



# PEGASUS METALS LIMITED

ASX/MEDIA RELEASE

31 January 2012

ASX: PUN

## QUARTERLY REPORT TO 31 DECEMBER 2011

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### HIGHLIGHTS

- **Discovery of a new copper province at McLarty Range in WA**
  - **Copper mineralization encountered in all three holes at the Bower Bird target**
  - **Results include 7m at 1.02% copper and numerous intersections of more than 0.20% copper in all holes**
  - **McLarty drill programme suspended for the wet season, 3 holes for 652.63m completed**
  - **Additional Field reconnaissance, rock chip sampling and prospect assessment completed at the Durack Range Project in the East Kimberley**
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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. 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 commenced during September, and was suspended in mid-December for the wet season. Significant mineralisation was intersected in all three drill holes. Three diamond drill holes were completed for a total of 652.63m. Refer to ASX announcement dated 24 January 2012.

The drill hole program is part of a program designed to test and confirm the structural and stratigraphic interpretations at Bowerbird and other targets within the greater McLarty Project area and is planned to resume after the wet.

Additional assay results are pending for the last third of sampling completed in MCBDD003, the third hole completed at the Bower Bird prospect. These samples relate to sericite and pyrite alteration and a significant splay fault encountered in the hole.

### **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 km<sup>2</sup> that covers 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 and exploration programmes are being designed for the field season next year.

A second field reconnaissance exercise was completed within the Durack Range Project area that hosts the Carson 9 prospect. Activities included evaluation of historical prospects and rock chip sampling as a precursor to drill testing of copper mineralisation already identified by historic exploration. Assay results from the sampling programme are awaited.

### **STURT PALAEOCHANNEL & McCLINTOCK RANGE AREAS, East Kimberley**

After careful consideration of all available data, Pegasus Metals has decided to withdraw from the joint venture arrangements, resulting in Pegasus retaining no interest in these projects.

### **NEW OPPORTUNITIES**

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

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

**For further information contact:**

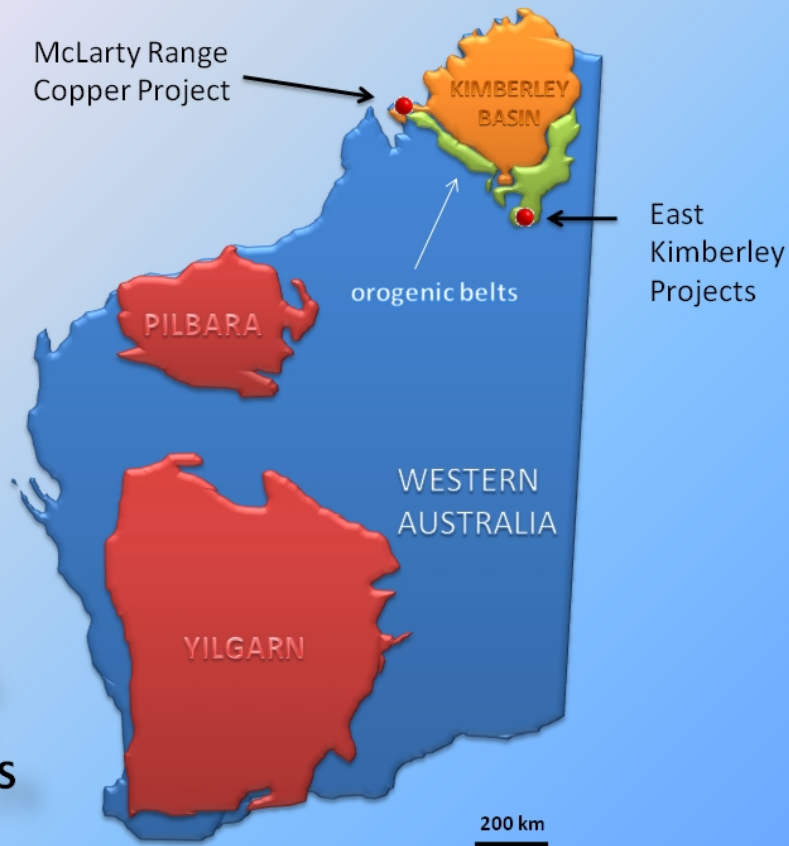
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**Stephen Mann**  
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**PEGASUS  
METALS  
WA PROJECTS**



*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.*

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# 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 December 11

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,033)	(1,607)
(b) development	-	-
(c) production	-	-
(d) administration	(242)	(421)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	11	16
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (GST paid to be recouped)	(28)	(99)
<b>Net operating cash flows</b>	<b>(1,292)</b>	<b>(2,111)</b>
<b>Cash flows related to investing activities</b>		
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	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>(13)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,292)</b>	<b>(2,124)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	<b>(1,292)</b>	<b>(2,124)</b>
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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)	(31)
	<b>Net financing cash flows</b>	<b>(6)</b>	<b>(31)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,298)</b>	<b>(2,155)</b>
1.20	Cash at beginning of quarter/year to date	1,360	2,217
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>62</b>	<b>62</b>

**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	41
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	150
4.2 Development	-
4.3 Production	-
4.4 Administration	50
<b>Total</b>	<b>200</b>

**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	52	1,350
5.2 Deposits at call	10	10
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>62</b>	<b>1,360</b>

**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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	95,240,339	95,240,339		Fully Paid
7.4 Changes during quarter (a) Increases through issues  (b) Decreases through returns of capital, buy-backs	7,000,000	7,000,000		Fully Paid
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	2,962,162 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	2,000,000 2,000,000		\$0.10 \$0.15	11 April 2013 11 October 2014
7.9 Exercised during quarter				
7.10 Relinquished during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> <i>(totals only)</i>			
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**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: 31 January 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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