

NOTICE OF MEETING

PEGMONT MINES NL
ACN: 003 331 682

Registered Office:
7th Floor, 14 Martin Place, Sydney

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders of Pegmont Mines NL, will be held in the Plaza Board Room, at the registered office on the 7th Floor, 14 Martin Place, Sydney on Thursday 17th May 2000 at 4:30pm.

ORDINARY BUSINESS

1. To adopt the Director's Report, Balance Sheet and Accounts for the year ended 31 December 2000 and Auditor's Report thereon.
2. To elect a Director;

Mr Malcolm A Mayger retires in accordance with the Company's Constitution and being eligible offers himself for re-election.

SPECIAL BUSINESS

To consider and if thought fit to pass the following:

3. By special resolution; "The appointment of Mr Malcolm A Mayger as Managing Director be extended for a further period until 30 April 2003."
4. By special resolution; "That Mr John M Armstrong may continue to act as Chairman of Directors until the Annual General Meeting of Members in 2003."
5. By special resolution; That the Company issue 1,100,000 free options to be exercised at 10 cents each on the basis of one fully paid share per option on or before 31 December 2004 to the following Directors or their nominees:

John M Armstrong (Non-Executive Chairman)	180,000
Malcolm A Mayger (Managing Director)	800,000
Michael D Leggo (Non-Executive Director)	120,000

Subject to the listing of the Company on the Australian Stock Exchange, or acceptance of a take-over offer or change in control of the Company, whichever occurs soonest.

OTHER BUSINESS

6. To transact any other business which may be brought before the meeting in accordance with the Constitution.

Dated this 17th day of April 2001
BY ORDER OF THE BOARD



CHRISTOPHER D. LESLIE
Company Secretary

PROXIES

1. A member entitled to attend and vote is entitled to appoint not more than two persons as his proxy to attend and vote in his stead.
2. If more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the members' voting rights.
3. A proxy need not be a member of the Company.
4. A proxy form must be deposited at the registered office of the Company, 7th Floor, 14 Martin Place, Sydney, not less than 48 hours before the person named purports to vote in respect thereof.

PROXY FORM**PEGMONT MINES NL****ABN: 99 003 331 682**

Registered Office:
7th Floor, 14 Martin Place, Sydney

This proxy form must be lodged at the registered office before 4:30 pm on 15 May 2001.

I, of

being a member of Pegmont Mines NL hereby appoint:

A* Name of

B** Name of
to exercise % of my voting rights.

Failing whom the Chairman of the Meeting as my proxy to vote and act for me and on my behalf at the Annual General Meeting of the Company to be held on 17 May 2001 and at any adjournment thereof.

In accordance with the Constitution of the Company, if no person is named as appointee, then the proxy shall be deemed to be in favour of the Chairman of the Meeting to which the proxy relates.

I direct my proxy vote in the manner indicated below:

		For	Against
Resolution 1	To adopt the Company's Annual Accounts and Reports thereon	[]	[]
Resolution 2	Election of Director – Malcolm A Mayger	[]	[]
Resolution 3	Extend the appointment of Malcolm A Mayger's term as Managing Director	[]	[]
Resolution 4	Approve continuance of John M Armstrong as Chairman	[]	[]
Resolution 5	Approve the issue of options to Directors	[]	[]

If this section is not completed, the proxy may vote as he thinks fit or may abstain.

Signed this day of , 2001.

.....

Signature of Member (All joint holders must sign)

Execution by a Corporation must be under seal or by its duly appointed attorney.

* Complete Section A if you desire to appoint one proxy

** Complete Section A and B if you desire to appoint two proxies.

PEGMONT MINES NL

EXPLANATORY MEMORANDUM ANNUAL GENERAL MEETING 17 MAY 2001

Resolution 1

This resolution relates to the ordinary business of adopting the Director's Report, Balance Sheet and Accounts and Auditor's Report thereon usually undertaken at the Annual General Meeting of the Company.

Resolution 2

Mr Malcolm A Mayger retires in accordance with the Company's Constitution which stipulates that he must retire his office as Managing Director after five years but shall be eligible for re-election as a Director.

Resolution 3

In the event of Mr Malcolm A Mayger being re-elected as a Director, the Board desires that he should continue to act in an executive capacity as Managing Director in order to further the Company's activities and to seek the Company's listing on the Australian Stock Exchange. The passing of this resolution would not alter the five year limitation (clause 19.2 (1)) on the appointment of a Managing Director except as a one off extension until 30 April 2003 in regard to Mr Malcolm A Mayger.

Resolution 4

In order to maintain continuity of the existing Board, its functions and responsibilities during the Company's continuing formative period, this resolution seeks to extend the period during which Mr John M Armstrong may continue his duties as Chairman of Directors until the Annual General Meeting of Members in 2003; or as the Board may otherwise decide whichever is soonest.

Resolution 5

The Board seeks your approval for the issue of 1,100,000 options exercisable at 10 cents each to the Directors as detailed in the Notice of Meeting in order to capitalize deferred remuneration for the year ended 31 December 2000.

Since commencement of activities of the Company during 1996, no remuneration payments have been made due to liquidity constraints experienced by the Company. Options that have been issued for previous years from 1996 to 1999 total 2,900,000. The exercise of these options and those being considered for 2000 amounting to 1,100,000 together with the offsetting remuneration payments are deferred until certain conditions are met; including the listing of the Company's shares on the Australian Stock Exchange, or acceptance of a take-over offer, or change of control of the Company which ever occurs soonest.

These options can only be exercised upon the above mentioned conditions being met and the cost of the exercise of the options would totally offset the deferred remuneration which is also conditional upon the same conditions being met. If these conditions are not met by 31 December 2002, then both the options and the potential deferred remuneration payment to Directors and others would lapse without further liability to the Company.

PEGMONT MINES N.L.

ANNUAL REPORT 2000

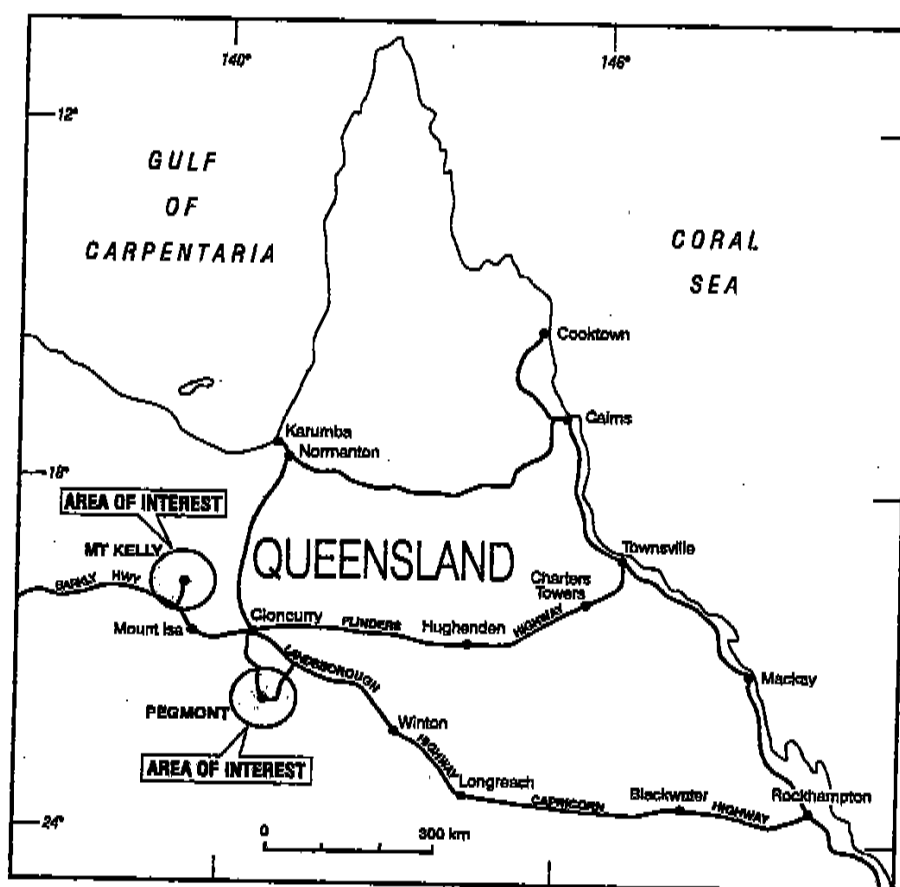


Figure 1 General Location, Mount Isa - Cloncurry Region, North Queensland

Glossary of Terms

Ag	chemical symbol for Silver
Au	chemical symbol for Gold
Cut off	the minimum grade for an economic deposit
Cu	chemical symbol for Copper
DD	diamond drill

