

Pegasus Metals Ltd

ASX: PUN



## QUARTERLY REPORT FOR QUARTER ENDING 30 September 2013

### HIGHLIGHTS

Quarterly Report  
September 2013

ASX Announcement  
31 October 2013

Shares on Issue

123,074,519

Current Share Price

A\$ 6 cents

Market Capitalisation

A\$ 7.4M

#### Board of Directors

Mr Stephen Mann

*Non-Executive*

*Chairman*

Mr Michael Fotios

*Director*

Mr Graham D Anderson

*Company Sec & Non-*

*Executive Director*

#### Contact Details

24 Mumford Place

Balcatta WA 6021

Ph: 08 6241 1888

#### Projects

Mt Mulcahy

McLarty Range

East Kimberley Regional

- Final results from Diamond drilling at the South Limb Pod target within the Mt Mulcahy Project in WA continued to intersect VMS-style mineralisation at a vertical depth of 225m with high grades of copper and zinc with silver and gold.
- This is the deepest mineralisation intersected so far at South Limb Pod and provides more strong evidence that Mt Mulcahy is emerging as a substantial VMS Province
- Significant intercepts include:  
*2.90m @ 3.4% Cu, 1.72% Zn, 24.97g/t Ag and 0.19g/t Au*  
*1.71m @ 2.72% Cu, 2.79% Zn, 25.53g/t Ag and 0.06g/t Au*  
*(all intercepts are approximately true thickness)*
- Massive sulphide mineralisation at South Limb Pod now outlined over 350m down-dip
- Recently re-evaluated VTEM survey shows many of the remaining 20 VMS targets at Mt Mulcahy contain signatures matching those from South Limb Pod; Drilling on these other targets will start after completion of ground EM survey
- Drilling will also test for extensions to South Limb Pod beyond 225m vertical depth

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#### MT MULCAHY COPPER PROJECT, Murchison (PUN 100%)

Final results from Diamond drilling were received during the quarter, with the South Limb Pod target confirmed as a significant VMS discovery hosting high-grade copper with zinc, silver and gold. The mineralisation at South Limb, which is located 50km north of Cue in the Murchison Region, has now been outlined over a down-dip extent of ~350m.

Please refer to ASX announcement dated 30 August 2013 for detailed information.

The latest intersections extend the known mineralisation at South Limb Pod to a vertical depth of 225m, where it remains open. The mineralisation has also been outlined over a strike length of 200m and over 350m down dip (see *Figures 3 and 4*).

The recently re-evaluated VTEM survey also shows that many of these 20 VMS targets contain signatures matching those from South Limb Pod (see *Figure 5*).

The fresh assays at South Limb Pod, which grade up to 3.4 per cent copper and 2.8 per cent zinc with silver and gold, further confirm the quality and continuity of the VMS-style mineralisation (see *Table 1*).

Pegasus will now undertake a ground-based electro-magnetic (EM) survey designed to provide more detail on the targets identified by the VTEM survey and to identify additional targets. This will be followed by an extensive drilling campaign.

The EM program will also include down hole EM surveys at the base of the South Limb pod to determine the detailed EM signature of South Limb pod to aid in profiling of ground EM anomalies and to more accurately determine the location of future drill holes to test the down plunge extension of the mineralisation.

On completion of the down-hole EM survey Pegasus will drill to test the South Limb Pod mineralisation below a vertical depth of 225m.

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

#### **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.

No field work was completed during the quarter.

