PEGASUS METALS LIMITED

ASX ANNOUNCEMENT **24 January 2013**

ASX: PUN

More high-grade copper and zinc hits show Mt Mulcahy emerging as a significant VMS find

Massive sulphide intersections of up to 3.8% copper and 4.2% zinc at South Limb Pod target in WA; Mineralisation now outlined over 200m and remains open at depth and to the surface

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HIGHLIGHTS

- **Diamond drilling at the South Limb Pod target within the Mt Mulcahy Project in WA continues to intersect VMS-style mineralisation with high grades of copper and zinc with silver and gold**

- **Significant intercepts from the latest drilling include:**

  2.1m @ 3.68% Cu, 3.42% Zn, 26,2g/t Ag and 0.15g/t Au

  3.45m @ 2.45% Cu, 3.48% Zn, 25.6g/t Ag and 0.14g/t Au

  2.5m @ 2.60% Cu, 2.30% Zn, 21.9g/t Ag and 0.10g/t Au

  (all intercepts are approximately true thickness)

- **Massive sulphide mineralisation at South Limb Pod now outlined over 200m down-dip**

- **Diamond drilling to resume next week to extend South Limb Pod mineralisation to the surface, down dip and/or down plunge**

- **Drilling will also test numerous other drill targets identified by geophysics at Mt Mulcahy , including VTEM surveys**

Pegasus Metals Limited (ASX: PUN) is pleased to advise that the South Limb Pod target at its Mt Mulcahy Project in WA is emerging as a significant VMS discovery hosting high-grade copper with zinc, silver and gold.

Results from the latest drilling at South Limb include grades of up 3.8 per cent copper and 4.1 per cent zinc.

The mineralisation at South Limb, which is located 50km north of Cue in the Murchison Region *(see Figure 1)*, has now been outlined over a down-dip extent of ~200m.

Diamond drilling ceased in mid-December for the Christmas break and is scheduled to resume next week. Drilling will focus on the down-plunge and down-dip extent of the mineralisation, which remains open in all directions.

RC drilling will also be 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 23 holes to date (MMSP001 to MMSP004 and MTMDD001 to MTMDD019.

This programme has included resource definition diamond drilling at South Limb, with 18 holes completed so far (MMSP001, MMSP003 & MMSP004, MTMDD004 to MTMDD008 and MTMDD010 to MTMDD019).

Results for MMSP001 to MMSP004 and MTMDD001 to MTMDD007 (see Figure 2) have been announced in ASX releases dated 17 September 2012 and 15 November 2012.

Further assay results have been received for resampling of MMSP003 and for MTMDD008 to MTMDD017 (see highlights, attached table and Figure 3 and Figure 4). Assays are awaited for holes MTMDD018 and MTMDD019.