Orebody

	zone from which a mineral or minerals, of economic value can be extracted
Pb	chemical symbol for lead
RC	reverse circulation
SG	specific gravity
Zn	chemical symbol for Zinc

Mineralisation: process by which minerals are introduced and concentrated within a host rock, and the product of this process.

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A Brief Overview

- The Company was established in 1987 but remained dormant until 1996 when it commenced exploration in the Mount Isa region, north-west Queensland.
- During 1996, the Company acquired the Pegmont lead-zinc mining leases.
- During 1998 the Company acquired the Mount Kelly copper-gold mining leases and entered into an agreement with Goldsearch Ltd to explore these tenements.
- Application for exploration tenements have since been made in close proximity to these two projects.
- During 2000, the Company entered into a Subscription Agreement with Billiton Exploration Australia Pty Ltd, and raised \$752,175 by a Prospectus issue. The Company was listed on the Stock Exchange of Newcastle Limited, on 5 December 2000.

Calendar of Company Events*

- 19 March 2001 release of preliminary financial report.
- 20 April 2001 release of the March quarterly activities report.
- 20 April 2001 release of annual report for the year 31 December 2000.
- 17 May 2001 annual general meeting.
- 27 July 2001 release of the June quarterly activities report and half yearly report
- 26 October 2001 release of the September quarterly activities report.
- 25 January 2002 release of the December quarterly activities report.

* dates subject to change

Performance at a glance	2000	1999
Drill metres on tenements (m)	2288.2	4359.5
Exploration expenditures (\$000)		
- direct	241,970	211,993
- joint venture contribution	177,517	937,741
- average cost \$/m	183	264
Administration expense (\$)	146,444	46,294

PEGMONT MINES N.L.

CHAIRMAN'S REPORT

The year in review was marked by considerable progress in both attracting Billiton Exploration Australia Pty Ltd (Billiton) to fund exploration on several tenements, and in our ongoing exploration success at Mount Kelly.

The Subscription Agreement finalised with Billiton during September 2000 will enable us to undertake exploration at Pegmont for deep high grade silver-lead-zinc mineralisation, at May Downs for Mount Isa type lead-zinc mineralisation and at Gun Creek for Gunpowder type copper-cobalt mineralisation. The broadening of our exploration activities by the granting of the May Downs application together with an initial funding by Billiton adds substantially to our immediate prospects.

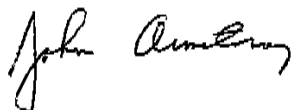
At Mount Kelly we continued to intersect copper-gold mineralisation along the Mount Kelly fault, extending the strike length from 120 metres to approximately 220 metres.

Furthermore, the Company successfully raised new capital of \$752,175 by a Prospectus issue of 7,521,750 at 10 cents each and capitalised \$1,035,400 in shareholder loans. The effect was to dramatically improve the Company's balance sheet, and prepare the way for listing on the Stock Exchange of Newcastle Ltd with 125 shareholders. As exploration activities expand during the current year, we are confident of increasing our shareholder spread and developing greater liquidity in the market for Pegmont's shares.

The current year has started with good news on two fronts. Preliminary metallurgical results derived from oxide and sulphide drill samples at Pegmont produced encouraging metal recovery results in excess of figures used in the Prospectus to derive a Net Present Value for the Pegmont deposit. Secondly, a revised assessment tonnage potential at Mount Kelly indicates a 50% increment on previous estimates, with plenty of scope for additional tonnage.

The exploration program for 2001 envisages further deep drilling at Pegmont, strike extension drilling at Mount Kelly and commencement of work at the large May Downs lead-zinc prospect. Previous work on the May Downs prospect indicate that it is a Mount Isa type lead-zinc system with a 7km strike length. It thus constitutes an important exploration target. Since we plan to drill May Downs this year it should be an exciting period which could provide the basis of further corporate development.

In conclusion, I wish to acknowledge the significant contribution of all Directors, the Company Secretary, Senior Advisor, Consultants and contractors for their efforts during the year. In recognition of their efforts, the Board has implemented an options scheme which is outlined in this report.



John Armstrong
Chairman

PEGMONT MINES N.L.

DIRECTORS' REPORT

The directors of Pegmont Mines N.L. present their report on the accounts of the Company for the year ended 31 December 2000.

The following persons hold office as directors at the date of this report:-

John M. Armstrong, Non-Executive Chairman

Malcolm A. Mayger, Managing Director

Michael D. Leggo, Non-Executive Director

There were no changes during the year.

ACTIVITIES

The principal activities of the Company are the exploration and evaluation of lead-zinc and copper (+gold) deposits in the Mount Isa region.

RESULTS

The net result of operations of the Economic Entity after applicable income tax expense was a loss of \$307,534 (1999 - loss \$198,655); after writing off \$168,887 for exploration (1999 \$140,000) and \$11,195 for prospectus expense (1999 NIL).

DIVIDENDS

No dividends were paid or proposed during the year.

GOALS, STRATEGY & PLAN

Our goals are to establish Pegmont Mines NL as a base metal producing company in the Mount Isa region; and to list on the Australian Stock Exchange (ASX).

Our strategy is to enhance our mineral potential through joint venture activity and

achieve market recognition through drill success.

Our Plan is to focus our operating skills on finding additional high grade copper-gold mineralisation at Mount Kelly, to confirm extra resources at the Pegmont lead-zinc deposit, and to commence drilling at May Downs, a Mount Isa type lead-zinc system.

REVIEW OF OPERATIONS

Exploration activities in the Mount Isa region are focussed on two separate areas; about 150km apart; each area is centred around a known deposit covered by mining leases. The Eastern Areas include the Pegmont lead-zinc deposit; 100% owned by the Company. The Western Areas, including the Mount Kelly copper-gold deposit, are 100% owned by Reefway Pty Ltd, an 81.37% owned subsidiary company. The use of two corporate structures is designed to provide ownership and financing flexibility.

PEGMONT MINES N.L.

The year 2000 featured the successful completion of negotiations with Billiton on three tenement interests held by the Company. On 15 September 2000, Billiton agreed to subscribe for an initial placement of 2.75 million shares at 10 cents each to undertake an initial exploration program at Pegmont for deep high grade silver-lead-zinc mineralisation including 2000 metres of drilling. Depending upon results, Billiton may continue funding additional exploration work, at their discretion, and by expending \$1.75 million to earn 51% joint venture interest and a further \$2.0 million to earn 70% interest in the Pegmont mining leases. Billiton now holds 5.46% equity interest in the Company.

In addition, Billiton has agreed to subscribe \$200,000 upon the grant of exploration

PEGMONT MINES N.L.

permits covering the May Downs prospect and the Gun Creek area. Further exploration expenditure of \$4.5 million on the May Downs prospect and \$3.5 million on the Gun Creek area could earn Billiton 70% interest in each tenement respectively.

