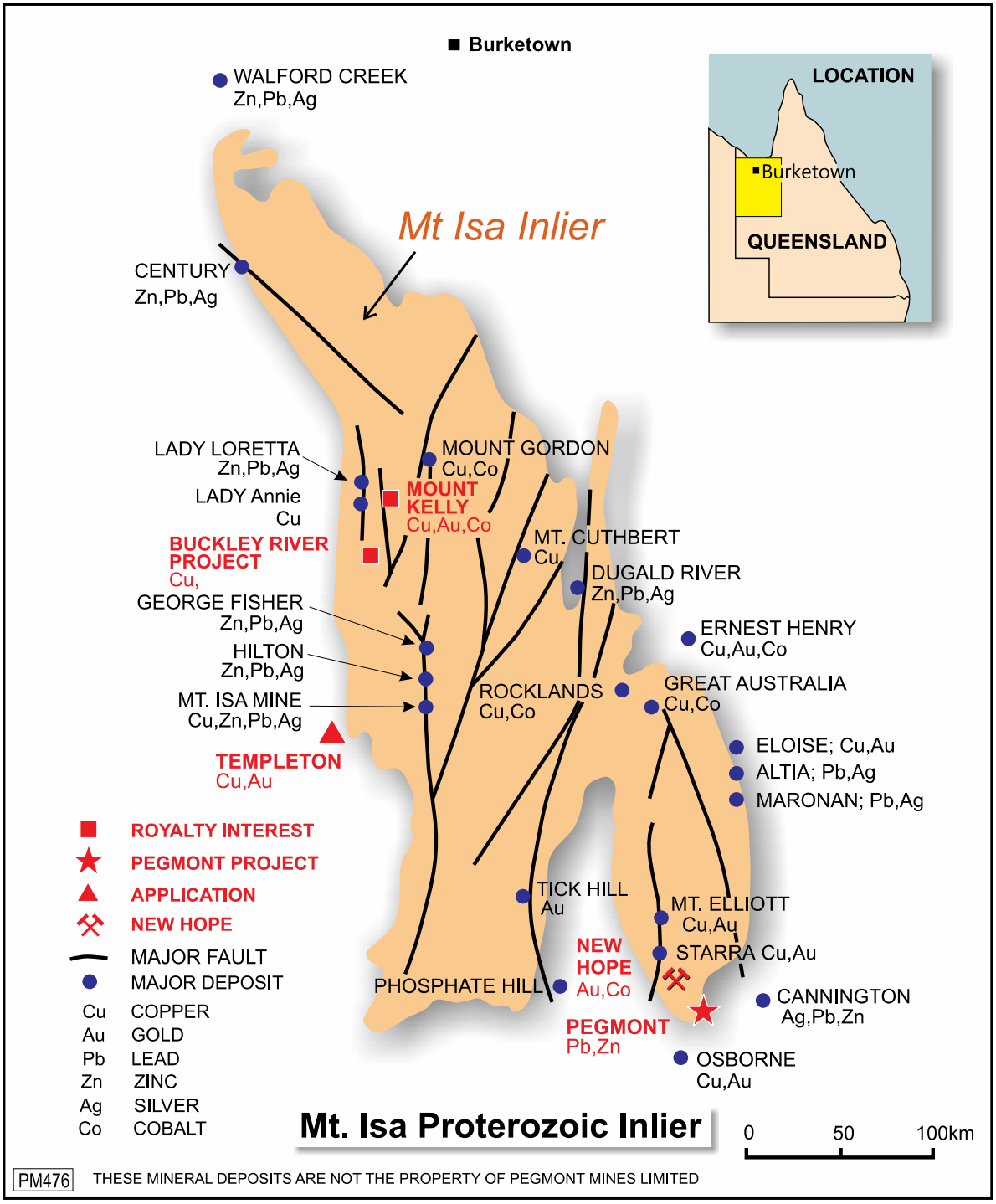
Pegmont

Pegmont Mines Limited

ABN 97 003 331 682

2017 annual report



The Mount Isa province is one of the best endowed Base Metal provinces in the world. It offers a variety of mineral targets from small to large size from low to high grade. These attributes provide an attractive place to operate. The province has:

- Four of the top ten Zn deposits
- Three of the top ten Pb deposits
- Largest silver mine at Cannington
- Three Cu deposits > 1Mt Cu

These deposits are associated with major fault systems

Undeveloped Pb-Zn deposits in Eastern Succession

- Altia; Pb, Zn
- Maronan; Pb, Ag
- Pegmont; Pb, Zn

They are all associated with Banded Iron Formations (BIF) which have a pronounced magnetic signature.

Their target areas extending at depth and may have a muted magnetic (or no magnetic) anomaly under deep cover.

CHAIRMAN'S REVIEW

The 2017-year was a successful year for Pegmont. Our Canadian partner Vendetta Mining Group (Vendetta) made considerable progress on the Pegmont Project during the year intensifying their efforts to commercialise the Pegmont deposit, by drilling 112 drill holes for a total 23,228 metres. In June they announced a current JORC resource of 12,192,000 tonnes with an average grade on 5.1% Pb (lead), 2.9% Zn (zinc) and 8 grams Ag (silver) per tonne, not including the results of their 2017 drilling, which will provide the basis of a further resource upgrade. Vendetta plans to recommence their 2018 drill program in May to delineate further open cut mineralisation in the Mining Leases.

Their next Option payment of $500,000 is due 28 February 2018.

As our financial position improved during 2017 after the receipt of $350,000 option payment, we began to plan for the next stage of your company's development during the year. Because of our commitment to and experience in North Queensland, and its prospectively for major base metal deposits, the Board decided to explore for Mt Isa-type copper and gold deposits. We commissioned a highly regarded, experienced geologist, Mr Jacob Rebok, for new ideas. He suggested that we look at an area to the West of Mount Isa, which has similar geology to the well-explored Eastern Succession, however is under an alluvial cover and therefore relatively unexplored.

Jacob identified several interesting prospects, which resulted in the application for an area that we call the Templeton prospect. An exploration program will commence in 2018 after obtaining Native Title and Landholder Agreements.

Late in 2017 we were approached by Chinova Resources Cloncurry Mines (Chinova) with a better offer for our New Hope project (ML 2487). On 5 January 2018 we signed an option agreement with Chinova for a non-refundable option fee of $150,000, exercisable by 30 November 2018. If Chinova exercises the option we will receive consideration of $725,000 less the initial $150,000 payment. This deal makes sense for both parties because New Hope was a very small project and Chinova holds all the surrounding ground.

At our Reefway Royalty Tenements (Pegmont 76.73% share) the owner and operator CST Mining Group Limited continued heap leach operations to produce 99.99% cathode copper. Total copper sold to September 2017 was 588.6 tonnes, making a cumulative total of 48,994.4 tonnes to 30 September 2017. CST Mining Group was granted a Mining Lease over the Anthill deposit within EPM 16244 (a Reefway Royalty tenement). The Anthill deposit has an insitu resource 13.84 Mt of 0.7% Cu oxide.

The company's cash position improved by $165,234 in 2017 from $217,864 to $383,098 with the receipt of the $350,000 option payment from Vendetta and careful expenditure control. The net profit of $30,421 was an improvement on the loss of $123,955 in 2016. Depending upon the receipt of Option payments from Vendetta and the exercise of the New Hope Option by Chinova, net profit in 2018 would increase significantly.

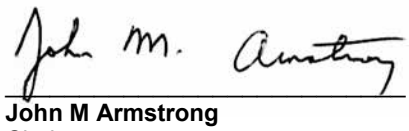
Our 2018 objectives will be to deal with Native Title and landholder issues and to see that the Templeton exploration lease is granted expeditiously. We are also investigating the possibility of adding another project in the Mt Isa area for diversification and to provide a minimum level of continuity to our exploration activity.

Future prospects for Pegmont are promising, provided that commodity prices remain firm.

Our intention is to:

- Reward shareholders with an appropriate fully franked dividend, when the Vendetta option is exercised.
- Renew and strengthen management and the Board,
- Consider ways of improving the liquidity of our shares including a possible transfer of our listing to the ASX at an appropriate time.
- Be on the look out for a possible corporate transaction as a means of achieving our long-term strategy.

We again thank our shareholders for their patience and continuing support. We also record our appreciation for the efforts of our staff, consultants, legal advisors and contractors.



John M Armstrong
Chairman

OUR TEAM

BOARD OF DIRECTORS

John M Armstrong

Non-Executive Chairman

BSc, MBA, FFin, FAICD

Mr Armstrong, is a professional company director with over 40 years of experience in investment banking and resource finance. He was appointed a Director in year 1998.

Peter J Read

Non-Executive Director

BEc, FAICD

Mr Read, is a corporate specialist in mining, marketing and business consulting. He was appointed in 2014.

Malcolm A Mayger

Managing Director

BComm, CA, FAICD

Mr Mayger, has 50 years experience in exploration and mining investment. He founded the Company in 1987 and then was involved in all tenement acquisitions, including Pegmont, Mount Kelly, Anthill, the Mount Gordon Fault Zone exploration areas and more recently the Templeton application area.

The Board has regular meetings to discuss strategy and impact of current issues.

COMPANY SECRETARY

Christopher D Leslie

BComm, FCA

Mr Leslie has 31 years experience in the mineral and petroleum industries at senior levels.

TECHNICAL MANAGEMENT

David Hewitt

BSc (University of Queensland, 1964), and MSc in Exploration and Mining Geology (James Cook University, 1990)

After 28 years elsewhere in Australia and PNG, David commenced work in the Mount Isa Inlier in 1992, focussing on copper and gold mineralisation. Since 1996 he became project geologist at the Pegmont Project, also at New Hope gold-cobalt discovery and Lightning Creek IOCG Projects in the Eastern Succession. He was also supervising geologist from 1998 at Mount Kelly, Anthill, Dividend and May Downs prospects during their drilling. His responsibilities also included detailed mapping and identification of drill targets. This work successfully resulted in the identification of Mount Isa type mineralisation at Mount Kelly. After 2004, David was involved in advancing the Pegmont Project to resource status prior to the Option deal with Vendetta Mining Corp.

David is responsible for field activity and exploration.

SENIOR ADVISER – GEOLOGY

Jacob Rebek

Jacob graduated as a Geological Engineer from the University of Ljubljana, Slovenia in 1967. He joined CRA Limited in 1970 to work in Papua New Guinea and Solomon Islands. Since 1975, he worked in various parts of Australia and was the team manager responsible for the discovery of Century Zinc deposit (second largest zinc mine in the world).

Between 1998 and 2000, Jacob worked in the role of Rio Tinto Exploration Director for South America until retirement in 2003. Jacob has since continued to work in exploration in Australia and Chile.

