PEGASUS METALS LIMITED

ACN 115 535 030

NOTICE OF GENERAL MEETING

AND EXPLANATORY STATEMENT

TIME:	9:00am (WST)
DATE:	2 October 2018
PLACE:	Level 1, 24 Mumford Place Balcatta, WA, 6021

This Notice of 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.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6241 1866.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Meeting of the Shareholders to which this Notice of Meeting relates will be held at **9:00am** on **2 October 2018** at **Level 1, 24 Mumford Place, Balcatta, WA, 6021.**

YOUR VOTE IS IMPORTANT

The business of the Meeting affects your Shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return:

Online at:	www.securitytransfer.com.au
In person at:	Level 1, 24 Mumford Place, Balcatta, WA, 6021
By post to:	Security Transfer Australia Pty Ltd PO Box 52 Collin Street West Victoria 8007
By facsimile to:	+61 9 9315 2233
By scan and email to:	registrar@securitytransfer.com.au

Please note that the Proxy Form must be received by the Company not later than **9:00am (WST)** on **Sunday, 30 September 2018**.

Proxy Forms received later than this time will be invalid.

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Meeting.

The Company's Directors have determined that all Shares of the Company that are quoted on ASX at 4:00pm (WST) on 30 September 2018 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the Shares at that time.

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of the Shareholders of Pegasus Metals Limited (**Pegasus** or the **Company**) will be held at Level 1, 24 Mumford Place, Balcatta, WA, 6021 on 2 October 2018 commencing at 9:00am (WST) to consider, and if thought fit, to pass the Resolutions set out below.

Terms used in this Notice of Meeting and accompanying Explanatory Statement are defined in the glossary to this document.

The Explanatory Statement which accompanies and forms part of this Notice of Meeting describes the matters to be considered at the Meeting.

1 RESOLUTION 1 – APPROVAL TO ISSUE SECURITIES TO SHAREHOLDERS OF SCORPION MINERALS LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.1, and for all other purposes, Shareholders approve the issue of 12,000,000 Shares at an implied price of $0.03 cents per Share to shareholders of Scorpion Minerals Limited, for the purpose and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of any person who may participate in the proposed issue or any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any person associated with those persons. However, the Company will not disregard any votes cast on Resolution 1 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2 RESOLUTION 2 – APPROVAL TO ISSUE SECURITIES TO DIRECTORS OF SCORPION MINERALS LIMITED (RELATED PARTIES)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 29,210,535 Options to Ms Bronwyn Barnes, a director of Scorpion Minerals Limited, for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of Ms Bronwyn Barnes or any of her Associates. However, the Company will not disregard any votes cast on Resolution 2 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3 RESOLUTION 3 – APPROVAL TO ISSUE SECURITIES TO DIRECTORS OF SCORPION MINERALS LIMITED (RELATED PARTIES)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 10,263,153 Options to Mr Grant Osborne, a director of Scorpion Minerals Limited, for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of Mr Grant Osborne or any of his Associates. However, the Company will not disregard any votes cast on Resolution 3 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4 RESOLUTION 4 – APPROVAL TO ISSUE SECURITIES TO DIRECTORS OF SCORPION MINERALS LIMITED (RELATED PARTIES)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 10.11, and for all other purposes, Shareholders approve the issue of 5,526,312 Options to John Dixon, a director of Scorpion Minerals Limited, for the purpose and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of any person who may participate in the proposed issue or any person who might obtain a benefit (except a benefit solely in the capacity of a holder of ordinary securities) if the Resolution is passed, and any person associated with those persons. However, the Company will not disregard any votes cast on Resolution 4 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5 RESOLUTION 5 – PARTICIPATION IN PLACEMENT – APPROVAL TO ISSUE SECURITIES TO RELATED PARTIES

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 1,666,667 Shares at a price of $0.03 per Share to Ms Bronwyn Barnes, for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 5 by or on behalf of Ms Bronwyn Barnes or any of her Associates. However, the Company will not disregard any votes cast on Resolution 5 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6 RESOLUTION 6 – PARTICIPATION IN PLACEMENT – APPROVAL TO ISSUE SECURITIES TO RELATED PARTIES

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That for the purpose of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 333,334 Shares at a price of $0.03 per Share to Mr Grant Osborne, for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 6 by or on behalf of Mr Grant Osborne or any of his Associates. However, the Company will not disregard any votes cast on Resolution 6 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7 RESOLUTION 7 – APPROVAL TO ISSUE SECURITIES TO INVESTMET LIMITED ON CONVERSION OF LOAN (RELATED PARTY)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of up to 26,666,666 Shares at an implied price of $0.03 per Share and 22,500,000 Options to Investmet Limited and Delta Resource Management Pty Ltd, in equal amounts, (both being a Related Party of Mr Michael Fotios), for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 7 by or on behalf of Mr Michael Fotios, Investmet Limited, Delta Resource Management Pty Ltd or any of their Associates. However, the Company will not disregard any votes cast on Resolution 7 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8 RESOLUTION 8 – RATIFICATION OF ISSUE OF SECURITIES (PLACEMENT)

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4, and for all other purposes, Shareholders approve and ratify the issue of 18,850,006 Shares at a price of $0.03 per Share to sophisticated investors, for the purposes and on the terms set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 8 by or on behalf of any person who participated in the issue or any Associates of those persons. However, the Company will not disregard any votes cast on Resolution 8 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9 RESOLUTION 9 – APPROVAL FOR INVESTMET LIMITED AND MR MICHAEL FOTIOS TO INCREASE THEIR RELEVANT INTEREST IN THE COMPANY

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

"Conditional upon Resolution 7 being passed, that, for the purposes of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for Investmet, Delta Resource Management Pty Ltd, Mr Michael Fotios and their Associates to acquire a relevant interest in the issued voting shares of the Company in excess of the threshold prescribed by Section 606(1) of the Corporations Act on the terms and conditions set out in the Explanatory Statement."

Voting exclusion: The Company will disregard any votes cast in favour of Resolution 9 by Mr Michael Fotios, Investmet Limited, Delta Resource Management Pty Ltd and any of their Associates. However, the Company will not disregard any votes cast on Resolution 9 by such person if:

(a) the person is acting as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or

(b) the person is the Chairman of the Meeting acting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by BDO for the purposes of shareholder approval required under Section 611 (Item 7) of the Corporations Act for this Resolution 9. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated shareholders in the Company. The Independent Expert has determined that, in the absence of an alternate offer, the transaction is fair and reasonable to the non-associated shareholders of the Company.

10 RESOLUTION 10 – APPROVAL FOR CHANGE OF COMPANY NAME

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

"That, for the purposes of section 157(1)(a) of the Corporations Act, and for all other purposes, the name of the Company be changed from "Pegasus Metals Limited" to "Scorpion Minerals Limited" with effect from the day on which the Australian Securities and Investments Commission alters the details of the Company's registration".

BY ORDER OF THE BOARD OF DIRECTORS

Brendon Morton
Company Secretary
Pegasus Metals Limited
31 August 2018

ENTITLEMENT TO ATTEND AND VOTE

You will be entitled to attend and vote at the Meeting if you are registered as a Shareholder of the Company as at 4:00pm (WST) on 30 September 2018. This is because, in accordance with the *Corporations Regulations 2001* (Cth), the Board has determined that the Shares on issue at that time will be taken, for the purposes of the 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 by the Company's share registry no later than 9:00am (WST) on 30 September 2018, being 48 hours before the time of the Meeting. Any proxy appointment received after that time will not be valid for the scheduled meeting.

Online at:	www.securitytransfer.com.au
In person at:	Level 1, 24 Mumford Place, Balcatta, WA, 6021
By post to:	Security Transfer Australia Pty Ltd PO Box 52 Collin Street West Victoria 8007
By facsimile to:	+61 9 9315 2233
By scan and email to:	registrar@securitytransfer.com.au

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's share registry 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.

If you do not want to put the Chairman in the position to cast your votes in favour of any of the proposed Resolutions, you should complete the appropriate box on the Proxy Form, directing your proxy to vote against, or to abstain from voting, on the Resolution.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Meeting.

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the Resolutions in the accompanying Notice of Meeting.

This Explanatory Statement should be read in conjunction with the Notice of Meeting preceding this Explanatory Statement. Capitalised terms in this Explanatory Statement and not otherwise defined, are defined in the glossary to the Notice.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice of Meeting, please contact the Company Secretary, Mr Brendon Morton, your stockbroker or other professional adviser.

1 BACKGROUND TO RESOLUTIONS 1 – 7

1.1 Scorpion Acquisition

On 10 January 2018, the Company announced that it had entered into an agreement with Scorpion Minerals Limited (**Scorpion**) to acquire a 100% interest in Scorpion. Scorpion owns the rights to engage in a joint venture over the Dablo Pd-Pt-Au-Ni-Cu (palladium-platinum-gold-nickel-copper) Project in Burkina Faso (**Dablo Project**).

The Company is to acquire 100% of the issued share capital of Scorpion for $360,000, via the issue to shareholders of Scorpion of 12,000,000 fully paid ordinary shares in the capital of the Company at an implied price of $0.03 cents per Share (**Scorpion Acquisition**).

In addition, the directors of Scorpion will be issued three (3) tranches of Options in the capital of the Company (**Scorpion Options**) as follows:

(a) Tranche 1 – 15,000,000 Options with an exercise price of $0.03 per Option, expiring 12 months from the date of issue (**Tranche 1 Scorpion Options**);

(b) Tranche 2 – 15,000,000 Options with an exercise price of $0.05 per Option, expiring 24 months from the date of issue (**Tranche 2 Scorpion Options**); and

(c) Tranche 3 – 15,000,000 Options with an exercise price of $0.10 per Option, expiring 36 months from the date of issue (**Tranche 3 Scorpion Options**).

1.2 Investmet Options

The Scorpion Acquisition is subject to the following conditions precedent:

(a) Scorpion obtaining all necessary regulatory and shareholder approvals pursuant to the Corporations Act or any other law (including ASIC relief).

(b) The Company obtaining all necessary shareholder and regulatory approvals pursuant to the Listing Rules, the Corporations Act and any other law (including ASX approvals and waivers and ASIC relief) to allow the Company to lawfully complete the Scorpion Acquisition, including but not limited to, approval pursuant to item 7 of section 611 of the Corporations Act in relation to the debt conversion referred to below.

(c) The Company currently has outstanding Director-related loans amounting to approximately $1,600,000 (**Related Party Loans**). As part of the Scorpion

Acquisition, one-half of such outstanding loans, equating to $800,000, will be converted into equity in the Company at an implied rate of $0.03 per Share, with the balance to remain outstanding. In addition, repayment terms are to be extended and the Company will be entitled to make repayments in either cash or Shares, at the Company's election, once the Company share price has traded as a volume weighted average price above $0.25 per share over a continuous 30 day period.

(together, the **Conditions**).

Subject to satisfaction of the Conditions, in consideration for Investmet and Delta Resource Management entering the loan terms outlined above, Investmet and Delta Resource Management (in equal portions) will be issued three (3) tranches of Options in the capital of the Company (**Investmet Options**) as follows:

(a) Tranche 1 – 7,500,000 Options with an exercise price of $0.03 per Option, expiring 12 moths from date of issue (**Tranche 1 Investmet Options**);

(b) Tranche 2 – 7,500,000 Options with an exercise price of $0.05 per Option, expiring 24 months from date of issue (**Tranche 2 Investmet Options**); and

(c) Tranche 3 – 7,500,000 Options with an exercise price of $0.10 per Option, expiring 36 months from date of issue (**Tranche 3 Investmet Options**).

1.3 Placement

As announced on 10 January and 16 February 2018, in connection with the Scorpion Acquisition, the Company will undertake a placement to sophisticated investors of 20,850,007 Shares at a price of $0.03 per Share, to raise approximately $625,500 before costs associated with the issue (**Placement**). The Placement, which includes the issue of 2,000,001 Shares to related parties the subject of Resolutions 5 and 6, will be completed in two tranches:

(a) Tranche 1 – consisting of 12,183,338 Shares, which occurred on 16 February 2018, as announced by the Company on 16 February 2018 (**Tranche 1**); and

(b) Tranche 2 – consisting of 6,666,668 Shares, which occurred on 16 March 2018 (**Tranche 2**).

Completion of the Placement occur on 16 March 2018, subject to the Company obtaining Shareholder approval for Resolutions 5 and 6.

The Placement funds will be applied towards progressing the Scorpion Acquisition and exploration of the Dablo Project, as well as to exploration activities at the Company's Mt Mulcahy Copper Project, working capital and repaying $250,000 owing to Investmet pursuant to a loan facility between Investmet and Scorpion (**Investmet Loan Facility**).

1.4 Capital structure of the Company

The capital structure of the Company, assuming the issue of all the Shares and Options the subject of Resolutions 1 – 8, is set out below.

Event	Shares
Shares on issue at the date of this Notice of Meeting	135,024,525
Shares to be issued under the Scorpion Acquisition (Resolution 1)	12,000,000
Shares to be issued to Ms Bronwyn Barnes and Mr Grant Osborne (Resolutions 5 and 6)	2,000,001
Shares to be issued to Investmet upon conversion of debt (Resolution 7)	26,666,666
Total number of Shares	175,691,192
	Options
Options on issue at the date of this Notice of Meeting	Nil
Options to be issued to Directors of Scorpion (Resolutions 2, 3 and 4)	45,000,000
Options to be issued to Investmet (Resolution 7)	22,500,000
Total number of Options	**67,500,000**
	Deferred Shares
Shares to be issued as deferred consideration payable under the Mt Mulcahy Tenement Sale Agreement	11,000,000
Total number of Deferred Shares	**11,000,000**

1.5 Control of the Company

Investmet and its Associates (including Delta Resource Management and Mr Michael Fotios) currently have a relevant interest in 16.71% of the Shares. Investmet and its Associates may receive Shares in accordance with the conversion of one-half of the Related Party Loans and the issue of Options as contemplated in Resolution 7 in this Notice of Meeting.

Michael Fotios, a Director of the Company, is a director of Investmet and Delta Resource Management and currently has voting power of over 20% in Investmet and Delta Resource Management, and therefore controls Investmet and Delta Resource Management respectively. Accordingly, by virtue of section 608(3)(a) and 608(3)(b) of the Corporations Act, Michael Fotios has a relevant interest in the Shares in which Investmet and Delta Resource Management has a relevant interest.

Investmet and its Associates will only convert one-half of the amount owing under the Related Party Loans into Shares and accept the issue of Options to the extent it is permitted to do so under the Corporations Act (including through a shareholder approved acquisition pursuant to Section 611 (Item 7) of the Corporations Act as contemplated under Resolution 9).

2 RESOLUTION 1 – APPROVAL TO ISSUE SECURITIES TO SHAREHOLDERS OF SCORPION MINERALS LIMITED

2.1 Background

As detailed in section 1.1, the Company is intending to acquire 100% of the issued share capital of Scorpion for $360,000, via the issue to shareholders of Scorpion of 12,000,000 fully paid ordinary shares in the capital of the Company at an implied price of $0.03 cents per Share.

Accordingly, Resolution 1 seeks Shareholder approval for the issue of 12,000,000 Shares at an implied price of $0.03 cents per Share.

The Shares proposed to be issued, for which approval is sought under Resolution 1, comprise approximately 4.72% of the Company's fully diluted issued capital (based on the number of Shares on issue as at the date of this Notice of Meeting and including the subject of Resolutions contemplated in this Notice).

2.2 Regulatory Requirements

Listing Rule 7.1 provides that, unless an exemption applies, a company must not, without prior approval of shareholders, issue or agree to issue Equity Securities if the Equity Securities will in themselves or when aggregated with the Equity Securities issued by the company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

The issue and allotment of Shares pursuant to Resolution 1 will not, if Shareholders approve the issue, be included in the 15% limit and therefore approval of Resolution 1 will minimise the restrictive effect of Listing Rule 7.1 on any further issues by the Company of Equity Securities in the next 12 months.

In compliance with the information requirements of Listing Rule 7.3, Shareholders are advised of the following information:

(a) Maximum number of securities to be issued

The Company intends to issue up to 12,000,000 Shares.

(b) Date of issue and allotment

The Shares will be allotted and issued as soon as possible but, in any case, not later than 3 months after the date of Shareholder approval pursuant to this Resolution 1 or such later date as approved by ASX.

(c) Issue price

The Shares will be issued at an implied price of $0.03 cents per Share.

(d) Names of the persons to whom the Shares will be issued or the basis on which those persons will be identified

The Shares will be issued to shareholders of Scorpion, none of which is a Related Party of the Company.

(e) Terms of the securities

The Shares will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and will rank equally in all respects with the existing Shares.

The Company will apply to ASX for official quotation of the Shares.

(f) Intended use of the funds raised

The Shares are to be issued in consideration for the Company acquiring 100% of the issued share capital of Scorpion for $360,000. As such, no funds will be raised from the issue.

(g) Voting exclusion statement

A voting exclusion statement for Resolution 1 is included in the Notice of Meeting preceding this Explanatory Statement.

2.3 Board Recommendation

The Board believes that the proposed issue is beneficial for the Company and recommends Shareholders vote in favour of Resolution 1. It will allow the Company to retain the flexibility to issue further Equity Securities representing up to 15% of the Company's share capital during the next 12 months.

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3 RESOLUTIONS 2,3 AND 4 – APPROVAL TO ISSUE SECURITIES TO DIRECTORS OF SCORPION MINERALS LIMITED (RELATED PARTIES)

3.1 Background

As detailed in section 1.1, as part of the Scorpion Acquisition Ms Bronwyn Barnes, Mr Grant Osborne and Mr John Dixon, directors of Scorpion, will be issued three (3) tranches of Scorpion Options as follows:

(a) Tranche 1 – 15,000,000 Tranche 1 Scorpion Options with an exercise price of $0.03 per Option, expiring 12 months from the date of issue;

(b) Tranche 2 – 15,000,000 Tranche 2 Scorpion Options with an exercise price of $0.05 per Option, expiring 24 months from the date of issue; and

(c) Tranche 3 – 15,000,000 tranche 3 Scorpion Options with an exercise price of $0.10 per Option, expiring 36 months from the date of issue.

As part of the Scorpion Acquisition, it has been agreed that Ms Bronwyn Barnes and Mr Grant Osborne (who are currently directors of Scorpion) will be appointed to the Board of the Company. This constitutes reasonable grounds that Ms Bronwyn Barnes and Mr Grant Osborne are Related Parties of the Company for the purposes of the Listing Rules and the Corporations Act.

It is also considered that Mr John Dixon may be a Related Party of the Company for the purposes of the Listing Rules and the Corporations Act by reason of section 228(7) of the Corporations Act.

Accordingly, Resolutions 2, 3 and 4 seek Shareholder approval for the issue of:

(a) 29,210,535 Scorpion Options to Ms Bronwyn Barnes, of which 9,736,845 will be Tranche 1 Scorpion Options, 9,736,845 will be Tranche 2 Scorpion Options and 9,736,845 will be Tranche 3 Scorpion Options;

(b) 10,263,153 Scorpion Options to Mr Grant Osborne, of which 3,421,051 will be Tranche 1 Scorpion Options, 3,421,051will be Tranche 2 Scorpion Options and 3,421,051 will be Tranche 3 Scorpion Options; and

(c) 5,526,312 Scorpion Options to Mr John Dixon, of which 1,842,104 will be Tranche 1 Scorpion Options, 1,842,104 will be Tranche 2 Scorpion Options and 1,842,104 will be Tranche 3 Scorpion Options.

The Options proposed to be issued, for which approval is sought under Resolutions 2,3 and 4, comprise approximately 17.7% of the Company's fully diluted issued capital (based on the number of Shares on issue as at the date of this Notice of Meeting and including the subject of Resolutions contemplated in this Notice).

3.2 Regulatory Requirements

Listing Rule 10.11 provides that, unless a specified exception applies, a Company must not issue or agree to issue securities to a Related Party without the approval of ordinary shareholders. A "related party", for the purposes of the Listing Rules, has the meaning given to it in the Corporations Act, and includes the directors of a company or persons who have reasonable grounds to believe that they are likely to become a Related Party of a company.

As such, Shareholder approval is sought under Listing Rule 10.11 as:

(a) Resolutions 2 and 3 propose the issue of securities to Ms Bronwyn Barnes and Mr Grant Osborne, each of whom has reasonable grounds to believe that they are likely to become a Related Party of the Company in accordance with the terms of the Scorpion Acquisition; and

(b) Resolution 4 proposes the issue of securities to Mr John Dixon, who may be considered a Related Party of the Company by reason of having acted in concert with Ms Bronwyn Barnes and Mr Grant Osborne on the understanding that they would each receive a financial benefit.

As Shareholder approval is being sought under ASX Listing Rule 10.11, approval is not also required under Listing Rule 7.1.

Approval is not being sought under Chapter 2E of the Corporations Act in these Resolutions 23 and 4 as the issue of the Scorpion Options by the Company is being made on an arm's length basis in accordance with section 210 of the Corporations Act.

In compliance with the information requirements of Listing Rule 10.13, Shareholders are advised of the following information:

(a) Name of person to receive securities

The Scorpion Options will be issued to Ms Bronwyn Barnes, Mr Grant Osborne and Mr John Dixon.

(b) Maximum number of securities to be issued.

The maximum number of Scorpion Options that may be acquired under Resolutions 2, 3 and 4 are 45,000,00with:

(i) Ms Bronwyn Barnes receiving 29,210,535 Scorpion Options, comprising equally 9,736,845 of each Tranche 1 Options, Tranche 2 Options and Tranche 3 Options;

(ii) Mr Grant Osborne receiving 10,263,153 Scorpion Options, comprising equally 3,421,051 of each Tranche 1 Options, Tranche 2 Scorpion Options and Tranche 3 Scorpion Options; and

(iii) Mr John Dixon receiving 5,526,312 Scorpion Options, comprising equally 1,842,104 of each Tranche 1 Options, Tranche 2 Scorpion Options and Tranche 3 Scorpion Options.

(c) Date of issue and allotment

The Scorpion Options the subject of Resolutions 2, 3 and 4 will be issued on a date no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(d) Relationship with the Company

The Scorpion Options are proposed to be issued to Ms Bronwyn Barnes,Mr Grant Osborne and Mr John Dixon. Ms Bronwyn Barnes and Mr Grant Osborne have reasonable grounds to believe that they will be Directors of the Company in the future and, as such, are Related Parties of the Company for the purposes of section 228 of the Corporations Act.

Mr John Dixon may be considered a Related Party of the Company by reason of having acted in concert with Ms Bronwyn Barnes and Mr Grant Osborne on the understanding that they would each receive a financial benefit.

(e) Issue price

The issue price of the Scorpion Options is nil.

The exercise price of the Scorpion Options will be as follows:

(a) the Tranche 1 Scorpion Options will have an exercise price of $0.03 per Option;

(b) the Tranche 2 Scorpion Options will have an exercise price of $0.05 per Option; and

(c) the Tranche 3 Scorpion Options will have an exercise price of $0.10 per Option.

(f) Terms of issue

The Scorpion Options will be issued on the terms and conditions set out in Schedule 1.

The Company will not apply to ASX for official quotation of the Scorpion Options.

(g) Intended use of the funds raised

The Scorpion Options will be issued as part of the Scorpion Acquisition and, as such, no funds will be raised from the issue.

(h) Voting exclusion statement

A voting exclusion statement for Resolutions 2,3 and 4 is included in the Notice of Meeting preceding this Explanatory Statement.

3.3 Board Recommendation

The Board recommends that Shareholders approve Resolutions 2, 3 and 4.

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4 RESOLUTIONS 5 & 6 – PARTICIPATION IN PLACEMENT – APPROVAL TO ISSUE SECURITIES TO RELATED PARTIES

5.1 Background

As set out in section 1.3 above, the Company intends to undertake a placement to sophisticated investors of 20,850,007 Shares at a price of $0.03 per Share, to raise approximately $625,500 before costs associated with the issue. Completion of Tranche 1 and Tranche 2 of the Placement occurred on 16 March 2018.

As set out in section 3.2 above, it has been agreed as part of the Scorpion Acquisition that Ms Bronwyn Barnes and Mr Grant Osborne will be appointed to the

Board of the Company. This constitutes reasonable grounds that Ms Bronwyn Barnes and Mr Grant Osborne are Related Parties of the Company for the purposes of the Listing Rules and the Corporations Act.

The purpose of Resolutions 5 and 6 is for Shareholders to approve the issue of 2,000,001 Shares at a price of $0.03 per Share by way of a placement of 1,666,667 Shares to Ms Bronwyn Barnes and 333,334 Shares to Mr Grant Osborne for the purposes of Listing Rule 10.11.

The securities proposed to be issued, for which approval is sought under Resolutions 5 and 6, comprise 0.78% of the Company's fully diluted issued capital (based on the number of Shares on issue as at the date of this Notice of Meeting and including any securities the subject of Resolutions contemplated in this Notice).

4.2 Regulatory Requirements

Listing Rule 10.11 provides that, unless a specified exception applies, a company must not issue or agree to issue securities to a related party without the approval of ordinary shareholders. A "related party", for the purposes of the Listing Rules, has the meaning given to it in the Corporations Act, and includes the directors of a company.

As such, Shareholder approval is sought under Listing Rule 10.11 as Resolutions 5 and 6 proposes the issue of securities to Ms Bronwyn Barnes and Mr Grant Osborne, both of whom are Related Parties of the Company as outlined in section 5.1 above.

As Shareholder approval is being sought under ASX Listing Rule 10.11, approval is not also required under Listing Rule 7.1.

Approval is not being sought under Chapter 2E of the Corporations Act in these Resolutions 5 and 6 as the issue of Shares by the Company to Ms Bronwyn Barnes and Mr Grant Osborne is being made on an arm's length basis in accordance with section 210 of the Corporations Act.

In compliance with the information requirements of Listing Rule 10.13, Shareholders are advised of the following information:

(a) Name of person to receive securities

The Shares will be issued to Ms Bronwyn Barnes and Mr Grant Osborne.

(b) Maximum number of securities to be issued

The Company will issue 2,000,001 Shares to related parties, being 1,666,667 Shares to Ms Bronwyn Barnes and 333,334 Shares to Mr Grant Osborne.

(c) Date of issue and allotment

The Shares the subject of Resolutions 5 and 6 will be issued on a date no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(d) Relationship with the Company

As outlined above, Ms Bronwyn Barnes and Mr Grant Osborne have reasonable grounds to believe that they will be Directors of the Company in the future and, as such, are Related Parties of the Company for the purposes of section 228 of the Corporations Act.

(e) Issue price

The issue price of the Shares will be $0.03 per Share.

(f) Terms of issue

The Shares are fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares.

The Company will apply to ASX for official quotation of the Shares.

(g) Intended use of the funds raised

Funds raised pursuant to the Placement will be applied towards progressing the Scorpion Acquisition and exploration of the Dablo Project, as well as to exploration activities at the Company's Mt Mulcahy Copper Project, working capital and repaying $250,000 of the Investmet Loan Facility outlined in paragraph 1.3 above.

(h) Voting exclusion statement

A voting exclusion statement for Resolutions 5 and 6 is included in the Notice of Meeting preceding this Explanatory Statement.

4.3 Board Recommendation

The Board recommends that Shareholders approve Resolutions 5 and 6.

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5 RESOLUTION 7 – APPROVAL TO ISSUE SECURITIES TO INVESTMET LIMITED AND DELTA RESOURCE MANAGEMENT PTY LTD ON CONVERSION OF LOAN (RELATED PARTY)

6.1 Background

As detailed in section 1.2 above, the Company currently has outstanding Related Party Loans from Investmet and Delta Resource Management amounting to approximately $1,600,000. As part of the Scorpion Acquisition, one-half of these Related Party Loans, equating to $800,000, will be converted into equity in the Company at an implied rate of $0.03 per Share, being 26,666,666 Shares, with the balance to remain outstanding. In addition, repayment terms are to be extended and the Company will be entitled to make repayments in either cash or Shares, at the Company's election, once the Company share price has traded as a volume weighted average price above $0.25 per share over a continuous 30 day period.

In consideration for Investmet and Delta Resource Management entering the loan terms outlined above, the Company proposes to issue three (3) tranches of Investmet Options to Investmet and Delta Resource Management (in equal portions) as follows:

- Tranche 1 – 7,500,000 Tranche 1 Investmet Options with an exercise price of $0.03 per Option, expiring 12 moths from date of issue;
- Tranche 2 – 7,500,000 Tranche 2 Investmet Options with an exercise price of $0.05 per Option, expiring 24 months from date of issue; and
- Tranche 3 – 7,500,000 Tranche 3 Investmet Options with an exercise price of $0.10 per Option, expiring 36 months from date of issue.

As outlined in section 1.5, Mr Michael Fotios is a Related Party of the Company by virtue of being a Director in the 6 months preceding the date of the Meeting.

Investmet and Delta Resource Management are both a Related Party of the Company by virtue of being an entity controlled by Mr Michael Fotios.

As this Resolution 7 proposes the issue of Shares and Options to a Related Party, namely Investmet and Delta Resource Management, this resolution seeks Shareholder approval for the issue of Shares and Options to Investmet and Delta Resource Management for the purpose of Listing Rule 10.11.

The Securities proposed to be issued, for which approval is sought under Resolution 7, comprise approximately 19.34% of the Company's fully diluted issued capital (based on the number of Shares on issue as at the date of this Notice of Meeting and including any securities the subject of Resolutions contemplated in this Notice).

6.2 Regulatory Requirements

Listing Rule 10.11 provides that, unless a specified exception applies, a Company must not issue or agree to issue securities to a Related Party without the approval of ordinary shareholders. A "related party", for the purposes of the Listing Rules, has the meaning given to it in the Corporations Act, and includes the directors of a company.

As such, Shareholder approval is sought under Listing Rule 10.11 as Resolution 7 proposes the issue of Shares and Options to Investmet and Delta Resource Management, which are both a Related Party of the Company.

As Shareholder approval is being sought under ASX Listing Rule 10.11, approval is not also required under Listing Rule 7.1.

Approval is not being sought under Chapter 2E of the Corporations Act in this Resolution 7 as the issue of Shares and Options by the Company to Investmet is being made on an arm's length basis in accordance with section 210 of the Corporations Act.

In compliance with the information requirements of Listing Rule 10.13, Shareholders are advised of the following information:

(a) Name of person to receive securities

The Shares and Options will be issued to Investmet and Delta Resource Management (in equal portions).

(b) Maximum number of securities to be issued

The Company intends to issue 26,666,666 Shares and 22,500,000 Options, of which 7,500,000 Options will be issued as Tranche 1 Investmet Options, 7,500,000 Options will be issued as Tranche 2 Investmet Options and 7,500,000 Options will be issued as Tranche 3 Investmet Options. Half of the above Shares and Options will be issued to Investmet and the other half will be issued to Delta Resource Management.

(c) Date of issue and allotment

The Shares and Options the subject of Resolution 7 will be issued on a date no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).

(d) Relationship with the Company

The Shares and Options are proposed to be issued to Investmet and Delta Resource Management. As outlined above, Michael Fotios is a Related Party of the Company by virtue of being a Director in the 6 months preceding the date of the Meeting, and Investmet and Delta Resource Management are Related Parties of the Company by virtue of being entities controlled by Michael Fotios.

(e) Issue price

The deemed issue price of Shares issued on conversion of the Related Party Loans will be $0.03 per Share.

The issue price of the Investmet Options is nil.

The exercise price of the Investmet Options will be as follows:

(a) the Tranche 1 Investmet Options will have an exercise price of $0.03 per Option;

(b) the Tranche 2 Investmet Options will have an exercise price of $0.05 per Option; and

(c) the Tranche 3 Investmet Options will have an exercise price of $0.10 per Option.

(f) Terms of issue

The Shares will be fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares. The Company will apply to ASX for official quotation of the Shares.

The Investmet Options will be issued on the terms and conditions set out in Schedule 1.

The Company will not apply to ASX for official quotation of the Options.

(g) Intended use of the funds raised

No funds will be raised as the Shares are being issued on conversion of and in satisfaction of one-half of the amount outstanding under the Related Party Loans, and the Investmet Options are being issued in consideration for Investmet and Delta Resource Management entering into the loan terms outlined in paragraph 1.2(c) above.

(h) Voting exclusion statement

A voting exclusion statement for Resolution 7 is included in the Notice of Meeting preceding this Explanatory Statement.

6.3 Board Recommendation

The Board, other than Mr Michael Fotios who has a material personal interest in Resolution 7, recommends that Shareholders approve Resolution 7.

6 RESOLUTION 8 – RATIFICATION OF ISSUE OF SECURITIES (PLACEMENT)

7.1 Background

As set out in section 1.3 above, the Company undertook a placement to sophisticated investors of 20,850,007 Shares at a price of $0.03 per Share, to raise approximately $625,500 before costs associated with the issue. The Placement, which includes the issue of 2,000,001 Shares to related parties the subject of Resolutions 5 and 6, will be completed in two tranches:

(a) Tranche 1 – consisting of 12,183,338 Shares, which occurred on 16 February 2018, as announced by the Company on 16 February 2018; and

(b) Tranche 2 – consisting of 6,666,668 Shares, which occurred on 16 March 2018.

The purpose of Resolution 8 is for Shareholders to ratify the issue of 18,850,006 Shares, being the Tranche 1 and Tranche 2 Placement Shares, at a price of $0.03 per Share by way of a placement to sophisticated investors.

6.3 Regulatory Requirements

Listing Rule 7.1 provides that, unless an exemption applies, a company must not, without prior approval of shareholders, issue or agree to issue Equity Securities if the Equity Securities will in themselves or when aggregated with the Ordinary Securities issued by the company during the previous 12 months, exceed 15% of the number of Ordinary Securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 states that an issue by a company of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the company's members subsequently approve it.

The Company is now seeking Shareholder approval to ratify the issue of Shares under Listing Rule 7.4. Such ratification will limit the restrictive effect of Listing Rule 7.1 on any further issues of Equity Securities in the next 12 months, and provide the Company greater flexibility to issue further Equity Securities under Listing Rule 7.1 during the next 12 months.

The securities agreed to be issued, for which approval and ratification is sought under Resolution 8, comprise 8.20% of the Company's fully diluted issued capital (based on the number of Shares on issue as at the date of this Notice of Meeting and including any securities the subject of Resolutions contemplated in this Notice).

Information required by Listing Rule 7.5

In compliance with the information requirements of Listing Rule 7.5, Shareholders are advised of the following information in relation to Resolution 8:

(a) Number of securities issued

The Company issued 18,850,006 Shares.

(b) The price at which the securities will be issued

The implied issue price of the Shares was $0.03 cents per Share.

(c) Terms of the securities

The Shares are fully paid ordinary shares in the capital of the Company on the same terms and conditions as the Company's existing Shares and rank equally in all respects with the existing Shares.

The Company will apply to ASX for official quotation of the Shares.

(d) Names of the persons to whom the Shares and Options will be issued or the basis on which those persons were determined

The Shares were issued to sophisticated investors who participated in the Placement, none of which are a Related Party of the Company.

(e) The use (or intended use) of the funds raised

Funds raised pursuant to the Placement will be applied towards progressing the Scorpion Acquisition and exploration of the Dablo Project, as well as to exploration activities at the Company's Mt Mulcahy Copper Project, working capital and repaying $250,000 of the Investmet Loan Facility outlined in paragraph 1.3 above.

(f) Voting exclusion statement

A voting exclusion statement for Resolution 8 is included in the Notice of Meeting preceding this Explanatory Statement.

7.3 Board Recommendation

The Board believes that the ratification of these issues is beneficial for the Company as it allows the Company to retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months. Accordingly, the Board recommends Shareholders vote in favour of Resolution 8.

7 RESOLUTION 9 – APPROVAL FOR INVESTMET, DELTA RESOURCE MANAGEMENT AND MR MICHAEL FOTIOS TO INCREASE THEIR RELEVANT INTEREST IN THE COMPANY

8.1 Background

As outlined throughout this Notice of Meeting, the Company is seeking approval to, among other things, issue Shares to its major shareholder Investmet, an entity associated with Mr Michael Fotios as well as Delta Resource Management, an entity also associated with Mr Michael Fotios.

Investmet and Delta Resource Management respectively have a current relevant interest in 12.74% and 0.75% of the Shares of the Company. Mr Michael Fotios currently has a relevant interest in 16.71% of the Shares of the Company. .

Michael Fotios, a Director of the Company, is a director of Investmet and Delta Resource Management and currently has voting power in excess of 20% in Investmet and Delta Resource Management, and therefore controls Investmet and Delta Resource Management respectively. Accordingly, by virtue of section 608(3)(a) and 608(3)(b) of the Corporations Act, Mr Fotios has a relevant interest in the Shares in which Investmet and Delta Resource Management has a relevant interest.

Resolution 9 seeks Shareholder approval pursuant to Item 7 of Section 611 of the Corporations Act in order for Investmet, Delta Resource Management and Mr Fotios to acquire a relevant interest in the issued voting shares of the Company in excess of the threshold prescribed by Section 606(1) of the Corporations Act as a result of the completion of certain transactions contemplated in this Notice of Meeting.

7.2 Conditional resolution

Resolution 9 is conditional upon Resolution 7 being passed. If Resolutions 7 is not passed, the issue of Shares to Investmet and Delta Resource Management may still occur, but only to the extent Investmet, Delta Resource Management, Mr Fotios and any other associated entities may increase their voting power in the Company as permitted by another manner under the Corporations Act.

7.3 Section 606 of the Corporations Act

Section 606 of the Corporations Act – Statutory Prohibition

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

Voting Power

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

Associates

For the purposes of determining voting power under the Corporations Act, a person (second person) is an "associate" of the other person (first person) if:

(a) the first person is a body corporate and the second person is:

  (i) a body corporate the first person controls;

  (ii) a body corporate that controls the first person; or

  (iii) a body corporate that is controlled by an entity that controls the person;

(b) the second person has entered or proposed to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company's affairs. Investmet does not have any associates with any additional relevant interests in the Company's Shares.

Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, Section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(a) a body corporate in which the person's voting power is above 20%;

(b) a body corporate that the person controls.

Investmet, Delta Resource Management and Mr Michael Fotios

Investmet and Delta Resource Management

Investmet currently has a relevant interest in 12.74% of the Shares of the Company. Delta Resource Management has a relevant interest in 0.75% of the Shares of the Company.

Mr Michael Fotios

Mr Michael Fotios currently has a relevant interest in 16.71% of the Shares of the Company. Mr Fotios is a director of Investmet and Delta Resource Management and currently has voting power in excess of 20% in Investmet and Delta Resource Management. Accordingly, by virtue of section 608(3) of the Corporations Act, Mr Fotios has a relevant interest in the Shares in which Investmet and Delta Resource Management has a relevant interest.

Accordingly, it is likely that Investmet, Delta Resource Management and Mr Fotios will increase their relevant interests in the Company from a starting point that is from 20% or below to more than 20% as a result of certain transactions contemplated in this Notice, which is prima facie prohibited under Section 606 of the Corporations Act.

7.4 Section 611 Item 7 of the Corporations Act

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition described in section 7.3 above, whereby a person may acquire a relevant interest in a company's voting shares with shareholder approval where no votes were cast in favour of the resolution by the acquirer (or disposer) or their associates.

Pursuant to Resolution 7 of this Notice, Investmet, Delta Resource Management and Mr Fotios may potentially acquire the following relevant interests and voting power in Shares:

Event	Shares to be issued	Relevant interest	Total Shares	Voting Power
Investmet				
Current	-	17,209,402	135,024,525	16.71%
Shares to be issued to Investmet and Delta Resource Management upon conversion of debt (Resolution 7)	26,666,666	30,542,735	161,691,191	30.44%
Options to be issued to Investmet and Delta Resource Management (if exercised) (Resolution 7)	22,500,000	41,792,735	184,191,191	38.94%
Delta Resource Management				
Current	-	1,012,566	135,024,525	16.71%
Shares to be issued to Investmet and Delta Resource Management upon conversion of debt (Resolution 7)	26,666,666	14,345,899	161,691,191	30.44%
Options to be issued to Investmet and Delta Resource Management (if exercised) (Resolution 7)	22,500,000	25,595,899	184,191,191	38.94%
Mr Michael Fotios				
Current	-	22,563,861	135,024,525	16.71%
Shares to be issued to Investmet and Delta Resource Management upon conversion of Debt (Resolution 7)	26,666,666	49,230,527	161,691,191	30.44%
Options to be issued to Investmet and Delta Resource Management (if exercised) (Resolution 7)	22,500,000	71,730,527	184,191,191	38.94%

The above table illustrates the maximum dilution that Shareholders may be subject to under the Scorpion Acquisition and accordingly does not incorporate the issue of other securities for which approval is sought under this Notice of Meeting.

8.5 Specific Information Required by Section 611 Item 7 of the Corporations Act and ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the

Independent Expert's Report prepared by BDO annexed to this Explanatory Statement.

