
PEGASUS RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended

May 31, 2022 and 2021

Expressed in Canadian Dollars

Independent Auditor's Report

To the Shareholders of Pegasus Resources Inc.

Opinion

We have audited the consolidated financial statement of Pegasus Resources Inc. (the "Group"), which comprise the consolidated statement of financial position as at May 31, 2022 and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statement present fairly, in all material respects, the consolidated financial position of the Group as at May 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of Pegasus Resources Inc. for the year ended May 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on September 28, 2021.

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 International Financial Reporting Standards, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 audit. 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 audit 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group 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 Group 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 audit resulting in this independent auditor's report is Diana Huang.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada Canada
September 28, 2022**

PEGASUS RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	May 31, 2022	May 31, 2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 94,929	\$ 103,581
Taxes recoverable	24,037	9,025
Prepaid expenses	-	2,625
Marketable securities (Note 5)	371,393	85,000
	490,359	200,231
NON-CURRENT ASSETS		
Reclamation bond (Note 6)	18,612	-
Exploration advance	55,685	-
Exploration and evaluation assets (Note 7)	1,782,364	1,745,578
TOTAL ASSETS	\$ 2,347,020	\$ 1,945,809
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 8,13,17, and 18)	\$ 531,283	\$ 490,198
Loans payable (Notes 10)	60,000	96,631
Promissory note payable (Notes 9)	65,860	-
Deposit (Note 7)	-	500,000
	657,143	1,086,829
EQUITY		
Share capital (Note 11)	27,227,004	25,597,781
Reserves (Notes 11 and 12)	1,557,582	1,395,090
Subscriptions received in advance	-	65,000
Deficit	(27,094,709)	(26,198,891)
	1,689,877	858,980
TOTAL LIABILITIES AND EQUITY	\$ 2,347,020	\$ 1,945,809

NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)
 COMMITMENTS AND CONTINGENCIES (Note 17)
 SUBSEQUENT EVENTS (Note 21)

APPROVED BY THE BOARD OF DIRECTORS ON SEPTEMBER 28, 2022

ON BEHALF OF THE BOARD

<i>"Charles Desjardins"</i>	<i>"Dave Bissoondatt"</i>
Director	Director

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

PEGASUS RESOURCES INC.**CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS**

(EXPRESSED IN CANADIAN DOLLARS)

YEARS ENDED MAY 31,

	2022	2021
EXPENSES		
Amortization	\$ -	\$ 194
Business development and shareholder communications	253,530	117,744
Consulting fees (Note 13)	334,200	325,282
Office services and miscellaneous	82,773	62,113
Professional fees	115,782	78,647
Rent	35,361	35,208
Share-based payments (Notes 11, 12 and 13)	322,800	195,691
Transfer agent and filing fees	43,022	43,660
	(1,187,468)	(858,539)
OTHER INCOME (EXPENSES)		
Interest expense (Note 9)	(5,860)	(15,559)
Unrealized loss on revaluation of marketable securities (Note 5)	(286,419)	(19,702)
Realized gain (loss) on disposal of marketable securities (Note 5)	(54,410)	4,045
Taxes and interest related to flow-through shares (Note 8)	(4,409)	(4,912)
Gain on sale of exploration and evaluation assets (Note 7)	727,755	-
Gain on settlement of debt (Note 8)	10,327	-
Write-off of exploration and evaluation assets (Note 7)	(223,939)	(636,789)
	163,045	(672,917)
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ (1,024,423)	\$ (1,531,456)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.01)	\$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	87,196,940	69,531,425

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

PEGASUS RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	<u>Share Capital</u>		<u>Reserves</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>	<u>Deficit</u>		
Balance, May 31, 2020	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 of 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
Private placement	9,845,000	492,250	-	-	-	(65,000)	427,250
Share issuance cost - cash	-	(24,180)	-	-	-	-	(24,180)
Share issuance cost – broker warrants	-	(18,700)	18,700	-	-	-	-
Shares and warrants issued for exploration and evaluation assets	7,950,000	515,500	81,680	-	-	-	597,180
Shares issued for options exercised	2,750,000	287,583	-	(132,083)	-	-	155,500
Shares issued for warrants exercised	6,767,000	376,770	-	-	-	-	376,770
Fair value of options expired	-	-	-	(128,605)	128,605	-	-
Fair value of options granted	-	-	-	322,800	-	-	322,800
Comprehensive loss for the year	-	-	-	-	(1,024,423)	-	(1,024,423)
Balance, May 31, 2022	98,920,822	\$ 27,227,004	\$ 759,846	\$ 797,736	\$ (27,094,709)	\$ -	\$ 1,689,877

