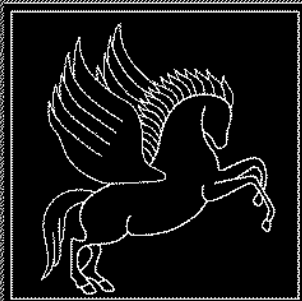




PEGASUS METALS LIMITED

ACN 115 535 030

P R O S P E C T U S

OFFER OF 17,500,000 SHARES

AT AN ISSUE PRICE OF 20 CENTS EACH

TO RAISE \$3,500,000

URANIUM, GOLD & BASE METALS EXPLORER

Shares offered by this Prospectus are speculative

PATERSONS 
S E C U R I T I E S L I M I T E D

ABN 69 008 896 311

LEAD MANAGER TO THE OFFER

IMPORTANT NOTES

The Prospectus

This Prospectus is dated 5 February 2007 and was lodged with the ASIC on that date. Neither ASIC nor ASX take any responsibility for the contents of the Prospectus. No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus. Shares allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out in this Prospectus.

Before deciding to invest in the Company, potential investors should read the entire Prospectus. In particular, investors should consider the potential of the Company's exploration tenements and the proposed programs and budgets on them. Investors should also consider the financial information and the risk factors that could affect the performance of the Company. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from an accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest.

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in Section 9 of this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Electronic Prospectus

A copy of this Prospectus can be downloaded from Pegasus' website at www.pegasusmetals.com.au. The Offer by this Prospectus is available to persons receiving an electronic version of this Prospectus within Australia, however, there is no facility to accept Applications electronically. Applications must be made by completing paper copies of the Application Form. The Corporations Act prohibits any person from passing to another person the Application Form unless it is attached to or accompanies the complete and unaltered version of this Prospectus.

Exposure Period

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period of seven days from the date of lodgement with the ASIC. This period may be extended by the ASIC for a further period of up to seven days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found deficient, Applications received during the exposure period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Applications received during the exposure period and all Applications received during the exposure period will be treated as if they were simultaneously received on the Opening Date.

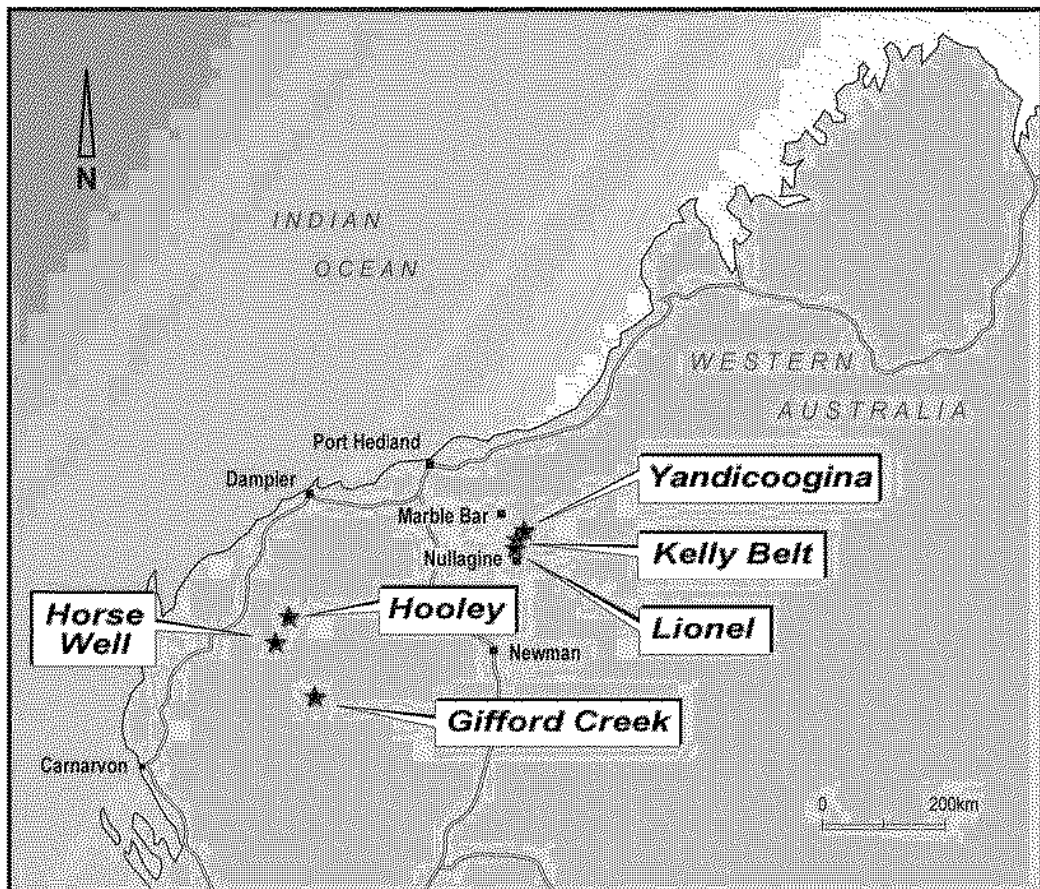
Indicative Timetable

Prospectus lodged with ASIC	Monday 5 February 2007
Opening Date	Tuesday 13 February 2007
Closing Date	Tuesday 6 March 2007
Dispatch of Shareholding Statements	Monday 12 March 2007
Date of quotation of Shares on ASX	Thursday 15 March 2007



Pegasus Metals Limited

- six exploration projects in Western Australia
- three Ashburton-Gascoyne uranium projects
- 153 km² of tenements to be tested for their uranium potential
- recorded uranium mineralisation on each project
- primary and secondary mineralisation
- three Pilbara gold and base metals projects
- 175 km² of tenements to be tested for their gold, copper, nickel and PGM potential
- most of Yandicoogina goldfield to be tested
- base metals indications include the Lennons Find copper/lead/zinc resource (excluded) and old copper workings
- Directors have considerable experience in exploration and mining
- is aiming to raise \$3,500,000 by this Prospectus



PROJECT LOCATIONS

These Investment Highlights are simply that and should be read in context with the more detailed information in this Prospectus. Investors should read the entire Prospectus and should be particularly aware of the risks associated with investing in a company such as Pegasus, which are more fully described in Section 4 of this Prospectus.

Investors should note that uranium mining is prohibited under the current policy of the Western Australian government. Exploration for uranium is permitted.

The Shares offered by this Prospectus should be considered speculative.



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CORPORATE DIRECTORY

DIRECTORS & MANAGEMENT

Craig Munro Chairman
Peter Andrews Executive Director
Graham Anderson Director & Company Secretary

REGISTERED OFFICE

Suite 2
 29 Ord Street, West Perth WA 6005

PO Box 58, West Perth WA 6872

Phone 08 9485 0277 Fax 08 9485 1762

Email admin@pegasusmetals.com.au
 Internet www.pegasusmetals.com.au

EXPLORATION OFFICE

Jon Crowe Exploration Consultant
 49A Phillimore Street, Fremantle WA 6160

Phone 08 9430 7151 Fax 08 9430 7664

ASX Code: PUN

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
 Suite 1 Alexandra House
 770 Canning Highway, Applecross WA 6953

Phone 08 9315 2333 Fax 08 9315 2233

AUDITOR

Horwath Audit (WA) Pty Ltd
 128 Hay Street, Subiaco WA 6008

LEAD MANAGER TO THE OFFER

Patersons Securities Limited
 Level 23 Exchange Plaza
 2 The Esplanade, Perth WA 6000

GPO Box W2024, Perth WA 6846

Phone 08 9263 1111 Fax 08 9325 5123

AFS Licence No 239 052

INDEPENDENT ACCOUNTANT

Horwath Securities (WA) Pty Ltd
 128 Hay Street, Subiaco WA 6008

SOLICITOR REPORTING ON TENEMENTS & MATERIAL CONTRACTS

Clavey Legal
 Ground Floor, Ashton Chambers
 189 St Georges Terrace, Perth WA 6000

INDEPENDENT GEOLOGISTS

Al Maynard & Associates
 9/280 Hay Street, Subiaco WA 6008

Dear Investor

Welcome to Pegasus Metals Limited (Pegasus) and this IPO.

Pegasus has 100% of six exploration projects in Western Australia, three in the Ashburton-Gascoyne region and three in the Pilbara region. The three Ashburton-Gascoyne Uranium Projects all have reported uranium mineralisation and the three Nullagine North Projects various targets for gold and base metals mineralisation, including nickel, copper and PGM.

All our projects warrant further exploration and we are now inviting public subscription to fund this work.

The current uranium price has created renewed enthusiasm for uranium exploration, even though uranium cannot be mined in Western Australia under current government policy.

Pegasus' three uranium projects are Hooley, Horse Well and Gifford Creek all of which have uranium mineralisation reported from exploration undertaken mainly in the 1970s. Primary uranium mineralisation occurs within the Hooley and Horse Well Projects and secondary uranium mineralisation is known from Gifford Creek. Enriched surface samples up to 10.7% U_3O_8 and narrow drill intercepts up to 6700ppm U_3O_8 uranium have been recorded within Pegasus' uranium projects. A program to re-fly the radiometrics and aeromagnetics of these three project areas at 50 metre line-spacing has been initiated.

In the Pilbara region, Pegasus holds the Yandicoogina, Lionel and Kelly Belt Projects which cover over 45km strike of the greenstone belt trending from the Lennons Find VMS resource (excluded) in the northeast, through a series of old gold workings of the Yandicoogina mining centre and southwards on to the copper and nickel occurrences at Lionel, Hendersons, and Otways. There has been very limited exploration of these areas in recent years and the known gold and base metals mineralisation locations provide targets for early drilling. There may also be some PGM potential within the Lionel Project

Pegasus is offering investors the opportunity to subscribe for 17,500,000 Shares at 20 cents per share to raise \$3,500,000.

On behalf of my fellow Directors, I invite you to become a shareholder of Pegasus. This offer closes on 6 March 2007.



Craig Munro
Chairman

SECTION 1 PEGASUS AND ITS PROJECTS

The information set out in this section is not comprehensive and should be read in conjunction with more detailed information appearing elsewhere in this Prospectus.

1.1 COMPANY BACKGROUND

Pegasus was incorporated in July 2005 to apply for three uranium exploration projects areas in Western Australia. During 2006, Pegasus raised seed capital and purchased three additional Western Australian exploration projects that are considered prospective for gold and base metals.

Pegasus is focussed on becoming a successful exploration company in a short time. The Company believes that the demand for uranium, gold, copper and nickel will continue strongly over the short to medium term.

Pegasus has now issued this Prospectus to raise \$3,500,000, primarily to undertake the exploration programs detailed in the Table in Section 1.3.

1.2 PEGASUS'S EXPLORATION PROJECTS

Pegasus holds 100% of all its six projects, which are described in the Independent Geologists' Report in Section 5.

Details of the tenements are disclosed in the Tenement Schedule in the Solicitor's Report in Section 6.

Pegasus's current exploration portfolio comprises six projects, namely

Ashburton-Gascoyne Projects (uranium)

- **Hooley**
- **Horse Well**
- **Gifford Creek**

Nullagine North Projects (gold and base metals)

- **Yandicoogina**
- **Lionel**
- **Kelly Belt**

Hooley, Horse Well and Gifford Creek were selected as open ground with potential for uranium mineralisation, which is recorded as occurring on each project area. They are located in the Ashburton-Gascoyne region.

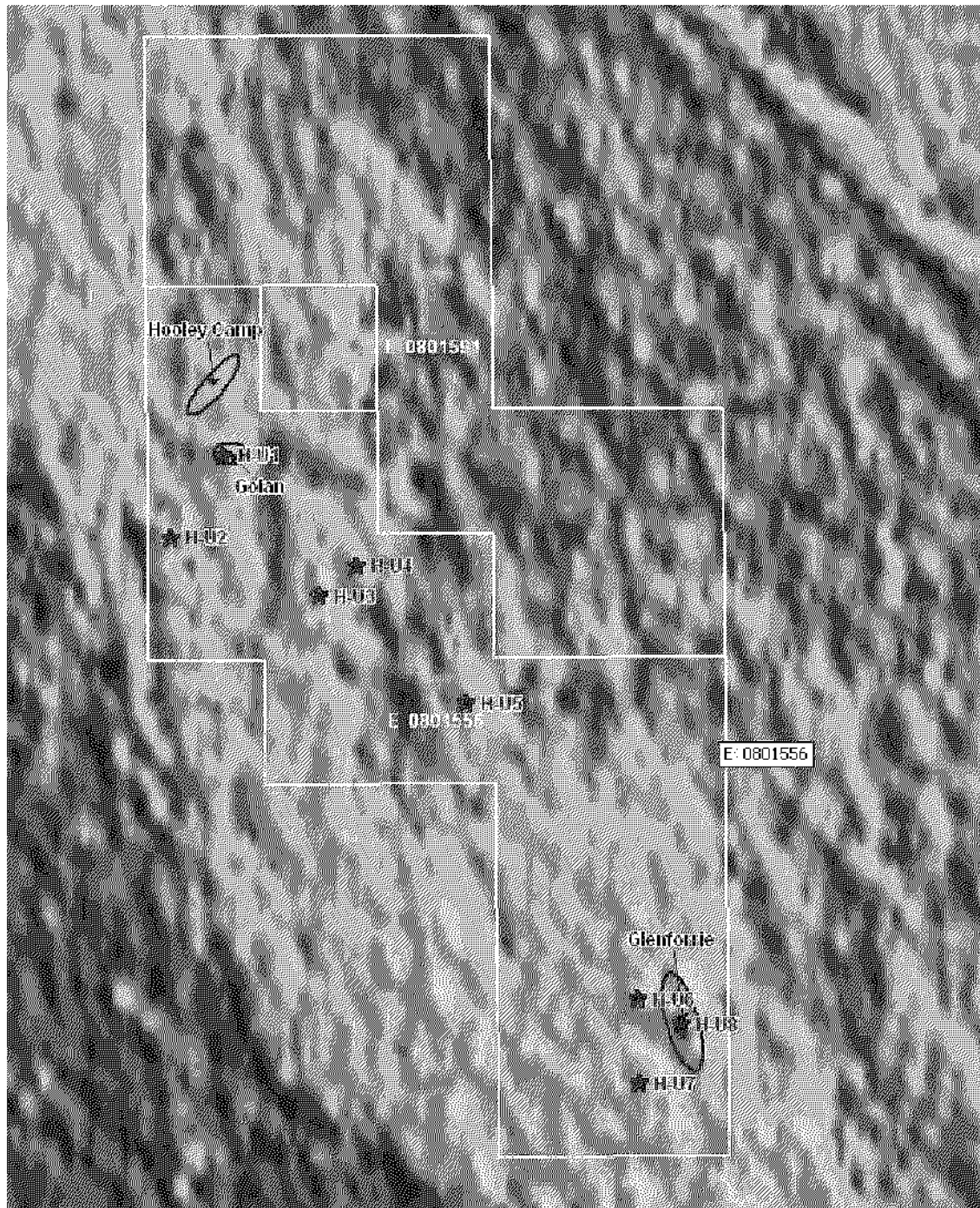
Yandicoogina, Lionel and Kelly Belt are three Pilbara region projects located north of Nullagine in Western Australia which were selected as open ground by the Vendor as having potential for gold, base metals and PGM mineralisation.



URANIUM PROJECTS

Hooley Project

Uranium - enriched surface samples up to 10.7% U_3O_8 and drill intercepts up to 3m @ 1265ppm U_3O_8



Hooley Uranium Project
showing radiometric anomalies (red stars) and known uranium locations (red dots) (survey 400m line spacing)



SECTION I PEGASUS AND ITS PROJECTS

In the 1970s, several companies explored prospects known as Hooley Camp, Glenflorrie, Golan and Dulcie within Pegasus' Hooley Project area. Programs, including shallow drilling concentrated on gossanous quartz-filled zones occurring in tension fracture within granitic rocks. One of these zones at Hooley Camp was traced up to 1.2km on surface. Exploration for uranium in the Golan area returned surface samples with values up to 10.7% U_3O_8 , with up to 5300ppm assayed from a core sample below 78.5m in one drill hole. North of Golan up to 5.63% U_3O_8 is recorded from surface sampling and a percussion drill hole produced an intersection of 3m @ 1265ppm U_3O_8 from 40m. At Glenflorrie to the south, trench samples assayed up to 0.33% U_3O_8 .

Drilling generally indicated that the surface samples are enriched and that weaker primary mineralisation exists at depth which can be correlated with outcropping mineralised zones. Drilling has also demonstrated that the content of the uranium mineralisation in the fracture system increases when stronger foliation and/or brecciation are present.

The uranium mineralisation is hosted in sediments of the Morrissey Metamorphic Suite and in granitoids west of the unconformity with the Bangemall Basin sediments. The unconformity is considered important for this style of uranium mineralisation and several kilometres of this contact run through the Hooley Project area.

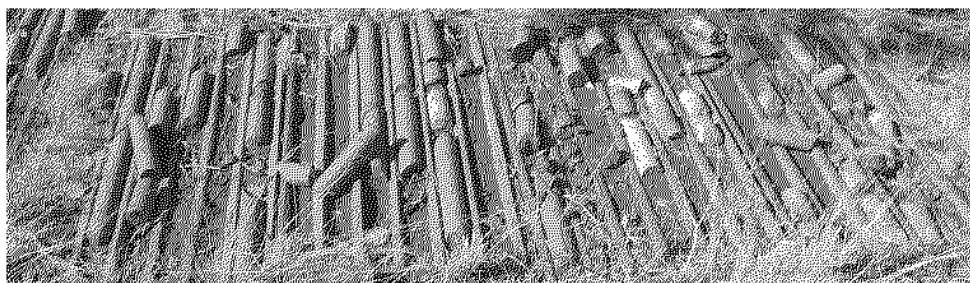
The Independent Geologists consider that scope remains to discover structurally controlled primary hydrothermal type uranium deposits within both the Morrissey Metamorphic Suite metasediments and the granitoids. Structural settings which provide substantial fracture systems and dilation need to be identified.

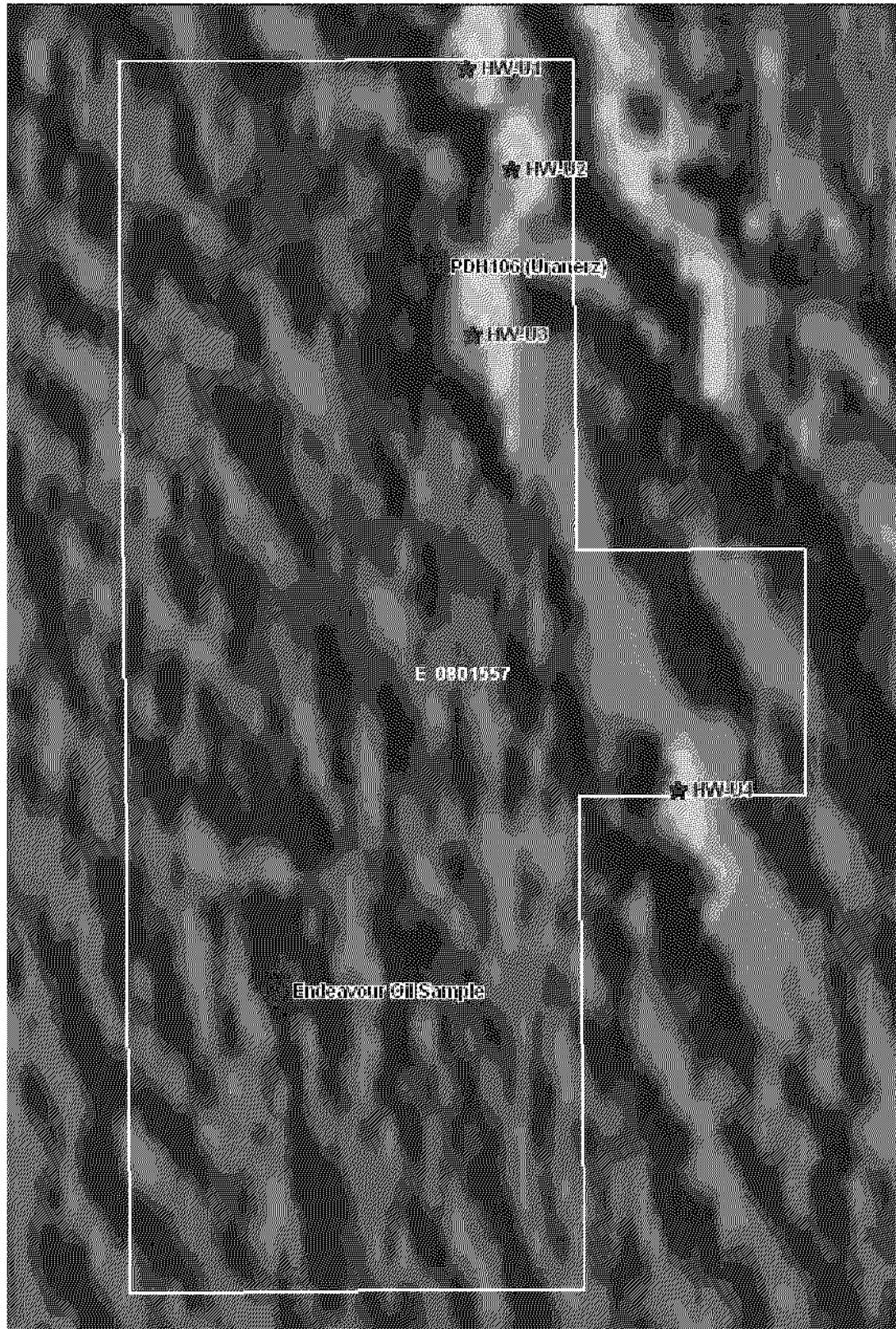
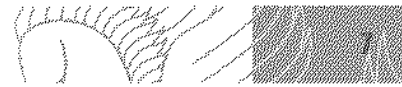
HORSE WELL PROJECT

Several known uranium occurrences with best drill intercept of 7m @ 700ppm U_3O_8

The northeastern part of the Horse Well project area has been drill tested by previous explorers during the 1970s, with a best intercept of 700ppm U_3O_8 . In this area an elongated syncline of Bangemall Basin sediments lies unconformably over the granodioritic basement. Secondary uranium was discovered in carbonaceous sediments. To the south, grab samples up to 200ppm U_3O_8 are associated with a copper occurrence.

The granodiorites which predominate in the western part of the project area remain largely unexplored. Given this geological environment provides anomalous uranium mineralisation at Pegasus' Hooley Project and elsewhere in the region (eg Mundong Well), there remains potential for this style of primary hydrothermal uranium mineralisation to occur at Horse Well close to the unconformity.





