

Pegasus Metals Ltd

ASX: PUN



Quarterly Report
June 2014

ASX Announcement
31 July 2014

Shares on Issue
123,074,519
Current Share Price
A\$ 2.4 cents
Market Capitalisation
A\$ 2.9M

Board of Directors

Mr Stephen Mann
*Non-Executive
Chairman*

Mr Michael Fotios
Director

Mr Graham D Anderson
*Company Sec & Non-
Executive Director*

Contact Details

24 Mumford Place
Balcatta WA 6021

Ph: 08 6241 1888

Projects

Mt Mulcahy
McLarty Range

QUARTERLY REPORT FOR QUARTER ENDING 30 June 2014

HIGHLIGHTS

- Focus on Maiden South Limb Pod resource estimation QA/QC review and audit
- MRF reporting completed
- Highly regarded consultants Hellman and Schofield retained to complete final resource estimate expected by mid-August

MT MULCAHY COPPER PROJECT, Murchison

An extensive internal QA/QC review and audit of exploration data collection and management methods was completed.

Highly regarded consultants Hellman and Schofield completed a full review to ensure the resource estimation for the South Limb Pod meets JORC 2012 compliance.

The resource estimate is now expected to be completed and released by mid-August.

Following completion of the estimate ground and downhole electro-magnetic (EM) surveys will be completed followed by diamond drilling of selected targets.

The EM program will also include downhole EM surveys at the base of the South Limb pod to determine the detailed EM signature of South Limb pod to aid in profiling of ground EM anomalies and to more accurately determine the location of future drill holes to test the down plunge extension of the mineralisation.

The existing VTEM survey also shows that many of the 20 VMS targets identified to date at Mt Mulcahy contain signatures matching those from South Limb Pod (see Figure 3).

Activities for this quarter also focused on completion of annual technical reporting and Mine Rehab Fund (MRF) submission.

MCLARTY RANGE COPPER PROJECT, West Kimberley

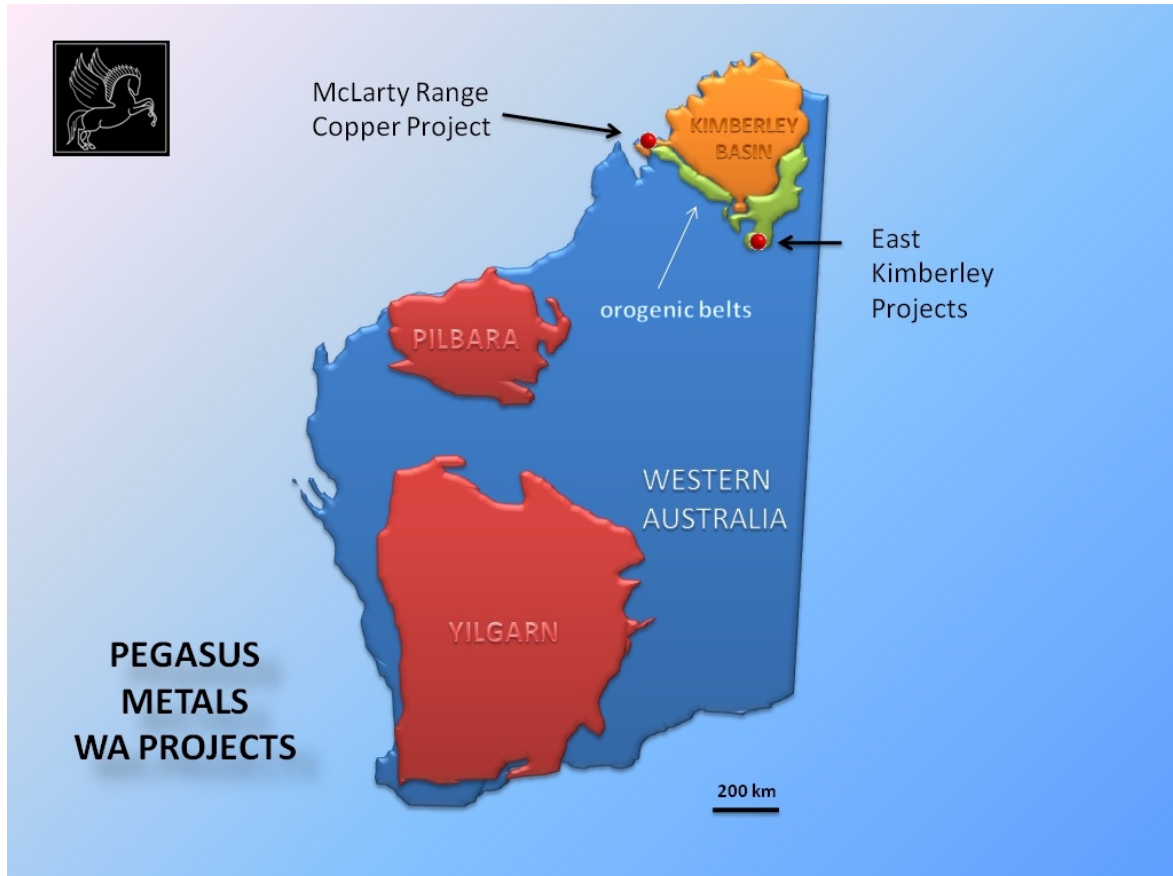
Located some 250km northeast of Broome, within the West Kimberley region, the McLarty Range Copper Project covers a portion of the folded Proterozoic-aged Kimberley Basin. Drilling by the Company has confirmed the prospective nature of the copper-bearing, meta-sedimentary horizons which have extensive exposure in the project area. Significant intersections at the Bower Bird Prospect include 7m at 1.02 per cent copper, 10.9m at 0.31 per cent copper, 16m at 0.23 per cent copper and 24m at 0.25 per cent copper. Numerous other targets within the Main Syncline area at the McLarty Range Project area remain untested by drilling.