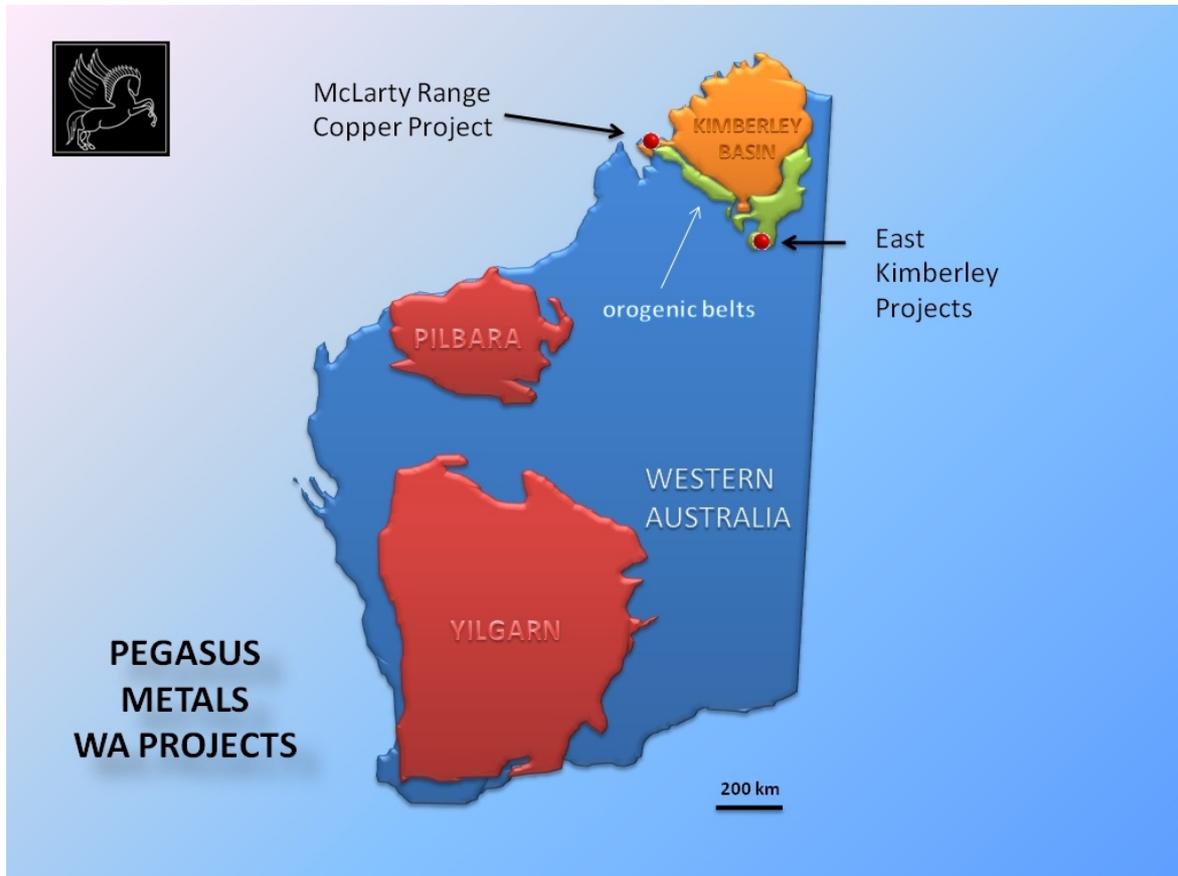
#### **EAST KIMBERLEY COPPER PROJECT, East Kimberley (PUN 100%)**

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.

No field activity during the quarter.

**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

**Pegasus Metals Limited**  
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Telephone: 08 6241 1888  
Website: [www.pegasusmetals.com.au](http://www.pegasusmetals.com.au)  
Contact: [admin@pegasusmetals.com.au](mailto:admin@pegasusmetals.com.au)

<b>TABLE ONE: SIGNIFICANT INTERSECTIONS (0.5% Cu Cut off)</b>									
<b>Hole ID</b>	<b>Northing</b>	<b>Easting</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Length (m)</b>	<b>Cu (%)</b>	<b>Zn (%)</b>	<b>Ag (ppm)</b>	<b>Au (ppm)</b>
<b>Diamond Drill Holes</b>									
MTMDD48	7007457	569110	182.1	185.0	2.90	3.42	1.72	24.97	0.19
MTMDD49	7007447	569129	208.48	210.19	1.71	2.72	2.79	25.53	0.06
			213.13	214.09	0.96	2.00	0.17	11.64	0.27

\*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 or on site. 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

