



More massive sulphide hits of up to 6% copper and 5% zinc to underpin maiden resource at Mt Mulcahy

ASX Announcement
15 May 2013

Shares on Issue
123,074,519
Current Share Price
A\$0.18
Market Capitalisation
A\$22.15m
Cash at 31/03/13
A\$1.4m

Board of Directors

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Chairman

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Projects

Mt Mulcahy
McLarty Range
East Kimberley Regional

High-grade mineralisation remains open along strike and down-dip, with drilling now testing potentially substantial extensions beyond 225m vertical depth

HIGHLIGHTS

- The latest Diamond and Reverse Circulation (RC) drilling at the Mt Mulcahy Project in WA continues to establish the key South Limb Pod target as a substantial high-grade copper-zinc discovery with silver and gold
- The latest results, which will form part of the maiden resource estimate, provide more evidence that South Limb Pod hosts rich copper and zinc VMS-style mineralisation of outstanding grade less than 200m from surface
- Significant intercepts from the latest drilling include:
***5.00m @ 4.38% Cu, 2.91% Zn, 38.9g/t Ag and 0.53g/t Au
(Incl 3m @ 5.78% Cu, 3.84% Zn, 49.6g/t Ag and 0.54g/t Au
4.44m @ 2.51% Cu, 4.98% Zn, 29.4g/t Ag and 0.26g/t Au
(Incl 3.44m @ 3.04% Cu, 6.40% Zn, 36.6g/t Ag and 0.33g/t Au
6.64m @ 1.86% Cu, 1.44% Zn, 15.2g/t Ag and 0.07g/t Au
(Incl 2.19m @ 3.40% Cu, 3.02% Zn, 27.2g/t Ag and 0.10g/t Au
2.0m @ 3.24% Cu, 1.06% Zn, 25.0g/t Ag and 0.10g/t Au
(all intercepts are approximately true thickness)***
- The intersection of ***5.00m @ 4.38% Cu, 2.91% Zn, 38.9g/t Ag and 0.53g/t Au*** is the deepest yet at a vertical depth of 225m
- Massive sulphide mineralisation at South Limb Pod now outlined over 300m down-dip and/or down plunge and to a vertical depth of 225m
- Assays awaited on numerous massive sulphide intersections (*see Table 1*)
- Results from drilling underway beyond 225m deep will help determine development options, including regional processing alternatives

Pegasus Metals Limited (ASX: PUN) is pleased to advise that it has intersected more outstanding high-grade mineralisation at its Mt Mulcahy copper-zinc-silver-gold VMS discovery in WA.

Fresh assays of up to 5.78 per cent copper and 4.98 per cent zinc with silver and gold further confirm the quality and continuity of the VMS-style mineralisation at Mt Mulcahy's flagship South Limb Pod target (*see Table 2*).

Mt Mulcahy is located 50km north of Cue in the Murchison Region. The mineralisation at south Limb Pod has now been outlined over 300m down dip and to a vertical depth of 225m (*see Figures 3 and 4*).

Drilling is now underway to test whether the mineralisation extends from a vertical depth of 200m to 400m. This drilling has the potential to add substantial amounts of contained metal to South Limb Pod resource and also boost the development options available to Pegasus.

The latest results are consistent with those contained in previous assays, which have included intersections of up to 6.8 per cent copper and 6.7 per cent zinc, further demonstrating the continuity of the mineralisation.

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 58 holes to date (MMSP001 to MMSP004, MTMRCD001 to MTMRCD008 and MTMDD001 to MTMDD046).

This programme has included resource definition diamond drilling at South Limb, with 53 holes completed so far (MMSP001, MMSP003 & MMSP004, MTMRCD001 to MTMRCD008, MTMDD004 to MTMDD008 and MTMDD010 to MTMDD046). In addition 21 RC holes, testing the extension of the mineralisation up to the surface, have been completed (MTMRC009 to MTMRC029).

