

**PEGMONT MINES N.L.**

**ACN: 003 331 682**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER, 2002**

**PEGMONT MINES N.L.**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2002**

	NOTES	2002	2001	2002	2001
		\$	\$	\$	\$
		Economic Entity		Chief Entity	
<b>CURRENT ASSETS</b>					
Cash	4	138,680	210,077	5,840	14,131
Receivables	5	41,976	37,778	20,311	30,642
		-----	-----	-----	-----
<b>TOTAL CURRENT ASSETS</b>		<b>180,656</b>	<b>247,855</b>	<b>26,151</b>	<b>44,773</b>
		-----	-----	-----	-----
<b>NON-CURRENT ASSETS</b>					
Other	6	6,492,905	6,535,810	3,392,905	3,435,810
Investment in Subsidiary	7	-	-	3,009,013	2,979,919
		-----	-----	-----	-----
<b>TOTAL NON CURRENT ASSESTS</b>		<b>6,492,905</b>	<b>6,535,810</b>	<b>6,401,918</b>	<b>6,415,729</b>
		-----	-----	-----	-----
<b>TOTAL ASSETS</b>		<b>6,673,561</b>	<b>6,783,665</b>	<b>6,428,069</b>	<b>6,460,502</b>
		-----	-----	-----	-----
<b>CURRENT LIABILITES</b>					
Creditors and Borrowings	8	202,663	145,651	196,824	142,592
		-----	-----	-----	-----
<b>TOTAL LIABILITIES</b>		<b>202,663</b>	<b>145,651</b>	<b>196,824</b>	<b>142,592</b>
		-----	-----	-----	-----
<b>NET ASSETS</b>		<b>6,470,898</b>	<b>6,638,014</b>	<b>6,231,245</b>	<b>6,317,910</b>
		=====	=====	=====	=====
<b>SHAREHOLDERS EQUITY</b>					
Share Capital	9	2,546,901	2,538,901	2,546,901	2,538,901
Reserves	10	4,559,159	4,559,159	4,559,159	4,559,159
Accumulated losses		(1,418,320)	(1,263,447)	(874,815)	(780,150)
		-----	-----	-----	-----
<b>SHAREHOLDERS EQUITY</b>					
<b>ATTRIBUTABLE TO MEMBERS OF</b>					
<b>THE CHIEF ENTITY</b>		<b>5,687,740</b>	<b>5,834,613</b>	<b>6,231,245</b>	<b>6,317,910</b>
		-----	-----	-----	-----
Outside equity interests in controlled entities		783,158	803,401	-	-
		-----	-----	-----	-----
<b>TOTAL SHAREHOLDERS EQUITY</b>		<b>6,470,898</b>	<b>6,638,014</b>	<b>6,231,245</b>	<b>6,317,910</b>
		=====	=====	=====	=====

The accompanying notes form part of these accounts.

**PEGMONT MINES N.L.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Economic Entity		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts in the course of operations	26,685	15,352	5,000	9,312
Cash payments in the course of operations	(53,446)	(66,849)	(35,007)	(54,406)
	-----	-----	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	(26,761)	(51,497)	(30,007)	(45,094)
	-----	-----	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Mineral tenement expenditure	(105,450)	(662,113)	(21,752)	(134,862)
Investment in subsidiary - purchase of shares	-	-	-	(280,000)
- loan advance	-	-	(49,594)	(348,263))
- loan repayment	-	-	20,500	310,561
	-----	-----	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	(105,450)	(662,113)	(50,846)	(452,564)
	-----	-----	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from share issues	8,000	375,000	8,000	-
Proceeds from borrowings	132,900	37,292	132,900	37,292
Reduction in borrowings	(17,606)	(50,080)	(17,606)	(50,080)
Decrease in creditors	(64,841)	28,327	(63,252)	35,465
Decrease in debtors	2,361	-	12,520	-
	-----	-----	-----	-----
NET CASH FLOW FROM FINANCING ACTIVITIES	60,814	390,539	72,562	22,677
	-----	-----	-----	-----
NET INCREASE IN CASH HELD	(71,397)	(323,071)	(8,291)	(474,981)
	-----	-----	-----	-----
Add opening cash brought forward	210,077	533,148	14,131	489,112
	-----	-----	-----	-----
CLOSING CASH BALANCE	138,680	210,077	5,840	14,131
	=====	=====	=====	=====

