

PEGASUS METALS LIMITED

ACN 115 535 030

Notice of Annual General Meeting Proxy Form and Explanatory Statement

Date of Meeting

30 November 2017

Time of Meeting

10:00am (WST)

Place of Meeting

24 Mumford Place, Balcatta, WA 6021

*This Notice of Annual General Meeting and Explanatory Statement should be read in its entirety.
If shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor
or other professional adviser without delay.*

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF PEGASUS METALS LIMITED ACN 115 535 030 ("PEGASUS METALS/THE COMPANY") WILL BE HELD AT 24 MUMFORD PLACE, BALCATTIA, WA ON TUESDAY 30 NOVEMBER 2017, AT 10.00 AM (WST).

AGENDA

BUSINESS

An Explanatory Statement containing information in relation to each of the following Resolutions accompanies this Notice of Annual General Meeting. Terms used in this Notice of Annual General Meeting and accompanying Explanatory Statement are defined in Schedule 1 to this document.

ORDINARY BUSINESS

1. Financial Statements and Reports for the year ended 30 June 2017

To receive and consider the annual financial report of the Company and the reports of the Directors and the auditors of the Company for the financial year ended 30 June 2017.

Note: There is no requirement for Shareholders to approve these reports. A copy of the Company's 2017 Annual Report is available at <http://www.pegasusmetals.com.au/financialreports.html>

2. Resolution 1 - Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes the Remuneration Report forming part of the Company's 2017 Annual Report dealing with the remuneration of the Company's Directors and senior executives, be adopted."

Voting Exclusion

In accordance with the *Corporations Act 2001* (Cth) ("**Corporations Act**"), the Company will disregard:-

- (a) any votes cast on Resolution 1 by or on behalf of:
 - (i) a member of the Key Management Personnel ("KMP") whose remuneration is included in the Remuneration Report; or
 - (ii) a Closely Related Party of a member of the KMP.

Closely Related Party is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by a member of the KMP.

However the Company need not disregard a vote cast on Resolution 1 if it is not cast on behalf of a person described in paragraphs (i) or (ii) above and either:

- (a) the person is acting as proxy for a person entitled to vote on the Resolution, in accordance with a direction in the proxy appointment specifying how the proxy is to vote on the Resolution; or
- (b) the person is chairing the meeting as proxy for a person entitled to vote on the Resolution where the proxy appointment does not specify the way the proxy is to vote on the Resolution and expressly authorises the Chairman to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the KMP of the Company.

Please read the information under the heading 'Chairman as proxy' which deals with the Chairman's voting of undirected proxies on Resolution 1.

If you are a member of the KMP or a Closely Related Party of any such member, you may be held liable for breach of the voting restrictions in the Corporations Act if you cast a vote that the Company will disregard.

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

3. Resolution 2 - Re-election of Mr Neil Porter as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of clause 13.5 of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Neil Porter, who was appointed as an additional Director by the Board on 13 January 2017, retires, and being eligible, is re-elected as a Director."

4. **Resolution 3 - Re-election of Mr Michael Fotios as a Director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of clause 13.2 of the Constitution, Listing Rule 14.5 and for all other purposes, Mr Michael Fotios, being a Director of the Company, retires by rotation in accordance with the Constitution of the Company and, being eligible for re-election, be and is hereby re-elected as a Director of the Company."

5. **Resolution 4 - Approval of 10% Placement Facility**

To consider and, if thought fit, to pass the following resolution, as a **special resolution**:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 for the purpose and on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion

Under Listing Rule 14.11, the Company will disregard any votes cast on Resolution 4 by:

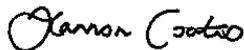
- (a) persons who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed; and
- (b) an associate of those persons.

However, the Company need not disregard a vote if it is cast:

- (a) by a person as proxy for a person who is entitled to vote, in accordance with the direction on the enclosed proxy form; or
- (b) by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the enclosed proxy form to vote as the proxy decides.

Important note: In circumstances where the names of the persons to whom the Company will issue the Equity Securities under the additional 10% Placement Facility (as defined in the Explanatory Statement) are not as yet known or identified, then (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the additional 10% Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

BY ORDER OF THE BOARD



SHANNON COATES

Company Secretary

Dated 12 October 2017

ENTITLEMENT TO ATTEND AND VOTE

You will be entitled to attend and vote at the Annual General Meeting if you are registered as a Shareholder of the Company as at 4:00pm (WST) on 28 November 2017. This is because, in accordance with the Corporations Regulations 2001 (Cth), the Board of Directors has determined that the Shares on issue at that time will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

HOW TO VOTE

Voting in person

Shareholders who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting if possible, so that their holding may be checked against the Company's register of members and attendances recorded.

