



Massive sulphide hits of up to 6% copper and 6% zinc at rapidly emerging Mt Mulcahy Project, WA

ASX Announcement
1 May 2013

Shares on Issue

123,074,519

Current Share Price

A\$ 11cents

Market Capitalisation

A\$13.53m

Cash at 31/03/13

A\$1.4m

Board of Directors

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Projects

Mt Mulcahy

McLarty Range

East Kimberley Regional

Drilling will now focus on extending mineralisation below known vertical depth of 200m

HIGHLIGHTS

- Diamond drilling at the South Limb Pod target within the Mt Mulcahy Project in WA has returned another round of high-grade copper and zinc intersections with silver and gold in VMS-style mineralisation

- Significant intercepts from the latest drilling include:

4.14m @ 3.05% Cu, 2.17% Zn, 27.1g/t Ag and 0.40g/t Au

10.22m @ 4.49% Cu, 4.02% Zn, 33.0g/t Ag and 0.18g/t Au

12.41m @ 3.12% Cu, 2.29% Zn, 28.0g/t Ag and 0.21g/t Au¹

(Incl 6.00m @ 4.96% Cu, 4.25% Zn, 46.5g/t Ag and 0.33g/t Au²)

11.31m @ 4.91% Cu, 4.16% Zn, 44.4g/t Ag and 0.57g/t Au

(Incl 6.47m @ 6.82% Cu, 6.74% Zn, 62.8g/t Ag and 0.80g/t Au)

(all intercepts are approximately true thickness except for 1 and 2 where true thickness is about 80% of the intercept width)

- Massive sulphide mineralisation at South Limb Pod now outlined over 300m down-dip and /or down plunge and to a vertical depth of 200m
- 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 200m vertical depth.
- Latest results and impending assays will form part of maiden resource estimate being calculated for South Limb Pod
- Development options, including regional processing alternatives, now under consideration

Pegasus Metals Limited (ASX: PUN) is pleased to advise that it has taken another significant step towards establishing a highly economic project at its Mt Mulcahy copper-zinc-silver-gold VMS discovery in WA with diamond drilling returning further outstanding results.

The results, from the flagship South Limb Pod target at Mt Mulcahy, which is located 50km north of Cue in the Murchison Region, confirm that the mineralisation extends over 300m down dip and to a vertical depth of 200m.

It remains open down plunge, with the next round of drilling aimed at extending the known parameters of the mineralisation to a vertical depth of 400m.

These 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 6.8 per cent copper and 6.7 per cent zinc (*see Table 2*).

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 54 holes to date (MMSP001 to MMSP004, MTMRCD001 to MTMRCD008 and MTMDD001 to MTMDD042).

This programme has included resource definition diamond drilling at South Limb, with 49 holes completed so far (MMSP001, MMSP003 & MMSP004, MTMRCD001 to MTMRCD008, MTMDD004 to MTMDD008 and MTMDD010 to MTMDD042).

Results for MMSP001 to MMSP004, MTMDD001 to MTMDD022, MTMDD024, MTMRCD001 to MTMRCD004 and MTMRCD007 have been announced in ASX releases dated 17 September 2012, 15 November 2012, 24 January 2013 and 11 April 2013.

Assays are awaited for holes MTMDD036 to MTMDD042 and MTMRCD005, MTMRCD006 and MTMRCD008. Sampled intervals and Sulphide intercepts logged in these holes are summarised below.

