

# **Pegmont Mines Limited**

ACN 003 331 682

Financial Report for the  
Half-Year ended 30 June 2019

## Directors' Report

The Directors of Pegmont Mines Limited submit herewith the financial report for the half-year ended 30 June 2019. In order to comply with the provisions of the Corporations Act, the Directors report as follows: -

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

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

Mr Armstrong, aged 84, is a professional company director with over 40 years experience in investment banking, resource finance and investment management at senior management and director levels.

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

Mr Mayger, aged 79, has over 40 years experience in exploration, mining and investment. Malcolm Mayger founded the company in 1987 and has guided its subsequent development from an exploration concept to mining investment and resource evaluation activities.

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

Mr Read, aged 80, is a corporate specialist with experience as a previous managing director with Drillsearch Energy Ltd and Queensland Resources NL. In addition he has extensive experience in marketing and business consulting.

### Review of Operations

The company's operations during the half year to 30 June 2019 resulted in a net profit of \$2,056,079 an improvement on a profit of \$425,622 to June 2018. This result is after expensing all administration and exploration and resource evaluation expenditure incurred during the six months and including share trading profit of \$2,970 (2018- loss \$3,250).

	Segment Revenue 2019 \$	Segment Profit/(Loss) 2019 \$	Segment Profit/(Loss) 2018 \$
Share Trading	15,362	5,475	1,800
Dividends Received	—	—	—
Gross Revenue from share trading	15,362	5,475	1,800
Interest	22,448	22,448	6,954
Recovery of exploration expenditure	2,106,193	2,106,193	—
Option proceeds and extension fees	315,000	315,000	659,091
	2,459,003	2,449,116	667,845
Exploration expenditure-net of recoveries		(169,619)	(99,249)
Unallocated expenses		(220,913)	(137,924)
Profit/(loss) from ordinary activities before tax		2,058,584	430,672
Income Tax expense/(credit)		—	—
Provision for share trading profit/(loss)		(2,505)	(5,050)
Profit/(loss) for half-year after income tax and provision		2,056,079	425,622
Earnings/(loss) per share		2.8c	0.6c

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

**Activities**

A Conduct and Compensation Agreement was endorsed by the landholder at Templeton EPM26647, covering Reverse Circulation drilling. Drill pads, access tracks and conduct of operations were concluded mid-June, which then allowed for a drilling program to commence at Anomalies 7,6 and 5 in addition to rock chip sampling at Anomaly 13. Results of preliminary drilling were subsequently announced on 20 August 2019.

The Company has two exploration tenements granted at EPM 26647 Templeton and EPM 27113 Mingera and one exploration tenement under application at EPMA 27225 Battle Creek. The Company's cash balance total \$3,559,854 at 30 June 2019 is sufficient to undertake future exploration activities on these three projects for several years. These projects being West and North West of Mount Isa are targeting bullseye magnetic anomalies on the assumption they represent mafic intrusions which may be mineralised. These three tenements are at an early stage of their exploration without evidence of economic mineralisation. Therefore, they must be considered to be high risk and further drilling is required to confirm exploration targets.

**Changes In State Of Affairs**

The Company's investing activities were minimal due to ongoing political and economic uncertainties.

Vendetta Mining Corp exercised their Call Option to acquire 100% interest in the Pegmont lead-zinc Project Tenements, namely Mining Leases 2620,2621 and 2623, also EPM 26210 plus camp facilities for an exercise payment of \$3million plus Option extension fees. This brought an end to the Company's direct involvement in the Pegmont project after almost 25 years. However, the Company retains a 1.5% NSR royalty, payable once Vendetta has recovered \$5million in ore production payments.

The Company is presently in a financially sustainable position for the foreseeable future and on the 21 June 2019 paid a Special Dividend of 2.25 cents fully franked per share totalling \$1,627,122 from 2017 and 2018 Net Profit. Apart from that, there was no significant change in the Company's state of affairs other than that referred to in the half year accounts or notes thereto.

