MATERIAL CHANGE REPORT

Filed pursuant to:

s. 85 of the *Securities Act* (British Columbia),
s. 118 of the *Securities Act* (Alberta),
s. 84 of *The Securities Act, 1988* (Saskatchewan),
s. 75 of the *Securities Act* (Ontario),
s. 81 of the *Securities Act* (Nova Scotia), and
s. 76 of the *Securities Act* (Newfoundland).

1. **Reporting Issuer:**

The full name of the reporting issuer is:

Pegasus Gold Inc. (the “Company”).

The Company’s registered and records office (being its only office in Canada) is located at:

1600 - 925 West Georgia Street
Vancouver, B.C.
V6C 3L2.

2. **Date of Material Change:**

The material change described in this report occurred on August 22, 1997.

3. **Publication of the Material Change:**

On August 22, 1997, the Company issued a press release relating to the material change. The press release, a copy of which is attached to this report, was distributed over the Canadian Timely Disclosure network of Canadian Corporate News Inc.

4. **Summary of Material Change:**

The Company announced that it is reducing its workforce. The Company’s press release dated August 22, 1997 which is attached to, and is incorporated by reference in, this report sets out further details regarding this material change.

5. **Description of Material Change:**

The attached press release dated August 22, 1997 sets out further details regarding this material change.

6. **Reliance on Confidential Filing Provisions:**

Not applicable.

7. **Omitted Information:**

No significant facts otherwise required to be disclosed in this report have been omitted.

8. **Senior Officers:**

The following senior officer of the Company is knowledgeable about the material change and may be contacted by any of the securities commissions respecting the change:

Robert A. Lonergan
Vice President, General Counsel and Secretary
(509) 624-4653

9. **Statement of Senior Officer:**

The foregoing accurately discloses the material change referred to herein.

Dated at Spokane, Washington, August 28, 1997.

(signed) *"Robert A. Lonergan"*

Robert A. Lonergan
Vice President, General Counsel and Secretary

c.c. Manitoba Securities Commission
Commission des valeurs mobilières du Québec
New Brunswick Administrator of Securities
Prince Edward Island Registrar of Securities
The Toronto Stock Exchange
The Montréal Exchange

PEGASUS GOLD ANNOUNCES WORKFORCE REDUCTION

SPOKANE, Wash. - August 22, 1997 - Pegasus Gold Inc. (PGU: AMEX, TSE, ME) announced today that it is reducing its total workforce by approximately 90 employees, or almost 9 percent Company-wide in response to the continued weakness in the gold price and the need to lower the Company's overall costs. The workforce reduction consists of nearly a 35 percent reduction at the corporate headquarters and a 7 percent reduction at the mine sites.

These actions as well as other overhead reductions such as reducing outside services, selling the Company plane, reducing travel and closure of regional offices, will save the Company over $4 million in the first full year after implementation. The Company will take a charge of about $1.7 million in the current quarter in order to cover the cost of severance benefits.

"This reduction is part of our continuing and successful effort of overall cost-management during the past year," said Werner G. Nennecker, President and Chief Executive Officer. As a result of recent cost savings programs, general and administrative expenses decreased 25 percent in the first half of 1997.

"We have built a strong team at Pegasus. As necessary as these actions are, the decision to lay-off employees is very difficult and saddens me. These steps must be taken to protect our Company's future. By acting now, rather than waiting any longer for the gold price to recover, we will be better positioned to achieve our long-term goals. I am confident that those people who remain form an excellent team which, coupled with our strong gold price hedging program and focus on cost reductions, positions the Company for future growth and profitability. We will provide for individuals directly affected with severance and outplacement programs," added Mr. Nennecker.

Statements in this report which are not historical data are forward looking and involve a number of risks and uncertainties, including but not limited to the price of gold and other commodities and currencies, production, construction and permitting or regulatory delays, reserve estimation of tonnage, grade and metallurgical recoveries, exploration success and reserve growth, litigation, capital costs, and other risks that are detailed in the Company's SEC filings.

Pegasus Gold Inc. is an international gold mining company, headquartered in Spokane, Washington. Pegasus currently produces more than 500,000 ounces of gold annually from its properties in the United States and Australia. The Company carries out exploration internationally through offices located in Mendoza, Argentina; Kalgoorlie, Australia; Itaituba, Brazil; Santiago, Chile; and Panama City, Panama. The common shares of Pegasus are traded under the symbol PGU on the American, Toronto and Montreal stock exchanges. Options on the Company's common shares are traded on the Chicago Board Options Exchange and the Montreal Exchange.

For further information, contact:
John W. Pearson
Director of Investor Relations

509-624-4653

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