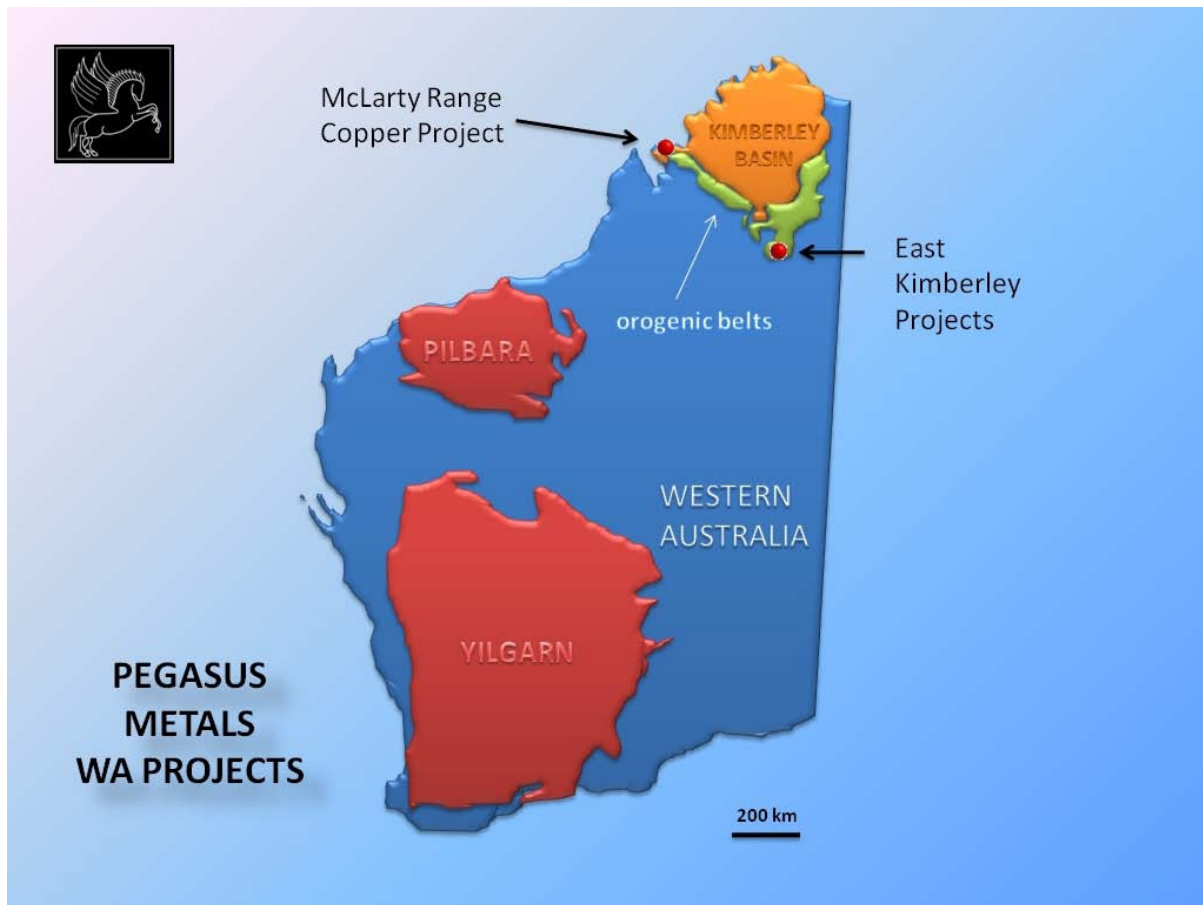
Table 1 – Sampled Intervals and Sulphide Intercepts Awaiting Assay

Hole ID	Northing	Easting	From (m)	To (m)	Length (m)	Massive Sulphide (m)	Stringer Sulphides (m)
MTMRCD5	7007295	569090	73.56	85.90	12.34	1.48	6.10
MTMRCD8	7007354	569069	108.47	118.22	9.75	0.75	4.00
MTMDD36	7007362	569151	171.31	181.22	9.91	0.91	3.00
MTMDD37	7007420	569150	184.02	210.02	26.00	4.92	3.12
MTMDD38	7007277	569070	53.40	61.84	8.44	3.42	2.54
MTMDD39	7007217	569130	39.91	48.68	8.77	0.73	3.88
MTMDD40	7007447	569130	164.61	178.28	13.67	3.02	4.61
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

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.

“This next round of drilling has the potential to increase the size of the deposit and the economics of the project significantly,” Pegasus Managing Director Michael Fotios said.

“We are increasingly confident that Mt Mulcahy will host a robust project underpinned by substantial tonnages, high grades and low costs.”



