

# **Pegmont Mines Limited**

ACN 003 331 682

Financial Report for the  
Half-Year ended 30 June 2018

## Directors' Report

The Directors of Pegmont Mines Limited submit herewith the financial report for the half-year ended 30 June 2018. In order to comply with the provisions of the Corporations Act, the Directors report as follows: -

The names and particulars of Directors of the company in office on the day this report is made out are:

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

Mr Armstrong, aged 83, is a professional company director with over 40 years experience in investment banking, resource finance and investment management at senior management and director levels.

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

Mr Mayger, aged 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 an exploration concept to mining investment and resource evaluation activities.

**READ, Peter J.** (Non-Executive Director) *B. Ec. FAICD*

Mr Read, aged 79, is a corporate specialist with experience as a previous managing director with Drillsearch Energy Ltd and Queensland Resources NL. In addition he has extensive experience in marketing and business consulting.

### Review of Operations

The company's operations during the half year to 30 June 2018 resulted in a net profit of \$425,622 an improvement on a profit of \$226,738 to June 2017. This result is after expensing all administration and exploration and resource evaluation expenditure incurred during the six months and including share trading loss of \$3,250 (2017- loss \$3,235).

	Segment Revenue 2018 \$	Segment Profit/(Loss) 2018 \$	Segment Profit/(Loss) 2017 \$
Share Trading	13,875	1,800	(4,335)
Dividends Received	-	-	-
Gross Revenue from share trading	13,875	1,800	(4,335)
Interest	6,954	6,954	5,564
Option proceeds	659,091	659,091	350,000
	679,920	667,845	351,229
Exploration expenditure-net of recoveries		(99,249)	(22,145)
Unallocated expenses		(137,924)	(103,446)
Profit/(loss) from ordinary activities before tax		430,672	225,638
Income Tax expense/(credit)		-	-
Provision for share trading profit/(loss)		(5,050)	1,100
Profit/(loss) for half-year after income tax and provision		425,622	226,738
Earnings/(loss) per share		0.6c	0.3c

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

**Activities**

The Templeton EPM 26647 application was granted by the Mines Department on 10 May 2018 over an area of 96 sub-blocks for a term of 5 years. Exploration activity in EPM 26647 comprising low impact surface sampling of rocks was held up until the 18 July pending finalisation of an Agreement with Native Title interests and granting of a Permission to Enter by the Landlord. Both agreements have now been finalised. Meanwhile, 3D modelling of previously available magnetic data continued to better define depth of targets (some 13 in number that are estimated at between 100 to 500 metres depth).

Vendetta Mining Corp made an announcement on the 10 May on commencing the 2018 field program at the Pegmont Lead-Zinc Project. Vendetta has subsequently announced on the 12 July that the initial 2018 drill program has been successfully concluded. A total of 32 holes and one hole from 2017 was extended, for a total of 4,670 metres. The Vendetta announcements can be viewed on the company website [www.pegmont.com.au](http://www.pegmont.com.au)

**Changes In State Of Affairs**

The Company's investing activities were minimal due to ongoing political and economic uncertainties. The continued involvement of Vendetta has resulted in the payment of their option fee of \$500,000 during the half year. In addition, an option fee of \$150,000 was received from Chinova Resources Cloncurry Mines (Chinova) on the granting by the company to Chinova of a option to acquire ML2487 (New Hope) by 30 November 2018. A balance payment of \$575,000 is payable by Chinova to the company on transfer of title. The Company continues to be in a financially sustainable position for the foreseeable future. Templeton EPM 26647 was granted on 10 May by the Mines Department. Apart from that, there was no significant change in the Company's state of affairs other than that referred to in the half year accounts or notes thereto.

**AUDITORS' INDEPENDENCE -SECTION 307C**

The following is a copy of a letter received from the Company's auditors:

"Dear Sirs,

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

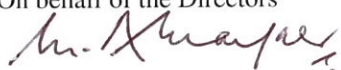
- i) no contraventions of the auditor independence requirements of the Act in relation to the audit review of the half-year ended 30 June 2018 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit review.

