



QUARTERLY REPORT FOR QUARTER ENDING 31 March 2013

HIGHLIGHTS

- **Diamond drilling at the South Limb Pod target within the Mt Mulcahy Project in WA continues to intersect VMS-style mineralisation with high grades of copper and zinc with silver and gold.**
- **Significant intercepts from the latest drilling include:**
 - 2.1m @ 3.68% Cu, 3.42% Zn, 26,2g/t Ag and 0.15g/t Au**
 - 3.45m @ 2.45% Cu, 3.48% Zn, 25.6g/t Ag and 0.14g/t Au**
 - 2.5m @ 2.60% Cu, 2.30% Zn, 21.9g/t Ag and 0.10g/t Au***(all intercepts are approximately true thickness)*
- **Massive sulphide mineralisation at South Limb Pod now outlined over 200m down-dip.**
- **Diamond drilling continues to test extensions of the South Limb Pod mineralisation to the surface, down dip and/or down plunge.**
- **Drilling will also test numerous other drill targets identified by geophysics at Mt Mulcahy, including VTEM surveys.**
- **McLarty Range Copper Project not affected by WA Government's Kimberley Region proposed Class A national park.**

Quarterly Report
March 2013

ASX Announcement
30 April 2013

Shares on Issue

123,074,519

Current Share Price

A\$ 11cents

Market Capitalisation

A\$13.53m

Cash at 31/03/13

A\$1.4m

Board of Directors

Mr Stephen Mann

*Non-Executive
Chairman*

Mr Michael Fotios

Director

Mr Graham D Anderson

*Company Sec & Non-
Executive Director*

Contact Details

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Balcatta WA 6021

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Projects

Mt Mulcahy

McLarty Range

East Kimberley Regional

MT MULCAHY COPPER PROJECT, Murchison (PUN 100%)

Reverse Circulation (RC) and Diamond drilling continued during the quarter, with the South Limb Pod target emerging as a significant VMS discovery hosting high-grade copper with zinc, silver and gold. Results from the latest drilling at South Limb include grades of up 3.8 per cent copper and 4.1 per cent zinc. The mineralisation at South Limb, which is located 50km north of Cue in the Murchison Region (see *Figure 1*), has now been outlined over a down-dip extent of ~200m.

Diamond drilling has focused on the down-plunge and down-dip extent of the mineralisation at Mt Mulcahy, which remains open in all directions and RC drilling programmes have been designed to test the extent of oxide mineralisation to an estimated depth of 20m below surface. This drilling will help define the upper limits of the transitional and primary sulphide zones.

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 at Mt Mulcahy has been completed in 23 holes to date (MMSP001 to MMSP004 and MTMDD001 to MTMDD019). This programme has included resource definition diamond drilling at South Limb, with 18 holes completed so far (MMSP001, MMSP003 & MMSP004, MTMDD004 to MTMDD008 and MTMDD010 to MTMDD019).

Results for MMSP003, MTMDD008 and MTMDD010 to MTMDD017 were announced in ASX release dated 24 January 2013 (See Figures 2 and 3, and Table 1).

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. South Limb is therefore a potential open pit target.

Historical drilling has only tested to about 100m below surface 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.

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. Drilling by the Company 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.

During the quarter the Company advised (ASX release 31st January 2013) that the Project sits outside the boundary of the WA Government's proposed Class A national park in the Kimberley region and therefore will not be affected by the plan. The proposed park, which includes Horizontal Falls at Talbot Bay, comprises the area set aside by the WA Government when it created a Mining Act Section 19 Exemption Area over the Horizontal Falls in December last year.

The proposed park also includes areas that are not the subject of granted Exploration Licences. The tenements which form part of the McLarty Range project include one granted Exploration Licence and an Exploration Licence Application that falls outside and to the east of the proposed area of the Class A national park (see *Figure 4*).