**AUDITORS' INDEPENDENCE- SECTION 307C**

Following this report is a letter received from the company's Auditors.

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

Dated this 9 day of September 2019

On behalf of the Directors



MA Mayger

Director



## **Directors' Declaration**

**For The Half-Year Ended 30 June 2019**

The directors declare that:

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

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



MA Mayger

Director

Dated this 9 day of September 2019.

# Statement of Profit and Loss and Other Comprehensive Income

## For The Half-Year Ended 30 June 2019

	Note	Half-year Ended 30 June 2019 \$	Half-year ended 30 June 2018 \$
<b>Revenue from continuing operations</b>			
Gross revenue from share trading		15,362	13,875
Cost of sales		9,887	12,075
Gain/Loss on sale of shares		5,475	1,800
Write back (increase) of provision for shares		(2,505)	(5,050)
		2,970	(3,250)
Investment income		22,448	6,954
Option proceeds and extension fees		315,000	659,091
Recovery of Exploration Expenditure		2,106,193	—
Expenses from ordinary activities		(390,532)	(237,173)
Income tax credit/(expense)	5	—	—
Net Profit/(loss) from ordinary activities for half-year after income tax		2,056,079	425,622
Minority interests		—	—
Profit/(loss) for half year attributable to members of Pegmont Mines Ltd and recognised directly in equity		2,056,079	425,622
Retained Profits brought forward		(3,879,597)	(5,505,759)
Dividend Paid		(1,627,122)	—
Retained Profits at end of half-year		(3,450,640)	(5,080,137)
Earnings per share (cents per share) – basic	4	2.8	0.6

**Balance Sheet**

As at 30 June 2019

	Half-year 30 June 2019	Annual Report 31 Dec 2018	Half-year 30 June 2018
	\$	\$	\$
<b>Current Assets</b>			
Cash	3,559,856	1,653,942	813,162
Receivables	27,624	612,607	61,512
Prepayments	43,860	-	-
Investments	19,383	15,887	17,400
<b>Total Current Assets</b>	<b>3,650,723</b>	<b>2,282,436</b>	<b>892,074</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	-	20,000	20,000
Mineral Tenements	100,000	3,100,000	3,247,412
<b>Total Non-Current Assets</b>	<b>100,000</b>	<b>3,120,000</b>	<b>3,267,412</b>
<b>Total Assets</b>	<b>3,750,723</b>	<b>5,402,436</b>	<b>4,159,486</b>
<b>Current Liabilities</b>			
Payables	259,756	264,233	221,823
Loans	300,000	300,000	-
<b>Total Current Liabilities</b>	<b>559,756</b>	<b>564,233</b>	<b>221,823</b>
<b>Non-Current Liabilities—Loans</b>	<b>-</b>	<b>-</b>	<b>300,000</b>
<b>Total Liabilities</b>	<b>559,756</b>	<b>564,233</b>	<b>521,823</b>
<b>Net Assets</b>	<b>3,190,967</b>	<b>4,838,203</b>	<b>3,637,663</b>
<b>Equity</b>			
Contributed equity	4,541,607	4,511,607	4,511,607
Reserves	2,100,000	4,206,193	4,206,193
Retained profits	(3,450,640)	(3,879,597)	(5,080,137)
<b>Total entity interest</b>	<b>3,190,967</b>	<b>4,838,203</b>	<b>3,637,663</b>
<b>Total parent equity interest</b>	<b>3,190,967</b>	<b>4,838,203</b>	<b>3,637,663</b>
<b>Net tangible assets per share cents</b>	<b>4.4</b>	<b>6.7</b>	<b>5.1</b>

