



QUARTERLY ACTIVITIES REPORT FOR QUARTER ENDING 31 DECEMBER 2015

ASX Announcement
29 January 2016

Shares on Issue
116,174,519

Current Share Price
A\$0.018

Market
Capitalisation
A\$2.1m

Board of Directors
Mr Michael Fotios
*Non-Executive
Director*

Mr Alan Still
*Non-Executive
Director*

Mr Michael Jardine
*Non-Executive
Director*

Contact Details
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Balcatta WA 6021
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Projects
Mt Mulcahy: Cu Zn Ag

HIGHLIGHTS

- Further R&D rebates expected after lodgment of 2015 claim
- New geological review highlights additional priority targets at Mt Mulcahy
- Planning for EM surveys and drill testing underway
- Regional project reviews continue

Pegasus Metals Limited (ASX: PUN) provides the following report on its activities during the December 2015 quarter.

MT MULCAHY COPPER PROJECT, Murchison, WA

Geology Discussion:

The Mt Mulcahy project hosts the Mount Mulcahy copper-zinc deposit, volcanic-hosted massive sulphide zone of mineralisation, with a JORC 2012 Measured, Indicated and Inferred Resource of 647,000 tonnes @ 2.4% copper, 1.8% zinc, and 20g/t Ag (refer ASX release 25 September 2014).

The horizon hosting this mineralisation can be traced for a distance of at least 12 kilometres along strike and excellent potential exists for additional mineralisation to be discovered along this prospective horizon.

The focus of activities during the December 2015 quarter was a critical review of the project data and exploration strategy by new geological management. After completion, it was considered that:

- Surface based TEM techniques can be used to further refine the targets
- Detailed geology mapping be used to refine surface expressions; and
- Acquisition of surface geochemistry be made a priority

Within the review, historical surface geochemistry data was found that had not been previously analysed. This large dataset of 8,443 multi-element soil samples was manually entered, georeferenced, and then analysed using ioGAS software to identify possible multivariate signatures to mineralisation. The data was also domained by regolith type and levelled to investigate possible anomalies under the transported cover.



This has identified robust exploration targets (Figure 1), many of which are coincident, generated from:

- Surface geochemistry anomalies identified by data entry, analysis and interpretation undertaken during the term of the licence
- VTEM targets generated from work undertaken during the term of the licence
- Lithology units and structural trends identified from aeromagnetic data gathered, and interpretation undertaken, during the term of the licence

As such, future exploration programs are expected to focus on the coincident surface Cu and Zn geochemistry, VTEM targets, and mapped sediment units. As there are some areas lacking surface geochemistry and mapping coverage, such as the core of the syncline, and the eastern extent of the northern limb, infill mapping and sampling of these areas is proposed.

Consultant geophysicists have recommended down-hole TEM to aid interpretation of the previously identified VTEM targets. Downhole TEM acquisition, processing and interpretation is planned for the next field season, and is proposed to be followed up with ground EM data acquisition.

With further refinement of targets likely from the outlined activities, drill planning of exploration targets will be finalised for later in the field season.

OPPORTUNITIES

During the December 2015 quarter, Pegasus Metals continued to look for growth opportunities that would benefit shareholders, including potential 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

The Company has lodged applications for R&D rebates under the Federal Government's Research & Development Incentive Scheme. Further rebates for 2015 are still awaiting assessment.

On 27 October 2015, Ms Shannon Coates was appointed as Company Secretary and Mr Michael Fotios resigned as Company Secretary. On 27 November 2015, following shareholder approval at the Company's annual general meeting held on that day, 6,900,000 shares were cancelled.

