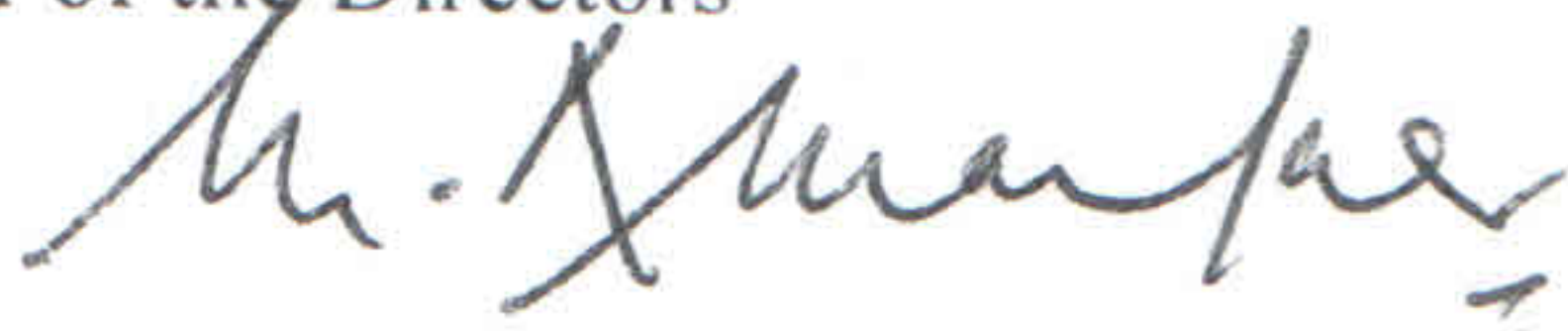
Graham Swan

Rothsay Chartered Accountants"

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

Dated this 7 day of September 2017

On behalf of the Directors



MA Mayger

Director



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

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 2017.

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 2017 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 2017 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 Auditing

Graham Swan FCA
Partner

Dated 7th September 2017



Chartered Accountants

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Pegmont Mines Limited
13 Oden St
Port Macquarie NSW

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 30 June 2017 interim financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)

Rothsay Auditing

Dated

7th

September 2017



Chartered Accountants

Directors' Declaration

For The Half-Year Ended 30 June 2017

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 7 day of September 2017.

Statement of Profit and Loss and Other Comprehensive Income

For The Half-Year Ended 30 June 2017

		Half-year Ended 30 June 2017	Half-year ended 30 June 2016
	Note	\$	\$
Revenue from continuing operations			
Gross revenue from share trading		16,774	40,690
Cost of sales		21,109	43,688
Loss on sale of shares		(4,335)	(2,998)
Write back (increase) of provision for shares		1,100	9,913
		(3,235)	6,915
Investment income		5,564	850
Option proceeds		350,000	150,000
Expenses from ordinary activities		(125,591)	(168,720)
Income tax credit/(expense)	5	—	—
Net Profit/(loss) from ordinary activities for half-year after income tax		226,738	(10,955)
Minority interests		—	—
Profit/(loss) for half year attributable to members of Pegmont Mines NL and recognised directly in equity		226,738	(10,955)
Retained Profits brought forward		(5,536,180)	(5,412,224)
Retained Profits at end of half-year		(5,309,442)	(5,423,179)
Earnings per share (cents per share) – basic	4	3	(01)

Balance Sheet

As at 30 June 2017

	Half-year 30 June 2017	Annual Report 31 Dec 2016	Half-year 30 June 2016
	\$	\$	\$
Current Assets			
Cash	516,080	217,864	270,477
Receivables	51,128	59,045	60,900
Investments	31,438	23,900	24,800
Total Current Assets	598,646	300,809	356,177
Non-Current Assets			
Hold to – Maturity Investments	–	–	–
Property, Plant and Equipment	55,000	70,000	85,000
Mineral Tenements	3,247,412	3,245,823	3,245,425
Total Non-Current Assets	3,302,412	3,315,823	3,330,425
Total Assets	3,901,058	3,616,632	3,686,602
Current Liabilities			
Payables	218,200	160,512	123,481
Total Current Liabilities	218,200	160,512	123,481
Non-Current Liabilities—Loans	300,000	300,000	300,000
Total Non-Current Liabilities	518,200	460,512	423,481
Net Assets	3,382,858	3,156,120	3,263,121
Equity			
Contributed equity	4,486,107	4,486,107	4,480,107
Reserves	4,206,193	4,206,193	4,206,193
Retained profits	(5,309,442)	(5,536,180)	(5,423,179)
Total entity interest	3,382,858	3,156,120	3,263,121
Outside equity interests in controlled entities	–	–	–
Total parent equity interest	3,382,858	3,156,120	3,263,121
Net tangible assets per share cents	4.7	4.4	4.6

Statement of Cash Flows**For The Half-Year Ended 30 June 2017**

		Half-year Ended 30 June 2017	Half-year ended 30 June 2016
Note		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations			
	Receipts from sale of shares	16,774	40,690
Cash payments in the course of operations			
	Payments for purchase of shares	(21,109)	(43,688)
	Directors & Secretary fees	(20,000)	(32,200)
	Payments to suppliers and contractors	(10,868)	(77,040)
	Interest and other items of a similar nature received	5,564	850
	Net cash from operating activities	(29,639)	(111,388)
Cash Flows Related To Investing Activities			
	Exploration expenditure	(22,145)	(34,584)
	Option proceeds	350,000	150,000
	Net cash provided from investing activities	327,855	115,416
Cash flows from financing activities			
	Repayment of loan	—	—
	Net cash flows from financing activities	—	—
	Net increase/(decrease) in cash and cash equivalents	298,216	4,028
	Cash and cash equivalents at the beginning of the half year	217,864	266,449
	Cash and cash equivalents at end of half year	516,080	270,477

Statement of Change in Equity

For the Half-Year Ended June 2017

	Half-year Ended 30 June 2017 Number Issed	Half-year Ended 30 June 2016 Number Issed
Ordinary shares issued at 31 December 2015	–	71,291,556
31 December 2016	71,391,556	–
Issued during current half year	–	–
Ordinary shares issued at 30 June 2016		71,291,556
30 June 2017	71,391,556	–
	71,391,556	71,291,556

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 2017

1. Basis of Preparation of Half-Year Financial Statements

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2017 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 2016 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 2017, 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 2016.

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 2017. 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	5,564	850
b) option proceeds received	350,000	150,000
c) exploration expensed	(22,145)	(34,584)

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	103,690	64,955
Deposits at call	412,390	205,522
Cash and cash equivalents at 30 June 2017	516,080	270,477

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

	Current Half-year Consolidated	Previous Corresponding Half-year Consolidated
	\$	\$
Basic earnings per share	03c	-0.1c
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	71,391,556	71,291,556

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

5. Income Tax

Prima facie tax payable on the operating profit at 30.0%	68,021	-
Timing Differences	<u>(68,021)</u>	-
Income Tax Expense	-	-

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 during 2017/18 amounts of approximately \$28,000 (2016/2017 \$25,000) in respect of tenement lease rentals most of which will be reimbursed by Vendetta Mining Corp. Additional exploration expenditures to meet the minimum expenditure requirements will be met by Vendetta in accordance with the Option Purchase Agreement.

7. 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.

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 2017.