As Pegasus announced to the ASX on December 10, 2012, this Exemption Area did not affect in any way the granted tenure or access to the Bowerbird and Copper Cliff/Main Syncline prospect areas that have been the focus of Pegasus' exploration as part of its McLarty Range Project.

Field activities are expected to commence in the June Quarter of this year and will include airborne magnetic/radiometric and VTEM surveys aimed at further understanding the geology and controls on the copper mineralisation. These programs will also help to better define drill targets beneath the surface gossans that have been mapped and sampled to date.

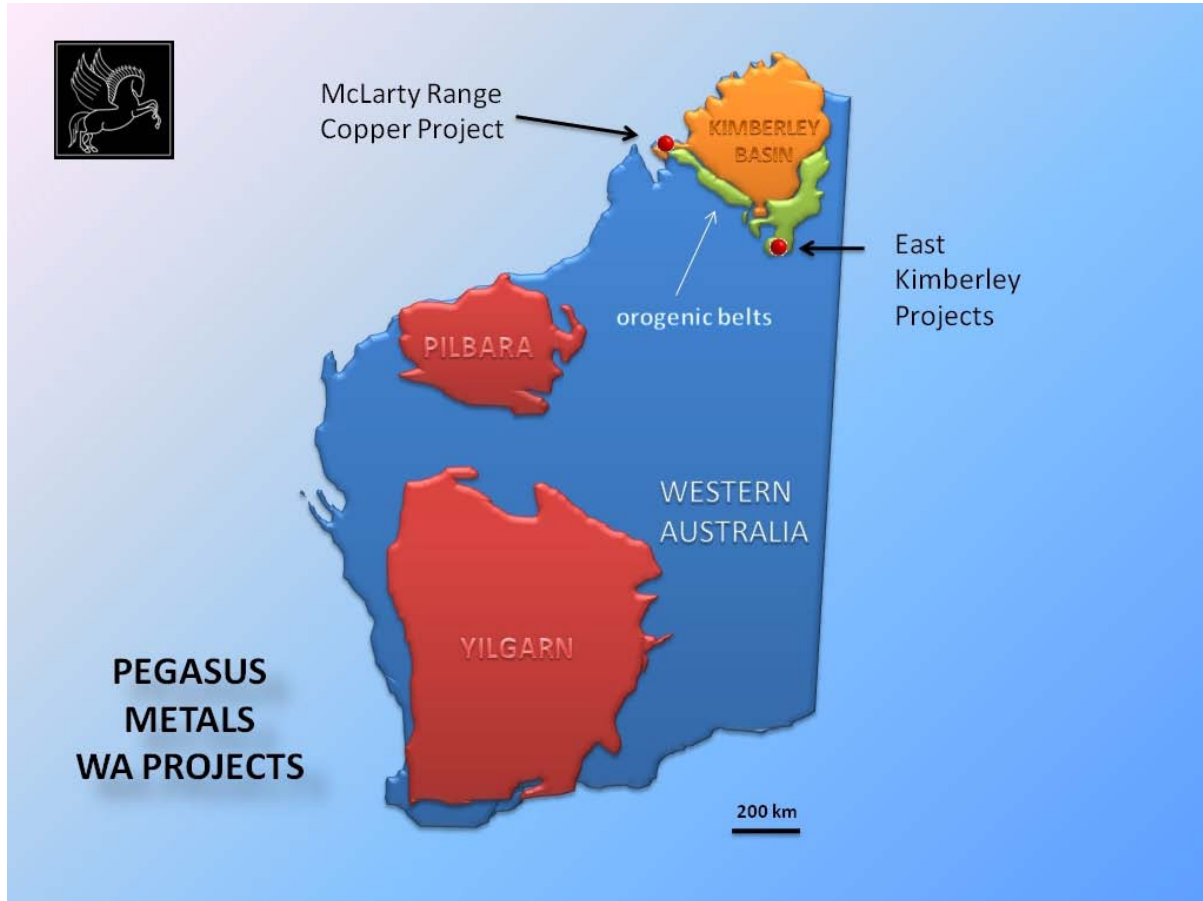
EAST KIMBERLEY COPPER PROJECT, East Kimberley (PUN 100%)

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.