Corporate Representatives

A body corporate, which is a Shareholder or which has been appointed as a proxy, may appoint an individual to act as its corporate representative at the Meeting in accordance with section 250D of the Corporations Act. The appropriate appointment document must be produced prior to admission. A form of the certificate can be obtained from the Company's registered office.

Voting by Proxy

A Shareholder who is entitled to attend and cast a vote at the Meeting may appoint a proxy. A proxy need not be a Shareholder and may be an individual or body corporate. If a body corporate is appointed as a proxy it must appoint a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Meeting (see above).

A Shareholder who is entitled to cast two or more votes may appoint two proxies to attend the Meeting and vote on their behalf and may specify the proportion or a number of votes each proxy is appointed to exercise. If a Shareholder appoints two proxies and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, each proxy may exercise half of the votes (disregarding fractions). If you wish to appoint a second proxy, you may copy the enclosed proxy form or obtain a form from the Company's registered office.

To be effective for the scheduled Meeting a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received at an address or fax number below no later than 10:00am (WST) on 28 November 2017. Any proxy appointment received after that time will not be valid for the scheduled Meeting.

In person or by mail

24 Mumford Place,
Balcatta, WA 6021

By fax

(08) 9322 5230

For further information concerning the appointment of proxies and the ways in which proxy appointments may be submitted, please refer to the enclosed proxy form.

Voting by attorney

A Shareholder may appoint an attorney to attend and vote on their behalf. For an appointment to be effective for the meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at one of the addresses listed above for the receipt of proxy appointments at least 48 hours prior to the commencement of the Meeting.

Chairman as proxy

If you appoint a proxy, the Company encourages you to consider directing them how to vote by marking the appropriate box on each of the proposed Resolutions.

If a Shareholder entitled to vote on a Resolution appoints the Chairman of the Meeting as their proxy (or the Chairman becomes their proxy by default) and the Shareholder does not direct the Chairman how to vote on the Resolution:-

- The Chairman intends to vote in favour of the Resolution, as proxy for that Shareholder on a poll; and
- For Resolution 1, the Shareholder will have given the Chairman express authority to vote as the Shareholder's proxy on the relevant resolution even though the resolution is connected directly or indirectly with the remuneration of a member of the KMP for the Company and even though the Chairman is a member of the KMP, unless the Shareholder expressly indicates to the contrary in the proxy appointment.

If you do not want to put the Chairman of the Meeting in the position to cast your votes in favour of Resolution 1, you should complete the appropriate box on the proxy form, directing your proxy to vote against, or to abstain from voting, on the resolution.

Other members of KMP as proxy

If a Shareholder appoints a Director (other than the Chairman of the meeting) or another member of the KMP (or a Closely Related Party of any such person) as their proxy and does not direct the proxy how to vote on Resolution 1 by marking the 'For', 'Against' or 'Abstain' box opposite the relevant Resolution on the proxy appointment, the proxy will not be able to exercise the Shareholder's proxy and vote on their behalf on the relevant Resolution.

QUESTIONS FROM SHAREHOLDERS

The Chairman of the Meeting will allow a reasonable opportunity for Shareholders at the Meeting to ask questions about and make comments on the management of the Company and on the financial report, the Directors' report (including the Remuneration Report) and the auditor's report (**Reports**), as well as each of the Resolutions to be considered at the Meeting.

A representative of the Company's auditor will attend the Meeting. During the Meeting's consideration of the Reports, the Chairman of the Meeting will allow a reasonable opportunity for Shareholders at the Meeting to ask the auditor's representative questions relevant to the:

- Conduct of the audit;
- Preparation and content of the auditor's report for the financial year ended 30 June 2017;
- Accounting policies adopted by the Company in relation to the preparation of the financial statements contained in the financial report for that year; and
- Independence of the auditor in relation to the conduct of the audit.

Shareholders may also submit a written question to the Company's auditor if the question is relevant to the content of the auditor's report or the conduct of the audit.