**PEGMONT MINES N. L.**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2002**

		Economic Entity		Chief Entity	
	NOTES	2002	2001	2002	2001
		\$	\$	\$	\$
Revenue from ordinary activities	2	26,685	15,352	5,000	9,312
Expenses from ordinary activities		201,801	584,987	99,665	305,256
		-----	-----	-----	-----
Loss from ordinary activities before income tax	2	175,116	569,635	94,665	295,944
Income tax attributable to operating loss	3	-	-	-	-
		-----	-----	-----	-----
Operating loss after income tax		175,116	569,635	94,665	295,944
Less minority interests		20,243	39,713	-	-
		-----	-----	-----	-----
		154,873	529,922	94,665	295,944
Accumulated losses at the beginning of the financial year		1,263,447	733,525	780,151	484,206
		-----	-----	-----	-----
Accumulated losses at the end of the financial year		1,418,320	1,263,447	874,815	780,150
		=====	=====	=====	=====

The accompanying notes form part of these accounts.

**PEGMONT MINES N. L.**  
**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES**

These general purpose financial statements have been prepared in accordance with Accounting Standards, other mandatory professional requirements (Urgent Issues Group Consensus Views) and the Corporations Law. The financial statements have also been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied unless otherwise stated.

**Principles of consolidation**

The consolidated accounts comprise the accounts of Pegmont Mines NL the chief entity and all of its controlled entities. A controlled entity is any entity controlled by Pegmont Mines NL. Control exists where Pegmont Mines NL has the capacity to dominate the decision making in relation to the financial and operating policies of another entity so that the other entity operates with Pegmont Mines NL to achieve the objectives of Pegmont Mines NL.

A list of controlled entities is contained in Note 7 to the accounts. All inter-company balances and transactions between entities in the economic entity, including any unrealised profit of losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceases.

**Mineral Exploration, Evaluation, Development and Construction Costs**

Costs incurred during exploration, acquisition, evaluation development and construction activities which relate to an area of interest are carried forward where drilling in the areas of interest has demonstrated significant mineralisation. Lease rentals relating to such areas are written off as incurred.

General investigation and exploration expenditures incurred on current projects where significant mineralisation has not been demonstrated by drilling are written off in full or fully provided against in the period in which they occur. 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.

The company's mineral tenements were revalued in accordance with values detailed in an "Independent Geological Report and Valuation of Mineral Interests" prepared for the company by Terence Willstead and Associates on 11 September 2000.

The ultimate recoupment of costs related to areas of interest in the exploration and/or evaluation phase is dependent on the successful development and commercial exploitation or sale of the relevant areas.

**Segment Information**

The Economic Entity operates in Australia in the exploration and development of mining tenements, surplus funds are invested in short term deposits at call.

**PEGMONT MINES N.L.**  
**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**FOR THE YEAR ENDED 30 DECEMBER 2002**

**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (cont'd)**

**Income Tax**

The Economic Entity adopts the liability method of tax effect accounting whereby the income tax expense shown in the profit and loss account is based on the operating profit before tax, adjusted for permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of operating profit and taxable income are brought to account as either provision for deferred income tax or an asset described as future income tax benefit.

Further income tax benefits are not brought to account as an asset unless realisation of the benefit is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of these benefits are based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

**Property, plant and equipment**

Property, plant and equipment are included at cost. Depreciation is provided on a straight line basis on all property, plant and equipment at rates calculated to write off the costs, less estimated value at the end of the useful lives of the assets, over those estimated useful lives.

**Investments**

Investments represent shares in listed and unlisted corporations recorded at cost or valuation. Where the market value of an investment is below cost, a provision is made. Investments in controlled entities are carried at their net asset value.

