

FORM: Half yearly/preliminary final report

Name of issuer

Pegmont Mines Limited

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('Current period')
97 003 331 682		<input checked="" type="checkbox"/>	31 December 2017

For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

				\$A,000
Sales (or equivalent) operating revenue (item 1.1)	up /down	68.66%	to	24
Operating profit (loss) before abnormal items and tax (item 1.4)	up/ down	124.5%	to	30
Abnormal items before tax (item 1.5)		gain (loss) of	to	NIL
Operating profit (loss) after tax but before outside equity interests (item 1.8)	up/ down	124.5%	to	30
Extraordinary items after tax attributable to members (item 1.13)		gain (loss) of	to	NIL
Operating profit (loss) and extraordinary items after tax attributable to members (item 1.16)	up/ down	124.5%	to	30
Exploration and evaluation expenditure incurred (item 5.2)	up/ down	44.1%	to	111
Exploration and evaluation expenditure written off (item 5.3)	up/ down	44.1%	to	111
Dividends	Franking rate applicable		100%	
Current period		NIL ¢		¢
Previous corresponding period		NIL ¢	¢	¢
Record date for determining entitlements to the dividend, (in the case of a trust distribution) (see item 15.2)			N/A	
Short details of any bonus or cash issue or other items(s) of importance not previously released to the market:				
NIL				

Consolidated profit and loss account

(The figures are not equity accounted)

	Current period \$A Year to 31/12/2017	Previous corresponding period \$A 31/12/2016
1.1 Sales (or equivalent operating) revenue	24,437	77,984
1.2 Other revenue	357,988	152,653
1.3 Total revenue	382,425	230,637
1.4 Operating profit (loss) before abnormal items and tax	30,421	(123,955)
1.5 Abnormal items before tax (detail in item 2.1)	-	-
1.6 Operating profit (loss) before tax (items 1.4 + 1.5)	30,421	(123,955)
1.7 Less tax	-	-
1.8 Operating profit (loss) after tax but before outside equity interests	30,421	(123,955)
1.9 Less outside equity interests	-	-
1.10 Operating profit (loss) after tax attributable to members	30,421	(123,955)
1.11 Extraordinary items after tax (detail in item 2.3)	-	-
1.12 Less outside equity interests	-	-
1.13 Extraordinary items after tax attributable to members	-	-
1.14 Total operating profit (loss) and extraordinary items after tax (items 1.8 1.11)	30,421	(123,955)
1.15 Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 .112)	-	-
1.16 Operating profit (loss and extraordinary items after tax attributable to members (items 1.10 +1.13)	30,421	(123,955)
1.17 Retained profits (accumulated losses) at beginning of financial period	(5,536,180)	(5,412,225)
1.18 Acquisition of minority interest	-	-
1.19 Total available for appropriation (carried forward)	(5,505,759)	(5,536,180)
1.20 Total available for appropriation (brought forward)	(5,505,759)	(5,536,180)

Consolidated profit and loss account continued

1.21	Dividends provided for or paid	-	-
1.22	Aggregate or amounts transferred to reserves	-	-
1.23	Retained profits (accumulated losses) at tend of financial period	(5,505,759)	(5,536,180)

Abnormal and extraordinary items

		Consolidated - current period		
		Before tax \$A'000	Related tax \$A'000	After tax \$A'000
•	Abnormal items	NIL	-	-
2.2	Total abnormal items	NIL	-	-
2.3	Extraordinary items	NIL	-	-
2.4	Total extraordinary items	NIL	-	-

Comparison of half year profits

(Preliminary final statement only)

		Current year-\$A	Previous year-\$A
3.1	Consolidated operating profit (loss) after tax attributable to members reported for the 1st half year (item 1.10 in the half yearly statement)	226,738	(10,955)
3.2	Consolidated operating profit (loss) after tax attributable to members for the 2nd half year	(196,317)	(113,000)

