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**PEGASUS RESOURCES INC.**

CONSOLIDATED FINANCIAL STATEMENTS

As at and for the years ended

May 31, 2023 and 2022

Expressed in Canadian Dollars

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**Crowe MacKay LLP**

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## **Independent Auditor's Report**

To the Shareholders of Pegasus Resources Inc.

### **Opinion**

We have audited the consolidated financial statements of Pegasus Resources Inc. (the "Group"), which comprise the consolidated statements of financial position as at May 31, 2023 and May 31, 2022 and the consolidated statements of net loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at May 31, 2023 and May 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years 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.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the year ended May 31, 2023. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be a key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Recoverability of Exploration and Evaluation Assets**

As disclosed in Note 7 to the consolidated financial statements, the carrying value of Exploration and Evaluation Assets represents a significant asset of the Group. Refer to Note 3 and Note 4 to the consolidated financial statements for a description of the accounting policy and significant judgments applied to Exploration and Evaluation Assets.

At each reporting period end, management applies judgment in assessing whether there are any indicators of impairment relating to mining claims and deferred exploration costs. If there are indicators of impairment, the recoverable amount of the related asset is estimated in order to determine the extent of any impairment. Indicators of impairment may include (i) the period during which the entity has the right to explore in the specific area has expired during the year or will expire in the near future and is not expected to be renewed; (ii) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (iii) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (iv) sufficient data exists to indicate that the carrying amount of the mining claims and deferred exploration costs is unlikely to be recovered in full from successful development or by sale.

#### **Why the matter was determined to be a key audit matter**

We considered this a key audit matter due to (i) the significance of the mining claims and deferred exploration costs balance and (ii) the judgments made by management in its assessment of indicators of impairment related to mining claims and deferred exploration costs, which have resulted in a high degree of subjectivity in performing audit procedures related to these judgments applied by management.

#### **How the matter was addressed in our audit**

We have evaluated management's assessment of impairment indicators per IFRS 6 Exploration for and Evaluation of Mineral Resources, including but not limited to:

- Obtaining, by reference to government registries, evidence to support (i) the right to explore the area and (ii) claim expiration dates;
- Assessing compliance with option agreements by reviewing agreements, vouching cash payments and share issuances;
- Considering the status of the relevant exploration areas by holding discussions with management, and reviewing the Group's exploration budget;
- Enquiring with management and reviewing its future plans and other documentation as evidence that further exploration and evaluation activities in the area of interest will be continued in the future;
- Assessing whether any data exists to suggest that the carrying value of the Exploration and Evaluation assets is unlikely to be recovered through development or sale; and
- Assessing the adequacy of the related disclosures in Note 3, Note 4 and Note 7 to the consolidated financial statements.

#### **Other Information**

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Diana Huang.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada  
September 28, 2023**

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

	<b>May 31, 2023</b>	<b>May 31, 2022</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 7,200	\$ 94,929
Taxes recoverable	10,646	24,037
Marketable securities (Note 5)	34,480	371,393
	52,326	490,359
<b>NON-CURRENT ASSETS</b>		
Reclamation bond (Note 6)	23,120	18,612
Exploration advance and deposit	21,040	55,685
Exploration and evaluation assets (Note 7)	1,221,986	1,782,364
<b>TOTAL ASSETS</b>	<b>\$ 1,318,472</b>	<b>\$ 2,347,020</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 8 and 13)	\$ 513,385	\$ 531,283
Promissory note payable (Note 9)	-	65,860
Loans payable (Note 10)	60,000	60,000
	573,385	657,143
<b>EQUITY</b>		
Share capital (Note 11)	27,814,570	27,227,004
Reserves (Notes 11 and 12)	1,513,561	1,557,582
Subscriptions received in advance (Note 20)	1,200	-
Deficit	(28,584,244)	(27,094,709)
	745,087	1,689,877
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,318,472</b>	<b>\$ 2,347,020</b>

NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)  
SUBSEQUENT EVENTS (Notes 11 and 20)

APPROVED BY THE BOARD OF DIRECTORS ON SEPTEMBER 28, 2023

ON BEHALF OF THE BOARD

<i>"Christian Timmins"</i>	<i>"Dave Bissoondatt"</i>
Director	Director

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

**PEGASUS RESOURCES INC.****CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS  
(EXPRESSED IN CANADIAN DOLLARS)  
FOR THE YEARS ENDED MAY 31,**

