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 November 14, 1997.

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

On November 14, 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 has recorded a US$353.3 million write-down of the carrying value of its Mt. Todd Mine and is suspending mining operations at such mine. The Company announced that, as a result of this write-down, the Company is in default of certain restrictive covenants under its revolving credit facility. The Company also announced its results for the third quarter of 1997, including certain other write-downs. The Company's press release dated November 14, 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 November 14, 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, November 17, 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 REPORTS THE SUSPENSION OF OPERATIONS AT MT. TODD AND THIRD QUARTER RESULTS

SPOKANE, Wash. - November 14, 1997 - Pegasus Gold Inc. (PGU - Amex; TSE; ME) announced it has recorded a $353.3 million or $8.55 per share write-down of the carrying value of the Mt. Todd Mine and is suspending mining operations. The mine will be placed on care and maintenance unless a detailed independent engineering review to be completed mid-December identifies substantial improvements in the mine's economics. "It no longer makes sense to operate Mt. Todd given the continued deterioration of the gold price and cost structure of this project," said Werner G. Nennecker, President and Chief Executive Officer. As a result of this write-down, the Company is in default of certain restrictive covenants under the terms of the $150 million Revolving Credit Facility (the "Facility").

"Management has commenced discussions with its lenders under the facility and is working with financial advisors who specialize in restructuring to investigate alternatives available to the Company. We are implementing a cash conservation plan to mitigate lower gold prices, higher cash costs and meet operating needs. As part of that plan, the Company is considering curtailment of mining at certain operations, deferral of capital expenditures, further reductions in general and administrative costs, a scaled down exploration program and the monetization of all or a portion of the hedge portfolio," stated Mr. Nennecker.

Absent adverse action by its creditors, the Company has sources of liquidity to continue planned operations through 1998. As of September 30, 1997, cash and cash equivalents totaled $15.9 million and other current assets amounted to $78.0 million. The market value of the Company's hedge portfolio is approximately $70 to $80 million.

During the third quarter of 1997, the Company recorded a net loss of $432.8 million or $10.47 per share, compared to a net loss of $7.8 million or $0.19 per share in the third quarter of 1996. The 1997 third quarter net loss includes non-recurring, non-cash charges totaling $421.3 million, or $10.19 per share. 1996 third quarter results included a provision of $6.5 million, or $0.16 per share for final reclamation costs at Beal Mountain. Excluding the effects of these charges, the net loss for the third quarter of 1997 and 1996 would have been $11.5 million or $0.28 per share, compared to $1.3 million or $0.03 per share, respectively.

During the quarter, the Company recorded total after-tax property write-downs of $396.8 million related to its Mt. Todd ($353.3 million), Zortman ($26.8 million) and Beal Mountain ($2.7 million) mines and the Pullalli Project ($13.9 million), a provision for future closure and reclamation at Mt. Todd of $9.0 million, net losses on the disposition of certain assets of $13.3 million, and restructuring charges of $2.2 million.

Pegasus' net loss for the first nine months of 1997 was $436.0 million or $10.57 per share which includes after-tax non-recurring charges of $425.1 million, or $10.31 per share, compared to a net loss of $9.5 million, or $0.23 per share, in the same period of 1996.

PROPERTY WRITE-DOWNS

During the third quarter, the Company assessed the recoverability of the carrying value of certain of its assets in light of the continued deterioration of the gold market. Using the 1997 year-to-date operating performance, recently completed preliminary operating plans for 1998, updated life of mine plans along with different gold price scenarios, it was determined that carrying values for certain of the Company's assets had to be reduced. The Company used a long-term realized gold price of $385 per ounce based on assumed spot gold prices of $335 per ounce in 1998, $350 per ounce in 1999 and $375 per ounce thereafter, combined with the benefit of the current hedge position and policy. Historically, the Company has realized an average gold price of $409 per ounce and $407 per ounce over the past five and ten years, respectively, while spot gold prices during the same periods have averaged $370 per ounce and $376 per ounce, respectively. Where the net book value of the Company's investment exceeded the estimate of future discounted net cash flows, reductions in the carrying value of the Company's investments have been recorded.

Mt. Todd

The first sustained period of steady state operations was achieved during the third quarter when the mill achieved 84 percent of the designed capacity throughput. During this period, gold production and operating costs continued to fall short of feasibility study expectations. Production was reduced by lower gold recovery, crusher throughput and ore grade. Operating costs have exceeded feasibility levels due to increased costs and consumption for power and cyanide and increased contract mining rate.