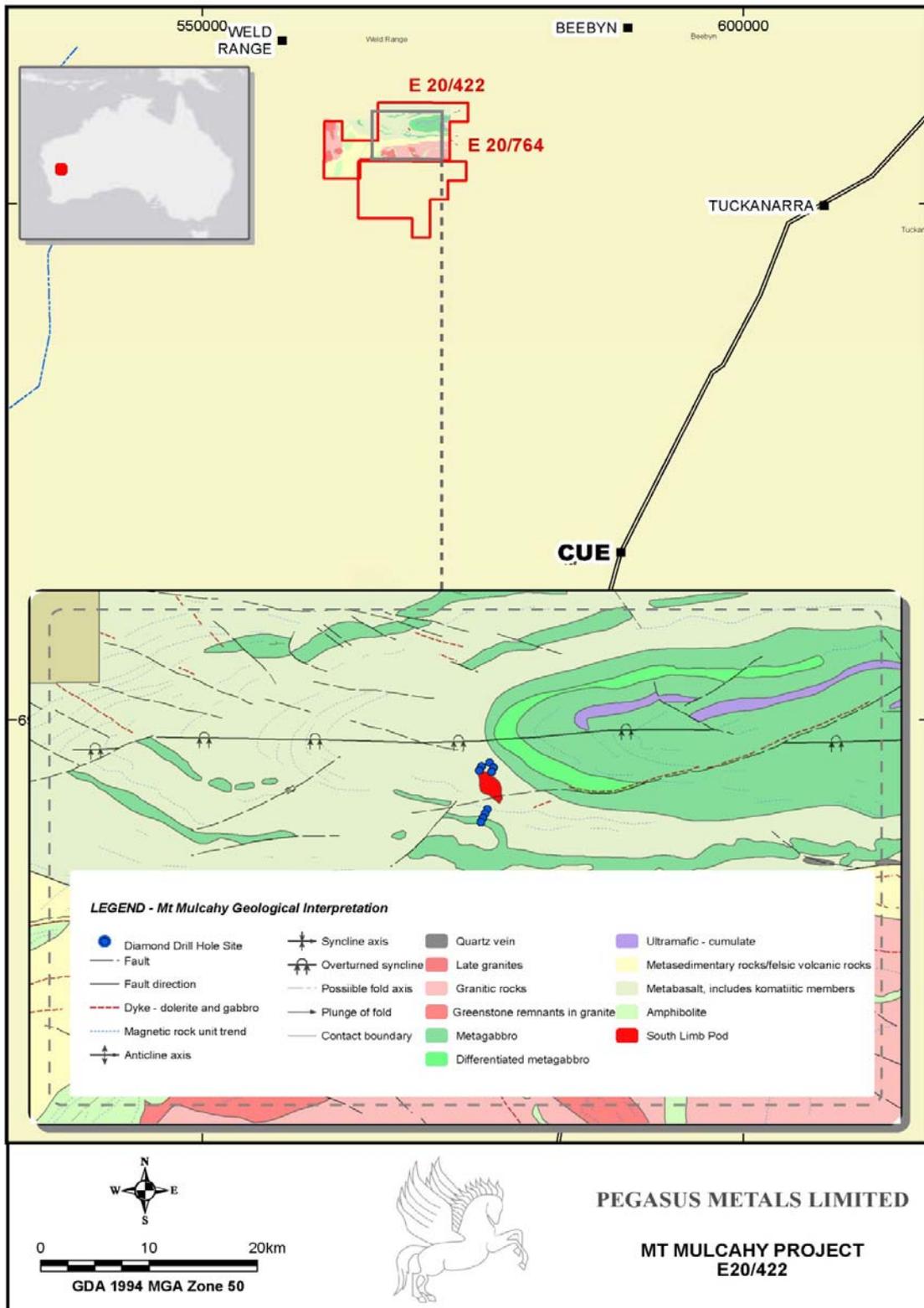