If you wish to submit a question in advance of the Meeting, you may do so by sending your question to one of the addresses or facsimile numbers above by no later than 24 November 2017. The Company and the auditor will attempt to respond to as many of the more frequently asked questions as possible. Due to the large number of questions that may be received, the Company and the auditor may not be replying on an individual basis.

EXPLANATORY STATEMENT

This Explanatory Statement is for the information of Shareholders of Pegasus Metals Limited (the Company) in connection with Resolutions to be considered at the Annual General Meeting of Pegasus Metals Limited to be held on 30 November 2017 at 10:00am (WST). If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors before voting.

Ordinary Business

Annual Financial Report

The Annual Report 2017 (including the financial statement, Directors' report and auditor's report for the financial year ended 30 June 2017) is available for review by members at www.pegasusmetals.com.au and will be tabled at the Meeting. There is no formal resolution to accept the financial statements and reports, but provision will be made for members to question the Directors and the Company's auditor should they wish to do so.

Resolution 1 – Adoption of Remuneration Report

The Board submits its Remuneration Report for the year ended 30 June 2017 to Shareholders for consideration and adoption by way of a non-binding resolution.

The Remuneration Report is included in the 2017 Annual Report. The report:

- explains the Company's remuneration principles relating to the nature and amount of the remuneration of directors, senior managers and other group executives of the Company;
- discusses the relationship between such principles and the Company's performance; and
- sets out remuneration details for each director and for each relevant executive of the Company.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Meeting.

As required by section 250R(2) of the Corporations Act, a non-binding resolution to adopt the Remuneration Report is to be put to Shareholders at the Meeting. The vote on this Resolution 1 is advisory only and does not bind the Directors of the Company. However, the Corporations Act provides that if the Company's Remuneration Report resolution receives a "no" vote of 25% or more of votes cast at the Annual General Meeting, the Company's subsequent Remuneration Report must explain the Board's proposed action in response or, if the Board does not propose any action, the Board's reasons for not making any changes. The Board will take into account the outcome of the vote when considering the remuneration policy, even if it receives less than a 25% "no" vote. The Corporations Act provides for a 'two strikes rule' in relation to voting on the Remuneration Report. This rule would apply if, at two consecutive annual general meetings, the resolution for adoption of the Remuneration Report were to receive a 'no' vote of 25% or more of the votes cast on the resolution. In that case, a further resolution (a 'spill resolution') would be required to be put to Shareholders at the second of those annual general meetings. If passed, the spill resolution would require an extraordinary general meeting of the Company (a 'spill meeting') to be held within 90 days of the second annual general meeting, for the purpose of considering the election of Directors. At the spill meeting, the directors (other than the Managing Director) who were in office at the date of approval by the Board of the most recent Directors' report would cease to hold office, unless re-elected at the meeting. For any spill resolution to be passed, more than 50% of the votes cast on the resolution must be in favour of it.

At the Company's 2016 annual general meeting, over 25% of the votes cast were NOT against the adoption of the Remuneration Report therefore a Spill Resolution will not be required at the 2017 Annual General Meeting.

The Board remains confident that the Company's remuneration policy and the level and structure of its executive remuneration are suitable for the Company and its shareholders and hence it has not amended its overall remuneration policy.

Please read the information under the heading 'Chairman as proxy' which deals with the Chairman's voting of undirected proxies on this Resolution.

A voting exclusion applies to this item of business, as set out in the Notice of Annual General Meeting.

Directors' recommendation

The Board of Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

Resolution 2 – To re-elect Mr Neil Porter as a Director

Clause 13.5 of the Constitution allows the Directors to appoint at any time a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors.

Pursuant to clause 13.5 of the Constitution, any Director so appointed holds office only until the next annual general meeting of the Company following their appointment, and is then eligible for re-election by Shareholders. Such appointed Directors are not taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

In addition, Listing Rule 14.4 provides that a director appointed to fill a casual vacancy or as an addition to the board of a company must not hold office (without re-election) past the next annual general meeting of that company.

Mr Porter, having been appointed on 13 January 2017 as an additional Director to the Board, will retire in accordance with clause 13.5 of the Constitution and Listing Rule 14.4 and, being eligible, seeks re-election from Shareholders pursuant to Resolution 2. Resolution 2 seeks approval for the re-election of Mr Neil Porter as a Director of the Company.

