
**PEGASUS RESOURCES INC.
(FORMERLY PISTOL BAY MINING INC.)**

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended

May 31, 2021 and 2020

Expressed in Canadian Dollars

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Directors of Pegasus Resources Inc. (formerly Pistol Bay Mining Inc.)

Opinion

We have audited the consolidated financial statements of Pegasus Resources Inc. (formerly Pistol Bay Mining Inc.) (the "Company"), which comprise the consolidated statements of financial position as at May 31, 2021 and 2020, and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years ended May 31, 2021 and 2020, and the related notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has a working capital deficiency and a cumulative deficit. As stated in Note 1, these events and conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information and Restatement

We draw attention to Note 20 to the consolidated financial statements, which describes that certain comparative information presented for the year ended May 31, 2020 has been restated as a result of accounting errors for exploration and evaluation expenditures and marketable securities. Our opinion is not modified in respect of this matter. Note 20 explains the reasons for the restatement and discloses the adjustments that were applied to restate certain comparative information. As part of our audit of the consolidated financial statements for the year ended May 31, 2021, we also audited the adjustments described in Note 20 that were applied to restate certain comparative information presented for the year ended May 31, 2020. In our opinion, such adjustments are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audits resulting in this independent auditors' report is Paul Joseph Leedham.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, British Columbia

September 28, 2021

PEGASUS RESOURCES INC. (FORMERLY PISTOL BAY MINING INC.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
AS AT MAY 31,

	2021	2020
		(Restated – Note 20)
ASSETS		
CURRENT ASSETS		
Cash	\$ 103,581	\$ 10,257
Taxes recoverable	9,025	5,674
Prepaid expenses	2,625	-
Marketable securities (Note 4)	85,000	184,875
	200,231	200,806
NON-CURRENT ASSETS		
Equipment (Note 5)	-	194
Exploration and evaluation assets (Note 6)	1,745,578	2,320,570
TOTAL ASSETS	\$ 1,945,809	\$ 2,521,570
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 5, 7, 16 and 17)	\$ 490,198	\$ 507,676
Loans payable (Note 9)	96,631	107,199
Deferred revenue (Note 6)	500,000	-
	1,086,829	614,875
EQUITY		
Share capital (Note 10)	25,597,781	25,416,309
Reserves (Note 11)	1,395,090	1,360,950
Subscriptions received in advance (Note 21)	65,000	-
Deficit	(26,198,891)	(24,870,564)
	858,980	1,906,695
TOTAL LIABILITIES AND EQUITY	\$ 1,945,809	\$ 2,521,570

NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)

COMMITMENTS AND CONTINGENCIES (Note 16)

SUBSEQUENT EVENTS (Note 21)

APPROVED BY THE BOARD OF DIRECTORS ON SEPTEMBER 28, 2021

ON BEHALF OF THE BOARD

<i>“Charles Desjardins”</i>	<i>“Dave Bissoondatt”</i>
Director	Director

The accompanying notes are an integral part of these consolidated financial statements.

PEGASUS RESOURCES INC. (FORMERLY PISTOL BAY MINING INC.)
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
YEARS ENDED MAY 31,

	2021	2020
		(Restated – Note 20)
EXPENSES		
Amortization	\$ 194	\$ 88
Business development and shareholder communications	117,744	60,380
Consulting fees (Note 12)	325,282	279,112
Office services and miscellaneous	62,113	47,825
Professional fees	78,647	88,808
Rent	35,208	39,569
Share-based payments (Notes 11 and 12)	195,691	25,986
Transfer agent and filing fees	43,660	26,845
	(858,539)	(568,613)
OTHER INCOME (EXPENSES)		
Interest expense (Note 8)	(15,559)	(33,334)
Unrealized gain (loss) on disposal of marketable securities (Note 4)	(19,702)	19,560
Realized gain on disposal of marketable securities (Note 4)	4,045	1,095
Taxes and interest related to flow-through shares (Note 7)	(4,912)	(4,411)
Write-off of exploration and evaluation assets (Note 6)	(636,789)	(25,000)
	(672,917)	(42,090)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (1,531,456)	\$ (610,703)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.02)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	69,531,425	57,999,575

The accompanying notes are an integral part of these consolidated financial statements.

PEGASUS RESOURCES INC. (FORMERLY PISTOL BAY MINING INC.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	<u>Share Capital</u>		<u>Reserves</u>			<u>Deficit</u>	<u>Subscriptions received in advance</u>	<u>Total</u>
	<u>Number of shares issued</u>	<u>Amount</u>	<u>Warrant reserve</u>	<u>Share-based payment reserve</u>				
Balance, May 31, 2019	50,333,822	\$ 25,016,571	\$ 607,203	\$ 807,147	\$ (24,341,210)	\$ -	\$ 2,089,711	
Private placement	12,550,000	251,000	-	-	-	-	251,000	
Shares issued for exploration and evaluation assets	5,450,000	155,500	-	-	-	-	155,500	
Share issuance costs	-	(6,762)	1,963	-	-	-	(4,799)	
Fair value of options granted	-	-	-	25,986	-	-	25,986	
Fair value of options expired	-	-	-	(81,349)	81,349	-	-	
Comprehensive loss for the year	-	-	-	-	(610,703)	-	(610,703)	
Balance, May 31, 2020 (Restated – Note 20)	68,333,822	25,416,309	609,166	751,784	(24,870,564)	-	1,906,695	
Shares and warrants issued for exploration and evaluation assets	2,100,000	114,000	50,300	-	-	-	164,300	
Shares issued for warrants exercised	375,000	18,750	-	-	-	-	18,750	
Shares issued for options exercised	400,000	28,722	-	(8,722)	-	-	20,000	
Shares issued for settlement debt	400,000	20,000	-	-	-	-	20,000	
Fair value of options granted	-	-	-	195,691	-	-	195,691	
Fair value of options expired	-	-	-	(203,129)	203,129	-	-	
Subscriptions received in advance	-	-	-	-	-	65,000	65,000	
Comprehensive loss for the year	-	-	-	-	(1,531,456)	-	(1,531,456)	
Balance, May 31, 2021	71,608,822	\$ 25,597,781	\$ 659,466	\$ 735,624	\$ (26,198,891)	\$ 65,000	\$ 858,980	

The accompanying notes are an integral part of these consolidated financial statements.