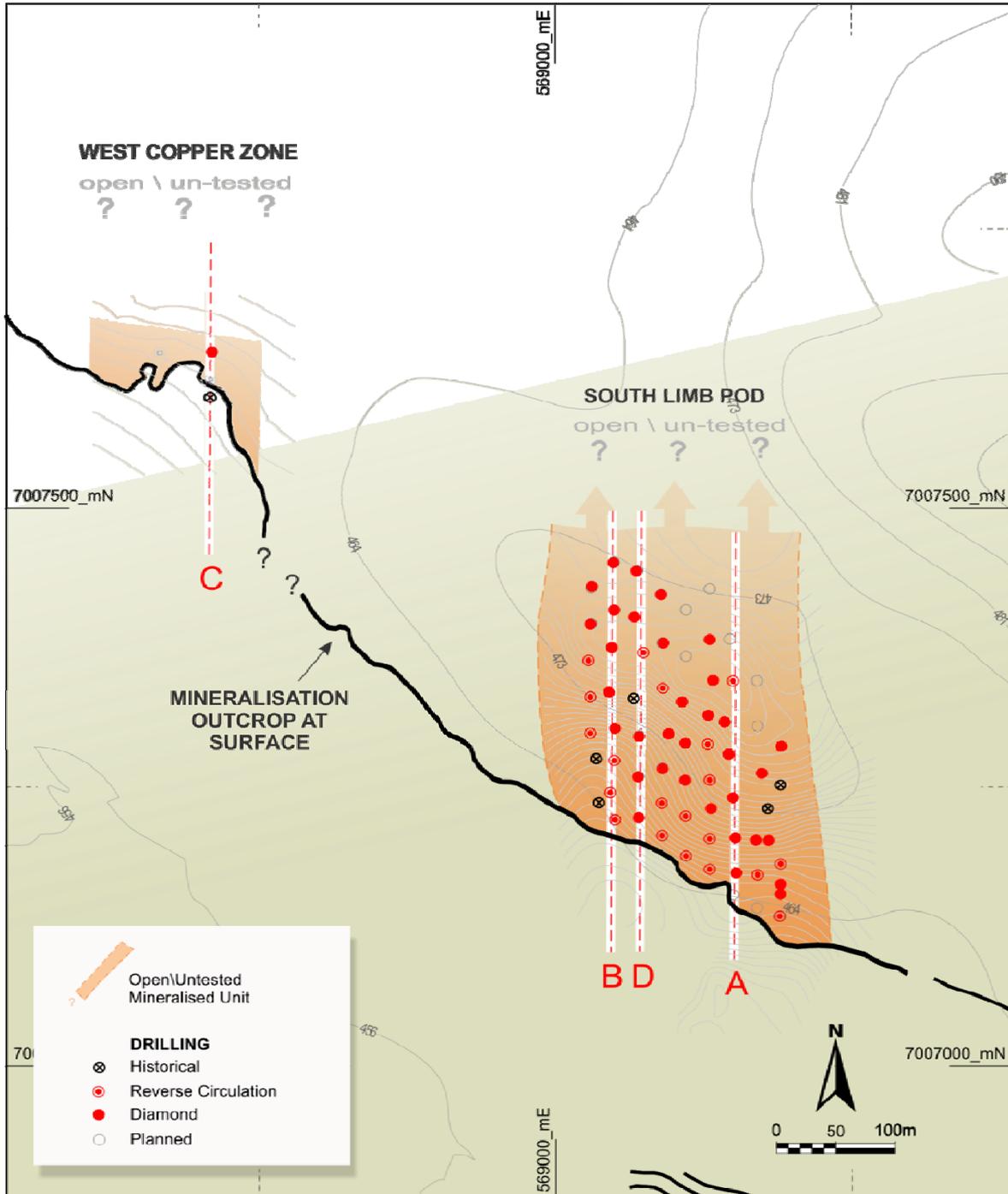


