



QUARTERLY REPORT FOR QUARTER ENDING 30th September 2014

ASX Announcement
31 October 2014

Shares on Issue
123,074,519

Current Share Price
A\$0.012

Market Capitalisation
A\$1.48M

Board of Directors

Mr Michael Fotios
*Non-Executive
Director*

Mr Graham D
Anderson
*Non-Executive
Chairman & Company
Secretary*

Mr Jason Boladeras
*Non-Executive
Director*

Contact Details

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Balcatta WA 6021
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Projects

Mt Mulcahy: Cu Zn Ag
McLarty Range: Cu

HIGHLIGHTS

- Pegasus Metals' maiden copper - zinc resource announced at 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
- Prospective horizon hosting the South Limb Pod Resource strikes approximately 10km and remains largely untested by systematic exploration.
 - Mr Stephen Mann resigned as Non-Executive Chairman. Mr Graham Anderson appointed as Interim Chairman of the Board and Mr Jason Boladeras appointed as non-Executive Director.

MT MULCAHY COPPER PROJECT, Murchison, WA

During the September quarter Pegasus Metals Limited (ASX: PUN) was 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. Refer to ASX announcement 25/09/2014 for further information¹).

The Mineral Resource estimate was completed in accordance with the JORC guideline and code for the reporting of Mineral Resource Estimates 2012, by highly respected consultants "H&S Consultants Pty Ltd" (H&SC).



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.

McLARTY RANGE COPPER PROJECT, West Kimberley, WA

No field activities completed during the quarter. 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.

OPPORTUNITIES

Pegasus Metals continues to search for growth opportunities that would benefit shareholders, including company mergers and advanced exploration or mining project acquisitions with a particular focus on copper.

CORPORATE

Mr Stephen Mann resigned as Non-Executive Chairman effective 19th August 2014. The Board wish to thank Mr Mann for his service to the Company and wish him well for the future. Mr Graham Anderson was appointed as Interim Chairman of the Board. Mr Jason Boladeras was appointed as non-Executive Director effective 27th August 2014. Mr Boladeras's appointment strengthens the Company's geological technical and management capabilities as it pursues growth through exploration success and acquisition.