Further field reconnaissance was undertaken within the East Kimberley project area and will assist in rationalisation of the tenement areas and future planning of field activities during the coming dry season.

NEW OPPORTUNITIES

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



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
Chairman

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Website: www.pegasusmetals.com.au
Contact: admin@pegasusmetals.com.au

Hole ID	Northing	Easting	From (m)	To (m)	Length (m)	Cu (%)	Zn (%)	Ag (ppm)	Au (ppm)
MMSP003	7007329	569107	134.70	135.10	0.40	1.50	1.97	11.5	0.02
			137.10	138.30	1.20	2.83	1.01	17.4	0.10
MTMDD008	7007264	569174	139.75	140.00	0.25	1.05	1.18	12.9	0.06
MTMDD010	7007337	569045	117.90	120.00	2.10	3.68	3.42	26.2	0.15
MTMDD011	7007377	569047	143.50	145.25	1.75	3.81	4.16	25.2	0.13
MTMDD012	7007204	569169	89.75	91.25	1.50	3.09	3.17	35.2	0.53
MTMDD013	7007384	569130	185.30	185.75	0.45	3.58	2.20	27.7	0.61
MTMDD014	7007410	569049	173.85	178.00	4.15	2.12	2.92	22.2	0.12
MTMDD015	7007404	569066	174.50	177.00	2.50	2.60	2.30	21.9	0.10
MTMDD016	7007235	569170	94.50	95.00	0.50	0.45	0.44	3.9	0.23
MTMDD017	7007156	569190	39.50	41.00	1.50	1.02	0.37	8.4	0.03

All core is logged and whole core samples are cut, half cored, sampled then marked 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