PEGASUS RESOURCES INC. (FORMERLY PISTOL BAY MINING INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
YEARS ENDED MAY 31,

	2021	2020
		(Restated – Note 20)
CASH FLOWS (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	\$ (1,531,456)	\$ (610,703)
Adjustments for non-cash items:		
Amortization	194	88
Accrued interest	6,058	33,334
Taxes and interest related to flow-through shares	4,912	4,411
Share-based payments	195,691	25,986
Unrealized (gain) loss on revaluation of marketable securities	19,702	(19,560)
Realized gain on sale of marketable securities	(4,045)	(1,095)
Write-off of exploration and evaluation assets	636,789	25,000
	(672,155)	(542,539)
Changes in non-cash working capital:		
Taxes recoverable	(3,351)	1,588
Prepaid expenses	(2,625)	-
Accounts payable and accrued liabilities	(9,633)	82,357
Net cash flow used in operating activities	(687,764)	(458,594)
INVESTING ACTIVITIES		
Exploration and evaluation assets, net	(84,997)	102,658
Deposits on sale of exploration and evaluation assets	500,000	-
Proceeds from sale of marketable securities	272,903	28,280
Net cash flow provided by investing activities	687,906	130,938
FINANCING ACTIVITIES		
Proceeds from loans payable	30,000	12,865
Repayment of promissory note and loans	(40,568)	-
Subscriptions received in advance	65,000	-
Proceeds from the issuance of common shares and exercise of stock options and warrants, net of share issuance costs	38,750	246,200
Net cash flows provided by financing activities	93,182	259,065
(DECREASE) INCREASE IN CASH	93,324	(68,591)
CASH, BEGINNING OF THE YEAR	10,257	78,848
CASH, END OF THE YEAR	\$ 103,581	\$ 10,257
Additional Cash Flow Information (Note 13)		

The accompanying notes are an integral part of these consolidated financial statements.

PEGASUS RESOURCES INC. (FORMERLY PISTOL BAY MINING INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Pegasus Resources Inc. (formerly Pistol Bay Mining Inc.) (the “Company”) was incorporated February 20, 1995 in the Province of British Columbia. The Company’s head office is 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.

On January 4, 2018, the Company incorporated a subsidiary, PB Blockchain Inc. (“PB” or “Subsidiary”) under the Business Acts in British Columbia. PB focuses on blockchain applications for mining and resource company management. Since its inception, there had been no business activities in PB, and the Company has decided not to pursue any activities in blockchain business in the future. During the years ended May 31, 2021 and 2020, PB was inactive.

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

These consolidated financial statements have been prepared with the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company’s ability to meet its obligations and maintain its current operations through the ensuing 12-month period and thereafter is contingent upon successful completion of additional financing arrangements and ultimately upon the discovery of proven reserves and generating profitable operations.

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. As at May 31, 2021, the Company has a working capital deficiency of \$886,598 (2020 restated – \$414,069) and an accumulated deficit of \$26,198,891 (2020 restated – \$24,870,564). Consequently, there is a material uncertainty that casts significant doubt on the Company’s ability to continue as a going concern. 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. 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 continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financing, and ultimately generate profitable operations in the future. The Company has no assurance that it will be successful in its efforts. 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.

PEGASUS RESOURCES INC. (FORMERLY PISTOL BAY MINING INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (CONTINUED)

These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

During the year ended May 31, 2021, the COVID-19 pandemic has caused 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. Consequently, the Company has limited access to capital and financing which is the primary source of cash for the Company. While the Company continues to monitor the investment portfolio and assess the impact that the COVID-19 will have on its business activities, the extent of the effect of the COVID-19 pandemic on the Company's future activities is uncertain.

2. BASIS OF PRESENTATION

Basis of preparation

The Company's consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair value, and are presented in Canadian dollars, except where otherwise indicated.

Statement of compliance

These consolidated financial statements have been prepared by management of the Company in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended May 31, 2021 were reviewed by the Audit Committee and approved and authorized for issue on September 28, 2021 by the Board of Directors of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue and expenses.

PEGASUS RESOURCES INC. (FORMERLY PISTOL BAY MINING INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant accounting judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statement are discussed below:

i) Deferred income taxes

The determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

ii) Provisions

The recognition of provisions for restoration, rehabilitation and environmental obligations.

iii) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

Significant accounting estimates

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

i) Share-based payments

Equity-settled share options are recognized as an expense based on their fair value at the date of grant. The fair value of share options is estimated through the use of the Black-Scholes Option Pricing Model, which requires inputs such as the risk-free interest rate, expected dividends, expected volatility and the expected option life. Using different input estimates or models would produce different fair values and result in the recognition of a higher or lower share-based payment.

ii) Exploration and evaluation costs

The estimated recovery value of the exploration and evaluation costs capitalized on the consolidated statement of financial position.

Principles of consolidation:

Control is achieved when the Company has the power to govern financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed from effective date of acquisition or up to the effective date of disposal are included, as appropriate.

All inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

PEGASUS RESOURCES INC. (FORMERLY PISTOL BAY MINING INC.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED MAY 31, 2021 AND 2020
(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

The consolidated financial statements are presented in Canadian dollar which is the Company's functional and presentation currency. The functional currency of the Company's subsidiary is the Canadian dollar. Transactions in foreign currencies are translated at rates in effect at the time of the transaction. Monetary assets and liabilities are translated at the exchange rate prevailing at the reporting date. Gains and losses are included in profit or loss.

Cash

Cash includes cash on hand and deposits held at call with financial institutions.

Equipment

Recognition and measurement

On initial recognition, equipment is valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Equipment is subsequently measured at cost less accumulated amortization, less any accumulated impairment losses.

When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Gains and losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized net within other income in profit or loss.

Amortization

One-half of the normal amortization is taken in the year of acquisition for equipment with declining balance method. The amortization rates applicable to each category of property and equipment are as follows:

Computer equipment	30% - 55% declining balance
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Exploration and evaluation assets

Costs incurred before the Company has obtained the legal rights to explore an area are expensed in the period in which they are incurred.

Costs incurred to acquire the legal right to explore a property are capitalized. Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures are recognized and capitalized on a property-by-property basis. These direct expenditures include such costs as surveying costs, drilling costs, labor and contractor costs, materials used and licensing and permit fees.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets (continued)

Once the technical feasibility and commercial viability of extracting the mineral resource have been determined the property is considered to be under development and is classified as development properties. The carrying value of exploration and evaluation assets is transferred to development properties after being tested for impairment.