Consolidated
(See note 5)

balance

sheet

Current assets		At end of current period \$A 31/12/2017	As shown in last annual report \$A 31/12/2016	As in last half yearly statement \$A 30/06/17
4.1	Cash	383,098	217,864	516,080
4.2	Receivable	58,215	59,045	51,128
4.3	Investments	21,137	23,900	31,438
4.4	Inventories	-	-	
4.5	Other (provide details if material)	-	-	
4.6	Total current assets	462,450	300,809	598,646
Non-current assets				
4.7	Receivables			
4.8	Investments			
4.9	Inventories			
4.10	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	3,247,413	3,245,823	3,247,412
4.11	Development properties (mining entities)			
4.12	Other property, plant and equipment (net)	40,000	70,000	55,000
4.13	Intangibles (net)			
4.14	Other (provide details if material)			
4.15	Total non-current assets	3,287,413	3,315,823	3,302,412
4.16	Total assets	3,749,863	3,616,632	3,901,058
Current liabilities				
4.17	Accounts payable	237,822	160,512	218,200
4.18	Borrowings	-	-	-
4.19	Provisions	-	-	-
4.20	Other (provide details if material)	-	-	-
4.21	Total current liabilities	237,822	160,512	218,200
Non-current liabilities				
4.22	Accounts payable			
4.23	Borrowings	300,000	300,000	300,000
04.24	Provisions			
4.25	Other (provide details if material)			
4.26	Total non-current liabilities)	300,000	300,000	300,000
4.27	Total liabilities	537,822	460,512	518,200
4.28	Net assets	3,212,041	3,156,120	3,382,858

Consolidated balance sheet continued

Equity				
4.29	Capital	4,511,607	4,486,107	4,486,107
4.30	Reserves	4,206,193	4,206,193	4,206,193
4.31	Retained profits (accumulated losses)	(5,505,759)	(5,536,180)	(5,309,442)
4.32	Equity attributable to members of the parent entity	3,212,041	3,156,120	3,156,120
4.33	Outside equity interests in controlled entities		-	-
4.34	Total equity	3,212,041	3,156,120	3,382,858
4.35	Preference capital and related premium included as part of 4.31	NIL	NIL	NIL

Exploration and evaluation expenditure capitalised

To be completed only by issuers with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit

	Current period \$A 31 December 2017	Previous corresponding period \$A 31/12/2016	
5.1	Opening balance	3,245,823	3,245,425
5.2	Expenditure incurred during current period	110,873	76,971
5.3	Expenditure written off during current period	110,873	76,971
5.4	Acquisitions, disposals, revaluation increments, etc.		-
5.5	Expenditure transferred to Development Properties	1,590	398
5.6	Closing balance as shown in the consolidated balance sheet (item 4.9)	3,247,413	3,245,823

Development

(To be completed only by issuers with mining interests if amounts are material)

properties

	Current period \$A 31/12/2017	Previous corresponding period \$A 31/12/2016	
6.1	Opening balance	NIL	NIL
6.2	Expenditure incurred during current period		
6.3	Expenditure transferred from exploration and evaluation		
6.4	Expenditure written off during current period		
6.5	Acquisitions, disposals, revaluation increments, etc.		
6.6	Expenditure transferred to mine properties		
6.7	Closing balance as shown in the consolidated balance sheet (item 4.10)	NIL	NIL

Consolidated statement of cash flows

(See note 6)

	Current period \$A at 31/12/2017	Previous corresponding period \$A31/12/2016
Cash flows related to operating activities		
7.1	24,437	77,984
7.2	(230,530)	(284,016)
7.3		-
7.4	7,988	2,653
7.5	-	-
7.6	-	-
7.7	350,000	150,000
7.8	151,895	(53,379)
Cash flows related to investing activities		
7.9		-
7.10		-
7.11		-
7.12	(9,428)	(2,104)
7.13		-
7.14		-
7.15	(80,873)	(46,971)
7.16	(90,301)	(49,075)
Cash flows related to financing activities		
7.17	25,500	6,000
7.18	77,310	57,683
7.19	830	(9,814)
7.20	-	-
7.21	-	-
7.22	103,640	53,869
Net increase (decrease) in cash held		
7.23	165,234	(48,585)
7.23	217,864	266,449
7.24	-	-
7.25	383,098	217,864

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

NIL

Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current period \$A at 31/12/2017	Previous corresponding period \$A 31/12/2016
8.1 Cash on hand and at bank	20,823	60,988
8.2 Deposits at call	362,275	156,876
8.3 Bank overdraft	-	-
8.4 Other (provide details)	-	-
8.5 Total cash at end of period (item 7.25)	383,098	217,864

