



# PEGASUS METALS LIMITED

ASX/MEDIA RELEASE

30 October 2009

## QUARTERLY REPORT TO 30 SEPTEMBER 2009

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- **Kimberley field program continued during the Quarter**
- **Option over the McLarty Range Copper Project (western Kimberley)**
- **\$1.1m new funding arranged**
- **Shareholder meeting in late November to approve the new funding and participation in the McLarty Range Copper Project**
- **Exploration activities continued at the Christmas Creek Prospect area in the east Kimberley; several “skarns” identified during follow-up activities**

### INTRODUCTION

Exploration work continued during the Quarter on the east Kimberley exploration projects. Field activities were more targeted this Quarter with Pegasus carrying out “prospect-scale” exploration in the Christmas Creek licence over an area of gold-bearing sheeted quartz stockwork veining. Elsewhere work focused on the follow-up of stream sediment and rock chip geochemical anomalies that were identified during the 2008 field program.

Following an unsuccessful attempt at securing interest in the Hooley and Yandicoogina Projects, all 4 licences were surrendered.

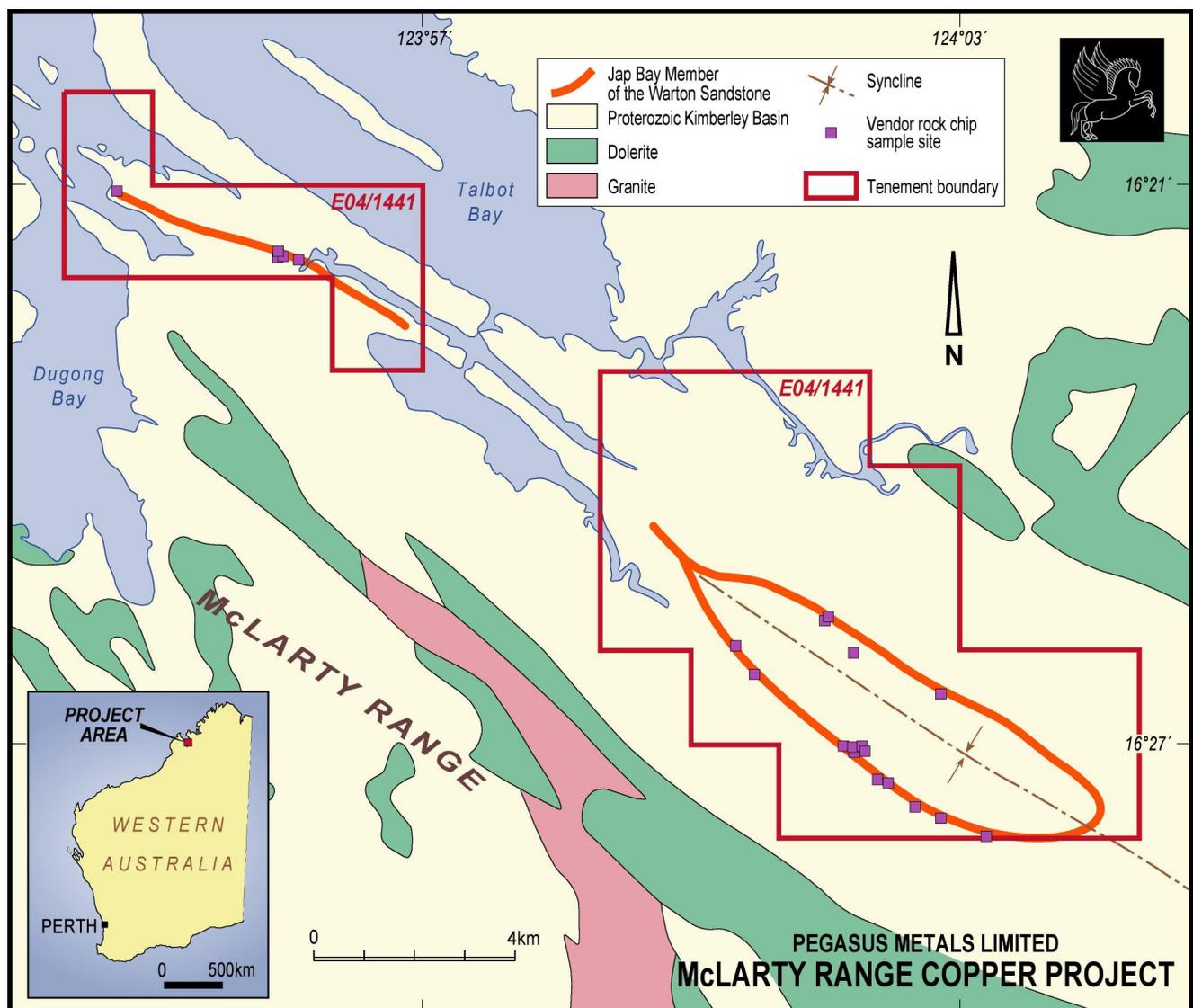
With the recent tenement surrenders and with Pegasus’ participation in the McLarty Range Copper Project, the Company is now focused wholly on the Kimberley region of WA.

