Pegasus Metals Ltd
ASX: PUN

MAIDEN COPPER - ZINC RESOURCE AT MT MULCAHY

ASX Announcement
25 September 2014

Shares on Issue
123,074,519

Current Share Price
A$0.02

Market Capitalisation
A$2.46M

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Projects
Mt Mulcahy: Cu Zn Ag
McLarty Range: Cu

HIGHLIGHTS

- **South Limb Pod, Mt Mulcahy Project, Murchison WA**
- **Total JORC Resource of 647,000 tonnes at:**
  - **2.3% Cu for 33.5M pounds (15,200 tonnes) of copper**
  - **1.8% Zn for 26.3M pounds (11,900 tonnes) of zinc**
  - **20g/t Ag for 415,000 ounces of silver**
- **87% of tonnes and 91% of Cu, Zn and Ag metal content is classified at the Measured + Indicated level of confidence.**
- **Pegasus Metals' first Resource since listing in 2007**
- **Prospective horizon hosting the South Limb Pod Resource strikes approximately 10km and remains largely untested by systematic exploration**
- **Geophysical survey planning underway to assist in exploring for additional sulphide hosted Cu-Zn mineralisation**

Pegasus Metals Limited (ASX: PUN) is pleased to report the maiden Resource for the South Limb Pod ('SLP') copper - zinc mineralisation at its 100% owned Mt Mulcahy Project, Murchison Province, WA (see Figures 1 and 2).

The SLP total Mineral Resource estimate comprises 647,000 tonnes at:

- 2.3% Cu for 33.5M pounds (15,200 tonnes) of copper,
- 1.8% Zn for 26.3M pounds (11,900 tonnes) of zinc,
- 20g/t Ag for 415,000oz silver,

at a lower cut-off grade of 0.5% copper (see Table 1). Of the Total Resource, 87% of tonnes and 91% of Cu, Zn and Ag metal content is within the higher confidence classifications of 'Measured' + 'Indicated'; largely due to the high drill hole density and predictable nature of the sulphide mineralisation geometry.

The Mineral Resource estimate has been completed in accordance with the JORC guideline and code for the reporting of Mineral Resource Estimates 2012. Highly respected consultants "H&S Consultants Pty Ltd" (H&SC) undertook and data review and completed a Mineral Resource Estimate.

South Limb Pod Mineral Resource, Mt Mulcahy Project - September 2014											
Resource Category	Tonnes	Grade					Contained Metal				
		Cu (%)	Zn (%)	Co (%)	Ag (g/t)	Au (g/t)	Cu (Pounds)	Zn (Pounds)	Co (Pounds)	Ag (Ounces)	Au (Ounces)
Measured	192,590	3.01	2.28	0.11	25.31	0.26	12,774,000	9,689,000	484,000	157,000	2,000
Indicated	372,150	2.2	1.7	0.1	18.7	0.2	17,972,000	14,346,000	723,000	223,000	2,000
Inferred	82,492	1.5	1.3	0.1	13.1	0.2	2,760,000	2,276,000	129,000	35,000	-
TOTAL RESOURCES	**647,232**	**2.35**	**1.84**	**0.09**	**19.94**	**0.22**	**33,506,000**	**26,311,000**	**1,335,000**	**415,000**	**5,000**

Note

1. Rounding may result in apparent summation differences between tonnes, grade and contained metal content;
2. Significant figures do not imply an added level of precision.

Table 1. South Limb Pod Mineral Resource Estimate, based on a 0.5% copper cut-off grade.

The SLP Resource is positioned on the southern limb of the Mt Mulcahy Syncline and is approximately 300m in strike length, extends 380m down-dip (which is 240m vertical below surface) and has a true thickness varying <1m to 10m (see Figures 3 and 4). Potential also remains for extensions to mineralisation along strike and at depth, with Down Hole Electromagnetic (DHEM) surveys planned to test for repetition / extension of the sulphide zone at depth.

The Volcanogenic Massive Sulphide ('VMS') style mineralisation is well defined at SLP, hosted by sediments and bound by mafic rocks. This highly prospective horizon can be traced intermittently over 10km of strike around the syncline, offering a distinct target to explore for further copper-zinc mineralisation.

Exploration planning is underway and will initially include DHEM surveys to improve understanding of the Cu-Zn rich sulphide zone's signature, followed by ground electromagnetic surveys around the syncline. Numerous targets generated from an airborne electromagnetic survey carried out by a previous explorer (of which SLP was one) are yet to be tested.

Due to the ongoing success of discovering high grade copper mineralisation and an underexplored prospective horizon stretching some 10km around the syncline, the Mt Mulcahy Project remains Pegasus's key copper project. The company is currently in discussions with Kimminco Pty Ltd in relation to the status of ownership of the Company's 100% owned McLarty Range Project in the Kimberley.

Pegasus Metals Director Michael Fotios said Pegasus is pleased to announce its first Resource since listing.

"The Mt Mulcahy SLP Resource estimate shows our commitment to developing Pegasus as a copper focused company and is part of our long term strategy to grow through exploration success and acquisition."

For further information contact:

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Competent Persons Statements

Information in this announcement that relates to the Mt Mulcahy Mineral Resource estimations has been compiled by Rob Spiers, who is an employee of geological consultants H&S Consultants Pty Ltd and a member of The Australasian Institute of Geoscientists. Mr Spiers 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 Spiers consents to the inclusion in the announcement of the matters based on his information in the form and context in which it appears.

The information in this announcement that relates to Exploration Results is based on information compiled and/or reviewed by Michael Fotios who is a Director of Pegasus Metals and is a Member of The Australasian Institute of Mining and Metallurgy. 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 announcement of the matters based on his information in the form and context in which it appears.

Forward Looking Statements

Pegasus Metals Ltd has prepared this announcement based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Pegasus Metals Ltd, its directors, employees or agents, advisers, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it. This announcement is not an offer, invitation, solicitation or other recommendation with respect to the subscription for, purchase or sale of any security, and neither this announcement nor anything in it shall form the basis of any contract or commitment whatsoever. This announcement may contain forward looking statements that are subject to risk factors associated with exploration, mining and production businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Appendix 1. Summary of Information used in the South Limb Pod Mineral Resource estimation

Location

The Mt Mulcahy Project is located 45km northwest of the small mining town of Cue in the Murchison Mineral Field, Murchison Province, Western Australia (see Figure 1). The project is easily accessible from Cue by the sealed Jack Hills Mine access road and then by unsealed tracks.

Tenement

The South Limb Pod ('SLP') Resource is located wholly within exploration licence E20/422 (see Figure 2). The tenement is in good standing and no known impediments exist to operate in the area.

Pegasus holds a 100% interest in the tenement pursuant to an executed Tenement Sale Agreement with Black Raven Mining Pty Ltd dated 14 June 2012. Transfer of the tenement to Pegasus is pending submission of duty-stamped Agreement to the Department of Mines and Petroleum.