Mr Neil Porter

Mr Porter is a Commercial Manager with over 20 years' experience specialising in supply and logistics across all facets of the mining industry. He has created and operated two logistics and supply companies (SLR Australia and National Supply Partners) servicing the mining and industrial sectors. Mr Porter is currently a Non-Executive Director of ASX listed Horseshoe Metals Limited (ASX:HOR).

Directors' recommendation

The Board of Directors, with Mr Porter abstaining, recommend that Shareholders vote in favour of Resolution 2.

Resolution 3 – To re-elect Mr Michael Fotios as a Director

Clause 13.2 of the Constitution of the Company requires that one third of the Directors in office (other than a Managing Director) must retire by rotation at each annual general meeting of the Company. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

In addition, Listing Rule 14.5 requires an entity with directors to hold an election of directors at each annual general meeting.

Mr Fotios was elected as a Director at the Company's annual general meeting on 27 November 2015. Between the Directors, Mr Fotios has been longest in office since his last election and will therefore retire at the forthcoming Annual General Meeting in accordance with clause 13.2 of the Constitution and, being eligible, has offered himself for re-election at the meeting.

Mr Michael Fotios

Mr Fotios is a Geologist specialising in Economic Geology with over 30 years' extensive experience in exploration throughout Australia for gold, base metals, tantalum, tin and nickel and taking projects from exploration to feasibility.

Michael previously held positions with Homestake Australia Limited, Sons of Gwalia Limited and Tantalum Australia NL (now ABM Resources NL). He also served as a Non-Executive Director of Northern Star Resources Limited from September 2009 to October 2013, General Mining Corporation Limited from June 2012 until November 2012 and Galaxy Resources Limited from August 2016 until December 2016. Michael is currently a director of the following ASX listed companies:

- Horseshoe Metals Limited
- Eastern Goldfields Limited
- Redbank Copper Limited
- Oklo Resources Limited

Directors' recommendation

The Board of Directors, with Mr Fotios abstaining, recommend that Shareholders vote in favour of Resolution 3.

Resolution 4 – Approval of 10% Placement Facility

The Company seeks Shareholder approval to issue additional Equity Securities up to 10% of its issued share capital through issues over a 12 month period following the date of the Annual General Meeting (**10% Placement Facility**).

The Company intends to use any funds raised towards its exploration activities, acquisition of new assets and for general working capital.

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued ordinary share capital through placements over a 12 month period following shareholder approval being obtained by way of a Special Resolution at the entity's annual general meeting. The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1.A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less as at the time of the entity's annual general meeting. The Company is an eligible entity as at the time of this Notice of Annual General Meeting and is expected to be an eligible entity as at the time of the Annual General Meeting.

Resolution 4 seeks Shareholder approval to enable the Company to issue Equity Securities under the 10% Placement Facility throughout the 12 months after the Annual General Meeting. The effect of Resolution 4 will be to allow the Directors to issue Equity Securities under Listing Rule 7.1A during the period set out below.

Resolution 4 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote at the Annual General Meeting (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The exact number of Equity Securities that the Company may issue under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (see the Explanatory Statement below).

The Company is seeking a mandate to issue Equity Securities under the Additional 10% Placement Facility to enable the Company to pursue its growth strategy with the flexibility to act quickly as potential business opportunities arise.

Specific information required by Listing Rule 7.3A

For the purposes of Listing Rule 7.3A, the following information is provided:

(i) *Minimum Issue Price*

The Equity Securities that will be issued under the 10% Placement Facility must be in the same class as an existing class of quoted Equity Securities of the Company. As at the date of this Notice of Annual General Meeting, the Company has on issue one class of quoted Equity Securities, being Shares.

The issue price of Equity Securities under the 10% Placement Facility must not be lower than 75% of the volume weighted average price for the securities in the same class calculated over the 15 Trading Days immediately before:

- a. the date on which the price at which the Equity Securities are to be issued is agreed; or
- b. if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

(ii) *Risk of Economic and Voting Dilution*

As at the date of this Notice, the Company has 127,174,519 Shares on issue. As a result, the Company has a capacity to issue, subject to Shareholders approving Resolution 4, 12,717,451 Shares under Listing Rule 7.1A.