	<b>2023</b>	<b>2022</b>
<b>EXPENSES</b>		
Business development and shareholder communications	\$ 154,959	\$ 253,530
Consulting fees (Note 13)	338,474	334,200
Office services and miscellaneous	57,205	82,773
Professional fees	112,158	115,782
Rent	23,779	35,361
Share-based payments (Notes 11, 12 and 13)	39,500	322,800
Transfer agent and filing fees	22,107	43,022
	<u>(748,182)</u>	<u>(1,187,468)</u>
<b>OTHER INCOME (EXPENSES)</b>		
Gain on sale of exploration and evaluation assets (Note 7)	-	727,755
Gain on settlement of debt (Note 8)	-	10,327
Interest expense (Note 9)	(9,583)	(5,860)
Realized loss on disposal of marketable securities (Note 5)	(282,166)	(54,410)
Taxes and interest related to flow-through shares (Note 8)	(4,411)	(4,409)
Unrealized gain (loss) on revaluation of marketable securities (Note 5)	232,762	(286,419)
Write-off of accounts payable (Note 8)	123,498	-
Write-off of exploration and evaluation assets (Note 7)	(830,752)	(223,939)
	<u>(770,652)</u>	<u>163,045</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>\$ (1,518,834)</u>	<u>\$ (1,024,423)</u>
<b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	<u>\$ (0.14)</u>	<u>\$ (0.12)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED</b>	<u>10,800,847</u>	<u>8,719,694</u>

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

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

	<u>Share Capital</u>		<u>Reserves</u>			<u>Deficit</u>	<u>Subscriptions received in advance</u>	<u>Total</u>
	<u>Number of shares issued</u>	<u>Amount</u>	<u>Warrant reserve</u>	<u>Share-based payment reserve</u>				
Balance, May 31, 2021	7,160,884	\$ 25,597,781	\$ 659,466	\$ 735,624	\$ (26,198,891)	\$ 65,000	\$ 858,980	
Private placement	984,500	492,250	-	-	-	(65,000)	427,250	
Share issuance cost – cash	-	(24,180)	-	-	-	-	(24,180)	
Share issuance cost – broker warrants	-	(18,700)	18,700	-	-	-	-	
Shares issued for exploration and evaluation assets	795,000	515,500	81,680	-	-	-	597,180	
Shares issued for options exercised	275,000	287,583	-	(132,083)	-	-	155,500	
Shares issued for warrants exercised	676,700	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	9,892,084	27,227,004	759,846	797,736	(27,094,709)	-	1,689,877	
Private placement	1,217,267	365,180	-	-	-	-	365,180	
Share issuance cost - cash	-	(11,336)	-	-	-	-	(11,336)	
Share issuance cost – broker warrants	-	(5,700)	5,700	-	-	-	-	
Shares issued for options exercised	110,000	134,922	-	(59,922)	-	-	75,000	
Shares issued for exploration and evaluation assets	515,000	104,500	-	-	-	-	104,500	
Subscriptions received in advance	-	-	-	-	-	1,200	1,200	
Fair value of options granted	-	-	-	39,500	-	-	39,500	
Fair value of options cancelled and expired	-	-	-	(29,299)	29,299	-	-	
Comprehensive loss for the year	-	-	-	-	(1,518,834)	-	(1,518,834)	
<b>Balance, May 31, 2023</b>	<b>11,734,351</b>	<b>\$ 27,814,570</b>	<b>\$ 765,546</b>	<b>\$ 748,015</b>	<b>\$ (28,584,244)</b>	<b>\$ 1,200</b>	<b>\$ 745,087</b>	