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

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

	2022	2021
CASH FLOWS (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	\$ (1,024,423)	\$ (1,531,456)
Adjustments for non-cash items:		
Amortization	-	194
Accrued interest	5,860	6,058
Share-based payments	322,800	195,691
Unrealized loss on revaluation of marketable securities	286,419	19,702
Realized (gain) loss on sale of marketable securities	54,410	(4,045)
Write-off of exploration and evaluation assets	223,939	636,789
Gain on sale of exploration and evaluation assets	(727,755)	-
Gain on settlement of debt	(10,327)	-
	(869,077)	(672,155)
Changes in non-cash working capital:		
Taxes recoverable	(15,012)	(3,351)
Prepaid expenses	2,625	(2,625)
Accounts payable and accrued liabilities	15,625	(9,633)
Net cash flow used in operating activities	(865,839)	(687,764)
INVESTING ACTIVITIES		
Purchase of reclamation bond	(18,612)	-
Exploration advances	(55,685)	-
Exploration and evaluation assets, net	(280,558)	(84,997)
Deposits on sale of exploration and evaluation assets	-	500,000
Proceeds from sale of marketable securities	253,333	272,903
Net cash flow provided by (used in) investing activities	(101,522)	687,906
FINANCING ACTIVITIES		
Proceeds from the issuance of common shares, net of share issuance costs	403,070	38,750
Subscriptions received in advance	-	65,000
Proceeds from loans payable	60,000	30,000
Proceeds from option exercise	155,500	-
Proceeds from warrant exercise	376,770	-
Repayment of promissory note and loans	(36,631)	(40,568)
Net cash flows provided by financing activities	958,709	93,182
CHANGE IN CASH	(8,652)	93,324
CASH, BEGINNING OF THE YEAR	103,581	10,257
CASH, END OF THE YEAR	\$ 94,929	\$ 103,581
Additional Cash Flow Information (Note 14)		

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

PEGASUS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED MAY 31, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Pegasus Resources 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 Bentall 5, Suite 1008, 550 Burrard Street, Vancouver, BC V6C 2B5.

The Company is engaged in the exploration and development of mineral resources, currently focusing on projects in Saskatchewan, Ontario, British Columbia and South Dakota, 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, 2022, the Company has a working capital deficiency of \$166,784 (2021 – \$886,598) and an accumulated deficit of \$27,094,709 (2021 – \$26,198,891). 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 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.

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.

In March 2020, 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. In late February 2022, Russia launched a large scale military attack on Ukraine. The invasion significantly amplified already existing geopolitical tensions among Russia, Ukraine, Europe, NATO and the West, including Canada. 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 these events will have on its business activities, the extent of the effect of these events on the Company’s future activities is uncertain.

PEGASUS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED MAY 31, 2022 AND 2021
(EXPRESSED IN CANADIAN DOLLARS)

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.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary as at May 31, 2022. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. All inter-company transactions and balances between the companies are therefore eliminated in full.

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, 2022 and 2021, PB was inactive.

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 financial statements

The financial statements of the Company for the year ended May 31, 2022 were reviewed by the Audit Committee and approved and authorized for issue on September 28, 2022 by the Board of Directors of the Company.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Significant accounting judgments and estimates

The preparation of 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.

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 financial statement are discussed below:

- i) 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.

PEGASUS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT JUDGEMENT AND ESTIMATE (CONTINUED)

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) Exploration and evaluation costs

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

4. SIGNIFICANT ACCOUNTING POLICIES

Cash

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

Foreign currency translation

The financial statements are presented in Canadian dollar which is the Company's functional and presentation currency. 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.

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.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation assets (continued)

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 norms 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.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction." Exploration and evaluation assets are tested for impairment before the assets are transferred to development properties.

Share capital

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate resource properties. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are valued using residual value method which involves comparing the selling price of the units to the Company's share price on the announcement date of the financing. The market value is then applied to the common share, and any residual amount is assigned to the warrants. Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments and are recognized in equity. When warrants are forfeited or are not exercised at the expiry date the amount previously recognized in equity remains in warrant reverses.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate exchange on the date the shares are issued.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share issuance costs

Share issue costs are deferred and charged directly to share capital on completion of the related equity financing. If the financing is not completed, share issue costs are charged to profit or loss. Costs directly identifiable with the raising of capital will be charged against the related share capital.

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 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 profit or 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 exploration and evaluation assets are capitalized in mineral interests on the 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.

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.

Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the financial statements date, and includes any adjustments to tax payable or receivable in respect of previous years.

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.

PEGASUS RESOURCES INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(EXPRESSED IN CANADIAN DOLLARS)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

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).

i) Measurement – initial recognition

All financial assets and financial liabilities are initially recorded on the Company's 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.

ii) 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, in profit or loss.

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.

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 comprehensive income or loss. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings.

FVTPL:

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on an investment that is subsequently measured at FVTPL is recognized in profit or loss.

iii) 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 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 statements of net loss and comprehensive loss.

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 classification
<u>Financial Asset</u>	
Cash	FVTPL
Marketable securities	FVTPL
Reclamation bond	Amortized cost
<u>Financial Liabilities</u>	
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost
Promissory note payable	Amortized cost

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4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of 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.

Adoption of new accounting standards, interpretations and amendments

The Company has performed an assessment of new standards issued by the IASB that are not yet effective. The Company has assessed that the impact of adopting these accounting standards on its financial statements would not be significant.

