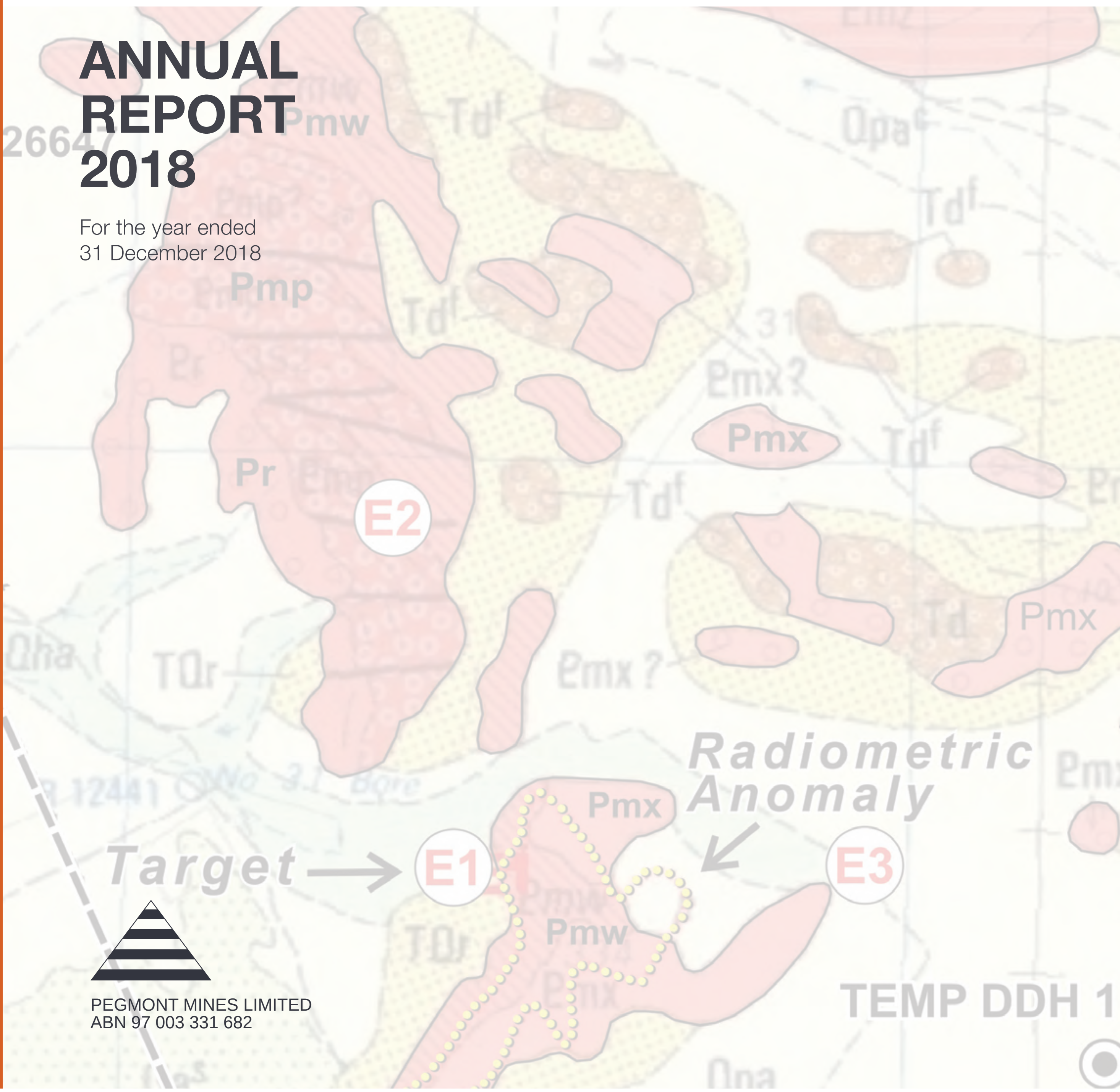
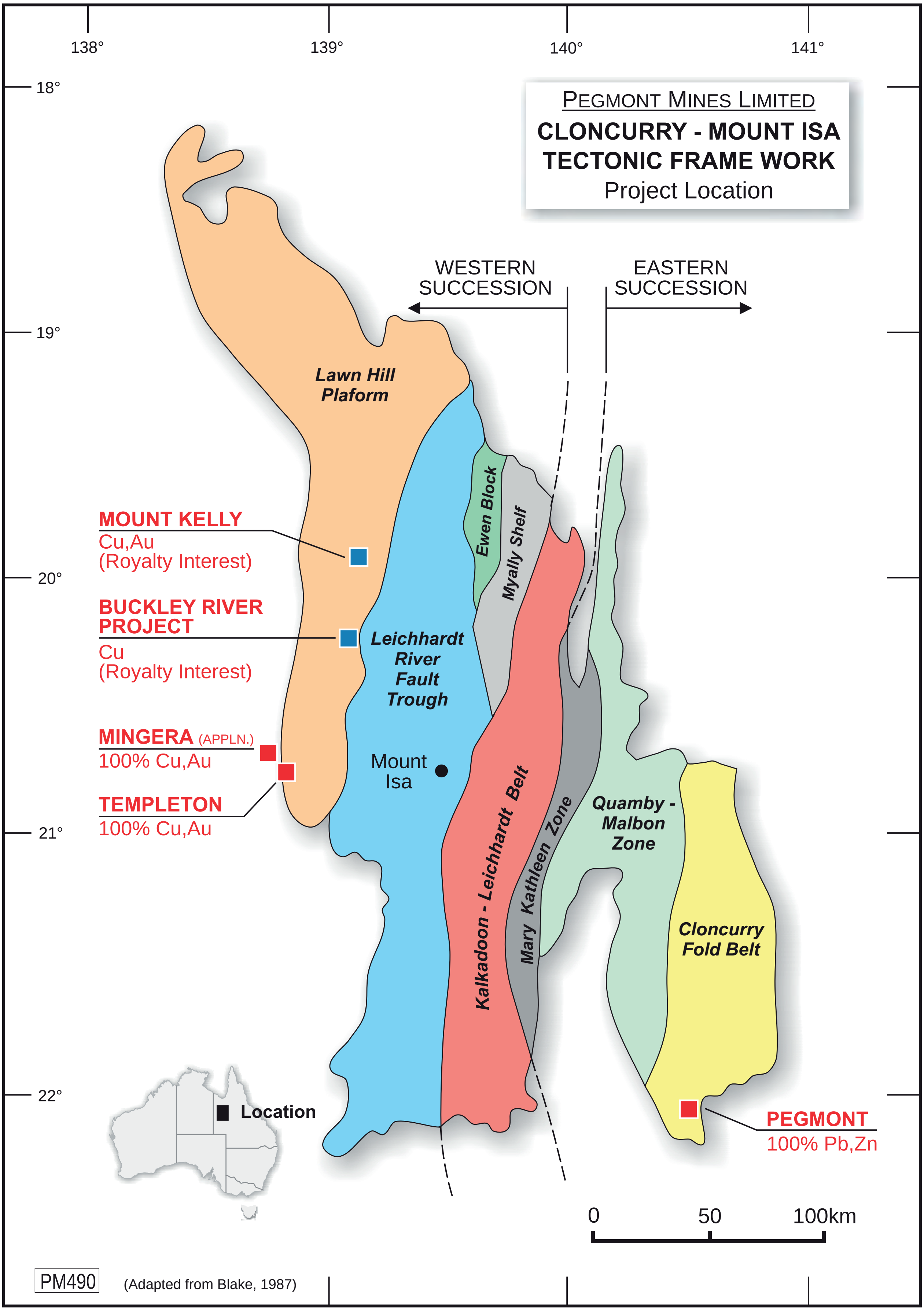
PEGMONT MINES LIMITED

ANNUAL REPORT 2018

For the year ended
31 December 2018



PEGMONT MINES LIMITED
ABN 97 003 331 682



The Lawn Hill Platform suite of rocks overlay the older Proterozoic McNamara Group at generally increasing depth to the west.

Chairman's Review

The transition to the "new" Pegmont is now well underway with continuing progress during the 2018 year.

The realisation of the Pegmont and New Hope tenements moved closer to completion during the year and an exciting new direction for your company has been identified. Our financial position improved significantly over the year, putting us in a position to fund our future program and to reward our shareholders for their many years of patience.

The $1 million option payment for the Pegmont lease was received in November from our Canadian partner Vendetta and a $150,000 option fee on the New Hope lease was received from Chinova. The final $3 million payment from Vendetta was also due in November but has been deferred until 6 May in return for an increased cash payment. A further extension until November 6, 2019 is possible, but is subject to an additional cash payment and an improvement in our royalty payment arrangements.