The precise number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the following formula:

$$(A \times D) - E$$

A is the number of fully paid ordinary shares on issue 12 months before the date of issue or agreement:

- i. plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- ii. plus the number of partly paid ordinary shares that became fully paid in the 12 months;

- iii. plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4;
- iv. less the number of fully paid ordinary shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

- D is 10%
- E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

If Resolution 4 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, existing Shareholders' voting power in the Company will be diluted as shown in the table below to the extent Shareholders do not receive any Shares under such issues. There is a risk of economic and voting dilution to existing Shareholders in approving the 10% Placement Facility, including the risks that:

- a. the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than when Shareholders approved the 10% Placement Facility; and
- b. the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date, or issued for non-cash consideration for the acquisition of a new asset.

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

Following is a table that sets out the potential dilution of existing Shareholders if Equity Securities are issued under the 10% Placement Facility on the basis of the closing price of Shares on 12 October 2017, being the last date of trading prior to sending this Notice of Meeting to print, and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice of Annual General Meeting.

The below table also shows:

- a. two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of fully paid ordinary securities the Company has on issue. The number of fully paid ordinary securities on issue may increase as a result of issues of fully paid ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a Shareholders' meeting; and
- b. two examples of where the issue price of ordinary securities has decreased by 50% and increased by 50% as against the closing price of the Shares on ASX on 12 October 2017.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		\$0.013 50% decrease in Issue Price	\$0.026 Issue Price	\$0.039 50% increase in Issue Price
Current Variable A 127,174,519 Shares	Shares issued (10% voting dilution)	12,717,451 New Shares	12,717,451 New Shares	12,717,451 New Shares
	Funds raised	\$162,327	\$330,654	\$495,981
50% increase in current Variable A 190,761,778 Shares	Shares issued (10% voting dilution)	19,076,178 New Shares	19,076,178 New Shares	19,076,178 New Shares
	Funds raised	\$247,990	\$495,981	\$743,971

100% increase in current Variable A 254,349,038 Shares	Shares issued (10% voting dilution)	25,434,904 New Shares	25,434,904 New Shares	25,434,904 New Shares
	Funds raised	\$330,654	\$661,307	\$991,961

The table has been prepared on the following assumptions:

- (i) Variable A is 127,174,519, being the number of ordinary securities on issue at the date of this Notice of Annual General Meeting.
- (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (iii) Resolution 4 is passed and the Company has not issued any other Equity Securities using its placement capacity under Listing Rule 7.1 or 7.1A in the 12 months preceding this Notice of Annual General Meeting.
- (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued Share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Placement Facility, based on that Shareholder's holding at the date of the Meeting. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (vi) The table shows only the dilutionary effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (vii) The issue of Equity Securities under the Additional 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes listed Options, it is assumed that those listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (viii) The issue price is \$0.026 being the closing price of the Shares on ASX on 12 October 2017.

(iii) Latest Date for Issue

If Shareholders approve Resolution 4, the latest date by which Equity Securities may be issued under the 10% Placement Facility is 12 months after the date of the Meeting. Approval for the issue of Equity Securities under the 10% Placement Facility will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

(iv) Purpose of Issue

The Equity Securities may be issued for the following purposes:

- a. To raise funds, in which case the Company intends to use the funds raised towards an acquisition of new assets or investments (including expenses associated with such acquisition), continued exploration and feasibility study expenditure on the Company's current assets and/or general working capital.
- b. In consideration of the acquisition of new resources assets and investments, in which case the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will provide further information at the time of issue of any Equity Securities under the 10% Placement Facility in compliance with its disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A.

(v) To whom Equity Securities issued

The Company is yet to identify the persons to whom Equity Securities will be issued to under the 10% Placement Facility. The Company's policy for allocating Equity Securities issued under the 10% Placement Facility will be determined on a case-by-case basis depending upon the purpose, and prevailing market conditions at the time, of any issue and having regard to factors including but not limited to the following:

- a. The fundraising methods available to the Company, including but not limited to, rights issues or other issues which may minimise dilution to Shareholders.
- b. In the case of an asset or investment acquisition, the nature and circumstances of the acquisition.
- c. The effect of the issue of the Equity Securities on the control of the Company.
- d. The financial situation and solvency of the Company.
- e. Advice from corporate, financial and broking advisers (if applicable).

