



QUARTERLY ACTIVITIES REPORT FOR QUARTER ENDING 31 DECEMBER 2016

ASX Announcement
31 January 2017

Shares on Issue
116,174,519

Current Share Price
A\$0.06

Market Capitalisation
A\$6.97m

Board of Directors
Mr Michael Fotios
*Non-Executive
Director*

Mr Alan Still
*Non-Executive
Director*

Mr Neil Porter
*Non-Executive
Director*

Contact Details
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Balcatta WA 6021
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Projects
Mt Mulcahy: Cu Zn Ag

HIGHLIGHTS

- **Planned extensional drilling of Mt Mulcahy South Limb Pod to commence in March Quarter 2017**
- **Board continues to review both regional and other project opportunities**

Pegasus Metals Limited (ASX: PUN) provides the following report on its activities during the December 2016 quarter.

MT MULCAHY COPPER PROJECT, Murchison, WA

Geology Discussion:

The Mt Mulcahy project hosts the Mount Mulcahy copper-zinc deposit, volcanic-hosted massive sulphide (VMS) zone of mineralisation, with a JORC 2012 Measured, Indicated and Inferred Resource of 647,000 tonnes @ 2.4% copper, 1.8% zinc, and 20g/t Ag (refer ASX release 25 September 2014) at the 'South Limb Pod' (SLP).

The horizon hosting this mineralisation can be traced for a distance of at least 12 kilometres along strike and excellent potential exists for additional mineralisation to be discovered along this prospective horizon.

Geology Activities:

Proposed drilling announced in the previous quarterly was not completed, due to the unavailability of some drill equipment and suitably experienced drillers. This drilling is now expected to commence during the March 2017 quarter.

Planning drilling comprises down-plunge extensional holes to the current resource, to better understand mineralising controls, and apply them to additional targets (refer Figures 1, 2 and 3).

Programme of Works approval is in place, and the programme consists of 3 holes for a total advance of around 800m, with each hole consisting of an RC pre-collar, and approximately 60m diamond tails.

Downhole TEM acquisition, processing and interpretation is also planned at the conclusion of the drilling programme.