Ratios

	Current period	Previous corresponding period
Profit before abnormals and tax/sales		
9.1 Consolidated operating profit (loss) before abnormal items and tax (items 1.4) as a percentage of sales revenue (items 1.1)	80.32%	(62.91)%
Profit after tax/equity interests		
9.2 Consolidated operating profit (loss) after tax attributable to members (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.34)	.9%	3.9%

Earnings per security (EPS)

10.1 Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
(a) Basic EPS	0.1c	(0.2c)
(b) Diluted EPS (if materially different from (a))		

NTA backing
(see note 7)

	Current period 31/12/2017	Previous corresponding period 31/12/2016
11.1 Net tangible asset backing per ordinary security	4.4c	4.4c

Details of specific receipts/outlays, revenues/expenses

	Current period A\$ at 31/12/2017	Previous corresponding period \$A31/12/2016
12.1 Interest revenue included in determining items 1.4	7,988	2,653
12.2 Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3 Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	-	-
12.4 Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5 Outlays (excepts those arising from the acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6 Depreciation (excluding amortisation of intangibles)	30,000	30,000
12.7 Amortisation of intangibles	-	-

Control gained over entities having material effect

(See note 8)

13.1 Name of issuer (or group)	NIL
13.2 Consolidated operating profit (loss) and extraordinary items after tax of the issuer (or group) since the date in the current period on which control was acquired	\$ NIL
13.3 Date from which such profit has been calculated	-
13.4 Operating profit (loss) and extraordinary items after tax of the issuer (or group) for the whole of the previous corresponding period	\$ NIL

Loss of control of entities having material effect*(See note 8)*

14.1	Name of entity (or group)	NIL
14.2	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group) for the current period to the date of loss of control	\$ NIL
14.3	Date from which the profit (loss) in item 14.2 has been calculated	-
14.4	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group) while controlled during the whole of the previous corresponding period	\$ NIL
14.5	Contribution to consolidated operating profit (loss) and extraordinary items from sale of interest leading to loss of control	\$ NIL

Reports for industry and geographical segments

Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: Financial Reporting by Segments. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this statement. However, the following is the personation adopted in the Appendices to AASB 1005 and indicates which amount should agree with items included elsewhere in this statement.

Segments	Investments	Exploration	Admin	Total
Operating Revenue	24,437	350,000	7,988	382,425
Sales to customers outside the economic entity	-	-	-	-
Inter-segment sales	-	-	-	-
Unallocated revenue	-	-	-	-
Total revenue (consolidated total equal to item 1.3)	24,437	350,000	7,988	382,425
Segment result (including abnormal items where relevant)	(5,722)	239,127	(202,984)	30,421
Unallocated expenses/Tax				
Consolidated operating profit after tax (before equity accounting) (equal to item 1.8)				(123,955)
Segment assets)				
Unallocated assets)				
Total assets (equal to item 4.16)	21,137	3,247,413	481,313	3,749,863

Dividends

15.1	Date the dividend is payable	N/A
15.2	Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)	N/A
18.3	Amount per security	N/A

		<i>Franking rate applicable</i>	30%		
	<i>(Preliminary final statement only)</i>				
15.4	Final dividend: Current year	N/A¢	N/A	-¢	N/A
15.5	Previous year	N/A¢	N/A	-¢	N/A
	<i>(Half yearly and preliminary final statements)</i>				
15.6	Interim dividend: Current year	NIL¢	N/A	-¢	N/A
15.7	Previous year	NIL¢	N/A	-¢	N/A

Total annual dividend (distribution) per security

(Preliminary final statement only)

		Current year	Previous year
15.8	Ordinary securities	NIL¢	NIL¢
15.9	Preference securities	NIL¢	NIL¢

Total dividend (distribution)

		Current period \$A 31/12/2017	Previous corresponding period - \$A31/12/2016
15.10	Ordinary securities	\$NIL	\$NIL
15.11	Preference securities	\$NIL	\$NIL
15.12	Total	\$NIL	\$NIL

The *dividend or distribution plans* shown below are in operation.