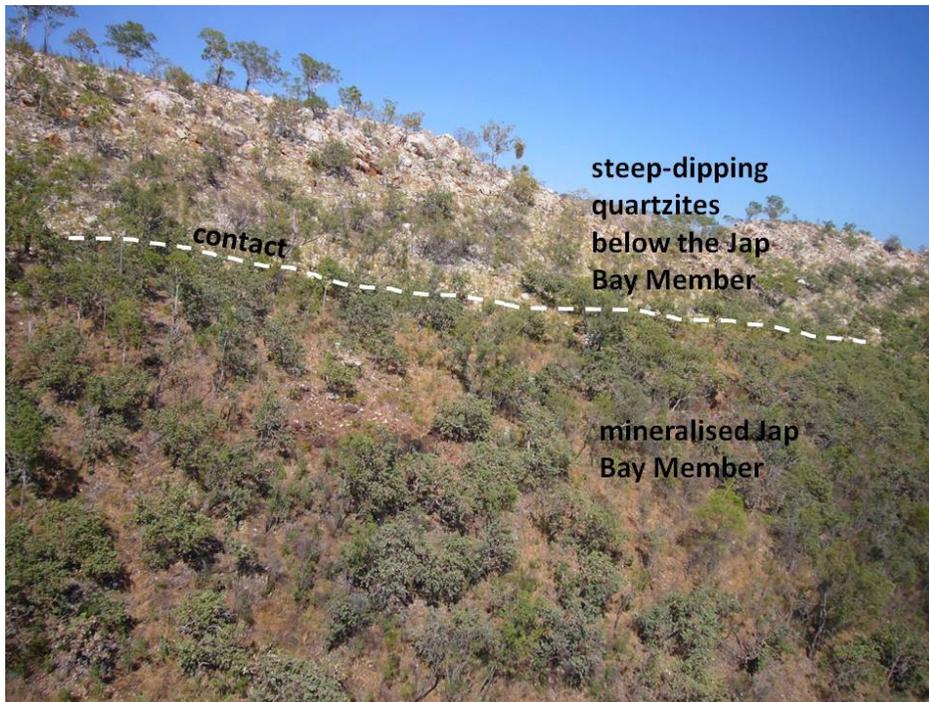
### McLARTY RANGE COPPER PROJECT

Pegasus announced during the Quarter that it had agreed to explore the McLarty Range Copper Project, with over \$1,110,000 of new funding to be provided by Investmet Limited and associates. The vendor option terms, the funding agreement and other ancillary arrangements are all subject to the approval of the shareholders of Pegasus at the Annual General Meeting to be held in late November at a date to be announced. The terms of the agreement between Pegasus and Investmet are detailed in the ASX announcement of 12 October 2009.

Located some 250 km northeast of Broome, within the west Kimberley region, the McLarty Range Copper Project covers a portion of the folded Proterozoic-aged Kimberley Basin sequence within which is a prospective copper-bearing horizon in the Jap Bay Member of the Warton Sandstone. Within the Jap Bay Member are distinctive fine grained metasediments, comprising finely bedded cherts, chert breccia and ferruginous siltstones. Sampling by the vendor of the prospective unit (20 samples) returned assays between 75 ppm copper and 6.1% copper, with six over 1.0% copper. Four locations sampled by Pegasus (2 outcrop and 2 float samples close to source) gave assay values ranging from 0.15% to 0.86% copper.

Terrain in the project area is rugged with up to 300m of relief. The vendor has not been able to examine or sample the full strike length of the mineralised horizon due to dense vegetation, absence of any tracks/roads and poor exposure. The limited amount of sampling by the vendor over the extensive strike length of the Jap Bay Member is shown in the figure below.





*Mineralised Jap Bay Member in contact with the underlying quartzites; rock units are dipping steeply towards the photographer*

There has been no systematic exploration of the project area since the 60's and 70's; neither has there been any past drilling along the prospective copper mineralised horizons. Since access into and around the project area is difficult consideration is being given towards the use of airborne geophysical methods such as EM (electromagnetics) for targeting purposes and the use of a small helicopter-portable drill rig to test the mineralised horizon.

The McLarty Range Copper Project is seen by the current Pegasus Board as being an exciting opportunity to explore what could be a region of significant copper mineralisation. The exploration will require additional funding by Pegasus and the Board is pleased to welcome the proposed investment from Investmet Limited and the new Board arrangements to take Pegasus forward.

## **URANIUM, GOLD and BASE METAL PROJECTS**

### **Sturt Palaeochannel and McClintock Range areas: located in the Kimberley of WA.**

Geological field work on the Kimberley group of licences continued during the Quarter.

Within the Christmas Creek exploration licence area (E80/3827) a northeast-trending zone of sheeted quartz stockwork veining has been mapped and sampled at the **Christmas Creek Prospect** along a strike length that exceeds 1,500 metres. Rock chip sampling of the dark, commonly limonitic quartz veins, has returned gold grades that range between the limit of detection and 2.1 g/t gold with 12 assays above 0.1 g/t gold (96 samples and a further 21 results pending). Veins are typically steep-dipping and mostly in the 20cm to 1 metre width range. A soil sampling program completed over an eastern 600m by 400m portion of the area returned grades between 14.3 g/t gold and assays with less than the detection limit confirming the "nuggety" style of mineralisation in the veins.