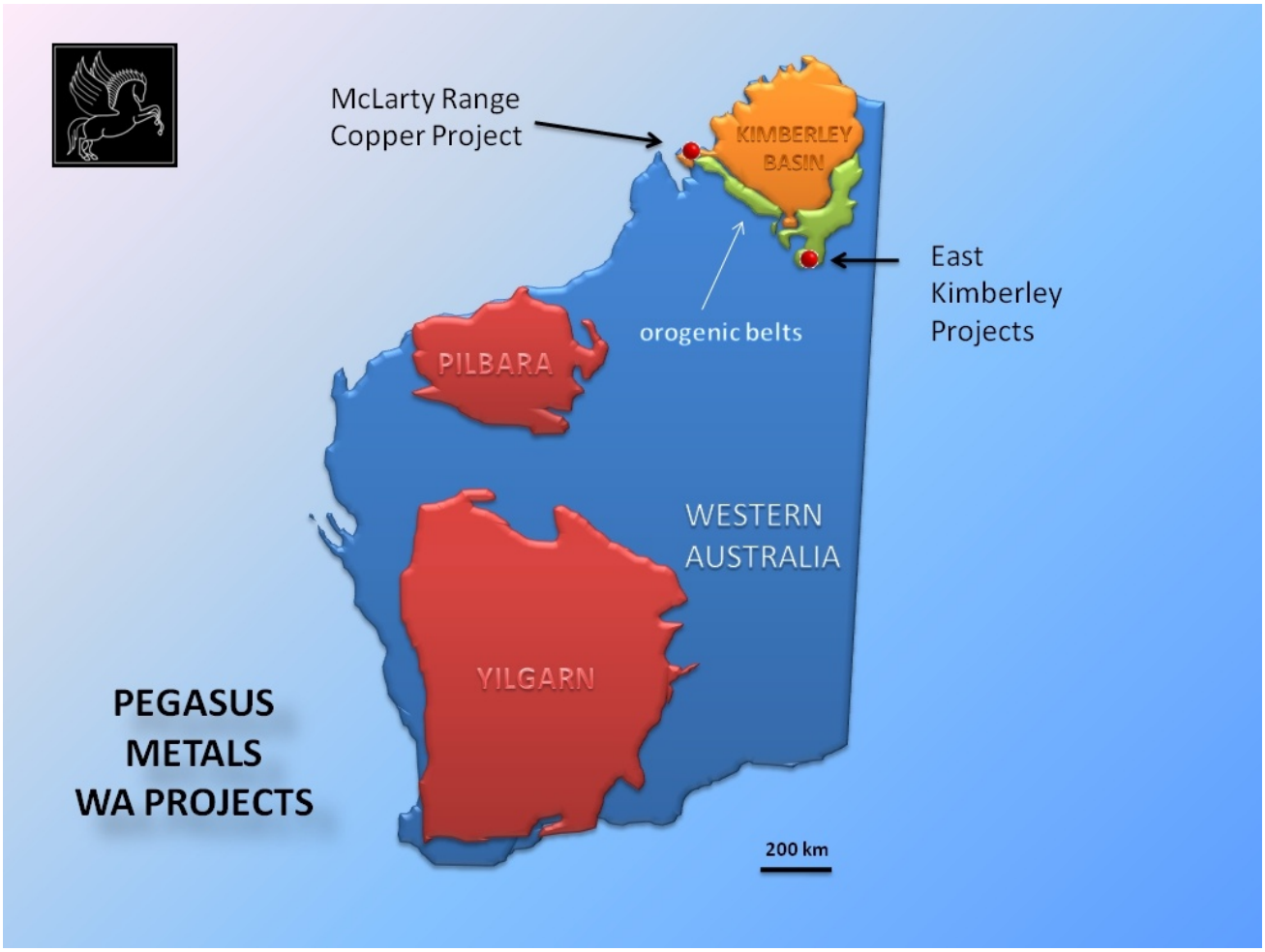
MTMDD009 was a stratigraphic hole testing an adjacent VTEM target. It did not intersect significant mineralisation and will be used for a down-hole EM survey in the future.

Of great significance is the shallow nature of the mineralisation. 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.

Historical drilling has only tested to about 100m below surface and further drilling is required to infill the drilling in this zone and to test the massive sulphide lens down plunge to the north-west.

“The drilling results consistently provide strong evidence that South Limb Pod is a significant VMS discovery comprising high-grade copper with zinc, gold and silver,” Pegasus Managing Director Michael Fotios said.

“Drilling will resume with the aim of further extending the size of this highly promising discovery in preparation for a maiden resource estimate.”



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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Hole ID	Northing	Easting	From (m)	To (m)	Length (m)	Cu (%)	Zn (%)	Ag (ppm)	Au (ppm)
MMSP003	7007329	569107	134.70	135.10	0.40	1.50	1.97	11.5	0.02
			137.10	138.30	1.20	2.83	1.01	17.4	0.10
MTMDD008	7007264	569174	139.75	140.00	0.25	1.05	1.18	12.9	0.06
MTMDD010	7007337	569045	117.90	120.00	2.10	3.68	3.42	26.2	0.15
MTMDD011	7007377	569047	143.50	145.25	1.75	3.81	4.16	25.2	0.13
MTMDD012	7007204	569169	89.75	91.25	1.50	3.09	3.17	35.2	0.53
MTMDD013	7007384	569130	185.30	185.75	0.45	3.58	2.20	27.7	0.61
MTMDD014	7007410	569049	173.85	178.00	4.15	2.12	2.92	22.2	0.12
MTMDD015	7007404	569066	174.50	177.00	2.50	2.60	2.30	21.9	0.10
MTMDD016	7007235	569170	94.50	95.00	0.50	0.45	0.44	3.9	0.23
MTMDD017	7007156	569190	39.50	41.00	1.50	1.02	0.37	8.4	0.03

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.