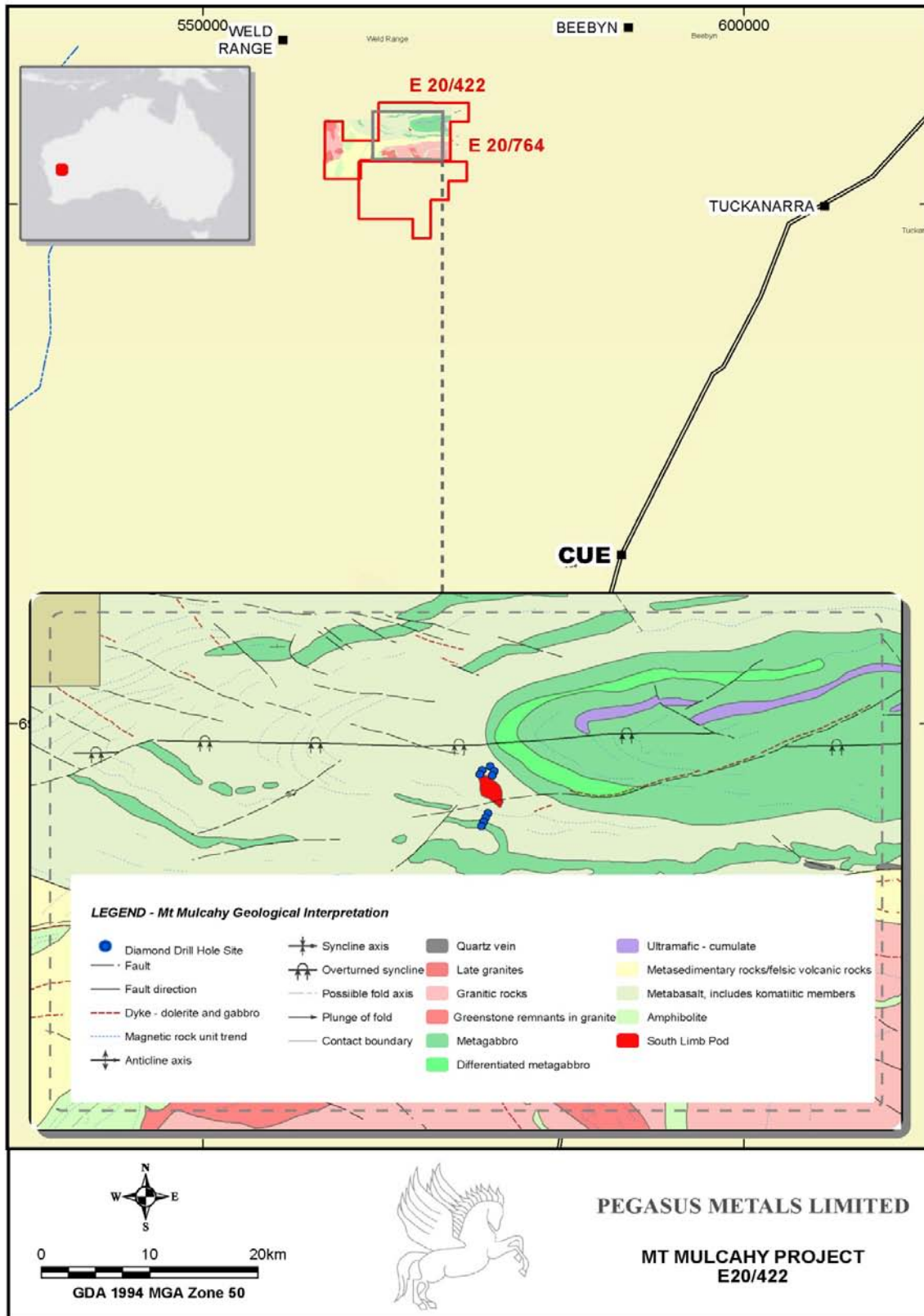