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 2

Hole ID	Northing	Easting	From (m)	To (m)	Length (m)	Cu (%)	Zn (%)	Ag (ppm)	Au (ppm)
MTMDD23	7007191	569170	54.26	55.0	0.74	3.33	2.56	36.90	1.04
MTMDD25	7007366	569129	132.76	136.90	4.14	3.05	2.17	27.09	0.40
MTMDD26	7007324	569030	69.96	74.32	4.36	1.97	3.87	24.02	0.10
		Including	69.96	73.32	3.36	2.36	4.92	29.56	0.09
MTMDD27	7007378	569035	119.67	120.19	0.52	0.56	2.70	13.40	0.01
MTMDD28	7007377	569035	98.53	99.53	1.00	0.72	0.35	5.20	0.02
			100.53	101.53	1.00	0.94	0.09	4.50	0.02
			103.53	104.53	1.00	0.81	1.64	7.50	0.08
MTMDD29	7007296	569050	60.00	64.90	4.90	2.85	1.18	18.09	0.08
		Including	60.00	63.90	3.90	3.38	1.42	21.52	0.09
MTMDD30	7007462	569071	166.37	169.04	2.67	2.75	2.75	23.93	0.73
MTMDD31	7007370	569089	127.00	137.22	10.22	4.49	4.02	33.00	0.18
		Including	127.00	136.22	9.22	4.92	4.42	36.24	0.20
MTMDD32	7007255	569044	38.85	39.44	0.59	1.95	5.24	28.60	0.10
MTMDD33	7007259	569130	77.77	90.18	12.41*	3.12	2.29	28.05	0.21
		Including	77.77	83.77	6.00*	4.95	4.25	46.47	0.33
		Including	85.77	87.18	1.41*	3.37	1.66	28.14	0.11
MTMDD34	7007255	569090	52.29	53.81	1.52	1.16	1.91	13.71	0.09
MTMDD35	7007241	569107	37.42	48.73	11.31	4.91	4.16	44.45	0.57
		Including	37.42	43.89	6.47	6.82	6.74	62.76	0.80
		Including	44.87	47.73	2.86	3.54	1.14	28.69	0.40

*All intercepts are approximately true thickness apart from MTMDD033 where true thickness is about 80% of intercept width.