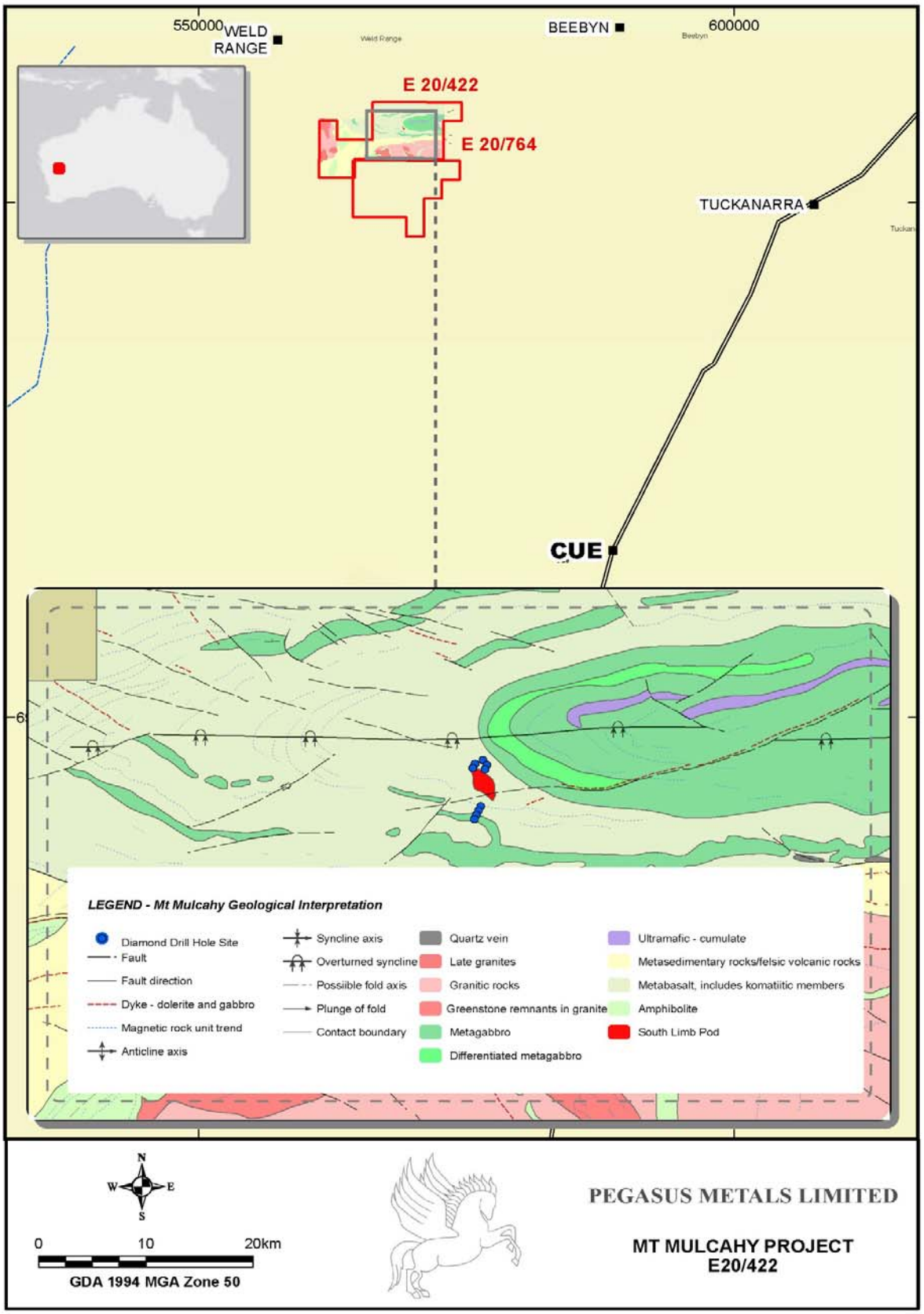
