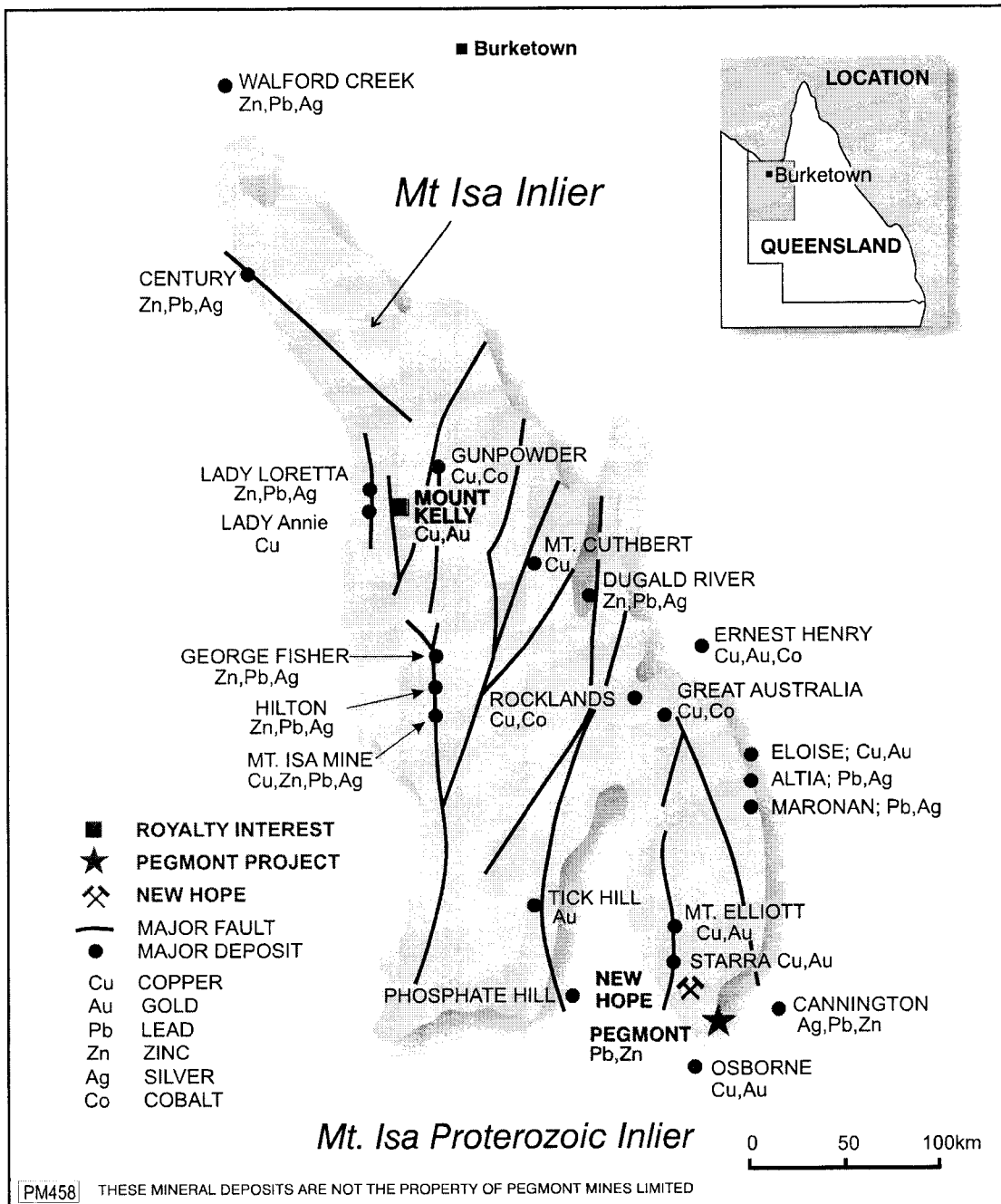


Pegmont Mines Limited

ABN 97 003 331 682

**2 0 1 4 a n n u a l
r e p o r t**



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.

Pegmont Mines Limited

CHAIRMAN'S REVIEW

2014 was a successful and defining year in your company's progress towards a more sustainable future.

The company completed an Option Agreement with Vendetta Mining Corporation (Vendetta) on the Pegmont Project, that raised a total of \$600,000 from option proceeds and reimbursement for exploration expenditure. The Agreement relieves us of exploration expenditure obligations while it is in place.

In addition, the Board successfully raised almost \$500,000 in new equity and reduced our administration expenses to an annual level of \$250,000. The net result of these initiatives is that our cash position increased from \$18,550 at 31 December 2013 to \$410,861 at 31 December 2014.

The Company's exploration activity in July, including 2977 metres RC drilling, was very successful. We demonstrated that the Pegmont Project is not constrained by a limited resource potential, i.e. is not limited to a single mineralised BIF horizon, but instead conforms to a typical Broken Hill multi-stacked layer model and that mineralised lenses can contain attractive grades.

Vendetta commenced confirmatory drilling in October at the Gossan Lode and Zone 5 (Pegmont Southern Lode) completing 18 RC/DD holes totaling 3,528 metres prior to the onset of the wet season. Their recent announcements indicate attractive lead-zinc grades. They plan to recommence drilling in April and to be in a position to update the Pegmont mineral resource estimate by the third quarter of 2015.

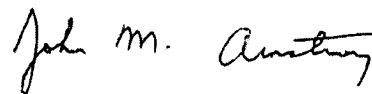
We are pleased that Vendetta has brought new energy and concepts to the Pegmont Project to progress it to the feasibility stage. We understand that Vendetta's next round of drilling will be aimed to substantially upgrade resource estimates towards the near term target of 10 million tonnes of medium grade sulphide mineralisation.

Our objective in 2015 is to further reduce our administrative costs and to minimize exploration expenditure, so that we can maintain our cash balances in the \$400,000 - \$500,000 range. Should Vendetta continue with their Pegmont Option, we can expect to receive \$250,000 in September 2015 and a further \$500,000 in September 2016. These sums will be brought to income when received and may result in a small surplus for these years.

Our Reefway royalty tenements continue to produce cathode copper, with sales since commencement of operations totaling 47,618 tonnes. We are hopeful that tenement operators CST Mining will be able to obtain Native Title approval for development of the Anthill deposit and thereby accelerate achievement of 100,000 tonnes from the tenements, when royalty payments would commence.

We are increasingly confident about the future prospects for your company. Provided that the Ukraine secessionist conflict does not escalate into a major war, we are confident that the Euro zone will address its economic problems and commence a long delayed recovery from the Global Financial Crisis. The prospect of a European economic recovery could result in a steady increase in World demand for metals and higher metal prices in 2016. Hence, it is our view that we are close to the low in the commodity price cycle and that new exploration opportunities could emerge for the Company over the next twelve months.