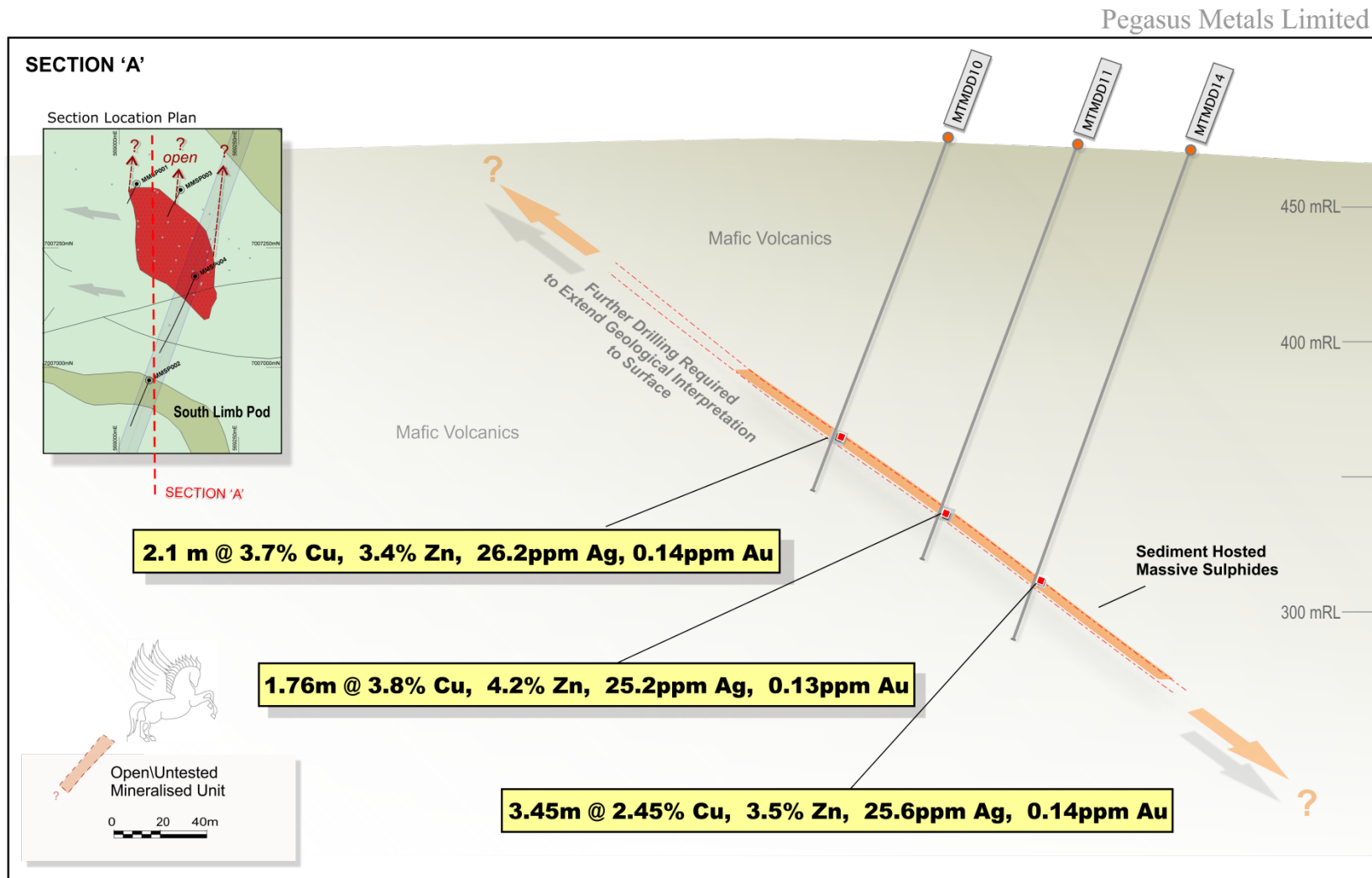