In late January, Vendetta announced a positive Preliminary Economic Assessment (PEA) of the Pegmont project with an after-tax IRR of 24% and an after-tax payback period of 3.5 years. Project economics were based on a 10-year mine life at 3000 tonnes per day open pit mine followed by underground mining. Details of the PEA are available on the Vendetta website. Your company holds a 1.5% net smelter royalty that would be payable after the recovery of $5 million in imputed royalties. The PEA confirms the very substantial value of our royalty.

We made a $1,626,162 profit after tax in the year as compared with $30,421 in 2017. Cash & cash equivalents at yearend were $1,653,942. The final $575,000 New Hope payment was received in January 2019, further bolstering our cash position. When the final payment is received for the Pegmont lease we will be in a position to pay a fully franked dividend. If at all possible we will make the dividend payment prior to 30 June.

A very important aspect of our planning for a "new" Pegmont was the identification of a new direction for the company. This began with the appointment of Jacob Rebek as Pegmont's Senior Adviser Geology. Jacob has many years of experience in the Resource industry at senior levels with a proven track record of discoveries.

Because of its prospectivity for base metal projects, the Board decided to explore for Mount Isa-type copper and gold deposits in North Queensland. After researching the Western Succession Domain, Jacob suggested that we look at an area to the west of Mt Isa, which has similar geology to the well explored Eastern Succession, but is under an alluvial cover and is therefore relatively unexplored. Jacob identified several interesting prospects, which resulted in the application for an area, which we call Templeton. The Templeton Exploration Lease EPM 26647 was granted in mid 2018.

This area was selected and the exploration program was designed on the basis of the following concept:

- Bullseye magnetic targets located on margins of a major gravity low probably represent near vertical pipe-like magnetic intrusive bodies.
- Hydrothermal alteration and mineralisation systems are likely to be found in and above such intrusive bodies.

Fieldwork carried out in September provided encouragement for this concept. Work around major magnetic anomalies E1 and E2 has been broadly completed and has resulted in the delineation of eleven magnetic targets for drilling. Negotiations are underway for a landholder Compensation Agreement that is required before drilling can commence. Drilling to confirm mineralisation at depth is planned to commence in May after the wet season is over. Our target is 1% plus copper and associated gold mineralisation.

Following the fieldwork at Templeton, in November we applied for a new exploration area Northeast of Templeton, which we have called Mingera (EPMA 27113). It is comprised of 100 sub-blocks for a total lease period of five years. The area appears to have similar geology to Templeton with a number of magnetic anomalies.

We are excited about our new exploration areas:

- Being under cover, they are virtually unexplored but are part of one of Australia's most important base metal areas and are close to major existing infrastructure.
- There are a very large number of discrete bullseye magnetic anomalies, 13 identified in Templeton so far

So the area is prime, the concept is clear, the target minerals are attractive and the potential payoff is very large.

At our Reefway Royalty tenements (Pegmont 76.73% share) the owner & operator CST Mining Group Limited continued heap leach operations to produce 99.99% cathode copper. Total copper sold in the year to December 2018 was 692.5 Tonnes, making a cumulative total of 49,839 Tonnes to December 2018. To date the royalty areas have been assessed for shallow oxide material, the source of which has not been identified.

Our most important 2019 objective will be to carry out the Templeton drilling program in two parts, firstly to test three magnetic anomalies associated with the E2 structure, then to test a further three anomalies forming the E1 structure.

The 2019-year will continue the transition to the new Pegmont:

- Shareholders will receive an appropriate fully franked dividend as soon as the final Vendetta payment is received.
- The renewal and strengthening of the management and Board will be well underway, and
- The prospects for a discovery at Templeton will hopefully cause more interest in our shares and bring more action on our share register.

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

John M. Armstrong

John M Armstrong
Chairman

Our Team

Board of Directors

John M Armstrong

Non-Executive Chairman

BSc, MBA, FFin, FAICD

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

Peter J Read

Non-Executive Director

BEc, FAICD

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

Malcolm A Mayger

Managing Director

BComm, CA, FAICD

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

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

Company Secretary

Christopher D Leslie

BComm, FCA

Mr Leslie has 32 years of experience in the mineral and petroleum industries at senior levels.

Technical Management

David Hewitt

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

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

David is responsible for field activity and exploration.

Senior Adviser – Geology

Jacob Rebek

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

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

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

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

Company's Activities during 2018

Cu & Au

Switched exploration emphasis
to copper-gold prospects

$1.6 million

Consolidated financial resources by asset sales and option proceeds to end the year with a cash balance of $1.6 million.

Completion of the sale of the sale of New Hope gold-cobalt project added a further $575,000 in early January 2019. Thus, total cash resources exceed $2 million, sufficient to fund two years of activities.

13 bullseyes

Focused exploration activities on **Templeton** (EPM 26647) defining 13 bullseye magnetic targets of which three have been chosen for early drilling by mid-May 2019 relating to the E2 structure, namely Anomalies 7,6 and 5.

2nd round drilling

A second round of drilling will test 3-4 bullseye anomalies related to the E1 structure later in 2019

3,000 RC metres

By year end the initial drill program of around 3,000 RC metres should provide sufficient information to test the remaining magnetic anomalies related to E1 and E2 structures during 2020.

NEW company

Progressive evaluation of drill data should enable the Company to develop a forward five-year Corporate Strategy of retention, sell/relinquish or option out for cash and royalty; resulting in a NEW Company.

Corporate Strategy

We are well down the track of transforming Pegmont Mines Limited from a quiescent company with lead-zinc interests to an active copper-gold explorer. During 2018 we were able to substantially refinance (without recourse to raising additional equity) the Company activities.

WE CONTINUE TO EXECUTE A PLAN PUT IN PLACE SEVERAL YEARS AGO TO CREATE A "NEW" PEGMONT.

STEP 1	The continued liquidation of New Hope and Pegmont Tenements.
STEP 2	The appointment of Jacob Rebek (having a well-regarded track record) as Pegmont's Senior Adviser; Geology.
STEP 3	The application for new tenements Templeton and Mingera (targeting copper-gold) on the western side of Mount Isa, as recommended by Jacob from research work that he had undertaken.
STEP 4	To commence drilling on Templeton as soon as the end of the wet season allows in May 2019 to confirm mineralisation at depth at E2 anomaly.
STEP 5	To undertake a second round of drilling on magnetic anomalies associated with the E1 anomaly.
STEP 6	Drill results will then be reviewed and assessed to determine follow up strategy.
STEP 7	Look for a corporate deal (dependent upon drill results) as a means of achieving our long-term strategy of building a diversified mining investment Company.

We also intend to pay a fully franked dividend to our patient shareholders from proceeds of the exercise payment by Vendetta to acquire the Pegmont tenements, ideally before 30 June 2019.

2018 Performance Highlights

Templeton EPM 26647 – 100% interest

The Templeton exploration area is located 60km west of Mount Isa. The application covers 96 sub-blocks or 246 square kilometres. That includes five large clusters of magnetic anomalies E1 – E5.

During 2018, detailed desk top geophysical analyses using modern software techniques on existing data (including aeromagnetic surveys of 200 metre line spacing) on E1 and E2 structures disclosed the presence of 13 bullseye magnetic anomalies of varying sizes and at varying depths.

The next phase of exploration was to undertake field work by traversing the magnetic anomalies on foot, to map and sample outcrop rocks, with emphasis on rock types, alteration patterns and structure. The objective being to obtain data and information to assist in selection of high priority magnetic targets. This work was undertaken in two field visits by Messrs Jacob Rebek and David Hewitt.