Investmet, Delta Resource Management and Mr Fotios

Investmet is an unlisted public company managed by experienced industry professionals and supported by private high net worth investors (including its directors and management). It was created to pursue a variety of investment opportunities in resource projects with strong future demand growth and to incubate, develop and enhance the value of these investments through financial, technical and corporate support.

Investmet is currently a substantial shareholder of the Company.

Investmet is managed by Executive Chairman Michael Fotios, who is a geologist specialising in economic and structural geology, with extensive experience in exploration throughout Australia and overseas.

Delta Resource Management is a private company which provides technical and administrative services to exploration and mining companies. Delta Resource Management is managed by Mr Fotios, who is the sole director of Delta Resource Management.

Other than as disclosed elsewhere in this Explanatory Statement, the Company understands that Investmet, Delta Resource Management and Mr Fotios:

(a) have no intention of making any significant changes to the business of the Company;

(b) have no intention of injecting further capital into the Company;

(c) have no intention of making changes regarding the future employment of the present employees of the Company;

(d) do not intend to redeploy any fixed assets of the Company; and

(e) do not intend to transfer any property between the Company and Investmet.

These intentions are based on information concerning the Company, its business and the business environment which is known to Investmet, Delta Resource Management and Mr Fotios at the date of this document.

Final decisions regarding these matters will only be made by Investmet, Delta Resource Management and Mr Fotios in light of material information and circumstances at the relevant time. Accordingly, the statements set out above are statements of current intention only, which may change as new information becomes available to it or as circumstances change.

Relevant Interests and Voting Power

As at the date of this Notice, Investmet, Delta Resource Management and Mr Fotios have a voting power of 16.71% of the Company. As outlined in section 7.4 above, in the event that Resolution 7 is passed and implemented, Investmet, Delta Resource Management and Mr Fotios' voting power in the Company may potentially increase to a maximum of 38.94% (including as a result of the exercise of the options issued to Investmet and Delta Resource Management pursuant to Resolution 7).

However, as there are further transactions contemplated in this Notice of Meeting (such as the issue of Shares to persons not associated with Investmet or Mr Fotios) it is highly likely that Investmet's, Delta Resource Management's and Mr Fotios' voting power would be reduced to the extent the Resolutions for those transactions are passed (if applicable) and the transactions are completed. Outlined below is the potential reduction of Investmet's, Delta Resource Management's and Mr Fotios' voting power from the maximum outlined above, based on a number of scenarios which are listed chronologically (anticipated).

Event	Shares to be issued	Relevant Interest	Total Shares	Voting Power
Investmet				
Current	-	17,209,402	135,024,525	16.71%
Shares to be issued under the Scorpion Acquisition (Resolution 1)	12,000,000	17,209,402	147,024,525	15.34%
Shares to be issued to Bronwyn Barnes and Grant Osborne (Resolutions 5 and 6)	2,000,001	17,209,402	149,024,526	15.14%
Shares to be issued to Investmet and Delta Resource Management upon conversion of debt (Resolution 7)	26,666,666	30,542,735	175,691,192	28.02%
Options to be issued to Scorpion Directors (if exercised) (Resolutions 2, 3 and 4)	45,000,000	30,542,735	220,691,192	22.30%
Shares to be issued as deferred consideration payable under the Mt Mulcahy Tenement Sale Agreement (if issued)	11,000,000	30,542,735	231,691,192	21.24%
Options to be issued to Investmet and Delta Resource Management (if exercised) (Resolution 7)	22,500,000	41,792,735	254,191,192	28.21%
Delta				
Current	-	1,012,566	135,024,525	16.71%
Shares to be issued under the Scorpion Acquisition (Resolution 1)	12,000,000	1,012,566	147,024,525	15.34%
Shares to be issued to Bronwyn Barnes and Grant Osborne (Resolutions 5 and 6)	2,000,001	1,012,566	149,024,526	15.14%
Shares to be issued to Investmet and Delta Resource Management upon conversion of debt (Resolution 7)	26,666,666	14,345,899	175,691,192	28.02%

Options to be issued to Scorpion Directors (if exercised) (Resolutions 2, 3 and 4)	45,000,000	14,345,899	220,691,192	22.30%
Shares to be issued as deferred consideration payable under the Mt Mulcahy Tenement Sale Agreement (if issued)	11,000,000	14,345,899	231,691,192	21.24%
Options to be issued to Investmet and Delta Resource Management (if exercised) (Resolution 7)	22,500,000	25,595,899	254,191,192	28.21%
Mr Michael Fotios				
Current	-	22,563,861	135,024,525	16.71%
Shares to be issued under the Scorpion Acquisition (Resolution 1)	12,000,000	22,563,861	147,024,525	15.34%
Shares to be issued to Bronwyn Barnes and Grant Osborne (Resolutions 5 and 5)	2,000,001	22,563,861	149,024,526	15.14%
Shares to be issued to Investmet and Delta Resource Management upon conversion of debt (Resolution 7)	26,666,666	49,230,527	175,691,192	28.02%
Options to be issued to Scorpion Directors (if exercised) (Resolutions 2, 3 and 4)	45,000,000	49,230,527	220,691,192	22.30%
Shares to be issued as deferred consideration payable under the Mt Mulcahy Tenement Sale Agreement (if issued)	11,000,000	49,230,527	231,691,192	21.24%
Options to be issued to Investmet and Delta Resource Management (if exercised) (Resolution 7)	22,500,000	71,730,527	254,191,192	28.21%

Particulars of proposed acquisition and timing

The Shares to be issued to Investmet and Delta Resource Management are the subject of Resolution 7. The particulars and timing for the issue and transfer of those Shares are outlined in the relevant Explanatory Memorandum for Resolution 7.

Reason for the proposed issues

The reasons for the proposed issues of Shares to Investmet and Delta Resource Management is outlined in the relevant Explanatory Memorandum for Resolution 7.

Advantages of the transactions

(f) Debts of approximately $800,000 owing to Investmet and Delta Resource Management ($400,000 each) will be extinguished.

(g) The extinguishment of debts and transactions contemplated by this Notice of Meeting may result in the Company's projects being developed to their full potential.

(h) Continuing to have Investmet, Delta Resource Management and Mr Fotios as significant shareholders may be an incentive for other investors to invest in the Company going forward.

Disadvantages of the transactions

(i) Existing Shareholders will be diluted as a result of the issue of Shares pursuant to the proposal.

(j) The value of the Shares may be in excess of the deemed price of $0.03 per Share, particularly if exploration at the Dablo Project is successful in discovering minerals.

Directors Interests

Other than Mr Fotios, the current Directors of the Company, Mr Neil Porter and Mr Alan Still, do not have any interest in the outcome of Resolution 9.

Independent Expert's Report

The Independent Expert's Report assesses whether the acquisition of Shares outlined in Resolution 9 is fair and reasonable to the Shareholders who are not associated with Investmet, Delta Resource Management and Mr Fotios.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposed acquisition the subject of Resolution 9. This assessment is designed to assist all Shareholders in reaching their voting decision. The Independent Expert has provided the Independent Expert's Report and has provided an opinion that the proposal as outlined in Resolution 9, in the absence of an alternate offer, is fair and reasonable to the Shareholders of the Company not associated with Investmet, Delta Resource Management and Mr Fotios. It is recommended that all Shareholders read the Independent Expert's Report in full.

The Independent Expert's Report is attached as Schedule 2 to this Notice of Meeting.

8.6 Board recommendation

The Directors of the Company, other than Mr Fotios, recommend that Shareholders vote in favour of Resolution 9 on the basis that the Company's liabilities and obligations to creditors will be discharged and the Company will have sufficient capital moving forward to effectively explore its assets.

8 RESOLUTION 10

9.1 Background

Section 157(1) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 10 seeks approval of the Shareholders of the Company to change its name from “Pegasus Metals Limited” to “Scorpion Minerals Limited”.

The Board consider that the proposed change of name is appropriate and in the best interests of the Company in consideration of the Company’s acquisition of Scorpion Minerals Limited.

If Shareholders approve Resolution 10, the change of name will take effect from the day on which ASIC alters the details of the Company’s registration.

The proposed name has been reserved by the Company and if Resolution 10 is passed, the Company will lodge a copy of the special resolution with ASIC on completion of the meeting in order to effect the change.

In connection with the change of name, the Company will also change its ASX code from PUN to another code to be determined, subject to approval from the ASX.

9.3 Recommendation

The Directors of the Company recommend that Shareholders vote in favour of Resolution 10.

GLOSSARY

In this Explanatory Statement, the following terms have the following unless the context otherwise requires:

ASIC	Australian Securities and Investments Commission.
Associate	has the meaning given to that term in the Listing Rules or the Corporations Act (as the context requires).
ASX	ASX Limited or the securities market operated by ASX Limited, as the context requires.
BDO or **Independent Expert**	BDO Corporate Finance (WA) Pty Ltd ACN 124 031 045
Board	board of Directors.
Chairman	chairman of the Meeting.
Company or **Pegasus**	Pegasus Metals Limited (ACN 115 535 030)
Constitution	constitution of the Company.
Corporations Act	*Corporations Act 2001* (Cth).
Dablo Project	Dablo Pd-Pt-Au-Ni-Cu (palladium-platinum-gold-nickel-copper) Project in Burkina Faso.
Delta Resource Management	Delta Resource Management Pty Ltd ACN 118 613 175.
Director	director of the Company.
Equity Securities	has the meaning given to that term in the Listing Rules.
Explanatory Statement	the explanatory statement that accompanies this Notice of Meeting.
Investmet	Investmet Limited ACN 125 585 935
Investmet Loan Facility	the loan facility provided to the Company by Investmet amounting to $500,000.
Investmet Options	22,500,000 Options to be issued by the Company to Investmet.
Meeting or **General Meeting**	the general meeting convened by this Notice of General Meeting.
Notice of General Meeting or **Notice of Meeting**	this notice of general meeting.
Listing Rules or **ASX Listing Rules**	official listing rules of the ASX.

Option	option to subscribe for a Share.
Placement	a placement to sophisticated investors of 20,000,000 Shares at a price of $0.03 per Share, to raise $600,000 before costs.
Proxy Form	the proxy form enclosed with this Notice of Meeting.
Related Party	has the meaning given to that term in the Listing Rules and the Corporations Act.
Related Party Loans	outstanding Director-related loans owing by the Company and amounting to approximately $1,600,000.
Resolution	resolution contained in this Notice of meeting.
Schedule	schedule to this Notice of Meeting.
Scorpion	Scorpion Minerals Limited
Scorpion Acquisition	the acquisition by the Company of 100% of the issued share capital of Scorpion for $360,000, via the issue to shareholders of Scorpion of 12,000,000 Shares at an implied price of $0.03 cents per Share.
Scorpion Options	45,000,000 Options to be issued by the Company to promoters and directors of Scorpion
Share	fully paid ordinary share in the capital of the Company.
Shareholder	holder of a Share in the Company.
WST	Australian Western Standard Time.

SCHEDULE 1 – TERMS OF OPTIONS

(a) Each Option will entitle the holder to acquire one Share upon exercise of the Option.

(b) The exercise price for the Options for each Option is as follows:

(i) the exercise price of each Tranche 1 Scorpion Option and Tranche 1 Investmet Option is $0.03; and

(ii) the exercise price of each Tranche 2 Scorpion Option and Tranche 2 Investmet Option is $0.05; and

(iii) the exercise price of each Tranche 3 Scorpion Option and Tranche 3 Investmet Option is $0.10.

(c) Each Option has the following expiry date:

(i) the Tranche 1 Scorpion Options and Tranche 1 Investmet Options will expire 12 months from the date of issue;

(ii) the Tranche 2 Scorpion Options and Tranche 2 Investmet Options will expire 24 months from the date of issue; and

(iii) the Tranche 3 Scorpion Options and Tranche 3 Investmet Options will expire 36 months from the date of issue.

(d) An Option will be exercised by the holder completing an exercise notice and delivering it to the Company together with payment in immediately available funds for the total number of Options exercised.

(e) Shares must be issued and allotted to the holder of Options as soon as practicable after the Company receives an exercise notice together with payment in immediately available funds for the total number of Option exercised, provided that such issue and allotment occur no later than 2 Business Days thereafter.

(f) If the exercise of an Option would result in any person being in contravention of section 606(1) of the Corporations Act (General Prohibition) then the exercise of the Option and issue of the Share shall be deferred until such later time or times that such exercise and issue would not result in a contravention of the General Prohibition. In these circumstances, the Company must use its best endeavours to obtain Shareholder approval in accordance with section 611, item 7 of the Corporations Act.

(g) There will be no participating entitlements inherent in the Options to participate in new issues of capital that may be offered to shareholders during the currency of the Options. Prior to any new pro-rata issue of securities to shareholders, holders of Options will be notified by the Company in accordance with the requirements of the Listing Rules.

(h) If the Company proceeds with a bonus issue of securities, the number of Shares over which the Options are exercisable shall be increased by the number of Shares that the Option holders would have received if the Options had been exercised before the record date for the bonus issue.

(i) In the event of a reconstruction, including the consolidation, subdivision, reduction or return of issue capital of the Company prior to the expiry date, all rights of a holder are to be changed in a manner consistent with the Listing Rules.

(j) Other than as required under the Listing Rules, there is no right to a change in the exercise price of the Options or to the number of Shares over which the Options are exercisable in the event of a new issue of capital (other than a bonus issue) during the currency of the Options.

(k) Shares allotted pursuant to an exercise of Options will rank, from the date of allotment, in all respects equally with existing Shares.

(l) In accordance with the Listing Rules, the Company will apply for, and take all action necessary to procure, official quotation of all Shares issued and allotted pursuant to an exercise of Options immediately after the Company receives notice of the exercise of Options.

(m) The Company must take all action necessary (including, without limitation, the issuance of a Cleansing Statement, the issuance of a prospectus under Chapter 6D of the Corporations Act or obtaining exemptions from or modifications to the Corporations Act from ASIC) to ensure that an offer of the Shares issued on exercise of an Option for sale will not require disclosure under section 707(3) of the Corporations Act.

(n) The Options shall be freely assignable and transferable, subject to the provisions of Chapter 6D of the Corporations Act.

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PEGASUS METALS LIMITED

ACN: 115 535 030

REGISTERED OFFICE:
LEVEL 1
24 MUMFORD PLACE
BALCATTA WA 6021

SHARE REGISTRY:
Security Transfer Australia Pty Ltd
All Correspondence to:
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.

VOTE ONLINE

Lodge your proxy vote securely at **www.securitytransfer.com.au**
1. Log into the Investor Centre using your holding details.
2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

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 General Meeting of the Company to be held at 9:00am WST on Tuesday 2 October 2018 at Level 1, 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	For	Against	Abstain*
1. APPROVAL TO ISSUE SECURITIES TO SHAREHOLDERS OF SCORPION MINERALS LIMITED	☐	☐	☐
2. APPROVAL TO ISSUE SECURITIES TO DIRECTORS OF SCORPION MINERALS LIMITED (RELATED PARTIES)	☐	☐	☐
3. APPROVAL TO ISSUE SECURITIES TO DIRECTORS OF SCORPION MINERALS LIMITED (RELATED PARTIES)	☐	☐	☐
4. APPROVAL TO ISSUE SECURITIES TO DIRECTORS OF SCORPION MINERALS LIMITED (RELATED PARTIES)	☐	☐	☐
5. PARTICIPATION IN PLACEMENT - APPROVAL TO ISSUE SECURITIES TO RELATED PARTIES	☐	☐	☐
6. PARTICIPATION IN PLACEMENT - APPROVAL TO ISSUE SECURITIES TO RELATED PARTIES	☐	☐	☐
7. APPROVAL TO ISSUE SECURITIES TO INVESTMET LIMITED ON CONVERSION OF LOAN (RELATED PARTY)	☐	☐	☐
8. RATIFICATION OF ISSUE OF SECURITIES (PLACEMENT)	☐	☐	☐
9. APPROVAL FOR INVESTMET LIMITED AND MR MICHAEL FOTIOS TO INCREASE RELEVANT INTEREST	☐	☐	☐
10. APPROVAL FOR CHANGE OF COMPANY NAME	☐	☐	☐

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	Security Holder 2	Security Holder 3
Sole Director & Sole Company Secretary	Director	Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 9:00am WST on Sunday 30 September 2018.

My/Our contact details in case of enquiries are:

Name:

Number:

( )

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 share registry. 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 share registry.

6. LODGEMENT OF PROXY
Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd 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.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Australia Pty Ltd

Online	www.securitytransfer.com.au
Postal Address	PO BOX 52 Collins Street West VIC 8007
Street Address	Suite 913, Exchange Tower 530 Little Collins Street Melbourne VIC 3000
Telephone	1300 992 916
Facsimile	+61 8 9315 2233
Email	registrar@securitytransfer.com.au

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.

PEGASUS METALS LIMITED
Independent Expert's Report

17 July 2018

Financial Services Guide

17 July 2018

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('**we**' or '**us**' or '**ours**' as appropriate) has been engaged by Pegasus Metals Limited ('**Pegasus**') to provide an independent expert's report on the proposal to acquire the issued capital of Scorpion Minerals Limited ('**Scorpion**'). You will be provided with a copy of our report as a retail client because you are a shareholder of Pegasus.

Financial Services Guide
In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('**FSG**'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us
BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide
We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice
We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $22,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Other Assignments
BDO Audit (WA) Pty Ltd is the appointed Auditor of Pegasus. We do not consider that this impacts on our independence in accordance with the requirements of Regulatory Guide 112 'Independence of Experts'. We have completed a conflict search of BDO affiliated organisations within Australia. This conflict search incorporates all Partners, Directors and Managers of BDO affiliated organisations. We are not aware of any circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective assistance in this matter.

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Pegasus for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals
We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('**FOS**'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Free call: 1800 367 287
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

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www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

17 July 2018

The Independent Directors
Pegasus Metals Limited
Level 1, 24 Mumford Place
BALCATTA WA 6021

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 10 January 2018, Pegasus Metals Limited ('**Pegasus**' or '**the Company**') announced that it had entered into an agreement to acquire 100% of the issued capital of Scorpion Minerals Limited ('**Scorpion**'), an unlisted public company which holds the rights to acquire an initial joint venture interest of 51%, with scope to hold up to a 70% joint venture interest, in the Dablo palladium-platinum-gold-nickel-copper exploration project ('**Dablo Project**') in two phases ('**Scorpion Acquisition**').

As consideration for the Scorpion Acquisition, Pegasus will issue Scorpion shareholders 12 million fully paid ordinary shares in the capital of the Company ('**Consideration Shares**') and will assume the outstanding loan obligations of Scorpion under a $0.5 million loan facility with Investmet Limited ('**Investmet**'), a company associated with Pegasus director, Mr Michael Fotios.

In addition to the above, the promoters and directors of Scorpion will be issued three tranches of options in the capital of the Company as follows:

- Tranche 1 - 15 million options with an exercise price of $0.03 per option, expiring 12 months from the date of issue;
- Tranche 2 – 15 million options with an exercise price of $0.05 per option, expiring 24 months from the date of issue; and
- Tranche 3 – 15 million options with an exercise price of $0.10 per option, expiring 36 months from the date of issue.

Completion of the Scorpion Acquisition is subject to a number of conditions precedent as set out in Section 4 of our Report. Subject to the satisfaction of the conditions precedent, in consideration for Investmet entering into the loan terms, Investmet will be issued three tranches of options in the capital of Pegasus as follows:

- Tranche 1 – 7.5 million options with an exercise price of $0.03 per option, expiring 12 months from the date of issue;
- Tranche 2 – 7.5 million options with an exercise price of $0.05 per option, expiring 24 months from the date of issue; and

- Tranche 3 – 7.5 million options with an exercise price of $0.10 per option, expiring 36 months from the date of issue.

Pegasus is also seeking to convert related party loans to ordinary shares in Pegasus. The related party loans are currently held by Investmet and Delta Resource Management (‘**Delta**’), which are both related parties of Mr Michael Fotios, who holds significant control and influence over the two companies due to the following:

- Mr Fotios is a Director of Investmet and Delta; and
- Mr Fotios holds a controlling interest in both Investmet and Delta.

As a result of the conversion of the related party loans (with Investmet and Delta) to equity and the issue of options to Investmet and Delta, Investmet and Delta, and therefore Mr Michael Fotios (‘**Michael Fotios and Associates**’) may increase their interests in the Company to a level that is above 20% (‘**Proposed Transaction**’).

The potential increase in Michael Fotios and Associates’ combined voting power to above 20% is subject to approval by shareholders of Pegasus not associated with Investmet, Delta and Mr Michael Fotios (‘**Shareholders**’) which will be sought under item 7 section 611 (‘**Section 611**’) of the Corporations Act 2001 Cth (‘**Corporations Act**’ or ‘**the Act**’).

Throughout this report, we refer to Pegasus, on a post Scorpion Acquisition basis, as the **Proposed Merged Entity**.

All dollar amounts are quoted in Australian dollars (‘**A$**’ or ‘**AUD**’) unless otherwise indicated.

2. Summary and Opinion

2.1 Purpose of the report

The independent directors of Pegasus have requested that BDO Corporate Finance (WA) Pty Ltd (‘**BDO**’) prepare an independent expert’s report (‘**our Report**’) to express an opinion as to whether or not the Proposed Transaction is fair and reasonable to Shareholders.

Our Report is prepared pursuant to Section 611 of the Corporations Act and is to be included in the Notice of Meeting for Pegasus in order to assist the Shareholders in their decision whether to approve the Proposed Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (‘**ASIC**’) Regulatory Guide 74 ‘Acquisitions Approved by Members’ (‘**RG 74**’), Regulatory Guide 111 ‘Content of Expert’s Reports’ (‘**RG 111**’) and Regulatory Guide 112 ‘Independence of Experts’ (‘**RG 112**’).

In arriving at our opinion, we have assessed the terms of the Proposed Transaction as outlined in the body of this report. We have considered:

- how the value of a Pegasus share prior to the Proposed Transaction on a control basis compares to the value of a Pegasus share following the Proposed Transaction on a minority basis;
- other factors which we consider to be relevant to the Shareholders in their assessment of the Proposed Transaction; and
- The position of Shareholders should the Proposed Transaction not proceed.

2.3 Opinion

We have considered the terms of the Proposed as outlined in the body of this report and have concluded that, in the absence of an alternate offer, the Proposed Transaction is fair and reasonable to Shareholders.

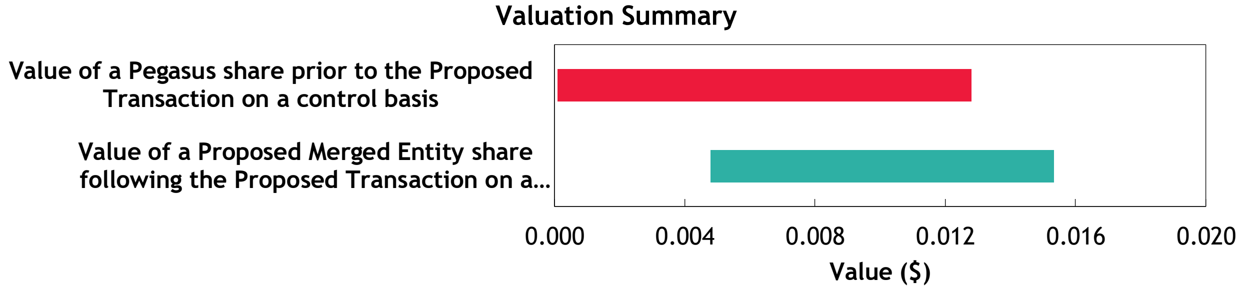
2.4 Fairness

In section 12 we determined that the value of a Pegasus share prior to the Proposed Transaction on a control basis compares to the value of a Proposed Merged Entity share following the Proposed Transaction on a minority basis, as detailed below:

	Ref	Low $	Preferred $	High $
Value of a share in Pegasus prior to the Proposed Transaction	10.3	-	0.006	0.013
Value of a share in the Proposed Merged Entity following the Proposed Transaction	11.1	0.005	0.009	0.015

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, and an alternate offer, the Proposed Transaction is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Proposed Transaction; and
- other considerations, including the position of Shareholders if the Proposed Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Proposed Transaction is approved is more advantageous than the position if the Proposed Transaction is not approved. Accordingly, in the absence of any other relevant information and/or an alternate proposal we believe that the Proposed Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1.	The Proposed Transaction is fair	13.2.1.	A decision to mine the Dablo Project will require a significant payment
13.1.2.	Conversion of director loans is value accretive at current share price	13.2.2.	Current value of Scorpion's holding in the Dablo Project is nil
13.1.3.	Provides Shareholders with exposure to a portfolio of diversified exploration assets	13.2.3.	Dilution of Shareholders' interests
13.1.4.	The earn-in structure of the Dablo Project acquisition is favourable to Shareholders		
13.1.5.	The conversion of the director loans to equity will increase the Proposed Merged Entity's ability to raise debt funding		

Other key matters we have considered include:

Section	Description
13.3	Alternative proposal
13.4	Practical level of control
13.5	Consequences of not approving the Proposed Transaction

3. Scope of the Report

3.1 Purpose of the Report

Section 606 of the Corporations Act expressly prohibits the acquisition of shares by a party if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

Michael Fotios, through direct shareholdings, and shareholdings through Investment and Delta, holds a 16.71% interest in Pegasus. Pegasus is seeking approval to issue shares and options to Investmet and Delta which would see Michael Fotios and Associates increase their shareholding in Pegasus up to 38.94%, on a fully diluted basis.

Listing Rule 10.11 provides that, unless a specified exception applies, a company must not issue or agree to issue securities to a related party without the approval of ordinary shareholders. A "related party", for the purposes of the Listing Rules, has the meaning given to it in the Act, and includes the directors of a company or persons who have reasonable grounds to believe that they are likely to become a related party of a company. As such, shareholder approval is sought under Listing Rule 10.11 to issue shares and options to Bronwyn Barnes and Grant Osbourne, each of whom has reasonable grounds to believe that they are likely to become a related party of the Company as part of the Proposed Transaction. Shareholder approval is also being sought under Listing Rule 10.11 to issue shares and options to Investmet and Delta, which are both a related party of Pegasus, as outlined in section 1.

RG 74 states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of Pegasus, by either:

- undertaking a detailed examination of the Proposed Transaction themselves, if they consider that they have sufficient expertise, experience and resources; or
- By commissioning an Independent Expert's Report.

The independent directors of Pegasus have commissioned this Independent Expert's Report to satisfy this obligation.

3.2 Regulatory guidance

Neither the Australian Securities Exchange ('**ASX**') Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Proposed Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism used to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Proposed Transaction is a control transaction as defined by RG 111 and we have therefore assessed the Proposed Transaction as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is equal to or greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction it is inappropriate for the expert to apply a discount on the basis that the shares being acquired represent a minority or portfolio interest as such the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between value of a Pegasus share prior to the Proposed Transaction on a control basis and the value of a Proposed Merged Entity share following the Proposed Transaction on a minority basis (fairness - see Section 12 'Is the Proposed Transaction Fair?'); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness - see Section 13 'Is the Proposed Transaction Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('**APES 225**').

A Valuation Engagement is defined by APES 225 as follows:

'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Proposed Transaction

Scorpion Acquisition

On 10 January 2018, Pegasus announced that it had entered into an agreement to acquire 100% of the issued capital of Scorpion, an unlisted public company which holds the rights to acquire up to a 70% joint venture interest in the Dablo Project in two phases:

- Scorpion must spend $4.0 million on agreed expenditure within 24 months to earn an initial interest of 51% in the Dablo Project ('**Phase 1**' or '**Minimum Commitments**'); and
- Scorpion can earn up to an additional 19% interest in the Dablo Project by spending up to a further $4.0 million on agreed expenditure within the period of 18 months after completion of Phase 1 ('**Phase 2**').

Scorpion must spend a minimum of $1.15 million on the Dablo Project within 12 months, with approximately $0.56 million spent as at 31 March 2018.

As consideration for the Scorpion Acquisition, Pegasus will issue Scorpion shareholders 12 million fully paid ordinary shares in the capital of the Company (‘**Consideration Shares**’).

In addition, the promoters and directors of Scorpion will be issued three tranches of options in the capital of the Company as follows:

- Tranche 1 - 15 million options with an exercise price of $0.03 per option, expiring 12 months from the date of issue;
- Tranche 2 – 15 million options with an exercise price of $0.05 per option, expiring 24 months from the date of issue; and
- Tranche 3 – 15 million options with an exercise price of $0.10 per option, expiring 36 months from the date of issue.

Collectively, the ‘**Scorpion Options**’.

In connection with the Scorpion Acquisition, the Company will assume the outstanding loan obligations of Scorpion under a $0.5 million loan facility with Investmet (‘**Investmet Loan Facility**’). As part of the transaction, one-half of the Investmet loan facility, amounting to $0.25 million, will be repayable to Investmet out of funds received by way of a placement of shares in the Company. Any amount in excess of $0.25 million will become repayable in either cash or shares, at the Company’s election, once the Company share price has traded at a volume weighted average price (‘**VWAP**’) above $0.25 over a continuous 30-day period.

Placement

In connection with the Scorpion Acquisition, the Company has undertaken a placement under ASX Listing Rule 7.1 to sophisticated investors of 18.85 million shares at a price of $0.03 per share, to raise approximately $0.56 million before costs associated with the issue.

On 16 February 2018, the Company announced that it had raised $365,000 under tranche 1 of the placement, with an additional $60,000 to be raised by the issue of shares to related parties, Bronwyn Barnes and Grant Osbourne, in their capacity as new directors of Pegasus (‘**Related Party Shares**’). The Company also stated it expected to raise a further $174,500 under tranche 2 with commitments having already been received.

The funds will be applied to progress the Scorpion Acquisition and exploration of the Dablo Project as well as to exploration activities at the Company’s Mt Mulcahy Copper Project, working capital, and repaying $0.25 million of the Investmet Loan Facility.

Investmet Options

The Scorpion Acquisition is subject to the following conditions precedent:

- Scorpion obtaining all necessary regulatory and shareholder approvals pursuant to the Corporations Act or any other law (including ASIC relief);
- Pegasus obtaining all necessary shareholder and regulatory approvals pursuant to the ASX Listing Rules, the Act and any other law (including ASX approvals and waivers, and ASIC relief) to allow

the Company to lawfully complete the Scorpion Acquisition, including but not limited to, approval pursuant to Section 611 of the Corporations Act in relation to the debt conversion; and

- As part of the Scorpion Acquisition, $0.80 million of the outstanding related party loans with Investmet and Delta will be converted into equity in the Company, with the balance to remain outstanding. In addition, payment terms are to be extended and the Company will be entitled to make repayments in either cash or shares, at the Company's election, once the Pegasus share price has traded at a VWAP above $0.25 per share over a continuous 30-day period ('**Debt Conversion**').

Collectively, the '**Conditions**'.

Subject to the satisfaction of the Conditions, in consideration for Investmet and Delta entering into the Debt Conversion terms, Investmet and Delta will be issued the three tranches of options in the capital of Pegasus (in equal portions) as follows:

- Tranche 1 – 7.5 million options with an exercise price of $0.03 per option, expiring 12 months from the date of issue;
- Tranche 2 – 7.5 million options with an exercise price of $0.05 per option, expiring 24 months from the date of issue; and
- Tranche 3 – 7.5 million options with an exercise price of $0.10 per option, expiring 36 months from the date of issue.

Collectively, the '**Investmet Options**'.

The Pegasus securities proposed to be issued as a result of the Debt Conversion, being securities issued upon conversion of $0.80 million of the outstanding related party loans into equity, as well as securities issued under the Investmet Options, are subject to Shareholder approval.

Further details on the Scorpion Acquisition and the Proposed Transaction can be found in the attached Notice of Meeting.

Shareholding in Proposed Merged Entity

The following table shows the maximum number of shares that may be issued to Michael Fotios and Associates following approval of the Debt Conversion and exercise of the Investmet Options.

Proposed Merged Entity	Michael Fotios & Associates	Other Shareholders	Total
Existing shareholding	22,563,861	112,460,664	135,024,525
% of shareholding	16.71%	83.29%	100.00%
Issue of shares under Debt Conversion	26,666,666	-	26,666,666
Total shares on issue (undiluted basis)	**49,230,527**	**112,460,664**	**161,691,191**
% of shareholding	30.45%	69.55%	100.00%
Exercise of Investmet Options	22,500,000	-	22,500,000
Total shares on issue (fully diluted basis)	**71,730,527**	**112,460,664**	**184,191,191**
% of shareholding	38.94%	61.06%	100.00%

Source: BDO analysis

The table above illustrates the maximum dilution that Shareholders may be subject to under the Proposed Transaction, therefore, we have not considered the approval of issuance of the Consideration Shares, Related Party Shares or the exercise of the Scorpion Options to be issued to Scorpion Directors as the approval of the resolutions are not interdependent on each other being approved.

5. Profile of Pegasus

5.1 History

Pegasus is an ASX-listed mineral exploration company, with interests in Western Australia (‘**WA**’). The Company’s primary focus is its wholly-owned Mt Mulcahy Copper Project (‘**Mt Mulcahy**’), located in the Shire of Murchison, approximately 300 kilometres (‘**km**’) north-east of Geraldton. Pegasus listed on the ASX on 7 March 2007 and its registered office is located in Balcatta, Western Australia.

The Company’s current board members and senior management are as follows:

- Mr Michael Fotios – Non-Executive Director;
- Mr Alan Still – Non-Executive Director;
- Mr Neil Porter – Non-Executive Director; and
- Ms Shannon Coates – Company Secretary.

5.2 Corporate events

On 2 February 2015, Pegasus announced a dispute with joint venture partner, Kimminco Pty Ltd (‘**Kimminco**’), relating to the farm-in expenditure and subsequent ownership of the McLarty Range Project. Kimminco alleged deficiencies in the amount contributed by Pegasus in order to earn its ownership interest in the project and sought immediate restoration of ownership to Kimminco for no consideration.

On 28 May 2015, Pegasus announced that it had reached a settlement with Kimminco in regards to the dispute over the McLarty Range Project. The terms of the settlement included, but were not limited to, Pegasus withdrawing from the McLarty Range Project and exploration licences reverting to being owned by Kimminco, and Kimminco transferring 3.75 million shares it held in the Company to third parties and the buy-back of 6.9 million shares it held in the Company by Pegasus.

On 26 October 2017, Pegasus announced it had entered into an unsecured loan agreement for up to $1.0 million to meet its immediate working capital requirements, with entities associated with Mr Michael Fotios. Subject to a minimum conversion amount of $0.05 million and shareholder approval, all or part of the loan may be converted into shares at the lender’s election, at the issue price and terms of any future capital raising. The undrawn loan balance at 31 December 2017 was $0.6 million.

5.3 Mt Mulcahy

Pegasus owns a 100% interest in Mt Mulcahy, which is situated in the Shire of Murchison in central WA, approximately 45km northwest of the small mining town of Cue. The project is prospective for copper, zinc and silver. The tenements which comprise Mt Mulcahy, EL 20/422 and ELA 20/764, were acquired by Pegasus in 2012 from private company Black Raven Mining Pty Ltd.

During the half year ended 31 December 2017, the Company applied for a mining lease to cover tenement EL 20/422. During the December 2017 quarter, the Department for Mines, Industry regulation and Safety (‘**DMIRS**’) advised the licence for the tenement was considered expired as at 6 April 2017, and the

Company applied for a new exploration lease over the area (EL 20/931). Planned drilling of holes to the current resource at the South Limb Pod (‘**SLP**’) therefore awaits the grant of this new licence.

5.4 Historical Financial Information

Consolidated Statement of Financial Position	Reviewed as at 31-Dec-17 $	Audited as at 30-Jun-17 $	Audited as at 30-Jun-16 $
CURRENT ASSETS			
Cash and cash equivalents	1,024	614	1,805
Trade and other receivables	411,278	284,819	281,242
Other current assets	17,856	17,856	17,893
TOTAL CURRENT ASSETS	**430,158**	**303,289**	**300,940**
NON-CURRENT ASSETS			
Property, plant and equipment	-	-	4,696
Capitalised exploration expenditure	2,060,027	2,060,027	2,060,027
TOTAL NON-CURRENT ASSETS	**2,060,027**	**2,060,027**	**2,064,723**
TOTAL ASSETS	**2,490,185**	**2,363,316**	**2,365,663**
CURRENT LIABILITIES			
Trade and other payables	2,054,584	1,972,780	1,699,774
Borrowings	432,492	310,512	133,675
TOTAL CURRENT LIABILITIES	**2,487,076**	**2,283,292**	**1,833,449**
TOTAL LIABILITIES	**2,487,076**	**2,283,292**	**1,833,449**
NET ASSETS	**3,109**	**80,024**	**532,214**
EQUITY			
Contributed equity	18,189,063	18,189,063	18,189,063
Accumulated losses	(18,185,954)	(20,738,660)	(20,286,470)
Reserves	-	2,629,621	2,629,621
TOTAL EQUITY	**3,109**	**80,024**	**532,214**

Source: Pegasus’ audited financial statements for the years ended 30 June 2016 and 30 June 2017, and reviewed financial statements for the half year ended 31 December 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Reviewed half year ended 31-Dec-17 $	Audited year ended 30-Jun-17 $	Audited year ended 30-Jun-16 $
Other income	110,227	345	42,270
Expenses			
Exploration expenses	(9,726)	(187,368)	(103,275)
Interest expense	-	(36,984)	-
Impairment of exploration acquisition costs capitalised	-	-	(1,687,906)
Occupancy expenses	-	18,000	(40,500)
Other expenses	(177,416)	(160,648)	(198,277)
Director fees	-	(80,839)	(101,218)
Depreciation expense	-	(695)	(2,742)
Impairment of property, plant and equipment	-	(4,001)	-
Loss before income tax	**(76,915)**	**(452,190)**	**(2,091,648)**
Income tax benefit/(expense)	-	-	-
Total comprehensive loss for the year	**(76,915)**	**(452,190)**	**(2,091,648)**

Source: Pegasus' audited financial statements for the years ended 30 June 2016 and 30 June 2017, and reviewed financial statements for the half year ended 31 December 2017

We note that for the half year ended 31 December 2017, Pegasus' auditor issued an emphasis of matter paragraph in the review report. The auditor outlined the existence of a material uncertainty that may cast significant doubt about Pegasus' ability to continue as a going concern, due to the Company incurring a net loss of $76,915 and incurring net cash outflows from operating activities of $121,570 for the half year ended 31 December 2017, and had a working capital deficiency of $2,056,918 at 31 December 2017. The ability of Pegasus to continue as a going concern was therefore dependent upon the continuation of the loan facility entered into with Mr Michael Fotios and his associated entities, their ability to meet the pledge of continuing financial support under that loan facility as and when required, and letters of support obtained from related party creditors and negotiating deferred terms of repayment with third party creditors.

Commentary on Historical Financial Information

We note the following in relation to Pegasus' Historical Financial Information:

- Property, plant and equipment decreased from $4,696 at 30 June 2016 to nil at 30 June 2017 as a result of an impairment of property, plant and equipment charge amounting to $4,001 and depreciation of $695 recorded in Pegasus' Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017.
- Capitalised exploration expenditure as at 30 June 2016, 30 June 2017 and 31 December 2017 amounted to $2,060,027 due to no exploration activities being undertaken at Mt Mulcahy. During the half-year ended 31 December 2017, the Company applied for a mining lease to cover tenement E20/422 however the DMIRS advised that the new mining application was considered expired as at 6 April 2017. As such, the Company applied for a new exploration lease over the area. Planned drilling to the current resource at the SLP therefore awaits the grant of the new licence.
  - During the year ended 30 June 2016, the Company impaired its exploration asset and recognised an impairment expense of $1,687,906.

- Trade and other payables as at 31 December 2017 of $2,054,584 comprised $595,949 of trade payables, $1,366,407 amounts owing to related party creditors, $59,589 of accrued expenses and $32,639 of payroll liabilities. A summary of amounts owing to each of the related party creditors as at 31 December 2017 is set out below.

Related party creditors	31-Dec-17 $
Delta Resource Management	713,866
Eastern Goldfields Limited	25,079
Investmet	178,688
Michael Fotios Family Trust - non-interest bearing	86,408
Whitestone Mining Services Pty Ltd	362,366
Total	**1,366,407**

Source: Pegasus' reviewed financial statements for the half year ended 31 December 2017

  - As at 31 December 2017, trade creditors amounting to $562,206 included in current liabilities were outside their agreed terms of repayment. The company is subject to legal proceedings for demands and claims of $64,585 of these long outstanding creditors. As noted in the half year review report for the six months ended 31 December 2017, the directors expect to enter into repayment plans with the Company's long outstanding third party creditors.

- Borrowings as at 31 December 2017 of $432,492 comprised $392,966 from Michael Fotios and associated entities and $39,526 of loans from other related parties.

  - The loan facility agreement entered into in October 2017 is with Michael Fotios and associated entities, Delta and Investmet. The previous loan facility agreement was with the Michael Fotios Family Trust which has been superseded by the new loan facility. The revised loan facility incorporates $266,605, which relates to loan balances outstanding with Delta and Investmet before the revised loan facility was executed.