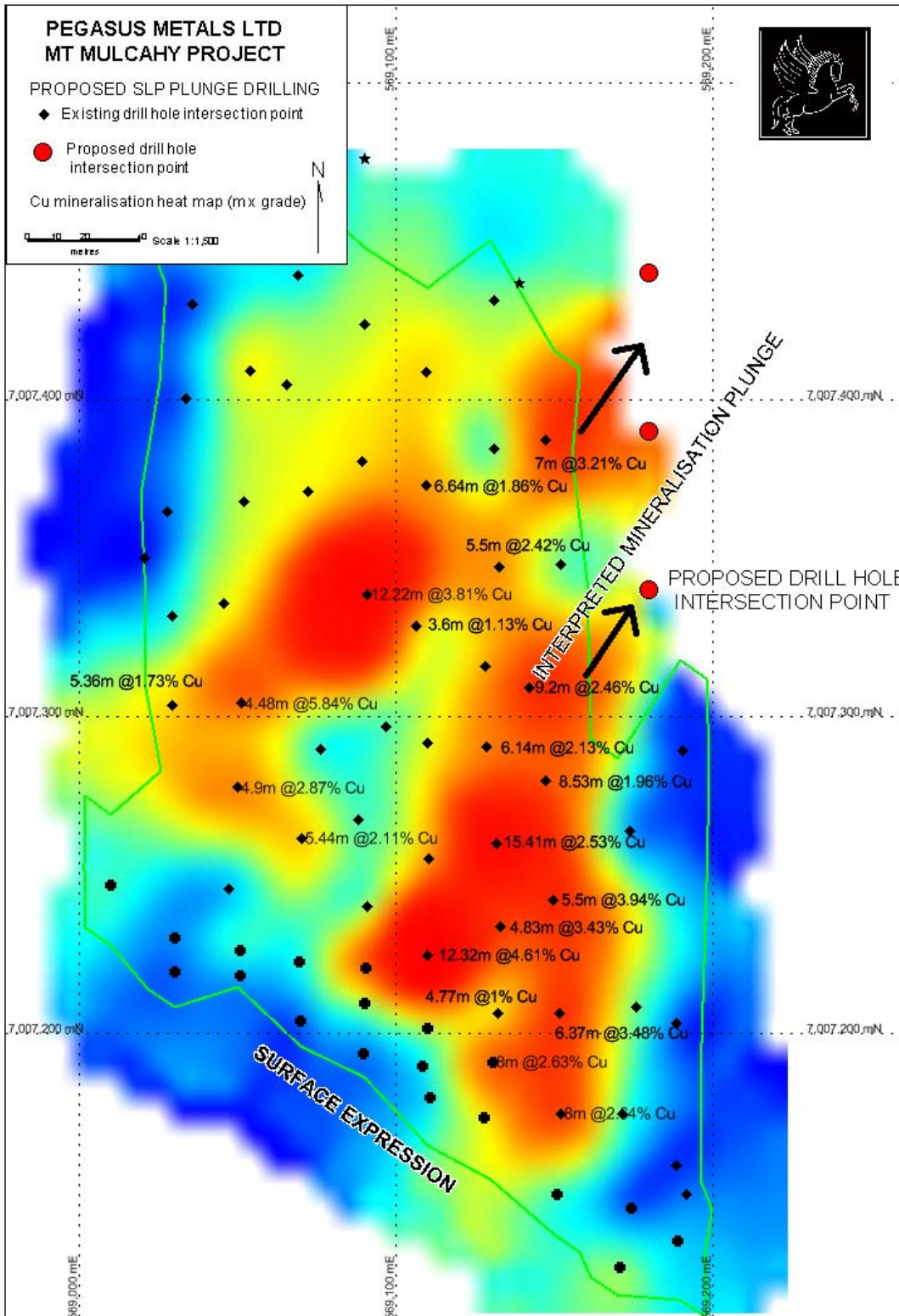


Figure 1: Plan of proposed SLP down plunge drilling.

