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**PEGASUS RESOURCES INC**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at and for the three months ended

August 31, 2021 and 2020

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**PEGASUS RESOURCES INC.**  
MANAGEMENT DISCUSSION AND ANALYSIS  
AS AT AND FOR THE THREE MONTHS ENDED AUGUST 31, 2021 AND 2020

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700 - 838 West Hastings,  
Vancouver, BC, Canada V6C 0A6  
Phone 604-369-8973  
TSX-Venture: PST

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## OVERVIEW

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The following management discussion and analysis of the financial position of Pegasus Resources Inc. (“Company”) and results of operations should be read in conjunction with the interim condensed consolidated financial statements (“the “Financial Statements”) for the three months ended August 31, 2021 and audited consolidated financial statements for the year ended May 31, 2021. The financial statements together with the following management discussion and analysis are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company’s website at [www.pegasusresourcesinc.com](http://www.pegasusresourcesinc.com), or by requesting further information from the Company’s head office located at: 700 – 838 West Hastings Vancouver, BC, V6C 0A6 and its registered address is 725 Granville Street, Pacific Centre, Suite 400, Vancouver, BC V7Y 1G5.

Date of report: October 28, 2021

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## NATURE OF BUSINESS AND OVERALL PERFORMANCE

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The Company is engaged in the exploration and development of mineral resources, currently focusing on projects in Ontario, Quebec, British Columbia and Nevada, USA.

As of the date of the report, the Company does not own any operating mines and has no operating income from mineral production. Funding for operations is raised primarily through public and private share offerings. It is not known whether the Company’s mineral properties contain reserves that are economically recoverable. The recoverability of amounts recorded by the Company for mineral property interests and related deferred exploration costs are dependent upon the discovery of economically recoverable reserves, the ability to raise funding for continued exploration and development, the completion of property option expenditures and acquisition requirements, or from proceeds from disposition.

The Financial Statements have been prepared under a going concern assumption which contemplates the Company will continue in operation and realize its assets and discharge its liabilities in the normal course of operations. Should the going concern assumption not continue to be appropriate, adjustments to carrying values may be required. The Company’s ability to meet its obligations and maintain its current operations is contingent upon successful completion of additional financing arrangements and ultimately upon the discovery of proven reserves and generating profitable operations.

On September 9, 2020, the Company entered into an option agreement with DG Resource Management Ltd. (“the Optionor”) to acquire a 100% right, title and interest in and to the 7 mining claims in Icefield Gold Project, British Columbia. Pursuant to the option agreement, the Company is required to pay a total of \$50,000 in cash, issue 7,000,000 common shares and 2,000,000 share warrants in a period of two years.

On November 22, 2020, the Company entered into a definitive agreement with Trillium Gold Mines Inc. (“Trillium”) to acquire certain Confederation Lake Properties (“Confederation Belt”) held by the Company in consideration of \$500,000 in cash (received) and \$1,250,000 worth of common shares of Trillium.

The Confederation Lake Properties consist of Lucky 7 Property, Mitchell, Gerry Lake and Karas Lake Property , and North Pakwash Property.

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During the period ended August 31, 2021, the COVID-19 pandemic is causing significant financial market and social dislocation. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. The Company continues to monitor the investment portfolio and assess the impact COVID-19 will have on its business activities. The extent of the effect of the COVID-19 pandemic on the Company is uncertain.

Management expects to be successful in arranging sufficient funding to meet operating commitments for the ensuing year. However, the Company's future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. The Company has a working capital deficiency at August 31, 2021 of \$826,282 (May 31, 2021 – \$886,598). For significant expenditures and resource property development, the Company will depend almost exclusively on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company's operating commitments and further exploration and development plans. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

### **FORWARD LOOKING STATEMENTS**

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Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and represent management's best judgment based on facts and assumptions that management considers reasonable, including that the demand for mineral deposits develops as anticipated, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labor disturbances, interruption in transportation or utilities, or adverse weather conditions, and that there are no material unanticipated variations in the cost of energies or supplies. The Company makes no representation that reasonable businesspeople in possession of the same information would reach the same conclusions.

This MD&A may include certain "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive, strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements.

These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks related to the unavailability of capital and financing on acceptable terms, unfavorable market conditions, inherent risks involved in the exploration and development of mineral properties, uncertainties concerning reserve and resource estimates, results of exploration, inability to obtain required regulatory approvals, unanticipated difficulties or costs in any rehabilitation which may be necessary, market conditions and general business, economic, competitive, political and social conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Additional factors are discussed in the section titled "Risks".

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable securities laws, the Company does not intend, and does not assume any obligation, to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new

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information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements.

### **MINERAL PROPERTY INTERESTS**

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CONFEDERATION LAKE PROPERTIES – Dixie Properties, AurCrest Property, Joy North Property, Lucky 7 Property, Mitchell, Gerry Lake, Karas Lake.

In May 2017, the Company announced that the VTEM airborne electromagnetic and magnetic survey of the Company's properties in the Confederation Lake greenstone belt was expanded to cover almost twice the area of the original survey plan. The Company modified its contract with Geotech Ltd. to expand the helicopter-borne VTEM survey from 1,128 to 2,100-line kilometres. The survey covered a 40-kilometre length of the Confederation Lake greenstone belt, southeast of Red Lake, Ont. The Confederation Lake belt is characterized by numerous occurrences, zones and deposits of volcanogenic massive sulphide (VMS) mineralization carrying zinc and/or copper with associated gold and silver credits.

The VTEM survey identified a number of anomalies where no mineralized zones were previously known. The Company staked over 14,500 acres of conductors and IP Anomalies detected by the VTEM survey. A total of 297 new claim units have brought the Company's total land package in the Confederation Lake belt to over 51,000 acres.

The Company filed a new NI 43-101 technical report on the Garnet Lake Property (which includes the Fredart and Lucky 7 claim groups). The report was prepared by a "qualified person" for the purposes of NI 43-101.

In March 2018, the Company commenced a diamond drilling program on its 51,000-acre Confederation Lake property in north western Ontario.

In May and June 2018, the Company announced an update on the drilling program at Confederation Lake. Three holes totalling 1,556 metres provide additional information where previous drill intercepts were sparse or where there was a degree of uncertainty in the location of drill intercepts. All three drill holes intersected a sulphide zone with sphalerite, chalcopyrite, pyrite, and pyrrhotite.

On October 22, 2019, the Company announced that they have planned to commence additional geophysical studies from the 2017 VTEM survey. The Company will be conducting a more comprehensive interpretation of the 2100-line km VTEM survey done by Geotec in 2017. To date, only a small percentage has been interpreted. The Company plans to focus this work on the Fredart-Gerry Lake trend with the number one priority target generated from the survey on the north end of the Fredart Lake trend. The second priority target will be north of the 43-101 compliant Arrow Zone on the Garnet property. The Company had acquired additional ground by staking new claims covering previously unknown anomalies detected by the 2017 2100-line km VTEM Plus™ airborne survey. The new claims cover a continuous magnetic anomaly that runs for 6.5 kilometres between the existing Joy and Fredart claim groups. The total strike length of this anomaly, which encompasses the historic Joy and Fredart claim groups, is now approximately 22 kilometres.

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**Dixie Property, Ontario:**

**Dixie 17-18-19 properties:**

On May 26, 2015 and amended on March 22, 2016, the Company entered into an option agreement to acquire 100% Zinc-Copper properties located in the Red Lake, Ontario region. The Dixie 17-18-19 properties consist of 1,072 hectares located in the Confederation Lake greenstone belt, 35 kilometers southeast of Red Lake, Ontario.