To mitigate operating problems identified above, the Company commissioned the Engineering, Procurement, Construction and Management ("EPCM") contractor to evaluate opportunities in the plant configuration to improve design criteria for gold recovery, to manage copper/cyanide levels, and to reduce processing costs. In August, a feasibility level design was completed, with engineering evaluations and cost estimates for three recommended process improvements: production of a copper concentrate; construction of screening before quaternary crushing, and implementation of a coarse ore reject system. However, based on the Company's evaluation of these process improvements in October, it is unlikely that operating costs will be reduced to an economic level.

Gold recovery has averaged 74 percent versus the feasibility study estimate of 84 percent because the flotation circuit, which was expected to contribute 8 percent of the total recovery, has not operated, due to copper loading in the circuit.

Gold recovery has also been negatively impacted by delivery of a larger than design product from the crushing circuit (3.1 millimeters (mm) vs. feasibility of 2.6 mm). Crusher throughput has averaged 1,065 tonnes per hour (tph) compared to the design level of 1,220 tph. Although a portion of the crushing throughput shortfall has been made-up by higher crusher utilization (80 percent vs. feasibility of 75 percent), the incremental equipment usage resulted in higher costs, primarily for power and wear parts, to achieve daily design throughput. These factors resulted in actual crushing costs of A$2.49 per tonne for the quarter, compared to the design of A$1.36 per tonne.

Operating costs in steady state production have exceeded feasibility levels due to increased costs for power, cyanide and contract mining. Higher power costs reflect the combination of higher consumption, primarily in the crushing circuit, and increased gas supply costs for interruptible supply. Power costs have averaged over A$0.075 per kilowatt hour (kWhr) compared to the feasibility of A$0.058 per kWhr with consumption averaging 39 kWhr per ore tonne compared to the feasibility estimate of 34 kWhr per ore tonne. Cyanide costs have increased because consumption has averaged 0.86 Kg per ore tonne versus 0.68 Kg per ore tonne in the feasibility. Contract mining costs of over A$1.15 per total tonnes mined have exceeded the expected cost of approximately A$1.00 per total tonne mined as a result of lower required volume to feed the crushing circuit, increased drill and blast costs associated with excess water in the ore and other cost increases. In addition, the mining contractor has requested a further increase in the rate per tonne in the future.

Finally, an updated ore reserve model completed in the quarter indicated a reduction of 7 to 10 percent in the average ore grade, compared to the original feasibility reserve model. This variance is within the confidence level of feasibility studies.

The cumulative effect of these factors is reflected in estimated life of mine unit costs of A$13.53 per ore tonne processed compared to the feasibility estimate of A$11.86 per ore tonne, a decrease of 30,000 ounces in average annual gold production and an increase in the total cash costs of more than US$65 per ounce produced, all of which result in a smaller economic ore reserve and shorter mine life. In addition, cash flow in the first two years is minimal or negative because of waste stripping requirements. Substantially all of the cash flow is generated in the last several years of the mine life. While the Company expected to achieve slightly better recovery and to realize further cost reductions, actual results have been determined to be indicative of the cost and production profile going forward.

In addition, exploration results from the most prospective exploration targets close to the Mt. Todd Mine were negative. Interpretation of these results has reduced the likelihood of large scale gold deposits in close proximity to the mine.

Based on available cost and reserve data, current and estimated future metal prices, and an internal review of the project, the Company determined in November that the reserve is uneconomic at current metal prices and operating costs. As a result, the Company has decided to suspend operations at the Mt. Todd Mine. The mine will be placed on care and maintenance unless a detailed independent engineering review to be completed mid-December identifies substantial improvements in the mine's economics. In connection with this decision, the Company has recorded an after-tax, non-cash charge of $353.3 million, comprised of property acquisition costs of $122.6 million, deferred pre-production and development costs of $49.4 million and property and equipment of $181.3 million, to reduce the carrying value of the mine to $42 million. The Company also recorded a provision of $9.0 million to accrue for future closure and reclamation costs.

Zortman

The Company is in the process of preparing a new feasibility study designed to reduce the costs of construction for the Zortman Extension Project. Drilling to confirm the economics of mining certain material was completed. Although the final results of the Zortman study will not be completed until early 1998, work completed to date has identified certain changes to the original feasibility study. Specifically, metallurgical test work indicates that gold recovery from the sulfide and transitional portions of the ore reserve will be lower than previously estimated. However, recovery is not as sensitive to product crush size as previously expected.

In addition, development and confirmation drilling have identified additional oxide resources which will be added to reserves. Based on these initial results, the Company estimates that a reduction in total recoverable gold will be only partially offset by additional oxide reserves and lower capital and operating costs required for the crushing circuit. Estimated net cash flows will be inadequate to recover the remaining carrying value of this property and pay for reclamation and closure of the mine. Accordingly, the Company has recorded a third quarter write-down of $22.4 million adjusting the carrying value of Zortman to $7.8 million.

