



# PEGASUS METALS LIMITED

ASX ANNOUNCEMENT

24 January 2012

ASX: PUN

## **Pegasus discovers new copper province at McLarty Range in WA**

***Core exhibits visible copper; Grades of up to +1% copper***

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### HIGHLIGHTS

- **Drilling intersects significant copper mineralisation at the Bowerbird target at McLarty Range Copper Project in WA**
  - **Copper mineralisation encountered in all three holes; Results include 7m at 1.02% copper**
  - **Zone of native copper (copper metal) intersected in second hole – assays awaited**
  - **Numerous intersections of more than 0.20% copper in all holes**
  - **Arrangements in place to resume diamond drilling at Bowerbird and the vastly more extensive Main Syncline system in April after the wet season**
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Pegasus Metals Limited (ASX:PUN) is pleased to announce that drilling results have confirmed that the Company has made a significant copper discovery at its McLarty Range Copper Project in the West Kimberley region of WA.

The drilling returned native copper in one hole, for which assays are awaited, and an intersection of 7m at 1.02 per cent copper in another hole. Numerous intersections grading more than 0.2 per cent copper were recorded in each of the three holes.

The holes were drilled to test the down dip potential of the Bowerbird copper gossan target. The results received so far indicate the existence of Proterozoic Sedimentary Exhalative and/or Replacement mineralisation.

The McLarty Range Copper Project is located some 250km north-east of Broome and 110km north of Derby. It covers a portion of the folded Proterozoic-aged Kimberley Basin. Of particular interest to Pegasus is a prospective copper-bearing, meta-sedimentary horizon that has been identified and sampled by previous explorers. While selected rock chip samples have returned high copper grades (up to 18 per cent copper), the area had remained, until completion of this programme, untested by drilling.

The drill holes are part of a program designed to test and confirm the structural and stratigraphic interpretation at Bowerbird, believed to be a synclinal structure plunging to the north-west at 20 degrees with gossans mapped at surface on both limbs of the syncline where previous rock chip sampling has returned assay grades of up to 6 per cent copper.

The three diamond drill holes completed at Bowerbird totalled 652.63m. The prospect sits in a syncline adjacent to a significant splay fault associated with a major regional fault system (see attached plan and sections). The surface expression of mineralisation is a "Mega Gossan" which is highly leached and oxidised. The drilling program attempted to intersect the gossan at depth where the oxidation state would be fresher and primary sulphide mineralisation or supergene mineralisation is likely to occur.