We thank our shareholders for their continuing support during the year. We also record our appreciation for the efforts of our staff, legal advisors, consultant and contractors.



John M Armstrong
Chairman

Pegmont Mines Limited

2014 PERFORMANCE HIGHLIGHTS

During 2014 we achieved our objectives of reducing administration costs and exploration expenditure obligations. We also exceeded our end of year cash target of \$250,000 to put the financial condition of the company on a more sustainable basis with \$410,861 in the bank.

- Exploration tenements were maintained with four mining leases (including three MLs at Pegmont and one at New Hope) and eleven EPM sub-blocks, all at Pegmont.
- Expenditure variations on the EPMs comprising the Pegmont Project including reduction of expenditure commitments were approved by the Mines Department together with delays to further relinquishment of any exploration sub-blocks. Even so, drill metres by the Company were maintained at 2,977 metres (2013 – 3,000 metres), although metre costs increased due to greater depth.
- Administration costs were \$440,359 (2013 - \$334,587) after including legal expenses of \$149,410 arising from the Vendetta deal and the carried forward costs arising from previous discussions with other parties.

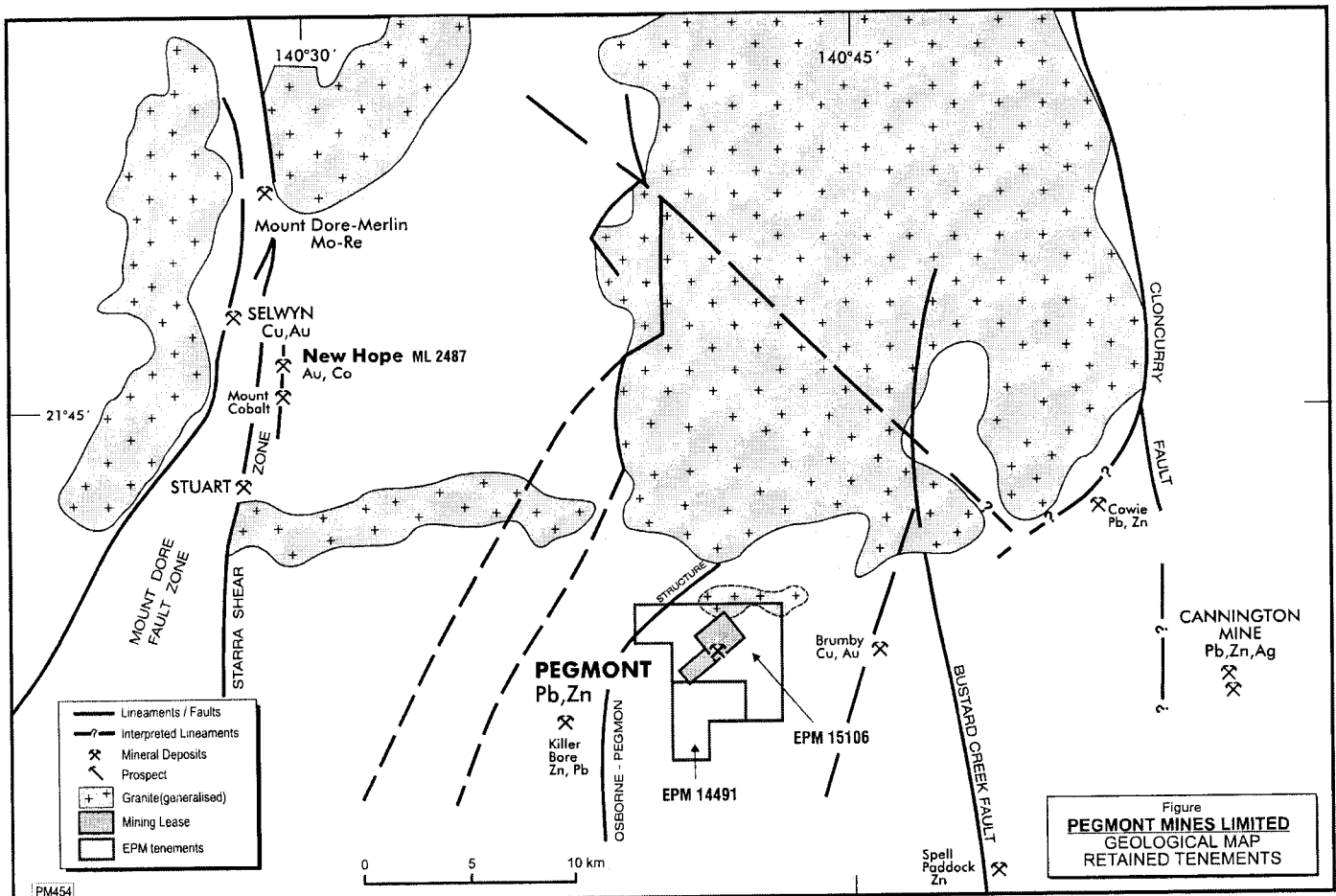
Our financial result for the year was a loss of \$346,345, down 53.3% after including \$250,000 option fee received from Vendetta and the reimbursement of \$350,000 towards exploration expenditure on the Pegmont Project.

2015 OBJECTIVES

Our goal is to improve the Company's cash holding to \$500,000 by year end and to earn a small sharetrading profit. Exploration activities will be confined to the review of other opportunities in the Mount Isa region.

RETAINED TENEMENTS

The Company's retained exploration tenements are the Pegmont Mining Leases, the surrounding EPM sub-blocks together with a small ML at New Hope held 180km south of Cloncurry, N-W Queensland.



Pegmont Mines Limited

REVIEW OF OPERATIONS

Sharetrading activity during 2014 resulted in a loss of \$51,416 (2013 - \$45,405) as metal prices collapsed, for major commodities.

		31/12/13	31/12/14	%
Oil	\$US/bbl	98.00	54.09	(44.8)
Iron Ore	\$US/t	134.0	71.15	(46.9)
LME Index	(base metals)	3182	2914	(8.4)
Gold	\$US/oz	1203	1206	0.2
\$A/\$US		89.4	81.9	(8.4)

Investors turned their attention to industrial (e.g. Telstra) stocks and to banks in search of sustainable income yield.

The trading results for 2014 were:

	2014 \$000	2013 \$000
Gross Trading Revenue	135	296
Realised Profit/(Loss)	(80)	(222)
Write-back of previous impairment provisions	29	176
Net Trading Loss	(51)	(46)

At year end and during early January 2015 traders showed a little more interest in gold producers as uncertainties arose from Ukraine's smoldering separatist conflict and from the election of an anti-austerity party in Greece.