  - The loan facility with Michael Fotios and associated entities is to be repaid in cash within seven days of the successful completion of a capital raising. Prior to a capital raising, any lender may convert all or some of the outstanding balance of the loan in ordinary shares at the price at which the capital raising is to be completed, subject to regulatory approvals. The loan bears an interest of 8% per annum, and as at 31 December 2017, the undrawn loan balance available to the Company from Michael Fotios and associated entities amounted to $607,034.

- Reserves balance was written down to a value of nil as the current options on issue expired in the six months ended 31 December 2017.

- Other income of $42,270 and $345 for the years ended 30 June 2016 and 30 June 2017, respectively, entirely related to interest received. For the half year ended 31 December 2017, other income of $110,227 largely related to a research and development rebate received of $110,148 and interest received of $79.

- Other expenses of $177,416 for the half year ended 31 December 2017 comprised external professional fees, director fees, other administrative expenses and ASX fees.

5.5 Capital Structure

The share structure of Pegasus as at 9 April 2018 is outlined below:

	Number
Total ordinary shares on issue	135,024,525
Top 20 shareholders	74,118,165
Top 20 shareholders - % of shares on issue	54.89%

Source: Pegasus' share registry information

The range of shares held in Pegasus as at 9 April 2018 is as follows:

Range of shares held	Number of ordinary shareholders	Number of ordinary shares	Percentage of issued shares
1 - 1,000	29	4,358	0.00%
1,001 - 5,000	97	316,055	0.23%
5,001 - 10,000	69	597,506	0.44%
10,001 - 100,000	253	10,811,799	8.01%
100,001 - and over	126	123,294,807	91.31%
Total	**574**	**135,024,525**	**100.00%**

Source: Pegasus' share registry information

The ordinary shares held by the most significant shareholders as at 9 April 2018 are detailed below:

Name	Number of ordinary shares held	Percentage of issued shares
Investmet Limited	17,009,402	12.60%
Wyllie Group Pty Ltd	6,596,465	4.89%
Perth Select Seafoods Pty Ltd	5,000,000	3.70%
Botsis Holdings Pty Ltd	4,408,448	3.26%
Michael Fotios	4,341,893	3.22%
Subtotal	37,356,208	27.67%
Others	97,668,317	72.33%
Total ordinary shares on Issue	135,024,525	100.00%

Source: Pegasus' share registry information

Pegasus currently has no options on issue.

6. Profile of Scorpion

6.1 History

Scorpion is a privately-owned, Australian public company, registered in May 2017. Scorpion has its head office located in Perth, WA, and its current board members and senior management are as follows:

- Mr John Dixon, Director;
- Mr Grant Osborne, Director;
- Ms Bronwyn Barnes, Director;
- Ms Aida Tabakovic, Joint Company Secretary; and
- Mr Stephen Brockhurst, Joint Company Secretary.

Scorpion is a party to a memorandum of agreement dated 7 July 2017 which sets out the key commercial terms of a proposed joint venture with Newgenco Exploration (West Africa) Pty Ltd ('**Newgenco**') over the Dablo Project located in Burkina Faso, West Africa ('**MOA**'). Under the terms of the MOA, Scorpion owns the rights to engage in a joint venture with Newgenco, in which Scorpion may acquire up to a 70% interest in the Dablo Project through two phases.

6.2 Dablo Project

Owned by Newgenco, the Dablo Project is a palladium-platinum-gold-nickel-copper project, located in Burkina Faso, West Africa. The project area comprises four exploration tenements spanning 981km^2. In late 2017, Scorpion signed a MOA for the right to acquire up to 70% of the Dablo Project, in two phases.

Phase 1 specifies that Scorpion must spend $4 million on agreed expenditure within 24 months after the commencement date to earn an initial 51% holding in the Dablo Project, with the commencement date defined as the date that the conditions contained in the MOA are satisfied. In addition, a minimum of $1.15 million must be spent within 12 months after the commencement date, with $750,000 of the $1.15 million contributed before Scorpion can elect to withdraw from the MOA.

Upon completion of Phase 1, Scorpion also has the option to acquire an additional 19% interest (or a cumulative interest of 70%) by spending up to a further $4 million on agreed expenditure in the subsequent 18-month period. Upon completion of Phase 2, the parties will jointly contribute to expenditure at the Dablo Project in proportion to their ownership.

As at 31 March 2018, Scorpion had spent approximately $0.56 million on the Dablo Project and had contributed to the drilling of eight reverse circulation drill holes in December 2017.

Historically, more than $6 million has been spent on exploration activities at the Dablo Project under a joint venture between Newgenco and First Quantum Minerals Ltd. Activity included ground and airborne surveys, soil geochemistry, geological mapping and initial drilling.

6.3 Historical Financial Information

Consolidated Statement of Financial Position	Unaudited as at 31-Mar-18 $
CURRENT ASSETS	
Cash and cash equivalents	20,485
Tax assets	1,141
TOTAL CURRENT ASSETS	**21,626**
TOTAL ASSETS	**21,626**
CURRENT LIABILITIES	
Trade creditors	16,429
Accruals	142,500
Convertible loan	500,000
TOTAL CURRENT LIABILITIES	**658,929**
TOTAL LIABILITIES	**658,929**
NET ASSETS	**(637,303)**
EQUITY	
Issued capital	159,500
Retained earnings	(796,803)
TOTAL EQUITY	**(637,303)**

Source: Scorpion's unaudited financial statements for the period ended 31 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Unaudited period ended 31-Mar-18 $
Other income	-
Expenses	
Exploration expenses	(616,772)
General expenses	(1,213)
Accounting and bookkeeping fees	(12,736)
Bank charges	(209)
Travel expenses	(8,209)
Payroll expenses	(142,500)
Loss before income tax	**(781,639)**
Income tax benefit/(expense)	-
Total comprehensive loss for the year	**(781,639)**

Source: Scorpion's unaudited financial statements for the period ended 31 March 2018

We have not undertaken a review of Scorpion's unaudited accounts in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

Commentary on Historical Financial Information

We note the following in relation to Pegasus' Historical Financial Information:

- We note the exploration expenditure consists of approximately $0.56 million of expenditure to be included in the Phase 1 earn-in expenditure, with the remaining $0.05 million relating to legal fees incurred in relation to the acquisition of the Dablo Project earn-in agreement.
- We note the majority of the exploration expenditure undertaken on the Dablo Project by Scorpion has been funded by the $0.5 million capital provided from the issue of the convertible note and the initial equity issued totalling approximately $0.15 million. The convertible note is from Investmet.
- The accruals consist of director fees which also make up the entire payroll expenses.
- The exploration expenditure is not capitalised due to the early stage of exploration.

7. Economic analysis

7.1 Global

Conditions in the global economy remain positive. A number of advanced economies are growing at an above-trend rate and unemployment rates are low. Growth picked up in the Asian economies in 2017, partly supported by increased international trade.

Growth in China was strong through 2017, however it has eased slightly in the recent quarter, reflecting the Chinese authorities' objective of more sustainable growth. In March 2018, the Chinese Government released a gross domestic product ('**GDP**') growth target of approximately 6.5 percent for 2018, down from its published GDP growth rate of 6.9% in 2017, suggesting some tolerance for a gradual slowing of growth. Investment in infrastructure and residential property remains strong, with demand from these sectors supporting modest growth in crude steel production, which in turn has supported demand for iron ore and coking coal.

The pick-up in the global economy has contributed to a rise in oil and other commodity prices over the past year. Even so, Australia's terms of trade are expected to decline over the next few years, but remain at a relatively high level.

Globally, inflation remains low, although it has increased in some economies and further increases are imminent given the tight labour markets. As conditions have improved in the global economy, a number of central banks have withdrawn some monetary stimulus and further steps in this direction are to be expected.

Both Chinese and United States of America authorities recently announced trade protectionist measures. The US increased import tariffs on certain items including steel and aluminium. The effect of the US tariffs on other economies is expected to be small, with many countries being granted temporary exemptions. The Chinese economy will be little affected as steel and aluminium exports to the US are only a small share of Chinese production. In response to the US tariffs on steel and aluminium, the Chinese authorities imposed tariffs on US$3 billion of US goods. With both countries foreshadowing further tariffs, there is a risk that trade protectionism could escalate, harming global growth significantly. Rising geopolitical risks, including tensions in the Korean Peninsula could also dampen confidence and create bouts of financial market volatility.

7.2 Australia

Domestic growth

The Reserve Bank of Australia ('**RBA**') is expecting faster growth in the next couple of years, with forecasts suggesting that average growth in 2018 and 2019 will be above 3%. Business conditions are positive, with overall business investment expected to continue growing over the next few years, as non-mining business investment increases. Mining investment is expected to slightly decline as construction on large liquefied natural gas projects concludes. Public spending is also supporting domestic economic activity. Public consumption has been growing strongly, in part supported by spending on the National Disability Insurance Scheme. Recent higher commodity prices have provided a boost to national income. Stronger growth in exports is expected after temporary weakness at the end of 2017. Household spending picked up in the December quarter of 2017, and recent indicators suggest that household consumption growth has remained steady into early 2018, however low growth in household income and high debt levels remains a key risk to the outlook for household consumption.

Unemployment

Employment grew by 3.5% over the past year, with employment figures rising in all states. The strong growth in employment has been accompanied by a significant rise in labour force participation, particularly by women and older Australians. Indicators of labour demand, including job vacancies continue to point to above average growth in employment over the next six months. The unemployment rate has declined slightly over recent years, but from mid-2017 has remained relatively unchanged, at around 5.5%. Conventional measures of full employment suggest the current unemployment rate is around 0.5% above full employment, implying spare capacity in the labour market. The various forward-looking indicators continue to point to strong growth in employment in the period ahead, with a further gradual reduction in the unemployment rate expected. Wages growth has picked up slightly, but remains low. The RBA cites spare capacity in the labour market, low inflation and continuing adjustments to the economy following the mining investment boom, as reasons for low wages growth. Low wages growth is likely to continue for a while yet, although the stronger economy should see some lift in wage growth over time.

Inflation

Inflation remains low and stable. Headline inflation and underlying inflation were both close to 0.5% for the March quarter, and around 2% over the year. Inflation is likely to remain low for some time, reflecting spare capacity in the economy, low wages growth and strong competition in retailing. Inflation is expected to be slightly above 2% in 2018, and long term inflation expected to be around 2.5%.

Currency movements

Since the start of the year, the Australian dollar has depreciated against the US dollar and on a trade weighted basis, however it remains within its narrow range of the past two years. The decline was a result of lower bulk commodity prices and narrowing interest rate differentials. An appreciating exchange rate would be expected to result in a slower pick-up in economic activity and inflation.

Source: www.rba.gov.au *Statement by Philip Lowe, Governor: Monetary Policy Decision 3 July 2018, Statement on Monetary Policy - May 2018,* World Bank

7.3 Africa

Over the past two decades, economic activity in Africa has seen a remarkable upswing, with GDP experiencing average annual growth of 4.5%; almost double that of the previous two decades. The growth is largely underpinned by a resource boom, which began in 2000 and saw substantial growth in exports of natural resources. Over the period from 2001 to 2014, mining industries comprised two-thirds of Africa's total exports, contributing significantly to infrastructure development and economic health.

In the past two years however, low global commodity prices contributed to a sharp economic slowdown, which saw GDP growth decelerate to 1.3% in 2016 and 2.4% in 2017, and fiscal deficits increase. The low prices and weak global economic growth also hampered macroeconomic conditions in many resource-intensive African economies and saw the median inflation rate rise from 3.6% in 2015 to 5.4% in 2016.

With the exception of the CFA franc, which has a fixed exchange rate against the euro, most African currencies also depreciated approximately 20 to 40% against the dollar since 2015, although this has not necessarily translated into price advantages in export markets. CFA franc countries, including Burkina Faso, have generally experienced lower than the median inflation.

In most African Countries, unemployment is low, contributing to a median unemployment rate of 7.3%. While unemployment is low, underemployment and employment below minimum wage remain national problems.

The economic outlook for Africa remains challenging, although West African Economic and Monetary Union countries, which includes Burkina Faso, are predicted to experience strong economic expansion, supported by public investment programs. However, Burkina Faso remains vulnerable to shocks related to changes in rainfall patterns and fluctuations in the prices of its export commodities on world markets.

Overall growth in Africa is expected to increase moderately to 3.5% in 2018 and 3.8% in 2019, underpinned by growth in the resource sector. At this level however, economic growth will contribute little toward achieving shared prosperity or accelerating poverty reduction. In Burkina Faso, its economic and social development will, to some extent, depend on political stability, openness to international trade, and export diversification.

Source: www.worldbank.org *African Economic Overview 11 October 2017* and www.afdb.org *African Economic Outlook 17 January 2018*

8. Industry analysis

Overview

Copper is a soft, malleable, ductile metal used primarily for its electrical and thermal conductive properties and its resistance to corrosion. It is a highly versatile metal and is widely utilised in construction, communications, transportation, electrical and electronic applications. Copper concentrate is derived from an oxide through beneficiation processes and is then converted to copper products through smelting and refining. Copper is also 100% recyclable and approximately 80% of the copper ever produced is still in use today.

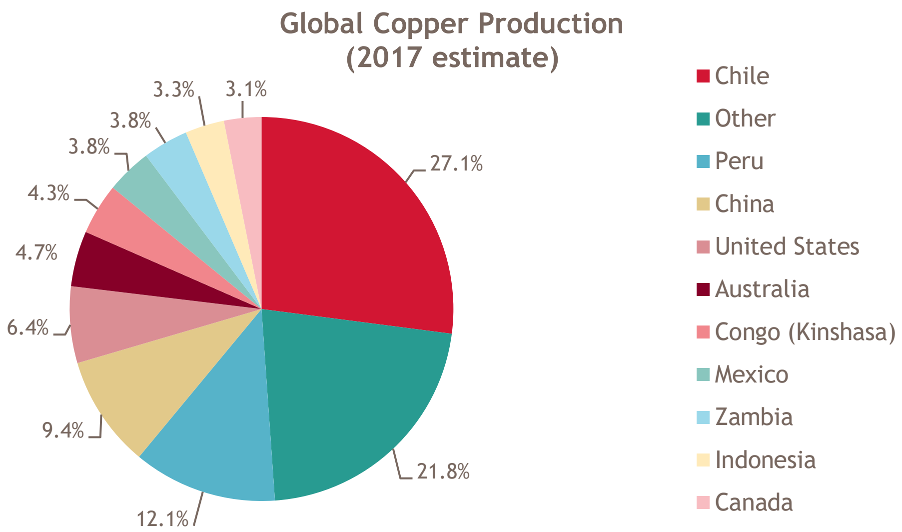
Copper is often found in conjunction with gold or lead and zinc, and a number of industry operators mine these metals and ores as well. The majority of copper ore bodies can be classified as either porphyries (where copper occurs in igneous rock), strata bound ore bodies (sedimentary rock), or volcanic hosted massive sulphide deposits (volcanic rock along with other base metal sulphides). Open pit mining is widely utilised in most copper producing countries although in Australia, approximately 93% of output is extracted through underground mining.

Global Production and Reserves

The costs associated with copper ore mining depend greatly on the quality of ore and method of extraction used. Globally, deposits are becoming lower in quality and increasingly difficult to access. However, technological developments have made it possible to process lower grade ores, offsetting the increased costs of extraction. Higher quality ores are also able to be accessed through underground mining, which is growing in practice, although this is a significantly more capital intensive process than open-pit mining.

According to the United States Geological Survey ('**USGS**'), total global copper production in 2017 was estimated at approximately 19.7 million tonnes, with the majority of copper produced globally mined in South and Central America, particularly in Chile and Peru. In 2017, these two countries accounted for a combined total of 39% of global production.

The chart below illustrates estimated global copper production for 2017.

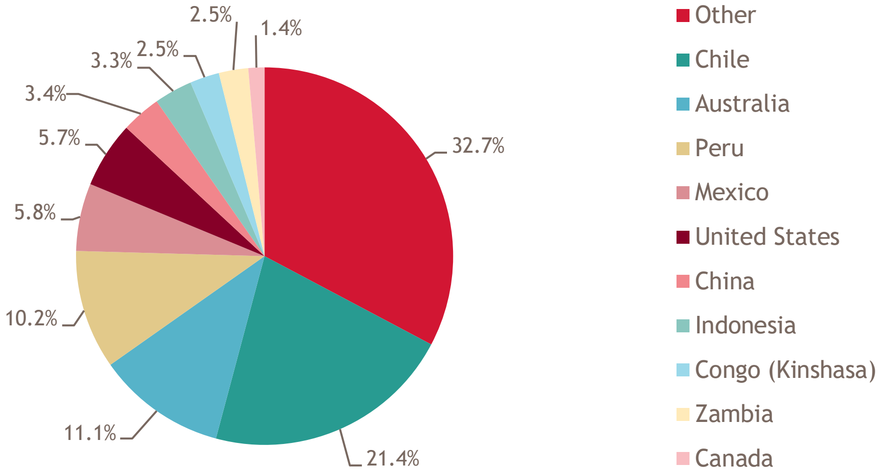


Source: USGS

Mine-supply growth is expected to average approximately 2.0% over the next five years, according to Bloomberg Intelligence, however estimates in years 2021 to 2022 could come in below expectations if a handful of large projects that are awaiting approval do not come to fruition.

Although Australia accounted for only 5% of global copper production in 2017, it has substantive reserves, representing approximately 11% of the global estimate. As depicted in the chart below, Chile, Australia and Peru are estimated to collectively account for just over 40% of global reserves of copper.

Global Copper Reserves (2017 estimate)

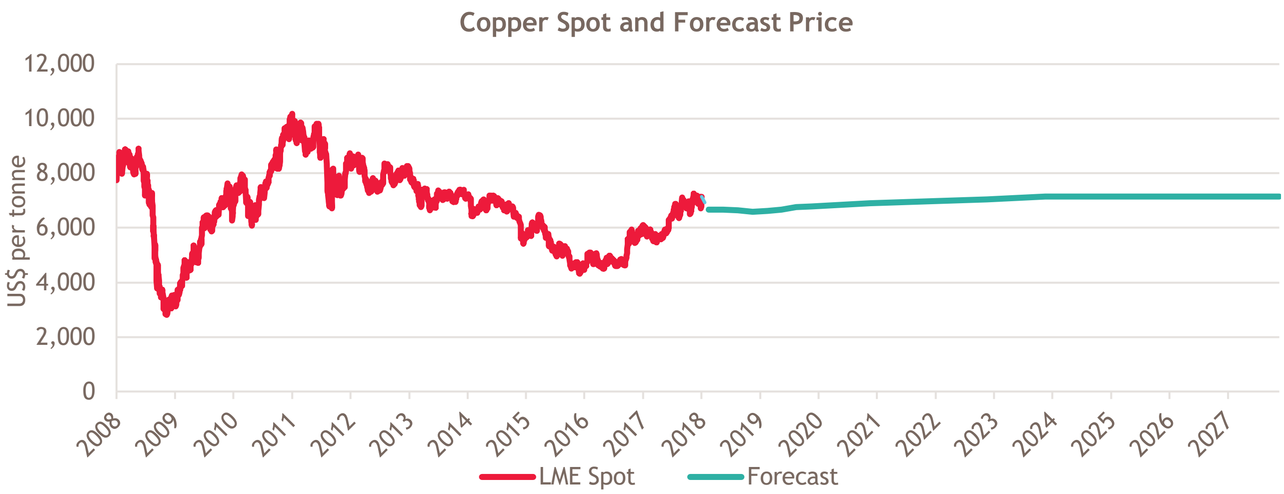


Source: USGS

Copper Prices

Copper is a global commodity and, as such, prices are determined by global supply and demand factors. Due to this, copper prices have historically reflected global economic cycles and experienced major fluctuations reflecting equity market movements. At the beginning of 2008, supply concerns, falling inventories and increase demand from emerging economies provoked a significant and accelerated rise in copper prices, before falling during the global financial crisis.

Prices during the latter half of 2010 and throughout the beginning of 2011, surpassed the increases which occurred in 2008, reaching a peak of just over US$10,000 per tonne in February 2011 largely as a result of a global supply shortage. In the five years subsequent, prices showed a downward trend reaching a low of US$4,342 in January 2016 as supply recovered and a growing number of product substitutions emerged. Since late 2016, the global price of copper has trended upward again and in the first two months of 2018, remained above US$6,700 per tonne. The copper spot price since 2008 and forecast prices through to 2027 are depicted in the graph below.



Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, copper prices are forecast to improve marginally in the long-term with a nominal price forecast of US$7,146 per tonne. Growing global demand is expected to drive the increase, supported particularly by the growth in popularity of electric cars and renewable energy technology.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings (‘**FME**’)
- Discounted cash flow (‘**DCF**’)
- Quoted market price basis (‘**QMP**’)
- Net asset value (‘**NAV**’)
- Market based assessment

A summary of each of these methodologies is outlined in Appendix Two.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

It is possible for a combination of different methodologies to be used together to determine an overall value where separate assets and liabilities are valued using different methodologies. When such a combination of methodologies is used, it is referred to as a ‘sum-of-parts’ (‘**Sum-of-Parts**’) valuation.

The approach using the Sum-of-Parts involves separately valuing each asset and liability of the company. The value of each asset may be determined using different methods as described above. The component parts are then valued using the NAV methodology, which involves aggregating the estimated fair market value of the company’s individual assets and liabilities.

9.1 Valuation of a Pegasus share prior to the Proposed Transaction

In our assessment of the value of Pegasus shares, prior to the Proposed Transaction, we have chosen to employ the following methodologies:

- NAV as our primary methodology, which estimates the market value of a company by aggregating the assessed realisable value of its identifiable assets and liabilities; and
- QMP as our secondary methodology, as this represents the value that a Shareholder may receive for a share if it were sold on market

We have chosen these methodologies for the following reasons:

- We consider the NAV methodology to be the most appropriate given Pegasus is an exploration company and its core value lies in the mineral assets it holds. We have instructed Dunbar Resources Management ('**DRM**') to act as independent specialist to value the Company's mineral assets and have considered this in the context of Pegasus' other assets and liabilities on a NAV basis;
- We consider the QMP methodology to be relevant because Pegasus shares are listed on the ASX. This means that there is a regulated and observable market where Pegasus shares can be traded. However, in order for the QMP methodology to be considered appropriate for the purposes of a valuation, the Company's shares should be liquid and the market fully informed on the Company's activities. Our analysis in Section 10.2 indicates that there is not a deep market for Pegasus shares, therefore we have only relied on QMP as a cross check to our NAV;
- Pursuant to RG111, we consider that we do not have reasonable grounds to rely on forecast cash flows for Pegasus and therefore we do not consider the application of the DCF methodology to be appropriate;
- The FME methodology is most commonly applicable to profitable businesses with steady historical growth and forecasts. We not consider the FME methodology to be appropriate given that Pegasus does not have a track record of profits. As such, we do not have a reasonable basis to assess future maintainable earnings of the Company. The FME methodology is also not considered appropriate for valuing finite life assets such as mining assets.

Independent specialist valuation

In valuing Pegasus, we have relied on the Independent Valuation Report prepared by DRM in accordance with the Australasian Code of Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition) ('**Valmin Code**') and the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) ('**JORC Code**') ('**Independent Valuation Report**')

We are satisfied with the valuation methodologies adopted by DRM which we consider to be in accordance with industry practices and compliant with the requirements of the Valmin Code and the JORC Code. The specific valuation methodologies used by DRM are referred to the respective sections of our Report and in further detail in the Independent Valuation Report contained in Appendix 3.

9.2 Valuation of the Proposed Merged Entity

Sum-of-Parts

In our assessment of the value of the Pegasus following the Proposed Merged Entity, we have chosen to employ the Sum-of-Parts methodology, which estimates the value of the Proposed Merged Entity by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration for the following:

- The value of Pegasus prior to implementation of the Proposed Transaction using methodologies detailed in section 9.1;

- The value of Scorpion's mineral assets having reliance on the Independent Valuation Report prepared by DRM;
- The additional expenditure required to meet the Dablo Project Minimum Commitments to earn a 51% interest in the Dablo Project;
- The value accretion of the Minimum Commitments;
- The amount of cash raised from a notional capital raising to fund the Minimum Commitments;
- The value of Scorpion's other assets and liabilities;
- The value of cash raised from participation of related parties in the Capital Raisings;
- Inclusion of the repayment of Scorpion debt to Investmet;
- Conversion of Director loans from debt to equity; and
- The resulting number of shares on issue in the Proposed Merged Entity following the Proposed Transaction.

We note that we have valued Scorpion on the basis that the Proposed Merged Entity spends only the initial $4.00 million on agreed expenditure for the Dablo Project. This will grant the Proposed Merged Entity with the initial 51% interest (Phase 1 of Scorpion's earn-in agreement). We have not assessed Phase 2 of the earn-in agreement for fairness, as it the decision to incur the additional $4 million will be taken at a future date and is less certain.

10. Valuation of Pegasus prior to the Proposed Transaction

10.1 Net Asset Valuation of Pegasus

The value of Pegasus' assets and liabilities prior to the Proposed Transaction, on a controlling basis and assuming that the Company continues as a going concern, is reflected in our valuation below:

Pegasus	Note	Reviewed as at 31-Dec-17 $	Low value $	Preferred value $	High value $
CURRENT ASSETS					
Cash and cash equivalents	a)	1,024	860,000	860,000	860,000
Trade & other receivables		411,278	411,278	411,278	411,278
Other current assets		17,856	17,856	17,856	17,856
TOTAL CURRENT ASSETS		**430,158**	**1,289,134**	**1,289,134**	**1,289,134**
NON-CURRENT ASSETS					
Capitalised exploration expenditure	b)	2,060,027	800,000	2,000,000	2,900,000
TOTAL NON-CURRENT ASSETS		**2,060,027**	800,000	2,000,000	2,900,000
TOTAL ASSETS		**2,490,185**	2,089,134	3,289,134	4,189,134
CURRENT LIABILITIES					
Trade and other payables		2,054,584	2,054,584	2,054,584	2,054,584
Borrowings		432,492	432,492	432,492	432,492
TOTAL CURRENT LIABILITIES		**2,487,076**	2,487,076	2,487,076	2,487,076
TOTAL LIABILITIES		**2,487,076**	2,487,076	2,487,076	2,487,076
NET ASSETS (controlling interest)		**3,109**	(397,942)	802,058	1,702,058
Number of shares on issue	c)		135,024,525	135,024,525	135,024,525
Value per share (controlling interest)			-	0.006	0.013

Source: BDO analysis

The table above indicates that the net asset value of a Pegasus share prior to the Proposed Transaction is between $0.000 and $0.013, with a preferred value of $0.006.

We have been advised that there has not been a significant change in the net assets of Pegasus since 31 December 2017 and that the above assets and liabilities represent their fair market values, other than those with adjustments detailed below. Furthermore, nothing has come to our attention as a result of our procedures that would indicate the need for any additional adjustments.

The following adjustments were made to the net assets of Pegasus as at 31 December 2017 in arriving at our valuation.

Note a) Cash and cash equivalents

We have adjusted the cash and cash equivalents of Pegasus at 31 December 2017 to be in line with the 31 March 2018 cash balance per the Company's quarterly cash flow report. Cash and cash equivalents at 31 March 2018 was approximately $0.92 million. However we note that funds raised from related parties totalling $0.06 million (outlined in section 11.7) is included in this cash balance. We do not consider these funds to be available for use by Pegasus until shareholder approval is received for the issue of the shares to the related parties as part of the Proposed Transaction. For this reason, we have assumed the $0.06 million funds raised, and corresponding shares, are accounted for in the Proposed Merged Entity, subsequent to completion of the Proposed Transaction. Therefore, we have assumed the cash balance to be $0.86 million.

The increase in cash balance includes the following capital raisings completed after 31 December 2017 (‘**Capital Raisings**’):

Capital Raisings	Number of shares	Funds raised ($)
Tranche 1	12,183,338	365,500
Tranche 2	6,666,668	200,000
Total	**18,850,006**	**565,500**

Source: Appendix 3B announcements released on ASX 16 February 2018 and 16 March 2018

Note b) Exploration expenditure

We instructed DRM to provide an independent market valuation of the mineral assets held by Pegasus. DRM considered a number of different valuation methods when valuing the mineral assets of Pegasus. DRM applied the following methodologies:

- Market based assessment – comparable transaction analysis; and
- Geoscientific/Kilburn methodologies.

We consider these methods to be appropriate given the pre-feasibility stage of development for Pegasus' Mt Mulcahy Project. Further information regarding DRM's valuation of Pegasus' mineral assets is included in DRM's report contained in Appendix 3.

The range of values for Pegasus' mineral assets, as assessed by DRM, is set out below:

Pegasus Mt Mulcahy Project	Low value $	Preferred value $	High value $
Exploration assets	300,000	800,000	1,200,000
Resource value	500,000	1,200,000	1,700,000
Adjusted exploration expenditure	800,000	2,000,000	2,900,000

Source: DRM Independent Valuation Report

The table above indicates a range of values between $0.80 million and $2.90 million, with a preferred value of $2.00 million.

Note c) Number of shares outstanding

A summary of the number of shares outstanding is outlined in the table below:

Number of shares on issue	
Shares outstanding as at 31-Dec-17	116,174,519
Capital Raisings	18,850,006
Total number of shares on issue in Pegasus	**135,024,525**

Source: BDO analysis

10.2 Quoted Market Prices for Pegasus Securities

In order to provide a comparison to the valuation of Pegasus in section 10.1, we have also assessed the quoted market price for a Pegasus share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of Section 611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

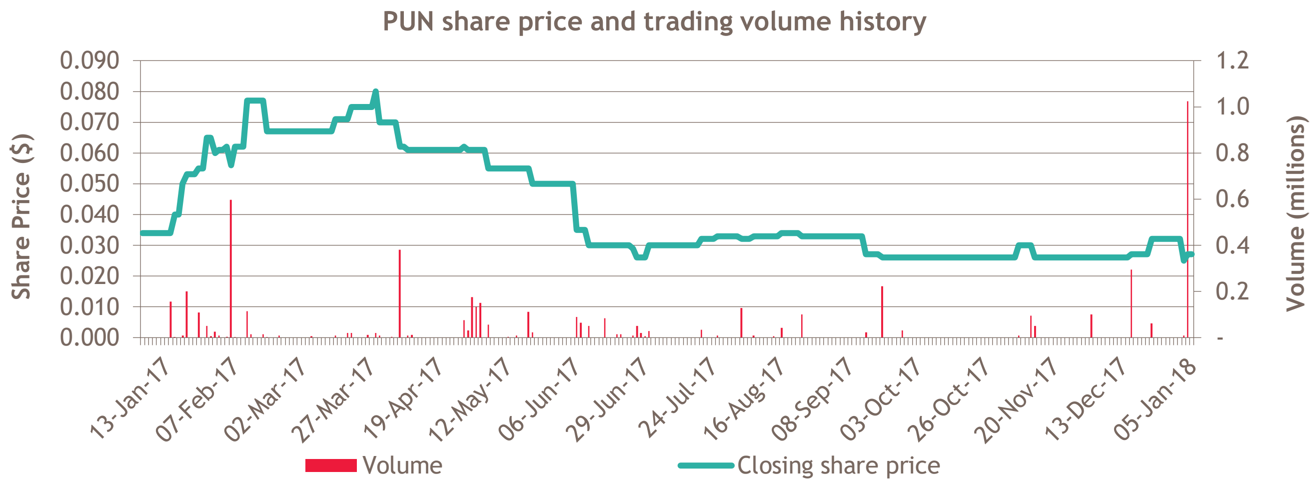
Whilst Investmet and Mr Michael Fotios will not be obtaining 100% of Pegasus as a result of the Proposed Transaction, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. The expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in section 13.

Therefore, our calculation of the quoted market price of a Pegasus share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Pegasus share is based on the pricing prior to the announcement of the Proposed Transaction. This is because the value of a Pegasus share after the announcement may include the effects of any change in value as a result of the Proposed Transaction. However, we have considered the value of a Pegasus share following the announcement when we have considered reasonableness in section 13.

Pegasus was placed in a trading halt on Monday 8 January 2018, prior to information on the Proposed Transaction being announced to the market on 10 January 2018. Therefore, the following chart provides a summary of the share price movement over the 12 months from 13 January 2017 to Friday 5 January 2018 which was the last trading day prior to the announcement. We note Pegasus' securities were placed in a trading halt until 13 January 2017 pending the release of an announcement regarding a board restructure.



Source: Bloomberg

The daily closing price of Pegasus shares from 5 January 2017 to 5 January 2018 has ranged from a low of $0.025 on 3 January 2018 to a high of $0.080 on 27 March 2017. As depicted by the graph above, the Pegasus share price exhibited an increasing trend, peaking at $0.080 on 27 March 2017. However, this upwards trend was not sustained and share price levels subsequently declined, reaching a low of $0.025 on 3 January 2018. The highest single date of trading occurred on 4 January 2018, where 1,022,929 Pegasus shares were traded.

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement			Closing Share Price Three Days After Announcement		
		$ (movement)			$ (movement)		
02/11/2017	Reinstatement to Official Quotation - 3/11/2017	0.026	►	0.0%	0.030	▲	15.4%
02/10/2017	Suspension from Official Quotation	0.026	►	0.0%	0.026	►	0.0%
01/08/2017	Quarterly Activities and Cashflow Report	0.033	►	0.0%	0.032	▼	3.0%
01/05/2017	Quarterly Activities and Cashflow Report	0.061	►	0.0%	0.061	►	0.0%
01/02/2017	Quarterly Activities and Cashflow Report	0.061	▲	1.7%	0.056	▼	8.2%
13/01/2017	Reinstatement to official quotation	0.034	►	0.0%	0.040	▲	17.6%
13/01/2017	Re-appointment of Director	0.034	►	0.0%	0.040	▲	17.6%

Source: Bloomberg, BDO analysis

On 2 November 2017, Pegasus was reinstated to official quotation following the release of the Company's annual report. On the date of the reinstatement, the share price remained unchanged, however increased by 15.4% over the subsequent three trading days to close at $0.030.

On 2 October 2017, the Company was suspended from official quotation for failure to lodge their Full Year Accounts for the period ended 30 June 2017. The share price remained unchanged over the subsequent three trading days.

On 1 August 2017, Pegasus released its Quarterly Activities Report for the quarter ended 30 June 2017. The report provided a geology discussion and a summary of geology activities undertaken at Mt Mulcahy over the period. On the date of the announcement, the share price remained unchanged, however decreased by 3.0% over the subsequent three trading days to close at $0.032.

On 1 May 2017, the Company released its Quarterly Activities Report for the quarter ended 31 March 2017. The report provided a geology discussion and a summary of geology activities undertaken at Mt Mulcahy over the period. On the date of the announcement and over the subsequent three trading days, the share price remained unchanged.

On 1 February 2017, the Company released its Quarterly Activities Report for the quarter ended 31 December 2016. The report provided a geology discussion and a summary of geology activities undertaken at Mt Mulcahy over the period. On the date of the announcement, the share price increased by 1.7%. However, over the subsequent three trading days, the share price decreased by 8.2% to close at $0.056.

On 13 January 2017, the suspension of trading in the securities of Pegasus was lifted following the release of an announcement regarding a board restructure. The announcement regarding the Board restructure stated Mr Neil Porter had been reappointed as Non-Executive Director following his resignation on 29 November 2016. On the date of the announcement, the share price remained unchanged. However, the share price increased by 17.6% over the subsequent three trading days to close at $0.040.

To provide further analysis of the market prices for a Pegasus share, we have also considered the volume weighted average market price for 10, 30, 60 and 90-day periods to 5 January 2018.

Share Price per unit	05-Jan-18	10 Days	30 Days	60 Days	90 Days
Closing price	$0.027				
Volume weighted average price (VWAP)		$0.028	$0.028	$0.028	$0.028

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Proposed Transaction, to avoid the influence of any increase in price of Pegasus shares that has occurred since the Proposed Transaction was announced.

An analysis of the volume of trading in Pegasus shares for the twelve months to 5 January 2018 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.027	$0.027	-	0.00%
10 Days	$0.025	$0.033	1,031,785	0.76%
30 Days	$0.025	$0.033	1,489,679	1.10%
60 Days	$0.025	$0.033	1,643,679	1.22%
90 Days	$0.025	$0.033	1,920,364	1.42%
180 Days	$0.025	$0.061	3,348,511	2.48%
260 Days	$0.025	$0.080	5,282,056	3.91%

Source: Bloomberg, BDO analysis

This table indicates that Pegasus' shares display a low level of liquidity, with 3.91% of the Company's current issued capital being traded in a twelve-month period and 1.42% over the 90 trading days prior to the Announcement. RG 111.69 states that for the quoted market price methodology to be an appropriate methodology there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'liquid and active', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Pegasus, we consider there to be an absence of a liquid and active market for Pegasus securities given 3.91% of the Company's issued capital being traded over a twelve-month period prior to announcement of the Proposed Transaction. Additionally, we note there are a number of significant unexplained price movements and fluctuations in trade volumes. This further supports our assessment that there is an absence of a liquid and active market for Pegasus' shares.

Our assessment is that a range of values for Pegasus shares based on market pricing, after disregarding post announcement pricing, is between $0.025 and $0.028. The quoted market value of a company's shares is reflective of a minority interest, therefore there is no requirement to apply a discount for minority interest to our assessed range of values.

Control Premium

The quoted market price per share reflects the value to minority interest shareholders. In order to value a Pegasus share on a control basis, we have added a control premium that is based on our analysis set out below.

We have reviewed the control premiums, on completed transactions, paid by acquirers of general mining companies listed on the ASX. In assessing the appropriate sample of transactions from which to determine an appropriate control premium, we have excluded transactions where the acquirer obtained a controlling interest (20% and above) at a discount (i.e. less than a 0% premium). We have summarised our findings below.

Year	Number of Control Transactions	Average Deal Value (A$m)	Average Control Premium (%)
2018	2	35.14	79.63
2017	3	20.76	32.90
2016	13	59.54	74.92
2015	9	340.82	57.86
2014	15	118.46	47.88
2013	17	117.99	63.99
2012	18	207.01	52.45
2011	21	811.55	37.42
2010	21	555.11	50.61
2009	20	121.99	50.44
2008	18	631.60	33.19
	Mean	**347.41**	**50.69**
	Median	**44.74**	**39.66**

Source: Bloomberg, BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;

- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited;
- ability to integrate the acquiree into the acquirer's business;
- level of pre-announcement speculation of the transaction;
- level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average and median control premium paid by acquirers of general mining companies listed on the ASX is approximately 50.69%. This figure is based on the mean of the entire data set comprising control transactions from 2008 onwards. However, in our assessing the sample of transactions included in the table, we noted transactions that appeared to be outliers. These outliers included 16 transactions in which the announced premium was in excess of 100%, with two of those transactions having an announced premium in excess of 200%. In a sample where there are extreme outliers, the median often represents a superior measure of central tendency compared to the mean. We note the median control premium based on completed transactions over the period was 39.66%.

In determining the control premium most appropriate for Pegasus, we considered a number of company specific factors. Given that Mt Mulcahy, Pegasus' flagship project, is yet to derive revenue and the Company is loss making, we consider it unlikely that an acquirer would pay a control premium in line with historical averages. Further, the inclusion of an emphasis of matter in the Company's review report for the six months ended 31 December 2017 relating to Pegasus' ability to continue as a going concern provides further support for our assessment of a control premium at the lower end of historical averages.

Based on the above analysis, we consider an appropriate premium for control is between 25% and 35%, with a midpoint of 30%.

Quoted market price including control premium

Applying a control premium to Pegasus' quoted market share price results in the following quoted market price value including a premium for control:

	Low $	Midpoint $	High $
Quoted market price value	0.0250	0.0265	0.0280
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	**0.0313**	**0.0345**	**0.0378**

Source: BDO analysis

Therefore, our valuation of a Pegasus share based on the quoted market price method and including a premium for control is between $0.0313 and $0.0378, with a midpoint value of $0.0345.

10.3 Assessment of Pegasus Value

The results of the valuations performed are summarised in the table below:

	Low $	Preferred $	High $
Net assets value (Section 10.1)	0.000	0.006	0.013
ASX market prices (Section 10.2)	0.031	0.035	0.038

Source: BDO analysis

We note that the values obtained under the QMP methodology are higher than the values obtained from the NAV methodology. The difference in values under the QMP and NAV methodologies may be explained by the following:

- it is not uncommon for exploration companies to trade at a premium to their intrinsic value. This is because investors in mining exploration companies typically anticipate some potential upside of 'blue sky' prospects for the company, which are factored into the share price in advance of any such value being realised;
- our NAV valuation includes an independent valuation of Pegasus' mineral assets performed by DRM. DRM have relied on a combination of valuation methodologies, which reflect the market value of the Mt Mulcahy Project. Depending on the assumptions used, investors may yield a higher value than that derived from the market based assessment (comparable transaction analysis), Geoscientific/Kilburn methodologies adopted by DRM;
- the QMP value reflects investors' perception of the future prospects of the Mt Mulcahy Project and may reflect a more positive sentiment towards future copper prices; and
- under RG111.69 (d), the QMP methodology is considered appropriate when a liquid and active market exists for the securities. From our analysis in Section 10.2, we note that only 1.42% of the Company's issued capital was traded in the 90-day period prior to the announcement of the Proposed Transaction. This represents a low level of liquidity and therefore, in the absence of an informed market, the quoted market price of Pegasus may not accurately reflect the market value of the Company's shares.