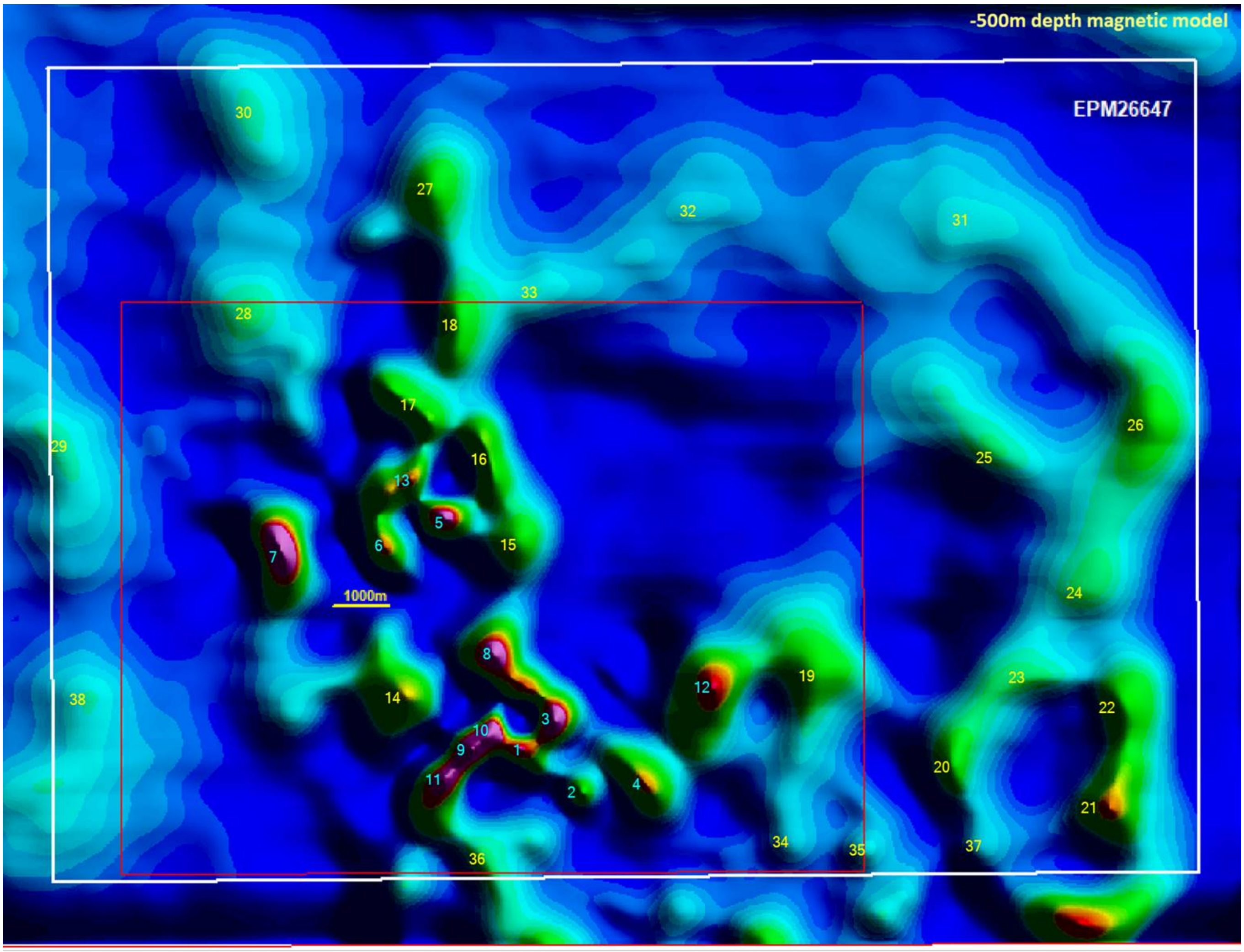
Exploration at **Templeton** by mapping and sampling of rock outcrops was previously reported on 30 November 2018. Mr Jacob Rebek, an independent geologist has consented to the following statement;

"Some of the samples, geochemically anomalous assays for copper, cobalt, arsenic, bismuth and zinc were obtained, confirming the conclusion made on the basis of geological observations that fracturing, brecciation and quartz veining is due to hydrothermal alteration and mineralisation."

Based on geological observations and the type of geochemical anomalies (from collected assay data) a conclusion was made that in the sulphide zone at depth, there is potential for discoveries of copper mineralisation. However, only drilling into such magnetic anomalies can validate this conclusion which is inherently subject to uncertainties in early stages of mineral exploration.

The main objective of our 2019 exploration program is to drill test three (3) such magnetic anomalies in May and a further 3 to 4 anomalies during September/October by 1,000-1,500 metres of RC drilling on each occasion.

Analysis of depth to magnetic basement model indicates that there could be a further 20 magnetic targets to follow up within the Tenement.



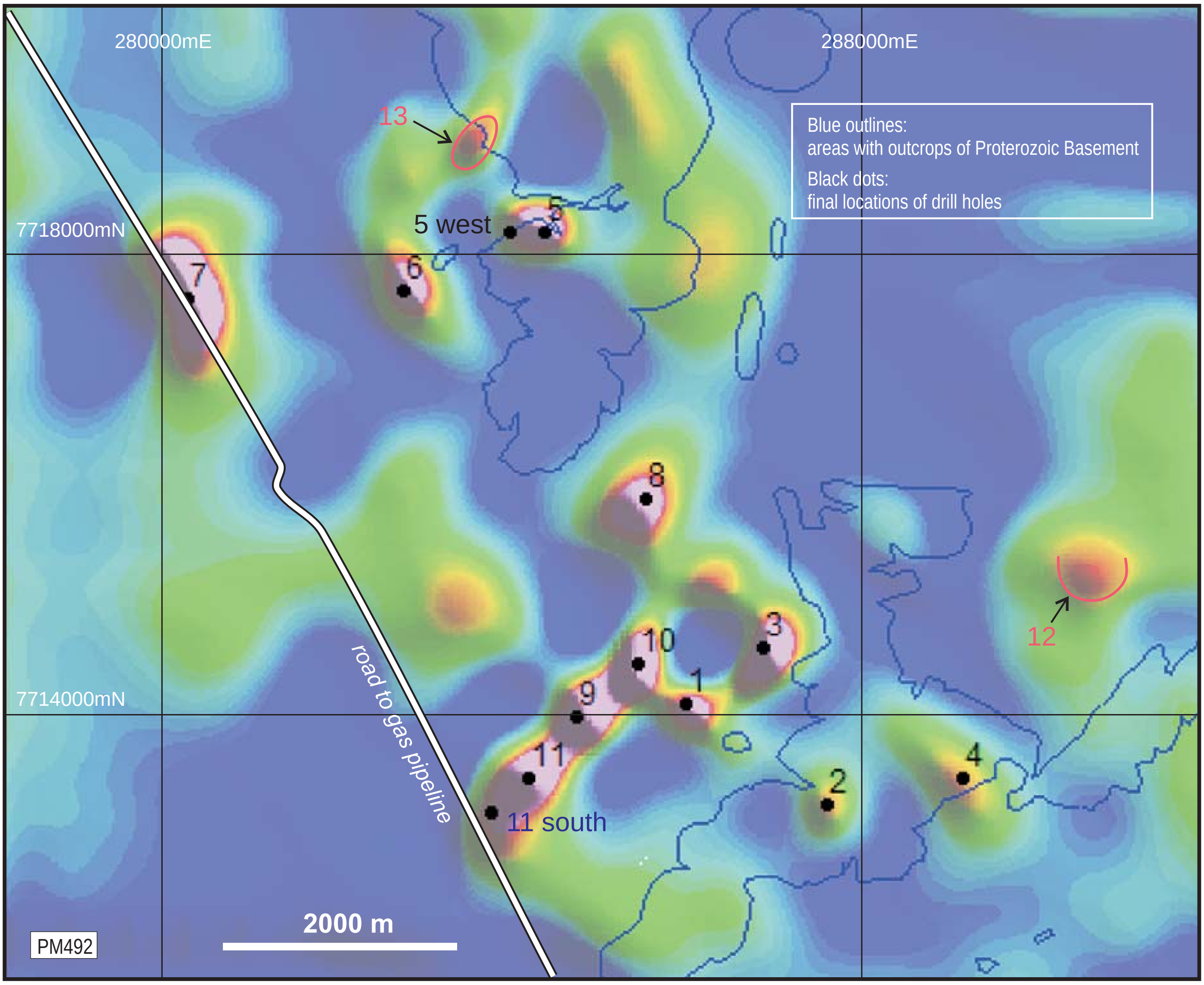
Templeton EPM 26647 – Depth to magnetic basement model map

Targets based on original (2018) study of 'depth to magnetic basement model' map are numbered 1-12.
Targets 13-38 represent magnetic bodies with tops that are relatively close to the surface

2018 Performance Highlights continued

Templeton Magnetic Anomalies – E1 and E2

3D magnetic model – depth to basement – depth slice 400 metres



Review of Operations

2018 PERFORMANCE HIGHLIGHTS – FINANCIAL

Net Profit for 2018 was $1,626,162 an increase of $1,595,741 on a profit of $30,421 in 2017.

Cash balances increased by $1,270,844 to $1,653,942 at 31 December 2018, with the receipt of $1,500,000 Option payments by Vendetta and $150,000 from Chinova.