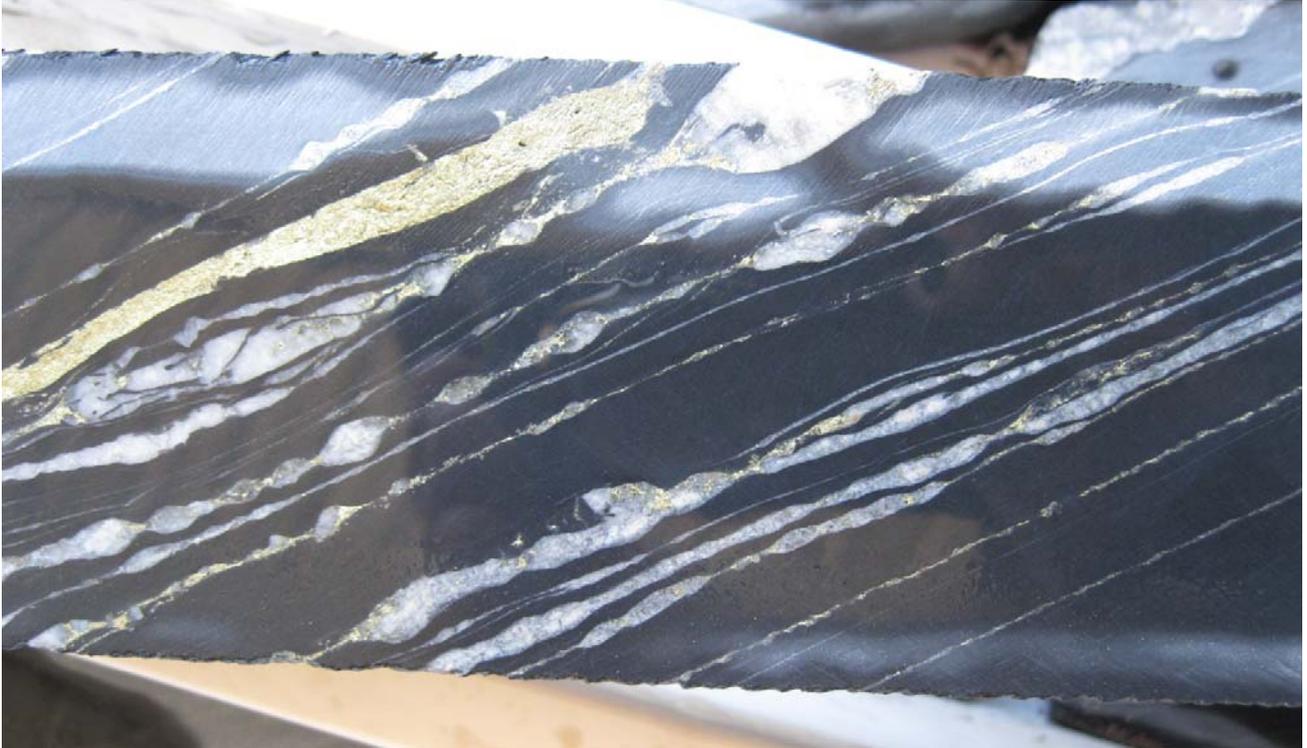
The first two holes (MBBD001 and MBBD002) encountered zones of highly oxidised and cavernous material which had very poor sample return. This highly leached and oxidised material is the down plunge extension of the "Mega Gossan" and returned copper grades comparable to surface sampling of the gossan.

Zones of remobilised copper were encountered including 10.9m at 0.31% Cu from 28m, including 0.32g/t Ag in MBBD001 and 14.55m at 0.23% Cu from 49m in MBBD002. This confirms that the system is rich in copper, that re-mobilisation does occur and that the supergene system is developed. Native copper was intersected in MBBD002 at the base of, or just below, the prospective stratigraphy and indicates that the extent of the stratigraphic section prospective for copper is greater than previously thought.



Native Copper Veining in MBBD002

The third hole (MBBD003) encountered the splay fault at depth and failed to test the targeted massive sulphide zone (Gossan Zone), although extensive copper mineralisation has been intersected, both of a re-mobilised style and as metamorphosed strata form copper mineralisation. The first is related to brochantite (a high grade copper mineral) and the base of complete oxidation as a supergene horizon and the second is associated with quartz dolomite chalcopyrite veinlets within carbonaceous shale.