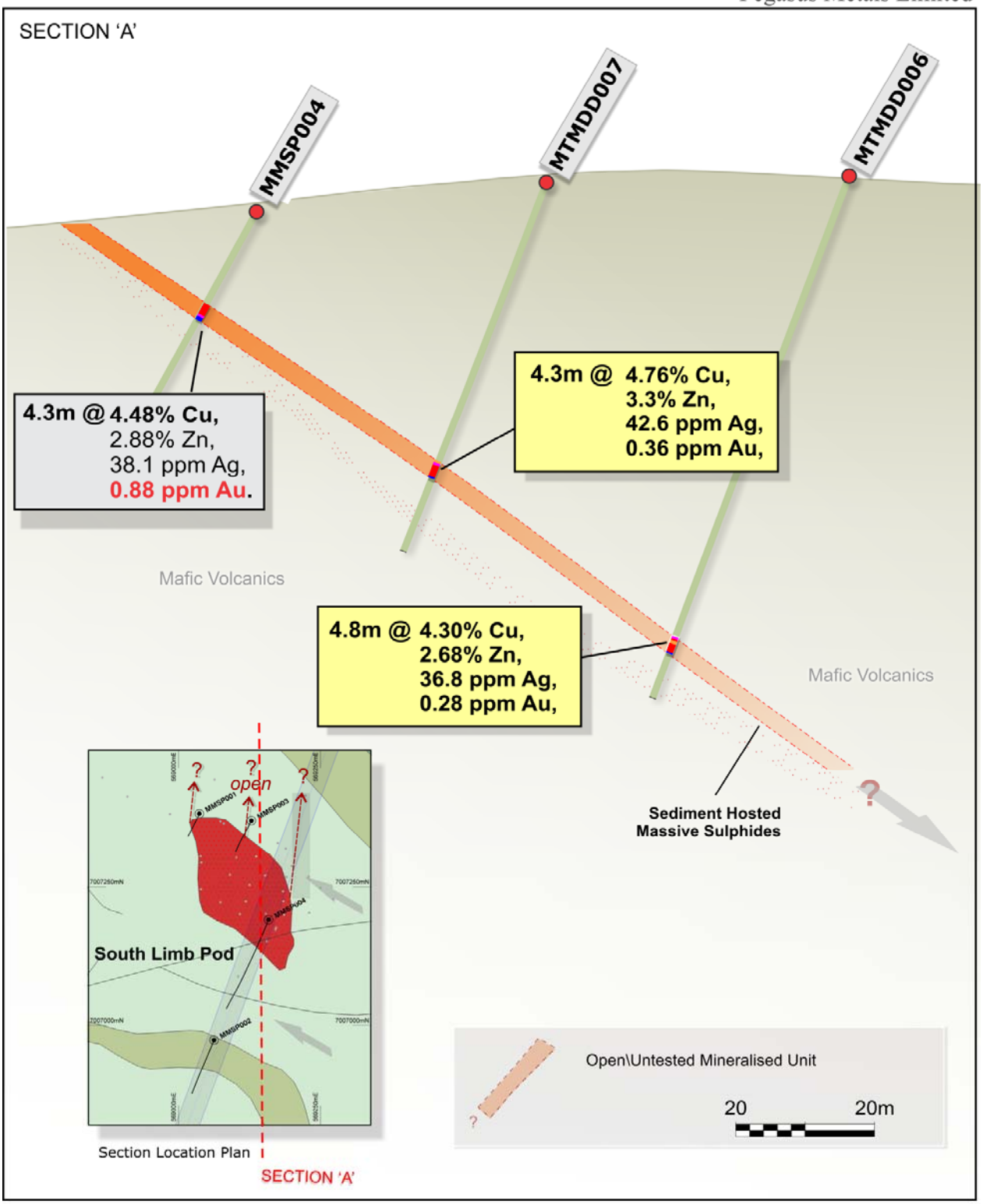