Jacob has been a Member of the Australian Institute of Mining and Metallurgy since 1975. He has been involved in exploration for copper since 1970 and is fully familiar with a wide range of types of copper deposits in Australia, Papua New Guinea and Chile.

Jacob's previous experience was applied to the study of base metal exploration potential around Mount Isa, from which the Templeton Application resulted.
He is responsible for target selection.

2017 PERFORMANCE HIGHLIGHTS

Net profit for 2017 was $30,421, an improvement on the loss of $123,955 for 2016.

The Company's cash position also improved by $165,234 to $383,098 with the receipt of $350,000 Option payment from Vendetta Mining Corp combined with careful expenditure control.

Vendetta's confidence in the Pegmont lead-zinc project was confirmed by their announcement of a 75% increase in Inferred Resource tonnes and 44% increase in Indicated tonnes as at June 2017.

Indicated 2.245Mt of 5.6% Pb, 2.6% Zn, Ag 10g/t

Inferred 9.647Mt of 5.0% Pb, 2.9% Zn, Ag 8g/t

Since then, Vendetta drilled in excess of 19,000 metres and have made a number of announcements which indicate a further increase in open pit resources within the Pegmont Mining Leases as well as extending Zone 5 (in the surrounding EPM 26210) mineralisation. An update in Resource estimates can be expected during 2018. Metallurgical test work yielded excellent recoveries and concentrate grades at Pegmont (6 March 2017).

Because of these positive results, the Board resolved to implement a plan to develop a new future for the Company by focusing exploration activities both to the north and west of Mount Isa, because of its prospectivity for major base metal deposits. In order to execute this plan, a highly regarded and experienced geologist, Jacob Rebek (former exploration Director of Rio Tinto for South America, and previously Director and Group Geologist for CRA-Eastern Australia) was appointed Senior Adviser – Geology, to the Company.

Jacob's previous experience was applied to the study of base metal potential within 100 kilometre radius of Mount Isa, from which the Templeton Application area resulted. It is anticipated that other areas of interest may result in future application(s).

Also, Jacob is assessing areas held by other parties which for a variety of reasons may have been neglected despite their potential.

VENDETTA EXPLORATION ACTIVITIES

Continued improvement in gold and base metal prices during the first quarter of 2017, enabled Vendetta Mining Corp (Vendetta) to raise C$3.0 million by private placement to continue exploring the Pegmont lead-zinc deposit with a 12,000 metre drill program. Vendetta also made a $350,000 option payment.

A new Mineral Resource estimate based on 13,500 metres of drilling undertaken since 2014 and prior to commencement of 2017 drill program was completed which resulted in a 75% increase in Inferred Resource tonnes and 44% increase in Indicated tonnes, was announced 22 June 2017, based on 328 drill holes. Importantly, this included 6.3Mt of 5.4% Pb, 2.4% open pit resource.

Vendetta commenced Resource Development drilling on 12 May 2017 using two rigs.

High grade drill results of around 9% Pb + Zn were announced from Zones 2 and 3 and a new high grade zone was discovered called the Bridge Zone connecting Zone 2 to the Burke Hinge Zone. This drill success enabled Vendetta to extend their Resource Development program to more than 19,000 metres by the end of October.

Drilling in Zone 5 (within the surrounding EPM 26210) confirmed Vendetta's thesis that zinc grade increases towards the south-west, with zinc grades consistently higher than lead.

It is expected that Vendetta will provide a Resource update prior to commencing further drilling in 2018.

Vendetta claims to have expended excess of C$6 million on the Pegmont lead-zinc Project to date (October 2017, Company presentation).

Vendetta Option Agreement

The Amended Call Option Agreement of 25 November 2015 is summarised as follows:

1. Preproduction Payments

Date	Cash Payments $
September 2014 – paid	250,000
28 February 2016 – paid	150,000
28 February 2017 – paid	350,000
28 February 2018	500,000
6 November 2018 (exercise date)	1,000,000
Upon transfer of the title a pre-paid royalty	3,000,000
	5,250,000

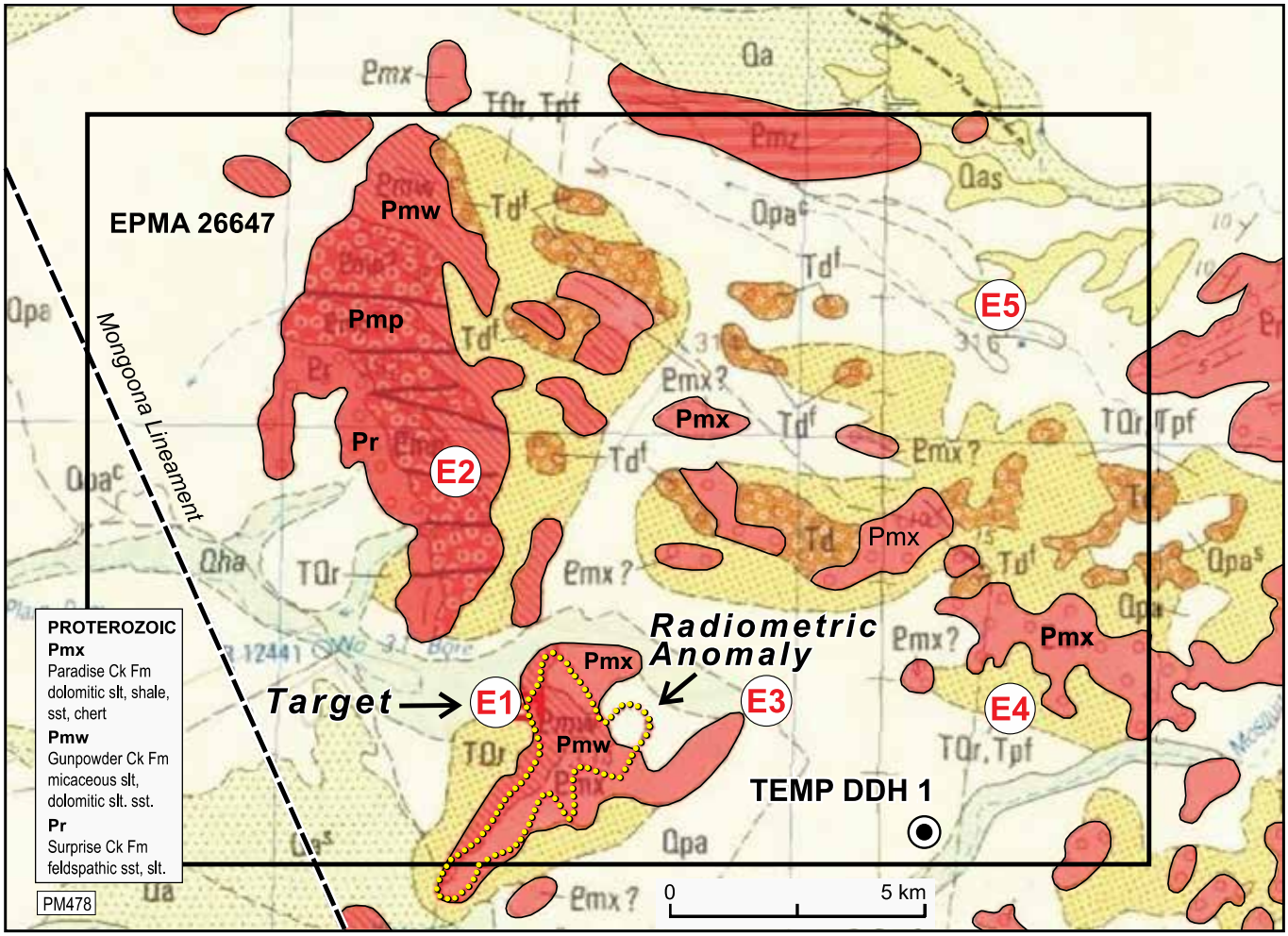
2. A minimum of 17,000 metres of drilling must be completed prior to 10 August 2018 – completed.
3. Vendetta to produce evidence of upgraded total Resource estimate to more than 10Mt of all material types by 28 February 2017 based on 3% Pb + Zn cut-off grade for Oxide and Transition mineralisation and at a 5% Pb + Zn cut-off grade for Sulphide ores – report by AMC Consultants on 22 June 2017 exceeded these tonnages at the designated cut-off grade.
4. The Option period expires on 6 November 2018.
5. A Royalty rate of 1.5% of Net Smelter Return (NSR) applies to all minerals produced from the Pegmont tenements subject to a rebate of the Option payments and Prepaid Royalty totaling $5,250,000. Alternatively, a royalty of A$1.05/t applies to sale of ore, after the recovery of previous payments.

Our New Project – Templeton EPM 26647 (100% interest)

The Templeton exploration area is located 60 kilometres west of Mount Isa. The application of 96 sub-blocks or 246 square kilometres covering five large magnetic anomalies have not yet been tested by previous explorers. The co-incident magnetic and radiometric anomalies over anomaly E1 provides a ready made target for exploration during 2018.

The Queensland Department of Natural Resources and Mines have approved our proposed work program and expenditure commitments. Native Title negotiations have commenced.

Templeton is at the application stage subject to native Title and Landholder Agreements being finalised. The exploration target is Mount Isa-type copper mineralisation that may be concealed beneath old Tertiary weathering surface. It is a large geophysical target of co-incident magnetic and radiometric anomalies. The geological setting is similar to areas which copper mining has taken place, notably Mount Kelly and Lady Annie.



Templeton Application area
Geological map of Proterozoic outcrop and Radiometric anomaly covering E1 Target

The Templeton magnetic anomalies (E1, 2, 3, 4 and 5) appear to express a circular round-oval shaped deep seated mafic – intermediate magnetic intrusion.

Templeton E1 anomaly in coincidental with favourble outcrop geology including **Pmx** (Gunpowder Creek Formation) and **Pmw** (Gunpowder Creek Formation). It is our primary drill target to be tested within 12 months of grant of title.

REVIEW OF OPERATIONS

2017 PERFORMANCE HIGHLIGHTS

Net Profit for 2017 was $30,421 an increase of $154,376 on a loss of $123,955 in 2016.

Cash balances increased by $165,234 to $383,098 at 31 December 2017, with the receipt of $350,000 Option payment by Vendetta.

Share trading resulted in a loss of $13,710 (2016 – profit of $17,044) due to a gold producer reporting a sharp reduction in recovered grade. However, 2018 trading suggests a more positive outcome.

