



PEGASUS METALS LIMITED

ASX/MEDIA RELEASE

30 April 2012

ASX: PUN

QUARTERLY REPORT TO 31 MARCH 2012

HIGHLIGHTS

- Preparations are well advanced to recommence diamond drilling at the McLarty Range project area during the June quarter.
 - Diamond Drilling will target the Bower Bird, Copper Cliff and Sipa prospects at McLarty Range.
 - Preparations are also advanced to recommence detailed reconnaissance work within the east Kimberley during the June quarter. This will include extensive field reconnaissance, mapping, rock chip and sediment sampling.
 - Drill testing of the Carson No9 prospect within the Durack Range project is planned to commence once access is possible after the wet season ends.
-

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. Recent drilling has confirmed the prospective nature of the copper-bearing, meta-sedimentary horizons which have extensive exposure in the project area. Significant intersections at the Bower Bird Prospect include 7m at 1.02 per cent copper, 10.9m at 0.31 per cent copper, 16m at 0.23 per cent copper and 24m at 0.25 per cent copper. Numerous other targets within the Main Syncline area at the McLarty Range Project area remain untested by drilling.

Drilling utilising the heli portable diamond drill rig is planned to recommence during the June quarter, beginning at the Copper Cliff/Sipa prospects and including follow up holes at the Bower Bird prospect.

The drill hole program is part of a program designed to test and confirm the structural and stratigraphic interpretations at numerous targets within the greater McLarty Project area.

Additional assay results for the last third of sampling completed in MCBDD003 did not return any significant results.

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 lodged in November 2010 for an area of 12,950 km² cover the stratigraphic equivalent of the copper mineralised rock units with a minimum strike extent of 800 km. Thirteen of the Exploration Licence Applications were granted during August 2011 and exploration programmes are being designed for the current field season.

A significant field reconnaissance exercise will commence during the coming quarter, within the East Kimberley project areas. This includes the Gibb River, Tablelands, O'Donnell Syncline and Durack Range Project areas. Activities will include rock chip sampling, mapping and stream sediment sampling.

Drilling will also be undertaken during the coming dry season at the Carson No 9 copper prospect.

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.

For further information contact:

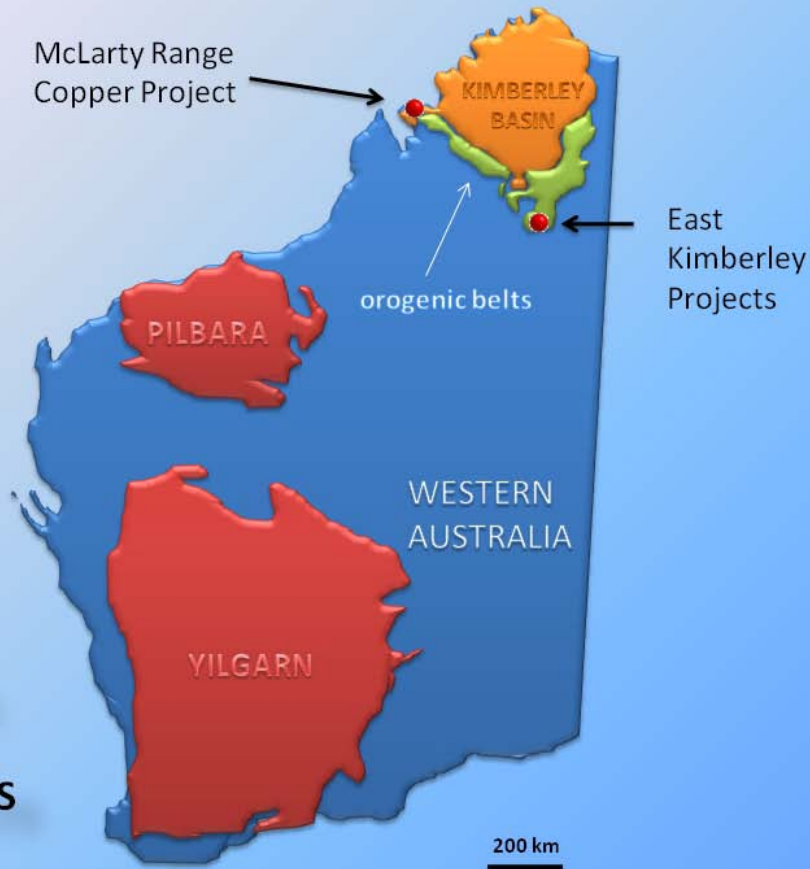
Michael Fotios
Director

Stephen Mann
Chairman

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WA PROJECTS**



The information in this report that relates to Exploration Potential and Results is based on information compiled by Mr Timothy Orme, who is a consultant geologist and a Member of the Australian Institute of Mining and Metallurgy. The information in this report relating to exploration targets should not be misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature since there has been insufficient work completed to define the prospects as anything beyond exploration target. It is uncertain if further exploration will result in the determination of a Mineral Resource. Mr Orme 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 Orme consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 March 2012

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration and evaluation | (566) | (2,173) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (63) | (484) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | - | 16 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (GST paid to be recouped) | 87 | (12) |
| Net operating cash flows | (542) | (2,653) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | (13) |
| 1.9 Proceeds from sale of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.10 Loans to other entities | 512 | 512 |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | 512 | 499 |
| 1.13 Total operating and investing cash flows (carried forward) | (30) | (2,154) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|--------------|----------------|
| 1.13 | Total operating and investing cash flows (brought forward) | (30) | (2,154) |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 1,378 | 1,378 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other – capital raising costs | (6) | (37) |
| Net financing cash flows | | 1,372 | 1,341 |
| Net increase (decrease) in cash held | | 1,342 | (813) |
| 1.20 | Cash at beginning of quarter/year to date | 62 | 2,217 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 1,404 | 1,404 |

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 | 38 |
| 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 | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 500 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 50 |
| Total | 550 |

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 | 1,394 | 52 |
| 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) | 1,404 | 62 |

Changes in interests in mining tenements

| | Tenement reference | 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.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

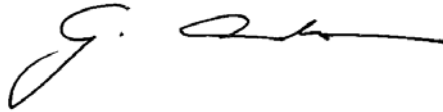
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | 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 | 95,776,555 | 95,776,555 | | Fully Paid |
| 7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs | 536,216 | 536,216 | | Fully Paid |
| 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> | 2,425,946 1,000,000 1,000,000 6,000,000 2,000,000 2,000,000 | | <i>Exercise price</i> \$0.15 \$0.10 \$0.15 \$0.45 \$0.10 \$0.15 | <i>Expiry date</i> 9 February 2013 10 June 2012 10 December 2013 16 June 2014 11 April 2013 11 October 2014 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | 536,216 | | | 9 February 2013 |
| 7.10 Relinquished during quarter | | | | |
| 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 April 2012
(Director/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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