**Intangible assets - Costs of shares issue**

Costs associated with the share issues are amortised over three years.

**Going concern basis**

The accounts have been prepared on a going concern basis of accounting which contemplates the continuity of normal business activity, the joint venture and the realisation of assets and the settlement of liabilities in the normal course of business.

The directors are of the opinion that the basis upon which the accounts are prepared is appropriate in the circumstances. However if the company is unable to raise sufficient funds to remain as a going concern, the ability to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial statements may be affected.

**PEGMONT MINES N. L.**  
**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Economic Entity		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>NOTE 2 - OPERATING PROFIT</b>				
Operating loss before income tax has been determined after:				
(a) Crediting as revenue				
Interest received other corporations	6,685	15,352	-	9,312
Option fees received	20,000	-	-	-
Management fees	-	-	5,000	-
	-----	-----	-----	-----
	26,685	15,352	5,000	9,312
	=====	=====	=====	=====
(b) Charging as expenses:				
Amortisation of costs of shares issue	42,906	42,906	42,906	42,906
Auditors remuneration				
Auditing services	8,350	7,000	4,133	4,000
(the auditors received no other benefits )				
Exploration written off	105,450	735,195	21,752	207,944
Interest	974	-	14	-
<b>NOTE 3 - INCOME TAX</b>				
Prima facie tax payable on the operating loss at 30% (2001 34%)	(52,535)	(182,574)	(28,400)	(100,621)
Add tax effect of:				
Amortisation of new issue costs	12,872	14,588	12,872	14,588
Future income tax benefits not brought to account	39,663	167,986	15,528	86,033
	-----	-----	-----	-----
Income tax expense / (benefit)	-	-	-	-
	=====	=====	=====	=====
Future income tax benefit at 30% (2001 34%) not brought to account, the benefits of which will only be realised if the conditions for deductibility are met as per note 1				
Tax losses	339,199	286,664	224,951	196,551
Capitalised exploration expenditure	509,878	577,861	324,795	368,101
	-----	-----	-----	-----
	849,077	864,525	549,746	564,652
	=====	=====	=====	=====

**PEGMONT MINES N. L.**  
**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Economic Entity		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>NOTE 4 - CURRENT ASSETS - CASH</b>				
Secured deposits	48,658	46,857	-	-
Cash at bank and on hand	90,027	163,220	5,840	14,131
	-----	-----	-----	-----
	138,680	210,077	5,840	14,131
	=====	=====	=====	=====

The secured deposits support DME rehabilitation guarantees.

**NOTE 5 - CURRENT ASSETS - RECEIVABLES**

DME Security deposits	5,000	2,500	-	-
Debtors	3,397	11,799	3,397	11,799
GST Control account	6,559	-	2,190	-
Loan to subsidiary	-	-	-	3,126
Prepayments	27,020	23,479	14,724	15,717
	-----	-----	-----	-----
	41,976	37,778	20,311	30,642
	=====	=====	=====	=====

**NOTE 6 - NON-CURRENT ASSETS - OTHER**

**MINERAL EXPLORATION EXPENDITURE**

Mineral tenements - at directors valuation

Pegmont BIF Project*	3,000,000	3,000,000	3,000,000	3,000,000
Eastern Block Application areas*	350,000	350,000	350,000	350,000
Mount Kelly Project*	1,900,000	1,900,000	-	-
Kennedy Gap Application areas*	200,000	200,000	-	-
May Downs Prospect*	150,000	150,000	-	-
Redie Creek Application areas*	300,000	300,000	-	-
Mount Gordon Fault areas*	550,000	550,000	-	-
	-----	-----	-----	-----
	6,450,000	6,450,000	3,350,000	3,350,000

**COSTS OF SHARE ISSUE**

Share issue costs	42,905	85,810	85,810	85,810
	-----	-----	-----	-----
Total Non-Current Assets - Other	6,492,905	6,535,810	3,435,810	3,435,810
	=====	=====	=====	=====

\*These project areas are valued in accordance with the "Low" project value placed on these tenements in an independent Geological report and Valuation of Mineral Interests prepared by Terence Willsteed & Associates on 11 September 2000 appearing on page 71 of a Prospectus issued on 29 September 2000, less \$100,000 written off against Mount Kelly EPM 7487.

