



PEGASUS METALS LIMITED

ASX ANNOUNCEMENT

19 July 2012

ASX: PUN

Pegasus boosts WA copper portfolio with acquisition of advanced VMS Project

Secures Murchison VMS copper project providing immediate drill targets

HIGHLIGHTS

- **Acquisition of advanced Mt Mulcahy VMS Copper Project opens up a significant new exploration opportunity for Pegasus.**
- **Historic diamond drilling by the vendor intersected 6.80m @ 4.86% Cu and 3.67% Zn (true thickness) from 112.20m.**
- **Numerous drill targets identified by geophysics including VTEM surveys.**
- **Diamond drilling program by the vendor has commenced to further test existing mineralisation and VTEM targets – Pegasus to inherit this drilling program following settlement.**

Pegasus Metals Limited (ASX: PUN) is pleased to announce it has reached agreement to acquire the **Mt Mulcahy VMS Copper Project**, located 50km north of Cue in the Murchison Region of Western Australia, adding further depth to its WA copper exploration portfolio with an advanced exploration project offering immediate drill targets.

Pegasus will acquire a 100% interest in the tenements which comprise the Mt Mulcahy Project, EL 20/422 and ELA 20/764, from private company Black Raven Mining Pty Ltd (BRM). The acquisition will proceed to completion now that Pegasus has completed due diligence including satisfaction of the accuracy of all technical data.

The Mt Mulcahy Project, which is located in the Murchison Mineral Field, lies in a similar geological setting to the world-class Golden Grove VMS deposits and the recent Hollandaire copper discovery announced by Silver Lake Resources at its Murchison Project.

The acquisition of the Project complements the Company's existing McLarty Range Copper Project in the Kimberley Region of WA, providing an exciting advanced exploration opportunity for VMS-style mineralisation in a different geological region and setting.

Mt Mulcahy is a historic copper show from which 49.24 tonnes of cupreous ore at an average grade of 7.19% Cu was mined between 1954 and 1965 from two shallow shafts sunk on limonitic gossans in metasedimentary rocks and tuffs within a metabasaltic sequence.

BRM acquired the Project in 1999 and commenced active exploration in 2007. Since then, a magnetic/radiometric survey has been flown over EL20/422 and a VTEM survey over the Mt Mulcahy area in 2011.

BRM also drilled six diamond holes into one of two identified pods of base metal mineralisation (the South Limb Pod or SLP), returning a significant intersection of **6.80m true thickness of massive sulphide from 112.20m @ 4.86% Cu and 3.67% Zn** (hole MDM503).

The Project area covers Archaean granite-greenstone terrain masked by superficial sediments in all but the north-eastern quadrant where greenstone is exposed in an east-plunging syncline as a series of low ridges. This greenstone assemblage is known as the Mt Mulcahy greenstone.

At Mt Mulcahy mapping has shown that the core of the syncline is composed of a thick sequence of mafic volcanics with minor interflow sediments intruded by a layered gabbroic complex. Underlying the mafic unit is a sequence of interlayered fine grained, often carbonaceous, sediments and mafic volcanics and at least one thin gabbro intrusive.

This assemblage is terminated to the south by granitic rocks. This assemblage has been folded into an east west trending syncline. The axial of the syncline has a gentle easterly plunge, steepening to the east and a 65-70^o dip to the north.

Historic exploration including geological mapping, geophysics, RC and diamond drilling has identified significant base metal sulphide mineralisation in two pods, the South Limb Pod (SLP) massive sulphide and the West Copper Area.

Stratigraphically these pods lie at the top of the suite of interlayered mafic volcanics and interflow sediments. The exploration data indicates that the mineralisation is a deformed VHMS system of the Besshi style. The main points supporting this classification are as follows:

- The mineralisation occurs at a contact typical of one style of VHMS system and also occurs as significant geochemical anomalism within a stratigraphic zone all around the syncline;
- Host rocks are fine-grained sediments between basalt flows;
- The gangue minerals of quartz, actinolite, chlorite and phlogopite are compatible with a VHMS system;
- The alteration (silicification) extends a short distance into the hanging wall;
- The massive sulphide shows some zoning with the zinc-rich portion in the upper part of the sulphide body overlying the chalcopyrite-pyrrhotite section. This is typical of zoning in a VHMS system; and
- The edges of the mineralisation are reported to extend as layers into foliation (? bedding) along strike from the massive sulphide, indicating a possible stratiform nature prior to deformation

At the SLP, drilling has defined a lens of massive sulphide dipping parallel to the mafic sediment contact and pitching at a shallow angle to the NE. The minerals are primarily pyrrhotite, chalcopyrite

and sphalerite with minor galena, pyrite and marcasite, accompanied by 10% to 20% gangue minerals.