Results for MMSP001 to MMSP004, MTMDD001 to MTMDD035, MTMRCD001 to MTMRCD004 and MTMRCD007 have been announced in ASX releases dated 17 September 2012, 15 November 2012, 24 January 2013, 11 April 2013 and 1 May 2013.

Assays are awaited for holes MTMDD036, MTMDD041 to MTMDD046 and MTMRC18 to MTMRC29. Sampled intervals and sulphide intercepts logged in these holes are summarised below (*Table 1*).

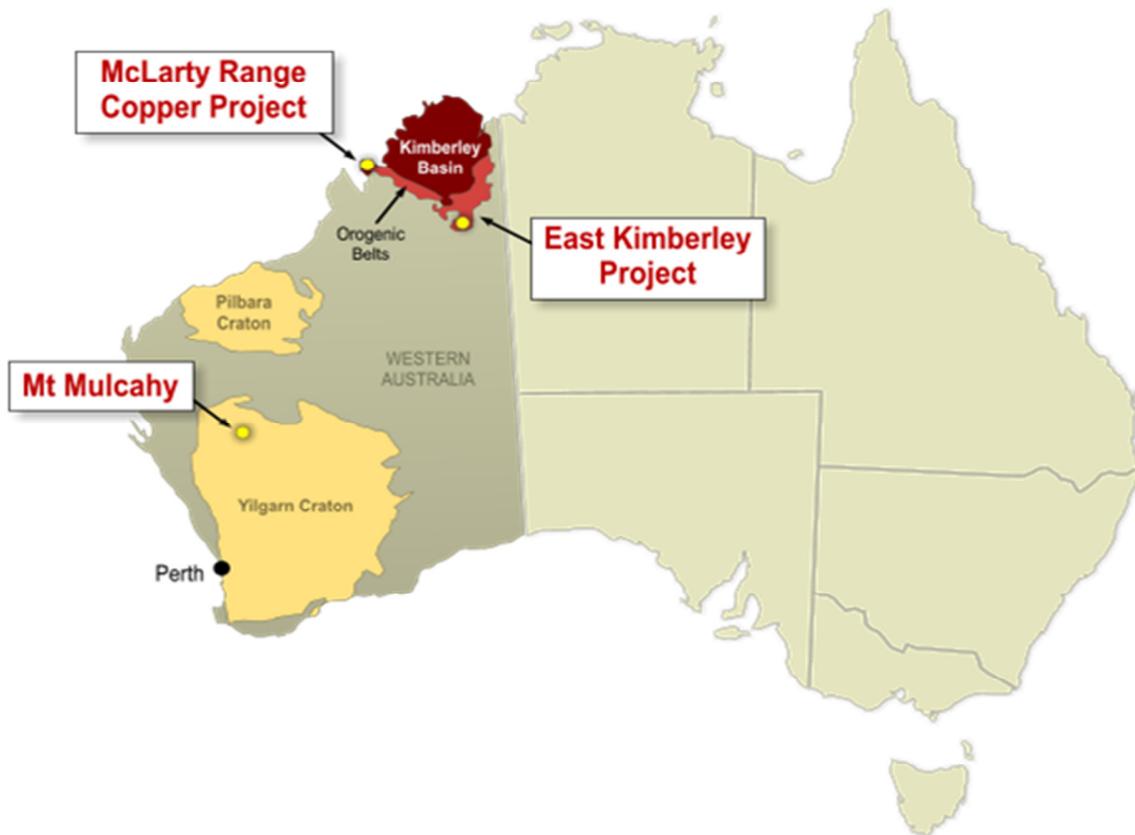
TABLE 1 – SAMPLED INTERVALS & SULPHIDE INTERCEPTS AWAITING ASSAY

Hole ID	Northing	Easting	From (m)	To (m)	Length (m)	Massive Sulphide (m)	Stringer Sulphides (m)
MTMDD36	7007362	569151	171.31	181.22	9.91	0.91	3.00
MTMDD41	7007660	568710	32.20	61.70	29.50	0.92	4.75
MTMDD42	7007439	569090	160.50	173.59	13.09	2.34	3.95
MTMDD43	7007439	569090	184.68	194.44	9.58	4.15	1.40
MTMDD44	7007470	569049	179.26	185.07	5.81	0.73	0.87
MTMDD45	7007470	569049	163.97	172.60	8.63	0.70	2.20
MTMDD46	7007470	569049	196.75	202.50	5.75	0.37	1.38