5. MARKETABLE SECURITIES

	Common shares		Total
<i>Imagine Lithium Inc.</i>			
As of May 31, 2020	2,175,000	\$	184,875
Additions	2,250,000		187,500
Sales of common shares	(3,425,000)		(272,903)
Realized gain on disposal			4,045
Other			555
Unrealized loss on revaluation	-		(19,072)
As of May 31, 2021	1,000,000		85,000
Addition	3,250,000		325,000
Sales of common shares	(1,750,000)		(183,341)
Realized gain on disposal			36,077
Unrealized loss on revaluation			(62,736)
As of May 31, 2022	2,500,000	\$	200,000
<i>Trillium Gold Mines Inc.</i>			
As of May 31, 2021	-	\$	-
Additions	816,993		555,555
Sales of common shares	(236,000)		(69,993)
Realized loss on disposal	-		(90,487)
Unrealized loss on revaluation	-		(223,682)
As of May 31, 2022	580,993	\$	171,393

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5. MARKETABLE SECURITIES (CONTINUED)

During the year ended May 31, 2022, the Company:

- i) received 3,250,000 common shares of Imagine Lithium Inc. valued at \$325,000 pursuant to the sale of the Company's exploration and evaluation properties (Note 7).
- ii) received 816,993 common shares of Trillium Gold Mines Inc. valued at \$555,555 pursuant to the sale of the Company's exploration and evaluation properties (Note 7).
- iii) sold 1,750,000 common shares of Imagine Lithium Inc. for proceeds of \$183,341 and recorded a realized gain of disposal of marketable securities of \$36,077.
- iv) sold 236,000 common shares of Trillium Gold Mines Inc. for proceeds of \$69,993 and recorded a realized loss of disposal of marketable securities of \$90,487.

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

- i) received 2,250,000 common shares of Imagine Lithium Inc. valued at \$187,500 pursuant to the acquisition of the Company's exploration and evaluation properties (Note 7).
- ii) sold 3,425,000 common shares of Imagine Lithium Inc. for proceeds of \$272,903 and recorded a realized gain of disposal of market securities of \$4,045.

6. RECLAMATION BOND

The Company has provided \$14,679 USD reclamation bond to the Bureau of Land Management in the state of Nevada as security against future reclamation on the Company's mineral property, Millionara Property.

As of May 31, 2022, the total carrying value of the bond was \$18,612 (May 31, 2021 - \$Nil).

7. 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 (received) and up to \$1,250,000 worth of common shares of Trillium (received).

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

During the year ended May 31, 2021, the Company received cash consideration of \$500,000, which is presented as deposit on the statement of financial position as at May 31, 2021.

During the year ended May 31, 2022, the Company received 816,993 common shares of Trillium Gold Mines Inc. (valued at \$555,555) and recognized \$500,000 deposit upon the completion of the transfer of mineral claims, which resulted in a gain of \$727,755.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

a) Dixie Property, Ontario

Dixie 17-18-19 properties:

On May 21, 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 Imagine Lithium Inc. ("Imagine") under which Imagine can acquire up to a 75% interest in the Dixie 17-18-19 properties. As per the terms of the agreement, the Company will transfer an initial 75% interest in the Dixie 17-18-19 properties in lieu of a total cash receipts of \$60,000 (received), a total of 1,000,000 fully assessed common shares of Imagine Lithium Inc. (received and valued at \$105,000) and Imagine Lithium Inc. will incur exploration expenditures of \$550,000 over a two-year period (incurred). These option payments were fulfilled as of May 31, 2022.

Upon satisfaction of the above terms, Imagine will then have the right to acquire an additional 15% in the Dixie 17-18-19 properties by paying \$30,000 (amended to \$20,000 due to outstanding royalty payment of \$10,000, and subsequently received) and issuing 500,000 common shares of Imagine Lithium Inc. (received and valued at \$47,500) to the Company on or before the date that is 24 months after the Exchange Approval Date. The Company also received 100,000 common shares of Trillium (subsequently received) in relations to the acquisition of the remaining interest. During the year ended May 31, 2022, the Company impaired \$64,354 to the carrying value at May 31, 2022 which represented the recoverable amounts which were subsequently received.

Under the option agreement with Imagine, the Company and the vendors of the Dixie 17-18-19 properties will each retain a 0.5% net smelter royalty. Imagine Lithium Inc. 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 Imagine under which Imagine 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 (paid) and a total of 2,000,000 fully assessed common shares of Imagine Lithium Inc. over a nine-month period (received and valued at \$105,000). These option payments were fulfilled by Imagine Lithium Inc. as of May 31, 2021.

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

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) AurCrest Property, Ontario

On October 21, 2016, and as amended on February 8, 2019, October 1, 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 Imagine Lithium Inc. under which Imagine Lithium Inc. 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 Imagine Lithium Inc. and Imagine Lithium Inc. 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 Imagine Lithium Inc. (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 Imagine Lithium Inc. (received and valued at \$52,500) on or before the date that is 12 months from Exchange Approval Date (June 15, 2021).

- Receive 1,000,000 common shares of Imagine Lithium Inc. (received and valued at \$95,000) on or before the date that is 24 months from Exchange Approval Date (June 15, 2022).
- Imagine Lithium Inc. will incur \$300,000 in exploration expenditures on or before the date that is 12 months from Exchange Approval Date (June 15, 2021).
- Imagine Lithium Inc. will incur \$300,000 in exploration expenditures on or before the date that is 24 months from Exchange Approval Date (June 15, 2022).
- Imagine Lithium Inc. 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, Imagine Lithium Inc. 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. Imagine Lithium Inc. has the right to purchase one-half (50%) of the royalty in consideration of paying \$500,000 to the Company.

