



QUARTERLY REPORT FOR QUARTER ENDING 31 December 2014

ASX Announcement
31 January 2015

Shares on Issue
123,074,519

Current Share Price
A\$0.006

Market Capitalisation
A\$738,447

Board of Directors

Mr Michael Fotios
*Non-Executive
Director*

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

Mr Alan Still
*Non-Executive
Director*

Contact Details

24 Mumford Place
Balcatta WA 6021
Ph: 08 6241 1888

Projects

Mt Mulcahy: Cu Zn Ag
McLarty Range: Cu

HIGHLIGHTS

- Detailed planning of adjacent targets undertaken following announcement of Pegasus Metals' maiden copper - zinc resource announced at South Limb Pod, Mt Mulcahy Project, Murchison WA in September 2014.
- Evaluation of projects in the Murchison region complementary to Mt Mulcahy underway
- Prospective horizon hosting the South Limb Pod Resource strikes approximately 10km and remains largely untested by systematic exploration.

MT MULCAHY COPPER PROJECT, Murchison, WA

During the December 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 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.



In addition, project opportunities in the Murchison region complementary to Mt Mulcahy are being researched and evaluated based on the knowledge gained from drilling the South Limb pod and other targets.

McLARTY RANGE COPPER PROJECT, West Kimberley, WA

No field activities were completed during the quarter.

After ongoing correspondence (as previously announced) relating to the ownership status of the McLarty Range project, on 29 January 2015 the legal representatives for the Company's joint venture partner at McLarty Range, Kimminco Pty Ltd, wrote to the Company alleging deficiencies in the amount of farmin expenditure incurred by the Company in order to earn its interest in the McLarty Range project and seeking immediate restoration of project ownership to Kimminco Pty Ltd for no consideration. The Company disputes the allegations and has sought a meeting with the directors of Kimminco Pty Ltd to confirm the expenditures incurred and to seek a resolution of the dispute in order to facilitate an exit for the Company from the McLarty Range project on mutually acceptable terms.

Whilst the company considers the McLarty project prospective, due to the cost of future exploration and priority being given to the more advanced Mt Mulcahy project, significant future short term expenditure at McLarty by Pegasus is unlikely.

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 Jason Boladeras resigned as Non-Executive Director on 27 January 2015. The Board wish to thank Mr Boladeras for his service to the Company and wish him well for the future. Mr Alan Still a metallurgist with over 40 years' experience in a number of commodities was appointed as non-Executive Director on 27 January 2015.

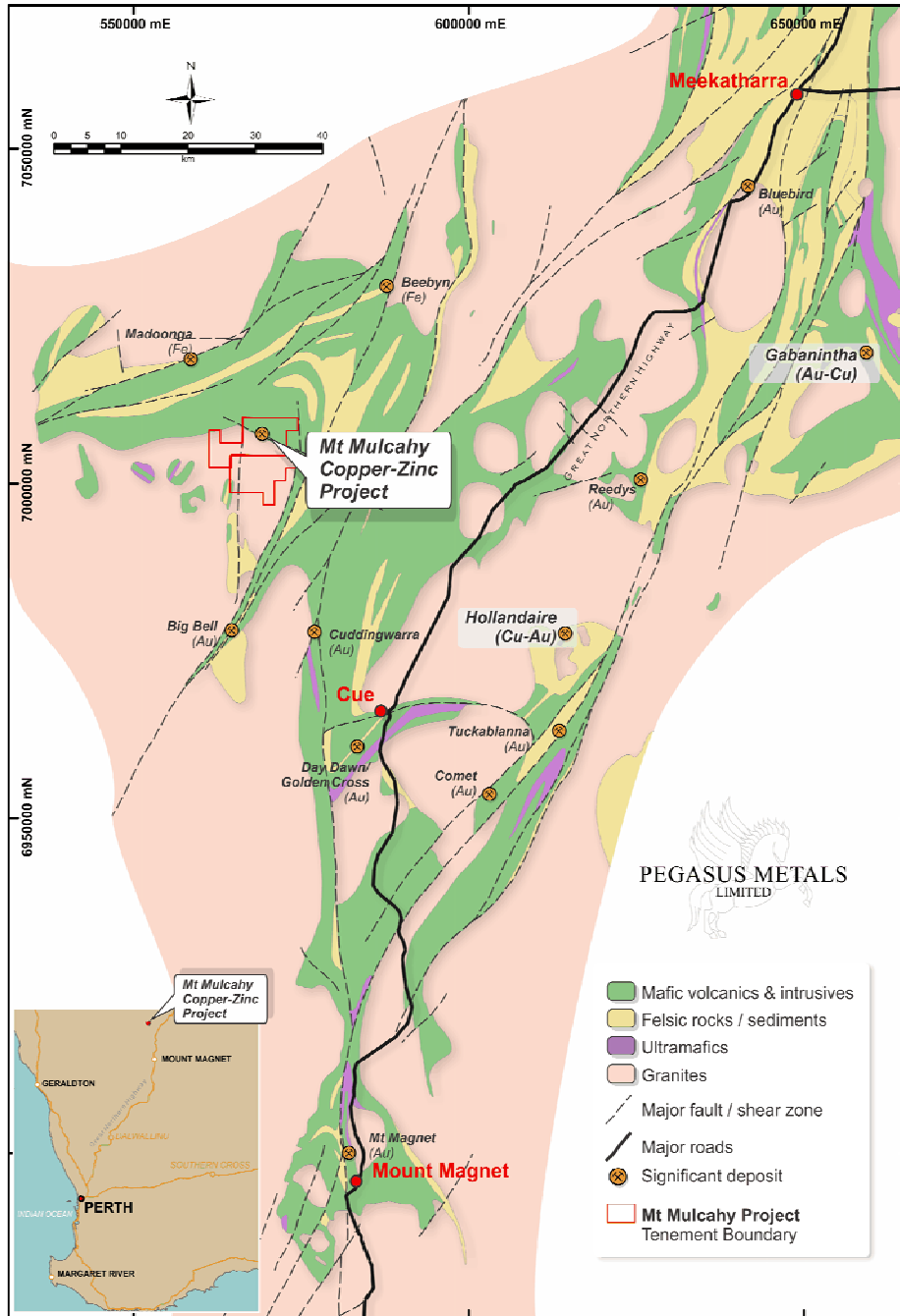


Figure 1. Project Location and Regional Geology.