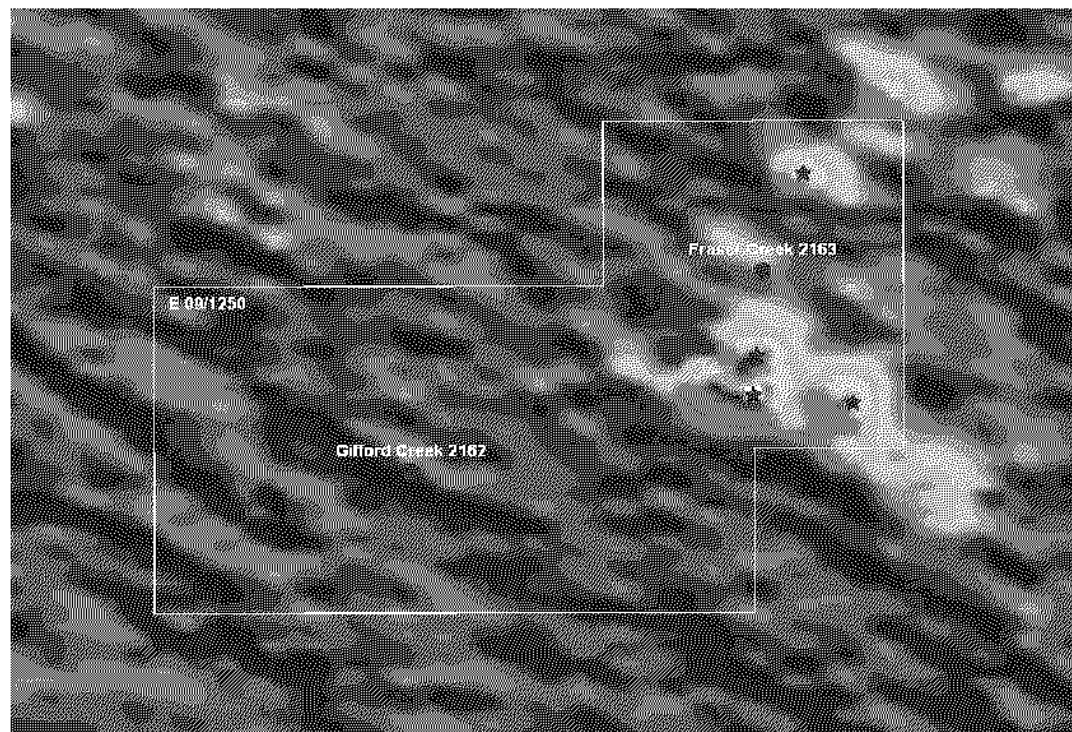
Horse Well Uranium Project
showing radiometric anomalies (red stars) and known uranium locations (red dots) (survey 400m line spacing)



SECTION I PEGASUS AND ITS PROJECTS

GIFFORD CREEK PROJECT

Uranium mineralisation recorded at two locations, Untested radiometric anomalies



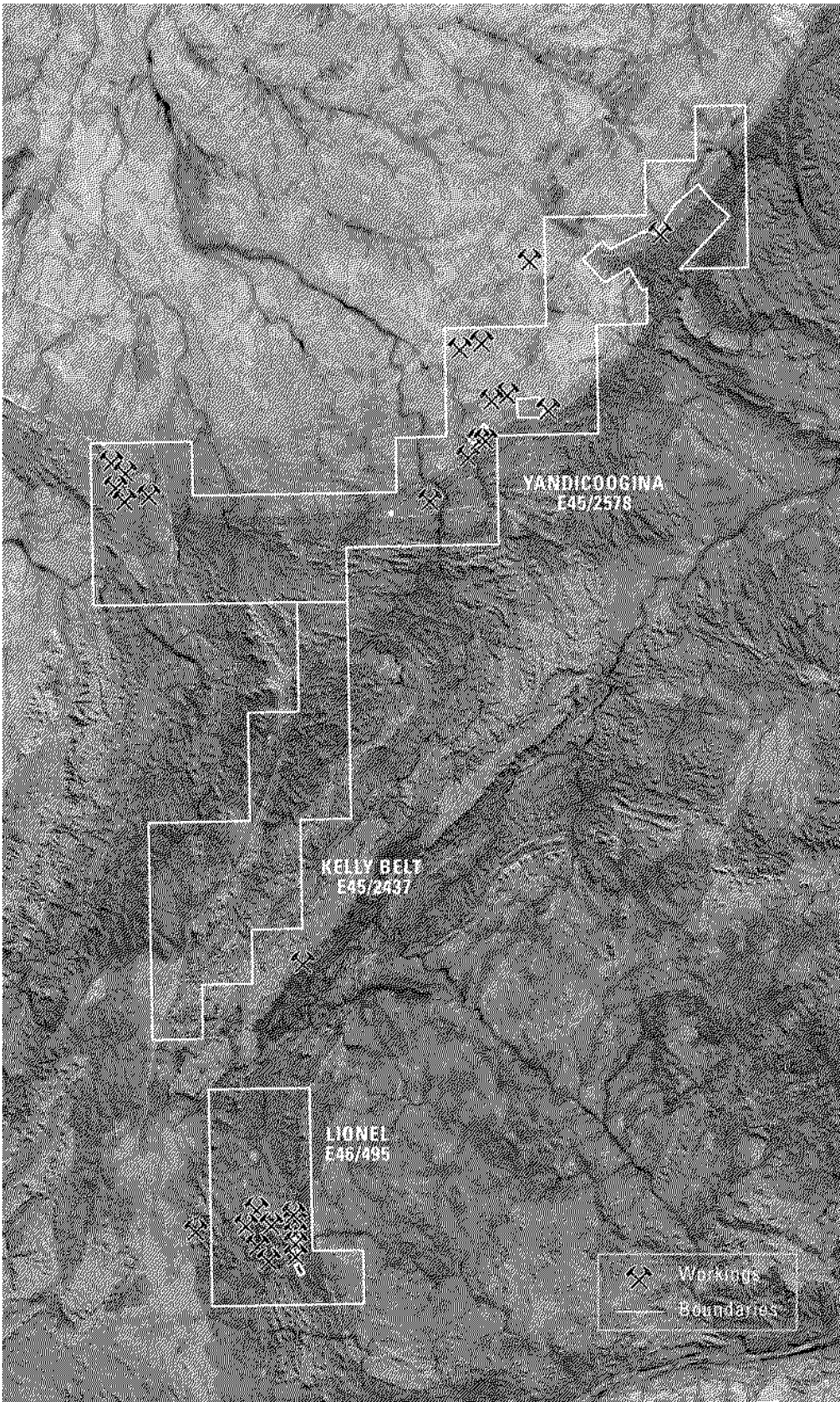
Gifford Creek Uranium Project

showing radiometric anomalies (red stars) and known uranium locations (red dots) (survey 400m line spacing)

Location 2162 at Gifford Creek records carnotite at surface, but no anomalous uranium values in the five shallow holes into the underlying calcrete. At Location 2163, carnotite is recorded in pits with a grab sample up to 500ppm U_3O_8 and in several drill holes with assays up to 175ppm U_3O_8 .

Given the extent of the calcrete in the area and the broad-spaced nature of the 1970s radiometric survey, it is possible that anomalies have been overlooked. The radiometric anomalies in the southeast of the project remain untested for the presence of hydrothermal primary uranium mineralisation, as does the central monzogranite that remains unexplored.





P E G A S U S M E T A L S L I M I T E D P R O S P E C T U S

Nullagine North Project
Aster Satellite image showing surface geology and mineral occurrences Yandicoogina Project



SECTION I PEGASUS AND ITS PROJECTS

NULLAGINE NORTH GOLD AND BASE METALS PROJECTS

YANDICOOGINA PROJECT

Contains most of the Yandicoogina Gold Mining centre and 18km strike of host Duffer Formation

The Yandicoogina Project area contains 18km strike length of the Duffer Formation where it rims the Mt Edgar Granitoid Complex. Numerous pits and old workings occur on gold mineralised quartz veins with production of 3340t mined at 60.76g/t Au recorded from the Yandicoogina gold mining centre. Three of five shallow drill holes into the Eastern workings produced values up to 2m @ 4g/t Au. There has, however, been limited exploration for gold within the project area. This, despite analogies with the Marble Bar gold mining centre which has produced some 43,000 oz Au from Duffer Formation rocks and gold mineralisation at Bamboo Creek to the north (>200,000oz Au), associated with the Euro Basalt which also runs through the project area.

There is also potential for base metals as evidenced by the excised Lennons Find tenements in the northeast of the Yandicoogina Project area. At Lennons Find a group of stratiform bodies lying in the upper part of the Duffer Formation contain VMS resources of Zn, Cu, Pb and Ag.

LIONEL PROJECT

Copper, nickel and PGM anomalies. Old copper workings with drill intercepts to 3m @ 7.0% Cu

The copper working in the Lionel Project area produced 370t @ 15.5% Cu and subsequent drilling of 18 RC holes at the Henderson South workings show an area of high copper-gold-silver anomalism (up to 3m @ 7.0% Cu and 5m @ 3.34% Cu) and an anomalous PGM value of 4m @ 0.175g/t Pt.

The Lionel Project area warrants further work on the known copper deposits and further exploration to fully evaluate the potential for base metals and PGM deposits.

KELLY BELT PROJECT

Potential for gold and copper mineralisation

The Kelly Belt Project presents a greenfields geological setting with areas of the Euro Basalt having potential for Bamboo Creek style hydrothermal and vein gold mineralisation. The fault system through the tenement could provide sizeable shear zones with potential to host copper mineralisation, as occurs in the Lionel Project to the south.

1.3 DETAILED EXPLORATION PROGRAMS AND BUDGETS

The Company's exploration programs and budgets are planned to be implemented over the next two years, based on the Company's present knowledge of its projects. Actual expenditure may vary depending on the exploration successes and results which may change the proposed exploration and evaluation activities.

Pegasus has already committed to the re-flying of the radiometrics and magnetics over its three uranium projects. The line spacing is a close 50m and it is anticipated that the resulting imagery will be vastly more detailed than the imagery used in this Section of the Prospectus, which was flown at 400m line-spacing (or wider spacing.) This new flying should be completed in March 2007.

The Independent Geologist states that:

Pegasus has provided comprehensive programs and budgets for each of its projects covering an initial two years of exploration, which indicate its intention to spend a total of approximately \$1.9 million on exploration over this period from the raising of \$3.5 million. These budgets are considered to be adequate to cover the cost of the proposed exploration program and to maintain the tenements in good standing. Pegasus has a satisfactory and clearly defined exploration and expenditure program which is reasonable having regard to its stated objectives. Sufficient exploration has taken place in the past to justify the budgeted exploration and expenditure programs.

Pegasus' exploration programs and budgets are as follows:

PROJECT & COST CENTRE	\$		
	Year1	Year2	Total
HOOLEY			
Airborne Geophysical Survey	50,000		50,000
Interpretation & Modelling	10,000		10,000
Ground Radiometric Survey	20,000		20,000
Geology	30,000	50,000	80,000
Geochemical Surveys	10,000	20,000	30,000
Drilling (RAB, RC & Diamond) & Assaying	75,000	225,000	300,000
Tenement Administration Costs	5,000	5,000	10,000
	260,000	300,000	500,000
HORSE WELL			
Airborne Geophysical Survey	50,000		50,000
Interpretation & Modelling	10,000		10,000
Ground Radiometric Survey	20,000		20,000
Geology	30,000	40,000	70,000
Geochemical Surveys	10,000	20,000	30,000
Drilling (RAB, RC & Diamond) & Assaying	75,000	160,000	235,000
Tenement Administration Costs	5,000	5,000	10,000
	260,000	225,000	425,000
GIFFORD CREEK			
Airborne Geophysical Survey	50,000		50,000
Interpretation & Modelling	10,000		10,000
Ground Radiometric Survey	20,000		20,000
Geology	30,000	40,000	70,000
Geochemical Surveys	10,000	20,000	30,000
Drilling (RAB & RC) & Assaying	50,000	135,000	185,000
Tenement Administration Costs	5,000	5,000	10,000
	175,000	200,000	375,000
YANDICOOGINA			
Geology	30,000	35,000	65,000
Geochemical Surveys	25,000		25,000
Ground Geophysical Surveys		30,000	30,000
Drilling (RAB & RC) & Assaying	90,000	80,000	170,000
Tenement Administration Costs	5,000	5,000	10,000
	150,000	150,000	300,000
LIONEL			
Geology	25,000	25,000	50,000
Geochemical Surveys	20,000		20,000
Drilling (RAB & RC) & Assaying	50,000	70,000	120,000
Tenement Administration Costs	5,000	5,000	10,000
	100,000	100,000	200,000
KELLY BELT			
Geology	15,000	20,000	35,000
Geochemical Surveys	30,000		30,000
Drilling (RAB & RC) & Assaying		25,000	25,000
Tenement Administration Costs	5,000	5,000	10,000
	50,000	50,000	100,000
TOTALS	875,000	1,025,000	1,900,000

SECTION 2 DIRECTORS AND MANAGEMENT

DIRECTORS

CRAIG MUNRO FCPA, FAusIMM.

Chairman

Craig Munro is a Certified Practising Accountant with over 35 years experience in the mining industry. He is currently Vice President Corporate & Finance and Chief Financial Officer of Anvil Mining Limited. From late 1997 to early 2002 he was Executive Director Finance for Aquarius Platinum Limited during which time he was responsible for all financial and corporate matters. More recently he was a non-executive director of Gallery Gold Limited. He is a Fellow of the Australasian Institute of Mining and Metallurgy, a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Society of Certified Practising Accountants. Craig brings to Pegasus considerable experience in project and equity funding public mining companies listed on ASX, the UK AIM market and the Canada TSX.

PETER ANDREWS BSc(Hons), BJuris (Hons), LLB, FAusIMM, FAIG

Executive Director

Peter Andrews is an honours graduate in geology and law from The University of Western Australia. He finished his science studies at the end of 1967 and worked as geologist for several years. He later graduated in law, returning to the resources industry in 1978. In 1986 he listed the first of a number of ASX listed companies of which he has been a substantial shareholder. He has been Chairman, Managing Director and non-executive director of over 20 ASX listed companies. For over 20 years, he has been involved in the listing, reconstruction, sourcing of projects, funding and management of resource companies, petroleum and technology companies. He was Managing Director of Alliance Resources Limited when it acquired its Beverley Four Mile Uranium Project tenement. He is currently Chairman of Echo Resources Limited. He brings to Pegasus considerable experience in public listed junior resource companies.

GRAHAM ANDERSON BBus, CA

Director & Company Secretary

Graham Anderson is a graduate of Curtin University and has over 20 years' commercial experience as a Chartered Accountant. He operates his own specialist accounting and management consultancy practise, providing a range of corporate advisory and audit services to both public and private companies. From 1990 to 1999 he was the audit partner at Horwath Perth. He is a director and company secretary of a number of listed and unlisted public companies in both the resource and industrial sectors. He is a director of ASX listed APA Financial Services Limited, Dynasty Metals Australia Ltd and Echo Resources Limited and is company secretary of APA Financial Services Limited, Apex Minerals NL, Dynasty Metals Australia Ltd and Echo Resources Limited. At Pegasus, Graham will be responsible for compliance matters, financial reporting and corporate governance.

JON CROWE

Exploration Consultant

Jon Crowe has over 35 years' practical experience in undertaking first phase exploration programs and in tenement acquisitions. For over 25 years, including most of the last 10 in Africa, he has prospected and taken up open ground variously for uranium gold, base metals and diamonds. He put together the exploration portfolio that enabled Merritt Mining NL to list on ASX in 1993 and more recently he was responsible for the exploration portfolios for the AIM listings of Zambezi Resources Ltd in 2004 and Baobab Resources PLC in January 2006. He identified Pegasus' uranium projects as open ground and is a vendor of its Nullagine North Projects. At Pegasus, Jon will coordinate and participate in its exploration programs.

3.1 THE OFFER

By this Prospectus, the Company invites investors to subscribe for a total 17,500,000 Shares at an issue price of 20 cents each to raise \$3,500,000.

The rights attaching to the Shares are described in Section 8.

3.2 INDICATIVE TIMETABLE

The Indicative Timetable is shown on the inside cover of this Prospectus.

The Offer closes at 5,00pm WST Tuesday 6 March 2007.

These dates are indicative only and may vary. The Directors reserve the right to vary the Opening Date and Closing Date of the Offer without prior notice. This may impact on subsequent dates.

3.3 MINIMUM SUBSCRIPTION AND OVERSUBSCRIPTIONS

The Minimum Subscription for this Prospectus is \$3,500,000 by issuing 17,500,000 Shares under the Offer. If for any reason the Minimum Subscription is not reached within four months from the date of this Prospectus, all applications will be dealt with in accordance with the Corporations Act. There is no provision to accept oversubscriptions.

3.4 CAPITAL STRUCTURE

On completion of the fully subscribed Offer which raises \$3,500,000, the capital structure of Pegasus will be:

Existing Shares	Shares	%
Directors	4,250,001	13.2
Promoters	3,800,000	11.8
Vendor	3,000,000	9.3
Seed Investors	3,700,000	11.4
	14,750,001	45.7
Shares now offered	17,500,000	54.3
Total issued capital	32,250,001	100.0

3.5 PURPOSE OF THE OFFER AND USE OF FUNDS

The key purposes of the Offer are to enable Pegasus to comply with the admission requirements for official quotation on ASX, to provide Pegasus with funds to conduct further exploration on its tenements and for administration and general working capital.

It is intended to use the funds raised from the Offer as follows:

	Amount Sought \$
Funds raised by the Offer	3,500,000
Use of funds	
Exploration Programs Year 1 & Year 2	1,900,000
Provision for Application handling fees (5%)	175,000
Cost of fundraising and listing	125,000
Administration (2 years)	900,000
Working Capital	400,000
Total funds used	3,500,000

SECTION 3 DETAILS OF THE OFFER OF SHARES

3.6 HOW TO APPLY FOR SHARES

Applicants must apply for a minimum of 10,000 Shares representing a minimum investment of \$2,000. Applicants requiring additional Shares must apply for Shares in multiples of 1,000.

To participate in the Issue, the **Application Form** attached to or accompanying this Prospectus must be completed in accordance with the instructions accompanying the form and be delivered to:

BY HAND

**Security Transfer Registrars Pty Ltd
Suite 1 Alexandria House
770 Canning Highway
Applecross WA 6153**

OR

BY MAIL

**Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953**

Applications must be accompanied by payment in full in Australian currency of 20 cents for each Share for which Application is made. Payment must be by way of cheque or bank draft drawn on and payable on an Australian bank and should be made payable to 'Pegasus Metals Limited – Share Issue' and crossed 'Not Negotiable'.

No brokerage or stamp duty is payable by Applicants in respect of their Applications for Shares under this Prospectus. The amount payable on Application will not vary during the period of the Issue and no further amount is payable on allotment.

A duly completed and lodged Application Form will constitute an offer by the Applicant to subscribe for the number of Shares applied for pursuant to the Application Form.

3.7 APPLICATION MONIES TO BE HELD IN TRUST

Application monies will be held by Pegasus in trust in a bank account until allotment or, where applicable, they are repaid to the Applicants. The subscription account has been established solely for the purpose of depositing Application monies received. Interest earned on Application monies will be retained by Pegasus. Interest will not be paid on monies refunded.

3.8 ALLOTMENT OF SHARES

Allotment of Shares will take place as soon as practicable after the Closing Date.

The Directors reserve the right to allot to an Applicant a lesser number of Shares than the number applied for or to reject an Application. If the number of Shares allotted is fewer than the number applied for, surplus Application monies will be refunded in full as soon as practicable.

3.9 LEAD MANAGER AND HANDLING FEES

The Offer is not underwritten

Patersons Securities Limited (Patersons) has agreed to act as Lead Manager to the Offer on a best endeavours basis. Patersons will be paid a Lead Manager Fee of \$60,000 and a Capital Raising Fee of 5% of the gross amount raised. All selling fees will be paid by Patersons out of this amount. Patersons will rebate to the Company 4% of the Capital Raising Fee in respect of any Applications for Shares which are received and accepted and have been sourced by the Directors, up to a total of \$500,000 of the amount raised. Patersons may pay other brokers and holders of Australian Financial Services Licences a commission on Applications for Shares which are received and accepted and which bear their stamp.

3.10 AUSTRALIAN STOCK EXCHANGE LIMITED

Within seven days of the date of this Prospectus, application will be made by the Company to the ASX for the Company to be admitted to the Official List of ASX and for official quotation by ASX of the Shares and the Existing Shares that have no restrictions applied to them by ASX. If permission is not granted for the Company to be admitted to the Official List of ASX and approval for quotation of the Shares and the appropriate Existing Shares is not granted within three months after the date of this Prospectus, all Application monies will be refunded without interest.

The ASX takes no responsibility for the contents of this Prospectus. The fact that the ASX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares and Existing Shares.

3.11 CHESS

Pegasus proposes to participate in the Clearing House Electronic Sub register System (CHESS), operated by ASX Settlement and Transfer Corporation Pty Ltd (ASTC) a wholly owned subsidiary of ASX, in accordance with the Listing Rules and SCH Business Rules.

Under CHESS, the Company will not issue certificates to investors. Instead, shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASTC will send them a CHESS statement.

The CHESS statement will set out the number of securities allotted to each holder under the Prospectus, give details of the holder's Holder Identification Number and give the participant Identification Number of the sponsor.

If you are registered on the Issuer Sponsored Statement, your statement will be dispatched by the share registry and will contain the number of securities allotted under the Prospectus and the Shareholder's Security holder Reference Number.

A CHESS statement or Issuer Sponsored Statement will routinely be sent to holders at the end of any calendar month during which the balance of their holding changes. A holder may request a statement at any other time, however, a charge may be made for additional statements.

3.12 RESTRICTED SECURITIES

The ASX may classify certain Existing Shares as being subject to the restriction provisions of the Listing Rules. These Existing Shares may be required to be held in escrow for periods up to 24 months from the date of quotation to be determined by ASX.

3.13 APPLICANTS OUTSIDE AUSTRALIA

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person whom it would be illegal to issue it or make the Offer. It is the responsibility of any applicant who is resident outside of Australia to ensure compliance with all laws of any country relevant to their application. No action has been taken to register or qualify the Shares or the offer or otherwise permit a public offering of the Shares in any jurisdiction other than Australia.

3.14 PRIVACY DISCLOSURE

By submitting an Application Form, an Applicant provides the Company with certain personal information. If an Applicant does not provide complete and accurate personal information on the Application Form, the Application may not be able to be processed.

SECTION 3 DETAILS OF THE OFFER OF SHARES

The Company's securities registers are maintained by Security Transfer Registrars Pty Ltd. These registers are required by law to contain certain information about security holders such as name, address and details of securities held. In addition, the Company collects personal information from security holders including contact details and tax file numbers. This information is used to carry out registry functions such as: payment of dividends; dispatch of yearly and half yearly reports, notices of meetings and newsletters; and notifications to the Australian Taxation Office. In addition, contact information will be used from time to time to inform security holders of new initiatives concerning the Company.

The Company will only disclose personal information about security holders:

- when they agree to disclosure;
- when the information is used for the purposes for which it was collected;
- when disclosure is used for compliance by the Company with legal and regulatory requirements;
- to their brokers;
- to external service providers who supply services in connection with the administration of the Company's securities registers.

Security holders have the right to access, update and correct the personal information held by the Company and its Share Registry, except in certain limited circumstances. Security holders may do so by contacting the Company or its Share Registry.

3.15 ENTITLEMENT ISSUE OF OPTIONS AFTER LISTING

No Options are being offered by this Prospectus. All shareholders registered on the share register at a record date to be set about 10 weeks after the Shares are admitted to the Official List of ASX will be entitled to participate in a non renounceable entitlement of Options on the basis of one Option for every one share held. The Options are to be issued at 1 cent each with an exercise price of 20 cents each and an expiry date of 31 March 2010. A disclosure document for the entitlements issue of Options will be issued when the Options are offered. Shareholders registered at the record date and who wish to subscribe for Options will need to complete the application form that will accompany and form part of the disclosure document at that time.

3.16 WORKING CAPITAL ADEQUACY

On completion of the Issue, the Directors believe that Pegasus will have sufficient working capital to carry out its Year 1 and Year 2 objectives.