The mineralisation is zoned, with zinc-rich mineralisation overlying copper-rich mineralisation. Disseminated or veinlet sulphides underlie the massive sulphides, however no characteristic footwall copper stringer zone has been recognised. The overlying contact with basic volcanic rocks is sharp, although locally inclusions of up to 30% sulphides are reported to 3.5 metres above the contact.

BRM has recently commenced a diamond drilling program to further test the identified mineralisation and some of the VTEM targets at Mt Mulcahy.

Pegasus will effectively inherit this drilling program, including any results generated, following completion and settlement of the acquisition (which is subject to shareholder approval – see below).

Pegasus Metals Director Michael Fotios said the acquisition of the Mt Mulcahy Project represented an attractive opportunity to broaden its WA copper exploration activities in a region with proven historic copper potential but minimal modern exploration activity.

“The copper and zinc potential of the Murchison Mineral Field has been kept in the spotlight by the continued success of the large Golden Grove deposit located south of Mt Mulcahy in the central part of the belt,” Mr Fotios said. “This has been followed by other success stories such as Silver Lake’s Hollandaire discovery at its Murchison Project.

“Mt Mulcahy was a historic copper producer and has excellent potential as an advanced VMS exploration opportunity. Drilling is already underway by the vendor, giving us immediate exposure to potential upside from the Project, and we are very much looking forward to completing the acquisition, collating data from the Project and planning our own exploration activities.

“We intend to progress this Project in parallel with ongoing work at our McLarty Range Project in the Kimberley, with Mr Mulcahy giving us a second front for drilling activities particularly during the northern wet season in Australia,” Mr Fotios added.

Mt Mulcahy Agreement

The consideration to be paid by Pegasus is as follows:

On completion:

- (i) a cash payment of \$50,000; and
- (ii) 4,000,000 fully paid ordinary shares in the Company.

Deferred consideration:

On definition of (i) 50,000 tonnes and (i) 100,000 tonnes contained Copper metal or equivalent from the tenements classified according to the JORC code.

- (i) 4,000,000 fully paid ordinary shares in the company, and
- (ii) 7,000,000 fully paid ordinary shares in the Company.

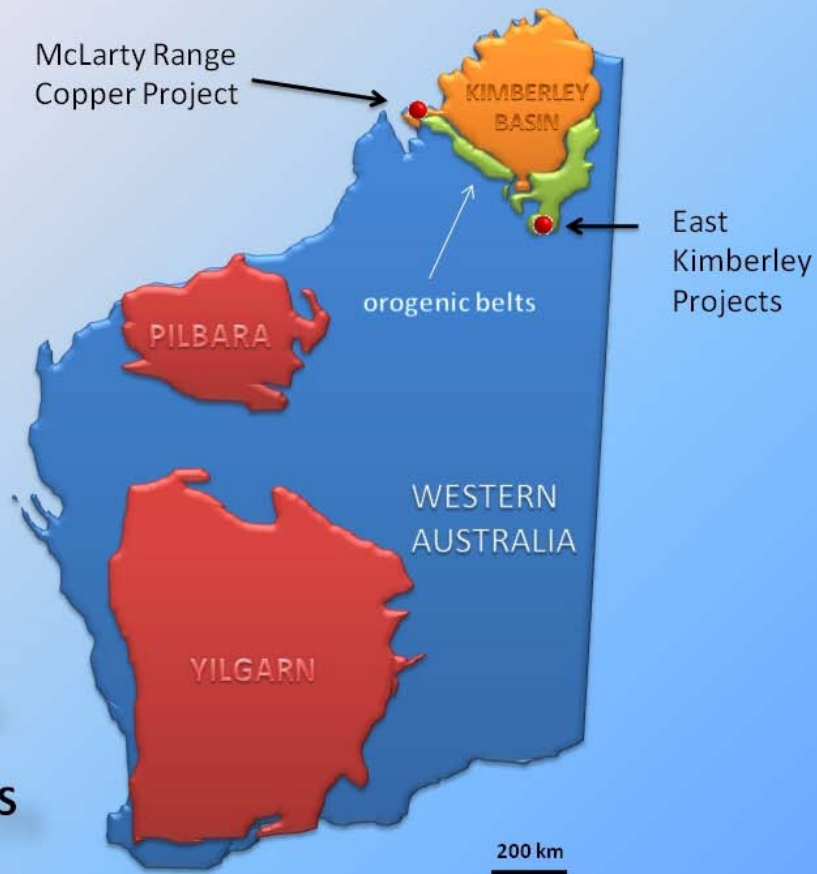
In addition Pegasus will issue to Mulgara Minerals Limited 8 million options to subscribe for fully paid shares in Pegasus exercisable at an exercise price \$0.35 in consideration for the introduction and assignment of the project as follows:

1. On completion 4,000,000 options will vest immediately.
2. On definition of (i) 50,000 tonnes and (i) 100,000 tonnes contained Copper metal or equivalent from the tenements classified according to the JORC code.
 - (i) 2,000,000 options will vest, and
 - (ii) 2,000,000 options will vest.