RC drilling completed to date to test the up-dip extension of the sulphide mineralisation confirms that while the mineralisation extends to the surface, near-surface oxidation/depletion extends only to between 5 and 10m depth (e.g. MTMRC 014).

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.

“These results further confirm that South Limb Pod is an outstanding discovery characterised by extremely high-grade mineralisation with excellent ongoing exploration potential and the prospect of being very economical to mine,” Pegasus Managing Director Michael Fotios said.



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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TABLE TWO: SIGNIFICANT INTERSECTIONS

Hole ID	Northing	Easting	From (m)	To (m)	Length (m)	Cu (%)	Zn (%)	Ag (ppm)	Au (ppm)
Diamond Drill Holes									
MTMRC5	7007294	569089	77.56	79.90	2.34	1.19	4.54	19.90	0.04
		<i>Including</i>	77.56	78.90	1.34	1.57	7.83	31.55	0.06
MTMRC6	7007367	569132				NSI			
MTMRC8	7007355	569073	110.47	112.22	1.75	1.58	0.90	12.09	0.13
		<i>Including</i>	110.47	111.22	0.75	2.97	1.93	23.00	0.13
MTMDD37	7007420	569149	187.02	192.02	5.00	4.38	2.91	38.90	0.53
		<i>Including</i>	187.02	190.02	3.00	5.78	3.84	49.63	0.54
		<i>Including</i>	191.02	192.02	1.00	3.90	2.90	41.30	0.98
MTMDD38	7007281	569070	55.40	59.84	4.44	2.51	4.98	29.42	0.26
		<i>Including</i>	55.40	58.84	3.44	3.04	6.40	36.55	0.33
MTMDD39	7007221	569132	43.91	46.68	2.77	1.57	0.90	13.50	0.06
		<i>Including</i>	43.91	45.68	1.77	2.13	1.37	18.75	0.07
MTMDD40	7007450	569130	168.61	175.25	6.64	1.86	1.44	15.19	0.07
		<i>Including</i>	168.61	170.80	2.19	3.40	3.02	27.18	0.10
RC Drill Holes									
MTMRC09	7007355	569073				NSI			
MTMRC10	7007234	569050	24	26	2.00	3.24	1.06	25.05	0.10
MTMRC11	7007232	569069	28	31	3.00	0.91	1.05	9.07	0.15
MTMRC12	7007141	569189	20	21	1.00	0.86	0.36	6.50	0.23
		<i>Including</i>	23	24	1.00	1.31	0.42	18.60	0.19
MTMRC13	7007153	569174				NSI			
MTMRC14	7007151	569150	4	9	5.00	0.62	0.36	10.82	0.21
		<i>Including</i>	7	8	1.00	1.19	0.65	10.70	0.52
MTMRC15	7007177	569127	11	14	3.00	1.89	0.92	11.77	0.26
			15	16	1.00	0.53	0.49	3.20	0.01
		<i>Including</i>	11	12	1.00	1.76	1.29	1.80	0.64
		<i>Including</i>	13	14	1.00	3.05	0.76	30.20	0.14
MTMRC16	7007196	569108	20	21	1.00	0.60	0.22	4.30	0.05
MTMRC17	7007215	569090	18	20	2.00	1.10	0.45	24.25	0.18
		<i>Including</i>	19	20	1.00	1.52	0.39	31.70	0.23

*All intercepts are approximately true thickness apart. 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. RC drill hole samples are collected every metre, logged, sampled and dispatched to the same laboratory. 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