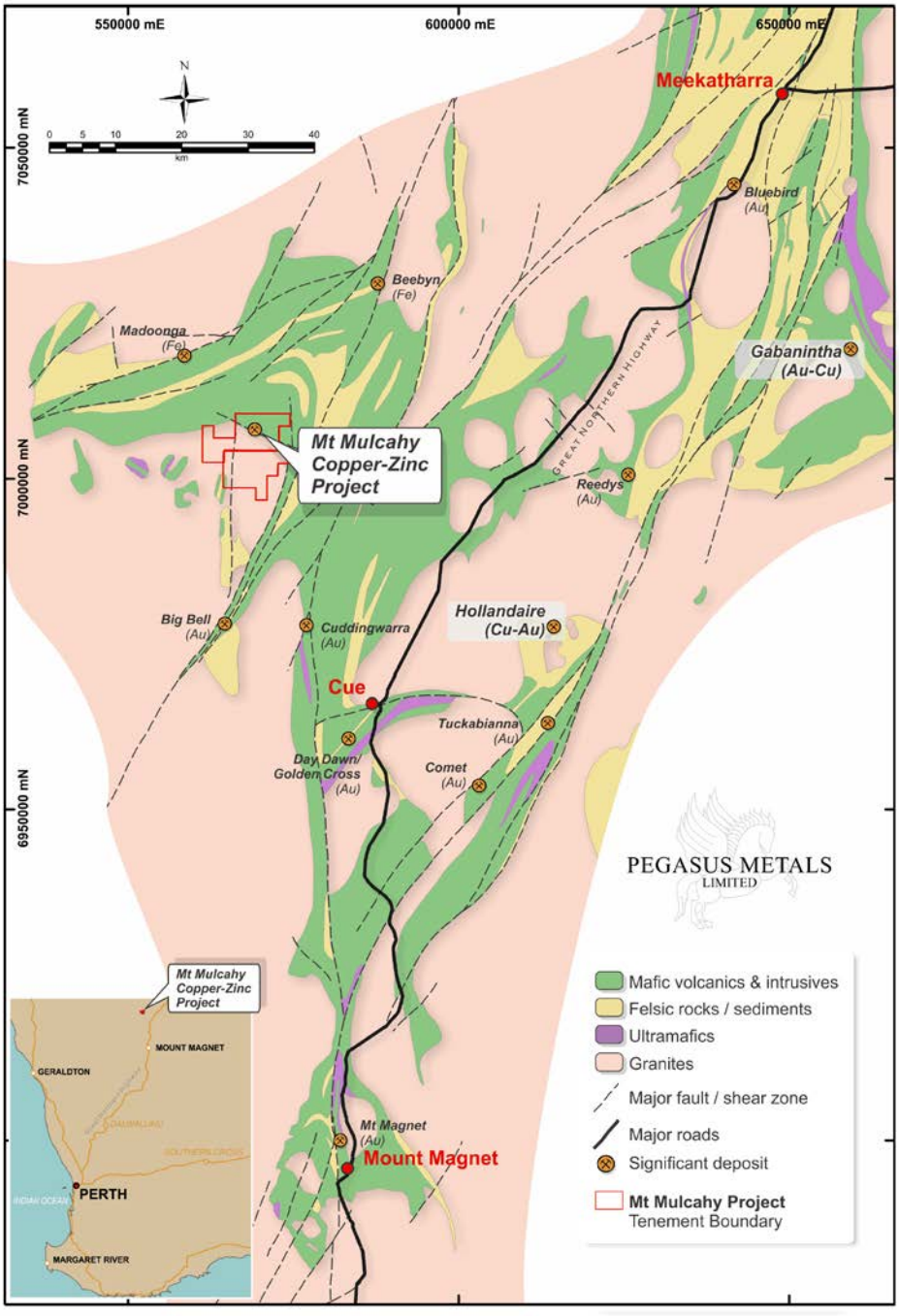

Figure 1. Project Location and Regional Geology.

Geology

The Mt Mulcahy project covers Archaean granite-greenstone terrain masked by superficial sediments in all but the northeastern area of the tenement where the Mt Mulcahy greenstone sequence is exposed in the Mt Mulcahy Syncline (see Figure 2).

The Mt Mulcahy Syncline is composed of a thick sequence of mafic rocks (predominantly basalt, gabbro) with minor interflow sediments and ultramafics. The syncline is bound by mafic rocks to the north and granitic rocks / sediments to the south. The axis of the syncline trends east-west and has a gentle easterly plunge.

The South Limb Pod Resource is situated on the southern limb of the syncline, hosted by a massive sulphide horizon with a true thickness varying from <1m to 10m. The Resource area has dimensions of ≈300m (strike length, striking southeast) by ≈380m down-dip (to 240m vertical below surface), dipping ≈35-40^{o} northeast. Black shale / shale comprises the hanging wall and basalt / gabbro the footwall. Overall, the rock types, structure and controls on mineralisation are not complicated. As such, geological data gathered from drill programs, field observations and historic exploration allowed for the compilation of a robust geological interpretation of distinct geological domains which were used for resource estimation.

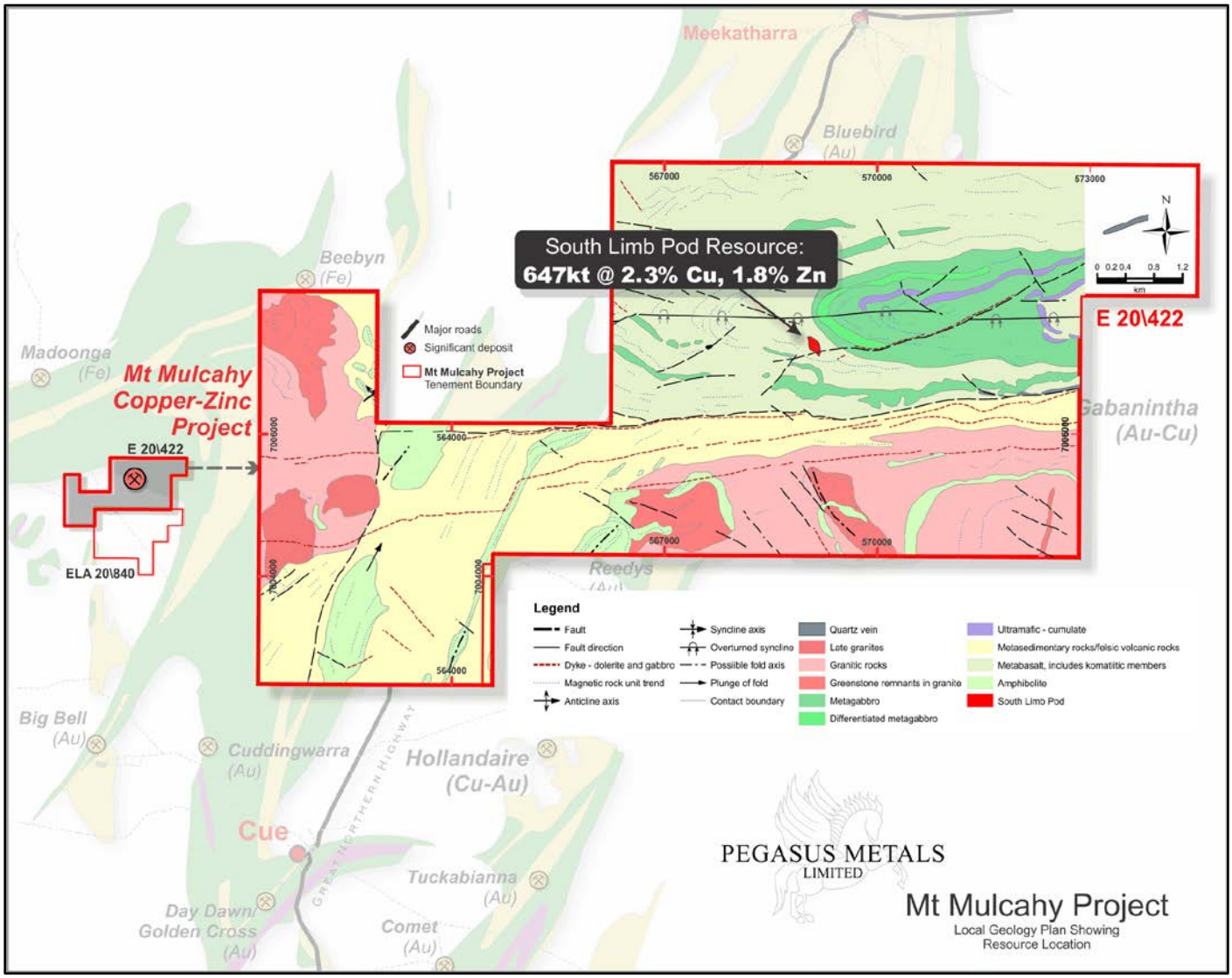

Figure 2. Local Geology and South Limb Pod Resource Location.