Once commercial production has commenced all capitalized costs related to the property are transferred to producing properties and the costs of acquisition, exploration and development will be amortized over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in other income for the period. If a property is abandoned, the acquisition, deferred exploration and development costs will be written off to other expenses.

Currently, all mineral properties of the Company are at the exploration stage.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized; however, for corporate income tax purpose the Company has no right to claim these costs as tax deductible expenses.

Recorded costs of mineral properties and deferred exploration costs are not intended to reflect present or future values of resource properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge that changes in future conditions could require a material change in the recognized amount.

Payments on mineral property option agreements are made at the discretion of the Company and, accordingly, are recorded as incurred.

Impairment of long-lived assets

i) Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset, which can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the asset impaired. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-lived assets (continued)

ii) Non-financial assets

Exploration and evaluation assets are regularly reviewed for impairment or whenever events or changes in circumstances indicate that the carrying amount of reserve properties may exceed its recoverable amount. When an impairment review is undertaken, the recoverable amount is assessed by reference to the higher of the value in use and fair value less costs to sell. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the carrying amount of an asset exceeds the recoverable amount, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

When an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate and its recoverable amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Proceeds received on the issuance of units, consisting of common shares and warrants are allocated between the common share and warrant component. The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placement was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted price on the issuance date. The remaining proceeds, if any, are allocated to the attached warrants. Any fair value attributed to the warrants is recorded as warrant reserve. Management does not expect to record a value to the warrant in most equity issuances as unit private placements are commonly priced at market or at a permitted discount to market. If the warrants are issued as share issuance costs, the fair value of agent's warrants are measured using the Black-Scholes Option Pricing Model and recognized in equity as a deduction from the proceeds.

If the warrants are exercised, the related amount is reclassified as share capital. If the warrants expire unexercised, the related amount remains in warrant reserve.

Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Flow-through shares

The Company may from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company allocates the proceeds from flow-through shares into 1) share capital based on the fair value of the Company's shares at the date of issuance, and 2) a flow-through share premium, calculated based on the share issuance price and market price at the time of closing, if any, which is recognized as a liability. In accordance with IAS 12, *Income Taxes*, a deferred tax liability is recognized, with certain specific exceptions, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the consolidated statement of financial position and its tax base. Upon expenditures being incurred, the flow-through share premium is drawn down proportionately and recorded to either other income or deferred tax recovery. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing qualifying expenditures, the realization of the deductible temporary differences will be shown as a recovery in profit or loss in the period of renunciation.

Proceeds received from the issuance of flow-through shares must be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-Back Rule, in accordance with Canada Revenue Agency flow-through regulations. When applicable, this tax is accrued as a financial expense.

Earnings (loss) per share

Earnings (loss) per share is calculated on the basis of the weighted average number of common shares outstanding during the year. The Company follows the treasury share method to calculate the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Existing share options and share purchase warrants have not been included in the computation of diluted loss per share, as it would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the periods presented.

Share-based payments

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received, unless the fair value of the goods and services received cannot be reasonably measured, in which case they are measured using the fair value of the equity instruments issued. Expenses are recorded in the consolidated statement of net loss and comprehensive loss. Amounts related to the cost of issuing shares are recorded as a reduction of share capital. Amounts related to the issuance of shares for mineral interests are capitalized in mineral interests on the consolidated statement of financial position.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by using a valuation model.

All equity-settled share-based payments are reflected in share-based payments reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense. If the options expire or are forfeited, the corresponding amount previously recorded is transferred from share-based payments reserve to deficit.

Deferred Income taxes

Deferred income tax is recorded using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Financial instruments and risks

Under IFRS 9, *Financial Instruments*, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: 1) amortized cost, 2) fair value through other comprehensive income (FVTOCI), and 3) fair value through profit or loss (FVTPL).

Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. All financial asset and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as FVTPL. Subsequent measurement of financial assets and financial liabilities depends on the classifications of such assets and liabilities.

Classification – financial assets

Amortized cost:

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequent to initial recognition at amortized cost.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method, and is recognized in Interest and other income, on the consolidated statements of net loss and comprehensive loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As at May 31, 2021, the Company did not have any financial assets classified as amortized cost.

FVTOCI:

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and selling financial assets, and that the contractual terms of the financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings.

The Company currently has no financial assets designated as FVTOCI.

FVTPL:

By default, all other financial assets are measured subsequently at FVTPL. The Company's cash and marketable securities are designated as FVTPL.

Classification – financial liabilities

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading or designated as FVTPL, are measured at amortized cost using the effective interest method. Financial liabilities at amortized cost include accounts payable and loans payable.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the consolidated statements of net loss and comprehensive loss. The Company does not have any financial liabilities at FVTPL.

The Company has no hedging arrangements and does not apply hedge accounting.

A summary of the classification and measurement of the Company's financial instruments is set out below.

	IFRS 9
<u>Financial Asset</u>	
Cash	FVTPL
Marketable securities	FVTPL
<u>Financial Liabilities</u>	
Accounts payable	Amortized cost
Loans payable	Amortized cost

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3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New accounting standards and amendments adopted during the period

IAS 1 – *Presentation of Financial Statements* (“IAS 1”) and IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors* (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments became effective for the Company on June 1, 2020.

IFRIC 23 – *Uncertainty over Income Tax Treatments* – clarifies the accounting for uncertainties in income taxes. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. The standard became effective for the Company on June 1, 2020.

These standards did not have a material impact on the Company’s consolidated financial statements as at and for the year ended May 31, 2021.

4. MARKETABLE SECURITIES

During the year ended May 31, 2021, the Company:

- i) received 2,250,000 common shares of Infinite Ore Corp. valued at \$187,500 pursuant to the acquisition of the Company’s exploration and evaluation properties (Note 6).
- ii) sold 3,425,000 common share of Infinite Ore Corp. for proceeds of \$272,903 and recorded a realized gain of disposal of market securities of \$4,045.

As of May 31, 2021, the Company held 1,000,000 common shares of Infinite Ore Corp. valued at \$85,000. The valuation of the remaining shares resulted in an unrealized loss of \$19,702 during the year ended May 31, 2021.

During the year ended May 31, 2020, the Company:

- i) received 2,500,000 common shares of Infinite Ore Corp. valued at \$192,500 pursuant to the acquisition of the Company’s exploration and evaluation properties (Note 6).
- ii) sold 325,000 common share of Infinite Ore Corp. for proceeds of \$26,120 and recorded a realized gain of disposal of market securities of \$1,095.

