



PEGASUS METALS LIMITED

ASX ANNOUNCEMENT

10 December 2012

ASX: PUN

WA Government Mining Exemption will have no impact on Pegasus' McLarty Range Copper Project

All drilling to date has taken place outside of exemption zone

HIGHLIGHTS

- WA Minister for Mines and Petroleum has created a Mining Act Section 19 Exemption area over the Horizontal Falls site near Pegasus' McLarty Range Copper Project in the Kimberley region
- Pegasus and its McLarty Range project partner Kimminco Pty Ltd have assisted with this Exemption by relinquishing an ELA (E04/2001) and two blocks of a granted exploration licence (E04/1441)
- Pegasus had already declared these areas to be part of a "self-imposed buffer zone" adjacent to the Horizontal Falls
- The Section 19 Area does not affect in any way the granted tenure or access to the Bowerbird and Copper Cliff/Main Syncline prospect areas that have been the focus of Pegasus' exploration
- Pegasus will continue to explore its highly prospective copper targets outside the Section 19 area in accordance with previously announced strategies and programs.

Pegasus Metals Limited (ASX:PUN) is pleased to advise that a recent decision by the WA Government to ban exploration and mining on a small portion of its Kimberley land holding will have no impact whatsoever on its McLarty Range Copper Project in the area.

The Bowerbird and Copper Cliff-Main Syncline prospects where Pegasus has targeted its exploration at McLarty Range sit outside the Exemption Area designated by the Government.

As a result, future exploration and mining activity at McLarty Range will not be impacted by the decision.

Prior to the Government's decision, Pegasus had declared the area now subject to the exemption as a "self-imposed buffer zone". The Company's policy was aimed at protecting the Horizontal Falls site nearby.

Subsequent to that decision by Pegasus, the Company assisted the Government with its deliberations by voluntarily foregoing its rights over the areas in question.

The McLarty Range Copper Project is located some 250km north-east of Broome. It covers a portion of the folded Proterozoic-aged Kimberley Basin.

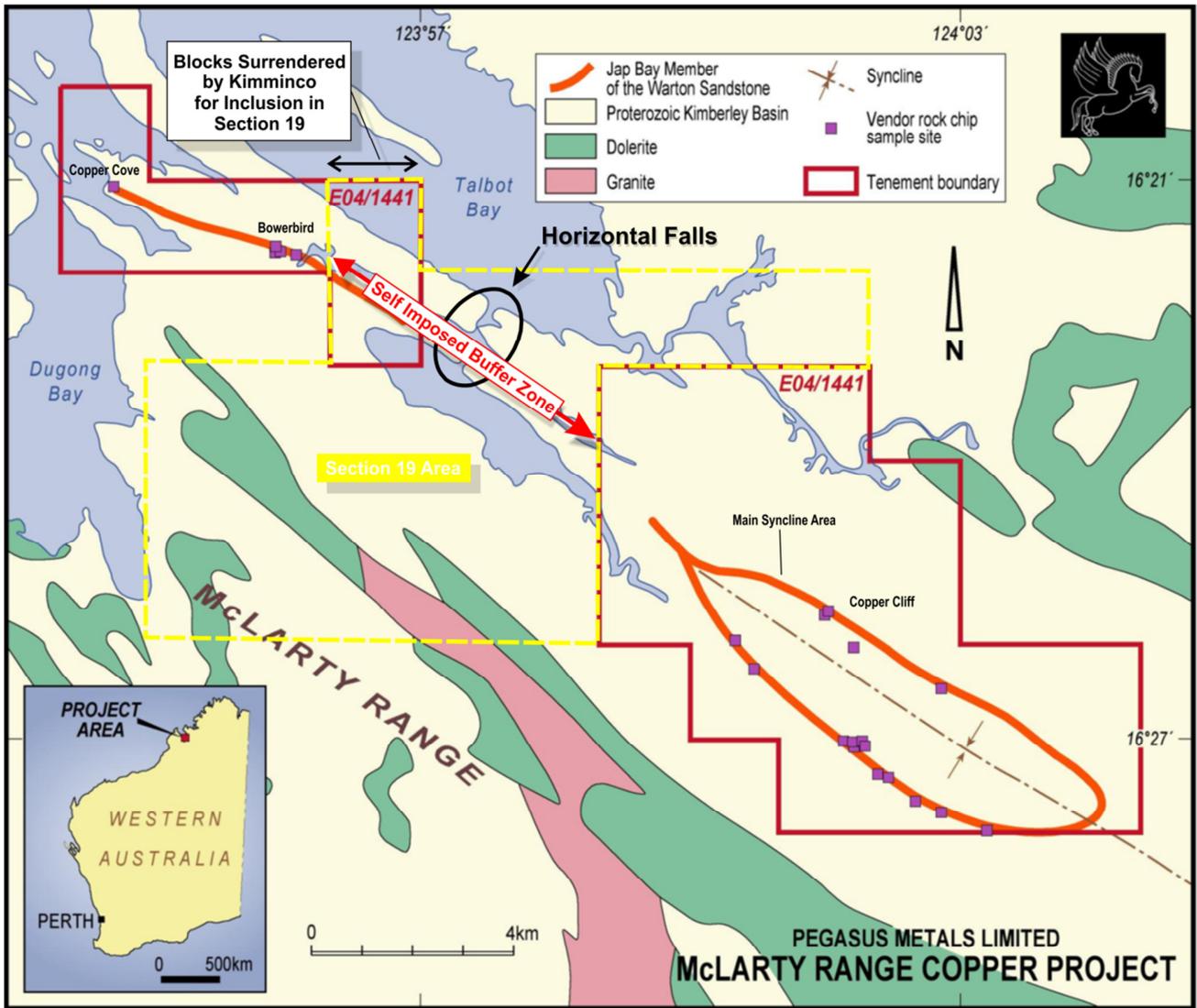
Of particular interest to Pegasus is a prospective copper-bearing, meta-sedimentary horizon that has been identified and sampled by previous explorers. Drilling conducted by Pegasus at the Bowerbird prospect has intersected primary copper sulphide mineralisation beneath surface gossans anomalous in copper.