An airborne geophysical survey is planned to confirm identified targets using high resolution magnetics, radiometrics and DEM data at a flight orientation of 030/210.

No field activity this quarter post the cessation of the wet season in April, activities focused on completion of annual technical and MRF reporting.

NEW OPPORTUNITIES

Pegasus is in the process of evaluating several copper – gold opportunities.



The information in this report that relates to Exploration Potential and Results is based on information compiled by Mr Michael Fotios, who is a consultant geologist, director of Pegasus Metals Ltd and a Member of the Australian Institute of Mining and Metallurgy. The information in this report relating to exploration targets should not be misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature since there has been insufficient work completed to define the prospects as anything beyond exploration target. It is uncertain if further exploration will result in the determination of a Mineral Resource. Mr Fotios has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fotios consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Pegasus Metals Limited is a metals explorer, based in Western Australia.

For further information contact:

Michael Fotios
Director

Stephen Mann
Chairman

Pegasus Metals Limited
ABN 40 115 535 030
Telephone: 08 6241 1888
Website: www.pegasusmetals.com.au
Contact: admin@pegasusmetals.com.au

FIGURE 1

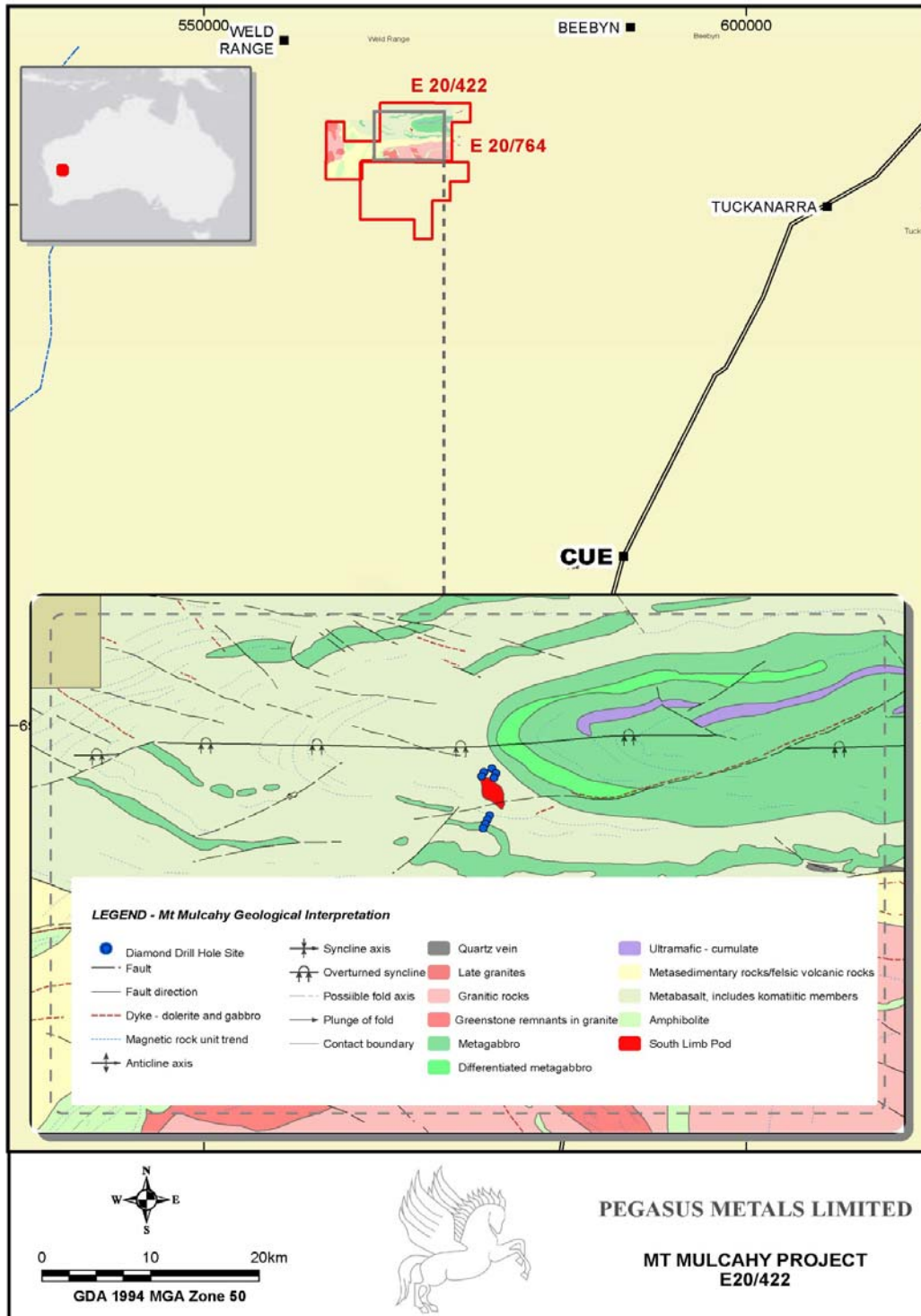
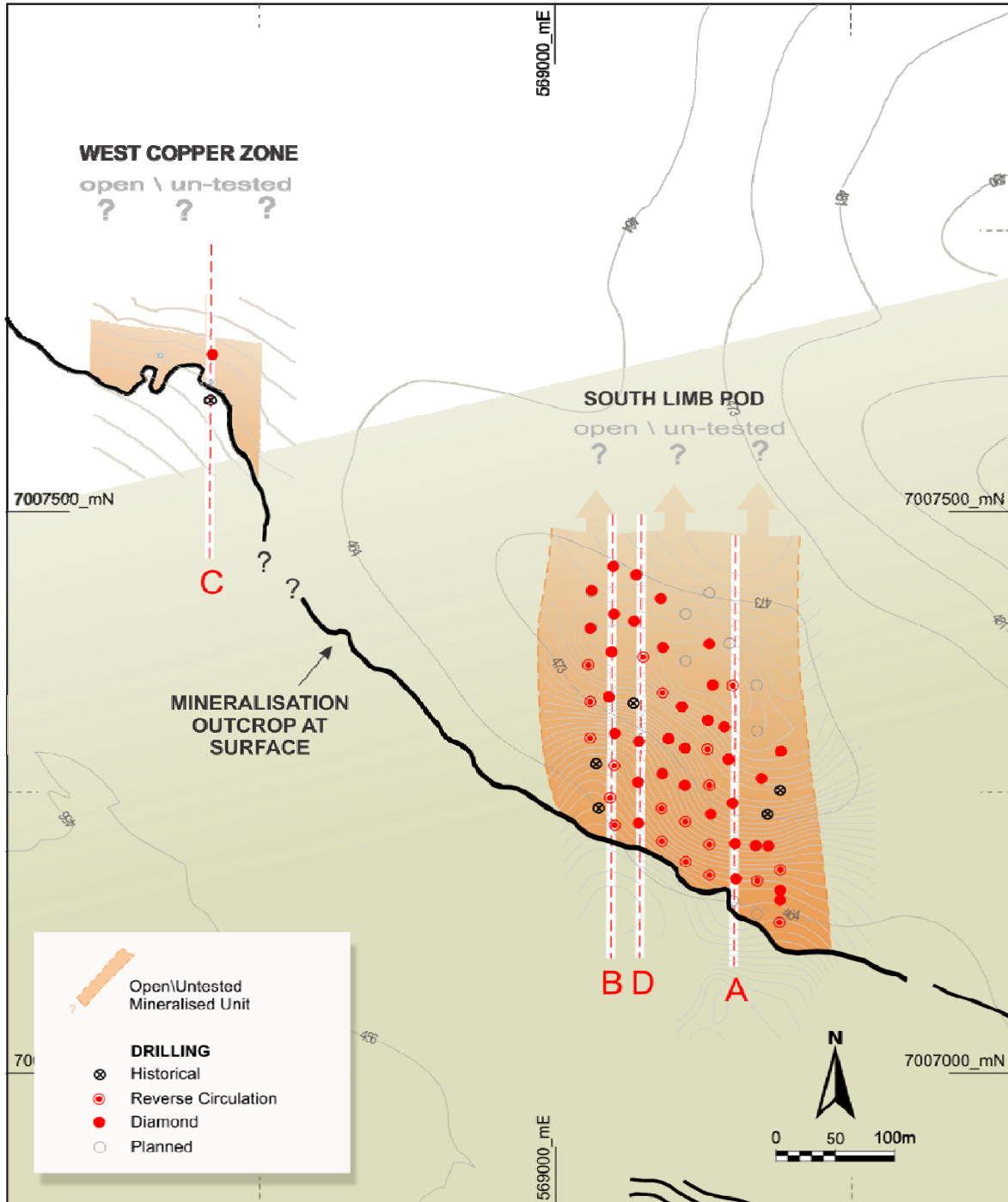


