

PEGASUS METALS LIMITED



4 April 2012

Dear Optionholder,

NON-RENOUNCEABLE RIGHTS ISSUE

On 27 March 2012 Pegasus Metals Limited (**Company**) announced a non-renounceable pro rata rights issue (**Rights Issue**) of 1 fully paid ordinary share (**New Share**) for every 8 fully paid ordinary shares held as at 5:00pm (WST) on 16 April 2012 to shareholders with a registered address in Australia or New Zealand (**Eligible Shareholders**).

Pursuant to the Rights Issue, the Company will issue approximately 13,114,586 New Shares at an issue price of \$0.20 each, to raise a maximum of approximately \$2,622,917 (before expenses of the issue).

The prospectus under which the New Shares will be offered is available on the ASX website <http://www.asx.com.au>. Eligible Shareholders should consider the prospectus before deciding whether to take up their rights and will need to complete the application form that will accompany the prospectus.

The Record Date for the purposes of determining security holders entitled to participate in the Rights Issue is 16 April 2012. The prospectus for the Rights Issue will be despatched to Eligible Shareholders soon after the Record Date.

The purpose of this letter is to give you notice that if you wish to participate in the Rights Issue with respect to your options, you must exercise your options before the Record Date.

To ensure that shares to be issued upon exercise of your options are allotted before the Record Date, your option exercise notice together with the correct monies must be received by the Company's share registry, Security Transfer Registrars Pty. Limited no later than 15 April 2012. Any notice of exercise of option received after this date cannot be assured of allotment before the Record Date.

If you do not wish to participate in the Rights Issue (in respect of your options) you do not need to take any action.

Before deciding whether to exercise all or any of your options, you should consider the terms of the Rights Issue carefully and if in any doubt, consult with your professional advisor.

Yours sincerely,

Graham Anderson
Director and Company Secretary

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