

Pegasus Metals Ltd
ASX: PUN



Pegasus extends high-grade copper and zinc discovery in WA to 225m deep

ASX Announcement
30 August 2013

Shares on Issue
123,074,519
Current Share Price
A\$0.135
Market Capitalisation
A\$16.62m

Board of Directors

Mr Stephen Mann
Non-Executive
Chairman

Mr Michael Fotios
Director

Mr Graham D Anderson
Company Sec & Non-
Executive Director

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Projects

Mt Mulcahy
McLarty Range
East Kimberley Regional

Plus, drilling to start shortly to test up to 20 other VMS targets which contain signatures matching those from this find

HIGHLIGHTS

- Drilling at the South Limb Pod discovery at the Mt Mulcahy Project in WA returns high-grade massive sulphide copper and zinc from a vertical depth of 225m
- 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 from the latest drilling 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)
- Mineralisation at South Limb Pod now outlined along a 200m strike and 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 in September
- Drilling will also test for extensions to South Limb Pod beyond 225m vertical depth;

Pegasus Metals Limited (ASX: PUN) is pleased to advise that it has hit more massive sulphides containing high-grade copper and zinc at the South Limb Pod discovery within its Mt Mulcahy Project in WA's Murchison Region.

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 results provide more strong evidence that South Limb Pod is a significant body of mineralisation and that Mt Mulcahy, which is 50km north of Cue, is a VMS Province. This therefore increases the prospect that more of the remaining 20 targets are also mineralised.

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.

On completion of a down-hole EM survey that will aid in accurate positioning of diamond drill holes, 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.

Pegasus has already made a second high-grade discovery at Mt Mulcahy known as West Copper (*see ASX release dated June 5, 2013*). These initial holes at West Copper returned grades of up to 2.3 per cent copper and 3.86 per cent zinc.

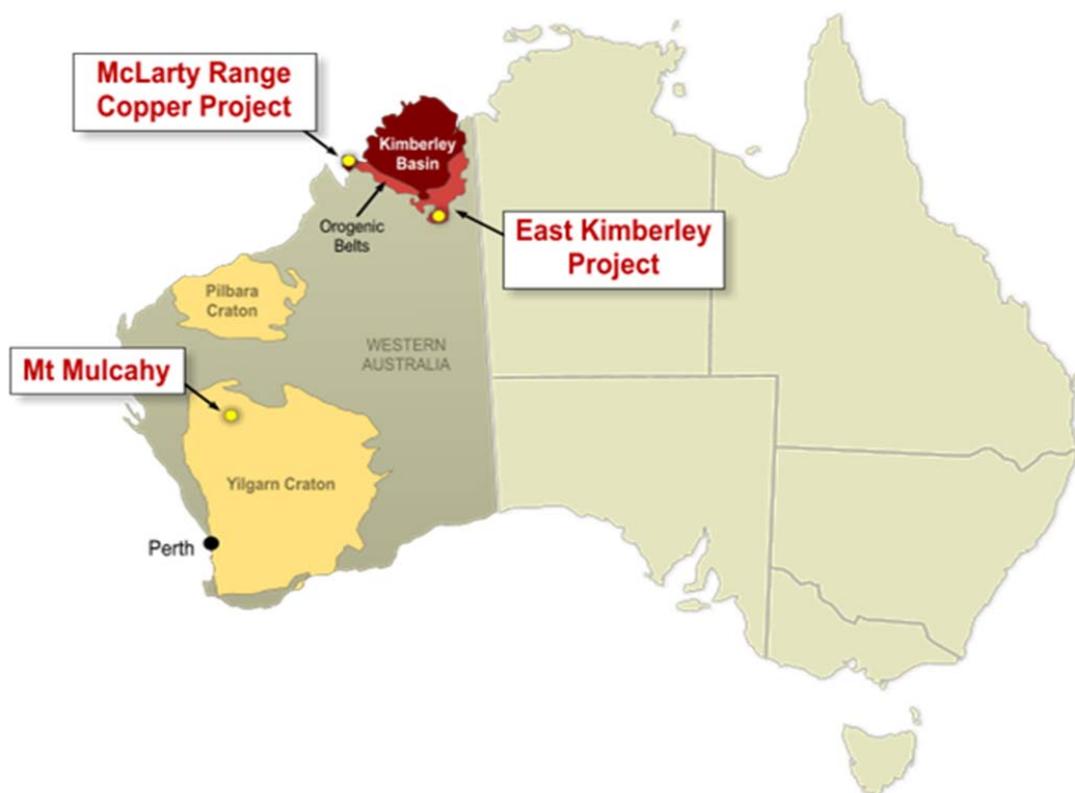
"We continue to grow the known mineralisation at Mt Mulcahy with virtually every hole," Pegasus Managing Director Michael Fotios said. "We have high-grade massive sulphides in two discoveries there and about 20 targets to test.