The consolidated net result for 2014 was a loss of \$346,345 (2013 – loss \$742,180) summarised as follows:

	2014 \$000	2013 \$000
Net Trading Profit/(Loss)	(51)	(46)
Investment income		12
Other income	4	14
Net Income from Investing Activities	(47)	(19)
Pegmont Option Receipt	250	-
Administration	(440)	(334)
Exploration	(109)	(389)
Loss before income tax	(346)	(742)
Earnings per share - cents	(0.5)	(1.2)

Net Trading Loss of \$51,416 was due mainly to the declining value of a small number of positions held in the energy sector, and forced realisation of the portfolio to provide ongoing liquidity to fund exploration and administration expense. The provision for impairment against the trading portfolio was reduced to \$57,259 and a full provision of \$520,297 against seed capital situations was maintained.

Administration costs other than legal expenses, were reduced to \$290,949 due to saving in office and other expenses. However, legal fees increased by \$149,410.

Exploration expenditure was \$458,932 compared to \$388,545 in 2013 due to increased drill depth and the conduct of an Airborne Geophysical Survey over the Pegmont Project area. Vendetta refunded \$350,000 of our expenditure.

Our field activities included the drilling of 13 RC holes, targeting extensions of the Southern Lode. The best down hole intersection was PMR 283 averaging 9m @ 13.2% Pb+Zn from 276 metres with two other intersections of 1m @ 2.4% Pb+Zn from 200 metres and 4m @ 6.5% Pb+Zn from 320 metre depth. For additional details read our report on 3 September 2014.

Metres Drilled	2014	2013
Pegmont (Pb/Zn)	2977	3000
New Hope (Au/Co)	-	-
Other prospects	-	490
	2977	3490
Expenditure \$000	459	389
Drill cost \$/m	154.2	111.5

Company Tax has not been provided or adjusted against profits as there were carried forward losses of \$11,728,000 at 30 June 2014. Exploration and administration expenses are deductible against all income. Option income received from Vendetta on the Pegmont Project has been credited as Other Income and will therefore be offset against carried forward losses. Furthermore, there is a Franking account balance is \$4,509,000.

Thus, any option and advanced royalty receipts should be sheltered from taxation liabilities.

CORPORATE REVIEW

Our Corporate goal is to build a financially strong, independent and self-sustaining resource company.

We do not borrow, or use futures, options or derivatives to undertake investments, but instead rely upon the use of surplus funds to make timely investment decisions.

The Board's policy is to be self-funding which means that we attempt to limit our expenditure to our income. During 2004-2007, this was not difficult as investing income comfortably exceeded expenses.

However from the advent of the GFC in 2008/9 which witnessed the collapse of both equity and commodity markets, all investment markets have been strongly influenced by unstable Government monetary policy with little regard to conventional and prudent fiscal measures. These stop-go short term economic measures have badly affected the global investment cycle and therefore commodity markets. Now that the US treasury has terminated its money printing (Quantitative Easing) program, normal economic measures may become the new normal and allow the economic cycle to reassert itself. Consequently, we are becoming more confident about the future and that the past six years will be seen as an unfortunate episode.

Since we have survived with our exploration assets intact, our near future will be directed at regaining financial strength. We will also patiently wait for cash flow from royalty income arising from our two pillars, i.e. The Pegmont Project and from the Reefway Royalty Tenements.

CORPORATE STRATEGY – 2015

In accordance with the Vendetta Option Agreement we can look forward to additional drilling being undertaken on the Southern Lode (Zones 4 and 5) and to the revision of the Pegmont resource estimates. Vendetta has met its minimum drill meterage commitment of 2,000 metres in 2014, but are required to expend \$800,000 before 30 September 2015 to meet expenditure requirements. Their work program will meet the Queensland Mines Department tenement work commitments, thus alleviating the Company of this obligation. Consequently, our Corporate Strategy during 2015 is to sit tight and await results from Vendetta's exploration program at Pegmont.

However, we will continue to monitor other company activities in the Mount Isa region to assess emerging opportunities, preferably in regard to possible farm-in opportunities on known high-grade mineralisation. Our response to new opportunities will depend upon Vendetta's success at Pegmont.

In regard to **New Hope**, where we have a small high grade gold-cobalt deposit, we will continue to review opportunities to either sell or deal the property into a larger situation. Meanwhile, the Company does not have any expenditure obligations on this tenement.

VENDETTA OPTION AGREEMENT

In accordance with the September 2014 Call Option Agreement to purchase 100% interest in the Pegmont Lead-Zinc Project, Vendetta may elect to make a further payment of \$250,000 on the 12 month anniversary, i.e. September 2015. Given their encouraging drill results to date, we have assumed the receipt of this amount in our cash forecast. Upon receipt, these funds would be credited to Other Income.

Vendetta's other commitments under the Call Option Agreement include:

- Before 12 months (to September 2015) expend \$800,000 on exploration, including 5,000 metres of drilling
- Make a second option payment of \$250,000 at 12 month anniversary should they wish to proceed.
- Expend a further \$800,000 before 24 months (September 2016) anniversary, including 5,000 metres of drilling.
- Within 24 months (September 2016) make a third option payment of \$500,000.
- Before 36 months, expend an additional \$800,000 on exploration, including 5,000 metres of drilling for a total of 15,000 metres.
- Within 36 months (September 2017) make a fourth option payment of \$750,000.
- Within 48 months (September 2018) make a final option payment of \$1,250,000 and a prepaid royalty payment of \$3,000,000 upon exercise of the Option, making a total of \$6,000,000.
- Following exercise of the Option a total of \$6 million in royalty will be credited to Vendetta's account under the Royalty Deed.

Pegmont Mines Limited

Vendetta News Releases

For details of Vendetta's exploration activities at Pegmont, readers should refer to their website www.vendettaminingcorp.com

On 28 January 2015, Vendetta announced the first assay results from their 2014 drilling program at the Pegmont lead-zinc deposit, including:

PVR 018: 5 metres of 6.86% Pb, 2.85% Zn

PVR 019: 6 metres of 8.48% Pb, 4.21% Zn

PVR 021: 9 metres of 5.58% Pb, 3.94% Zn
and 6 metres of 6.98% Pb, 3.13% Zn

as part of a program of six infill RC holes totaling 532 metres at the Gossan Lode, located 300 metres north of the main mineralisation at Pegmont.

Vendetta's objective was to confirm the data quality of historic drill results in the sulphide mineralisation. The top of the sulphide mineralisation is between 24 and 40 metres depth which presents an opportunity for a shallow "starter pit".