Pegmont Deeps Project (100% Owned)

The Pegmont Deeps Subscription Agreement with Billiton calls for 2000 metres to be drilled to test for deep high grade silver rich lead-zinc mineralisation. Two holes, totalling 532 metres using a combination of RC and DD core drilling technique were completed at Pegmont during November 2000. However, wet weather interfered and forced an early cessation of field activities. Although no deep high grade ore was intersected, the following BIF (Banded Iron Formation) Horizon intersections were obtained.

PMR 45; 8 metres assayed, 2.06% Pb, 2.31% Zn -oxide zone

PMR 46; 10 metres assayed 6.24% Pb, 5.84% Zn -sulphide zone

For more detailed information see the December 2000 Activities Report.

Since the planned drill program called for 2000 metres there remains a carry-over of 1468 metres into the current year. The weather induced break period has enabled the Company, by carefully reviewing drill results, and the stratigraphic intersections, to conclude that the original drill targets beneath the Main Lode were unlikely to contain target mineralisation. A structurally complex area around the Sharry Fault, north of Mount Lucas (Main Lode) is now the focus of our attention.

Before recommencement of drilling, a 5000 - 6000 metre IP survey will be undertaken to help define drill targets. This survey is

expected to be completed during April and drilling could commence in May.

Pegmont Metallurgical Test Work

Composite samples from the Pegmont oxide and sulphide intersections were the subject of a preliminary scoping study performed by Metcon Laboratories. A number of conclusions were obtained:

- Early indications are that the metallurgy is typical for polymetallic Pb-Zn ores and a good initial response was obtained.
- Magnetite removal allowed a 20% upgrade of process feed with minor recovery loss.
- A bulk Pb-Zn flotation cleaner concentrate containing 22.2% Pb and 21.6% Zn was obtained at a combined metal recovery of about 90% from a magnetite scalped ore feed.
- It was shown that an acceptable Pb-Zn flotation could be achieved from the sulphide ores. The sulphide ore appears to be metallurgically clean and good lead and zinc separations can be anticipated with further optimisation.
- It was indicated that a moderate lead flotation performance (66-70% lead recovery) might be achievable from oxide ores. A combined recovery of about 70% for zinc using flotation and leach-solvent extraction methods may be possible.
- Recovery of garnet as a by-product from flotation trials may be difficult.

These results provide considerable encouragement and further metallurgical and flotation test work is both indicated and recommended.

PEGMONT MINES N.L.

Furthermore, these results exceeded recovery assumptions used in a preliminary cash flow analysis of the Pegmont Project used in the recent Prospectus.

Follow up metallurgical work will be undertaken on BIF Horizon mineralisation when additional drill samples become available.

REEFWAY PTY LTD (81.37%)

The Company holds 13.1 million shares in Reefway Pty Ltd out of an issued capital of 16.1 million shares. The balance of 3.0 million shares is held by Pegasus Enterprises Ltd.

Reefway was formed during 1996 to acquire tenements in the western Mount Isa region, particularly the Mount Kelly mining leases.

During 1998, an Option Agreement was finalised with Goldsearch Ltd, whereby they can earn a 50% joint venture interest in the Mount Kelly tenements by completing a bankable feasibility study for a decision to mine. Meanwhile they have an option period to exercise this commitment, to 30 April 2001.

Mount Kelly Project 100%

During 2000, a program of nine boreholes were completed totalling 1756 metres. Drill results extended the MK 475 Project mineralised strike length from 120 metres to about 220 metres and also confirmed the potential for gold mineralisation at the

Dividend Prospect.

Results were as follows:

MK475 Project

MK527 23m assayed 2.5% Cu, 0.7 g/t Au from 108m - Sulphide

MK528 7m assayed 4.4% Cu, 0.9 g/t Au from 133m - Sulphide

MK529 8m assayed 1.0% Cu, 5.3 g/t Au from 173m - Sulphide

MK530 6m assayed 2.6% Cu, 0.7 g/t Au from 169m - Sulphide
4m assayed 3.7 g/t Au from 176m - Sulphide
1m assayed 7.6 g/t Au from 190m - Sulphide

MK532 7m assayed 1.4% Cu, 0.3 g/t Au from 122m - Sulphide
1m assayed 2.9% Cu, 0.1 g/t Au from 161m - Sulphide
1m assayed 3.3% Cu, 0.2 g/t Au from 166m - Sulphide

Previous metallurgical work indicate that between 70-80% of gold values may be recoverable by gravity separation.

Dividend Prospect

MK525 5m assayed 0.1% Cu, 1.6 g/t Au from 40m - Oxide

For more detailed information see the September 2000 quarterly Activities Report.

The Goldsearch option period was extended to 31 March 2001, and subsequently to 30 April 2001 to enable them to evaluate these results and review an updated assessment report by Hellman and Schofield Pty Ltd - technical specialists in orebody estimation. Their previous report dated April 2000 indicated a potential for approximately 240,000 tonnes of 3% Cu and 2-3 g/t Au mineralisation using an SG of 3.0 and a cut-off grade of 1% copper equivalent(Cu Eq) using a Polygonal method. Using the same basis, this tonnage estimate has been increased by 50% to around 360,000 tonnes

PEGMONT MINES N.L.

assaying 2.9% Cu and 2.5 to 3 g/t Au. However these results are heavily biased by very high grades intersected in the MK 475, 475A and 475D holes.

A block model estimation using a cut-off grade of 1% CuEq, with 20 metre spacing, grades cut to 10% Cu and 30 g/t Au and an SG of 2.7 indicates an inferred resource of 450,000 tonne averaging 2.0% Cu, 1.3g/t Au. The lower grades resulted from the cutting of very high grades in the MK 475 holes, particularly in regard to gold values. An increase in cut-off grade to 3%CuEq reduces tonnage estimates of the block model to 160,000 tonnes assaying 2.8%Cu, 3.0g/tAu.

Since these tonnes and grades are insufficient for underground mine development, additional mineralisation of plus 5% CuEq is required before mine feasibility studies can commence. As the strike length is still open, further drilling is warranted.

In the event that Goldsearch Ltd does not proceed to exercise their option, they may be reimbursed for their previous expenditure by the issue of up to 2 million fully paid shares in Reefway.

May Downs Prospect (Reefway 100%) EPMA 13331

The May Downs Prospect forms part of the Billiton Subscription Agreement whereby they may elect to earn a 70% joint venture interest by expending a minimum of \$4.5 million over a six year period following an initial minimal commitment of \$200,000, including 2000m of drilling. Commencement of exploration is dependent on the DME granting the tenement, and gaining Native Title approval.

In order to expedite matters, Reefway abandoned its original application EPMA 11696 covering the May Downs Prospect and

re-applied for EPMA 13331 over the same area under the current legislation. The Department of Natural Resources and Mines has forwarded to us a proposal to grant an Exploration Permit. Thus, the granting of the title and the Native Title access approval should be completed within four months which may allow drilling to be undertaken this year.

The May Downs Prospect lies about 65km north-west of Mount Isa. It is a large north-south geophysical and geochemical anomaly of some 7km in length, expressed by discontinuous (gossanous) siltstone outcrops. Previous drilling has intersected low Pb and Zn values with minor chalcopyrite values, viz MDR9 intersected 14m @ 0.46%Zn and Pb in banded pyritic siltstone.

The prospect is a Mount Isa type lead-zinc system and thus constitutes an important exploration target.

Gun Creek Prospect (Reefway 100%) EPMA 11670

Gun Creek Prospect also forms part of the Billiton Subscription Agreement, whereby they may elect to earn up to 70% joint venture interest by expending \$3.5 million over a six year period following an initial minimum commitment of \$200,000, including 1500m of drilling.

