



PEGASUS METALS LIMITED

ASX/MEDIA RELEASE

29 January 2010

QUARTERLY REPORT TO 31 DECEMBER 2009

- **East Kimberley field program continued during the first half of the Quarter**
- **Encouraging zinc assays in several East Kimberley areas**
- **December shareholder meeting approved participation in the McLarty Copper Project and the new funding agreement**
- **Shareholder meeting also approved a change in the composition of the Board**

INTRODUCTION

Exploration work continued during the first half of the Quarter on the east Kimberley licences. Several areas of anomalous zinc mineralisation (up to 1.7% zinc) were identified and scheduled for further follow-up work.

Mapping and sampling continued at Christmas Creek (up to 2.1 g/t gold) where gold mineralisation occurs in a quartz vein-hosted setting. The best grades in the rock samples coincide with dilational zones where the veins reach ~2 metres in width.

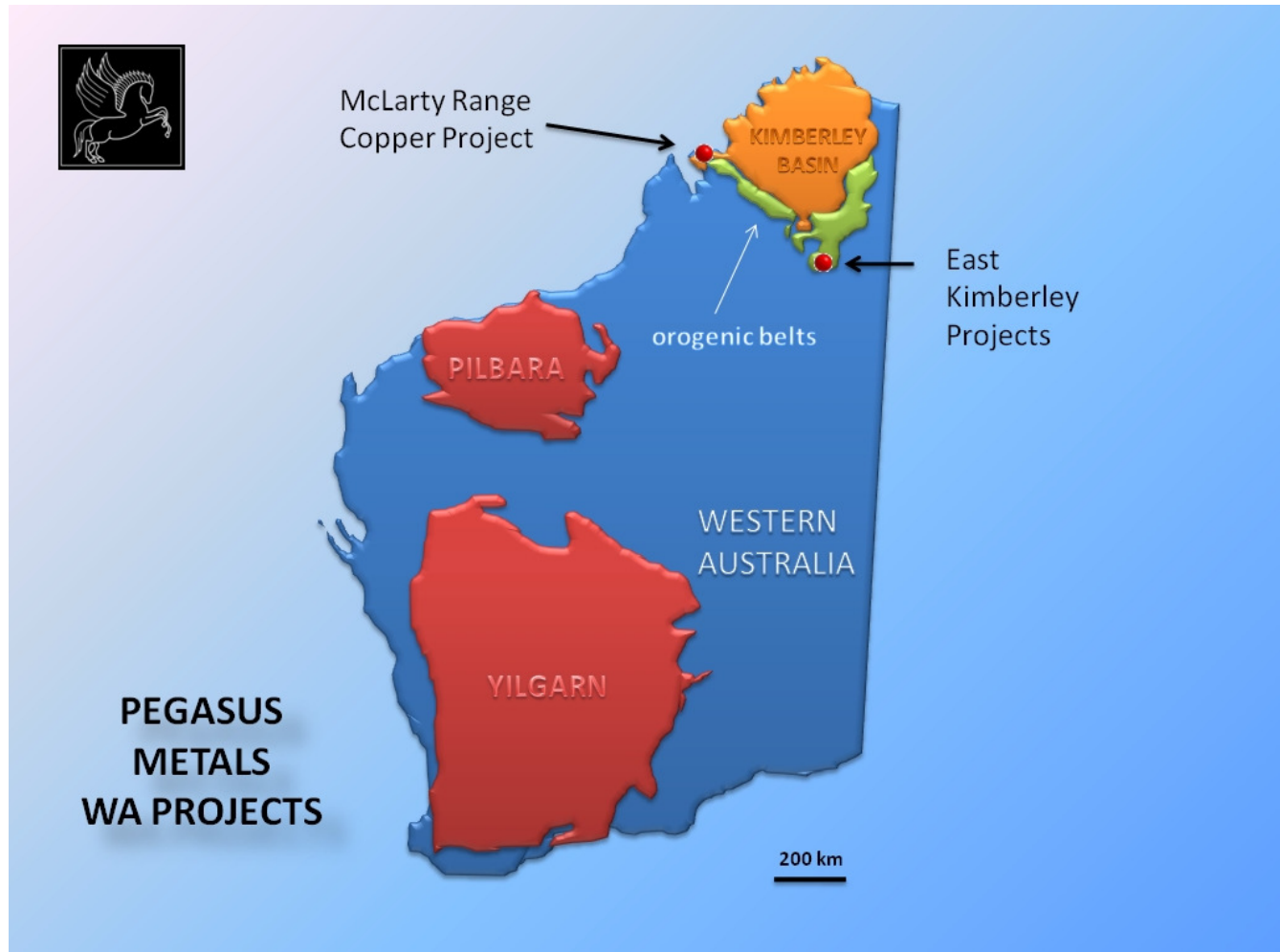
Pegasus' participation in the McLarty Copper Project was approved at the December shareholder meeting. Exploration on this exciting new project is scheduled to commence late in the next Quarter.