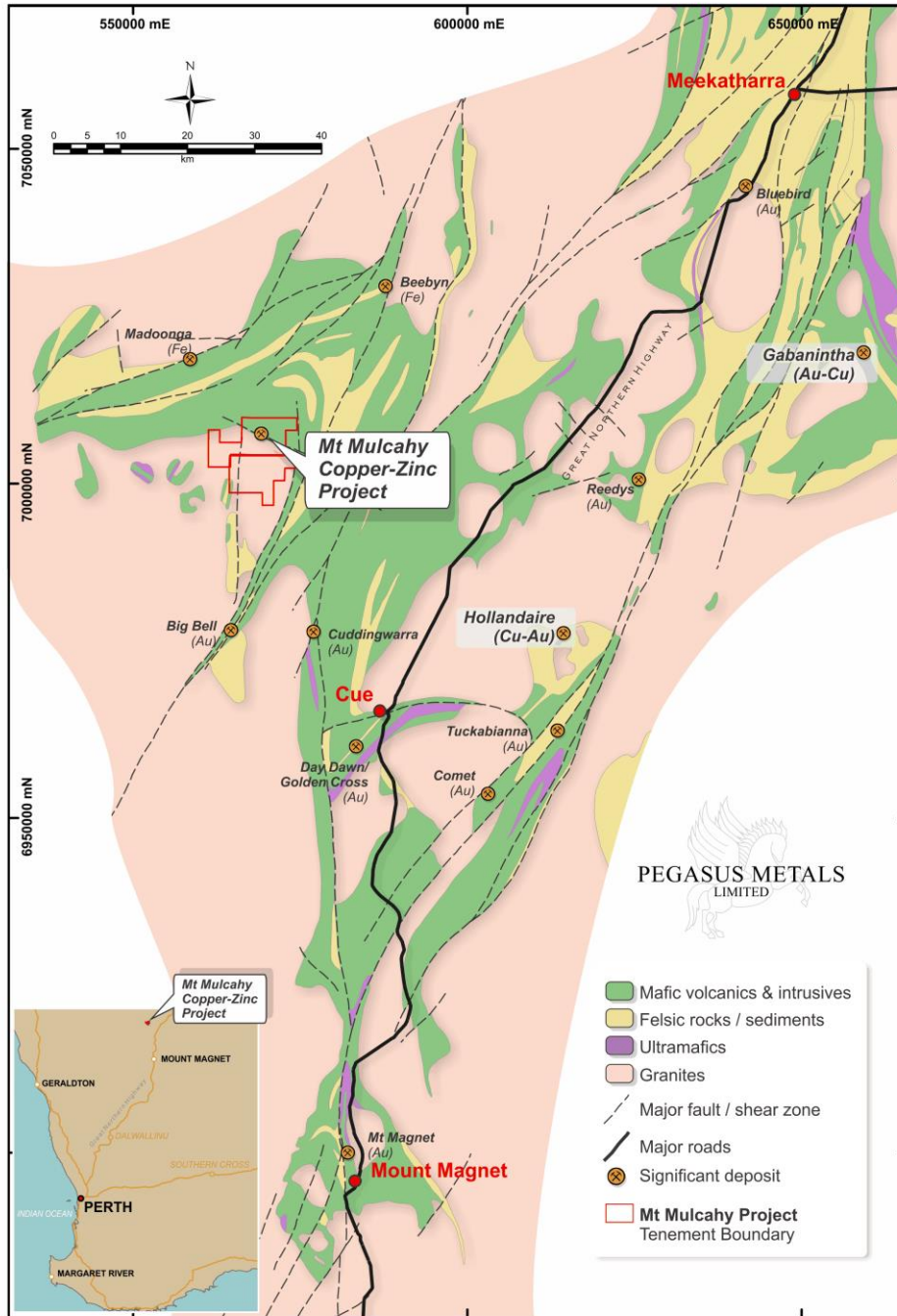


Figure 1. Project Location and Regional Geology.