3.17 FUTURE CAPITAL REQUIREMENTS

Future capital requirements will depend on many factors, including Pegasus' exploration results. Additional funds may be needed to fully drill-out and exploit any mineralisation that may be discovered, to commence mining, to farm in to, or to purchase other mining projects. The Directors will also investigate the most appropriate manner in which to obtain further funds at the relevant times. A further fundraising by the issue of Options is foreshadowed in Section 3.15.

4.1 INTRODUCTION

This section identifies the areas that the Directors regard as involving the major risks associated with an investment in Pegasus. There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There are also a range of specific risks associated with Pegasus' business and its involvement in the exploration and mining industry. Investors should be aware that an investment in Pegasus involves many risks that may be higher than the risks associated with an investment in other companies. The list of risk factors may not be exhaustive of the risks faced by Pegasus or by investors in Pegasus. Intending subscribers should read the whole of this Prospectus before any decision is made to subscribe for Shares.

4.2 OPERATING HISTORY – KEY PERSONNEL

Pegasus was incorporated in July 2005 and then it made its first tenement applications. It has had a limited operating history. In its initial stages, Pegasus will rely heavily on its Directors and its Exploration Consultants. There is a risk of some detrimental impact on Pegasus if these key personnel leave the Company and people with at least comparable attributes are not available to replace them.

4.3 SHARE INVESTMENT

Applicants should be aware that there are risks associated with any share investment. The prices at which Pegasus's Shares trade may be above or below the issue price for the Shares offered under this Prospectus. The trading price of the Shares could be volatile and subject to wide fluctuations. The Shares allotted under this Prospectus carry no guarantee of the price at which they may trade on the ASX.

4.4 EXPLORATION AND OTHER RISKS

Pegasus as an exploration company will be dependent on a number of factors, including, but not limited to, the following:

- a) risks inherent in exploration and mining including, among other things, successful exploration and identification of mineralisation and the eventual conversion through to ore reserves, funding, satisfactory performance of mining operations and competent management;
- b) the risk of material adverse changes in the government policies or legislation of Australia which might affect the level of mining and exploration activities;
- c) the risk that the Western Australian government does not change its no uranium mining policy;
- c) the strength of equity and share markets in Australia and throughout the world;
- d) general economic conditions in Australia and internationally and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- e) environmental issues with which Pegasus may be required to comply from time to time;
- f) poor weather conditions over a prolonged period which might adversely affect exploration activities;
- g) insolvency or other managerial failure by any of the contractors used by Pegasus in its mining and exploration activities;
- h) commodity supply and demand factors, especially those related to the metals sought by Pegasus;
- i) risks that any new tenement applications may not be granted or that its current tenements may not have their terms renewed; and
- j) Native Title and access, where applicable.

4.5 SPECULATIVE NATURE OF INVESTMENT

Risk factors may materially affect the financial performance of Pegasus and the value of the Shares. Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in Pegasus is speculative.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

AL MAYNARD & ASSOCIATES

Consulting Geologists

www.geological.com.au

(ABN 95 336 331 535)

9/280 Hay Street,
SUBIACO, WA, 6008,
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email: al@geological.com.au

Australian & International Exploration & Evaluation of Mineral Properties

The Directors,
Pegasus Metals Limited
Suite 2
29 Ord Street
West Perth WA 6005

1 February 2006

Dear Sirs,

Independent Geologists' Report on Six Mineral Exploration Projects located Western Australia

INTRODUCTION

Al Maynard & Associates ("AM&A") has been engaged by Pegasus Metals Limited (Pegasus) to prepare an Independent Geologists' Report ("Report") on Pegasus' mineral exploration properties. The Report is for inclusion in a Prospectus to be issued by Pegasus to raise \$3,500,000.

At your request we have prepared this Report on six groups of Western Australian exploration tenements in which Pegasus has a 100% interest. These prospect areas were acquired by Pegasus and the Vendor as applications over then open ground on the basis of their potential to host uranium, gold and base metals mineralisation.

This Report has been prepared in accordance with the Valmin Code, which is binding upon members of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy and applies to reports prepared after 1 April 1998. It has been prepared in accordance with rules and guidelines of the Australian Securities and Investments Commission (ASIC) and the Australian Stock Exchange Limited (ASX).

This Report has been prepared by Allen J. Maynard and Brett Townsend. Mr Maynard, the Principal of Al Maynard & Associates is a qualified geologist, a Corporate Member of the Australasian Institute of Mining & Metallurgy ("MAusIMM") and a Member of the Australian Institute of Geoscientists ("AIG"). He has had 28 years experience in mineral exploration and evaluation and more than 23 years experience in mineral asset valuation. He qualifies as a Competent Person having over five years experience in exploration for the mineral commodities sought by Pegasus, including uranium.

Brett Townsend is a qualified geologist and a Member of the Australian Institute of Geoscientists ("AIG") and a consultant with AM&A. The material described in the Report was principally researched and drafted by Mr Townsend in mid-2006. It was reviewed, updated and edited by Mr Maynard for inclusion in this Prospectus.

For the purpose of Section 716 of the Corporations Act 2001 Messrs Maynard and Townsend were involved in the preparation of the Report for inclusion in this Prospectus and have not been involved in the preparation, authorisation or issuance of any other part of the Prospectus.

Neither Mr Maynard nor any of his associates, consultants or employees have any material interest either direct, indirect or contingent in Pegasus nor in any of the mineral assets included in the Report nor in any other Pegasus asset nor has any such interest existed previously. No commercial relationship has existed between AM&A and Pegasus prior to the appointment to prepare this Report. This Report has been prepared by AM&A strictly in the role of an independent consulting geologist. It has been prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of the Report, nor on the outcome of the proposed Prospectus issue.

AM&A has had no input into the formulation of any of the mineral tenements under review.

The contents of the Report are based on reports and data held by Pegasus and independent research undertaken at the Department of Industry and Resources in Western Australia (DoIR). Documents and reports reviewed in preparation of this Report are cited in the Sources of Information, which constitutes part of this Report. Copies of published material and other publicly available documents are held at the DoIR and the ASX. Unpublished material, not publicly available is held at the office of Pegasus. During the course of this review site visits were not made to the projects, as in the authors' opinion, a visit to the sites would not provide relevant additional information over and above that outlined in the Report. The authors between them have a good general understanding of the geology and mineralisation styles of the various project areas through work conducted generally in the regions over the previous decade for other clients.

Pegasus has warranted to AM&A that full disclosure has been made of all material information in its possession or knowledge and that such information is complete, accurate and true. We have made all reasonable inquiries to verify this data. None of the information provided by Pegasus has been specified as being confidential and not to be disclosed in the Report.

The six exploration projects which are described in the Report are all in Western Australia and comprise exploration licences in two distinct geological environments. Three projects known as the Ashburton-Gascoyne Uranium Projects are Hooley, Horse Well and Gifford Creek, which are considered prospective for uranium mineralisation and are located in the Ashburton-Gascoyne Region. The other three projects known as the Nullagine North Projects are Yandicoogina, Lionel and Kelly Belt, which are located in the Pilbara region where they are considered variously prospective for gold, base metals and PGM. The six projects are described under the headings below.

Pegasus has provided comprehensive programs and budgets for each of its projects covering an initial two years of exploration, which indicate its intention to spend a total of approximately \$1.9 million on exploration over this period from the raising of \$3.5 million. These budgets are considered to be adequate to cover the cost of the proposed exploration program and to maintain the tenements in good standing. We are of the opinion that Pegasus has satisfactory and clearly defined exploration and expenditure programs which are reasonable having regard to its stated objectives. Sufficient exploration has taken place in the past to justify the budgeted exploration and expenditure program. Pegasus' exploration programs have been phased over two years, but they may be altered in view of results gained which could revise the emphasis of current priorities.

This report does not deal with the legal status of any of the tenements within the various project areas. This matter is dealt with in the Solicitor's Report elsewhere in this Prospectus.

For the purpose of Sections 731 to 733 of the Corporations Law, AM&A were involved in the preparation of the Report included in this Prospectus and have authorised or caused the issue of this part of the Prospectus only. AM&A has given consent in writing to the issue of the Prospectus with this Report included in the form and context it is included and has not withdrawn that consent before the lodgement of the Information Memorandum with the ASIC.



Allen J Maynard
Al Maynard & Associates

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

1 ASHBURTON-GASCOYNE URANIUM PROJECTS

- 2.1 Introduction
- 2.2 Regional Geology

3. HOOLEY PROJECT – E08/1556 & E08/1591

- 3.1 Introduction
- 3.2 Location and Access
- 3.3 Geological Setting
- 3.4 Previous Exploration and Mineralisation
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- 4.1 Introduction
- 4.2 Location and Access
- 4.3 Geological Setting
- 4.4 Previous Exploration and Mineralisation
- 4.5 Discussion
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- 5.3 Geological Setting
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7. YANDICOOGINA PROJECT – E45/2578

- 7.1 Introduction
- 7.2 Location and Access
- 7.3 Geological Setting
- 7.4 Previous Mining and Exploration
- 7.5 Prospects and Mineralisation
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8. LIONEL PROSPECT – E46/465

- 8.1 Introduction
- 8.2 Location and Access
- 8.3 Geological Setting
- 8.4 Previous Mining and Exploration
- 8.5 Prospects and Mineralisation
- 8.6 Discussion
- 8.7 Exploration Strategy

9. KELLY BELT PROJECT – E45/2437

- 9.1 Introduction
- 9.2 Location and Access
- 9.3 Geological Setting
- 9.4 Previous Mining and Exploration
- 9.5 Discussion
- 9.6 Exploration strategy

1. ASHBURTON-GASCOYNE URANIUM PROJECTS

1.1 INTRODUCTION

Pegasus Metals Limited (Pegasus) holds 100% of three uranium projects as four granted Exploration Licences in the Ashburton and Gascoyne Mineral Fields in Western Australia. The project areas cover 152.95km².

The Projects are:

HOOLEY PROJECT	E08/1556 and E08/1591	covering 85.65km ²
HORSE WELL PROJECT	E08/1557	covering 33.65km ²
GIFFORD CREEK PROJECT	E09/1250	covering 33.65km ²

The project locations are shown on Figure 1 & 2.

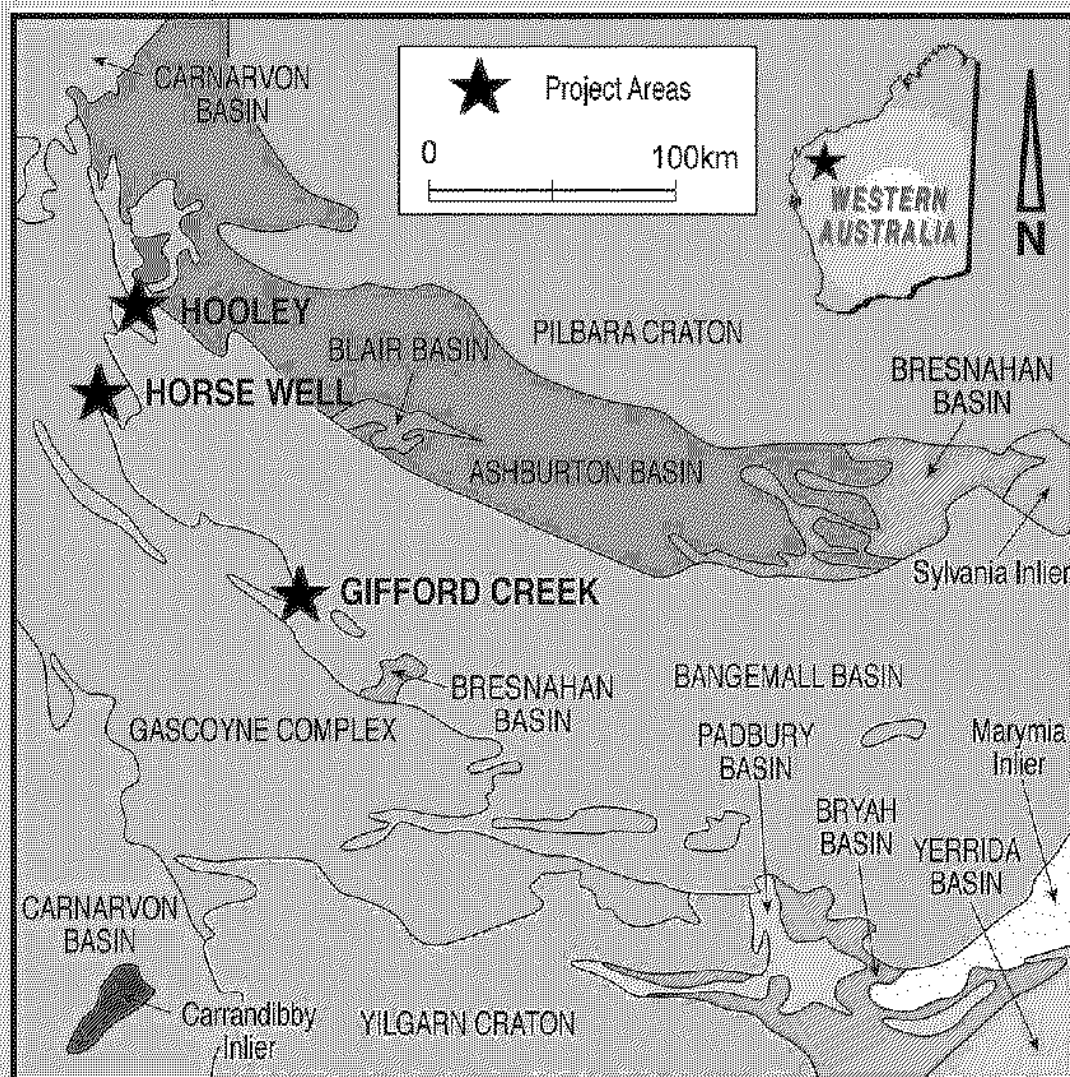


Figure 1: Uranium Project Locations

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

The projects lie approximately 270km east of Carnarvon and 850km north of Perth. Access is via the all weather sealed Great Northern Highway from Perth to Carnarvon and thence via interconnecting dry weather roads through the area. Access within the tenements is provided by station roads and tracks and fence lines.

The main phase of Uranium exploration in the Gascoyne region was in the decade from 1970. Many of the targets were located along or near the unconformity contact between the Bangemall Basin sediments with the underlying Gascoyne Complex basement rocks. These basement rocks which are below the unconformity contact host most of the known uranium occurrences. Several other uranium occurrences were discovered associated with Morrissey Metamorphic Suite rocks, mainly to the west of the Bangemall Basin sediments. Notable uranium occurrences are at Mundung Well, Horse Well and Hooley Camp, and Figure 2 shows the known mineral occurrences in the vicinity of Pegasus' projects.

Until recently and since the late 1970s uranium exploration within the Ashburton/Gascoyne region has been sporadic and limited, despite numerous occurrences of primary and secondary uranium and potential source rocks with above background radioactivity. Uranium focussed exploration has not been undertaken for some 20 years, however, the world uranium price at a current high level of over US\$60/lb U₃O₈ has created renewed enthusiasm for uranium exploration in the region, which is now extensively covered by exploration tenements and applications.

Pegasus' uranium projects all have known occurrences of uranium, with primary uranium mineralisation also identified at Hooley. A reappraisal of the three projects is warranted using modern exploration techniques.

1.2 REGIONAL GEOLOGY

The Mesoproterozoic Bangemall Basin is located between the Yilgarn and Pilbara Cratons. The Basin unconformably overlies the Ashburton and Bresnahan Basins on its northern boundary, the Gascoyne Complex to the west and southwest, and the Bryah, Padbury and Earaheedy Basins to the south and southeast. To the east the units of the Officer Basin unconformably overlie the Bangemall Basin.

The Bangemall Basin is probably an intercratonic basin developed during extensional movements on an already cratonised Capricorn Orogenic Zone that was formed during continental collision between the Pilbara and Yilgarn Cratons. The initial structure was probably a broad basin in which a succession of stromatolitic dolomite, chert, sandstone and mudstone was deposited in lagoonal to shallow marine environments. This succession is the Edmund Subgroup. This was followed by deposition in deeper waters of sandstone, siltstone, mudstone, chert and shale of the Collier Subgroup.

Numerous tholeiitic dolerite sills have intruded this Mesoproterozoic sedimentary sequence suggesting that magmatism took place in a second extensional episode.

The Gascoyne Complex is a terrane of Proterozoic granitic and metamorphic rocks outcropping at the exposed western end of the Capricorn Orogen as a 1,000km long arcuate belt of folded and metamorphosed rocks between the Pilbara Craton to the north and the Yilgarn Craton to the south.

The Gascoyne Complex has been shaped by four orogenies, the most important of which are the Capricorn Orogeny (1830-1780 Ma) and the Mangaroon Orogeny (1689-1620 Ma). Both were accompanied by the intrusion of large volumes of granite. Orogenic activity of the Capricorn Orogeny deformed and metamorphosed the older marginal Palaeoproterozoic sediments of the Bangemall Basin. These are represented by the Morrissey Metamorphic Suite which is included in the Gascoyne Complex. This Suite is a metamorphosed sequence of shale, siltstone, sandstone, greywacke, arkose and conglomerate, subsequently represented by quartz-mica schist, sericite chlorite schist, schistose amphibolite and quartzite. Granitoids related to this orogenic event were emplaced at various intervals in the Morrissey Metamorphic Suite.

Pegasus' Uranium Projects are located along the north-western margin of the regional Gascoyne Complex-Bangemall Basin contact. They are shown on the regional geological setting in Figures 1 & 2.

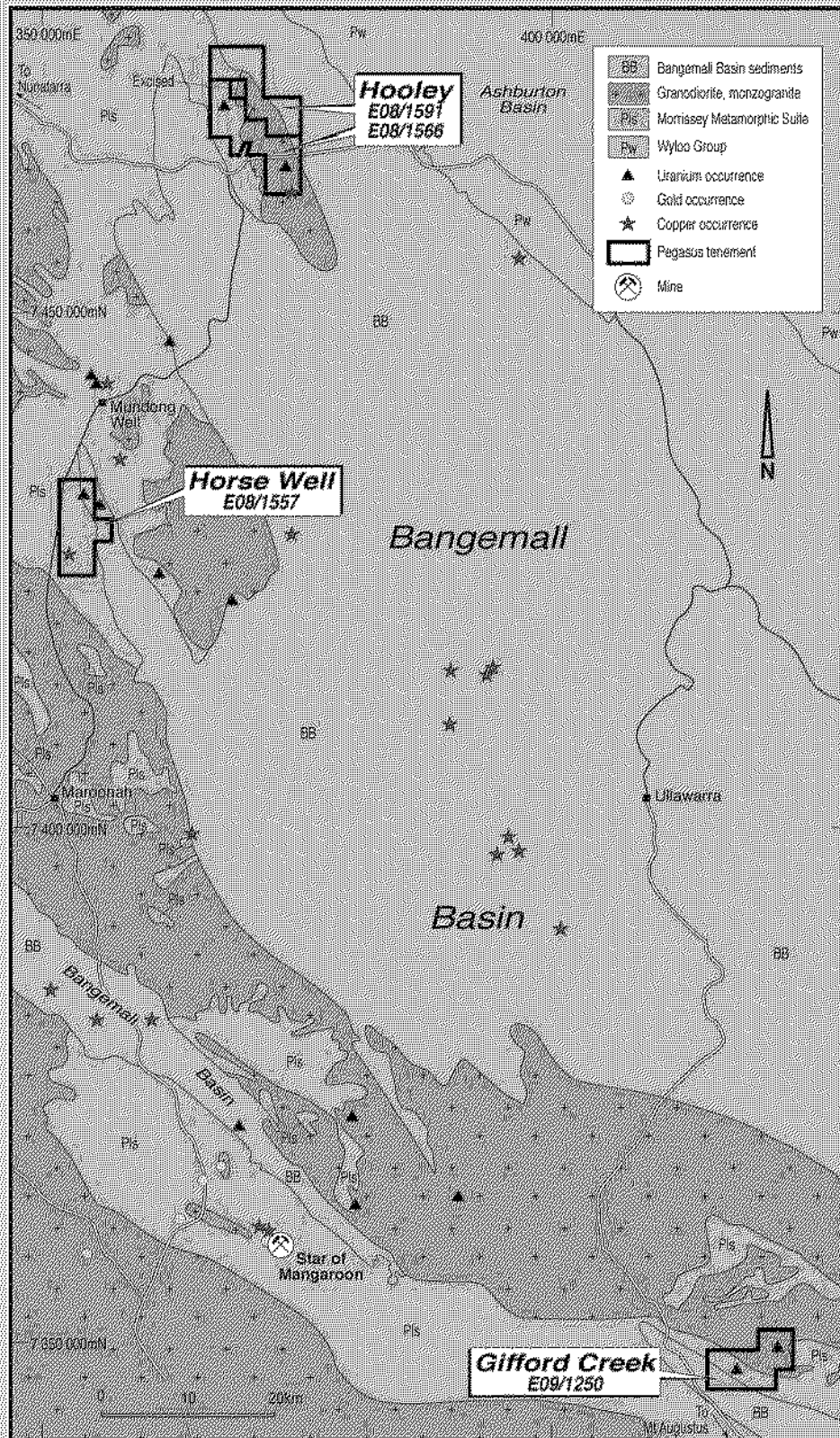


Figure 2: Simplified Regional Geology and Mineral Occurrences

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

2. HOOLEY PROJECT – E08/1556 & E08/1591

2.1 INTRODUCTION

The Hooley Project is located 300km north northeast of Carnarvon in the Gascoyne Region of Western Australia. The project area covers 85.65km² contained in Exploration Licences E08/1556 and E08/1591. Two areas are excised from the project tenements and these are shown on Figure 3.

2.2 LOCATION AND ACCESS

The Hooley Project area is located in the southwest corner of the Wyloo 1:250,000 sheet.

Access is via the Uaroo Glenflorrie station track which leaves the sealed North West Coastal Highway 35km north of Barradale Roadhouse. General access is by station tracks and overland, by four-wheel drive vehicle.

2.3 GEOLOGICAL SETTING

Rocks of the Morrissey Metamorphic Suite are present in the central western project area, with northerly trending granodiorite predominant in the east. Further to the east Wongida Dolomite of the Mesoproterozoic Bangemall Group unconformably overlies the granodiorite.

The simplified interpreted geology of the Hooley Project area is shown in Figure 3.

2.4 PREVIOUS EXPLORATION AND MINERALISATION

From 1973 to 1975, Broken Hill Company PL and Dampier Mining Company PL explored four MC's over the mineralised outcrop area known as Hooley Camp located in the northwestern part of E08/1556. The MC's were pegged after a more regional airborne magnetic/radiometric aerial survey. Subsequent ground scintillometer readings checked anomalous zones and high counting areas were sampled. Best sample values returned were 2464ppm, 1874ppm, 1800ppm and 5.63% U₃O₈.

The anomalous zones outcrop discontinuously over a strike length of 850m up to 3m in width as gossanous haematitic quartz veins containing visible carnotite, torernite, barite, malachite and chrysocolla.

Nine angled percussion drill holes were completed to test the down dip extension of the linear surface anomaly zone for a total of 515m. Six holes tested the main zone with three more testing anomalies further south. The best recorded values are 1265ppm U₃O₈ with 7300ppm Cu over 3m from about 40m in HDH 2. Weak mineralisation ($\leq$ 1000ppm U₃O₈) was evident at depth in most holes. The results confirm that primary mineralisation extends to depth below the current water table.