The cost of residual gold production from existing heap leach pads at Zortman has been steadily increasing in 1997. The Company now estimates that gold production from the heaps will not be economic after 1997. As a result, the Company has reduced deferred mining inventory, accelerated depreciation on certain related assets, and recorded an additional write-down of $4.5 million.

Pullalli

During the quarter, the Company decided not to develop the Pullalli Project and reduced the carrying value of its investment to $6.1 million. The decision was precipitated by lower gold prices and limited exploration success. The write-down of $13.9 million is comprised primarily of costs deferred in connection with development of the reserves, permitting, and property and mineral rights.

Beal Mountain

At Beal Mountain, the Company's current cost estimates indicate that residual heap leach production beyond 1997 will be uneconomic as a result of gold prices. The Company recorded a write-down of $2.7 million to reduce deferred mining costs and the carrying value of certain equipment. Beal will be in closure effective January 1, 1998.

Corporate

During August, the Company reduced its total workforce by approximately 9 percent in response to continued weakness in gold prices and tightening liquidity. This was combined with other overhead reduction measures including the sale of the Company plane, closure of regional offices, and reducing travel and outside services. The Company recorded restructuring charges of approximately $2.2 million related to severance benefits of corporate office staff and the sale of the corporate plane.

The net loss on disposition of assets of $13.3 million includes $6.2 million to mark to market foreign currency contracts and write-downs of impaired equity investments in Intermin Resources ($2.7 million), Dakota Mining ($2.6 million) and Goldbelt Resources ($1.0 million) to their fair market values.

OPERATIONS REVIEW

For the third quarter of 1997, gold production totaled 172,800 ounces at a total cash cost of $299 per ounce compared to 137,600 ounces at a total cash cost of $306 per ounce in last year's third quarter. During the third quarter Montana Tunnels processed the first substantial batch of Diamond Hill ore which resulted in an additional 22,800 ounces of gold production.

Year-to-date, the Company's gold output was 353,100 ounces at a total cash cost of $297 per ounce, compared to 351,200 ounces at a total cash cost of $300 per ounce for the same period in 1996. Total cash costs decreased in both the quarter and the first nine months of 1997 due to higher production and by-product credits per ounce, offset by higher mining and off-site treatment costs.

Total production costs for the third quarter and first nine months of 1997 were $417 per ounce and $408 per ounce, respectively, up from $412 per ounce and $396 per ounce in the previous year. Non-cash charges increased $12 per ounce and $15 per ounce in the third quarter and first nine months of 1997, respectively, as a result of higher property, plant, and equipment balances from Mt. Todd and the refinery expansion at Florida Canyon.

At **Mt. Todd**, gold production increased to 63,900 ounces in the third quarter compared to 19,200 ounces last year as the site reached steady state production effective July 1,

1997. During the third quarter of 1997, approximately 61,000 ounces of gold were recovered from processing 1,735,000 tonnes of ore with an average grade of 1.24 grams per tonne, with the balance coming from the residual leaching. Recoveries from the mill during the third quarter averaged 74 percent, in line with the whole ore leach recovery expectations. Crushing throughput improved each month during the third quarter reaching a high of 598,000 tonnes in September. The throughput averaged 1,065 tonnes per hour, compared to the feasibility design rate of 1,220 tonnes per hour. Total cash costs per tonne during the third quarter were $10.90 per tonne or $330 per ounce. The cost break-down per tonne of ore processed during the third quarter of 1997, using the actual U.S.-Australian dollar exchange rate for the period, compared to the original feasibility study costs converted to U.S. dollars using the same exchange rate is as follows:

	1997 Third Quarter $US/tonne	**Original Feasibility $US/tonne**
Mining	$3.21	$2.45
Crushing	$1.84	$1.00
Processing	$4.99	$4.80
G & A	$0.86	$0.52
Total	$10.90	$8.77

Mt. Todd History

Upon completion of a feasibility study in August 1995, the Company announced its intention to construct a milling facility at Mt. Todd. The total construction cost was estimated to be $155 million and production start-up was expected to commence in early 1997. The project was projected to have a minimum eight year mine life, with annual gold production of 260,000 ounces, at an estimated cash cost of $265 per ounce (using a U.S.$ to A$ exchange rate of 0.72:1), generating more than $35 million in annual cash flow.

Site preparation and construction commenced in late 1995 and 1996, respectively. As a condition precedent to the closing of the Revolving Credit Facility used to finance the construction of the project, an independent review of the feasibility study was completed in early 1996.

In April 1996, the Company received the definitive capital cost estimate of $169 million from the EPCM contractor. The major variances to the original feasibility capital cost estimate included additional capital to replace the existing secondary crushing circuit, and other permanent facilities.

