



PEGASUS METALS LIMITED

ACN 115 535 030

Notice of Annual General Meeting Proxy Form and Explanatory Statement

Date of Meeting

29 November 2016

Time of Meeting

11:30am (WST)

Place of Meeting

24 Mumford Place, Balcatta, WA 6021

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF PEGASUS METALS LIMITED ACN 115 535 030 ("PEGASUS METALS/THE COMPANY") WILL BE HELD AT 24 MUMFORD PLACE, BALCATTA, WA ON TUESDAY 29 NOVEMBER 2016, AT 11.30 AM (WST).

AGENDA

BUSINESS

An Explanatory Statement containing information in relation to each of the following Resolutions accompanies this Notice of Annual General Meeting.

ORDINARY BUSINESS

To receive and consider the annual financial report of the Company and the reports of the Directors and the Auditors for the financial year ended 30 June 2016.

Note: A copy of the Company's 2016 Annual Report is available at <http://www.pegasusmetals.com.au>

1. Resolution 1 - Adoption of Remuneration Report

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

"That, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes the Remuneration Report forming part of the Company's 2016 Annual Report dealing with the remuneration of the Company's Directors and senior executives, be adopted."

Voting Exclusion

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

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

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

However the Company need not disregard a vote cast on Resolution 1 if it is cast:

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

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

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

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

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

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

"That, for the purposes of clause 13.5 of the Constitution and for all other purposes, Mr Neil Porter, who was appointed as an additional Director by the Board on 31 August 2016, retires, and being eligible, is re-elected as a Director."

3. **Resolution 3 - Re-election of Mr Alan Still as a Director**

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

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

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

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

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

Voting Exclusion

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

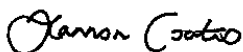
- (a) persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary shares, if the Resolution is passed; and
- (b) an associate of that person.

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

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

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

BY ORDER OF THE BOARD



SHANNON COATES

Company Secretary

Dated 28 October 2016

ENTITLEMENT TO ATTEND AND VOTE

You will be entitled to attend and vote at the Annual General Meeting if you are registered as a Shareholder of the Company as at 11.30am (WST) on Sunday 27 November 2016. This is because, in accordance with the Corporations Regulations 2001 (Cth), the Board of Directors has determined that the Shares on issue at that time will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

HOW TO VOTE

Voting in person

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

Corporate Representatives

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

Voting by Proxy

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

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

To be effective for the scheduled meeting a proxy appointment (and any power of attorney or other authority under which it is signed or otherwise authenticated, or a certified copy of that authority) must be received at an address or fax number below no later than 11:30am (WST) on Sunday 27 November 2016. Any proxy appointment received after that time will not be valid for the scheduled meeting.

In person or by mail

24 Mumford Place,
Balcatta, WA 6021

By fax

(08) 6241 1811

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

Voting by attorney

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

Chairman as proxy

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

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

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

If you do not want to put the Chairman of the meeting in the position to cast your votes in favour of Resolutions 1 - 4, you should complete the appropriate box on the proxy form, directing your proxy to vote against, or to abstain from voting, on the resolution.

Other members of KMP as proxy

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

QUESTIONS FROM SHAREHOLDERS

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

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

- Conduct of the audit;
- Preparation and content of the Auditor's Report for the financial year ended 30 June 2016;
- Accounting policies adopted by the Company in relation to the preparation of the financial statements contained in the Financial Report for that year; and
- Independence of the auditor in relation to the conduct of the audit.

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

If you wish to submit a question in advance of the meeting, you may do so by sending your question to one of the addresses or facsimile numbers above by no later than 22 November 2016. The Company and the auditor will attempt to respond to as many of the more frequently asked questions as possible. Due to the large number of questions that may be received, the Company and the auditor may not be replying on an individual basis.

EXPLANATORY STATEMENT

This Explanatory Statement is for the information of members of Pegasus Metals Limited (the Company) in connection with Resolutions to be considered at the Annual General Meeting of Pegasus Metals Limited to be held on Tuesday 29 November 2016 at 11:30am (WST). If members are in doubt as to how they should vote, they should seek advice from their professional advisors before voting.