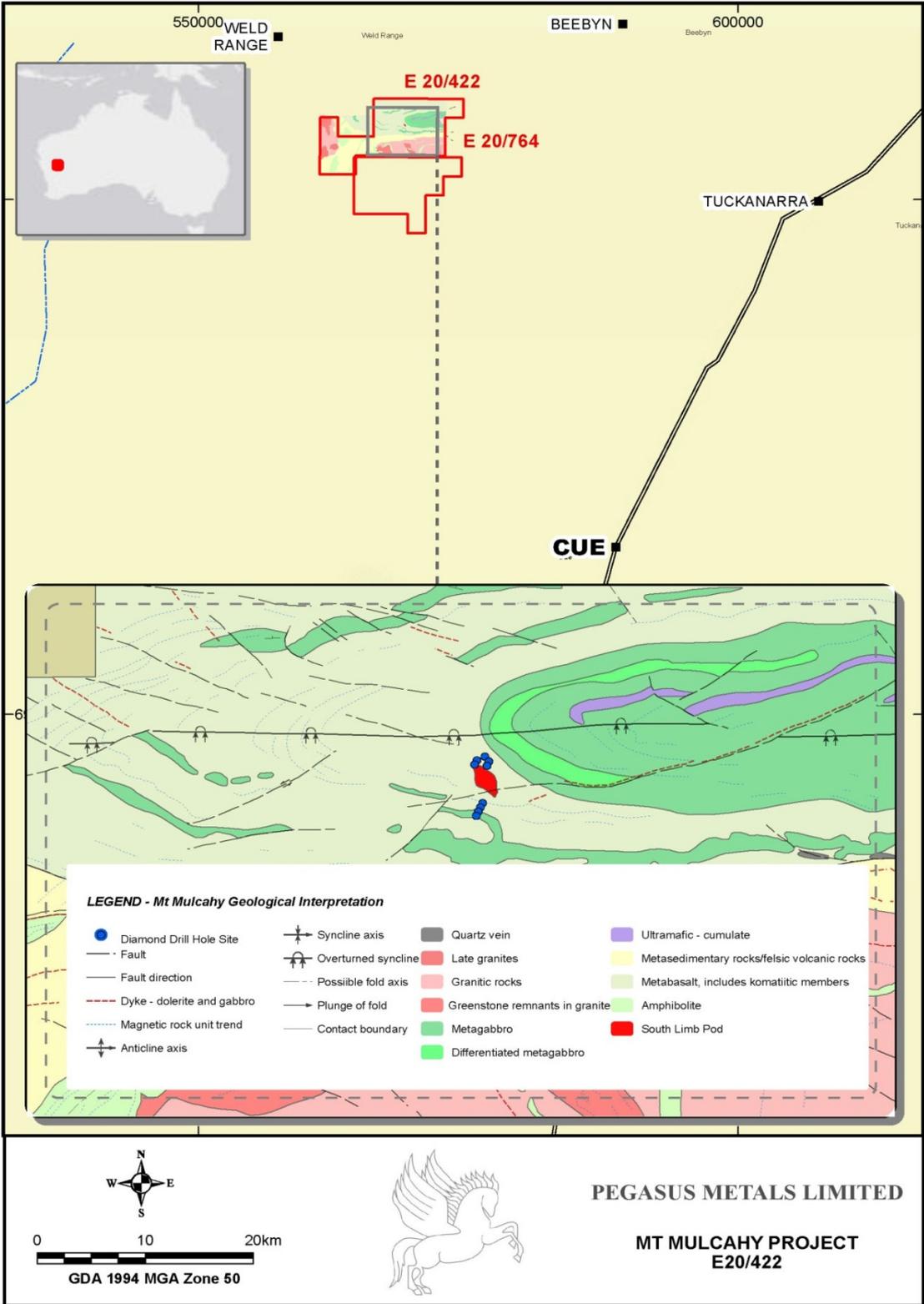
