



QUARTERLY ACTIVITIES REPORT FOR QUARTER ENDING 30 JUNE 2015

ASX Announcement
31 July 2015

Shares on Issue
123,074,519

Current Share Price
A\$0.016

Market Capitalisation
A\$1.9m

Board of Directors

Mr Michael Fotios
*Non-Executive
Director*

Mr Alan Still
*Non-Executive
Director*

Mr Michael Jardine
*Non-Executive
Director*

Contact Details

24 Mumford Place
Balcatta WA 6021
Ph: 08 6241 1888

Projects

Mt Mulcahy: Cu Zn Ag
McLarty Range: Cu

HIGHLIGHTS

- R&D rebates lodged: \$1.3m received during July
- PROJECT TBC
- Settlement reached with Kimminco

MT MULCAHY COPPER PROJECT, Murchison, WA

The focus of activities was review of the planned downhole and surface EM programmes aimed at completion during the September quarter followed by drill testing of the priority EM targets considered to have similar characteristics to the South Limb Pod mineralisation.

McLARTY RANGE COPPER PROJECT, West Kimberley, WA

Activities focussed on settlement with Kimminco and withdrawal from the project, which was finalised in May. The Company will now focus on copper and zinc rich base metal targets in the Murchison district.

OPPORTUNITIES

Pegasus Metals continues to look for growth opportunities that would benefit shareholders, including company mergers and advanced exploration or mining project acquisitions with a particular focus on copper and other base metals.

Projects located in the Murchison district, that further support the development of the Company's Mt Mulcahy Project, will be a particular focus of the Board in its ongoing assessment of new opportunities.



CORPORATE

On 28 May 2015, the Company announced it had reached a settlement with its Joint Venture Partner – Kimminco Pty Ltd (“Kimminco”) – on the McLarty Range Project to resolve the previously announced dispute.

The material terms of the settlement included:

- Pegasus has agreed to withdraw from the McLarty Range Project, and exploration licences E04/1441 and E04/2267, and tenement application E04/2338 will now revert to being owned 100% by Kimminco;
- Kimminco has agreed to transfer to third parties 3,750,000 shares it holds in the Company, and to the buy-back of its 6,900,000 remaining shares for nil consideration, subject to shareholder approval being obtained;
- Pegasus agreed to contribute \$12,500 towards Kimminco’s legal costs in relation to the disputes; and
- Kimminco agreed to withdraw its notice under section 249D of the *Corporations Act 2001 (Cth)* requisitioning a meeting of shareholders.

On 30 April 2015, the Company lodged applications for R&D rebates under the Federal Government’s Research & Development Incentive Scheme covering the 2013 and 2014 financial years. Subsequent to the reporting period (on 16 July 2015), the Company received \$1.3m in cash (before expenses) for the 2013 tax year, with a further \$167,224 expected to be received (2014 rebate) in the September 2015 quarter.

Also subsequent to the reporting period, the Company announced on 21 July 2015 the sad passing of its Chairman Mr Graham Anderson. Mr Anderson was a very valuable member of the Board and he will be greatly missed by all connected with the Company.



For further information contact:

Michael Fotios
Non-Executive Director

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Compliance Statements

³Information in this announcement that relates to Exploration Results and estimates of Mineral Resources is extracted from the announcement entitled "Maiden Copper - Zinc Resource at Mt Mulcahy" announced to the ASX on 25th September 2014 and is available on the Company website www.pegasusmetals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward Looking Statements

Pegasus Metals Ltd has prepared this announcement based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this announcement. To the maximum extent permitted by law, none of Pegasus Metals Ltd, its directors, employees or agents, advisers, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this announcement or its contents or otherwise arising in connection with it. This announcement is not an offer, invitation, solicitation or other recommendation with respect to the subscription for, purchase or sale of any security, and neither this announcement nor anything in it shall form the basis of any contract or commitment whatsoever. This announcement may contain forward looking statements that are subject to risk factors associated with exploration, mining and production businesses. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including but not limited to price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimations, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory changes, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

PEGASUS METALS LIMITED

Addendum - Tenement Table ASX Listing Rule 5.3.3

➤ ***The mining tenements held at the end of each quarter and their location***

| TENEMENT No. | LOCATION | STATUS | INTEREST % | HOLDER |
|--------------|----------|---------|------------|----------------------------|
| EL20/422 | WA | Granted | 100 | Black Raven Mining Pty Ltd |

The Group holds a 100% interest in the tenement pursuant to an executed Tenement Sale Agreement with Black Raven Mining Pty Ltd dated 14 June 2012. Transfer of the tenement to the Group is pending with the remaining step being submission of duty-stamped Tenement Sale Agreement to the DMP.

➤ ***The mining tenements disposed of during the quarter and their location***

| TENEMENT No. | LOCATION | HOLDER |
|--------------|----------|------------------|
| EL04/1441 | WA | Kimminco Pty Ltd |
| EL04/2267 | WA | Kimminco Pty Ltd |

➤ ***The beneficial percentage interests held in farm-in or farm-out agreements at the end of the quarter***

Nil

➤ ***The beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of during the quarter***

Refer to the table above in respect of E04/1441 and E04/2267

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

PEGASUS METALS LIMITED

ABN

40 115 535 030

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|---|----------------------------|--|
| Cash flows related to operating activities | | |
| 1.1 Receipts from product sales and related debtors | 2 | 6 |
| 1.2 Payments for | | |
| (a) exploration and evaluation | - | (13) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (9) | (52) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | - | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other - GST recouped | (8) | (16) |
| Net operating cash flows | (15) | (75) |
| 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 | - | 14 |
| 1.10 Loans from other entities | - | - |
| 1.11 Loans repaid to other entities | - | - |
| 1.12 Other (provide details if material) | - | - |
| Net investing cash flows | - | 14 |
| 1.13 Total operating and investing cash flows (carried forward) | (15) | (61) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|---|--|-----------|-----------|
| 1.13 | Total operating and investing cash flows (brought forward) | (15) | (61) |
| 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 | 15 | 62 |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other – capital raising costs | - | - |
| Net financing cash flows | | 15 | 62 |
| Net increase (decrease) in cash held | | - | 1 |
| 1.20 | Cash at beginning of quarter/year to date | 13 | 12 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 13 | 13 |

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 | - |
| 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 | 1,000 | 255 |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 150 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 25 |
| Total | 175 |

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 | 3 | 3 |
| 5.2 Deposits at call | 10 | 10 |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 13 | 13 |

Changes in interests in mining tenements

| | Tenement reference and location | 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 | <i>See attached addendum</i> | | | |
| 6.2 Interests in mining tenements acquired or increased | <i>Nil</i> | | | |

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.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | 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 | 123,074,519 | 123,074,519 | | 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> | 8,000,000 | | <i>Exercise price</i> \$0.35 | <i>Expiry date</i> 31 December 2015 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | | | | |
| 7.10 Lapsed during quarter | | | | |
| 7.11 Debentures <i>(totals only)</i> | | | | |
| 7.12 Unsecured notes <i>(totals only)</i> | | | | |

+ See chapter 19 for defined terms.

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: 31 July 2015
(Director)

Print name: Michael Fotios

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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+ See chapter 19 for defined terms.