During the year ended May 31, 2022, the Company transferred the Fredart Property's claims to Imagine upon completion of the cash and common share obligations.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

b) AurCrest Property, Ontario (continued)

On February 3, 2020, the Company entered into an option agreement with Imagine Lithium Inc. under which Imagine Lithium Inc. 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 Imagine Lithium Inc. and Imagine Lithium Inc. 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 (December 31, 2020).
- Receive \$75,000 (received) on or before the date that is six months from Exchange Approval Date (June 30, 2021).
- Receive \$150,000 (received) on or before the date that is 12 months from Exchange Approval Date (December 31, 2021).
- Receive 1,000,000 common shares of Imagine Lithium Inc. (received and valued at \$65,000) on or before the date that is five business days from Exchange Approval Date (December 31, 2020).
- Receive 1,000,000 common shares of Imagine Lithium Inc. (received and valued at \$130,000) on or before the date that is 12 months from Exchange Approval Date (December 31, 2021).
- Receive 2,000,000 common shares of Imagine Lithium Inc. on or before the date that is 24 months from Exchange Approval Date (December 31, 2022) – no longer applicable (see below).
- Imagine Lithium Inc. will incur \$400,000 in exploration expenditures on or before the date that is 12 months from Exchange Approval Date (December 31, 2021) – no longer applicable (see below).
- Imagine Lithium Inc. will incur \$400,000 in exploration expenditures on or before the date that is 24 months from Exchange Approval Date (December 31, 2022) – no longer applicable (see below).
- Imagine Lithium Inc. will incur \$700,000 in exploration expenditures on or before the date that is 36 months from Exchange Approval Date (December 31, 2023) – no longer applicable (see below).

Under the option agreement, Imagine Lithium Inc. shall pay to the Company a royalty of 1.0% on all mineral products produced from certain claims. Imagine Lithium Inc. 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.

During the year ended May 31, 2022, the Company reacquired a 100% interest of the Garnet Property in consideration of the issuance of 5,000,000 common shares (valued at \$250,000).

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

c) 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 7,000,000 common shares and 2,000,000 share warrants in a period of two years as follow:

- (i) Pay \$10,000 (paid) upon signing of the agreement (September 9, 2020).
- (ii) Pay \$15,000 in cash (paid), 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). The warrants entitle the holders to purchase one share for a 24-month period from the closing date at an exercise price of \$0.06 per share.
- (iii) Pay \$25,000 in cash (outstanding), issue 1,000,000 common shares (issued and valued at \$90,000), and 1,000,000 share warrants (granted and valued at \$81,680) on 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 on September 10, 2021 and remains unpaid as of May 31, 2022.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

d) 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 (paid).
- iii) US\$50,000 cash payment on or before March 23, 2022 (see below).
- iv) US\$50,000 cash payment on or before September 23, 2022.
- v) US\$75,000 cash payment on or before March 23, 2023.
- vi) US\$75,000 cash payment on or before September 23, 2023.
- vii) US\$275,000 cash payment on or before March 23, 2024.

Share issuances

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

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.

During the year ended May 31, 2022, the Company decided to not to proceed with the property and wrote off \$122,585.

e) Uranium Properties, Saskatchewan

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

Pursuant to the option agreement to acquire a 100% interest in the property, the Company will reimburse staking costs of approximately \$35,000 (paid) and issue 1,200,000 common shares (issued and valued at 108,000).

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

The Company also issued 150,000 common shares (valued at \$13,500) as finder's fee.

During the year ended May 31, 2022, the Company paid \$33,657 for staking additional uranium properties.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

f) Pine Channel Property, Saskatchewan

On October 5, 2021, the Company entered into an option agreement to acquire an interest in the Pine Channel Claim located in the Athabasca Basin of northern Saskatchewan.

Pursuant to the option agreement to acquire a 100% interest in the property, the Company will issue 500,000 common shares to Eagle Plains Resources (issued and valued at \$45,000).

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

The Company entered into a separate option agreement to acquire a 70% interest in additional claims on the property from ALX Resources Corp. in consideration of the following payments:

Cash payments

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

Share issuances

- i) 100,000 common shares on or before October 27, 2021 (issued and valued at \$9,000).
- ii) 150,000 common shares on or before October 27, 2022.
- iii) 200,000 common shares on or before October 27, 2023.
- iv) 250,000 common shares on or before October 27, 2024.

Exploration expenditures

- i) incur exploration expenditures of \$300,000 on or before October 27, 2024.

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

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

g) Chord Property, USA

On April 4, 2022, the Company entered into an option agreement to acquire to acquire 100% interest in the Chord Property, South Dakota.

To earn the 100% interest in the property, the Company is required to make total cash payments of US\$1,500,000 by a certain date as follows:

Cash payments

- i) US\$50,000 cash payment on execution of the agreement dated April 4, 2022 (paid).
- ii) US\$50,000 cash payment on or before May 30, 2022 (paid).
- iii) US\$100,000 cash payment on or before June 30, 2022 (see below).
- iv) US\$100,000 cash payment on or before September 30, 2022.
- v) US\$100,000 cash payment on or before December 31, 2022.
- vi) US\$100,000 cash payment on or before March 31, 2023.
- vii) US\$125,000 cash payment on or before June 30, 2023.
- viii) US\$125,000 cash payment on or before September 30, 2023.
- ix) US\$125,000 cash payment on or before December 31, 2023.
- x) US\$125,000 cash payment on or before March 31, 2024.
- xi) US\$125,000 cash payment on or before June 30, 2024.
- xii) US\$125,000 cash payment on or before September 30, 2024.
- xiii) US\$125,000 cash payment on or before December 31, 2024.
- xiv) US\$125,000 cash payment on or before March 31, 2025.

The vendors has a 2% NSR on the Chord Property's claims. The Company has an option to repurchase 1% NSR for US\$1,000,000 on or before the fifth anniversary of commercial production.