For the reasons stated above, we consider the NAV methodology to be most appropriate method to value Pegasus prior to the Proposed Transaction and have adopted it as our primary valuation methodology. In particular, our NAV methodology includes market valuations of Pegasus' mineral assets provided by DRM, an independent technical specialist.

We consider the methodologies used by DRM to more accurately reflect the fair market value of Pegasus' mineral assets. Furthermore, given that we do not consider there to be a liquid and active market for Pegasus' shares, we do not consider it appropriate to rely on the QMP methodology.

Based on the results above we consider the value of a Pegasus share to be between $0.000 and $0.013, with a preferred value of $0.006.

11. Valuation of Proposed Merged Entity

We have employed the Sum-of-Parts methodology in estimating the value of the Proposed Merged Entity by aggregating the estimated fair market values of its underlying assets and liabilities, having consideration for the following:

- The value of Pegasus prior to the Proposed Transaction (controlling interest basis);
- The value of Scorpion's mineral assets (assuming Minimum Commitments are met) having reliance on the Independent Valuation Report prepared by DRM;
- The additional expenditure required to meet the Minimum Commitments and earn a 51% interest in the Dablo Project;
- The value accretion as a result of the Minimum Commitments;
- The amount of cash raised from a notional capital raising to fund the Minimum Commitments;
- The value of Scorpion's other asset and liabilities;
- Issue of shares to related parties as part of the Capital Raisings;
- The repayment of $250,000 of the outstanding loan from Investmet, within Scorpion's balance sheet;
- The conversion of $800,000 of the outstanding loans from Directors, within Pegasus' balance sheet; and
- The resulting number of shares on issue in the Proposed Merged Entity following the Proposed Transaction.

11.1 Sum-of-Parts

The value of the Proposed Merged Entity's assets on a minority interest basis, and assuming that it continues as a going concern, is reflected in our valuation below:

Proposed merged entity	Note	Low value $000s	Preferred value $000s	High value $000s
Value of Pegasus prior to Proposed Transaction	10.1	(397,942)	802,058	1,702,058
Add: Value of Scorpion's mineral assets	11.2	612,000	1,275,000	2,499,000
Less: additional expenditure required to meet the Minimum Commitments	11.3	(3,436,000)	(3,436,000)	(3,436,000)
Add: Value accretion of Dablo Project from Minimum commitments	11.4	1,752,360	1,752,360	1,752,360
Add: Cash raised from notional capital raising	11.5	3,620,000	3,620,000	3,620,000
Add: Value of Scorpion's other asset and liabilities	11.6	(387,303)	(387,303)	(387,303)
Add: Issue of shares to related parties	11.7	60,000	60,000	60,000
Less: Repayment of Michael Fotios loan	11.8	(250,000)	(250,000)	(250,000)
Add: Conversion of Director Loans	11.9	800,000	800,000	800,000
Value of Proposed Merged Entity		2,373,115	4,236,115	6,360,115
Number of shares outstanding (000s)	11.10	376,802,303	348,072,144	333,082,496
Value per share on a controlling basis		**0.006**	**0.012**	**0.019**
Minority discount	11.11	26%	23%	20%
Value per share on a minority basis		**0.005**	**0.009**	**0.015**

Source: BDO analysis

We have assessed the value of a share in the Proposed Merged Entity to be between $0.005 and $0.015 with a preferred value of $0.009.

11.2 Valuation of Scorpion's mineral assets

We instructed DRM to provide an independent market valuation of the Dablo Project. DRM considered a number of different valuation methodologies when valuing the Dablo Project. DRM elected to apply the following methodologies:

- Market based assessment – comparable transaction analysis; and
- Geoscientific/Kilburn methodologies.

We consider these methodologies to be appropriate given the exploration stage of the Dablo Project.

We note that a one-off payment of $15 million is to be paid to First Quantum Minerals Ltd at a decision to mine the Dablo Project. DRM has taken this into account in the discounts applied to its valuation. Due to the very early stage of the exploration project, we consider no further adjustment is required.

Further information regarding DRM's valuation of the Dablo Project is included in DRM's report contained in Appendix 3.

The range of values for the Dablo Project, as assessed by DRM, is set out below:

Valuation of the Dablo Project	Low value $	Preferred value $	High value $
Dablo Project	1,200,000	2,500,000	4,900,000

Source: DRM Independent Valuation Report (Appendix 3)

We note that Scorpion does not currently have any interest in the Dablo Project, as Scorpion has not yet spent the required $4.0 million on agreed expenditure (Minimum Commitments) for Scorpion to be granted the initial 51% interest in the Dablo Project, as per the earn-in agreement.

However, as outlined in section 9.2, our valuation of the Proposed Merged Entity assumes that Scorpion has incurred the Minimum Commitments on the Dablo Project, and therefore, assumes that Scorpion holds a 51% interest in the Dablo Project.

The range of values for Scorpion's mineral assets, assuming Scorpion has incurred the Minimum Commitments of Phase 1, is set out below:

Valuation of Scorpion's mineral assets	Low value $	Preferred value $	High value $
Dablo Project	1,200,000	2,500,000	4,900,000
Scorpion's assumed interest	51%	51%	51%
Value of Scorpion's interest in Dablo Project	612,000	1,275,000	2,499,000

Source: BDO analysis

The table above indicates the value of Scorpion's mineral assets is between $0.61 million and $2.50 million, with a preferred value of $1.28 million, assuming Scorpion has incurred the Minimum Commitments under Phase 1 of the earn-in agreement.

11.3 Additional capital required to meet the Minimum Commitments

In order for the Proposed Merged Entity to earn an initial 51% interest in the Dablo Project, the Proposed Merged Entity must meet the Minimum Commitments of $4.00 million in total exploration expenditure. As at the date of our Report, Scorpion has already committed $0.56 million towards the Minimum Commitments. Therefore, the additional capital required to meet the remaining Minimum Commitments is approximately $3.44 million.

11.4 Value accretion of the Minimum Commitments

Once the Proposed Merged Entity satisfies the Minimum Commitments it will earn a 51% interest in the Dablo Project. DRM have valued the Dablo Projects as at 18 March 2018, on the basis that $0.56 million of the Minimum Commitments has already been spent. Therefore, only the remaining Minimum Commitments of approximately $3.44 million needs to be accounted for. We have assumed that exploration expenditure would be value accretive to the amount of the expenditure. We note that the uplift in value may be greater than the amount spent, however we do not have reasonable grounds to quantify any potential uplift in excess of the amount of the expenditure. Therefore, we have considered the remaining Minimum Commitments to be value accretive to the amount of $3.44 million.

Given that upon meeting the Minimum Commitments, Scorpion will hold a 51% interest in the Dablo Project, the value accretion accessible by Scorpion will be 51% of the expenditure, being $1.75 million.

11.5 Notional capital raising

We are required by RG 111.15 to assess the funding requirements for a company that is not in financial distress when considering its value. As detailed above, the valuation of Scorpion's interest in the Dablo Project is based on Scorpion earning up to a 51% interest by meeting the Minimum Commitments.

As at the date of our Report, Scorpion has already committed $0.56 million towards the Minimum Commitments. Therefore, the additional capital required to meet the remaining Minimum Commitments is approximately $3.44 million.

The resultant funds to be raised to satisfy the remaining Minimum Commitments is approximately $3.44 million (**'Additional Funding Required'**), which we have assumed will be funded through a notional equity raising. We have also included a notional placement fee of 5% to account for a potential underwriter's or broker's fee. This results in the required equity funds to be raised increasing to $3.62 million.

Pegasus management consider the current cash reserves of Pegasus, as determined in section 10.1, together with R&D rebates expected to be received, will be sufficient for the working capital requirements of the Proposed Merged Entity over the remaining period in which Phase 1 expenditure is required.

We have also conducted analysis of working capital requirements over the remaining Phase 1 expenditure period. We have considered the administration and overhead expenditure of Pegasus over the two years and six months ended 31 December 2017 which shows an average expenditure of approximately $0.30 million per annum. Given that the Minimum Commitments must be spent within less than two years, we consider the post Proposed Transaction cash balance of approximately $0.67 million, set out in the table below, will be sufficient to fund working capital requirements of the Proposed Merged Entity over the period up until completion of the Phase 1 expenditure. Therefore we have deemed the raising of funds for the use of working capital requirements to be unnecessary.

Cash available for working capital requirements	Ref	$
Adjusted Pegasus cash balance	10.1	860,000
Add: Issue of shares to related parties	11.7	60,000
Less: Repayment of Michael Fotios loan	11.8	(250,000)
Total cash available for working capital requirements		**670,000**

Source: BDO analysis

We note that there may be alternative funding options available to the Proposed Merged Entity, including debt, convertible debt, royalty arrangements or through an asset sale. However, in the absence of information regarding the most likely funding structure, to remain conservative, we have assumed it will be fully funded by equity. As such, we have assumed a notional equity raising will be used to fund the Additional Funding Required. Equity funding is a conservative assumption as we have reflected the potential difficulty of raising funds in our assessment of the likely range of prices at which a capital raising may be conducted.

In order to determine the likely price at which the Proposed Merged Entity would have to place its shares to a third party or to current shareholders under a notional capital raising, we considered the VWAP of Pegasus following the announcement of the Proposed Transaction as this represents a proxy for the share price of the Proposed Merged Entity. The closing price, 10-day, 30-day and 60-day VWAP of Pegasus' shares at 16 July 2018 are set out in the table below:

Share Price per unit	16-Jul-18	10 Days	30 Days	60 Days	90 Days
Closing price	$0.025				
Volume weighted average price (VWAP)		$0.027	$0.024	$0.023	$0.024

Source: Bloomberg

Based on the above analysis, we have assessed the price of a Proposed Merged Entity share to be in the range of $0.023 and $0.027, with a preferred value of $0.025. However, typically companies must raise capital at a discount to the current market price. As such, we considered the discount at which shares have been issued by ASX listed mining companies since January 2016. From our analysis, the average (mean) discount for ASX listed mining companies was 16%.

Given that placement discounts by ASX listed mining companies have ranged significantly, we assessed the discounts adopted by companies since January 2016 with market capitalisations less than $100 million (a band in which the Proposed Merged Entity's market capitalisation will fall). The average discount was 18%.

Given that Pegasus will be required to raise funds amounting to in excess of the current market capitalisation, we have also assessed the discounts adopted by companies which were raising capital in excess of 100% of the company's market capitalisation at the time of the raising, since January 2016. The average discount was 18%, excluding outliers.

Based on the above analysis, we consider a placement discount in the range of 16% to 20%, with our preferred being a midpoint of 18%, will be required to provide a sufficient incentive for investors to participate in a capital raising. As such we have adopted a price range of $0.018 to $0.023 for the necessary notional capital raising.

A summary of the number of shares to be issued under the notional capital raising is set out in the table below:

Notional capital raising	Low $m	Preferred $m	High $m
Minimum Commitments	4.00	4.00	4.00
Funds already contributed to the Minimum Commitments	0.56	0.56	0.56
Additional funding required to meet the Minimum Commitments	3.44	3.44	3.44
Placement fee (%)	5%	5%	5%
Additional funding required including placement fee	**3.62**	**3.62**	**3.62**
Price per share in the Proposed Merged Entity ($)	0.023	0.025	0.027
Discount on placement	20%	18%	16%
Placement share price ($) (rounded)	0.018	0.021	0.023
Number of new shares to be issued under the notional capital raising	**201,111,111**	**172,380,952**	**157,391,304**

Source: BDO analysis

11.6 Value of Scorpion's other assets and liabilities

The value of Scorpion's net assets (excluding its mineral assets) to be acquired as part of the Proposed Transaction, on a controlling interest basis and assuming that Scorpion continues as a going concern, is reflected in our valuation below:

Scorpion other assets and liabilities	Note	Unaudited as at 31-Mar-18 $	Adjusted value $
CURRENT ASSETS			
Cash and cash equivalents		20,485	20,485
Tax assets		1,141	1,141
TOTAL CURRENT ASSETS		**21,626**	**21,626**
TOTAL ASSETS		**21,626**	**21,626**
CURRENT LIABILITIES			
Trade creditors		16,429	16,429
Accruals		142,500	142,500
Convertible loan	a)	500,000	250,000
TOTAL CURRENT LIABILITIES		**658,929**	**408,929**
TOTAL LIABILITIES		**658,929**	**408,929**
NET ASSETS/(LIABILITIES)		**(637,303)**	**(387,303)**

Source: Scorpion's unaudited financial statements for the period ended 31 March 2018 and BDO analysis

The table above indicates the net liability value of Scorpion's other assets and liabilities to be acquired as part of the Proposed Transaction is $0.39 million.

We have been advised that there has not been a significant change in the net assets of Scorpion since 31 March 2018 and that the above assets and liabilities represent their fair market values, other than those with adjustments detailed below. Furthermore, nothing has come to our attention as a result of our procedures that would indicate the need for any additional adjustments.

Note a) Convertible loan

As part of the Proposed Transaction, Pegasus will assume the outstanding loan obligations of Scorpion under the $0.50 million convertible loan facility with Investmet. An amount equal to $0.25 million will be repayable to Investmet from the Capital Raisings completed prior to the Proposed Transaction (as outlined in Section 10.1). Therefore, we have adjusted the outstanding convertible loan amount to include the repayment of $0.25 million.

11.7 Issue of shares to related parties

As part of the Capital Raisings undertaken prior to the Proposed Transaction (outlined in Section 10.1), related parties, Bronwyn Barnes and Grant Osbourne, participated in the Capital Raisings, subscribing for a combined 2,000,001 shares, raising approximately $0.06 million, in addition to the $0.57 million raised from sophisticated investors. Given that the participation of the related parties in the Capital Raising requires shareholder approval, which is being sought as part of the Proposed Transaction, we have considered the inclusion of shares issued and funds raised as part of the Proposed Transaction.

11.8 Repayment of loan to Investmet

As part of the Proposed Transaction, Pegasus will assume the outstanding loan obligations of Scorpion under the $0.50 million convertible loan facility with Investmet. An amount equal to $0.25 million will be repayable to Investmet from the Capital Raisings completed prior to the Proposed Transaction (as outlined in Section 10.1). Therefore, we have deducted the loan repayment of $0.25 million from the sum-of-parts valuation.

11.9 Conversion of Director Loans

As part of the Proposed Transaction, $0.80 million of Pegasus' outstanding Director loans and creditors will be converted into equity in Pegasus at an implied rate of $0.03 per share, with the balance to remain outstanding. This will result in Pegasus issuing 26,666,666 shares to the loan holder and creditor, being Michael Fotios, Investmet and associated entities. The outstanding loan and creditor balances will be reduced by $0.80 million, as outlined in our sum-of-parts valuation summary.

11.10 Total number of shares on issue in the Proposed Merged Entity

Following the Proposed Transaction, the Proposed Merged Entity will have a total of approximately 348.07 million shares on issue on an undiluted basis (preferred value). We have not included any notional exercise of the Proposed Merged Entity Options as they will be out-of-the-money, as at the date of our Report.

The number of shares on issue in the Proposed Merged Entity is detailed in the table below:

Number of shares on issue in the Proposed Merged Entity	Ref	Low	Preferred	High
Pre-Transaction	10.1	135,024,525	135,024,525	135,024,525
Consideration Shares	4	12,000,000	12,000,000	12,000,000
Conversion of Director loans	11.9	26,666,666	26,666,666	26,666,666
Related Party Shares	11.7	2,000,001	2,000,001	2,000,001
Notional Capital Raising	11.5	157,391,304	172,380,952	201,111,111
Total number of shares on issue in the Proposed Merged Entity		**333,082,496**	**348,072,144**	**376,802,303**

Source: BDO analysis

We note that the low number of shares on issue forms the basis of our high valuation and the high number of shares on issue forms the basis of our low valuation.

11.11 Discount for minority interest

The net asset value of the Proposed Merged Entity is reflective of a controlling interest. This suggests that the acquirer obtains an interest in the company which allows them to have an individual influence in the operations and the value of that company. However, if the Proposed Transaction is approved, the current Shareholders will be minority holders in Pegasus, meaning that their individual holding will not be considered significant enough to have an individual influence in the operations and value of that company. Therefore, we have adjusted our valuation of a Proposed Merged Entity shares following the Proposed Transaction to reflect the minority interest holding.

In order to convert the Proposed Merged Entity's NAV to a minority interest basis, we must apply a minority interest discount, which is the inverse of a premium for control and is calculated using the formula 1 – (1/1+control premium). As discussed in section 10.2, the mean and median announced control premiums paid by acquirers of ASX listed general mining companies since 2008 is 51% and 40%, respectively.

In determining the appropriate control premium for the Proposed Merged Entity, we have taken into consideration the fact that the Proposed Merged Entity will remain a mineral exploration company and therefore not have any revenue generating operations.

Based on our analysis, we consider an appropriate control premium for the Proposed Merged Entity to be between 25% and 35%, giving rise to a minority interest discount in the range of 20% to 26%.

12. Is the Proposed Transaction fair?

To assess if the Proposed Transaction is fair, RG111.31 stipulates that in a control transaction, a comparison should be made between the value of the target entity's securities prior to the transaction on a controlling basis and the value of the target entity's securities following the transaction allowing for a minority discount.

	Ref	Low $	Preferred $	High $
Value of a share in Pegasus prior to the Proposed Transaction	10.3	-	0.006	0.013
Value of a share in the Proposed Merged Entity following the Proposed Transaction	11.1	0.005	0.009	0.015

We note from the table above that the value of a Pegasus share prior to the Proposed Transaction (on a control basis) is less than the value of a Proposed Merged Entity share following the Proposed Merged Entity (on a minority basis). Therefore, we consider that the Proposed Transaction is fair.

13. Is the Proposed Transaction reasonable?

13.1 Advantages of Approving the Proposed Transaction

We have considered the following advantages when assessing whether the Proposed Transaction is reasonable.

13.1.1. The proposed Transaction is fair

As set out in section 12, the Proposed Transaction is fair. RG 111.12 states that an offer is reasonable if it is fair.

13.1.2. Conversion of director loans is value accretive at current share price

Conversion of the outstanding director loans at the deemed issue price of $0.03 is value accretive when comparing it to the post-announcement assessed quoted market price of $0.026 that was calculated within section 11.5.

Furthermore, our analysis in section 11.5 refers to the application of a discount to trading price for a capital raising. This implies that if the Proposed Merged Entity were to extinguish the director loans via a capital raise, it would be reasonable to assume the Proposed Merged Entity would be required to apply a discount to the trading price, in line with historical trends. This would result in a greater dilutionary effect than that being offered as part of the director loan conversion.

13.1.3. Provides Shareholders with exposure to a portfolio of diversified exploration assets

If the Proposed Transaction is approved, Shareholders will be exposed to a more diversified exploration asset base, with the inclusion of the Dablo Project, a palladium-platinum-gold-nickel-copper exploration project located in Burkina Faso. The inclusion of the Dablo Project will complement the current Mt Mulcahy Project, a copper-zinc-silver exploration asset located in the Murchison region of Western Australia, by exposing Shareholders to additional commodities and geographic regions.

13.1.4. The earn-in structure of the Dablo Project acquisition is favourable to Shareholders

Scorpion holds the rights to acquire up to a 70% joint venture interest in the Dablo Project in two phases:

- Scorpion must spend $4.0 million on agreed expenditure within 24 months to earn an initial interest of 51% in the Dablo Project (Phase 1); and
- Scorpion can earn up to an additional 19% interest in the Dablo Project by spending up to a further $4.0 million on agreed expenditure within the period of 18 months after completion of Phase 1 (Phase 2).

We consider that the two-phase earn-in structure of the Dablo Project provides Proposed Merged Entity shareholders with a safety net that allows the Company to cease exploration expenditure at completion of Phase 1, or potentially prior to completion of Phase 1, in the case that a potential mining project is not feasible. However, if the Phase 1 earn-in expenditure is deemed successful, the Proposed Merged Entity can continue to increase its stake in the Dablo Project, and continue development of the mineral asset, by implementing Phase 2 of the earn-in agreement.

13.1.5. The conversion of the director loans to equity will increase the Proposed Merged Entity's ability to raise debt funding in the future

If the Proposed Transaction is approved, the Proposed Merged Entity will convert $800,000 of outstanding director loans into equity, increasing the net asset position of the Proposed Merged Entity. This will reduce the risk of default in the Proposed Merged Entity and increase its ability to secure debt funding in the future at more favourable terms.

13.2 Disadvantages of Approving the Proposed Transaction

If the Proposed Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

13.2.1. A decision to mine the Dablo Project will require a significant payment

As outlined in section 11.2, a one-off payment of $15 million is to be paid to First Quantum Minerals Ltd ('**FQM**') at a decision to mine the Dablo Project ('**FQM Payment**').

As the Dablo Project is at an early exploration stage, economic viability is unknown, and significant work must be undertaken prior to a decision to mine would be considered, therefore the possible FQM Payment is currently very uncertain. Given this current uncertainty, there is minimal value being attributable to the FQM Payment. However, as development (exploration expenditure) progresses on the Dablo Project, the likelihood of the FQM Payment may increase.

We consider this to be a material contingent liability that will need to be considered as exploration and interest in the Dablo Project increases.

13.2.2. Current value of Scorpion's holding in the Dablo Project is nil

Our valuation of the Proposed Merged Entity, outlined in section 11, assumes the Proposed Merged Entity has the ability to raise the capital required to fund the remaining Phase 1 exploration expenditure to meet the $4.0 million minimum spend, granting the initial 51% interest in the Dablo Project.

If the Proposed Merged Entity is not able to raise the Minimum Commitments required to be granted the initial 51% interest in the Dablo Project, then it will not realise any value from the acquisition of Scorpion, aside from the net liability position outlined in section 11.6.

13.2.3. Dilution of Shareholders' interests

If the Proposed Transaction is approved, as outlined in section 4 of this Report, Michael Fotios and Associates shareholding will initially increase from approximately 17% to 30% in the Proposed Merged Entity, on an undiluted basis. Therefore Shareholders will hold approximately 70% interest in the Proposed Merged Entity.

On a fully diluted basis, Michael Fotios and Associates will hold approximately 39% of the Proposed Merged Entity, whilst Shareholders will hold approximately 61% of the Proposed Merged Entity.

This means that Shareholders' interests following the Proposed Transaction may be diluted from holding approximately 83% of Pegasus to holding between 61% and 70% of the Proposed Merged Entity. This will dilute Shareholders' interest and their level of collective influence on the operations of the Proposed Merged Entity compared to their influence over the operations of the Company.

13.3 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Pegasus a premium over the value ascribed to, resulting from the Proposed Transaction.

13.4 Practical Level of Control

If the Proposed Transaction is approved then Michael Fotios and Associates will hold an interest of approximately 30% on an undiluted basis, and up to 39% on a fully diluted basis, in the Proposed Merged Entity. In addition to this, the Proposed Merged Entity will have two Board members nominated by Scorpion.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Proposed Transaction is approved then Michael Fotios and Associates will be able to block special resolutions. Whether Michael Fotios and Associates shareholding is on an undiluted or fully diluted basis, does not change the level of control of the Proposed Merged Entity.

Pegasus' Board currently comprises three directors. Scorpion will nominate two additional directors, and Michael Fotios will resign as director of Pegasus, which will take the Company's Board to four directors. This means that Michael Fotios and Associates' will not have Board representation.

Michael Fotios and Associates' control of the Proposed Merged Entity following the Proposed Transaction will be significant when compared to all other shareholders. Therefore, in our opinion, while Michael Fotios and Associates will be able to influence the activities of the Proposed Merged Entity, it will not be able to exercise a similar level of control as if it held 100% of the Proposed Merged Entity. As such, Michael Fotios and Associates should not be expected to pay a similar premium for control as if it were acquiring 100% of Pegasus.

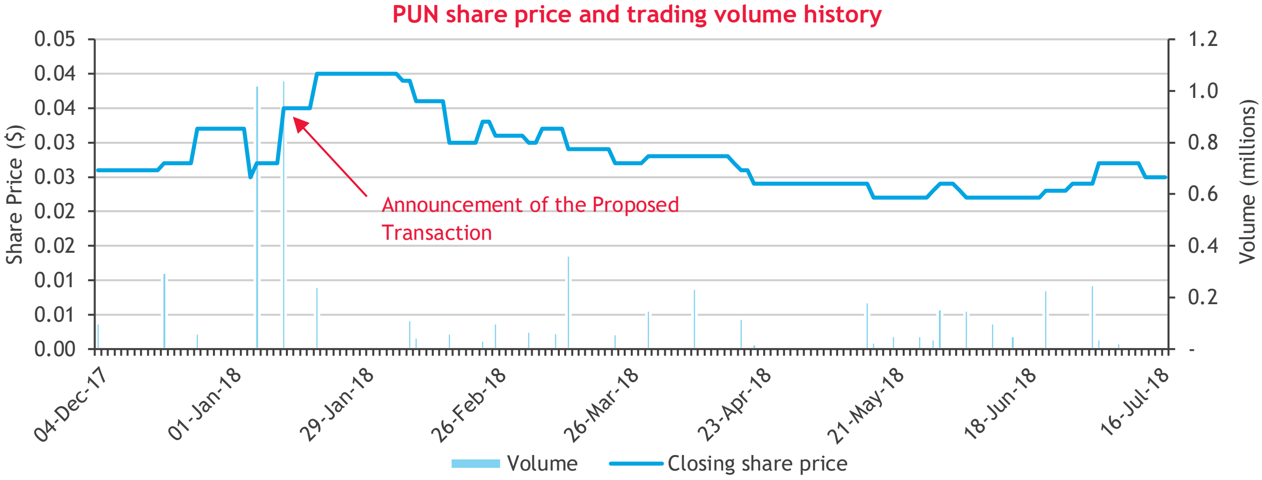
13.5 Consequences of not Approving the Proposed Transaction

Consequences

If the Proposed Transaction is not approved, Pegasus will continue to develop the Mt Mulcahy exploration asset. Management advised that Pegasus is not contemplating any other transaction at this time.

Potential impact on share price

We have analysed movements in Pegasus' share price since the Proposed Transaction was announced. A graph of Pegasus' share price since the announcement is set out below.



Source: Bloomberg

The share price of Pegasus increased by approximately 30% on the date of the announcement, from a close of $0.027 on 9 January 2018 to $0.035 on 10 January 2018. The share price continued to increase to $0.040 over the following trading days, however began declining on 5 February 2018 and subsequently retreated to lower levels.

Given the above analysis, it is uncertain if Pegasus' share price may decline if the Proposed Transaction is not approved.

14. Conclusion

We have considered the terms of the Proposed Transaction as outlined in the body of this report and have concluded that the Proposed Transaction is fair and reasonable to the Shareholders of Pegasus.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of Pegasus for the years ended 30 June 2016 and 30 June 2017 and half year ended 31 December 2017
- Unaudited management accounts of Scorpion for the period ended 31 March 2018;
- Pegasus Appendix 5B for quarter ended March 2018
- Independent Valuation Report of Mt Mulcahy and Dablo Project mineral assets dated 14 July 2018 performed by DRM;
- Term Sheet outlining Scorpion Acquisition;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Pegasus

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $ 22,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Pegasus in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Pegasus, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Scorpion, Pegasus and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Scorpion and Pegasus and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Pegasus, or their associates, other than in connection with the preparation of this report.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement APES 110 – Professional Independence. The services provided have no material impact on the financial report of Pegasus.

A draft of this report was provided to Pegasus and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Fellow of Chartered Accountants Australia & New Zealand. He has over 30 years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 300 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Global Natural Resources Leader for BDO.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 20 years in the Audit and Assurance and Corporate Finance areas. Adam is a CA BV Specialist and has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Pegasus for inclusion in the Explanatory Memorandum which will be sent to all Pegasus Shareholders. Pegasus engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the proposal to acquire the issued capital of Scorpion is fair and reasonable to Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the acquisition of Scorpion. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

We note that the forecasts provided do not include estimates as to the effect of any future emissions trading scheme should it be introduced as it is unable to estimate the effects of such a scheme at this time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Proposed Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Pegasus, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Pegasus and Scorpion.

The valuer engaged for the mineral asset valuation, DRM, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd is required to provide a supplementary report if we become aware of a significant change affecting the information in this report arising between the date of this report and prior to the date of the meeting or during the offer period.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Sherif Andrawes	**Adam Myers**
Director	Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act 2001 Cth
Additional Funding Required	Remaining funds required to satisfy Phase 1 expenditure of the Dablo Project earn-in agreement
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
Capital Raisings	Tranche 1 and Tranche 2 capital raisings undertaken by Pegasus subsequent to 31 December 2017
The Company	Pegasus Metals Limited
Consideration Shares	Pegasus will issue Scorpion shareholders 12 million fully paid ordinary shares in Pegasus
Corporations Act	The Corporations Act 2001 Cth
Dablo Project	The Dablo palladium-platinum-gold-nickel-copper exploration project located in Burkina Faso
DCF	Discounted Future Cash Flows
Debt Conversion	$0.8 million of the outstanding related party loans with Investmet and Delta will be converted into equity in the Company
Delta	Delta Resource Management
DMIRS	Department for Mines, Industry Regulation and Safety
DRM	Dunbar Resources Management, independent specialist
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FME	Future Maintainable Earnings

Reference	Definition
FOS	Financial Ombudsman Service
GDP	Gross Domestic Product
Independent Valuation Report	Independent valuation report prepared by DRM in accordance with the VALMIN Code and JORC Code
Investmet	Investmet Limited
Investmet Loan Facility	Loan facility totalling $0.5 million from Investmet to Scorpion
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition)
Kimminco	Kimminco Pty Ltd
Km	Kilometres
LME	London Metals Exchange
Michael Fotios and Associates	Mr Michael Fotios and Investmet
Minimum Commitments	See Phase 1
MOA	Memorandum of Agreement
Mt Mulcahy	Mt Mulcahy Copper Project
NAV	Net Asset Value
Newgenco	Newgenco Exploration (West Africa) Pty Ltd
Pegasus	Pegasus Metals Limited
Phase 1	Scorpion must spend $4.0 million on agreed expenditure within 24 months to earn an initial interest of 51% in the Dablo Project
Phase 2	Scorpion can earn up to an additional 19% in the Dablo Project by spending up to a further $4.0 million on agreed expenditure within the period of 18 months after completion of Phase 1
The Proposed Merged Entity	Pegasus, post-acquisition of Scorpion
The Proposed Transaction	The Scorpion Acquisition, conversion of related party loans to equity and the issue of options to Investmet and Delta that may increase their interest in the Company to a level that is above 20%

Reference	Definition
QMP	Quoted market price
RBA	Reserve Bank of Australia
Regulations	Corporations Act Regulations 2001 (Cth)
Related Party Shares	Shares to be issued to Bronwyn Barnes and Grant Osbourne in their capacity as new directors of Pegasus
Our Report	This Independent Expert's Report prepared by BDO
RG 74	Acquisitions approved by Members (December 2011)
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Scorpion	Scorpion Minerals Limited
Scorpion Acquisition	Pegasus to acquire Scorpion via issue of shares and options, and repayment of portion of debt
Section 411	Section 411 of the Corporations Act
Section 611	Section 611 of the Corporations Act
Shareholders	Shareholders of Pegasus not associated with the Proposed Transaction
SLP	South Limb Pod
Sum-of-Parts	A combination of different methodologies used together to determine an overall value where separate assets and liabilities are valued using different methodologies
USGS	United States Geological Survey
Valmin Code	Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (2015 Edition)
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.
VWAP	Volume Weighted Average Price

Reference	Definition
WA	Western Australia
WACC	Weighted Average Cost of Capital

The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a liquid and active market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (‘**EBIT**’) or earnings before interest, tax, depreciation and amortisation (‘**EBITDA**’). The capitalisation rate or ‘earnings multiple’ is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (‘DCF’)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start-up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Independent Valuation Report

DUNBAR RESOURCE MANAGEMENT

Consultants in Economic Geology & Management

INDEPENDENT TECHNICAL ASSESSMENT REPORT & VALUATION of the Mineral Assets of PEGASUS METALS LIMITED & SCORPION MINERALS LIMITED

Final

June 2018

Report Commissioned by BDO Corporate Finance

Valuation Date: 15 May 2018
Report Date: 14 July 2018
Primary Author: Paul Dunbar

Distribution:
BDO Corporate Finance
Pegasus Metals Limited
Scorpion Minerals Limited
Dunbar Resource Management

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Dunbar Resource Management</td></tr>
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<tr><td>Contributors</td><td colspan="2">Alexander (Sandy) J Moyle</td></tr>
<tr><td>Valuation Date</td><td colspan="2">15 May 2018</td></tr>
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Executive Summary

BDO Corporate Finance (WA) Pty Ltd (BDO) commissioned Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd to prepare an Independent Technical Assessment and Valuation Report ("the Report" or the ITA) of the mineral assets of Pegasus Metals Limited (ASX: PUN) (Pegasus) and Scorpion Minerals Limited (Scorpion). The Report provides an opinion to support an Independent Expert's Report to be prepared by BDO, and has been prepared as a public document, in the format of an independent specialist's report and in accordance with the 2015 VALMIN Code.

This report is a technical review of the Dablo Project, located in Burkina Faso, West Africa which Scorpion has an option to acquire up to 70% of the project and the Pegasus Metals Mt Mulcahy and Nowthanna projects located in the Murchison district of Western Australia. It includes a technical evaluation of the exploration and development projects and a fair market valuation of these Mineral Assets. In accordance with the VALMIN code DRM has undertaken several valuation methods for the existing Mineral Resources at Mt Mulcahy and a separate valuation for the earlier stage exploration that surround the resources. Importantly, as neither the principal author nor DRM hold an Australian Financial Securities Licence, this valuation is not a valuation of Scorpion Minerals Limited or Pegasus Metals Limited but rather a valuation of the Mineral Assets of both companies.

The valuation date is 15 May 2018. On 10 January 2018 the transaction was announced by Pegasus on the ASX announcements platform. As commodity prices and cost inputs fluctuate over time this valuation is subject to change however in DRM's opinion there has been no material changes between the valuation date and the date of this report. The valuation derived by DRM is based on information provided by Scorpion Minerals and Pegasus Metals along with publicly available data including Australian Stock Exchange (ASX) releases and public data obtained from various government geological surveys. DRM has made all reasonable endeavours to confirm the accuracy, validity and completeness of the technical data which forms the basis of this report. The opinions and statements in this report are given in good faith and under the belief that they are accurate and not false nor misleading. The default currency is Australian dollars. As with all technical valuations the valuation included in this report is the likely value of the mineral projects and not an absolute value.

Pegasus's Mt Mulcahy Project

The Mt Mulcahy copper zinc deposit (South Limb Pod or SLP), within the larger Mt Mulcahy copper project is an early stage exploration project owned 100% by Pegasus, located 45km North - North West of Cue in the Murchison region of Western Australia. The deposit has a JORC 2012 Mineral Resource Estimate first reported on 25 September 2014. The estimate is reported as totalling 647,000t at 2.4% copper, 1.8% zinc and 20g/t silver. This resource has not been reported on a copper equivalent basis as there has been insufficient metallurgical studies undertaken.

There have been no ore reserves estimated and no feasibility studies have been published for the project.

The greater Mt Mulcahy copper project consists of two exploration licences (one granted and one application). The tenement application had previously been a granted exploration licence with a mining lease application lodged however this mining lease was later rejected because no mineralisation report was lodged with the application. Within the tenement package there are extensions to the prospective horizon and additional exploration is required to determine the potential of the greater area.

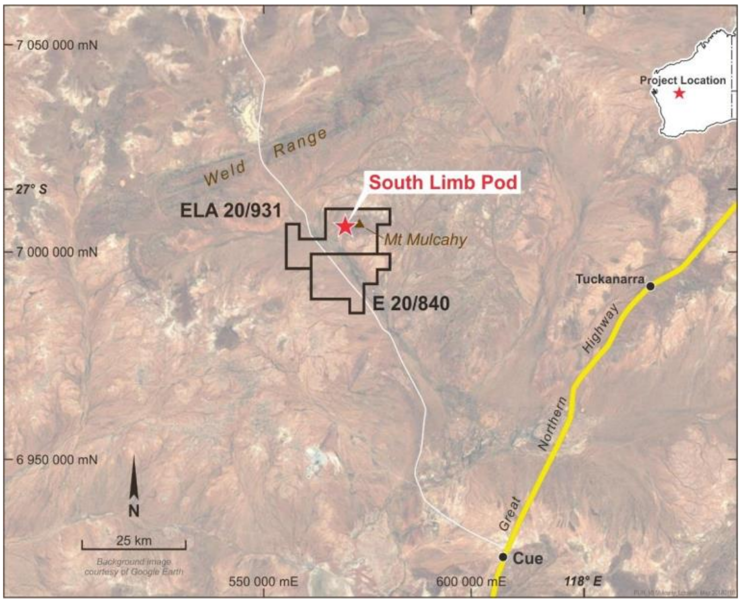

Figure 1 Location of the Mt Mulcahy Copper Project

It is, in the opinion of DRM, considered likely that ongoing and modern exploration activities would delineate additional, potentially economic mineralisation and further extensions to the known mineralisation. A portion of this exploration would include extensional drilling both along strike and at depth below the current deposit.
This report documents the relevant technical aspects of the Mt Mulcahy project and the Nowthanna project along with determining a valuation for the Mt Mulcahy project, in accordance with the 2015 VALMIN Code.

Scorpion Minerals Dablo Project
The Dablo project, located in Burkina Faso, western Africa is an early stage but highly encouraging nickel, copper, platinum group elements (PGE) and gold project (Figure 2). The project consists of four granted exploration tenements. There has been minimal modern bedrock exploration within the tenements with bedrock drilling limited to 18 historical diamond holes, 5 diamond holes from 2014 and eight RC holes drilled by Scorpion in November 2017. While the assays for the 2017 drilling are pending the previous 2014 drilling by First Quantum Minerals (FQM), included **39.00m at 0.87% Ni, 0.27% Cu, 3.77g/t Pt + Pd and 0.74g/t Au from 13.00m in DBDD001** with only four of the five holes sampled for geochemical assays.

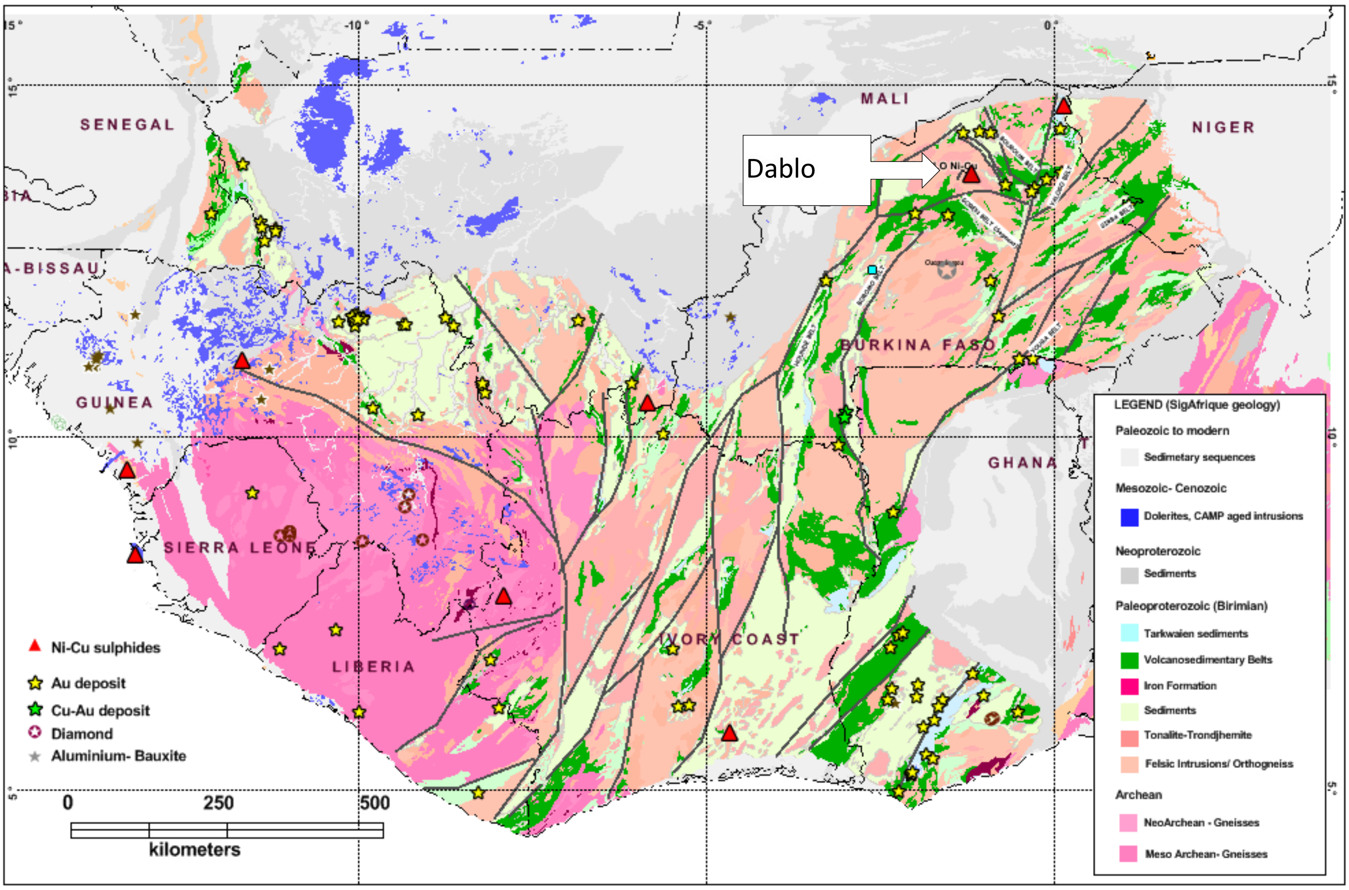

Figure 2 Location of Scorpion Minerals Dablo Project

This intersection along with other drill results provide significant encouragement to advance the exploration within the project. As the project is an at an early exploration stage the economic viability remains unknown.

