



PEGASUS METALS LIMITED

ASX ANNOUNCEMENT

25 November 2010

ASX: PUN

PEGASUS APPLIES FOR 12,950 KM² OF GROUND IN EAST KIMBERLEY PROSPECTIVE FOR COPPER

HIGHLIGHTS

- Applications made for Exploration Licences covering 12,950 km² in the East Kimberley over the equivalent of the “McLarty Range” Copper bearing stratigraphy
 - Minimum of 800 strike kilometres of the prospective sequence contained within the application area including numerous existing copper occurrences
 - Target generation program to start immediately
 - Agreement reached with Kimminco Pty Ltd to extend the date for election to proceed to Stage 2 of the McLarty Range Agreement
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Pegasus Metals Limited (ASX:PUN) is pleased to announce the completion of a large ground acquisition program in the East Kimberley. This program was based on experience gained from exploration at the McLarty Range project in the West Kimberley and extrapolating that knowledge to similar geological environments in the East Kimberley.

The McLarty Range Copper Project is located some 250 km northeast of Broome, within the West Kimberley region and covers a portion of the folded Proterozoic-aged Kimberley Basin. Of particular interest to Pegasus is a prospective copper-bearing, meta-sedimentary horizon that has been identified and sampled by previous explorers. While selected rock chip samples have returned high copper grades (up to 18% copper) the area has remained untested by drilling.

East Kimberley Copper Project

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 have been made for an area of 12,950 km² that covers the stratigraphic equivalent of the copper mineralised rock units

with a minimum strike extent of 800 km. Exploration completed at McLarty Range this year has confirmed the geologic model for copper mineralisation and highlighted that there could be repetitions of the mineralisation styles seen at McLarty Range in other parts of the Proterozoic Kimberley Basin. Pegasus has leveraged off these exploration concepts to secure the areas thought to be most prospective for copper mineralisation. Historic exploration results from earlier explorers have already identified significant copper mineralisation in many parts of the new East Kimberley Project area. However Pegasus believes the prospective rock units within the sequence have not been adequately tested for the most significant of the McLarty type copper mineralisation styles.

McLarty Range Agreement

Pegasus has reached agreement with Kimminco Pty Limited to vary the existing Heads of Agreement (“HoA”) to allow for extension of the election to proceed to Stage 2 (refer ASX announcement dated 12 October 2009) until 90 days after commencement of drilling at the project or 30 June 2011, whichever is the earlier.

In consideration of the extension of time the Company has agreed to pay to Kimminco (or nominee), exclusive of GST:

- (i) a cash payment of \$25,000;
- (ii) 2,000,000 fully paid ordinary shares in the Company;
- (iii) 1,000,000 Options exercisable at \$0.10 each within 18 months of issue, and
- (iv) 1,000,000 Options exercisable at \$0.15 each within 3 years of issue.

The shares and options issued above form part of the 9,000,000 shares, 3,000,000 options exercisable at 10 cents each within 18 months of issue and 3,000,000 options exercisable at 15 cents each within 3 years of issue, due on the election to proceed to Stage 2 as per the original HoA. The definition of Tenements in the HoA has also been amended to include the new licence applications.

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 and director of Pegasus Metals Ltd, a Member of the Australian Institute of Mining and Metallurgy. 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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