NIL

The last date(s) for receipt of election notices to the <i>dividend or distribution plans</i>	N/A
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Any other disclosures in relation to dividends (distributions)

N/A

Equity accounted associated entities and other material interests

Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate notice. See AASB 1016: Disclosure of Information about Investments in Associated Companies.

Investments in associated entities		Current A\$	period	Previous corresponding period A\$
16.1	Statutory carrying value of investments in associated entities (SCV)	NIL		NIL
16.2	Share of associated entities' retained profits and reserves not included in SCV:	NIL		NIL
	Retained profits			
	Reserves			
16.3	Equity carrying value of investments	NIL		NIL

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities.

		Percentage of ownership interest (ordinary securities, units etc) held at end of period		Contributing to operating profits (loss) and extraordinary items after tax	
		Current period	Previous corresponding period	Current period	Previous corresponding period
17.1	Equity accounted associated entities	NIL	NIL	<i>Equity accounted</i>	
17.2	Other material interests	NIL	NIL	<i>Not equity accounted (ie part of item 1.14)</i>	

Issued and listed securities

Description includes rate of interest and any redemption or conversion rights together with prices and rates.

Category of securities	Number issued	Number listed	Par value (cents)	Paid-up value (cents)
18.1 Preference securities (description)	NIL	NIL		
18.2 Issued during current period	NIL	NIL		
18.3 Ordinary securities	71,816,556	71,816,556		
18.4 Issued during current period	425,000	425,000		
18.5 Convertible debt securities (description and conversion factor)	NIL	NIL		
18.6 issued during current period	NIL	NIL		
18.7 Options (description and conversion factor)			Exercise price	Expiry date
			-	-
18.8 Issued during current period	NIL	NIL	-	-
18.9 Exercised during current period	NIL	NIL	-	-
18.10 Expired during current period	NIL	NIL	-	-
18.11 Debentures (totals only)	NIL	NIL		
18.12 Unsecured Notes (totals only)	NIL	NIL		

Comments on the following matters are required by the Exchange or, in relation to the half yearly statement, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final statements, if there are no comments in a section, state NIL. If there is insufficient space in comment, attach notes to this statement.

Basis of accounts preparation

If this statement is a half yearly statement, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Half-Year Accounts and Consolidated Accounts. It should be read in conjunction with the last annual report and any announcements to the market made by the issuer during the period. [Delete if in applicable.]

Material factors affecting the revenues and expenses of the issuer for the current period

The Company's financial position improved because of the receipt of \$350,000 option fee from Vendetta Mining Corp combined with careful expenditure control. The lack of working capital restricted the Company's exploration and investing activities.

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

The company received \$150,000 option fee from Chinova Resources Cloncurry Mines Pty Ltd on 15 January 2018 which will ensure the Company has sufficient cash to meet its obligations during 2018 without raising additional equity funds.

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Due to the payment of tax the company has franking credits available for payment of a dividend. Dividends will be paid when the board of Directors decide.

Changes in accounting policies since the last annual report are disclosed as follows.

(Disclose changes in the half yearly statement in accordance with paragraph 15(c) of AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final statement in accordance with AASB 101: Accounting Policies-Disclosure.)

NIL

Annual meeting

(Preliminary final statement only)

The annual meeting will be held as follows:

Place	Walker Wayland Services Level 11 60 Castlereagh Street, Sydney, NSW 2000
Date	24 May 2018
Time	12 noon
Approximate date the annual report will be available	31 March 2018

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

NIL

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

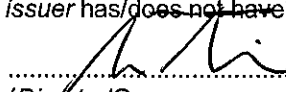
3. This statement does/~~does not~~* (*delete one*) give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

- The financial statements have been audited. The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- The financial statements are in the process of being audited or subject to review. The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The issuer has/~~does not have~~* (*delete one*) a formally constituted audit committee.

Sign here:  Date: 20 FEBRUARY 2018
(Director/Company secretary)

Print name:CHRIS D LESLIE.....

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down.
2. **True and fair view** If this statement does not give a true and fair view of a matter (for

example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.