Commissioning of the facility began in late November 1996, and the first gold pour was announced January 6, 1997. During the second quarter, commissioning and start-up activities were hampered by the failure of the gas turbine in the power station, poor performance of the crushing circuit and lower recoveries because of copper dissolution in the flotation circuit. Crushing circuit throughput was identified as a concern. Crushing costs had increased as a result of lower throughput, increased maintenance costs and higher power cost and consumption. The EPCM contractor and the crushing equipment manufacturer attempted to optimize the circuit to achieve design throughput and operating costs. The commissioning of the flotation circuit commenced in late May. Copper loading in the circuit resulted in higher consumption of cyanide and reduced gold recovery. As a result, the flotation circuit was shut down in mid-June.

In order to mitigate the operating problems identified above, the Company commissioned the EPCM contractor to evaluate opportunities in the plant configuration in order to improve design criteria for gold recovery, to manage copper/cyanide levels, and to reduce processing costs. In August, a feasibility level design was completed, with engineering evaluations and cost estimates for three recommended process improvements: production of a copper concentrate, screen before quaternary crushing, and a coarse ore reject system.

In October, the Company completed an evaluation of the three process circuit improvements recommended by the EPCM contractor. The production of a copper concentrate was designed to increase recovery and reduce cyanide costs. However, reduced cyanide prices have offset the expected decrease in consumption. The Company began construction of the screen before quaternary crushing project. While this project was expected to improve throughput and lower costs, the net effect would not offset the cost increases described above. With the significant decline in the price of gold, the coarse ore reject system was not implemented.

Finally, recent exploration results from the Driffield area came back negative and have changed the longer term view of the potential to add large scale bulk minable deposits in close proximity to the mine.

The Company believes the prudent course of action at current gold prices is to suspend operations, despite the improved production and costs in the third quarter, because production and costs continue to fall short of the feasibility study estimates and the 1998 operating and life of mine plans indicate economically viable performance standards will not be achieved.

At **Florida Canyon**, residual production was better than expected during the quarter but gold production was 11,200 ounces less than last year due to mining and processing fewer tonnes with lower grade. Costs have been negatively impacted in the quarter due to the mining of harder ore in the Madre Pit and longer waste hauls. For the third quarter of 1997, the mine produced 42,500 ounces compared to a record 53,700 ounces of gold for the same period last year. During the fourth quarter, gold production is expected to be lower from last year, therefore Florida Canyon will be slightly below its target production of 170,000 ounces of gold for the year.

Gold production at **Montana Tunnels** increased dramatically to 41,600 ounces in the third quarter of 1997 due to the processing of Diamond Hill ore. The increase of 22,800 ounces reflects the processing of 71,000 tonnes at an average grade of 10.25 grams per tonne from Diamond Hill. Total cash costs of $232 per ounce were $98 per ounce lower than in the same quarter of 1996 as a result of increased gold production and by-product credits and lower royalty payments. **Diamond Hill** is being operated as an underground satellite operation to Montana Tunnels. Testwork is currently being carried out to determine if blending Diamond Hill ore with Montana Tunnels ore on a daily basis will be successful. If so, the cost of contract crushing can be eliminated and the cash flow from the Diamond Hill Mine will be generated rateably throughout the year.

At **Zortman**, residual leaching continued in the third quarter of 1997 with a total of 4,300 ounces of gold recovered. Lower production and higher costs in 1997 are attributable to the continued residual leaching of the pads. The site remains on care and maintenance status awaiting the final approval to proceed with the Zortman Extension.

As **Black Pine** and **Beal Mountain** mine out their existing reserves and move to closure, gold production is decreasing compared to the same periods in 1996. At Beal Mountain gold production for the third quarter of 1997 was 10,500 ounces, down from 15,300 ounces in 1996 as a result of lower ore tonnage during waste stripping of the South Beal pit and backfilling the Main Beal pit. Total cash costs of $252 per ounce were significantly lower than in 1996 due to increased grade and lower unit costs per tonne. Black Pine produced 9,900 ounces at an average total cash cost of $231 for the third quarter of 1997. The lower production reflects lower ore tonnage while reduced total cash costs are attributable to lower residual heap leach costs and improved recovery.

EXPLORATION REVIEW

Exploration and evaluation expenses were $1.4 million in the third quarter and $3.8 million for the first nine months of 1997, down from $1.5 million and $5.1 million in the same periods in 1996. Total exploration expenditures, including amounts capitalized, were $2.4 million in the third quarter of 1997 bringing year-to-date spending to $7.8 million, compared to $3.8 million and $11.0 million for the same periods last year.