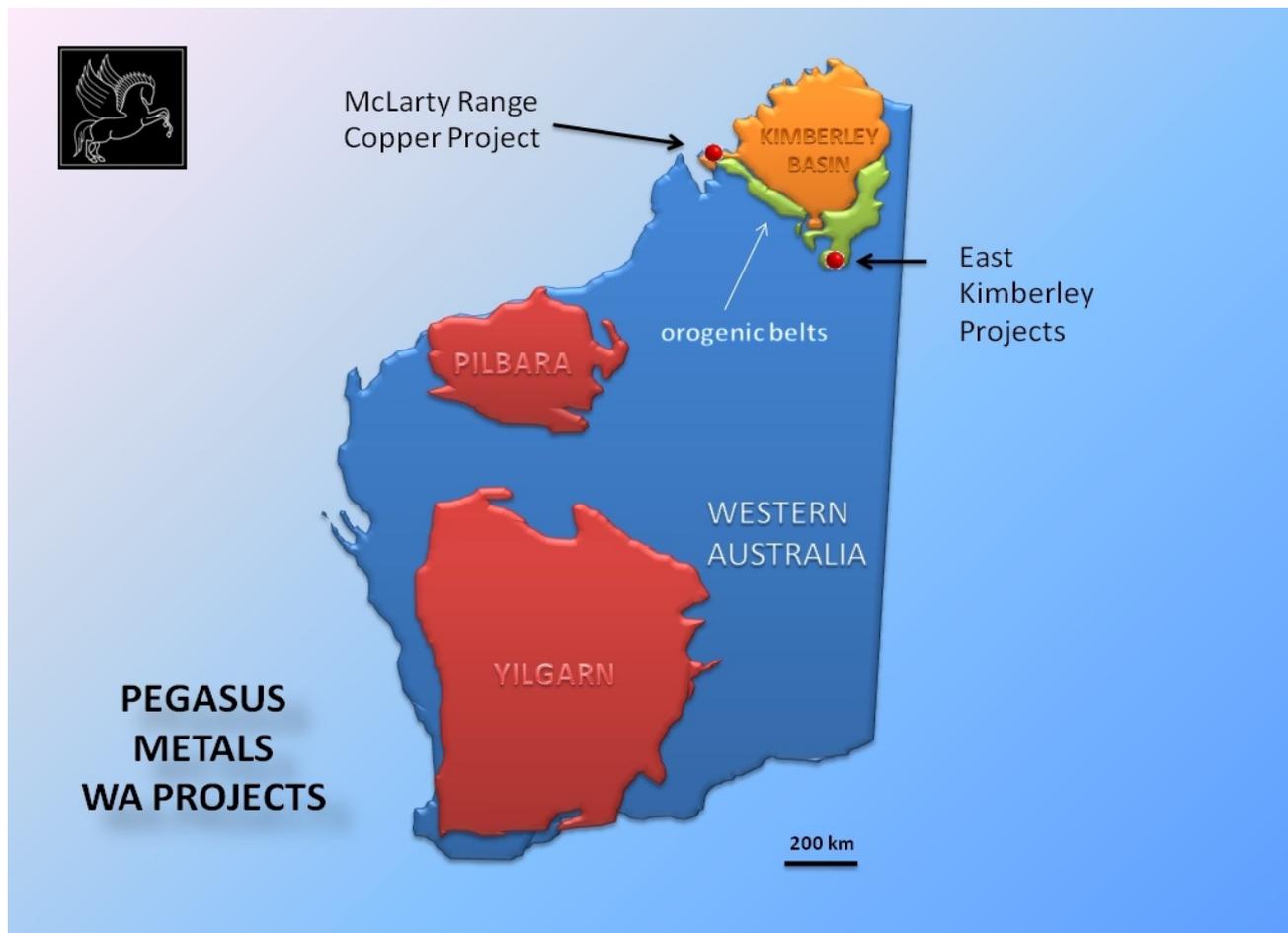
Chalcopyrite/Pyrite veining in Carbonaceous Shale – MBBD0003



Mineralised carbonaceous shale - Hole MBBD003 135.06 to 139.04 metres

The last one-third of hole MBBD003 is in the process of being sampled. Sericite and pyrite alteration is present and the results will be announced when received.

Additional holes are planned for the third section previously drilled at Bower Bird to supplement hole MBBD003. Numerous holes are planned at very broad spacing in the main syncline to complete first pass testing of several prospects, including Copper Cliff, the Sipa Syncline and Vista Valley.



*The information in this report that relates to Exploration Potential and Results is based on information compiled by Mr Timothy Orme, who is a consultant geologist 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 Orme 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 Orme 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**

Telephone: 08 6241 1888

Website: [www.pegasusmetals.com.au](http://www.pegasusmetals.com.au)

Contact: [admin@pegasusmetals.com.au](mailto:admin@pegasusmetals.com.au)