Pursuant to the amended option agreement to acquire a 100% interest in the Dixie 17-18-19 properties, the Company has made total cash payments of \$76,000 and issued a total of 1,200,000 common shares of the Company over a four-year period.

The vendors of the Dixie 17-18-19 properties will retain a 0.5% net smelter returns royalty, which may be repurchased for \$400,000 at any time up to when a production decision is made.

On January 27, 2020, the Company entered into an option agreement with Infinite Ore Corp. (formally Infinite Lithium Corp.) under which Infinite Ore Corp. can acquire up to a 90% interest in the Dixie 17-18-19 properties. As per the terms of the agreement, the Company will transfer as initial 75% interest in the Dixie 17-18-19 properties in lieu of a total cash receipts of \$60,000, a total of 1,000,000 fully assessed common shares of Infinite Ore Corp and Infinite Ore Corp. will incur exploration expenditures of \$550,000 over a two-year period as follows:

- Received \$15,000 (received) on or before the date that is five business days after the Exchange Approval Date (February 12, 2020).
- Receive \$15,000 (received) on or before the date that is six months after the Exchange Approval Date (August 07, 2020).
- Receive \$30,000 (received) on or before the date that is twelve months after the Exchange Approval Date (February 7, 2021).
- Receive 500,000 common shares of Infinite Ore Corp. (received and valued at \$42,500) on or before the date that is five business days after the Exchange Approval Date (February 12, 2020).
- Receive 500,000 common shares of Infinite Ore Corp. (received and valued at \$62,500) on or before the date that is twelve months after the Exchange Approval Date (February 7, 2021).
- Infinite Ore Corp. will incur \$250,000 in exploration expenditures on or before the date that is twelve months after the Exchange Approval Date (February 7, 2021) (incurred).
- Infinite Ore Corp. will incur \$300,000 in exploration expenditures on or before the date that is twenty-four months after the Exchange Approval Date (February 7, 2022).

Upon satisfaction of the above terms, Infinite Ore Corp. will have earned an initial 75% interest in the Dixie 17-18-19 properties. Infinite Ore Corp. will then have the right to acquire an additional 15% in the Dixie 17-18-19 properties by paying \$30,000 and issuing 500,000 common shares of Infinite Ore Corp. to the Company on or before the date that is twenty four months after the Exchange Approval Date.

Under the option agreement with Infinite Ore Corp. the Company and the vendors of the Dixie 17-18-19 properties will each retain a 0.5% net smelter royalty. Infinite Ore Corp. has the option to purchase the net smelter royalty from the vendors for \$400,000 at any time up to when a production decision is made.

**Dixie 3 property:**

On September 1, 2016, the Company executed an option agreement to acquire a 100% interest in additional Zinc-Copper property located in the Red Lake, Ontario region. The 640-hectare (1,580 acre) Dixie 3 property is located in northwest Ontario, 45 kilometres southeast of Red Lake and 24 kilometres north of the town of Ear Falls. It is accessible by all-weather forestry access roads. The Dixie 3 property is within 8 kilometres of the Company's Dixie 17,18, 19 properties and fits within the Company's exploration model.

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Under the option agreement to acquire a 100% interest in the Dixie 3 property, the Company has made total cash payments of \$56,000 and issue a total of 1,200,000 shares over a three-year period.

The vendors of the Dixie 3 property will retain a 0.5% net smelter returns royalty, which may be repurchased for \$400,000 at any time up to when a production decision is made.

On December 11, 2019, the Company entered into an option agreement with Infinite Ore Corp. (formally Infinite Lithium Corp.) under which Infinite Ore Corp. can acquire a 100% interest in the Dixie 3 property and the previously staked Ben Lake property. As per the terms of the agreement, the Company will transfer 100% interest in the Dixie 3 and Ben Lake property in lieu of a total cash receipts of \$100,000 and a total of 2,000,000 fully assessed common shares of Infinite Ore Corp. over a six-month period as follows:

- Receive 2,000,000 common shares of Infinite Ore Corp. (received) on or before the date that is five days from Exchange Approval Date (January 7, 2020).
- Receive \$10,000 (received) on or before the date that is five days from Exchange Approval Date (January 07, 2020).
- Receive \$40,000 (received) on or before the date that is the earlier of (i) five days from the closing of the private placement of Infinite Ore Corp common shares for gross proceeds of at least \$250,000 and (ii) March 31, 2020.
- Receive \$50,000 (received) on or before the date that is six months from Exchange Approval Date (July 2, 2020).

The option agreement between the Company and Infinite Ore Corp. was approved by the Exchange on January 2, 2020.

**AurCrest Property, Ontario:**

On October 21, 2016, the Company entered into an option agreement with AurCrest Gold Inc. to acquire a 100% interest in the AurCrest properties located in the Confederation Lake greenstone belt southeast of Red Lake, Ontario. The AurCrest property comprises the Confederation Lake Property and the Fredart Lake Property.

To earn the 100% interest, the Company has made total cash payments of \$250,000 and issued a total of 2,500,000 common shares of the Company over a four-year period.

Additionally, pursuant to the option agreement, the Company is required to pay a 2.0% net smelter return to the vendors of the property and an annual advance royalty payment of \$10,000 to the vendors. During the year ended May 31, 2021, the Company paid \$Nil (2020 - \$20,000) for annual advance royalty to the optionor.

On February 03, 2020, the Company entered into an option agreement with Infinite Ore Corp. under which Infinite Ore Corp. can acquire an 80% interest in the Fredart Lake property. As per the terms of the agreement, the Company will transfer 80% interest in the Fredart lake property in lieu of a total cash receipts of \$150,000, receipt of a total 2,500,000 fully assessed common shares of Infinite Ore Corp. and Infinite Ore Corp. will incur \$1,000,000 in exploration expenditures over a thirty six month period as follows:

- Receive \$30,000 (received) on or before the date that is five business days from Exchange Approval Date (June 21, 2020).
- Receive \$50,000 (received) on or before the date that is six months from Exchange Approval Date (December 15, 2020).
- Receive \$70,000 (received) on or before the date that is twelve months from Exchange Approval Date (June 15, 2021).
- Receive 750,000 common shares of Infinite Ore Corp. (received and valued at \$60,000) on or before the date that is five business days from Exchange Approval Date (June 21, 2020).

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- Receive 750,000 common shares of Infinite Ore Corp. (subsequently received) on or before the date that is twelve months from Exchange Approval Date (June 15, 2021).
- Receive 1,000,000 common shares of Infinite Ore Corp. on or before the date that is twenty-four months from Exchange Approval Date (June 15, 2022).
- Infinite Ore Corp. will incur \$300,000 in exploration expenditures on or before the date that is twelve months from Exchange Approval Date (June 15, 2021).
- Infinite Ore Corp. will incur \$300,000 in exploration expenditures on or before the date that is twenty-four months from Exchange Approval Date (June 15, 2022).
- Infinite Ore Corp. will incur \$400,000 in exploration expenditures on or before the date that is thirty-six months from Exchange Approval Date (June 15, 2023).

Under the option agreement, Infinite Ore Corp shall pay to the Company a royalty of 1.0% on all mineral products produced from certain claims. Infinite Ore Corp. has the right to purchase one-half (50%) of the royalty in consideration of paying \$500,000 to the Company.