Drilling

The SLP resource is based on drilling undertaken by Pegasus Metals Ltd (95% of holes) and Black Raven Mining Pty Ltd ('BRM'); total of 90 drill holes for 11,461m. No drill holes were excluded from the investigation. Drilling technique was predominantly Reverse Circulation (RC) employing a 5 inch face sampling hammer (61 holes for 9875m). Diamond drilling (21 holes, 694m) for the majority employed the use of HQ3 diameter core to approximately 40m then NQ2 until end of hole. The exception to this was holes drilled by BRM who employed HQ to approximately 20m the NQ to end of hole. Remainder were RC pre-collars with Diamond tails (8 holes, 892m).

Field Sampling

Sampling of diamond core was based on geological intervals. Core selected for analysis was cut into half using a brick saw. Half of the sample was placed in a numbered calico bag (≈4kg) for submission to the assay laboratory with the other half returned to the tray. RC samples were collected at 1m intervals from the rig-mounted static cone cyclone splitter in calicos bags. Upon completion of logging, selected 1m samples were transferred to unique numbered calico bags for submission to the lab (≈3kg). When a composite sample was requested, individual samples were passed through a portable riffle splitter to collect a split from that metre. The field sample collection method is considered industry standard.

Field quality control procedures included assay standards, blanks and duplicates. Any batch of samples submitted for anaysis would have at least 1 standard inserted into the batch. RC field duplicates were generated at a rate of ≈1:20 and standards inserted ≈1:20. For Diamond Drilling, no duplicates were taken but standards were inserted at a rate of ≈1:20. Overall, sample QC assay results were generally acceptable and at industry standard.

Laboratory Sample Preparation and Assaying

The sample preparation of diamond core involved coarse crushing of the half core to 70% nominal - 6mm, riffle split to a maximum 3kg and then pulverise split to a grind size of 85% passing 75 microns. Sample preparation for RC samples was identical. A pulp sub-sample was collected for multi element analysis by "near total" 4 acid digest with ICP-AES finish for all elements except Au. Au was analysed by Fire Assay with AAS finish. Internal lab quality control checks were carried out by both Pegasus and the laboratory, with results generally acceptable. A selected range of second splits of coarse rejects and pulps were sent to a third party laboratory for comparative analysis; results generally acceptable and at industry standard.

Resource Estimation

The Resource model has been estimated by Ordinary Kriging (OK) with the searches aligned consistent with the strike and dip of the mineralised zones. Domaining was undertaken via investigation of controlling structures and lithological horizons and the domain solids and the datasets were composited to 1m lengths. Elements (Cu, Zn, Co, Ag, Au) and associated fields were estimated. Statistical analysis was undertaken utilising univariate and conditional statistics where appropriate. Block dimensions were selected in line with data density and modelling methodology. The block resource estimate grades were validated against the informing data to ensure they are consistent with the original data in a three dimensional sense. The Resource classified by confidence category is presented in Figure 3. The cross section in Figure 4 shows the block model by copper grade.

Principle search parameters used to construct the resource model for the primary elements (Cu, Zn, Co, Ag and Au) include a block size of 12.5mx12.5mx2m and search radii 40mx40mx8m. For the estimation of secondary element SG (specific gravity), a search radii of 80mx80mx16m was used as an extended pass due to the under-sampled nature of the data. Search radii were selected on the basis of the local dominant data spacing. Cu, Zn, Co, Ag, Au geometry (continuity) models have been determined from variograms constructed from resource sample grades composited into 1m intervals. The Measured, Indicated and Inferred Mineral Resource Estimates have been estimated using all available RC and Diamond drill-hole data.

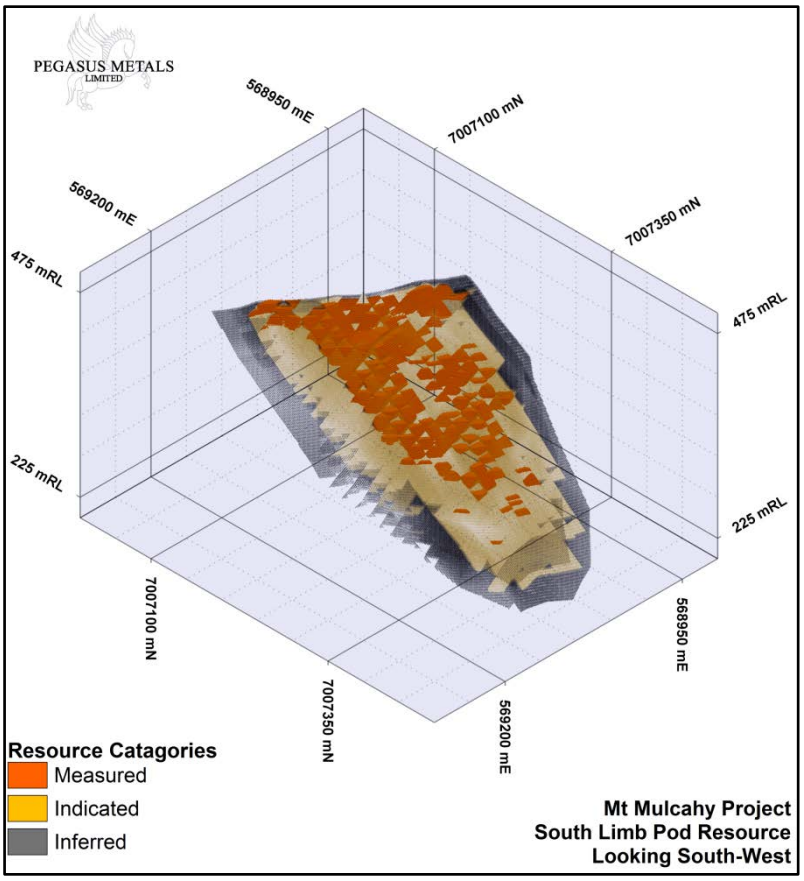

Figure 3. South Limb Pod Resource by confidence category, looking southwest.