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

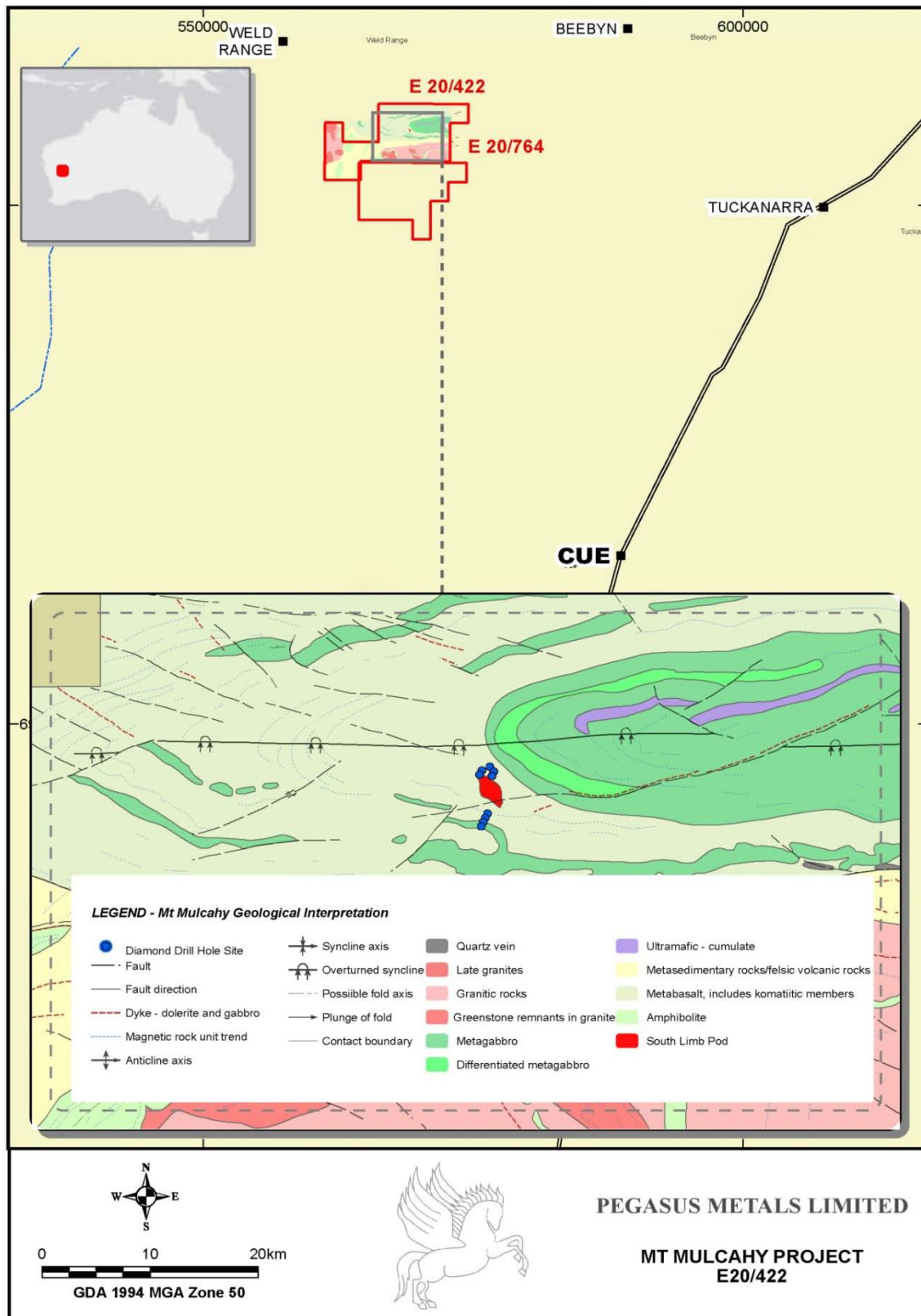
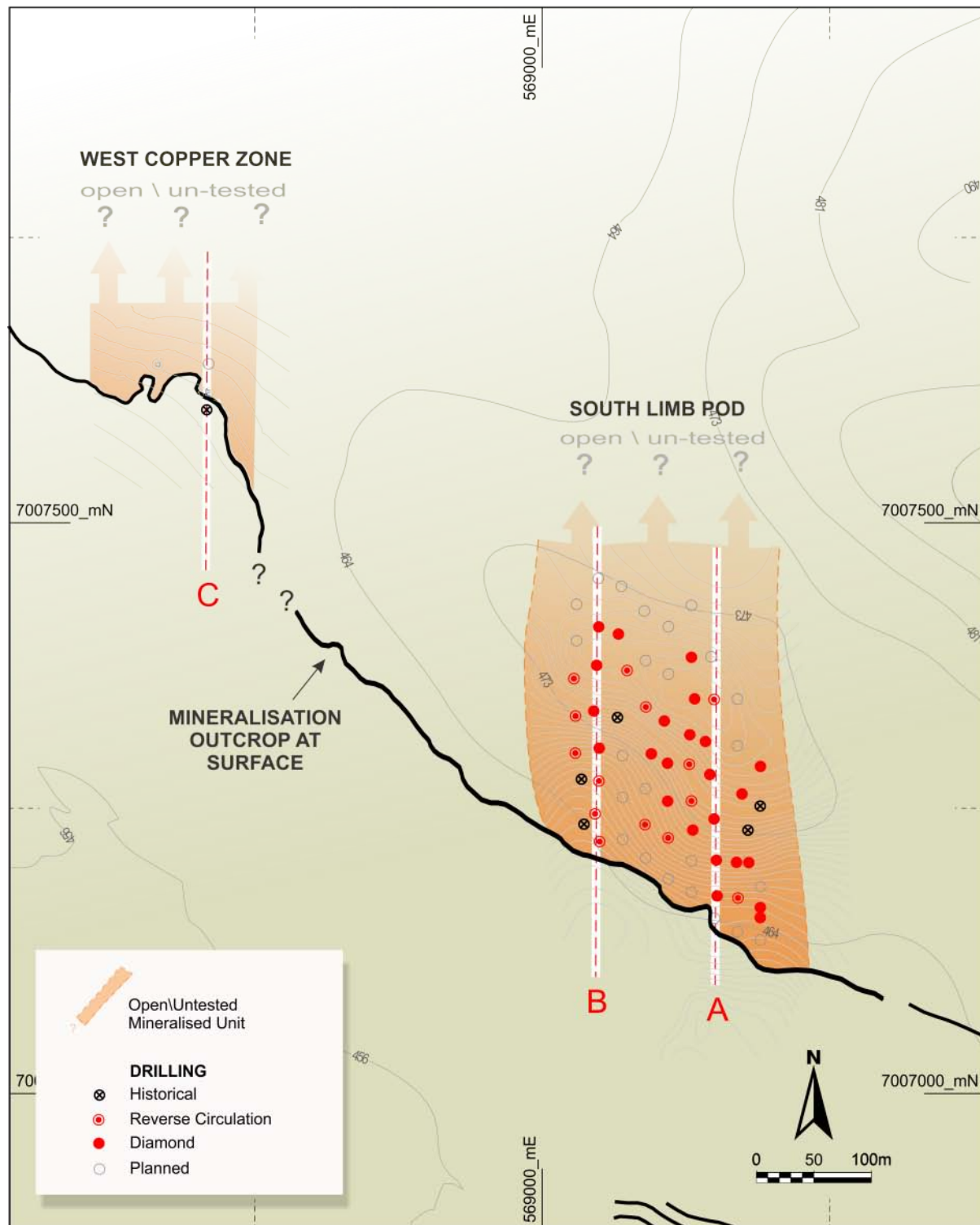


