



PEGASUS METALS LIMITED

ASX/MEDIA RELEASE

29 July 2011

ASX: PUN

QUARTERLY REPORT TO 30 June 2011

HIGHLIGHTS

- **McLarty drill programme preparation and logistics completed with commencement of field work in July and diamond drilling to commence during August.**
 - **Smoking Ceremony conducted by Traditional Owners on site as part of a Welcome to Country for the field personnel.**
 - **POW lodged and approved for follow up drilling programme at Carson 9 prospect targeted at previous diamond drilling that intersected significant copper intercepts in fault related breccia style sulphide mineralization including:**
12.8 metres @ 1.66% Cu from about 122 metres down hole depth
 - **Carson 9 site preparation and rig mobilisation planned for September quarter**
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McLARTY RANGE COPPER PROJECT, West Kimberley (PUN option to earn 100%)

Located some 250 km northeast of Broome, within the West Kimberley region, the McLarty Range Copper Project covers a portion of the folded Proterozoic-aged Kimberley Basin. Of particular interest to Pegasus is a prospective copper-bearing, meta-sedimentary horizon that has been identified and sampled by previous explorers. While selected rock chip samples have returned high copper grades (up to 18% copper) the area has remained untested by drilling.

Prior to commencement of ground activities the entire field personnel planning to work on site at McLarty participated in a "Smoking Ceremony" conducted by the Traditional Owners as part of a welcome to country. The ceremony was completed in a day on site at McLarty and further

strengthened the close relationship being built with the Traditional Owners. In addition three members of the Traditional Owners will be employed either by Pegasus or the drilling contractor during the course of the field programme

Activities focussed on logistic preparation for the low impact heli-drilling programmes which were largely completed during the quarter prior to the planned commencement of field activities during July with diamond drilling to commence during August. In addition a field crew stayed behind at McLarty after the Smoking Ceremony and completed surveying of the proposed drill sites along with detailed mapping and sampling of copper gossan outcrop. Assays are awaited.

EAST KIMBERLEY COPPER PROJECT, East Kimberley (PUN 100%)

Pegasus has identified a significant area of the eastern part of the Proterozoic Kimberley Basin containing the equivalent stratigraphy to that found at McLarty Range and thought to be highly prospective for similar styles copper mineralisation. Exploration Licence Applications have been made for an area of 12,950 km² that covers the stratigraphic equivalent of the copper mineralised rock units with a minimum strike extent of 800 km. Exploration completed at McLarty Range this year has confirmed the geologic model for copper mineralisation and highlighted that there could be repetitions of the mineralisation styles seen at McLarty Range in other parts of the Proterozoic Kimberley Basin.

Pegasus announced on the 18th February the acquisition of a granted exploration licence (E80/4377) from Duketon Consolidated Pty Ltd (“Duketon”) that is contiguous with the large (12,950 km²) ground acquisition program in the East Kimberley announced on 25 November 2010. A Programme of Work (“POW”) was lodged with DME for a drilling programme to follow up significant copper mineralisation intersected in drilling by previous explorers. The POW has been approved and planning is underway to re-establish access to the Carson 9 prospect and mobilise a drill rig to site during the September quarter.

STURT PALAEOCHANNEL & McCLINTOCK RANGE AREAS, East Kimberley

No field activities were conducted during the quarter. A review of all available exploration data is being undertaken prior to a decision on future programs.

NEW OPPORTUNITIES

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

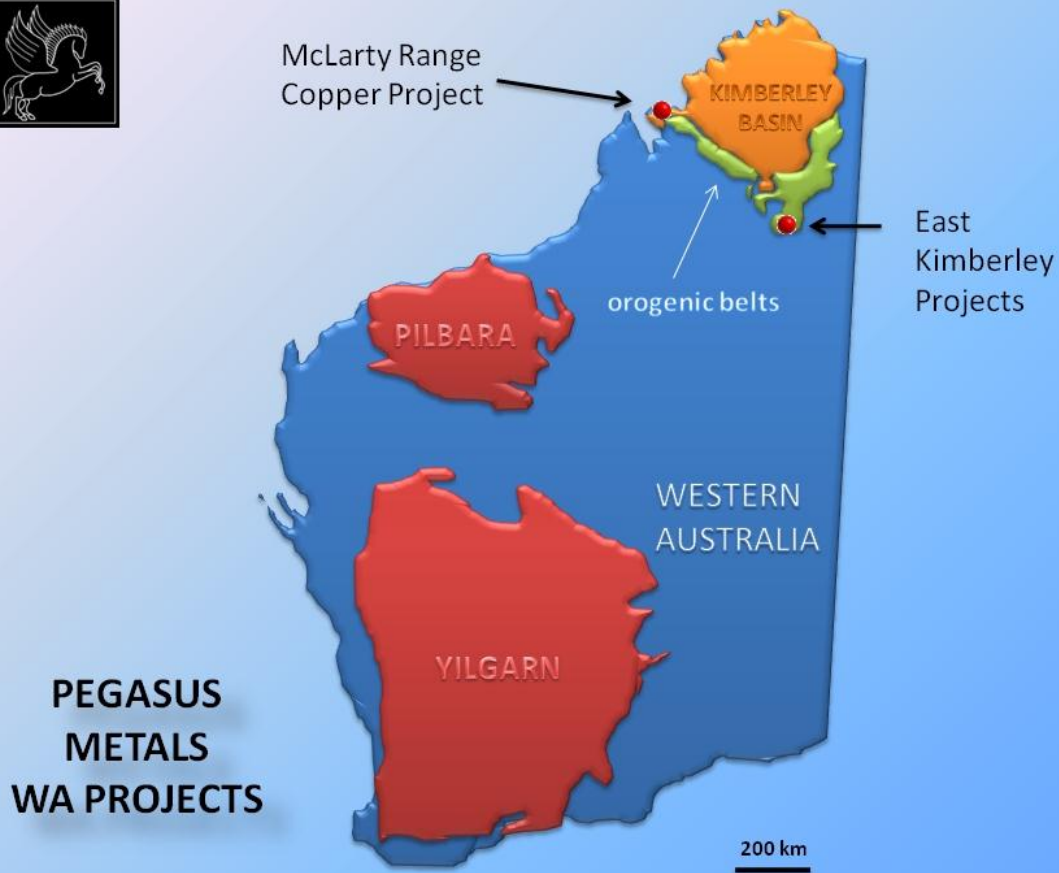
Pegasus Metals Limited is a metals explorer, based in Western Australia.

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The information in this report that relates to Exploration Potential and Results is based on information compiled by Mr Michael Fotios, who is a consulting geologist for, and Director of, Pegasus Metals Ltd, 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 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Fotios consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.