On February 3, 2020, the Company entered into an option agreement with Infinite Ore Corp. under which Infinite Ore Corp. can acquire an 80% interest in the Garnet Lake property. As per the terms of the agreement, the Company will transfer an 80% interest in the Garnet lake property in lieu of a total cash receipts of \$300,000, receipt of a total of 4,000,000 fully assessed common shares of Infinite Ore Corp. and Infinite Ore Corp. to incur \$1,500,000 in exploration expenditures over a thirty six month period as follows:

- Receive \$75,000 (received) on or before the date that is five business days from Exchange Approval Date.
- Receive \$75,000 on or before the date that is six months from Exchange Approval Date.
- Receive \$150,000 on or before the date that is twelve months from Exchange Approval Date.
- Receive 1,000,000 common shares of Infinite Ore Corp. (received and valued at \$65,000) on or before the date that is five business days from Exchange Approval Date.
- Receive 1,000,000 common shares of Infinite Ore Corp. on or before the date that is twelve months from Exchange Approval Date.
- Receive 2,000,000 common shares of Infinite Ore Corp. on or before the date that is twenty-four months from Exchange Approval Date.
- Infinite Ore Corp. will incur \$400,000 in exploration expenditures on or before the date that is twelve months from Exchange Approval Date.
- Infinite Ore Corp. will incur \$400,000 in exploration expenditures on or before the date that is twenty-four months from Exchange Approval Date
- Infinite Ore Corp. will incur \$700,000 in exploration expenditures on or before the date that is thirty-six months from Exchange Approval Date.

Under the option agreement, Infinite Ore Corp shall pay to the Company a royalty of 1.0% on all mineral products produced from certain claims. Infinite Ore Corp. has the right to purchase one-half (50%) of the royalty in consideration of paying \$500,000 to the Company.

The NI 43-101 and this option agreement was approved by the exchange on December 30, 2020

**Joy North Property, Ontario:**

On February 09, 2017 and amended on September 4, 2019, the Company entered into an option agreement with an arm's length vendor to acquire a 100% interest in the Joy North Property. The 64-hectare Joy North Property located in the Gerry Lake Area, approximately 50km southeast of Red Lake, Ontario.

To earn the 100% interest in the Joy North Property, the Company is required to make total cash payments of \$40,500 and issue a total of 1,205,000 common shares of the Company over a four-year period as follows:

- Pay \$3,000 (paid) and issue 27,500 common shares (issued and valued at \$3,850) to the optionor upon Exchange approval (approved date was on February 21, 2017)

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- Issue 50,000 common shares (issued and valued at \$5,500) to the optionor on or before the first-year anniversary of the approval date (February 21, 2018)
- Issue 50,000 common shares (issued and valued at \$3,000) to the optionor on or before the second-year anniversary of the approval date (February 21, 2019)
- Issued 100,000 common shares (issued and valued at \$4,000) to the optionor upon the Exchange approval.
- Issue 150,000 common shares (issued and valued at \$4,500) to the optionor on or before the third-year anniversary of the approval date (February 21, 2020)
- Issue 100,000 (issued and valued at \$4,000) on or before one year from the approval of the amendment by the Exchange (September 12, 2020).
- Pay \$37,500 and issue 600,000 common shares to the optionor on or before the fourth-year anniversary of the approval date (February 21, 2021)

In addition to the cash payments and issuance of common shares, the Company is required to drill a minimum of two diamond drill holes with score of BTW or larger size by February 21, 2022, to a minimum aggregate depth of 600 meters on the property, subject to the Company being granted an Early Exploration Permit by the Ministry of Northern Development and Mines.

A 2% net smelter returns royalty (“NSR”) is payable to the optionor, of which 1% may be purchased at any time by the Company for \$500,000 and the remaining 1% at any time for \$1,500,000.

During the year ended May 31, 2021, the Company failed to pay the \$37,500, and the option agreement was terminated. As a result, the Company recorded an impairment of \$96,448 for the year ended May 31, 2021.

**Lucky 7 Property, Ontario:**

On March 20, 2017, the Company entered into an option agreement to acquire a 100% interest in the Lucky 7 Property located in the Confederation Lake greenstone belt, southeast of Red Lake, Ontario. The property covers 640 hectares.

To earn the 100% interest in the Lucky 7 property, the Company is required to make total cash payments of \$72,000 and issue a total of 1,150,000 common shares over a three-year period as follows:

- Pay \$12,000 (paid) and issue 200,000 common shares (issued and valued at \$28,000) to the optionors upon TSX-V Exchange approval (approval date was on April 27, 2017)
- Pay \$16,000 (paid) and issue 250,000 common shares (issued and valued at \$20,000) to the optionors on or before the first anniversary of the approval date (April 27, 2018)
- Pay \$20,000 (paid) and issue 300,000 common shares (issued and valued at \$18,000) to the optionors on or before the second anniversary of the approval date (April 27, 2019)
- Pay \$24,000 (paid) and issue 800,000 common shares (issued and valued at \$8,000) to the optionors on or before the third anniversary of the approval date (April 27, 2020)

A 1.5% net smelter return royalty is payable to the optionors, of which 0.75% may be purchased at any time for \$400,000.

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**Mitchell, Gerry Lake and Karas Lake Property, Ontario:**

On December 28, 2017, the Company entered into an option agreement to acquire a 100% interest in the Mitchell, Gerry Lake and Karas Lake Property, located in the Karas Lake area, Red Lake Mining Division, Ontario. The properties cover approximately 3,700 hectares.

Pursuant to the option agreement to acquire a 100% interest in the property, the Company is required to pay a total of \$104,000 and issue an aggregate 250,000 common shares over a four-year period as follows:

- Pay \$20,000 (paid) to the optionor upon signing the agreement (December 28, 2017)
- Issue 150,000 common shares (issued and valued at \$27,000) to the optionor within five days of the acceptance date (January 30, 2018)
- Pay \$16,000 (paid) and issue 100,000 common shares (issued and valued at \$4,000) to the optionor on the first anniversary of the acceptance date (January 30, 2019)
- Pay \$18,000 (paid) to the optionor on the second anniversary of the acceptance date (January 30, 2020)
- Pay \$20,000 (paid) to the optionor on the third anniversary of the acceptance date (January 30, 2021)
- Pay \$30,000 to the optionor on the fourth anniversary of the acceptance date (January 30, 2022)

A 1.5% NSR has been granted to the optionors, of which 0.75% may be purchased at any time by the Company for \$400,000. All shares issued will be subject to a hold period expiring four months and one day from the day of issuance.

Pursuant to the definitive agreement, Trillium will be responsible in making the remaining option payments once the transaction is complete.

**Vanadium Project, Clark County, Nevada, USA:**

On April 03, 2019, the Company entered into an agreement to acquire a Vanadium project in Clark County, Nevada for and in consideration of non-refundable \$15,000 USD plus the sum of \$150,000 USD upon exchange approval, and 8,000,000 fully paid and non-assessable common shares of the Company. The purchase consideration is due and payable as follows:

- A cash consideration of \$15,000 USD paid on the date of execution of this Agreement (April 03, 2019) (outstanding).
- \$50,000 USD upon exchange approval (April 16, 2019) (outstanding).
- \$100,000 USD six months post exchange approval (October 16, 2019).
- 8,000,000 fully paid and non-assessable shares of Pistol Bay Mining Inc. (issued at a fair value of \$480,000) on the five dates following the date this agreement is accepted for filing by the Exchange (April 20, 2019); and

A 2% Net Milling Returns Royalty on the Properties (the “Royalty”); including the right of Pistol Bay Mining Inc. to purchase one and one half (1.5%) of the Royalty at any time for USD \$1,000,000.

