

Pegmont Mines Limited

ACN 003 331 682

Financial Report for the
Half-Year ended 30 June 2020

Directors' Report

The Directors of Pegmont Mines Limited submit herewith the financial report for the half-year ended 30 June 2020. 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 85, 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 80, 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 81, 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 2020 resulted in a net loss of \$256,460 a decrease on a profit of \$2,056,079 to June 2019. This result is after expensing all administration and exploration and resource evaluation expenditure incurred during the six months and including share trading loss of \$7,250 (2019- loss \$2,970).

	Segment Revenue 2020 \$	Segment Profit/(Loss) 2020 \$	Segment Profit/(Loss) 2019 \$
Share Trading	-	-	5,475
Dividend Received	-	-	-
Gross Revenue from share trading	-	-	5,475
Interest	17,327	17,327	22,448
Recovery of exploration expenditure	-	-	2,106,193
Option proceeds and extension fees	-	-	315,000
	17,327	17,327	2,449,116
Exploration expenditure-net of recoveries		(136,809)	(169,619)
Unallocated expenses		(129,728)	(220,913)
Profit/(loss) from ordinary activities before tax		(249,210)	2,058,584
Income Tax expense/(credit)		-	-
Provision for share trading profit/(loss)		(7,250)	(2,505)
Profit/(loss) for half-year after income tax and provision		(256,460)	2,056,079
Earnings/(loss) per share		(0.04)	2.8

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

Activities

The Queensland Department of Natural Resources, Mines and Energy has significantly reduced expenditure obligations for 2020-21 on account of CV-19 lockdown of intra-state travel to mining areas. Restrictions have been progressively removed which will enable mapping and outcrop sampling to commence at Battle Creek (EPM 27255) and Canyon (EPM 27345). These two tenements form part of the Mount Kelly Trend Project which also includes the Reefway Royalty tenements.

Battle Creek and Canyon tenements cover the north and south extension of the magnetic anomalies thought to be the source of the Mount Kelly copper mineralisation. Confirmation or otherwise of this concept is our primary objective this year.

The Company is retaining its interest in Templeton and Mingera tenements pending third-party interest being generated during the current exploration season.

Changes In State Of Affairs

The Coronavirus (CV-19) epidemic has spread throughout the World, causing major economic disruption and social uncertainty. Rising assertiveness by China is causing a re-evaluation of Global power relationships through increasing use of the trade sanctions. These two factors are negatively impacting on World trade and commodity producers resulting in excess supply and consequent slowdown in exploration activity. These trends may not be resolved quickly, so our decision making is becoming more cautious, which could result in deferment of exploration activity later this year

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 2020

On behalf of the Directors



MA Mayger

Director

Directors' Declaration

For The Half-Year Ended 30 June 2020

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 2020.

Statement of Profit and Loss and Other Comprehensive Income**For The Half-Year Ended 30 June 2020**

	Note	Half-year Ended 30 June 2020 \$	Half-year ended 30 June 2019 \$
Revenue from continuing operations			
Gross revenue from share trading		–	15,362
Cost of sales		–	9,887
Gain/Loss on sale of shares		–	5,475
Write back (increase) of provision for shares		(7,250)	(2,505)
		(7,250)	2,970
Investment income		17,327	22,448
Option proceeds and extension fees		–	315,000
Recovery of Exploration Expenditure		–	2,106,193
Expenses from ordinary activities		(266,537)	(390,532)
Income tax credit/(expense)	5	–	–
Net Profit/(loss) from ordinary activities for half-year after income tax		(256,460)	2,056,079
Minority interests		–	–
Profit/(loss) for half year attributable to members of Pegmont Mines Ltd and recognised directly in equity		(256,460)	2,056,079
Retained Profits brought forward		(4,008,207)	(3,879,597)
Dividend Paid		–	(1,627,122)
Retained Profits at end of half-year		(4,264,667)	(3,450,640)
Earnings (loss) per share – basic	4	(0.04)	2.8