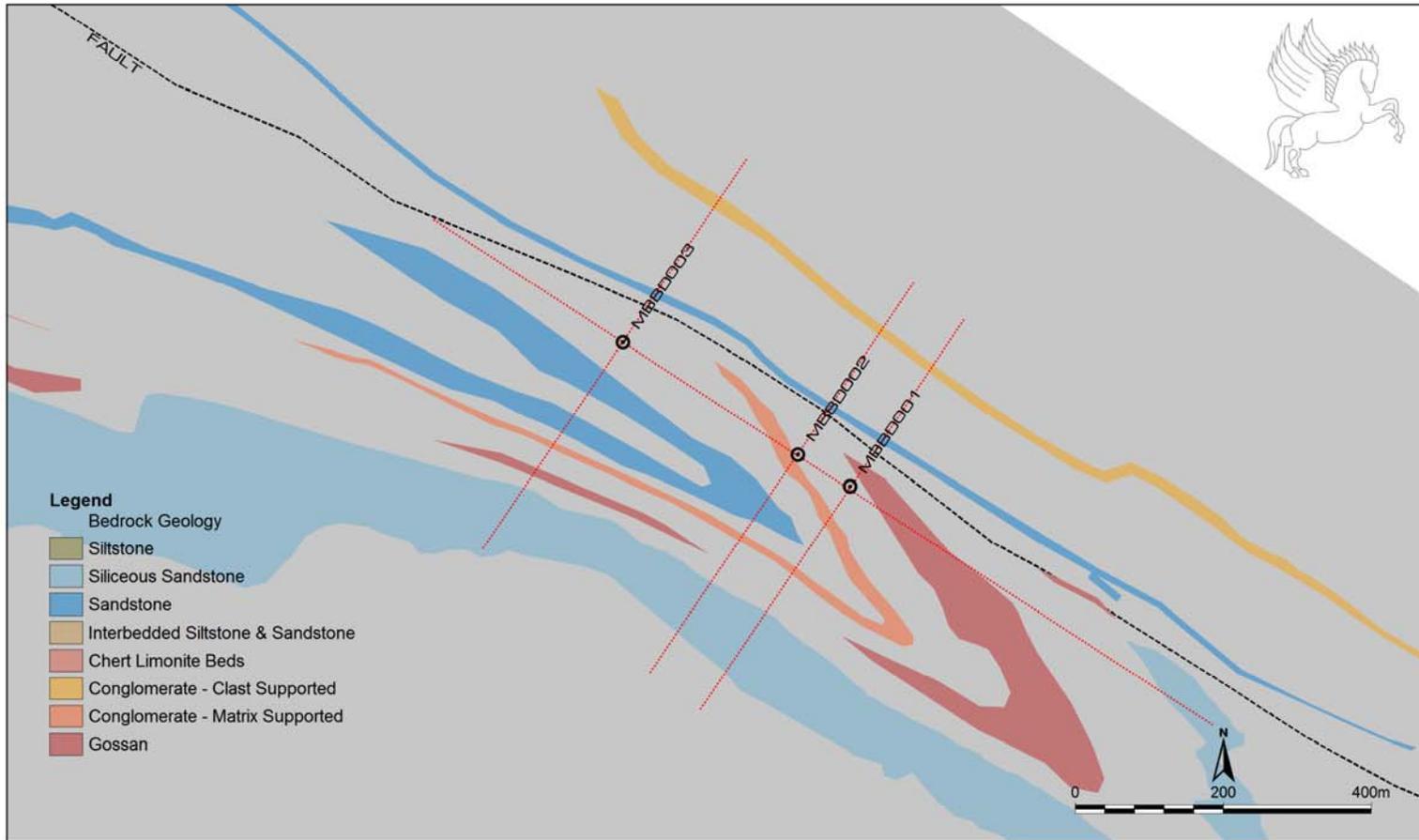
Hole Id	Northing	Easting	From	To	Width	Core Loss	Cu %	Ag g/t	Au g/t
MBBD001	8191085	598361	28.00	38.90	10.90	-	0.31	0.32	-
Including			38.00	38.90	0.90	-	1.59	0.60	-
MBBD001	8191085	598361	53.46	61.34	7.88*	3.20	0.19	1.79	-
MBBD001	8191085	598361	129.8	130.75	0.95	-	0.23	-	0.68
MBBD002	8191128	598290	42.00	46.00	4.00	-	-	-	0.32
MBBD002	8191128	598290	49.00	65.00	16.00*	1.45	0.23	-	-
Including			64.00	64.55	0.55	-	1.67	-	-
MBBD002	8191128	598290	71.70	76.75	5.05*	3.15	0.03	2.86	-
MBBD003	8191279	598054	38.00	39.00	1.00	-	0.27	-	-
MBBD003	8191279	598054	47.00	71.00	24.00	-	0.25	-	-
MBBD003	8191279	598054	74.00	75.00	1.00	-	0.16	-	-
MBBD003	8191279	598054	135.5	152.00	16.5	-	0.69	0.51	-
Including			144.00	151.00	7.00	-	1.02	0.65	-
MBBD003	8191279	598054	190	192.00	2.00	-	0.23	-	-