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

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

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (1,518,834)	\$ (1,024,423)
Adjustments for non-cash items:		
Accrued interest	9,583	5,860
Share-based payments	39,500	322,800
Unrealized loss (gain) on revaluation of marketable securities	(232,762)	286,419
Realized loss on disposal of marketable securities	282,166	54,410
Foreign exchange	(1,341)	-
Gain on sale of exploration and evaluation assets	-	(727,755)
Gain on settlement of debt	-	(10,327)
Write-off of accounts payable	(123,498)	-
Write-off of exploration and evaluation assets	830,752	223,939
	<b>(714,434)</b>	<b>(869,077)</b>
Changes in non-cash working capital:		
Taxes recoverable	13,391	(15,012)
Prepaid expenses	-	2,625
Accounts payable and accrued liabilities	132,431	15,625
Net cash flow used in operating activities	<b>(568,612)</b>	<b>(865,839)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of reclamation bond	(3,167)	(18,612)
Exploration advances and deposit	(21,040)	(55,685)
Exploration and evaluation assets, net	(170,463)	(280,558)
Proceeds from sale of marketable securities	315,509	253,333
Net cash flow provided by (used in) investing activities	<b>120,839</b>	<b>(101,522)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the issuance of common shares, net of share issuance costs	353,844	403,070
Subscriptions received in advance	1,200	-
Proceeds from option exercise	75,000	155,500
Proceeds from warrant exercise	-	376,770
Proceeds from loan	-	60,000
Repayment of promissory note and loans	(70,000)	(36,631)
Net cash flows provided by financing activities	<b>360,044</b>	<b>958,709</b>
<b>CHANGE IN CASH</b>	<b>(87,729)</b>	<b>(8,652)</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<b>94,929</b>	<b>103,581</b>
<b>CASH, END OF THE YEAR</b>	<b>\$ 7,200</b>	<b>\$ 94,929</b>

**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 YEARS ENDED MAY 31, 2023 AND 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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## **1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY**

Pegasus Resources Inc. (the “Company”) was incorporated on 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 North America. 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.

Effective April 26, 2023, the Company consolidated its common shares on a 10:1 basis. All share and per share amounts in the consolidated financial statements have been retroactively restated to reflect the share consolidation.

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, 2023, the Company has a working capital deficiency of \$521,059 (2022 – \$166,784) and an accumulated deficit of \$28,584,244 (2022 – \$27,094,709). 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.

**PEGASUS RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED MAY 31, 2023 AND 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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## **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, 2023. 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") 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 year ended May 31, 2023 and year ended May 31, 2022, PB was inactive.

On July 26, 2022, the Company incorporated a subsidiary, Pegasus Resources (South Dakota) Inc. ("South Dakota") under the law of South Dakota, USA. Since its inception, there have been no business activities yet.

On July 22, 2022, the Company incorporated a subsidiary, Pegasus Resources (USA) Inc. ("USA") under the law of Nevada, USA. The Company holds a 100% interest in USA. Since its inception, there have been no business activities yet.

### 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, 2023 were reviewed by the Audit Committee and approved and authorized for issue on September 28, 2023 by the Board of Directors of the Company.

**PEGASUS RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED MAY 31, 2023 AND 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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### **3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATE**

#### Significant accounting judgments, estimates and assumptions

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.

#### *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

Management is required to assess impairment in respect to the Company's intangible mineral property interests. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The carrying value of each exploration and evaluation asset is reviewed regularly for conditions that may suggest impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future. If impairment is determined to exist, a formal estimate of the recoverable amount is performed, and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

During the year ended May 31, 2023, management estimated the recoverable amount of the AurCrest property to be \$25,000 based on subsequent collection. See note 7b.

#### Cash

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

**PEGASUS RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED MAY 31, 2023 AND 2022**  
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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### Foreign currency translation

The financial statements are presented in Canadian dollar which is the Company and its subsidiaries' 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.

##### Impairment of non-financial assets

At the end of each reporting period the carrying amounts of the Company's long-lived assets, including mineral property interests, are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately 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 are recognized when received due to uncertainty of the recoverability. 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.

**PEGASUS RESOURCES INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEARS ENDED MAY 31, 2023 AND 2022**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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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.

##### Decommissioning and restoration provision

The Company recognizes the fair value of a legal or constructive liability for a rehabilitation obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in profit or loss. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The Company does not have significant rehabilitation obligations.

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### 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.

##### 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.

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### Earnings (loss) per share

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

##### Share-based payments

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received, unless the fair value of the goods and services received cannot be reasonably measured, in which case they are measured using the fair value of the equity instruments issued. Expenses are recorded in 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.

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#### **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.

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.

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**4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial instruments (continued)

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

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 effective as of June 1, 2022 and those 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.