DRM notes two ASX releases by Pegasus Metals (ASX release 19 April 2018 and 12 June 2018) these exploration drill results, while encouraging and provide support for additional exploration they do not significantly change the technical aspects of the project hence the valuation derived is not affected by the recent ASX releases.

It is envisaged, should a significant resource be outlined, a standalone processing facility, producing a sulphide concentrate would be a viable development option.

Conclusions

Both the Mt Mulcahy Project owned by Pegasus Metals and the Dablo project that Scorpion Minerals has an option over are early stage exploration projects.

The Mt Mulcahy project, located in Western Australia is dominated by copper with subordinate zinc, cobalt, silver and gold. No metallurgy has been completed therefore DRM has limited the valuation to the contained copper in the mineral resource estimate. The surrounding exploration licences cover approximately 107km2 with several geophysical anomalies associated with an interpreted stratigraphic contact. Most VMS mineral systems occur as deposit clusters, often along or at specific stratigraphic contacts.

The Dablo project, located in Burkina Faso, is an early stage nickel – copper project associated with mafic to ultramafic intrusives. Scorpion has an option to acquire up to 70% of the project through a staged earn-in Joint Venture. There are approximately 980km2 of exploration tenements covering all the known mafic intrusive units with limited bedrock drilling into the multiple geological targets.

DRM considers that there is considerable exploration potential within both projects.

During the preparation of this report and while reviewing all the technical documents associated with the mineral assets of both Scorpion and Pegasus no material flaws or errors were identified in the Mineral Resource Estimate nor the technical reporting of the exploration activities. The Modifying factors included in these estimates including the proposed mining and processing methodology, metallurgical recoveries and cut-off grades, are considered reasonable.

In DRM's opinion, the Fair Market Value of the mineral resource for the Mt Mulcahy copper zinc deposit (South Limb Pod or SLP) in the Mt Mulcahy Project is between **$0.5 million** and **$1.7 million** with a preferred valuation of **$1.2 million.** In addition to the value of the resources there is significant value in the exploration potential which lie between **$0.3 million** and **$1.2 million** with a preferred valuation of **$0.8 million**. DRM considers that the only other mineral asset of Pegasus Metals, the Nowthanna project, has negligible value.

Therefore, DRM considers the Pegasus Metals Limited mineral assets have a value between **$0.9 million** and **$2.9 million** with a preferred value of **$2.0 million.**

The Dablo project over which Scorpion has an option is an exploration project with significant exploration potential. There has been insufficient work for the estimation of a mineral resource. Due to the early stage of exploration this report has derived the valuation predominantly by the value per square kilometre for comparable transactions supported by a geoscientific valuation. The comparable projects are based on the observed geology, type of mineral deposits being targeted, exploration status of the projects and where possible with the general geographical / geopolitical location of the projects acquired. DRM notes the recent ASX releases by Pegasus and while these provide additional exploration encouragement they do not materially change the valuation derived from the comparable transactions. There may be a slight increase in Kilburn or geoscientific valuation however as this is the secondary valuation method in DRM's opinion the overall valuation would not change, and the preferred valuation method remains the more robust valuation methodology. The Dablo project is valued at between **$1.2 million** and **$4.9 million** with a preferred valuation of **$2.5 million**.

Appropriate rounding has been applied to this valuation to reflect the accuracy of the various valuation techniques applied to the mineral assets of both Pegasus and Scorpion.

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1. Introduction

Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd, was engaged by BDO Corporate Finance (WA) Pty Ltd (BDO) to undertake an Independent Technical Assessment and Valuation Report (ITAR) on the mineral assets of Scorpion Minerals Limited and Pegasus Metals Limited. The mineral assets include the Mt Mulcahy copper project in Western Australia and the Dablo Ni, Cu, PGE and gold Project in Burkina Faso, Western Africa.

DRM understands that this ITA will be included in the Independent Experts Report being prepared by BDO to determine the merit of the proposed transaction.

On 10 January 2018 Pegasus Metals Limited announced their intention to acquire Scorpion Minerals with Pegasus Metals Limited being the surviving entity.

1.1. Compliance with the JORC and VALMIN Codes and ASIC Regulatory Guides

The ITA has been prepared in accordance with the 2012 JORC and the 2015 VALMIN Codes. Both of these industry codes are mandatory for all members of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. These codes are also requirements under Australian Securities and Investment Commission (ASIC) rules and guidelines and the listing rules of the Australian Securities Exchange (ASX)

This ITA is as a Public Report as described in the VALMIN Code (Clause 5) and the JORC Code (Clause 9). It is based on, and fairly reflects, the information and supporting documentation provided by Pegasus Materials Limited and Scorpion Gold Limited to the Competent Persons listed as signatories to this ITA and additional publicly available information.

1.2. Scope of Work

DRM's primary obligation in preparing mineral asset reports is to independently describe mineral projects in compliance with the JORC and VALMIN Codes. These require that the Public Report contains all the relevant information at the date of disclosure, which investors and their professional advisors would reasonably require in making a reasoned and balanced judgement regarding the project.

DRM has compiled the ITAR based upon the principle of reviewing and interrogating both the work of Pegasus, Scorpion and independent specialists who have contributed to the technical information available for the projects. This report is a summary of the work conducted to 15 March 2018 and is based on information supplied to DRM by Pegasus and Scorpion, its advisors and information that is in the public domain, to the extent required by the 2012 JORC Code and the 2015 VALMIN Code.

DRM has prepared an Independent Valuation of the Mt Mulcahy Copper Project in the Murchison region of Western Australia and the Dablo project in Burkina Faso, Western Africa.

DRM understands that its review and valuations will be relied upon and appended to an Independent Expert's Report (IER) prepared by BDO, to assist Pegasus and Scorpion shareholders in their decision regarding the proposed transaction. As such, it is understood that DRM's review and valuation will be a public document. Accordingly, this report has been prepared in accordance with the requirements of the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (the VALMIN Code, 2015).

1.3. Statement of Independence

Dunbar Resource Management (DRM), the trading name of Jewell Dunbar Pty Ltd, was engaged to undertake an Independent Technical Assessment and valuation of the mineral assets of Pegasus Metals and Scorpion Minerals. This work has been conducted in accordance with the 2012 JORC and the 2015 VALMIN codes. In addition to these industry codes the work also complies with ASIC Regulatory Guideline 111 – Content of Expert Reports (RG111) and ASIC Regulatory Guidelines 112 Independence of Experts (RG112).

Mr Dunbar of Dunbar Resource Management, the trading name of Jewell Dunbar Pty Ltd has not had any direct association with Pegasus or Scorpion, its individual employees, or any interest in the securities of Pegasus or Scorpion, which could be regarded as affecting the ability to give an independent, objective and unbiased opinion. Neither DRM or Mr Paul Dunbar hold an AFS licence and the valuation contained within this report is limited to a valuation of the mineral assets being reviewed. Dunbar Resource Management will be paid a fee for this work on standard commercial rates for professional services. The fee is not contingent on the results of this review and is estimated as being between $23,000 and $25,000.

Additional specialists have been engaged by DRM to undertake specific sections of this report, being a review of the Resource Estimation for the Mt Mulcahy copper or (South Limb Pod or SLP) project and the geology of the Mt Mulcahy project. Mr Alexander (Sandy) Moyle has confirmed that he is independent of both Pegasus and Scorpion, has had no other association with Scorpion or Pegasus, its individual employees, or any interest in the securities of Pegasus or Scorpion, which could be regarded as affecting his ability to give an independent, objective and unbiased opinion.

1.4. Competent Persons Declaration and Qualifications

This report was prepared by Mr Paul Dunbar as the primary author with specialist sections undertaken Mr Alexander (Sandy) Moyle.

The primary author of the report and information that relates to geology, exploration and the mineral asset valuation is based on information compiled by Mr Paul Dunbar, BSc (Hons), MSc (Minex), a Competent Person who is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Dunbar is employed by Jewell Dunbar Pty Ltd, trading as Dunbar Resource Management, a Geology and Exploration Management consultancy, which has been engaged by BDO Corporate Finance (WA) Pty Ltd. Mr Dunbar has a Master of Science in Mineral Exploration and Mineral Economics and has sufficient experience, which is relevant to the style of mineralisation, geology and type of deposit under consideration and to the activity being undertaken to qualify as a competent person under the 2012 edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the 2012 JORC Code) and a specialist under the Australasian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (the 2015 VALMIN Code). Mr Dunbar consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Specialists Qualifications

The information in this report that relates to the Mineral Resource estimates for the Mt Mulcahy copper zinc or (South Limb Pod or SLP) Project, is based on information previously announced by Pegasus Metals Limited in its ASX market announcement dated the 25 September 2014, which was prepared by Mr Rob Spiers (an employee of H&S Consultants Pty Ltd), a Competent Person as defined pursuant to the 2012 JORC Code.

> Mr Alexander (Sandy) Moyle, BSc Geol. (Hons), principal of AJ Moyle and Associates Pty Ltd, has over 30 years' experience in exploration and evaluation of mineral deposits including base metal and gold deposits and projects similar to those held by Pegasus within Australia and South East Asia. Mr Moyle was engaged by DRM as a Specialist to review the geology and the previously announced Mineral Resource Estimate at Mt Mulcahy. Mr Moyle has not verified the underlying geological dataset, nor has he re-reported the Mineral Resources for the Mt Mulcahy Project. Mr Moyle is a Member of the Australian Institute of Geoscientists and a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Moyle consents to the inclusion in this report of these matters based on information in the form and context in which it appears.

1.5. Reliance on Experts

The authors of this report are not qualified to provide extensive commentary on the legal aspects of the mineral properties or the compliance with the Western Australian Mining Act or the mining laws of Burkina Faso. Dunbar Resource Management has interrogated the websites of the Western Australian Department of Mines Industry

Regulation and Safety (DMIRS) and licence documents for the Dablo project provided by Scorpion to confirm the validity of the tenements and aspects relating to the compliance with the various government acts. All have confirmed that the tenements are reported as being in good standing and that all tenement matters including annual reports, rents and renewals have been lodged and are progressing in accordance with the various Mining Acts. As DRM and the authors of this report are not experts in the Mining Acts, no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

For the Dablo Project, over which Scorpion Minerals has an option to acquire up to 70% of the project DRM has relied upon;

- Extensive Datasets from Scorpion including internal memorandums from various owners, geological databases, PowerPoint presentations, regional and local scale geological interpretations, Assay data and drilling information from Newgenco, First Quantum Minerals (FQM), and internal Scorpion memoranda.
- Multiple Regional published geological papers as detailed in the Reference list.

For the Pegasus's projects DRM has relied on publicly available reports including;

- Various Pegasus ASX releases including the Mineral Resource Estimate ASX release of 25 September 2014
- The ASX release relating to the acquisition of Scorpion of 10 January 2018.
- Multiple Annual Technical Reports associated with the Mt Mulcahy project including the detailed Resource Report by H&S Consultants authored by R. Spiers, 29 May 2014.

1.6. Sources of Information

All information and conclusions within this report are based on information made available to DRM and the specialists engaged to assist with this report by Pegasus and Scorpion and other relevant publicly available data to 20 March 2018. Reference has been made to other sources of information, published and unpublished, including government reports and reports prepared by previous interested parties and Joint Venturers to the areas, where it has been considered necessary. DRM has, as far as possible and making all reasonable enquiries, attempted to confirm the authenticity and completeness of the technical data used in the preparation of this report and to ensure that it had access to all relevant technical information. DRM has relied on the information contained within the reports, articles and databases provided by Scorpion and Pegasus as detailed in the reference list. A draft of this report has been provided to Scorpion and Pegasus to identify and address any factual errors or omissions prior to finalisation of the report. The valuation sections of the report were not provided to the companies until the technical aspects were validated and the report was declared final.

1.7. Site Visit

No Site visits have been conducted as a part of this valuation. A visit to the Scorpion Minerals project in Burkina Faso was not considered to be required due to the very early exploration stage of the project. Paul Dunbar has previously worked in the general area of the Mt Mulcahy project and he is aware of the technical aspects of exploration within the area. Given the early exploration stage of the Mt Mulcahy project a specific site visit for this report was not considered warranted as any information obtained would not be material to the findings or valuation contained in this report.

1.8. Valuation Date

The Valuation date for this report is 15 May 2018. As commodity prices and exchange rates fluctuate this valuation is subject to change depending on movements in both commodity prices, exchange rates and as a result of geopolitical changes. In DRM's opinion there has been no material change in any of the factors that would affect the mineral asset valuations between the valuation date and the date of this report.

2. Mineral Assets

The mineral assets that are included in this report are the Mt Mulcahy copper project and the Nowthanna project of Pegasus Metals Limited and the Dablo nickel, copper PGE and gold project of Scorpion Minerals Limited.

3. Scorpion Minerals Dablo Project

The only mineral asset of Scorpion Minerals is an option to acquire up to a 70% joint venture interest in the Dablo Pd-Pt-Au-Ni-Cu (palladium-platinum-gold-nickel-copper) exploration project, located in Burkina Faso. Scorpion has executed a memorandum of agreement with Newgenco Exploration (West Africa) Pty Ltd to acquire up to 70% interest in the Dablo project. This report reviews the location, geology, exploration potential of the project. The valuation has been undertaken, initially on a 100% ownership basis with this valuation then reduced to reflect the option agreement associated with the Phase One earn-in on the project where Scorpion would acquire a 51% interest in the Joint Venture.

3.1. Dablo Project

The Dablo Project is a contiguous block of four exploration licences. Within the project area there is no reported historical mining activities. The majority of all mining and mineral exploration within Burkina Faso has historically been targeting gold. Burkina Faso has a rapidly expanding gold mining sector.

3.1.1. Location and Access

The Dablo Project is located approximately 155km North of Ouagadougou, the capital of Burkina Faso. Within the tenement package are a series of access roads that service the communities of Dablo and Kelbo. Overall, given the location in West Africa, it is well supported by infrastructure.

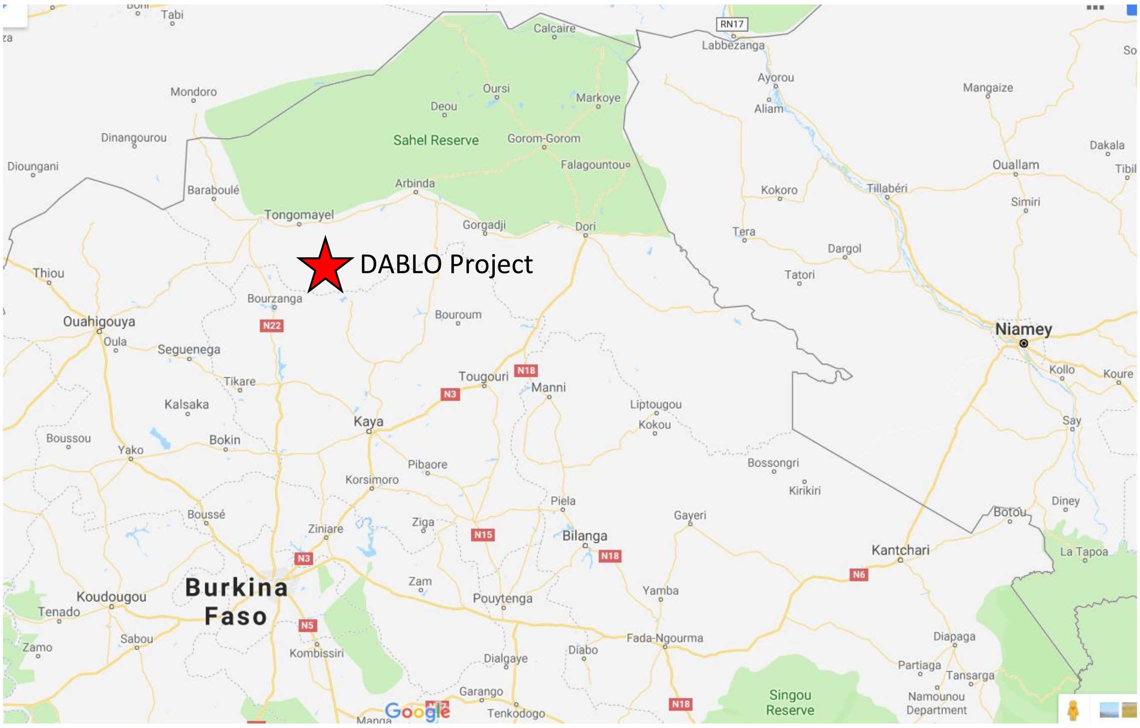

Figure 3 shows the regional location of the Dablo Project with the main road infrastructure in central – Northern Burkina Faso. (Source: Google Maps)

3.1.2. Mineral Tenure

Scorpion has an executed option agreement covering the Dablo project that is currently 100% held by Newgenco Exploration (West Africa) Pty Ltd. Details of the option agreement are included in section 3.1.3 below. The project consists of a contiguous block of four tenements. DRM has reviewed the tenement title documents which are summarised in Table 1 while Figure 2 shows the location of the tenements and Figure 3 shows the detailed tenement plan.

The tenements are in good standing and DRM has been informed that all tenement matters including statutory reports, rents, renewals and taxes have been lodged and are in accordance with the mining laws and regulations of Burkina Faso. While this information was provided by Scorpion Minerals, DRM has reviewed the original title documents from the Ministries of Energy, Mines and Quarries (MEMC) of Burkina Faso and made all reasonable enquiries considered warranted to confirm that the tenements are in good standing. DRM has not identified any information that suggests the information provided to DRM by Scorpion is incorrect.

As DRM and the authors of this report are not experts in the mineral title system or legal framework, especially in Burkina Faso, no warranty or guarantee, be it express or implied, is made by the authors with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure.

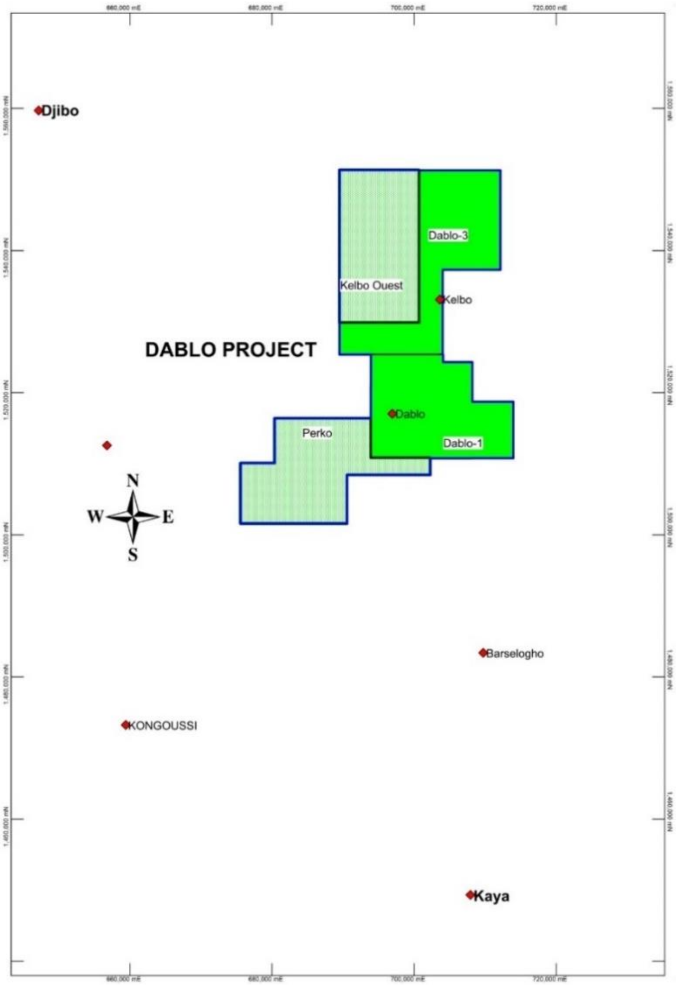

Figure 3 Tenement outline of the Dablo Project

Table 1 Scorpion Minerals Tenement Schedule

Tenements	Grant Date	Expiry Date	Area km^2	Area DRM (km^2) [3]	Equity [1]	Exploration Commitment (A$)	Rent and Taxes (A$)	Status
Dablo 1	31-Jul-13	31-Jul-22	250	251	51%	165,000	30,475	Second renewal 2019 [2]
Dablo 3	31-Jul-13	31-Jul-22	250	251	51%	165,000	30,475	Second renewal 2019 [2]
Kelbo Ouest	2-May-16	2-May-25	240.2	242	51%	158,532	13,095	First Renewal 2019
Perko	5-Dec-16	5-Dec-25	240	239.6	51%	154,400	13,095	First Renewal 2019
Total			980.2	983.6		$646,932	$87,140	

Notes:

1. [*] Scorpion has the right to earn up to 70% in the Dablo project via a two phase earn in, the ownership is listed as 51% ownership which is attained at the end of Phase One by spending $4million within 24 months with a minimum spend of $1.15million in the first year. Scorpion has yet to earn any equity in the project.
2. [**] On the second renewal a 50% reduction is required.
3. This area was derived from the GIS tenement files supplied by Scorpion however for the valuation the area as per the licence certificates has been used.
4. First Quantum Minerals (FQM) hold a 2% Net Smelter Royalty (that reportedly able to be reduced to 1% however the cost is unknown) and a one-off payment of $15 million at a decision to mine

3.1.3. Dablo Project Option Agreement

Scorpion has an executed option agreement covering the Dablo project. Pegasus Metals announced the details of the option agreement in an ASX release on 10 January 2018. The details of the option agreement, obtained from that ASX release, are detailed below.

The aspects of the agreement are:

1) The option agreement is between Scorpion and Newgenco Exploration (West Africa) Pty Ltd.
2) Scorpion can acquire up to a 70% interest in the Dablo Project in two phases:
3) Phase 1 - Scorpion to spend $4 million on agreed expenditure within 24 months after the date the conditions precedent to the JV agreement are satisfied to earn an initial interest of 51% in the Dablo Project. Scorpion must spend a minimum of $1.15 million within 12 months after the Commencement Date.
4) Phase2 - On completion of Phase 1, Scorpion can earn up to a further 19% interest (being a cumulative interest of 70%) in the Dablo Project by spending up to a further $4 M on agreed expenditure within the period of 18 months after completion of Phase 1.
5) On completion of Phase 2, the parties must jointly contribute to expenditure at the Dablo Project in proportion to their ownership interests or dilute according to an industry standard dilution formula.
6) Subject to Pegasus completing the acquisition of Scorpion then Pegasus would assume all the commitments under the option agreement.

3.1.4. History

Exploration within the general area commenced in the 1980's by the German Federal Institute for Geosciences and Natural Resources agency, BGR (Bundesanstalt für Geowissenschaften und Rohstoffe) work included surface sampling, shallow drilling and minor bedrock drilling returning significant Ni-Cu grades but only partially assayed for precious metals.

Newgenco conducted field work in a Project Generation Alliance with First Quantum Minerals Ltd (FQM), with the objective of discovering Ni-Cu-PGE sulphides in West Africa. The Dablo mineralisation was discovered in 2010 in a small outcrop with rock chip sampling yielding 3 - 4g/t PGE.

A series of tenements were pegged with FQM funding drilling in 2014. A total of 5 diamond holes for reportedly 937m were completed. The most significant intersection was 39.00m at 0.87% Ni, 0.27% Cu and 4.51 g/t Pd+Pt+Au (from 13.00m in DBDD001 from disseminated sulphides in peridotite. Only four of the five holes were sampled with the fifth drilled for metallurgical sampling. Mineralisation from the fifth hole has been sampled however it remains sealed in plastic drums in Ouagadougou, Burkina Faso. This drilling has, until November 2017 not been followed up and only covers 150m of the anomalous 6km strike of the DMI (Figure 5). Drilling success led to a ground TEM survey and subsequent airborne VTEM survey.

3.1.5. Geology

3.1.5.1. Regional Geology

According to Markwitz et.al., (2015) nickel mineralization is extremely rare in the West African craton. There are favourable host rocks and structural settings, the lack of mineralisation may be due to a lack of historical exploration and any exploration was targeted toward gold mineralisation. There are a few nickel occurrences including in the laterite profile overlying serpentinite–dunite bodies for example at Sipilou and Moyango in Ivory Coast and Bongo in Burkina Faso. Primary Ni–Co–Cu–PGE mineralization within peridotites and gabbros is known from the Kaloum igneous complex in the Rokelide belt of Guinea.

Recent exploration has identified several other occurrences of intrusive related nickel copper and PGE mineralisation including the Samapleu nickel copper PGE deposits in Cote D'Ivoire. This intrusive related mineralisation is located on the eastern margin of the West African Archean Craton. Mineral Resource estimates for these deposits have been estimated according to the Canadian NI43-101 regulations as being measured and indicated resources totalling 14.16Mt at 0.24%Ni, 0.2%Cu, 0.02% Co, 0.11g/t Pt, 0.29g/t Pd, 0.03g/t Au and 0.01g/t Rh. This excludes the inferred resources which total 26.48Mt at 0.24%Ni, 0.18%Cu, 0.01% Co, 0.09g/t Pt, 0.31g/t Pd, 0.03g/t Au and 0.01g/t Rh.

The total contained nickel is estimated at 95,667 tonnes of nickel and 76,526 tonnes of copper. (Ayad, et.al., 2015). The nickel sulphide occurrences in the West African Craton are shown as red triangles in Figure 4 below.

The regional geology and Dablo project location are shown in Figure 4 below with the known nickel copper sulphide projects shown as red triangles.

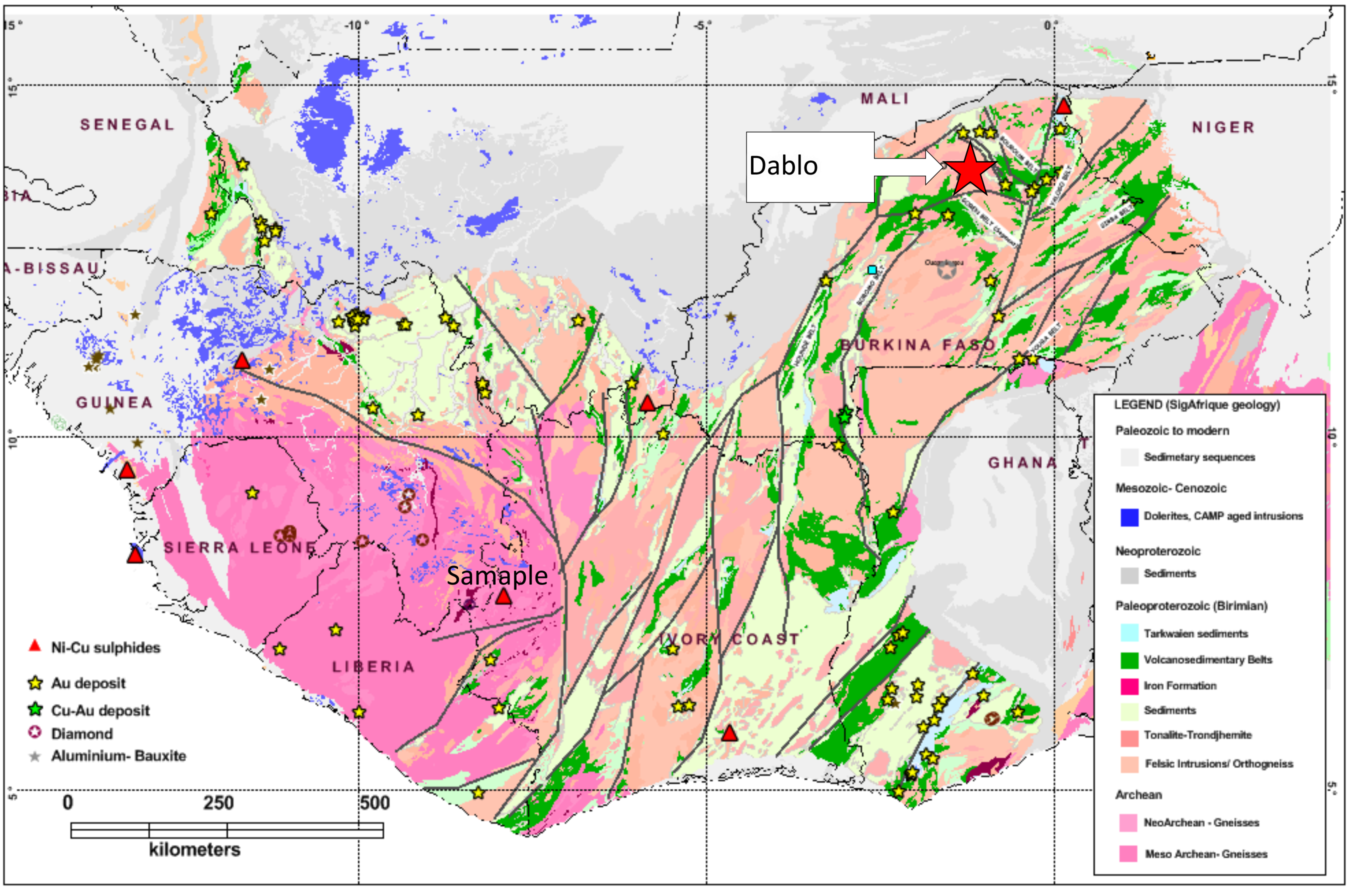

Figure 4 Regional Geology and Dablo project location

3.1.5.2. Local Geology

As shown in both the regional geology Figure 4 (above) and Figure 5 (below) the area is dominated by a typical Archaean granite greenstone sequence with extensive granite with ribbons of greenstones that are dominated by volcanic and sedimentary stratigraphy. The granites and greenstones are intruded by a series of mafic to ultramafic intrusions. Importantly the area has previously unmapped volcano-sedimentary sequence, likely the NW continuance of the Bourroum Greenstone belt. Within the overall tenement package there are sporadic intrusions identified over at least a 30km strike length of the greenstone sequences. While multiple intrusions have indications of nickel copper and PGE + gold mineralisation and occurrences the majority of the work completed to date has been concentrated on the Dablo Main Intrusive, which mostly a gabbronorite/ norite/peridotite that has been metamorphosed to greenschist facies. The Tabaremba intrusive complex, located to the north of the project, consists of very coarse-grained hornblende gabbro and hornblendite (after pyroxenite) that has been metamorphosed at lower amphibolite grade metamorphism. While there has been indications of nickel and copper in several of the intrusions the most encouraging results to date have been received from the Dablo Main Intrusive. Figure 5 shows the local geology of the project.

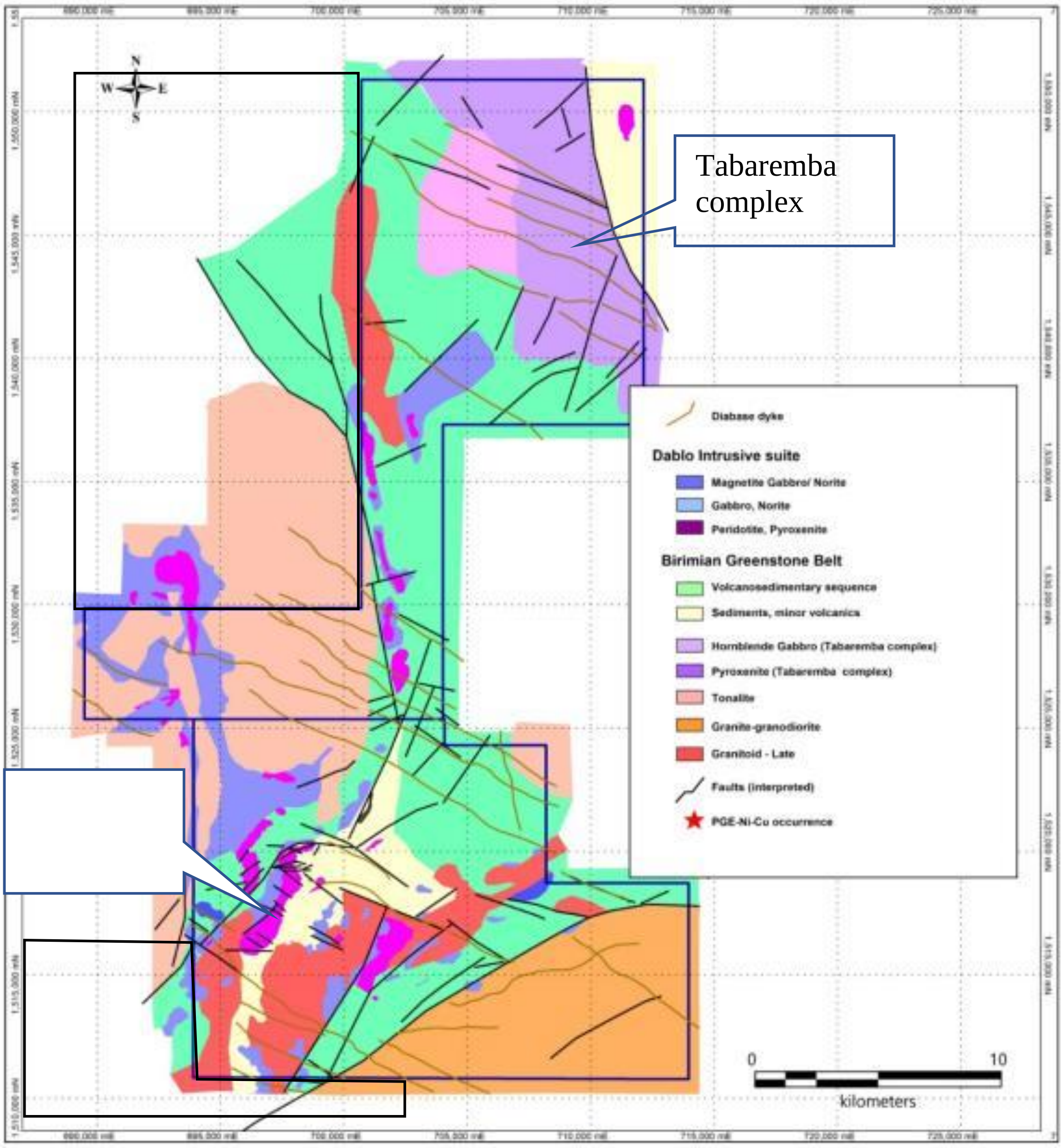

Figure 5 Local Geological interpretation for the core Dablo 1 and Dablo 3 tenements.

The host Dablo Main mafic-ultramafic intrusion is 6km long and one of several within a belt 30km long. Approximately 2% high tenor (i.e. low Fe) disseminated sulphides rich in Ni, Cu, PGE and Au are hosted at shallow depths within a serpentinized peridotite intrusive complex thought to reflect a magma of between 13% MgO and 16% composition. The best drill results received to date are from hole DBDD001 and include 39m @ 0.87%Ni, 0.27%Cu, 2.67g/t Pd, 1.10g/t Pt and 0.74g/t Au (13.00m-52.00m) including 21.7m @ 1.20%Ni, 0.39%Cu, 3.99g/t Pd, 1.63g/t Pt and 1.13g/t Au (22.76m-44.46m). Table 2 below is a summary of the drilling undertaken within the project.

Drilling is extremely limited and prior to 2017 was restricted to just 150m of strike, although rock chip and soil sampling and geophysics suggest similar anomalism exists over the entire 6km strike of the main intrusion. Table 3 documents the collar locations for the 2014 Diamond Drilling while Table 4 details the significant drill intersections from 2014. Figure 7 to Figure 9 show North – South cross sections from the 2014 diamond drilling with the bar graphs in these figures being Copper as determined by pXRF. As that information is not chemical laboratory analysis in DRM's opinion it should be used as a guide of the copper grades and not treated as verified or certified assay results

There are several occurrences with > 0.4 g/t Pd+Pt from surface sampling. Outcrop is rare with the bedrock covered by, on average 12m of regolith consisting of soil, lateritic duricrust and locally sand. To get a better regional (and local) geological understanding there has been extensive shallow auger, Aircore and hand held (Pionjar) drilling undertaken to penetrate the insitu and transported regolith profile. A total of 244 auger samples have been undertaken, 136 Pionjar holes and 145 Aircore holes with the holes averaging 10.55m, 4.42m and 17.6m depths respectively.

There has been very limited historical (pre-2017) bedrock drilling with 18 RC holes for a total of 1988m and 23 diamond holes for 3743.61m of diamond core. There has been minor inconsistency reported in the number of holes and the total depts of the holes however in DRM's opinion these differences are minimal and are typical when compiling historical datasets. DRM has corrected the hole depths of the recent (2014 diamond drilling) by checking the database hole depths against the core photographs. Some of the historical holes were abandoned and re drilled resulting in suffix additions to the drill hole names for two of the holes.

Table 2 Pre-Scorpion Drilling Summary

Hole Type	Number of Holes	Total Depth	Average Hole Depth
Aircore	145	2552	17.6
Auger	244	2574	10.55
Pionjar	136	601.7	4.42
RC	18	1988	110.44
Diamond - Historic 1980's	18	2806.61	155.92
Abandoned Historic Diamond	3	172.88	57.63
Diamond - 2014	5	937	187.4

Core from the 2014 drilling has generally been well maintained and is stored in both Dablo and Ouagadougou.

Table 3 2014 Drilling Collar Coordinates from an internal memorandum

Hole_ID	UTM_E	UTM_N	EL	Az	Dip	Depth
DBDD001	697850	1519885	320.6	180	-55	218
DBDD002	697850	1519960	320.0	180	-55	223
DBDD003	697700	1519900	319.9	180	-55	257
DBDD004	697800	1519785	320.4	360	-58	169
DBDD005	697825	1519883	320.0	180	-74	89

Note: DRM has checked these reported hole depths, DBDD003 was drilled to 247m and DBDD004 drilled to 160m. It is assumed that the error is from a typographical error in the report from which table 3 was sourced.

Table 4 Significant Drill Intersections from the 2014 drilling

Hole ID	From	To	Length	Au (ppm)	Pt (ppm)	Pd (ppm)	Ni (%)	Cu (%)	Pd+Pt+Au (ppm)
DBDD001	13.00	52.00	39.00	0.74	1.10	2.67	0.873	0.268	4.51
including	22.76	44.46	21.70	1.13	1.63	3.99	1.201	0.385	6.75
DBDD002	65.18	69.00	3.82	0.18	0.36	0.79	0.314	0.0775	1.33
DBDD002	142.92	160.38	17.46	0.26	0.38	1.40	0.38	0.0967	2.04
including	155.00	160.38	5.38	0.34	0.56	2.11	0.427	0.097	3.01
DBDD003	202.00	204.19	2.19	0.03	0.12	0.86	0.216	0.0177	1.01
DBDD004	122.03	135.56	13.53	0.40	0.54	2.11	0.423	0.096	3.05
including	126.26	135.56	9.30	0.50	0.69	2.68	0.444	0.112	3.87

The intrusive complexes are dominated by Harzburgite and Olivine pyroxenite to olivine gabbro norite. Both these lithologies are mineralized. There are lesser Olivine pyroxenite, Olivine websterite and websterite, Gabbro norite and Troctolite while the alteration includes serpentinization, talc-carbonate and tremolite. Weathering extends to approximately 28m with the weathering profile best described as a stripped lateritic profile. There is supergene mineralisation above 28m and sulphides occur below weathered zone as disseminations and interstitial concentrations, with lesser sulphide veinlets and local small blebs. The drill intersection in DBDD01 drilled under the mineralised outcrop included a supergene Zone of 11.85 meters with 0.23% Cu, 0.71% Ni, 0.47 g/t Au, 2.4 g/t Pd and 1 g/t Pt from 16.15m above a sulphide Zone 28 meters with 0.27% Cu, 0.91% Ni, 0.85 g/t Au, 2.7 g/t Pd and 1.11 g/t Pt from 28m.