The vendors agreed to postpone this option payment until the end of the term.

h) 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% NSR from the vendor by paying \$500,000 to the vendor.

During the year ended May 31, 2022, the Company decided to not to proceed with the property and wrote off \$37,000.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

i) 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.

To earn the 100% interest in the property, the Company is required to make total cash payments of \$72,000 (paid) and issue a total of 1,550,000 common shares over a three-year period (issued and valued at \$74,000).

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.

During the year ended May 31, 2022, the Company sold the mineral claims to Trillium Gold Mines Inc. (See Trillium Gold Inc. Definitive Agreement)

j) 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.

Pursuant to the option agreement to acquire a 100% interest in the property, the Company is required to pay a total of \$104,000 (paid \$74,000) and issue an aggregate 250,000 common shares over a four-year period (issued and valued at \$31,000).

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.

During the year ended May 31, 2022, the Company sold the mineral claims to Trillium Gold Mines Inc. Trillium will be responsible in making the remaining option payments. (See Trillium Gold Inc. Definitive Agreement)

k) 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 (paid \$15,000) in cash and issue 500,000 common shares over a period of three years (issued and valued at \$17,500).

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.

During the year ended May 31, 2022, the Company sold the mineral claims to Trillium Gold Mines Inc. Trillium will be responsible in making the remaining option payments. (See Trillium Gold Inc. Definitive Agreement)

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

l) 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 (paid \$3,000) and issue a total of 1,205,000 common shares (issued 477,500 common shares valued at \$24,850) of the Company over a four-year period.

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.

m) Vanadium Project, Nevada, USA

On April 3, 2019, the Company entered into an option agreement to acquire a 100% interest in the 44 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 (issued at a fair value of \$480,000).

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 pursue the option agreement and wrote-off the exploration and evaluation assets of \$540,340.

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7. 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 Quebec	Icefield Project British Columbia	Millionara Gold Property Nevada, USA	Total
BALANCE											
MAY 31, 2020	\$ 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
Staking	-	12,750	-	-	-	12,340	-	-	6,793	-	31,883
Total acquisition costs	-	12,750	4,000	34,000	54,000	12,340	17,500	-	112,093	84,221	330,904
EXPLORATION COSTS:											
Assays	-	-	-	-	-	-	-	-	5,714	3,650	9,364
Consulting	-	1,197	-	-	399	-	-	-	57,233	-	58,829
Field expenses	-	-	-	-	-	-	-	-	3,629	-	3,629
Meals and lodging	-	-	-	-	-	-	-	-	11,571	-	11,571
Total exploration costs	-	1,197	-	-	399	-	-	-	78,147	3,650	83,393
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	\$ 431,250	\$ 27,850	\$ 143,500	\$ 105,000	\$ 540,340	\$ 25,000	\$ 37,000	\$ 112,093	\$ 84,221	\$ 1,863,754
Exploration costs	217,354	861,563	68,599	48,901	5,399	-	-	-	78,147	3,650	1,283,613
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. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

For the year ended May 31, 2022, the exploration and evaluation assets consisted of the following:

	Dixie Property, Ontario	Aurcrest Property, Ontario	Lucky 7 Property, Ontario	Mitchell, Gerry Lake, Karas Lake Property, Ontario	North Pakwash Lake, Ontario	James Bay Property Quebec	Icefield Project British Columbia	Millionara Gold Property Nevada, USA	Uranium Properties, Saskatchewan	Pine Property, Saskatchewan	Chord Property South Dakota, USA	Total
BALANCE MAY 31, 2021	\$ 159,854	\$ 942,813	\$ 192,401	\$ 110,399	\$ 25,000	\$ 37,000	\$ 190,240	\$ 87,871	\$ -	\$ -	\$ -	\$ 1,745,578
ACQUISITION COSTS:												
Cash	-	-	-	-	-	-	25,000	26,641	68,657	25,000	85,555	230,853
Shares	-	250,000	-	-	-	-	90,000	-	121,500	54,000	-	515,500
Warrants	-	-	-	-	-	-	81,680	-	-	-	-	81,680
Staking	-	-	-	-	-	-	-	380	-	-	-	380
Total acquisition costs	-	250,000	-	-	-	-	196,680	27,021	190,157	79,000	85,555	828,413
EXPLORATION COSTS:												
Assays	-	-	-	-	-	-	50,030	-	-	-	-	50,030
Consulting	-	-	-	-	-	-	63,203	7,693	-	11,072	-	81,968
Field expenses	-	(629)	-	-	-	-	6,678	-	-	-	-	6,049
Travel	-	-	-	-	-	-	172,065	-	-	-	-	172,065
Total exploration costs	-	(629)	-	-	-	-	291,976	7,693	-	11,072	-	310,112
Option out - cash	-	(225,000)	-	-	-	-	-	-	-	-	-	(225,000)
Option out - shares	(47,500)	(277,500)	-	-	-	-	-	-	-	-	-	(325,000)
Sale of properties	-	-	(192,401)	(110,399)	(25,000)	-	-	-	-	-	-	(327,800)
Write-off	(64,354)	-	-	-	-	(37,000)	-	(122,585)	-	-	-	(223,939)
BALANCE May 31, 2022	\$ 48,000	\$ 689,684	\$ -	\$ -	\$ -	\$ -	\$ 678,896	\$ -	\$ 190,157	\$ 90,072	\$ 85,555	\$ 1,782,364
TOTAL COSTS:												
Acquisition costs	\$ 357,500	\$ 681,250	\$ 143,500	\$ 105,000	\$ 25,000	\$ 37,000	\$ 308,773	\$ 111,242	\$ 190,157	\$ 79,000	\$ 85,555	\$ 2,123,977
Exploration costs	217,354	860,934	48,901	5,399	-	-	370,123	11,343	-	11,072	-	1,525,126
Receipts from option out and sales	(462,500)	(852,500)	(192,401)	(110,399)	(25,000)	-	-	-	-	-	-	(1,642,800)
Write off	(64,354)	-	-	-	-	(37,000)	-	(122,585)	-	-	-	(223,939)
BALANCE May 31, 2022	\$ 48,000	\$ 689,684	\$ -	\$ -	\$ -	\$ -	\$ 678,896	\$ -	\$ 190,157	\$ 90,072	\$ 85,555	\$ 1,782,364