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**5. MARKETABLE SECURITIES**

	<b>Common shares</b>		<b>Total</b>
<i>Imagine Lithium Inc.</i>			
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
Sales of common shares	(2,219,000)		(166,396)
Realized loss on disposal	-		(67,800)
Unrealized gain on revaluation	-		56,676
As of May 31, 2023	281,000	\$	22,480
<i>Renegade Gold Inc.</i> <i>(Formerly Trillium Gold Mines Inc.)</i>			
As of May 31, 2021	-	\$	-
Additions	81,699		555,555
Sales of common shares	(23,600)		(69,993)
Realized loss on disposal	-		(90,487)
Unrealized loss on revaluation	-		(223,682)
As of May 31, 2022	58,099		171,393
Additions	10,000		28,000
Sales of common shares	(58,099)		(149,113)
Realized loss on disposal	-		(214,366)
Unrealized gain on revaluation	-		176,086
As of May 31, 2023	10,000	\$	12,000

During the year ended May 31, 2023, the Company:

- i) received 10,000 common shares of Renegade Gold Inc. (formerly Trillium Gold Mines Inc.) valued at \$28,000 pursuant to the sale of the Company's exploration and evaluation properties (Note 7).
- ii) sold 2,219,000 common shares of Imagine Lithium Inc. for proceeds of \$166,396 and recorded a realized loss of disposal of marketable securities of \$67,800.
- iii) sold 58,099 common shares of Renegade Gold Inc. (formerly Trillium Gold Mines Inc.) for proceeds of \$149,113 and recorded a realized loss of disposal of marketable securities of \$214,366.

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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 81,699 common shares of Renegade Gold Inc. (formerly 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 23,600 common shares of Renegade Gold Inc. (formerly Trillium Gold Mines Inc.) for proceeds of \$69,993 and recorded a realized loss of disposal of marketable securities of \$90,487.

**6. RECLAMATION BOND**

The Company has provided \$19,953 (USD \$14,679) 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.

On July 9, 2022, the Company paid \$3,167 reclamation bond to the Ministry of Energy and Resources in Saskatchewan to meet the assessment requirement for work to be done on the Company's mineral property, Pine Channel Property.

As of May 31, 2023, the total carrying value of the bond was \$23,120 (2022 - \$18,612).

**7. EXPLORATION AND EVALUATION ASSETS**

**Renegade Gold Inc.– Definitive Agreement**

On November 22, 2020, the Company entered into a definitive agreement with Renegade Gold Inc. (formerly Trillium Gold Mines Inc.) ("Renegade"), under which Renegade can 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 Renegade (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.

During the year ended May 31, 2022, the Company received 816,993 common shares of Renegade (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 120,000 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 (received and valued at \$105,000) and Imagine 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 received) and issuing 500,000 common shares of Imagine (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 10,000 common shares of Renegade (received and valued at \$28,000) 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 represented the recoverable amounts which were received during the year ended May 31, 2023.

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 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.

**b) AurCrest Properties, Ontario**

**Fredart Lake Property:**

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 Fredart Lake Property. To earn the 100% interest, the Company has made total cash payments of \$250,000 and issued a total of 250,000 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.

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## **7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

### **b) AurCrest Properties, Ontario (continued)**

#### **Fredart Lake Property (continued)**

On February 3, 2020, the Company entered into an option agreement with Imagine under which Imagine 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 and Imagine will incur \$1,000,000 in exploration expenditures over a 36-month period as follows:

Under the option agreement, Imagine 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 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, common share, and exploration expenditures obligations.

#### **Garnet Lake Property:**

On February 3, 2020, the Company entered into an option agreement with Imagine under which Imagine 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 and Imagine 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 (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 (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 on or before the date that is 24 months from Exchange Approval Date (December 31, 2022) – no longer applicable (see below).
- Imagine 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 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 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 shall pay to the Company a royalty of 1.0% on all mineral products produced from certain claims. Imagine has the right to purchase one-half (50%) of the royalty in consideration of paying \$500,000 to the Company.

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**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**b) AurCrest Property, Ontario (continued)**

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 500,000 common shares (valued at \$250,000) to Imagine.

During the year ended May 31, 2023, the Company determined it would no longer explore the property and the impairment indicators were triggered accordingly. The Company entered into an option agreement with Compton Mining Corp (“Compton”) subsequently where Compton has an option to acquire a 100% interest in the property for cash consideration of \$100,000 and 3,000,000 common shares of Compton over a 2 year period once Compton gets listed on a stock exchange (Note 20). The initial payment of \$25,000 from Compton was received on July 23, 2023. There is uncertainty whether or when Compton may make the remaining option payments. As such, management estimated the recoverable amount of the property to be \$25,000 and wrote off \$664,684 in the year ended May 31, 2023.

**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 700,000 common shares and 200,000 share purchase warrants (“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 100,000 common shares (issued and valued at \$55,000), and 100,000 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 common share for a 24-month period from the closing date at an exercise price of \$0.06 per common share.
- (iii) Pay \$25,000 in cash (outstanding), issue 100,000 common shares (issued and valued at \$90,000), and 100,000 warrants (granted and valued at \$81,680) on the first anniversary of the exchange approval date (September 10, 2021).
- (iv) Issue 500,000 common shares on the second anniversary of the Exchange approval date (issued and valued at \$100,000).