Gun Creek lies about 10km due south of the Esperanza and Mammoth mine operations. The application area has a number of targets associated with the Esperanza Fault and the Investigator Fault, which provide structural settings analagous to the Esperanza and Mammoth copper deposits.

Previous drilling has intersected copper values of up to 0.6% Cu associated with silica-dolomite alteration and laminated fine

PEGMONT MINES N.L.

grained pyrite – suggesting a Mount Isa type system.

Since our application is in competition with another mining group, the abandonment and re-application procedure to expedite granting, cannot be used. Thus, granting under the "old system" may take an indefinite amount of time.

FUTURE DIRECTION

Our plan is to progress our key projects at Pegmont and Mount Kelly towards profitable development. Results during the past year have continued to provide encouragement.

Because of the constraint of insufficient capital to fund required work needed to progress our projects, we have a policy of farming out while retaining operatorship.

Activities at Mount Kelly have been funded by Goldsearch Ltd during the past three years. They have an option until 30 April 2001 to continue funding the project or to have shares in Reefway to reflect previous expenditure.

During the latter part of last year we reached an agreement with Billiton whereby they are funding current exploration at Pegmont. They support our application over our areas at May Downs (EPMA 13331) and Gun Creek (EPMA 11670).

Upon the granting of either of these areas it will be our intention to review our other applications in order to expedite the granting of the next key area. Again, it will be our intention to seek a farm-in partner to fund early stage exploration. Thus, we may be able to phase in a steady stream of highly prospective prospects which could progressively mature towards project development.

ENVIRONMENT MANAGEMENT

The Company is committed to compliance with all laws and regulations in relation to environment, occupational health and safety in all its activities.

Group activities during the year were confined to granted mining leases at Pegmont and Mount Kelly which are subject to a Plan of Operations.

At Pegmont, rehabilitation of drill sites and other work had been completed on the Mining Leases in accordance with the Environmental Management Overview Strategy (EMOS) requirements and landholder requests.

At Mount Kelly, a survey of previous work undertaken prior to acquisition in areas which are unlikely to be the subject of near term exploration was made and progressive rehabilitation undertaken. The cost of this work (up to \$20,000) will be met by the previous owners. Current exploration work is confined to existing areas of disturbance including access tracks and drill pads in order to minimise environmental impact.

FINANCE

The working capital position of the Company improved significantly during the year due to the capital raising of \$752,175 from the issue of 7,521,750 shares at 10 cents each and the capitalisation of \$1,035,400 in shareholder loan accounts at 10 cents per share.

At 31 December 2000, the working capital position was \$321,128 after deducting secured deposits of \$44,034.

	2000	1999
	\$	\$
Current Assets	489,114	10,191
Less,		
Current Liabilities	167,986	925,413
Working Capital	321,128	(915,222)

PEGMONT MINES N.L.

Current assets includes \$197,662 credit balance for funds dedicated to the exploration of the Pegmont Deeps which will be expended by 30 June 2001.

This means that the Company will require additional equity funding before the end of the calendar year 2001 to pay for administration costs, limited exploration, and project reviews required to work up areas for joint venturing during 2002.

BILLITON SUBSCRIPTION AGREEMENT

Upon the listing of the Company's shares on the Stock Exchange of Newcastle Ltd, Billiton subscribed \$275,000 for 2,750,000 fully paid shares at 10 cents each and in addition they were allotted 2,750,000 free options exercisable at 10 cents each by 30 July 2002.

Following the expenditure of the initial \$275,000 on the Pegmont Deeps Project, Billiton may elect to make a further contribution of \$275,000 by way of a second placement before 30 June 2001, or commence the Pegmont Deeps Joint Venture with the Company, or pull out.

The Pegmont Deeps joint venture allows Billiton to earn 51% interest by spending \$1.75 million, including 12,000 metres of drilling within three (3) years. Thereafter Billiton may or may not elect to continue sole funding exploration at Pegmont for a further \$2.25 million to earn 70% interest during a following period of three (3) years.

A similar deal format applies to each of the May Downs and to Gun Creek prospects.

Upon grant of the May Downs EPMA 13331 to Reefway, Billiton will subscribe \$200,000 at a premium of 25% to the market price of

the Company's shares at the date of grant. The funds will be dedicated to the exploration of the May Downs prospect.

Following the expenditure of the initial \$200,000 on the May Downs prospect, Billiton may elect to make a further contribution of \$200,000 by way of a second placement or commence a Joint Venture with Reefway, or pull out.

Upon electing to proceed with a joint venture, Billiton may earn 51% interest by spending \$2.0 million including 15,000 metres of drilling within three (3) years. Thereafter, Billiton may or may not elect to continue sole funding exploration at May Downs for a further \$2.5 million to earn 70% interest during the following three (3) years.

Commencement of work at Gun Creek (EPMA 11670) depends upon the area being granted to Reefway. In this case, Billiton would subscribe \$200,000 to commence an initial exploration program including 1500 metres of drilling. Depending upon results there from, Billiton may elect to contribute a further \$200,000 in equity or form a joint venture and earn 51% interest by spending a minimum \$1.5 million, including 10,000 metres of drilling within three (3) years. Thereafter, Billiton may elect to earn up to 70% interest by contributing a further \$2 million including an additional 13,000 metres of drilling during the follow up three (3) year period.

In summary, the Billiton Subscription Agreement provides funding to explore three of the Company's high potential tenements.

TECHNICAL RESOURCES

Apart from the Managing Director, the Company does not employ any full time employees. Thus, exploration and other

PEGMONT MINES N.L.

activities are undertaken by contractors and consultants on a needs basis. This enables the company to maintain a project specific cost control.

However, during the past five years, a close association with a number of technical consultants have been established, whereby they have provided specialist service relevant

to our needs in exploring the Mount Isa region. In order to retain this relationship and to build continuity, the Board has decided to grant options to several consultants in return for their exclusive services in areas in which the Pegmont group operates. A total of 800,000 options exercisable at 10 cents each by 31 December 2003 have been allocated.

THIS YEAR'S DRILL PROGRAM

Drilling is expected to be undertaken during 2001 on three areas, each funded by our partners. They include:

PLANNED DRILL PROGRAM – metres

Project	March-June	July-Sept.	Oct.-Dec.	Total
Pegmont Deeps (1)	1,500			1,500
Mount Kelly (2)		2,000		2,000
May Downs (3)			2,000	2,000
	<u>1,500</u>	<u>2,000</u>	<u>2,000</u>	<u>5,500</u>

- (1) Pegmont Deeps and May Downs will be funded by Billiton
- (2) Mount Kelly is subject to an option agreement with Goldsearch Ltd who have until 30 April 2001 to decide upon their participation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Directors are not aware of any significant changes in the state of affairs of the Company occurring during the financial year, other than as disclosed in this report.

- i) the operations of the Company,
- ii) the results of those operations, or
- iii) the state of affairs of the Company

in the financial years subsequent to 31 December 2000.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There were at the date of this report no matters or circumstances which have arisen since 31 December 2000 that have significantly affected or may significantly affect:-

LIKELY DEVELOPMENTS

The Company will continue to pursue exploration joint venture possibilities and to seek the progressive granting of our application areas.

PEGMONT MINES N.L.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

John M. Armstrong, B.Sc. (Chem Eng.), MBA, ASIA, FAICD
Non-Executive Chairman

John Armstrong, age 65, is a professional Company Director with 30 years experience in the resources industry. He is a graduate in Chemical Engineering from the University of Illinois of USA with Honours and has a Masters Degree in Business Administration from Harvard University. He has been a permanent resident of Australia since 1970 and has extensive experience in investment banking, and resource finance at senior management and director levels. He is a member of the Securities Institute and the Australian Institute of Company Directors, and Chairman of Drillsearch Energy N.L.