On 6 February 2015, Vendetta released a 20 page Corporate Presentation on the Pegmont Lead-Zinc Deposit, with the following main points:

- Vendetta has an option to acquire 100% interest in the Pegmont Lead-Zinc Project.
- Their activities at Pegmont during 2015 are expected to include:
 - Metallurgical Test work
 - Exploration drilling in Zones 4 and 5
 - Resource estimate update
- Their announced resource estimate in 2014 does not include any estimates from the Gossan Lode or from Zone 5, although Zone 5 forms part of significant exploration potential (partially drilled by the Company and by Vendetta in 2014).
- The Pegmont lead-zinc deposit conforms to the Broken Hill type model which has the potential to deliver further stacked mineralised horizons.
- Current drilling has identified mineralisation over a 2 kilometre strike and from surface to a depth of 380 metres below surface.
- Priority exploration targets are open along strike in Zones 3 and 4, and both along strike and down dip in Zone 5.
- Zone 5 will be the focus of 2014-2015 exploration drill programs by Vendetta including 12 holes completed in 2014 for 2,996 metres of RC pre-collars and HQ core diamond tails.

On 10 February 2015, Vendetta reported drill results from its Zone 5 (Pegmont Southern Lode) program of 12 holes completed in December 2014.

Highlights included:

PVRD 017: 2.65 metres of 5.38% Pb, 7.05% Zn

and 4 metres of 5.83% Pb, 11.34% Zn

PVRD 013: 8.8 metres of 8.73% Pb, 3.99% Zn

PVRD 010: 4.2 metres of 6.29% Pb, 5.64% Zn

Vendetta noted a significant increase in the proportion of zinc to lead in the results and successfully extended Zone 5 mineralisation by 100 metres to the South West in PVRD 017. The results put Vendetta in a strong position to include a portion of Zone 5 mineralisation into an Inferred Resource during 2015.

The Board of Pegmont is very pleased and encouraged by Vendetta's progress in advancing the Pegmont Project to date. Their pro-active approach to drilling and development of a geological model of Zone 5 is very encouraging.

Pegmont Mines Limited

EXPLORATION ACTIVITY

Although no field work is intended during the 2015 year, there may arise tenement expenses in regard to both the Reefway Royalty Tenements and the Pegmont Project Tenements.

In regard to the Reefway Royalty Tenements, we need to monitor the maintenance of all tenements currently held and operated by CST Mining.

Further discussions with the Queensland Mines Department are likely on the Pegmont Project tenements as they are falling due for renewal during 2016.

Pegmont Option Agreement with Vendetta (Pegmont 100% Interest)

The successful conclusion of negotiation in September 2014 with Vendetta Mining Corp, a company listed on the Toronto Stock Exchange, Canada, released \$600,000 to the Company, including \$250,000 Option Proceeds and \$350,000 reimbursement of exploration expenses.

This agreement provided crucial liquidity to the Company during 2014 and release us from the Mines Department expenditure commitments while in place.

The key terms of the Call Option are as follows:

- Vendetta to make progressive cash option payments to the Company totaling \$3 million;
- Vendetta has the right to terminate the Call Option by giving notice after the first year of the Call Option has passed.
- Thus the Company would retain 100% interest in the Pegmont Project.
- In the event of Vendetta exercising the Option, Vendetta has agreed to pay an advance royalty of \$3 million.

Thus, the Vendetta Option Purchase Agreement makes progressive payments to the Company and at the same time alleviating the expenditure obligations while in place.

Vendetta's decision to proceed into year two and thereby make a second payment of \$250,000 to the Company will depend upon results obtained from their current work program and funding arrangements.

Nevertheless, we are confident that Vendetta's involvement in the Pegmont Project will provide an invaluable impetus to the Project.

REEFWAY ROYALTY TENEMENTS

(Pegmont 76.73 Royalty Interest)

The current owner and operator of the Reefway Royalty Tenements, CST Mining Group Limited (CST Mining) continued mining operations to produce cathode 99.99% copper. Total copper sold from the Royalty tenements, during 2014 was 9,441 tonnes, making a cumulative total of 47,618 tonnes to 31 December 2014.

CST Mining has applied for a Mining Lease over the Anthill deposit, said to contain 13.84 M tonnes of Resource assaying 0.7% copper (at 31 December 2013) for 96,900 tonnes of contained copper, subject to recovery. Negotiations with Traditional Owners are ongoing which may delay commencement of mining of the deposit to August 2015.

The Reefway Royalty Agreement of 28 September 2004, provides for the payment of 1% NSR royalty after the production of 100,000 tonnes of copper metal has been achieved from the tenements.

The following tenements, subject to the Reefway Royalty Deed, now owned and operated by CST Mining Group Limited, are as follows.

MLs	5426, 5435, 5446, 5447, 5474, 5476, 5478
EPMs	16240, 16241, 16242, 16244 (Note: EPMs 11637, 11669 and 11670 have been surrendered in favour of 16240 and 16242)

NEW HOPE

(Pegmont 100% Interest)

The New Hope mining lease ML 2487 contains a small Au-Co deposit discovered by Pegmont. To date, 58 RC/DD holes totaling 4,923 metres have been drilled into a strike length of 100 metres, resulting in a Resource of 93,500 tonnes (containing 20,440 ounces gold) assaying 6.8g/t Au and 0.2% Co (J.M. Geological Consulting Pty Ltd – May 2012).

Metallurgical test work indicated that a high percentage of gold can be recovered by gravity separation with up to 95% total recovery. However, cobalt is difficult to recover, being associated with arsenic, resulting in only 18-25% recoveries.

Future development will require more tonnes, to depth and higher average grade. There is potential for some extra shallow mineralisation but the main potential lies at depth which may extend into an adjacent tenement held by another party, yet to show interest in any discussion.

Pegmont Mines Limited

EXPLORATION TENEMENTS (including Mining Leases)

Tenement	Name	Status	Registered Holder	Date of Grant	Date of Expiry	Area (sq km)
ML 2620	Pegmont No.1	Granted	Pegmont Mines Ltd	01.02.2012	31.01.2022	1.3
ML 2621	Pegmont No.2	Granted	Pegmont Mines Ltd	01.02.2012	31.01.2022	1.3
ML 2623	Pegmont No.3	Granted	Pegmont Mines Ltd	01.02.2012	31.01.2022	1.3
EPM 14491	Pegmont Extd 2	Granted	Pegmont Mines Ltd	11.08.2006	10.08.2016	10.2
EPM 15106	Pegmont Extended	Granted	Pegmont Mines Ltd	11.08.2006	20.08.2016	25.6
ML 2487	New Hope	Granted	Pegmont Mines Ltd	03.09.2009	31.12.2018	0.8

A map on page 2 depicts the Company's current tenement holdings.

Pegmont Mines Limited

OUTLOOK FOR 2015

We plan to consolidate on our 2014 achievements and progress the Company's activities towards a more sustainable future.

Sharetrading Activity

Since the current market environment for resource investment is extremely negative, trading activity will continue to be very light. Even good exploration results attract little investor interest as such activity is seen as having a negative impact on scarce cash resources held by junior explorers.