Balance Sheet**As at 30 June 2020**

	Half-year 30 June 2020 \$	Annual Report 31 Dec 2019 \$	Half-year 30 June 2019 \$
Current Assets			
Cash	2,641,410	2,929,867	3,559,856
Receivables	21,447	45,629	27,624
Prepayments	-	22,602	43,860
Investments	9,425	16,675	19,383
Total Current Assets	2,672,282	3,014,773	3,650,723
Non-Current Assets			
Property, Plant and Equipment	-	-	-
Mineral Tenements	200,000	200,000	100,000
Total Non-Current Assets	200,000	200,000	100,000
Total Assets	2,872,282	3,214,773	3,750,723
Current Liabilities			
Payables	95,342	181,373	259,756
Loans	300,000	300,000	300,000
Total Current Liabilities	395,342	481,373	559,756
Non-Current Liabilities—Loans	-	-	-
Total Liabilities	395,342	481,373	559,756
Net Assets	2,476,940	2,733,400	3,190,967
Equity			
Contributed equity	4,541,607	4,541,607	4,541,607
Reserves	2,200,000	2,200,000	2,100,000
Retained profits	(4,264,667)	(4,008,207)	(3,450,640)
Total entity interest	2,476,940	2,733,400	3,190,967
Total parent equity interest	2,476,940	2,733,400	3,190,967
Net tangible assets per share	3.4	3.8	4.4

Statement of Cash Flows

For The Half-Year Ended 30 June 2020

	Half-year Ended 30 June 2020	Half-year ended 30 June 2019
Note	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations		
Receipts from sale of shares	-	15,362
Cash payments in the course of operations		
Payments for purchase of shares	-	(9,387)
Directors & secretary fees	(82,844)	(85,031)
Payments to suppliers and contractors	(86,131)	(160,239)
Interest and other items of a similar nature received	<u>17,327</u>	<u>22,448</u>
Net cash from operating activities	<u>(151,648)</u>	<u>(217,347)</u>
Cash Flows Related To Investing Activities		
Exploration expenditure	(136,809)	(169,619)
Option proceeds	-	3,575,000
Option extension fees	-	<u>315,000</u>
Net cash provided from investing activities	<u>(136,809)</u>	<u>3,720,381</u>
Cash flows from financing activities		
Dividend paid	-	(1,627,122)
Share Issue	-	(30,000)
Net cash flows from financing activities	=	<u>(1,597,122)</u>
Net increase/(decrease) in cash and cash equivalents	(288,457)	1,905,912
Cash and cash equivalents at the beginning of the half year	2,929,867	1,653,942
Cash and cash equivalents at end of half year	3	3,559,854

Statement of Change in Equity

For the Half-Year Ended June 2020

	Half-year Ended 30 June 2020 Number Issued	Half-year Ended 30 June 2019 Number Issued
Ordinary shares issued at 31 December 2018	–	71,816,556
31 December 2019	72,316,556	–
Issued during current half year	-	500,000
Ordinary shares issued at 30 June 2019		72,316,556
30 June 2020	72,316,556	–
	72,316,556	72,316,556

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 2020

1. Basis of Preparation of Half-Year Financial Statements

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2020 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 2019 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 2020, 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 2019.

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 2020. 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	17,327	22,448
b)option extension fees	-	315,000
c) recovery of exploration expenditure	-	2,106,193
d)exploration expensed	(136,809)	(169,619)

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	382,667	224,507
Deposits at call	2,258,743	3,335,347
Cash and cash equivalents at 30 June 2020	2,641,410	3,559,854

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

	Current Half-year Consolidated \$	Previous Corresponding Half-year Consolidated \$
Basic earnings per share	(0.04)	2.8
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	72,316,556	72,316,556

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

5. Income Tax

Prima facie tax payable on the operating profit at 27.5%	-	565,421
Timing Differences	-	(565,421)
Income Tax Expense	-	-

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

In order to maintain current rights of tenure to mining tenements on which the company will be undertaking exploration activity the Company will be required to outlay during 2020/2021 amounts of approximately \$93,300 (2019/2020 \$385,000) in respect of tenement minimum expenditure requirements. The decrease from 2019/2020 year has resulted from DNRME CV-19 rent relief and expected reduced expenditure on EPM 26647 Templeton and EPM 27113 Mingera.

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 2020.



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
PEGMONT MINES LIMITED**

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Pegmont Mines Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our 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 (including Independence Standards)* ("the Code") that are relevant to our audit of the annual 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 review report.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.





INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF
PEGMONT MINES LIMITED (continued)

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year 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.

Rothsay Auditing

Dated 9 September 2020

Daniel Dalla
Partner



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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

As lead auditor of the review of Pegmont Mines Limited for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Rothsay Auditing

A handwritten signature in black ink, appearing to read 'Dalla', written over a light grey horizontal line.

Daniel Dalla
Partner
9 September 2020