Graham Swan  
Rothsay Chartered Accountants"

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

Dated this 6 day of September 2018

On behalf of the Directors



MA Mayger

Director



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### Independent Review Report to the Members of Pegmont Mines Limited

#### The financial report and directors' responsibility

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Pegmont Mines Limited for the half-year ended 30 June 2018.

The Company's directors are responsible for the preparation and fair presentation of the consolidated financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### Review approach

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 30 June 2018 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pegmont Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

#### Independence

In conducting our review we have complied with the independence requirements of the *Corporations Act 2001*.

#### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim consolidated financial report of Pegmont Mines Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the consolidated financial position as at 30 June 2018 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Auditing

Graham Swan FCA  
Partner

Dated 6<sup>th</sup> September 2018



Chartered Accountants

## **Directors' Declaration**

### **For The Half-Year Ended 30 June 2018**

The directors declare that:

- a) The attached financial statements and notes thereto comply with Accounting Standards;
- b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance;
- c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*; and
- d) In the directors' opinion there are reasonable grounds to believe that Pegmont Mines Limited will be able to pay its debts as and when they become due and payable.

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



MA Mayger  
Director

Dated this 6 day of September 2018.

**Statement of Profit and Loss and Other Comprehensive Income****For The Half-Year Ended 30 June 2018**

	Note	Half-year Ended 30 June 2018 \$	Half-year ended 30 June 2017 \$
<b>Revenue from continuing operations</b>			
Gross revenue from share trading		13,875	16,774
Cost of sales		12,075	21,109
Gain/Loss on sale of shares		1,800	(4,335)
Write back (increase) of provision for shares		(5,050)	1,100
		(3,250)	(3,235)
Investment income		6,954	5,564
Option proceeds		659,091	350,000
Expenses from ordinary activities		(237,173)	(125,591)
Income tax credit/(expense)	5	-	-
Net Profit/(loss) from ordinary activities for half-year after income tax		425,622	226,738
Minority interests		-	-
Profit/(loss) for half year attributable to members of Pegmont Mines NL and recognised directly in equity		425,622	226,738
Retained Profits brought forward		(5,505,759)	(5,536,180)
Retained Profits at end of half-year		(5,080,137)	(5,309,442)
Earnings per share (cents per share) – basic	4	0.6	0.3

**Balance Sheet**

As at 30 June 2018

	Half-year 30 June 2018	Annual Report 31 Dec 2017	Half-year 30 June 2016
	\$	\$	\$
<b>Current Assets</b>			
Cash	813,162	383,098	516,080
Receivables	61,512	58,215	51,128
Investments	17,400	21,137	31,438
<b>Total Current Assets</b>	<b>892,074</b>	<b>462,450</b>	<b>598,646</b>
<b>Non-Current Assets</b>			
Hold to – Maturity Investments		–	
Property, Plant and Equipment	20,000	40,000	55,000
Mineral Tenements	3,247,412	3,247,413	3,247,412
<b>Total Non-Current Assets</b>	<b>3,267,412</b>	<b>3,287,413</b>	<b>3,302,412</b>
<b>Total Assets</b>	<b>4,159,486</b>	<b>3,749,863</b>	<b>3,901,058</b>
<b>Current Liabilities</b>			
Payables	221,823	237,822	218,200
<b>Total Current Liabilities</b>	<b>221,823</b>	<b>237,822</b>	<b>218,200</b>
<b>Non-Current Liabilities—Loans</b>	<b>300,000</b>	<b>300,000</b>	<b>300,000</b>
<b>Total Non-Current Liabilities</b>	<b>521,823</b>	<b>537,822</b>	<b>518,200</b>
<b>Net Assets</b>	<b>3,637,663</b>	<b>3,212,041</b>	<b>3,382,858</b>
<b>Equity</b>			
Contributed equity	4,511,607	4,511,607	4,486,107
Reserves	4,206,193	4,206,193	4,206,193
Retained profits	(5,080,137)	(5,505,759)	(5,309,442)
<b>Total entity interest</b>	<b>3,637,663</b>	<b>3,212,041</b>	<b>3,382,858</b>
<b>Total parent equity interest</b>	<b>3,637,663</b>	<b>3,212,041</b>	<b>3,382,858</b>
Net tangible assets per share cents	5.1	4.4	4.7