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 has negotiated an extension for the outstanding amount of \$25,000. The payment is now due by the earlier of September 9, 2024 or the Company’s next financing.

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**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**d) 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 120,000 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 15,000 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.

**e) 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 50,000 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 (paid).

*Share issuances*

- i) 10,000 common shares on or before October 27, 2021 (issued and valued at \$9,000).
- ii) 15,000 common shares on or before October 27, 2022 (issued and valued at \$4,500).
- iii) 20,000 common shares on or before October 27, 2023.
- iv) 25,000 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 50,000 common shares over an additional 2 year period.

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**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**f) Chord Property, USA**

On April 4, 2022, the Company entered into an option agreement 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.

During the year ended May 31, 2023, the Company decided not to proceed with the option agreement and wrote off exploration and evaluation assets of \$166,068.

**g) Millionara, Gold Property, Nevada**

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

To earn the 100% interest in the property, the Company is required to make total cash payments of US\$575,000 and issue a total of 150,000 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) 75,000 common shares within 5 business days of receipt of Exchange approval of the agreement (issued and valued at \$45,000).
  - ii) 75,000 common shares on or before March 23, 2022 (see below).
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**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**g) Millionara, Gold Property, Nevada (continued)**

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 not to proceed with the property and wrote off \$122,585.

**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 100,000 common shares (issued at a fair value of \$30,000) and paying a total of \$7,000 (paid) on the date of approval. A 2% NSR has been granted to the vendor. The Company has an option to buyback 1% NST from the vendor by paying \$500,000 to the vendor.

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

**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 155,000 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 Renegade. (See Renegade Gold Inc.– Definitive Agreement).

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**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**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 25,000 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 Renegade. Renegade will be responsible in making the remaining option payments. (See Renegade 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 50,000 common shares over a period of three years (issued and valued at \$17,500).

Immediately on the optionee satisfying all the conditions 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 Renegade. Renegade will be responsible in making the remaining option payments. (See Renegade Gold Inc.– Definitive Agreement).

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**7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

For the year ended May 31, 2023, the exploration and evaluation assets consisted of the following:

	Dixie Property, Ontario	Aurcrest Property, Ontario	Icefield Project, British Columbia	Uranium Properties, Saskatchewan	Pine Property, Saskatchewan	Chord Property South Dakota, USA	Total
BALANCE							
May 31, 2022	\$ 48,000	\$ 689,684	\$ 678,896	\$ 190,157	\$ 90,072	\$ 85,555	\$ 1,782,364
ACQUISITION COSTS:							
Cash	-	-	-	7,269	25,000	80,513	112,782
Shares	-	-	100,000	-	4,500	-	104,500
Total acquisition costs	-	-	100,000	7,269	29,500	80,513	217,282
EXPLORATION COSTS:							
Consulting	-	-	465	7,718	110,425	-	118,608
Total exploration costs	-	-	465	7,718	110,425	-	118,608
Option out - cash	(20,000)	-	-	-	-	-	(20,000)
Option out - shares	(28,000)	-	-	-	-	-	(28,000)
Tax credit recovery	-	-	(17,516)	-	-	-	(17,516)
Write off	-	(664,684)	-	-	-	(166,068)	(830,752)
BALANCE							
May 31, 2023	\$ -	\$ 25,000	\$ 761,845	\$ 205,144	\$ 229,997	\$ -	\$ 1,221,986
TOTAL COSTS:							
Acquisition costs	\$ 357,500	\$ 681,250	\$ 408,773	\$ 197,426	\$ 108,500	\$ 166,068	\$ 1,919,517
Exploration costs	217,354	860,934	370,588	7,718	121,497	-	1,578,091
Tax credit recovery	-	-	(17,516)	-	-	-	(17,516)
Receipts from option out and sale of properties	(574,854)	(852,500)	-	-	-	-	(1,427,354)
Write off	-	(664,684)	-	-	-	(166,068)	(830,752)
BALANCE							
May 31, 2023	\$ -	\$ 25,000	\$ 761,845	\$ 205,144	\$ 229,997	\$ -	\$ 1,221,986