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8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

		May 31, 2022		May 31, 2021
Accounts payable and accrued liabilities ⁽¹⁾	\$	412,196	\$	375,520
Penalties assessed ⁽²⁾		119,087		114,678
	\$	531,283	\$	490,198

⁽¹⁾ The amount of accounts payable as at May 31, 2022 mainly comprises of the expenditure on mineral properties, accounting fees, rent, consulting fees and an accrual towards a contingent liability (Note 18).

⁽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 year ended May 31, 2022, the Company has accrued interest and penalties of \$4,409 (2021 - \$4,912) for each period towards the amounts owing.

During the year ended May 31, 2022, the Company settled outstanding accounts payable with certain vendors and recorded \$10,327 (2021 - \$Nil) as gain on the settlement of debt.

9. PROMISSORY NOTE PAYABLE

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. This note payable was repaid in year ended May 31, 2021.

On April 14, 2022, the Company signed a promissory note with 685733 BC Ltd. to receive \$60,000. Pursuant to the promissory note, the Company is required to repay the principal amount along with interest of \$6,000 on or before June 1, 2022. 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, 2022		Outstanding balance as at May 31, 2021	
Principal amount	\$	60,000	\$	25,000
Interest		5,860		9,000
Repayment		-		(34,000)
	\$	65,860	\$	-

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10. LOANS PAYABLE

Loan Date	Principal amount	Outstanding balance as at May 31, 2022	Outstanding balance as at May 31, 2021
2018-11-29 ⁽²⁾	\$ 92,056	\$ -	\$ 33,131
2019-03-29 ⁽¹⁾	10,000	10,000	10,000
2019-09-20 ⁽¹⁾	50,000	50,000	50,000
2019-07-02 ⁽²⁾	17,500	-	3,500
	\$ 169,556	\$ 60,000	\$ 96,631

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⁾ During the year ended May 31, 2022, it was fully repaid.

11. SHARE CAPITAL

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

During the year ended May 31, 2022, 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. Each unit is comprised of one common share and one transferable common share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one share for a 24-month period from the closing date at an exercise price of \$0.10 per share.

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

- ii. issued 6,767,000 common shares pursuant to the exercise of warrants for gross proceeds of \$376,770.
 - iii. issued 2,750,000 common shares pursuant to the exercise of options for gross proceeds of \$155,500, and accordingly, the Company allocated \$132,083 from share-based payment reserve to share capital.
 - iv. issued 7,950,000 common shares valued at \$515,500 for the acquisition of exploration and evaluation assets (Note 7).
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11. SHARE CAPITAL (CONTINUED)

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

- i. issued 2,100,000 common shares valued at \$114,000 for the acquisition of exploration and evaluation assets (Note 7).
- ii. On February 19, 2021, the Company issued 375,000 common shares pursuant to the exercise of warrants for gross proceeds of \$18,750.
- iii. issued 400,000 common shares pursuant to the exercise of options for gross proceeds of \$20,000, and accordingly, the Company allocated \$8,722 of share-based payment reserve to share capital.
- iv. issued 400,000 common shares valued at \$20,000 in settlement of outstanding balance with an arm-length vendor.

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 TSX-V 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.

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, 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
Granted	6,625,000	0.06	
Exercised	(2,750,000)	0.06	
Expired and cancelled	(1,525,000)	0.15	
Balance at May 31, 2022	9,125,000	\$ 0.06	2.27

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11. SHARE CAPITAL (CONTINUED)

As at May 31, 2022, 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)
100,000	100,000	\$ 0.12	09-Mar-23	0.77
475,000	475,000	0.07	14-Sep-23	1.29
375,000	375,000	0.05	08-Nov-23	1.44
225,000***	225,000	0.05	04-Jan-24	1.60
700,000*	700,000	0.05	04-Jan-24	1.60
600,000	600,000	0.05	01-Feb-24	1.67
300,000	300,000	0.06	07-Mar-24	1.77
250,000	250,000	0.06	11-Mar-24	1.78
600,000	600,000	0.06	18-Mar-24	1.80
500,000	500,000	0.05	20-Apr-24	1.89
1,000,000**	1,000,000	0.07	04-May-24	1.93
475,000	475,000	0.05	11-Aug-24	2.20
275,000	275,000	0.05	10-Sep-24	2.28
200,000	200,000	0.05	22-Nov-24	2.48
2,550,000	2,550,000	0.05	28-Aug-25	3.25
500,000	500,000	0.05	03-Sep-25	3.26
9,125,000	9,125,000			

* 100,000 options subsequently exercised

** 1,000,000 options subsequently exercised

*** 100,000 options subsequently cancelled

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.