Subsequent to Exchange approval, the Company paid a finder’s fee of 800,000 common shares (issued at a fair value of \$48,000).

During the year ended May 31, 2021, the Company decided to no longer pursuit the option agreement and wrote-off the exploration and evaluation assets of \$540,340.

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**North Pakwash Lake Area, Ontario:**

On September 9, 2019, the Company entered into an agreement with 1544230 Ontario Inc. to acquire 100% right, title, and interest in the North Pakwash Lake Area, Ontario. The Company has agreed to pay a total of \$45,000 and issue 500,000 common shares over a period of three years as follows:

- \$7,500 (paid) upon Exchange approval (September 9, 2019)
- 250,000 common shares (issued and valued at \$7,500) upon Exchange approval (September 26, 2019).
- \$7,500 (paid) in cash and issue 250,000 common shares (issued and valued at \$10,000) on or before one-year anniversary from Exchange approval (September 25, 2020).
- \$10,000 payment in cash on or before two-year anniversary from Exchange approval (September 25, 2021)
- \$20,000 payment in cash and issue common shares on or before three-year anniversary from Exchange approval (September 25, 2022)

The Optionee shall have the right at any time to purchase one-half (1/2) of the NSR Royalty, being three-quarters of one percent (0.75%), from the Optionor in consideration of the payment to the Optionee of \$500,000, thereby leaving the Optionor with a three-quarters of one percent (0.75%) NSR Royalty.

Pursuant to the definitive agreement, Trillium will be responsible in making the remaining option payments once the transaction is complete.

**James Bay, Quebec:**

On January 15, 2020, the Company announced that it has entered into an option agreement with an arm's length vendor to acquire a land package in the James Bay Region of Quebec. The Company can earn a 100% interest in the Property by issuing 1,000,000 common shares (issued at a fair value of \$30,000) and paying a total of \$7,000 (paid) on the date of approval. A 2% NSR has been granted to the vendor. The Company has an option to buyback 1% NST from the vendor by paying \$500,000 to the vendor.

**Icefield Gold Property, British Columbia:**

On September 9, 2020, the Company entered into an option agreement with DG Resource Management Ltd. ("the Optionor") to acquire a 100% right, title and interest in and to the 7 mining claims in Icefield Gold Project, British Columbia. Pursuant to the option agreement, the Company is required to pay a total of \$50,000 in cash, issue 7000,000 common shares and 2,000,000 share warrants in a period of two years as follow:

- Pay \$10,000 (paid) upon signing of the agreement (September 9, 2020).
- Pay \$15,000 in cash (paid), issue 1,000,000 common shares (issued on September 21, 2020 at a fair value of \$55,000), and 1,000,000 share warrants (granted and valued at \$50,300) within five days of the exchange approval date (September 16, 2020).
- Pay \$25,000 in cash, issue 1,000,000 common shares, and 1,000,000 share warrants on the first anniversary of the exchange approval date (September 10, 2021).
- Issue 5,000,000 common shares on the second anniversary of the Exchange approval date (September 10, 2022).

Immediately on the Optionee satisfying all of the conditions set out above, the Optionee will be deemed to have exercised the Option and to have earned a 100% interest in and to the Property which will vest to the Optionee, subject to the NSR royalty.

In the event that a gold equivalent resource of more than 1 million ounces is outlined within a NI 43-101 resource estimate, the Company will be required to pay \$1,000,000 within 30 days of receiving such resource estimate, in

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common shares or cash or a combination of both, at the Company's discretion and subject to the policies of the Exchange.

A 2.0% net smelter return royalty is payable to the Optionors, of which 1.0% may be purchased at any time in consideration of \$1,000,000.

The Company agrees to engage the Optionor for all exploration work conducted on the Property during the term of this agreement plus 12 months.

The Company is currently negotiating an extension for the outstanding \$25,000 cash payment which was due upon first anniversary of the agreement.

On August 11, 2021, the Company reported the commencement of work at its high priority gold and copper Golden project in British Columbia.

**2021 Proposed work at Golden Project:**

At the Golden Project in southeastern BC, crews have started a follow-up mapping and sampling program which will be followed by a small diameter backpack drill-program. The 2020 work reported by the Company at the three claim blocks which constitute the Golden Project (Gold Mountain, Vertebrae Ridge and Punch Bowl) have identified extensive copper, gold and silver results, and the Company expects to continue to delineate the mineralized zones.

**A) Gold Mountain Highlights**

- Early-stage gold/silver property located approximately 50 km NW of Golden, BC, just north of Highway 1.
- The property is comprised of two mineral claims over 802 ha and encompasses the historic Grizzly occurrence featuring gold and silver hosted within polymetallic quartz / carbonate veins.
- Exploration during 1982 at the North Showing, near the adit, identified a 1 m wide quartz vein, which returned a grab sample of 4.87 g/t Au, 647 g/t Ag and 1.89% Cu.
- At the South Showing, five veins are exposed by trenches within a zone about 4 m wide, a peak value of 30.3 g/t Au, 123.1 g/t Ag and 32.54% Cu was returned.
- Eight shallow back pack style drill holes were completed in 1984, though poor recoveries were noted, results include:
  - 4.04 m - 59.04 g/t Au, 6,863.1 g/t Ag, 16.9% Cu, and 8.95% Pb
  - 4.50 m - 7.89 g/t Au, 942.2 g/t Ag, 2.3% Cu, and 5.26% Pb.
- 2020 work identified the following:
  - Polymetallic mineralization over 600 to 700 m strike; and
  - High grades of silver/gold with 4 samples returning from 1,000 to 6,670 g/t Ag, 3 of which also returned Au values ranging from 2.14 to 7.44 g/t

**B) Vertebrae Ridge Highlights:**

- Early-stage copper/polymetallic property located approximately 30 km NW of the Gold Mountain property and 80 km NW of Golden, BC.
- The property is comprised of four mineral claims over 5324 ha.
- 2020 exploration identified three areas of mineralization as follows:
  - Zone 1: 18 rock samples collected over a 1,400+ metre strike with sample assays up to 4.13% Cu, 28.6% Pb, 4.74% Zn, and 360 g/t Ag; and exhibits anomalous concentrations of As, Hg and Sb, in addition to Cu, Pb, Zn and Ag;
  - Zone 2 North: 13 rock samples collected over a 650+ metre strike returned an arithmetic average of 2.5% Cu and 4.5 g/t Ag, with peak values of 10.7% Cu and 29.1 g/t Ag; and

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- Vein 160 Showing: Seven rock samples collected over an approximate 250 metre strike returned an arithmetic average of 10.5% Cu and 14.7 g/t Ag, with peak values of 35.5% Cu and 96.7 g/t Ag

C) Punch Bowl Highlights:

- Early-stage gold property located approximately 90 km NW of the Gold Mountain property and 140 km NW of Golden, BC.
- The property is comprised of three mineral claims over 3,079 ha.
- The property surrounds the historic Punch Bowl showing where discrete quartz-gold veins are hosted within quartzites and pelites of the McNaughton Formation.
- In 2020, 39 samples were collected which had anomalous gold mineralization, of which fourteen (14) samples returned assays greater than 0.1 g/t with the highest assay returning at 3.41 g/t Au.

**Millionara Gold Property, Nevada:**

On March 23, 2021, the Company entered into an option agreement to acquire 100% interest in the Millionara Gold Property, Nevada, from National Treasure Corporation.