Only the **gold sector** is of limited interest to investors; which waxes and wanes according overseas prices of gold, despite the steady decline in the local currency. A few gold producers have recorded share price gains of 100% from their November 2014 lows, but they now have developed a toppy share price pattern to give back some of their previous gains.

The company has placed surplus funds in six monthly rolling deposits, with its bankers. This is expected to yield about \$8,000 interest during the year.

Thus, during 2015, investing activities are estimated as follows:

	2015 \$000	2014 \$000
Gross share turnover	100	135
Share trading profit/(loss)	-	(51)
Dividends and interest	8	4
Net Investing income after provisions	8	(47)

Administration Costs

Administration costs for the year were \$440,359 compared with a budget of \$275,000, after including \$149,410 for legal costs arising from negotiation and documentation of various Option Agreements on the Pegmont deposit. After allowing for legal costs, ongoing administration costs were \$290,949 a 13% reduction on 2013 expenses of \$334,587. A further reduction to \$260,000 is expected in 2015.

	2015 \$000	2014 \$000
Audit and Directors Fees	142.5	142.5
Stock exchange and registry	25.0	31.5
Secretarial and Office expenses	30.0	33.8
Legal	10.0	149.4
Other expenses	52.5	83.2
	260.0	440.4

Thus, indicative income and expenditure for 2015 are forecast to be:

	2015 \$000	2014 \$000
Sharetrading profit/(loss)	-	(51.4)
Interest and Dividends	8.0	1.3
Option proceeds	250.0	250.0
Other revenue	-	3.0
	258.0	202.9
Exploration	(30.0)	(108.9)
Administration	(260.0)	(440.4)
	(32.0)	(346.4)

Note: Actual results during 2015 could differ materially from these forward looking estimates, should circumstances change.

Working Capital

Working Capital is defined as the difference between total Current Assets of \$500,654 and Current Liabilities of \$57,371, being \$443,283. There may be a small reduction of \$32,000 arising from Net Expenditure during the year.

Pegmont Mines Limited

FINANCIAL CONDITION

The Company's Net Assets at 31 December 2014 were \$3,488,708 (2013 - \$3,355,744), an increase of \$132,964.

	2014 \$000	2013 \$000
Current Assets	500.7	156.6
Current Liabilities	(57.4)	(146.3)
Working Capital	443.3	10.3
Non-Current Assets	3,345.4	3,345.4
Non-Current Liabilities	(300.0)	-
Net Assets	3,488.7	3,355.7

The Net Assets difference of \$132,964 in 2014 reflects the year's Net Loss of \$346,345, offset by share issues amounting to \$479,308.

Working Capital

The Company's working capital position at 31 December 2014 was \$443,283 after transferring \$300,000 to Non-Current Liabilities, representing \$150,000 in deferred Director's fees and \$150,000 advanced by a Director repayable after 31 December 2015.

The improvement in Working Capital of \$432,963 was due to:

	2014 \$000	2013 \$000
Pre Tax Loss	(346)	(742)
Offset by		
Proceeds from share issue	479	9
Increase in payables	(89)	43
Increase in loans	300	-
Reduction in other assets	89	188
Cash Movement	433	(502)

The Company has sufficient cash to meet its obligations during 2015.

Non-Current Assets

	2014 \$000	2013 \$000
Pegmont field camp	100	100
Pegmont deposit (at valuation)	3,000	3,000
Reefway Royalty	100	100
New Hope Deposit	145	145
	3,345	3,345

The value of \$3.0 million placed on the Pegmont deposit compares with the advance royalty payment referred to in the Call Option Agreement with Vendetta, since progressive cash option payments will be credited to Other Income.

General Comment

The Company's financial position has improved considerably during 2014. The prospect of additional option receipts and the lack of exploration expenditure obligations should enable a steady improvement in the Company's financial condition over the next year or so.

Pegmont Mines Limited

SUMMARY OF FINANCIAL RESULTS

Financial Results at 31 December		2014 \$000	2013 \$000	2012 \$000	2011 \$000	2010 \$000
Gross Trading Revenue		135	296	1,835	7,235	18,660
Net Trading Profit/(Loss)		(51)	(45)	(236)	(997)	245
Option Receipt		250	-	-	-	-
Exploration		(109)	(389)	(854)	(1,250)	(1,107)
Administration		(440)	(334)	(424)	(844)	(604)
Net Profit/(Loss) before tax		(346)	(742)	(1,463)	(3,003)	(1,369)
Net Profit/(Loss) after tax		(346)	(742)	(1,463)	(3,003)	(1,369)
Cash		411	19	520	1,807	2,149
Investments		32	88	252	168	1,872
Working Capital		443	10	744	2,024	4,125
Total Assets		3,846	3,502	4,342	5,741	7,881
Total Liabilities		357	146	103	55	47
Shareholders' Funds		3,489	3,356	4,239	5,687	7,834
Contributed Equity		4,465	3,980	3,971	3,756	2,900
Earning per share (E)	cents	(0.5)	(1.2)	(2.3)	(5.0)	(2.7)
Dividends per share	cents	-	-	-	-	-
Net Tangible Assets per share	cents	4.9	5.4	6.8	9.4	15.2
Working Capital per share	cents	0.6	0.0	1.2	3.4	8.0
Share Price (last sale)	cents	7.0	6.0	9.0	9.0	10.0
Price Earnings ratio P/E	-	-ve	-ve	-ve	-ve	-ve
Shares on Issue	000	71,042	62,699	62,549	60,374	51,476

COMMENT

Since September 2004, the Company has applied the proceeds from the sale of Reefway Pty Ltd to share investing. This activity generated a total Net Trading Profit of \$12,329,000 (after provisions) over nine years from Gross Trading Revenue of \$122,546,000 at an average margin of 10.1% on turnover. During this period the Company has expended funds on exploration \$6,355,000, administration \$6,090,000, taxation \$4,629,000 and distributed dividends of \$1,375,000. This activity sustained the Company until 2011 when investment losses were incurred and replacement capital raised.

The current business model of the Company incorporates share trading to generate income to cover administration and exploration expenses. However, since the GFC in 2007 (when our Gross Trading Revenue peaked at \$36.3 million), share trading activity has declined in keeping with reduced market interest in resource equities and greater volatility caused by intense fiscal and monetary action in major economies.

We are confident that world economic growth will continue, led by USA and China, which should translate into eventual investor interest in resource equities, when prices start to recover. However, major disturbances either in the Ukraine and or in the Middle East constitute ongoing threats which can cause major stock market volatility.

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 (Article 71(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.

Pegmont Mines Limited

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.

Pegmont Mines Limited

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 calibre 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 2014.

Voting and comments made at the Company's 2014 Annual General Meeting

The Company received approximately 100% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Pegmont Mines Limited

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.

