



PEGASUS METALS LIMITED

ASX/MEDIA RELEASE

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PEGASUS OPTIONS SUDBURY NICKEL-COPPER-PGM PROPERTY

Option secured over a potential nickel-copper-PGM offset dyke property in Ontario, Canada

- **Eden Nickel Project over mining claims covering a potential strike extension of the Copper Cliff Offset Dyke**
- **Reconnaissance sampling program completed**
- **Helicopter EM survey to follow**

Pegasus Metals Limited (ASX: PUN) is pleased to announce that it has entered into an option agreement over the Eden Nickel Project covering a southern extension to the Copper Cliff Offset Dyke (**"the Property"**). The Property is located within the Eden Township in the Sudbury Mining Division of Ontario, Canada.

Past sampling, petrological studies and limited mapping within the Property have identified several areas with outcropping quartz diorite dyke rocks. Quartz diorite hosts nickel-copper- platinum group metals (PGM) deposits within several Offset Dykes in the Sudbury area.

Since the 1883 discovery of copper-nickel sulphides in the Sudbury area and the start of mining a few years later, Sudbury has produced over 25% of the world's total nickel production and new discoveries continue to be made.

Nickel-copper-PGM occur in association with a large 60 km by 27 km elliptical igneous body called the Sudbury Igneous Complex ("SIC"). The SIC together with its related sulphide mineralisation are believed to be the product of a 1.85 billion year old meteorite impact that produced an impact-generated melt sheet. Mineralisation is present within the main elliptical complex, in several distinct environments, as well as in the neighbouring country rocks in close association with Offset Dykes.

These Offset Dykes extend radially away from, as well as occur concentric to the SIC, and are typically quartz diorites in which the metal-bearing sulphides can be massive, have stringer or disseminated sulphide textures. Offset Dikes have become the target of progressively more intense exploration interest because they host several underground mining operations, including the Copper Cliff North mine, Copper Cliff South mine, Totten (to re-open costing CDN \$400 million). Nearly half of the ore at Sudbury occurs in breccias and Offset Dykes in the footwall rocks of the SIC (Figure 1).

The Property is located 20 km southwest of the city of Sudbury and comprises 16 mining claims covering an area of 29.4 km² within Eden Township (Figures 1 & 2). The Property is located on what is believed to be a southern extension of the Copper Cliff Offset Dyke, 10 km south of the Kelly Lake property on which Vale Inco Limited is conducting a pre-feasibility study.

Pegasus is potentially the second largest tenement holder on the Copper Cliff Offset after Vale Inco Limited.