To earn the 100% interest in the property, the Company is required to make total cash payments of US\$575,000 and issue a total of 1,500,000 common shares over a three-year period as follows:

*Cash payments*

- i) US\$25,000 cash payment on execution of the agreement dated March 23, 2021 (paid).
- ii) US\$25,000 cash payment on or before September 23, 2021.
- iii) US\$50,000 cash payment on or before March 23, 2022.
- iv) US\$50,000 cash payment on or before September 23, 2022.
- v) US\$75,000 cash payment on or before March 23, 2023.
- vi) US\$75,000 cash payment on or before September 23, 2023.
- vii) US\$275,000 cash payment on or before March 23, 2024.

*Share issuances*

- i) 750,000 common shares within 5 business days of receipt of TSXV approval of the agreement (issued and valued at \$45,000).
- ii) 750,000 common shares on or before March 23, 2022.

The property consists of:

- CS Claims - Two (2) unpatented mineral claims
- BB Claims - Two (2) unpatented mineral claims
- DC Claims - Twenty-nine (29) unpatented mineral claim

Royalty Consolidated Company, LLC, a subsidiary of Waterton Global Resources Management Inc. (Waterton), a Nevada limited liability company has a 3% NSR on both the CS Claims and the BB Claims. The Company has the option to repurchase 1% NSR for US\$2,000,000 at any time.

Nevada Select Royalty, Inc, a subsidiary of Ely Gold Royalties Inc. (Ely), a Nevada corporation has a 3% NSR (the "Nevada Select Royalty") on the DC Claims. The Company has an option to repurchase 1% NSR for US\$1,000,000 at any time.

On May 18, 2021, the Company reported on upcoming and ongoing activities on its Millionara Property located 112 kilometers north of Elko, Nevada, and is considered an intermediate stage exploration project within the regional Independence Gold Trend.

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DIRT Exploration of Cape Town, South Africa have been engaged to complete a long-wave infrared (LWIR) interpretation over the Millionara Property. LWIR is a remote sensing technique that is also referred to as thermal imaging, that can be used to map the distribution of certain minerals related to hydrothermal alterations (such as quartz, adularia, albite, kaolinite, orthoclase, Na- and Ca-montmorillonite, calcite, opal, chalcedony, gypsum, alunite, jarosite, and other sulfates). The study is designed to confirm and prioritize areas of the property for future exploration.

**Millionara Highlights:**

- The Property is approximately 25 km northwest of the Jerritt Canyon Gold Mine, which was recently purchased by First Majestic Silver Corp. in a \$470 million plus share deal. Jerritt Canyon has produced over 9.5 million ounces of gold since 1981.
- The majority of the historical exploration on the Property between 1986 and 1991 focussed on exploring the Range Front Structure. It includes the following drill results:
  - Hole M88C-3: 19.8 m of 3.63 g/t Au
  - Hole WILC-4: 21.3 m of 4.05 g/t Au
- Between 2010 and 2011, Ashburton Ventures Inc. (“Ashburton”) focussed exploration on the high-grade Upper Vein Area.
- On the surface, mineralization appears to be associated with highly silicified breccias and sinters along a prominent range front structure in Paleozoic carbonate rocks. Epithermal and Carlin-type deposit styles are being considered on the Project.
- Shallowly drilled, with potential to find additional mineralization at depth.
- Several of the drill tested gold mineralized zones are open for expansion and several soil and/or rock anomalies have not yet been drill-tested.
- Located primarily on BLM-administered land.
- Excellent road access and nearby power and other amenities.

**Range Front Target Area:**

The Range Front target area follows the north-south striking Range Front fault, which is the dominant high-angle fault on the Property. The structure has created the broadest area of mineralization on the Property, with several wide and unconstrained gold-bearing intervals. A review of historical exploration reveals that the structure has not been tested along strike with great detail. Highlights of the target area include:

- Hole M88C-3: 19.8 m of 3.63 g/t Au
- Hole WILC-4: 21.3 m of 4.05 g/t Au
- Hole DC-11-C-5: 73.7 m of 0.46 g/t Au, including 1.2 m of 14.10 g.t Au
- Hole DC-11-C-28: 68.7m of 0.21 g/t Au

**Upper Vein Area:**

The focus of Ashburton in the 2010/11 exploration of the Property was the Upper Vein target area, located 600 metres east of the Range Front target area. Ashburton defined a 640-metre long trend with high-grade surface samples from a vein that varies between 0.20 and 1.5 metres. Highlights of the target area include:

- 7 samples of greater than 40 g/t gold were collected from the vein, with a high of 1180 g/t gold.
- Hole DC-11-C-10: 1.2 m of 1.69 g/t Au, including 4.47 g/t Au

**Pine Channel Property, Saskatchewan:**

On October 7, 2021, the Company entered into an option agreement to acquire interest in Pine Channel Claim located in the Athabasca Basin of northern Saskatchewan.

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Pursuant to the option agreement to acquire a 100% interest in the property, the Company will issue 500,000 common shares.

A 2% NSR will be granted to the vendors with 1% purchasable by the Company at any time for \$1,000,000.

The Company can earn-in 70% interest in the property from ALX Resources Corp. in consideration of the following payments:

*Cash payments*

- i) \$25,000 cash payment on or before October 27, 2021.
- ii) \$25,000 cash payment on or before October 27, 2022.

*Share issuances*

- i) 100,000 common shares on or before October 27, 2021.
- ii) 150,000 common shares on or before October 27, 2022.
- iii) 250,000 common shares on or before October 27, 2023.

*Exploration expenditures*

- i) incur exploration expenditures of \$300,000 on or before October 27, 2023.

Upon completing the 70% earn-in interest, the Company will have the option to earn in the remaining 30% interest by making a cash payment of \$200,000 and issuing 500,000 common shares over an additional 2 year period.

**Pine Channel Property Highlights:**

- The Property is prospective for unconformity-related uranium mineralization, with a very shallow depth to the basement from surface of about 60 to 100 metres;
- Historical work identified two conductive trends on the property. One trend is approximately 2.5 km long, defined by both airborne and ground electromagnetic (EM) surveys. The second, a 600-metre long conductor has not yet been followed up with a ground EM survey(s) or drilling; and
- Drilling in 1981 identified anomalous uranium in a hematite-rich fracture within Athabasca sandstone rocks, directly above unconformity in hole PC81-2 with 0.15% U3O8 over 0.15m.

The property with a thin cover of Athabasca Basin, is underlain at shallow depths by the structurally complex Tanto Domain, which is host to numerous U, Cu, Ni and Au occurrences.

**Historical Exploration**

During the 1970's Denison Mines Ltd. conducted both airborne and ground geophysical surveys at and around the Pine Channel property. During 1979, Denison drilled a total of 12 diamond drill holes in the area to test a conductor that was coincident with a magnetic contact.

Results were very encouraging and included:

- PN-79-1: 0.028% U3O8 across 1.2 m within brecciated basement rocks,
- PN-79-2: 0.062% U3O8 across 0.6 m within altered basement rocks, and
- PN-79-3: 0.039% U3O8 across 0.7 m within Athabasca Basin sandstone.

In 1981 Denison completed an additional four holes on the Pine Channel Property to test ground geophysical conductors at the same location as the 1979 drill holes. At least four drill holes intersected elevated radioactivity directly above the unconformity, including PC81-2 which intersected 0.15% U3O8 over 0.15m.

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The property remained idle until about 2005 when UEX Corporation completed an airborne magnetic, radiometric and gravity survey, as well as an airborne MegaTEM survey atop the Pine Channel Property and surrounding area.