The figure below shows the distribution of the veins and rock chip sample sites.

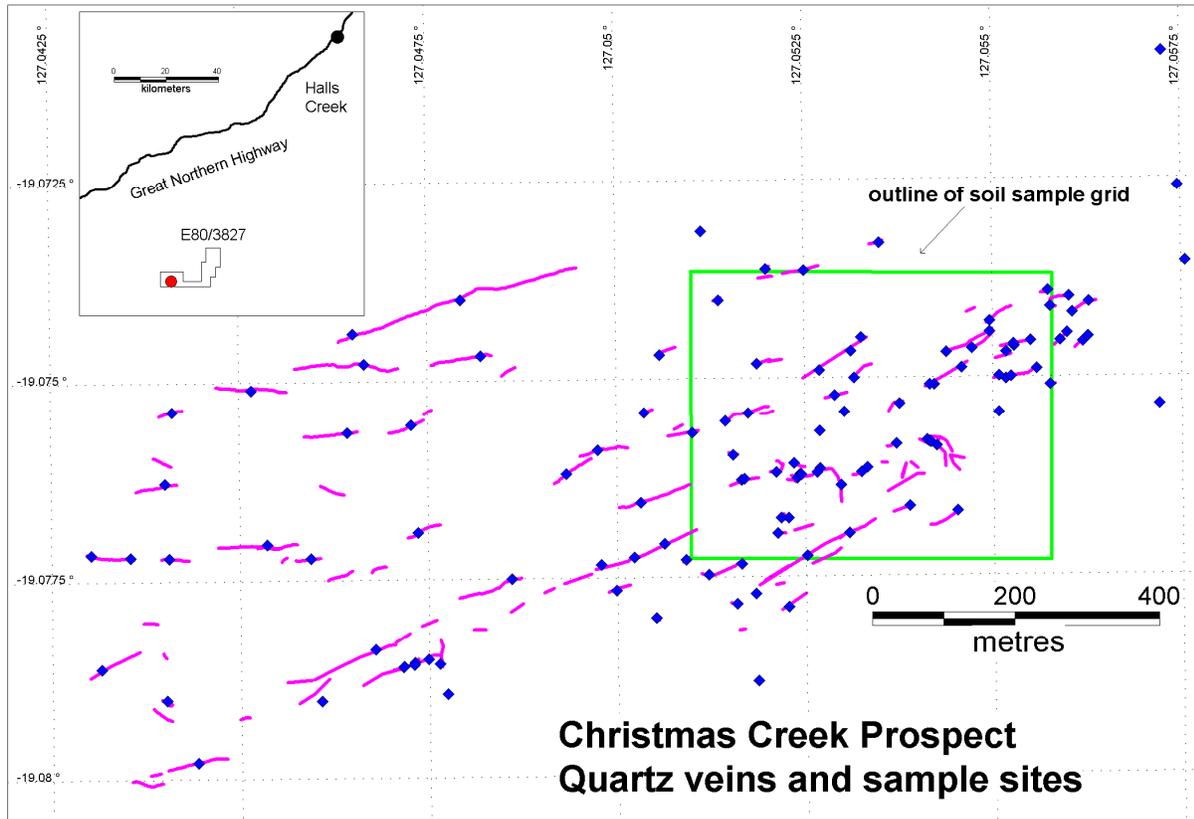


Photo shows rock chip sampling taking place on one of the better exposed veins. Here the vein is about a metre wide.

The extent of any further work on this property will depend on results, still pending, from the latest round of sampling.

Rock chip sampling and mapping was also carried out over several geophysical target areas that had been identified from the airborne survey work completed in 2008. The “targets” were primarily structural intersections along the margins of or within prospective geological rock units. New areas of quartz veining were identified during this work as well as several units of calcsilicate skarns. The skarns are thermally/hydrothermally altered beds of what were originally impure limestones, but are now composed of “calcsilicate” minerals such as garnet and clinopyroxene. Relict bedding is usually apparent in the skarns. Though exposure is commonly poor, widths of several metres are common with strike lengths of a few hundred metres. Copper (malachite, chalcopyrite) and zinc (sphalerite) minerals are evident in several exposures. Assay results from the recent field work are still pending.

With the completion of field activities on two of the Kimberley licences (E80/3613 and E80/3614) and the absence of any deemed prospectivity, both these tenements were surrendered.

## **NEW OPPORTUNITIES**

Pegasus continued in its evaluation of advanced stage projects 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.*

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**Pegasus Metals Limited is a metals explorer, based in Western Australia.**

**For further information:**

**George Katchan MAusMM  
Managing Director  
Pegasus Metals Limited  
ABN 40 115 535 030**

**Peter Andrews FAusIMM FAIG  
Director**

**Telephone: 08 9321 1088**

**Website: [www.pegasusmetals.com.au](http://www.pegasusmetals.com.au)  
Contact: [admin@pegasusmetals.com.au](mailto:admin@pegasusmetals.com.au)**