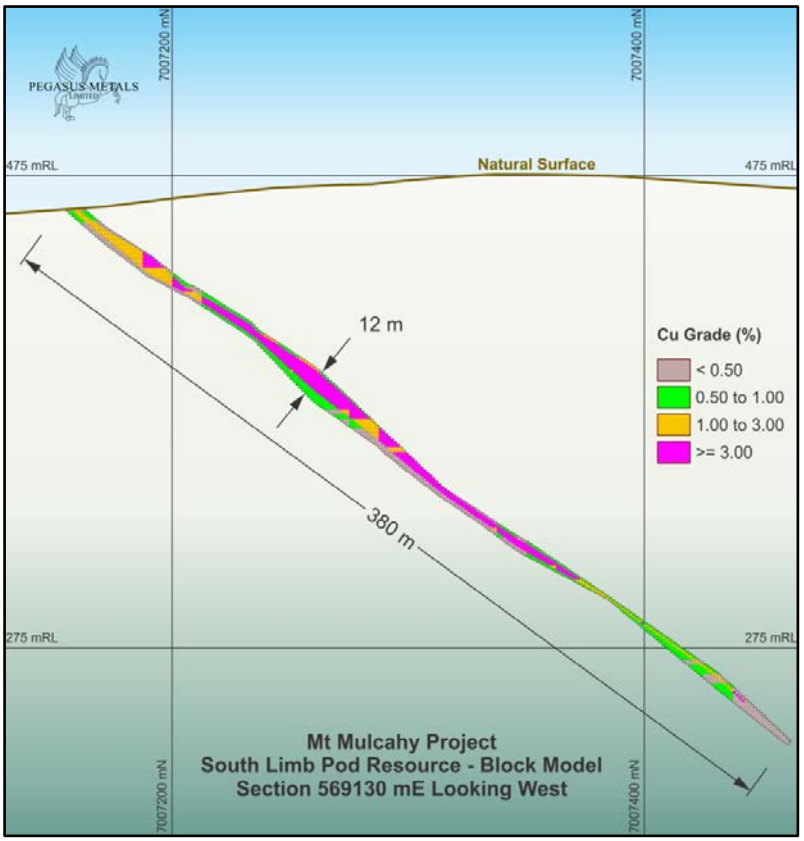

Figure 4. South Limb Pod Resource: block model by copper grade. Cross section 569130mE, looking west.

Blocks in the resource model have been allocated a Measured, Indicated and Inferred confidence category based on a consideration of the number and location of data used to estimate the grade of each block, and with consideration of all other key modelling inputs such as but not limited to geological modelling, oxidation profile development, structural modelling, recovery data and density modelling.

The Mineral Resource Estimates have been constructed from the inclusion of all resource drill-hole information available. The location, quantity and distribution of the current data are sufficient to allow the classification of Measured, Indicated and Inferred Mineral Resources in accordance with JORC Guidelines and Code for the reporting of Mineral Resource Estimates (2012). For the potential near surface and deeper mineralisation where OK modelling methodology was employed, resource estimates are reported at a 0.5% Cu cut-off grade (as defined by assessment of project economics).

No assumptions have been made as to mining methods other than that it will be by dominantly underground methods, assumed due to the nature of the mineralisation that most of the deposit would (if mined) likely be mined as an underground prospect.

Please refer to ASX announcement dated 30/08/2014 for a typical plan view, cross and long sections of the SLP mineralisation. Appendix 1 shows significant intercepts of drill holes used in resource estimations. Although mostly released in past ASX announcements, cobalt assay values were not included. Appendix 2 is included to ensure compliance with the JORC (2012) requirements for the reporting of Mineral Resource estimates.

Appendix 1. Table of significant intercepts of drill holes used in resource estimations

Notes

- *Co %, unreleased results identified as significant*
- *NSI = No Significant Intercepts*
- *Abd = Abandoned*
- *North, East and RL have been rounded from 3 decimals*
- *Only drill holes relating to the resource are listed*
- *All values have been digitally calculated using Micromine*
- *Grades composited using Micromines' "Drillhole Grade Compositing" based on the Cu value, run at ≥0.5% using "Weighted Average"*
- *True thickness calculated using Micromines' "Drillhole True Thickness" tool*

Mt Mulcahy – South Limb Pod
Black Raven Mining – Resource Drilling
Significant Intercepts Based On >=0.5% Cu Cut
Previously Released

HoleID	North MGA	East MGA	RL AHD	Dip°	Azimuth	Total Depth	From (m)	To (m)	Length (m)	True Thick (m)	Cu (%)	Zn (%)	Ag (ppm)	Au (ppm)	Co (%)
Diamond Drilling															
MDM0503	7007366	569080	475	-72	202	141.60	112.20	119.00	6.80	6.50	4.86	3.67	39.09	0.19	0.16
Unreleased															
Diamond Drilling															
MDM0501	7007246	569040	462	-70	201	38.60	24.30	27.24	2.94	2.80	2.72	2.93	30.53	0.27	0.10
MDM0502	7007294	569040	465	-70	200	73.60	40.48	41.00	0.52	0.50	2.31	14.00	41.00	0.30	0.11
							52.10	54.00	1.90	1.81	1.84	1.89	19.63	0.13	0.12
MDM0505	7007267	569190	473	-71	198	116.30	111.40	111.80	0.40	0.38	2.00	4.22	30.50	0.15	0.13
MDM0506	7007288	569200	474	-75	197	147.70	131.85	132.60	0.75	0.70	1.55	3.45	22.50	0.07	0.04

Mt Mulcahy – South Limb Pod
Pegasus Metals Limited – Resource Drilling
Significant Intercepts Based On >=0.5% Cu Cut
Previously Released