In 1973, Onslow Minerals Pty Ltd conducted a scintillometer survey and geological mapping with rock chip sampling over their Glenflorrie copper/uranium prospect within the southern part of E08/1556. Mineralisation was identified in a siliceous black gossanous lode occupying a tension fracture in high background uranium granite. The lode was described as semi-continuous over 1.2km and from 0.3m to 5.0m in width.

Channel sampling was conducted across the lode with the highest assay recorded as 0.33% U₃O₈. The remainder of samples ranged between 90ppm and 100ppm, with Cu varying from 0.2% to 5.1%.

In 1978, Vultan Minerals Limited carried out a drilling program at the Glenflorrie prospect identified by Onslow. Five diamond drill holes totalling 154.6m and two percussion holes totalling 34.0m were drilled to test the surface mineralisation at shallow depth. Drilling located cherty quartz and pyrite infilling a brecciated fissure zone with minor chalcopyrite and galena and rare barite.

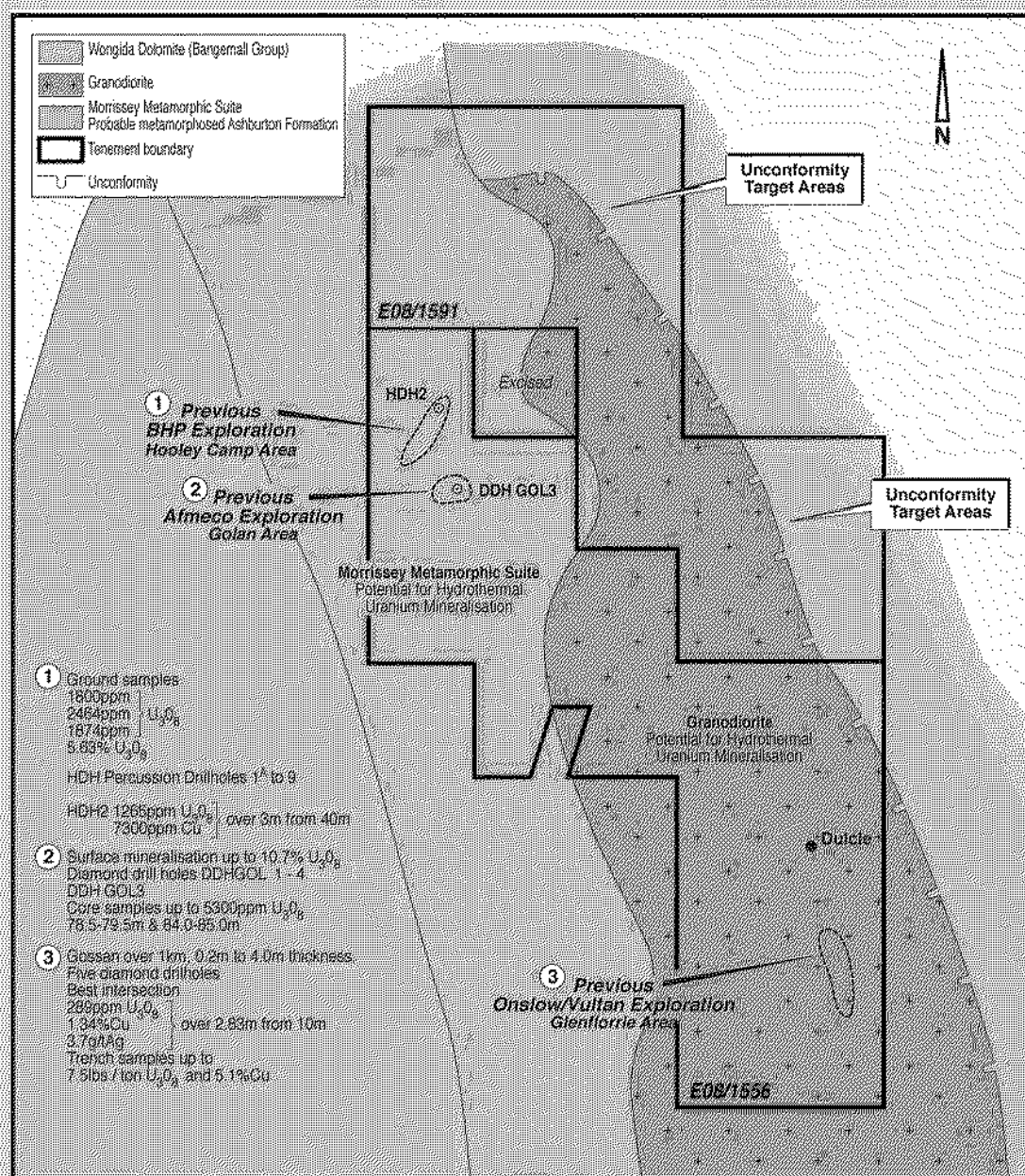


Figure 3: Hooley Project - Simplified Geology, Previous Exploration, Targets

The results indicated a steeply southwest dipping mineralised vein structure with intersected widths similar to those visible at surface. Best values intersected were 289ppm U_3O_8 , 1.34% Cu and 3.7g/t Ag over a true width of 2.83m from 10m to 14m downhole.

Between 1973 and 1977, Afmeco Pty Ltd explored the area with included the Golan and Dulcie prospects within E08/1556. Surface investigations including radiometrics and magnetics located the Golan and Dulcie prospects.

The vein anomalies in the Golan Vein 4 area are tightly controlled by fractures along which occur minor gossanous quartz fillings. Patchy but strong surface mineralisation of kasolite with minor uranophane and renardite reported containing up to 10.7% U_3O_8 .

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

Two diamond drill holes totalling 285.82m were drilled to examine Vein 4 anomalies. Radiometric drill hole logs with spot analysis indicated up to 650ppm U_3O_8 , with pitchblende identified as the main radioactive mineral present.

The mineralisation was thought to be hydrothermally derived from differentiation of felsic magma. The associated sub vertical fracture zones displayed negligible openings limiting the mineralisation extent. A subsequent diamond drill hole DDHGOL 4 was associated with a more brittle quartzitic lithology. Sharp anomalies were caused by pitchblende and associated with pyrite, carbonate, chlorite and importantly magnetite. The highest assay of 6700ppm U_3O_8 occurs in a 1m intersection from 50m that averages 3400ppm.

A parallel vein anomaly (Vein 7) was tested by diamond drill hole DDHGOL 3 where mineralisation was controlled by similar trending fractures more open than in Vein 4. Again mineralisation was pitchblende associated with magnetite. Core sample analyses from 78.5m to 79.5m and 84.0m to 85.0m showed highest levels of U_3O_8 at 5300ppm, 4700ppm, 3350ppm, 1650ppm, 1450ppm and 980ppm.

Another Afmeco diamond drill hole was located on a fracture zone at the Dulcie prospect, with radioactivity logging showing two weak anomalies. These anomalies were attributed to secondary ground water deposition in fractures.

2.5 DISCUSSION

The Ashburton-Gascoyne Region has demonstrated a significant number of small uranium occurrences and is regarded as a potential uranium province.

Exploration for uranium in the Golan area has returned surface samples with values up to 10.7% U_3O_8 , with up to 5300ppm assayed from a core sample below 78.5m in DDH GOL 3. North of Golan up to 5.63% U_3O_8 is recorded from surface sampling on the BHP mineral claims, and percussion drill hole HDH 2 produced an intersection of 3m @ 1265ppm U_3O_8 from 40m. Trench samples in the south of E08/1556 at Glenflorrie assayed up to 0.33%. Drilling has indicated that the surface samples are surficially enriched, with drilling also indicating that weaker primary mineralisation exists at depth which can be correlated with outcropping mineralised zones.

The mineralised zones are hosted in both the Morrissey Metamorphic Suite metasediments and in the granitoids. The primary mineralisation is hydrothermal and associated with fracture systems. Afmeco demonstrated that although the fracture system encountered by them was weak and tight, mineralisation grades increased when stronger foliation or brecciation is present.

Although previous exploration has not yielded economic deposits of uranium, **scope remains to discover structurally controlled primary hydrothermal type deposits within both the Morrissey Metamorphic Suite metasediments and the granitoid**. Structural settings which provide substantial fracture systems and dilation need to be identified.

Specific areas highlighted by previous exploration which merit follow-up exploration are:

1. The Vein 7 anomaly at Golan which strikes northwest about 80m to the east of DDH GOL3 extending for 200m. This area may be important for improved mineralisation if intensity and opening of fractures is more developed.
2. The Glenflorrie area where other mineralisation associated with tension fractures may be present.

Importantly, it has been demonstrated that primary uranium exists at depth in the granitoid Palaeoproterozoic basement. The proximity of the unconformable contact of the granite basement and the Mesoproterozoic Wongida Dolomite member of the Bangemall Group is significant. The unconformity lies on the eastern part of the project area and is shown on Figure 3.

Examples of Proterozoic unconformity related uranium deposits include those in Australia at Ranger and Jabiluka and Narbelek, and Cigar Lake and McArthur River in Canada. This type of deposit may occur below or above the unconformity, or may straddle it.

Theoretically the transport mechanism of ore genesis can be described as the movement of metal-rich fluids which migrated along the unconformity and fault structures into the reduced environments at the unconformity or in the underlying basement. Ore deposition is related to redox/pH changes due to the mixing of oxidised saline ground waters, flowing along the unconformity and down fault structures, with up welling reduced fluids emanating from the underlying Palaeoproterozoic basement. Ore deposition is often close to brecciated contacts between carbonaceous/chloritic metasediments and carbonates of the Palaeoproterozoic sequence.

At Ranger, Narbelek and Jabiluka in the Northern Territory the Early Proterozoic Cahill Formation hosts stratabound mineralisation and unconformably onlaps Archaean granite. The lower member of the Cahill Formation is characterised by the presence of carbonaceous units and metacarbonate rocks indicating a precursor supratidal environment.

On the Hooley Project tenement the stromatolitic Wongida Dolomite is indicative of an intertidal shallow marine environment and proximal supratidal facies may well be present in the sequence. The arenites and conglomerate of the Yigatherra Member of the Bangemall Group may well underlie the Wongida dolomite providing a porous conduit for groundwater.

In conclusion, potential exists on the Hooley Project for structurally hosted unconformity related uranium deposits. As well, exploration for more discrete structurally related hydrothermal uranium deposits in the granodiorite and the Morrissey Metamorphic Suite is warranted, the objective being to discover areas of extensive fracturing with uranium mineralisation development at depth.

2.6 EXPLORATION STRATEGY

Pegasus has acquired modern Aster and Iconas Satellite data suitable as a detailed base for geological mapping and ground sampling. The available geophysical data has also been acquired, both magnetic and radiometric data. The flight line spacing for this data is at 400 metres, which is considered less than reliable for the work proposed to be undertaken by the Company.

Consequently an initial exploration program is recommended to fly the whole of the tenement area with a detailed (50 metre line spacing) low level aeromagnetic and radiometric survey. This would form the base for a structural and lithological interpretation and indicate radiometric anomalies to define targets for follow-up work.

A field re-examination of the known uranium occurrences is planned for February 2007.

3. HORSE WELL PROJECT – E08/1557

3.1 INTRODUCTION

The Horse Well Project is located 280km northeast of Carnarvon in the Gascoyne region of Western Australia. The project area covers 33.65km² contained in Exploration Licence E08/1557.

3.2 LOCATION AND ACCESS

The Horse Well project area is located on the Edmund 1:250,000 and the Maroonah 1:100,000 sheets. Access is via the North-West Coastal Highway, turning off at Manberry (115km north of Carnarvon), and thereafter a further 200km via the gravel road to Maroonah Station. Horse Well is a further 33km along station tracks. A four-wheel drive vehicle is necessary for general access.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

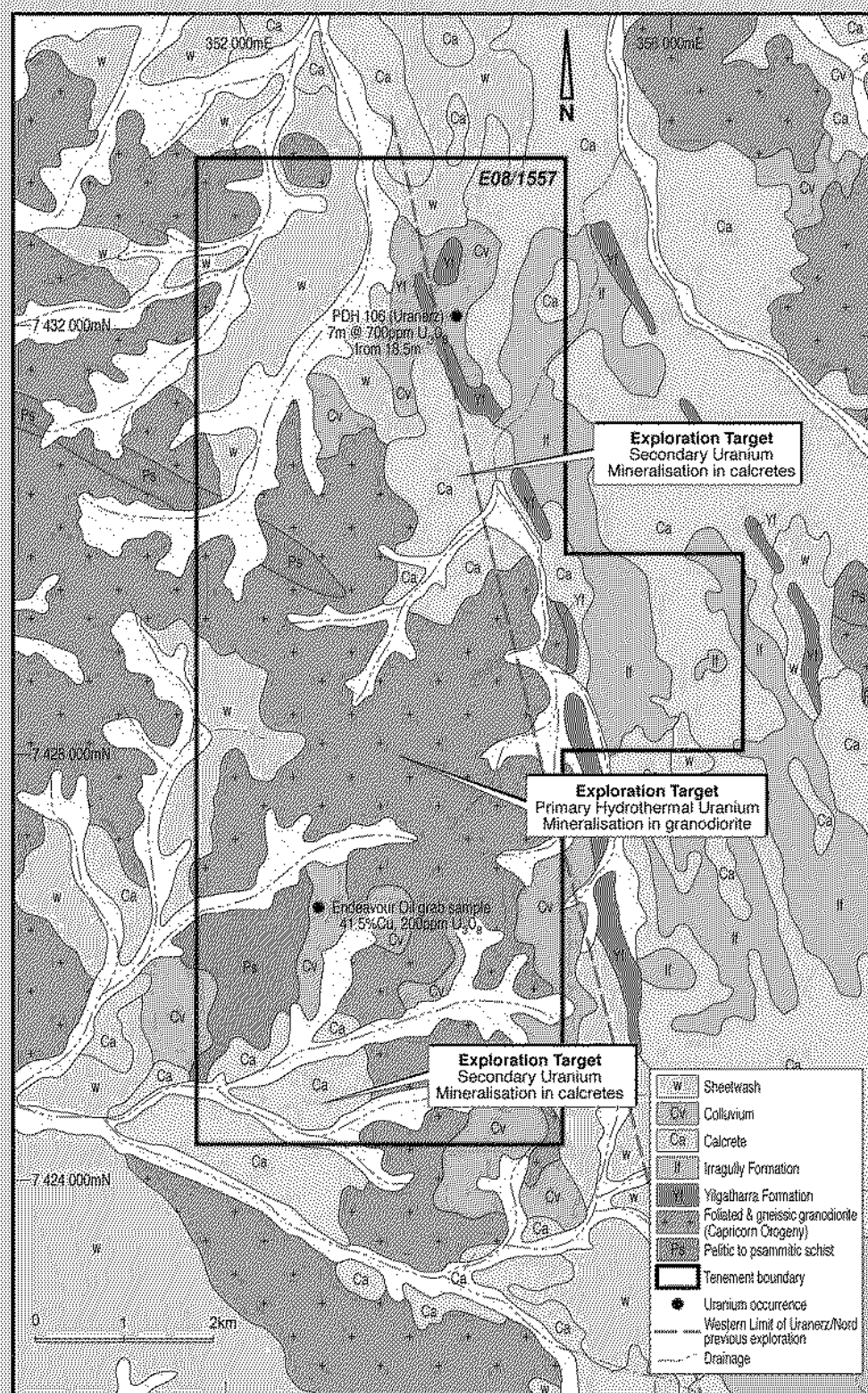


Figure 4: Horse Well Project Geology, Uranium Occurrences, Target

3.3 GEOLOGICAL SETTING

E08/1557 covers part of a north northwesterly trending elongated syncline of Palaeoproterozoic Bangemall Supergroup sediments in the northeastern portion of the tenement, with Palaeoproterozoic foliated and gneissic granodiorite of the Gascoyne Complex predominant to the west and occupying the majority of the tenement. The Bangemall Supergroup lies unconformably on the granodiorite basement.

The Bangemall sequence includes the basal arenites of the Yilgatherra Formation overlain by shales, sandstones, cherts, siltstones and dolomite of the Irregularly Formation.

Palaeoproterozoic metasediments occur as pelitic to psammitic schists in the southwestern corner of the tenement, and Cainozoic silcrete, brecciated siliceous caprock, and colluvium are generally associated with drainage systems, along with calcrete.

The geology of the Horse Well Project is shown on Figure 4.

3.4 PREVIOUS EXPLORATION AND MINERALISATION

Two uranium occurrences on the tenement are shown on the 1:500,000 map in GSWA Report 64 and these are located on Figure 4.

The area was initially regionally targeted for uranium mineralisation during reconnaissance by various companies commencing in 1972.

In 1972, Endeavour Oil Company conducted mapping and radiometric traverses of a mineral claim located in the southwest of the tenement. The claim was over a narrow shear zone with copper mineralisation evident in a series of pyritic quartz veins. A grab sample with values of 41.5% Cu and 200ppm U_3O_8 was obtained. The mineralisation is limited to a small portion of the vein series, and further work was not conducted.

During 1973, Uranerz Australia Pty Ltd conducted geological mapping, radiometry, trenching, hand auger drilling and drilling of four shallow diamond drill holes on mineral claims adjacent to the northeast boundary of E08/1557. The claims covered the eastern flank of the north northwest trending syncline where the Middle Proterozoic rocks of the Bangemall Group unconformably overlie the Lower Proterozoic basement.

Secondary uranium minerals were found in trenches and drill holes. A trench sample assayed 580ppm U_3O_8 was thought to be surface enrichment, and a drill core intersection over 15cm from 15m assayed 809ppm U_3O_8 . The occurrences are of two types: those associated with a calcareous horizon over the basement, and those related to deep infilled scour channels of pegmatite and granite detritus (source rock) which were later cemented by carbonate.

The localisation of uranium mineral concentration at the unconformity was thought to be due to ground water migration which has fixed the uranium derived from the weathering of the gneissic granodiorite basement.

Further trenching over the unconformity assayed up to 1030ppm U_3O_8 , and a further nine diamond drill holes were drilled. Carbonaceous and pyritised clayey-silt horizons were intersected and a uranium assay up to 539 U_3O_8 over almost 1m was obtained. Trenching also uncovered oxidized spheres of ex-marcasite indicating reducing conditions once existed in the scour channels. Palynology examination of samples from CDH11 at 18m and 27m showed pollen floras of Early Tertiary age. The drilling indicated a moderate thickness of sediments to 80m of predominantly fine to medium grained unconsolidated sands including the minor carbonaceous clayey silt horizons. No mineralisation was observed in the carbonaceous bands with uranium probably bound to the carbonaceous material to provide the anomalous radioactivity. The sedimentary body defined by the drilling was thought at least in part to represent an Early Tertiary scour channel.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

In 1976, Uranerz extended their holding to include the western and eastern synclinal unconformity contacts with the purpose of locating, mapping, drilling and accessing possible channel structures. This holding partially included the northeastern section of E45/1557.

Traverses and resulting geological mapping and radiometric readings indicated some 20 areas of interest. The anomalies were drill tested with 88 rotary and percussion drill holes totalling 1965m. The best intersection was in PDH 106 between 18.5m and 25.5m with a weighted average of 700ppm U_3O_8 . All other drill holes had samples which assayed less than 500ppm U_3O_8 .

Between 1979 and 1982, Nord Resources Pty Ltd and CRA Exploration Pty Ltd conducted exploration at Horse Well following up the Uranerz effort at the eastern limb of the syncline in the area adjacent to E08/1557. Work initially included a helicopter radiometric survey, geological mapping, geochemical sampling and assaying. Seven anomalies were identified, with follow up drilling limited to a previous Uranerz percussion drill hole site which intersected carbonaceous silts. The hole intersected carbonaceous material from 74m to 78m and from 107m to 109m with negligible uranium mineralisation. Grab samples associated with the anomalous areas showed best results of 590, 540 and 430ppm U_3O_8 . Following the drilling of this hole no further work was undertaken.

3.5 DISCUSSION

Both the western and eastern unconformity contacts and anomalies proximal to them have been drilled by previous explorers. The drilling included the Bangemall sequence with associated overlying channels of Cainozoic sediments. The western unconformity lies in the northeastern part of E45/1557. No economic uranium deposits have been defined.

The granodiorites of the Gascoyne Complex which are predominant within E08/1557 remain largely unexplored. To the north of the tenement at Glenflorrie within the Hooley Project area anomalous uranium mineralisation has been reported in high background uranium granite of the Gascoyne Complex associated with tension fracturing.

There remains potential for primary hydrothermal uranium mineralisation to be present within the granodiorites on E08/1557, associated with tension fracturing and faulting. If such structural features can be identified, further follow-up work would be warranted. The area discovered by Endeavour should be re-investigated.

Furthermore, calcrete developed proximal to drainage systems should not be discounted as potential secondary mineralisation hosts.

3.6 EXPLORATION STRATEGY

Pegasus has acquired modern Aster and Iconas Satellite data suitable as a detailed base for geological mapping and ground sampling. The available geophysical data has also been acquired, both magnetic and radiometric data. The flight line spacing for this data is at 400 metres, which is considered less than reliable for the work proposed to be undertaken by the Company.

Consequently an initial exploration program is recommended to fly the whole of the tenement area with a detailed (50 metre line spacing) low level aeromagnetic and radiometric survey. This would form the base for a structural and lithological interpretation and indicate radiometric anomalies to define targets for follow-up work.

Ground truthing and re-examination of the known uranium occurrences is planned for March 2007.

4. GIFFORD CREEK PROJECT – E09/1250

4.1 INTRODUCTION

The Gifford Creek Project is located 270km east-northeast of Carnarvon in the Gascoyne region of Western Australia. The project area covers 33.65km² contained in Exploration Licence E09/1250.

4.2 LOCATION AND ACCESS

The Gifford Creek Project area is located on the Edmund 1:250,000 sheet, in the Lyons River area on Gifford Creek Station some 270km east-northeast of Carnarvon.

Access is by gravel road from Carnarvon via Gascoyne Junction to Gifford Creek Station. Access to the southern boundary of the project area is via station tracks and cross country some 6km to the north. A four-wheel drive vehicle is necessary for access.

4.3 GEOLOGICAL SETTING

The geology of the area contained in E09/1250 is mapped on the Edmund 1:100,000 sheet. Extensive Cainozoic alluvium and colluvium is present, along with extensive calcrete developed proximal to the Fraser Creek and Lyons River.

Monzogranite of the Palaeoproterozoic Durlacher Supersuite which intruded in to the Gascoyne Complex is present in the central part. Geochronology of the intrusion is 1680 to 1620 Ma, which is syntectonic to post-tectonic with the Mangaroo Orogeny.

Northwest trending synclinal sediments of the Mesoproterozoic Bangemall Supergroup occur in the southwest, consisting of massive cherts of the Discovery Formation, and siltstone, mudstone and quartz sandstone of the Kianga Creek Formation.

The geology of the Gifford Creek Project is shown on Figure 5.

4.4 PREVIOUS EXPLORATION AND MINERALISATION

Mineralisation is recorded at locations 2162 and 2163 in GSWA Report 64. The locations of these occurrences are shown on Figure 5.

In 1973 Amax Exploration (Australia) conducted exploration on a Temporary Reserve which covered the southwestern half of E09/1250. An initial reconnaissance airborne radiometric survey was carried out with the principle exploration targets being calcrete deposits as potential uranium hosts.