Share trading resulted in a loss of $4,038 (2017 – loss of $13,710).

The consolidated net result for 2018 was a profit of $1,626,162, compared with a profit of $30,421 in 2017, summarised as follows:

Consolidated Net Result	2018 $000	2017 $000
Net Trading Profit/(Loss)	(4)	(14)
Interest on deposits	15	8
Net Income from Investing Activities	**11**	**(6)**
Option extension fees	100	–
Option receipts	1,650	350
New Hope	428	–
Administration	(277)	(193)
Depreciation	(20)	(30)
Legal expense	(34)	(10)
Exploration expense	(232)	(81)
Profit before income tax	**1,626**	**30**
Earnings per share – *cents*	2.26	+ve

Administration costs were higher than last year.

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

Legal expense was accrued regarding time costs incurred on the New Hope and Vendetta Option Agreement to 31 December 2018.

Exploration expense included Templeton $141,000 and $91,000 on other studies.

Company Tax has not been provided or adjusted against profits as there were carried forward losses in excess of $12 million at 30 June 2017. Option income received from Vendetta and Chinova Resources Cloncurry Mines Pty Ltd was credited as Other Income and therefore offset against carried forward losses. Also, there are Franking Credits that can be applied against dividend payments amounting to $4,408,362.

Commodity Background

Since exploration activity is driven by commodity price movements, it comes as no surprise that investor attention, which enabled Vendetta to raise considerable capital to fund their activities at Pegmont during 2018 has retreated.

Summary of selected Commodity Price Movements during 2018

	2018 31 Dec	2017 29 Dec	(Decline) %
Oil – *$US/bbl*	45.10	60.41	(25.3)
Iron ore (62% Fe fines) – *$US/t*	72.73	72.62	0.15
LME Index	2,801.1	3,418.5	(18.1)
Lead – *$US/t*	2,009	2,485.0	(19.2)
Zinc – *$US/t*	2,510.5	3,338.0	(24.8)
Copper – *$US/t*	5,965.0	7,157.0	(16.7)
Gold – *$US/g*	1,279.6	1,295.2	(1.2)
$A/$US	0.7058	0.7802	(9.5)
All Ords Index	5,709.4	6,167.3	(7.6)
Gold Index (ASX 200)	5,465.3	4,920.0	11.08

Base metal prices declined during 2018 as economic growth slowed in China, Japan and Europe. Oil prices also weakened. The short-term outlook for commodities remains volatile as continued growth in the US economy may offset slack elsewhere.

However, the prospect of higher US interest rates (resulting in a firmer US dollar) in 2019 could put a cap on higher commodity prices and induce further weakness.

Gold equities outperformed bullion prices which indicated a rising output from established producers and the importance of a lower Australian dollar to the bottom line.

Review of Operations continued

2018 PERFORMANCE HIGHLIGHTS – VENDETTA

Vendetta Exploration Activities

During 2018, Vendetta was able to advance the status of the Pegmont lead-zinc from an Advanced Resource Development (January 2018) to a Positive Preliminary Economic Assessment (January 2019). This status change was achieved by:

- Announcing shallow high-grade drill results in Zone 1 and undertaking metallurgical testing on Zone 1 (August 2018).
- This work enabled an upgrade in Indicated sulphide resources (July 2018).
- Further drilling in New Zone 3 structure and Bridge Zone drilling of a New Fold Structure provided increased confidence of discovering major new high-grade mineralisation (November 2018).

This sustained effort resulted in upgraded resources which could support a mine life of 10 years at 3,000 tonnes per day to produce 124Mlbs of lead, 50Mlbs of zinc and 298k of silver with an after-tax payback of three years.

The expected Average Net Smelter Return (NSR) is projected at $135/tonne of ore, which could generate a royalty of $2 million per year at 1.5% of NSR.

Vendetta was able to confirm that the Pegmont lead-zinc deposit was of medium-grade of around 8% combined lead-zinc content and having a total resource of 13 million tonnes, sufficient for a life of mine of 10 years with additional potential.

Extension of Vendetta Option

Further to the payment of $1,000,000 made prior to 6 November 2018, the Board resolved to extend the 25 November 2015 Option Agreement by another year to 6 November 2019; subject to the payment of extension fees and reduction of Vendetta's credit against future royalties.

- The final exercise payment of $3 million was extended to 30 November 2018 by the Company making an additional payment of $50,000 and reduction of Vendetta's prepaid royalty credit to $5 million.
- Non-payment by 30 November 2018 required an additional fee of $100,000 which extended the option period to 31 March 2019.
- Non-exercise payment of the exercise amount by 31 March 2019, would require an extra $300,000 payable by 1 April 2019 and the Option extended to 6 May 2019.
- Non-payment of the exercise amount by 6 May 2019, requires the payment of an extra fee of $350,000 to be granted an extension period to 6 November 2019 and reduction of Vendetta's royalty credit to $4.5 million.

Tenement Activity

The company has the following tenement interests:

- **Pegmont lead-zinc Project** (100%)
- **Reefway Royalty tenements** (76.73%)
- **Templeton EPM 26647** (100%)
- **Mingera EPMA 27113** (100%)
  awaiting grant of title

Pegmont lead-zinc Project (100%)

Vendetta continued to explore, mainly by drilling the Pegmont lead-zinc tenements under its Option Agreement. Their emphasis was to concentrate efforts within the Mining Leases where shallow open cut mineralisation is located. They have made the following news releases to the Toronto Stock Exchange (VTT-TSXV).

19 January 2018, Vendetta released a 14 pages presentation to the Metals Investor Forum Vancouver, BC on the Pegmont Project.

31 January 2018, Vendetta announced Shallow High-Grade Drilling Results from Zone 1.

13 February 2018, Vendetta reported Additional High-Grade Drilling Results from their recent Bridge Zone discovery.

28 February 2018, Vendetta announced High-Grade Intersections in Zones 2 and 3. Also that metallurgical test work had commenced on composite samples from Zones 1, 2, 3 and Bridge Sulphides.

5 March 2018, Vendetta reports high lead and zinc recoveries and concentrate grades.

10 May 2018, Vendetta commenced 2018 field program, including drilling to expand the Bridge Zone.

12 July 2018, Vendetta commenced the Preliminary Economic Assessment (PEA) including an update on Mineral Resource Estimate.

9 August 2018, Vendetta increased Pegmont lead-zinc Mineral Resource to 5.8Mt Indicated and 8.3Mt of Inferred; including an Open Pit resource.

30 August 2018, Vendetta announced further High-Grade Results from planned start up Pit Area and a C$1.5 million financing.

8 November 2018, Vendetta announced High-Grade intersections in New Zone 3 Structure and from BHZ/Bridge Zone.

Vendetta released November Presentation of 27 pages titled “Advances Lead-Zinc Resource Development”.

28 January 2019, Vendetta announced Positive Preliminary Economic Assessment (PEA). Some of the Project Economic Highlights:

- Mine Life 10 years at 3,000 tonnes (of ore) per day Open pit followed by underground
- After tax payback period 3.5 years
- Average Net Smelter (NSR) $135/t of ore
- There remain significant Mineral Resources not included in the PEA mine plan
- The PEA demonstrates low risk economics

Apart from the exercise price of $3 million, there is a royalty provision of 1.5% NSR payable to Pegmont, which based on the average NSR of $135/t of ore, suggests an average royalty payable per year of $2 million to Pegmont after Vendetta’s recovery of $5 million prepayments.

Such royalty payments would fund Pegmont’s exploration programs.

Reefway Royalty Tenements (76.73% Royalty Interest)

The current owner and operator of the Reefway Royalty Tenements, CST Mining Group Limited (CST Mining) continued heap leach operations at Mount Kelly to produce 99.99% cathode copper. Total copper sold during 2018, derived from the tenements was 692.5 tonnes, making a cumulative total of 49,839 tonnes. A minimum production of 100,000 tonnes must be produced before a 1% NSR royalty becomes payable.

New Hope ML 2487 (Sold)

During 2018, the New Hope ML 2487 was optioned to Chinova Resources Cloncurry Mines Pty Ltd for a purchase price of $725,000. Chinova paid $150,000 non-refundable deposit in January 2018 and subsequently advised that their offer became unconditional on 20 December 2018. Final payment of $575,000 plus GST was received on 18 January 2019.

Mingera EPM Application 27118 – 100%

A new exploration permit for 100 sub-blocks or 256 square kilometres was made on 23 November 2018. It is located WNW of and adjacent to Templeton, in which there are similar bullseye magnetic targets.