HoleID	North MGA	East MGA	RL AHD	Dip°	Azimuth	Total Depth	From (m)	To (m)	Length (m)	True Thick (m)	Cu (%)	Zn (%)	Ag (ppm)	Au (ppm)	Co (%)
Diamond Drilling															
MMSP001	7007383	569037	475	-70	205	134.60					***NSI***				
MMSP003	7007329	569107	475	-70	207	179.60	134.70	135.10	0.40	0.38	1.50	1.97	11.5	0.02	0.05
							137.10	138.30	1.20	1.15	2.83	1.01	17.4	0.10	0.04
MMSP004	7007190	569159	465	-60	202	361.90	31.40	35.70	4.30	?	4.48	2.88	38.1	0.88	0.15
MTMDD4	7007405	569132	474	-70	180	194.10	165.00	168.80	3.80	3.54	3.11	2.89	27.6	0.46	0.31
MTMDD5	7007366	569130	475	-70	180	161.60	141.20	143.00	1.80	1.69	5.20	3.49	36.9	0.84	0.15
MTMDD6	7007361	569146	475	-70	180	164.50	145.80	150.60	4.80	4.46	4.30	2.68	36.8	0.28	0.28
MTMDD7	7007274	569150	473	-70	180	116.60	88.20	92.50	4.30	3.99	4.76	3.30	42.6	0.36	0.16
MTMDD8	7007264	569174	475	-70	180	158.90	139.75	140.00	0.25	0.23	1.05	1.18	12.9	0.06	0.08
MTMDD10	7007337	569045	475	-70	180	140.60	117.90	120.00	2.10	1.96	3.68	3.42	26.2	0.15	0.21
MTMDD11	7007377	569047	474	-70	180	164.50	143.50	145.25	1.75	1.61	3.81	4.16	25.2	0.13	0.18
MTMDD12	7007204	569169	471	-70	180	110.50	89.75	91.25	1.50	1.40	3.09	3.17	35.2	0.53	0.22
MTMDD13	7007384	569130	470	-70	180	197.40	185.30	185.75	0.45	0.42	3.58	2.20	27.7	0.61	0.11
MTMDD14	7007410	569049	471	-70	180	194.60	173.85	178.00	4.15	3.86	2.12	2.92	22.2	0.12	0.16
MTMDD15	7007404	569066	471	-70	180	185.60	174.50	177.00	2.50	2.33	2.60	2.30	21.9	0.10	0.13
MTMDD16	7007235	569170	471	-70	160	107.40	94.50	95.00	0.50	0.46	0.45	0.44	3.9	0.23	0.03
MTMDD17	7007156	569190	462	-90	0	54.70	39.50	41.00	1.50	1.21	1.02	0.37	8.4	0.03	0.04
MTMDD18	7007157	569190	462	-80	360	89.90	44.75	45.70	0.95	?	0.44	3.19	14.38	0.54	0.54
MTMDD19	7007347	569190	473	-70	180	191.60	175.80	176.70	0.90	0.84	0.95	2.28	13.58	0.12	0.03
MTMDD20	7007260	569050	463	-70	180	10.10					***Abd***				
MTMDD21	7007255	569130	471	-70	180	110.40	64.83	67.71	2.88	2.66	5.46	2.63	44.60	0.44	0.13
MTMDD22	7007227	569150	469	-70	180	68.10	60.43	65.80	5.37	4.96	4.03	2.24	33.66	0.48	0.11
MTMDD23	7007191	569170	465	-70	180	80.80	54.26	55.00	0.74	0.68	3.33	2.56	36.90	1.04	0.08
MTMDD24	7007361	569149	475	-55	180	160.00	139.02	146.56	7.54	7.25	2.18	2.09	18.93	0.34	0.07
MTMDD25	7007366	569129	475	-55	180	155.00	132.76	136.90	4.14	3.96	3.05	2.17	27.09	0.40	0.14
MTMDD26	7007324	569030	469	-70	180	101.50	69.96	74.32	4.36	4.07	1.97	3.87	24.02	0.10	0.17
MTMDD27	7007378	569035	474	-83	210	149.60	119.67	120.19	0.52	0.45	0.56	2.70	13.40	0.01	0.19
MTMDD28	7007377	569035	474	-64	187	131.40	98.53	99.53	1.00	0.96	0.72	0.35	5.20	0.02	0.03
							100.53	101.53	1.00	0.96	0.94	0.09	4.50	0.02	0.01
							103.53	104.53	1.00	0.96	0.81	1.64	7.50	0.08	0.10
MTMDD29	7007296	569050	466	-70	180	89.60	60.00	64.90	4.90	4.57	2.85	1.18	18.09	0.08	0.03
MTMDD30	7007462	569071	471	-57	180	194.50	166.37	169.04	2.67	2.54	2.75	2.75	23.93	0.73	0.12
MTMDD31	7007370	569089	475	-77	180	161.50	127.00	137.22	10.22	9.17	4.49	4.02	33.00	0.18	0.17
MTMDD32	7007255	569044	463	-77	165	59.60	38.85	39.44	0.59	0.52	1.95	5.24	28.60	0.10	0.19
MTMDD33	7007259	569130	471	-90	0	110.70	77.77	90.18	12.41	10.07	3.12	2.29	28.05	0.21	0.10
MTMDD34	7007255	569090	466	-70	180	68.50	52.29	53.81	1.52	1.42	1.16	1.91	13.71	0.09	0.07
MTMDD35	7007241	569107	467	-68	170	71.40	37.42	48.73	11.31	10.34	4.91	4.16	44.45	0.57	0.16

Mt Mulcahy – South Limb Pod
Pegasus Metals Limited – Resource Drilling
Significant Intercepts Based On >=0.5% Cu Cut
Previously Released

HoleID	North MGA	East MGA	RL AHD	Dip°	Azimuth	Total Depth	From (m)	To (m)	Length (m)	True Thick (m)	Cu (%)	Zn (%)	Ag (ppm)	Au (ppm)	Co (%)
MTMDD36	7007362	569153	475	-85	180	194.50	174.31	176.22	1.91	1.64	1.59	0.69	12.15	0.05	0.15
MTMDD37	7007420	569149	472	-80	180	215.70	187.02	192.02	5.00	4.44	4.38	2.91	38.90	0.53	0.12
MTMDD38	7007281	569070	465	-70	180	77.50	55.40	59.84	4.44	4.12	2.51	4.98	29.42	0.26	0.14
MTMDD39	7007221	569132	468	-70	180	74.30	43.91	46.68	2.77	2.57	1.57	0.90	13.50	0.06	0.06
MTMDD40	7007450	569130	470	-62	194	191.40	168.61	175.25	6.64	6.49	1.86	1.44	15.19	0.07	0.07
MTMDD42	7007438	569090	472	-70	180	206.60	164.50	167.89	3.39	3.16	2.68	1.30	20.10	0.24	0.07
MTMDD43	7007439	569090	472	-86	185	221.50	186.86	191.44	4.58	3.86	1.56	1.21	12.09	0.07	0.08
MTMDD44	7007472	569055	471	-75	204	206.60	181.26	182.07	0.81	0.75	0.63	1.28	9.50	<0.01	0.08
MTMDD45	7007472	569055	471	-63	196	197.50	166.97	167.60	0.63	0.62	1.01	0.53	6.40	<0.01	0.07
MTMDD46	7007472	569055	471	-85	199	221.50	199.75	200.50	0.75	0.64	1.07	1.55	9.90	0.06	0.08
MTMDD47	7007462	569070	471	-85	180	224.60	193.09	197.09	4.00	3.42	0.71	1.09	7.64	0.43	0.02
MTMDD48	7007457	569110	471	-76	180	209.60	182.1	185.0	2.90	2.65	3.42	1.72	24.97	0.19	0.10
MTMDD49	7007447	569129	470	-85	180	224.60	208.48	210.19	1.71	1.45	2.72	2.79	25.53	0.06	0.17
							213.13	214.09	0.96	0.81	2.00	0.17	11.64	0.27	0.04
RC Drilling with Diamond Tails															
MTMRCD1	7007330	569110	475	-70	180	140.30	109.12	112.12	3.00	2.81	2.66	2.70	21.83	0.11	0.19
MTMRCD2	7007283	569110	469	-70	180	101.50	72.54	73.90	1.36	1.27	6.45	6.36	53.60	0.32	0.21
MTMRCD3	7007361	569149	475	-55	180	59.70					***Abd***				
MTMRCD4	7007335	569050	471	-70	180	110.50	83.71	88.19	4.48	4.20	5.84	4.51	47.25	0.23	0.17
MTMRCD5	7007294	569089	469	-70	180	101.80	77.56	79.90	2.34	2.20	1.19	4.54	19.90	0.04	0.12
MTMRCD6	7007367	569132	475	-55	180	101.00					***NSI***				
MTMRCD7	7007369	569090	475	-55	180	152.20	124.45	126.85	2.40	2.26	1.35	1.42	11.80	0.05	0.07
MTMRCD8	7007355	569073	474	-55	180	125.60	110.47	112.22	1.75	1.65	1.58	0.90	12.09	0.13	0.04
RC Drilling															
MTMRC09	7007355	569073	474	-78	180	40.00					***Abd***				
MTMRC10	7007234	569050	462	-70	180	40.00	24.00	26.00	2.00	1.86	3.24	1.06	25.05	0.10	0.05
MTMRC11	7007232	569069	464	-70	180	40.00	28.00	31.00	3.00	2.79	0.91	1.05	9.07	0.15	0.04
MTMRC12	7007141	569189	461	-70	180	40.00	20.00	21.00	1.00	0.93	0.86	0.36	6.50	0.23	0.02
							23.00	24.00	1.00	0.93	1.31	0.42	18.60	0.19	0.03
MTMRC13	7007153	569174	462	-70	180	40.00					***NSI***				
MTMRC14	7007151	569150	461	-70	180	40.00	4.00	9.00	5.00	4.65	0.62	0.36	10.82	0.21	0.02
MTMRC15	7007177	569127	462	-70	180	40.00	11.00	14.00	3.00	2.79	1.89	0.92	11.77	0.26	0.03
							15.00	16.00	1.00	0.93	0.53	0.49	3.20	0.01	0.02
MTMRC16	7007196	569108	463	-70	180	40.00	20.00	21.00	1.00	0.93	0.60	0.22	4.30	0.05	0.01
MTMRC17	7007215	569090	464	-70	180	40.00	18.00	20.00	2.00	1.86	1.10	0.45	24.25	0.18	0.06
MTMRC18	7007252	569009	461	-70	180	42.00	13.00	17.00	4.00	3.71	0.88	0.63	8.75	0.64	0.03
MTMRC19	7007222	569030	461	-70	180	20.00					***NSI***				
MTMRC20	7007213	569050	461	-70	180	22.00					***NSI***				
MTMRC21	7007206	569070	461	-70	180	20.00					***NSI***				
MTMRC22	7007127	569170	460	-70	180	20.00	0.00	8.00	8.00	7.42	0.76	0.30	3.24	0.16	0.03
MTMRC23	7007235	569030	461	-70	180	25.00	15.00	16.00	1.00	0.93	0.81	0.45	2.60	0.12	0.02
MTMRC24	7007223	569051	461	-70	180	20.00					***NSI***				
MTMRC25	7007196	569090	462	-70	180	22.00					***NSI***				
MTMRC26	7007183	569110	462	-70	180	20.00	10.00	13.00	3.00	2.79	0.67	0.29	2.93	0.05	0.02
MTMRC27	7007218	569109	466	-62	180	40.00	36.00	39.00	3.00	2.85	1.59	0.59	11.33	0.09	0.04
MTMRC28	7007231	569090	465	-70	180	41.00	29.00	36.00	7.00	6.50	2.82	0.95	25.23	0.28	0.17
MTMRC29	7007201	569130	466	-70	180	42.00	27.00	34.00	7.00	6.50	2.96	2.89	29.54	1.10	0.14
Unreleased															
Diamond Drilling															
MTMDD50	7007584	569128	467	-55	172	299.10					***NSI***				
MTMDD51	7007587	569128	467	-62	199	284.40	252.52	253.13	0.61	0.60	0.55	0.87	6.90	0.03	0.06