Completion of the above is subject to and conditional upon all necessary shareholder approvals for the issue of options to Mulgara. A shareholder meeting will shortly be called to obtain shareholder approval.



**PEGASUS
METALS
WA PROJECTS**



The information in this report that relates to Exploration Potential and Results is based on information compiled by Mr Michael Fotios, who is a consultant geologist, director of Pegasus Metals Ltd 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 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.

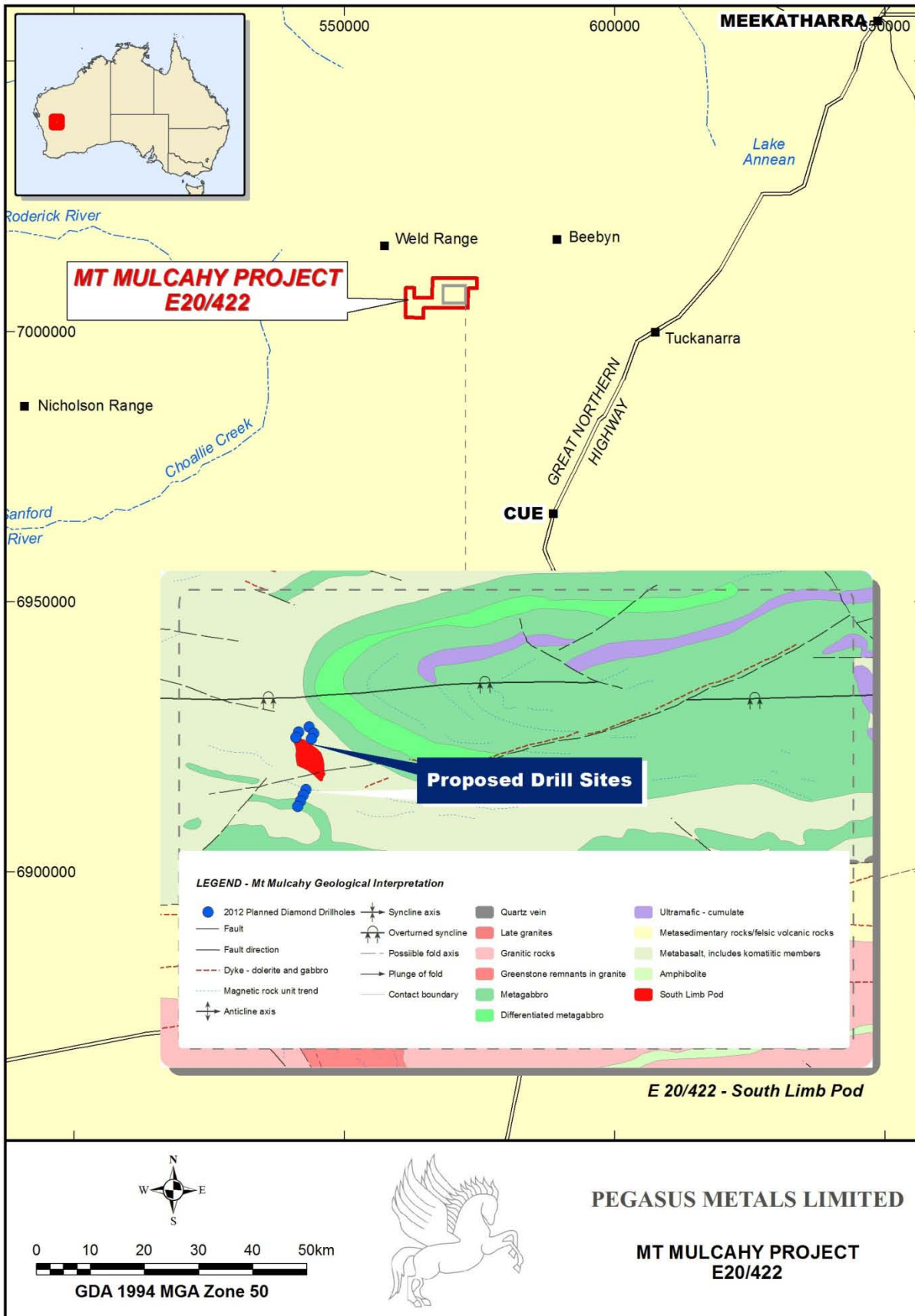
Pegasus Metals Limited is a metals explorer, based in Western Australia.

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Proposed Drill Hole Location Plan