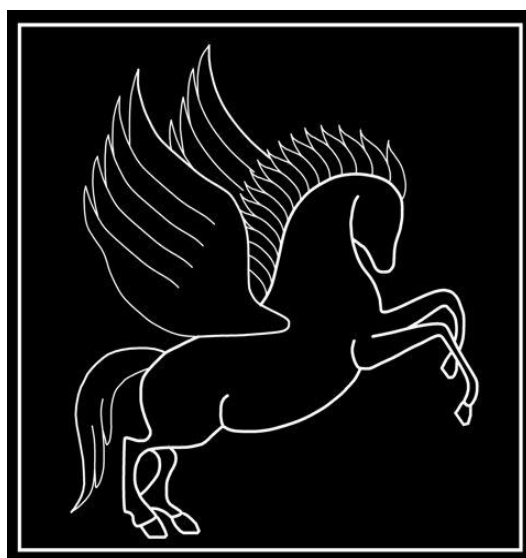


# PEGASUS METALS LIMITED

ACN 115 535 030



## Interim Financial Report

For the half-year ended 31 December 2014

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**These interim financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, these financial statements are to be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by Pegasus Metals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

## DIRECTORS' REPORT

Your Directors are pleased to present their report on the consolidated entity consisting of Pegasus Metals Limited and the entity it controlled at the end of, or during, the half-year ended 31 December 2014.

### DIRECTORS

The names of the Directors who held office during or since the end of the half-year, to the date of this report, are:

Graham Anderson	Chairman/Company Secretary
Michael Fotios	Non-Executive Director
Alan Still	Non-Executive Director ( <i>appointed 28 January 2015</i> )
Jason Boladeras	Non-Executive Director ( <i>resigned 27 January 2015</i> )

### REVIEW OF OPERATIONS

Exploration during the half-year ended 31 December 2014 focused on completing a resource estimate for the South limb Pod deposit at the Mt Mulcahy Copper Project (see ASX release dated 25th September 2014) which is located 50km north of Cue in the Murchison Region of Western Australia.

Further work at Mt Mulcahy is planned to test for extensions/repetitions of the South Limb Pod and to test a number of EM targets identified within the prospective VMS horizon Mt Mulcahy. The Group continues to assess other VMS base metal project opportunities in the Murchison area based on information and experience at Mt Mulcahy.

Activities on the McLarty Range Copper Project were confined to reassessment and review of historic exploration with a view to optimising the best combination of remote sensing techniques that would best evaluate the prospective copper bearing unit.

### RESULTS OF OPERATIONS

The Group incurred an after tax operating loss for the half-year ended 31 December 2014 of \$297,626 (2013: \$455,125).

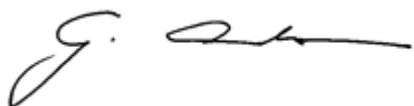
### SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since 31 December 2014 other than as disclosed in Note 12.

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of Directors and signed for and on behalf of the Board by:



Perth, Western Australia  
16 March 2015

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF PEGASUS METALS LIMITED

As lead auditor for the review of Pegasus Metals Limited for the half-year ended 31 December 2014, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pegasus Metals Limited and the entities it controlled during the period.



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Note	Half-year	
		2014 \$	2013 \$
<b>CONTINUING OPERATIONS</b>			
Revenue	2	18	1,248
Gain on disposal of asset		(3,172)	8,509
Exploration expenses		(111,545)	(221,671)
Occupancy expenses		(18,000)	(18,000)
Employee benefit expenses		-	(30,069)
Depreciation expense		(2,837)	(5,022)
Other expenses	2	(162,090)	(190,120)
<b>LOSS BEFORE INCOME TAX</b>		<b>(297,626)</b>	<b>(455,125)</b>
Income tax expense		-	-
<b>LOSS AFTER INCOME TAX FOR THE HALF-YEAR</b>		<b>(297,626)</b>	<b>(455,125)</b>
Other comprehensive income for the half-year, net of tax		-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO THE OWNERS OF PEGASUS METALS LIMITED</b>		<b>(297,626)</b>	<b>(455,125)</b>
<b>Earnings per share from continuing operations:</b>			
Basic (cents per share)		(0.24)	(0.37)
Diluted (cents per share)		(0.24)	(0.37)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2014**