As of May 31, 2020, the Company held 2,175,000 common shares of Infinite Ore Corp. valued at \$184,875. The valuation of the remaining shares resulted in an unrealized gain of \$19,560 during the year ended May 31, 2020.

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5. EQUIPMENT

	May 31, 2021			May 31, 2020		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer	\$ 41,370	\$ 41,370	\$ -	\$ 41,370	\$ 41,176	\$ 194

6. EXPLORATION AND EVALUATION ASSETS

Trillium Gold Inc. – Definitive Agreement

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

As of May 31, 2021, the transaction remains on-going and the Company is in negotiation to finalize the transfer of mineral claims. During the year ended May 31, 2021, the Company received cash consideration of \$500,000, which is presented as deferred revenue on the consolidated statement of financial position as at May 31, 2021.

a) 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. To earn the 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 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:

- Receive \$15,000 (received) on or before the date that is five business days after the TSX Venture Exchange (“Exchange”) Approval Date (February 12, 2020).
- Receive \$15,000 (received) on or before the date that is 6 months after the Exchange Approval Date (August 7, 2020).
- Receive \$30,000 (received) on or before the date that is 12 months after the Exchange Approval Date (February 7, 2021).
- Receive 500,000 common shares (received and valued at \$42,500) of Infinite Ore Corp. on or before the date that is five business days after the Exchange Approval Date (February 12, 2020).

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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Dixie Property, Ontario (continued)

- Receive 500,000 common shares of Infinite Ore Corp. (received and valued at \$62,500) on or before the date that is 12 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 12 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 24 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 24 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 region. To earn the 100% interest in the Dixie 3 property, the Company has made total cash payments of \$56,000 and issued a total of 1,200,000 common 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. 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 nine-month period as follows:

- Receive 2,000,000 common shares of Infinite Ore Corp. (received and valued at \$150,000) 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 7, 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) to the Company 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.

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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) AurCrest Property, Ontario

On October 21, 2016, and as amended on February 08, 2019, October 01, 2019 and subsequently on January 21, 2020, 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 has 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.

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 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 36-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 12 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).
- Receive 750,000 common shares of Infinite Ore Corp. on or before the date that is 12 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 24 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 12 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 24 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 36 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 and an annual advance royalty payment of \$10,000 to the vendors. 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 36-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.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) AurCrest Property, Ontario (continued)

- Receive \$150,000 on or before the date that is 12 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 12 months from Exchange Approval Date.
- Receive 2,000,000 common shares of Infinite Ore Corp. on or before the date that is 24 months from Exchange Approval Date.
- Infinite Ore Corp. will incur \$400,000 in exploration expenditures on or before the date that is 12 months from Exchange Approval Date.
- Infinite Ore Corp. will incur \$400,000 in exploration expenditures on or before the date that is 24 months from Exchange Approval Date.
- Infinite Ore Corp. will incur \$700,000 in exploration expenditures on or before the date that is 36 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.

c) Joy North Property, Ontario

On February 9, 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)
- 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 (September 12, 2019).
- Issue 150,000 common shares (issued at a fair value of \$4,500) to the optionor on or before the third-year anniversary of the approval date (February 21, 2020)
- Issue 100,000 common shares (issued and valued at \$4,000) on or before one year from the approval of the amendment by the Exchange (September 12, 2020).

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

c) Joy North Property, Ontario (continued)

- 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.

As the Company failed to make the \$37,500 payments by February 21, 2021, the option agreement was cancelled during the year ended May 31, 2021. The Company recorded an impairment of \$96,449 for the year ended May 31, 2021.

d) 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 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 at a fair value of \$28,000) to the optionors upon Exchange approval (approval date was on April 27, 2017)
- Pay \$16,000 (paid) and issue 250,000 common shares (issued at a fair value of \$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 at a fair value of \$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 at a fair value of \$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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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

e) 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 at a fair value of \$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 at a fair value of \$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.

f) Vanadium Project, Nevada, USA

On April 3, 2019, the Company entered into an option agreement to acquire a 100% interest in the 49 mineral claims located in Clark County Nevada, USA.

Pursuant to the option agreement to acquire a 100% interest in the property, the Company is required to pay a total of \$150,000 USD upon Exchange approval and issue an aggregate 8,000,000 common shares as follows:

- \$15,000 USD (outstanding) on the date of execution of the agreement (April 03, 2019).
- \$50,000 USD (outstanding) upon Exchange approval (April 16, 2019).
- \$100,000 USD (outstanding) six months post Exchange approval (October 16, 2019)
- 8,000,000 common shares (issued at a fair value of \$480,000) on the five dates following the approval (April 20, 2019)

A 2% Net Milling Returns Royalty on the Properties (the "Royalty"); including the right of the Company 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.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

g) Cabin Bay Area, Red Lake, Ontario

On July 26, 2019, the Company entered into an option agreement to acquire a 100% interest in the 104 mining cells located in Cabin Bay Area, Red Lake Mining Division, Ontario. Pursuant to the option agreement to acquire 100% interest in the property, the Company is required to pay a total of \$82,500 USD and upon Exchange approval and issue an aggregate of 3,000,000 common shares in a period of three years.

The Optionee shall have the right at any time to purchase one-half (1/2) of the NSR Royalty, being one percent (1%), from the Optionor in consideration of the payment to the Optionor of \$1,000,000, thereby leaving the Optionor with a one percent (1%) NSR Royalty. On December 31, 2019, the Company decided that it will not be proceeding with the 100% option on the Cabin Bay Area, Red Lake Ontario property also known as the Pakwash South Property.

On January 6, 2020, the directors in their meeting decided to terminate the option agreement. An amount of \$25,000 has been charged to impair this property on the consolidated statement of net loss and comprehensive loss for the year ended May 31, 2020.

h) North Pakwash Lake, Ontario

On September 9, 2019, the Company entered into an option agreement to acquire 100% right, title, and interest in the North Pakwash Lake Area, Ontario. Pursuant to the option agreement, the Company is required to pay an aggregate of \$45,000 in cash and issue 500,000 common shares over a period of three years as follows:

- Pay \$7,500 (paid) upon execution of the agreement (September 9, 2019)
- Issue 250,000 common shares (issued and valued at \$7,500) upon the approval from Exchange (September 26, 2019)
- Pay \$7,500 (paid) and issue 250,000 common shares (issued and valued at \$10,000) on or before one year from the date of approval from Exchange (September 25, 2020)
- Pay \$10,000 on or before the two years from the date of approval from Exchange (September 25, 2021)
- Pay \$20,000 on or before three years from the date of approval from Exchange (September 25, 2022)

Immediately on the optionee satisfying all the condition set out as 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.

