



PEGASUS METALS LIMITED

ASX ANNOUNCEMENT

17 September 2012

ASX: PUN

Pegasus hits high-grade copper-silver-zinc massive sulphides at Mt Mulcahy Project

Ongoing diamond drilling program to focus on outlining mineralisation at South Limb Pod deposit

HIGHLIGHTS

- **Initial diamond drilling at the South Limb Pod deposit within the Mt Mulcahy Project in WA intersects high-grade copper with silver and zinc in massive sulphides**
- **Diamond drill hole MMSP004 intersected 4.30m @ 4.48% Cu, 2.88% Zn and 38.1ppm Ag (true thickness)**
- **Historic diamond drilling 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 ongoing and now focussed on delineation of South Limb Pod along strike and down plunge**

Pegasus Metals Limited (ASX: PUN) is pleased to announce it has intersected high-grade copper with zinc and silver in massive sulphides in initial drilling at the South Limb Pod ("SLP") deposit at its Mt Mulcahy Project in WA.

The results confirm that Mt Mulcahy, which is located 50km north of Cue in the Murchison Region (see Figure 1), hosts high-grade copper-rich polymetallic volcanogenic massive sulphide ("VMS") mineralisation.

Pegasus has acquired 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"), subject to shareholder approval (see ASX release dated July 19, 2012).

Mt Mulcahy 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.

Diamond drilling has been completed in 4 holes to date. MMS001 intersected the target horizon north of the mineralised shoot and returned anomalous base metal mineralisation in sediments.

MMSP004 intersected massive sulphides containing abundant chalcopyrite and sphalerite over 7m from 30m to 37m down hole.

Significant assays were received over **4.3m true thickness from 31.4m to 35.7m down hole averaging 4.48% Cu, 2.88% Zn and 38.1ppm Ag** (Figure 2). Gold assays from this interval are awaited.

Diamond drilling by BRM returned a significant intersection of **6.80m true thickness of massive sulphide from 112.20m @ 4.86% Cu and 3.67% Zn** (hole MDM503) in the SLP.

Of great significance is the shallow nature of the mineralisation. Weathering at Mt Mulcahy is relatively weak and only extends a few metres below the surface. The SLP is therefore a potential open pit target.

Historical drilling has only tested to about 100 metres below surface ("mbs") and further drilling is required to infill the drilling in this zone and to test the massive sulphide lens down plunge to the north west.

MMSP002 and 003 were stratigraphic holes designed to collect geological information regarding potential mineralisation in the footwall of the SLP, where an airborne EM survey has identified a number of "conductors" that warrant further testing.

"This outstanding first round of assays confirms the high-grade VMS nature of Mt Mulcahy and in particular South Limb Pod," Pegasus Managing Director Michael Fotios said.

"The combination of the high grade, the shallow nature of the mineralisation and the fact that it remains open along strike and at depth highlights the significant potential of South Limb Pod.

"Despite some highly promising results, exploration in this area has been extremely limited.

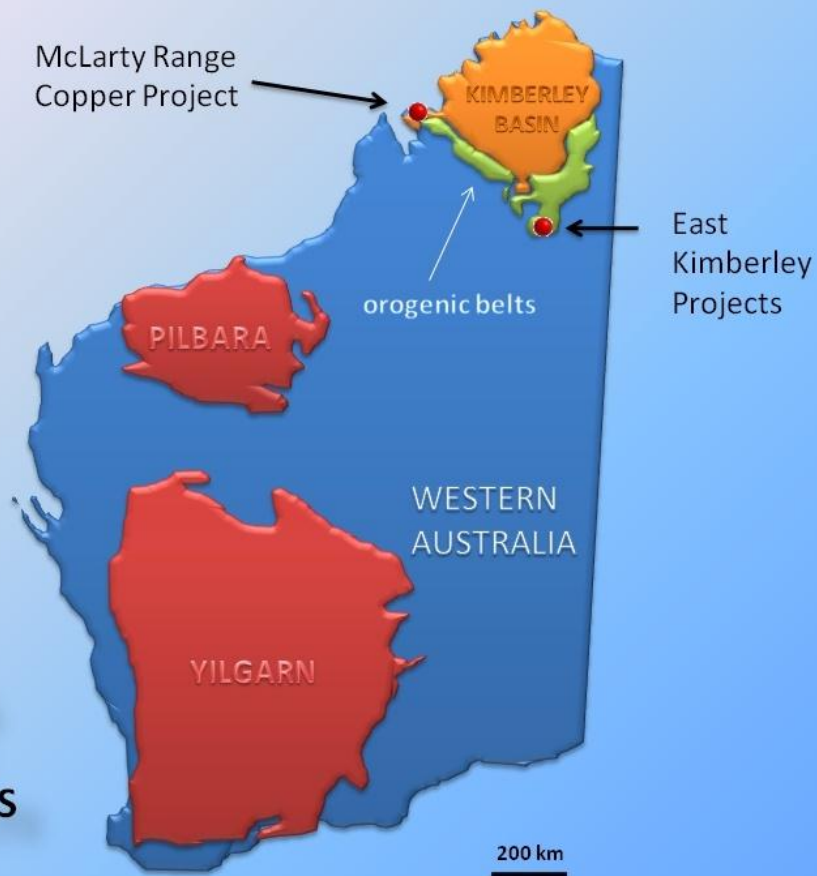
"Drilling is ongoing to delineate the extent of this mineralisation, with a steady flow of assay results expected over coming months."