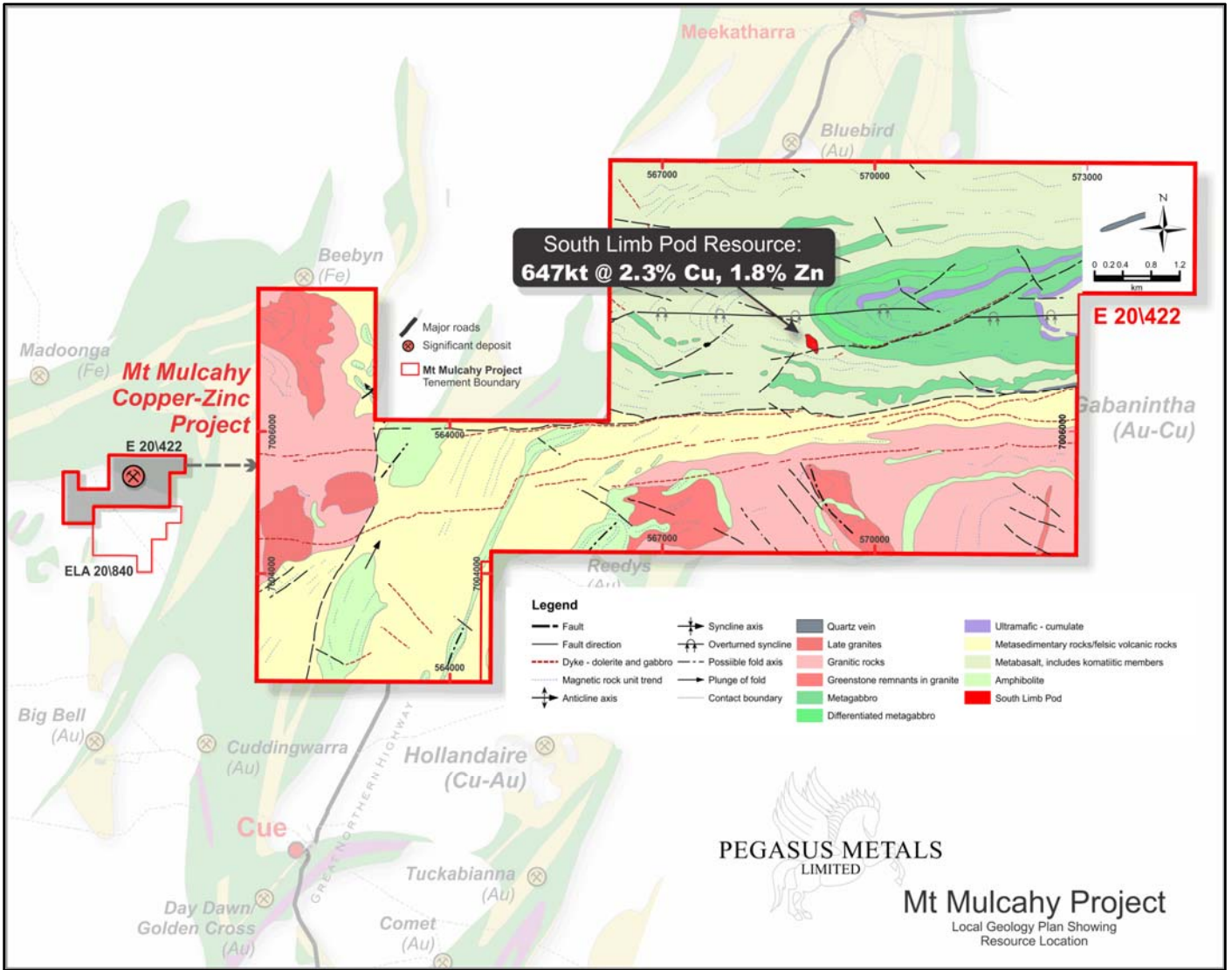


Figure 2. Local Geology and South Limb Pod Resource Location.



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")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1)	(13)
(b) development	-	-
(c) production	-	-
(d) administration	(20)	(40)
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	(8)	(11)
Net operating cash flows	(29)	(64)
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
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
1.13 Total operating and investing cash flows (carried forward)	(29)	(50)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(29)	(50)
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	25	45
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
Net financing cash flows		25	45
Net increase (decrease) in cash held		(4)	(5)
1.20	Cash at beginning of quarter/year to date	11	12
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	7	7

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	1,000	208
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	75
4.2 Development	-
4.3 Production	-
4.4 Administration	25
Total	100

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	(3)	1
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)	7	11

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

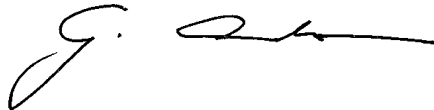
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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>	8,000,000		<i>Exercise price</i> \$0.35	<i>Expiry date</i> 31 December 2015
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Lapsed during quarter	2,000,000		\$0.15	11 October 2014
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: 30 January 2015
(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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