\* Interval contains zones of core loss

### Table of Drill Hole Intersections

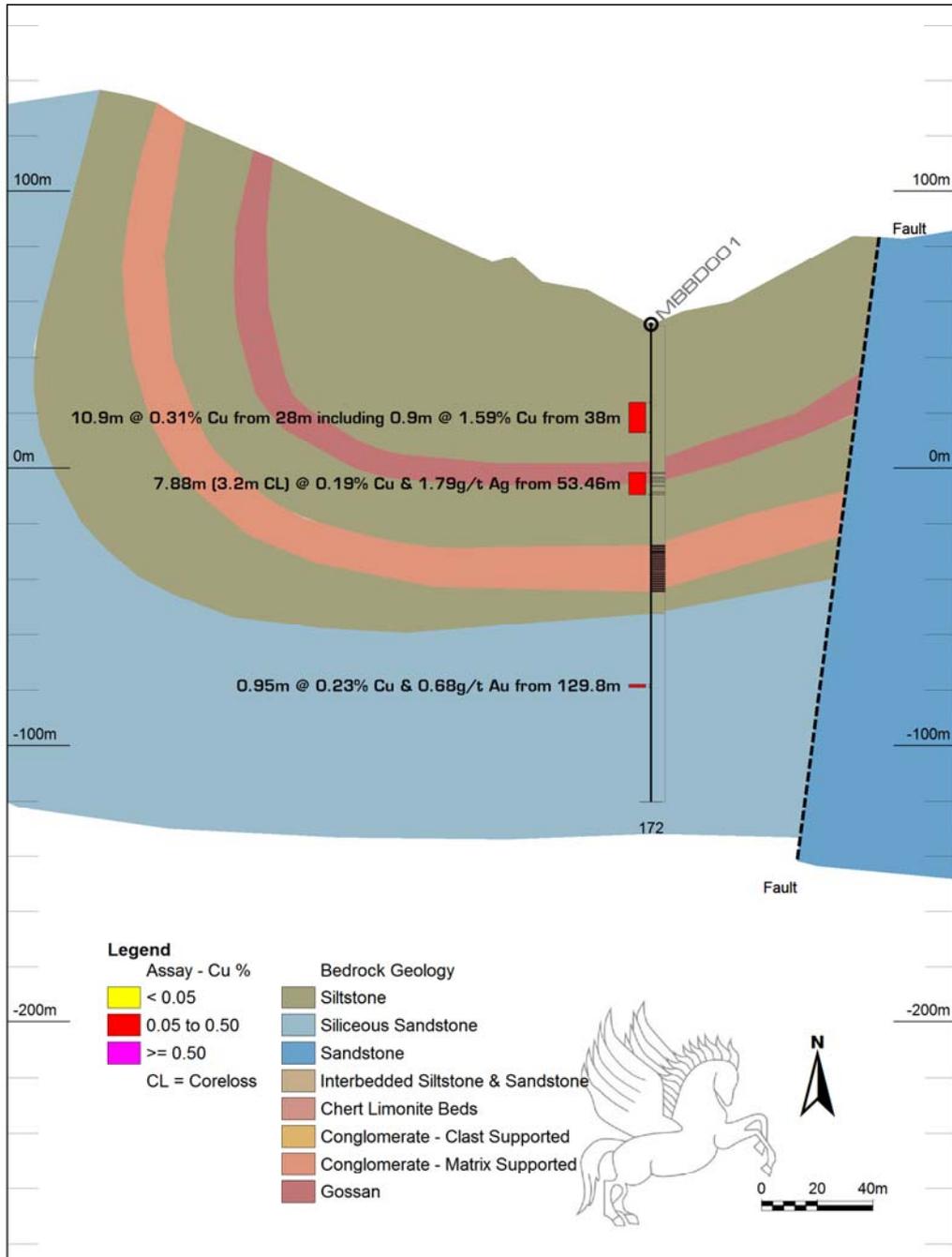
All core is logged and whole core samples are cut, half cored, sampled are marked and and sent to an independent Laboratory for assay. The remaining half core is stored at Balcatta. All samples from which information in this document is derived were received by Australian Laboratory Services Pty ('ALS') 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.



