



PEGASUS METALS LIMITED

ASX ANNOUNCEMENT

ASX: PUN

11 April 2013

Massive sulphide hits of up to 6.4% copper and 6.4% zinc pave way for maiden resource at Mt Mulcahy VMS project in WA

Mineralisation at flagship South Limb Pod target now outlined over 300m down dip and remains open at depth and to the surface

HIGHLIGHTS

- Diamond drilling at the South Limb Pod target within the Mt Mulcahy Project in WA has continued to intersect VMS-style mineralisation with high grades of copper and zinc with silver and gold
- Significant intercepts from the latest drilling include:
 - 2.88m @ 5.46% Cu, 2.63% Zn, 44.6g/t Ag and 0.44g/t Au*
 - 5.37m @ 4.03% Cu, 2.24% Zn, 33.7g/t Ag and 0.48g/t Au*
 - 3.61m @ 3.71% Cu, 4.14% Zn, 32.4g/t Ag and 0.53g/t Au*
 - 4.48m @ 5.84% Cu, 4.51% Zn, 47.2g/t Ag and 0.23g/t Au*
 - 1.36m @ 6.45% Cu, 6.36% Zn, 53.6g/t Ag and 0.32g/t Au**(all intercepts are approximately true thickness)*
- Massive sulphide mineralisation at South Limb Pod now outlined over 300m down-dip, highlighting growing economic potential of the Mt Mulcahy Project
- Assays awaited on numerous massive sulphide intersections (*see Table 1*)
- Diamond drilling ongoing and focussed on extending South Limb Pod mineralisation to the surface, down dip and/or down plunge below 200 metres.
- Drilling will also test West Copper target located about 300m west of South Limb Pod
- Latest results and impending assays will form part of maiden resource estimate being calculated for South Limb Pod

Pegasus Metals Limited (ASX: PUN) is pleased to advise that more outstanding high-grade drilling results have highlighted the growing economic potential of its Mt Mulcahy copper-zinc-silver-gold VMS project in WA.

The latest results, along with a host of impending assays and those expected to be generated by the ongoing diamond drilling underway, will form part of the maiden resource estimate being calculated for the flagship South Limb Pod target at Mt Mulcahy.

Results from the latest drilling at South Limb include grades of up 6.4 per cent copper and 6.4 per cent zinc (*see Table 2*).

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 ~300m.

Diamond drilling resumed in late January and focused on the down-plunge and down-dip extent of the mineralisation, which remains open in all directions.

RC drilling is also being completed 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 44 holes to date (MMSP001 to MMSP004, MTMRCD001 to MTMRCD004, MTMRCD007 and MTMDD001 to MTMDD035).

This programme has included resource definition diamond drilling at South Limb, with 39 holes completed so far (MMSP001, MMSP003 & MMSP004, MTMRCD001 to MTMRCD004, MTMRCD007 MTMDD004 to MTMDD008 and MTMDD010 to MTMDD035).

Results for MMSP001 to MMSP004 and MTMDD001 to MTMDD017 have been announced in ASX releases dated 17 September 2012, 15 November 2012 and 24 January 2013.

Assays are awaited for holes MTMDD023 and MTMDD025 to MTMDD035. Sulphide intercepts logged in these holes are summarised below.

Recent field confirmation of historic drill hole locations has confirmed a significant copper and zinc intersection below shallow oxide copper workings at the West Copper target. West Copper is located about 300 metres west of South Limb Pod within the same mineralised sediment unit that hosts the VMS mineralisation. (*see Figures 2 and 5*). Diamond drill testing of West Copper will commence during April.

| Hole ID | Northing | Easting | From (m) | To (m) | Length (m) | Massive Sulphide (m) | Stringer Sulphides (m) |
|---------|----------|---------|----------|--------|------------|----------------------|------------------------|
| MTMDD23 | 7007191 | 569170 | 52.26 | 58.00 | 5.74 | 0.74 | 2.20 |
| MTMDD25 | 7007366 | 569129 | 130.76 | 142.90 | 12.14 | 3.50 | 4.60 |
| MTMDD26 | 7007324 | 569030 | 64.96 | 80.32 | 15.36 | 5.43 | 5.67 |
| MTMDD27 | 7007378 | 569035 | 116.12 | 121.99 | 5.87 | 2.19 | 2.20 |
| MTMDD28 | 7007377 | 569035 | 97.53 | 111.53 | 14.00 | 0.93 | 8.41 |
| MTMDD29 | 7007296 | 569050 | 59.00 | 70.70 | 11.70 | 3.60 | 5.64 |
| MTMDD30 | 7007462 | 569071 | 164.35 | 173.04 | 8.69 | 3.80 | 2.04 |
| MTMDD31 | 7007370 | 569089 | 125.00 | 141.22 | 16.22 | 8.23 | 4.00 |
| MTMDD32 | 7007255 | 569044 | 36.85 | 44.45 | 7.60 | 0.58 | 4.52 |
| MTMDD33 | 7007259 | 569130 | 75.77 | 99.18 | 23.41 | 9.42 | 11.50 |
| MTMDD34 | 7007255 | 569090 | 49.29 | 57.81 | 8.52 | 0.54 | 3.00 |
| MTMDD35 | 7007241 | 569107 | 33.90 | 51.74 | 17.84 | 8.60 | 3.37 |