Florida Canyon

Phase II exploration drilling resumed late August at Florida Canyon focusing on the Jasperoid Hill, Cone, Radio Tower West, Headwaters and Weather Station target areas, which are east of the existing open pits. The program is being directed toward shallow oxide mineralization and will involve in-fill drilling at Jasperoid Hill and Cone and an expanded early phase drill program at Radio Tower West and Weather Station Hill. Results from drilling in the Jasperoid Hill area indicate a modest increase in the near surface oxide mineralization. At Cone, drill results show discontinuous zones of near surface oxide mineralization which caps a large zone of low grade sulfide material. At Radio Tower West, results so far have been better than anticipated, the average thickness is 23 meters grading 0.48 grams per tonne of gold. Six holes have been drilled at

Headwaters to test the interpretation that it is the easterly continuation of Radio Tower East, (which contains 286,000 ounces of Mineralized Material) and also a part of a northwesterly mineral trend toward Cone. Results to date are encouraging and additional drilling will be completed before year-end.

Mt. Todd
At the Driffield target area 12 kilometers northeast of the mill facility, eight holes totaling 500 meters have been drilled. Unsatisfactory results received from these holes in the fourth quarter has changed the Company's view on the exploration and has reduced the longer term outlook for potential significant reserve increases. Analysis of all the data collected is in progress to determine the nature of the mineralization and to decide on the direction of any further work.

While the Company has a large land position (1,500 square kilometers) and multiple untested targets surrounding Mt. Todd, work to date suggests that the potential to yield stand alone deposits is low and that new discoveries will likely be similar in size and type to the Quigleys deposit with 100,000 to 250,000 ounce potential.

Diamond Hill
The Phase II drill program in the Glory Hole Zone, which is adjacent to the North Zone where the Company is currently mining, was completed during the quarter and it has confirmed the Company's geologic model. Step-out drilling has also extended the favorable skarn mineralization 50 meters to the South. A Phase III drill program has been initiated to elevate most of the current resource to Mineralized Material.

Also, a 15 hole drill program is ongoing to extend gold mineralization 60 meters below the current level of mining in the North Zone.

Capira Dorada
Drilling continued on the Capira Dorada property in Panama. Anomalous gold mineralization was identified in 26 of the 27 holes drilled on the Loma Verde target including six holes exceeding 1.0 gram per tonne. Locally high grade mineralization was penetrated in drill holes below high grade surface trenches. Reconnaissance mapping and sampling programs have identified other vein zones which will be tested in a Phase II program in December.

Intermin Resources
During the quarter a resource upgrade on the Janet Ivy Zone by independent consultants confirmed a resource of 460,000 ounces of gold using a cutoff grade of 0.75 grams per tonne. Gold mineralization occurs over a distance of 1.5 kilometers along strike and to a depth of 100 meters. The immediate focus going forward is to verify grade continuity in the Janet Ivy Zone beyond the central zone at Binduli North. Drilling has commenced on the northern extension of the Janet Ivy Zone and results range in thickness from 2 to 8 meters at grades ranging from 1.41 to 5.08 grams per tonne.

FINANCIAL REVIEW

Pegasus realized an average gold price of $404 per ounce for the third quarter of 1997, compared to the COMEX average spot price of $320 per ounce. For the first nine months, the Company's average realized gold price was $428 per ounce compared to the COMEX average spot price of $331 per ounce. During the same periods of 1996, the Company's realized gold price averaged $429 and $427 per ounce, respectively.

Sales revenue was $77.9 million and $177.1 million for the third quarter and first nine months of 1997, respectively, compared with $66.4 million and $172.2 million for the same periods in 1996. The increase in revenue was a direct result of higher gold production, offset by lower realized gold price compared to last year.

Sales of other metals increased during the third quarter of 1997 by 9 percent to $8.1 million, compared to $7.4 million in 1996. For the first nine months of 1997, sales of other metals were $26.0 million, $3.8 million higher than the same period in 1996. Increases for the quarter and year-to-date are attributable to higher prices of zinc, offset partially by lower production and realized prices for silver. Realized prices in the third quarter were $4.47 per ounce, $0.61 per pound, and $0.30 per pound for silver, zinc, and lead, respectively, compared to $5.37 per ounce, $0.47 per pound, and $0.31 per pound for silver, zinc, and lead, in last year's third quarter. Year-to-date realized prices were $4.55 per ounce, $0.57 per pound, and $0.28 per pound for silver, zinc, and lead, respectively, compared to $5.32 per ounce, $0.49 per pound, and $0.28 per pound for silver, zinc, and lead, respectively, in the same period last year.

Cost of sales in the third quarter of 1997 increased to $59.8 million from $49.6 million for the same period in 1996. For the first nine months of 1997 the cost of sales increased about 3 percent to $130.9 million when compared to the year before.