The anomaly at location 2162 was identified by follow-up ground radiometrics and visible carnotite at surface. The location was subsequently drilled by five percussion drill holes up to 38m in depth. Calcrete was evident from 4.5m to 9.0m, overlying clayey sand. The best assays reported were from drill hole GCP2, which reported low uranium contents from 10ppm to 40ppm from cuttings analysis. All other holes showed low radiometric response from down hole logging. Location 2163 at Fraser Creek is recorded as carnotite occurrence, which is described as visible in pits, with a grab sample assaying 500ppm U₃O₈. Carnotite was reported as being present in several drill holes, assaying up to 175ppm U₃O₈.

From 1989 to 1992, Newcrest Mining Ltd explored the general Gifford Creek area for gold, base metals, diamonds and rare earths. Geochemical prospecting and RAB drilling programs failed to identify any significant mineralisation. No radiometric surveys or assays for uranium content were carried out.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

4.5 DISCUSSION

The uranium anomaly and the occurrence at locations 2162 and 2163 associated with calcrete hosting have been drilled, with low levels of U_3O_8 mineralisation reported. The initial anomalies identified by Amax were based on a reconnaissance airborne radiometric survey at half mile intervals, with follow-up traversing.

In the southeastern part of the project area there appear previously untested radiometric anomalies.

Given the extent of the calcrete development on the project area, and the spacing of the Amax survey, it is possible that anomalies have been overlooked. Detailed low level radiometrics would provide a more definitive and comprehensive definition of radiometric coverage of the project area.

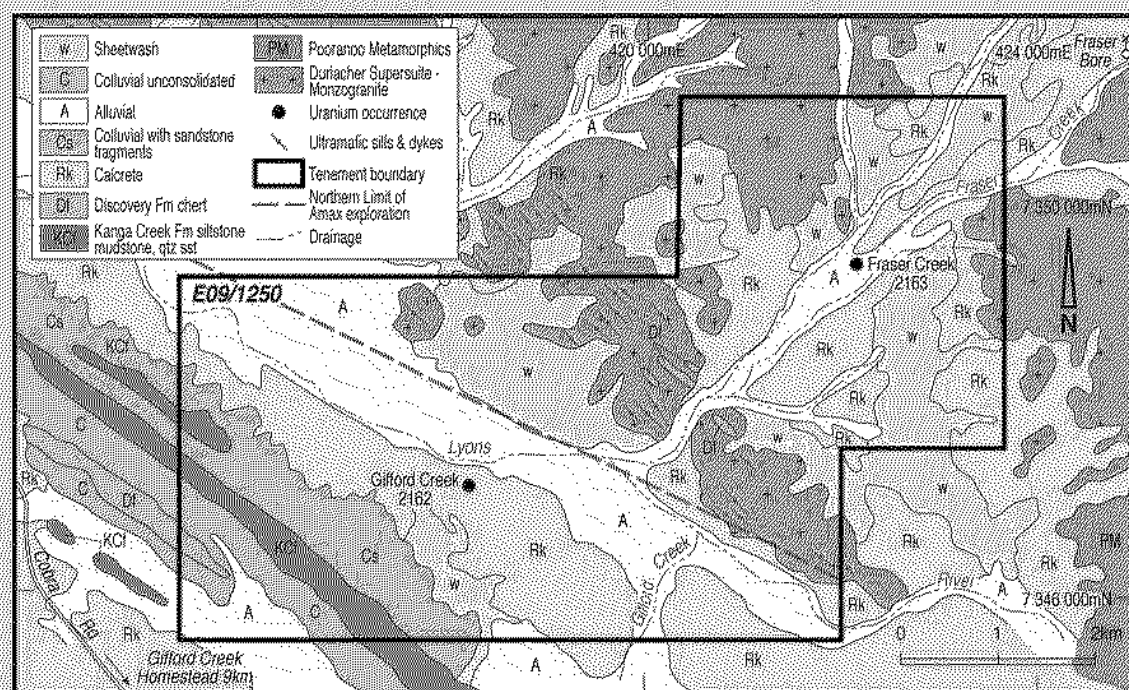


Figure 5: Gifford Creek Project - Geology and Uranium Occurrences

The monzogranite of the Durlacher Supersuite occurs in the central part of the tenement trending northwest. This intrusive body of the Mangaroon Orogeny is younger than the granites occurring at Horse Well and Hooley. The monzogranite granite body on the tenement remains unexplored, and the presence of hydrothermal uranium mineralisation remains a possibility.

4.6 EXPLORATION STRATEGY

Pegasus has acquired modern Aster and Iconas Satellite data suitable as a detailed base for geological mapping and ground sampling. The available geophysical data has also been acquired, both magnetic and radiometric data. The flight line spacing for this data is at >500 metres, which is considered less than reliable for the work proposed to be undertaken by the Company.

Consequently an initial exploration program is recommended to fly the whole of the tenement area with a detailed (50 metre line spacing) low level aeromagnetic and radiometric survey. This would form the base for a structural and lithological interpretation and indicate radiometric anomalies to define targets for follow-up work. This survey should be flown as an adjunct to surveys at Hooley and Horse Well.

A field re-examination of the known uranium occurrences is planned for March 2007.

5 NULLAGINE NORTH PROJECTS

5.1 INTRODUCTION

The Nullagine North Projects consist of three semi-contiguous granted Exploration Licenses in the east Pilbara region of Western Australia. The project areas cover approximately 174.8km², stretching northerly from Lionel Mining Centre to Lennons Find about 43km to the north.

The Projects are:

Yandicoogina Project	E45/2578	covering about 99.8km ²
Lionel Project	E46/495	covering about 28.0km ²
Kelly Belt Project	E45/2437	covering about 47.0km ²

The project locations are shown on Figure 6 & 7.

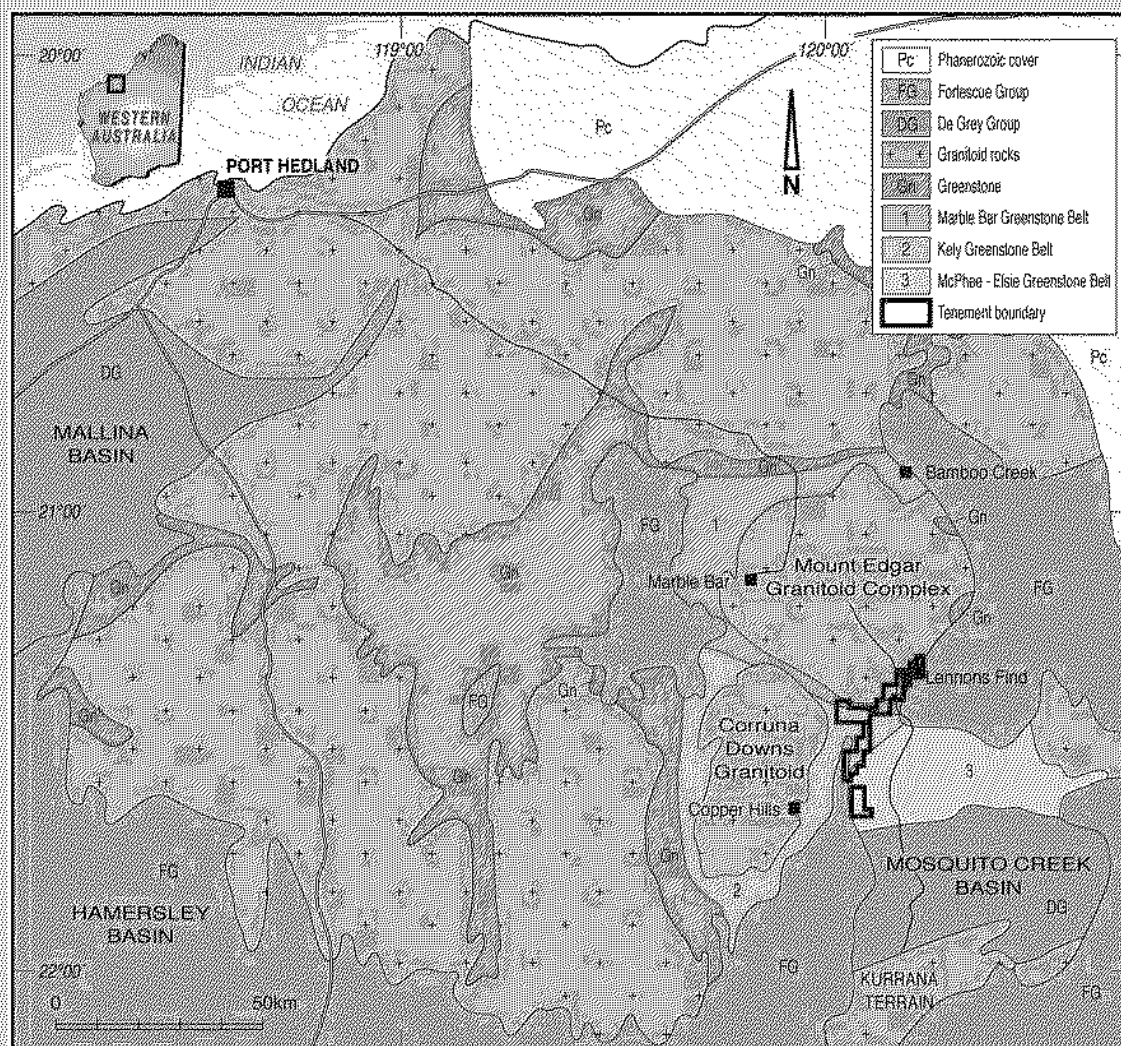


Figure 6: Simplified Regional Geology – East Pilbara

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

5.2 REGIONAL GEOLOGY

The east Pilbara region includes the eastern part of the Archaean-Proterozoic Pilbara Craton. The Pilbara Craton consists of two different tectonic components: an older Archaean granite-greenstone basement and an unconformably overlying Archaean-Proterozoic volcano-sedimentary supracrustal cover sequence occupying the Hamersley Basin. The granite-greenstone basement may be divided into five distinct litho-tectonic units, four of which are exposed in the east Pilbara. These units are the Mallina Basin, the East Pilbara Granite-Greenstone Terrane, the Mosquito Creek Basin and the Kurrana Terrane (Figure 7).

The tenements lie in the East Pilbara Granite-Greenstone Terrane and in particular within the southern part of the Marble Bar greenstone belt, the Kelly greenstone belt which extends to the south, and the domical McPhee-Elsie greenstone belt further to the south.

The Marble Bar greenstone belt within the northern Yandicoogina tenement forms a rim at the southern edge of the Mount Edgar Granitoid Complex (MEGC). Here the Marble Bar greenstone belt has been mapped as quartz to felspathic and quartz-muscovite-biotite-andalusite schist and sheared dacite lavas and tuff of the metamorphosed Duffer Formation, together with tholeiitic and komatiitic basalts of the Apex Basalt.

To the south the Kelly greenstone belt predominates, bordered to the west by the Corunna Downs Granitoid and to the east overlain unconformably by volcanic and sedimentary rocks of the Fortescue Group. To the southeast the domical McPhee-Elsie greenstone belt abuts the Kelly greenstone belt (Figure 1).

The Kelly greenstone belt and the McPhee-Elsie greenstone belt comprise dominantly greenschist facies volcanic rocks of the Warrawoona Group. In the eastern Kelly greenstone belt the Warrawoona Group is unconformably overlain by the dominantly clastic sedimentary rocks of the George Creek Group. Minor ultramafic rocks of the Pilbara Supergroup occur throughout the region.

6 YANDICOOGINA PROJECT

6.1 INTRODUCTION

The Yandicoogina Project is located 55km southeast of Marble Bar in the east Pilbara region of Western Australia. The project area of 32 blocks covers 99.8km² and is contained by Exploration Licence E45/2578. (Figures 7 & 8)

6.2 LOCATION AND ACCESS

The Yandicoogina Project area is located on the Nullagine 1:250,000 and the Mount Edgar 1:100,000 map sheets, reaching from Pryces Find at the western boundary to north of Lennons Find in the northeast.

Access is via the Great Northern Highway to the Mount Edgar turnoff (45km south of Marble Bar) and then by graded road which accesses the Yandicoogina Mining Centre. A four wheel drive vehicle is necessary for greater access.

6.3 GEOLOGICAL SETTING

The Yandicoogina Project is situated within the southern part of Marble Bar greenstone belt which rims the MEGC. The MEGC consists of hornblende granodiorite and quartz monzogranite intruded by irregularly shaped bodies of quartz plagioclase porphyry. Along the southern margin, fine to coarse grained amphibolite schist and deformed dykes and pods of dolerite are common.

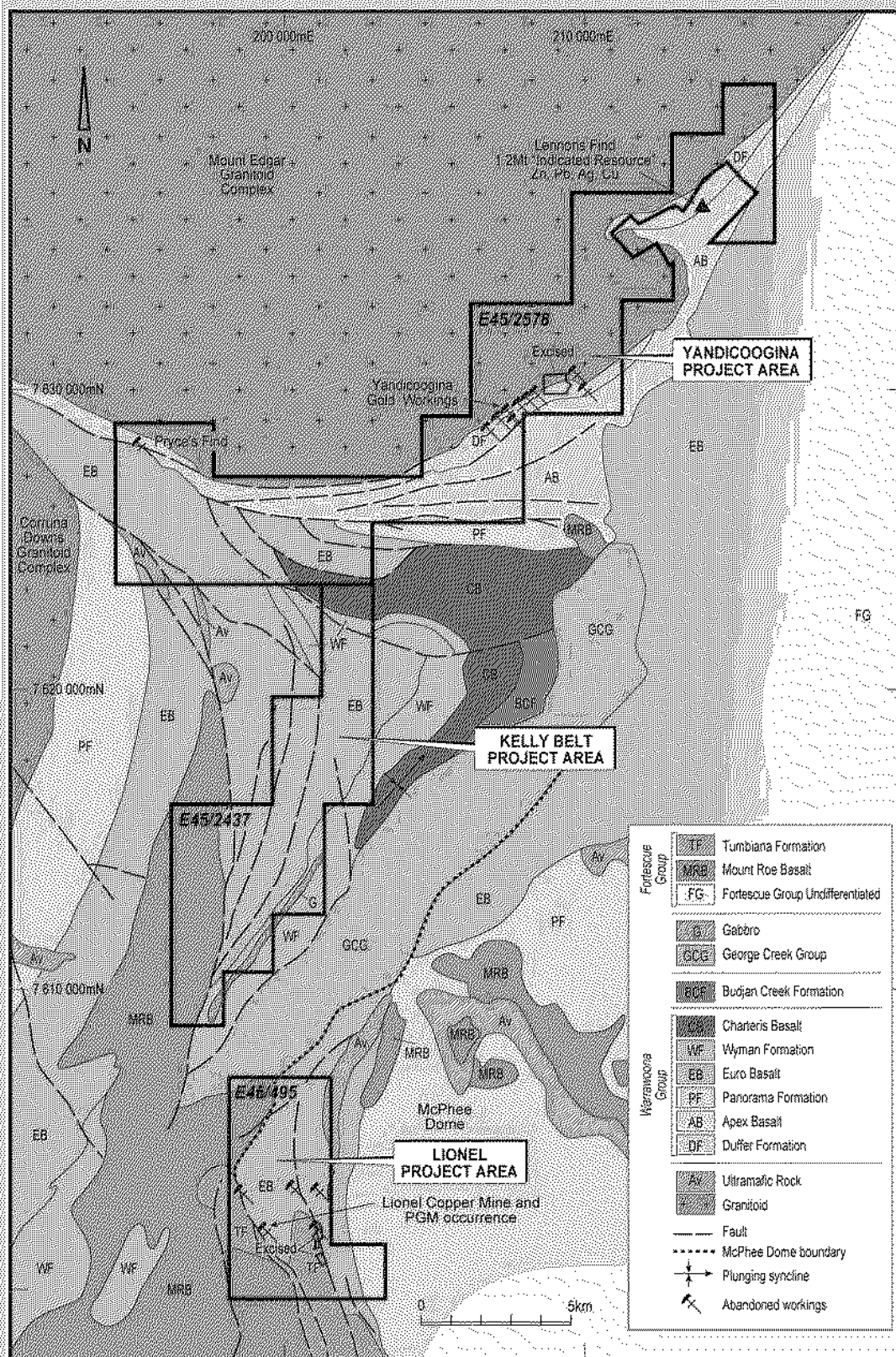


Figure 7: Project Locations & Geology

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

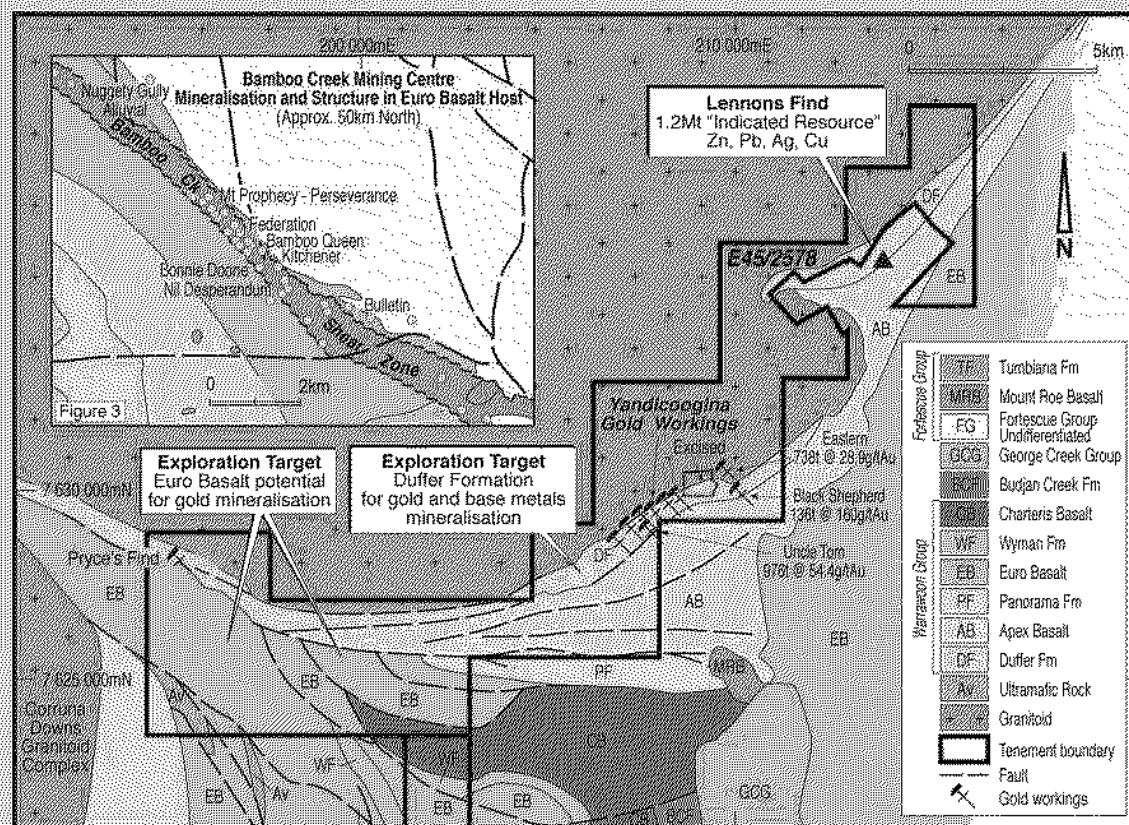


Figure 8: Yandicoogina Project – Mineral Occurrences & Exploration Targets
Inset: Bamboo Creek – Mineralisation & Structure in Euro Basalt Host

The greenstone belt consists of the volcanic and metavolcanic rocks of the Duffer Formation, the Apex Basalt, the Panorama Formation and the Euro Basalt which are all within the Warrawoona Group. All of these rocks outcrop prominently in the tenement area. The Duffer Formation at the contact of the MEGC strikes over some 18km.

The area is strongly faulted, generally parallel and subparallel to the margin of the MEGC.

6.4 PREVIOUS MINING AND EXPLORATION

Gold was discovered in the Yandicoogina area in the late 1890s and mining continued for about 10 years. Numerous pits and shafts were developed on rich mineralised quartz veins, with historic production recorded as 3304t mined at an average grade of 60.76g/t Au. The highest grade of ore came from the Invincible Mine which yielded 13.4 tonnes of gold at 1,485 g/t.

Significant Gold Production – Yandicoogina Mining Centre

NAME	TONNES	OUNCES	GRADE g/t Au
Uncle Tom	976	1771	54.4
Eastern	738	711	28.9
Patrick	429	612	42.8
Back and White	195	298	45.8
Black Shepherd	136	726	160.2
Jupiter	114	480	126.3

In 1988, Callina N.L. completed a five hole reverse circulation drilling program at the Eastern mine workings targeting gold mineralisation in a quartz body associated with a shear zone within the MEBC. Split samples from three holes showed intersections of 2m @ 3.8g/t Au from 12m, 2m @ 4.0g/t Au from 18m, 2m @ 1.9g/t from 20m, and 2m @ 1.4g/t from 8m.

Little recent gold exploration has been conducted in the tenement area. In 1995 Great Southern Mines NL conducted soil sampling and RC drilling at Pryces Find as part of their Coongan gold and base metal project. Two zones of gold anomalism were outlined, each of over 1km strike length. Three RC holes were drilled with secondary copper mineralisation observed in one hole, however, no copper sulphide was encountered, and the drilling returned only low levels of gold anomalism.

Extensive exploration for base metals has been carried out at the northeastern end of the tenement at Lennons Find (excised from the tenement). Lennons Find was discovered in 1907 and was subject to small scale mining through to 1960. In 1976-77 Serem carried out a major drilling program, establishing the presence of stratiform volcanogenic Zn, Pb, Ag and Cu mineralisation within the Duffer Formation. This is the Hammerhead Prospect reported as an "Indicated Resource" of 1.2 Mt at 7.7% zinc, 0.43% copper, 1.94% lead and 100g/t silver (under 1988 Australian Code for Reporting Resources and Reserves). Centenary Mining subsequently defined an inferred resource of 4.2mt in extensions of Hammerhead and in other on-strike mineralised zones. The resource is currently unclassified pending further review by the owner, Jabiru Metals Ltd.

6.5 PROSPECTS AND MINERALISATION

Gold

The historic line of gold shafts and workings at Yandicoogina is indicative of the potential for mineralisation along the 18km of strike of the Duffer Formation within tenement E45/2578. At the workings mineralised quartz veins are present in the zone of intense shearing along the margin of the MEGC, the veining occurring in felsic schist (metamorphosed sedimentary and felsic volcanic units of the Duffer Formation) and in sheared granitoid.

Potential mineralisation targets within the Warrawoona Group are further indicated by the proximal gold mining at Bamboo Creek, 50km to the north and at Marble Bar 50km to the northwest.

The Bamboo Creek mining centre has produced approximately 800,000t of ore @ an average 8.15g/t Au, the majority of production occurring since 1986. The main control for mineralisation is the bedding-parallel Bamboo Creek Shear Zone that contains serpentine-rich and talc-rich ultramafic rocks within the Euro Basalt. The gold is concentrated in quartz and carbonate veined ductile shears in boudins, and the Bamboo Creek Shear Zone is thought to be a doming related structure that formed by a layer-parallel slip along an ultramafic member of the Euro basalt. Figure 8 shows mineralisation and structure in the Euro Basalt host at Bamboo Creek.

Within the southern part of E45/2578 the Euro Basalt is prominent and similar mineralisation settings may be present, associated with doming related fault systems occurring in this area.