Table 1 – Logged Massive and Stringer Sulphide Zones

The economics of any development at Mt Mulcahy would be boosted significantly by the shallow nature of the mineralisation, which makes it a potential open pit target. 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.

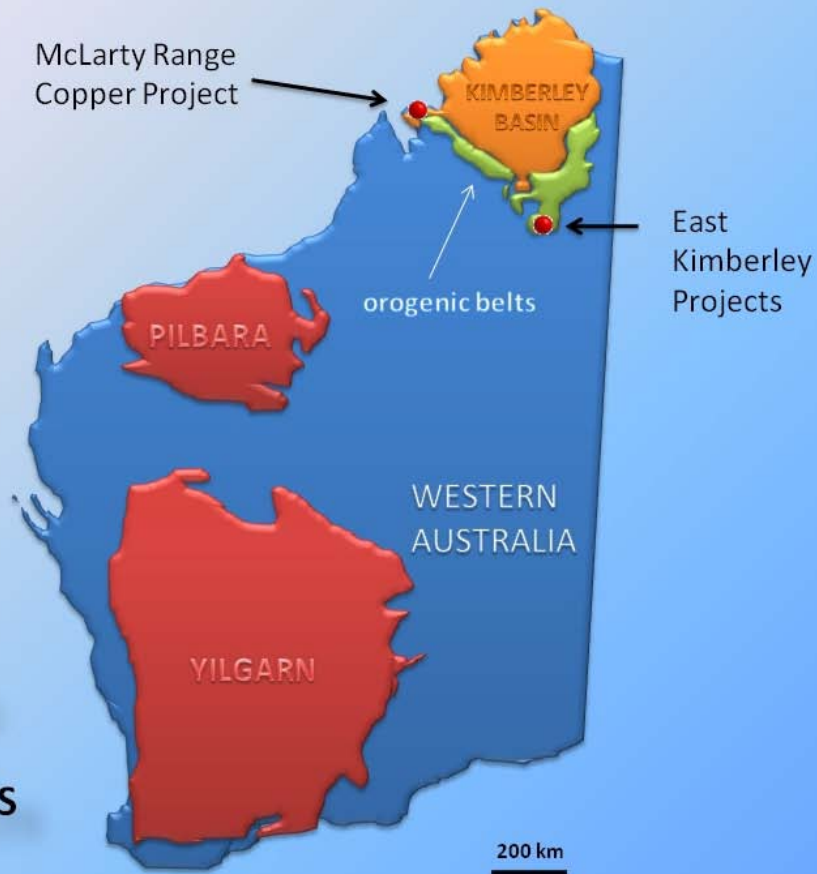
Historical drilling had only tested to about 100m below surface. Infill drilling in this zone and to 200m below surface is almost complete and is expected to provide enough information for a maiden resource estimate. Drilling will then continue to test the down plunge/dip extent of the massive sulphide lens below 200 metres vertical depth.

“Mt Mulcahy is rapidly emerging as a highly attractive project that will be underpinned by substantial tonnages of high-grade mineralisation,” Pegasus Managing Director Michael Fotios said.

“These latest results will further strengthen the maiden resource estimate for South Limb Pod. We will then add to that the impending assay results and those from the current drilling. And we are also confident about the prospects for the West Copper target we are about to drill just 400m away,”