During the third quarter of 1997, the operations generated cash flow of $12.2 million which brings year-to-date cash flow from operations to $37.0 million compared to $15.0 million in the first nine months of last year. The improvement primarily reflects working capital changes, including accounts receivable. Cash flow from operations before working capital changes for the first nine months of 1997 decreased $3.0 million compared to the same period in 1996.

Cash and cash equivalents increased $7.4 million in the third quarter of 1997 and now total $15.9 million as of September 30, 1997, compared to $8.6 million at the end of 1996. The Company believes that it has adequate resources to meet this year's remaining cash requirements.

During the third quarter of 1997, the Company's long-term debt increased by $6.7 million, as additional funds were drawn on the Facility. As of September 30, 1997, the Company had outstanding borrowings of $122.1 million and letters of credit of $11.8 million under the Facility.

General and administrative expenses decreased 30 percent to $2.3 million in the third quarter of 1997 and 27 percent to $7.3 million in the first nine months, compared to the same periods in 1996. Lower costs reflect fewer employees, reduced travel costs, primarily associated with the Company's foreign operations, and the impact of an overall cost savings program undertaken by the Company. General and administrative expenses are expected to remain below 1996 levels.

Care and maintenance costs increased to $1.7 million and $5.2 million in the third quarter and year-to-date, compared to $0.4 million and $0.8 million during the same 1996 periods. Increased costs reflect placing Pullalli on hold indefinitely in the third quarter.

Hedging

As of September 30, 1997, the Company had price protection on 1,068,000 ounces of gold at an average price of $421 per ounce, consisting of 768,000 ounces sold forward at an average price of $421 per ounce for delivery between 1997 and 2002, and 300,000 ounces of put options purchased at an average price of $423 per ounce for the period 1997 to 2001.

Additionally, Pegasus has 1,068,000 ounces of contingent forward sales deliverable from 1998 through 2007, at an average price of $414 per ounce. Delivery of these contracts is dependent on the spot price of gold at various measurement dates over the term of the related contracts. If the spot price of gold is $340 per ounce or below at the end of the first quarter of 1998, contracts for a total of 720,000 ounces will be canceled. A certain portion of the remaining ounces will be deliverable if the spot price of gold is between $375 and $435 per ounce.

Also, 391,000 ounces of call options have been sold at an average price of $471 per ounce for the period 1997 to 2002.

The Company's hedge position has a marked-to-market value of approximately $70 to $80 million.

Gold hedging details follow:

Gold Hedging Details by Year

	Year	ounces	Average Contract Price US$
Forward Contracts	1997	144,000	$437
	1998	205,000	$440
	1999	155,000	$420
	2000	133,000	$408
	thereafter	131,000	$388
Put Options	1997	---	---
(purchased)	1998	100,000	$423
	1999	94,000	$422
	2000	100,000	$423
	thereafter	6,000	$428
Total Protection	**1997-2003**	**1,068,000**	**$421**
Contingent	1997	---	---
Forward Contracts	1998	95,000	$416
	1999	120,000	$420
	2000	198,000	$415
	thereafter	655,000	$413
Call Options (sold)	1997	91,000	$377
	1998	---	---
	1999	75,000	$500
	2000	88,000	$500
	thereafter	137,000	$500

During the first nine months of 1997, the Company has invested $59.0 million of capital in property, plant and equipment. The majority of the spending occurred at Mt. Todd, where the Company has spent $34.9 million including $7.7 million of capitalized interest and start-up costs. The Company also spent $5.5 million year-to-date on construction at Zortman of water treatment facilities in relation to the water compliance plan and Consent Decree, $5.7 million at Florida Canyon on the new gold recovery plant and $2.6 million at Diamond Hill on underground access.

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 about 500,000 ounces of gold annually. 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.

Five tables to follow

For further information, contact:

John W. Pearson
Vice President, Investor and Public Relations

509-624-4653

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PEGASUS GOLD INC.
OPERATIONS STATISTICS[1]