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

i) 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.

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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

j) Icefield Project, 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:

- (i) Pay \$10,000 (outstanding) upon signing of the agreement (September 9, 2020).
- (ii) Pay \$15,000 in cash (outstanding), issue 1,000,000 common shares (issued and valued at \$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).
- (iii) Pay \$25,000 in cash, issue 1,000,000 common shares, and 1,000,000 share warrants or the first anniversary of the exchange approval date (September 10, 2021).
- (iv) Issue 5,000,000 common shares on the second anniversary of the Exchange approval date (September 10, 2022).

Immediately upon satisfying all of the conditions set out above, the Company will be deemed to have exercised and to have the option to earn a 100% interest in property, 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 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 execution of the agreement and remains unpaid as of May 31, 2021.

k) Millionara, Gold Property, Nevada

On March 23, 2021, the Company entered into an option agreement to acquire 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.

6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

k) Millionara, Gold Property, Nevada (continued)

Share issuances

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

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.

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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

For the year ended May 31, 2020, the exploration and evaluation assets consisted of the following:

	Dixie Property, Ontario	Aurcrest Property, Ontario	Joy North Property, Ontario	Lucky 7 Property, Ontario	Mitchell, Gerry Lake, Karas Lake Property, Ontario	Red Lake, Cabin Bay Property, Ontario	Vanadium Project, Nevada, USA	North Pakwash Lake, Ontario	James Bay Property	Total
BALANCE MAY 31, 2019	\$ 520,154	\$ 1,159,226	\$ 83,949	\$ 142,899	\$ 51,000	\$ -	\$ 528,000	\$ -	\$ -	\$ 2,485,228
ACQUISITION COSTS:										
Cash	43,000	57,500	-	7,500	-	-	-	-	7,000	115,000
Shares	10,500	66,000	8,500	8,000	-	20,000	-	7,500	30,000	150,500
Revaluation of shares	-	-	-	-	-	5,000	-	-	-	5,000
Total acquisition costs	53,500	123,500	8,500	15,500	-	25,000	-	7,500	37,000	270,500
EXPLORATION COSTS:										
Groundwork	-	6,140	-	2	5,000	-	-	-	-	11,142
Consulting	-	(10,000)	-	-	-	-	-	-	-	(10,000)
Staking	1,200	-	-	-	-	-	-	-	-	1,200
Total exploration costs	1,200	(3,860)	-	2	5,000	-	-	-	-	2,342
Option out	(307,500)	(105,000)	-	-	-	-	-	-	-	(412,500)
Write-off	-	-	-	-	-	(25,000)	-	-	-	(25,000)
BALANCE MAY 31, 2020 (Restated – Note 20)	\$ 267,354	\$ 1,173,866	\$ 92,449	\$ 158,401	\$ 56,000	\$ -	\$ 528,000	\$ 7,500	\$ 37,000	\$ 2,320,570

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6. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

For the year ended May 31, 2021, the exploration and evaluation assets consisted of the following:

	Dixie Property, Ontario	Aurcrest Property, Ontario	Joy North Property, Ontario	Lucky 7 Property, Ontario	Mitchell, Gerry Lake, Karas Lake Property, Ontario	Vanadium Project, Nevada, USA	North Pakwash Lake, Ontario	James Bay Property	Icefield Project	Millionara Gold Property	Total
BALANCE MAY 31, 2020 (Restated – Note 20)	\$ 267,354	\$ 1,173,866	\$ 92,449	\$ 158,401	\$ 56,000	\$ 528,000	\$ 7,500	\$ 37,000	\$ -	\$ -	\$ 2,320,570
ACQUISITION COSTS:											
Cash	-	-	-	34,000	54,000	-	7,500	-	-	39,221	134,721
Shares	-	-	4,000	-	-	-	10,000	-	55,000	45,000	114,000
Warrants	-	-	-	-	-	-	-	-	50,300	-	50,300
Total acquisition costs	-	-	4,000	34,000	54,000	-	17,500	-	105,300	84,221	299,021
EXPLORATION COSTS:											
Assays	-	-	-	-	-	-	-	-	5,714	3,650	9,364
Consulting expenses	-	1,197	-	-	399	-	-	-	57,233	-	58,829
Staking	-	12,750	-	-	-	12,340	-	-	6,793	-	31,883
Field expenses	-	-	-	-	-	-	-	-	3,629	-	3,629
Meals and lodging	-	-	-	-	-	-	-	-	11,571	-	11,571
Total exploration costs	-	13,947	-	-	399	12,340	-	-	84,940	3,650	115,276
Option out - cash	(45,000)	(120,000)	-	-	-	-	-	-	-	-	(165,000)
Option out - shares	(62,500)	(125,000)	-	-	-	-	-	-	-	-	(187,500)
Write-off	-	-	(96,449)	-	-	(540,340)	-	-	-	-	(636,789)
BALANCE May 31, 2021	\$ 159,854	\$ 942,813	\$ -	\$ 192,401	\$ 110,399	\$ -	\$ 25,000	\$ 37,000	\$ 190,240	\$ 87,871	\$ 1,745,578
TOTAL COSTS:											
Acquisition costs	357,500	418,500	27,850	143,500	105,000	528,000	25,000	37,000	105,300	84,221	1,831,871
Exploration costs	217,354	874,313	68,599	48,901	5,399	12,340	-	-	84,940	3,650	1,315,496
Receipts from option out	(415,000)	(350,000)	-	-	-	-	-	-	-	-	(765,000)
Write-off	-	-	(96,449)	-	-	(540,340)	-	-	-	-	(636,789)
BALANCE May 31, 2021	\$ 159,854	\$ 942,813	\$ -	\$ 192,401	\$ 110,399	\$ -	\$ 25,000	\$ 37,000	\$ 190,240	\$ 87,871	\$ 1,745,578

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7. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	May 31, 2021	May 31, 2020
Accounts payable and accrued liabilities ⁽¹⁾	\$ 375,520	\$ 374,369
Flow-through tax liabilities	-	23,041
Penalties assessed ⁽²⁾	114,678	110,266
	\$ 490,198	\$ 507,676

⁽¹⁾ The amount of accounts payable as at May 31, 2021 mainly comprises of the expenditure on mineral properties, accounting fees, rent, consulting fees and an accrual towards a contingent liability (Note 16).