## Statement of Cash Flows

### For The Half-Year Ended 30 June 2018

Note	Half-year Ended 30 June 2018 \$	Half-year ended 30 June 2017 \$
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations		
Receipts from sale of shares	13,875	16,774
Cash payments in the course of operations		
Payments for purchase of shares	(12,075)	(21,109)
Directors & Secretary fees	(79,850)	(20,000)
Payments to suppliers and contractors	(58,682)	(10,868)
Interest and other items of a similar nature received	<u>6,954</u>	<u>5,564</u>
<b>Net cash from operating activities</b>	<b><u>(129,778)</u></b>	<b><u>(29,639)</u></b>
<b>Cash Flows Related To Investing Activities</b>		
Exploration expenditure	(99,249)	(22,145)
Option proceeds	<u>659,091</u>	<u>350,000</u>
<b>Net cash provided from investing activities</b>	<b><u>559,842</u></b>	<b><u>327,855</u></b>
<b>Cash flows from financing activities</b>		
Repayment of loan	–	–
<b>Net cash flows from financing activities</b>	–	–
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>430,064</b>	<b>298,216</b>
Cash and cash equivalents at the beginning of the half year	383,098	217,864
<b>Cash and cash equivalents at end of half year</b>	<b>3</b> <b>813,162</b>	<b>516,080</b>



**Statement of Change in Equity**

For the Half-Year Ended June 2018

	<b>Half-year Ended 30 June 2018 Number Issued</b>	<b>Half-year Ended 30 June 2017 Number Issued</b>
Ordinary shares issued at 31 December 2016	–	71,391,556
31 December 2017	<b>71,816,556</b>	–
Issued during current half year	–	–
Ordinary shares issued at 30 June 2017		71,391,556
30 June 2018	<b>71,816,556</b>	–
	<b>71,816,556</b>	71,391,556

Note: All shares that are Issued are Quoted.  
There were no other category of Issued or Quoted Securities.

Options: There were no options on issue.

## Notes to the Financial Statements

### For the Half-Year ended 30 June 2018

#### 1. Basis of Preparation of Half-Year Financial Statements

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001* and International Financial Reporting Standards.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Pegmont Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### Adoption of new and revised Accounting Standards

In the half-year ended 30 June 2018, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2017.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2018. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

#### 2. Revenue and Expense

Operating profit before income tax is arrived at after:

	Current Half-year Consolidated \$	Previous Corresponding Half-year Consolidated \$
a) crediting interest as revenue	6,954	5,564
b) option proceeds received	659,091	350,000
c) exploration expensed	(99,249)	(22,145)

#### 3. Reconciliation of cash

Cash at the end of the half-year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:

Cash on hand and at bank	147,201	103,690
Deposits at call	665,961	412,390
<b>Cash and cash equivalents at 30 June 2017</b>	<b>813,162</b>	<b>516,080</b>

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

	<b>Current Half-year Consolidated</b>	<b>Previous Corresponding Half-year Consolidated</b>
	\$	\$
Basic earnings per share	0.6c	0.3c
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	71,816,556	71,391,556

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

**5. Income Tax**

Prima facie tax payable on the operating profit at 27.5%	117,046	68,021
Timing Differences	<u>(117,046)</u>	<u>(68,021)</u>
Income Tax Expense	-	-

**6. Commitments for expenditure****Mineral tenement leases**

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay during 2018/19 amounts of approximately \$225,000 (2016/2017 \$28,000) in respect of tenement lease rentals and minimum expenditure requirements. The increase from 2016/2017 year has resulted from the granting of EPM 26647 Templeton area during the current half year.

**7. Segmental Information**

The economic entity operates predominantly in one geographic location. The operations of the economic entity consist of investment and exploration for minerals within Australia.

**8. Subsequent Events**

No matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the half-year ended 30 June 2018.