The valuation of these Mineral Interests will be reviewed periodically to reflect exploration results achieved. During the year a tenement review was undertaken as the Company held a number of tenements which overlapped each other on mineralised areas at Pegmont and Mount Kelly. This review resulted in a number of Mining Leases being relinquished in favour of overlying EPMs with a consequent reduction in yearly rental without diminishing the potential for known mineralisation. The carrying values of tenements assumes that there is an ongoing exploration program despite the fact that the Pegmont project does not have joint venture funding.



**PEGMONT MINES NL**  
**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**NOTE 6 - NON-CURRENT ASSETS - OTHER ( cont'd)**

**COSTS OF SHARE ISSUE**

These costs were incurred in the preparation of a prospectus and public offering in conjunction with the company listing on the Stock Exchange of Newcastle Ltd finalised during December 2000 and are to be amortised over a three year period to December 2003

	Economic Entity		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>NOTE 7 - NON CURRENT ASSETS- INVESTMENT IN SUBSIDIARY</b>				
Shares at Cost	-	-	769,933	769,933
At Valuation	-	-	2,102,966	2,102,966
Advance	-	-	136,114	107,020
	-----	-----	-----	-----
	-	-	3,009,013	2,979,919
	=====	=====	=====	=====
Contribution to Economic entity result				
100% owned Pegmont Mines NL	(94,664)	(295,944)		
74.84% owned Reefway Pty Ltd	(60,209)	(233,978)		
	-----	-----		
	(154,873)	(529,922)		
	=====	=====		

The company has an 74.84% interest in Reefway Pty Ltd represented by 14,500,000 ordinary shares out of a total issued capital of 19,375,000 shares.

The issued capital of Reefway is as follows:

	Number issued	
	2002	2001
Pegmont Mines NL	14,500,000	14,500,000
Pegasus Enterprises Ltd	3,000,000	3,000,000
Goldsearch Ltd	1,875,000	1,875,000
	-----	-----
	19,375,000	19,375,000
	=====	=====

The current policy of capitalising Pegmont's advance account may continue until Reefway becomes self-funding.

**PEGMONT MINES NL**  
**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Economic Entity		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>NOTE 8 - CURRENT LIABILITIES – CREDITORS AND BORROWINGS</b>				
Pegasus Enterprises Limited	22,294	17,000	22,294	17,000
Loan from Malcolm A Mayger Pty Ltd	127,724	17,724	127,724	17,724
Accounts payable	52,645	110,244	46,806	107,244
GST Control account	-	683	-	624
	-----	-----	-----	-----
	202,663	145,651	196,824	142,592
	=====	=====	=====	=====

**NOTE 9 - SHARE CAPITAL**

Issued Capital 47,786,511 (2001 47,706,511)

Ordinary shares fully paid	2,546,901	2,538,901	2,546,901	2,538,901
	=====	=====	=====	=====

Movement in issued capital:

During the year 80,000 shares were issued at 10 cents each pursuant to the acquisition of a mineral tenement.

**Options**

The company has 9,449,800 options on issue exercisable at 10 cents each summarised as follows;

Directors	5,100,000 exercisable 1,000,000 by 31 December 2003 3,100,000 by 31 December 2004 1,000,000 by 31 December 2005
Officers	400,000 exercisable at varying dates to 31 December 2005
Senior Advisor	350,000 exercisable at varying dates to 31 December 2005
Consultants	849,800 exercisable at varying dates to 31 December 2005
Billiton Exploration Australia Pty Ltd	2,750,000 exercisable by 31 July 2003
	-----
	9,449,800
	=====

**NOTE 10 - RESERVES**

Asset Revaluation Reserve

Balance at beginning of the year	4,559,159	4,559,159	4,599,159	3,329,250
Revaluation of mineral tenements	-	-	-	(32,718)
Revaluation of shares in subsidiary	-	-	-	1,262,627
	-----	-----	-----	-----
Balance at end of year	4,559,159	4,559,159	4,559,159	4,599,159
	=====	=====	=====	=====

During the year the directors reviewed the value of the group's mineral tenements to ensure they continue to be fairly presented.