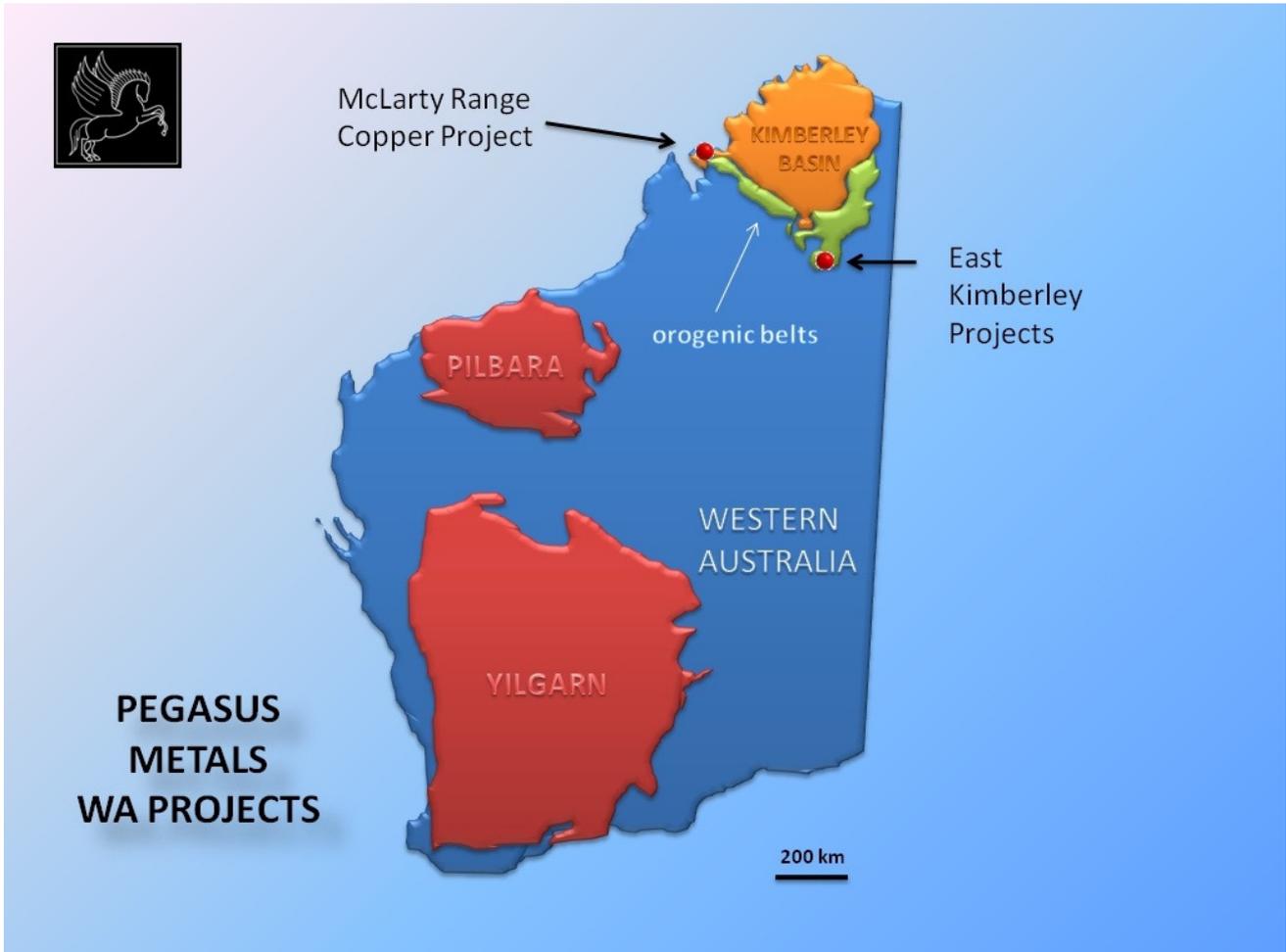
McLarty Range exploration campaign

Future exploration at McLarty Range will include airborne magnetic/radiometric and VTEM surveys aimed at further understanding the geology and controls on the copper mineralisation. These programs will also help to better define drill targets beneath the surface gossans that have been mapped and sampled to date.

Diamond drill testing of targets will follow these surveys with the initial focus on determining the presence of primary copper mineralisation at Copper Cliff in the main syncline area on the east side of the project.

Field activities are expected to commence in the June Quarter next year after the end of the wet season, subject to any regulatory approvals required.





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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