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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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| Hole ID | Northing | Easting | From (m) | To (m) | Length (m) | Cu (%) | Zn (%) | Ag (ppm) | Au (ppm) |
|---------|----------|-----------|----------|--------|------------|--------|------------------|----------|----------|
| MTMDD18 | 7007157 | 569190 | 44.75 | 45.7 | 0.95 | 0.44 | 3.19 | 14.38 | 0.54 |
| MTMDD19 | 7007347 | 569190 | 175.8 | 176.7 | 0.90 | 0.95 | 2.28 | 13.58 | 0.12 |
| MTMDD20 | 7007260 | 569050 | | | | | <i>Abandoned</i> | | |
| MTMDD21 | 7007255 | 569130 | 64.83 | 67.71 | 2.88 | 5.46 | 2.63 | 44.60 | 0.44 |
| MTMDD22 | 7007227 | 569150 | 60.43 | 65.80 | 5.37 | 4.03 | 2.24 | 33.66 | 0.48 |
| MTMDD24 | 7007361 | 569149 | 139.02 | 146.56 | 7.54 | 2.18 | 2.09 | 18.93 | 0.34 |
| | | Including | 139.02 | 142.63 | 3.61 | 3.71 | 4.14 | 32.41 | 0.53 |
| MTMRCD1 | 7007330 | 569110 | 109.12 | 112.12 | 3.00 | 2.66 | 2.70 | 21.83 | 0.11 |
| MTMRCD2 | 7007283 | 569110 | 72.54 | 73.90 | 1.36 | 6.45 | 6.36 | 53.60 | 0.32 |
| MTMRCD3 | 7007361 | 569149 | | | | | <i>Abandoned</i> | | |
| MTMRCD4 | 7007335 | 569050 | 83.71 | 88.19 | 4.48 | 5.84 | 4.51 | 47.25 | 0.23 |
| MTMRCD7 | 7007369 | 569090 | 124.45 | 126.85 | 2.40 | 1.35 | 1.42 | 11.80 | 0.05 |

Table 2

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.