The consolidated net results for 2017 was a profit of $30,421, compared with a loss of $123,955 in 2016, summarised as follows:

Consolidated Net Result	**2017** $000	**2016** $000
Net Trading Profit/(Loss)	(14)	17
Investment income	8	3
Net Income from Investing Activities	**(6)**	**20**
Pegmont Option Receipt	350	150
Administration	(193)	(197)
Depreciation	(30)	(30)
Legal expense	(10)	(20)
Exploration expense	(81)	(47)
Profit/(loss) before income tax	**30**	**(124)**
Earnings per share *cents*	+ve	(0.2)

Note

This result includes the issue of 425,000 shares to contractors (valued at 6 cents per share).

Administration costs were slightly lower than last year.

Depreciation of the Pegmont Camp facilities continued in anticipation of Vendetta exercising their Option.

Legal expense was accrued regarding time costs incurred on the New Hope Option Agreement to 31 December 2017.

Exploration expense included $25,500 value of shares issued to contractors, Templeton application cost $12,000 and a special study on copper potential around Mount Isa $23,000.

Company Tax has not been provided or adjusted against profits as there were carried forward losses in excess of $12 million at 30 June 2017. Option income received from Vendetta is credited as Other income and therefore offset against carried forward losses. Also, there are Franking Credits that can be applied against dividend payments amounting to $4,509,000.

COMMODITY BACKGROUND

Since exploration activity is driven by commodity price movements, it comes as no surprise that strength in zinc and copper prices drew investor attention which enabled Vendetta to raise considerable capital to fund their activities at Pegmont.

Summary of selected Commodity Price Movements during 2017

	2016 31 Dec	**2017** 29 Dec	**Improve-ment** %
Oil – *$US/bbl*	53.95	60.41	12.0
Iron ore (62% Fe fines) – *$US/t*	78.87	72.62	(7.9)
LME Index	2,659.6	3,418.5	28.5
Lead – *$US/t*	1,985	2,485.0	25.2
Zinc – *$US/t*	2,563	3,338	30.2
Copper – *$US/t*	5,501	7,157.0	30.1
Gold – *$US/g*	1,159.9	1,295.2	11.7
$A/$US	0.7233	0.7802	7.9
All Ords Index	5,719.1	6,167.3	7.8
Gold Index (ASX 200)	4,080.9	4,920	20.6

Base metal prices firmed during 2017 as economic growth continued in USA, China, Japan and Europe. Oil prices have bottomed because of cutbacks by some OPEC countries and interruption of production from Libya. Iron ore (62% Fe fines) is subject to seasonal demand and heavy discounting for lower grade. The short-term outlook for commodities remains firm as the US economy strengthens into 2018.

However, the prospect of higher US interest rates (resulting in a firmer US dollar) in 2018 could put a cap on much higher commodity prices and induce weakness in bullion demand.

21 YEAR CORPORATE SUMMARY
(1996-2017)

Since the Company's formation, 21 years ago, our dream was to make a major discovery in the Mount Isa region. Pegmont has made several mineral discoveries, and has purchased others to advance them to resource status. Our policy has been to option them out to obviate feasibility and development risks and to provide finance for the next project. From the sale of Reefway shares, the Company was able to reinvest the proceeds into Pegmont and pay dividends of 2.75 cents a share.

Should Vendetta exercise their option over the Pegmont Project and Chinova exercise their option over the New Hope Mineral Lease, the Company would have funds in place to explore Templeton and to pay a dividend to shareholders.

From the Reefway and Pegmont deals, the Company expects to receive a long-term royalty stream that could fund future exploration.

Anticipating the eventuality of a successful outcome for Vendetta at Pegmont; last year the Board embarked on a new project (Templeton), which we anticipate could underpin a new future for the Company.

An important part of our new future is to develop new skills, new concepts whilst retaining tried and true standards from the past. Firming up a relationship with Jacob Rebek was a very important first step in constructing our new future.

At this moment, we are dependent upon Templeton living up to its promise, subject to Native Title and Landholder agreements. Also, existing exploration tenements held by other entities are under review in order to reduce our dependence on single outcomes.

During 2018, the Board will continue to give attention to the development of a long term strategy for your Company, including;

- renew and strengthen the Board;
- recruit the next generation of management;
- consider ways to improve market liquidity of the Company's shares;
- payment of dividends; and
- consider corporate opportunities and deals.

It is unlikely that all of these objectives can be attained during 2018, however the first steps have been taken.

By maintaining a conservative financial policy of self-funding exploration activities from share investing (and eventually from royalty receipts) and by optioning out our mineral tenements for cash and future royalties; the Company could continue to grow without a heavy demand on shareholders.

In summary, over the past 21 years, the Company has raised $4.51 million, and paid $1.375 million in dividends. It has $0.38 million in the bank less a deferred liability of $0.30 milion. In order to exercise their options, Vendetta and Chinova are required to pay a further $5.0 million. Also, the Company has built an extensive portfolio of mineral interests in the Mount Isa region which could have a high intrinsic value.

By focusing on the Mount Isa region, we anticipate being able to expedite future growth (without incurring undue risk).

EXPLORATION ACTIVITY

The Company has the following exploration interests:

- **Pegmont lead-zinc Project** (100% interest) under Option to Vendetta
- **New Hope ML 2487** (100% interest) under Option to Chinova
- **Reefway Royalty tenements** (76.73% Royalty interest) – deferred 1% NSR operated by CST Mining
- **Templeton EPMA** 26647 (100% interest) awaiting grant of title

Although no field work was undertaken by the Company during 2017, tenement maintenance expenses were incurred on all properties.

Pegmont lead-zinc Project (100% interest)

Vendetta is actively exploring the Pegmont tenements and have announced the following news releases to the Toronto Stock Exchange (VTT – TSX:V):

10 April 2017, Vendetta raised C$3.0 million financing to fund the start of its 2017 exploration program at Pegmont.

28 April 2017, Vendetta closed a C$4.2 million Private Placement to be used in resource development program at Pegmont.

4 May 2017, Vendetta confirmed prospectivity of copper-gold discovery with ground EM survey some two kilometres southwest of Pegmont's lead-zinc mineralisation.

May 2017, Vendetta released a presentation on the Pegmont Resource Development.

27 June 2017, Vendetta updated Pegmont lead-zinc Mineral Resources to 9.6Mt Inferred and 2.2Mt Indicated; using drilling results to 8 May 2017, including12,491 metres in 60 new holes.

25 July 2017, Vendetta reports initial high-grade results from 2017 drilling of Zone 3 step out drilling.

24 August 2017, additional high grade results from Zones 2 and 3 at Pegmont were reported.

19 September 2017, Vendetta discovered a New High Grade Zone at Pegmont between the Burke Hinge Zone (BHZ) and Zone 2 to be referred to as the Bridge Zone.

17 October 2017, Vendetta announced warrant exercise worth S$1.1 million to fund ongoing Development Drilling Activities.

October 2017, presentation update issued, which included a tonnes/grade comparison with 22 other lead/zinc deposits (page 21).

7 November 2017, Vendetta reported drill results from Zone 5, outside the Mining Leases of Pegmont.

15 November 2017, Vendetta continued to intersect high-grade mineralisation from Zone 2 Open Pit Target at Pegmont. **Drilling was concluded on 18 December** after completing 112 drill holes for a total of 23,228 metres. Vendetta intends to complete an updated Mineral Resource Estimate and N1 43–101 technical report by March 2018**.** Metallurgical sampling of Zones 1 and 2 sulphide material was completed and samples were dispatched to laboratory for test work.

This work program completed the expenditure and drill metres required to be completed under the Option.

Vendetta has until 6 November 2018 to exercise its Option over the Pegmont lead-zinc deposit.

New Hope ML 2487 (100% interest)

The New Hope ML 2487 contains a small gold-copper resource of 93,500 tonnes assaying 6.8g/t Au (20,440 ounces) and 0.2% Co (JM Geological Consulting Pty Ltd – May 2012).

The Company was approached by Chinova late in the year, followed by an Option deal on the following terms:

- $150,000 non-refundable deposit paid on 15 January;
- Undertake additional exploration including drilling and assist with the renewal of the ML; and
- Exercise by 30 November by making a balance payment of $575,000 upon transfer of title.

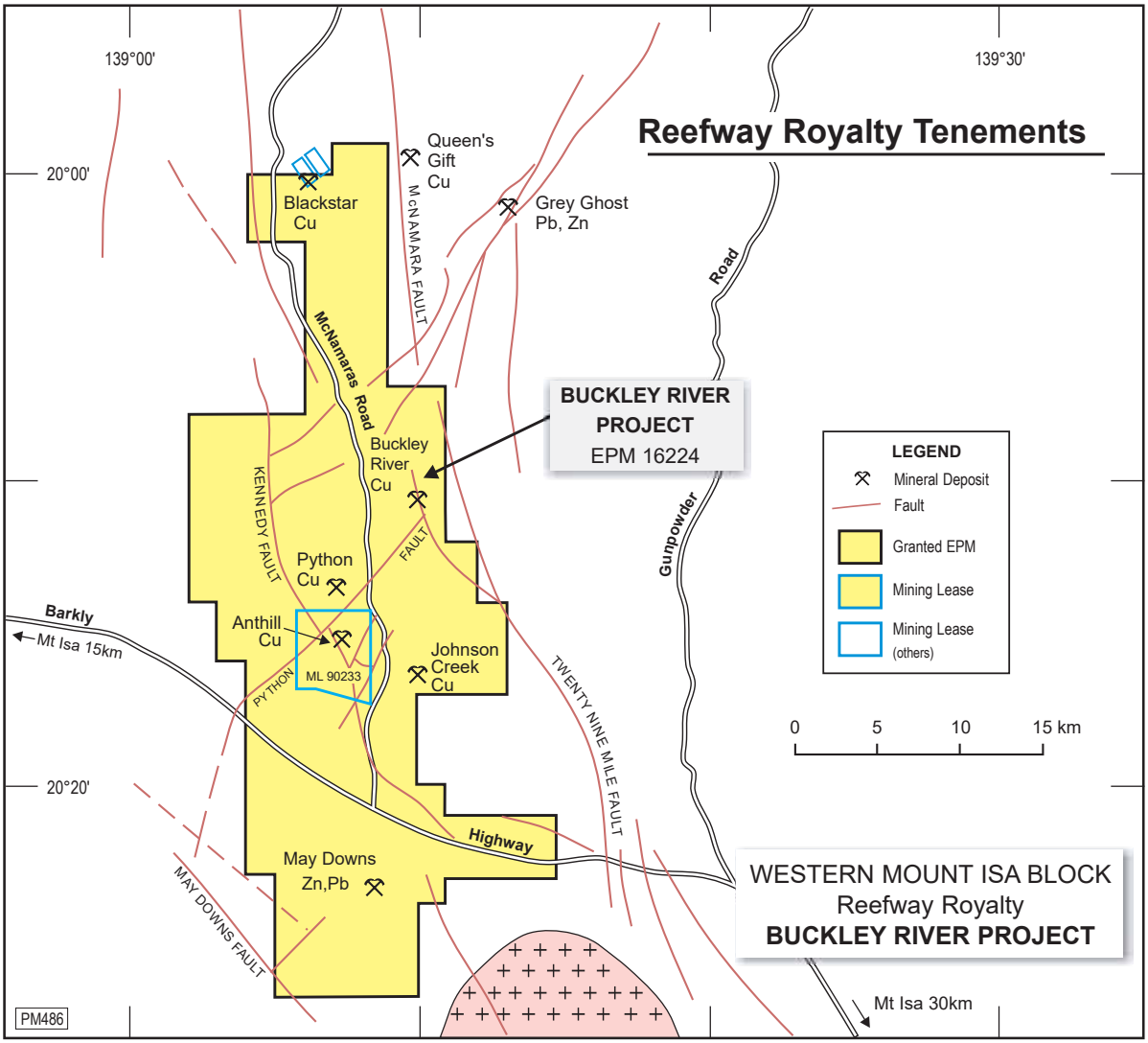
Reefway Royalty Tenements (76.73% Royalty Interest)