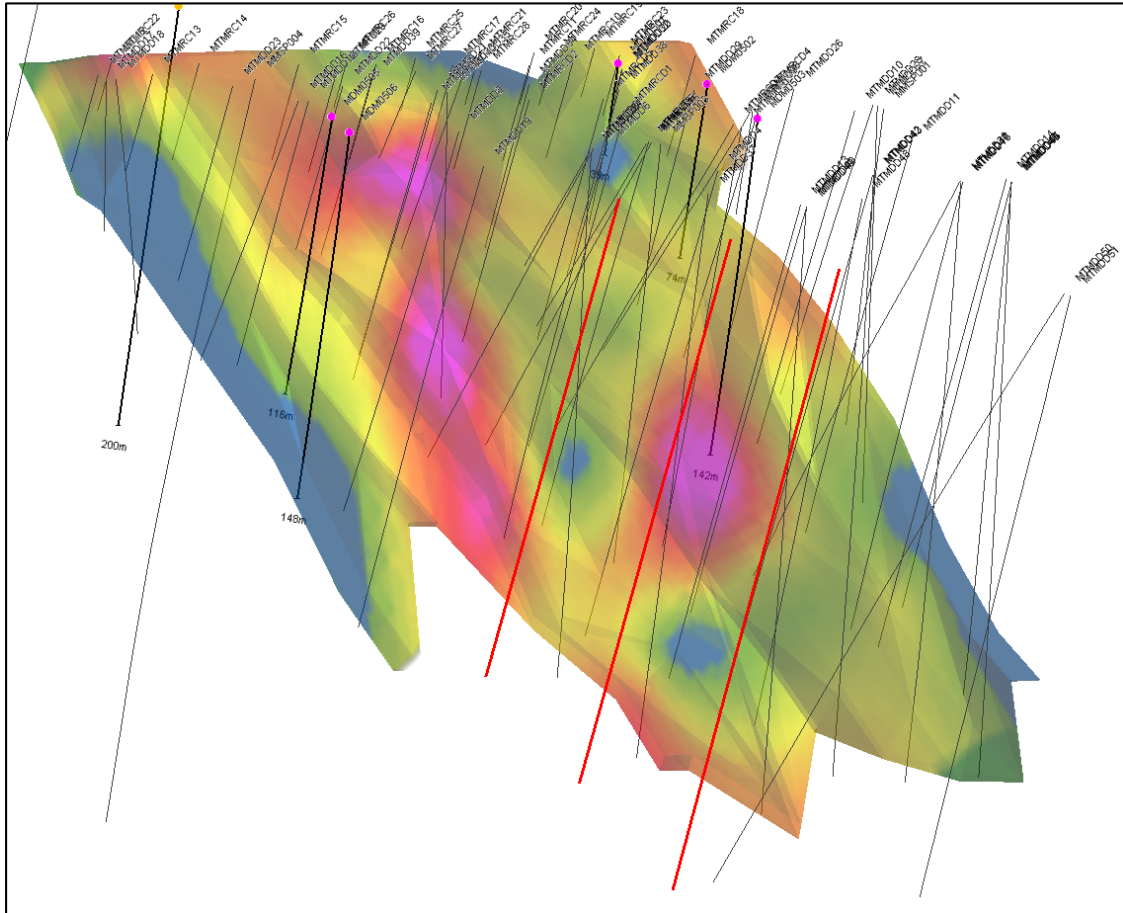


Figure 2: Oblique section of proposed SLP down plunge drilling (red traces), viewed from North East. Previous drilling defining the current resource denoted by grey or black traces.

NEW OPPORTUNITIES

During the December 2016 quarter, Pegasus Metals continued to look for growth opportunities that would benefit shareholders, including potential company mergers and advanced exploration or mining project acquisitions, with a particular focus on copper and other base metals.

The Company also commenced a programme of conceptual targeting of greenfields exploration opportunities within Australia.

Projects located in the Murchison district, that further support the development of the Company’s Mt Mulcahy Project, are a particular focus of the Board in its ongoing assessment of new opportunities.

CORPORATE

Non-Executive Director Mr Neil Porter resigned as a Director of the Company on 29 November 2016, however the personal circumstances that lead to his resignation have changed and he has agreed to be reappointed as a Director. Mr Porter was subsequently re-appointed on 13 January 2017.

On 29 November 2016, the Company held its Annual General Meeting. Resolution 2 was withdrawn prior to the meeting as Mr Porter had tendered his resignation, but all other resolutions were passed unanimously on a show of hands.