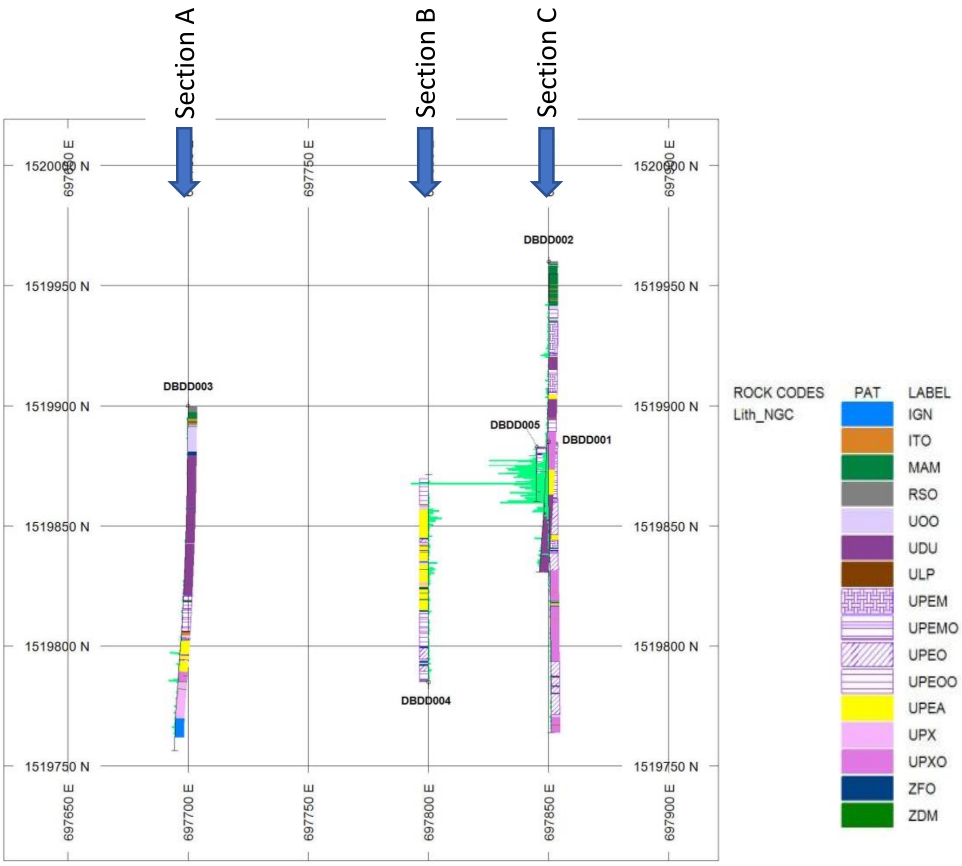

Figure 6 Drill Hole Plan 2014 Drilling. The bar graph is Copper as determined by pXRF

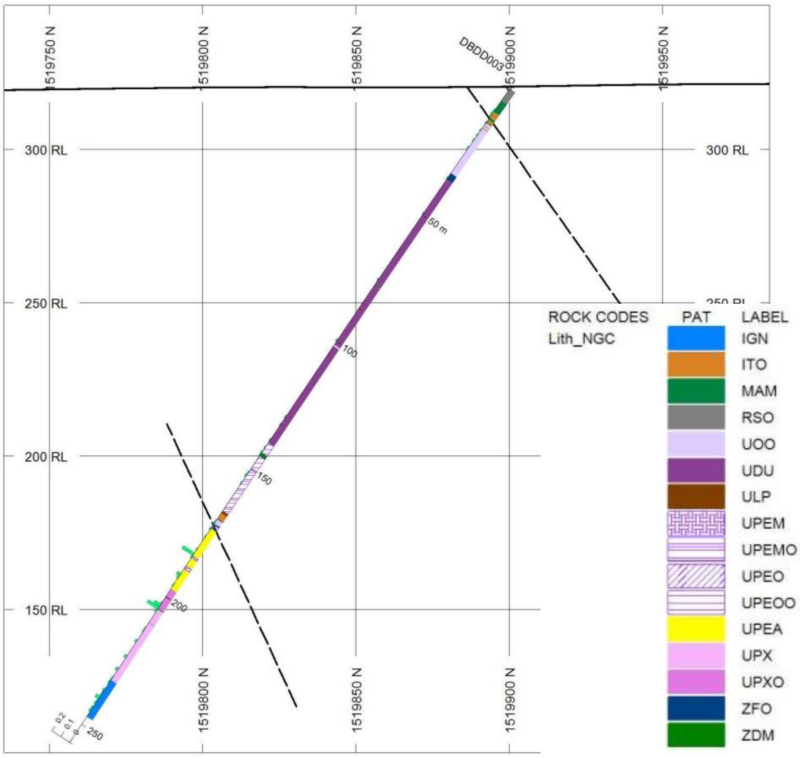

Figure 7 Cross Section A - 2014 Drilling. The bar graph is Copper as determined by pXRF.

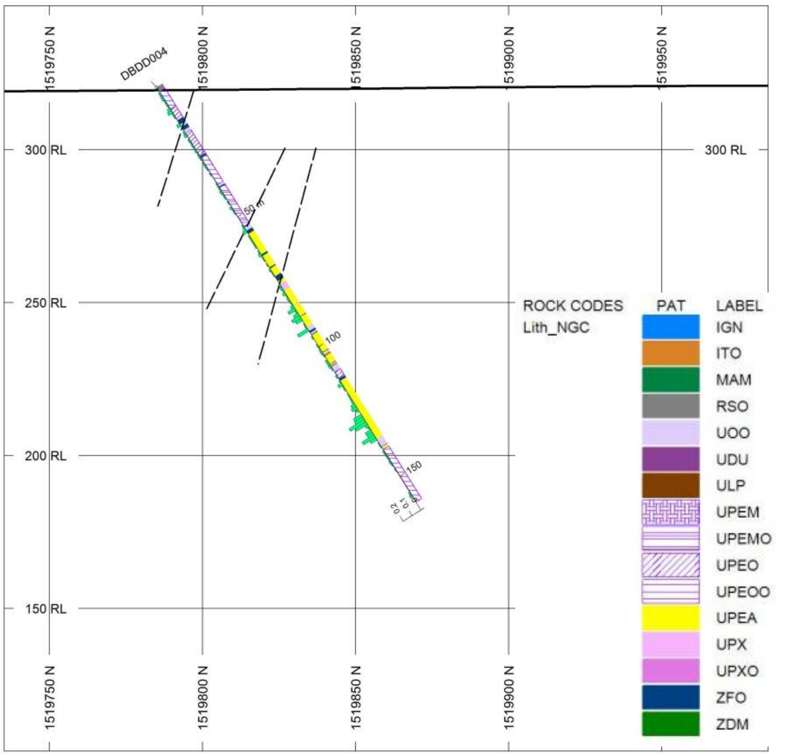

Figure 8 Cross Section B - 2014 Drilling. The bar graph is Copper as determined by pXRF

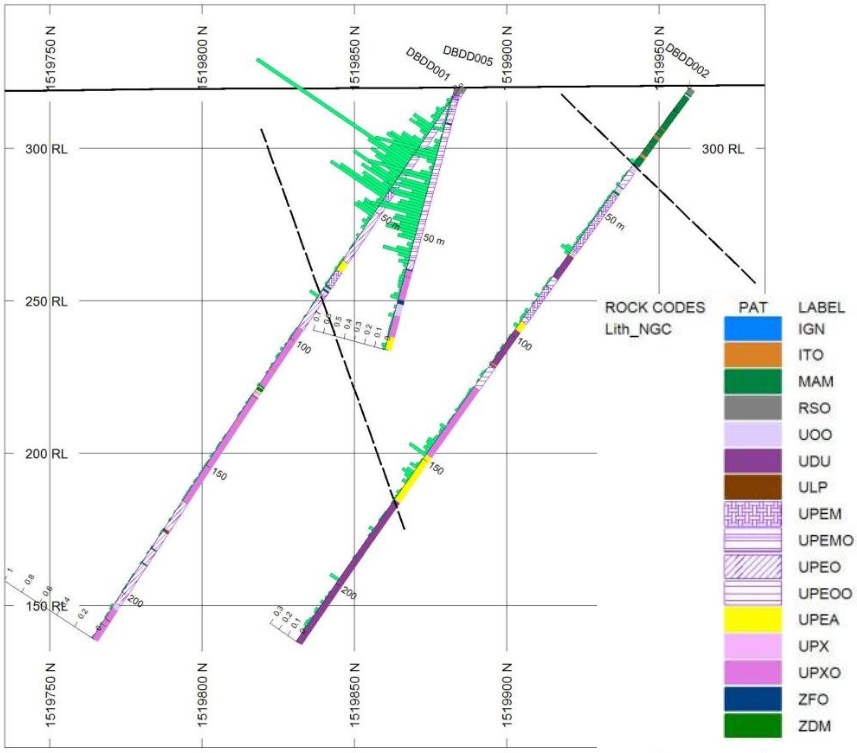

Figure 9 Cross Section C - 2014 Drilling. The bar graph is Copper as determined by pXRF.

3.1.6. Recent Exploration

Mineralization within the Dablo Main Intrusion is hosted within a serpentinized peridotite (Dunite and harzburgite to olivine websterite and olivine mela gabbronorite). Serpentinization, talc-carbonate and tremolite alteration are widespread and locally obliterate primary textures. Statistical assessment of the logged lithologies revealed that the fresh ultramafics comprise 54% Peridotite, 21% Dunite, 18% Pyroxenite and 6% undifferentiated ultramafic. Inspection of selected intervals from DBDD001, 004 and 005 was undertaken by the Grant Osborne and Dr. John Simmonds in Ouagadougou, and it readily became apparent that the lithologies are not easily identified.

Multi-element geochemical analysis by Osborne (2017) reveals that the geology of the 200m x 160m area tested by diamond drilling can be divided into two domains separated by an approximately planar surface dipping 68° towards 326. To the north of this plane the logged lithologies comprise predominantly peridotite and dunite, while to the south of the plane the lithologies comprise peridotite, dunite, pyroxenite, websterite and host metasediments or tonalite. 39% of the fresh ultramafic samples fall into the domain to the north of the plane. These domains are principally identified by the chromium content (the bounding plane equivalent to 1,920ppm Cr) with nickel and magnesium content closely related.

Overall the geochemistry suggests that the domain to the south is more evolved. If the domains are related to one magmatic intrusion this suggests that the intrusion is overturned while a separate alternative is that there are two separate intrusive magma pulses or separate intrusions like the Babel – Nebo nickel mineralisation in Western Australia. Samples with ratio of Pd/Pt =3.71 are largely generally associated with the southern domain while the northern domain has a Pd/Pt ratio of 2.5.

The northern domain also matches the IP chargeability anomaly while the southern domain is lacks this geophysical anomaly.

The preferred interpretation is that there is an early fractioned magma intrusion that was subsequently intruded by a mineralized pulse with mineralization developed along the contact.

In November 2017 a series of eight RC holes were drilled into the Dablo North Intrusive complex (Table 5). These holes were all drilled to 200m depth. Seven of the holes were drilled at -55 degrees, five of which were drilled towards grid south (180^0), one toward 160^0 and one toward 125^0. One of the holes was vertical.
Assay results for the 2017 drilling were included in an ASX release of 19 April 2018 (Table 6). The best drill intersection was 30m at 0.3g/t Au, 0.59g/t Pt, 1.74 g/t Pd, (Pd + Pt + Au = 2.63g/t), 0.51% Ni and 0.13% Cu from 35m in DBRC2017-03. Five of the eight holes returned significant drill intersections (>5m at >1g/t Pt + Pd+Au) being DBRC2017-01 to DBRC2017-05.

An ASX release of 12 June 2018 details 17 RC holes drilled in early 2018 (DBRC2018-01 – DBRC2018-16W). Twelve of the seventeen holes intersected visible copper sulphides and generated anomalous pXRF intersections. DRM cautions treating the pXRF data as assay results due to the point nature of the portable XRF instruments and the potential that the point pXRF results may not be representative of the drill interval.

Table 5 Collar coordinates for the November 2017 RC drilling

Hole ID	Hole Type	Easting	Northing	RL	Depth (m)	Azimuth	Dip
DBRC2017-01	RC	697,800	1,519,910	320	200	180	-55
DBRC2017-02	RC	697,800	1,519,910	320	200	358	-90
DBRC2017-03	RC	697,900	1,519,920	319.5	200	180	-55
DBRC2017-04	RC	697,900	1,519,990	320	200	180	-55
DBRC2017-05	RC	697,950	1,519,950	319.16	200	180	-55
DBRC2017-06	RC	697,750	1,519,870	320	200	180	-55
DBRC2017-07	RC	697,650	1,519,780	320.75	200	160	-55
DBRC2017-08	RC	697,570	1,519,660	320	200	125	-55

Notes: All the collar locations have been located using a hand-held GPS with a nominal accuracy of +/- 5m, the coordinates are all based on the UTM (WGS84) zone 30 North grid, the azimuth is relative to grid north.

Table 6 Significant Drill intersections from the 2017 RC Drilling (Pegasus ASX release 19 April 2018)

Hole_ID	From	To	Length	Au_ppm	Pt_ppm	Pd_ppm	Ni_%	Cu_%	Pd+Pt+Au
DBRC2017-01	**103**	**110**	**7**	**0.21**	**0.26**	**0.89**	**0.24**	**0.08**	**1.36**
DBRC2017-02	128	134	6	0.29	0.31	0.96	0.32	0.12	1.56
DBRC2017-03	23	33	10	0.16	0.28	0.82	0.36	0.06	1.26
and	**35**	**65**	**30**	**0.3**	**0.59**	**1.74**	**0.51**	**0.13**	**2.63**
and	**165**	**175**	**10**	**0.47**	**0.38**	**0.99**	**0.36**	**0.13**	**1.84**
DBRC2017-04	**129**	**138**	**9**	**0.39**	**0.37**	**0.94**	**0.39**	**0.1**	**1.7**
DBRC2017-05	154	160	6	0.51	0.29	0.52	0.39	0.14	1.32
DBRC2017-06	NSR								
DBRC2017-07	NSR								
DBRC2017-08	NSR								

While the preference is to explore and evaluate PGE mineralisation with diamond drilling as it allows a more discrete selection and identification of the different geological units for the November 2017 drilling Scorpion elected to undertake RC drilling. As a result of the RC drilling a more rigorous QAQC program is required.

3.1.7. Metallurgical Testwork

One of the 2014 diamond drill holes, DBDD005, was drilled for metallurgical sampling adjacent to DBDD001. The samples from this hole remain sealed in plastic drums and bags in the Newgenco offices in Ouagadougou, Burkina Faso, awaiting analysis and metallurgical testwork. Semi-qualitative field portable XRF values of 36m @ 0.68%Ni and 0.21% Cu (from 22m-58m) were obtained from this hole. This hole was drilled as a HQ sized drill hole as it was designed as a metallurgical hole. It was a HQ sized hole while the other 2014 holes were predominantly drilled at the smaller dimeter NQ size.

3.1.8. Resources

There are no Mineral Resource Estimates for the Dablo nickel, copper, PGE and Gold project. There has been insufficient exploration work for a mineral resource estimate to be undertaken and there is uncertainly if additional exploration would result in the estimation of a mineral resource.

3.1.9. Ore Reserves

No Ore Reserves have been estimated for the Scorpion Gold Project.

4. Pegasus Metals

While the most significant mineral asset of Pegasus Metals is the Mt Mulcahy project located approximately 45 km northwest of Cue in the Murchison region of Western Australia (Figure 10) a second small project is located at Nowthanna, northeast of Cue.

4.1. Mineral Tenure

Tenement details of the Pegasus Metals Mt Mulcahy project are included in Table 7. The tenements have been validated via checking with the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS) databases and websites. Figure 10 is a detailed tenement plan.

Table 7 Pegasus Materials tenement schedule as at 20 March 2018.

Tenement	Project	Status	Grant / Application	Expiry	Area		Rent [1] ($)	Expend [1] ($)	Equity
					Blocks	Ha			
E20/840	Mt Mulcahy	LIVE	12/11/2014	11/11/2019	16		3,328.00	30,000	100%
E20/931	Mt Mulcahy	Application	30/10/2017	N/A	19		2,456.00	10,000	100%
P51/3016	Northanna West	Application	31/05/2017	N/A		139	347.50	15,000	100%
P51/3017	Northanna East	Application	31/05/2017	N/A		147	367.50	26,000	100%

Note:
[1] The rent and exploration commitment for the granted tenement is for the current tenement year. The rent for the applications is the rent paid on application while the exploration expenditure commitment is based on the current year exploration commitments for the tenement application, assuming it is granted.

DRM has made all reasonable enquiries regarding the status of these tenements and confirms that to be best of DRM's knowledge these tenements comply with the Mining Act. During the review into the tenement status it was identified that one tenement, E20/840, was subject to a forfeiture notice. This forfeiture notice was due to a fine associated with the late payment of the tenement rent (forfeiture notice 521752). This fine was paid on 14 April 2018 therefore the tenement is no longer subject to forfeiture. Similar forfeiture notices were issued to Pegasus by the then DMP for E20/840 in 2016 with Pegasus paying the required rents or fines before the tenements were liable for forfeiture.

As DRM and the authors of this report are not experts in the Western Australian mining act, no warranty or guarantee (be it express or implied) is made by DRM with respect to the completeness or accuracy of the legal aspects regarding the security of the tenure. DRM relies on the DMIRS databases and websites regarding the status of the Pegasus Metals tenements.

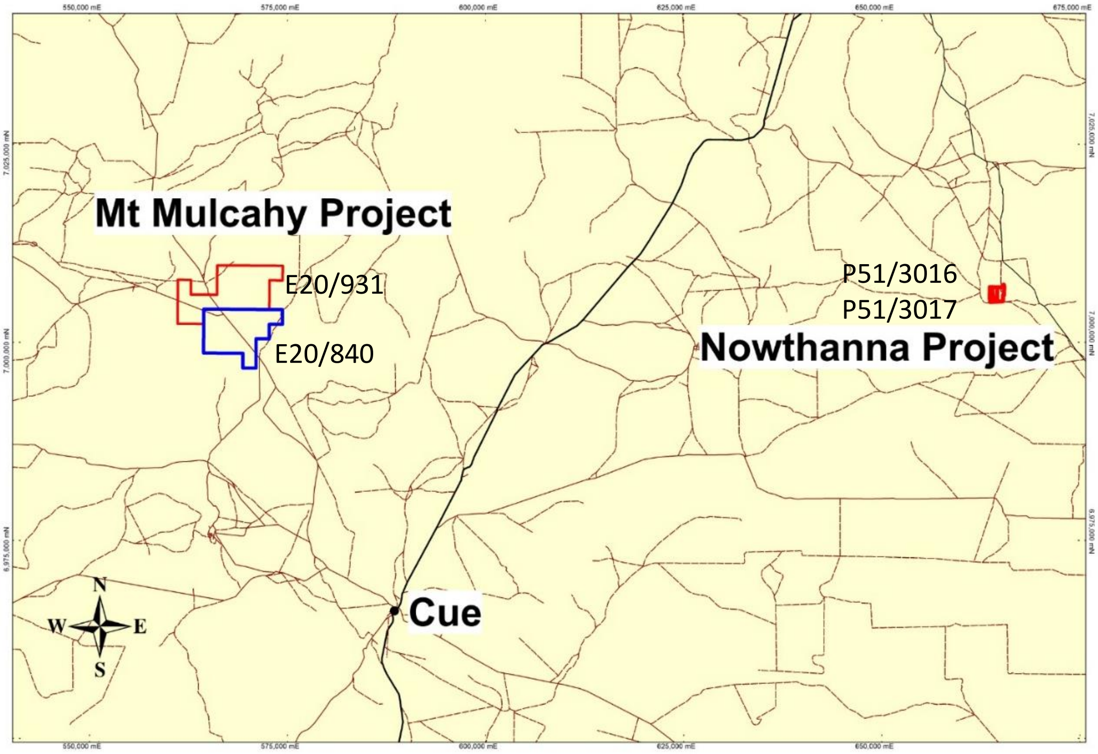

Figure 10 Pegasus Metals Project Location Plan – Mt Mulcahy and Nowthanna Projects.

4.2. Mt Mulcahy Project

4.2.1. Location and Access

The Pegasus Metals Ltd (Pegasus) Mt Mulcahy Project area is situated 5kms east of the Glen Homestead and some 45km north-northwest of the town of Cue in the Murchison mineral field, Western Australia. Access to the project from Cue is via sealed road to Glen Station and then via 6km of unsealed tracks. The location of the Mt Mulcahy Project tenements in relation to the township of Cue is displayed in Figure 11

The project area is situated within the Cue 1:250,000 and 1:100,000 map sheets.

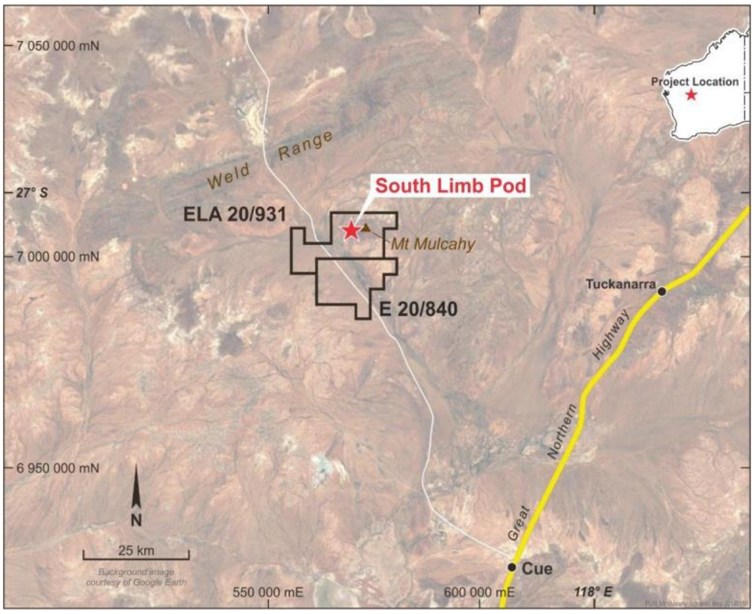

Figure 11 Mt Mulcahy Project tenements location.

4.2.2. Geology

The Cue region is located within the Murchison Province Archaean granite-greenstone terrain within the Yilgarn Block. Regionally, Mount Mulcahy lies within the Weld Range Greenstone Belt, Other greenstone belts occurring in the area include the Warda Warra, Dalgaranga and Meekatharra-Mount Magnet Greenstone Belts. The Weld Range Greenstone Belt overlies jaspilitic BIF-sedimentary rocks and it is thought that the Weld Range and Meekatharra-Mount Magnet Greenstone belts converge to the south of Cue (Watkins et al. 1987).

The location of the Mount Mulcahy Project area relative to the regional greenstone belts and granite terrain is displayed in Figure 12 together with mineral deposits and mines in the region.

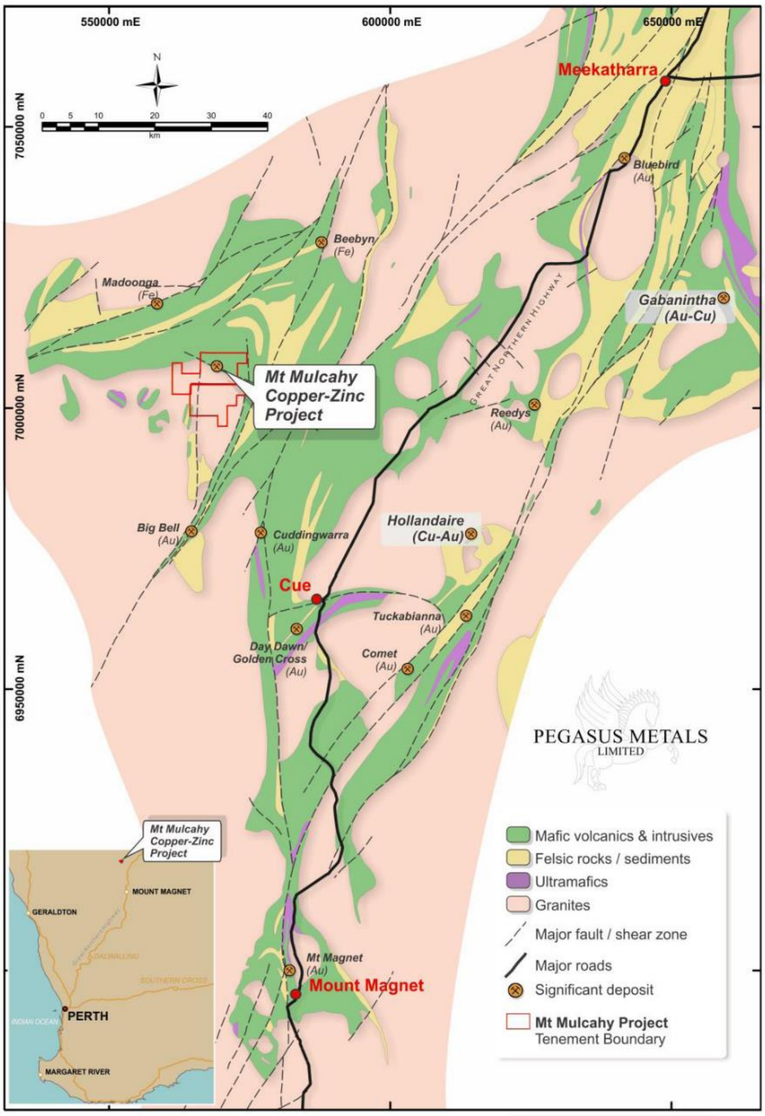

Figure 12 Regional Geology.

4.2.3. Exploration History – Pre Pegasus

Copper was first discovered by a prospector at Mt Mulcahy in the early 1920's. The Mount Mulcahy area has been explored for copper mineralisation by various companies since the 1950's. At least two shafts of about 10 – 12 metres depth have been sunk into the "Western Copper" zone and historical records suggest these were sunk between 1954 and 1962. A small amount of secondary copper ore was mined at this time.

Historic exploration by various companies utilising geological mapping, soil and rock chip sampling, stream sediment sampling, geophysical surveys, percussion drilling, RC drilling and diamond drilling, has identified significant base metal sulphide mineralisation in two areas, the South Limb Pod (SLP) and the Western Copper Area. Other base metal and gold occurrences have been identified elsewhere within the tenements. The majority of exploration activity has focussed on the SLP. Exploration data at SLP suggests the mineralisation is a deformed VHMS system of the Besshi style.

WA DMIRS records suggest that the following exploration programs were completed at Mt Mulcahy:

- Union-Hanna-Homestake 1969 – 1971. Surface mapping and sampling. Geophysics survey. Drilled 34 diamond holes (4,178m) and 186 percussion holes (4,248m). SLP resource estimation (Pre-JORC).
- Western Mining Corporation 1972 - 1973. Surface mapping and sampling. Stream sediment survey. Geophysics survey. Drilled 5 percussion holes (540m).
- Pegmin Ltd 1980 – 1981. Drilled 5 diamond holes (745m). Two SLP resource estimations (Pre-JORC).
- Seltrust-Pegmin JV 1982. Surface mapping and sampling. Geophysics survey. Drilled 38 percussion holes (2,781m) away from known mineralisation.
- Southwest Gold Mines NL 1986 – 1989. Surface mapping and sampling. BLEG stream sediment sampling survey. Geophysics survey. Drilled 9 diamond holes (461m) at SLP. SLP resource estimation (Pre-JORC).
- West Australian Metals NL 1991. SLP ore reserve estimation (Pre-JORC) and mining potential study.
- Oxford Mining NL 1994 – 1997. Surface mapping and sampling. Interpretation of historical geological and geophysical data. SLP resource estimation (Pre-JORC).
- A N Brosnan 1998 – 1999. Surface mapping and sampling.
- Falx Pty Ltd 2005 – 2007. Independent technical review. Consultant classified Robinson Research May 1981 SLP resource estimate as Inferred Resource Estimate (JORC 2004). Drilled one diamond hole (201m).
- Black Raven Mining Pty Ltd 1999 – 2011:
    - Litigation prevented substantial exploration from 2000 to 2005. Geological reconnaissance and sampling.
    - Drilled one diamond holes at SLP (201m) 2007.
    - Drilled 5 diamond holes at the SLP (518m). Geophysics survey. Regolith mapping 2009.
    - SLP Inferred Resource Estimate (JORC 2004). Exploration review by CSA Global upgraded potential for base metal and gold on E29/422. 2009.
    - Geophysics survey 2011.

4.2.3.1. Geophysics

Several geophysical surveys have been conducted over the Mt Mulcahy Project. These include:

- EM, IP, gravity and magnetic surveys by Union-Hanna-Homestake 1969 – 1971.
- TEM and IP surveys by Western Mining Corporation 1972 – 1973.
- IP and gravity surveys by Union-Hanna-Homestake 1975.
- SIROTEM survey by Seltrust-Pegmin JV 1982.
- Aeromagnetic survey by Southwest Gold Mines NL 1987.
- Aeromagnetic/radiometric and digital terrain survey (1,393 line kilometres) over E20/422 and down-hole magnetic susceptibility surveys of 5 Diamond drill holes by Black Raven Mining Pty Ltd 2009.
- Helicopter-borne VTEM survey over the Mt Mulcahy area by Black Raven Mining Pty Ltd 2011.

Pegasus reported that the 2011 VTEM survey identified numerous conductor targets in similar stratigraphic settings to the SLP around the Mt Mulcahy syncline Figure 13.

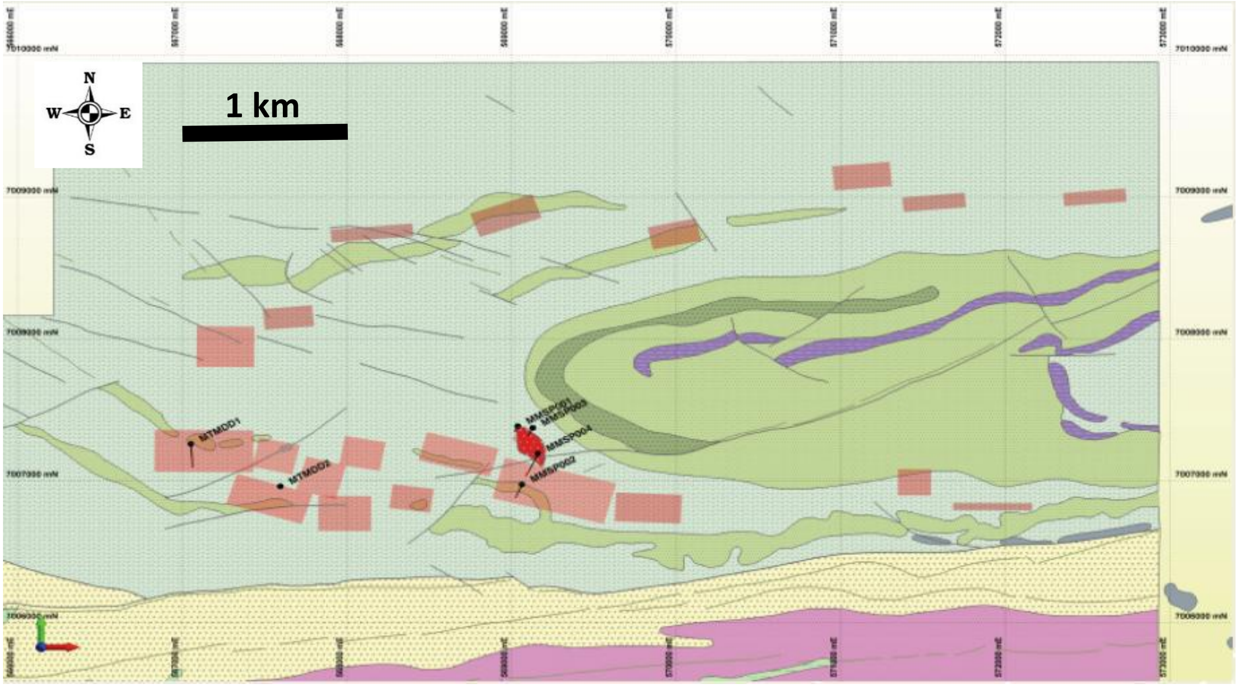

Figure 13 VTEM Plate Targets at the Mt Mulcahy Syncline

4.2.4. Recent Exploration

- Pegasus Metals Ltd 2011 - 2018:
    - Drilled 4 diamond holes at SLP in 2011/2012.
    - Drilled 51 diamond holes (8,845m) and 21 RC holes (1,009m) plus an additional 8 holes with RC pre-collars and diamond tails at SLP in 2012/2013.

At SLP, drilling defined a lens of massive sulphide dipping parallel to the mafic sediment contact and pitching at a shallow angle to the northeast. Massive sulphide copper and zinc mineralisation has been outlined over a strike length of 200m and intersected 350m down dip to a vertical depth of 225m but It typically appears to lens out at 150m down dip.

The SLP mineralogy consists primarily of pyrrhotite, chalcopyrite and sphalerite with minor galena, pyrite and marcasite, accompanied by 10% to 20% gangue minerals. Mineralisation is zoned at SLP with zinc rich mineralisation overlying copper rich mineralisation. Disseminated or veinlet sulphides underlie the massive sulphides, however, no characteristic footwall copper stringer zone has been recognised. The overlying contact with basic volcanic rocks is sharp, although locally inclusions of up to 30% sulphides are reported up to 3.5m above the contact.

Pegasus believes that the prospective horizon hosting the SLP mineralisation can be traced for a distance of at least 12km along strike and potential exists for additional mineralisation to be discovered along the prospective horizon using modern geophysical techniques. The initial drill testing of targets generated by the 2012 VTEM survey intersected the target horizon and encountered weak mineralisation. Most of the 20 targets generated remain to be tested.

Six historical resource estimates have been completed on the SLP mineralisation at the Mount Mulcahy project area prior to Pegasus Metal Ltd's involvement. Pegasus have completed one JORC 2012 Mineral Resource Estimate. Additional detail on this resource estimate is outlined within Section 4.2.5.

4.2.5. Resources

Historical exploration reports indicate six resource estimates have been completed for the South Limb Pod (SLP) mineralisation since 1972, prior to the most recent estimate for the SLP by Pegasus in 2014.

The mineralogy of the Mount Mulcahy South Limb Pod Copper, Zinc, Lead deposit has been characterised as containing; 60% to 70% pyrrhotite, 10% - 20% chalcopyrite, 3% to 12% sphalerite, 5% to 10% pyrite and 10 to 20% quartz and other gangue, with credits in Ag and Au.

Black Raven Mining Pty Ltd engaged CSA Global to undertake a Mineral Resource Estimate on the Mt Mulcahy Project South Limb Pod in 2009. The estimate used the mineralised zones in 32 diamond drill holes (3,848m) to produce a wire frame model based on the presence of sulphide. The drill hole dataset was composited down the hole to 1m intervals and variography was based on copper and zinc assays. A 5x5x5m block model was constructed within the mineralised wire frame envelope using inverse distance squared technique and a bulk density of 3.1 t/m^3 was applied to blocks.
This 2009 work resulted in an Inferred (JORC 2004) Mineral Resource Estimate of 369,000 tonnes at 3.3% Cu and 2.3% Zn. Further details of this estimate can be found in CSA Global Report (Fieldgate, S & Dorling, S. 2009).

Pegasus 2014 Mt Mulcahy Project South Limb Pod Mineral Resource Estimate

The most recent Mt Mulcahy Project South Limb Pod (SLP) Mineral Resource Estimate was completed by H&S Consultants Pty Ltd (H&SC) in 2014 for Pegasus Metals Ltd (Spiers, R. 2014). This Mineral Resource Estimate was reported as being JORC 2012 Code compliant. Pegasus Metals Ltd released the Mt Mulcahy Project, South Limb Pod Mineral Resource Estimate in an ASX announcement on 25th September 2014 (Fotios, M. 2014).

While this report includes a summary of the Mt Mulcahy Project SLP Mineral Resource Estimate, the reader is directed to the JORC Tables 1 and 2 in the 25th September 2014 Pegasus Metals Ltd ASX release for further details.

The Mineral Resource Estimate used Ordinary Kriging for the near surface mineralisation.
Search criteria were customised within the resource model to be aligned with the strike and dip of the mineralisation. The lithology / structure which host the mineralisation exhibit geometries which are consistent with those geometries defined by the spatial analysis of grade.

In general, the mineralisation strikes east-west and dips approximately -50^o to the north. The drill holes used in the Mt Mulcahy Project SLP Mineral Resource Estimate area are largely located on north-south drill traverses orthogonal to the mineralised horizon. The holes are typically drilled toward the south with dips varying from -55^o to -85^o. Where possible, drill-holes were designed to perpendicularly intersect the mineralisation to achieve unbiased sampling and reflect true width.

The drill holes are generally drilled on 40m spacings along the north-south line orientation and approximately 20m spacings between lines. Drill coverage at depth is variable approaching the maximum vertical drilled depth of 324m below surface in drill hole MTMDD3. The shallowest hole drilled was MTMDD20 with a depth of 10.1m and the deepest hole drilled was MTMDD3 with a maximum depth of 371.1m. The drill hole collar locations used by H&SC for the Mt Mulcahy Project SLP Mineral Resource Estimate are displayed in Figure 14.

The resource has an approximate strike extent of 200m and extends to about 240m below the surface.

The collar file dataset used by H&SC for Mt Mulcahy Project SLP Mineral Resource Estimate contained 90 drill-holes for a total of 11,461m. No drill holes were excluded from the investigation. Pegasus drilled 85 of these holes in 2012 and 2013. The only historical drilling data used in the generation of the SLP Mineral Resource Estimation was from 5 Black Raven Mining (BRM) diamond drill holes completed in 2009. A summary of the drill hole details is presented in Table 8.

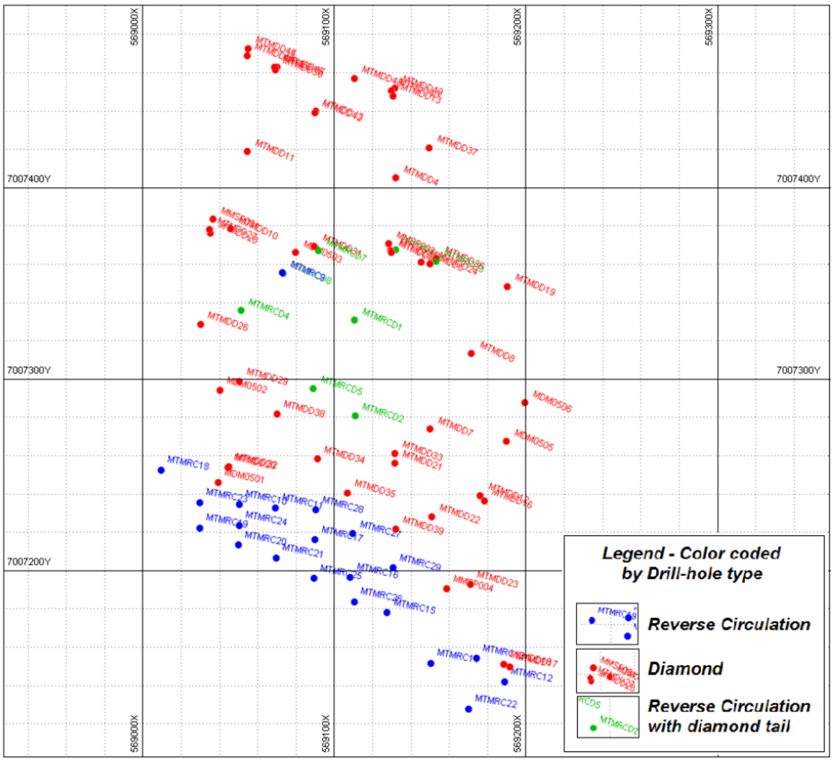

Figure 14 Drill Hole Collar Plan from 2014 Resource

Table 8 Summary of the Mt Mulcahy collar drilling database

Drill Type	Average Depth (m)	Drill hole count	Minimum Depth (m)	Maximum Depth (m)	Sum of drill holes (m)
RC	161.88	61	10.10	371.10	9,874.70
DD	33.05	21	20.00	42.00	694.00
RCD	111.58	8	59.70	152.20	892.60
TOTAL	127.35	90	10.10	371.10	11,461.30

Drilling technique was predominantly Reverse Circulation (RC) employing a 5-inch face sampling hammer. Diamond drilling for the majority of holes produced HQ3 diameter core to approximately 40m then NQ2 core until end of hole. The exception to this were holes drilled by BRM who employed HQ to approximately 20m then NQ to end of hole. The remainder were RC pre-collars with diamond tails. Only sample data from these drill techniques were used in resource estimation which constituted the entire database in this instance.