Malcolm A. Mayger, B.Comm, ACA
Managing Director

Malcolm Mayger, age 61, is a Mineral Economist with over 30 years experience in exploration, mining and mining investment. He has a Bachelors Degree in Commerce from University of Queensland and is an Associate of the Institute of Chartered Accountants of Australia (not in practice). He has held a number of mining and exploration company directorships during the past 25 years and is a Fellow of the Australian Institute of Company Directors. Malcolm Mayger founded Pegmont Mines N.L. (then known as Pegasus Mines (No.2) N.L.) in 1987, and has guided the Company's subsequent development from concept to an explorer with substantial interests. He is Executive Chairman of Pegasus Enterprises Limited and Reefway Pty Ltd.

Michael D. Leggo
B.Sc., M.Sc., Ph.D, DIC, FAIG, FAusIMM

Michael Leggo, age 59, is an experienced Geoscientist and has held senior positions with major exploration and mine development companies. He has over 20 years experience in his field. His qualifications include a B.Sc. in chemistry and geology, a M.Sc. in geology and a Ph.D in geochemistry from the University of Melbourne and a Diploma in Applied Geochemistry from Imperial College, University of London.

He has held a variety of technical and managerial positions in Australia and overseas and was subsequently General Manager, Minerals Exploration & Development Group with CSR and Director of Mineral Resources for Pennant Holdings Limited. More recently he has held senior positions in corporate environmental management. He is a Fellow of the Australian Institute of Geoscientists (of which he has been President) and of the Australasian Institute of Mining and Metallurgy, a Fellow of the Association of Exploration Geochemists and a Member of The Environmental Institute of Australia.

DIRECTORS' SHAREHOLDINGS

Directors' Shareholdings at the date of this report are:-

	Direct	Indirect
J. M. Armstrong	-	350,000
M. A. Mayger	300,000	15,869,720

The indirect category includes shares held by "family-related entities".

In addition, Pegasus Enterprises Limited, a Company in which Mr Mayger is a director and substantial shareholder, directly holds 14,592,285 fully paid shares. The combined holding of 30,762,005 totals 64.48% of the issued capital of the Company.

PEGMONT MINES N.L.

DIRECTORS' SHARE OPTIONS

Directors' interests in options to convert into fully paid shares are summarised as follows: -

John M Armstrong	Number of Options	Exercise Price
expiring 31.12.2002	300,000	10¢
expiring 31.12.2003	150,000	10¢
Michael D Leggo		
expiring 31.12.2002	200,000	10¢
expiring 31.12.2003	100,000	10¢
Malcolm A Mayger		
expiring 31.12.2002	1,500,000	10¢
expiring 31.12.2003	<u>750,000</u>	10¢
Total Options	<u>3,000,000</u>	

In addition, there were 1,500,000 options exercisable at not less than 30 cents each, which expired on 31 March 2001.

OTHER SHARE OPTIONS

Options have been issued to; Christopher D. Leslie (Company Secretary) 200,000 and to Bart C. Ryan AM (Senior Advisor) 150,000 at 10 cents each up to 31 December 2003. During the year no director of the Company has received a benefit (other than a benefit included in notes 10 and 11 to the accounts) by reason of a contract made by the Company or a related corporation with the director, with a firm of which he is a member, or with a Company in which he is a member, or with a Company in which he has a substantial financial interest.

MEETING OF DIRECTORS

Since the Board is small, all directors are involved in regular discussions, meetings and monitoring of activities. There were seven (7) meetings of a general nature and a further six (6) meetings required to approve special

items of business. All Directors attended these meetings.

CORPORATE GOVERNANCE

The Board of Directors of the Company has made a commitment to the principles of best practice in corporate ethics encompassed in the concept of 'corporate governance'. The Board of Directors has the overall responsibility for the corporate governance of the company, including its strategic direction, the review of plans established by management and the monitoring of performance against those plans. It also monitors legislation and practices of the relevant authorities regarding the enforcement of due diligence, continuous disclosure and insider trading.

DIRECTORS

The Board has adopted a policy of ensuring that it is composed of a majority of non-executive directors, one of whom is appointed as the chairperson.

The whole board considers matters of membership and there is no separate nominating committee. As a growing group, we expect that additional members will be appointed when appropriate.

At every annual general meeting, one-third of the relevant Directors will retire from office and be eligible for re-election.

The Directors may appoint a Managing Director for a fixed term not exceeding five (5) years (Article 19.2 (a)(i)).

The remuneration of a Managing Director shall not exceed 15 times average weekly Earnings of Employees (AWE) (Article 17.2 (b)).

The Chairman and Deputy Chairman hold office until otherwise determined by the

PEGMONT MINES N.L.

Directors, or until they cease to be Directors but in any case for a period not exceeding five (5) years (Article 20.8(d))

A Managing Director may not be elected Chairman or Deputy Chairman (Article 20.8(h)).

There are no specific policies on appointment or retirement of directors, other than their ability to regularly attend and constructively contribute at board meetings.

Directors have access to legal or other advice, at the company's expense, if they have need for professional assistance in the fulfilment of their duties.

DIRECTORS' REMUNERATION

Since the Company commenced activities during 1996 when it acquired the Pegmont mining leases and more recently the Mount Kelly tenements (through Reefway Pty Ltd), your directors have not received any remuneration for their efforts.

In the event that the Company obtains listing on the Australian Stock Exchange, the Directors will seek retrospective recognition for their past efforts which will be used to exercise their options.

DIRECTORS' INDEMNITIES

No indemnities were given to any director or officer of the Company during the year and no insurance premiums were paid to insure any directors or officers in their capacity as directors or officers.

RISK MANAGEMENT

Since the Company does not generate a cash flow from its operations, it is reliant on the following sources of funding:-

Exploration activities are generally funded by joint venture arrangements. At Mount Kelly, we have an option arrangement with Goldsearch Ltd. At Pegmont, Billiton is meeting drill costs. Mining lease rentals for year 2001 have been met from funds available for general expense.

General expenditure including corporate overheads have been met by periodic equity raising in the form of placements of shares or a new issue to Shareholders. In between time the Company has received advances from Malcolm A Mayger Pty Limited to meet ongoing commitments.

Since these funding arrangements cannot be regarded as meeting the Company's long term capital requirements, the Board continues to look for alternative options including additional equity raising.

AUDIT

No audit committee has been established due to the small size of the Company, the number of Directors, and to the fact that the auditor has full access to the Board throughout the year.

Signed at Sydney this 17th day of April 2001 in accordance with a resolution of the directors.



Malcolm A. Mayger John M. Armstrong
Director Director

PEGMONT MINES N.L.
ACN: 003 331 682
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER, 2000

PEGMONT MINES N.L.
BALANCE SHEET AS AT 30 DECEMBER 2000

	NOTES	2000	1999	2000	1999
		\$ Economic Entity		\$ Chief Entity	
CURRENT ASSETS					
Cash	4	533,148	43,449	489,112	2,447
Receivables	5	75,652	-	148,031	-
TOTAL CURRENT ASSETS		<u>608,800</u>	<u>43,449</u>	<u>637,143</u>	<u>2,447</u>
NON-CURRENT ASSETS					
Other	6	6,751,797	4,763,289	3,551,798	3,382,719
Investment in Subsidiary	7	-	-	2,592,899	1,242,732
TOTAL NON CURRENT ASSETS		<u>6,751,797</u>	<u>4,763,289</u>	<u>6,144,697</u>	<u>5,626,762</u>
TOTAL ASSETS		<u>7,360,597</u>	<u>4,806,738</u>	<u>6,781,840</u>	<u>4,625,451</u>
CURRENT LIABILITIES					
Creditors and Borrowings	8	167,986	925,413	167,986	816,421
TOTAL LIABILITIES		<u>167,986</u>	<u>925,413</u>	<u>167,986</u>	<u>816,421</u>
NET ASSETS		<u>7,192,611</u>	<u>3,881,325</u>	<u>6,613,854</u>	<u>3,811,477</u>
SHAREHOLDERS EQUITY					
Share Capital	9	2,538,901	751,326	2,538,901	751,326
Reserves	10	4,559,159	3,529,250	4,559,159	3,329,250
Accumulated losses		(733,525)	(425,991)	(484,206)	(269,099)
SHAREHOLDERS EQUITY ATTRIBUTABLE TO MEMBERS OF THE CHIEF ENTITY		<u>6,364,535</u>	<u>3,854,585</u>	<u>6,613,854</u>	<u>3,811,477</u>
Outside equity interests in controlled entities		828,076	26,740	-	-
TOTAL SHAREHOLDERS EQUITY		<u>7,192,611</u>	<u>3,881,325</u>	<u>6,613,854</u>	<u>3,811,477</u>

The accompanying notes form part of these accounts.