### **Exploration Model**

With the discovery of NexGen's Arrow deposit, recent exploration in and around the Athabasca Basin has included the search for other high-grade, basement hosted uranium occurrences. The Pine Channel property has several important attributes which make it an attractive exploration target for this deposit type:

- structurally complex basement lithologies,
- altered basement rocks associated with a conductive trend, and
- multiple drill holes having intersected highly anomalous radioactivity, ranging from 0.028 to 0.15% U3O8.

The location and road accessibility provide for an opportunity to conduct advanced exploration year-round at Pine Channel.

### **Uranium Properties**

On October 20, 2021, the Company entered into an option agreement to acquire interest in four uranium properties located immediately northwest of the prolific Athabasca Basin of northern Saskatchewan.

Pursuant to the option agreement to acquire a 100% interest in the property, the will reimburse staking costs of approximately \$35,000 and issue 1,200,000 common shares.

A 2% NSR will be granted to the vendors with 1% purchasable by the Company at any time for \$1,000,000.

The Company is also required to issue 150,000 common shares as finder's fee.

## **RESULTS OF OPERATIONS**

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### **Operational activities:**

#### *Three Months ended August 31, 2021*

During the three months ended August 31, 2021, the Company had a comprehensive loss of \$266,029, compared to \$177,239 during the three months ended August 31, 2020. Significant comparative variances for the period ended August 31, 2021 and 2020 were:

Business development and shareholder communications of \$22,592 (2020 - \$19,962) relate to improving the business operation of the Company. The expense increased due to higher level of promotion activities during the period ended August 31, 2021.

Consulting expenses of \$105,750 (2020 - \$60,080) relate to improving the business operation of the Company. The expense increased due to higher level of activities during the period ended August 31, 2021.

Professional fees of \$38,105 (2020 - \$5,155) relate to higher level of activities during the period ended August 31, 2021.

Share-based payments of \$50,000 (2020 - \$40,816) relate to the issuance of stock option by the Company. This increased due to the issuance and vesting of greater number of stock options in the current period compared to the comparative period.

Transfer agent and filing fees of \$20,769 (2020 - \$15,837) relate to expenditures in connection with share capital and reporting activities of the Company. Transfer agent and filing fees has increased due to the increased compliance fees in relation to the private placement and issuance of stock options in comparison to the comparative period.

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Unrealized loss on marketable securities of \$8,553 (2020 – \$32,435) relates to the change in fair value of marketable securities owned by the Company.

Realized loss on disposal of marketable securities of \$5,837 (2020 – gain of \$20,017) relates to the sale of the marketable securities received pursuant to the option out agreement for mineral properties.

Gain on settlement of debt of \$10,327 (2020 - \$Nil) relating to settlement of accounts payable with certain vendors in current period.

**SUMMARY OF QUARTERLY FINANCIAL RESULTS**

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The following table provides a summary of the Company’s eight quarterly results:

	31-Aug-21	31-May-21	28-Feb-21	30-Nov-20
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss for the period	(266,029)	(951,973)	(161,705)	(240,539)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)
	31-Aug-20	31-May-20	29-Feb-20	30-Nov-19
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss for the period	(177,239)	(123,378)	(230,839)	(102,370)
Loss per share	(0.00)	(0.00)	(0.00)	(0.00)

Fluctuations in the Company’s expenditures reflect the seasonal variations of exploration and the ability of the Company to raise capital for its projects.

Increased loss for the quarter ended August 31, 2021 compared with the previous quarter was primarily due to the decrease of \$30,713 in share-based compensation and \$12,000 increase in consulting fees as compared to the quarter ended May 31, 2021, which was primarily attributable to the grant of new options.

Increased loss for the quarter ended May 31, 2021 compared with the previous quarter was primarily due to the increase of \$24,645 in share-based compensation, \$93,750 in consulting fees, \$30,684 in unrealized loss on marketable securities and \$611,789 in write-off of exploration and evaluation assets as compared to the quarter ended February 29, 2021.

Increased loss for the quarter ended February 29, 2021 compared with the previous quarter was primarily due to the increase of \$36,113 in share-based compensation, \$108,702 in consulting fees, \$5,845 in unrealized loss on marketable securities as compared to the quarter ended November 30, 2020, which was primarily attributable to the business expenses incurred.

Increased loss for the quarter ended November 30, 2020 compared with the previous quarter was primarily due to the increase of \$38,049 in share-based compensation, \$62,750 in consulting fees, \$46,793 in realized gain on disposal of marketable securities as compared to the quarter ended August 31, 2020, which was primarily attributable to the grant of new options and sales of marketable securities.

Increased loss for the quarter ended August 31, 2020 compared with the previous quarter was primarily due to the increase of \$52,987 in share-based compensation and \$19,108 increase in consulting fees as compared to the quarter ended May 31, 2020, which was primarily attributable to the grant of new options.

Decreased loss for the quarter ended May 31, 2020 compared with the previous quarter was primarily due to the decrease of \$95,964 in the consulting fees and increase of \$19,560 in the unrealized gain on marketable securities as compared to the quarter ended February 29, 2020, which was primarily attributable to the decrease in the activities related to the ongoing projects.

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Increased loss for the quarter ended February 29, 2020 compared with the previous quarter was primarily due to the increase of \$112,488 in consulting fees, and \$15,152 in professional fees as compared to the quarter ended November 30, 2019, which was primarily attributable to the increased number of projects.

### **CAPITAL DISCLOSURE**

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to finance its growth using internally-generated cash flow and debt capacity; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and receivables.

### **LIQUIDITY & CAPITAL RESOURCES**

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As at August 31, 2021, the Company had a working deficiency of \$826,282 (May 31, 2021 – \$886,598), and cash of \$52,879 (May 31, 2021 – \$103,581). The Company will require significant funds from either equity or debt financing for property exploration and to support general administrative expenses.

On September 28, 2020, the Company signed a promissory note with 685733 BC Ltd. to receive \$25,000. Pursuant to the promissory note, the Company is required to repay the principal amount along with an interest of \$5,000 on or before November 1, 2020. If the amount is not paid at the due date, an interest of \$1,000 will be charged for each period of 30 days the amount remains outstanding. During the year ended May 31, 2021, the promissory loan and interest was full repaid.

#### *Share Capital Transactions:*

#### For the period ended August 31, 2021:

On June 16, 2021, the Company closed its non-brokered private placement of 9,845,000 units at a price of \$0.05 per unit for aggregate gross proceeds of \$492,250. Each unit is comprised of one common share and one transferable common share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one share for a 24-month period from the closing date at an exercise price of \$0.10 per share.

In connection with the financing, the Company paid Finders' fees of \$24,180 cash and 483,600 finders' warrants valued at \$18,700. These warrants entitle the holders to purchase one share for a 24-month period from the closing date at an exercise price of \$0.10 per share.

On September 23, 2021, the Company issued 500,000 common shares pursuant to the exercise of warrants for gross proceeds of \$25,000.

On September 30, 2021, the Company issued 900,000 common shares pursuant to the exercise of warrants for gross proceeds of \$54,000.

On September 30, 2021, the Company issued 600,000 common shares pursuant to the exercise of options for gross proceeds of \$48,000.

#### For the year ended May 31, 2021:

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On September 21, 2020, the Company issued 1,000,000 common shares valued at \$55,000 for the acquisition of exploration and evaluation assets.

On October 21, 2020 the Company issued 100,000 common shares valued at \$4,000 for the acquisition of exploration and evaluation assets.

On October 21, 2020 the Company issued 250,000 common shares valued at \$10,000 for the acquisition of exploration and evaluation assets.

On February 19, 2021, the Company issued 375,000 common shares pursuant to the exercise of warrants for gross proceeds of \$18,750.