The current owner and operator of the Reefway Royalty Tenements, CST Mining Group Limited (CST Mining) continued heap leach operations to produce 99.99% cathode copper. Total copper sold to September 2017 derived from the tenements was 588.6 tonnes, making a cumulative total of 48,994 tonnes to 30 September 2017.

CST Mining was granted ML 90233 over the Anthill deposit which has an insitu resource of 13.84Mt of 0.7% Cu oxide for gross metal content of 96,880 tonnes of copper, with leach recoveries this deposit could yield 55,000 tonnes of cathode copper, sufficient to fulfill the minimum metal production for the NSR royalty to begin.

Although the oxide copper is thought to be exotic in nature, its sulphide source if expected to be no more than several kilometres distant.

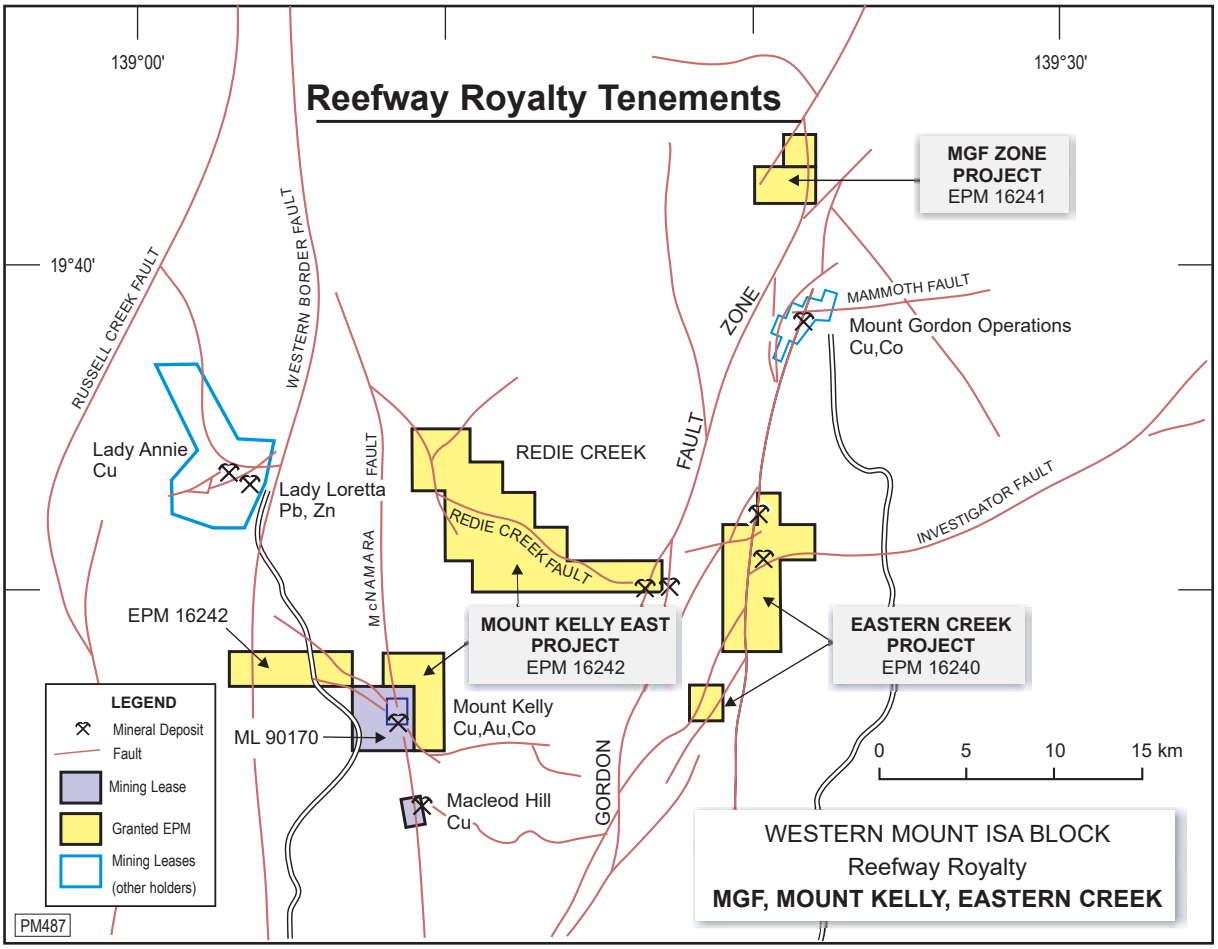
To date, CST Mining has explored for additional oxide resources; despite intersections of high-grade sulphide. As the longer term potential of the tenements lies in the high-grade sulphide source material, CST Mining may be open to deals.



ML 90233, EPM 16244 Buckley River Project.
Holder: CST Minerals Lady Annie Pty Ltd.

Within EPM 16244, CSTM was recently granted a large ML 90233 covering the Anthill-Python trend. CSTM has announced an oxide resource of 13Mt averaging 0.7% Cu (December 2013). Regional RAB drilling has located anomalous copper areas at Taipan, Kyprios, and Quadrin to the east of Johnson Creek. Follow up drilling of previous fault related high grade intercepts remain untested in preference to oxide mineralisation.

A review of the Anthill district by Mr Jacob Rebek (July 2017) rated the Anthill district (Anthill – Python – Johnson Creek – Taipan area) as the highest priority area for copper exploration in the western part of Mount Isa – Cloncurry copper province.



EPMs 16240, 16241, 16242 are held by CST Minerals Lady Annie Pty Ltd and are subject to the Reefway Royalty Agreement

EPM 16240 (Eastern Creek Project) and EPM 16241 (MGF Zone Project) remain largely underexplored as CSTM focused exploration on the EPM 16242 for shallow oxide copper mineralisation to feed the Mount Kelly processing centre. EPM 16240 has many Mount Isa-type features, where the Investigator Fault nears the Esperanza Fault, including a broad copper anomaly, associated with major faulting, hosted by dolomitic siltstone with silica-dolomitic alteration with fracturing and brecciation and quartz-carbonate chalcopyritic veining.

Exploration Tenement Summary

Tenement	Project	Status	Area	Date of Grant	Date of Expiry
EPM 26210	Pegmont	Granted	26 s/b	22.08.2017	21.08.2022
EPM 26647	Templeton	Application	96 s/b	–	–
ML 2487	New Hope	Granted	8.0923 ha	06.12.1973	31.12.2018
ML 2620	Pegmont No 1	Granted	129.5 ha	24.01.1974	31.01.2022
ML 2621	Pegmont No 2	Granted	129.5 ha	24.01.1974	31.01.2022
ML 2623	Pegmont No 4	Granted	129.5 ha	24.01.1974	31.01.2022

With respect to these tenements and licenses, all statutory obligations have been completed and that all tenements are in good standing. ML 2487 requires renewal during 2018.

OUTLOOK FOR 2018

We have completed two years of a strong commodity bull market that commenced during the first quarter of 2016: The Aussie dollar also firmed 6.8% since then.

Commodity Background

Summary of Selected Commodity Price Movements
December 2015 – December 2017

	2015 31 Dec	**2017** 29 Dec	**Improve-ment** %
Oil – $US/bbl	37.0	60.41	63.3
Iron Ore – (62% Fe fines)	42.9	72.62	69.3
LME Index	2,203.0	3,418.5	55.2
Lead – $US/t	1,802.0	2,485.0	37.9
Zinc – $US/t	1,600	3,338	108.6
Copper – $US/t	4,720.0	7,157.0	52.2
Gold – $US/g	1,062.0	1,295.2	22.0
$A/$US	0.7302	0.7802	6.8
All Ords Index	5,344.6	6,167.3	15.4
Gold Index (ASX 200)	2,645.8	4,920	85.9
Dow Jones Index	17,425	24,719	41.9

The last two years have been very beneficial to commodity producers, with the outstanding bulk commodity being **zinc**.

Fortunately, the Australian dollar has only partially responded to improved metal prices.

As we enter the third year of the boom, volatility can be expected. Thus in plotting a course of action for the Company (operating in the commodity sector) an element of caution is (probably) desirable by not allowing exploration commitments to exceed option receipts during 2018 and 2019.

Option Income

The Company has two Option Agreements in place, firstly over the Pegmont lead-zinc Project with Vendetta and secondly with Chinova over the New Hope gold-cobalt deposit.

Vendetta is due to make an Option payment of $500,000 on 28 February 2018 to maintain their existing Agreement until the exercise date of 6 November 2018.

Chinova have paid a non-refundable deposit of $150,000 (net of GST) for an exclusive option period to 30 November 2018.

Sharetrading Activity

A short term trading approach appears to be the best protection against unexpected events that may cause losses.

The market value of the trading portfolio was $24,150. This is not a significant amount, but it acts as a barometer of market sentiment.

Administration Costs were $202,984 in 2017 compared with $216,681 for 2016. An increase to $285,000 is expected in 2018.

	2018 $000	**2017** $000
Auditor and Director Fees	150	114
Legal expense	40	10
Stock exchange and registery	15	10
Secreterial and office expense	30	25
Other expenses	50	44
	285	203

Legal expenses are expected to increase due to Option agreements. Directors' fees include those of the Managing Director reflect increasing corporate activity.