The Marble Bar mining centre produced some 43,000oz of gold from the late 1900s to 1950. The ores are mainly hosted by the Duffer Formation with mineralised zones consisting of auriferous quartz veins within and marginal to sills of metadolerite. Mineralisation is thought to be controlled by doming-related layer-parallel shearing in the Duffer Formation. Shearing and alteration occurred preferentially within the dolerite and other ultramafic rocks, whereas the felsic volcanics of the Duffer Formation remained less deformed.

Again the potential of competency contrast of the rocks, in this case of the Duffer Formation, associated with doming related faulting and shearing proximal to the MEGC indicates a likely model for mineralisation in the similar setting which is present in E45/2578.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

Base Metals

Base metals mineralisation potential within E45/2578 is exemplified by the Lennons Find resource (excised at the northeastern end of the tenement), and the proximal occurrences at Big Stubby, which lies outside of the tenement 6km south of Marble Bar. The Duffer Formation, which extends over 18km of strike in E45/2578, is a recognised host for base metals mineralisation for these deposits.

At Lennons Find a group of stratiform bodies bearing Zn, Cu, Pb and Ag lies in sheared sericite schists, calc-silicate rocks, and metamorphosed felsic volcanic rocks of the upper part of the Duffer Formation (cyclic mafic to metavolcanic rocks) of the Warrawoona Group. The main mineralised zone extends 4.3km and the bodies are typically Zn, Pb and Ba rich at the top and Zn and Cu rich at the base.

The Hammerhead Prospect is a Zn, Cu, Ag resource with estimates published that are not currently JORC compliant.

The mineralisation style, combined with its features of vertical metal zoning, texture and stratiform mode suggests that the deposits are of volcanogenic origin (volcanogenic massive sulphide, VMS).

Gossans 6km south of Marble Bar, and, 40km northwest of the tenement, mark the Big Stubby deposit which is made up of seven massive sub vertical lenses of Zn-Pb-Cu-Ba mineralisation within felsic to intermediate volcanic and volcanoclastic rocks near the top of the Duffer Formation. Exploration by a number of companies established a deposit of limited size with a best intersection of 4.27m @ 14.1% Zn, 3.2% Pb, 840g/t Ag and 0.3% Cu.

Mineralisation at Big Stubby is associated with chert bands interlayered with turbiditic tuff and overlying a sequence of tuff breccias, volcanoclastic conglomerate and turbiditic tuff. Pb-Zn mineralisation lies stratigraphically above a copper rich zone, with barite and gypsum present in the lateral extensions of the lenses. There is a 1974 resource estimate of a deposit Zn, Pb, Ag and Ba which is not currently JORC compliant).

6.6 DISCUSSION

Potential for Gold

Very substantial strike lengths of Duffer Formation and Euro Basalt occur within the Marble Bar greenstone belt in E45/2578. Gold mineralisation at Yandicoogina, within the tenement, and gold mineralisation settings at the proximal Bamboo Creek and Marble Bar mining centres, indicate that good potential exists for a range of mineralisation settings within the tenement. These are as follows:

1. Mineralised quartz veining along the sheared margin of the MEGC within the Duffer Formation and the granitoid itself. This applies to the area of the Yandicoogina mining centre and the entire strike length of the Duffer Formation in E45/2578.
2. Mineralisation associated with competency contrast of felsic rocks and mafic and ultramafic rocks of the Duffer Formation and associated doming related fault and shear systems further away from the MEGC-Duffer Formation contact.
3. Mineralisation associated with competency contrast of the mafic, ultramafic and sedimentary units of the Euro Basalt controlled by fault and shear systems associated with doming.

Previous exploration has been almost entirely focussed on the Lennons Find area, with the area contained within E45/2578 having received limited exploration effort to date. The area has not been adequately explored and merits a sustained and comprehensive exploration effort. Mineral occurrences and exploration targets within the Yandicoogina Project area are shown on Figure 8.

In general terms the east Pilbara region is only now receiving a renewed modern exploration initiative and from this impetus new discoveries are likely.

Potential for Base Metals

Previous exploration for base metals on E45/2578 has been limited to the excised area at the northeastern end of the tenement at Lennons Find, where a significant deposit has been recognised.

A small base metals deposit is also present at Big Stubby, 40km northwest of the tenement. Both the Lennons Find and Big Stubby deposits are volcanogenic in origin and are present within the Duffer Formation.

Potential for VMS and stratabound volcanic and sedimentary mineralisation is recognised within the Duffer Formation in E45/2578 along its 18km strike length present in the tenement.

6.7 EXPLORATION STRATEGY

Pegasus has acquired modern Aster and Iconas Satellite data suitable as a detailed base for geological mapping and ground sampling. The available geophysical data has also been acquired, both magnetic and radiometric data. The flight line spacing for this data is at 400 metres, which is considered less than reliable for the work proposed to be undertaken by the Company.

However, given the quality of the Iconas Satellite data, it is proposed that initial work should consist of surface sampling along the line of the Yandicoogina gold workings, to be followed by RAB drilling of shallow holes across the contact mineralised zone.

Ground truthing and re-examination of the known gold and base metals occurrences is planned for early in 2007.

Electromagnetic surveys targeting base metals may also be useful in this geological environment.

7 LIONEL PROJECT

7.1 INTRODUCTION

The Lionel Project is located 25km north of Nullagine in the east Pilbara region of Western Australia. The project area of 9 blocks covers 28km² and is contained in by Exploration Licence E46/495 (Figure 7).

7.2 LOCATION AND ACCESS

The Lionel Project area is located on the Nullagine 1:250,000 and the Nullagine 1:100,000 map sheets and includes the historic Lionel and Hendersons copper workings.

Access is via the Marble Bar Road to the Hales Grave Well turnoff (22km north of Nullagine). Four wheel drive tracks provide adequate access to the greater tenement area.

7.3 GEOLOGICAL SETTING

The Lionel Project essentially lies on the southwestern edge of the McPhee Dome in the McPhee-Elsie greenstone belt. The McPhee Dome is separated from the Kelly greenstone belt by a major NNW and NNE trending fault.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

To the south of the project area, around Lionel, pisolitic tuff, tuffaceous siltstone and sandstone of the Tumbiana Formation and the Mt. Roe Basalt of the Fortescue Group are present. Local dolerite is also present in the Lionel area. Predominant rocks in the project area are metamorphosed ultramafic, mafic and felsic rocks of the Warrawoona Group with local mafic and ultramafic intrusives. In the southeast of the prospect area felsic agglomerate, felsic tuff and andesitic basalt of the Panorama Formation have been mapped, and in the northeast pyroxenite and gabbro of the Pilbara Supergroup occurs (Figure 7).

7.4 PREVIOUS MINING AND EXPLORATION

Ferruginised ultramafic and gabbroic rocks of the Warrawoona Group to the southwest of the McPhee-Elsie greenstone belt host the Lionel and Hendersons copper deposits. Some 370t of ore averaging 15.5% Cu was produced in the area during the 1950s and 60s. The mineralisation consists of quartz-limonite-azurite-malachite veins and calcite-chalcopyrite-pyrite veins that are up to 1m thick. The country rocks are weathered metagabbros striking north-northwest and probably dipping steeply west.

In 1971 Australian Anglo American Ltd conducted soil sampling to cover a differentiated basic to ultrabasic sill in the area around the Lionel workings. Two copper anomalous areas (>200ppm) were identified and follow-up costeaning was carried out across the anomalies. Rock chip sampling failed to produce encouraging copper and PGM values and no further exploration was conducted.

From 1986 to 1988 Monarch Petroleum NL and Cordale Holdings Pty Ltd examined the gold, PGM and diamond potential of tenements including what is now the southern part of Lionel Project. Stream sediment sampling was followed-up with rock chip sampling in three areas where anomalous gold, silver and base metals are associated with various mineral horizons, including a copper gossan zone with gold values up to 2.26g/t Au.

Monarch drilled 18 RC drill holes for 628m in three locations to test for gold and PGM. Results showed an area of high copper-gold-silver anomalism in the Hendersons South area, with anomalous PGM values in one drill hole. Copper values of 3m @ 7.0 % Cu, 3m @ 1.2% Cu, 2m @ 5.65% Cu, 22g/t Ag, and 5m @ 3.34% Cu were reported from four of the five drill holes drilled in the Hendersons South area. The highest intersection was 12.6% Cu, 17g/t Ag over 1m from drill hole LN 16 (Figure 9 & 10).

PGM values were intersected at low levels in several drill holes, with drill hole LN12 recording 4m @ 0.175g/t Pt and 0.043 g/t Pd from 5m, and 22m @ 0.07 g/t Pd from 9m. The intersections were in gabbro within a shear zone. Further work was recommended but does not appear to have been done. Lionel was again explored in 1995 and 1996 as part of the regional Coongan gold-base metals joint venture between Compass Resources NL and Great Southern Mines NL. Stream sediment sampling proximal to the Lionel ultramafic complex produced anomalous values up to 0.12% Ni.

In 1998, Britannia Gold NL held an exploration licence over part of the eastern Lionel Project area in joint venture with Stockdale Prospecting Ltd, searching for diamonds. No significant Au or Cu results were obtained. The same tenement was joint ventured to Lynas Gold NL who conducted a reconnaissance BLEG stream sediment sampling program targeting gold mineralisation. A peak response of 2610ppb Au was located at the southwestern boundary of E46/495.

In 1968, an unusual style of nickel mineralisation was discovered by Conwest (Australia) NL at its Otways prospect which is at the western boundary of E46/495. Nickel mineralisation occurs in shears within a fault-bounded Archaean serpentinised peridotite. Surface nickel values up to 30% Ni were followed up by four diamond drill holes which failed to intersect nickel sulphides or any other significant nickel mineralisation at depth. The mineralisation was thought to have been deposited from hydrothermal solutions.

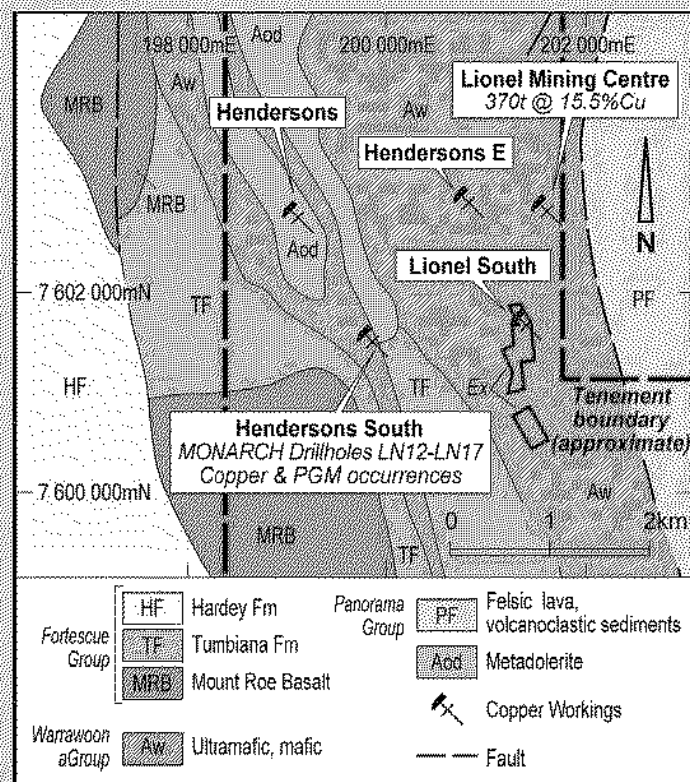


Figure 9: Lionel Project – Location of Copper Workings & Local Geology

7.5 PROSPECTS AND MINERALISATION

The mineralisation in the vicinity of the Lionel Mining Centre is within country rocks of weathered metagabbros and are mapped as Euro Basalt of the Warrawoona Group on the Nullagine 1:100,000 sheet. These rocks strike north-northwest and dip steeply west. A total of 370t of ore averaging 15.5% Cu has been produced from bunches of chalcopyrite and pyrite up to 40cm in size occurring in massive coarse-grained calcite veins up to 1m in thickness, and quartz-limonite-azurite malachite veinlets. The style of mineralisation is thought to be epithermal or hydrothermal. The locations of the copper workings in the Lionel area are shown on Figure 9.

The Monarch drilling at Hendersons South showed significant Cu and Ag mineralisation within ultramafics and gabbroic rocks. Drill logs indicate shearing and pyrite development, with some quartz veining. Siliceous ironstone hosts the mineralisation in one of the drill holes. It appears that shearing and hydrothermal alteration is associated with the mineralisation, and the level of Cu mineralisation is significant (Figure 9).

The intersection of PGMs in Monarch's LN12 is also significant and demonstrates the potential for mineralised deposits of this group associated with shear zones within the Euro Basalt sequence in general. The extension of this particular shear zone needs to be further defined and evaluated.

In June 2006, Graynic Metals Limited has reported an intersection of 52m @ 4.3% Zn from a recent reverse circulation drill hole at Quartz Circle, which lies 8km to the east of the Lionel Mining Centre. Similar felsic volcanoclastic and volcanic rocks of the Panorama Formation (mapped on Nullagine 1:100 000 Series) are present in the southeast E46/495, representing a further exploration target area for VMS deposits.

In general terms, potential exists throughout the tenement for base metals and PGM mineralisation in the Euro Basalt sequence associated with shear zones. The Panorama Formation has potential for VMS style deposits.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

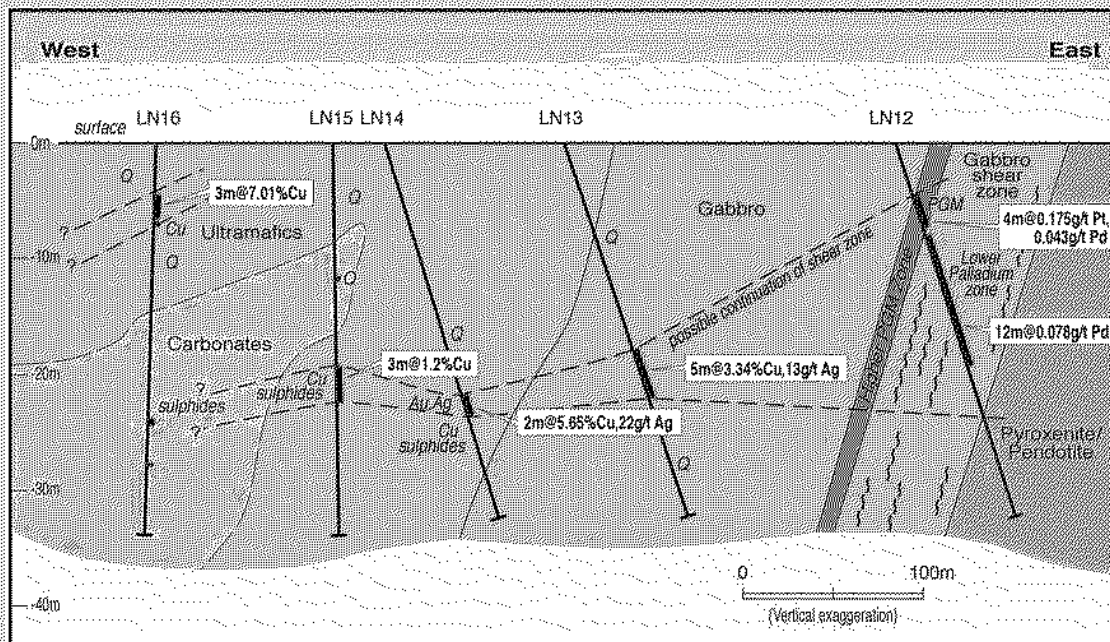


Figure 10: Cross Section Across Monarch Drill Holes & Local Geology

7.6 DISCUSSION

The drilling in the Hendersons South area and the historical production of copper ore from the Lionel and Hendersons copper deposits indicate that potential exists for further deposits of high grade copper mineralisation in the project area.

The anomalous PGM values encountered in hole LN 12 indicates that mineralisation of this metal group may be associated with base metal mineralisation, or may be present independently.

In general terms potential exists throughout the tenement for base metals and PGM mineralisation in the Euro Basalt sequence associated with shear zones.

The Euro Basalt is mapped to the east of the fault system which delineates the McPhee Dome margin. It is recognised that detailed mapping will be an important first step in further defining the outcropping volcanic sequence of the Warrawoona Group. Intermediate to felsic volcanic rocks could be present, further enhancing the potential for VMS style deposits.

The Panorama Formation in the southeast of the project area represents an exploration target for VMS style deposits.

More specific exploration target areas are

1. The Lionel Mining Centre area including Hendersons East, Lionel 1 and Lionel South
2. The Hendersons area to include definition of the extent of the copper mineralised system indicated by Monarch drill holes LN 13 to LN 16
3. The Hendersons area to include definition of the extent of the shear zone bearing anomalous PGM mineralisation

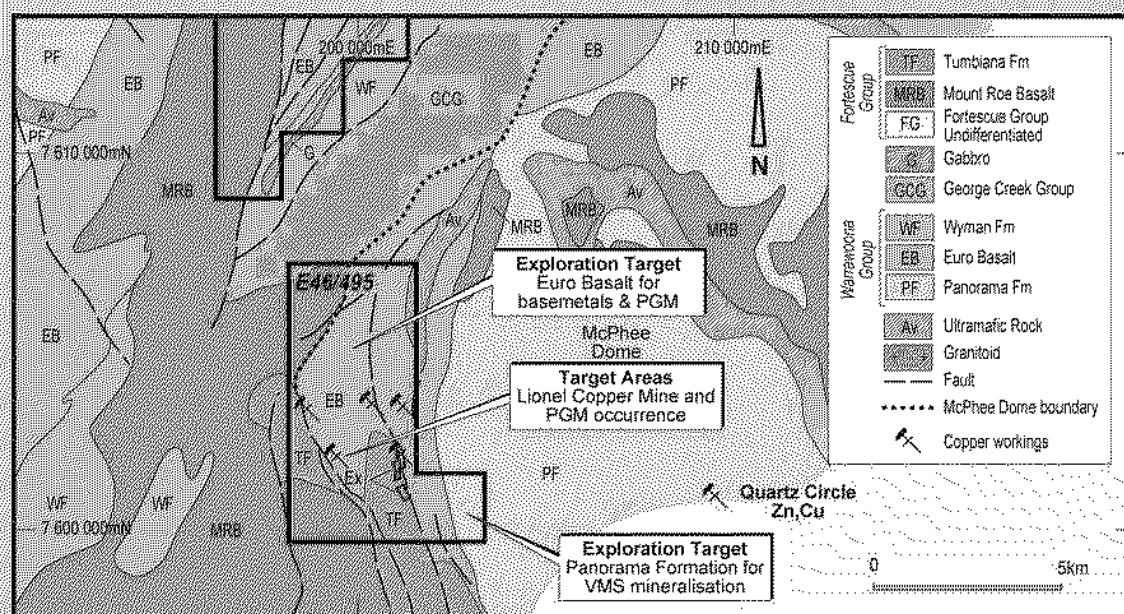


Figure 11 Lionel Project – Exploration Target Areas

The nickel mineralisation at Otways appears to be hydrothermal and a surficial enrichment. However nickel mineralisation could be associated with ultramafic rocks of the Warrawoona Group and further exploration should recognise this potential.

The Lionel Project Area warrants further exploration to fully evaluate its potential for economic base metals and PGM deposits. Exploration target areas are shown on Figure 11.

7.7 EXPLORATION STRATEGY

Pegasus has acquired modern Aster and Iconas Satellite data suitable as a detailed base for geological mapping and ground sampling. The available geophysical data has also been acquired, both magnetic and radiometric data. The flight line spacing for this data is at 400 metres, which is considered less than reliable for the work proposed to be undertaken by the Company.

However, given the quality of the Iconas Satellite data, it is proposed that initial work should consist of surface sampling along the line of the known mineral occurrences, to be followed by RAB drilling of shallow holes across the contact mineralised zone.

Ground truthing and re-examination of the known gold and base metals occurrences is planned for March 2007.

8 KELLY BELT PROJECT

8.1 INTRODUCTION

The Kelly Belt Project is located 55km southeast of Marble Bar in the east Pilbara region of Western Australia. The project area of 15 blocks covers 47km² and is contained in Exploration Licence E45/2437 (Figure 7).

8.2 LOCATION AND ACCESS

The Kelly Belt Project area is located on the Nullagine 1:250,000, the Nullagine 1:100,000 and the Mount Edgar 1:100,000 map sheets.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

Access is by way of the Marble Bar Road which runs through the centre of the tenement and greater access is by four wheel drive via tracks and across country.

8.3 GEOLOGICAL SETTING

The northern tenement boundary lies 3.5km south of the southern edge of the Mount Edgar Granitoid Complex extending 15km south over the north-eastern Kelly greenstone belt. In the southwest of the tenement Mount Roe Basalt of the Fortescue Group outcrops, with rocks of the Warrawoona Formation covering the remaining area. The Euro Basalt predominates over the tenement, the Wyman Formation is present in the southeast, with the Charteris Basalt outcropping at the northern end. A southwest trending outcrop of gabbro also occurs along the southeastern boundary of the tenement (Figure 7).

Major southerly faults occur, generally reflecting the boundary of the Corrunna Downs Batholith Complex to the west.

8.4 PREVIOUS MINING AND EXPLORATION

There are no known mineral occurrences in the project area. A line of five unidentified workings trending north northwest are mapped on the Nullagine 1: 100 000 Topographic Survey map in the southern central part of the tenement. There is no previous exploration documented in the tenement area, other than one negative stream sediment sample taken in 2005, in a reconnaissance survey for diamonds.

8.5 DISCUSSION

The Euro Basalt is predominant within the tenement with major faults evident through this unit and along the contact of the Euro Basalt and the Mount Roe Basalt.

Potential for a Bamboo Creek style hydrothermal and vein auriferous mineralisation setting is recognised where shear zones may be present associated with these fault systems and the competency contrasting of rock units within the Euro Basalt. These faulted areas are shown in Figure 7 and the simplified mineralisation model at Bamboo Creek is shown in Figure 8.

The fault system through the tenement area could provide sizeable shear zones which could host hydrothermal copper mineralisation, as occurs at Lionel further south.

The Kelly Belt Project represents a "grass roots" exploration area which is essentially to date unexplored. The area merits a regional exploration effort in order to evaluate its potential for both gold and base metals deposits.

8.6 EXPLORATION STRATEGY

Pegasus has acquired modern Aster and Iconas Satellite data suitable as a detailed base for geological mapping and ground sampling. The available geophysical data has also been acquired, both magnetic and radiometric data. The flight line spacing for this data is at 400 metres, which is considered less than reliable for the work proposed to be undertaken by the Company.

However, given the quality of the Iconas Satellite data, it is proposed that initial work should consist of surface examination for structural elements that may be sites for mineralisation.

A detailed structural interpretation using the satellite imagery would be useful.

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GLOSSARY OF GEOLOGICAL TERMS

Pegasus Consulting Geologist has selected the following technical terms as being most important. Terms not included in this glossary are used in accordance with the Glossary of Geology edited by J.A. Jackson.

Aircore drilling A type of drilling whereby a sample is collected by means of compressed air through the inside of the drilling rods.

Aerial photograph A photograph of the earth's surface taken from an aircraft.

Aeromagnetic Measurement of the earth's magnetic field from a surveying aircraft, for the purpose of recording the magnetic characteristics of rocks.

Ag Chemical symbol for silver.

Agglomerate

Amphibolite A medium-grade metamorphic rock.

Anomaly/Anomalism Said of geochemical and geophysical data which deviates from regularity.

Archaean A time period older than about 2500 million years.