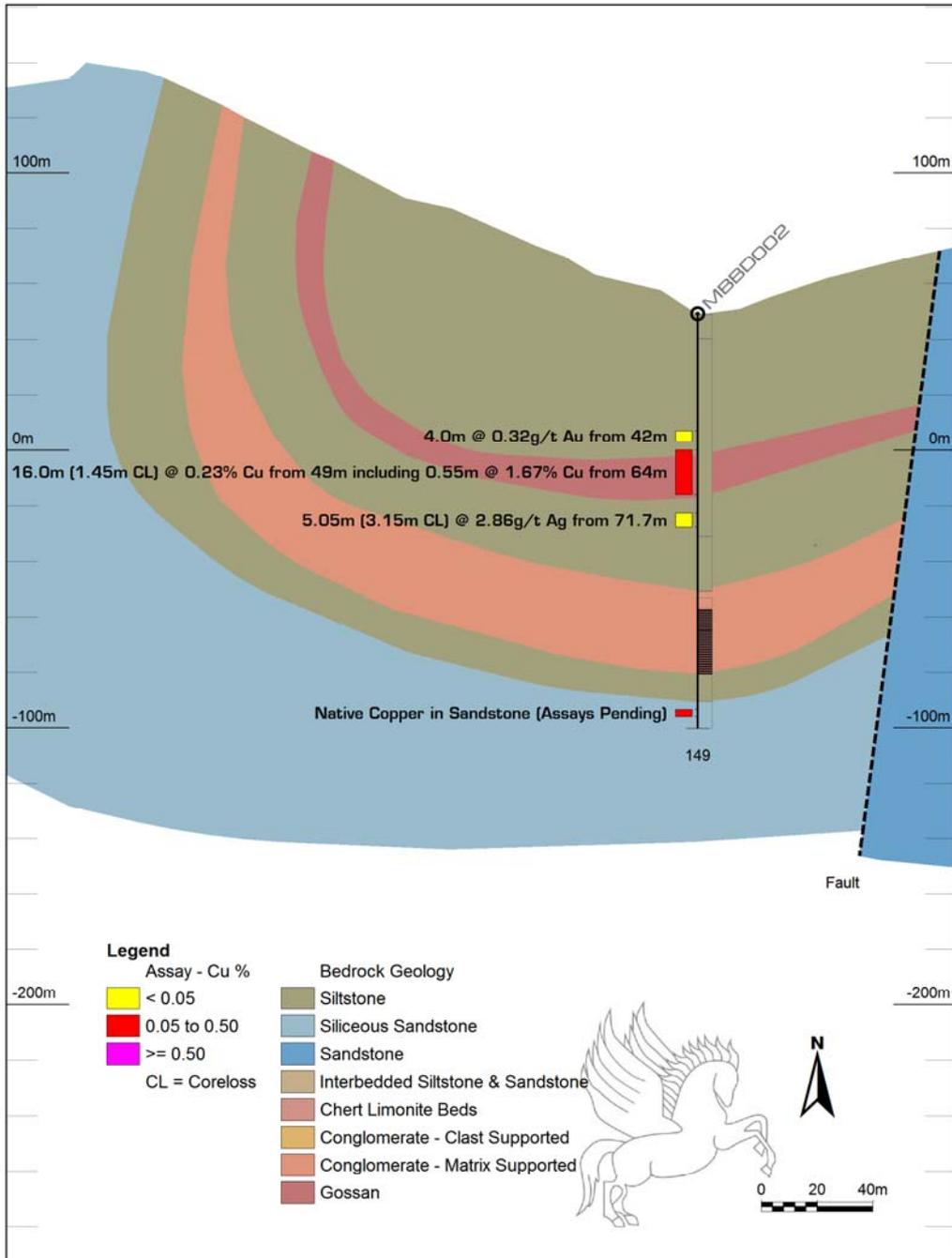
BowerBird Prospect / McLarty Range Project