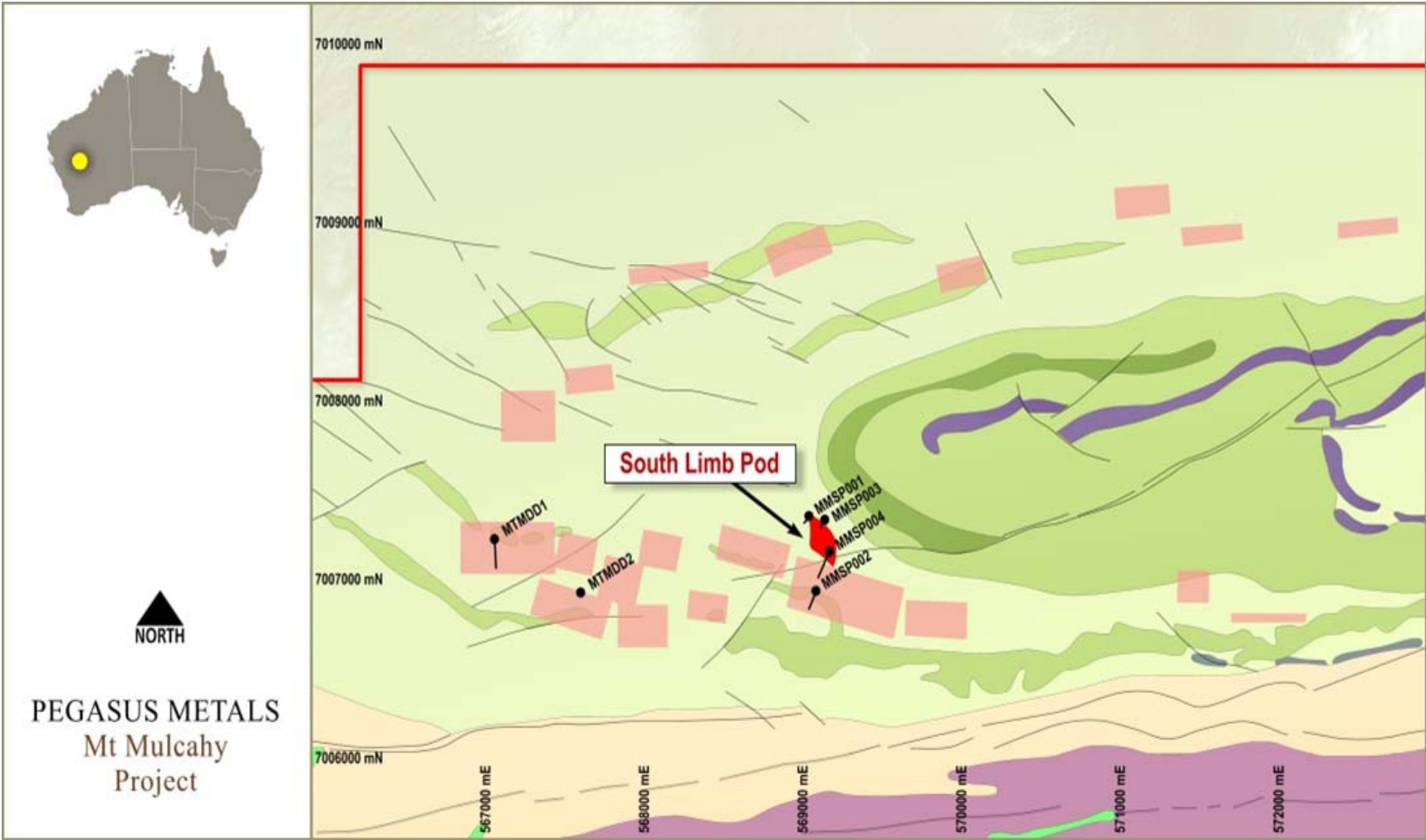
FIGURE 2

Mt Mulcahy
South Limb Pod & West Copper Zone



Plan Showing Current Drill Targets
with Down Hole Mineralised Intercepts Projected to Surface

FIGURE 3



Plan Showing VTEM Targets

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96; Origin: Appendix 8; Amended 1/7/97, 1/7/98 and 30/9/2001.

Name of entity

PEGASUS METALS LIMITED

ABN

40 115 535 030

Quarter ended ("current quarter")

30 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(29)	(254)
(b) development	-	-
(c) production	-	-
(d) administration	(176)	(243)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	-	(9)
1.6 Income taxes paid	-	-
1.7 Other - GST paid to be recouped	(14)	49
- Exploration rent refunds received	25	68
- Other debtors	4	4
Net operating cash flows	(190)	(384)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	17
1.10 Loans from other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	17
1.13 Total operating and investing cash flows (carried forward)	(190)	(367)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(190)	(367)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	185	206
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
Net financing cash flows		185	391
Net increase (decrease) in cash held		(5)	(161)
1.20	Cash at beginning of quarter/year to date	17	173
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	12	12

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	-
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 **Explanation necessary for an understanding of the transactions**

All payments to Directors and associates are on normal commercial terms.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	500	206
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
4.3 Production	-
4.4 Administration	75
Total	175

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	2	7
5.2 Deposits at call	10	10