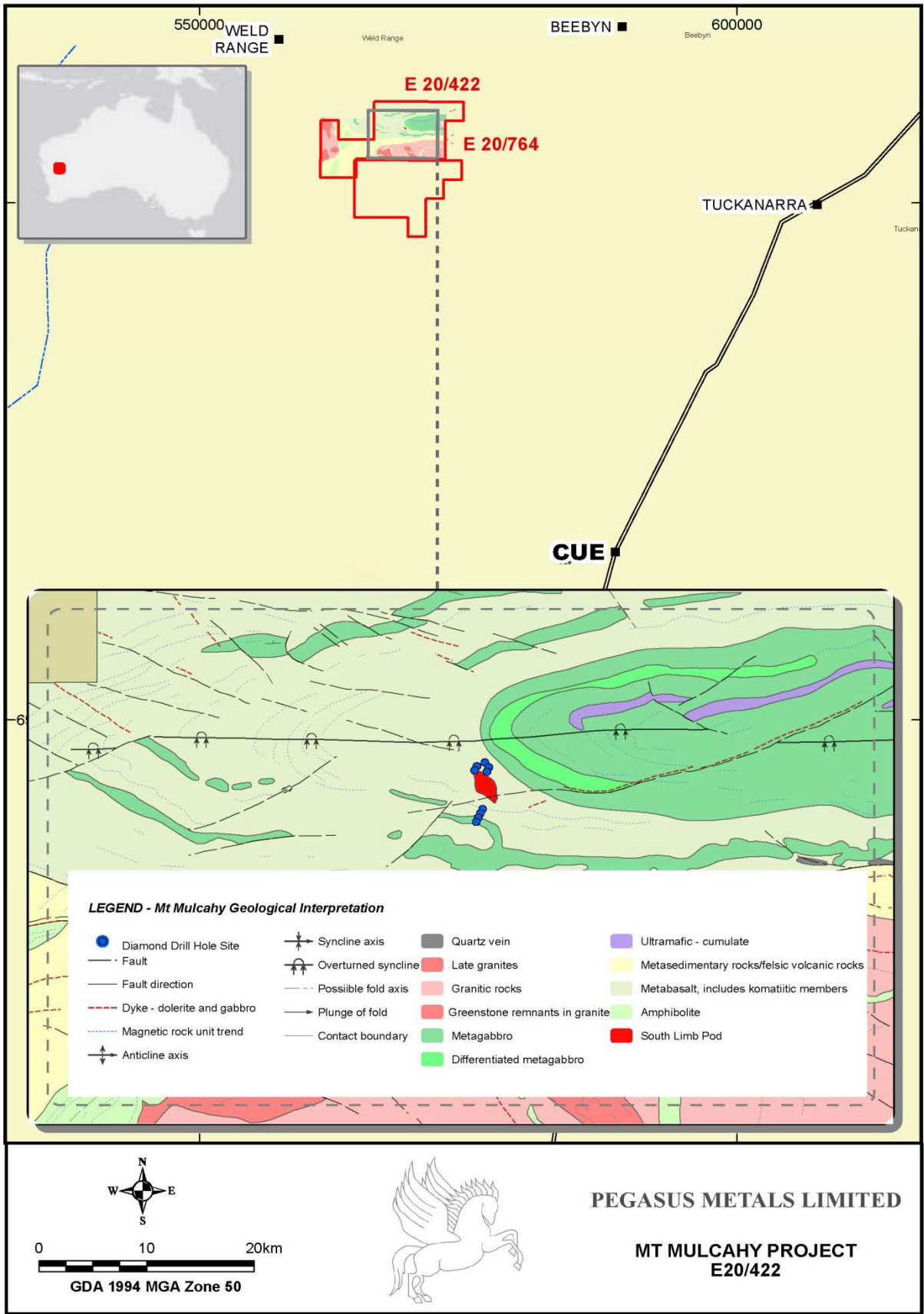