PEGMONT MINES N.L.
STATEMENT OF CASH FLOWS
For the year ended 30 DECEMBER 2000

	Economic Entity		Chief Entity	
	2000	1999	2000	1999
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts in the course of operations	7,706	-	3,772	-
Cash payments in the course of operations	(146,353)	(46,294)	(119,752)	(46,294)
	-----	-----	-----	-----
NET CASH FLOWS FROM OPERATING ACTIVITIES	(138,647)	(46,294)	(115,980)	(46,294)
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral tenement expenditure	(309,454)	(157,533)	(335,155)	(32,995)
	-----	-----	-----	-----
NET CASH FLOWS FROM INVESTING ACTIVITIES	(309,454)	(157,533)	(335,155)	(272,493)
	-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from share issues	1,787,600	67,500	1,787,600	67,500
Proceeds from borrowings	163,700	164,578	163,700	40,040
Repayment of borrowings	1,025,400	-	1,025,400	-
Other movements	11,900	(35,993)	11,900	(35,993)
	-----	-----	-----	-----
NET CASH FLOW FROM FINANCING ACTIVITIES	937,800	196,085	937,800	71,547
	-----	-----	-----	-----
NET INCREASE IN CASH HELD	489,699	(7,742)	486,665	(7,742)
	-----	-----	-----	-----
Add opening cash brought forward	43,449	51,191	2,447	10,189
	-----	-----	-----	-----
CLOSING CASH BALANCE	<u>533,148</u>	<u>43,449</u>	<u>489,112</u>	<u>2,447</u>

PEGMONT MINES N. L.
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 DECEMBER 2000

	NOTES	Economic Entity		Chief Entity	
		2000 \$	1999 \$	2000 \$	1999 \$
Operating revenue	2	<u>7,706</u>	<u>-</u>	<u>18,772</u>	<u>15,000</u>
Operating loss before income tax	2	307,534	198,655	215,107	58,655
Income tax attributable to operating loss	3	-	-	-	-
Operating loss after income tax		<u>307,534</u>	<u>198,655</u>	<u>215,107</u>	<u>58,655</u>
Accumulated losses at the beginning of the financial year		<u>425,991</u>	<u>227,336</u>	<u>269,099</u>	<u>210,444</u>
Accumulated losses at the end of the financial year		<u>733,525</u>	<u>425,991</u>	<u>484,206</u>	<u>269,099</u>

The accompanying notes form part of these accounts.

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

Segment Information

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

The company's mineral tenements were valued on accordance with values set out in an "Independent Geological Report and Valuation of Mineral Interests - Pegmont Mines NL" as prepared by Terence Willstedt & Association on 11 September 2000 appearing on page 71 of a Prospectus issued on 29 September 2000.

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.

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.

Mineral Exploration, Evaluation, Development And Construction Costs

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.

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 or losses, have been eliminated on consolidation.

other entity operates with Pegmont Mines NL to achieve the objectives of Pegmont Mines NL.

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

Principles of consolidation

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.

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

PEGMONT MINES N.L.
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 DECEMBER 2000

PEGMONT MINES N.L.
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 DECEMBER 2000

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (con't)

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 represents 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 30 DECEMBER 2000

	Economic Entity		Chief Entity	
	2000	1999	2000	1999
	\$	\$	\$	\$
NOTE 2 - OPERATING PROFIT				
Operating loss before income tax has been determined after:				
(a) Crediting as revenue				
Interest received other corporations	7,706	-	3,772	-
Other revenue	-	-	-	15,000
	<u>7,706</u>	<u>-</u>	<u>3,772</u>	<u>15,000</u>
(b) Charging as expenses:				
Amortisation of costs of shares issue	-	10,492	-	10,492
Auditors remuneration				
Auditing services	11,900	4,750	11,900	4,750
(the auditors received no other benefits)				
Exploration written off	168,887	140,000	99,127	-
NOTE 3 - INCOME TAX				
Prima facie tax payable on the operating loss at 36%	(110,712)	(71,515)	(77,406)	(21,115)
Add tax effect of:				
Amortisation of new issue costs	-	3,777	-	3,777
Future income tax benefits not brought to account	110,712	67,738	77,406	17,338
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax expense / (benefit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Future income tax benefit at 36% 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	118,678	68,765	110,518	68,765
Capitalised exploration expenditure	577,861	408,974	368,101	268,974
	<u>696,539</u>	<u>477,739</u>	<u>478,619</u>	<u>320,873</u>

PEGMONT MINES N. L.
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 DECEMBER 2000

	Economic Entity		Chief Entity	
	2000 \$	1999 \$	2000 \$	1999 \$
NOTE 4 - CURRENT ASSETS - CASH				
Secured deposits	44,034	41,000	-	-
Cash at bank and on hand	489,114	2,449	489,112	2,447
	<u>553,148</u>	<u>43,449</u>	<u>489,112</u>	<u>2,447</u>

Upon grant of tenements, the Company is required to lodge funds on deposits to support guarantees to the Queensland Department of Mineral & Energy (DME) to cover outstanding rehabilitation that may be required upon relinquishment.

NOTE 5 - CURRENT ASSETS - RECEIVABLES

Debtors	8,102	-	8,102	-
GST Control account	15,037	-	15,037	-
Loan to subsidiary	-	-	69,318	-
Prepayments	67,550	-	55,574	-
	<u>75,652</u>	<u>-</u>	<u>148,031</u>	<u>-</u>

NOTE 6 - NON-CURRENT ASSETS - OTHER

MINERAL EXPLORATION EXPENDITURE

Mineral tenements - at directors valuation

Pegmont - BIF Project*	3,000,000	3,032,719	3,000,000	3,032,719
Pegmont - Deeps Project - at cost	73,082	-	73,082	-
Eastern Block Application areas*	350,000	350,000	350,000	350,000
Mount Kelly Project*	2,000,000	380,570	-	-
Kennedy Gap Application areas*	350,000	350,000	-	-
Redie Creek Application areas*	300,000	300,000	-	-
Mount Gordon Fault areas*	550,000	350,000	-	-
	<u>6,623,082</u>	<u>4,763,289</u>	<u>3,423,082</u>	<u>3,382,719</u>
Share issue costs	128,716	-	128,716	-
Total Non-Current Assets - Other	<u>6,751,798</u>	<u>4,763,289</u>	<u>3,551,798</u>	<u>3,382,719</u>

* 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- Pegmont Mines NL prepared by Terence Willstead & Associates on 11 September 2000 appearing on page 71 of a Prospectus issued on 29 September 2000.

The Pegmont Deeps Project is valued at cost as it is an ongoing project as at the date of this report.

The valuation of these Mineral Interest will be reviewed periodically to reflect exploration results achieved.