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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
<b>BALANCE</b>												
May 31, 2021	\$ 159,854	\$ 942,813	\$ 192,401	\$ 110,399	\$ 25,000	\$ 37,000	\$ 190,240	\$ 87,871	\$ -	\$ -	\$ -	\$ 1,745,578
<b>ACQUISITION COSTS:</b>												
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
<b>Total acquisition costs</b>	-	250,000	-	-	-	-	196,680	27,021	190,157	79,000	85,555	828,413
<b>EXPLORATION COSTS:</b>												
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
<b>Total exploration costs</b>	-	(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)
<b>BALANCE</b>												
May 31, 2022	\$ 48,000	\$ 689,684	\$ -	\$ -	\$ -	\$ -	\$ 678,896	\$ -	\$ 190,157	\$ 90,072	\$ 85,555	\$ 1,782,364
<b>TOTAL COSTS:</b>												
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 sale of properties	(462,500)	(852,500)	(192,401)	(110,399)	(25,000)	-	-	-	-	-	-	(1,642,800)
Write off	(64,354)	-	-	-	-	(37,000)	-	(122,585)	-	-	-	(223,939)
<b>BALANCE</b>												
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**

		<b>May 31, 2023</b>		May 31, 2022
Accounts payable and accrued liabilities	\$	<b>513,385</b>	\$	412,196
Penalties assessed <sup>(1 and 2)</sup>		-		119,087
	<b>\$</b>	<b>513,385</b>	<b>\$</b>	<b>531,283</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> During the year ended May 31, 2023, the Company has determined that certain payables are no longer applicable due to lapse of statute of limitations and wrote off the outstanding accounts payable in the amount of \$123,498, which is relating to the assessed total penalties and interest related to flow-through share tax liabilities.

During the year ended May 31, 2023, the Company settled outstanding accounts payable with certain vendors and recorded \$Nil (2022 - \$10,327) as gain on the settlement of debt.

**9. PROMISSORY NOTE PAYABLE**

On April 14, 2022, the Company signed a promissory note with an arm-length company 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.

During the year ended May 31, 2023, the Company accrued interest of \$4,140 (2022 - \$5,860) and repaid total outstanding amount of \$70,000.

	<b>Outstanding balance as at May 31, 2023</b>	<b>Outstanding balance as at May 31, 2022</b>
Principal amount	\$ 60,000	\$ 60,000
Interest	10,000	5,860
Repayment	(70,000)	-
	<b>\$ -</b>	<b>\$ 65,860</b>

**10. LOANS PAYABLE**

<b>Loan Date</b>	<b>Principal amount</b>	<b>Outstanding balance as at May 31, 2023</b>	<b>Outstanding balance as at May 31, 2022</b>
2019-03-29 <sup>(1)</sup>	\$ 10,000	\$ 10,000	\$ 10,000
2019-09-20 <sup>(1)</sup>	50,000	50,000	50,000
	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>

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

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## **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, 2023, the Company:

- i. issued 110,000 common shares pursuant to the exercise of options for gross proceeds of \$75,000, and accordingly, the Company allocated \$59,922 from share-based payment reserve to share capital.
- ii. issued 515,000 common shares valued at \$104,500 for the acquisition of exploration and evaluation assets (Note 7).
- iii. closed its non-brokered private placement of 1,217,267 units at a price of \$0.30 per unit for aggregate gross proceeds of \$365,180. 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 \$0.50 per share.

In connection with the financing, the Company paid finders' fees of \$11,336 cash and 36,000 finders' warrants valued at \$5,700. These warrants entitle the holders to purchase one share for a 24-month period from the closing date at an exercise price of \$0.50 per share.

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

- i. closed its non-brokered private placement of 984,500 units at a price of \$0.50 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 \$1.00 per share.

In connection with the financing, the Company paid finders' fees of \$24,180 cash and 48,360 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 \$1.00 per share.

- ii. issued 676,700 common shares pursuant to the exercise of warrants for gross proceeds of \$376,770.
- iii. issued 275,000 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 795,000 common shares valued at \$515,500 for the acquisition of exploration and evaluation assets (Note 7).

### **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.

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**11. SHARE CAPITAL (CONTINUED)**

**Share Options (continued)**

A summary of share options outstanding is as follows:

	Outstanding and exercisable	Weighted Average Exercise Price	Weighted Average Years to Expiry
Balance at May 31, 2021	677,500	\$ 0.70	1.62
Granted	662,500	0.60	
Exercised	(275,000)	0.60	
Expired and cancelled	(152,500)	1.50	
Balance at May 31, 2022	912,500	0.60	2.27
Granted	80,000	0.50	
Exercised	(110,000)	0.68	
Expired and cancelled	(45,000)	0.66	
<b>Balance at May 31, 2023</b>	<b>837,500</b>	<b>\$ 0.52</b>	<b>1.09</b>

As at May 31, 2023, the weighted average trading price of options exercised during the year ended May 31, 2023 is \$0.06 (2022 - \$0.07).