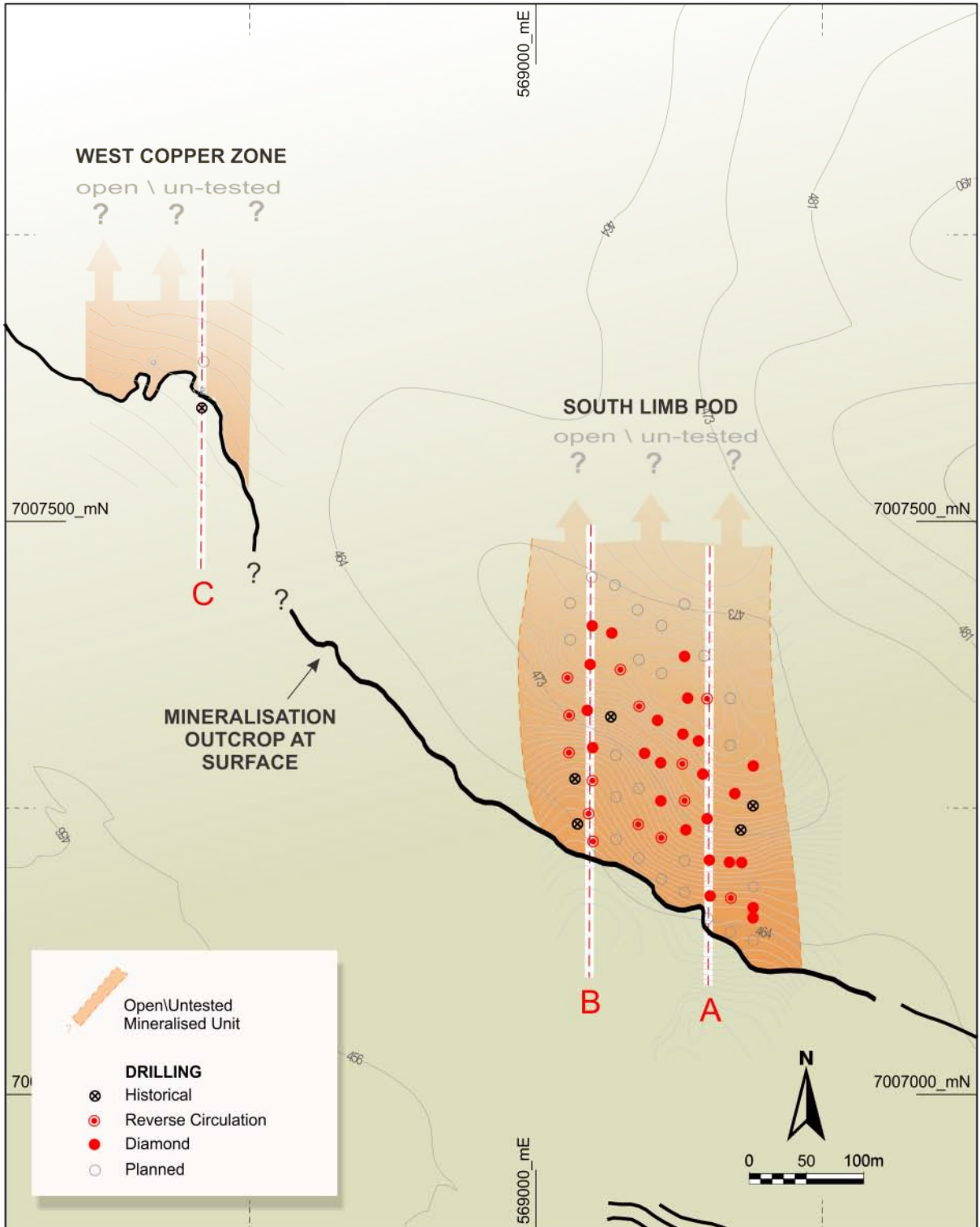