3. Consolidated profit and loss account

- Item 1.1 The definition of "operating revenue" and an explanation of "sales revenue" (or its equivalent) and "other revenue" are set out in *AASB 1004: Disclosure of Operating Revenue*.
- Item 1.2 "other revenue" includes abnormal items, but excludes extraordinary revenue items.
- Item 1.4 "operating profit (loss) before abnormal items and tax" is calculated before dealing with outside equity interests and extraordinary items, but after deducting interest on borrowings, depreciation and amortisation.
- Item 1.7 This item refers to the total tax attributable to the amount shown in item 1.6. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as operating expenses (eg. fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.

5. Consolidated balance sheet

Format The format of the consolidated balance sheet should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029*. Banking institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of paragraphs 19-21 of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of *AASB 1029* and paragraph 11 of *AASB 1030*.

6. **Statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 1026: Statement of Cash Flows*. *Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. Mining exploration *issuers* may use the form of cashflow statement in Appendix 5B.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary securities (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security*.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer's* consolidated operating profit (loss) and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.

10. **Rounding of figures** This statement anticipates that the information required is given to the nearest \$1,000. However, an *issuer* may report exact figures, if the \$A'000 headings are amended. If an *issuer* qualifies under an ASIC Class Order dated 17 August 1994, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A'000 headings are amended.
11. **Comparative figures** Comparative figures are normally the unadjusted figures from the previous corresponding period. However, if the previously reported figures are adjusted to achieve greater comparability, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.
12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the list rules for an *issuer* to complete this statement does not prevent the *issuer* issuing reports more frequently. Additional material lodged with the ASIC under the *Corporations Act* must also be given to the Exchange. For example, a *directors'* report and statement, if lodged with the ASIC, must be given to the Exchange.
13. **Accounting Standards** the Exchange will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one) must be complied with.
14. **Borrowing corporations** As at 1/7/96, this statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards. However, borrowing corporations must comply with Schedule 5 of the Corporations Regulations. See regulation 3.6.02(4).

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PEGMONT MINES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pegmont Mines Limited (“the Company”) and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors’ declaration of the Company.

In our opinion the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group’s financial position as at 31 December 2017 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under these standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of this report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the “Code”) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Mineral Tenements

As the carrying value of mineral tenements represents a significant asset of the Group we considered it necessary to assess whether facts and circumstances exist to suggest that the carrying amount of this asset may exceed its recoverable amount.

In doing so we carried out the following work in accordance with the guidelines set out in AASB 6 *Exploration for and Evaluation of Mineral Resources*. Our procedures included but were not limited to the following:

- We obtained evidence that the Group has valid rights to explore in the areas represented by the mineral tenements by confirmation of the Group’s tenement holdings;



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- We enquired of management and reviewed work programs to ensure that further expenditure on exploration on the mineral resources in the Group's areas of interest was planned and cross referenced these discussions to NSX announcements and where applicable minutes of directors' meetings;
- We reviewed the agreement with Vendetta Mining Corporation entered into in September 2014 and amended in November 2015 confirming the amounts payable by Vendetta over the period of the option;
- We vouched the receipt of the Vendetta payment;
- We obtained an understanding of the key processes associated with management's review of the carrying values of the mineral tenements and challenged management's assertion that the carrying amount of the mineral tenements was likely to be recovered in full from successful development or sale;
- We agreed the opening balances to prior year audit workpapers where the expenditure had been substantiated.

We have also assessed the appropriateness of the disclosures included in Notes 1 and 8 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work we have performed we conclude there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



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A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/Home.aspx

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communications.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2017.

In our opinion the remuneration report of Pegmont Mines Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Rothsay Auditing

Dated 1st February 2018

**Graham R Swan FCA
Partner**



Chartered Accountants

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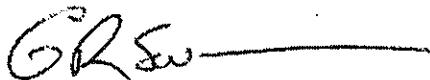
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone 9486 7094 www.rothsayresources.com.au

The Directors
Pegmont Mines Ltd
13 Oden Street
Port Macquarie NSW 2444

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2017 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan FCA (Lead auditor)

Rothsay Auditing

Dated 1st February 2018



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SECTION 2A: APPENDIX 3

HALF YEAR REPORT

The following information must be given to NSX.