Ordinary Business

Annual Financial Report

The Annual Report 2016 (including the financial statement, Directors' report and Auditor's report for the financial year ended 30 June 2016) is available for review by members at www.pegasusmetals.com.au and will be tabled at the Meeting. There is no formal resolution to accept the financial statements and reports, but provision will be made for members to question the Directors and the Auditor should they wish to do so.

Resolution 1 – Adoption of Remuneration Report

The Board submits its Remuneration Report for the year ended 30 June 2016 to Shareholders for consideration and adoption by way of a non-binding resolution.

The Remuneration Report is included in the 2016 Annual Report. The report:

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

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

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

At the Company's 2015 Annual General Meeting, over 25% of the votes cast were NOT against the adoption of the Remuneration Report therefore a Spill Resolution will not be required at the 2016 Annual General Meeting.

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

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

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

Directors' recommendation

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

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

Clause 13.5 of the Constitution allows the Directors to appoint at any time, except during a general meeting, a person to be a Director.

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

Mr Porter, having been appointed on 31 August 2016, will retire in accordance with clause 13.5 of the Constitution and being eligible, seeks re-election from Shareholders pursuant to Resolution 2. Resolution 2 seeks approval for the re-election of Mr Neil Porter as a Director of the Company.

Mr Neil Porter

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

Directors' recommendation

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

Resolution 3 – To re-elect Mr Alan Still as a Director

Clause 13.2 of the Constitution of the Company requires that one third of the Directors in office (other than a Managing Director) must retire by rotation at each Annual General Meeting of the Company.

Listing Rule 14.4 prevents a Director from holding office (without re-election) past the third annual general meeting following the Director's appointment or 3 years, whichever is longer.

Mr Still therefore retires at the forthcoming Annual General Meeting in accordance with the Constitution and Listing Rule 14.4 and being eligible, has offered himself for re-election at the meeting.

Mr Alan Still

Mr Still is a Metallurgist with over 40 years' experience in a range of commodities around the world. Mr Still is also a Director of the ASX listed Eastern Goldfields Limited (ASX.EGS) and Horseshoe Metals Limited (ASX.HOR), as well as the unlisted investment company Investmet Limited.

Directors' recommendation

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

Resolution 4 – Approval of 10% Placement Facility

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

The Company intends to use the funds raised towards its exploration activities and for general working capital.

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

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

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

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

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

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

Specific information required by Listing Rule 7.3A

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

(i) *Minimum Issue Price*

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

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

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

(ii) *Risk of Economic and Voting Dilution*

As at the date of this Notice, the Company has 123,074,519 Shares on issue. As a result, the Company has a capacity to issue, subject to Shareholders approving Resolution 12,307,451 Shares under Listing Rule 7.1A

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

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

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

- i. plus the number of fully paid ordinary shares issued in the 12 months under an exception in Listing Rule 7.2;
- ii. plus the number of partly paid ordinary shares that became fully paid in the 12 months;
- iii. plus the number of fully paid ordinary shares issued in the 12 months with approval of holders of Shares under Listing Rule 7.1 and 7.4;
- iv. less the number of fully paid ordinary shares cancelled in the 12 months.

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

D is 10%

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

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

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

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

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

The below table also shows:

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

Variable “A” in Listing Rule 7.1A.2		Dilution		
		\$0.025 50% decrease in Issue Price	\$0.05 Issue Price	\$0.10 50% increase in Issue Price
Current Variable A 123,074,519 Shares	Shares issued (10% voting dilution)	12,307,451 New Shares	12,307,451 New Shares	12,307,451 New Shares
	Funds raised	\$307,686	\$615,372	\$1,230,745
50% increase in current Variable A 184,611,778 Shares	Shares issued (10% voting dilution)	18,461,177 New Shares	18,461,177 New Shares	18,461,177 New Shares
	Funds raised	\$461,529	\$923,058	\$1,846,117
100% increase in current Variable A 246,149,038 Shares	Shares issued (10% voting dilution)	24,614,903 New Shares	24,614,903 New Shares	24,614,903 New Shares
	Funds raised	\$615,372	\$1,230,745	\$2,461,490