Figure 1

Mt Mulcahy South Limb Pod & West Copper Zone

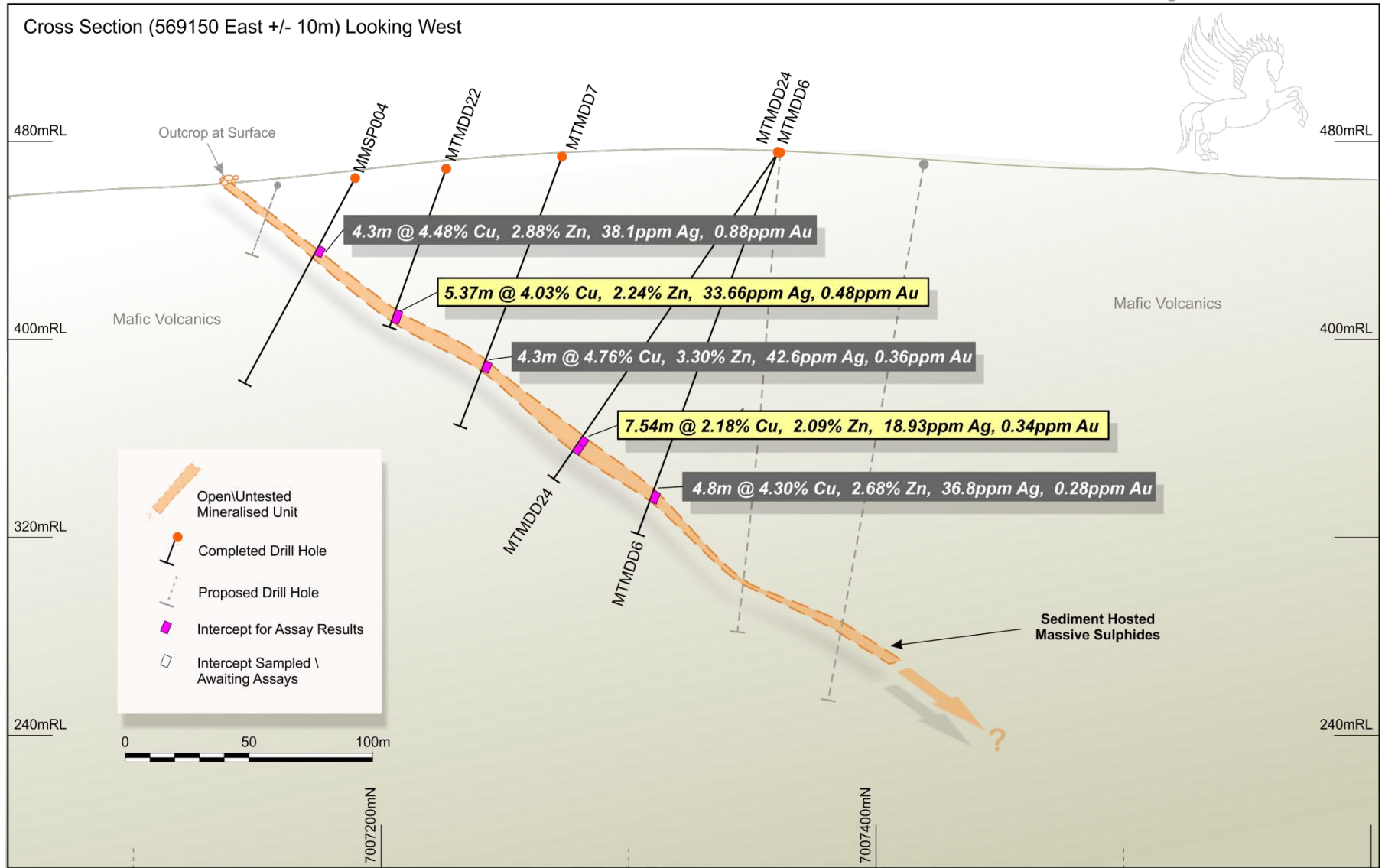


Plan Showing Current Drill Targets

with Down Hole Mineralised Intercepts Projected to Surface