Forecast Income/Expenditure – 2018

	2018 $000	**2017** $000
Sharetrading Profit/(Loss)	-	(14)
Dividends and Interest	10	8
Option fees	650	350
Total Income	**660**	**344**
Exploration		
Templeton	120	28
Other	65	53
Depreciation	40	30
Administration	285	203
Total Expense	**510**	**314**
Net Profit/(Loss)	**150**	**30**

Notes

1. Actual results during 2018 could differ materially from these forward looking estimates. E.g. Should Vendetta exercise its Option to purchase the Pegmont lead-zinc Project, then Income would increase by $1.0 million in 2018 and $3.0 million in 2019. Likewise, should Chinova exercise their Option over New Hope, total income would increase by $575,00 in 2018.
2. Exploration Other only includes data research in the Mount Isa Region, as there are no other commitments.

FINANCIAL CONDITION

The Company's Net Assets at 31 December 2017 were $3,212,041 an increase of $75,281.

	2017 $000	2016 $000
Current assets	462,450	300,809
Current liabilities	(237,822)	(160,512)
Working Capital	224,628	140,297
Non-current assets	3,287,413	3,315,823
Non-current liabilities	(300,000)	(300,000)
Net Assets	**3,212,041**	**3,156,120**

The Net Assets difference of $55,921 reflects:

Net Profit/(Loss)	30,421	(123,955)
Issued Capital	25,500	6,000
Net Assets Increase/(Decrease)	**55,921**	**(117,955)**

Working Capital

Working Capital improved by $84,331 to $224,628, defined as the difference between total Current Assets of $462,450 less Current Liabilities of $237,822 at 31 December 2017. However, this position has been augmented by the receipt of $150,000 Option payment by Chinova on 15 January 2018.

Vendetta is due to make an Option payment of $500,000 by 28 February next and an additional payment of $1 million upon their Option exercise date of 6 November 2018.

Thus, the Company is likely to have adequate Working Capital to fund a modest exploration program at Templeton and possibly one other project without recourse to shareholders during 2018.

Non-Current Assets

	2017 $000	2016 $000
Pegmont field camp	40	70
Pegmont tenements	3,000	3,000
Reefway Royalty	100	100
New Hope tenement	147	146
	3,287	**3,316**

The net value of the Pegmont tenements and field camp of $3.04 million compares with outstanding Option payments of $1.5 million due by November 2018 and balance of $3 million for prepaid royalties by February 2019. The New Hope property reflects the pre-paid Option deposit but not the exercise of $575,000. The Reefway Royalty value has a large intrinsic component, which may firm up when the Anthill ML 90233 is brought into production.

SUMMARY OF FINANCIAL RESULTS

FINANCIAL RESULTS AT 31 DECEMBER		2017 $000	2016 $000	2015 $000	2014 $000	2013 $000
Gross Trading Revenue		24	78	44	135	296
Net Trading Profit/(Loss)		(6)	20	(23)	(51)	(45)
Option Receipt		350	150	–	250	–
Exploration		(81)	(47)	(46)	(109)	(389)
Administration		(203)	(217)	(207)	(440)	(334)
Depreciation		(30)	(30)	–	–	–
Net Profit/(Loss) before tax		30	(124)	(222)	(346)	(742)
Net Profit/(Loss) after tax		30	(124)	(222)	(346)	(742)
Cash		383	217	266	411	19
Investments		21	24	16	32	88
Working Capital		225	140	229	443	10
Total Assets		3,750	3,616	3,677	3,846	3,502
Total Liabilities		538	460	403	357	146
Shareholders' Funds		3,212	3,156	3,274	3,489	3,356
Contributed Equity		4,512	4,486	4,480	4,465	3,980
Earning per share (E)	cents	–	(0.2)	(0.3)	(0.5)	(1.2)
Dividends per share	cents	–	–	–	–	–
Net Tangible Assets per share	cents	4.4	4.4	4.6	4.9	5.4
Working Capital per share	cents	0.3	0.2	0.3	0.6	0.0
Share Price (last sale)	cents	6.9	1.5	5.0	7.0	6.0
Price Earnings ratio P/E	–	+ve	-ve	-ve	-ve	-ve
Shares on Issue	000	71,817	71,392	71,192	71,042	62,699

COMMENT

Since September 2004 when the Company applied the proceeds from the sale of Reefway Pty Ltd to share investing, this activity generated a total Net Trading Profit of $12,309,000 (after provisions) over twelve years from Gross Trading Revenue of $122,702,000 at an average margin of 10.0% on turnover. During this period the Company has expended funds on exploration $6,529,000, administration $6,731,000, taxation $4,629,000 and distributed dividends of $1,375,000 (i.e. 30.5% of Contributed Equity of $4,511,607).

The current business model of the Company incorporates share trading to generate income to contribute to administration and exploration expenses. However, since the GFC in 2007 (when our Gross Trading Revenue peaked at $36.3 million), share trading activity has been greatly restricted due to the lack of working capital.

We are confident that the commodity bear market bottomed during 2016, which then translated into greater investor interest in resource equities. The recovery in the LME (base metals) index from a low of 2,054 on 15 January 2017 to around 3,400, a gain of 65.5% supports this view. Barring unforeseen events, (and there are plenty of "black swans" flying around) we expect metal prices to stabiles during 2018. A successful outcome of this scenario would create growth opportunities for our Company and continued investor interest in resource exploration generally.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices that have been revised and updated, and in place since the 1st of July 2005. These corporate governance practices comply with the NSX Corporate Governance Council recommendations unless otherwise stated.

BOARD OF DIRECTORS

Role of the Board

The Board is responsible for ensuring that the Company is managed in a manner which protects and enhances the interests of its shareholders and takes into account the interests of all stakeholders. To fulfill this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management, monitoring the achievement of these goals and ensuring policies and procedures are applied that facilitate accountability and performance.

Because of the limited size of the Company and its financial affairs and operations, the use of separate committees of the Board of Directors is not considered generally appropriate. All matters that might properly be dealt with by such committees are currently dealt with by the full Board of Directors. Decisions of the Board are, to the extent practicable, unanimous. There were no occasions during the year when decisions were not unanimous.

Composition of the Board

The names and details of the Directors of the Company in office at the date of this Statement are set out in the Directors' Report.

The composition of the Board is determined using the following principles:

- Persons nominated as Non-Executive Directors shall be expected to have skills, experience and expertise of benefit to the Company and to bring an independent view to the Board's deliberations. Persons nominated as Executive Directors must be of sufficient stature and security of employment to express independent views on any matter.
- The Chairperson should ideally be non-executive and independent and be elected by the Board based on his/her suitability for the position. Currently the Chairperson is a Non-Executive Director. The Board believes that this Chairperson is able and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairperson.
- All Non-Executive Directors are expected voluntarily to review their membership of the Board from time-to-time taking into account length of service, age, qualifications and expertise relevant to the Company's then current policy and program, together with the other criteria considered desirable for composition of a balanced Board and the overall interests of the Company.
- Under the Company's Constitution, the minimum number of Directors is three. At each Annual General Meeting, one third of the Directors (excluding the Managing Director) must resign, with Directors resigning by rotation based on the date of their appointment. Directors resigning by rotation may offer themselves for re-election.
- The Directors may appoint a Managing Director for a fixed term not exceeding five (5)years (Article71(a)) unless otherwise approved by members in General Meeting.
- The remuneration of a Managing Director shall not exceed 15 times average weekly Earnings of Employees (AWE) (Article 6.5 (e)).
- The Chairperson and Deputy Chairperson hold office until otherwise determined by Directors, or until they cease to be Directors but in any case for a period not exceeding five (5) years (Article 9.6(a)) unless otherwise approved by members in General Meeting.

The Company considers that the Board should have at least three Directors (minimum required under the Company's constitution) and strives to have a majority of independent Directors but acknowledges that this may not be possible at all times due to the size of the Company. Currently the Board has three Directors, including two non-executive directors of whom one is the Chairman.

The number of Directors is maintained at a level which will enable effective spreading of workload and efficient decision making.

The Board has accepted the following definition of an Independent Director:

"An Independent Director is a Director who is not a member of management (a Non-Executive Director) and who:

1. is not a substantial shareholder of the Company or an officer of, or otherwise associated, directly or indirectly with, a substantial shareholder of the Company;
2. has not within the last three years been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
3. is not a principal of a professional adviser to the Company or another group member;
4. is not a significant consultant, supplier or customer of the Company or other group member, or an officer of or otherwise associated, directly or indirectly with, a significant consultant, supplier or customer;
5. has no significant contractual relationship with the Company or another group member other than as a Director of the Company;
6. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
7. is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with, the Director's ability to act in the best interests of the Company."

The Company considers a significant consultant, supplier or customer to be material if the total of their annual invoices amounts to more than 5% of the Company's total expenditure in that category.

The composition of the Board is reviewed on an annual basis to ensure the Board has the appropriate mix of expertise and experience. Where a vacancy exists, through what ever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board determines the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities and then appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Performance of Directors

The performance of all Directors and the Board as a whole is reviewed annually in accordance with the Company's corporate governance guidelines (effective 1 July 2005).

Conflict of Interest

In accordance with the Corporations Act 2001 and the Company's constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the Board meeting whilst the item is considered. Details of Director's related entity transactions with the Company are set out in the related parties note in the financial statements.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice at the Company's expense. A copy of advice received by the Director is made available to all other members of the Board.

Remuneration Report

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Pegmont Mines Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Pegmont Mines Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives (if any), was developed by the board. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest caliber of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. If options are issued they are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $100,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in employee option plans approved by the board.

Performance based remuneration

The Company currently has no performance based remuneration component built into key management personnel remuneration packages.

Company performance, shareholder wealth and key management personnel remuneration

No relationship exists between shareholder wealth, key management personnel remuneration and Company performance.

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 31 December 2017.

Voting and comments made at the Company's 2017 Annual General Meeting

The Company received approximately 100% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of Remuneration

Details of the remuneration of the directors and the key management personnel of the Company are set out in the Directors' Report.

The key management personnel of Pegmont Mines Limited include the directors.

Board Procedures and Policies

The Board applies the additional following procedures and policies:

The Board promotes ethical and responsible decision making by applying a corporate code of conduct which provides a framework for decisions and actions in relation to ethical conduct in employment. The Board sets guidelines for buying and selling securities in the company.

The Board safeguards the integrity in financial reporting by requiring the Chief Executive Officer and Chief Financial Officer (or equivalent) to make a statement (at the relevant times) that the Company's financial systems are founded on a system of risk management and internal compliance and control which implements the policies adopted by the board and the company's risk management and internal compliance and control systems is operating efficiently and effectively in all material respect.

The Board ensures the company makes timely and balanced disclosure by adopting a continuous disclosure policy.