PEGMONT MINES N. L.
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 DECEMBER 2000

COSTS OF SHARE ISSUE

Since these costs were incurred in preparation of a prospectus and public offering in connection with the Company listing on the Stock Exchange of Newcastle Ltd finalised during December 2000, such costs have been carried forward. They will be amortised over a three year period.

NOTE 7 - NON CURRENT ASSETS- INVESTMENT IN SUBSIDIARY

Shares at Cost	-	-	489,933	269,933
At Valuation	-	-	2,102,966	800,000
Advance	-	-	-	172,799
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	2,592,899	1,242,732

Contribution to Economic entity result

100% owned Pegmont Mines NL	(77,517)
80% owned Reefway Pty Ltd	(230,017)
	<u>(307,534)</u>

The company has an 81.37% interest in Reefway Pty Ltd represented by 13,100,000 (1999 12,000,000) ordinary shares of 1cent each fully paid out of a total issued capital of 16,100,000 (1999 - 15,000,000).

PEGMONT MINES NL
NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 30 DECEMBER 2000

	Economic Entity		Chief Entity	
	2000 \$	1999 \$	2000 \$	1999 \$
NOTE 8 - CURRENT LIABILITIES - CREDITORS AND BORROWINGS				
Pegasus Enterprises Limited Joint Venture contribution	(5,992)	275,736	(5,992)	269,744
Malcolm A Mayger Pty Ltd Joint Venture contribution	-	216,927	-	216,927
Loan from Malcolm A Mayger Pty Ltd	53,504	195,500	53,504	195,500
Loan from Lozora Pty Ltd	-	129,500	-	129,500
Accounts payable	120,474	107,750	120,474	4,750
	<u>167,986</u>	<u>925,413</u>	<u>167,986</u>	<u>816,421</u>
NOTE 9 - SHARE CAPITAL				
Issued Capital 47,706,511 (1999 29,830,761)				
Ordinary shares fully paid	2,538,901	715,326	2,538,901	751,326
Movement in issued capital:				
Balance at beginning of year	751,326	683,826	751,326	683,826
125,000 shares issued pursuant to placement March 2000	-	12,500	-	12,500
50,000 shares issued pursuant to placement May 2000	-	5,000	-	5,000
500,000 shares issued pursuant to placement August 2000	-	50,000	-	50,000
4,771,750 shares issued pursuant to prospectus November 2000	477,175	-	477,175	-
10,354,000 shares issued to capitalise advances September 2000	1,035,400	-	1,035,400	-
2,750,000 shares issued pursuant to placement December 2000	275,000	-	275,000	-
Balance at end of year	<u>2,538,901</u>	<u>715,326</u>	<u>2,538,901</u>	<u>751,326</u>
Options				

On the 13th September 1996, the company issued 1,500,000 free options to Pegasus Enterprises Ltd exercisable at a price of not less than 30 cents and not more than 50 cents by 31st March 2001 since expired. On 27th May 2000 the company issued 2,000,000 options exercisable at 10 cents by 31st December 2002 to the Directors and a further 150,000 options on the same terms to the company secretary and the company's senior advisor. On the 30th June 2000, the company issued 1,200,000 options exercisable at 10 cents by 31st December 2003 to the Directors. On 1st December 2000, the company issued 2,750,000 options exercisable at 10 cents each by 30 July 2002 to Billiton Exploration Australia Pty Ltd.

NOTE 10 - RESERVES

Asset Revaluation Reserve

Balance at beginning of the year	3,529,250	4,529,250	3,329,250	4,329,250
Revaluation of mineral tenements	1,029,909	(1,000,000)	(32,718)	(1,000,000)
Revaluation of shares in subsidiary	-	-	1,262,627	-
Balance at end of year	<u>4,559,159</u>	<u>3,529,250</u>	<u>4,559,159</u>	<u>3,329,250</u>

During the 2000 year the directors reduced the value of the Pegmont mineral leases and revalued the investment in the subsidiary to reflect the net assets.

PEGMONT MINES N. L.
NOTES TO FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2000

	Economic Entity		Chief Entity	
	2000	1999	2000	1999
	\$	\$	\$	\$
NOTE 11 - REMUNERATION OF DIRECTORS				
Amounts received or due and receivable by Directors of the Company	-	-	-	-
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 payments are to be satisfied by the exercise of options dated 31 December 2002.

NOTE 12 - RELATED PARTY DISCLOSURES

(a) The directors in office during the year were J M Armstrong, MD Leggo and M A Mayger.

(b) Interests and movements in the shares of the company held by directors as at 31 December 2000:-

M A Mayger has an interest in 20,478,005 fully paid ordinary shares and 1,500,000 31 March 2001 options since expired, together with an indirect interest in 1,000,000 options exercisable at 10 cents by 31 December 2002 and 750,000 options exercisable at 10cents by 31 December 2003.

J M Armstrong has an interest in 275,000 fully paid ordinary shares and 300,000 31 December 2002 options, plus 150,000 31 December 2003 options.

M D Leggo has an interest in 200,000 31 December 2002 options and 100,000 31 December 2003 options.

Shares and options held by directors include those held by the directors and their director related entities.

NOTE 13 - JOINT VENTURE AGREEMENTS

The Company has agreements with Billiton Exploration Australia Pty Ltd and Goldsearch Ltd whereby they may earn an interest in certain tenements detailed as follows:

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

	JV Interest	Mining Expenditure	Period
Pegmont Deeps Project	51%	\$1,750,000	3 Years
	70%	\$2,250,000	3 Years
		<u>\$4,000,000</u>	<u>6 Years</u>
May Downs Project (part of Wilfred Creek EPM 13331)	51%	\$2,000,000	3 Years
	70%	\$2,500,000	3 Years
		<u>\$4,500,000</u>	<u>6 Years</u>
Gun Creek project	51%	\$1,500,000	3 Years
	70%	\$2,000,000	3 Years
		<u>\$3,500,000</u>	<u>6 Years</u>

Goldsearch Ltd may earn 50% Joint Venture interest in the Mount Kelly Project (including the mining leases and the surrounding EPM 7487) upon completing a bankable feasibility study costing not less than \$750,000.

PEGMONT MINES N. L.
NOTES TO FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2000

NOTE 14 - CONTINGENT LIABILITIES

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

Rcefway 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 \$44,034 have been lodged to cover this liability. This guarantee is secured by a similar amount on deposit.

NOTE 15 - COMMITMENTS

In order to maintain current rights of tenure to mining tenements the economic entity will be required to outlay in 2001 amounts of approximately \$90,000 (2000 \$90,000) in respect of lease rentals and \$60,000(2000 \$60,000) on exploration to meet the minimum expenditure requirements on the Mount Kelly Tenements. These obligations are expected to be fulfilled in the normal course of operations.

PEGMONT MINES N. L.
NOTES TO FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2000

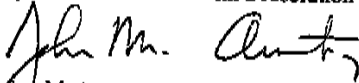
	Economic Entity		Chief Entity	
	2000	1999	2000	1999
	\$	\$	\$	\$
NOTE 16 - STATEMENT OF CASH FLOWS				
Reconciliation of net cash Outflow from Operating Activities to operating loss after Income Tax				
(a) Operating (Loss) after income tax	(307,534)	(198,655)	(215,107)	(58,655)
Amortisation of costs of share issue	-	10,492	-	10,492
Depreciation	-	1,869	-	1,869
Non-operating expenses	168,887	140,000	99,127	-
Net cash outflow from operating activities	(138,647)	(46,294)	(115,980)	(46,294)
(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 31 December 2000 comprised:				
Cash at bank and on hand	44,034	2,449	489,112	2,447
Deposits secured against guarantees	489,114	41,000	-	-
Balance per Statement of Cash Flows	533,148	43,449	489,112	2,447


**PEGMONT MINES NL
DIRECTORS' DECLARATION**

In the opinion of the Directors of Pegmont Mines NL:

1. a. the accompanying Profit and Loss Account is drawn up so as to give a true and fair view of the result of the Company for the year ended 31 December, 2000;
- b. the accompanying Balance Sheet is drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December, 2000;
- c. at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
2. a. the consolidated accounts give a true and fair view of the result of the economic entity, constituted by the company and the entities it controlled from time to time during the financial year ended 31 December 2000; and
- b. the state of affairs of the economic entity, constituted by the company and the entities that it controls at year end as at 31 december 2000; and
- c. at the date of this statement there are reasonable grounds to believe that the group comprising the company and the controlled entities will be able to pay their debts as and when they fall due.
3. The accompanying Accounts have been made out in accordance with applicable Accounting Standards.