Figure 2

SECTION A



Mt Mulchay - South Limb Pod

Figure 3

SECTION B

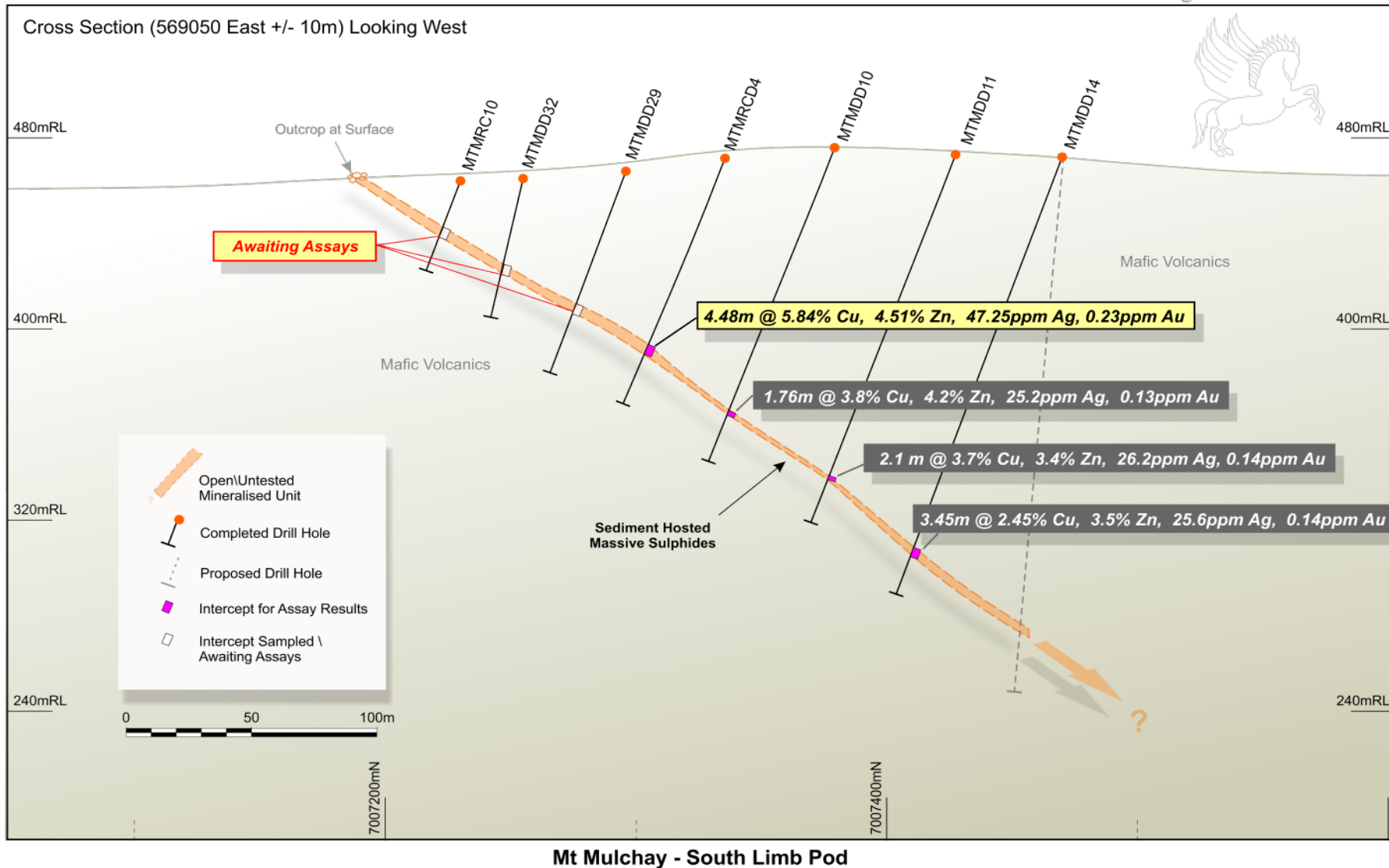
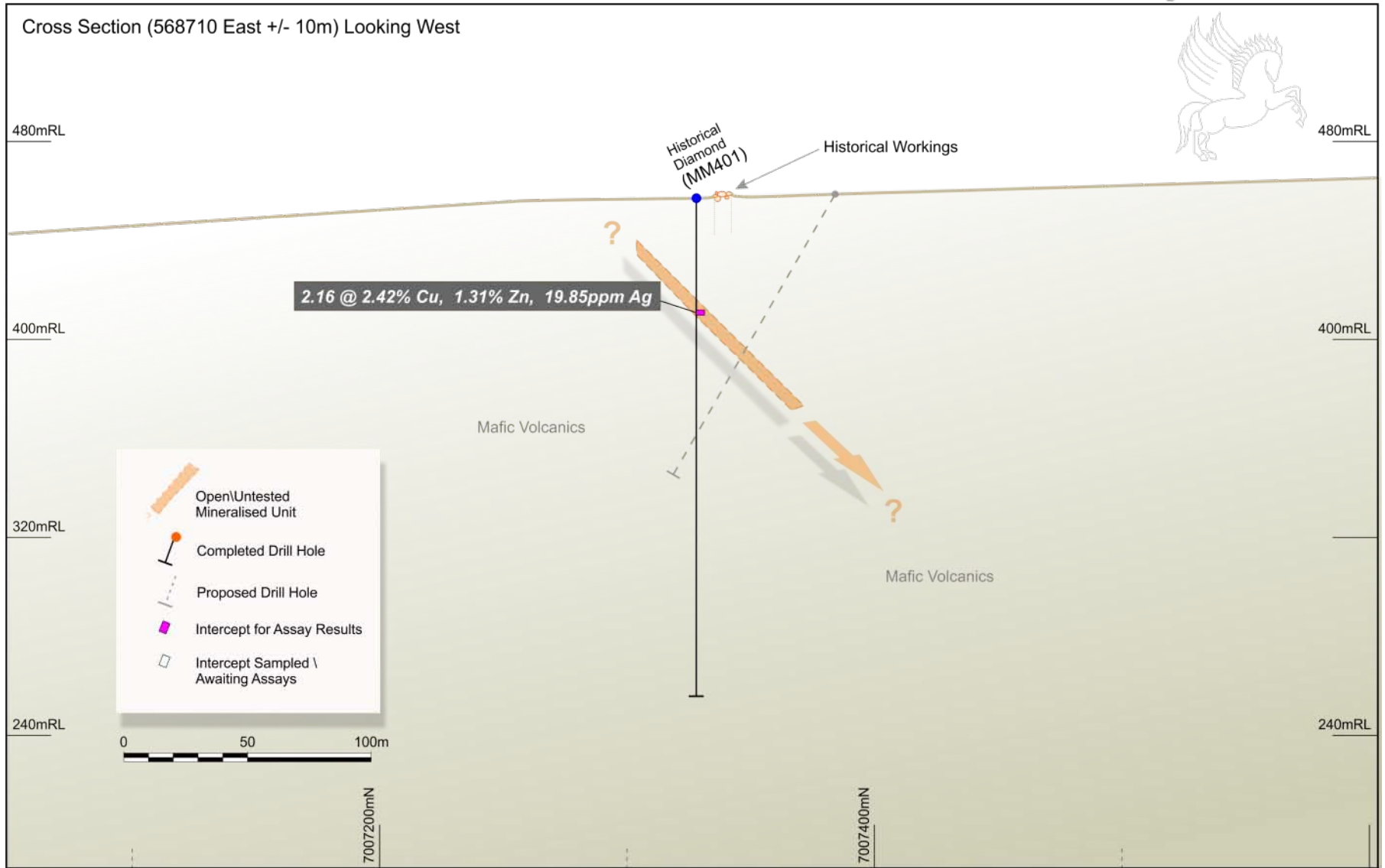