		Three Months Ended September 30 1997	Three Months Ended September 30 1996	Nine Months Ended September 30 1997	Nine Months Ended September 30 1996
FLORIDA CANYON					
Production:	Gold (Ounces)	**42,513**	53,669	**128,124**	118,663
	Silver (Ounces)	**47,633**	28,431	**118,389**	70,287
Ore Mined	tonnes (000's)	**2,452**	3,390	**8,451**	9,855
Cash Operating Cost		**$320**	$265	**$296**	$258
Total Cash Cost		**$335**	$276	**$308**	$271
Total Production Cost		**$437**	$334	**$410**	$337
MONTANA TUNNELS[2]					
Production:	Gold (Ounces)	**41,601**	18,827	**84,465**	56,709
	Silver (Ounces)	**181,015**	220,328	**641,795**	690,181
	Lead (Tons)	**1,723**	1,870	**6,698**	5,204
	Zinc (Tons)	**4,876**	5,003	**16,293**	15,036
Ore Milled	tonnes (000's)	**1,176**	1,303	**3,756**	3,774
Cash Operating Cost		**$212**	$283	**$205**	$240
Total Cash Cost		**$232**	$330	**$236**	$282
Total Production Cost		**$350**	$507	**$372**	$446
MT. TODD					
Production:	Gold (Ounces)	**63,947**	19,239	**74,985**	50,484
	Silver (Ounces)	**8,665**	0	**8,665**	0
Ore Milled	tonnes (000's)	**1,735**	958	**1,735**	3,513
Cash Operating Cost		**$330**	$313	**$343**	$386
Total Cash Cost		**$330**	$316	**$344**	$387
Total Production Cost		**$481**	$419	**$487**	$488
ZORTMAN					
Production:	Gold (Ounces)	**4,332**	8,952	**9,779**	29,223
	Silver (Ounces)	**5,346**	32,431	**18,024**	98,903
Ore Mined	tonnes (000's)	**--**	--	**--**	126
Cash Operating Cost		**$383**	$357	**$334**	$311
Total Cash Cost		**$399**	$384	**$349**	$323
Total Production Cost		**$543**	$510	**$509**	$442
BEAL MOUNTAIN					
Production:	Gold (Ounces)	**10,512**	15,336	**21,285**	31,910
	Silver (Ounces)	**1,373**	2,455	**3,652**	5,311
Ore Mined	tonnes (000's)	**420**	569	**675**	1,245
Cash Operating Cost		**$221**	$389	**$270**	$333
Total Cash Cost		**$252**	$414	**$300**	$357
Total Production Cost		**$332**	$681	**$388**	$540
BLACK PINE					
Production:	Gold (Ounces)	**9,886**	21,590	**34,412**	64,244
	Silver (Ounces)	**4,661**	6,975	**12,999**	24,874
Ore Mined	tonnes (000's)	**166**	2,521	**1,584**	6,591
Cash Operating Cost		**$216**	$248	**$268**	$261
Total Cash Cost		**$231**	$274	**$290**	$288
Total Production Cost		**$238**	$313	**$302**	$323
CONSOLIDATED TOTALS					
Production:	Gold (Ounces) - 100%	**172,791**	137,613	**353,050**	351,233
	Silver (Ounces)	**248,693**	290,620	**803,524**	889,556
	Lead (Tons)	**1,723**	1,870	**6,698**	5,204
	Zinc (Tons)	**4,876**	5,003	**16,293**	15,036
Ore Mined/Milled	tonnes (000's)	**5,949**	8,741	**16,201**	25,104
Cash Operating Cost		**$287**	$286	**$281**	$280
Total Cash Cost		**$299**	$306	**$297**	$300
Total Production Cost		**$417**	$412	**$408**	$396

1 Effective January 1, 1997, the Company adopted the Gold Production Cost Standard developed by the Gold Institute in order to facilitate comparisons among companies in the gold industry. Cash production costs reported in prior periods have been restated as cash operating costs and total cash costs in accordance with the new standard. Cash Operating costs calculated under the new standard include all operating costs at the mine sites, but exclude royalties, production taxes and reclamation. Total cash costs include royalties and production taxes, but exclude reclamation. Total production costs remain unchanged and include reclamation and depreciation, depletion and amortization.

2 Includes production from Diamond Hill, net of by-product credits.

PEGASUS GOLD INC.
CONSOLIDATED BALANCE SHEETS
September 30, 1997 and December 31, 1996
(In Thousands)

ASSETS

	1997	1996
Current assets:		
Cash and cash equivalents	$15,948	$8,566
Due from sales of products	24,436	36,748
Inventories	46,818	51,997
Other current assets	6,702	10,164
Total current assets	93,904	107,475
Investments	4,677	20,987
Property, plant, and equipment, net	182,965	618,940
Other assets	6,123	6,806
Total assets	$287,669	$754,208
LIABILITIES		
Current liabilities:		
Accounts payable and other current liabilities	$24,794	$23,641
Accrued salaries, wages, and benefits	7,089	10,350
Mining taxes payable	5,018	4,610
Current portion of long-term debt	122,133	---
Current portion of obligations under capital lease	3,770	3,626
Total current liabilities	162,804	42,227
Long-term debt	115,000	215,086
Capital lease obligations	20,300	22,466
Deferred income taxes	---	44,602
Deferred site closure and reclamation	57,677	50,878
Foreign exchange contracts	6,212	---
Other deferred liabilities	8,416	7,598
Deferred revenue	5,510	8,074
Total liabilities	375,919	390,931
SHAREHOLDERS' EQUITY (DEFICIT)		
Class A preferred shares, Series 1, C$10 par value: Authorized - 20,000,000 shares; none issued		
Common shares no par value: Authorized - 200,000,000 shares; issued and outstanding, 1997 - 41,585,756 shares and 1996 - 41,092,342 shares	427,607	425,382
Accumulated deficit	(506,685)	(70,734)
Net unrealized holding loss on available-for-sale investments	(226)	---
Foreign currency translation adjustment	(8,946)	8,629
Total shareholders' equity (deficit)	(88,250)	363,277
Total liabilities and shareholders' equity (deficit)	$287,669	$754,208