The ongoing diamond drilling program will focus on delineating the SLP massive sulphide lens along strike and down plunge. Further testing of selected EM targets will also be undertaken.

A thorough review of all historical drilling data is being completed to determine how much of this can be used to complete a JORC-compliant resource estimate once the current program is completed. Many of the historic drill holes appear to have suffered RC/core recovery issues or were insufficiently assayed and may need to be redrilled.



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.

For further information contact:

Michael Fotios
Director

Stephen Mann
Director

Pegasus Metals Limited
ABN 40 115 535 030
Telephone: 08 6241 1888
Website: www.pegasusmetals.com.au
Contact: admin@pegasusmetals.com.au

All core is logged and whole core samples are cut, half cored, sampled are marked and and sent to an independent Laboratory for assay. The remaining half core is stored at Balcatta. All samples from which information in this document is derived were received by Australian Laboratory Services Pty ('ALS') Limited in Perth, Western Australia. Samples are weighed and crushed to 70% passing -6mm mesh. The crushed material is split and a portion is pulverised. A 100-gram pulp is prepared for assay. A 30-gram portion of the pulp is analysed for Au by fire assay method with atomic absorption finish (Au-AA25). A second pulp sample is analysed for Cu and other metals by a four acid digest followed by ICP-AES finish. The balance of the pulp is kept in Perth. Sample rejects are discarded after 90 days.

Over limit (+1%) samples are re-analysed using a four acid digest ore grade Cu finish. Laboratory standards and blanks are inserted by ALS and several pulp duplicates are also assayed as a determinant of mineralisation variability. ALS has AS/NZS ISO 9001:2000 certification in Perth.