⁽²⁾ During the year ended May 31, 2015, the Canada Revenue Agency conducted an audit of the Company's corporate and payroll records and assessed total penalties of \$88,213 under the Income Tax Act. During the period ended May 31, 2021, the Company has accrued interest and penalties of \$4,912 (2020 - \$4,411) for each period towards the amounts owing.

8. PROMISSORY NOTE

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 interest of \$5,000 on or before November 1, 2020. If the amount is not paid at the due date, interest of \$1,000 will be charged for each period of 30 days the amount remains outstanding.

	Outstanding balance as at May 31, 2021
Principal amount	\$ 25,000
Interest	9,000
Repayment	(34,000)
	\$ -

9. LOANS PAYABLE

Loan Date	Principal amount	Outstanding balance as at May 31, 2021	Outstanding balance as at May 31, 2020
2018-11-29 ⁽¹⁾	\$ 92,056	\$ 33,131	\$ 33,131
2019-03-29 ⁽¹⁾	60,000	60,000	60,000
2019-07-02 ⁽¹⁾	17,500	3,500	3,500
2019-11-05 ⁽²⁾	10,000	-	10,568
	\$ 179,556	\$ 96,631	\$ 107,199

On October 2, 2020, the Company also received a loan of \$5,000 from an individual, which is unsecured, non-interest bearing and due on demand. The loan was repaid during the year ended May 31, 2021.

⁽¹⁾ The loans are unsecured, non-interest bearing and due on demand.

⁽²⁾ The loan had an annual interest rate of 10%. During the year ended May 31, 2021, it was fully repaid.

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10. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares without par value.

The balance of share capital as at May 31, 2021 and 2020 comprises of the following:

	Balance as at,	
	May 31,	May 31,
	2021	2020
Common Stock	\$ 27,571,301	\$ 27,389,829
Share Issuance cost	(1,973,520)	(1,973,520)
Total	\$ 25,597,781	\$ 25,416,309

During the year ended May 31, 2021

- i. On September 21, 2020, the Company issued 1,000,000 common shares valued at \$55,000 for the acquisition of exploration and evaluation assets (Note 6).
- ii. On October 21, 2020, the Company issued 100,000 common shares valued at \$4,000 for the acquisition of exploration and evaluation assets (Note 6).
- iii. On October 21, 2020, the Company issued 250,000 common shares valued at \$10,000 for the acquisition of exploration and evaluation assets (Note 6).
- iv. On February 19, 2021, the Company issued 375,000 common shares pursuant to the exercise of warrants for gross proceeds of \$18,750.
- v. On March 26, 2021, the Company issued 750,000 common shares valued at \$45,000 for the acquisition of exploration and evaluation assets (Note 6).
- vi. On April 20, 2021, the Company issued 400,000 common shares pursuant to the exercise of options for gross proceeds of \$20,000.
- vii. 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.

During the year ended May 31, 2020

- i. On August 1, 2019, the Company issued 500,000 common shares valued at \$20,000 for the acquisition of exploration and evaluation assets. Subsequent to the issuance, the shares were revalued at \$25,000 (Note 6).
- ii. On September 1, 2019, the Company issued 100,000 common shares valued at \$4,000 for the acquisition of exploration and evaluation assets (Note 6).

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10. SHARE CAPITAL (CONTINUED)

- iii. On September 26, 2019, the Company issued 250,000 common shares valued at \$7,500 for the acquisition of exploration and evaluation assets (Note 6).
- iv. On October 1, 2019, the Company issued 300,000 common shares valued at \$6,000 for the acquisition of exploration and evaluation assets (Note 6).
- v. On December 20, 2019, the Company closed this private placement and issued an aggregate of 12,550,000 units at a price of \$0.02. Each unit consists of one common share and one-half of one transferrable warrant, with each full warrant entitling the holder to acquire an additional common share of the Company at a price \$0.05 for a period of 12 months from the date of issuance.

In connection with the private placement, the Company paid a total finder fees of \$4,800 and issued 160,000 non-transferrable broker warrants. Each broker warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.05 for a period of 12 months of closing.

- vi. On January 15, 2020, the Company issued 350,000 common shares valued at \$10,500 for the acquisition of exploration and evaluation assets (Note 6).
- vii. On February 5, 2020, the Company issued 3,000,000 common shares valued at \$90,000 for the acquisition of exploration and evaluation assets (Note 6).
- viii. On February 21, 2020, the Company issued 150,000 common shares valued at \$4,500 for the acquisition of exploration and evaluation assets (Note 6).
- ix. On April 27, 2020, the Company issued 800,000 common shares valued at \$8,000 for the acquisition of exploration and evaluation assets (Note 6).

Share Options

Under the Company's share option plan, the Company may grant options to employees, consultants and directors up to 10% of the issued and outstanding share capital at the date of grant. The exercise price of the options granted will be no less than the discounted market price of the Company's shares and the maximum term of the options will be 10 years or such longer term as permitted by the Exchange.

Share options granted to directors, employees and consultants, other than employees or consultants engaged in Investor Relations activities, will vest fully on the date of grant. Share options granted to employees or consultants engaged in Investor Relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the share options vesting in any three-month period.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate. The pricing models adopted by management do not necessarily provide a consistent single measure of the fair value of the Company's share options and other share-based transactions.

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10. SHARE CAPITAL (CONTINUED)

Share Options (continued)

A summary of share options outstanding is as follows:

	Outstanding and exercisable	Weighted Average Exercise Price (\$)	Weighted Average Years to Expiry
Balance at May 31, 2019	3,137,500	0.11	2.83
Granted	1,750,000	0.05	
Expired and cancelled	(375,000)	0.20	
Balance at May 31, 2020	4,512,500	0.08	1.73
Granted	4,425,000	0.05	
Exercised	(400,000)	0.05	
Expired and cancelled	(1,762,500)	0.08	
Balance at May 31, 2021	6,775,000	0.07	1.62

As at May 31, 2021, the Company had share purchase options outstanding to directors, officers, employees and consultants as follows:

Outstanding	Exercisable	Exercise Price	Expiry Date	Contractual life (in years)
75,000	75,000	\$ 0.11	06-Jul-21	0.10
350,000	350,000	0.05	17-Jul-21	0.13
12,500	12,500	0.11	28-Jul-21	0.16
150,000	150,000	0.16	18-Aug-21	0.22
350,000	350,000	0.17	02-Sep-21	0.26
37,500	37,500	0.10	12-Jan-22	0.62
50,000	50,000	0.16	22-Feb-22	0.73
100,000	100,000	0.12	09-Mar-23	1.77
475,000	475,000	0.07	14-Sep-23	2.29
750,000	750,000	0.05	08-Nov-23	2.44
500,000	500,000	0.05	04-Jan-24	2.60
150,000	150,000	0.06	04-Jan-24	2.60
500,000	500,000	0.50	20-Apr-24	2.89
2,750,000	2,750,000	0.05	28-Aug-25	4.25
525,000	525,000	0.05	03-Sep-25	4.26
6,775,000	6,775,000			

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10. SHARE CAPITAL (CONTINUED)

Share Options (continued)

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 \$119,991 was estimated using the Black-Scholes Option Pricing Model with estimated, stock price of \$0.04, volatility range from 177% to 182%, risk-free rate 0.40%, dividend yield 0%, and expected life of 5 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 Option 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. The options vested immediately.
- 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 Option 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. The options vested immediately.
- 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 \$6,900 was estimated using the Black-Scholes Option 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. The options vest immediately.
- 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 Option Pricing Model with estimated, stock price of \$0.05, volatility 152.43%, risk-free rate 0.47%, dividend yield 0%, and expected life of 3 years. The options vest immediately.

During the year ended May 31, 2021, 250,000 of the stock options expired unexercised and 1,512,500 stock options were cancelled. The Company has reclassified a total of \$203,129 from contributed surplus to deficit as a result of the expired and cancelled options.

During the year ended May 31, 2020:

- i. On July 17, 2019, the Company granted 1,750,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. The fair value of \$38,157 was estimated using the Black-Scholes Option Pricing Model with estimated, stock price of \$0.03, volatility 173.81%, risk-free rate 2.26%, dividend yield 0%, and expected life of 2 years.

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10. SHARE CAPITAL (CONTINUED)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	May 31, 2021	May 31, 2020
Risk-free interest rate	0.44%	2.26%
Exercise price	\$0.05	\$0.05
Expected life of options	3.93 years	2.00 years
Expected annualized volatility	149.74%	173.81%
Expected dividend rate	-	-

Warrants

Details of warrants outstanding as at May 31, 2021 are as follows:

Outstanding and Exercisable	Exercise price	Expiry Date	Weighted average life (in years)
5,900,000	0.05	December 20, 2021 ^[3]	0.56
7,110,000	0.06	November 28, 2022 ^[2]	1.50
1,000,000	0.055	September 21, 2023	2.31
8,500,000	0.06 ^[1]	October 25, 2023 ^[1]	2.40
22,510,000			

^[1] 8,500,000 share warrants exercise price was reduced from \$0.08 to \$0.06 pursuant to Exchange approval on February 19, 2019. On April 9, 2020, the Company extended the expiry of the share warrants (originally issued on November 09, 2018 and amended February 19, 2019) from April 25, 2020 to October 25, 2023.

^[2] extended the expiry of the share warrants from November 28, 2020 to November 28, 2022.

^[3] extended the expiry of the share warrants from December 20, 2020 to December 20, 2021.

A summary of changes in share purchase warrants outstanding is as follows:

	Outstanding and exercisable	Weighted average exercise price	Weighted average number of years to expiry
Balance at May 31, 2019	15,650,000	\$ 0.06	0.54
Granted	6,435,000	0.01	-
Expired	(40,000)	0.05	-
Balance at May 31, 2020	22,045,000	0.06	0.28
Granted	1,000,000	0.055	-
Exercised	(375,000)	0.05	-
Expired	(160,000)	0.05	-
Balance at May 31, 2021	22,510,000	\$ 0.06	1.69

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10. SHARE CAPITAL (CONTINUED)

During the year ended May 31, 2021

During the year ended May 31, 2021, the Company issued 1,000,000 warrants for exploration and evaluation assets (Note 6).

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

375,000 warrants were exercised for equivalent units of common shares of the Company during the year ended May 31, 2021.

During the year ended May 31, 2020

During the year ended May 31, 2020, 40,000 warrants expired unexercised.

On December 20, 2019, the Company granted 6,435,000 warrants to investors and 160,000 finders' warrants to brokers for the private placement closed on December 23, 2019.

The following weighted average assumptions were used for the Black-Scholes valuation of warrants granted:

	May 31, 2021	May 31, 2020
Risk-free interest rate	0.26%	2.27%
Exercise price		
Expected life of warrants	3.00 years	1.00 year
Expected annualized volatility	158.56%	150.67%
Expected dividend rate	0.00%	0.00%

11. RESERVES

Share-based payment reserve

The share option reserve records items recognized as share-based payments expense until such time that the share options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire or are forfeited, the corresponding amount previously recorded is transferred from share-based payments reserve to deficit.

Balance, May 31, 2019	\$	807,147
Granted		25,986
Fair value of share options expired and cancelled		(81,349)
Balance, May 31, 2020		751,784
Granted		195,691
Fair value of share options exercised		(8,722)
Fair value of share options expired		(203,129)
Balance, May 31, 2021	\$	735,624

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11. RESERVES (CONTINUED)

Warrant reserve

The warrant reserve records items recognized as warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount previously recorded remains in warrant reserves.

Balance, May 31, 2019	\$	607,203
Agent warrants granted		1,963
Balance, May 31, 2020		609,166
Warrants issued for exploration and valuation assets (Note 6)		50,300
Balance, May 31, 2021	\$	659,466

12. RELATED PARTY TRANSACTIONS

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. As at May 31, 2021, due to related parties amounted to \$8,649 (2020 – \$Nil) included in accounts payable and accrued liabilities on the consolidated statements of financial position.

During the years ended May 31, 2021 and 2020, the Company incurred the following amounts through transactions with directors and officers of the Company:

		2021		2020
Consulting fees	\$	52,000	\$	39,000
Share-based payments		5,738		-
	\$	57,738	\$	39,000

Key Management Compensation:

Key management includes directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management is as follows:

During the year ended May 31, 2021, the Company:

- i. paid or accrued \$52,000 to a director of the Company (2020 - \$39,000) in consulting fees.
- ii. granted 125,000 (2020 – Nil) stock options with a value of \$5,738 (2020 - \$Nil) to the spouse and son of directors of the Company for administrative services received.