Plan View - Showing MBBD Drillhole Series & Section Lines



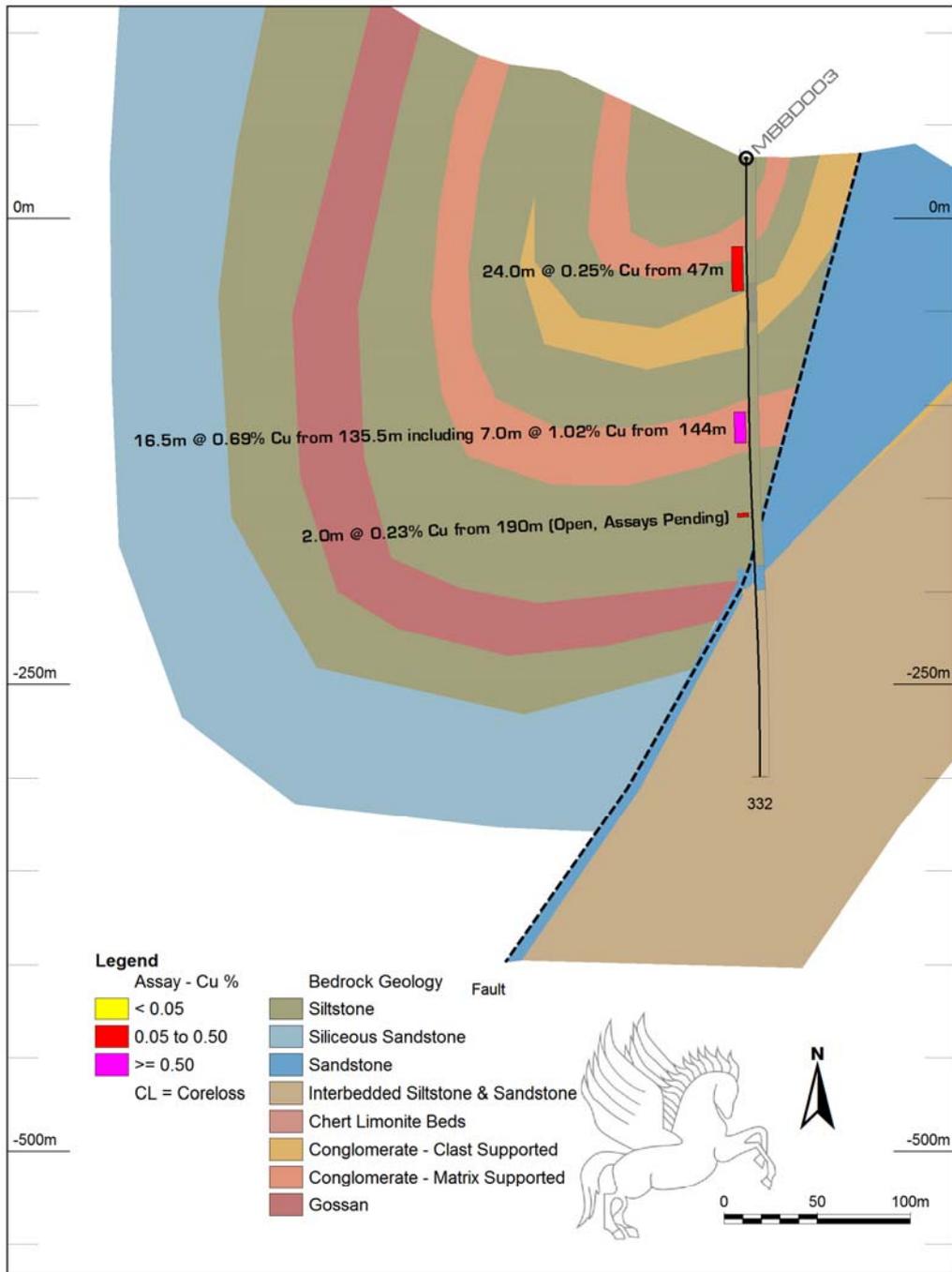
BowerBird Prospect / McLarty Range Project