Pegmont Mines Limited

DIRECTORS' REPORT

The Directors' present their report on the results of the Company for the year ended 31 December, 2014 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 loss after providing for income tax and eliminating minority equity interests amounted to \$346,345 (2013 - loss \$742,180).

Dividends

No dividend was paid during the year (2013 - 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 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 2014.

Options over Unissued Capital

The total number of options issued as at 31 December 2014 was NIL (2013-NIL). At 31 December 2014 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 2014.

Pegmont Mines Limited

Auditors' Section 307C Declaration

The Directors

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 review of the 31 December 2014 financial report; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

Mr. Graham Swan

Lead Auditor

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. David R Curtis	- (resigned 1 May 2014)
Mr. Peter J Read	2 (appointed 15 April 2014)

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 79 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 75 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 royalty and investment interests.

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

Mr. Peter J Read, aged 75, is a corporate specialist with experience as Managing Director with Drillsearch Energy Ltd and Queensland Resources NL. In addition, he has extensive current experience in Marketing and Business Consulting.

Pegmont Mines Limited

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 Caml Pty Ltd, an entity of which Mr. David Curtis was a Director and beneficiary.
- d) Consulting fees paid to Fonlie Accounting & Investments Pty Limited, an entity of which Mr. Chris Leslie is a Director and shareholder.

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	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Payments	
	\$	\$	\$	\$	\$	\$
Directors						
John Armstrong						
2014	40,000	-	-	-	-	40,000
2013	40,000	-	-	-	-	40,000
Malcolm Mayger						
2014	60,000	-	-	-	-	60,000
2013	60,000	-	-	-	-	60,000
David Curtis						
2014	8,000	-	-	-	-	8,000
2013	10,000	-	-	-	-	10,000
Peter Read						
2014	12,500	-	-	-	-	12,500
2013	-	-	-	-	-	-
Other key management personnel						
Chris Leslie						
2014	11,500	-	-	-	-	11,500
2013	15,150	-	-	-	-	15,150
Total key management personnel compensation						
2014	132,000	-	-	-	-	132,000
2013	125,150	-	-	-	-	125,150

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.

Pegmont Mines Limited

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 apart from 2,500,000 options issued on 29 May 2014 to Malcolm A Mayger Pty Ltd an entity of which Mr Malcolm A Mayger is a director and shareholder. The options were exercised for 2,500,000 shares at 6 cents each on 31 July 2014 to raise \$150,000 for working capital purposes.

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 31/12/2013	Acquired/(Disposed) during the year	Shares at 31/12/2014
J M Armstrong	Direct	88,750	10,938	99,688
	Indirect	750,000	50,000	800,000
P J Read	Direct	-	100,000	100,000
	Indirect	-	-	-
M A Mayger	Direct	400,000	100,000	500,000
	Indirect*	33,460,000	5,083,333	38,543,333
		34,698,750	5,344,271	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: 5 March 2015

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 2014 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: 5 March 2015

Pegmont Mines Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Income Statement For The Year Ended 31 December 2014

	Note	Consolidated		Parent Entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
Revenue from continuing operations					
Gross revenue from share trading		135,371	296,137	135,371	296,137
Cost of sales		215,856	517,845	215,856	517,845
Loss from sale of shares		(80,485)	(221,708)	(80,485)	(221,708)
Write back (increase) of provision for shares		29,069	176,303	29,069	176,303
Net trading loss after provisions		(51,416)	(45,405)	(51,416)	(45,405)
Interest received or due and receivable from other Corporations		1,281	12,032	1,281	12,032
Option proceeds		250,000	-	250,000	-
Dividends received		-	250	-	250
Other revenue		3,081	14,075	9,081	14,075
		202,946	(19,048)	208,946	(19,048)
Expenses from continuing operations					
Audit fees		(22,000)	(15,000)	(22,000)	(15,000)
Directors fees		(120,500)	(110,000)	(120,500)	(110,000)
Exploration written off		(108,932)	(388,545)	(108,932)	(388,545)
Impairment for subsidiaries		-	-	-	(2,500)
Stock exchange fees		(18,750)	(11,830)	(18,750)	(11,830)
Share registry fees		(13,760)	(13,002)	(13,760)	(13,002)
Secretarial & office expenses		(33,765)	(70,978)	(33,765)	(70,978)
Superannuation		(7,536)	(6,377)	(7,536)	(6,377)
Other expenses from ordinary activities		(224,048)	(107,400)	(224,048)	(104,900)
		(549,291)	(723,132)	(549,291)	(723,132)
Profit before income tax		(346,345)	(742,180)	(340,345)	(742,180)
Income tax attributable	2	-	-	-	-
Profit attributable to members of Pegmont Mines Ltd		(346,345)	(742,180)	(340,345)	(742,180)
Earnings per share for profit attributable to the ordinary equity holders of the Company	19	(0.005)	(0.012)	(0.005)	(0.012)

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

Pegmont Mines Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Balance Sheet As At 31 December 2014

	Note	Consolidated		Parent entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
Current Assets					
Receivables	3	57,381	50,439	57,381	50,439
Available for sale financial assets	4	32,412	87,609	73,746	122,941
Cash and cash equivalents	5	410,861	18,550	410,859	18,548
Total Current Assets		500,654	156,598	541,984	191,928
Non-Current Assets					
Held-to-Maturity Investments	6	-	-	2	2
Property, Plant & Equipment	7	100,000	100,000	100,000	100,000
Mineral Tenements	8	3,245,425	3,245,425	3,245,425	3,245,425
Total Non-Current Assets		3,345,425	3,345,425	3,345,427	3,345,427
Total Assets		3,846,079	3,502,023	3,887,411	3,537,355
Current Liabilities					
Payables	9	57,371	146,277	86,703	181,610
Total Current Liabilities		57,371	146,277	86,703	181,610
Non-Current Liabilities					
Loans		300,000	-	300,000	-
Total Non-Current Liabilities		300,000	-	300,000	-
Total Liabilities		357,371	146,277	386,703	181,610
Net Assets		3,488,708	3,355,744	3,500,708	3,355,745
Equity					
Contributed equity	10	4,465,108	3,979,800	4,465,108	3,979,800
Reserves	11	4,206,193	4,206,193	4,206,193	4,206,193
Retained profits	11	(5,155,459)	(4,775,982)	(5,170,593)	(4,830,248)
Total parent entity interest		3,515,842	3,410,011	3,500,708	3,355,745
Outside equity interests in controlled entities		27,134	54,267		
Total Equity		3,488,708	3,355,744	3,500,708	3,355,745

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

Pegmont Mines Limited

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of Changes in Equity For the year ended 31 December 2014