Field quality control procedures included assay standards, blanks and duplicates. RC duplicates were generated at a rate of approximately 1:20 ratio and standards supplied by Ore Research Australia inserted at a rate of approximately 1:20 ratio. For diamond drilling, no duplicates were taken but standards were inserted at a rate of approximately 1:20 ratio.

H&SC completed QAQC analysis on data provided from the 9 standards and the blank standard used in the sampling program. Copper values for the mineralised standards ranged from 112ppm to 8.82% Cu. Duplicates for Ag, Cu and Zn were provided but no Au assays were provided and thus no analysis was conducted for Au. In total 28 duplicate samples were analysed for Ag, Cu and Zn. Overall, sample QC assay results were generally acceptable and at industry standard.

All samples were submitted for analysis at ALS Geochemistry Perth and were coarse crushed to 70% nominal -6mm and weighed. If a samples weight was above 3kg the sample was riffle split down to 3kg and pulverised to a nominal 85% passing 75 microns. A 0.25g sample is then processed using method ME-ICP61, 33 element four acid ICP-AES.

The assay file data given to H&SC was regularised and where appropriate composited to 1m intervals. The assay file database subsequently contained 523 assay records within the combined low-grade and high-grade mineralised domains after removal of co-located data and including bottom of hole entries. Entries are all multi-element determinations.

Collar and down-hole survey information was provided to H&SC contained 464 records. The file included a range of down-hole information from compass / clinometer records, to single and multi-shot down-hole records. In general, no drill holes deviate by more than 5m over their entire length.

In total 1,006 density readings were taken and values were applied to the data set by way of utilisation of the weight in air and water differentials method on a suspended scale. Specific Gravity (SG) samples were typically chosen to represent the different rock types encountered in a deposit. This also includes different weathering states of rock types, ranging from:

- Completely oxidised;
- Transition (or ~20-30% weathered); to
- Fresh rock.

Density values were supplied to H&SC by the client. The methodology and outcomes for the determination of density records was considered by H&SC to be representative and subsequently usable for estimation purposes to industry standard. Density values were assigned to the composited assay data for modelling as an attribute of the modelling process.

Ordinary Kriging was used by H&SC as the estimation technique. It is considered suitable for the base metal (Cu, Zn, Co) composite distributions which are not highly skewed with a moderate to low domained coefficient of variation. Composite distributions for gold and silver are slightly more positively skewed but still suited to Ordinary Kriging. Methodology details are listed below:

- Composites of 1m were selected, this being the dominant sample width. The 1m composite is considered reasonable given the relatively narrow mineralisation.
- The data was projected in the GDA94 zone 51 grid for modelling.
- Variography parameters for each modelled element were determined using GS3 software (H&SC's proprietary software). Interpolation parameters (search orientations and ranges) were based on the variography parameters. Search distances, minimum & maximum samples and block size were determined by analysis of the informing data. Three search passes were run, each with successively less stringent parameters.
- Modelling was completed in GS3 and post processed for reporting using Micromine software.
- An independent check estimate was employed by another practitioner of H&SC and third and fourth comparative models were produced using an alternative domain approach and estimation approach to better capture the inherent variability between modelling approaches and to assist with the fine tuning of the final model.
- There are no prior production records.
- Cadmium is present in elevated quantities (>100ppm) in and around the ore zone but was not included in this estimation due to the element being under-represented in the current dataset.
- The block size of 12.5mE by 12.5mN by 2mRL is approximately half the average sample spacing and was employed during modelling.
- SMU's were assessed during check modelling by the MIK (Multiple Indicator Kriging) approach and were considered to be in line with underground mining approach at 2mN x 2mE x 2mRL.
- Correlations between elements were assessed by H&SC prior to modelling to assist with simulation of missing data and under-sampled elements. In total 47 Au values were applied to the data set by regression analysis of Au to Ag using a correlation coefficient of 0.81.
- Mineralisation domains (LG and HG) were used to flag the composites on an inside/outside basis. Only composites flagged as high-grade were used in the estimation of the high-grade domain, similarly low-grade composite were only used for estimation of the low-grade domain.

- The boundary between the high-grade and low-grade domains is treated as a hard boundary, supported by lithological and assay data. Check estimates were undertaken to assess the impact of removing this hard boundary approach. The check estimate found the total contained metal in the global resource estimate was within less than 5%. Therefore, it was deemed not to be material to the project.
- Probability plot and regression analysis revealed that there were a number of high end members in the population that required top cutting. The top cutting strategy employed by H&SC saw the following data effected, for Au 1 sample was top cut (6.48g/t Au was replaced with 1.94g/t Au), for Ag 4 samples were top cut (103, 94.3, 86.5 and 85.5g/t Ag were all replaced with 74.8g/t Ag), for Cu 5 samples were top cut (13.4, 12.3, 11.6, 11.1 and 10.75% Cu were replaced with 10.1% Cu), for Zn 5 samples were top cut (19.45, 14.35, 14.00, 12.1 and 11.1% Zn were replaced with 10.7% Zn) and for Co 1 sample was top cut (0.62% Co was replaced with 0.392% Co).
- Standard model validation has been completed using visual and numerical methods.
- Visually the model was compared to the informing data on a section by section basis.
- The model global mean grades for each element were compared to the input mean grades.
- Swath plots on a sectional basis were produced comparing input and modelled mean grades within the swath windows.

Tonnages were estimated on a dry basis. A cut-off grade of 0.5% copper was adopted. Classification was based primarily on drill intercept density but also on the confidence of parts of the geological model and estimation run number.

The 2012 JORC compliant Mt Mulcahy Project South Limb Pod Mineral Resource Estimate completed by H&SC Consultants Pty Ltd and reported by Pegasus Metals Ltd in an ASX announcement on 25th September 2014 is summarised in Table 9.

Table 9 South Limb Pod Mineral Resource Estimate, based on a 0.5% copper cut-off grade (Spiers, R. 2014).

South Limb Pod Mineral Resource, Mt Mulcahy Project - September 2014 Grade						
Resource Category	Tonnes	Cu (%)	Zn (%)	Co (%)	Ag (g/t)	Au (g/t)
Measured	192,590	3.01	2.28	0.11	25.31	0.26
Indicated	372,150	2.2	1.7	0.1	18.7	0.2
Inferred	82,492	1.5	1.3	0.1	13.1	0.2
TOTAL RESOURCES	647,232	2.35	1.84	0.09	19.94	0.22

South Limb Pod Mineral Resource, Mt Mulcahy Project - September 2014 Contained Metal					
Resource Category	Cu (Pounds)	Zn (Pounds)	Co (Pounds)	Ag (Ounces)	Au (Ounces)
Measured	112,774,000	9,689,000	484,000	157,000	2,000
Indicated	17,972,000	14,346,000	723,000	223,000	2,000
Inferred	2,760,000	2,276,000	129,000	35,000	-
TOTAL RESOURCES	33,506,000	26,311,000	1,335,000	415,000	5,000

Note
1. Rounding may result in apparent summation differences between tonnes, grade and contained metal content;
2. 0.5% Cu cut-off
3. Significant figures do not imply an added level of precision.

DRM Comment on the Mineral Resource Estimate

Several aspects of the mineral resource estimate have been raised as a part of this review they include the lack of any QAQC reporting sections in the Resource Report, it is considered that additional reporting including graphs of the QAQC assay results should be included in the mineral resource estimate report. The QAQC results and information, in DRM's opinion, provide essential information regarding the quality and reliability of the assay results that underpin any mineral resource estimate. In this case there are a number of standards that were inserted into the sample sequence where the standard ID was not identified and therefore were excluded from the review of the standard assay results. No details of the analytical methods were available and thus the standard value for 4 Acid – ICP was used as the recommended values. No QAQC procedure was supplied to H&S by Pegasus. From the analysis, a number of batch/job numbers returned multiple results outside 2 or 3 standard deviations, it is recommended that these jobs be re-assessed and possibly re-assayed due to the discrepancies in the standard results.

Whilst all elements present high correlation coefficients, across all elements (Ag, Cu and Zn) it is clear that the duplicate outcomes are routinely higher than the original outcomes. At the time the resource estimate was undertaken the number of duplicate samples was quite small (less than 30) and as such additional duplicate samples were recommended.
It is further recommended that:
1. All of the out of control samples should be re-analysed in addition to the samples that were included in each associated batch run.
2. The positive trend / bias toward the duplicate outcomes be further resolved.
3. Analysis of OREASA-164 be reassessed to determine the source of the large deviations from standard expected values seen in the analysis of Zn primarily, but in addition to assess what if any impacts were passed onto the Cu and Ag analysis.

There is also a minor inconsistency in the reporting of the resource, it is stated that the estimation occurred based on MGA, GDA 94 Zone 51 however the project is located within zone 50. This would not have any material impact on the overall estimate however the reporting is inconsistent.

The distribution of the Mt Mulcahy South Limb Pod Resource Categories is displayed in Figure 15.

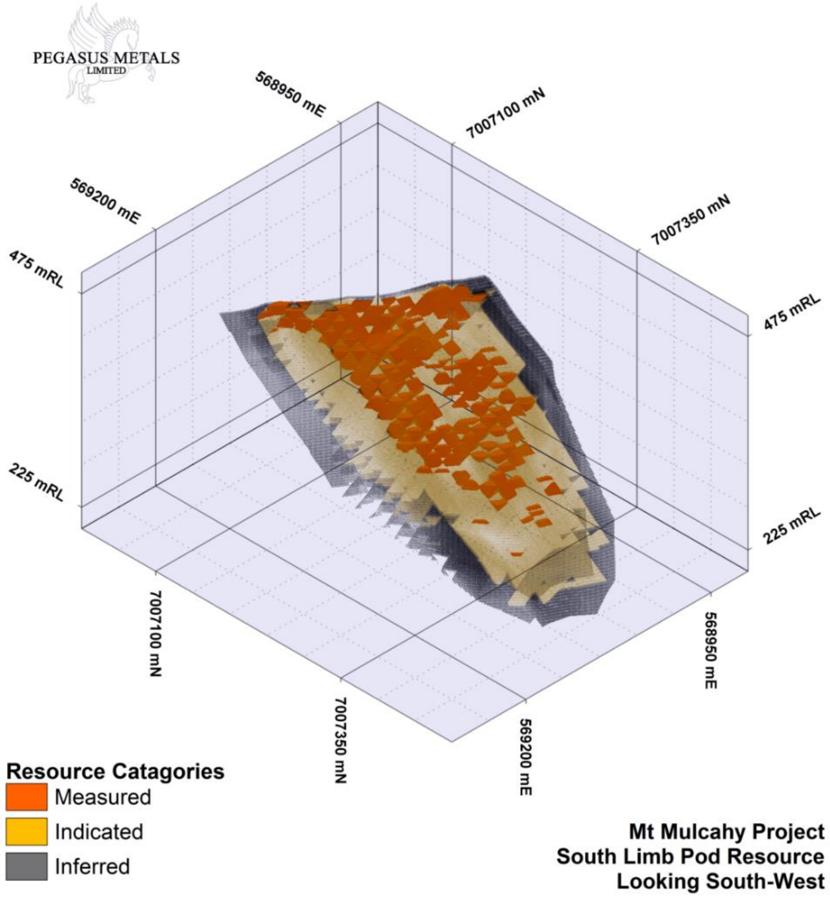

Figure 15 Oblique view block model South Limb Pod 3D 2014 showing classification

An example of the copper grade distribution in the Mt Mulcahy South Limb Pod Resource Model is displayed by cross-section in Figure 16

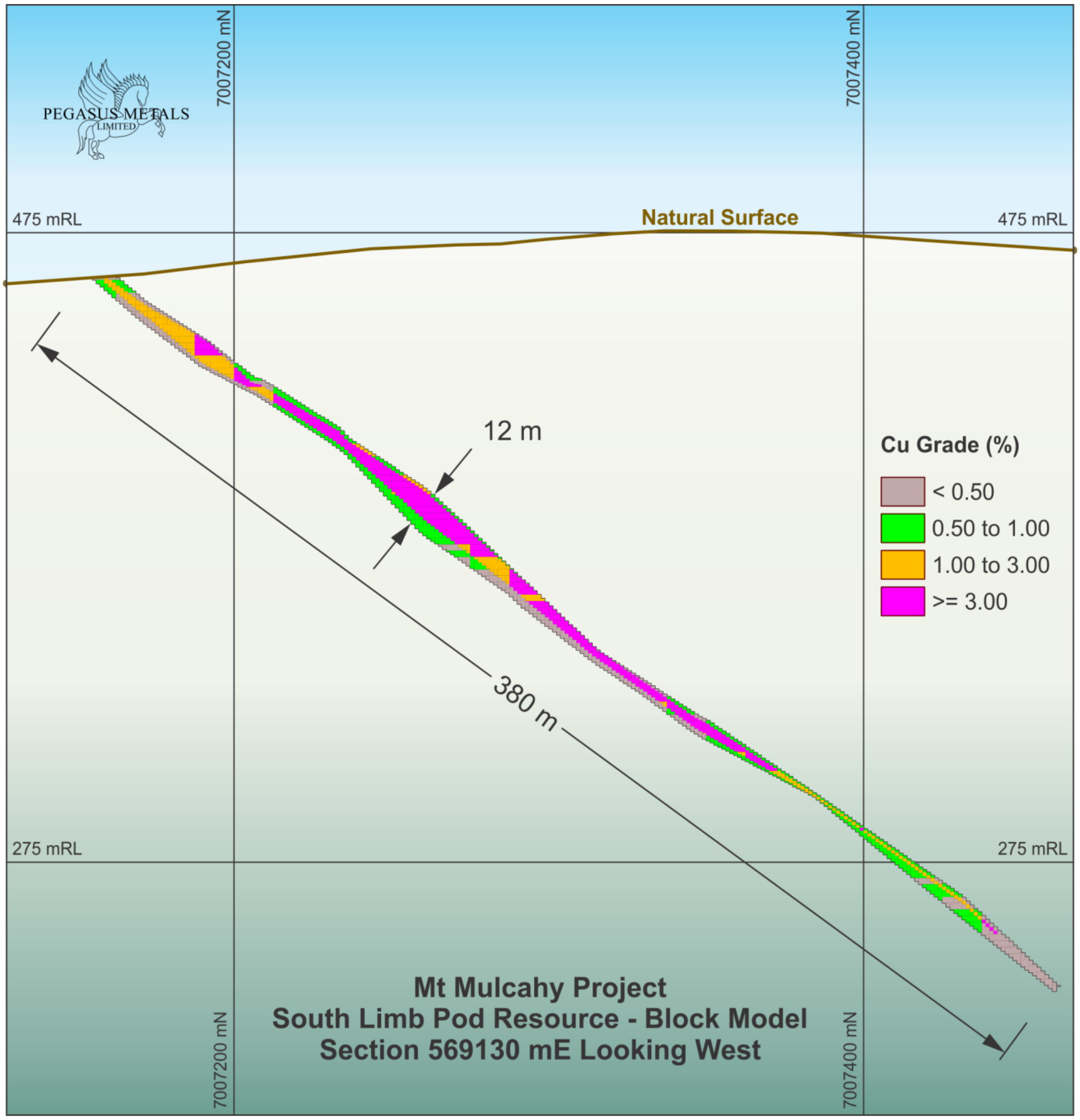

Figure 16 2014 resource model copper grade cross-section 569130E

No metallurgical test work has been carried out at SLP to date.

4.2.6. Exploration Potential

Given the down dip continuity of the mineralisation at the South Limb Pod, the numerous VTEM anomalies that are broadly associated with a single stratigraphic contact DRM considers that there is significant exploration potential within the greater Mt Mulcahy project for additional VMS mineralisation. The drilling at the South Limb Pod is limited to a short strike length while the prospect has been drilled down dip there is considerable potential for additional higher grade massive sulphides within the general area.

While the VTEM survey, re interpreted in 2012 has provided several anomalies, some which have coincident geochemical anomalies, it should be noted that in zinc rich VMS systems is common for the mineralisation to be either a poor conductor or not conductive. Hence targeting using geophysics alone is not always a definitive test of a potentially fertile stratigraphic contact.

DRM recommends that additional work should be conducted including lithogeochemistry to obtain vectors toward a hotter portion of the system which in a typical VMS deposit would normally be enriched in copper and gold proximal toward the core of the mineralisation. In addition, a program of alteration mapping, especially from the drilling would potentially provide additional vectors toward additional mineralisation.

There is a lack of systematic bedrock exploration drilling within the project.
In addition to the extensions to the previously discovered mineralisation DMR considers the remainder of the tenement package as having significant potential for large mineral systems.

4.3. Nowthanna Project

4.3.1. Location and Access

The Nowthanna project, consisting of two prospecting licence applications (P51/3016 and P51/3017) is located 84km to the northeast of Cue and 55km south southeast of Meekatharra in the Murchison region of Western Australia. It is located on the Sandstone 1:250,000 map sheet (SG-16) and the Nowthanna 1:100,000 map sheet (2643). Access to the project is via the Great Northern Highway to Tuckanarra then via the Reedys access road and finally exploration and station tracks. An alternate access is via the Sandstone to Meekatharra road then via station tracks.

The general location of the project is shown in Figure 17 below.

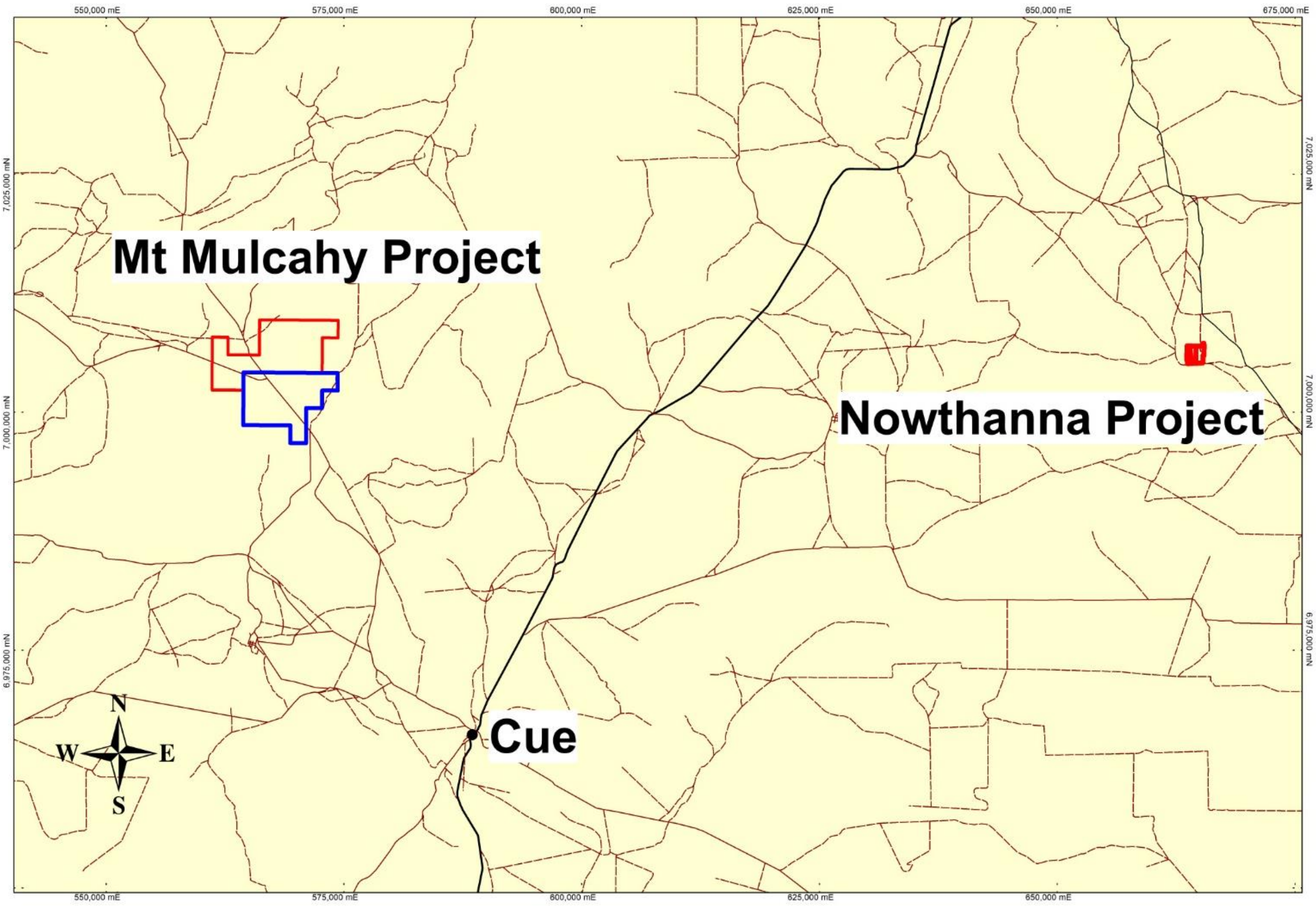

Figure 17 Pegasus Metals Northanna Project Location.

4.3.2. Geology and Exploration

Geologically the project is dominated by high grade metamorphic schists and is located approximately 2.5km to the east of the Commonwealth line of gold workings and the Quinns VMS occurrence. The Tasman prospect is located immediately to the west of the leases with the prospective horizon extending into the project tenements.

There has been no recent exploration within the project.

Figure 18 below is the regional geology of the area with the mineral occurrences (WAMEX points overlain).

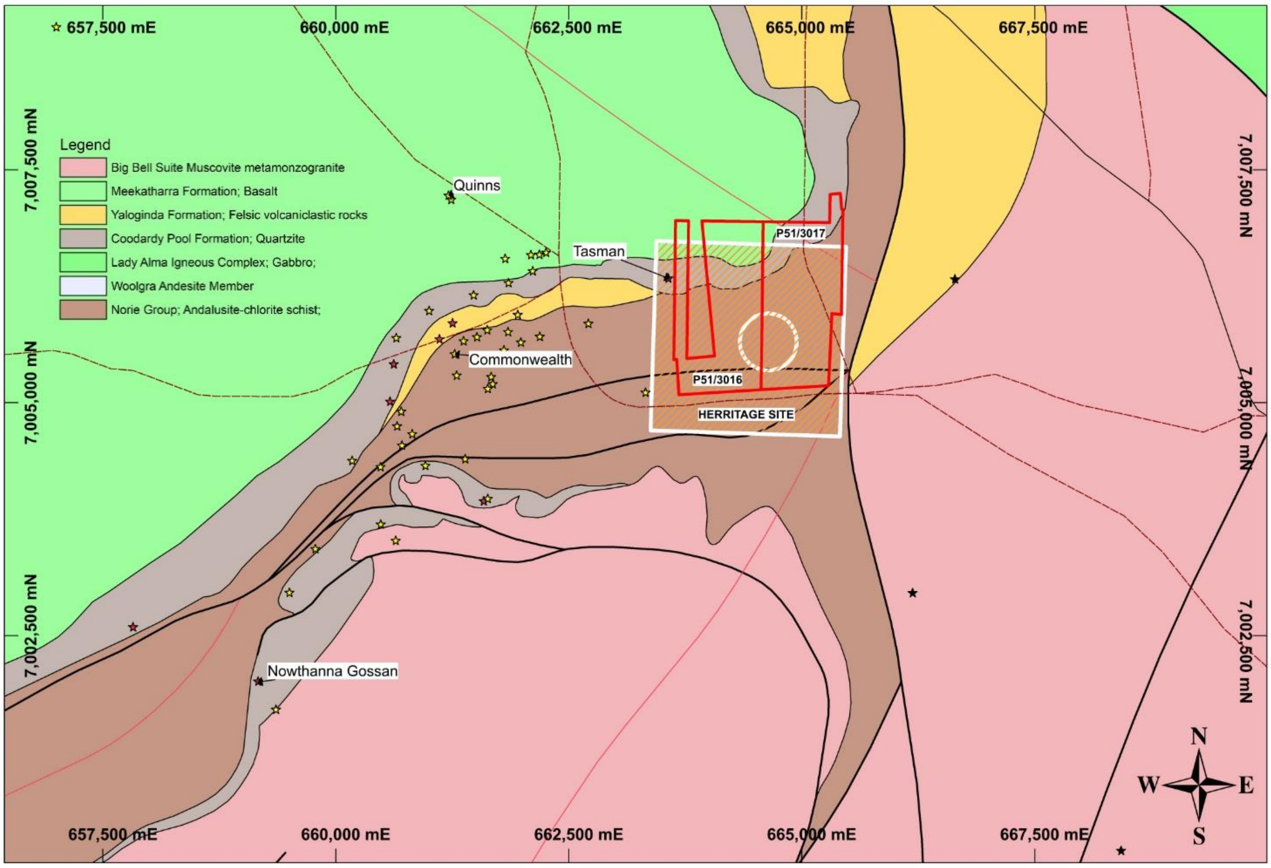

Figure 18 Regional geology of the Nowthanna Project from the GSWA with mineral occurrences overlain.

4.3.3. Exploration Potential

If the company were able to develop a high-ranking exploration target within the tenements it is considered highly unlikely that an access agreement would be negotiated with the traditional owners as the majority of the project is covered by a significant site (Nowthanna Hill) which is a mythological registered site. DRM understands that the site has access limits where the site is for male access only.

Pegasus has not announced any plans for the exploration within the project.

In DRM's view these tenements have minimal potential to host a significant mineral system especially given the heritage access issues and given their relatively small size and status as tenement applications they are considered to have minimal value.

5. Valuation Methodology

There are several valuation methods that are suitable for the mineral asset valuation these include;

- Financial modelling including DCF valuations (limited to projects with published Reserves),
- Comparable Market Based transactions including Resource and Reserve Multiples
- Joint Venture Transactions
- Prospectivity Enhancement Multiplier
- Yardstick valuations

Selecting an appropriate valuation technique is dependent on how advanced the assets are along the development pathway. The VALMIN code outlines various valuation approaches that are applicable for projects at various stages of the development pipeline. These include valuations based on market-based transactions, income or costs as shown in Table 10 and provide a guide as to the most applicable valuation techniques for different assets.

Table 10 VALMIN Code 2015 valuation approaches suitable for mineral projects

Valuation Approach	Exploration Projects	Pre-development Projects	Development Projects	Production Projects
Market	Yes	Yes	Yes	Yes
Income	No	In some cases	Yes	Yes
Cost	Yes	In some cases	No	No

As no reserves have been declared for the Scorpion's Dablo Project nor the Mt Mulcahy project of Pegasus DRM does not consider an income valuation methodology is appropriate. Therefore, the preferred valuations for Scorpion's and Pegasus's projects are based on market transactions with support from a replacement cost valuation method.

5.1. Previous Valuations

DRM has requested any previous valuations from both Scorpion and Pegasus. Neither Pegasus or Scorpion have provided any previous valuations. As a check of the lack of previous valuations DRM also interrogated the ASX release website and undertook a search of the ASX releases by Pegasus Metals to confirm that there are no previous valuations that are publicly available. No previous valuations have been identified for either the Pegasus projects nor the Scorpion project.

5.2. Valuation Subject to Change

The valuation of any mineral project is subject to several critical inputs most of these change over time and this valuation is using information available as of 15 March 2018. This valuation is subject to change due to variations in the geological understanding, variable assumptions and mining conditions, climatic variability that may impact on the development assumptions, the ability and timing of available funding to advance the project, the current and future gold prices, exchange rates, political, social, environmental aspects of a possible development, a multitude of input costs including but not limited to fuel and energy prices, steel prices, labour rates and supply and demand dynamics for critical aspects of the potential development like mining equipment. While DRM has undertaken a review of multiple aspects that could impact the valuation there are numerous factors that are beyond the control of DRM. This valuation assumes several forward-looking production and economic criteria which would be unreasonable for DRM to anticipate.

5.3. General assumptions

Mineral Assets of both Scorpion and Pegasus are valued using appropriate methodologies as described Table 10 in the following sections. The valuation is based on a number of specific assumptions detailed above, including the following general assumptions;

- That all information provided to DRM and its associates is accurate and can be relied upon,

- The valuations only relate to the mineral assets of Pegasus and Scorpion and not Pegasus or Scorpion nor their shares or market value,
- That the mineral rights, tenement security and statutory obligations were fairly stated to DRM by both Scorpion and Pegasus and that the mineral licences will remain active,
- That all other regulatory approvals for exploration and mining are either active or will be obtained in the required and expected timeframe
- That the owners of the mineral assets can obtain the required funding to advance the project as assumed,
- The US$ - AUS$ exchange rate of 0.77 has been used.
- All currency in this report are Australian Dollars, unless otherwise noted, if a particular value is in United States Dollars, it is prefixed with US$.

5.4. Market Based Valuations

As the projects being valued in this report are either dominantly nickel or copper projects it is important to assess the current market fundamentals for both these commodities. This market review is a very high-level assessment and there are multiple other more detailed sources of market analysis than this assessment.

Copper and Nickel Market

The copper and nickel markets are directly linked to the fundamentals of the overall global economy. This is especially evident with the majority of the global copper demand being derived from building construction (43%), electric and electronic products (19%) and transport equipment (19%) (USGS 2016). Nickel consumption is also broad with nickel consumption directly associated with the production of stainless steel (45%) and nonferrous alloys and super alloys (43%) a more recent addition to the demand for nickel has been the expansion of the electrical vehicles and baseload battery storage. Therefore, the nickel and copper demand fundamentals are driven by the overall global economy.

Figure 19 and Figure 21 shows the nickel and copper price over the last five years while Figure 20 and Figure 22 show the LME stockpiles for both nickel and copper

Figure 19 Five-year US$ and AUS$ Nickel Price graph (source www.infomine.com)

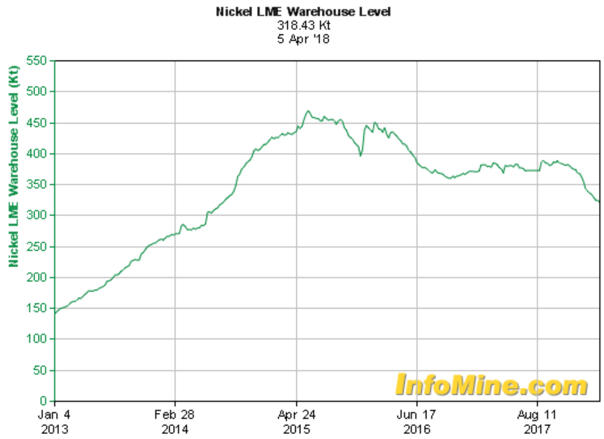

Figure 20 Five-year London Metal Exchange (LME) Warehouse Stockpiles (source www.infomine.com)

Figure 21 Five-year US$ and AUS$ Copper Price graph (source www.infomine.com)

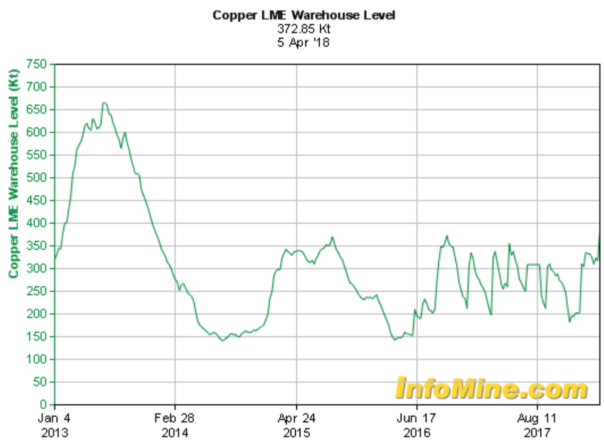

Figure 22 Five-year London Metal Exchange (LME) Warehouse Stockpiles (source www.infomine.com)

As Figure 19 and Figure 21 show both nickel and copper prices have either been in decline for the majority of the past three years however both have shown a price recovery in the past six months which closely correlates with the improved economic conditions in both the United States and Europe. There has also been a general reduction in the overall LME warehouse stockpiles from the peak copper stockpiles in early 2013 and nickel stockpiles almost three years ago.

Overall with the improved economic outlook in both Europe and the USA there is a reasonable expectation that the commodity prices will remain stronger than for the past two to three years.

5.4.1. Exploration Asset Valuation

To generate an overall value of the entire project it is important to value all the separate parts of the mineral assets under consideration. In the case of the advanced projects (with reserves or resources) the most significant value drivers for the overall project are the Resources or Reserves for earlier stage projects a significant contributor to the projects value is the exploration potential. There are several ways to determine the potential of pre-resource projects, these being;

- A Geoscientific (Kilburn) Valuation
- Comparable transactions based on the projects' area
- Joint Venture Terms
- A prospectivity enhancement multiplier (PEM)

DRM considers recent Comparable Transactions and Geoscientific (Kilburn) Valuation methods to be the most robust and therefore these are the primary valuation method used for early stage projects. The Comparable Transactions and Geoscientific (Kilburn) Valuations are checked using the other valuation methods including Yardstick and Multiple of Exploration Expenditure (MEE) or Prospectivity Enhancement Multiplier (PEM) valuations. It is the view of DRM that the least transparent and often the highest valuation method is derived by a PEM valuation.

5.4.1.1. Comparable Market Based Transactions

A comparable Transactional valuation is a simple and easily understood valuation method which is broadly based on the real estate approach to valuation. It can be applied to a transaction based on the contained metal (for projects with Mineral Resource Estimated reported) or on an area basis for non-resource projects. Advantages of this type of valuation method include that it is easily understood and applied, especially where the resources or tenement area is comparable and the resources are reported according to an industry standard (like the JORC Code or NI43-101) but it is not as robust for projects where the resources are either historic in nature, reported according to a more relaxed standard or are using a cut-off grade that reflects a commodity price that is not justified by the current market fundamentals. If the projects being valued are in the same or a comparable jurisdiction, then it removes the requirement for a geopolitical adjustment. Finally, if the transaction being used is recent then it should reflect the current market conditions. Difficulties arise when there are a limited number of transactions, where the projects have subtle but identifiable differences that impact the economic viability of one of the projects, for example the requirement for a very fine grind required to liberate gold from a sulphide rich ore or where the ore contains deleterious elements (like arsenic in a nickel concentrate) or where is ore is refractory in nature and requires a non-standard processing method.

Information for the comparable transactions has been derived from various sources including the ASX releases associated with these transactions, a database compiled by DRM for exploration stage projects (with resources estimated) and development ready projects and a monthly publication by PCF Capital termed the Resource Thermometer.

This valuation method is the primary valuation method for exploration or advanced (pre-development) projects where Resources or Reserves have been estimated but no DCF or financial models have been completed. The preference is to limit the transactions and Resource / Reserve multiples to completed transactions from the past two to three years. Additionally, no transactions have been considered that occurred prior to 2013 due to the changes in the global economy since to 2013.

The validity of the Resource multiples used by DRM has been checked by reviewing the February 2018 PCF Capital Resource Thermometer (valid up to the end of January 2018). This report details, amongst other information, the Resource and Reserve multiples for projects at an exploration, development, mining, and care and maintenance stage for gold, copper, iron ore and nickel. PCF Capital does not provide any warranty of the accuracy of these resource and reserve multiples. The Resource Thermometer documents the resource multiples for copper exploration projects has averaged US$0.011/lb over the past five years, US$0.006/lb over the past three years and US$0.011/lb over the past year. This is broadly in line with the resource multiples derived from the transactions that have been identified by DRM and used in the valuation of the Pegasus Mt Mulcahy project detailed in Appendix A.

5.4.1.2. Geoscientific (Kilburn) Valuation

One valuation technique that is widely used to determine the value of a project that is at an early exploration stage without any mineral resources or reserve estimates was developed and is described in an article published in the CIM bulletin by Kilburn (1990). This method is widely termed the geoscientific method where a series of factors within a project are assessed for their potential. While this technique is somewhat subjective and open to interpretation it is a method that when applied correctly and by a suitably experienced specialist enables an accurate estimate of the value of the project. There are five critical aspects that need to be considered when using a Kilburn or Geoscientific valuation, these are the base acquisition cost, which put simply is the cost to acquire and continue to retain the tenements being valued. The other aspects are the proximity to (adjacent to or along strike of) a major deposit (Off Property Factors), the occurrence of a mineral system on the tenement (On Property Factors), the success of previous exploration within the tenement (Anomaly Factors) and the geological prospectivity of the geological terrain covered by the mineral claims or tenements (Geological Factors)

While this valuation method is robust and transparent it can generate a very wide range in valuations, especially when the ranking criteria are assigned to a large tenement. This method was initially developed in Canada where the mineral claims are generally small therefore reducing the potential errors associated with spreading both favourable and unfavourable ranking criteria to be spread over a large tenement. Therefore, DRM either values each tenement or breaks down a larger tenement into areas of higher and lower prospectivity.

Table 11 documents the ranking criteria while the inputs and assumptions that were used to derive the base acquisition cost (BAC) for each tenement are detailed in the valuation section of each of the projects.

Table 11 Ranking criteria are used to determine the geoscientific technical valuation

Rating	Off-property factor	On-property factor	Anomaly factor	Geological factor
0.1				Generally unfavourable geological setting
0.5			Extensive previous exploration with poor results	Poor geological setting
0.9			Poor results to date	Generally favourable geological setting, under cover
1.0	No known mineralisation in district	No known mineralisation within tenement	No targets defined	Generally favourable geological setting
1.5	Mineralisation identified	Mineralisation identified	Target identified, initial indications positive	
2.0	Resource targets identified	Exploration targets identified		Favourable geological setting
2.5			Significant intersections - not correlated on section	
3.0	Along strike or adjacent to known mineralisation	Mine or abundant workings with significant previous production		Mineralised zones exposed in prospective host rocks
3.5			Several significant ore grade intersections that can be correlated	
4.0	Along strike from a major mine(s)	Major mine with significant historical production		
5.0	Along strike from world class mine			

The technical valuation derived from the Kilburn ranking factors are frequently adjusted to reflect the geopolitical risks associated with the location of the project and the current market conditions toward a specific commodity or geological terrain. These adjustments can either increase or decrease the technical value to derive the fair market valuation.

Using the ranking criteria from Table 11 along with the base acquisition costs tabulated in the Appendices an overall technical valuation was determined.

The technical valuation was discounted to derive a fair market valuation. A market factor was derived to account for the geopolitical risks of operating in Burkina Faso and Australia and the status of the market to early stage base metals projects.

While Australia has lower geopolitical risks (governmental risks) there are higher risks of environmental compliance and approvals. One of the governmental risks includes the financial position of the Western Australian Government which is currently trying to increase revenue and reduce the state governments budget deficit and overall state debt. An example of the increased governmental risks is the announcement in 2017 by the Western Australian Government where they attempted increase the gold royalty by 50% to 3.75% from the current 2.5%. This is considered a significant risk to the overall minerals industry. Therefore a 5% discount was applied to the Technical Valuation to account for this increased risk. The discount for the Dablo project is 30%. This was derived by comparing several comparable transactions within Western Australia and Africa. Overall there is a significant reduction between 20 and 60% reduction in the comparable transactions value per unit area transactions for the African base metal projects when compared to the transactions associated with exploration tenure in the Albany Fraser province of Western Australia. This is partly explained by the Australian mineral investment acceptance of African projects, the recent disputes between several African countries and mining companies operating in Africa associated with tax payments and mineral royalties along with the continued high level of investment interest in the Albany Fraser provinces in Western Australia.

In addition to the jurisdictional risks there are also market (commodity) based factors that can dramatically change the market valuation. Therefore, an additional discount has been applied to account for the current state of the copper and nickel prices and general market sentiment toward early stage exploration activities. Additionally, the market factors can change depending on the local currency commodity prices. For example, in Australia the gold price, in Australian dollar terms is quite strong however it remains difficult to attract exploration funds to advance small gold projects, therefore, it is considered reasonable to apply a small discount the commodity price environment.

Based on the information above, the technical valuations from the Geoscientific or Kilburn valuations for the Pegasus project in Western Australia are discounted by 5% for the geopolitical / environmental regulatory risks and the commodity price discount of 2% is also applied to the technical valuation. For the Dablo project there is a geopolitical discount of 30% applied and a commodity price discount of 2% also applied. DRM considers the geopolitical and environmental discounts are applicable and supported by the comparable transactions while the commodity price graphs above support a minor decrease in the technical valuation to derive the Fair Market Valuation.

5.4.1.3. Cost Based Valuation

As outlined in Table 10 above and in the VALMIN code a cost based, or appraised value method is an appropriate valuation technique for an early stage exploration project. Under this method, the previous exploration expenditure is assessed as either improving or decreasing the potential of the project. The prospectivity enhancement multiplier (PEM) involves a factor which is directly related to the success of the exploration expenditure to advance the project. There are several alternate PEM factors that can be used depending on the specific project and commodity being evaluated. Onley, (1994) included several guidelines for the use and selection of appropriate PEM criteria. The PEM ranking criteria used in this ITA are outlined in Table 12 below. DRM considers the PEM valuation method as a secondary valuation method and no higher PEM ranges are used as once a resource has been estimated as it is, in the opinion of the author, preferable to use resource multiples for comparable transactions. Table 12 documents the previous expenditure within each of the tenements and the PEM used to determine the upper and lower valuation. The preferred valuation is the midpoint between the upper and lower valuations.