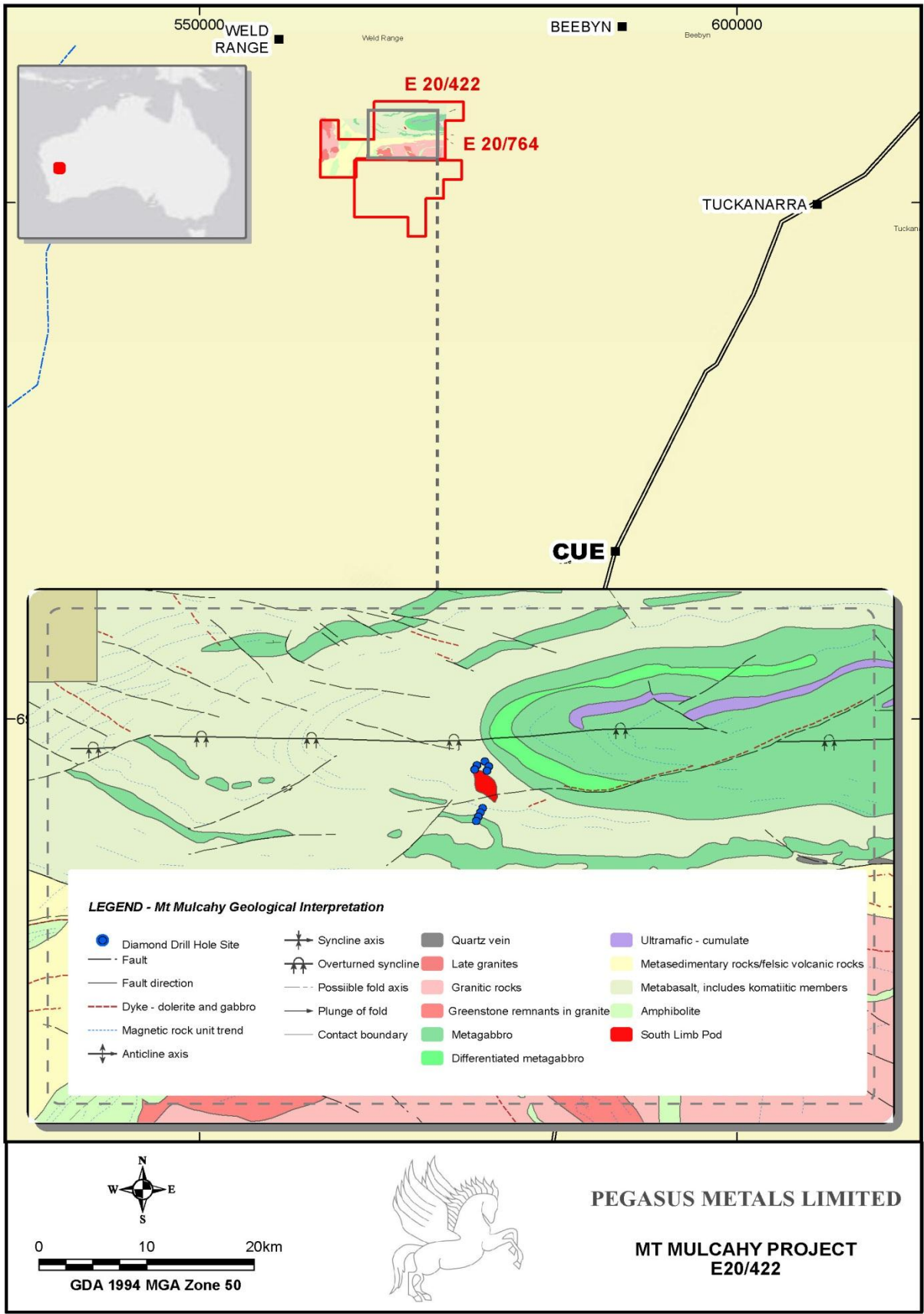
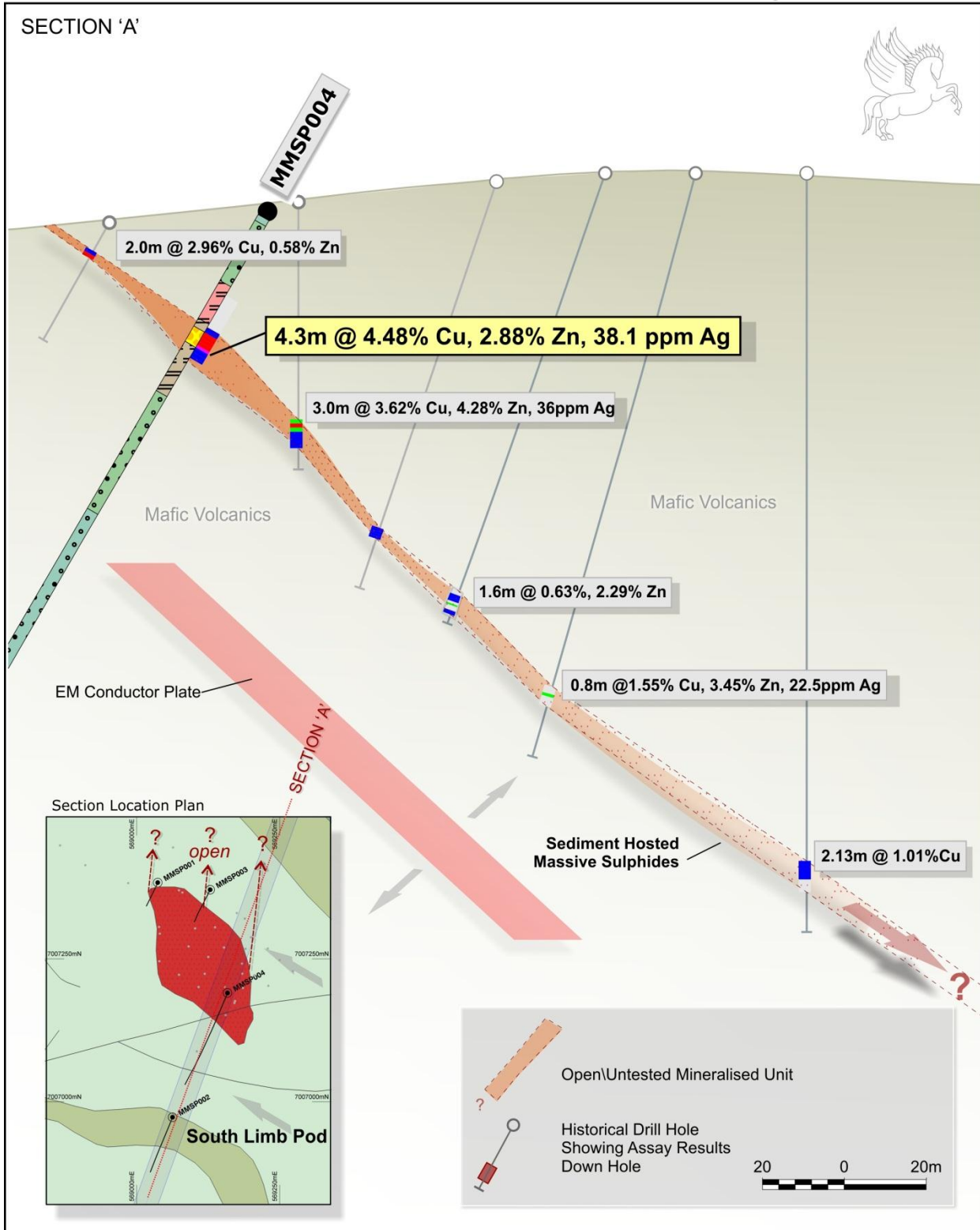


Figure 1



Mt Mulcahy Project - South Limb Pod

Oblique Cross Section

Figure 2



MMSP004 core photo showing lower part of intercept containing massive chalcopyrite/sphalerite mineralisation and lower contact with sediments.