The Board respects the rights of shareholders by adopting a shareholder communications strategy which aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. The Board requests the external auditor to attend all annual general meetings of the company, to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Board determines the Company's 'risk profile' and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

DIRECTORS' REPORT

The Directors' present their report on the results of the Company for the year ended 31 December, 2017 and the state of affairs at that date.

Directors

The names of the Directors in office at the date of this report are:

Mr. John M Armstrong Non-Executive Chairman
Mr. Peter J Read Non-Executive Director
Mr. Malcolm A Mayger Managing Director

Principal Activity

The principal activities of the Company in the course of the year were mineral exploration and resource investment.

Operating Results

The consolidated profit after providing for income tax and eliminating minority equity interests amounted to $30,421 (2016 – loss $123,955).

Dividends

No dividend was paid during the year (2016 – Nil).

Review of Operations

Information on the operations of the company during the year and the results of those operations are set out in the section titled "Review of Operations" in this Annual Report.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company that occurred during the financial year that have not been covered in the 'Review of Operations'.

Matters Subsequent to the end of the Financial Year

No matters or circumstances have arisen since the end of the financial year other than the receipt of $165,000 (incl GST) option fee from Chinova Resources on 15 January 2018, which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in financial years subsequent to the financial year ended 31 December 2017.

Options over Unissued Capital

The total number of options issued as at
31 December 2017 was NIL (2016 – NIL). At
31 December 2017 there were no unissued shares under option.

Environmental Issues

The Company is subject to performance bonds for the rehabilitation of a mining tenement. These performance bonds are required by the Mines Department to ensure that rehabilitation occurs as required under environmental regulation. Surface disturbance has been restored. There were no environmental incidents during the year. Occupational Health and Safety requirements were met through the development of an emergency plan, the provision of formal training to Pegmont contractors, toolbox meetings, site inspections and record keeping. There were no reportable incidents during 2017.

Auditors' Section 307C Declaration

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.

Mr. Graham Swan FCA (Lead Auditor)
Rothsay Auditing

Dated 1 February 2018

Meeting of Directors

During the financial year, 5 meetings of directors were formally held. The number of meetings attended by each director during the year is as follows:

Mr. John M Armstrong	5
Mr. Malcolm A Mayger	5
Mr. Peter J Read	5

In addition to these meetings, the non-executives directors are continuously updated on current activities.

Directors' Qualifications and Experience

ARMSTRONG, John M (Non-Executive Chairman) BSc, MBA, FFin, FAICD

Mr. Armstrong, aged 82 is a professional company director with over 40 years of experience in investment banking and resource finance at senior management and director levels.

MAYGER, Malcolm A (Executive Managing Director) BCom, CA, FAICD

Mr. Mayger, aged 78 has over 40 years experience in exploration, mining and investment. Malcolm Mayger founded the company in 1987 and has guided its subsequent development from concept to an explorer with investment interests.

READ, Peter J (Non-Executive Director) BEc, FAICD

Mr. Peter J Read, aged 78 is a corporate specialist with experience as Managing Director with Drillsearch Energy Ltd and Queensland Resources NL. In addition he has extensive experience in Marketing and Business Consulting.

Directors' and Executives' Emoluments

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts or received as the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest other than:

a) Consulting fees paid to Malcolm A Mayger Pty Ltd, an entity of which Mr. Malcolm Mayger is a Director and shareholder.
b) Consulting fees paid to Armstrong Associates Pty Limited, an entity of which Mr. John Armstrong is a Director and shareholder.
c) Consulting fees paid to Fonlie Accounting & Investments Pty Limited, an entity of which Mr. Chris Leslie is a Director and shareholder.
d) Peter Read Consulting fees are paid to a jointly held bank account.

The Company's remuneration policy is disclosed in the Corporate Governance Statement preceding this report.

Details of the nature and amount of each payment to each director and each of the officers of the company receiving emoluments are set out in the following tables.

Key management personnel of Pegmont Mines Limited

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Super -annuation	Retirement benefits		
	$	$	$	$	$	$
Directors						
John Armstrong						
2017	**30,000**	**–**	**–**	**–**	**–**	**30,000**
2016	30,000	–	–	–	–	30,000
Malcolm Mayger						
2017	**50,000**	**–**	**–**	**–**	**–**	**50,000**
2016	50,000	–	–	–	–	50,000
Peter Read						
2017	**20,000**	**–**	**–**	**–**	**–**	**20,000**
2016	20,000	–	–	–	–	20,000
Other key management personnel						
Chris Leslie						
2017	**21,800**	**–**	**–**	**–**	**–**	**21,800**
2016	12,450	–	–	–	–	12,450
Total key management personnel compensation						
2017	**121,800**	**–**	**–**	**–**	**–**	**121,800**
2016	112,450	–	–	–	–	112,450

Service agreements

Malcolm Mayger, Managing Director:

Pursuant a Service Agreement, which commenced on 25th of June 1987, the Directors have arranged for Malcolm Mayger to provide his services as Managing Director of Pegmont.

Share-based compensation

Where options are issued to key management personnel as part of their remuneration the options are not issued based on performance criteria, but are issued to key management personnel of Pegmont Mines Limited to increase goal congruence between key management personnel and shareholders. The Company does not have a formal policy in relation to the key management personnel limiting their exposure to risk in relation to the securities, but the Board actively discourages key personnel management from obtaining mortgages in securities held in the Company.

There were no options granted to or vesting with key management personnel during the year, and there were no options forfeited during the year.

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of Pegmont Mines Limited during the year.

Directors' Interest, in the Share Capital of the Company as at the date of this report

		Shares at 31/12/2015	Acquired/(Disposed) during the year	Shares at 31/12/2016
J M Armstrong	Direct	99,688	–	99,688
	Indirect	800,000	–	800,000
P J Read	Direct	100,000	–	100,000
	Indirect	–	–	–
M A Mayger	Direct	500,000	–	500,000
	Indirect*	38,543,333	–	38,543,333
		40,043,021	**–**	**40,043,021**

*Includes Pegasus Enterprises Ltd in which M A Mayger is a controlling shareholder.

Signed: at Sydney in accordance with a resolution of Directors.

Malcolm A Mayger

Dated: 1 February 2018

Directors' Declaration

The directors declare that the attached financial statements and notes:

a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b) give a true and fair view of the Company's and controlled entities' financial position as at 31 December 2017 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

a) the financial statements and notes are in accordance with the Corporations Act; and

b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

Malcolm A Mayger
Director

Sydney
Dated: 1 February 2018

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

INCOME STATEMENT
For The Year Ended 31 December 2017

	Note	Consolidated		Parent Entity	
		2017	2016	2017	2016
		$	$	$	$
Revenue from continuing operations					
Gross revenue from share trading		24,437	77,984	24,437	77,984
Cost of sales		27,547	67,335	27,547	67,335
Revenue / (loss) from sale of shares		(3,110)	10,649	(3,110)	10,649
Write back (increase) of provision for shares		(10,600)	6,395	(10,600)	6,395
Net trading profit / (loss) after provisions		(13,710)	17,044	(13,710)	17,044
Interest received or due and receivable from other Corporations		7,988	2,653	7,988	2,653
Option proceeds		350,000	150,000	350,000	150,000
Other revenue		–	–	–	–
		344,278	**169,697**	**344,278**	**169,697**
Expenses from continuing operations					
Audit fees		(14,000)	(14,000)	(14,000)	(14,000)
Directors fees		(100,000)	(100,000)	(100,000)	(100,000)
Exploration written off		(110,873)	(76,971)	(110,873)	(76,971)
Stock exchange fees		(1,312)	(24,105)	(1,312)	(24,105)
Share registry fees		(8,650)	(9,174)	(8,650)	(9,174)
Secretarial & office expenses		(24,995)	(17,226)	(24,995)	(17,226)
Other expenses from ordinary activities		(54,027)	(52,176)	(54,027)	(52,176)
		(313,857)	**(293,652)**	**(313,857)**	**(293,652)**
Profit before income tax		**30,421**	**(123,955)**	**30,421**	**(123,955)**
Income tax attributable	2	–	–	–	–
Profit attributable to members of Pegmont Mines Ltd		**30,421**	**(123,955)**	**30,421**	**(123,955)**
Earnings per share for profit attributable to the ordinary equity holders of the Company	19	0.001	(0.002)	0.001	(0.002)

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET
As At 31 December 2017

	Note	Consolidated		Parent entity	
		2017	2016	2017	2016
		$	$	$	$
Current Assets					
Receivables	3	58,215	59,045	58,215	59,045
Available for sale financial assets	4	21,137	23,900	40,498	43,261
Cash and cash equivalents	5	383,098	217,864	383,094	217,862
Total Current Assets		**462,450**	**300,809**	**481,807**	**320,168**
Non-Current Assets					
Held-to-Maturity Investments	6	–	–	2	2
Property, Plant & Equipment	7	40,000	70,000	40,000	70,000
Mineral Tenements	8	3,247,413	3,245,823	3,247,413	3,245,823
Total Non-Current Assets		**3,287,413**	**3,315,823**	**3,287,415**	**3,315,823**
Total Assets		**3,749,863**	**3,616,632**	**3,769,222**	**3,635,991**
Current Liabilities					
Payables	9	237,822	160,512	237,822	160,512
Total Current Liabilities		**237,822**	**160,512**	**237,822**	**160,512**
Non-Current Liabilities					
Loans		300,000	300,000	300,000	300,000
Total Non-Current Liabilities		**300,000**	**300,000**	**300,000**	**300,000**
Total Liabilities		**537,822**	**460,512**	**537,822**	**460,512**
Net Assets		**3,212,041**	**3,156,120**	**3,231,400**	**3,175,479**
Equity					
Contributed equity	10	4,511,607	4,486,107	4,511,607	4,486,107
Reserves	11	4,206,193	4,206,193	4,206,193	4,206,193
Retained profits	11	(5,505,759)	(5,536,180)	(5,486,400)	(5,516,821)
Total parent entity interest		**3,212,041**	**3,156,120**	**3,231,400**	**3,175,479**
Outside equity interests in controlled entities		–	–	–	–
Total Equity		**3,212,041**	**3,156,120**	**3,231,400**	**3,175,479**

The above balance sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Consolidated		Parent entity	
	2017	2016	2017	2016
	$	$	$	$
Total equity at the beginning of the financial year	**3,156,120**	**3,274,075**	**3,175,479**	**3,293,434**
Total recognised income and expense for the year	**30,421**	**(123,955)**	**30,421**	**(123,955)**
Transactions with equity holders in their capacity as equity holders:				
Shares issued- note 10	25,500	6,000	25,500	6,000
Total equity at the end of the financial year	**3,212,041**	**3,156,120**	**3,231,400**	**3,175,479**
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	30,421	(123,955)	30,421	(123,955)
	30,421	**(123,955)**	**30,421**	**(123,955)**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT