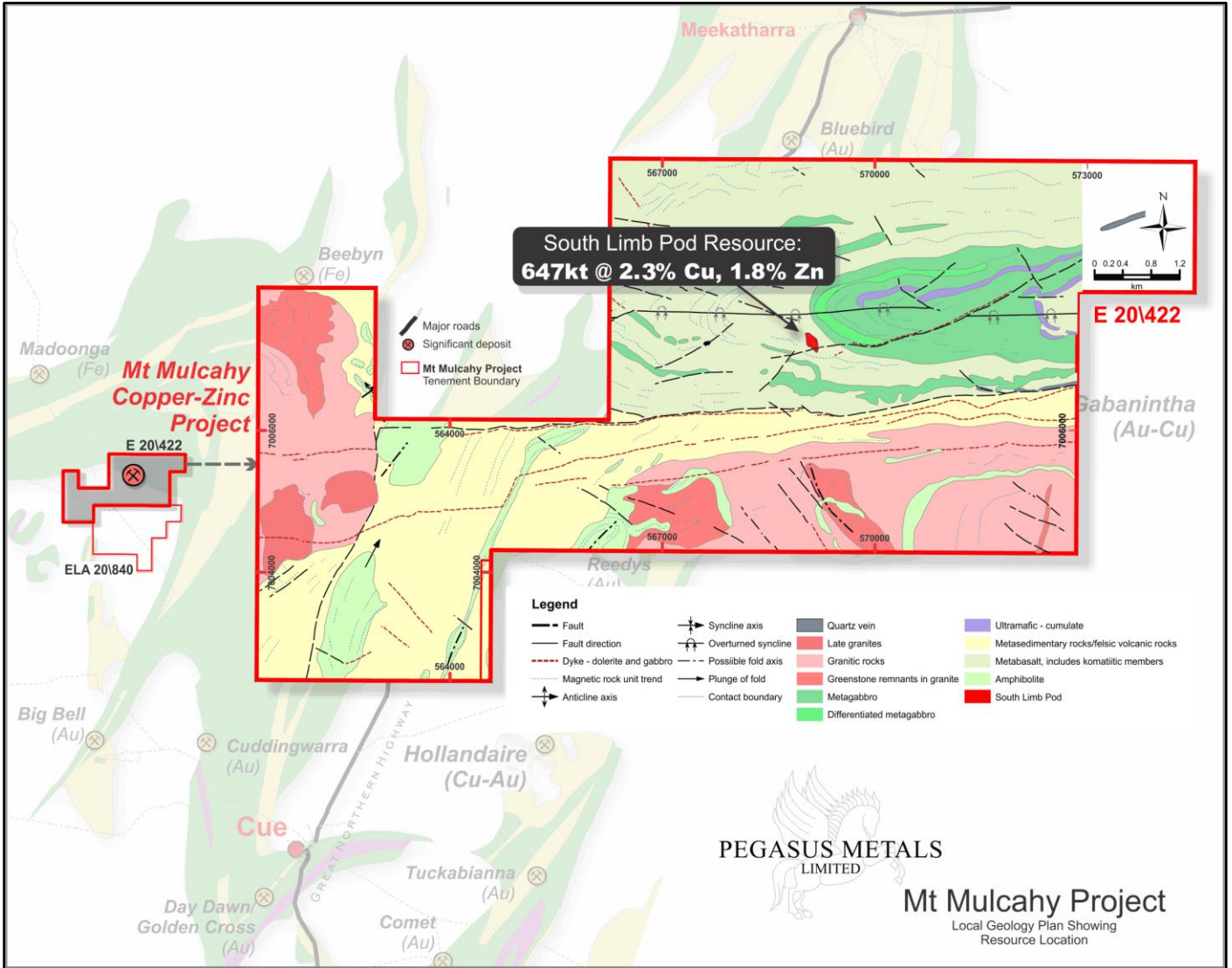


Figure 2. Local Geology and South Limb Pod Resource Location.

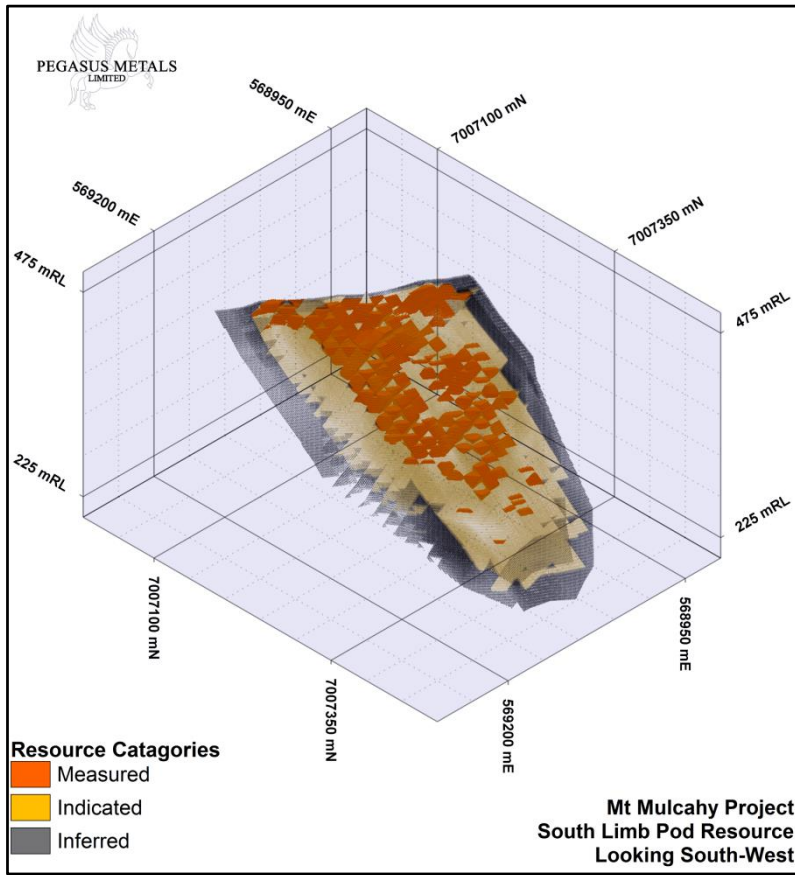


Figure 3. South Limb Pod Resource by confidence category, looking southwest.