McLARTY RANGE COPPER PROJECT

Shareholders at the 17 December 2009 Pegasus Annual General Meeting approved the company's participation in the McLarty Range Copper Project, with over \$1.1 million of new funding to be provided by Investmet Limited and associates.

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 sequence within which is a prospective copper-bearing, metasedimentary horizon. A previous explorer recorded a 36km length of strike for the beds containing the copper mineralisation. Selected sampling by earlier explorers returned grades up to 18% copper. Sampling by the vendor of the prospective unit (20 samples) returned assays between 75 ppm copper and 6.1% copper, with six over 1.0% copper. Four

locations sampled by Pegasus (2 outcrop and 2 float samples close to source) gave assay values ranging from 0.15% to 0.86% copper. The high copper grades, from past selective sampling, are likely to be due to near-surface enrichment; nevertheless such grades are very encouraging and need to be tested with drilling to determine their continuity both down-dip and along strike.



Planning is underway to cost out an exploration program over the project area. Since access into and around the project area is difficult consideration is being given towards the use of airborne geophysical methods such as EM (electromagnetics) for targeting purposes and the use of a small helicopter-portable drill rig to test the mineralised horizon. Field work is expected to commence in the latter part of the next Quarter.

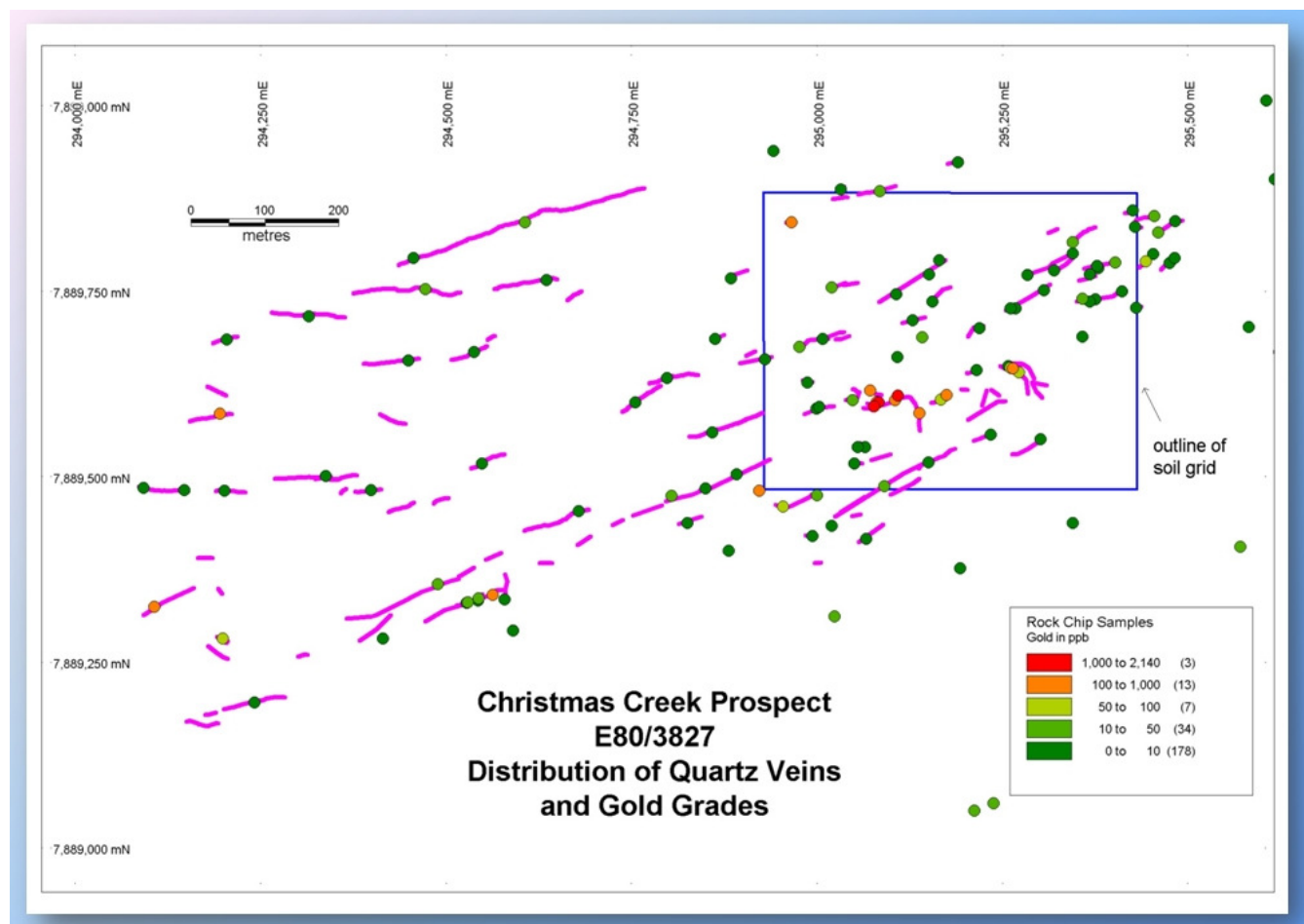
URANIUM, GOLD and BASE METAL PROJECTS

Sturt Palaeochannel and McClintock Range areas: located in the Kimberley of WA.

Geological field work on the east Kimberley group of licences continued into the first half of this Quarter.