During the year ended May 31, 2022

- i. On August 11, 2021, the Company granted 1,275,000 share options, which are exercisable for a period of three years, at a price of \$0.05 per share. The fair value of \$50,000 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.
- ii. On September 10, 2021, the Company granted 450,000 share options, which are exercisable for a period of three years, at a price of \$0.05 per share. The fair value of \$15,600 was estimated using the Black-Scholes Option Pricing. The options vested immediately.
- iii. On September 24, 2021, the Company granted 600,000 share options, which are exercisable for a period of three years, at a price of \$0.08 per share. The fair value of \$42,400 was estimated using the Black-Scholes Option Pricing. The options vested immediately.

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11. SHARE CAPITAL (CONTINUED)

- iv. On November 22, 2021, the Company granted 200,000 share options, which are exercisable for a period of three years, at a price of \$0.05 per share. The fair value of \$9,500 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.
- v. On January 4, 2022, the Company granted 1,350,000 share options, which are exercisable for a period of two years, at a price of \$0.05 per share. The fair value of \$62,400 was estimated using the Black-Scholes Option Pricing. The options vested immediately.
- vi. On February 1, 2022, the Company granted 600,000 share options, which are exercisable for a period of two years, at a price of \$0.05 per share. The fair value of \$28,000 was estimated using the Black-Scholes Option Pricing. The options vested immediately.
- vii. On March 7, 2022, the Company granted 300,000 share options, which are exercisable for a period of two years, at a price of \$0.06 per share. The fair value of \$15,100 was estimated using the Black-Scholes Option Pricing. The options vested immediately.
- viii. On March 11, 2022, the Company granted 250,000 share options, which are exercisable for a period of two years, at a price of \$0.06 per share. The fair value of \$14,700 was estimated using the Black-Scholes Option Pricing. The options vested immediately.
- ix. On March 18, 2022, the Company granted 600,000 share options, which are exercisable for a period of two years, at a price of \$0.06 per share. The fair value of \$29,800 was estimated using the Black-Scholes Option Pricing. The options vested immediately.
- x. On May 4, 2022, the Company granted 1,000,000 share options, which are exercisable for a period of two years, at a price of \$0.07 per share. The fair value of \$55,300 was estimated using the Black-Scholes Option Pricing. The options vested immediately.

During the year ended May 31, 2021

- i. On August 28, 2020, the Company granted 2,750,000 share options, which are exercisable for a period of five years, at a price of \$0.05 per share. The fair value of \$119,991 was estimated using the Black-Scholes Option Pricing Model. 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. The options vested immediately.
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11. SHARE CAPITAL (CONTINUED)

- 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. 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. 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. The options vest immediately.

During the year ended May 31, 2022, 1,025,000 of the stock options expired unexercised and 500,000 stock options were cancelled. The Company has reclassified a total of \$128,605 from contributed surplus to deficit as a result of the expired and cancelled options. The average trading price on the date of options exercised was \$0.07.

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. The average trading price on the date of options exercised was \$0.20.

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

	May 31, 2022	May 31, 2021
Risk-free interest rate	1.25%	0.44%
Exercise price	\$0.06	\$0.05
Expected life of options	2.38 years	3.93 years
Expected annualized volatility	185.81%	149.74%
Expected dividend rate	-	-

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.

The Company uses historical volatility to estimate the volatility of the share price.

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11. SHARE CAPITAL (CONTINUED)

Warrants

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, 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	1.46
Granted	11,328,600	0.10	-
Exercised	(6,767,000)	0.06	-
Expired	(2,975,000)	0.05	-
Balance at May 31, 2022	24,096,600	\$ 0.08	1.07

Details of warrants outstanding as at May 31, 2022 are as follows:

Outstanding and Exercisable	Exercise price	Expiry Date	Weighted average life (in years)
5,768,000	\$ 0.06	November 28, 2022 ^[2]	0.50
10,328,600	0.10	June 16, 2023	1.04
1,000,000	0.055	September 21, 2023	1.31
6,000,000	0.06 ^[1]	October 25, 2023 ^[1]	1.40
1,000,000	0.06	November 1, 2024	2.42
24,096,600			

^[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.

During the year ended May 31, 2022, the Company:

- i) issued 9,845,000 warrants and 483,600 brokers warrants related to private placement.
- ii) issued 1,000,000 warrants for the acquisition of Icefield Project (Note 7). The fair value of \$50,300 was estimated using the Black-Scholes Option Pricing Model.
- iii) 2,975,000 warrants expired unexercised.
- iv) 6,767,000 warrants were exercised for 6,767,000 common shares of the Company.

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11. SHARE CAPITAL (CONTINUED)

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

- i) issued 1,000,000 warrants for the acquisition of Icefield Project (Note 7). The fair value of \$81,680 was estimated using the Black-Scholes Option Pricing Model.
- ii) 160,000 warrants expired unexercised.
- iii) 375,000 warrants were exercised for 375,000 common shares of the Company.