Arenite

Assays The testing and quantification of metals of interest in a sample.

Au Chemical symbol for gold.

Auriferous Gold-bearing.

Azurite

Barite

Basalt/Metabasalt A fine-grained rock composed of feldspar and pyroxene or amphibole.

Base Metals The more common and chemically active metals, e.g. lead, copper, zinc, nickel.

Bedrock Solid rock underlying surficial deposits or weathered rock units.

Black Shale With a high concentration of carbonaceous matter.

Boudin

Breccia A rock containing angular fragments of rock.

Cainozoic A time period approximately 65 million years ago to present.

Calcite A calcium carbonate mineral.

Calcrete chemically precipitated calcium and magnesium carbonate rock.

Carbonate A group of minerals containing primarily calcium, magnesium or iron and CO_3 .

Carnotite yellow radioactive uranium, vanadium, potassium bearing mineral.

Chalcopyrite A copper iron sulphide mineral (CuFeS_2).

Chart A fine-grained rock composed of cryptocrystalline silica.

Chrysocolla Bluish green secondary copper mineral containing aluminium.

Colluvium/Colluvial A loose mass of soil and rock material deposited by slope processes.

Conglomerate A sedimentary rock type containing pebbles, cobbles or boulders.

Costean A trench to expose rock for sampling.

Cu Chemical symbol for copper.

Dacite A fine-grained rock containing plagioclase, quartz and hornblende or biotite.

DC Drilling Diamond drilling. A method of obtaining cylindrical core of rock by drilling with a diamond-set or diamond-impregnated bit.

Deformation The physical process whereby rocks are folded and faulted.

Dolerite/Metadolerite A medium-grained mafic intrusive rock composed mainly of plagioclase and pyroxene or amphibole.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

Dolomite calcium magnesium carbonate rock

Dome A mass of volcanic rocks often having a circular or elliptical shape in plan view.

Ductile Deformation of rocks involving stretching or bending without much breaking.

Electromagnetic A geophysical exploration technique whereby transmitted electromagnetic fields are used to energise and detect conductive material beneath the earth's surface.

Epithermal A term applied to those deposits formed in and along fissures or other openings in rocks by deposition at shallow depths from ascending hot solutions.

Fault A fracture in rock along which there has been relative displacement of the two sides either vertically or horizontally.

Felsic Descriptive of light coloured rocks containing an abundance of feldspar and quartz.

Fissure Rock Fracture with distinct separation often filled with mineral-bearing material

g/t Grams per tonne.

Gabbro A plutonic rock consisting of calcic plagioclase.

Galena A lead sulphide mineral (PbS).

Geochemistry/Geochemical The study of the abundance of elements in rocks by chemical methods.

Geophysics/Geophysical Exploration methods which seek to locate mineral deposits by direct or indirect measurements of a large range of physical properties of the deposits or the rocks associated with them.

Gneiss A foliated metamorphic rock typified by separations of bands of light and dark minerals.

Gossan A rock composed of hydrated oxides of iron that has developed over sulphides of iron and other metals.

Grab sample A sample taken from a rock dump.

Granite A plutonic rock consisting essentially of alkalitic feldspar and quartz.

Granitoid A general term for plutonic rocks consisting mainly of feldspar and quartz.

Granodiorite A rock composed mainly of quartz and feldspar and various ferromagnesian minerals.

Gravity/Gravity Gradiometer Survey A type of survey that measures the spatial variation of the earth's gravity field to determine the distribution of different rock masses.

Greenschist Facies Metamorphism under conditions of high pressure and fairly low temperature.

Greenstone A field term for metamorphosed mafic and ultramafic igneous rocks.

Greywacke A type of sedimentary rock.

Ground Magnetic Measurement of the earth's magnetic field from a ground-based survey, for the purpose of recording the magnetic characteristics of rocks.

Host Rock/Host Sequence/Host Succession The rocks containing a mineral or mineral deposit.

Hydrothermal/Hydrothermalism Pertaining to heated water associated with the formation of mineral deposits or the alteration of rocks.

Induced Polarisation A geophysical exploration method which measures changes in magnetic and electrical fields induced in the earth by the application of an electrical current.

Inferred Mineral Resource An 'Inferred Mineral Resource' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified from geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability.

Intrusion A body of igneous rock that invades older rocks.

Intrusive Pertaining to igneous rocks emplaced below the earth's surface.

Kasolite Secondary uranium mineral formed by oxidation of uraninite.

Komatiite Ultramafic igneous rocks characterised by high magnesium content.

Limonite Secondary iron oxide of no fixed composition.

Lode A term used to describe mineralised domains.

Malachite Oxidised copper carbonate mineral

Mafic Descriptive of dark coloured rocks composed dominantly of magnesium and iron silicate minerals.

Magma Molten material which when consolidated forms igneous rocks.

Magnetite An iron oxide mineral (Fe_3O_4).

Massive Sulphide Mineralised rocks containing significant amounts of sulphide minerals (often >30% sulphide minerals).

Mesoproterozoic

Metamorphism/Metamorphic The mineralogical, structural and chemical changes induced within solid rocks through the actions of heat, pressure or the introduction of new chemicals.

Mineralisation/Mineralised The concentration of metals and their chemical compounds within a body of rock.

Monzogranite

Mudstone A sedimentary rock usually composed essentially of mud-sized grains.

Muscovite A potassium aluminium hydroxide silicate mineral.

Nickel Sulphides Minerals which contain mainly nickel and sulphur

Outcrop Surface expression of underlying rocks.

Oz Troy ounce (31.1034768 grams).

Orogeny Process by which mountains develop

Palaeochannel An ancient preserved stream or river channel feature.

Palaeoproterozoic

Pb Chemical symbol for lead.

Pegmatite A very coarse-grained igneous rock of granitic composition.

Pelitic Pertaining to pelite a very fine grained sediment composed of clay and quartz

PER Drilling Percussion drilling. A percussion drilling technique in which the cuttings are recovered outside the drill rods. This drilling method may be subject to sample losses and contamination.

Platinum Group Metals (PGM) A group of dense metallic elements, including palladium, platinum, osmium, iridium and rhodium.

ppb Parts per billion (1000 million).

ppm Parts per million.

Proterozoic The geological age after Archaean, approximately 570 to 2400 million years ago

Psammatic Pertaining to a psammite a clayey siltstone

Pyrite A common iron sulphide mineral (FeS_2).

Quartz A mineral composed of silicon dioxide.

RAB Drilling Rotary air blast drilling. A rotary drilling technique in which sample is returned to surface outside the rod string by compressed air.

Radiometric Survey A type of survey that measures the spatial distribution of potassium, thorium and uranium in the top 30-45 cm of the earth's crust.

RC Drilling Reverse Circulation drilling. A percussion drilling technique in which the cuttings are recovered through the drill rods with compressed air, thus minimising sample losses and contamination.

Reef Term used to describe mineralised domains often associated with veins.

Renardite Secondary uranium oxide mineral containing lead and phosphorus

Rock chip sampling The collection of representative samples of rock fragments from outcrops within a limited area.

Sandstone A sedimentary rock usually composed essentially of sand-sized grains.

Schist/Schistose A metamorphic rock with a platy or foliated texture.

Sediment Unconsolidated rock particles formed by the erosion of older rocks.

SECTION 5 INDEPENDENT GEOLOGISTS' REPORT

Sedimentary A term describing rocks formed from sediment.

Serpentinite A rock derived from the alteration of ultramafic rocks, and composed of hydrous iron magnesian silicate minerals.

Shale A laminated fine-grained sedimentary rock formed by the consolidation of mud or silt.

Shear zone A fracture in rock similar to a fault.

Schist A foliated metamorphic rock easily split into sheets.

Silcrete Fine grained rock with water bearing silica minerals formed by low temperature chemical process

Sill A tabular intrusive body of igneous rock oriented parallel to the host strata.

Soil Sampling/Geochemistry The determination of relative or absolute abundances of elements in soil.

Stratiform Occurring parallel to the rock strata, and deposited at the same time

Strike The course or bearing of a bed or layer of rock.

Stream sediment sampling/geochemistry The determination of relative or absolute abundances of elements in sediments collected along streams.

Structural Pertaining to geological structure, including faults, folds and shear zones.

Sulphide A general term to describe minerals containing sulphur commonly associated with mineralisation.

Syncline A fold in rock strata that is concave upwards with a core of younger rocks.

Tectonic Pertaining to large geological structures

Thoeilite A basalt consisting of plagioclase and pigeonite

Tuff A rock formed of compacted volcanic fragments, generally less than 4mm in diameter.

Turbidite A sediment deposited in currents

U₃O₈ Uranium oxide, yellowcake

Ultramafic Igneous or metamorphic rocks containing virtually no quartz or feldspar and composed essentially of ferromagnesian silicates, including olivine, pyroxene, amphibole, talc and/or serpentine minerals.

Unconformity/Unconformably A geological surface marked by angular differences in the disposition of younger and older rock units.

Uraninite Primary uranium oxide mineral

Uranophane Secondary uranium mineral usually as a yellow coating

Vein A thin infill of a fissure or crack.

Volcanic Rocks originating from volcanic activity.

Volcaniclastic Pertaining to clastic rock containing volcanic material.

Volcano-Sedimentary Mixed sequences of volcanic and sedimentary rocks.

Weathered/Weathering A process of change to rocks brought about by exposure to oxygen and water.

Zn Chemical symbol for zinc.

30 January 2007

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CLAVEY LEGAL

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Dear Sirs

REPORT ON MINING TENEMENTS AND MATERIAL CONTRACTS

This report has been prepared for inclusion in a prospectus (**Prospectus**) to be issued by Pegasus Metals Limited ABN 40 115 535 030 (**Company**) on or about 5 February 2007.

The report relates to seven granted mining tenements in Western Australia (**the Tenements**) in which the Company or company with whom the Company has contractual arrangements have interests as detailed in the Tenement Schedule. Attached to, and part of, this report are the following:

- (a) Tenement Schedule (including Notes to the Tenement Schedule) detailing the Company's respective interests in and the key terms of the Tenements; and
- (b) Schedule of Material Contracts to which the Company is a party or are material to the Company's interest in the Tenements.

1 Searches

- 1.1 To prepare this report, we have conducted searches of the Tenements in the register maintained by the Western Australian Department of Industry and Resources (**DoIR**) as at 17 January 2007.
- 1.2 We have also conducted a search of the Register of Native Title Claims as at 29 January 2007 in respect of the land covered by the Tenements.

2 Opinion

- 2.1 On the information obtained by our searches and enquiries and review of all of the documents referred to in the Schedule of Material Contracts, subject to the assumptions and qualifications set out below, we are satisfied that:
 - (a) the details of the Tenements included in this report are accurate as to the status of the Tenements and the registered holders of or applicants for those Tenements;
 - (b) all rents and other fees due under the Mining Act 1978 (WA) (**WAMA**) in respect of the Tenements have been paid;
 - (c) all applications for determination of native title which affect the Tenements as at 29 January 2007 are noted; and
 - (d) all the tenements referred to in the Tenement Schedule are in good standing at DoIR other than E46/495 as advised in the Notes on Tenements.

SECTION 6 SOLICITOR'S REPORT ON TENEMENTS AND MATERIAL CONTRACTS

3 Material contracts

3.1 We have reviewed the material contracts relevant to the interests of the Company in the Tenements which were provided to us, a summary of which is included in the Schedule of Material Contracts which forms part of this report. These are the only material contracts of which we have knowledge and which are relevant to the interests of the Company in the Tenements.

3.2 Where the interest or proposed interest of the Company in any Tenement is affected by the terms of any of the material contracts, the transfer of that interest in accordance with the relevant material contract is dependent upon the contract, and any related instrument of transfer, having been assessed for stamp duty and the stamp duty having been paid.

4 Assumptions and Qualifications

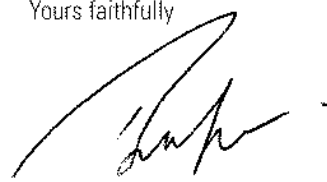
In this report:

- (a) We have assumed the accuracy and completeness of any instructions or information which we have received from the Company or any of its officers, agents and representatives.
- (b) We have assumed the accuracy and completeness of the mining title searches and other information or responses we obtained from DoIR and the Register of Native Title Claims as at the time such searches were undertaken or information and responses received and have separately advised the Company on the law relating to Native Title and the procedures applicable to the tenements the subject of Native Title.
- (c) References in the Tenement Schedule to any area of land are taken from details shown on searches obtained from DoIR. It is not possible to verify the accuracy of those areas which have not been surveyed.
- (d) Where Ministerial consent to any agreement or dealing referred to in Section 3 of this report is being or will be sought, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we are not aware of any matter which would cause consent to be refused.
- (e) We have assumed that the signatures on all the material contracts are authentic, that the copies of agreements provided to us were complete and conformed with the original agreements, and were within the capacity and powers of, and were validly authorised and executed by and are binding on, the parties to them and comprise the entire agreement of the parties to each of them with respect to their respective subject matters.

5 Consent

We agree to the inclusion of this report in the Prospectus in the form and context in which it is included and Clavey Legal has not withdrawn its consent before lodgement of the Prospectus with the ASIC.

Yours faithfully



Clavey Legal

TENEMENT SCHEDULE

TENEMENT NUMBER	REGISTERED HOLDER	PEGASUS BENEFICIAL INTEREST %	GRANT STATUS	EXPIRY DATE	AREA BLOCKS (KM ²)	ANNUAL EXPENDITURE COMMITMENT \$	RENT PAID \$
HOOLEY							
E08/1556	Pegasus	100	Granted	28/08/2006	16 (48.95)	20,000	1,680.80
E08/1591	Pegasus	100	Granted	27/10/2011	12 (36.7)	20,000	1,260.60
HORSE WELL							
E08/1557	Pegasus	100	Granted	07/07/2006	11 (33.56)	20,000	1,555.55
GIFFORD CREEK							
E09/1250	Pegasus	100	Granted	07/07/2006	11 (33.65)	20,000	1,155.55
YANDICOOGINA							
E45/2578	Vistarise Limited	100	Granted	03/08/2005	32 (99.8)	32,000	3,361.60
LIONEL							
E46/495	Vistarise Limited	100	Granted	06/10/2005	9 (28)	20,000	945.45
KELLY BELT							
E45/2437	Vistarise Limited	100	Granted	06/10/2005	15 (47)	20,000	1,575.75

NATIVE TITLE CLAIMS

TENEMENT NUMBER	NATIONAL NATIVE TITLE TRIBUNAL CLAIM NUMBER	FEDERAL COURT ACTION NUMBER
E08/1556	WC 99/45	WAD 6113/98
	WC 97/45	WAD 6113/98
	WC 05/04	WAD 0126/05
E08/1557	WC 97/05	WAD 6212/98
E08/1591	WC 99/45	WAD 6212/98
	WC 97/95	WAD 6113/98
	WC 05/04	WAD 0126/05
E45/2437	WC 99/08	WAD 6028/98
E45/2538	WC 99/08	WAD 6028/98
E46/495	WC 99/08	WAD 6028/98

SECTION 6 SOLICITOR'S REPORT ON TENEMENTS AND MATERIAL CONTRACTS

NOTES ON TENEMENTS

In respect of E46/495, Vistarise Limited failed to meet the expenditure commitment of \$20,000 for the first year ended 5 October 2005 by the sum of \$13,381. An application for exemption DoIR No 105/067 was filed on 25 January 2007. Vistarise Limited has not received any objection or complaint from any party in respect of the under expenditure although an objection can be lodged at any time prior to 15 February 2007. A Notice of Intention to Forfeit dated 24 January 2007 was received by Vistarise Limited on 31 January 2007. Vistarise Limited has until 23 February 2007 to lodge a submission opposing the forfeiture. This notice is a standard administrative procedure undertaken by DoIR. In practice provided a submission is lodged, DoIR is most likely to issue a financial penalty rather than order forfeiture. The circumstances in this case where a previous joint venturer was to maintain the tenement suggests that a submission will avoid forfeiture.

SCHEDULE OF MATERIAL CONTRACTS

The contracts summarised below are material to the terms of the Offer and the operations of the Company's business and as such may be relevant to potential investors in the Company.

VISTARISE PURCHASE

By an agreement made 26 May 2006, Pegasus agreed with Vistarise Limited to purchase granted exploration licences E45/2437, E45/2578 and E46/495 for the issue of 3,000,000 Shares.

By an agreement made 13 December 2006, Pegasus agreed with Vistarise Limited to amend the purchase granted exploration licences E45/2437, E45/2578 and E46/495 for the issue of 3,000,000 Shares to allow for an extension of the time for the completion of the purchase. The purchase is now unconditional.

The agreements and the transfers of these tenements have been lodged for stamp duty assessment in Western Australia. The 3,000,000 Vendor Shares will be issued as soon as the duty has been paid and will be considered as restricted securities by the ASX.

NATIVE TITLE AGREEMENTS

On 16 November 2005, Pegasus entered into two Standard Heritage Agreements with The Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation, one agreement as agent for the Thalangi Claim Group in respect of E08/1556, E08/1557, and E08/1591 and the second agreement with the same Aboriginal Corporation as agent for the Gnulli Claimant Group in respect of E09/1250.

On 15 May 2005, Pegasus entered into an Alternative Exploration and Heritage Agreement with Glenis Hayes as agent for the Thalangi People in respect of E08/1556 and E08/1591.

On 8 September 2004, Vistarise Limited entered into a Standard Heritage Agreement with The Yamatji Marlpa Barna Baba Maaja Aboriginal Corporation as agent for the Njamul Claim Group WC 99/8 in respect of exploration licences E45/2437, E45/2578 and E46/495.

The terms of these agreements provide for low impact exploration activity to proceed without a Heritage Survey and then, if ground disturbing activities and drilling are to proceed, such a survey assisted at the cost of the Company by representatives of the Claimants

**Horwath Securities
(WA) Pty Ltd**

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1 February 2007

The Directors
Pegasus Metals Limited
Suite 2, 29 Ord Street
WEST PERTH WA 6872

Dear Sirs

INDEPENDENT ACCOUNTANT'S REPORT/ PEGASUS METALS LIMITED**1. INTRODUCTION**

This report has been prepared at the request of the Directors of Pegasus Metals Limited ("Pegasus" or the "Company") for inclusion in a Prospectus dated on or about 5 February 2007 inviting participation in the issue by Pegasus of 17,500,000 ordinary fully paid shares at an issue price of \$0.20 each to raise up to \$3,500,000.

All amounts are expressed in Australian Dollars unless otherwise stated.

2. BACKGROUND

The Company was incorporated on 29 July 2005 as Pegasus Uranium Pty Ltd. Since incorporation and up to the date of this review, the Company has issued 14,750,001 shares to raise \$474,501.

3. BASIS OF PREPARATION

This report has been included in this Prospectus to assist investors and their financial advisers to make an assessment of the financial position and performance of Pegasus. This report does not address the rights attaching to the shares to be issued in accordance with this Prospectus, nor the risks associated with the investment.

The Directors of Pegasus have requested Horwath Securities (WA) Pty Ltd ("Horwath") to prepare an Independent Accountant's Report for inclusion in this Prospectus dealing with the following financial and other information:

- (i) the reviewed results of Pegasus for the period from incorporation on 29 July 2005 to 31 December 2006;
- (ii) the reviewed balance sheet of Pegasus as at 31 December 2006; and
- (iii) the proforma balance sheet of Pegasus as at 31 December 2006 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 2.

4. SCOPE OF REVIEW

Our review has been conducted in accordance with Auditing Standard AUS 902 "Review of Financial Reports"



SECTION 7 INDEPENDENT ACCOUNTANT'S REPORT

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

The Directors of Pegasus have prepared and are responsible for the historical financial information. We disclaim any responsibility for any reliance on this report or on the financial information to which it relates for any purposes other than that for which it was prepared. This report should be read in conjunction with the Prospectus.

5. STATEMENT

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial information as set out in Appendix 1 and 2 does not present fairly:

- (i) the results of Pegasus for the period ended 31 December 2006;
- (ii) the balance sheet of Pegasus as at 31 December 2006; and
- (iii) the proforma balance sheet of Pegasus as at 31 December 2006 adjusted to include funds to be raised by the Prospectus and the completion of the transactions referred to in Note 2 of Appendix 2,

in accordance with the accounting methodology required by applicable Australian equivalents to International Financial Reporting Standards and the accounting policies adopted by Echo as described in Note 1 and on the basis of the assumptions and transactions set out in Appendix 2.

6. DECLARATIONS

- (a) Horwath will be paid a fee of between \$5,000 - \$10,000 based upon normal charge rates and professional time incurred in the compilation of information and the preparation of this report. The involvement of Horwath in the preparation of this Prospectus is limited to the preparation of this report other than Horwath Audit (WA) Pty Ltd is the Auditor of the Company and will be paid audit fees of \$10,000 for the 30 June 2007 audit;
- (b) Horwath was not involved in any other aspect of this Prospectus and did not authorise or cause the issue of any other part of this Prospectus and we have only issued our consent in respect of the inclusion of this report in this Prospectus;
- (c) The author of this report does not have any interest in Pegasus or the shares offered by this Prospectus;
- (d) The giving of our consent for the inclusion of this report in this Prospectus should not be taken as an endorsement of Pegasus or a recommendation by Horwath of any participation in the offer by any intending investors;
- (e) The author of this report gives not assurance or guarantee whatsoever in respect of the future success of or financial returns associated with the subscription for shares being offered pursuant to this Prospectus; and
- (f) This report should be read as a whole and no part of it quoted, otherwise referred to or produced without prior written consent of Horwath.

Yours faithfully

HORWATH SECURITIES (WA) PTY LTD



PETER TOLL
Director

APPENDIX 1

INCOME STATEMENT

For the period ended 31 December 2006

	Note	Reviewed 31 Dec 2006 \$
Revenues from ordinary activities		4,704
Administrative expenses		(2,993)
Marketing expenses		-
Occupancy expenses		-
Exploration expenses		(83,645)
Other expenses from ordinary activities		-
(Loss) before income tax		(81,934)
Income tax expense		-
(Loss) after income tax expense		(81,934)
NET (LOSS)		(81,934)

This Income Statement is to be read in conjunction with Appendix 2.

STATEMENT OF CHANGES IN EQUITY

For the period ended 31 December 2006

	Issued Capital \$	Accumulated Losses \$	Total \$
Equity at the beginning of the period	-	-	-
Loss for the period	-	(81,934)	(81,934)
Issue of share capital	474,501	-	474,501
Costs of share issue	-	-	-
Equity at 31 December 2006	474,501	(81,934)	392,567

This Statement of Changes in Equity is to be read in conjunction with Appendix 2.

SECTION 7 INDEPENDENT ACCOUNTANT'S REPORT

APPENDIX 1

BALANCE SHEET

As at 31 December 2006	Note	Reviewed 31 Dec 2006 \$	Pro forma 31 Dec 2006 \$
CURRENT ASSETS			
Cash and cash equivalents	3	414,787	3,584,787
Tax recoverable		5,226	5,226
TOTAL CURRENT ASSETS		420,013	3,590,013
TOTAL ASSETS		420,013	3,590,013
CURRENT LIABILITIES			
Trade and other payables	4	27,446	27,446
TOTAL CURRENT LIABILITIES		27,446	27,446
TOTAL LIABILITIES		27,446	27,446
NET ASSETS		392,567	3,562,567
EQUITY			
Contributed equity	5	474,501	3,710,501
Accumulated losses	6	(81,934)	(147,934)
TOTAL EQUITY		392,567	3,562,567

These Balance Sheets are to be read in conjunction with Appendix 2.