"There is growing evidence that we have a substantial VMS field on our hands with the potential to contain numerous high-grade deposits."

Diamond drilling at Mt Mulcahy has been completed in 61 holes to date (MMSP001 to MMSP004, MTMRCD001 to MTMRCD008 and MTMDD001 to MTMDD049).

This programme has included resource definition diamond drilling at South Limb, with 56 holes completed so far (MMSP001, MMSP003 & MMSP004, MTMRCD001 to MTMRCD008, MTMDD004 to MTMDD008 and MTMDD010 to MTMDD049). In addition 21 RC holes, testing the extension of the mineralisation up to the surface, have been completed (MTMRC009 to MTMRC029).

Results for 56 diamond holes and 21 RC holes have now been announced in ASX releases dated 17 September 2012, 15 November 2012, 24 January 2013, 11 April 2013, 1 and 15 May 2013, 5 June 2013 and in this release.



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 ONE: SIGNIFICANT INTERSECTIONS (0.5% Cu Cut off)

Hole ID	Northing	Easting	From (m)	To (m)	Length (m)	Cu (%)	Zn (%)	Ag (ppm)	Au (ppm)
Diamond Drill Holes									
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. 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

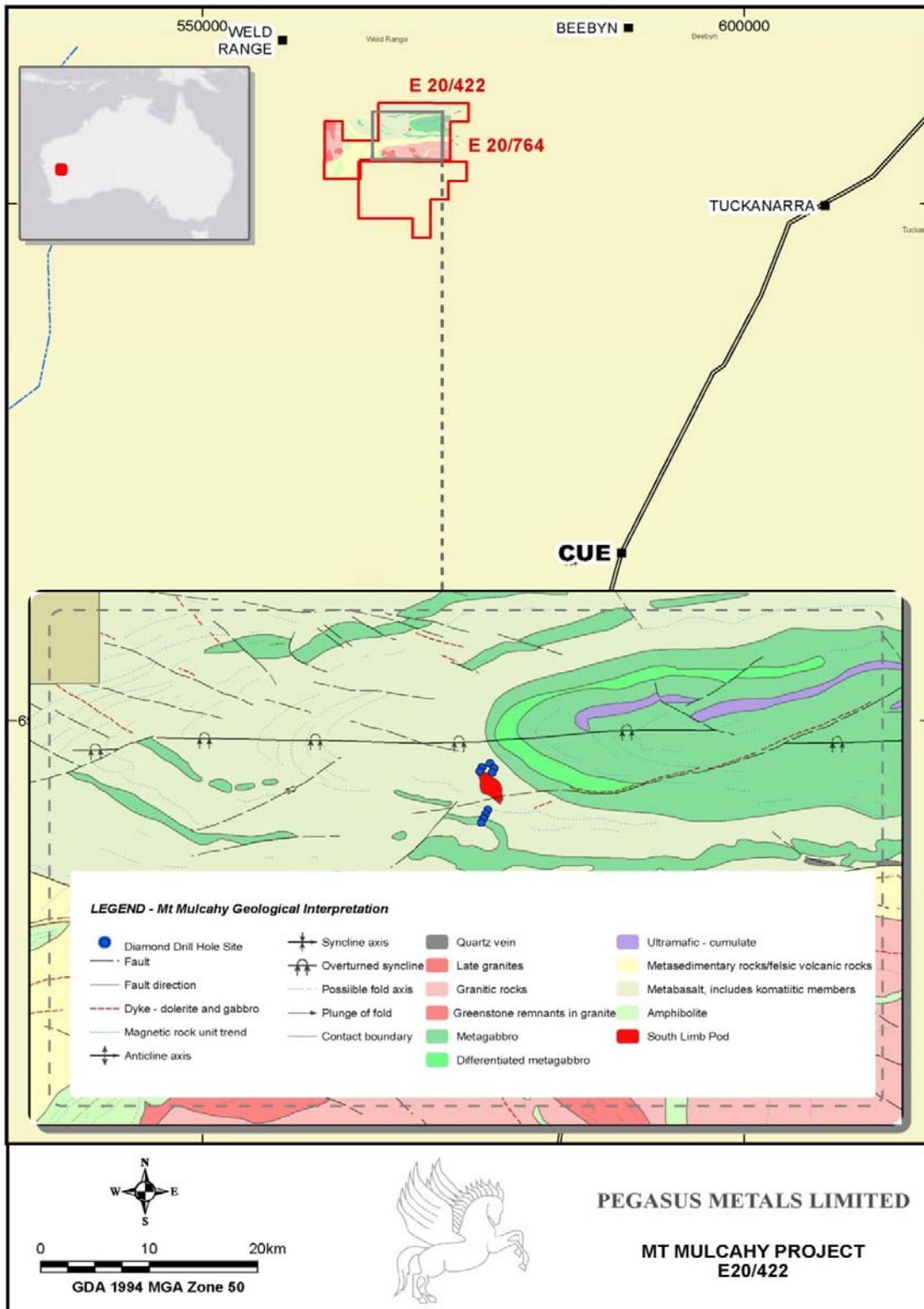
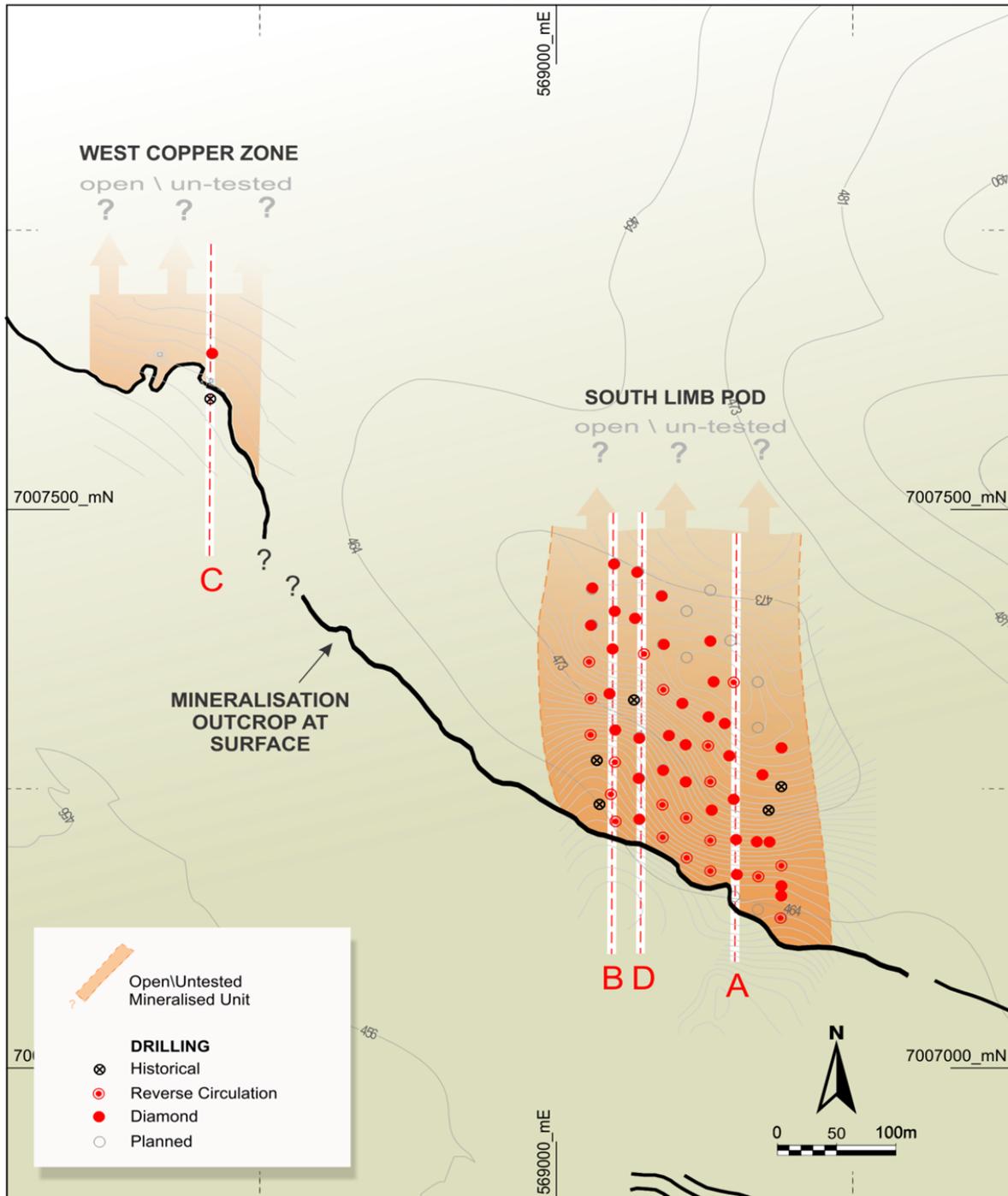


