



PEGASUS METALS LIMITED

ASX/MEDIA RELEASE

Wednesday 28 January 2009

QUARTERLY REPORT TO 31 DECEMBER 2008

- **Review of costs and Board restructure**
- **Gold assays up to 2.2 g/t gold from Kimberley stream sediment samples**

INTRODUCTION

Field activities (sampling and mapping) continued on the East Kimberley licence areas in Western Australia. Encouraging gold and copper assay results were received from several locations. These will be followed-up in 2009 field season.

The Board of Directors has been restructured to reduce costs. George Katchan has been appointed Managing Director. Exploration and administrative expenditures are being reduced.

The Giant Placer Project in the Kimberley was surrendered as well as several licences in the Ashburton-Gascoyne area.

The option agreement over the Eden Nickel Project was terminated.

URANIUM, GOLD and BASE METAL PROJECTS

Sturt Palaeochannel, McClintock Range and Giant Placer: located in the Kimberley of WA.

Geological field work continued over the **McClintock Range and Sturt Palaeochannel Projects.**

Prospecting activities included the collection of dry sediment samples at 170 sites along drainages. At each site three sample types were collected: a heavy mineral concentrate (concentrated by means of panning), a -80 mesh sample (sieved sediment fraction finer than 177 microns), and a -2mm sample for BLEG analysis (bulk leach extractable gold).

Strongly anomalous gold assays were returned by both the -80 mesh and heavy mineral concentrate samples. A total of 37 -80 mesh samples returned gold grades in excess of 0.1 g/t Au (11 with more than 0.5 g/t Au) with a maximum value of 2.2 g/t Au. Heavy mineral concentrates returned a maximum value of 14.5 micrograms of contained gold.

These sediment anomalies are considered to be sourced by Proterozoic aged metamorphic rocks exposed predominantly within the western portions of the licence areas. Follow-up work will target these areas.

From a total of 435 rock chip samples taken during the program, 17 assayed greater than 0.1 g/t Au with a maximum grade of 2.4 g/t Au. The highest grade sample also contained 4.55% Cu. Source rocks are calcsilicate skarn-type altered carbonates (consisting of garnet-epidote-clinopyroxene) as well as gossanous quartz veins.

Soil sampling (75 sites) detected moderate gold anomalism (up to 0.14 g/t Au) over a soil covered magnetic anomaly.

A field program aimed at following up the sediment, soil and rock chip anomalies will commence late in the 1st Quarter 2009.

Following an unsuccessful attempt to find partners for the **Giant Placer Project**, the tenements were surrendered.

Gifford Creek, Hooley and Horse Well: located in the Ashburton-Gascoyne of WA.

The **Gifford Creek** and **Horse Well** licences were surrendered. There was no field activity during the Quarter on **Hooley**.

Yandicoogina: located in the Pilbara, north of Nullagine.

No activity during the Quarter.

EDEN NICKEL PROJECT (nickel, copper, platinum group metals)

Pegasus' endeavours to defer an upcoming option payment to enable the Company to seek a partner for the Eden Nickel Project in Canada were not successful and, as stated in the 9 December 2008 ASX release, Pegasus discontinued its option.

During the Quarter a 4.9 line kilometre Induced Polarisation (IP) survey was completed over five separate VTEM anomaly areas. The helicopter-supported VTEM time-domain survey, completed earlier in 2008, had identified a number of anomalies, the most prospective of which were followed-up with the IP survey. The IP survey did result in the identification of several chargeability anomalies.

A review of the sampling and recent metallurgical test work carried out on the Long Lake gold mine tailings was completed by consultants, Hatch, who concluded that further work was not warranted.

NEW OPPORTUNITIES

The Company is continuing with its evaluation of new business opportunities; several were assessed during the Quarter.

The information in this report which relates to Exploration Results is based on information compiled by George Katchan, who 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". George Katchan 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 uranium, gold and base metals explorer, based in Western Australia.

For further information:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

PEGASUS METALS LIMITED

ABN

40 115 535 030

Quarter ended ("current quarter")

31 December 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for	(286)	(606)
(a) exploration and evaluation		
(b) development	-	-
(c) production	-	-
(d) administration	(83)	(159)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	88
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (GST paid to be recouped)	13	5
Net Operating Cash Flows	(351)	(672)
Cash flows related to investing activities		
1.8 Payment for purchases of:	-	-
(a) prospects		
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:	-	-
(a) prospects		
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(351)	(672)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(351)	(672)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(351)	(672)
1.20	Cash at beginning of quarter/year to date	1,846	2,167
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,495	1,495

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	79
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 **Explanation necessary for an understanding of the transactions**

All payments to Directors and associates are on normal commercial terms.

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
Total	150

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	95	446
5.2 Deposits at call	1,400	1,400
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	1,495	1,846

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	E09/1250	Surrendered	100%	0%
	E08/1557	Surrendered	100%	0%
	E80/3616	Surrendered	100%	0%
	E80/3617	Surrendered	100%	0%
	E80/3618	Surrendered	100%	0%
	E80/3619	Surrendered	100%	0%
	Eden Nickel	Option terminated	nil	nil
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

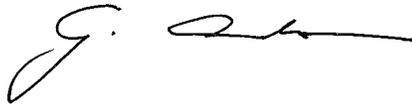
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	36,002,501	25,242,500 *540,000 of which are voluntarily restricted from trading		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	35,747,501	35,747,501	<i>Exercise price</i> \$0.20	<i>Expiry date</i> 31 March 2010
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Relinquished during quarter	1,550,000		\$0.20	30 November 2011
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<i>totals only</i>)				
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 28 January 2009
(~~Director~~/Company secretary)

Print name: GRAHAM ANDERSON.

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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