PEGASUS GOLD INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months and Nine Months Ended September 30, 1997 and 1996
(In Thousands Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1997	1996	1997	1996
Sales	$77,941	$66,441	$177,147	$172,189
Cost of sales	59,781	49,557	130,929	127,627
Depreciation and amortization	20,717	14,531	39,519	33,793
	80,498	64,088	170,448	161,420
Gross profit (loss)	(2,557)	2,353	6,699	10,769
Operating expenses:				
General and administrative	2,288	3,254	7,263	9,919
Exploration and evaluation	1,369	1,492	3,756	5,100
Care and maintenance	1,675	385	5,170	843
Property write-downs	396,809	---	396,809	---
Restructuring charges	2,186	---	2,186	---
Closure, reclamation and related costs	9,000	6,742	9,500	7,742
Attempted business combination costs	---	506	---	506
	413,327	12,379	424,684	24,110
Loss from operations	(415,884)	(10,026)	(417,985)	(13,341)
Other income (expense):				
Interest and other income	868	795	1,880	3,123
Interest expense, net of amounts capitalized	(4,660)	(672)	(5,524)	(2,506)
Loss on disposition of assets and other	(13,333)	---	(16,681)	(156)
Equity in net income of affiliates	---	3,091	2,012	3,589
	(17,125)	3,214	(18,313)	4,050
Loss before income taxes	(433,009)	(6,812)	(436,298)	(9,291)
Income tax provision (benefit)	(223)	980	(347)	201
Net loss	($432,786)	($7,792)	($435,951)	($9,492)
Net loss per share	($10.47)	($0.19)	($10.57)	($0.23)
Weighted average common shares outstanding	41,338	41,135	41,246	40,679

PEGASUS GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended September 30, 1997 and 1996
(In Thousands)

	1997	1996
Operating activities:		
Net loss	($435,951)	($9,492)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	40,397	34,209
Property write-downs	396,809	---
Non-cash restructuring charges	1,610	---
Payments for closure, reclamation and related costs	(7,456)	(5,698
Provision for closure, reclamation and related costs	9,500	7,742
Loss on investments	17,524	---
Other, net	2,528	1,153
Change in working capital accounts	12,016	(12,925)
Net cash provided by operating activities	36,977	14,989
Investing activities:		
Additions to property, plant, and equipment, net	(58,963)	(180,741)
Proceeds from investments	1,460	---
Sale of property, plant and equipment	---	3,881
Sale of short-term investments	---	20,083
Purchase of investments	---	(8,585)
Net cash used in investing activities	(57,503)	(165,362)
Financing activities:		
Proceeds from issuance of long-term debt	29,476	57,957
Proceeds from issuance of common shares	782	90,994
Payments of obligations under capital lease	(2,023)	(1,732)
Payments of long-term debt	---	(19,189)
Debt issuance costs	---	(1,811)
Net cash provided by financing activities	28,235	126,219
Effect of exchange rate changes on cash and cash equivalents	(327)	(905)
Net increase (decrease) in cash and cash equivalents	7,382	(25,059)
Cash and cash equivalents, beginning of period	8,566	32,907
Cash and cash equivalents, end of period	$15,948	$7,848

PEGASUS GOLD INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
For the Nine Months Ended September 30, 1997 and the Year Ended December 31, 1996
(In Thousands)

	Common Shares				Foreign
	Number of Shares	Amount	Accumulated Deficit	Unrealized Loss on Investment	Currency Translation Adjustment
Balance, December 31, 1995	34,825,203	$334,214	($49,131)	$ ---	$3,621
Net loss			(21,603)		
Common shares issued for:					
Cash	6,000,000	88,175			
Stock option plan	234,217	2,612			
Employee savings plan and other	32,922	381			
Foreign currency translation adjustment					5,008
Balance, December 31, 1996	41,092,342	$425,382	($70,734)	$ ---	$8,629
Net loss			(435,951)		
Common shares issued for:					
Employee severance	381,381	1,443			
Stock option plan	41,100	311			
Employee savings plan and other	70,933	471			
Net unrealized holding loss on available-for-sale investments				($226)	
Foreign currency translation adjustment					(17,575)
Balance, September 30, 1997	41,585,756	$427,607	($506,685)	($226)	($8,946)