FIGURE 2

**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

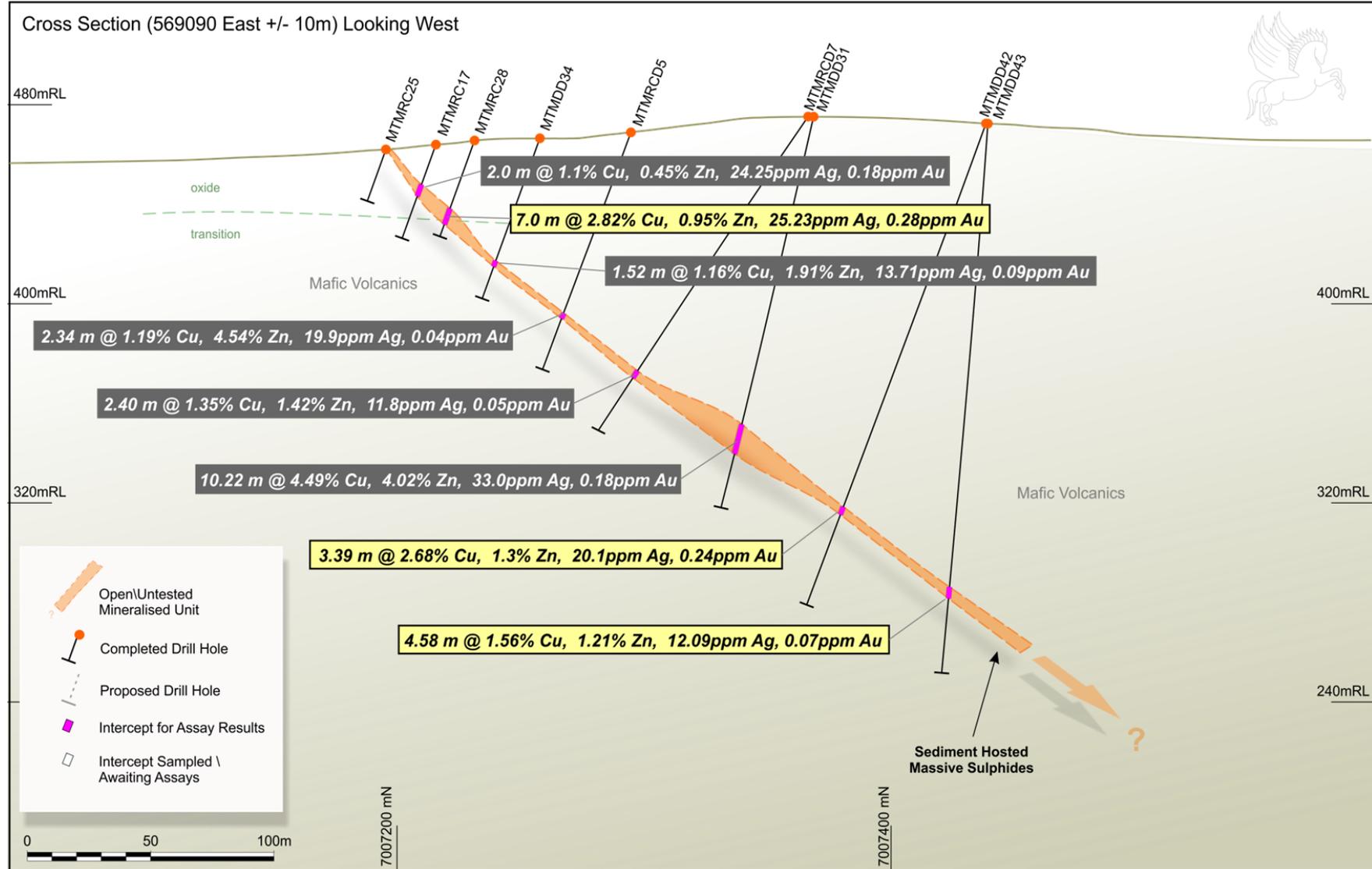