550000
WELD RANGE
BEEBYN
600000
E 20/422
E 20/764
TUCKANARRA
CUE
LEGEND - Mt Mulcahy Geological Interpretation
Diamond Drill Hole Site
Fault
Fault direction
Dyke - dolerite and gabbro
Magnetic rock unit trend
Anticline axis
Syncline axis
Overturned syncline
Possiible fold axis
Plunge of fold
Contact boundary
Quartz vein
Late granites
Granitic rocks
Greenstone remnants in granite
Metagabbro
Differentiated metagabbro
Ultramafic - cumulate
Metasedimentary rocks/felsic volcanic rocks
Metabasalt, includes komatiitic members
Amphibolite
South Limb Pod
N
W
E
S
0
10
20km
GDA 1994 MGA Zone 50
PEGASUS METALS LIMITED
MT MULCAHY PROJECT
E20/422

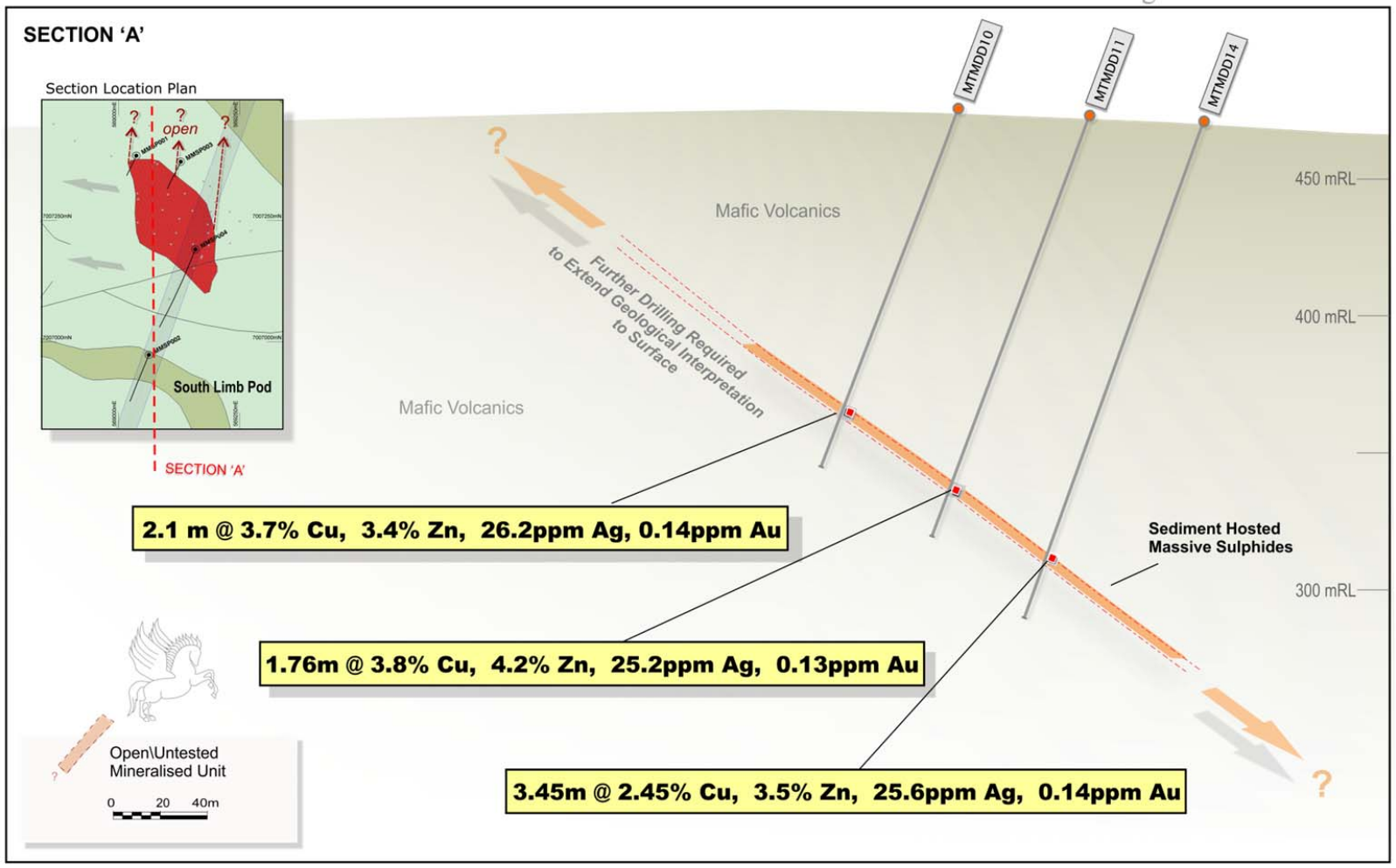
Figure 1



Mt Mulcahy Project - South Limb Pod

Cross Section (Looking West)