1. Details of the reporting period and the previous corresponding period.
2. Key information in relation to the following. This information must be identified as ***“Results for announcement to the market”***.
 - 2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.
 - 2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.
 - 2.3 The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.
 - 2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.
 - 2.5 The record date for determining entitlements to the dividends (if any).
 - 2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

Note: The information required by item 2 must be placed at the beginning of the report. The other information may be presented in whatever way is the most clear and helpful to users, e.g. combined with the body of the report, combined with notes to the accounts, or set out separately.
3. Net tangible assets per security with the comparative figure for the previous corresponding period.
4. Details of entities over which control has been gained or lost during the period, including the following.
 - 4.1 Name of the entity.
 - 4.2 The date of the gain or loss of control.
 - 4.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period

and the profit or loss of such entities during the whole of the previous corresponding period.

5. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable, and (if known) the amount per security of foreign sourced dividend or distribution.
6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.
7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities and – where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.
8. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).
9. For all entities, if the accounts are subject to audit dispute or qualification, a description of the dispute or qualification.

Please refer to the relevant Practice Note for the preferred format of this information, to be published by the *Exchange* from time to time.

PRELIMINARY FINAL REPORT

The following information must be given to NSX.

1. Details of the reporting period and the previous corresponding period.
2. Key information in relation to the following. This information must be identified as ***“Results for announcement to the market”***.
 - 2.1 The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities.
 - 2.2 The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members.
 - 2.3 The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members.
 - 2.4 The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends.
 - 2.5 The record date for determining entitlements to the dividends (if any).
 - 2.6 A brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.

Note: The information required by item 2 must be placed at the beginning of the report. The other information may be presented in whatever way is most convenient, eg combined with the body of the report, combined with notes to the accounts, or set out separately.

3. A statement of financial performance together with notes to the statement, prepared in compliance with AASB 1018 or the equivalent foreign accounting standard.
4. A statement of financial position together with notes to the statement. The statement of financial position may be condensed but must report as line items each significant class of asset, liability, and equity element with appropriate sub-totals.
5. A statement of cash flows together with notes to the statement. The statement of cash flows may be condensed but must report as line items each significant form of cash flow and comply with the disclosure requirements of AASB 1026 Statement of Cash Flows, or for foreign entities, the equivalent foreign accounting standard.
6. Details of individual and total dividends or distributions and dividend or distribution payments. The details must include the date on which each dividend or distribution is payable and (if known) the amount per security of foreign sourced dividend or distribution.
7. Details of any dividend or distribution reinvestment plans in operation and the

last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan.

8. A statement of retained earnings showing movements.
9. Net tangible assets per security with the comparative figure for the previous corresponding period.
10. Details of entities over which control has been gained or lost during the period, including the following.
 - 10.1 Name of the entity.
 - 10.2 The date of the gain or loss of control.
 - 10.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity's profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.
11. Details of associates and joint venture entities including the following.
 - 11.1 Name of the associate or joint venture entity.
 - 11.2 Details of the reporting entity's percentage holding in each of these entities.
 - 11.3 Where material to an understanding of the report - aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.
12. Any other significant information needed by an investor to make an informed assessment of the entity's financial performance and financial position.
13. For foreign entities, which set of accounting standards is used in compiling the report (e.g. International Accounting Standards).
14. A commentary on the results for the period. The commentary must be sufficient for the user to be able to compare the information presented with equivalent information for previous periods. The commentary must include any significant information needed by an investor to make an informed assessment of the entity's activities and results, which would include but not be limited to discussion of the following.
 - 14.1 The earnings per security and the nature of any dilution aspects.
 - 14.2 Returns to shareholders including distributions and buy backs.
 - 14.3 Significant features of operating performance.

- 14.4 The results of segments that are significant to an understanding of the business as a whole.
 - 14.5 A discussion of trends in performance.
 - 14.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.
15. A statement as to whether the report is based on accounts which have been audited or subject to review, are in the process of being audited or reviewed, or have not yet been audited or reviewed
- Note: If the accounts have been audited or subject to review, the audit report or review should be provided with the report.
16. If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification.
17. If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification.

Please refer to the relevant Practice Note for the preferred format of this information, to be published by the *Exchange* from time to time.