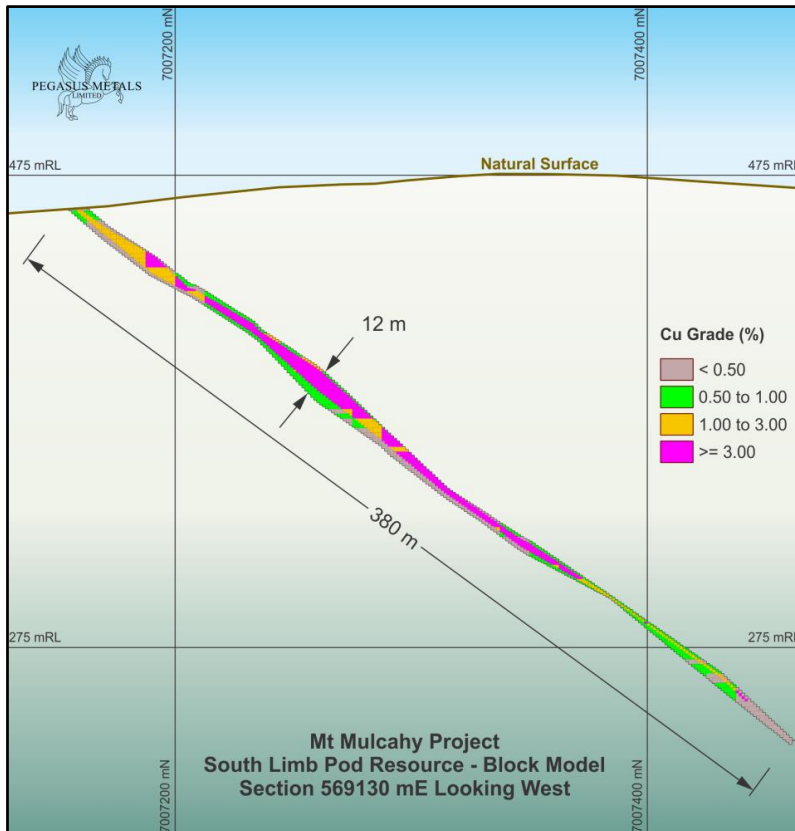


Figure 4. South Limb Pod Resource: block model by copper grade. Cross section 569130mE, looking west.



For further information contact:

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Non-Executive Director

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Compliance Statements

³Information in this announcement that relates to Exploration Results and estimates of Mineral Resources is extracted from the announcement entitled "Maiden Copper - Zinc Resource at Mt Mulcahy" announced to the ASX on 25th September 2014 and is available on the Company website www.pegasusmetals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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.

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***

TENEMENT No.	LOCATION	STATUS	INTEREST %	HOLDER
EL04/1441	WA	Granted	100	Kimminco Pty Ltd ¹
EL04/2267	WA	Granted	100	Kimminco Pty Ltd ¹
EL20/422	WA	Granted	100	Black Raven Mining Pty Ltd ²

Note 1. - 100% beneficial interest earned in the tenement, subject to Kimminco's retained alluvial and eluvial gold and diamond mineralisation. The Group is currently in discussions with Kimminco Pty Ltd in relation to the status of ownership.

Note 2. - The Group 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 the Group is pending with the remaining step being submission of duty-stamped Tenement Sale Agreement to the DMP.

➤ ***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

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 September 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(12)	(12)
(b) development	-	-
(c) production	-	-
(d) administration	(20)	(20)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other - GST paid to be recouped	(3)	(3)
Net operating cash flows	(35)	(35)
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	14	14
1.10 Loans from other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	14	14
1.13 Total operating and investing cash flows (carried forward)	(21)	(21)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(21)	(21)
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	20	20
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
Net financing cash flows		20	20
Net increase (decrease) in cash held		(1)	(161)
1.20	Cash at beginning of quarter/year to date	12	12
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	11	11

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

+ See chapter 19 for defined terms.

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	1,000	208
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	1	2
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)	11	12

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

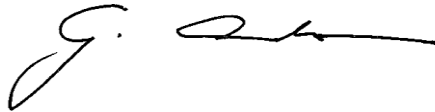
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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 (description)				
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 (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	2,000,000 8,000,000		Exercise price \$0.15 \$0.35	Expiry date 11 October 2014 31 December 2015
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Lapsed during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ 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 October 2014
(Chairman/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.