Appendix 2. JORC Code, 2012 Edition – Assessment Table 1

The following information is provided in-line with the recommendations put forth by the JORC code and guidelines for the reporting of Mineral Resource Estimates, 2012 for the South Limb Pod Mineral Resource estimate.

Section 1: Sampling Techniques and Data

Criteria	Commentary
Sampling techniques	• Reverse Circulation (RC) drilling was used to obtain 1 m chip samples from which a rig cyclone split representative sample (~ 2-3kg) was logged and submitted for analysis. • Diamond Drilling (DD) drill-hole core was marked up to 1m intervals based on core block measurements and orientation data, logged and cut. Half of the representative core sample was submitted for analysis. Sample length submitted for analysis was defined by the geologist and was based on geological boundaries. • RC samples were collected at 1m intervals with drilling not progressing to the next metre until all the sample had been collected for that metre. Regular cleaning of the rig cyclone was practiced. • DD processing was not conducted until measuring and marking had been completed, and any core block marking errors were corrected. • Mineralisation was determined through geological logging. Intercepts containing massive sulphides or mineralised sediments were sent to the analytical lab for multi-element analysis. • All samples submitted for analysis were coarse crushed to 70% nominal -6mm, then riffle split sample to maximum of 3kg and pulverise split to 85% passing 75 microns then analysed for 33 Elements by Four Acid ICP-AES using a 0.25 g sample size.
Drilling techniques	• RC drill-holes were drilled using a 5 inch face sampling hammer to a maximum depth of 42m. • Diamond drilling conducted by Pegasus was used to obtain HQ3 or NQ2 sized core samples.HQ3 was used from collar up to approx. 40 metres, then NQ to end of hole. • Diamond drill core samples were oriented & marked up using ORI tool marks generated during the drilling process. • Diamond drilling conducted by Black Raven Mining utilised HQ to approximately 20m, then NQ2 to end of hole.
Drill sample recovery	• To assess RC sample recovery, individual bulk samples were weighed and recorded in the field. Due to broken ground near surface recoveries were at times poor due to loss of air into surrounding rock. • No sample weights were recorded for RC pre-collars. • All diamond core was measured and RQD data recorded for all holes in their entirety. • Excellent ground conditions provided good sample recovery. • No apparent bias associated between mineralisation and sample recovery.
Logging	• All RC drilling was geologically logged at 1m intervals to a level of detail to support mineral resource estimation. • All diamond drilling was geologically and geotechnically logged to

Criteria	Commentary
	geological boundaries to a level of detail to support mineral resource estimation. • Qualitative logging recorded colour, degree of weathering primary rock type, oxide and sulphide mineralogy using a company standard logging code in standardised templates. Percentage of minerals within sample is also recorded. • All diamond drilling was photographed. • Both RC and DD holes were logged in their entirety.
Sub-sampling techniques and sample preparation	• All diamond core selected for assaying was halved using a standard brick saw and submitted to lab. Remaining half of sample retained in tray. • All RC samples were collected at 1m intervals from a static cone riffle splitter attached to the rig cyclone into calico bags. • No wet samples encountered, only damp or dry. Sample condition information was recorded. • In some instances, based on the geological logging, the geologist requested a composited sample be collected for analysis. These samples were processed using a 4:1 portable riffle splitter to approx. 2-3kg. • To minimise additional lab processing costs, when a representative sample was recorded over 3kg it was split to a 2:1 ratio using a portable riffle splitter. • The field sample collection method is considered industry standard and appropriate to the sampling method. • All samples were processed through riffle splitters. • Field Duplicates for RC samples were taken at a ratio of approximately 1:20. • The sample sizes are considered adequate to capture and adequately represent the prevailing mineralisation style over the project area.
Quality of assay data and laboratory tests	• All samples submitted to ALS Geochemistry Perth. • All samples submitted for analysis were coarse crushed to 70% nominal -6mm and weighed, if a samples weight is above 3kg the sample is riffle split down to 3 kg and pulverised to a nominal 85% passing 75 micron, 0.25g sample is then processed using method ME-ICP61, 33 element four acid ICP-AES. • Over limit sample results were reanalysed using method OG62 (ore grade elements) four acid digestion with ICP-AES or AAS finish using a 0.40g sample. • If Cu result was above 3000ppm method Au-AA25 (30g fire assay with AAS finish) was also run. • No spectrometers or handheld XRF equipment used. • RC – Standards supplied by Ore Research Australia were inserted at a ratio of approximately 1:20, duplicate samples were submitted at a ratio of approximately 1:20. Cu values for the standards ranged from 112ppm to 8.82% Cu. • DD – Standards supplied by Ore Research Australia were inserted at a ratio of approximately 1:20. Cu values for the standards ranged from 112ppm to 8.82% Cu. • A selection of diamond core coarse residue\reject samples were assigned