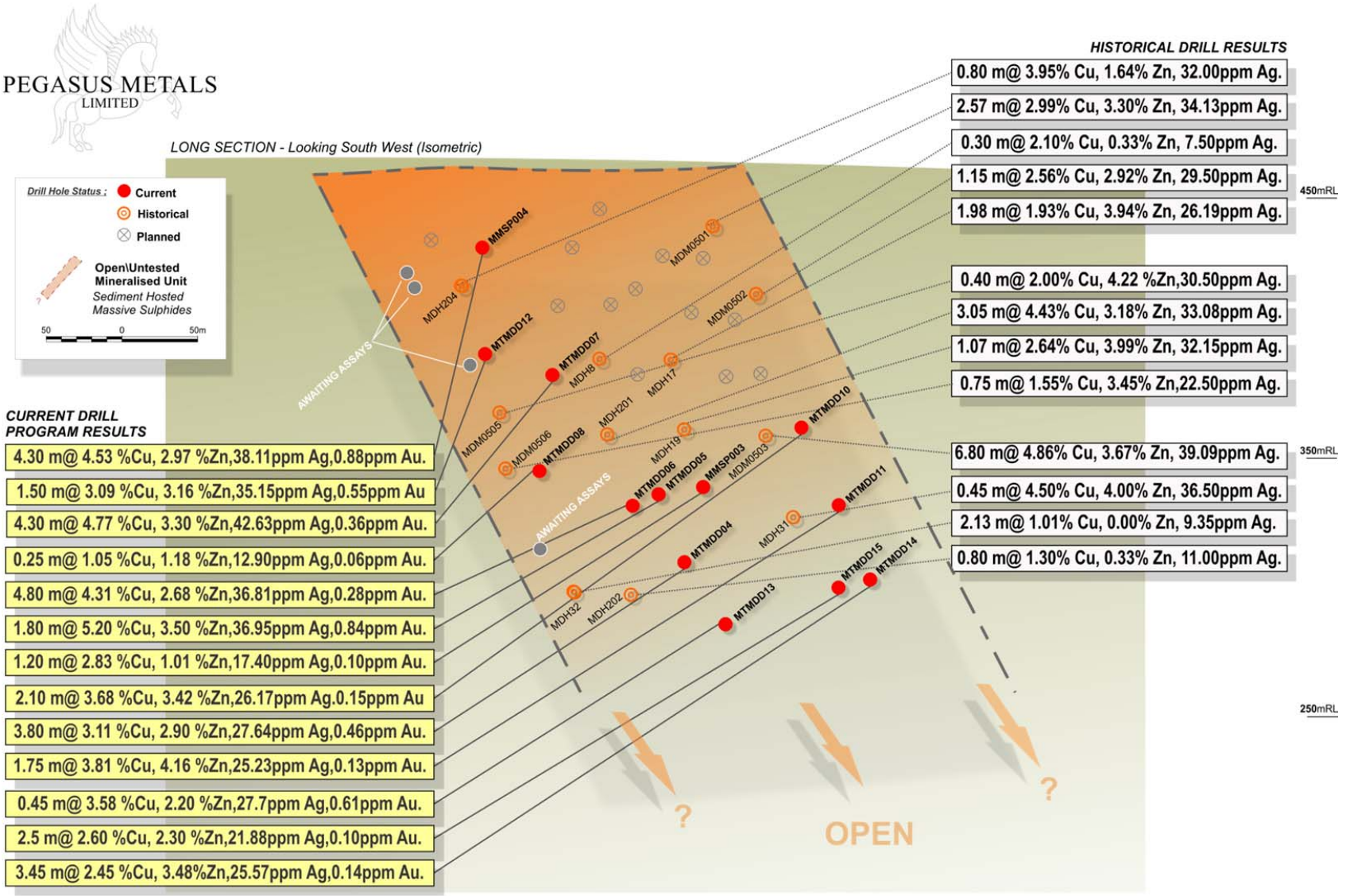
Figure 2



Mt Mulcahy Project - South Limb Pod

Cross Section (Looking West)

Figure 3



Mt Mulcahy Project - South Limb Pod
Plane of Vein Projection

Figure 4