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

	May 31, 2022	May 31, 2021
Risk-free interest rate	0.84%	0.26%
Exercise price	\$0.073	\$0.055
Expected life of warrants	2.67 years	3.00 years
Expected annualized volatility	193.12%	158.56%
Expected dividend rate	0.00%	0.00%

The Company uses historical volatility to estimate the volatility of the share price

12. 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, 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
Granted		322,800
Fair value of share options exercised		(132,083)
Fair value of share options expired		(128,605)
Balance, May 31, 2022	\$	797,736

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12. 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, 2020	\$	609,166
Warrants issued for exploration and valuation assets (Note 7)		50,300
Balance, May 31, 2021		659,466
Broker warrants issued		18,700
Warrants issued for exploration and valuation assets (Note 7)		81,680
Balance, May 31, 2022	\$	759,846

13. 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, 2022, due to related parties amounted to \$13,563 (2021 – \$8,649) included in accounts payable and accrued liabilities on the statements of financial position.

During the year ended May 31, 2022 and 2021, the Company incurred the following amounts through transactions with directors and officers of the Company:

	2022		2021	
Consulting fees	\$	64,000	\$	52,000
Share-based payments		39,437		5,738
	\$	103,437	\$	57,738

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, 2022, the Company:

- i. paid or accrued \$31,500 to a director of the Company (2021 - \$52,000) in consulting fees.
 - ii. paid or accrued \$25,000 to a company owned by a former director of the Company (2021 - \$Nil) in consulting fees.
 - iii. paid or accrued \$7,500 (2021 - \$Nil) in director fees to a director of the Company.
 - iv. granted 925,000 (2021 – 125,000) stock options with a value of \$39,437 (2021 - \$5,738) to the related personnel of director of the Company for administrative services received.
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14. ADDITIONAL CASH FLOW INFORMATION

During the year ended May 31, 2022 and 2021, the Company incurred non-cash financing and investing activities and cash paid for interest and income taxes as follows:

	For year ended May 31,	
	2022	2021
Cash paid for:		
Interest	\$ -	\$ 9,000
Income taxes	-	-
Non-cash financing activities and investing activities:		
Accounts payable related to exploration and evaluation expenditures	69,652	33,865
Fair value of options exercised	132,083	8,722
Fair value of options expired	128,605	203,129
Fair value of broker's warrants granted	18,700	-
Shares issued for exploration and evaluation assets	515,500	114,000
Warrants issued for exploration and evaluation assets	81,680	50,300
Shares issued for settlement of debt	-	20,000
Marketable securities received for exploration and evaluation assets	880,555	187,500

15. 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.

There have been no changes to the Company's approach to capital management during the year ended May 31, 2022.

16. FINANCIAL INSTRUMENTS AND RISKS

The Company's financial instruments are comprised of cash, marketable securities, accounts payable and accrued liabilities, promissory note payable and loans payable. The carrying value of cash, promissory note payable and loan payable as presented in the statements of financial position is a reasonable estimate of its fair value.

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16. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

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.

Level 3 – Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices.

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, 2022 and 2021, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
May 31, 2022				
Cash	\$ 94,929	\$ -	\$ -	\$ 94,929
Marketable securities	\$ 371,393	\$ -	\$ -	\$ 371,393
May 31, 2021				
Cash	\$ 103,581	\$ -	\$ -	\$ 103,581
Marketable securities	\$ 85,000	\$ -	\$ -	\$ 85,000

Financial Instrument Risks

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

a) Credit risk

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

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16. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

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, 2022, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at May 31, 2022, the Company had cash of \$94,929 (2021 - \$103,581) and a working capital deficiency of \$166,784 (2021 - \$886,598). The Company may not be able to settle accounts payable and accrued liabilities of \$531,283 (2021 - \$490,198), promissory note payable of \$65,860 (2021 - \$Nil) and loans payable of \$60,000 (2021 - \$96,631) which fall due for payment within 12 months of the statement of financial position date. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

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, 2022, 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.

17. 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, 2022, the Company has an accrual of \$Nil (2021 - \$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.

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17. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 financial statements. Management does not believe that the impact of any outstanding lawsuits will have a significant impact on its financial statements.

18. 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, \$70,316 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 \$279,056. As at May 31, 2022 and 2021, the Company has accrued \$105,272 in accounts payable and accrued liabilities (Note 8) 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.

19. SEGMENTED INFORMATION

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

20. INCOME TAXES

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

	2022	2021
	\$	\$
Net loss before income taxes	(1,024,423)	(1,531,456)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	(277,000)	(413,000)
Permanent differences	142,000	75,000
True up	27,000	-
Change in tax benefits not recognized	108,000	338,000
Income tax expense (recovery)	-	-

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20. INCOME TAXES (CONTINUED)

Details of deferred tax assets and liabilities are as follows:

	2022	2021
	\$	\$
Loss carry-forwards	3,823,000	2,792,000
Exploration and evaluation assets	196,000	1,160,000
Share issuance costs	6,000	1,000
Deductible capital losses carry-forward	15,000	8,000
Others	40,000	5,000
Deferred tax asset not recognized	(4,080,000)	(3,966,000)
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 \$14,158,000 which begin expiring in 2026 and can be applied against income in the future years.

21. SUBSEQUENT EVENTS

Subsequent to May 31, 2022, the Company:

- i) issued 1,100,000 common shares pursuant to the exercise of options for gross proceeds of \$75,000.
- ii) granted 800,000 share options, which are exercisable for a period of three years, at a price of \$0.05 per share.
- iii) received 100,000 common shares of Trillium pursuant to the sale of Dixie properties (Note 7).