Criteria	Commentary
	new sample ID's and submitted as duplicates. • Internal laboratory control procedures involve duplicate assaying of randomly selected assay pulps, as well as internal laboratory standards and blanks. • All this data was reported to the company and analysed for discrepancies and inconsistencies.
Verification of sampling and assaying	• Data accuracy was verified during the import\merge of field sample data, geological logs or Lab Assays into the database by a qualified DBA from Delta Resource Management Pty Ltd. All significant intersections are verified\reviewed by a second DBA from lab reports before being checked by a consultant geologist. • No twin holes were drilled during the programme however correlation of data with non-JORC compliant holes did assists with verification of data repeatability. • Collection of primary\source data in the field is by company standard templates using Field Marshal field data logging software on Toughbook's before being electronically sent to the Perth office for automated validation and importation into the master database. Standard paper forms are available as backup. A copy of both original paper & digital primary data is retained in the Perth office. • Laboratory data is supplied electronically to office for automated import into database. • All data is stored on the Perth Office server & backed up daily. • There was no adjustment to the assay data provided from the laboratory.
Location of data points	• Collar locations were surveyed by a trained operator using a Trimble Nomad DGPS calibrated and verified using known survey control points. • Down-hole surveys were conducted at 30m down-hole using a Reflex survey tool with selected holes being multi-shot surveyed at 3m intervals to determine single shot accuracy. • The geographic datum as GDA 94 MGA zone 51. • A site DTM survey on a small grid pattern was conducted over project area to ensure Z – RL level accuracy and verified using known survey control points. . The Trimble Nomad DGPS used is estimated at +/- 1 metres accuracy by manufacturer
Data spacing and distribution	• Drilling was designed to intersect the mineralisation at approximately 20m along strike and approximately 40m down dip. • The data spacing is adequate to enable local short scale continuity in geology and the known mineralised trends and is sufficient for use in Resource estimation. • Reporting of significant intercepts used compositing and weighted averaging.
Orientation of data in relation to geological structure	• Where possible, drill-holes were designed to perpendicularly intersect the mineralisation to achieve unbiased sampling and reflect true width. • Due to the flat structure of the resource, it is considered that no sampling bias has been induced.
Sample security	• Sample chain of custody was maintained for this project.

Criteria	Commentary
	• From collection of samples from the drill rig to drop off at the laboratory, samples were always in the custody of project employees or nominated trustees. • All laboratory pulps have been retained and secured for future checks. • Laboratory coarse rejects from approximately mid project have been retained and secured for future checks.
Audits or reviews	• A selected range of second splits of coarse rejects and pulps were sent to a third party laboratory for comparative analysis at the request of H&SC. • The results indicated that the outcomes were within expected limits with the exception of only a few samples which have been ear marked for follow up. These results are pending. H&SC do not see any material issue with this analysis. • To H&SC's knowledge, no other formal audits or reviews have been undertaken to date.

Section 2: Reporting of Exploration Results

Criteria	Commentary
Mineral tenement and land tenure status	• The Mt Mulcahy project, South Limb Pod Resource is located wholly within exploration licence E 20/422. • The tenement is located some 40km North West of Cue in the Murchison mineral field. • See Figures 1 and 2 for the location of the project & prospects mentioned in this report • Pegasus holds a 100% interest in the tenement pursuant to an executed Tenement Sale Agreement dated 14 June 2012. Transfer of the tenement to Pegasus is pending submission of duty-stamped Agreement to the Department of Mines and Petroleum. • The tenement is in good standing & no known impediments exist to operate in the area.
Exploration done by other parties	• Copper was first discovered at Mt Mulcahy in the early 1920's. • Over the years, various mining companies have used an array of methods of minerals exploration. The only historical drilling data used in the generation of this report was from 5 Black Raven Mining ('BRM') diamond drill holes drilled between in 2009. All of their associated data was fully verified before inclusion into the dataset. • BRM acquired the project in 1999 and commenced active exploration in 2007. In 2007 a magnetic/radiometric survey was flown over E20/422 and in 2011 a VTEM survey of the Mt Mulcahy area was conducted. • BRM drilled 5 diamond holes at the South Limb Pod (SLP) including MDM503 which intersected 6.80m (true thickness) of massive sulphide from 112.20m @4.86% Cu and 3.67% Zn.
Geology	• The project covers Archaean granite-greenstone terrain masked by superficial sediments in all but the north eastern quadrant where greenstone is exposed in an east-plunging syncline as a series of low ridges. This greenstone assemblage is known as the Mt Mulcahy Greenstone. • Magnetic data indicates that the Mt Mulcahy greenstone sequence is terminated to the west by a north-north easterly fault. To the west of this fault north, north easterly features indicate a further greenstone assemblage that has not been explored in any detail. The magnetics also indicate the presence of a series of easterly trending Proterozoic dykes. • At Mt Mulcahy mapping has shown that the core of the syncline is composed of a thick sequence of mafic volcanics with minor interflow sediments intruded by a layered gabbroic complex. This suite forms the ridge lines that mark Mt Mulcahy. • Underlying the mafic unit is a sequence of interlayered fine grained, often carbonaceous, sediments and mafic volcanics and at least one thin gabbro intrusive. This assemblage is terminated to the south by granitic rocks. The assemblage has been folded into an east-west trending syncline. • The axial of the syncline has a gentle easterly plunge, steepening to the east and a 65 to 70° dip to the north.

Criteria	Commentary
Drill hole Information	• Drilling results were reported to the ASX on a regular basis on the following dates. o 19/7/2012 o 17/9/2012 o 15/11/2012 o 24/1/2013 o 11/4/2013 o 1/5/2013 o 5/6/2013 o 30/8/2013 • Resource drilling conducted by Black Raven Mining (MDM0501 to MDM0503, MDM0505 and MDM0506) not previously reported by Pegasus Metals Limited is now included in the significant intercepts table. • Resource drilling conducted by Pegasus Metals Limited (MTMDD50 and MTMDD51) not previously reported is now included in the significant intercepts table. • Cobalt is now included in the significant intercepts table after being identified as a potentially viable material during the resource modelling. • All drill-holes collars are located between 7007127 to 7007587 m North and 569009 to 569200 m East on the (GDA94) Geocentric Datum of Australia, 1994 projected using (MGA) Map Grid of Australia UTM Zone50 • Using the Australian Height Datum (AHD), the relative level (RL) for the drill collars are within 460mRL and 475mRL • The majority of holes were drilled on an azimuth of approx. 180-190 degrees; any variances are due to planned drill site locations being inaccessible. Certain sites have been used for multiple collars. Recalculation of the Dip and Azimuth was required during the programme to ensure the drill-hole hit the target mineralisation as planned. • Drill-hole inclination varied between -55 to -90 degrees down dip. • The interception depth down-hole varied due to the dip of the mineralisation. • Maximum total hole length did not exceed 361.9m.
Data aggregation methods	• All assay results with significant intercepts ≥0.5 Cu% (no minimum width) are compiled within Appendix 1 using weighted averages. • To ensure consistency and repeatability, Micromine's "Drill-hole Grade Compositing" tool was used to generate the significant intercepts table. Composited data in this table is weighted averaged. • No metal equivalent values used.
Relationship between mineralisation widths and intercept lengths	• The drill-hole orientation intersects the mineralisation at approx. 90 degree angle to reflect the true width interval of mineralisation.
Diagrams	• See figures included with the report.
Balanced reporting	• See Appendix 1 for list of significant intercepts for each resource hole.
Other substantive exploration data	• The results of a VTEM geophysical survey conducted by Resource Potentials in 2012 for Black Raven Mining identified over 20 potential

Criteria	Commentary
	target anomalies. • The South Limb Pod is one of these targets verified by a resource drilling programme. • No other VTEM targets have been tested to date.
Further work	• Further RC and diamond drilling of other identified VTEM targets is required to expand the resource base for the project. • The company has not defined an exploration programme and budget at this stage.