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13. ADDITIONAL CASH FLOW INFORMATION

During the years ended May 31, 2021 and 2020, the Company incurred non-cash financing and investing activities and cash paid for interest and income taxes as follows:

	For year ended	
	May 31, 2021	May 31, 2020
Cash paid for:		
Interest	\$ 9,000	\$ -
Income taxes	-	-
Non-cash financing activities and investing activities:		
Fair value of options granted and vested	195,691	25,986
Fair value of agent warrants granted	-	1,963
Fair value adjustment for options exercised	8,722	81,349
Fair value adjustment for options expired	203,129	-
Non-cash share issuance cost	-	1,963
Shares issued for exploration and evaluation assets	114,000	155,500
Shares issued for settlement of debt	20,000	-
Warrants issued for exploration and evaluation assets	50,300	-
Marketable securities received for exploration and evaluation assets	187,500	192,500

14. CAPITAL MANAGEMENT

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 pursue the development of its mineral properties; 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 makes adjustments to 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. The Company is not subject to any externally imposed capital requirements.

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15. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments are comprised of cash, marketable securities, accounts payable, and loans payable. The carrying value of cash as presented in the consolidated statements 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

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 above. Assets and liabilities are classified based on the lowest level of input that is significant to the fair measurement.

As at May 31, 2021 and 2020, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
May 31, 2021				
Cash	\$ 103,581	\$ -	\$ -	\$ 103,581
Marketable securities	85,000	-	-	85,000
May 31, 2020				
Cash	\$ 10,257	\$ -	\$ -	\$ 10,257
Marketable securities (restated – Note 20)	184,875	-	-	184,875

15. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

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 corporate 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 May 31, 2021, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at May 31, 2021, the Company had cash of \$103,581 (2020 - \$10,257) and a working capital deficiency of \$886,598 (2020 restated – \$414,069). The Company may not be able to settle accounts payable and accrued liabilities of \$490,198 (2020 - \$507,676), and loans payable of \$96,631 (2020 - \$107,199) which fall due for payment within 12 months of the consolidated 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. At May 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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16. COMMITMENTS AND CONTINGENCIES

Flow-through shares tax liabilities

The Company entered into Flow-through Share Subscription Agreements in the calendar year 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 over the years. As at May 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.

Contingencies

From time to time, the Company is involved in litigation in the normal course of its business. The outcome of ongoing litigation is undeterminable and no amount of loss or gain resulting from ongoing litigation can be reasonably estimated other than those already disclosed in these consolidated financial statements. Management does not believe that the impact of any outstanding lawsuits will have a significant impact on its consolidated financial statements.

17. LEGAL JUDGEMENT

On June 8, 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 amount claimed is \$279,477. As at May 31, 2021 and 2020, the Company has accrued \$114,677 in accounts payable and accrued liabilities (Note 7) 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.

18. SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment, as its subsidiary has no activities. The acquisition, exploration and development of mineral properties are in Canada. All of the Company’s assets and expenditures are located in Canada. Since the Company does not have any revenue producing activities, there is no segment information by revenues.

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19. INCOME TAXES

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2021	2020
	\$	\$
Net loss before income taxes	(1,531,456)	(610,703)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(413,000)	(165,000)
Permanent differences and other	75,000	(172,000)
Change in deferred tax assets not recognized	338,000	337,000
Income tax expense (recovery)	-	-

Details of deferred tax assets and liabilities are as follows:

	2021	2020
	\$	\$
Loss carry-forwards	2,792,000	2,616,000
Exploration and evaluation assets	1,160,000	996,000
Share issuance costs	1,000	4,000
Deductible capital losses carry-forward	8,000	8,000
Others	5,000	4,000
Deferred tax asset not recognized	(3,966,000)	(3,628,000)
Net deferred tax asset	-	-

Management has determined that there is insufficient likelihood of recovery to record a benefit arising from potential tax assets. Accordingly, no deferred tax asset has been recognized. The Company has non-capital losses of approximately \$10,340,000 which begin expiring in 2026 and can be applied against income in the future years.

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20. RESTATEMENT

During the preparation of the consolidated financial statements for the year ended May 31, 2021, the Company identified an error in the accounting treatment of the marketable securities received in the fiscal 2020 period. The Company identified that the common shares received for exploration and evaluation assets were valued using the incorrect date, which resulted in the overstatement of exploration and evaluation assets and understatement of marketable securities as at May 31, 2020. These adjustments, cumulatively, impacted the consolidated statement of financial position as at May 31, 2020 and the consolidated statement of net loss and comprehensive loss for the year ended May 31, 2020.

The table below summarizes the restated consolidated financial statements for May 31, 2020:

Consolidated Statement of Financial Position

	As previously reported	Notes	Adjustments	As restated
	\$		\$	\$
Marketable securities	149,130	a	42,500	184,875
		b	(1,460)	
		b	(5,295)	
Exploration and evaluation assets	2,363,070	a	(42,500)	2,320,570
Deficit	(24,863,809)	d	(6,755)	(24,870,564)

Consolidated Statement of Net Loss and Comprehensive Loss

	As previously reported	Notes	Adjustments	As restated
	\$		\$	\$
Other expenses				
Realized gain (loss) on disposal of marketable securities	2,555	b	(1,460)	1,095
Unrealized gain (loss) on marketable securities	24,855	c	(5,295)	19,560
Net loss and comprehensive loss for the year	(603,948)	d	(6,755)	(610,703)

Restatement adjustments

- a) The adjustment is to correct the valuation of 500,000 Infinite Ore Corp. shares received for Dixie 17-20 property option out in the prior year based on the stock price on issuance date (February 10, 2020).
- b) The adjustment is to record the actual realized loss on sales of marketable securities during the year ended May 31, 2020.
- c) The adjustment is to record the change in fair value of the marketable securities during the year ended May 31, 2020.
- d) As a result of the above adjustments, the comprehensive loss attributable to the Company increased by \$6,755.

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21. SUBSEQUENT EVENTS

Subsequent to May 31, 2021, the Company:

- i) 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, of which \$65,000 was received during the year ended May 31, 2021. 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. 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.

- ii) granted 1,275,000 share options to consultants, which are exercisable until August 11, 2024, at a price of \$0.05 per share.
- iii) granted 450,000 share options to consultants, which are exercisable until September 10, 2024, at a price of \$0.05 per share.
- iv) Granted 600,000 share options to consultants, which are exercisable until September 24, 2024, at a price of \$0.08 per share.