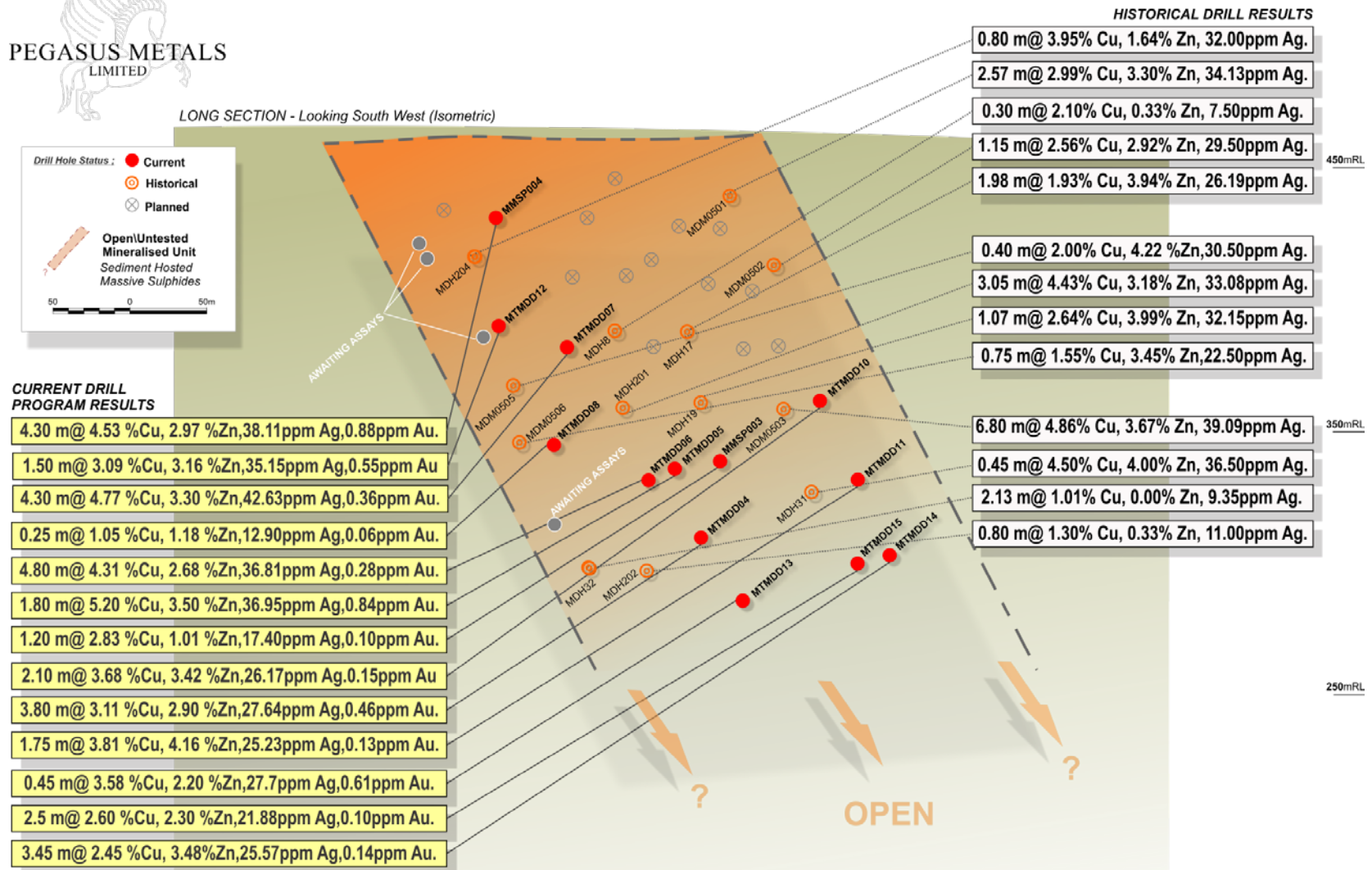
FIGURE 2



Mt Mulcahy Project - South Limb Pod
 Cross Section (Looking West)