The Queensland Department of Natural Resources, Mines and Energy have approved the submitted work program of 5,000 metres of drilling and an expenditure commitment of $1.24 million over a five (5) year period.

Tenement Activity continued

Tenement Summary

Tenement		Project	Status	Area	Date of Grant	Date of Expiry
EPM 26210	Note 1	Pegmont	Granted	26 s/b	22.08.2017	21.08.2022
EPM 26647	(100%)	Templeton	Granted	96 s/b	10.05.2018	09.05.2023
EPMA 27113	(100%)	Mingera	Application	100 s/b	–	–
ML 2487	Note 2	New Hope	Sold (20/12/2018)	8.09 ha	06.12.1973	31.12.2018
ML 2620	Note 1	Pegmont No 1	Granted	129.5 ha	24.01.1974	31.01.2022
ML 2621	Note 1	Pegmont No 2	Granted	129.5 ha	24.01.1974	31.01.2022
ML 2623	Note 1	Pegmont No 4	Granted	129.5 ha	24.01.1974	31.01.2022

With respect to these tenements and licenses, all statutory obligations have been completed and that all tenements are in good standing. ML 2487 was sold to Chinova on 20 December 2018.

Note 1 These tenements are subject to an Option Sale Agreement with Vendetta Mining Incorporated with an exercise price of $3 million plus 1.5% NSR Royalty.

Note 2 ML 2487 was the subject of an exercised option by Chinova Resources Cloncurry Mines Pty Ltd for a total purchase price of $725,000 with no attaching royalty

Outlook for 2019

We have completed several years of strong commodity prices that commenced during the last quarter of 2015: The Australian dollar also declined by 3.3% against the US dollar since then.

Commodity Background

Summary of Selected Commodity Price Movements
December 2015 – December 2018

	2015 31 Dec	2018 31 Dec	Improvement %
Oil – $US/bbl	37.0	45.10	21.9
Iron Ore – (62% Fe fines)	42.9	72.73	69.5
LME Index	2,203.0	2,801.1	27.1
Lead – $US/t	1,802.0	2,009.0	11.5
Zinc – $US/t	1,600.0	2,510.5	56.9
Copper – $US/t	4,720.0	5,965.0	26.4
Gold – $US/g	1,062.0	1,279.6	20.5
$A/$US	0.7302	0.7058	(3.3)
All Ords Index	5,344.6	5,709.4	6.8
Gold Index (ASX 200)	2,645.8	5,465.3	106.6
Dow Jones Index	17,425	23,327	33.9

The last three years have been very beneficial to commodity producers, with the outstanding bulk commodities being **zinc and iron ore**.

The Australian dollar has helped to improve received metal prices by declining 3.3%.

As we enter the fourth year since the 2015 metal price lows, volatility can be expected. Thus, in plotting a course of action for the Company (operating in the commodity sector) an element of caution is (probably) desirable by not allowing corporate and exploration commitments during 2019 and 2020 to exceed receipts from realisation of mineral assets.

Asset Realisations

The Company had two Option Sale Agreements in place at 31 December 2018, firstly, over the Pegmont lead-zinc Project with Vendetta and secondly with Chinova over the New Hope gold-cobalt deposit.

Vendetta is due to make an Option exercise payment of $3,000,000 by 6 November 2019.

Chinova officially advised that they unconditionally exercised their Option to complete the purchase of ML 2487 (New Hope) by a balance payment of $575,000. A Tax Invoice was issued on 24 December 2018, which was paid on 18 January 2019.

Sharetrading Activity

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

The market value of the trading portfolio was $16,250 at year end. This is not a significant amount, but it acts as a barometer of market sentiment.

Administration Costs were $330,693 in 2018 compared with $202,984 for 2017.

	2018 $000	2017 $000
Auditor and Director Fees	148	114
Legal expense	34	10
Stock exchange and registry	16	10
Secretarial and office expense	37	25
Other expenses	95	44
	331	203

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

Forecast Income/Expenditure – 2019

	Actual 2018 $000	Forecast 2019 $000
Sharetrading Profit/(Loss)	(4)	–
Dividends and Interest	15	40
Option Payments	2,078	3,000
Option extension payment	100	–
Total Income	**2,189**	**3,040**
Exploration		
Templeton	141	250
Other	91	60
Depreciation	20	20
Administration	311	330
Total Expense	**563**	**660**
Net Profit	**1,626**	**2,380**

Notes

1. Actual results during 2019 could differ materially from these forward-looking estimates. E.g. Should Vendetta exercise its Option to purchase the Pegmont lead-zinc Project, then interest would increase.
2. Exploration expenditure will be largely directed at drilling Templeton to confirm if magnetic anomalies represent sub-surface mineralisation.

Financial Condition

The Company's Consolidated Net Assets at 31 December 2018 were $4,838,203 an increase of $1,626,162.

	2018 $000	2017 $000
Current assets	2,282,436	462,450
Current liabilities	(564,233)	(237,822)
Working Capital	1,718,203	224,628
Non-current assets	3,120,000	3,287,413
Non-current liabilities	–	300,000
Net Assets	**4,838,203**	**3,212,040**

The Net Assets difference of $1,626,162 reflects:

Net Profit	1,626,162	30,421
Issued Capital Income	–	25,500
Net Assets Increase	**1,626,162**	**55,921**

Working Capital

Working Capital improved by $1,493,575 to $1,718,203, defined as the difference between total Current Assets of $2,286,436 less Current Liabilities of $564,233 at 31 December 2018.

Thus, the Company has adequate Working Capital to fund exploration programs at Templeton and Mingera for the next two years after allowing for administration expenditure.

Non-Current Assets

	2018 $000	2017 $000
Pegmont field camp	20	40
Pegmont tenements	3,000	3,000
Reefway Royalty	100	100
New Hope tenement (sold)	–	147
	3,120	**3,287**

The net value of the Pegmont tenements and field camp of $3.02 million compares with outstanding exercise payment of $3.0 million plus possible penalty payments due by November 2019 at the latest.

The Reefway Royalty value has a large intrinsic component, which may firm up when the Anthill ML 90233 is brought into production.

In the event of Vendetta exercising its Option over the Pegmont tenements, the Board may consider a Net Present Value of future royalties that could be generated when they are brought into production.

Summary of Financial Results

FINANCIAL RESULTS AT 31 DECEMBER		2018 $000	2017 $000	2016 $000	2015 $000	2014 $000
Gross Trading Revenue		24	24	78	44	135
Net Trading Profit/(Loss)		11	(6)	20	(23)	(51)
Option Receipts		1,750	350	150	–	250
Exploration Recovery – ML2487		428	–	–	–	–
Exploration		(232)	(81)	(47)	(46)	(109)
Administration		(311)	(203)	(217)	(207)	(440)
Depreciation		(20)	(30)	(30)	–	–
Net Profit/(Loss) before tax		1,626	30	(124)	(222)	(346)
Net Profit/(Loss) after tax		1,626	30	(124)	(222)	(346)
Cash		1,654	383	217	266	411
Investments		16	21	24	16	32
Working Capital		1,718	225	140	229	443
Total Assets		5,402	3,750	3,616	3,677	3,846
Total Liabilities		564	538	460	403	357
Shareholders’ Funds		4,838	3,212	3,156	3,274	3,489
Contributed Equity		4,512	4,512	4,486	4,480	4,465
Earning per share (E)	cents	2.2	–	(0.2)	(0.3)	(0.5)
Dividends per share	cents	–	–	–	–	–
Net Tangible Assets per share	cents	6.7	4.5	4.4	4.6	4.9
Working Capital per share	cents	2.4	0.3	0.2	0.3	0.6
Share Price (last sale)	cents	6.1	6.9	1.5	5.0	7.0
Price Earnings ratio P/E	–	2.8	–	-ve	-ve	-ve
Shares on Issue	000	71,817	71,817	71,392	71,192	71,042

COMMENT

Since September 2004 when the Company applied the proceeds from the sale of Reefway Pty Ltd to share investing, this activity generated a total Net Trading Profit of $12,320,000 (after provisions) over twelve years from Gross Trading Revenue of $122,726,000 at an average margin of 10.0% on turnover. During this period the Company has expended funds on exploration $6,754,000, administration $7,043,000, taxation $4,629,000 and distributed dividends of $1,375,000, being 2.75 cents per share.

The current business model of the Company incorporates share trading to generate income to contribute to administration and exploration expenses. However, since the GFC in 2007 (when our Gross Trading Revenue peaked at $36.3 million), share trading activity was greatly restricted due to the lack of working capital. The working capital of the company increased during 2018 on receipt of option fees and the recovery of exploration expenditure due to the exercise of an option arrangement on one of the company’s tenements.