**Statement of Cash Flows****For The Half-Year Ended 30 June 2019**

		<b>Half-year Ended 30 June 2019</b>	<b>Half-year ended 30 June 2018</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations			
Receipts from sale of shares		15,362	13,875
Cash payments in the course of operations			
Payments for purchase of shares		(9,887)	(12,075)
Directors & Secretary fees		(85,031)	(79,850)
Payments to suppliers and contractors		(160,239)	(58,682)
Interest and other items of a similar nature received		<u>22,448</u>	<u>6,954</u>
<b>Net cash from operating activities</b>		<b><u>(217,347)</u></b>	<b><u>(129,778)</u></b>
<b>Cash Flows Related To Investing Activities</b>			
Exploration expenditure		(169,619)	(99,249)
Option proceeds		3,575,000	—
Option extension fees		<u>315,000</u>	<u>659,091</u>
<b>Net cash provided from investing activities</b>		<b><u>3,720,381</u></b>	<b><u>559,842</u></b>
<b>Cash flows from financing activities</b>			
Dividend paid		(1,627,122)	—
Share Issue		<u>30,000</u>	—
<b>Net cash flows from financing activities</b>		<b><u>(1,597,122)</u></b>	<b><u>—</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,905,912</b>	<b>430,064</b>
Cash and cash equivalents at the beginning of the half year		1,653,942	383,098
<b>Cash and cash equivalents at end of half year</b>	<b>3</b>	<b>3,559,854</b>	<b>813,162</b>



**Statement of Change in Equity**

For the Half-Year Ended June 2019

	Half-year Ended 30 June 2019 Number Issued	Half-year Ended 30 June 2018 Number Issued
Ordinary shares issued at 31 December 2017	–	71,816,556
31 December 2018	71,816,556	–
Issued during current half year	500,000	–
Ordinary shares issued at 30 June 2018		71,816,556
30 June 2019	72,316,556	–
	72,316,556	71,816,556

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

Options: There were no options on issue.



## Notes to the Financial Statements

For the Half-Year ended 30 June 2019

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

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2019 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001* and International Financial Reporting Standards.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by Pegmont Mines Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

#### Adoption of new and revised Accounting Standards

In the half-year ended 30 June 2019, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018.

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

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 30 June 2019. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

### 2. Revenue and Expense

Operating profit before income tax is arrived at after:

	Current Half-year Consolidated \$	Previous Corresponding Half-year Consolidated \$
a) crediting interest as revenue	22,448	6,954
b) option extension fees	315,000	659,091
c) recovery of exploration expenditure	2,106,193	-
d) exploration expensed	169,619	(99,249)

### 3. Reconciliation of cash

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

Cash on hand and at bank	224,507	147,201
Deposits at call	3,335,347	665,961
Cash and cash equivalents at 30 June 2019	3,559,854	813,162

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

	<b>Current Half-year Consolidated</b>	<b>Previous Corresponding Half-year Consolidated</b>
	<b>\$</b>	<b>\$</b>
Basic earnings per share	<b>2.8c</b>	<b>0.6c</b>
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	<b>72,316,556</b>	<b>71,816,556</b>

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

**5. Income Tax**

Prima facie tax payable on the operating profit at 27.5%	<b>565,421</b>	<b>117,046</b>
Timing Differences	<b>(565,421)</b>	<b>(117,046)</b>
Income Tax Expense	<b>-</b>	<b>-</b>

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

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay during 2019/2020 amounts of approximately \$385,500 (2018/2019 \$160,000) in respect of tenement minimum expenditure requirements. The increase from 2018/2019 year has resulted from the granting of EPM 27113 Mingera area during the current half year.

**7. Segmental Information**

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

**8. Subsequent Events**

No matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the half-year ended 30 June 2019.





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

#### **The financial report and directors' responsibility**

The interim consolidated financial report comprises the statement of financial position, statement of comprehensive income, statement of changes in equity, cashflow statement, accompanying notes to the financial statements, and the directors' declaration for Pegmont Mines Limited for the half-year ended 30 June 2019.

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

#### **Review approach**

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim consolidated financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated financial position as at 30 June 2019 and the performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Pegmont Mines Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### **Independence**

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

#### **Conclusion**

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

- giving a true and fair view of the consolidated financial position as at 30 June 2019 and of the performance for the half-year ended on that date; and
- complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Auditing

Graham Swan FCA  
Partner

Dated 9<sup>th</sup> September 2019