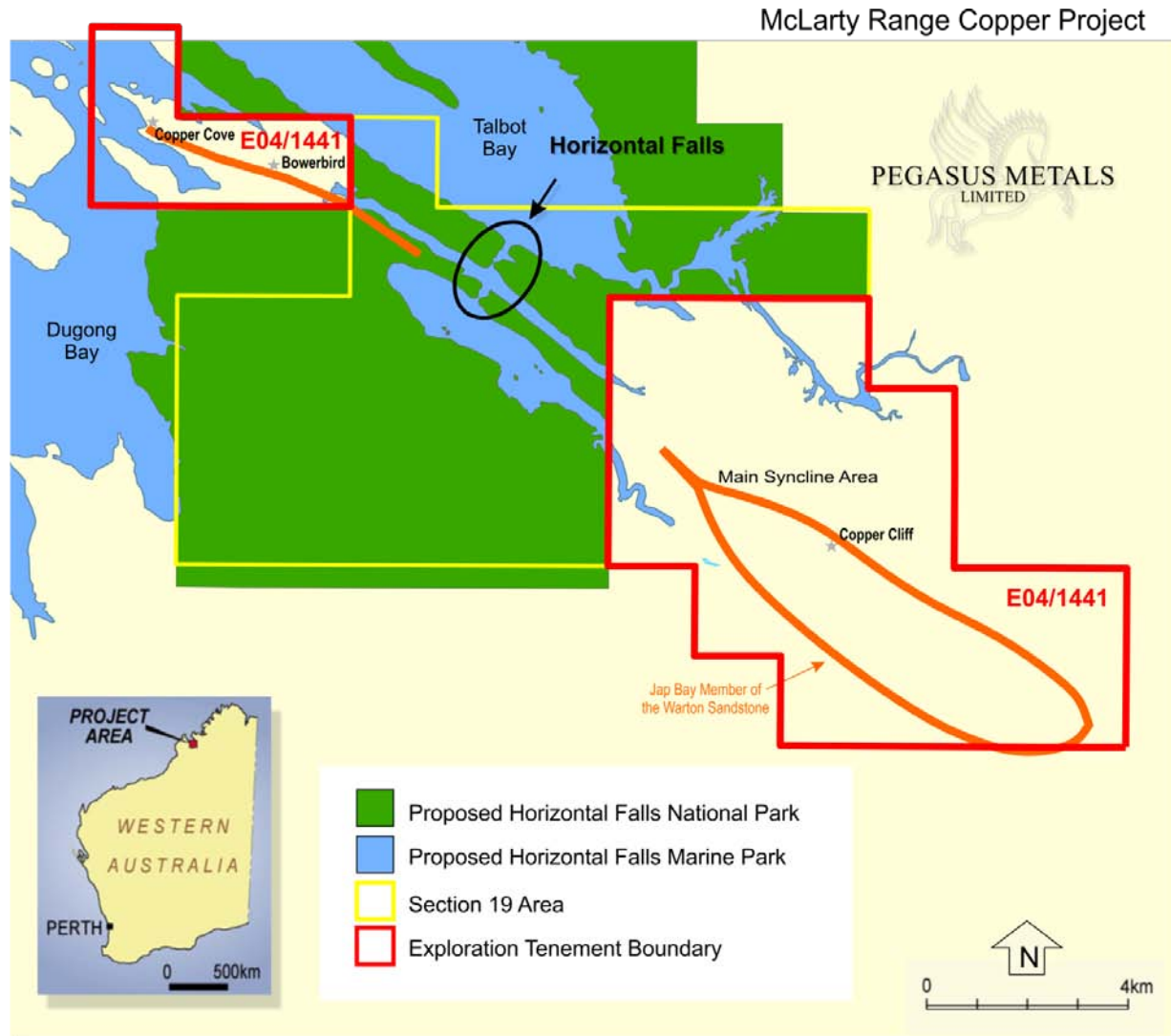


FIGURE 3



Mt Mulcahy Project - South Limb Pod
Plane of Vein Projection

FIGURE 4



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 2013

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	(836)	(1,722)
(b) development	-	-
(c) production	-	-
(d) administration	(110)	(464)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	60
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Other (GST paid to be recouped)	90	75
Net operating cash flows	(841)	(2,053)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	(50)
(b) equity investments	-	-
(c) other fixed assets	(25)	(26)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans from other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(25)	(76)
1.13 Total operating and investing cash flows (carried forward)	(866)	(2,129)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(866)	(2,129)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	15
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	-	(13)
	Net financing cash flows	-	2
	Net increase (decrease) in cash held	(866)	(2,127)
1.20	Cash at beginning of quarter/year to date	2,253	3,514
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,387	1,387

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	32
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	700
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	850

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	1,366	2,232
5.2 Deposits at call	21	21
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,387	2,253

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.

Issued and quoted securities at end of current quarter

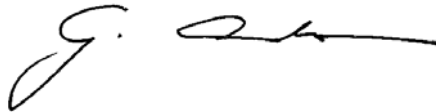
Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	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 (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	123,074,519	123,074,519		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	1,000,000 6,000,000 2,000,000 2,000,000 8,000,000		<i>Exercise price</i> \$0.15 \$0.45 \$0.10 \$0.15 \$0.35	<i>Expiry date</i> 10 December 2013 16 June 2014 11 April 2013 11 October 2014 31 December 2015
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Lapsed during quarter	367,567		\$0.15	9 February 2013
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ 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 2013
(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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+ See chapter 19 for defined terms.