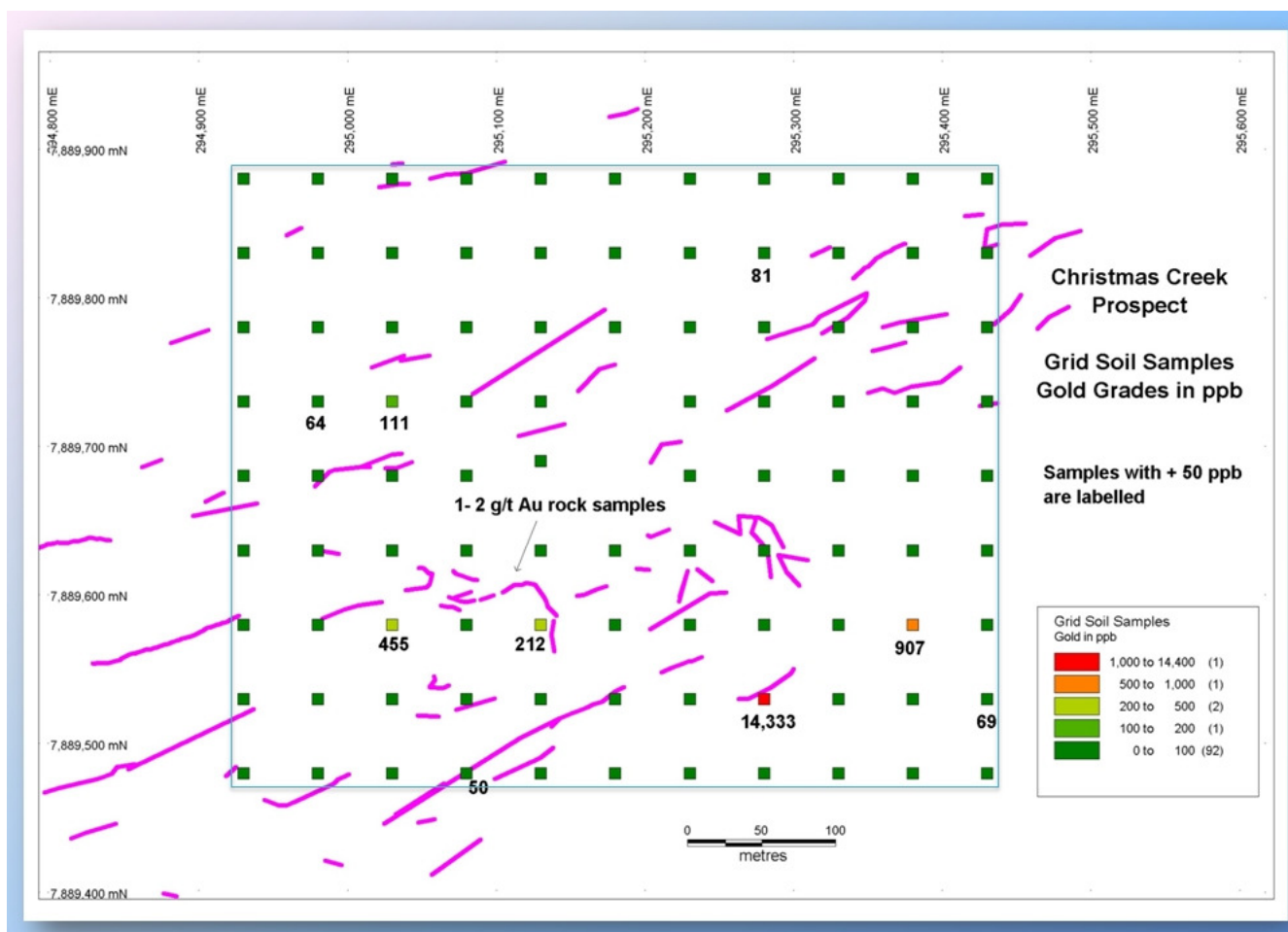
Within the Christmas Creek licence area (E80/3827) a northeast-trending zone of sheeted quartz stockwork veining has been mapped and sampled at **Christmas Creek Prospect** along a strike length that exceeds 1,500 metres. Rock chip sampling of the dark, commonly limonitic quartz veins, has returned gold grades that range between the limit of detection and 2.1 g/t gold with 16 assays above 0.1 g/t gold (see distribution below). Veins are typically steep-dipping and mostly in the 20cm to 1 metre width range.

The figure below shows the distribution of the veins and rock chip sample sites.



A soil sampling program completed over an eastern 600m by 400m portion of the area returned grades between 14.3 g/t gold and assays with less than the detection limit confirming the “nuggety” style of mineralization in the veins. The best grades in the rock samples (2.1 g/t gold) appear to coincide with dilational zones where the veins reach ~2 metres in width.

Soil sample survey results are shown below.



Rock chip sampling and mapping was carried out over several geophysical target areas that had been identified from the airborne survey work completed in 2008. The “targets” were primarily structural intersections along the margins of or within prospective geological rock units. New areas of quartz veining were identified during this work as well as several units of calcsilicate skarns. The skarns are thermally/hydrothermally altered beds of what were originally impure limestones but are now composed of “calcsilicate” minerals such as garnet and clinopyroxene; relict bedding is usually apparent in the skarns. Though exposure is commonly poor widths of several metres are common with strike lengths of a few hundred metres.

Anomalous zinc grades, mostly hosted by skarn-type mineralisation but also in discrete quartz veins, occur across 4 separate licence areas. Assays range between 400 ppm and 1.7% zinc (18 samples). Soil surveys to determine the extent of the zinc mineralisation are planned.

NEW PEGASUS BOARD

The 17 December 2009 shareholder meeting approved a restructuring of the Pegasus Board.

The new Pegasus Board has Michael Fotios, Stephen Mann and Graham Anderson as Directors. Biographies of the Directors are available on the company website www.pegasusmetals.com.au

The information in this report which relates to Exploration Results is based on information compiled by George Katchan, who 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”. George Katchan 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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