		31 December 2014 \$	30 June 2014 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,637	11,807
Trade and other receivables		203,516	192,010
Other current assets		10,485	10,760
<b>TOTAL CURRENT ASSETS</b>		<b>220,638</b>	<b>214,577</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		10,195	30,584
Capitalised tenement acquisition costs	4	3,747,933	3,747,933
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,758,128</b>	<b>3,778,517</b>
<b>TOTAL ASSETS</b>		<b>3,978,766</b>	<b>3,993,094</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		475,759	1,856,727
Borrowings	7	1,872,267	208,001
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,348,026</b>	<b>2,064,728</b>
<b>TOTAL LIABILITIES</b>		<b>2,348,026</b>	<b>2,064,728</b>
<b>NET ASSETS</b>		<b>1,630,740</b>	<b>1,928,366</b>
<b>EQUITY</b>			
Issued capital	5	18,189,063	18,189,063
Reserve	6	2,629,621	2,629,621
Accumulated losses		(19,187,944)	(18,890,318)
<b>TOTAL EQUITY</b>		<b>1,630,740</b>	<b>1,928,366</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	Issued Capital	Accumulated Losses	Reserve	Total Equity
<b>CONSOLIDATED</b>					
<b>Balance 1 July 2014</b>		18,189,063	(18,890,318)	2,629,621	1,928,366
Loss for the half-year		-	(297,626)	-	(297,626)
<b>Total comprehensive loss for the half year</b>		-	<b>(297,626)</b>	-	<b>(297,626)</b>
<b>Balance 31 December 2014</b>		<b>18,189,063</b>	<b>(19,187,944)</b>	<b>2,629,621</b>	<b>1,630,740</b>

	Issued Capital	Accumulated Losses	Reserve	Total Equity
<b>CONSOLIDATED</b>				
<b>Balance 1 July 2013</b>	18,189,063	(14,114,386)	2,629,621	6,704,298
Loss for the half-year	-	(455,125)	-	(455,125)
<b>Total comprehensive loss for the half year</b>	-	<b>(455,125)</b>	-	<b>(455,125)</b>
<b>Balance 31 December 2013</b>	<b>18,189,063</b>	<b>(14,569,511)</b>	<b>2,629,621</b>	<b>6,249,173</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Half-year	
	2014	2013
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenditure on exploration and evaluation	(9,108)	(206,556)
Payments to suppliers and employees	(55,965)	4,855
Interest received	323	993
<b>Net cash outflow from operating activities</b>	<b>(64,750)</b>	<b>(200,708)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	14,380	17,327
<b>Net cash outflow from investing activities</b>	<b>14,380</b>	<b>17,327</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	45,200	21,100
<b>Net cash inflow from financing activities</b>	<b>45,200</b>	<b>21,100</b>
Net (decrease)/increase in cash and cash equivalents	<b>(5,170)</b>	<b>(162,281)</b>
Cash and cash equivalents at the beginning of the half-year	11,807	172,986
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR</b>	<b>6,637</b>	<b>10,705</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

#### **Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Pegasus Metals Ltd during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### **Basis of preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2014 annual financial report for the financial year ended 30 June 2014. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **Significant accounting judgments and key estimates**

The preparation of the interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2014.

#### **Changes in accounting policy**

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

#### **Adoption of new and revised accounting standards**

In the half year ended 31 December 2014, 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 2014. 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 the Group's accounting policies.

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### Going concern

The Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group incurred a net loss of \$297,626 and a net cash outflow from operating activities of \$64,750 in the period ended 31 December 2014. The Group had a working capital deficiency of \$2,127,388 at 31 December 2014.

The Directors believe that the Group will be able to pay its debts as and when they become due and payable given the loan facility with Michael Fotios ATF the Michael Fotios Family Trust (as disclosed in Note 7), letters of support obtained from creditors of significant value and the Group's history of successful capital raising to date. The Directors are confident of the Group's ability to raise additional funds and accordingly have prepared the financial statements on a going concern basis.

Notwithstanding the above, should the Group not receive the continued financial support of creditors and/or not be able to raise additional funds, the going concern basis may not be appropriate and the group may not be able to settle its assets and liabilities at the amounts stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

### NOTE 2: REVENUE AND EXPENSES

	Half-year	
	31 December 2014	31 December 2013
	\$	\$
<b>(a) Revenue</b>		
Interest received	18	1,045
Other income	-	203
	<b>18</b>	<b>1,248</b>
<b>(b) Other expenses</b>		
Other administrative expenses	(40,552)	(68,853)
External professional fees	(62,249)	(58,682)
Directors Fees	(45,000)	(36,000)
ASX fees	(14,289)	(26,585)
	<b>(162,090)</b>	<b>(190,120)</b>

### NOTE 3: SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Group does not have any operating segments with discrete financial information. The group does not have any customers, and all the group's assets and liabilities are located within Australia.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required because the information as presented is what is used by the Board to make strategic decisions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	31 December 2014	30 June 2014
	\$	\$
<b>NOTE 4: CAPITALISED TENEMENT ACQUISITION COSTS</b>		
<b>Capitalised tenement acquisition costs</b>		
Opening net book amount	3,747,933	7,749,292
Impaired during the period due to permits relinquished	-	(4,001,359)
<b>Closing net book amount</b>	<b>3,747,933</b>	<b>3,747,933</b>

Ultimate recoupment of exploration expenditure carried forward is dependant on successful development and commercial exploitation, or alternatively, sale of the respective areas.