On March 26, 2021, the Company issued 750,000 common shares valued at \$45,000 for the acquisition of exploration and evaluation assets.

On April 20, 2021, the Company issued 400,000 common shares pursuant to the exercise of options for gross proceeds of \$20,000.

On May 6, 2021, the Company issued 400,000 common shares valued at \$20,000 in settlement of outstanding balance with an arm-length vendor.

For the period ended August 31, 2021:

- i) On August 11, 2021, the Company granted 1,275,000 share options, which are exercisable for a period of three years, at a price of \$0.05 per share. The fair value of \$50,000 was estimated using the Black-Scholes Option Pricing Model with estimated, stock price of \$0.045, volatility 178.20%, risk-free rate 0.59%, dividend yield 0%, and expected life of 3 years. The options vested immediately.
- ii) On September 10, 2021, the Company granted 450,000 share options, which are exercisable for a period of three years, at a price of \$0.05 per share. The fair value of \$15,600 was estimated using the Black-Scholes Option Pricing Model with estimated, stock price of \$0.04, volatility 178.57%, risk-free rate 0.51%, dividend yield 0%, and expected life of 3 years. The options vested immediately.
- iii) On September 24, 2021, the Company granted 600,000 share options, which are exercisable for a period of three years, at a price of \$0.08 per share. The fair value of \$42,400 was estimated using the Black-Scholes Option Pricing Model with estimated, stock price of \$0.08, volatility 180.32%, risk-free rate 0.64%, dividend yield 0%, and expected life of 3 years. The options vested immediately.

During the year ended May 31, 2021:

- i. On August 28, 2020, the Company granted 2,750,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. The fair value of \$63,923 was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility range from 108% to 113%, risk-free rate 0.29%, dividend yield 0%, and expected list of 2.50 years. 1,775,000 stock option vest immediately, and the remaining 975,000 are vest in three equal tranches every three months following the grant date.
- ii. On September 3, 2020, the Company granted 525,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. The fair value of \$24,100 was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 155.53%, risk-free rate 0.35%, dividend yield 0%, and expected life of 5 years.

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- iii. On January 4, 2021, the Company granted 500,000 share options, which are exercisable for a period of three years, at a price of \$0.05 per share. The fair value of \$22,900 was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.055, volatility 156.44%, risk-free rate 0.48%, dividend yield 0%, and expected life of 3 years.
- iv. On January 4, 2021, the Company granted 150,000 share options, which are exercisable for a period of three years, at a price of \$0.06 per share. The fair value of \$6,700 was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.055, volatility 156.44%, risk-free rate 0.48%, dividend yield 0%, and expected life of 3 years.
- v. On April 20, 2021, the Company granted 500,000 share options which are exercisable for a period of four years, at a price of \$0.05 per share. The fair value of \$21,800 was estimated using the Black-Scholes pricing model with estimated, stock price of \$0.05, volatility 152.43%, risk-free rate 0.47%, dividend yield 0%, and expected life of 4 years. The options vest immediately.

During the year ended May 31, 2021, 250,000 of the fully vested share options expired unexercised and 1,512,500 stock options were cancelled.

#### *Warrants*

##### For the period ended August 31, 2021:

On June 16, 2021, the Company issued 9,845,000 warrants and 483,600 brokers warrants related to private placement.

##### During the year ended May 31, 2021

On September 21, 2020, the Company granted 1,000,000 warrants valued at \$50,300 for the acquisition of exploration and evaluation assets.

During the year ended May 31, 2021, 375,000 warrants were exercised.

During the year ended May 31, 2021, 160,000 warrants expired unexercised.

For the year ended May 31, 2021, the Company experienced a net increase in its cash position by \$93,324 (2020 – decreased by \$68,591). At May 31, 2021, the Company had a working capital deficiency of \$886,598 (2020 restated - \$414,069). The primary source of financing was the loans received and the private placement completed during prior periods. Cash inflows of \$687,906 from investing activities (2020 –\$130,938) was attributable to the option out agreements entered by the Company for its mineral properties, deposits on sale of mineral properties and the sale of the marketable securities. Significant cash outflows consisted of the cash used in operating activities of \$687,764 for operations (2020 restated – \$458,594). Cash inflow of \$93,182 from financing activities (2020 – \$259,065) primarily attributed to repayment of promissory note and loans payable.

As the Company is an exploration company, it does not receive, nor does it anticipate receiving any revenue in the next fiscal year. The Company's interests do not currently generate cash flow from operations and, in order to continue operations and fund its expenditure commitments, it is dependent on equity financing through existing and new shareholders, third party financing, and cost sharing arrangements to fund its work programs and operations.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

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The Company has no off-balance sheet arrangements other than reported in the accompanying notes to the financial statements.

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**TRANSACTIONS WITH RELATED PARTIES AND EXECUTIVE COMPENSATION**

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Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. Amount advanced to the director(s) of the Company is for business purposes, such as travel and accommodation and is included in prepaid expenses. The amount due from (to) companies with directors in common was for shared office administration and occupancy expenses. Repayment terms, if any, are determined at the time of the advance. As at August 31, 2021, due to related parties amounted to \$7,718 (May 31, 2021 - \$8,649).

For the three months ended August 31, 2021 and 2020, the Company incurred the following amounts through transactions with directors of the Company:

	2021	2020
	- \$ -	- \$ -
Consulting fees	16,500	10,000
Share-based payments	13,725	-
	30,225	10,000

During the three months ended August 31, 2021, the Company:

- i. paid or accrued \$9,000 (2020 - \$10,000) to Dave Bissoondatt, a director of the Company in consulting fees.
- ii. paid or accrued \$7,500 (2020 - \$Nil) to England Communications Inc., a company owned by director of the Company in consulting fees.
- iii. granted 350,000 (2020 – Nil) stock options with a value of \$13,725 (2020 - \$Nil) to the spouse of directors of the Company for administrative services received.

**FINANCIAL INSTRUMENTS**

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The Company's financial instruments are comprised of cash, accounts payable, loans and due to related parties. The carrying value of cash and cash equivalents as presented in the statement of financial position is a reasonable estimate of its fair value.

Financial assets and liabilities measured at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value financial assets and liabilities are described below.

**Level 1 - Quoted Prices in Active Markets for Identical Assets**

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Cash and marketable securities are valued using quoted market prices in active markets. Accordingly, these are included in Level 1 of the fair value hierarchy.

**Level 2 - Significant Other Observable Inputs**

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability. There are no items in Level 2 of the fair value hierarchy.

**Level 3 - Significant Unobservable Inputs**

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Unobservable (supported by little or no market activity) prices. There are no items in Level 3 of the fair value hierarchy.

**Fair Values**

The following table outlines the Company's financial instruments measured at fair value by level with the fair value hierarchy described in Note 3. Assets and liabilities are classified based on the lowest level of input that is significant to the fair measurement.

As at August 31, 2021 and May 31, 2021, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
<b>August 31, 2021</b>				
Cash	\$ 52,879	\$ -	\$ -	\$ 52,879
Marketable securities	\$ 42,000	\$ -	\$ -	\$ 42,000
<b>May 31, 2021</b>				
Cash	\$ 103,581	\$ -	\$ -	\$ 103,581
Marketable securities	\$ 85,000	\$ -	\$ -	\$ 85,000

**Financial Instrument Risks**

The Company's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, market risk, liquidity risk and currency risk.

a) Credit risk

The Company is exposed to credit concentration risk by holding cash. This risk is minimized by holding the investments in large Canadian financial institutions. The Company has no accounts receivable exposure.

b) Interest rate risk

The Company is exposed to minimal interest rate risk. Fluctuations in market interest rates do not have a significant impact on the Company's operations.

c) Market risk

The Company is exposed to market risk for fluctuating values of its publicly traded marketable securities and other company investments. The Company has no control over these fluctuations and does not hedge its investments.