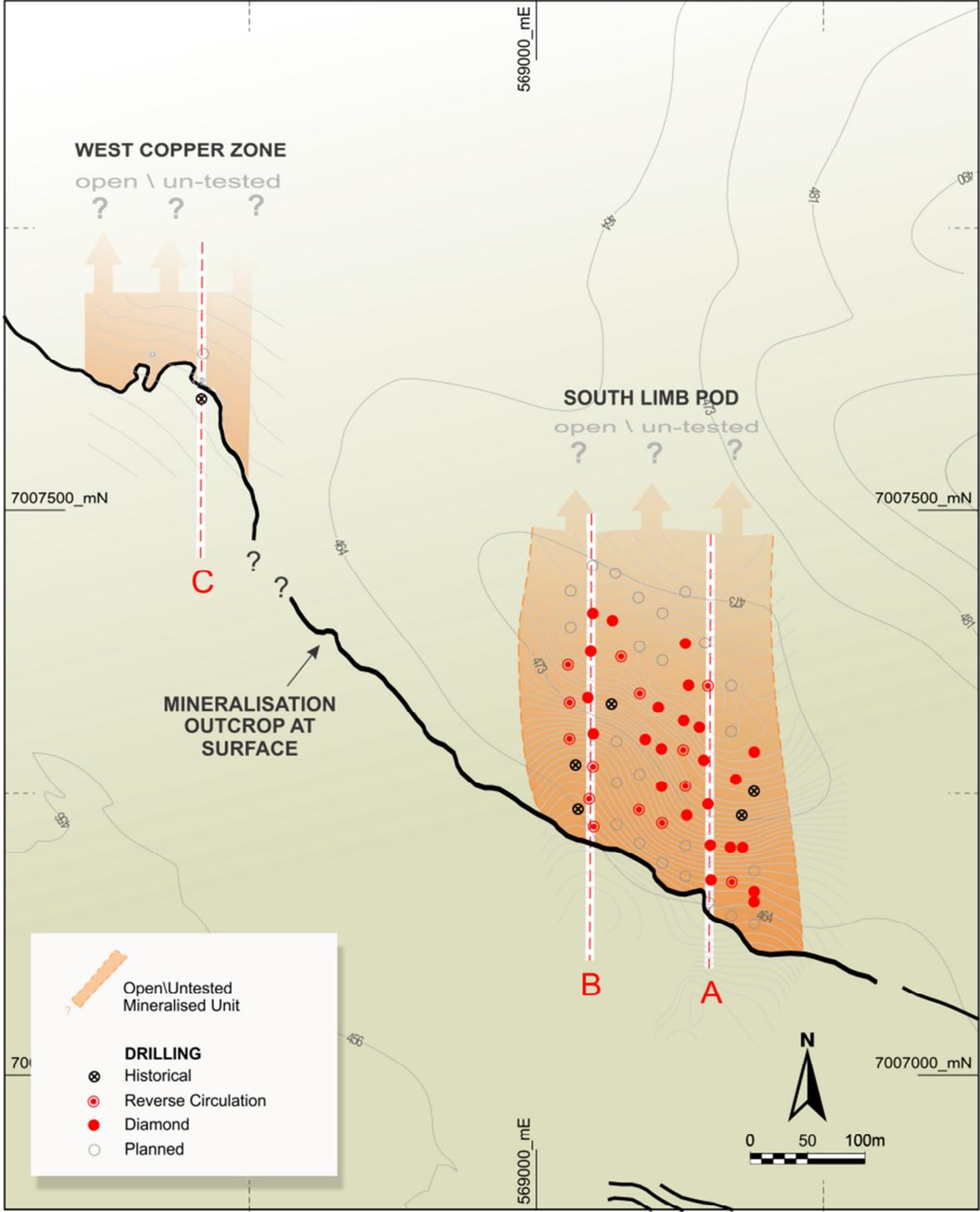