FIGURE 2
Mt Mulcahy
South Limb Pod & West Copper Zone

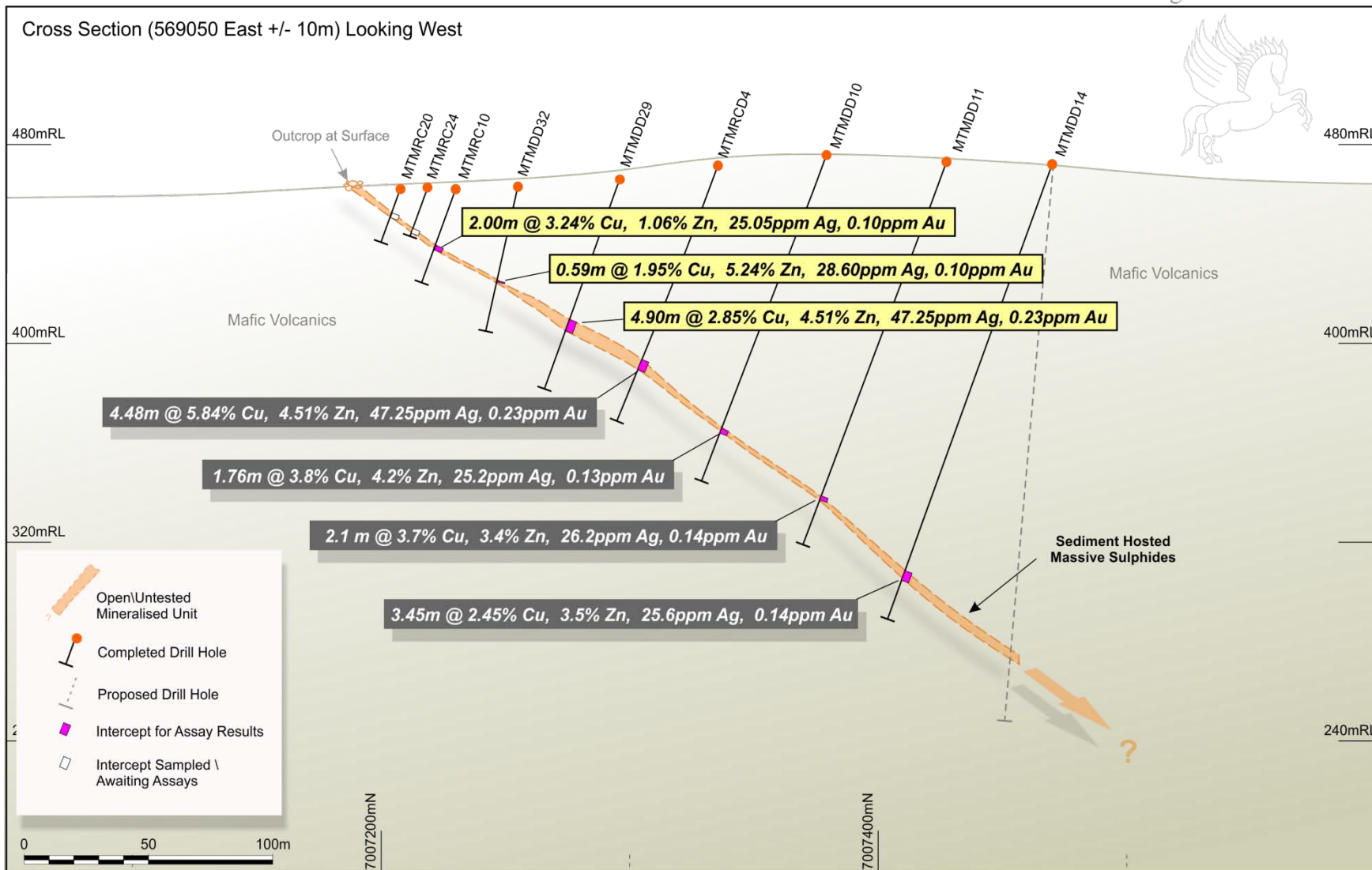


Plan Showing Current Drill Targets
with Down Hole Mineralised Intercepts Projected to Surface