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 fulfil this role, the Board is responsible for setting the strategic directions for the Company, establishing goals for management, monitoring the achievement of these goals and ensuring policies and procedures are applied that facilitate accountability and performance.

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

Composition of the Board

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

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

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

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

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

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

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

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

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

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

Performance of Directors

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

Conflict of Interest

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

Independent Professional Advice and Access to Company Information

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

Remuneration Report

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

Corporate Governance Statement continued

Principles used to determine the nature and amount of remuneration

Remuneration Policy

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

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

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

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

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

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

Performance based remuneration

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

Company performance, shareholder wealth and key management personnel remuneration

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

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 31 December 2018.

Voting and comments made at the Company's 2018 Annual General Meeting

The Company received approximately 100% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Details of Remuneration

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

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

Board Procedures and Policies

The Board applies the additional following procedures and policies:

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

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

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

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

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

Directors' Report

The Directors' present their report on the results of the Company for the year ended 31 December, 2018 and the state of affairs at that date.

Directors

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

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

Principal Activity

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

Operating Results

The consolidated profit after providing for income tax amounted to $1,626,162 (2017, profit – $30,421).

Dividends

No dividend was paid during the year (2017 – 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 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 2018.

Options over Unissued Capital

The total number of options issued as at
31 December 2018 was NIL (2017 – NIL). At
31 December 2018 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 2018.

Directors' Report continued

Auditors' Section 307C Declaration

Dear Sirs

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

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2018 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Mr Rolf Garda FCA (Partner)
Rothsay Auditing

Dated 11 March 2019

Meeting of Directors

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

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

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

Directors' Qualifications and Experience

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

Mr. Armstrong, aged 83 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 79 has over 50 years of experience in exploration, mining and investment. Malcolm Mayger founded the company in 1987 and has guided its subsequent development from concept to an explorer with investment interests.

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

Mr. Peter J Read, aged 79 is a corporate specialist with experience as Managing Director with Drillsearch Energy Ltd and Queensland Resources NL. In addition, he has extensive experience in Marketing and Business Consulting.

Directors' and Executives' Emoluments

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

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

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

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

Key management personnel of Pegmont Mines Limited

	Short-Term		Post Employment		Share-based Payments	Total
	Salary & Fees	Non Monetary	Super -annuation	Retirement benefits		
	$	$	$	$	$	$
Directors						
John Armstrong						
2018	**40,000**	**–**	**–**	**–**	**–**	**40,000**
2017	30,000	–	–	–	–	30,000
Malcolm Mayger						
2018	**60,000**	**–**	**–**	**–**	**–**	**60,000**
2017	50,000	–	–	–	–	50,000
Peter Read						
2018	**30,000**	**–**	**–**	**–**	**–**	**30,000**
2017	20,000	–	–	–	–	20,000
Other key management personnel						
Chris Leslie						
2018	**36,575**	**–**	**–**	**–**	**–**	**36,575**
2017	21,800	–	–	–	–	21,800
Total key management personnel compensation						
2018	**166,575**	**–**	**–**	**–**	**–**	**166,575**
2017	121,800	–	–	–	–	121,800

Directors' Report continued

Service agreements

Malcolm Mayger, Managing Director:

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

Share-based compensation

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

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

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

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

		Shares at 31/12/2017	Acquired/(Disposed) during the year	Shares at 31/12/2018
J M Armstrong	Direct	99,688	–	99,688
	Indirect	800,000	–	800,000
P J Read	Direct	100,000	–	100,000
	Indirect	–	–	–
M A Mayger	Direct	500,000	–	500,000
	Indirect*	38,543,333	–	38,543,333
		40,043,021	**–**	**40,043,021**

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

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

Malcolm A Mayger

Dated: 11 March 2019

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 2018 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: 11 March 2019

FINANCIAL STATEMENTS

For the year ended 31 December 2018

INCOME STATEMENT

For the Year Ended 31 December 2018

	Note	Consolidated		Parent Entity	
		2018	**2017**	**2018**	**2017**
		$	$	$	$
Revenue from continuing operations					
Gross revenue from share trading		24,487	24,437	24,487	24,437
Cost of sales		25,462	27,547	25,462	27,547
Revenue / (loss) from sale of shares		(975)	(3,110)	(975)	(3,110)
Write back (increase) of provision for shares		(3,063)	(10,600)	(3,063)	(10,600)
Net trading profit / (loss) after provisions		(4,038)	(13,710)	(4,038)	(13,710)
Interest received or due and receivable from other Corporations		15,016	7,988	15,016	7,988
Option proceeds		1,750,000	350,000	1,750,000	350,000
Recovery of exploration expenditure		427,587	–	427,587	–
		2,188,565	**344,278**	**2,188,565**	**344,278**
Expenses from continuing operations					
Audit fees		(18,000)	(14,000)	(18,000)	(14,000)
Directors fees		(130,000)	(100,000)	(130,000)	(100,000)
Exploration written off		(231,710)	(80,873)	(231,710)	(80,873)
Depreciation		(20,000)	(30,000)	(20,000)	(30,000)
Stock exchange fees		(15,977)	(1,312)	(15,977)	(1,312)
Share registry fees		(11,060)	(8,650)	(11,060)	(8,650)
Secretarial & office expenses		(36,575)	(24,995)	(36,575)	(24,995)
Other expenses from ordinary activities		(99,081)	(54,027)	(99,081)	(54,027)
		(562,403)	**(313,857)**	**(562,403)**	**(313,857)**
Profit before income tax		**1,626,162**	**30,421**	**1,626,162**	**30,421**
Income tax attributable	2	–	–	–	–
Profit attributable to members of Pegmont Mines Ltd		**1,626,162**	**30,421**	**1,626,162**	**30,421**
Earnings per share for profit attributable to the ordinary equity holders of the Company	19	0.022	0.001	0.022	0.001

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

BALANCE SHEET

As at 31 December 2018

		Consolidated		Parent entity	
	Note	2018 $	2017 $	2018 $	2017 $
Current Assets					
Receivables	3	612,607	58,215	612,607	58,215
Available for sale financial assets	4	15,887	21,137	35,248	40,498
Cash and cash equivalents	5	1,653,942	383,098	1,653,938	383,094
Total Current Assets		**2,282,436**	**462,450**	**2,301,793**	**481,807**
Non-Current Assets					
Held-to-Maturity Investments	6	–	–	2	2
Property, Plant & Equipment	7	20,000	40,000	20,000	40,000
Mineral Tenements	8	3,100,000	3,247,413	3,100,000	3,247,413
Total Non-Current Assets		**3,120,000**	**3,287,413**	**3,120,002**	**3,287,415**
Total Assets		**5,402,436**	**3,749,863**	**5,421,795**	**3,769,222**
Current Liabilities					
Payables	9	264,233	237,822	264,233	237,822
Loans		300,000	–	300,000	–
Total Current Liabilities		**564,233**	**237,822**	**564,233**	**237,822**
Non-Current Liabilities					
Loans		–	300,000	–	300,000
Total Non-Current Liabilities		**–**	**300,000**	**–**	**300,000**
Total Liabilities		**564,233**	**537,822**	**564,233**	**537,822**
Net Assets		**4,838,203**	**3,212,041**	**4,857,562**	**3,231,400**
Equity					
Contributed equity	10	4,511,607	4,511,607	4,511,607	4,511,607
Reserves	11	4,206,193	4,206,193	4,206,193	4,206,193
Retained profits	11	(3,879,597)	(5,505,759)	(3,860,238)	(5,486,400)
Total parent entity interest		**4,838,203**	**3,212,041**	**4,857,562**	**3,231,400**
Outside equity interests in controlled entities		–	–	–	–
Total Equity		**4,838,203**	**3,212,041**	**4,857,562**	**3,231,400**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Consolidated		Parent entity	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Total equity at the beginning of the financial year	**3,212,041**	**3,156,120**	**3,231,400**	**3,175,479**
Total recognised income and expense for the year	**1,626,162**	**30,421**	**1,626,162**	**30,421**
Transactions with equity holders in their capacity as equity holders:				
Shares issued – note 10	–	25,500	–	25,500
Total equity at the end of the financial year	**4,838,203**	**3,212,041**	**4,857,562**	**3,231,400**
Total recognised income and expense for the year is attributable to:				
Members of Pegmont Mines Ltd	1,626,162	30,421	1,626,162	30,421
	1,626,162	**30,421**	**1,626,162**	**30,421**