FIGURE 4

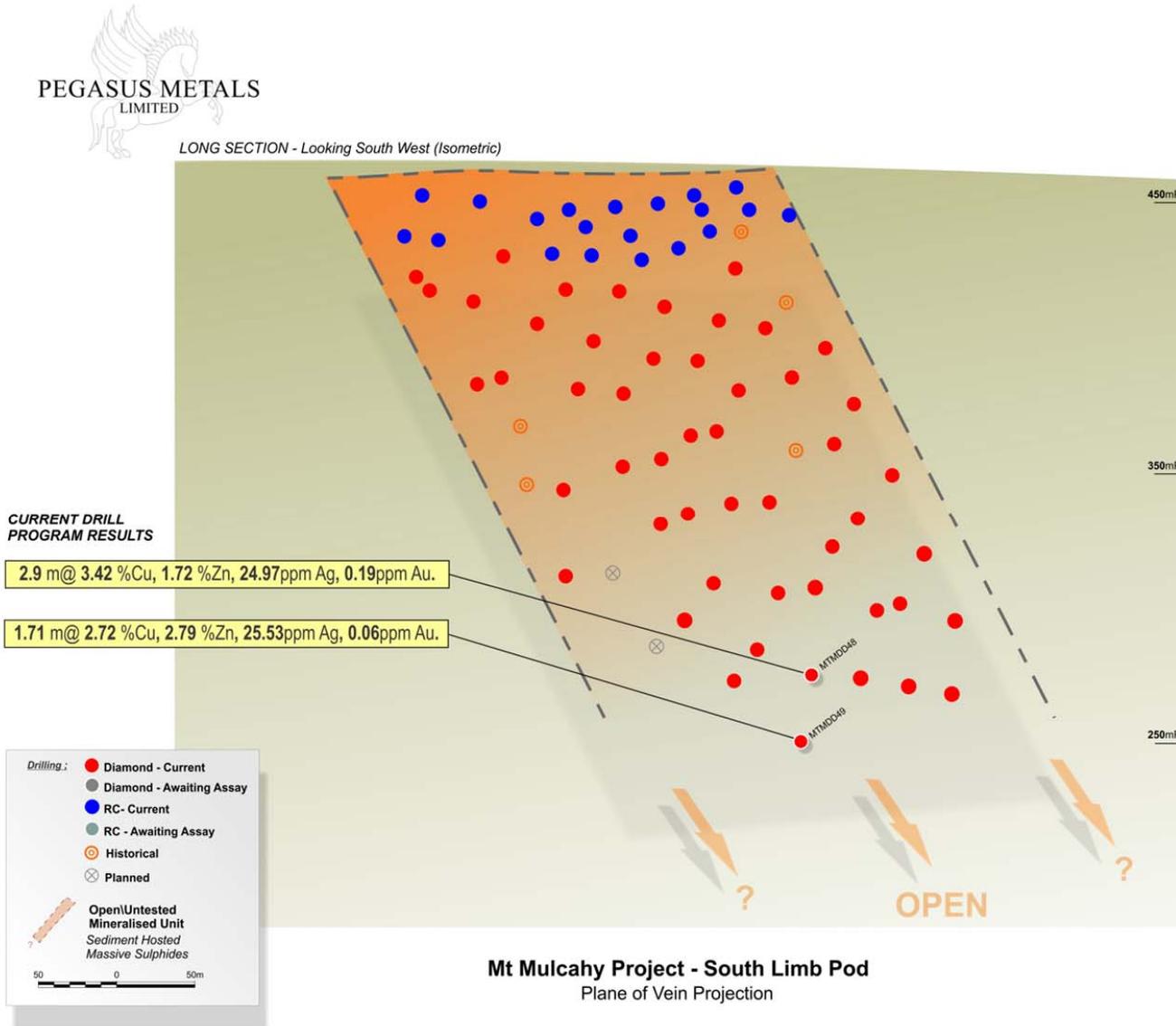
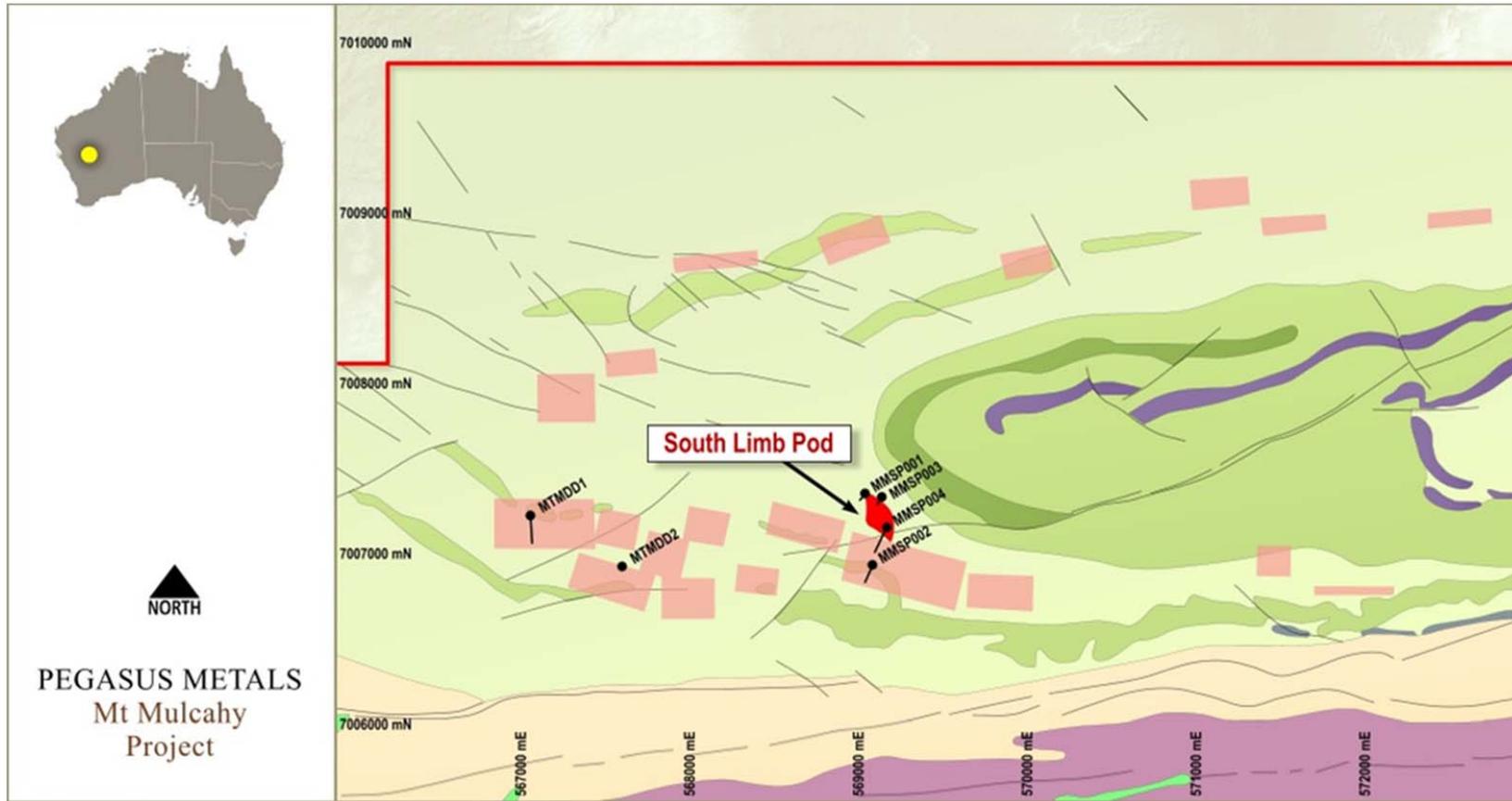


FIGURE 5



Geology Plan Showing Interpreted Airborne VTEM Conductor Plates (pink)