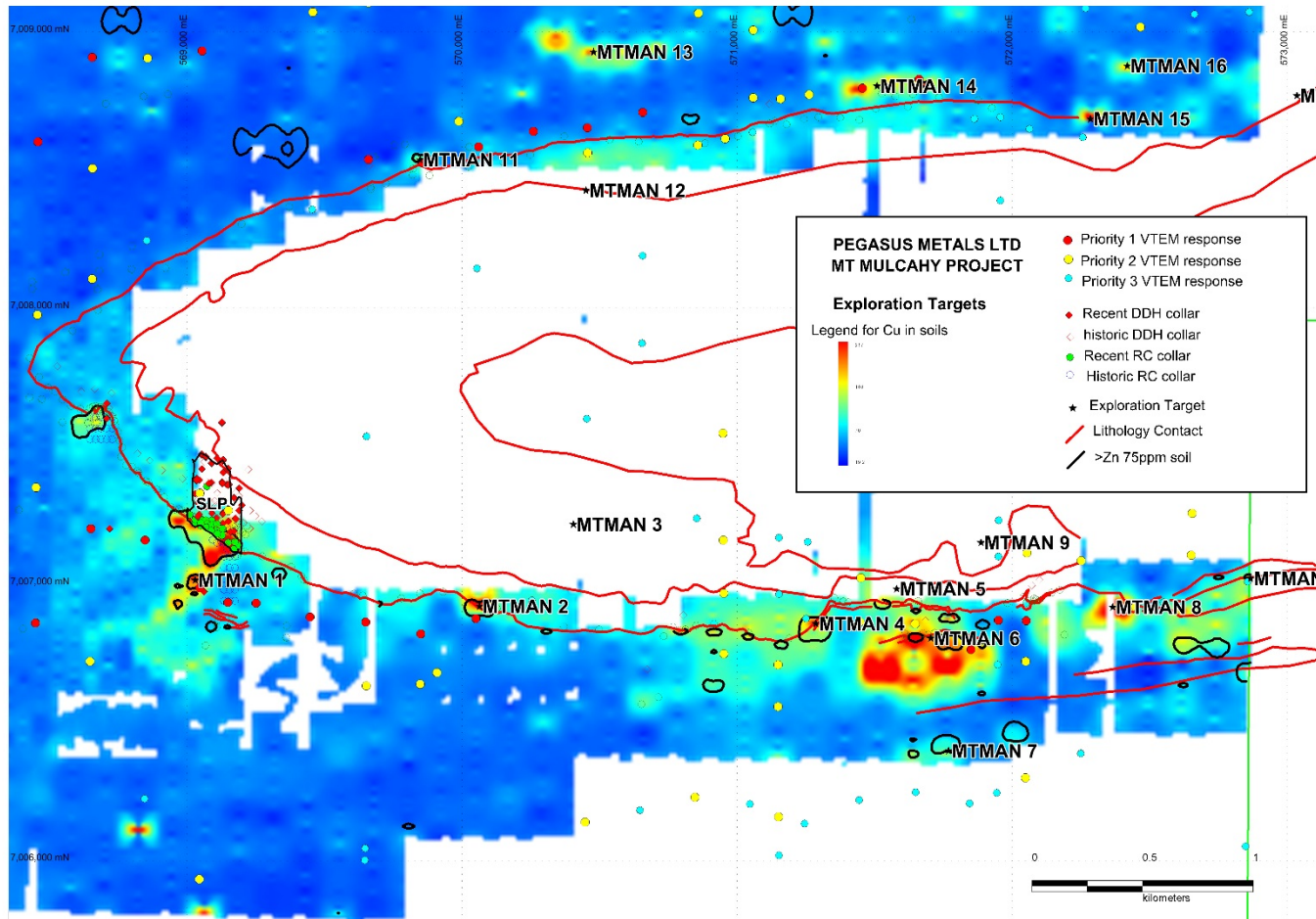


Figure 1: Mt Mulcahy Exploration targets, shown with soil geochemistry, VTEM anomalies, and lithology contacts



For further information contact:

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Non-Executive Director

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Competent Persons Statements

Information in this announcement that relates to the Mt Mulcahy Mineral Resource estimations has been compiled by Rob Spiers, who was an employee of geological consultants H&S Consultants Pty Ltd at the time of resource reporting and a Member of The Australian Institute of Geoscientists. Mr Spiers 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 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms that the form and context in which the information is presented has not been materially modified and it is not aware of any new information or data that materially affects the information included in the relevant market announcements, as detailed in the body of this announcement. All material assumptions and technical parameters underpinning the Mineral Resource estimates continue to apply and have not materially changed.

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 estimate.



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
E20/422	WA	Granted	100	Black Raven Mining Pty Ltd
E20/840	WA	Granted	100	Pegasus Metals Ltd

The Group holds a 100% interest in the E20/422 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 and transfer form to the DMP.

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

Nil

➤ ***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***

Nil

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")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for	-	(679)
(a) exploration and evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) administration	(1)	(431)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	43
1.5 Interest and other costs of finance paid	-	-
1.6 Receipt of R&D tax refund	-	1,432
1.7 Other - GST to be recouped	-	(24)
Net operating cash flows	-	341
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 from other entities	-	-
1.11 Loans repaid to other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	-	341

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	-	341
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	-	13
1.17	Repayment of borrowings	-	(355)
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	-	-
	Net financing cash flows	-	(342)
Net increase (decrease) in cash held			
		-	1
1.20	Cash at beginning of quarter/year to date	12	13
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	12	12

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	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	25
Total	75

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	2	2
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)	12	12

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	Nil			
6.2 Interests in mining tenements acquired or increased	E20/840	Registered Holder	0%	100%

+ See chapter 19 for defined terms.

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 (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	116,174,519	116,174,519		Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	6,900,000	6,900,000		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)				
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Lapsed during quarter	8,000,000		\$0.35	
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ 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: 29 January 2016
(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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