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

CASH FLOW STATEMENT

For the Year Ended 31 December 2018

		Consolidated		Parent entity	
	Note	2018	2017	2018	2017
		$	$	$	$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		2,217,090	382,425	2,217,090	382,425
Cash payments in the course of operations		**(356,155)**	**(230,530)**	**(356,155)**	**(230,530)**
Net cash from operating activities	17	**1,860,935**	**151,895**	**1,860.935**	**151,895**
Cash Flows from Investing Activities					
Financial assets decrease		2,187	(9,428)	2,187	(9,428)
Decrease in non-current assets		167,413	–	167,413	–
Exploration expenditure		(231,710)	(80,873)	(231,710)	(80,873)
Net cash provided for investing activities		**(62,110)**	**(90,301)**	**(62,110)**	**(90,301)**
		1,798,825	**61,594**	**1,798,825**	**61,594**
Cash Flows from Financing Activities					
Increase/(decrease) in creditors		26,411	77,310	26,411	77,310
(Increase)/decrease in debtors		(554,392)	830	(554,392)	830
Share issue		–	25,500	–	25,500
Net cash flow from financing activities		**(527,981)**	**103,640**	**(527,981)**	**103,640**
Net increase (decrease) in cash and cash equivalents		**1,270,844**	**165,234**	**1,270,844**	**165,234**
Cash and cash equivalents at the beginning of the financial year		383,098	217,864	383,094	217,860
Cash and cash equivalents at the end of the financial year	16	**1,653,942**	**383,098**	**1,653,938**	**383,094**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below.

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

a) Basis of preparation

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

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

Compliance with IFRSs

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

Historical cost convention

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

b) Consolidation

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

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

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

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

c) Income Tax

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

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

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

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

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

d) Goods and Services Tax (GST)

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

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

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

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

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

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Segment Reporting

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

f) Revenue Recognition

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

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

g) Royalties and other mining imposts

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

h) Cash and cash equivalents

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

i) Trade and Other Receivables

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

j) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

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

k) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 3 to 5 years. A net valuation of $20,000 has been applied to the Pegmont field camp in activities. All repairs and maintenance expenses are written off as occurrence.

l) Investments and Other Financial Assets

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

m) Impairment of assets

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

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

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

n) Trade Payables

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

o) Provisions

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

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Exploration expenditure

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

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

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.

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

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

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

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

q) Mineral Tenements

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

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

r) Employee benefits

Wages and salaries, annual leave and sick leave

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

Long service leave

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

Superannuation

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

Redundancy

The liability for redundancy is not provided as the Company employs independent consultants.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 2018, the carrying value of mineral tenements of the group is $3,100,000 (2017 – $3,247,413).

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2018

		Consolidated		Parent entity	
		2018 $	2017 $	2018 $	2017 $
2.	**INCOME TAX**				
	Prima facie tax payable on operating profit at 30%	487,848	9,126	487,848	9,126
	Timing Differences	(487,848)	(9,126)	(487,848)	(9,126)
	Income Tax Expense	–	–	–	–
3.	**TRADE AND OTHER RECEIVABLES (CURRENT)**				
	Security deposits DME & rental bond	22,517	24,434	22,517	24,434
	Other debtors	4,855	20,973	4,855	20,973
	GST control account	2,045	12,808	2,045	12,808
	Prepayments	8,190	–	8,190	–
	Trade Debtor	575,000	–	575,000	–
		612,607	**58,215**	**612,607**	**58,215**
4.	**AVAILABLE FOR SALE FINANCIAL ASSETS (CURRENT)**				
	Quoted Shares	15,887	21,137	15,887	21,137
	Unlisted Investments – at fair value	–	–	19,361	19,361
	Closing balance at 31 December	**15,887**	**21,137**	**35,248**	**40,498**
5.	**CASH AND CASH EQUIVALENTS (CURRENT)**				
	Cash at bank and on hand	242,992	20,823	242,988	20,819
	Cash on deposit	1,410,950	362,275	1,410,950	362,275
		1,653,942	**383,098**	**1,653,938**	**383,094**

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2018

		Consolidated		Parent entity	
		2018	2017	2018	2017
		$	$	$	$
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	(349,279)	(329,279)	(349,279)	(329,279)
		20,000	**40,000**	**20,000**	**40,000**
	Reconciliation of carrying amount				
	Opening balance at 1 January 2018	40,000	70,000	40,000	70,000
	Plant & equipment acquired during year	–	–	–	–
	Disposals	–	–	–	–
	Depreciation write off during year	20,000	30,000	20,000	30,000
	Closing balance at 31 December 2018	**20,000**	**40,000**	**20,000**	**40,000**
8.	**MINERAL TENEMENTS (NON-CURRENT)**				
	Pegmont Lead-Zinc project at cost	893,807	893,807	893,807	893,807
	New Hope project at cost	–	147,413	–	147,413
	At cost	**893,807**	**1,041,220**	**893,807**	**1,041,220**
	Pegmont Lead-Zinc project at fair value	2,106,193	2,106,193	2,106,193	2,106,193
	Reefway Pty Ltd royalty at fair value	100,000	100,000	100,000	100,000
	At Fair Value	2,206,193	2,206,193	2,206,193	2,206,193
		3,100,000	**3,247,413**	**3,100,000**	**3,247,413**

The total value attributed to the Pegmont Lead-Zinc project of $3,000,000 is based on the value of the current Option Agreement with Vendetta Mining Corp (Vendetta). The agreement was entered into in September 2014 and amended on 11 November 2015 and 5 November 2018. The agreement requires Vendetta to pay Pegmont Mines Limited cash payments totaling $5,250,000 over the period of the option. To date $2,350,000 has been received from Vendetta which includes an extension fee of $100,000. The 5 November amendment gives Vendetta extensions up to 9 November 2019 to pay the final exercise payment of $3,000,000 subject to additional extension fees being paid.

On the 5 January 2018 the company signed an exclusive option agreement on the New Hope Project (ML2487) with the adjacent leaseholder Chinove Resources Cloncurry Mines Pty Limited (Chinova) who subsequently paid a $150,000 option fee on the 15 January 2018. On 9 November 2018 the company received official notice from Chinova they are exercising their option to acquire ML 2487. The option exercise payment of $575,000 to be paid by Chinova on transfer of title by the Queensland Department of Natural Resources and Energy.

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

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2018

	Consolidated 2018 $	Consolidated 2017 $	Parent entity 2018 $	Parent entity 2017 $
9. TRADE AND OTHER PAYABLES (CURRENT LIABILITIES)				
Trade creditors and accruals	264,233	237,822	264,233	237,822

	Parent entity Number	Parent entity 2018 $	Parent entity Number	Parent entity 2017 $
10. ORDINARY SHARES – FULLY PAID	**71,816,556**	**4,511,607**	**71,816,556**	**4,511,607**

There were no shares issued during the year.

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 2018 $	Consolidated 2017 $	Parent entity 2018 $	Parent entity 2017 $
a) Reserves				
Asset Revaluation Reserve	2,206,193	2,206,193	2,206,193	2,206,193
Capital Profit Reserve	2,000,000	2,000,000	2,000,000	2,000,000
	4,206,193	**4,206,193**	**4,206,193**	**4,206,193**
b) Retained Earnings				
Balance 1 January	(5,505,759)	(5,536,180)	(5,486,400)	(5,516,821)
Profit for the year after related income tax expense	1,626,162	30,421	1,626,162	30,421
Balance 31 December	**(3,879,597)**	**(5,505,759)**	**(3,860,238)**	**(5,486,400)**

c) Nature and purpose of reserves

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

Notes to the Financial Statements (continued)
For the Year Ended 31 December 2018

12 KEY MANAGEMENT PERSONNEL DISCLOSURE

a) Directors

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

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

b) Directors and Director-Related Entities' Shareholdings

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

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

c) Key management personnel compensation

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

d) Related party transactions

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

13. SEGMENTAL INFORMATION

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

14. REMUNERATION OF DIRECTORS

			Consolidated		Parent entity	
Type of transaction	Related party – directors	Terms and conditions	2018 $	2017 $	2018 $	2017 $
Directors' fees	MA Mayger	Normal commercial	60,000	50,000	60,000	50,000
Directors' fees	JM Armstrong	Normal commercial	40,000	30,000	40,000	30,000
Directors' fees	PJ Read	Normal commercial	30,000	20,000	30,000	20,000