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


John M Armstrong
Director


Malcolm A Mayger
Director

Dated 19/4/2001

ROTHSAY

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

SCOPE

We have audited the financial statements of Pegmont Mines NL and of the economic entity for the year ended 31 December, 2000. 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 (Urgent Issues Group Consensus Views) 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 statements 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 2000 for the financial year ended on that date and are in accordance with applicable accounting standards, the provisions of the Corporations Law 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 dependant 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
ROTHSAY

Graham R Swan
GRAHAM R. SWAN
Partner

19 APRIL 2001



Chartered Accountants

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Liability is limited
by the Accountants
Scheme

PEGMONT MINES N.L.

TABLE 1 - SCHEDULE OF MINERAL TENEMENTS

<u>Tenement</u>	<u>Name</u>	<u>Status</u>	<u>Registered Holder/ Applicant</u>	<u>Date of Grant / Application Date</u>	<u>Date of Expiry</u>	<u>Area (ha or sb) (1)</u>
EPM 11394	Pegmont Extended	Application	Pegmont Mines NL	04.09.1996		21 sb
EPM 11671	Pegmont Extended # 3	Application	Pegmont Mines NL	03.03.1997		9 sb
EPM 11813	Lily	Application	Pegmont Mines NL	02.06.1997		10 sb
EPM 12255	Pegmont	Application	Pegmont Mines NL	01.06.1998		9 sb
EPM 12498	Pegmont Southeast	Application	Pegmont Mines NL	01.12.1998		5 sb
ML 2620	Pegmont #1	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2621	Pegmont #2	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2622	Pegmont #3	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2623	Pegmont #4	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2624	Pegmont #5	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2625	Pegmont #7	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2626	Pegmont #8	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2627	Pegmont #9	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2629	Pegmont #15	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2630	Pegmont #16	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2662	Pegmont #17	Granted	Pegmont Mines NL	24.01.1974	31.01.2002	129.5 ha
ML 2663	Pegmont #18	Granted	Pegmont Mines NL	21.02.1974	28.02.2005	129.5 ha
ML 90119	Pegmont Consolidated	Application	Pegmont Mines NL	11.07.1974	31.07.2004	129.5 ha
EPM 11587	Kheri	Application	Pegmont Mines NL	20.08.1996		1553.99 ha
EPM 11588	Pegmont Extended # 2	Application*	Reefway Pty Ltd	02.01.1997		23 sb
EPM 11636	Desert Creek	Application	Reefway Pty Ltd	02.01.1997		38 sb
EPM 11637	Redie Creek	Application	Reefway Pty Ltd	19.02.1997		8 sb
EPM 11669	Eastern Creek	Application*	Reefway Pty Ltd	19.02.1997		45 sb
EPM 11670	Gun Creek	Application*	Reefway Pty Ltd	03.03.1997		5 sb
				03.03.1997		14 sb

PEGMONT MINES N.L.

TABLE 1 - SCHEDULE OF MINERAL TENEMENTS

Tenement	Name	Status	Registered Holder/ Applicant	Date of Grant / Application Date	Date of Expiry	Area (ha or sb) (1)
EPM 11672	Torpedo Creek	Application*	Reefway Pty Ltd	03.03.1997		8 sb
EPM 11695	Cattle Creek	Application	Reefway Pty Ltd	13.03.1997		58 sb
EPM 13331	Wilfred Creek	Application	Reefway Pty Ltd	28.02.2001		66 sb
EPM 11775	Cuckadoo	Application	Reefway Pty Ltd	01.05.1997		8 sb
EPM 11777	Johnson Creek	Application	Reefway Pty Ltd	01.05.1997		14 sb
EPM 12589	Kennedy Gap	Application	Reefway Pty Ltd	01.03.1999		33 sb
EPM 7487	Mount Kelly	Granted	Reefway Pty Ltd	29.08.1990	28.08.2000 (2)	66 sb
ML 5426	McLeod Hill	Granted	Reefway Pty Ltd	01.02.1974	31.01.2006	4.05 ha
ML 5435	Mt Kelly	Granted	Reefway Pty Ltd	10.01.1974	31.01.2009	3.96 ha
ML 5436	The Swagman	Granted	Reefway Pty Ltd	01.02.1974	31.01.2009	4.046 ha
ML 5446	Flying Horse #1	Granted	Reefway Pty Ltd	14.02.1974	28.02.2010	28.37 ha
ML 5447	Spinifex Queen	Granted	Reefway Pty Ltd	10.01.1974	31.01.2010	28.32 ha
ML 5448	Flying Horse #2	Granted	Reefway Pty Ltd	10.01.1974	31.01.2010	8.09 ha
ML 5450	Spinifex Queen # 2	Granted	Reefway Pty Ltd	10.01.1974	31.01.2010	48.56 ha
ML 5468	Suzie #1	Granted	Reefway Pty Ltd	01.02.1974	31.01.2011	125.46 ha
ML 5474	Suzie #6	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	130 ha
ML 5476	Suzie #12	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	130 ha
ML 5478	Suzie #14	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	16.19 ha
ML 5479	Suzie #16	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	130 ha
ML 6700	Suzie #17	Granted	Reefway Pty Ltd	10.01.1974	31.01.2011	129.5 ha

NOTES

(1) A sub-block is approximately 300 hectares

(2) Renewal lodged 1 August 2000

* These applications were made in competition with other applicants over the same area, therefore there is doubt as to whether a portion or all of the EPM application area would be granted to the company.

TABLE 2

Native Title Claims Over Tenement Applications

EPM	Claims
11636	QC 99/32, QC 97/63 Part
11637	QC 99/32, QC 97/36
11669	QC 99/32, QC 97/63 part
11670	QC 99/32, QC 97/63 part
11672	QC 99/32, QC 97/32 part
11695	QC 99/32
13331	QC 99/32
11777	QC 99/32
12589	QC 99/32

EPM Applications 11394, 11587, 11588, 11671, 11775, 11813, 12255, 12498 and ML application 90119 are not subject to any known Native Title Claims at this time.

Name of Application: (Q6170/98) Indjilandji/Dithannoi People
NNTT File No: QC 97/63
General Location: Mt Isa region
Representative: Ebsworth & Ebsworth
Date Lodged: 23/12/97
Acceptance Status: Registered 23/12/97
Next Stage of Process: This application was found to comply with s. 190A requirements on 30/09/99. The register of the Native Title Claims was updated on 20/10/99. Federal Court Hearing on 27/06/2000.

Name of Application: (Q6031/99) Kalkadoon People
NNTT File No: QC 99/32
General Location: Around Mt Isa, NWQ
Representative: Reidy/Maurice
Date Lodged: 29/10/99
Accepted Status: Registered 19/11/99
Next Stage of Process: This application was found to comply with s. 190A requirements on 19/11/99. This application is a combination of QC96/12 and QC99/10. Federal Court Hearing 16/06/2000