	Consolidated		Parent entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Total equity at the beginning of the financial year	3,355,745	4,238,925	3,355,745	4,238,925
Total recognised income and expense for the year	(346,345)	(742,180)	(340,345)	(742,180)
Transactions with equity holders in their capacity as equity holders:				
Shares issued- note 10	479,308	9,000	485,308	9,000
Revaluation of exploration areas	-	(150,000)	-	(150,000)
Total equity at the end of the financial year	3,488,708	3,355,745	3,500,708	3,355,745
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	(346,345)	(742,180)	(340,345)	(742,180)
Minority interests		-		-
	(346,345)	(742,180)	(340,345)	(742,180)

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

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Cash Flow Statement
For The Year Ended 31 December 2014

	Note	Consolidated		Parent entity	
		2014	2013	2014	2013
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		254,362	26,357	260,362	26,357
Cash payments in the course of operations		(520,844)	(556,295)	(520,844)	(553,795)
Net cash from operating activities	17	(266,482)	(529,938)	(260,482)	(527,438)
Cash Flows from Investing Activities					
Purchase of plant, property & equipment					
Payments for investment securities		(139,598)	(436,295)	(139,598)	(436,295)
Exploration expenditure		108,932	388,545	108,932	388,545
Net cash provided for investing activities		(30,666)	(47,750)	(30,666)	(47,750)
Cash Flows from Financing Activities					
Increase in creditors		211,093	42,945	205,093	40,445
Increase/ decrease in debtors		(5,877)	23,963	(5,877)	23,963
Share issue		484,243	9,000	484,243	9,000
Net cash flow from financing activities		689,459	75,908	683,459	73,408
Net increase (decrease) in cash and cash equivalents		392,311	(501,780)	392,311	(501,780)
Cash and cash equivalents at the beginning of the financial year		18,550	520,330	18,548	520,328
Cash and cash equivalents at the end of the financial year	16	410,861	18,550	410,859	18,548

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For The Year Ended 31 December 2014

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 2014 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.

Notes to the Financial Statements

For The Year Ended 31 December 2014

1. **Statement of Accounting Policies (Continued)**
 - d) **Goods and Services Tax (GST) (continued)**

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.
 - 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).
 - 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.
 - 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.

Notes to the Financial Statements For The Year Ended 31 December 2014

1. Statement of Accounting Policies (Continued)

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 demonstratable economic grade, mineralisation; or
- 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.

Notes to the Financial Statements

For The Year Ended 31 December 2014

1. Statement of Accounting Policies (Continued)

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

For The Year Ended 31 December 2014

1. Statement of 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 a 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 2014, the carrying value of mineral tenements of the group is \$3,245,425 (2013-\$3,245,425)

Notes to the Financial Statements
For The Year Ended 31 December 2014

	Consolidated		Parent entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
2. Income Tax Expense				
a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	(346,345)	(742,180)	(340,345)	(742,180)
Timing and permanent differences	-	-	-	-
Prima facie tax payable at 30 %	-	-	-	-
Income tax/(refund) attributable to operating profit	-	-	-	-
3. Trade and other Receivables (Current)				
Security deposits DME & rental bond	26,934	36,328	26,934	36,328
Other debtors	12,587	-	12,587	-
GST control account	3,436	78	3,436	78
Prepayments	14,424	14,033	14,424	14,033
	57,381	50,439	57,381	50,439
4. Available for sale financial assets (Current)				
Quoted Shares	32,412	87,609	32,412	87,609
Unlisted Investments – at fair value		-	41,334	35,332
Closing balance at 31 December	32,412	87,609	73,746	122,941
5. Cash and cash equivalents (Current)				
Cash at bank and on hand	110,861	18,550	110,859	18,548
Cash on deposit	300,000	-	300,000	-
	410,861	18,550	410,859	18,548

Notes to the Financial Statements

For The Year Ended 31 December 2014

	Consolidated		Parent entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
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	(269,279)	(269,279)	(269,279)	(269,279)
	100,000	100,000	100,000	100,000
Reconciliation of carrying amount				
Opening balance at 1 January 2013	100,000	100,000	100,000	100,000
Plant & equipment acquired during year	-	-	-	-
Disposals	-	-	-	-
Depreciation write back during year	-	-	-	-
Closing balance at 31 December 2014	100,000	100,000	100,000	100,000
8. Mineral Tenements (Non-Current)				
Pegmont Lead-Zinc project at cost	893,807	893,807	893,807	893,807
Revaluation	2,106,193	2,106,193	2,106,193	2,106,193
At fair value	3,000,000	3,000,000	3,000,000	3,000,000
Pegmont regional exploration areas at fair value	-	-	-	-
Reefway Pty Ltd royalty at fair value	100,000	100,000	100,000	100,000
New Hope project acquisition at cost	145,425	145,425	145,425	145,425
	3,245,425	3,245,425	3,245,425	3,245,425

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 decisions in what is known generally as the "Mabo" and the "Wik" cases 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 affect any mining title area whether granted by the State or not.

Notes to the Financial Statements
For The Year Ended 31 December 2014

	Consolidated		Parent entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
9. Trade and other Payables (Current Liabilities)				
Trade creditors and other loans	57,371	146,278	86,703	181,610

	Parent entity		Parent entity	
	2014	2013	2014	2013
	Number	\$	Number	\$
10. Ordinary shares – Fully paid				
	71,041,556	4,465,108	62,698,722	3,979,800

During the year the following issue of shares were made at 6c per share.

Issue of 3,722,584 shares from rights issue in accordance with the entitlement offer dated 27 November 2013. Issue of 195,250 shortfall shares to a contractor of the company, as per the rights issue. Issue of 100,000 shortfall shares as per the rights issue. Exercise of options over 2,500,000 ordinary fully paid shares to raise \$150,000. Issue of 1,200,000 shares to two shareholders who are professional investors to raise \$72,000. Issue to former director of 100,000 shares in appreciation for his past services. Issue to contractors of 425,000 shares in appreciation for past services. Issue of 100,000 shares in consideration for the acquisition of 20% minority interest in subsidiary Kimberley Ventures Ltd.

In addition, 1,500,000 options were issued during the year to Malcolm A Mayger. The options were exercised during the year at 6c per share.

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	
	2014	2013	2014	2013
	\$	\$	\$	\$
(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	(4,775,982)	(4,033,801)	(4,830,248)	(4,088,068)
Profit for the year after related income tax expense	(346,345)	(742,180)	(340,345)	(742,180)
Acquisition of minority interest in subsidiary	(33,132)	-	-	-
Balance 31 December	(5,155,459)	(4,775,982)	(5,170,593)	(4,830,248)

(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
For The Year Ended 31 December 2014

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, Peter J Read and David R Curtis.