Figure 4

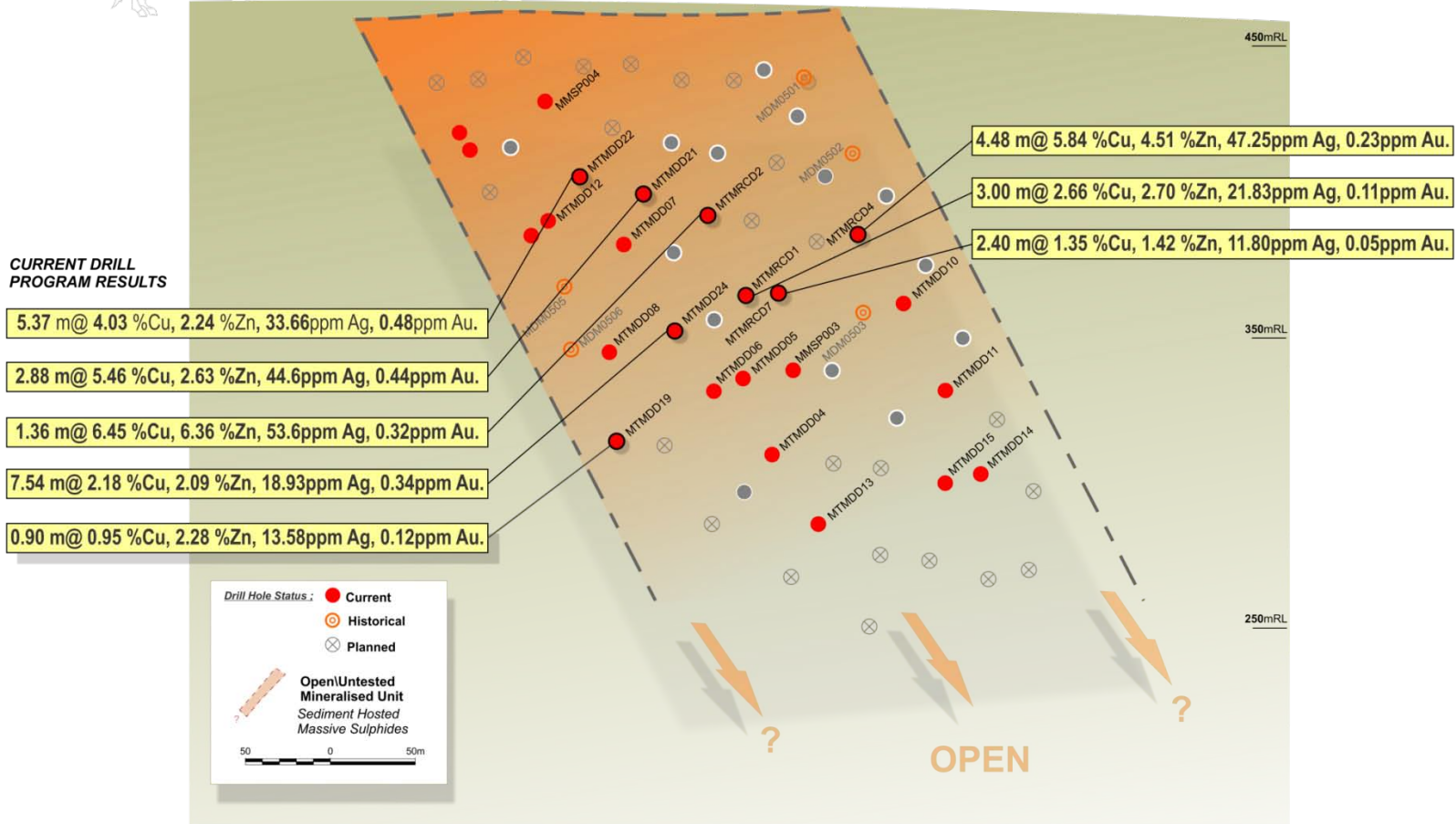
SECTION C



Mt Mulchay - West Copper Zone

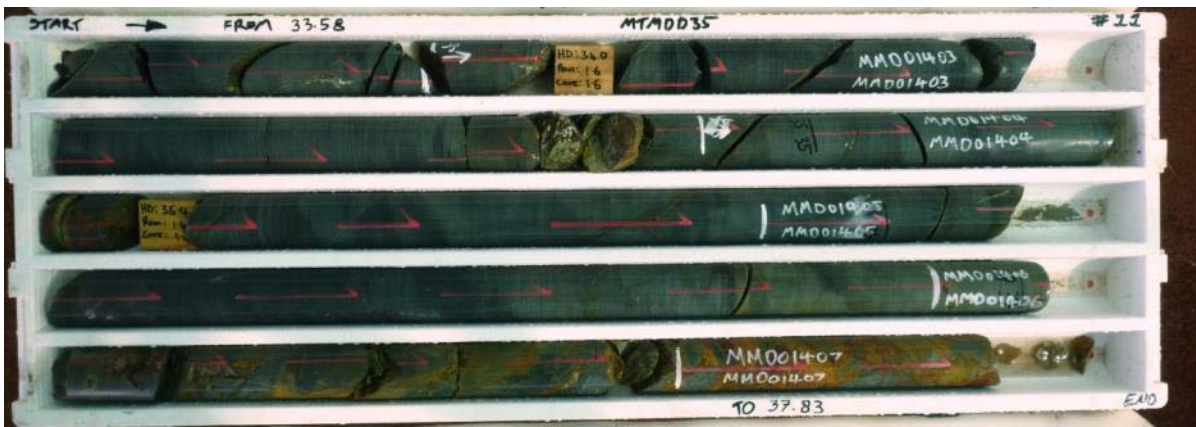
Figure 5

LONG SECTION - Looking South West (Isometric)



Mt Mulcahy Project - South Limb Pod
Plane of Vein Projection

Figure 6



MTMDD35 – core containing Massive Sulphide and Stringer Sulphide zones