**NOTE 5: ISSUED CAPITAL**

	2014	
	Number	\$
<b>Issued Capital</b>		
Fully paid ordinary shares	134,074,519	18,189,063
Capital raising costs	-	-
	<b>134,074,519</b>	<b>18,189,063</b>
 <i>Movements in share capital</i>	<b>Number</b>	<b>\$</b>
<b>Balance 1 July 2014</b>	134,074,519	18,189,063
<b>Balance 31 December 2014</b>	<b>134,074,519</b>	<b>18,189,063</b>
 <b>Balance 1 July 2013</b>	134,074,519	18,189,063
<b>Balance 30 June 2014</b>	<b>134,074,519</b>	<b>18,189,063</b>

	31 December 2014	30 June 2014
	\$	\$
<b>NOTE 6: OPTION RESERVE</b>		
Balance at beginning of period	2,629,621	2,629,621
<b>Balance end of period</b>	<b>2,629,621</b>	<b>2,629,621</b>

**NOTE 7: BORROWINGS**

On 30 September 2014, the loan agreement entered into with Michael Fotios ATF the Michael Fotios Family Trust was revised to the amount of \$1,000,000 or such other greater sum as the parties may agree in writing. On 16 March 2015, the loan agreement entered into with Michael Fotios ATF the Michael Fotios Family Trust was extended and varied as disclosed in Note 12.

The purpose of the loan is to provide working capital to the Group to fund its immediate operational requirements. The proceeds from the loan have been used to meet short-term expenditure needs. As at 31 December 2014, there is a drawdown of \$253,201 under the loan agreement and the undrawn balance is \$746,799.

The balance of trade payables to related parties at 31 December 2014 is \$1,619,066.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****NOTE 8: CONTINGENCIES**

The Directors are of the opinion that there are no material contingent liabilities or contingent assets of the Group at reporting date.

**NOTE 9: COMMITMENTS**

In order to maintain an interest in the mining and exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted and the obligations of any joint venture agreements.

Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or any new joint venture agreements. Expenditure may be increased when new tenements are granted or joint venture agreements amended.

**NOTE 10: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Group does not have any financial instruments that are subject to recurring fair value measurements. Due to their short-term nature, the carrying amounts of the current receivables and current trade and other payables is assumed to approximate their fair value.

**NOTE 11: DIVIDENDS**

There were no dividends paid during the half-year ended 31 December 2014.

**NOTE 12: SUBSEQUENT EVENTS**

On 16 March 2015, the existing loan agreement entered into with Michael Fotios ATF the Michael Fotios Family Trust was extended until 30 June 2015. Under the agreement, the company is to undertake a capital raising of up to \$2,000,000 prior to 30 June 2015. In the event that the capital raising is not successfully completed by 30 June 2015, then interest, repayment, and/or conversion of the Loan will be re-negotiated between the parties and the loan shall be due and payable on demand, at the discretion of the lender, until those revised terms are agreed.

There are no other matters or circumstances that have arisen since the half-year ended 31 December 2014.

**NOTE 13: RELATED PARTY TRANSACTIONS**

As at 31 December 2014, there is a drawdown of \$253,201 under the loan agreement with Michael Fotios ATF the Michael Fotios Family Trust. The undrawn balance is \$746,799.

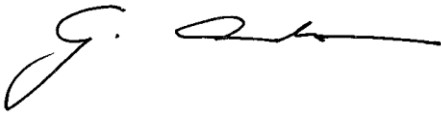
There are no other changes to related party transactions since the last reporting date.

**DIRECTORS' DECLARATION**

In the Directors' opinion:

1. the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
  - (a) complying with the *Corporations Regulations 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory professional requirements of the Group; and
  - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Pegasus Metals 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 and is signed for and on behalf of the Directors by:



**Graham Anderson**

Director

Perth, Western Australia

16 March 2015



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Australia

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Pegasus Metals Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Pegasus Metals Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### Directors' Responsibility for the Half-Year 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 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 is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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*. As the auditor of Pegasus Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

#### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pegasus Metals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pegasus Metals Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding through equity or debt, loan facility with Michael Fotios ATF the Michael Fotios Family Trust and letters of support from significant creditors. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'P. Murdoch', written over a horizontal line.

Phillip Murdoch

Director

Perth, 16 March 2015