**PEGMONT MINES N. L.**  
**NOTES TO FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Economic Entity		Chief Entity	
	2002	2001	2002	2001
	\$	\$	\$	\$
<b>NOTE 11 - REMUNERATION OF DIRECTORS</b>				
Amounts received or due and receivable by Directors	-	-	-	-
Number of Directors whose remuneration was within the following band \$0 - \$10,000	3	3	3	3

It is intended upon the listing of the company on the Australian Stock Exchange that the company recognise the efforts of the Directors retrospectively to January 1997. Such payment to be by the exercise of 5,850,000 options at 10 cents each issued to the Directors, Company Secretary and Senior Advisor as outlined in Note 9. The total cost to the Company upon exercise of the options would be \$585,000 spread over several years. Any options granted to Directors for the year to 31 December 2002 have not been included as their grant is subject to shareholder approval.

**NOTE 12 - RELATED PARTY DISCLOSURES**

(a) Interests and movements in the shares of the company held by directors as at 31 December 2002:-

M A Mayger has an interest in 30,762,005 fully paid ordinary shares, together with an indirect interest in 750,000 options exercisable at 10 cents each by 31 December 2003, 2,300,000 options exercisable at 10 cents each by 31 December 2004 and 750,000 options exercisable at 10 cents each by 31 December 2005.

J M Armstrong has an interest in 350,000 fully paid ordinary shares and 150,000 options exercisable at 10 cents each by 31 December 2003, 480,000 options exercisable at 10 cents each by 31 December 2004 and 150,000 options exercisable at 10 cents each by 31 December 2005.

M D Leggo has an interest in 100,000 options exercisable at 10 cents each by 31 December 2003 and 320,000 options exercisable at 10 cents each by 31 December 2004 and 100,000 options exercisable at 10 cents each by 31 December 2005.

Shares and options held by directors include those held by the directors and their director related entities. There were no disposals of shares or options by the Directors during the year.

Both Malcolm A Mayger and Pegasus Enterprises Ltd, entities controlled by Malcolm A Mayger provided unsecured loans at call to the company for working capital purposes.

**NOTE 13 - JOINT VENTURE**

Billiton Exploration Australia Pty Ltd may earn a 70% Joint Venture interest in the following tenements after meeting certain minimum exploration requirements, including drill meterage.

	%	Mining Expenditure	Period
May Downs Project	51	2,000,000	3 years from 11 October 2002
(part of Wilfred Creek EPM 13331)	70	2,500,000	3 years
		-----	-----
		4,500,000	6 years
		=====	=====
Gun Creek Project (EPMA 11670)	51	1,500,000	3 years
	70	2,000,000	3 years
		-----	-----
		3,500,000	6 years
		=====	=====

The Gun Creek (EPMA 11670) application is in competition with other applicants and may not be granted to the Company in which case the proposed joint venture would not proceed.

**PEGMONT MINES N. L.**  
**NOTES TO FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

**NOTE 14 - CONTINGENT LIABILITIES**

On the 18<sup>th</sup> October 1996 the Company and Malcolm A Mayger entered into a Retirement Benefits Deed pursuant to which the Company agreed to pay Malcolm A Mayger benefits upon retirement or loss of office. Such benefit is to be equal to the greater of one year's lump sum director's fees or the amount payable to Malcolm Mayger Pty Ltd upon termination of the Service Agreement.

The Directors and officers of Pegmont Mines NL and Reefway Pty Ltd have not been paid for their services since incorporation of both companies. An agreed aggregate amount of \$585,000 would become payable upon the Company listing on the Australian Stock Exchange. This sum would be applied to the exercise of 5,850,000 options exercisable at 10 cents each as detailed in note 12.