FIGURE 2

Mt Mulcahy  
South Limb Pod & West Copper Zone



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

FIGURE 3

Pegasus Metals Limited

SECTION D

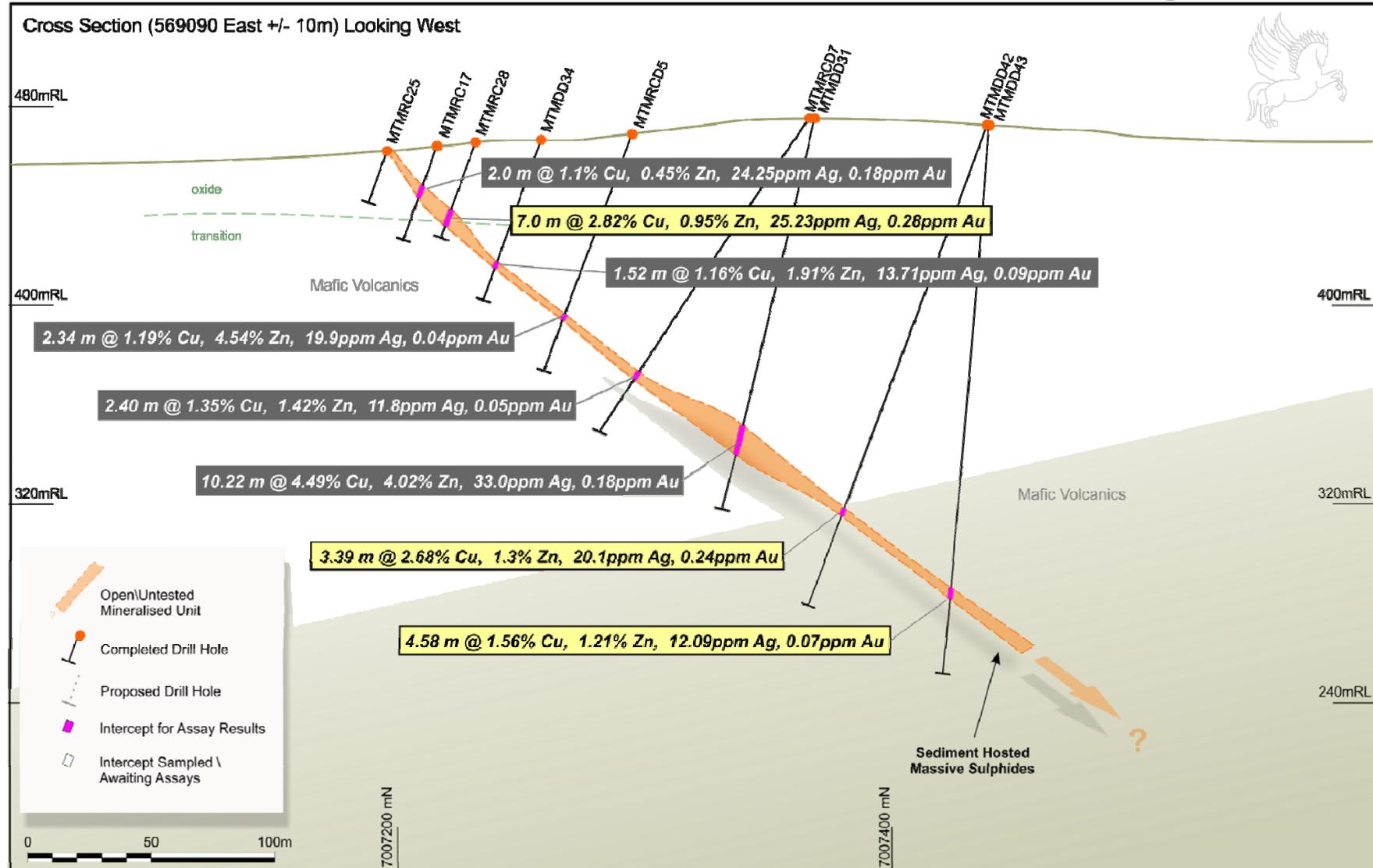


FIGURE 4

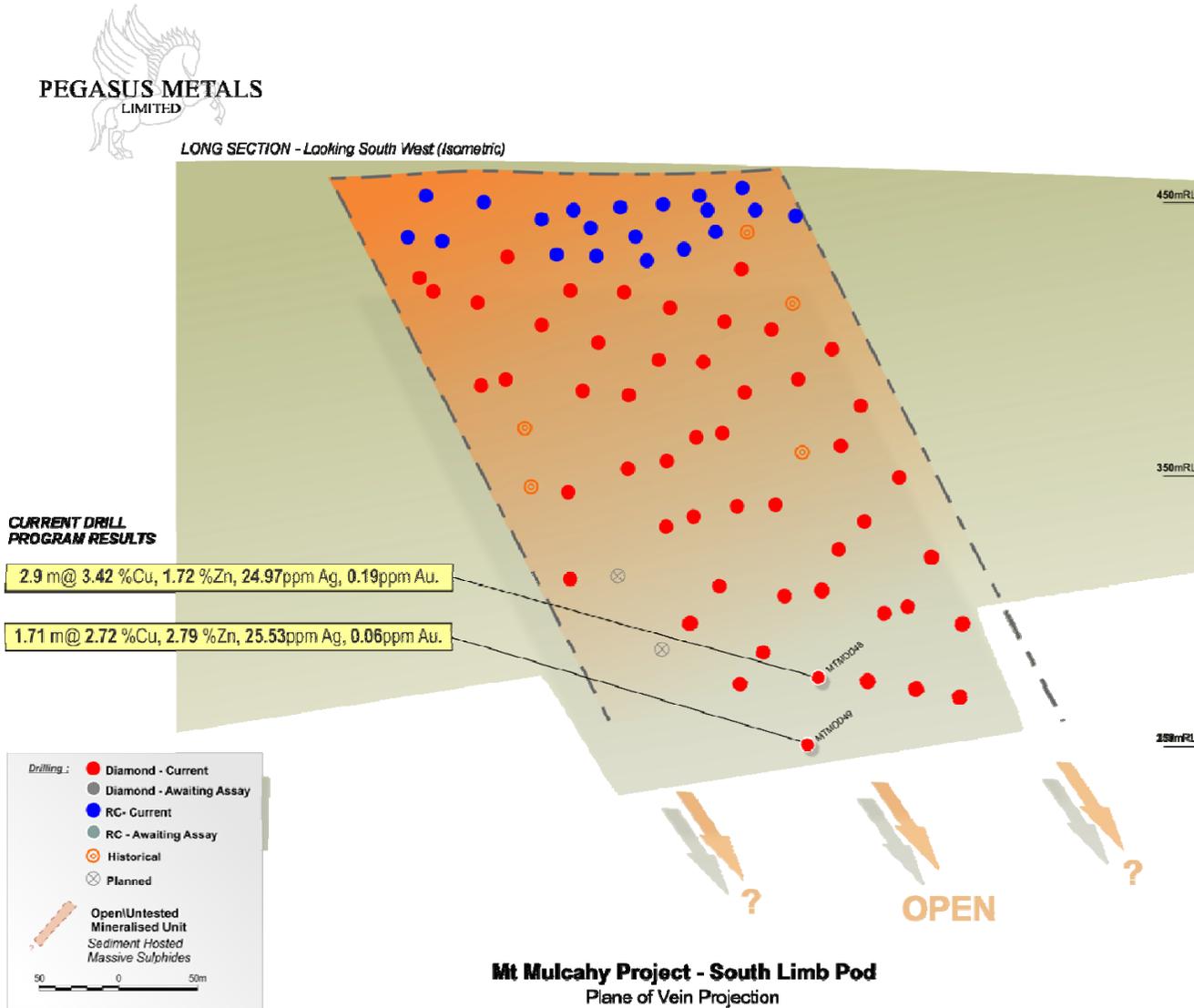
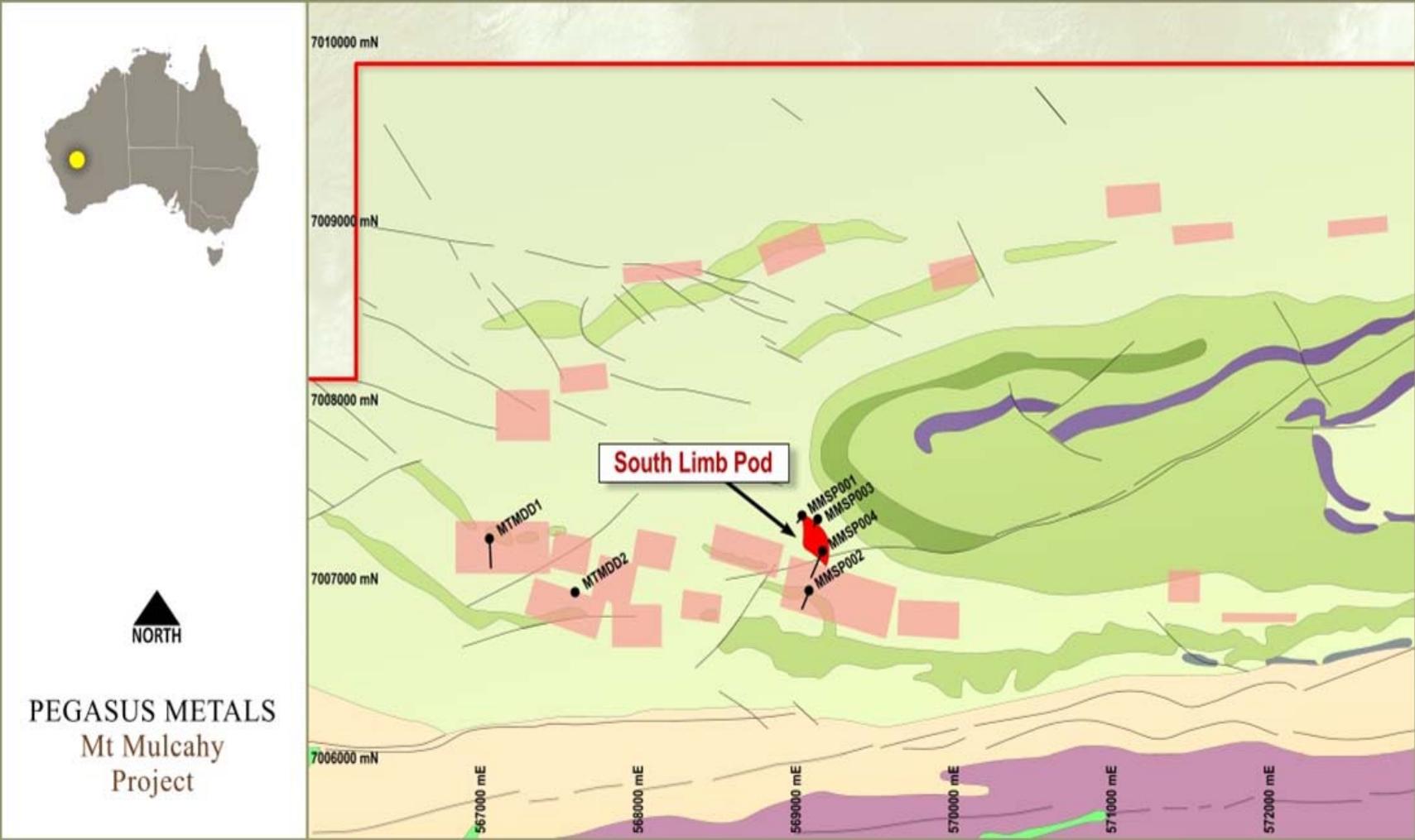


FIGURE 5



## 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")

30 September 2013

#### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(206)	(206)
(b) development	-	-
(c) production	-	-
(d) administration	(51)	(51)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	(9)	(9)
1.6 Income taxes paid	-	-
1.7 Other (GST paid to be recouped)	88	88
<b>Net operating cash flows</b>	<b>(177)</b>	<b>(177)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	11	11
1.10 Loans from other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>11</b>	<b>11</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(166)</b>	<b>(166)</b>

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(166)	(166)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	<b>(166)</b>	<b>(166)</b>
1.20	Cash at beginning of quarter/year to date	173	173
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>7</b>	<b>7</b>

**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	500	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	200
4.2 Development	-
4.3 Production	-
4.4 Administration	50
<b>Total</b>	<b>250</b>

### 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	(3)	163
5.2 Deposits at call	10	10
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>7</b>	<b>173</b>

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