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at August 31, 2021, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at August 31, 2021, the Company had cash of \$52,879 (May 31, 2021 - \$103,581) and a working capital deficiency of \$826,282 (May 31, 2021 - \$886,598). The Company may not be able to settle accounts payable and accrued liabilities of \$417,175 (2020 - \$470,616), and loans payable of \$60,000 (2020 - \$96,631) which fall due for payment within twelve months of the statement of financial position date.

e) Currency risk

Currency risk is the risk from fluctuations in foreign exchange rates and the degree of volatility of these rates. As at August 31, 2021, the Company's cash is held in Canadian dollars and accordingly the Company's exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

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**LEGAL JUDGEMENT**

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On June 08, 2015, Pacific Centre Leaseholds Limited (the “Landlord”) filed a civil claim against the Company and three related companies for the unpaid lease payments and assessed damages pursuant to the amended lease agreements dated June 16, 2014. The assessed damages claimed by the Landlord for the breaches of the lease agreement are \$156,424 for arrears of rent prior to termination of the lease, \$70,316 for accelerated rent for December 2014, \$52,737 for accrued rent from April 2015 to July 2015, cost on a full indemnity basis, and accruing interest on the assessed amounts. The total amount claimed is \$279,477. As at August 31, 2021 and May 31, 2021, the Company accrued \$114,677 in accounts payable and accrued liabilities in connection with the outstanding amounts. In the Company’s opinion, it will not be liable for the other related companies’ portion of the amount claimed.

**PROPOSED TRANSACTIONS**

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The Company has no proposed transactions.

**CRITICAL ACCOUNTING ESTIMATES**

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For a detailed summary of the Company’s significant accounting estimates, the readers are directed to Note 3 of the Notes to the consolidated financial statements for the three months ended August 31, 2021 and 2020 that are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION**

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For a detailed summary of the Company’s significant accounting policies, the readers are directed to Note 3 of the Notes to the consolidated financial statements for the three months ended August 31, 2021 and 2020 that are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

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Detailed listing of exploration expenditures and a breakdown of general and administrative expenses are provided in the financial statements for the three ended August 31, 2021.

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**SHARE CAPITAL**

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As of date of this report, the Company had the following outstanding:

- 86,903,822 common shares
- Options

Outstanding	Exercisable	Exercise Price	Expiry Date
37,500	37,500	\$ 0.10	12-Jan-22
50,000	50,000	0.16	22-Feb-22
100,000	100,000	0.12	09-Mar-23
475,000	475,000	0.07	14-Sep-23
750,000	750,000	0.05	08-Nov-23
500,000	500,000	0.05	04-Jan-24
150,000	150,000	0.06	04-Jan-24
2,550,000	2,550,000	0.05	28-Aug-25
525,000	525,000	0.05	03-Sep-25
500,000	500,000	0.05	20-Apr-24
975,000	975,000	0.05	11-Aug-24
450,000	450,000	0.05	10-Sep-24
<b>7,062,500</b>	<b>7,062,500</b>		

- Warrants

Outstanding and Exercisable	Exercise Price	Expiry Date
5,400,000	\$ 0.05	December 20, 2021
6,710,000	0.06	November 28, 2022
10,328,600	0.05	June 16, 2023
1,000,000	0.055	September 21, 2023
7,000,000	0.06	October 25, 2023
<b>30,438,600</b>		

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## **OTHER MATTERS**

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### **Commitments:**

#### Flow-through shares tax liabilities

The Company entered into Flow-through Share Subscription Agreements in the calendar years ended December 31, 2010 and December 31, 2011 whereby it was committed to incur on or before December 31, 2012 a total of \$1,502,719 of qualifying Canadian Exploration Expenses (“CEE”) as described in the Income Tax Act of Canada. As at December 31, 2012, \$648,625 of the total amount was required to be fulfilled. As the Company did not fulfil the expenditure obligation, an aggregate of \$395,672 was accrued towards the penalties to be assessed by Canada Revenue Agency and the indemnification of the shareholders for the unfulfilled commitments.

The probability of settlement of the potential liability decreased sufficiently for the Company allowing it to derecognize the provision. As at August 31, 2021, the Company has an accrual of \$Nil towards the flow-through liabilities. The Company may be required to settle this potential liability in the future. The amount of actual claim, if any, is contingent on future assessments to the Company and its investors.

## **MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument (“NI”) 52-109 (Certification of Disclosure in Issuer’s Annual and Interim Filings), the Venture Issuer Basic Certification includes a ‘Note to Reader’ stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in NI 52-109.

## **RISKS**

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The Company is engaged in the exploration for and development of mineral deposits. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. The commercial viability of any material deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade, proximity to infrastructure, Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations.

The discovery, development and acquisition of mineral properties are in many respects, unpredictable events. Future metal prices, capital equity markets, the success of exploration programs and other property transactions can have a significant impact on capital requirements.

Although the Company has taken steps to verify the title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of the same, these procedures do not guarantee the Company’s title to these properties. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company’s current operations do not generate any positive cash flow and it is not anticipated that any positive cash flow will be generated for some time. The Company has limited financial resources and the mining claims, which impose financial obligations on the Company. There can be no assurance that additional funding will be available to allow the Company to fulfill such obligations.

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Further exploration and development of the various mineral properties in which the Company holds interests depends upon the Company's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Failure to obtain additional financing on a timely basis could cause the Company to forfeit all or part of its interests in some or all of its Resource Properties and reduce or terminate its operations.

The Company's properties are in the exploration stages only and are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. Exploration of properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company could be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of the properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to its current properties that may result in material liability to the Company.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, the 2019 novel coronavirus ("COVID-19") surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak and characterized it as a pandemic on March 11, 2020. The outbreak has spread throughout the world and there continue to be escalating cases of COVID-19 in Canada and the United States, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time. Such public health crises can result in volatility and disruptions in global supply chains, business operation and financial markets, as well as declining trade, market sentiment and reduced mobility of people, all of which could affect, interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, labour shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and prevention measures), decrease in sales, and delay, deferment or cancellation of potential partnerships and of the deployment of current and potential future extraction systems.

Annual losses are expected to continue until the Company has an interest in a mineral property that produces revenues. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The Company's accompanying financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

Any forward-looking information in this MD&A is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the Company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

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## **DIRECTORS**

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Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Current Directors of the Company are as follows:

Charles Desjardins, CEO, CFO

Mike England, Director

Dave Bissoondatt, Director

## **OUTLOOK**

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The Company's primary focus for the foreseeable future will be on reviewing its financial position, raising funds to support exploration and operational activities, continuing exploration activities on its mineral properties and financing business ventures in the mineral resource industry.

## **ADDITIONAL INFORMATION**

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Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company's website at [www.pegasusresourcesinc.com](http://www.pegasusresourcesinc.com), or by requesting further information from the Company's head office in Vancouver BC Canada.

Pegasus Resources Inc.

700 – 838 West Hastings

Vancouver, BC, V6C 0A6

Website: [www.pegasusresourcesinc.com](http://www.pegasusresourcesinc.com)

E-mail: [info@pegasusresourcesinc.com](mailto:info@pegasusresourcesinc.com)