FIGURE 2
Mt Mulcahy
South Limb Pod & West Copper Zone



Plan Showing Current Drill Targets
with Down Hole Mineralised Intercepts Projected to Surface

FIGURE 3

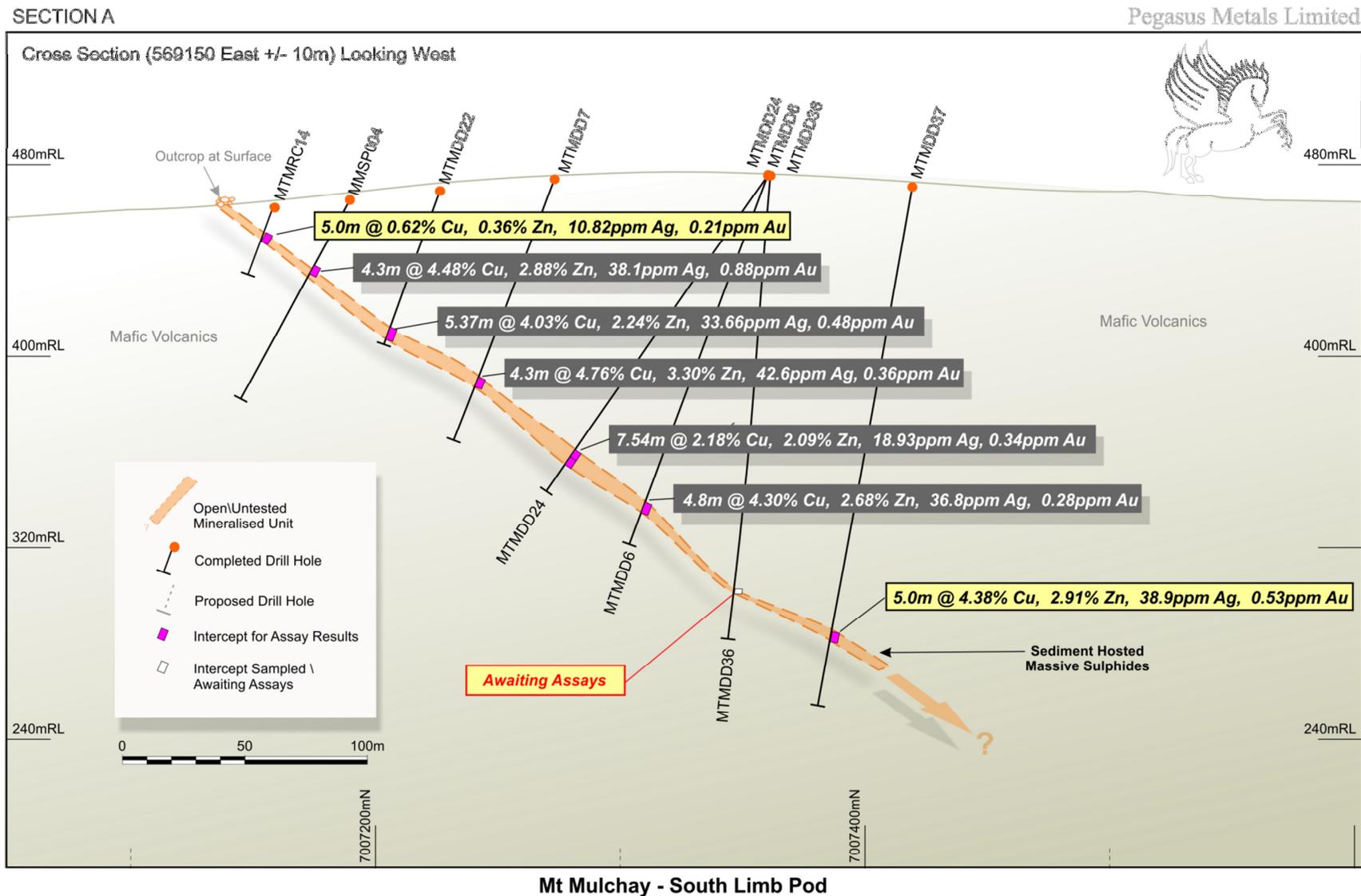
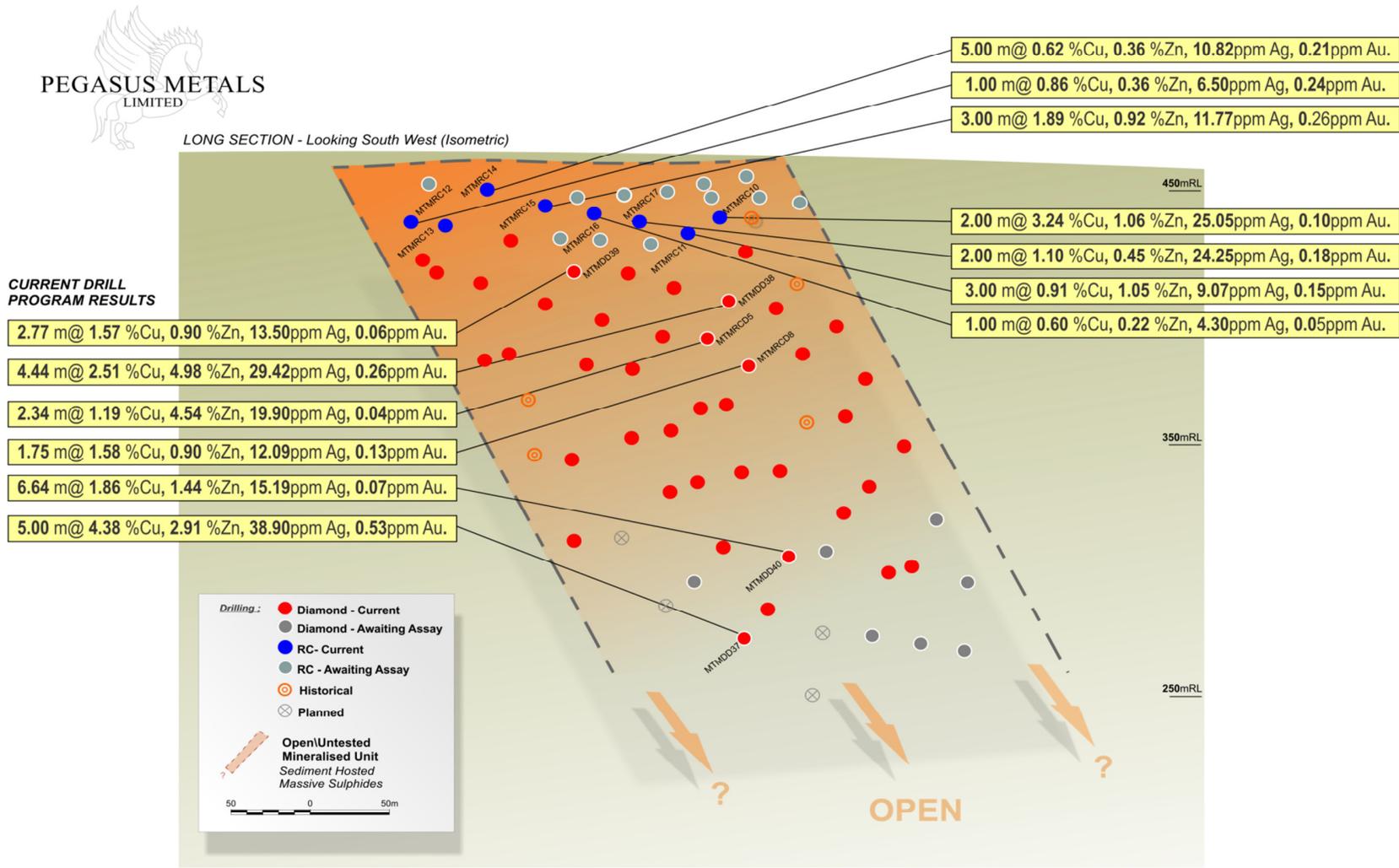


FIGURE 4



Mt Mulcahy Project - South Limb Pod
Plane of Vein Projection