APPENDIX 1

CASH FLOW STATEMENT

For the period ended 31 December 2006

	Note	Reviewed 31 Dec 2006 \$
Cash Flows From Operating Activities		
Payments to suppliers and employees		(8,218)
Payments for mining expenditure		(56,198)
Interest received		4,704
Interest paid		(2)
Net Cash Flows Used in Operating Activities		(59,714)
Cash Flows From Investing Activities		
Payments for plant and equipment		-
Net Cash Flows Used in Investing Activities		-
Cash Flows From Financing Activities		
Proceeds from share issues		474,501
Cost of share issue		-
Proceeds from loans		-
Net Cash Flows From Financing Activities		474,501
Net(decrease)/increase in cash and cash equivalents		414,787
Cash and cash equivalents at beginning of the period		-
Cash and cash equivalents at end of the period		414,787

This Statement of Cash Flows is to be read in conjunction with Appendix 2.

SECTION 7 INDEPENDENT ACCOUNTANT'S REPORT

Notes to and forming part of the Financial Statements for the period ended
31 December 2006 (Since Incorporation 29 July 2005)

APPENDIX 2

1. Basis of Preparation

The financial information has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS's), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The financial information is presented in abbreviated form insofar as it does not comply with all of the disclosure requirements set out in the AIFRS and the Corporations Act 2001.

The financial information has been prepared on the basis of historical costs except where stated.

The principal accounting policies relating to the financial information are described below:

(a) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(b) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(c) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes to and forming part of the Financial Statements for the period ended
31 December 2006 (Since Incorporation 29 July 2005)

(e) *Property, Plant and Equipment*

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over the estimated useful lives, as follows:

- | | |
|-------------------------------------|----------------|
| • Machinery | 10 to 15 years |
| • Vehicles | 3 to 5 years |
| • Furniture, fittings and equipment | 3 to 8 years |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(f) *Principles of Consolidation*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pegasus Metals Limited and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

Subsidiaries are full consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(g) *Exploration Expenditure*

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred. Where the Directors decide to progress the development in an area of interest all further expenditure incurred relating to the area will be capitalised.

SECTION 7 INDEPENDENT ACCOUNTANT'S REPORT

Notes to and forming part of the Financial Statements for the period ended
31 December 2006 (Since Incorporation 29 July 2005)

Projects are advanced to development status and classified as mining properties when it is expected that future expenditure can be recouped through sale or successful development and exploitation of the area of interest. Such expenditure is carried forward up to commencement of production at which time it is amortised over the life of the economically recoverable reserves.

All projects are subject to detailed review on an annual basis and accumulated costs written off to the extent that they will not be recoverable in the future.

Rehabilitation costs relating to mining activities are provided for from commencement of production on a unit-of-production basis. Estimates of future costs are reassessed at least annually and any changes in estimated costs of rehabilitation are dealt with prospectively over the remaining life of the mine.

(h) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature without any cash consideration are not recognised as revenues.

Interest Income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date of control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(i) Contributed Equity

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

2. Actual and Proposed Transactions to arrive at Proforma Balance Sheet

The proforma balance sheet reflects the 31 December 2006 balance sheet adjusted to reflect the effect of the actual and proposed transactions pursuant to the proposed capital raising and assumes no oversubscription of shares. The transactions reflected in the proforma are as follows:

- The payment of \$330,000 in capital raising costs.
- The issue and expensing of 3,000,000 ordinary shares at \$66,000 to a vendor for the purchase of mining tenements.
- The issue of 17,500,000 ordinary shares to raise \$3,500,000 in accordance with the Prospectus.

Notes to and forming part of the Financial Statements for the period ended
31 December 2006 (Since Incorporation 29 July 2005)

	Reviewed 31 Dec 2006 \$	Pro forma 31 Dec 2006 \$
3. Cash and cash equivalents		
Cash at bank	414,787	3,584,787
Pro forma adjustments		
• Reviewed (31 December 2006)		414,787
• Shares issued pursuant to this Prospectus		3,500,000
• Prospectus issue costs		(330,000)
		3,584,787
4. Trade and other payables	27,446	27,446
5. Contributed Equity		
Issued Capital	474,501	3,710,501
Pro forma adjustments	Number	\$
Reviewed 31 December 2006	11,750,001	474,501
Issue of 3,000,000 shares to vendor	3,000,000	66,000
Issue of 17,500,000 shares pursuant to this Prospectus	17,500,000	3,500,000
Prospectus issue costs	-	(330,000)
	29,750,001	3,710,501
6. Accumulated Losses	81,934	147,934
Pro forma adjustments		
Reviewed 31 December 2006		81,934
Expense of tenements purchased		66,000
		147,934
7. Exploration Commitments		
See Tenement Schedule (refer Section 6 of this Prospectus)		
8. Events Subsequent to Balance Date		

There has not arisen in the interval between the end of the financial period and the date of this Prospectus, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future years.

SECTION 8 ADDITIONAL INFORMATION

8.1 Pegasus Metals Limited

Pegasus was incorporated in Western Australia on 29 July 2005. The financial year of the Company ends on 30 June annually. The Company has not declared a dividend for the year ended 30 June 2006 nor is it likely to declare a dividend in the foreseeable future.

8.2 Material Contracts

Certain contracts have been entered into by the Company and have been identified as material and relevant to potential investors. To fully understand all rights and obligations of a material contract it would be necessary to review it in full. Summaries of the Material Contracts are contained in the Solicitors' Report in Section 6 of this Prospectus.

8.3 Seed Capital & Pre-Prospectus Funding

\$474,501 in capital has been raised by the Company prior to this Prospectus.

8.4 Rights Attaching to Shares

There is only one class of shares on issue in the Company being fully paid ordinary shares. The rights attaching to Shares in the Company are set out in the Constitution of the Company and, in certain circumstances, regulated by the Corporations Act, the Listing Rules of the ASX, the SCH Business Rules and the general law.

The following is a summary of the principal rights of the holders of Shares.

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll every holder of Shares who is present in person or by proxy, attorney or representative have one vote for the Share and a fraction of a vote for every partly paid share proportional to the amount paid up per partly paid share, registered in such shareholder's name on the Company's share register. A poll may be demanded by the chairperson of the meeting, by any five shareholders present in person or by proxy, attorney or representative, or by any one or more shareholders who are together entitled to not less than 5% of the total voting rights of, or paid up value of, the shares of all those shareholders having the right to vote at that meeting.

Dividends

Dividends are payable out of the Company's profit and are declared by the Directors. Dividends declared will be payable on the Shares at an amount per share determined by the Directors.

Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by the ASX or the Corporations Act for the purpose of facilitating transfers in shares or by an instrument in writing in a form approved by the ASX or in any other usual form or in any form approved by the Directors. The Directors may refuse to register any transfer of Shares, other than a Proper SCH Transfer (as defined in the Corporations Act), where permitted by the Listing Rules of the ASX. The Company must not refuse to register or give effect to or delay or in any way interfere with a Proper SCH Transfer of Shares or other securities.

Meetings and Notice

Each shareholder is entitled to receive notice of and to attend general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution of the Company, the Corporations Act or the ASX Listing Rules.

Liquidation Rights

The Shares rank equally in the event of liquidation. Once all the liabilities of the Company are satisfied, a liquidator may, with the authority of a special resolution of shareholders divide the whole or any part of the remaining assets of the Company between the shareholders in proportion to the paid-up value of their respective holdings. The liquidator can with the sanction of a special resolution of the Company's shareholders vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of the Company can be compelled to accept any shares or other securities in respect of which there is any liability.

Shareholder Liability

As the Shares are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least 75% of shareholders present and voting at the general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

ASX Listing Rules

If the Company is admitted to the Official List of the ASX, then despite anything in the Constitution of the Company, if the ASX Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision or not to contain a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be). If a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

8.5 Options

There are no Options at the date of this Prospectus. An entitlement issue of Options is foreshadowed in Section 3.15.

8.6 Directors' Interests

Other than set out below or elsewhere in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had in the two year period ending on the date of this Prospectus, any interest in the formation or promotion of the Company, or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of securities, or the offer of the securities.

SECTION 8 ADDITIONAL INFORMATION

Other than set out below or elsewhere in this Prospectus, no amounts of any kind (whether in cash or Shares or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which the a Director is associated to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her or any company or firm with which the Director is associated in connection with the formation or promotion of the Company or offer of the securities.

Interests in property acquired by the Company

No Director has any direct or indirect interests in any of the tenements acquired by Pegasus.

Shareholding Qualifications

The Directors are not required to hold any Shares under the Constitution of the Company.

Remuneration of Directors

The Constitution of the Company provides that the non-executive Directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting. The current aggregate maximum is \$150,000. A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties. Executive Directors may be paid on commercial terms as the Directors see fit.

The two Directors, other than the Executive Director, will be paid up to a total of \$70,000 between them per annum commencing immediately upon ASX listing. In addition, Graham Anderson will be paid professional fees at normal commercial rates for his work as Company Secretary.

The Executive Director will be paid a package totalling \$180,000 (plus GST, if applicable) for the first 12 month period from 1 March 2007, conditional on ASX listing.

No Directors have been paid any fees prior this Prospectus.

Directors' Shareholdings

The details of Directors' interests in the Shares when the offer is completed and ASX has approved the Company for listing will be:

Director	Shares
Graham Anderson	500,000
Peter Andrews	3,500,001
Craig Munro	250,000

Preparation of Prospectus

In addition to the remuneration of the Directors described above, which become payable commencing on the listing of Pegasus Shares, interests associated with Graham Anderson will be paid a total fee of \$20,000 (+ GST) for work for the Company since incorporation, corporate work on the preparation of this Prospectus and the management of the ASX listing process for the Company. This fee is only due and payable by Pegasus upon the successful listing of the Company.

8.7 Disclosure of Interests and Fees

Except as disclosed in this Prospectus, no promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the two year period ending on the date of this Prospectus, any interest in the formation or promotion of the Company, or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash or Shares or otherwise) have been paid or agreed to be paid to any promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, or to any firm in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer.

Clavey Legal has acted as the Solicitors to the Offer and in that capacity has prepared the Solicitor's Report in respect to the tenements and the material contracts. Clavey Legal has been involved in undertaking due diligence enquiries in relation to the Australian legal matters and providing legal advice to the Company in relation to the Offer. In respect of this work, the Company will pay approximately \$7,000 + GST for Prospectus services.

Al Maynard & Associates has prepared the Independent Geologists' Report included in this Prospectus. The Company will pay approximately \$5,000 + GST for these services. The Company has already paid Brett Townsend \$12,000 + GST for his work on the Independent Geologists' Report.

Horwath Securities (WA) Pty Ltd has prepared the Independent Accountant's Report included in this Prospectus. The Company has agreed to pay \$5-10,000 + GST for this report at normal commercial rates. Horwath Audit (WA) Pty Ltd is the Auditor to the Company. The Company expects to pay \$10,000 + GST for these services in 2006/2007.

Patersons Securities Limited will be paid the Lead Management Fee and Capital Raising Fee disclosed in Section 3.8 and its out of pocket expenses (plus GST).

8.8 Consents

Each of the parties referred to in this Section 8.7:

- a) does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in that Section; and
- b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Allen J Maynard has given his written consent to the inclusion in this Prospectus of the Independent Geologists' Report and to the inclusion of statements made by him, or statements said in this Prospectus to be based on statements made by him in the form and context in which they are included and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

SECTION 8 ADDITIONAL INFORMATION

Clavey Legal has given its written consent to the inclusion in this Prospectus of the Solicitor's Report in the form and context in which it appears and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Horwath Securities (WA) Pty Ltd has given its written consent to the inclusion in this Prospectus of the Independent Accountant's Report in the form and context in which it appears and has not withdrawn such consent before lodgement of this Prospectus with the ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and has not withdrawn their consent prior to the lodgement of this Prospectus with the ASIC:

- a) Clavey Legal as Solicitor Reporting on Tenements and Material Contracts;
- b) Al Maynard & Associates as Independent Consulting Geologists;
- c) Horwath Securities (WA) Pty Ltd as Independent Accountant;
- d) Horwath Audit (WA) Pty Ltd as Auditor of the Company; and
- e) Patersons Securities Limited as Lead Manager to the Offer
- f) Security Transfer Registrars Pty Ltd as Share Registrar.

There are persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus, nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

8.9 Expenses of the Issue

The total estimated costs of the Issue, including legal fees incurred, ASIC and ASX fees, the Lead Manager's fee, fees for other advisors and consultants, prospectus design, printing and advertising expenses and other miscellaneous expenses will be approximately \$125,000 including GST where applicable. The fee for preparing the Prospectus and the Lead Manager Fee is included in this amount. Handling fees may be paid in respect of certain Applications for Shares as described in Section 3.8, up to a maximum of \$175,000 on the \$3,500,000 sought by this Prospectus

8.10 Legal Proceedings

The Directors are not aware of any litigation of a material nature pending or threatened, which may significantly affect Pegasus.

8.11 Corporate Governance

The Board is responsible for the corporate governance of Pegasus and the members of the Board recognise the need for the highest standards of behaviour and accountability. When listed, the Board will aspire to follow ASX's Best Practise Recommendations for Corporate Governance set by the ASX Corporate Governance Council as far as they are practical and are within their capability, taking into account the size of the Company, its available funds and its level of activities.

The Board of Directors considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the establishment of separate Board committees. Accordingly, all matters that may be capable of delegation to committees will be dealt with by the full Board.

As such, the Directors are responsible for setting the strategic direction of the Company and establishing the policies of the Company. It is their responsibility to oversee the financial position of the Company and monitor the business and affairs of the Company, on behalf of the shareholders, by whom the Directors are elected and to whom they are accountable. The Directors also address issues relating to internal control and the Company's approach to risk management. Section 2 of the Prospectus contains more details of the Directors' skills, experience, and qualification.

The primary responsibilities of the Board include:

- The establishment of long term goals for the Company and strategic plans to achieve these goals.
- Implementing adequate systems of internal control together with appropriate monitoring of compliance activities and establishment of and adherence to ethical and environmental standards.
- Reviewing the results and findings of the external auditors, the adequacy of internal accounting and financial controls and obtaining feedback on the implementation of recommendations made.
- Reviewing and approving the financial reports of the Company and receiving the audit/review reports.
- Determining the remuneration of the Directors and senior executives as part of an annual review, having regard to a performance evaluation process, market factors; and, where necessary, independent remuneration advice.
- Implementing policies and codes of conduct to assist the Company and all its employees in maintaining appropriate standards of behaviour, business ethics and integrity.
- Implementing policies and programmes aimed at complying with all environmental statutory standards and where standards do not exist, applying appropriate self-regulation.
- Adopting practices designed to identify and monitor significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. The strategic planning process, which will be updated regularly, is the principal tool in this process.
- Evaluating and, where appropriate, adopting with or without modification the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.
- Recognising that adherence to corporate governance standards and benchmarks is an evolving process by reviewing and updating the Company's practices periodically or when otherwise appropriate.
- Preparing, implementing and monitoring policies to ensure that all major developments affecting the financial position and state of affairs of the Company and any subsidiaries are announced to ASX immediately.

SECTION 8 ADDITIONAL INFORMATION

8.12 Taxation

Investors should seek and rely on their own professional taxation advice in relation to an investment in the Company.

8.13 Profit Forecast

The Directors have considered the matters set out in ASIC Policy Statement 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Any forecast would contain such a wide range of potential outcomes that it is not possible to prepare a reliable best estimate profit forecast or projection.

8.14 Directors' Responsibility Statement and Consent

This Prospectus is authorised by the Company and is lodged with the ASIC pursuant to Section 718 of the Corporations Law. The Directors have consented in writing to this lodgement in the terms of Section 720 of the Corporations Law.

Dated 5 February 2007

A handwritten signature in black ink, appearing to read 'Peter Andrews', is written over a faint, large watermark of a kangaroo in the background.

Peter Andrews
Executive Director

The following definitions apply throughout this document unless the context requires otherwise.

Applicant(s)	The person(s) who submit valid Application Forms pursuant to this Prospectus.
Application	A valid application made to subscribe for a specified number of Shares pursuant to this Prospectus.
Application Form	The form so described and attached to this Prospectus.
ASIC	Australian Securities and Investments Commission.
ASX	Australian Stock Exchange Limited.
Pegasus or the Company	Pegasus Metals Australia Ltd ACN 115 535 030, ABN 40 115 535 030
Closing Date	5.00pm Western Standard Time 6 March 2007.
Directors	The directors of the Company.
Electronic Prospectus	An electronic version of the Prospectus.
Existing Shares	The 14,750,001 Shares on issue as at the date of this Prospectus.
Issue	The issue of Shares pursuant to this Prospectus.
Listing Rules	The official Listing Rules of ASX.
Lead Manager	Patersons Securites Limited ABN 69 008 896 311
Offer	The invitation to the public made in this Prospectus to subscribe for 17,500,000 Shares.
Offer Subscription	The Offer to raise \$3,500,000.
Opening Date	9.00am Western Standard Time 13 February 2007.
Option	An option to subscribe for a Share proposed to be issued as described in Section 3.15 of this Prospectus
SCH Business Rules	The same meaning as in the Corporations Act.
Share(s)	Fully paid ordinary share(s) in the Company.
Vendor	Vistarise Limited

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PEGASUS METALS LIMITED

Share Registrar Use Only

ACN: 117 085 748

APPLICATION FORM

Broker/Dealer reference - stamp

Please read carefully all instructions on the reverse of this Form

A Number of Shares and Options

(Minimum 10,000 Shares and then multiples of 1,000 Shares)

B Total amount payable

cheques(s) to equal this amount

at \$0.20 each = A\$

you may be allocated all of the Shares above or a lesser number

Broker code

Adviser code

C Full name details

title, given name(s) (no initials) and surname or company name
name

Name of applicant 1

Name of joint applicant 2 or <account name>

Name of joint applicant 3 or <account name>

D Tax file number(s)/ABN

Or exemption category

Applicant 1/company

Applicant 2/trust

Applicant 3/exemption

E Full postal address

Number/street

F Contact details

Contact name

Suburb/town

State/postcode

Contact daytime telephone number

Contact Email Address

G CHESS HIN (if applicable)

H Cheque payment details

please fill out your cheque details and make your cheque payable to:

"Pegasus Metals Australia - Share Issue"

Drawer

Cheque number

BSB number

Account number

Amount of cheque

I Return of the Application Form and the Application Monies

will constitute your offer to subscribe for Shares and Options in the Company. I/We declare that:

- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of the Company; and
- (b) I/we have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form A or a direct derivative of the Application Form A, before applying for Shares and Options.

No signature is required.

You should read the Prospectus dated 5 February 2007 carefully before completing this Application Form. The Corporations Act 2001 (Cth) prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus and any relevant supplementary prospectus (whether in paper or electronic form).

APPLICATION FORM

HOW TO COMPLETE THE APPLICATION FORM

Forward your completed Application Form together with the application money to

BY HAND

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953

BY MAIL

Security Transfer Registrars Pty Ltd
OR Suite 1 Alexandra House
770 Canning Highway
Applecross WA 6153

Applications must be received by no later than 5:00 pm, WST on the Closing Date 6 March 2007.

Please complete all relevant sections of the Application Form using capital letters.

- Enter the number of Shares you wish to apply for. Applications must be for the minimum of 10,000 Shares, and thereafter in multiples of 1,000 Shares.
- Enter the total amount of application money payable. To calculate the amount, multiply the number of Shares applied for by the amount of 20 cents per Share.
- Enter the full name(s) and title(s) of all legal entities that are to be recorded as the registered holder(s). Refer to the name standards below for guidance on valid registration.
- Enter the tax file number(s) or ABN(s) of the applicant(s). With a joint holding, only the tax file numbers of two holders are required.
- Enter the postal address for all communications from Pegasus. Only one address can be recorded.
- Enter telephone numbers and a contact person that the share registry can speak to if they have any queries regarding this application.
- If you are sponsored in CHESS by a stockbroker or other CHESS participant, enter your Holder Identification Number (HIN). Otherwise, leave the boxes marked "CHESS HIN" blank and on allotment, you will be sponsored by Pegasus and a Shareholder Reference Number will be allocated to you.
- Complete cheque details as requested. Payment must be made in Australian currency and cheques must be drawn on an Australian bank. Cheques or bank drafts must be payable to "Pegasus Metals Australia Ltd – Share Issue" and crossed not negotiable.
- Before completing the Application Form the applicant(s) declares that he or she has read the Prospectus to which the application relates. The applicant(s) agree(s) that this application is for Shares in Pegasus Metals Australia Ltd upon and subject to the terms of the Prospectus, agree(s) to take any number of Shares equal to or less than the number of Shares indicated in Box A that may be allotted to the applicant(s) pursuant to the Prospectus and declare(s) that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Correct forms of title

Only legal entities may be registered as holders of the Shares. Applications must be in the full name(s) of natural persons, companies or other legal entities. Shares cannot be registered in the name of a trust and no trust can be implied. The name of a beneficiary or any other registrable name may be included by way of account description if completed exactly as described in the examples of correct forms of registrable names below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual		
Use given names, not initials	Mr John Alfred Smith	J A Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co. AAA Co
Use Company title, not abbreviations		
Trust		
Use trustee(s) name(s). Do not use the name of the trust	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estate		
Use executor(s) personal name(s), not the name of the deceased	Ms Mary Jane Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Partnership	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Superannuation Fund		
Use of name of trustee of fund, do not use the name of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund



PEGASUS METALS LIMITED

Share Registrar Use Only

ACN: 117 085 748

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cheques(s) to equal this amount

Broker code

at \$0.20 each = A\$

Adviser code

you may be allocated all of the Shares above or a lesser number

C Full name details title, given name(s) (no initials) and surname or company name
name

Name of applicant 1

D Tax file number(s)/ABN

Or exemption category

Applicant 1/company

Name of joint applicant 2 or <account name>

Applicant 2/trust

Name of joint applicant 3 or <account name>

Applicant 3/exemption

E Full postal address

Number/street

F Contact details

Contact name

Suburb/town

State/postcode

Contact daytime telephone number

Contact Email Address

G CHESS HIN (if applicable)

H Cheque payment details

please fill out your cheque details and make your cheque payable to:

"Pegasus Metals Australia - Share Issue"

Drawer

Cheque number

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Account number

Amount of cheque

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- (a) this Application is completed according to the declaration/appropriate statements on the reverse of this form and agree to be bound by the Constitution of the Company; and
- (b) I/we have received personally a copy of this Prospectus accompanied by or attached to the Application Form or a copy of the Application Form A or a direct derivative of the Application Form A, before applying for Shares and Options.

No signature is required.

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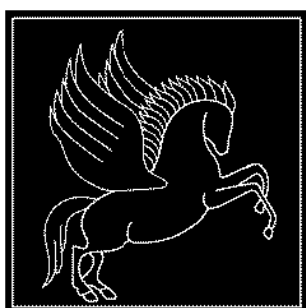
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Correct forms of title

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Use trustee(s) name(s), Do not use the name of the trust	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estate		
Use executor(s) personal name(s), not the name of the deceased	Ms Mary Jane Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Partnership	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Superannuation Fund		
Use of name of trustee of fund, do not use the name of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund





PEGASUS METALS LIMITED

ACN 115 535 030

Suite 2, 29 Ord Street, West Perth WA 6005

PO Box 58, West Perth WA 6872

Phone 08 9485 0277

Fax 08 9485 1762