Section 3: Estimation and Reporting of Mineral Resources

Criteria	Commentary
Database integrity	• The database is maintained by Delta Resource Management Pty Ltd for Pegasus Metals Ltd. • Delta Resource Management compiles all data for the Mt Mulcahy Project. • User access to the database is regulated by specific user permissions. • Collection of field data is on Toughbook's configured with Field Marshal – Micromine software utilising lookup table compulsory data fields. • Data is emailed to the database administrator on a daily basis for validation and import into the database. • Continual liaising with the field ensures that any potential problems are resolved as quickly as possible with the personnel responsible for the collection of the data. • Field and laboratory data is merged to eliminate keystroke errors. • Data is validated during the import process using Micromine's drill-hole database validation tools to check collar, assay, lithology, down-hole survey, SG and structural data files.
Site visits	• The competent person for the resource estimation has not visited site to date as a result of the degraded nature of the local access due to weather out of field season. • The company representative responsible for the management of onsite protocols and QAQC, James Vaughn, visited site during July and August 2013.
Geological interpretation	• Confidence in the geological model is good. • Lithological boundaries defined from geological logging were used to define the geological model and weathering surfaces. • The geological interpretation is considered robust & alternative interpretations are considered not to have a material effect on the Mineral Resource. No alternate interpretations are proposed as geological confidence in the model is high. As additional geological data is collected from additional drilling, the geological interpretation will be continually updated. • Mineralisation tenor is very closely associated with the host geology and assisted the interpretation of the mineralisation model. The mineralisation model consists of a high grade core and lower grade surrounding halo. The

	high grade was modelled to a 1% Cu cut-off and the low grade to a 0.2% cut-off. • The factors affecting continuity both of grade and geology are most likely to be associated with structural controls and local complexity, the knowledge of which is limited with the current spacing of information. The broad approach to the mineralisation modelling is an attempt to model an unbiased interpretation.
Dimensions	• The mineralisation strikes ≈SE and dips around 35° towards the NE. The mineralisation defined to date outcrops in the south, is ≈300m in strike length and extends almost 380m down dip (which is 241m vertical from surface).
Estimation and modelling techniques	• Ordinary Kriging was the estimation technique used. It is considered suitable for the base metal (Cu, Zn, Co) composite distributions which are not highly skewed with a moderate to low domained coefficient of variation. Composite distributions for gold and silver are slightly more positively skewed but still suited to ordinary kriging. • Composites of 1m were selected, this being the dominant sample width. The 1m composite is considered reasonable given the relatively narrow mineralisation. • Variography parameters for each modelled element were determined using GS3 software (H&SC's proprietary software). Interpolation parameters (search orientations and ranges) were based on the variography parameters. Search distances, minimum & maximum samples and block size were determined by analysis of the informing data. Three search passes were run, each with successively less stringent parameters. • Modelling was completed in GS3 and post processed for reporting using Micromine software. • An independent check estimate was employed by another practitioner of H&SC and third and fourth comparative models were produced using an alternative domain approach and estimation approach to better capture the inherent variability between modelling approaches and to assist with the fine tuning of the final model. • There are no prior production records. • Cadmium is present in elevated quantities (>100ppm) in and around the ore zone but was not included in this estimation due to the element being under-represented in the current dataset. • The block size of 12.5mE by 12.5mN by 2mRL is approximately half the average sample spacing and was employed during modelling. • SMU's were assessed during check modelling by the MIK (Multiple Indicator Kriging) approach and were considered to be in line with underground mining approach at 2mNx2mEx2mRL. • Correlations between elements were assessed by H&SC prior to modelling to assist with simulation of missing data and under-sampled elements. In total 47 Au values were applied to the data set by regression analysis of Au to Ag using a CC of 0.81. • Mineralisation domains (LG and HG) were used to flag the composites on an inside/outside basis. Only composites flagged as high grade were used

	in the estimation of the high grade domain, similarly low grade composite were only used for estimation of the low grade domain. • The boundary between the high grade and low grade domains is treated as a hard boundary, supported by lithological and assay data. Check estimates assessed the impact of removing this hard boundary approach and found the globally the estimation of total metal was within less than 5% and not deemed material to the project. • Probability plot and regression analysis revealed that there were a number of high end members in the population that required top cutting. The top cutting strategy employed by H&SC saw the following data effected, for Au 1 sample was top cut (6.48g/tAu was replaced with 1.94g/t Au), for Ag 4 samples were top cut (103, 94.3, 86.5 and 85.5g/t Ag were all replaced with 74.8g/t Ag), for Cu 5 samples were top cut (13.4, 12.3, 11.6, 11.1 and 10.75% Cu were replaced with 10.1% Cu), for Zn 5 samples were top cut (19.45, 14.35, 14.00, 12.1 and 11.1% Zn were replaced with 10.7% Zn) and for Co 1 sample was top cut (0.62% Co was replaced with 0.392% Co). • Standard model validation has been completed using visual & numerical methods. • Visually the model was compared to the informing data on a section by section basis. • The model global mean grades for each element were compared to the input mean grades. • Swath plots on a sectional basis were produced comparing input and modelled mean grades within the swath windows.
Moisture	• Tonnages were estimated on a dry basis
Cut-off parameters	• The cut-off grade adopted was 0.5% Copper. • It is envisaged that with further economic investigations this economic cut-off grade will be further refined. • The Mineral Resource Estimates were undertaken at a range of cut-off grades from 0.0% Cu through to 5.0% Cu.
Mining factors or assumptions	• The scope of works by H&SC does not cover this or other following aspects of the operation and as such any further comment is representation from the client. Given the anticipated high strip ratio an underground mining operation is envisaged.
Metallurgical factors or assumptions	• No metallurgical test work has been carried out to date. It is assumed a copper concentrate will be produced via a conventional flotation processing facility.
Environmental factors or assumptions	• Environmental factors will form part of forthcoming pre-feasibility studies.
Bulk density	• In total 1006 density readings were taken and values were applied to the data set from a weight in air and water differentials. The methodology and outcomes for the determination of density records is considered by H&SC to be representative and subsequently usable for estimation purposes to the highest standard. • Utilising the weight in air and water method, and immediately employing

	a third measurement of weight in air after water, a saturation measurement was derived. As the majority of diamond drilling was in fresh rock saturation was not an issue. • Density measurements were composited to 1m. Mineralisation domains (LG and HG) were used to flag the density composites on an inside/outside basis. Density was estimated into the model by ordinary kriging in-line with the other primary elements (Cu, Ag, Au, Zn and Co) in the modelling process. A forth pass was undertaken to further propagate density values into blocks where estimates were not achieved in the first three passes. The extended pass employed an 80mEx80mNx16mRL search strategy and data criteria the same as the other primary elements in the modelling pass. In the instances where the 4 pass approach failed to estimate density in the final model, average density values for each domain were employed.
Classification	• Classification was based primarily on drill intercept density but also on the confidence of parts of the geological model and estimation run number. The classification criteria are deemed appropriate by H&SC. • Appropriate account has been taken of all data. • The reported Mineral Resource estimate and its classification into the Measured, Indicated and Inferred categories is consistent with the Competent Person's view of the deposit.
Audits or reviews	• The mineral resource has undergone an internal H&SC peer review.
Discussion of relative accuracy/confidence	• The Mineral Resource Estimates for Mt Mulcahy have been reported in accordance with the code and guidelines for the reporting of Mineral Resource Estimates, 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources & Ore Reserves and reflects the relative accuracy of the Mineral Resources estimate. The Competent Person deems the process to be in line with industry standards for resource estimation & therefore within acceptable statistical error limits. • The statement relates to global estimates of tonnes and grades. • The relative accuracy and confidence of the estimate is reflected in the reporting on measured, indicated and inferred resources.