FIGURE 3

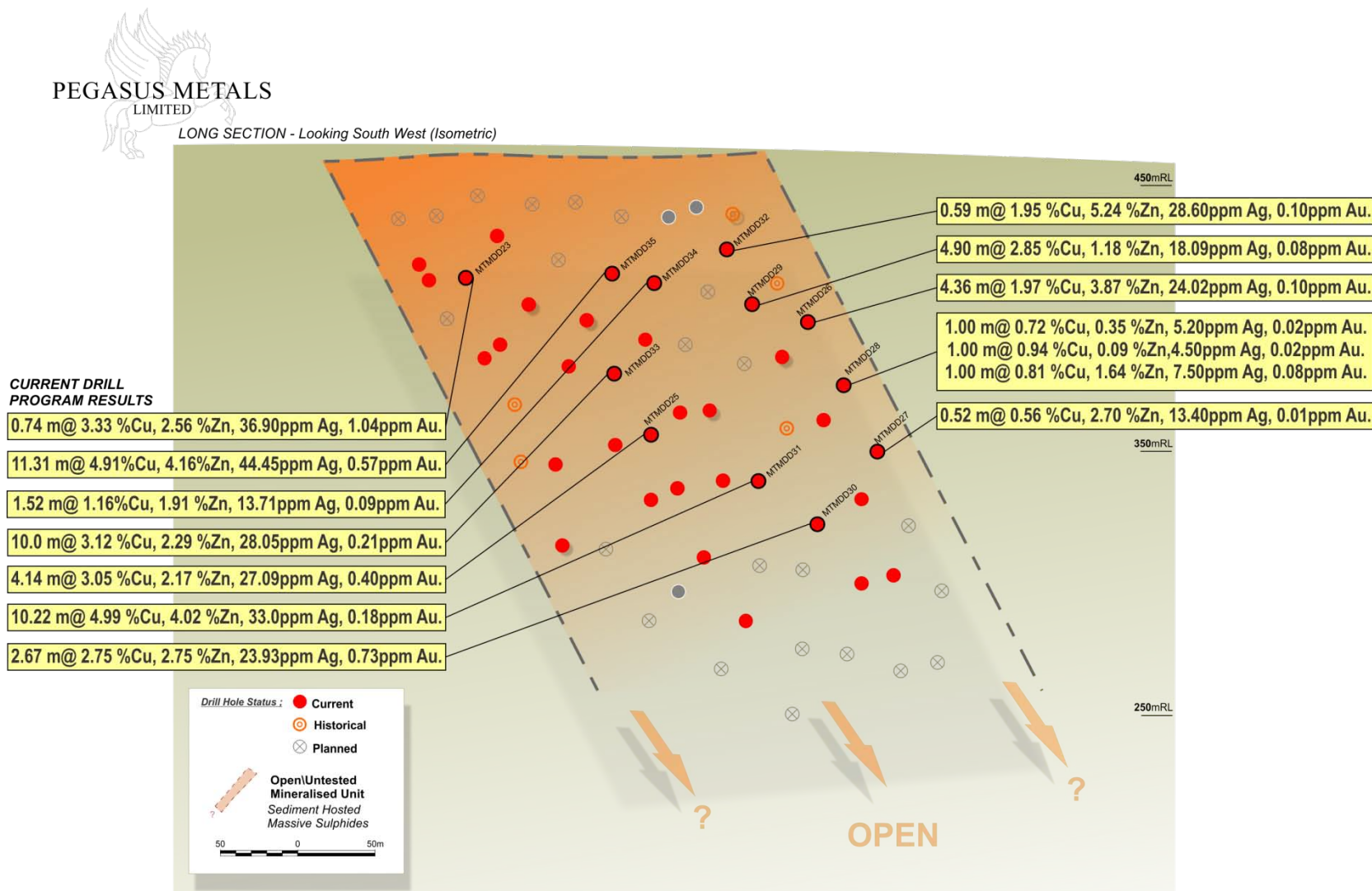
SECTION B

Pegasus Metals Limited



Mt Mulchay - South Limb Pod

FIGURE 4



Mt Mulcahy Project - South Limb Pod
Plane of Vein Projection