DRM considers that only the recent expenditure by the current holder should be used in determining the valuation. In addition to the recent expenditure (usually the past three years) the purchase price of the project should also be included in the PEM. Any expenditure prior to the current holder are captured by the initial purchase price as this is the Fair Market price for the project at that time and any increase or decrease to the prospectivity since it was acquired should either increase or decrease the overall value of the project. Additionally, if the purpose of the valuation is to determine fair market value for accounting purposes in say impairment testing then it is DRM's view that a PEM valuation is not appropriate.

Table 12 Prospectivity Enhancement Multiplier (PEM) ranking criteria

Range	Criteria
0.2 – 0.5	Exploration downgraded the potential
0.5 – 1	Exploration has maintained the potential
1.0 - 1.3	Exploration has slightly increased the potential
1.3 – 1.5	Exploration has considerably increased the potential
1.5 – 2.0	Limited Preliminary Drilling intersected interesting mineralised intersections
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest
2.5 – 3.0	A Mineral Resource has been estimated at an Inferred category

6. Valuation of the Pegasus Metals and Scorpion Mineral Assets

The sections below detail the Fair Market Valuation determined by DRM for the mineral assets of both the Pegasus and Scorpion. Table 13 below details the valuation methods that have been undertaken to determine the fair market valuations for the various projects.

Table 13 Valuation Methods used for the Dablo and Mt Mulcahy Projects

Valuation Method	Project	
	Scorpion Minerals – Dablo Project	Pegasus Metals - Mt Mulcahy Project
Primary	Comparable Transactions - Early Stage area-based exploration projects	Comparable Transactions – Exploration Resource Multiples Area Based Early stage projects
Secondary	Kilburn PEM	Kilburn

6.1. Scorpion Minerals – Dablo Project

The valuation of the Dablo Project undertaken by DRM was undertaken using comparable transactions based on the price per square kilometre for other base metals projects in Africa with several potential transactions identified. In addition to the comparable transactions a Geoscientific or Kilburn Valuation has been completed as a secondary valuation method for the project along with a prospectivity enhancement multiplier (PEM) valuation to generate additional support for the preferred valuation method. The latter is a valuation of the total project. The exploration upside has been valued using a Kilburn or geoscientific technique. The details of these valuations are detailed below and are based on the information and tenement schedule detailed in section 3.

DRM notes the recent ASX releases by Pegasus and while these provide additional exploration encouragement they do not materially change the valuation derived from the comparable transactions. There may be a slight increase in Kilburn or geoscientific valuation which is the secondary valuation method. In DRM's opinion the overall valuation would not change based on the information included in the recent ASX releases and the comparable transaction methodology is the preferred valuation method remains the more robust valuation methodology.

6.1.1. Comparable Transactions

Appendix A documents a series of transactions that DRM has reviewed and are considered broadly comparable to the Dablo Project. As Dablo is an early stage exploration project with insufficient exploration completed for a JORC 2012 Mineral Resource Estimate to be undertaken the comparable transaction valuation is based on the area and equity of the project that is acquired. As there are some transactions that are Joint Ventures, future expenditures (for year two and year three) have been discounted by a nominal cost of capital of 10% to derive a Present Value of the future expenditures. This has only occurred for Joint Venture transactions that have only recently commenced, for any valuations based on Joint Ventures where either the majority or all of the earn-in expenditures have already been spent (due to the JV commencing several years ago) then no discount is applied.

Of the transactions that have been identified several are not in Africa however these have been used as a guide to the extent of the discount applied to African projects. Additionally, the lower of the valuation multipliers for each transaction has been used for the Dablo valuation due to the decision to mine payment of $15 million that is payable to FQM.
Three separate projects have been identified as being viable to determine the upper, lower and preferred valuations for the project. While the actual value per square kilometre from the transactions has been documented in Australian Dollars (A$) the multiples used in the Dablo valuation have been rounded to reflect the degree of accuracy that can be attributed to the overall valuation.

The upper valuation is based on the Orion Minerals Joint Venture acquisition of the 626km^2 Jacomynspan project in South Africa. In September 2017 the JV was announced with Orion being able to earn up to 76% of the company that holds 80% of the project with the remaining 24% being held by local empowerment group. The JV terms allow Orion to acquire 25% of the company that holds 80% of the project (19% project equity owned by Orion) by spending $US500,000 in the first year with Orion's project equity increasing to 59% by spending an additional US$1.5 million within three years. This results in an area multiple of A$5,607/km^2 for the initial earn-in and A$6,094/km^2 at the end of the three year earn-in. According the Orion the Jacomynspan Project area contains numerous known occurrences of VHMS style zinc-copper deposits and is highly prospective for magmatic hosted nickel-copper mineralisation similar to that seen in Proterozoic mobile belts worldwide including the Thompsons Belt in Canada and the Albany-Fraser Belt in Western Australia.

The lower valuation is based on the January 2017 acquisition by Laconia of 100% of the Kraapan Project in Botswana. The acquisition consisted of shares and a minor cash consideration with the total acquisition cost being A$1,000,000. The project is described by the company as consisting of one tenement of 866km^2 in area and covers a 50km extension of the Kraaipan Greenstone Belt in southern Botswana. The Kraaipan Project is part of the larger NNW trending Amalia-Kraaipan-Greenstone-Terrane ('AKGT') of the Kaapvaal Craton. The AKGT in Botswana is directly along strike from significant gold deposits, as well as adjacent to significant PGE deposits in South Africa. This acquisition and area derives a valuation of $1,155 per km^2. One possible reason for the lower valuation multiple is due to the vendors receiving a significant share component in the transaction which has the potential to significantly increase the overall value to the vendors should there be exploration success.

The preferred valuation is the recent divestment of their 949km^2 Burkina Faso gold projects by Predictive Discovery. While this transaction is for a different commodity the Dablo project is a recent early stage exploration project in central Burkina Faso. This transaction is a Joint Venture where Predictive is devesting up to 70% of the project over a three year earn-in. In year one the minimum expenditure is US$1,000,000 with Progress Minerals earning 51% while the year 2 expenditure is $1.5million (earning 60%) and the year three expenditure is US$2.5million with the equity then being 70% progressive Minerals and 30% Predictive Discovery. These year two and three expenditures are discounted by 10% to determine the present value of these future expenditures. Overall the year one valuation is A$2,683/km^2, the year two valuation is A$5,391/km^2 and at the end of the earn-in the valuation is A$8,658 per km^2. In DRM's opinion the year one value of A$2,683 per square kilometre is the preferred valuation as there is uncertainty that the second and third year earn-in will be completed.

Based on these comparable transactions the valuation of the Dablo project as determined by multiplying the area of the project (980.2km2) by A$1,200 per km^2 to derive the lower valuation, by A$5,000 per km^2 for the upper valuation and the preferred valuation is based on A$2,500 per km2. Table 14 below summarises the valuation of the Dablo project as determined by the comparable transactions. Note there has been appropriate rounding of the valuation multipliers detailed above to account for the accuracy and variability in this valuation technique. In addition to the rounding of the valuation multipliers these have been selected as the lower valuation multiple for each of the transactions to account for the payment to FQM on a decision to mine within the Dablo project.

Table 14 Dablo Valuation based on Comparable Transactions

	Value Multiplier A$ / km^2	**Project Area (km$^{2)}$**	**Valuation (A$)**	**Acquirer / Date**
Lower Valuation	1,200	980.2	**$1,200,000**	Laconia Jan 2017

Upper Valuation	5,000	980.2	**$4,900,000**	Orion Minerals Sept 2017
Preferred Valuation	2,500	980.2	**$2,400,000**	Progress Minerals Sept 2017

Therefore, DRM considers based on comparable transactions that 100% of the Dablo Project is valued at between **$1.2 million** and **$4.9 million** with a preferred valuation of **$2.4 million.**

6.1.2. Geoscientific Valuation

There are several specific inputs that are critical in determining a valid geoscientific or Kilburn valuation, these are ensuring that the practitioner undertaking the valuation has a good understanding of the mineralisation styles within the overall region, the tenements and has access to all the exploration and geological information to ensure that the rankings are based on a thorough knowledge of the project. In addition to ensuring the rankings are correct deriving the base acquisition costs (BAC) is critical as that is the primary driver of the final value. In this case the BAC is derived by the current costs of applying for a tenement of the specific type and the exploration commitment to maintain the tenement in good standing. If the valuation is being undertaken on a large area it is preferable to break down the larger area into smaller zones to ensure that an area with a high ranking is not spread over a large area, thereby artificially increasing the valuation. The opposite can occur with large areas of low potential.
For the Dablo Project, each tenement was ranked individually while the area covering the Dablo Main Intrusion has been excluded from the tenement that contains the intrusion to limit the over representation of the highly prospective criteria associated with the area that has been drilled. The other tenements have a relatively consistent prospectivity and level of exploration hence having one ranking criteria for that entire tenement is reasonable. The BAC was derived from the tenement licence documents provided to DRM by Scorpion and are the current costs associated with the tenements.

The Geoscientific rankings were derived for each of the four tenements with one of these tenements, Dablo 1 divided into the area where the historical drilling occurred and the area outside the historical drilling. The rankings that underpin this geoscientific valuation are tabulated in Appendix B.

Table 15 details the technical value of the exploration potential within the Dablo Project while the Fair Market Valuation is detailed in Table 16.

Table 15 Technical Valuation for the Dablo Project

Tenement	Technical Valuation (A$)		
	Lower	Preferred	Upper
Dablo 1 Ex Drilling	630000	1065000	1500000
Dablo 1 Drilling	90000	170000	250000
Dablo 3	990000	1670000	2350000
Kelbo Ouest	170000	335000	500000
Perko	170000	335000	500000
TOTAL	2050000	3575000	5100000

Note the table above is the technical valuation which is the base acquisition cost multiplied by the ranking factors outlined in Appendix B

Table 16 Fair Market Valuation for the Dablo Project

Tenement	Market Valuation (A$M)		
	Lower	Preferred	Upper
Dablo 1 Ex Drilling	0.42	0.71	1
Dablo 1 Drilling	0.06	0.11	0.17
Dablo 3	0.66	1.11	1.56
Kelbo Ouest	0.11	0.22	0.33
Perko	0.11	0.22	0.33

TOTAL	1.4	2.4	3.4

Note appropriate rounding to the valuation has been undertaken.

Table 16 is the fair market valuation (in AUS$) which is the technical valuation multiplied by two additional valuation factors, the geopolitical or sovereign risk factor and the market factor. In this case the location factor is 70% due to a comparison between comparable transactions in Western Australia and the African transactions used as a part of the comparable transaction analysis above. As the base metal price is currently recovering a factor of 98% has been applied to the technical valuations in Table 15.

Based on this Geoscientific (Kilburn) valuation, DRM considers a reasonable valuation for 100% of the Dablo Project to be between $1.4 and $3.4 million with a preferred valuation of $2.4 million.

6.1.3. Prospectivity Enhancement Multiplier (PEM) Valuation

As detailed in Table 12 a series of multiplier rankings can be assigned to previous expenditure to provide a valuation of early stage exploration assets. The Dablo Project has had significant expenditure on the tenements since they were granted. DRM considers that only the acquisition costs by the most recent owner added to the exploration expenditure since acquisition are valid expenditures when considering a PEM valuation, additionally a PEM valuation should only be used and is valid for exploration stage projects. Once a resource has been estimated, in DRM's opinion, the projects are more accurately valued using resource multiples for comparable transactions.

Table 17 PEM Valuation of the Dablo Project.

Tenement	Total Exploration Expenditure	PEM Low	PEM High	Valuation Low (A$)	Valuation High (A$)
Dablo 1	$2,351,969	1	1.5	$2,350,000	$3,530,000
Dablo 3	$1,437,663	0.5	1.1	$720,000	$1,580,000
Kelbo Ouest	$8,746	0.5	1	$0	$10,000
Perko	$8,095	0.5	1	$0	$10,000
Total	$3,806,473			$3,070,000	$5,130,000

Notes: The expenditure includes previous expenditure and the expenditure of $600,000 reported by Scorpion over the nine months ended 31 March 2018. This expenditure was proportionally distributed over the tenements based on previous expenditures.

6.2. Pegasus Metals Mineral Assets

The mineral assets of Pegasus as detailed in section 4, include the Mt Mulcahy Project and the Nowthanna prospecting licences. As there are resources estimated for the Mt Mulchay project these have been valued using a comparable transaction valuation while the preferred valuation technique for the remainder of the Mt Mulcahy project is a comparable transaction based on valuation per square kilometre. A Geoscientific or Kilburn valuation has been undertaken as a secondary valuation for the project.

DRM has undertaken a preliminary review of the Nowthanna project which consists of two prospecting licence applications and considers these tenements to have minimal value probably a combined value of less than $50,000. There has therefore not been a formal valuation of these tenements as any valuation would be within the margin of error and rounding associated with the preferred valuation methods for the Mt Mulcahy project.

6.2.1. Mt Mulcahy Comparable Transactions

DRM has reviewed a series of transactions that are considered broadly comparable to the Mt Mulcahy Project. Appendix A details the comparable transactions and other transactions that DRM does not consider to be comparable.

Due to the lack of metallurgical testing the valuation is based purely on the contained copper and no by-product credits are assumed in the valuation.

From the analysis of the completed transactions from Australia since 2015 DRM has determined that the resource multiples for comparable projects range from A$0.016/lb Cu, $A0.05/lb Cu and 0.036/lb Cu. The supporting transaction are summarised below.

There have been several transactions associated with copper projects in Western Australia and Australia in general over the past two years. The majority of these transactions are associated with more advanced projects either with completed Pre-feasibility or completed feasibility studies. There have also been several transactions that have occurred close to operating assets that have a very high premium paid due to the strategic nature of the projects being acquired. One such transaction was the joint Venture of the small Red Bore tenement adjacent to the DeGrusa operations of Sandfire Resources. That transaction was completed on a very high resource multiple, partly due to the small resource that has been estimated and the strategic nature of the tenement to the nearby operation. This transaction was completed with a resource multiple of approximately ≈$1/lb. This is several orders of magnitude higher than any other recent copper transactions. Therefore, this transaction has been excluded and is clearly not the comparable to the Pegasus Mt Mulcahy project.

Musgrave Minerals acquired a series of tenements that were distal from the Silver Lake Murchison processing facility at Tuckabianna in the Cue region of Western Australia. The transaction announced in November 2015 was a Joint Venture where Musgrave could acquire up to 80% through expenditure of $4.5million over five years excluding the option fee of $75,000. The transaction was a minimum expenditure of $900,000 in the first year, $2.7million in three years to acquire 60% of the projects. The projects included both copper and gold resources. The gold resource totalled 161,000oz while the copper resource was 85.5million pounds of contained copper. The in-situ value of these resources was approximately equal, therefore when determining the resource multiples for the copper resource the JV earn-in expenditure was divided equally between the copper and gold resources therefore reducing the deemed transaction price for the copper project. The transaction included a series of tenements totalling 299.7km2. Therefore, the resource multiple on a $/km2 basis varies between $7,716/km2 and $10,135/km2 depending on the relative equity expenditure for each of the staged earn-in equity milestones. The resource multiple for the copper resource has been determined to be between $0.027 and 0.036/lb of copper in the resource (again depending on the earn-in equity expenditure). This is slightly higher than the for the published PCF Capital resource multiples for exploration projects. Importantly as a part of the Joint Venture Musgrave Minerals had a pre-emptive right over the sale of the Silver Lake interest in the JV. In June 2017 Westgold Resources offered Silver Lake $1.5 million to acquire the Silver Lake interest in the Musgrave – Silver Lake JV. Musgrave elected to exercise its pre-emptive right and now holds 100% of the project. This transaction has not been included in determining the copper resource multiple due to the balance between the copper resource and the gold resources within the projects have significantly changed since the JV commenced.

In 2017 Altona Minerals agreed to a scheme of arrangement whereby Coast Mountain Mining Corporation acquired all the shares in Altona. Altona's main project was the Little Eva copper project in the Cloncurry region of Queensland. The copper resource totalled 3.7billion pounds of copper, contained in 290Mt at a grade of 0.58% Cu. The enterprise value of the transaction was $60million with the total transaction was valued at $93M however Altona had cash and cash equivalents of approximately $33million at the time of the transaction. The resource multiple derived from the above details is $0.016/lb of copper in resource. Importantly the project had a completed feasibility study and is considered a more advanced project than the Mt Mulcahy project. The resource multiple is in line with the PCF resource multiple for exploration projects but at a significant discount to the development project resource multiples. While DRM considers the Altona project to be more advanced the low grade and high capital cost are probably reasons for the low resource multiple. Therefore, DRM considers this transaction a reasonable resource multiple for the higher grade but significantly smaller resource at Mt Mulcahy.

Another transaction that was announced in late 2017 was initially the sale of the Queensland Mines copper projects in the Cloncurry region with this transaction modified to be a full corporate takeover for Queensland Mines. The total resource base contained in six separate deposits total 36.01Mt at 0.72% Cu for 261059t or 575.5Mt lb of contained copper. The total transaction price was A$47.93million (when the cash balance of QMN is deducted from the takeover price). This results in a resource multiple of $0.083/lb of contained copper. This is a considerable premium when compared to the other transactions. Therefore, DRM considers this resource multiple is an outlier when comparing other copper transactions, especially the Altona project which is at a more advanced development stage than the Queensland Mines projects. Additionally, there is a change of control premium included in this transaction which has not been determined, hence the resource multiple is above the range from other transactions.

Another transaction was the takeover of Aditya Birla by Metals X which was primarily aimed at the Nifty copper operation in Western Australia. The Nifty mine was on care and maintenance when Metals X launched the unsolicited takeover. The Nifty operation had, at the time experienced several operation issues and production was stopped by the then Department of Mines and Petroleum (DMP) now the Department of Mines, Industry Regulation and Safety (DMIRS) due to safety concerns within the underground operation. While the Nifty mine has significant infrastructure the total revised (increased) transaction price that was finally negotiated for each Aditya Birla shares was $0.329 per share. With a total of 313,372,551 shares on issue the total transaction was A$103.1million. The remaining resource at Nifty at the time of the transaction was 79.73Mt at 1.28% Cu for a total resource base of 1.02million tonnes or 2,249million pounds of copper. This equates to a resource multiple of $0.0458 per pound of contained copper. While the projects are considerably different, this resource multiple is considered to reflect an upper resource multiple for the Mt Mulcahy copper project. due to the operation being on care and maintenance along with the operational issues that the Nifty operation had experienced.

The resource multiples detailed above and supported by the information in Appendix A have been used along with the Resources for the Mt Mulcahy Project from section 4.2.5 (above) to derive the value of the resources shown in Table 18.

Table 18 Mt Mulcahy Project Comparable Transaction Valuation summary

Pegasus Metals Mt Mulcahy Project Valuation – Resource Multiple				
	Resource (M lb Cu).	Resource Multiple (AUS$/Cu lb)	Valuation (A$)	Basis of Valuation
Lower	33.5	0.016	540,000	Altona / Copper Mountain Mining Corp
Upper	33.5	0.05	1,680,000	Aditya Birla – Metals X
Preferred	33.5	0.036	1,210,000	Silver Lake – Musgrave Minerals

Note appropriate rounding has been applied to the Resource estimate and the valuation.

Therefore, DRM considers the Resources within the Pegasus Metals Mt Mulcahy Project to be valued, based on comparable transactions, at between **$0.54 million** and **$1.68 million** with a preferred valuation of **$1.21 million.** In addition to this value the exploration potential needs to be included. The exploration potential has been derived via a comparable transaction valuation, below, (area based multiple) and supported by a Geoscientific (Kilburn) valuation method (section 6.1.2).

In addition to the resource multiples deriving a valuation for the current mineral resource estimate at Mt Mulcahy project DRM has compiled a series of transactions from Western Australia associated with early stage exploration for copper and / or nickel. This analysis has identified a series of transactions and then derived a value per square kilometre for the completed transactions. DRM has then assigned this multiple to the area of the Mt Mulcahy project less the area of the resource, which is estimated as 0.5km^2.

There have been multiple transactions for early stage pre-resource projects both in Australia and Africa that have been used as potential comparable transactions. Some of these transactions also have resources and for those both a resource multiple and an area-based multiple have been determined. Overall as summarised in Appendix B DRM considers that potential comparable transactions include the acquisition of the Evolution and Giralia Yuinmery copper project Joint Venture tenements by Empire Resources. The project is adjacent to the Empire copper project that hosts the Just Desserts copper resource that totals 1.26Mt at 1.88% copper. (Empire ASX release 16 January 2017). The option requires Empire to keep the tenements in good standing for two years (total cost $0.18M) and consideration, on exercise of the option of $0.5M). The acquisition cost of the project, covering approximately 63.78km^2, equates to $11700 per km^2. DRM considers this the upper end of the area-based valuations. Other transactions that are considered potentially comparable are the acquisitions of the Buxton Resources Project and the

Windward Resources acquisitions in the Albany Fraser province by IGO. The land area comparable transaction multiples for these projects are $3,200/km^2 and $7,300/km^2 respectively.

Therefore, the exploration tenure surrounding the South Limb Pod Mineral Resource has been determined based on a lower area multiple of $3,200/km^2, an upper valuation based on the Empire project acquisition of $11,700/km^2 with a preferred valuation based on the acquisition of Windward Resources by IGO which resulted in a land area multiple of $7,300/km^2.

Table 19 below details the valuation of the exploration tenure surrounding the mineral resource estimate.

Table 19 Mt Mulcahy Exploration tenement valuation

Pegasus Metals Mt Mulcahy Project Valuation – Exploration Tenure				
	Tenement Area [1]	Area Multiple (AUS$/km^2)	Valuation (A$)	Basis of Valuation
Lower	106.53	$3,200	340,000	Buxton Resources – IGO
Upper	106.53	$11,700	1,240,000	Empire Resources – Evolution
Preferred	106.53	$7,300	780,000	Windward Resources - IGO

Notes: 1 The total tenement area of 107.03 has been reduced by 0.5/km^2 to account for the area of the resource.
2 The Valuation has been rounded to account for the relative accuracy of the valuation method.

6.2.2. Mt Mulcahy Geoscientific Valuation

For the Mt Mulcahy project, each tenement was ranked separately, and the BAC was determined from the holding costs and exploration commitments from the DMIRS Mineral Titles Online database of each of the tenements

In deriving the fair market valuation, the technical valuation has been multiplied by 95% (a discount of 5%) to account for the geopolitical and sovereign risks of operating in Australia, while the risks are considered low the largest potential issue in Western Australia relates to the environmental approvals and permitting of a potential development while there are potential royalty increases that while rejected, were proposed by the Western Australian Government. This ranking factor is higher than DRM would usually apply for projects within a stable jurisdiction like Western Australia. In addition to this locational factor an additional reduction of 2% (multiplied by 98%) has been applied to the technical valuation to account for the current market conditions associated with base metal exploration and the overall market sentiment toward the resource sector.

The exploration potential and historic exploration success has been summarised in Section 4.2.
The Geoscientific rankings for each of the tenements that constitute the are tabulated in Appendix D below.

Table 20 details the technical value of the Mt Mulcahy Project while the Fair Market Valuation is detailed in Table 21.

Table 20 Technical Valuation for the Mt Mulcahy Project

Tenement	Equity	Technical Valuation (AUS$)		
		Lower	Preferred	Upper
E20/840	100%	$240,000	$435,000	$630,000
ELA20/931	100%	$600,000	$940,000	$1,280,000
ELA20/931 – Resource Area	100%	$200,000	$280,000	$360,000
Mt Mulcahy Total	100%	$1,040,000	$1,655,000	$2,270,000

Table 21 Fair Market Valuation for the Mt Mulcahy Project

Tenement	Fair Market Valuation (AUS$M)		
	Lower	Preferred	Upper
E20/840	$0.22	$0.39	$0.57

ELA20/931	$0.54	$0.85	$1.16
ELA20/931 – Resource Area	$0.18	$0.25	$0.32
Mt Mulcahy Total	$0.94	$1.49	$2.05

7. Preferred Valuations

Based on the valuation techniques detailed above Table 22 provides a summary of the various valuation techniques with the preferred valuation techniques for Pegasus Materials and Scorpion Gold's mineral assets in **Bold.**

DRM notes the recent ASX releases by Pegasus associated with the Diablo Project and while these provide additional exploration encouragement they do not materially change the valuation derived from the comparable transactions. There may be a slight increase in Kilburn or geoscientific valuation however as this is the secondary valuation method in DRM's opinion the overall valuation would not change, and the preferred valuation method remains the comparable transaction methodology.

Table 22 Summary of the Valuations completed for Pegasus Metals and Scorpion Minerals

Mineral Asset	Valuation Technique	Lower Valuation (AUS$ million)	Preferred Valuation (AUS$ million)	Upper Valuation (AUS$ million)
Scorpion Diablo Project	Comparable Transactions	**$1.2**	**$2.5**	**$4.9**
	Geoscientific / Kilburn	$1.4	$2.4	$3.4
	PEM Valuation	$3.1		$5.1
DRM Valuation – Dablo Project		$1.2	$2.5	$4.9
Mt Mulcahy Project	Resource Multiples	**$0.5**	**$1.2**	**$1.7**
	Comparable Transactions - Area	**$0.3**	**$0.8**	**$1.2**
	Geoscientific / Kilburn	$0.9	$1.5	$2.1
Mineral Asset Valuation Pegasus Metals		$0.8	$2.0	$2.9

Notes: The Resource Multiple Comparable transaction are only attributed to the resources, the exploration potential away from the resources is added to these valuations to derive the value of the entire project. The PEM valuation is a valuation for the entire project. The valuations considered by DRM as the preferred valuations are **bold**

8. Conclusion

DRM considers the total mineral asset valuation of Dablo Project to be within a range of $1.2 million to $4.9 million with a preferred total mineral asset value of $2.5 million. The total mineral asset value for Pegasus Metals is believed to be between $0.8 million and $2.9 million with a preferred valuation of $2.0 million.

9. References

The reference list below is dominated by unpublished company reports. Where they are published the publication is noted. None of the ASX releases of Pegasus or Scorpion have been listed in the Reference list but are all available on each of the companies, and the ASX websites.

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10. Glossary

Below are brief descriptions of some terms used in this report. For further information or for terms that are not described here, please refer to internet sources such as Webmineral www.webmineral.com, Wikipedia www.wikipedia.org,

The following terms are taken from the 2015 VALMIN Code

Annual Report means a document published by public corporations on a yearly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Australasian means Australia, New Zealand, Papua New Guinea and their off-shore territories.

Code of Ethics means the Code of Ethics of the relevant Professional Organisation or Recognised Professional Organisations.

Corporations Act means the Australian Corporations Act 2001 (Cth).

Experts are persons defined in the Corporations Act whose profession or reputation gives authority to a statement made by him or her in relation to a matter. A Practitioner may be an Expert. Also see Clause 2.1.

Exploration Results is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Feasibility Study means a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-feasibility Study.

Financial Reporting Standards means Australian statements of generally accepted accounting practice in the relevant jurisdiction in accordance with the Australian Accounting Standards Board (AASB) and the Corporations Act.

Independent Expert Report means a Public Report as may be required by the Corporations Act, the Listing Rules of the ASX or other security exchanges prepared by a Practitioner who is acknowledged as being independent of the Commissioning Entity. Also see ASIC Regulatory Guides RG 111 and RG 112 as well as Clause 5.5 of the VALMIN Code for guidance on Independent Expert Reports.

Information Memoranda means documents used in financing of projects detailing the project and financing arrangements.

Investment Value means the benefit of an asset to the owner or prospective owner for individual investment or operational objectives.

Life-of-Mine Plan means a design and costing study of an existing or proposed mining operation where all Modifying Factors have been considered in sufficient detail to demonstrate at the time of reporting that extraction is reasonably justified. Such a study should be inclusive of all development and mining activities proposed through to the effective closure of the existing or proposed mining operation.

Market Value means the estimated amount of money (or the cash equivalent of some other consideration) for which the Mineral Asset should exchange on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion. Also see Clause 8.1 for guidance on Market Value.

Materiality or being **Material** requires that a Public Report contains all the relevant information that investors and their professional advisors would reasonably require, and reasonably expect to find in the report, for the purpose of making a reasoned and balanced judgement regarding the Technical Assessment or Mineral Asset Valuation being reported. Where relevant information is not supplied, an explanation must be provided to justify its exclusion. Also see Clause 3.2 for guidance on what is Material.

Member means a person who has been accepted and entitled to the post-nominals associated with the AIG or the AusIMM or both. Alternatively, it may be a person who is a member of a Recognised Professional Organisation included in a list promulgated from time to time.

Mineable means those parts of the mineralised body, both economic and uneconomic, that are extracted or to be extracted during the normal course of mining.

Mineral Asset means all property including (but not limited to) tangible property, intellectual property, mining and exploration Tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with that Tenure.

Most Mineral Assets can be classified as either:

(a) **Early-stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral Resources have not been identified;

(b) **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral Resources category;

(c) **Pre-Development Projects** – Tenure holdings where Mineral Resources have been identified and their extent estimated (possibly incompletely), but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral Resources have been identified, even if no further work is being undertaken;

(d) **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study;

(e) **Production Projects** – Tenure holdings – particularly mines, wellfields and processing plants – that have been commissioned and are in production.

Mine Design means a framework of mining components and processes taking into account mining methods, access to the Mineralisation, personnel, material handling, ventilation, water, power and other technical requirements spanning commissioning, operation and closure so that mine planning can be undertaken.

Mine Planning includes production planning, scheduling and economic studies within the Mine Design taking into account geological structures and mineralisation, associated infrastructure and constraints, and other relevant aspects that span commissioning, operation and closure.

Mineral means any naturally occurring material found in or on the Earth's crust that is either useful to or has a value placed on it by humankind, or both. This excludes hydrocarbons, which are classified as Petroleum.

Mineralisation means any single mineral or combination of minerals occurring in a mass, or deposit, of economic interest. The term is intended to cover all forms in which mineralisation might occur, whether by class of deposit, mode of occurrence, genesis or composition.

Mineral Project means any exploration, development or production activity, including a royalty or similar interest in these activities, in respect of Minerals.
Mineral Securities means those Securities issued by a body corporate or an unincorporated body whose business includes exploration, development or extraction and processing of Minerals.

Mineral Resources is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Mining means all activities related to extraction of Minerals by any method (e.g. quarries, open cast, open cut, solution mining, dredging etc).

Mining Industry means the business of exploring for, extracting, processing and marketing Minerals.

Modifying Factors is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Ore Reserves is defined in the current version of the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). Refer to http://www.jorc.org for further information.

Petroleum means any naturally occurring hydrocarbon in a gaseous or liquid state, including coal-based methane, tar sands and oil-shale.

Petroleum Resource and **Petroleum Reserve** are defined in the current version of the Petroleum Resources Management System (PRMS) published by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers. Refer to http://www.spe.org for further information.

Practitioner is an Expert as defined in the Corporations Act, who prepares a Public Report on a Technical Assessment or Valuation Report for Mineral Assets. This collective term includes Specialists and Securities Experts.

Preliminary Feasibility Study (Pre-Feasibility Study) means a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors that are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre-Feasibility Study is at a lower confidence level than a Feasibility Study.

Professional Organisation means a self-regulating body, such as one of engineers or geoscientists or of both, that:

(a) admits members primarily on the basis of their academic qualifications and professional experience;

(b) requires compliance with professional standards of expertise and behaviour according to a Code of Ethics established by the organisation; and

(c) has enforceable disciplinary powers, including that of suspension or expulsion of a member, should its Code of Ethics be breached.

Public Presentation means the process of presenting a topic or project to a public audience. It may include, but not be limited to, a demonstration, lecture or speech meant to inform, persuade or build good will.

Public Report means a report prepared for the purpose of informing investors or potential investors and their advisers when making investment decisions, or to satisfy regulatory requirements. It includes, but is not limited to, Annual Reports, Quarterly Reports, press releases, Information Memoranda, Technical Assessment Reports, Valuation Reports, Independent Expert Reports, website postings and Public Presentations. Also see Clause 5 for guidance on Public Reports.

Quarterly Report means a document published by public corporations on a quarterly basis to provide shareholders, the public and the government with financial data, a summary of ownership and the accounting practices used to prepare the report.

Reasonableness implies that an assessment which is impartial, rational, realistic and logical in its treatment of the inputs to a Valuation or Technical Assessment has been used, to the extent that another Practitioner with the same information would make a similar Technical Assessment or Valuation.

Royalty or Royalty Interest means the amount of benefit accruing to the royalty owner from the royalty share of production.

Securities has the meaning as defined in the Corporations Act.

Securities Expert are persons whose profession, reputation or experience provides them with the authority to assess or value Securities in compliance with the requirements of the Corporations Act, ASIC Regulatory Guides and ASX Listing Rules.

Scoping Study means an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified.

Specialist are persons whose profession, reputation or relevant industry experience in a technical discipline (such as geology, mine engineering or metallurgy) provides them with the authority to assess or value Mineral Assets.

Status in relation to Tenure means an assessment of the security of title to the Tenure.

Technical Assessment is an evaluation prepared by a Specialist of the technical aspects of a Mineral Asset. Depending on the development status of the Mineral Asset, a Technical Assessment may include the review of geology, mining methods, metallurgical processes and recoveries, provision of infrastructure and environmental aspects.

Technical Assessment Report involves the Technical Assessment of elements that may affect the economic benefit of a Mineral Asset.

Technical Value is an assessment of a Mineral Asset's future net economic benefit at the Valuation Date under a set of assumptions deemed most appropriate by a Practitioner, excluding any premium or discount to account for market considerations.

Tenure is any form of title, right, licence, permit or lease granted by the responsible government in accordance with its mining legislation that confers on the holder certain rights to explore for and/or extract agreed minerals that may be (or is known to be) contained. Tenure can include third-party ownership of the Minerals (for example, a royalty stream). Tenure and Title have the same connotation as Tenement.

Transparency or being **Transparent** requires that the reader of a Public Report is provided with sufficient information, the presentation of which is clear and unambiguous, to understand the report and not be misled by this information or by omission of Material information that is known to the Practitioner.

Valuation is the process of determining the monetary Value of a Mineral Asset at a set Valuation Date.

Valuation Approach means a grouping of valuation methods for which there is a common underlying rationale or basis.

Valuation Date means the reference date on which the monetary amount of a Valuation in real (dollars of the day) terms is current. This date could be different from the dates of finalisation of the Public Report or the cut-off date of available data. The Valuation Date and date of finalisation of the Public Report **must** not be more than 12 months apart.

Valuation Methods means a subset of Valuation Approaches and may represent variations on a common rationale or basis.

Valuation Report expresses an opinion as to monetary Value of a Mineral Asset but specifically excludes commentary on the value of any related Securities.

Value means the Market Value of a Mineral Asset.

11. Appendices

Appendix A – Comparable Copper Transactions – Resource Multiples

Project	Region	Date	Buyer	Seller	Equity	Transaction Value (A$M)	Total Resource (contained MlbCu)	Resource Multiple (A$/lb)
Red Bore	Northern Murchison W.A.	July 2017	Private JV Partner	Thundelarra	75%	$3.0	3.8	1.04
Nifty	Paterson Province W.A.	April 2016	Metals X	Adiya Birla	100%	$103	2250	0.045
Tuckabianna	Murchison W.A.	Nov 2015	Musgrave Minerals	Silver Lake	100%	$6.075	85.5	0.036
Little Eva	Queensland	Nov 2017	Copper Mountain Mining Corp	Altona	100%	$60	3708	0.016
Cloncurry	Queensland	Dec 2017	Molly Mines	Queensland Mines	100%	$47.93	575	0.083

The resource multiples above have been checked for reasonableness against the PCF Capital monthly reported "Resource Thermometer" which documents several resource multiples for exploration stage, development stage, operational / production phase and care and maintenance projects for gold, copper, nickel and iron ore projects. The multiples above are generally higher than the PCF multiples.

DRM has checked these projects resource multiples against the exploration phase resource multiples from PCF which in the February 2018 report suggest that the resource multiples over the past year have averaged US$0.011/lb, for the past three years have been US$0.006/lb while the average resource multiple for the past five years is US$0.011/lb.

For valuation of the Pegasus Metals Mt Mulcahy Project using the comparable transaction method for the mineral resources DRM has used a range of resource multiples between **AUS$0.016/lb Cu** and **AUS$0.05/lb Cu.** with a preferred of **AUS$0.036/lb Cu.** and the global resource base of 33.5M lb Cu. to derive the valuation. Importantly while there are other metals associated with the copper mineralisation in the Mt Mulcahy South Limb Pod DRM has taken the view that until there is sufficient metallurgical testing to ensure that these metals can be extracted into a product only the primary copper mineralisation is considered to hold significant value. Pegasus has not undertaken sufficient metallurgy to prove the other metals can be economically extracted.

Appendix B – Comparable Transactions – Land Area

The table includes details of several potentially comparable transactions for copper and intrusive nickel – copper – PGE + gold projects.

Project / Projects	Region	Date	Buyer	Seller	Equity *	Consideration ($A)	Project Area (km^2)	A$/km^2	Comparable Project (Y/N)	Comparable Project
Burkina Faso Gold Projects	Africa – Burkina Faso	Sept 2017	Progress Minerals	Predictive Discovery	51%	$1,000,000	949	$2,066	Y	Dablo
Buxton Albany Fraser Projects	W.A.	Aug 2016	IGO	Buxton	90%	$1,500,000	592	$2,815	Y	Mt Mulcahy
Windward Resources Albany Fraser	W.A.	Oct 2016	IGO	Windward	70%	$15.8M**		$7,384	Y	Mt Mulcahy
Yuinmery	W.A.	Jan 2017	Empire Resources	Evolution Mining	90%	$680,000	63.78	$11,716	Y	Mt Mulcahy
Tuckabianna	W.A.	Nov 2015	Musgrave Minerals	Silver Lake	60%	$2,775,000***	299.7	$7,716	Y	Mt Mulcahy
Kraapan Project	Africa	Jan 2017	Laconia	Private Investors	100%	$1,000,000	866	$1,155	Y	Dablo
Jacomynspan	Africa	July 2016	Orion Minerals	Namaqua and Disawell	19%	$500,000	626	$5,608	Y	Dablo
Red Bore	W.A.	July 2017	Private JV Partner	Thundelarra	75%	$3,000,000	2	$2,000,000	N	
Sama	Africa	Jan 2018	HPX	Sama Resources	36%	$30,000,000	2095	$39,777	N	

Notes Consideration is either total cash (or value of shares), if it is based on JV expenditure then the year 2 and 3 expenditure is discounted by 10%.
* the Equity is the basis of the initial earn-in due to potential uncertainty of a long multi-phase earn-in being completed.
** total consideration based on $0.19/share and 108.1M shares less cash held by Windward while Windward only held 70% of the projects
***The consideration has been halved due to the presence of both a gold and copper resources with both having approximately the same in ground value.

Appendix C –Pegasus Metals Mt Mulcahy Project Geoscientific (Kilburn) Ranking

Tenement	Area	From WA DMP Report			BAC per block	Equity	Off Property		On Property		Anomaly Factor		Geology Factor	
	Blocks	Application Fee	Rent	Exploration commitment			Low	High	Low	High	Low	High	Low	High
E20/840	16	1362	2144	20000	1,469.13	100%	1	1.5	1.5	2	1.5	2	1.5	2
E20/931	18	1362	2412	20000	1,320.78	100%	2.5	3	1.5	2	1.5	2	1.5	2
E20/931 - Resource Area	1	1362	134	1000	2,496.00	100%	1.5	2	2	2.5	3.5	4	2.5	3

Appendix D – Scorpion Minerals Dablo Project Geoscientific (Kilburn) Ranking

Tenement	Area km2	Application Fee	Rent	Exploration Commitment	BAC	BAC/km2	Equity	Off Property		On Property		Anomaly Factor		Geology Factor	
								Low	High	Low	High	Low	High	Low	High
Dablo 1	240	476	30475	165000	195951	783.80	100%	1.5	2	1	1.5	1.5	2	1.5	2
Dablo Drilling Area	10				7,838	783.80	100%	1	1.5	2	2.5	2	3	3	3.5
Dablo 3	250	476	30475	165000	195951	783.80	100%	1.5	2	1.5	2	1.5	2	1.5	2
Kelbo Ouest	240.2	476	13095	158532	172103	716.50	100%	1	1.5	1	1.3	1	1.3	1	1.5
Perko	240	476	13095	158400	171971	716.55	100%	1	1.5	1	1.3	1	1.3	1	1.5
TOTAL	980.2			646932											