For the year ended 31 December 2017

	Note	Consolidated		Parent entity	
		2017	2016	2017	2016
		$	$	$	$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		382,425	230,637	382,425	230,637
Cash payments in the course of operations		**(230,530)**	**(284,016)**	**(230,530)**	**(284,016)**
Net cash from operating activities	17	**151,895**	**(53,379)**	**151,895**	**(53,379)**
Cash Flows from Investing Activities					
Financial assets decrease		(9,428)	(2,104)	(9,428)	(2,104)
Exploration expenditure		(80,873)	(46,971)	(80,873)	(46,971)
Net cash provided for investing activities		**(90,301)**	**(49,075)**	**(90,301)**	**(49,075)**
		61,594	**(102,454)**	**61,594**	**(102,454)**
Cash Flows from Financing Activities					
Increase/(decrease) in creditors		77,310	57,683	77,310	57,683
(Increase)/decrease in debtors		830	(9,814)	830	(9,814)
Share issue		25,500	6,000	25,500	6,000
Net cash flow from financing activities		**103,640**	**53,869**	**103,640**	**53,869**
Net increase (decrease) in cash and cash equivalents		**165,234**	**(48,585)**	**165,234**	**(48,585)**
Cash and cash equivalents at the beginning of the financial year		217,864	266,449	217,862	266,447
Cash and cash equivalents at the end of the financial year	16	**383,098**	**217,864**	**383,096**	**217,862**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For The Year Ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Pegmont Mines Ltd ("the Company") as an individual entity and the consolidated entity consisting of Pegmont Mines Ltd and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

All amounts are presented in Australian dollars, unless otherwise noted.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRSs). Compliance with AIFRSs ensures that the consolidated financial statements and notes of Pegmont Mines Ltd comply with IFRSs.

Historical cost convention

These financial statements have been prepared under the historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Pegmont Mines Ltd ("the Company") as at 31 December 2017 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Pegmont Mines Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

The effects of all intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated in full.

Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated profit and loss account and balance sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated profit and loss account from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

c) Income Tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially accepted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Segment Reporting
A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operation in other economic environments.

f) Revenue Recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

g) Royalties and other mining imposts
Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises. Profit based royalties are accrued on a basis which matches the annual royalty expense with the profits on which the royalties are assessed (after allowing for permanent differences). Since the Company is not in production, no royalties are payable.

h) Cash and cash equivalents
For cash flow statement presentation purposes, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

i) Trade and Other Receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

j) Fair Value Estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value, less impairment provision, of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

k) Plant and Equipment
Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 3 to 5 years. A net valuation of $40,000 has been applied to the Pegmont field camp in activities. All repairs and maintenance expenses are written off as occurrence.

l) Investments and Other Financial Assets
The Group classifies its investments in the following categories: loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. This designation is re-evaluated at each reporting date.

m) Impairment of assets
Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash- generating units).

Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

n) Trade Payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

o) Provisions
Provisions are recognised when the Company has a present obligation and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

p) Exploration expenditure
Expenditure on acquisition of tenements relating to an area of interest is carried forward where rights to tenure of the area of interest are current and:

i) the area has demonstrated economic grade, mineralisation; or

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Exploration expenditure (continued)

ii) exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

iii) Exploration expenditure is written off in the year during which it is incurred.

At certain milestones during the course of the evaluation of a project the carrying value is reviewed to a fair value, taking into account the likelihood of commercialisation and additional costs likely to be incurred to reach that stage. The last assessment of the carrying value of the Pegmont mining leases occurred in year 2000. Since then, a considerable amount of drilling has been undertaken which has led to the calculation of a maiden JORC compliant Resource in February 2011. Based on this information a review of the carrying value is being considered.

At the end of each financial year the Directors assess the carrying value of the acquisition expenditure carried forward in respect of each area of interest and where the carried forward carrying value is considered to be in excess of (i) above, the value of the area of interest is written down.

Capitalised acquisition expenditure is considered for impairment based upon areas of interest on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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.

q) Mineral Tenements

The Company's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decision in what is known generally as the "Mabo" case and any State or Federal legislation regarding native and mining titles. Approvals, although granted in most cases, are discretionary.

The question of native title has yet to be determined and could effect any mining title area whether granted by the State or not.

r) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in creditors and borrowings in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with wages and salaries above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits only where there is a reasonable expectation that a liability will be incurred.

Superannuation

The amounts charged to the statement of financial performance for superannuation represents the contributions to superannuation funds in accordance with the statutory superannuation contributions requirements or an employee salary sacrifice arrangement. No liability exists for any further contributions by the Company in respect to any superannuation scheme.

Redundancy

The liability for redundancy is provided in accordance with work place agreements.

s) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

t) Earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Pegmont Mines Ltd by the weighted average number of ordinary shares outstanding during the year.

u) Share based payments

Where shares or options are issued to employees, including directors, as remuneration for services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity. No options were issued during the year.

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Critical accounting estimates & judgements

In preparing this Financial Report the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Exploration and evaluation expenditure is written off during the year in which it is incurred.

ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised acquisition expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on an number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

As at 31 December 2017, the carrying value of mineral tenements of the group is $3,247,413 (2016 – $3,245,823)

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

		Consolidated		Parent entity	
		2017 $	2016 $	2017 $	2016 $
2.	**Income Tax**				
	Prima facie tax payable on operating profit at 30%	9,126	–	9,126	–
	Timing Differences	(9,126)	–	(9,126)	–
	Income Tax Expense	–	–	–	–
3.	**Trade and other Receivables (Current)**				
	Security deposits DME & rental bond	24,434	24,434	24,434	24,434
	Other debtors	20,973	32,254	20,973	32,254
	GST control account	12,808	2,357	12,808	2,357
	Prepayments	–	–	–	–
		58,215	**59,045**	**58,215**	**59,045**
4.	**Available for sale financial assets (Current)**				
	Quoted Shares	21,137	23,900	21,137	23,900
	Unlisted Investments – at fair value			19,361	19,361
	Closing balance at 31 December	**21,137**	**23,900**	**40,498**	**43,261**
5.	**Cash and cash equivalents (Current)**				
	Cash at bank and on hand	20,823	60,988	20,819	60,986
	Cash on deposit	362,275	156,876	362,275	156,876
		383,098	**217,864**	**383,094**	**217,862**

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

		Consolidated		Parent entity	
		2017	2016	2017	2016
		$	$	$	$
6.	**Held-to-Maturity Investments (Non-current)**				
	Shares in controlled entities	–	–	2	2
7.	**Property, Plant and Equipment**				
	Property, plant & equipment – at cost	369,279	369,279	369,279	369,279
	Less: Accumulated depreciation	(329,279)	(299,279)	(329,279)	(299,279)
		40,000	**70,000**	**40,000**	**70,000**
	Reconciliation of carrying amount				
	Opening balance at 1 January 2017	70,000	100,000	70,000	100,000
	Plant & equipment acquired during year	–	–	–	–
	Disposals	–	–	–	–
	Depreciation write off during year	30,000	30,000	30,000	30,000
	Closing balance at 31 December 2017	**40,000**	**70,000**	**40,000**	**70,000**
8.	**Mineral Tenements (Non-Current)**				
	Pegmont Lead-Zinc project at cost	893,807	893,807	893,807	893,807
	New Hope project at cost	147,413	145,823	147,413	145,823
	At cost	**1,041,220**	**1,039,630**	**1,041,220**	**1,039,630**
	Pegmont Lead-Zinc project at fair value	2,106,193	2,106,193	2,106,193	2,106,193
	Reefway Pty Ltd royalty at fair value	100,000	100,000	100,000	100,000
	At Fair Value	2,206,193	2,206,193	2,206,193	2,206,193
		3,247,413	**3,245,823**	**3,247,413**	**3,245,823**

The total value attributed to the Pegmont Lead-Zinc project of $3,000,000 is based on the value of the current Option Agreement with Vendetta Mining Corp (Vendetta). The agreement was entered into in September 2014 and amended on 11 November 2015. The agreement requires Vendetta to pay Pegmont Mines Limited cash payments totaling $5,250,000 over the period of the option. To date $750,000 has been received from Vendetta and a further two cash installments totaling $1,500,000 are payable in 2018 with a final payment of $3,000,000 in 2019 upon exercise of the Call Option and transfer of the mineral tenements to Vendetta.

The Company's activities in the mining industry are subject to regulation and approvals including mining, heritage, environmental regulation, and any State or Federal legislation regarding native and mining titles. Approvals, although granted in the most cases, are discretionary. The question of native title has yet to be determined and could affect any mining title area whether granted by the State or not.

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

		Consolidated		Parent entity	
		2017	2016	2017	2016
		$	$	$	$
9.	**Trade and other Payables (Current Liabilities)**				
	Trade creditors and other loans	237,822	160,512	237,822	160,512

		Parent entity			
			2017		2016
		Number	$	Number	$
10.	**Ordinary shares – Fully paid**	**71,816,556**	**4,511,607**	**71,391,556**	**4,486,107**

During the year 425,000 shares were issued at a deemed price of 6 cents per share to contractors of the Company.

Terms and conditions of ordinary shares:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings. In the event of winding up of the company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

11. Reserves and Retained Earnings

		Consolidated		Parent entity	
		2017	2016	2017	2016
		$	$	$	$
(a)	**Reserves**				
	Asset Revaluation Reserve	2,206,193	2,206,193	2,206,193	2,206,193
	Capital Profit Reserve	2,000,000	2,000,000	2,000,000	2,000,000
		4,206,193	**4,206,193**	**4,206,193**	**4,206,193**
(b)	**Retained Earnings**				
	Balance 1 January	(5,536,180)	(5,412,224)	(5,516,821)	(5,392,866)
	Profit for the year after related income tax expense	30,421	(123,955)	30,421	(123,955)
	Balance 31 December	**(5,505,759)**	**(5,536,180)**	**(5,486,400)**	**(5,516,821)**

(c) Nature and purpose of reserves

The capital reserve is used to quarantine net realised profits of a capital nature, whilst the asset revaluation reserve is used to accumulate adjustments to fair value after they have been posted through the profit and loss account.