Reefway Pty Ltd has a contingent liability to the Department of Mines and Energy in Queensland to undertake rehabilitation of mining leases and other tenements at Mount Kelly. Guarantees totalling \$41,000 have been lodged to cover this liability. This guarantee is secured by an amount of \$48,658 on deposit.

Reefway Pty Ltd has a contingent liability to Rio Tinto Exploration Pty Ltd of up to \$1 million in royalties from future copper-gold production from the Mount Kelly tenements.

**NOTE 15 - COMMITMENTS**

In order to maintain current rights of tenure to mining tenements the economic entity will be required to outlay in 2002 amounts of approximately \$75,000 (2001 \$90,000) in respect of lease rentals and exploration expenditures to meet the minimum expenditure requirements on the Mount Kelly Tenements. These obligations are expected to be fulfilled by farmout agreements with MIM Exploration Pty Ltd and International Base Metals Ltd. EPM 13331 (Wilfred Creek) which includes the May Downs Prospect has expenditure commitments of \$160,000 which is likely to be met by drill activity. EPM 13739 (Buckley River) does not have native access agreement in place which limits field activity.

Economic Entity		Chief Entity	
2002	2001	2002	2001
\$	\$	\$	\$

**NOTE 16 - STATEMENT OF CASH FLOWS**

Reconciliation of net cash Outflow from Operating Activities to operating loss after Income Tax

(a) Operating (Loss) after income tax	(175,116)	(529,922)	(94,644)	(295,944)
Amortisation of costs of share issue	42,906	42,906	42,906	42,906
Exploration write down	-	73,082	-	73,082
Non-operating expenses	105,450	655,381	21,751	134,862
Net minority interest	-	(292,944)	-	-
	-----	-----	-----	-----
Net cash outflow from operating activities	(26,761)	(51,497)	(30,007)	(45,094)
	=====	=====	=====	=====

(b) For the purpose of the statement of Cash Flows, cash includes cash on hand, at bank and on deposit used as part of the cash management function, net of bank overdraft.

The balance at 30 DECEMBER 2002 comprised:

Cash at bank and on hand	90,022	163,220	5,840	14,131
Deposits secured against guarantees	48,658	46,857	-	-
	-----	-----	-----	-----
Balance per Statement of Cash Flows	138,680	210,077	5,840	14,131
	=====	=====	=====	=====

**PEGMONT MINES NL  
DIRECTORS' DECLARATION**

The Directors declare that the financial statements and notes set out on pages 17 to 25:

- a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
- b) give a true and fair view of the company's and controlled entity's financial position as at 31 December 2002 and of their performance as represented by the results of their operations and cashflows for the year ended on that date.

In the Director's 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

Signed in accordance with a resolution of the Board of Directors.

Malcolm A Mayger  
Director

Dated

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF  
PEGMONT MINES NL  
ACN 003 331 682**

**SCOPE**

We have audited the financial report of Pegmont Mines NL and of the economic entity for the year ended 31 December, 2002. The company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian auditing standards to provide reasonable assurance as to whether the financial statements are free from material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Australian accounting standards and other mandatory professional reporting requirements and statutory requirements so as to present a view of the Company and of the economic entity which is consistent with our understanding of their financial position, the results of their operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**AUDIT OPINION**

In our opinion the financial report of Pegmont Mines NL and the consolidated accounts are properly drawn up so as to give a true and fair view of the state of affairs, results and cash flows of the Company and of the economic entity as at 31 December 2002 for the financial year ended on that date and are in accordance with applicable accounting standards, the provisions of the Corporations Act and other mandatory reporting requirements.

Without qualification to the opinion expressed above attention is drawn to Note 1 wherein it indicates the future of the economic entity is dependent upon the raising of sufficient funds to finance activities. If the economic entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

ROTHSAY

GRAHAM R. SWAN  
Partner

Dated