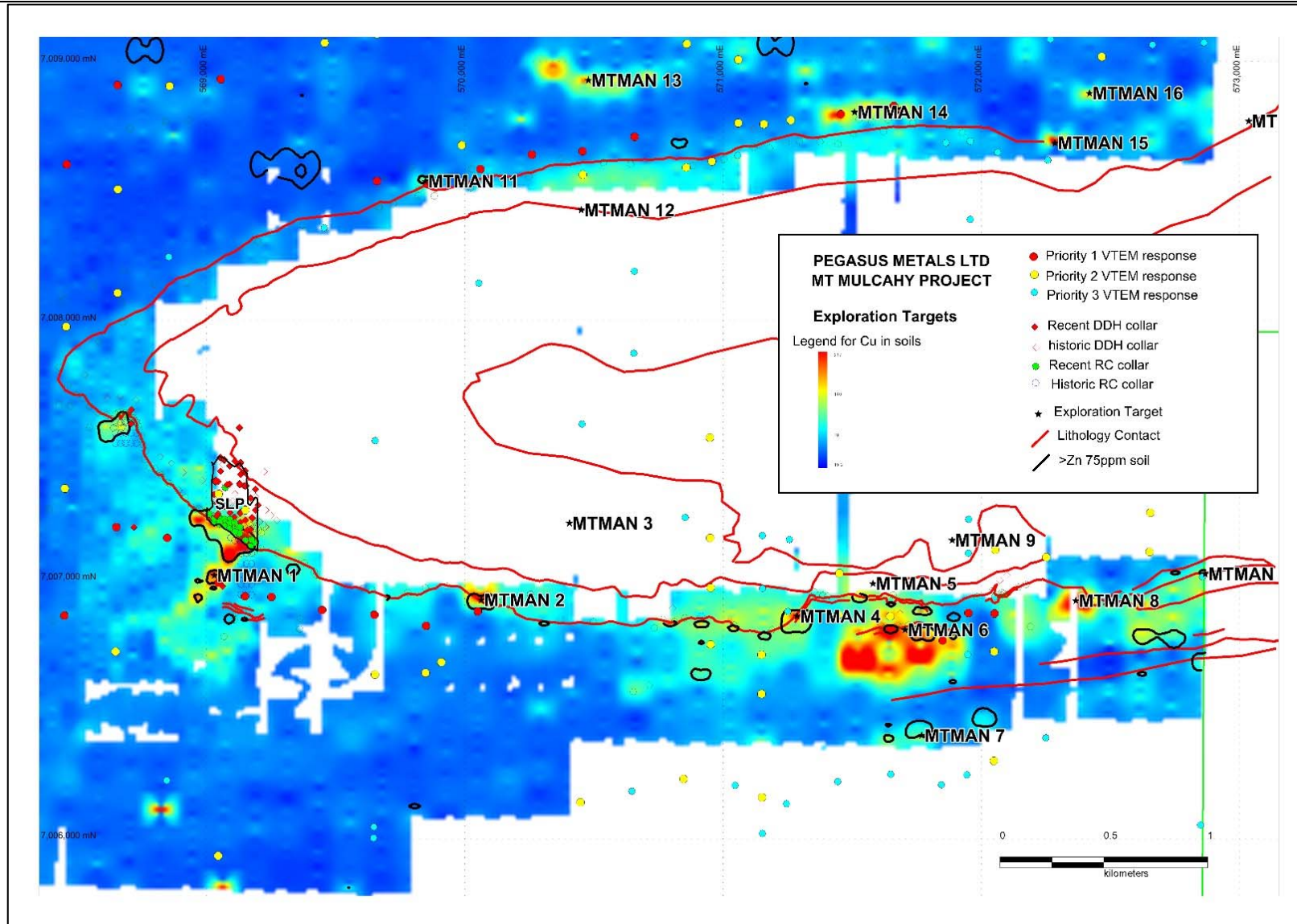


Figure 3: Mt Mulcahy priority exploration areas (MTMAN designation), in relation to South Limb Pod (SLP), shown with soil geochemistry, VTEM anomalies, and lithology contacts.



For further information contact:

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Non-Executive Director

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Mt Mulcahy South Limb Pod Mineral Resource Estimate as at 30th June 2016											
Resource Category	Grade						Contained Metal				
	Tonnes	Cu (%)	Zn (%)	Co (%)	Ag (g/t)	Au (g/t)	Cu (t)	Zn (t)	Co (t)	Ag (oz)	Au (oz)
Measured	193,000	3.0	2.3	0.1	25	0.3	5,800	4,400	220	157,000	2,000
Indicated	372,000	2.2	1.7	0.1	19	0.2	8,200	6,300	330	223,000	2,000
Inferred	82,000	1.5	1.3	0.1	13	0.2	1,200	1,100	60	35,000	
TOTAL	647,000	2.4	1.8	0.1	20	0.2	15,200	11,800	610	415,000	4,000



Competent Persons Statements

Information in this announcement that relates to the Mt Mulcahy Mineral Resource estimations has been compiled by Rob Spiers, who was an employee of geological consultants H&S Consultants Pty Ltd at the time of resource reporting and a Member of The Australian 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'. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement. All material assumptions and technical parameters underpinning the Mineral Resource estimates continue to apply and have not materially changed.

Information in this announcement that relates to Exploration Results has been compiled by Michael Fotios who is a consultant geologist, director of Pegasus Metals Limited and a member of the Australian 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 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Exploration Results were released to ASX on 17 September 2012, 15 November 2012, 24 January 2013, 11 April 2013, 1 May 2013, 15 May 2013, 5 June 2013 and 30 August 2013. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement. Mr Fotios consents to the inclusion of the information in this announcement 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 estimate.



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
E20/422	WA	Granted	100	Black Raven Mining Pty Ltd
E20/840	WA	Granted	100	Pegasus Metals Ltd

The Group holds a 100% interest in the E20/422 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 and transfer form 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***

Nil

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

Nil

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Pegasus Metals Limited

ABN

40 115 535 030

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(45)	(46)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(45)	(46)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	50	51
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	50	51

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2	2
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(45)	(46)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	50	51
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of period	7	7

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	7	2
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7	2

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	-
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

N/A

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1000	27
8.2 Credit standby arrangements	50	50
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

1- A loan facility of up to \$1M exists between the Michael Fotios Family Trust and Pegasus Metals Limited.

2 - During the quarter a \$50,000 loan was advanced to Pegasus Metals Limited by Investmet Ltd

3 - The Company is in the process of establishing a loan facility of \$1m with Investmet Ltd for funding of working capital.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	25
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	50
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	75

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	Nil			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	Nil			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



31 January 2017

Sign here:

Date:

(Director/~~Company secretary~~)

Michael Fotios

Print name:

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.