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

12 Key Management Personnel Disclosure

a) Directors

The names of Directors who have held office during the financial year are:

Pegmont Mines Ltd & Subsidiaries
Malcolm A Mayger, John M Armstrong and Peter J Read
Executives during year – Christopher D Leslie

(b) Directors and Director-Related Entities' Shareholdings

The interests of Directors and their Director related entities in shares and share options at the end of the financial period are as follows:

Name	Balance at the start of the financial period	Issued	Purchased/(Sold)	Balance as the end of the financial period
(1) Shares				
JM Armstrong	899,688	–	–	899,688
MA Mayger	39,043,333	–	–	39,043,333
P J Read	100,000	–	–	100,000
Total shares	**40,043,021**	**–**	**–**	**40,043,021**

c) Key management personnel compensation

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-C of the remuneration report within the Directors' Report.

d) Related party transactions

Other than the transactions disclosed above there are no other transactions between related parties that require disclosure.

13. Segmental Information

The economic entity operates predominantly in one geographic location. The operations of the economic entity consist exploration for gold, lead-zinc and other minerals and equity investments within Australia.

14. Remuneration of Directors

			Consolidated		Parent entity	
	Related party		2017	2016	2017	2016
Type of transaction	– directors	Terms and conditions	$	$	$	$
Directors' fees	MA Mayger	Normal commercial	50,000	50,000	50,000	50,000
Directors' fees	JM Armstrong	Normal commercial	30,000	30,000	30,000	30,000
Directors' fees	PJ Read	Normal commercial	20,000	20,000	20,000	20,000

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

15. Controlled Entities

Name	Inc	Class	Book value 2017 $	Book value 2016 $	Equity 2017 %	Equity 2016 %	Contribution to Group 2017 $	Contribution to Group 2016 $
Pilbara Ventures Ltd	NSW	Ord	19,359	19,359	100	100	–	–
Queensland Copper Mines Pty Ltd	NSW	Ord	1	1	100	100	–	–
Kimberley Ventures Ltd	NSW	Ord	192,001	192,001	100	100	–	–
			211,361	**211,361**				
Contribution to Group Profit (Loss) after minorities								
Parent – Pegmont Mines Ltd							30,422	(123,955)
Profit (loss) for year – group							**30,422**	**(123,955)**
Loans to (from) subsidiaries			–	–				
Provision for loss			(192,000)	(192,000)				
Parent net investment in subsidiaries			**19,361**	**19,361**				

16. Reconciliation Of Cash

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

	Consolidated 2017 $	Consolidated 2016 $	Parent entity 2017 $	Parent entity 2016 $
Cash at bank	20,823	60,988	20,821	60,986
Call deposits	362,275	156,876	362,275	156,876
	383,098	**217,864**	**383,096**	**217,862**

Cash at bank bear a weighted average interest rate of 1.9%

17. Reconciliation Of Net Cash Outflow From Operating Activities To Operating Loss After Income Tax

Operating Profit (Loss)	30,422	(123,955)	30,422	(123,955)
• Exploration	110,873	76,971	110,873	76,971
• Refund of tenement expense	–	–	–	–
• Unrealised loss on investments	10,600	(6,395)	10,600	(6,395)
Net cash provided for operating activities	**151,895**	**(53,379)**	**151,895**	**(53,379)**

The Company has no credit standby or financing facilities in place other than disclosed on the statement of financial position.

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

18. Subsequent Events

No matter or circumstance has arisen since 31 December 2017 other than the receipt of $165,000 (including GST) option fee from Chinova Resources on 15 January 2018 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2017.

19. Earnings Per Share (eps)

		Consolidated		Parent entity	
		2017 $	2016 $	2017 $	2016 $
(a)	**Basic (loss) per share**				
	(Loss) attributable to the ordinary equity holders of the Company	0.001	(0.002)	0.001	(0.002)
(b)	**Earnings used in calculating earnings per share**				
	(Loss) attributable to the ordinary equity holders of the Company	30,421	(123,955)	30,421	(123,955)
	The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**71,816,556**	**71,391,556**	**71,816,556**	**71,391,556**

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

20. Financial Risk Management

The Company's activities expose it to a variety of financial risks.

Credit risk

The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Cash flow and fair value interest rate risk

Although the Company has significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company monitors interest rates to obtain the best terms and mix of cash flow.

Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables:

		Fixed Maturity Date				
	Weighted Average Effective Interest Rate %	Variable Interest $	Less than 1 year $	1 to 2 years $	Non-interest Bearing $	Total $
2017						
Financial assets						
Cash	–	–	–	–	20,823	20,823
Interest bearing deposits	1.9	–	362,275	–	–	362,275
Receivables	–	–	–	–	58,215	58,215
		–	**362,275**	**–**	**79,038**	**441,313**
Financial liabilities						
Accounts payable		–	–	–	237,822	237,822
		–	**–**	**–**	**237,822**	**237,822**

Notes to the Financial Statements (continued)
For The Year Ended 31 December 2017

20. Financial Risk Management (continued)

Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the NSXA Listing Rules.

Financing arrangements

The Company has no financing facilities available.

21. Auditors' Remuneration

	Consolidated		Parent entity	
	2017	2016	2017	2016
	$	$	$	$
Amount received or due and receivable by the auditor for:				
a) Audit services				
Audit and review of financial reports under the Corporations Act 2001	14,000	14,000	14,000	14,000
b) Non Audit services	–	–	–	–
Total remuneration of auditors	**14,000**	**14,000**	**14,000**	**14,000**

The auditor of the Company and its subsidiaries is Rothsay Chartered Accountants.

The Company has received notification from the Company's auditor that he satisfies the independence criterion and that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit. The Company is satisfied that the non-audit services provided is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

22. Expenditure Commitments

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2018 amounts of approximately $225,000 (2017 $81,000) in respect of tenement lease rental and minimum expenditure requirements.

ROTHSAY

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

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;

- 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 misstatementt, 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.

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

Rothsay Auditing

Dated 1st February 2018

GR Sw

Graham R Swan FCA
Partner

ROTHSAY

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

SUPPLEMENTARY INFORMATION

1. Issued Capital at 31 December 2017: 71,816,556 Ordinary Shares Fully paid

2. Share Holdings at 16 January 2017

(a) Distribution of Shareholders

Shareholding	Number of holders	Ordinary Shares
1 – 1000	1	1,000
1001 – 5000	1	5,000
5001 – 10,000	76	756,000
10,001 – 100,000	131	4,464,289
100,000 and over	58	66,590,267
	267	**71,816,556**

(b) Names of Substantial Shareholders shown in the Company's Register holding 5% or more of the Issued Capital of the Company are:

Shareholding	Number of Shares	% Issued Capital
Malcolm A. Mayger Pty Limited	17,340,000	24.14
Pegasus Enterprises Ltd	16,683,333	23.23
Malcolm A. Mayger Pty Limited and associates (including Pegasus Enterprises Limited)	39,043,333	54.36
HSBC Custody Nominees (Australia) Ltd	4,751,375	6.62
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF Account)	4,726,361	6.58

(c) Interests associated with Malcolm A Mayger Pty Ltd hold 39,043,333 (54.36%) Ordinary fully paid shares.

DIRECTORS' INTERESTS

		Shares
J M Armstrong	Direct	99,688
	Indirect	800,000
P J Read	Direct	100,000
	Indirect	–
M A Mayger	Direct	500,000
	Indirect*	38,543,333
Total Shares		**40,043,021**

*Includes Pegasus Enterprises Limited

Top Twenty Shareholders at 16 January 2018

	Number of Shares	Capital Issued %
Malcolm A Mayger Pty Ltd	17,340,000	4.14
Pegasus Enterprises Ltd	16,683,333	3.23
HSBC Custody Nominees (Australia) Ltd	4,751,375	6.62
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF account)	4,726,361	6.58
Gollum Opportunities	2,450,162	3.41
Lozora Pty Ltd	2,000,000	2.78
Malcolm A Mayger Super Fund	1,395,000	1.94
Bedel & Sowa Corp Pty Ltd	1,367,500	1.90
David Hewitt	1,332,750	1.86
Longbrow Croft Capital	1,325,000	1.84
Scepha Investments Pty Ltd	1,125,000	1.57
Perpetual Trustee Company Ltd	800,000	1.11
Mr I J Holland & Mrs D Holland	759,000	1.06
Mr Andrew George Poulos	585,000	0.81
Henroth Pty Ltd	550,000	0.77
Warlam Pty Ltd (Lincoln A/C)	520,000	0.72
Malcolm A Mayger	500,000	0.70
TCWH Super Fund	500,000	0.70
WHI Securities Pty Ltd	500,000	0.70
Martin Place Securities Staff Super Fund	450,285	0.63
	59,660,766	**83.07**
Other Shareholders	**12,155,790**	**16.93**
Total Issued Shares	**71,816,556**	**100%**

NOTES

CORPORATE INFORMATION

PEGMONT MINES LIMITED
ABN 97 003 331 682

Registered Office
C-/- Walker Wayland Services P/L
Level 11, 60 Castlereagh Street
Sydney NSW 2000
Telephone: (02) 9951 5400
Facsimile: (02) 9951 5454

Corporate Office:
13 Oden Street
Port Macquarie NSW 2444
Mail: 13 Oden Street,
Port Macquarie NSW 2444
Phone: 0417 023 989
Email: pegmont@hotmail.com
Website: www.pegmont.com.au

Listed on The National Stock Exchange of Australia
Code: PMI

Directors

John M Armstrong	Non-Executive Chairman
Peter J Read	Non-Executive Director
Malcolm A Mayger	Managing Director

Company Secretary
Christopher D Leslie

Share Registry
C/- Computershare Investor Services Pty Ltd
Shareholder enquiries:
Telephone: 1300 850 505
Facsimile: (03) 9473 2500
Email: web.queries@computershare.com.au

Auditors:
Rothsay Chartered Accountants
Level 1, 4 Ventor Avenue,
West Perth WA 6849
Telephone: (08) 9486 7094

Pegmont

PEGMONT MINES LIMITED
ABN 97 003 331 682

Registered Office
C-/- Walker Wayland Services P/L
Level 11, 60 Castlereagh Street
Sydney NSW 2000
Telephone: (02) 9951 5400
Facsimile: (02) 9951 5454

Corporate Office:
13 Oden Street
Port Macquarie NSW 2444
Phone: 0417 023 989
Email: pegmont@hotmail.com
Website: www.pegmont.com.au

Directors

John M Armstrong	Non-Executive Chairman
Peter J Read	Non-Executive Director
Malcolm A Mayger	Managing Director

Company Secretary
Christopher D Leslie

Share Registry:
C/-Computershare Investor Services Pty Ltd
Shareholder enquiries:
Telephone: 1300 850 505
Facsimile: (03) 9473 2500
Website: www.computershare.com

Listed on The National Stock Exchange of Australia
Code: PMI