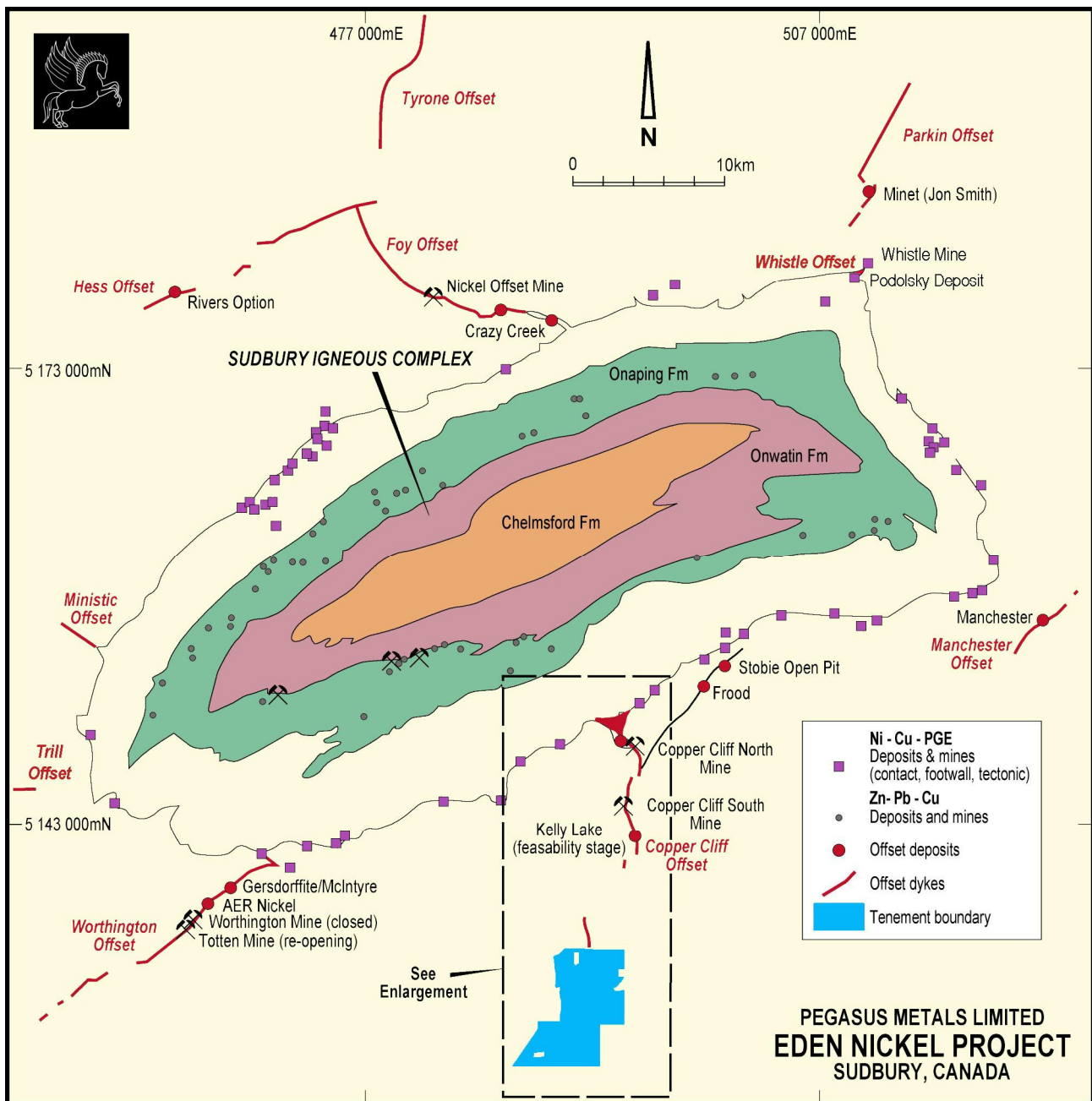


Figure 1
Sudbury Igneous Complex showing nickel-copper- PGE deposits, Offset Dykes
& the Eden Nickel Project Location

On the same offset dyke and just to the north of Kelly Lake is the Copper Cliff South Mine which has been in production since 1970 and the Copper Cliff North Mine which has been in intermittent production since 1886. The Copper Cliff Deep project is a CDN \$45 million study in progress for a single underground development that would link the three above deposits. Vale Inco Limited's Clarabelle Mill, Copper Cliff Smelter and Copper Cliff Nickel Refinery are located in close proximity to their mines on the Copper Cliff Offset Dyke.

The Property has had little previous exploration and that was focussed primarily on gold targets, not nickel-copper-PGM. Pegasus has completed a reconnaissance sampling program and samples have been submitted for analyses.

Pegasus is obtaining quotations for an airborne electro-magnetic (EM) survey to be carried out during the Canadian winter months. Airborne EM is a proven and successful primary geophysical method of locating potential massive sulphide mineralisation in the Sudbury area and Pegasus aims to use it to produce offset dyke associated drilling targets within the Property.

Pegasus can earn a 100% interest in the Property by making staged option payments, totalling CAD\$313,200 over three years, and by completing exploration expenditures totalling CAD\$494,600 over the same period. The agreement is subject to a 3% net smelter return (with buy-back provisions) and the issuing, in stages, of 1,000,000 Pegasus shares to the vendor over three years.

Figure 2
Plan of the Copper Cliff Offset Dyke,
the mines and deposits
& the Eden Nickel Project Location

The information in this report which relates to Exploration Results is based on information compiled by George Katchan, who is a Member of the Australasian Institute of Mining and Metallurgy. George Katchan is a full-time employee of Pegasus Metals Limited and 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.

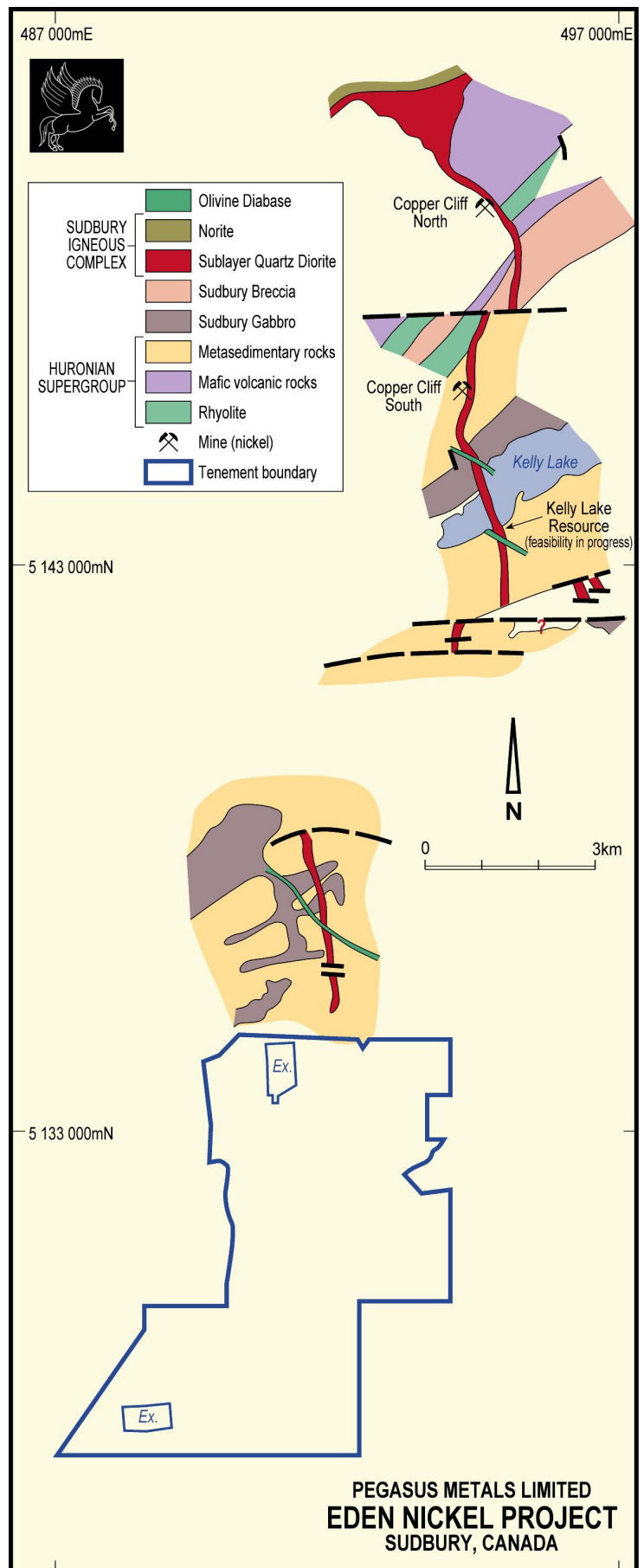
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