Executives during year – Christopher D Leslie

12(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	838,750	60,938	-	899,688
MA Mayger	33,860,000	5,183,333	-	39,043,333
P J Read	-	100,000	-	100,000
Total shares	34,698,750	5,344,271	-	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

Type of transaction	Related party	Terms and conditions	Consolidated		Parent entity	
			2014	2013	2014	2013
	-directors		\$	\$	\$	\$
Directors' fees	MA Mayger	Normal commercial	60,000	60,000	60,000	60,000
Directors' fees	JM Armstrong	Normal commercial	40,000	40,000	40,000	40,000
Directors' fees	PJ Read	Normal commercial	12,500	-	12,500	-
Directors' fees	DR Curtis	Normal commercial	8,000	10,000	8,000	10,000

Pegmont Mines Limited

Notes to the Financial Statements For The Year Ended 31 December 2014

15. Controlled Entities

Name	Inc	Class	Book value		Equity		Contribution to Group	
			2014	2013	2014	2013	2014	2013
			\$	\$	%	%	\$	\$
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	186,001	180,001	80	60	(6,000)	(2,500)
			205,361	199,361				
Contribution to Group Profit (Loss) after minorities								
Parent –Pegmont Mines Ltd							(340,345)	(739,680)
Profit (loss) for year – group							(346,345)	(742,180)
Loans to (from) subsidiaries			166,414	157,914				
Provision for loss			(359,773)	(357,273)				
Parent net investment in subsidiaries			12,002	2				

Consolidated		Parent entity	
2014	2013	2014	2013
\$	\$	\$	\$

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:

Cash at bank	110,861	18,550	110,859	18,548
Call deposits	300,000	-	300,000	-
	410,861	18,550	410,859	18,548

Cash at bank bear a weighted average interest rate of 2.5%

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

Operating Profit (Loss)	(346,345)	(742,180)	(340,345)	(742,180)
• Depreciation provision	-	-	-	-
• Exploration	108,932	388,545	108,932	388,545
• Provision for subsidiaries	-	-	-	2,500
• Unrealised loss on investments	(29,069)	(176,303)	(29,069)	(176,303)
Net cash provided for operating activities	(266,482)	(529,938)	(260,482)	(527,438)

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

For The Year Ended 31 December 2014

18. Subsequent Events

No other matter or circumstance has arisen since 31 December 2014 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 2014.

19. Earnings Per Share(eps)

	Consolidated		Parent entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
(a) Basic (loss) per share				
(Loss) attributable to the ordinary equity holders of the Company	(0.005)	(0.012)	(0.005)	(0.012)
(b) Earnings used in calculating earnings per share				
(Loss) attributable to the ordinary equity holders of the Company	(346,345)	(742,180)	(340,345)	(742,180)
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	71,041,556	62,698,722	71,041,556	62,698,722

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

	Weighted Average Effective Interest Rate	Variable Interest	Fixed Maturity Date			Total
			Less than 1 year	1 to 2 years	Non-interest Bearing	
	%	\$	\$	\$	\$	\$
2014						
Financial assets						
Cash	-	-	-	-	110,861	110,861
Interest bearing deposits	3.4	-	300,000	-	-	300,000
Receivables	-	-	-	-	56,316	56,316
					167,177	467,177
Financial liabilities						
Accounts payable	-	-	-	-	357,371	357,371
					357,371	357,371

Notes to the Financial Statements
For The Year Ended 31 December 2014

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 to it

21. Auditors' Remuneration

	Consolidated		Parent entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Amount received or due and receivable by the auditor for:				
a) Audit services				
Audit and review of financial reports under the Corporations Act 2001	22,000	15,000	22,000	15,000
b) Non Audit services				
Income tax return preparation	-	-	-	-
Total remuneration of auditors	22,000	15,000	22,000	15,000

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 2015 amounts of approximately \$Nil (2014 \$365,000) in respect of exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in accordance with the option agreement with Vendetta Mining.

ROTHSAY

Level 1, 12 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PEGMONT MINES LTD

We have audited the accompanying financial report of Pegmont Mines Ltd (the Company") which comprises the statement of financial position as at 31 December 2014 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) 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. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).



Audit opinion

In our opinion the financial report of Pegmont Mines Ltd is in accordance with the Corporations Act 2001, including:

- a) (i) giving a true and fair view of the Company's and the group's financial position as at 31 December 2014 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the Corporations Regulations 2001; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the remuneration report included in the Directors' report for the year ended 31 December 2014. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Pegmont Mines Ltd for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham Swan

Partner

Dated 5th March 2015

Pegmont Mines Limited

SUPPLEMENTARY INFORMATION

1. Issued Capital at 31 December 2014: 71,041,556 Ordinary Shares Fully paid

2. Share Holdings at 3 February 2015

(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	134	4,524,289
100,000 and over	60	65,755,267
	272	71,041,556

(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	24.41
Pegasus Enterprises Ltd	16,683,333	23.48
Malcolm A. Mayger Pty Limited and associates (including Pegasus Enterprises Limited)	39,043,333	54.96
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF Account)	4,726,361	6.65
HSBC Custody Nominees (Australia) Ltd	4,126,375	5.81

(c) Interests associated with Malcolm A Mayger Pty Ltd hold 39,043,333 (54.96%) Ordinary fully paid shares.

Pegmont Mines Limited

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 3 February 2015

	Number of Shares	Capital Issued %
Malcolm A Mayger Pty Ltd	17,340,000	24.41
Pegasus Enterprises Ltd	16,683,333	23.48
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF account)	4,726,361	6.65
HSBC Custody Nominees (Australia) Ltd	4,126,375	5.81
Gollum Opportunities	2,450,162	3.45
Lozora Pty Ltd	2,000,000	2.82
Malcolm A Mayger Super Fund	1,395,000	1.96
Bedel & Sowa Corp Pty Ltd	1,187,500	1.67
Scepha Investments Pty Ltd	1,125,000	1.58
Sunlea Investments Pty Ltd	1,100,000	1.55
David Hewitt	982,750	1.38
Mr I J Holland & Mrs D Holland	859,000	1.21
Perpetual Trustee Company Ltd	800,000	1.13
Mr Andrew George Poulos	585,000	0.82
Henroth Pty Ltd	550,000	0.77
Warlam Pty Ltd (Lincoln A/C)	520,000	0.73
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
	<hr/>	
	58,380,766	82.15
Other Shareholders	<hr/>	
	12,660,790	17.85
Total Issued Shares	<hr/>	
	71,041,556	100%

Pegmont Mines Limited

NOTES

Pegmont Mines Limited

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, 12 O'Connell Street,
Sydney NSW 2000
Telephone: (02) 8815 5400
Facsimile: (02) 8815 5401



Pegmont

PEGMONT MINES LIMITED
ABN 97 003 331 682

Registered Office

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Sydney NSW 2000
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Corporate Office:

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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:

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Listed on The National Stock Exchange of Australia
Code: PMI