The table has been prepared on the following assumptions:

- (i) Variable A is 123,074,519, being the number of ordinary securities on issue at the date of this Notice of Meeting.
- (ii) The Company issues the maximum number of Equity Securities available under the Additional 10% Placement Facility.
- (iii) Resolution 4 is passed and the Company has not issued any other Equity Securities using its placement capacity under Listing Rule 7.1 or 7.1A in the 12 months preceding this Notice of Meeting.
- (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued Share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional 10% Placement Facility, based on that Shareholder’s holding at the date of the Meeting.
- (vi) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
- (vii) The table shows only the dilutionary effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
- (viii) The issue of Equity Securities under the Additional 10% Placement Facility consists only of Shares. If the issue of Equity Securities includes listed Options, it is assumed that those listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (ix) The issue price is \$0.05 being the closing price of the Shares on ASX on 3 October 2016.

(iii) Latest Date for Issue

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

(iv) Purpose of Issue

The Equity Securities may be issued for the following purposes:

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

(v) To whom Equity Securities issued

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

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

The persons to whom the Company will issue Equity Securities under the 10% Placement Facility have not been determined as at the date of this Notice of Annual General Meeting, but may include vendors (in the case of any issue for non-cash consideration), existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

(vi) Previous Shareholder Approval

Shareholder approval was granted to the Company under Listing Rule 7.1A at its 2015 Annual General Meeting held on 27 November 2015. In accordance with Listing Rule 7.1A, the Company has not in the 12 months preceding the date of that Annual General Meeting, issued any Equity Securities under Listing Rule 7.1 and Listing Rule 7.1A.

(vii) Voting Exclusion

A voting exclusion statement is included in this Notice of Meeting.

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

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

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

Directors' recommendation

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

SCHEDULE 1 - DEFINITIONS

In this Notice and Explanatory Memorandum:

ASX	Australian Securities Exchange
Equity Securities	has the same meaning giving in the Listing Rules.
Listing Rules	Listing rules of the ASX
Ordinary Resolution	a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the Resolution
Resolution	a resolution set out in the Notice of Meeting
Shareholder	holder of a share in the Company
Special Resolution	a resolution that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the Resolution.
Trading Days	a day determined by ASX to be a trading day in accordance with the Listing Rules.
WST	Western Standard Time

PROXY FORM

**APPOINTMENT OF PROXY
PEGASUS METALS LIMITED
ACN 115 535 030**

2016 ANNUAL GENERAL MEETING

I/We

of

being a Shareholder entitled to attend and vote at the Meeting, hereby
appoint

Name of proxy

OR ☐ the Chair as my/our proxy

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 11.30am (WST), on Tuesday, 29 November 2016 at 24 Mumford Place, Balcatta WA 6021, and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on business of the Meeting	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Re-election of Mr Neil Porter as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Re-election of Mr Alan Still as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Approval of 10% Placement Facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Important for Resolution 1

Chair authorised to exercise undirected proxies on remuneration related Resolution - Where I/we have appointed the Chair as my/our proxy (or the Chair becomes my/our proxy by default) and I/we am/are entitled to vote on the relevant Resolutions I/we expressly authorise the Chair to exercise my/our proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the KMP of the Company and even though the Chair is a member of the key management personnel for the Company.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Signature of Shareholder(s):

Date: _____

Individual or Shareholder 1

Shareholder 2

Shareholder 3

**Sole Director/Company
Secretary**

Director

**Director/Company
Secretary**

Contact Name: _____

Contact Ph (daytime): _____

INSTRUCTIONS FOR COMPLETING 'APPOINTMENT OF PROXY' FORM

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - (a) **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - (b) **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - (c) **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - (d) **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return:

In person at Level 1, 24 Mumford Street, Balcatta WA 6021

By post to Level 1, 24 Mumford Street, Balcatta WA 6021

By facsimile to +61 8 6241 1811

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.