15. CONTROLLED ENTITIES

Name	Inc	Class	Book value 2018 $	Book value 2017 $	Equity 2018 %	Equity 2017 %	Contribution to Group 2018 $	Contribution to Group 2017 $
Pilbara Ventures Ltd	NSW	Ord	19,359	19,359	100	100	–	–
Queensland Copper Mines Pty Ltd	NSW	Ord	10,000	10,000	100	100	–	–
Kimberley Ventures Ltd	NSW	Ord	192,001	192,001	100	100	–	–
			221,360	**221,360**				
Contribution to Group Profit (Loss) after minorities								
Parent – Pegmont Mines Ltd							1,632,190	30,421
Profit (loss) for year – group							**1,632,190**	**30,421**
Loans to (from) subsidiaries			–	–				
Provision for loss			(201,999)	(201,999)				
Parent net investment in subsidiaries			**19,361**	**19,361**				

	Consolidated 2018 $	Consolidated 2017 $	Parent entity 2018 $	Parent entity 2017 $

16. RECONCILIATION OF CASH

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

	Consolidated 2018 $	Consolidated 2017 $	Parent entity 2018 $	Parent entity 2017 $
Cash at bank	242,992	20,823	242,988	20,821
Call deposits	1,410,950	362,275	1,410,950	362,275
	1,653,942	**383,098**	**1,653,938**	**383,096**

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

17. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

	Consolidated 2018 $	Consolidated 2017 $	Parent entity 2018 $	Parent entity 2017 $
Operating Profit (Loss)	1,626,162	30,422	1,626,162	30,422
Exploration	231,710	110,873	231,710	110,873
Unrealised loss on investments	3,063	10,600	3,063	10,600
Net cash provided for operating activities	**1,860,935**	**151,895**	**1,860,935**	**151,895**

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

18. SUBSEQUENT EVENTS

No matter or circumstance has arisen since 31 December 2018 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2018.

19. EARNINGS PER SHARE (EPS)

	Consolidated		Parent entity	
	2018 $	2017 $	2018 $	2017 $
(a) Basic Earnings per share				
Earnings attributable to the ordinary equity holders of the Company	0.022	0.001	0.022	0.001
(b) Earnings used in calculating earnings per share				
Earnings attributable to the ordinary equity holders of the Company	1,626,162	30,421	1,626,162	30,421
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**71,816,556**	**71,816,556**	**71,816,556**	**71,816,556**

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

20. FINANCIAL RISK MANAGEMENT

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

Credit risk

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

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

Cash flow and fair value interest rate risk

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

Interest rate risk

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

	Fixed Maturity Date					
	Weighted Average Effective Interest Rate %	Variable Interest $	Less than 1 year $	1 to 2 years $	Non-interest Bearing $	Total $
2018						
Financial assets						
Cash	**–**	**–**	**–**	**–**	**242,992**	**242,992**
Interest bearing deposits	**2.0**	**–**	**1,410,950**	**–**	**–**	**1,410,950**
Receivables	**–**	**–**	**–**	**–**	**612,607**	**612,607**
		–	**1,410,950**	**–**	**855,599**	**2,266,549**
Financial liabilities						
Accounts payable		**–**	**–**	**–**	**264,233**	**264,233**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Financing arrangements

The Company has no financing facilities available.

21. AUDITORS' REMUNERATION

	Consolidated		Parent entity	
	2018 $	**2017** $	**2018** $	**2017** $
Amount received or due and receivable by the auditor for:				
a) Audit services				
Audit and review of financial reports under the Corporations Act 2001	18,000	14,000	18,000	14,000
b) Non Audit services	–	–	–	–
Total remuneration of auditors	**18,000**	**14,000**	**18,000**	**14,000**

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

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

22. EXPENDITURE COMMITMENTS

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2019 amounts of approximately $160,000 (2018 $225,000) in respect of tenement lease rentals and minimum exploration expenditure commitments.

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF PEGMONT MINES LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pegmont Mines Limited ("the Company") and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended on that date and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration of the Company.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter

Mineral Tenements

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

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

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

- We reviewed the agreement with Vendetta Mining Corporation entered into in September 2014 and amended in 11 November 2015 and 5 November 2018 confirming the amounts payable by Vendetta over the period of the option;

- We vouched the receipt of the Vendetta option payment and the reimbursement of prior expenditure;

- We obtained an understanding of the key processes associated with management's review of the carrying values of the mineral tenements and challenged management's assertion that the carrying amount of the mineral tenements was likely to be recovered in full from successful development or sale;

- We agreed the opening balances to prior year audit workpapers where the expenditure had been substantiated.

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

Cash and cash equivalents

The Group's cash and cash equivalents make up a substantial balance of total assets.. We do not consider cash and cash equivalents to be at a high risk of significant misstatement, or to be subject to a significant level of judgement. However due to the materiality in the context of the financial statements as a whole, they are considered to be an area which had an effect on our overall strategy and allocation of resources in planning and completing our audit.

Our procedures over the existence of the Company's cash and cash equivalents included but were not limited to:

- Documenting and assessing the processes and controls in place to record cash transactions; and

- Agreeing 100% of cash holdings to independent third party confirmations.

We have also assessed the appropriateness of the disclosures included in notes 1 and 5 to the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility for the Audit of the Financial Report

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

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

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2018.

In our opinion the remuneration report of Pegmont Mines Limited for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Rothsay Auditing
Dated // March 2019

Rolf Garda FCA
Partner

ROTHSAY
Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

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

Dear Sirs

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

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2018 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Rolf Garda FCA (Lead auditor)

Rothsay Auditing

Dated 11th March 2019

Supplementary Information

1. Issued Capital at 31 December 2018: 71,816,556 Ordinary Shares Fully paid

2. Share Holdings at 31 January 2019

(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	129	4,284,289
100,000 and over	57	66,770,267
	264	**71,816,556**

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

Shareholding	Number of Shares	% Issued Capital
Malcolm A. Mayger Pty Limited	18,440,000	25.67
Pegasus Enterprises Ltd	16,683,333	23.23
Malcolm A. Mayger Pty Limited and associates (including Pegasus Enterprises Limited)	39,043,333	54.36
HSBC Custody Nominees (Australia) Ltd	4,751,375	6.62
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF Account)	4,726,361	6.58

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

DIRECTORS' INTERESTS

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

*Includes Pegasus Enterprises Limited

Top Twenty Shareholders at 31 January 2019

	Number of Shares	Capital Issued %
Malcolm A Mayger Pty Ltd	18,440,000	25.67
Pegasus Enterprises Ltd	16,683,333	23.23
HSBC Custody Nominees (Australia) Ltd	4,751,375	6.62
Walter Leonard McDonald and Mrs Margo Jean McDonald (McDonald Family SF account)	4,726,361	6.58
Gollum Opportunities	2,450,162	3.41
Lozora Pty Ltd	2,000,000	2.78
Bedel & Sowa Corp Pty Ltd	1,502,500	2.09
Longbrow Croft Capital	1,475,000	2.05
David Hewitt	1,332,750	1.86
Scepha Investments Pty Ltd	1,125,000	1.57
Perpetual Trustee Company Ltd	800,000	1.11
Mr I J Holland & Mrs D Holland	759,000	1.06
Mr Andrew George Poulos	585,000	0.81
Henroth Pty Ltd	550,000	0.77
Warlam Pty Ltd (Lincoln A/C)	520,000	0.72
Malcolm A Mayger	500,000	0.70
TCWH Super Fund	500,000	0.70
WHI Securities Pty Ltd	500,000	0.70
Graham Cameron	500,000	0.70
Martin Place Securities Staff Super Fund	450,285	0.63
	60,150,481	**83.76**
Other Shareholders	**11,666,075**	**16.24**
Total Issued Shares	**71,816,556**	**100%**

Notes

Corporate Information

PEGMONT MINES LIMITED
ABN 97 003 331 682

Registered Office
C-/- Walker Wayland Services P/L
Level 11, 60 Castlereagh Street
Sydney NSW 2000

Telephone: (02) 9951 5400
Facsimile: (02) 9951 5454

Corporate Office
13 Oden Street
Port Macquarie NSW 2444

Mail: 13 Oden Street,
Port Macquarie NSW 2444

Phone: 0417 023 989
Email: pegmont@hotmail.com
Website: www.pegmont.com.au

Listed on The National Stock Exchange of Australia
Code: PMI

Directors

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

Company Secretary
Christopher D Leslie

Share Registry
C/- Computershare Investor Services Pty Ltd

Shareholder enquiries:
Telephone: 1300 850 505
Facsimile: (03) 9473 2500

Email: web.queries@computershare.com.au

Auditors
Rothsay Chartered Accountants
Level 1, 4 Ventor Avenue,
West Perth WA 6849

Telephone: (08) 9486 7094

PEGMONT.COM.AU