*Oblique Cross Section Showing Drillhole MBBDD01*



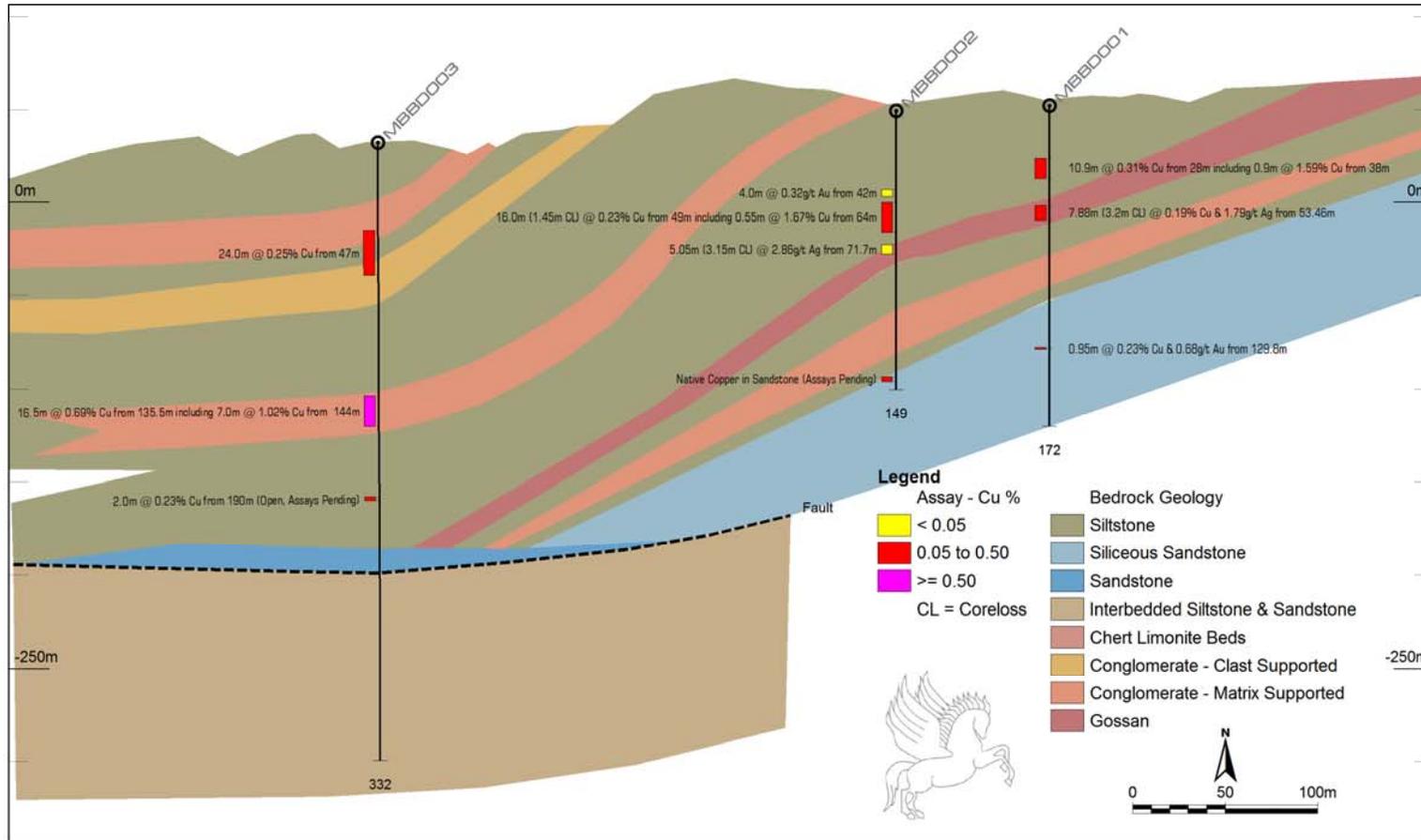
BowerBird Prospect / McLarty Range Project

*Oblique Cross Section Showing Drillhole MBBD002*



BowerBird Prospect / McLarty Range Project

*Oblique Cross Section Showing Drillhole MBBD003*



BowerBird Prospect / McLarty Range Project

(Oblique) Long Section - Showing MBBD Drillhole Series