The persons to whom the Company will issue Equity Securities under the 10% Placement Facility have not been determined as at the date of this Notice of Annual General Meeting, but may include vendors (in

the case of any issue for non-cash consideration), existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

(vi) Previous Shareholder Approval

Shareholder approval was granted to the Company under Listing Rule 7.1A at its 2016 Annual General Meeting. For the purposes of Listing Rule 7.3A.6, the Company informs Shareholders that it has not, in the 12 months preceding the date of this Annual General Meeting, issued any Equity Securities under Listing Rule 7.1A.

(vii) Voting Exclusion

A voting exclusion statement is included in the Notice of Annual General Meeting.

At the date of the Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holders to participate in the issue of the Equity Securities, and no existing Shareholder's votes will be excluded under the voting exclusion in the Notice of Annual General Meeting.

In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the 10% Placement Facility), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice of Annual General Meeting.

Directors' recommendation

The Board of Directors unanimously recommend that Shareholders vote in favour of Resolution 4. This will allow the Company to issue securities and raise funds or acquire assets, whilst preserving the Company's 15% annual limit permitted by Listing Rule 7.1.

Schedule 1 - definitions

In this Notice and Explanatory Memorandum:

Accounting Standards	has the meaning given to that term in the Corporations Act.
Additional 10% Placement Capacity	has the meaning set out in the Explanatory Statement for Resolution 4.
Annual General Meeting	means the annual general meeting the subject of the Notice.
Annual Report	means the annual report of the Company for the year ended 30 June 2017.
ASX	means the Australian Securities Exchange.
Board	means the board of Directors.
Chairman	means the chairman of the Annual General Meeting.
Closely Related Party	has the meaning given to that term in the Corporations Act.
Company	means Pegasus Metals Limited (ACN 115 535 030).
Constitution	means the constitution of the Company.
Corporations Act	means the Corporations Act 2001 (Cth).
Director	means a director of the Company.
Equity Securities	has the same meaning giving in the Listing Rules.
Explanatory Statement	means this explanatory statement accompanying the Notice.
Key Management Personnel or KMP	has the meaning given to that term in the Accounting Standards.
Listing Rules	means the Listing rules of the ASX.
Meeting	means the annual general meeting the subject of this Notice.
Notice or Notice of Annual General Meeting	means the notice of annual general meeting accompanying this Explanatory Statement.
Option	means an option to acquire a Share.
Ordinary Resolution	means a resolution that has been passed by at least 50% of the votes cast by shareholders entitled to vote on the Resolution.
Remuneration Report	means the remuneration report set out in the Director's report section of the Company's Annual Report.
Resolution	means a resolution set out in the Notice of Annual General Meeting.
Share	means an ordinary fully paid share in the capital of the Company.
Shareholder	means holder of a share in the Company.
Special Resolution	means a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the Resolution.
Trading Days	means a day determined by ASX to be a trading day in accordance with the Listing Rules.
WST	means Western Standard Time.



PEGASUS METALS LIMITED

ACN: 115 535 030



REGISTERED OFFICE:

24 MUMFORD PLACE
BALCATTA WA 6021



SHARE REGISTRY:

Security Transfer Australia Pty Ltd
PO BOX 52
Collins Street West VIC 8007
Suite 913, Exchange Tower
530 Little Collins Street
Melbourne VIC 3000
T: 1300 992 916 F: +61 8 9315 2233
E: registrar@securitytransfer.com.au
W: www.securitytransfer.com.au

Code:

PUN

Holder Number:

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the Annual General Meeting of the Company to be held at 10:00am WST on Thursday 30 November 2017 at 24 Mumford Place, BALCATTA WA 6021 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions. In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION

1. Adoption of Remuneration Report

2. Re-election of Mr Neil Porter as a Director

3. Re-election of Mr Michael Fotios as a Director

4. Approval of 10% Placement Facility

Chairman authorised to exercise undirected proxies on remuneration related resolution: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default) and I/we am/are entitled to vote on Resolution 1, I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the key management personnel of the Company, which includes the Chairman.

Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box above.

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director & Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director/Company Secretary

Proxies must be received by Pegasus Metals Limited no later than 10:00am WST on Tuesday 28 November 2017.



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My/Our contact details in case of enquiries are:

Name:

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Number:

(

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)

1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's registered office. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's registered office.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Pegasus Metals Limited no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

Pegasus Metals Limited

Postal Address 24 Mumford Place
Balcatta WA 6021

Facsimile 08 9322 5230

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