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	12	17

Changes in interests in mining tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2 Interests in mining tenements acquired or increased	Nil			

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

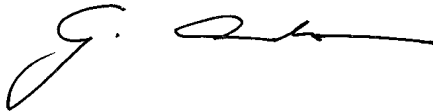
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	123,074,519	123,074,519		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	2,000,000 8,000,000		<i>Exercise price</i> \$0.15 \$0.35	<i>Expiry date</i> 11 October 2014 31 December 2015
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Lapsed during quarter	6,000,000		\$0.45	
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 31 July 2014
(Director/Company Secretary)

Print name: GRAHAM ANDERSON

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** - The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.

PEGASUS METALS LIMITED

Addendum - Tenement Table ASX Listing Rule 5.3.3

➤ ***The mining tenements held at the end of each quarter and their location***

<i>Reference</i>	<i>Location</i>	<i>Interest</i>
E 20/422	20 - Murchison	100% beneficially owned, currently registered in the name of Black Raven Mining Pty Ltd
E 04/1441	04 – West Kimberley	100% interest earned in the tenement which is currently registered in the name of Kimminco Pty Ltd, subject to Kimminco's retained alluvial and eluvial gold and diamond mineralisation
E 04/2267	04 – West Kimberley	100% interest earned in the tenement which is currently registered in the name of Kimminco Pty Ltd, subject to Kimminco's retained alluvial and eluvial gold and diamond mineralisation

➤ ***The mining tenements disposed of during the quarter and their location***

Nil

➤ ***The beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter***

Refer to the table above in respect of E04/1441 and E04/2267

➤ ***The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter***

Not applicable