As at May 31, 2023, the Company had share purchase options outstanding to directors, officers, and consultants as follows:

Outstanding	Exercisable	Exercise Price	Expiry Date	Contractual life (in years)
47,500	47,500	\$0.65	14-Sep-23*	0.29
12,500	12,500	\$0.50	08-Nov-23	0.44
12,500	12,500	\$0.50	04-Jan-24	0.60
60,000	60,000	\$0.50	04-Jan-24	0.60
60,000	60,000	\$0.50	01-Feb-24	0.67
30,000	30,000	\$0.60	07-Mar-24	0.77
25,000	25,000	\$0.60	11-Mar-24	0.78
60,000	60,000	\$0.60	18-Mar-24	0.80
50,000	50,000	\$0.50	20-Apr-24	0.89
47,500	47,500	\$0.50	11-Aug-24	1.20
27,500	27,500	\$0.50	10-Sep-24	1.28
20,000	20,000	\$0.50	22-Nov-24	1.48
80,000	80,000	\$0.50	01-Jun-25	2.01
255,000	255,000	\$0.50	28-Aug-25	2.25
50,000	50,000	\$0.50	03-Sep-25	2.26
<b>837,500</b>	<b>837,500</b>			

\* Subsequently expired

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## **11. SHARE CAPITAL (CONTINUED)**

### **Share options (continued)**

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, 2023

- i. On June 1, 2022, the Company granted 80,000 share options, which are exercisable for a period of three years, at a price of \$0.50 per share. The fair value of \$39,500 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.

#### During the year ended May 31, 2022

- i. On August 11, 2021, the Company granted 127,500 share options, which are exercisable for a period of three years, at a price of \$0.50 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 45,000 share options, which are exercisable for a period of three years, at a price of \$0.50 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 60,000 share options, which are exercisable for a period of three years, at a price of \$0.80 per share. The fair value of \$42,400 was estimated using the Black-Scholes Option Pricing. The options vested immediately.
  - iv. On November 22, 2021, the Company granted 20,000 share options, which are exercisable for a period of three years, at a price of \$0.50 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 135,000 share options, which are exercisable for a period of two years, at a price of \$0.50 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 60,000 share options, which are exercisable for a period of two years, at a price of \$0.50 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 30,000 share options, which are exercisable for a period of two years, at a price of \$0.60 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 25,000 share options, which are exercisable for a period of two years, at a price of \$0.60 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 60,000 share options, which are exercisable for a period of two years, at a price of \$0.60 per share. The fair value of \$29,800 was estimated using the Black-Scholes Option Pricing. The options vested immediately.
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**11. SHARE CAPITAL (CONTINUED)**

**Share options (continued)**

- x. On May 4, 2022, the Company granted 100,000 share options, which are exercisable for a period of two years, at a price of \$0.70 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, 2023, 10,000 of the stock options expired unexercised and 35,000 of the stock options were cancelled. The Company has reclassified a total of \$29,299 from contributed surplus to deficit as a result of the expired and cancelled options.

During the year ended May 31, 2022, 102,500 of the stock options expired unexercised and 50,000 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 following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Risk-free interest rate	2.79%	1.25%
Exercise price	\$0.50	\$0.60
Share price	\$0.55	\$0.60
Expected life of options	3.00 years	2.38 years
Expected annualized volatility	183.64%	185.81%
Expected dividend rate	0.00%	0.00%

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.

**Warrants**

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

	<b>Outstanding and exercisable</b>	<b>Weighted average exercise price</b>	<b>Weighted average number of years to expiry</b>
Balance at May 31, 2021	2,251,000	\$ 0.60	1.46
Granted	1,132,860	1.00	-
Exercised	(676,700)	0.60	-
Expired	(297,500)	0.50	-
Balance at May 31, 2022	2,409,660	0.80	1.07
Granted	1,253,267	0.50	-
Expired	(576,800)	0.60	-
Balance at May 31, 2023	3,086,127	\$ 0.69	0.60

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**11. SHARE CAPITAL (CONTINUED)**

**Warrants (continued)**

Details of warrants outstanding as at May 31, 2023 are as follows:

<b>Outstanding and exercisable</b>	<b>Exercise price</b>	<b>Expiry Date</b>	<b>Weighted average life (in years)</b>
984,500	\$1.00	June 16, 2023*	0.04
48,360	\$1.00	June 16, 2023*	0.04
100,000	\$0.55	September 21, 2023*	0.31
600,000	\$0.60	October 25, 2023	0.40
100,000	\$0.60	November 1, 2023	0.42
1,217,267	\$0.50	November 23, 2024	1.48
36,000	\$0.50	November 23, 2024	1.48
<b>3,086,127</b>			

\* Subsequently expired

During the year ended May 31, 2023, the Company:

- i) issued 1,217,267 warrants and 36,000 brokers warrants related to private placement.
- ii) 576,800 warrants expired unexercised.

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

- i) issued 984,500 warrants and 48,360 brokers warrants related to private placement.
- ii) issued 100,000 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) 297,500 warrants expired unexercised.
- iv) 676,700 warrants were exercised for 676,700 common shares of the Company.

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

	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Risk-free interest rate	3.92%	0.84%
Exercise price	\$0.50	\$0.73
Share price	\$0.25	\$0.77
Expected life of warrants	2.00 years	2.67 years
Expected annualized volatility	154.96%	193.12%
Expected dividend rate	0.00%	0.00%

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

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**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, 2021	\$	735,624
Granted		322,800
Fair value of share options exercised		(132,083)
Fair value of share options expired		(128,605)
<hr/>		
Balance, May 31, 2022		797,736
Granted		39,500
Fair value of share options exercised		(59,922)
Fair value of share options cancelled		(29,299)
<hr/>		
<b>Balance, May 31, 2023</b>	<b>\$</b>	<b>748,015</b>

**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, 2021	\$	659,466
Broker warrants issued		18,700
Warrants issued for exploration and valuation assets		81,680
<hr/>		
Balance, May 31, 2022		759,846
Broker warrants issued		5,700
<hr/>		
<b>Balance, May 31, 2023</b>	<b>\$</b>	<b>765,546</b>

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**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, 2023, due to related parties amounted to \$98,300 (2022 – \$13,563) included in accounts payable and accrued liabilities on the statements of financial position.

During the year ended May 31, 2023 and 2022, the Company incurred the following amounts through transactions with directors and officers of the Company:

	<b>2023</b>		2022	
Consulting fees	\$	<b>189,000</b>	\$	85,500
Share-based payments		<b>14,812</b>		85,075
	<b>\$</b>	<b>203,812</b>	<b>\$</b>	<b>170,575</b>

**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, 2023, the Company:

- i. paid or accrued \$69,000 (2022 - \$56,000) to a director of the Company in consulting fees.
- ii. paid or accrued \$80,000 (2022 - \$5,000) to the President of the Company in consulting fees.
- iii. paid or accrued \$Nil (2022 - \$22,500) to a company owned by former director of the Company in consulting fees.
- iv. paid or accrued \$40,000 (2022 - \$35,000) to the son of a former director of the Company in consulting fees.
- v. granted 30,000 (2022 – 1,875,000) stock options with a value of \$14,812 (2022 - \$85,075) to a director and a former director of the Company for services received.

**14. ADDITIONAL CASH FLOW INFORMATION**

	For year ended May 31, 2023	For year ended May 31, 2022
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	-	-
Non-cash financing activities and investing activities:		
Accounts payable related to exploration and evaluation expenditures	37,378	69,652
Fair value of options exercised	59,922	132,083
Fair value of options expired/cancelled	29,299	128,605
Fair value of broker's warrants granted	5,700	18,700
Warrants issued for exploration and evaluation assets	-	81,680
Marketable securities received for exploration and evaluation assets	28,000	880,555
Shares issued for exploration and evaluation assets	104,500	515,500

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## **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, 2023.

## **16. FINANCIAL INSTRUMENTS AND RISKS**

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

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

### *Level 1 – Quoted Prices in Active Markets for Identical Assets*

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

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

### *Level 2 – Significant Other Observable Inputs*

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

### *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.

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**16. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**

As at May 31, 2023 and 2022, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
<b>May 31, 2023</b>				
Cash	\$ 7,200	\$ -	\$ -	\$ 7,200
Marketable securities	\$ 34,480	\$ -	\$ -	\$ 34,480
<b>May 31, 2022</b>				
Cash	\$ 94,929	\$ -	\$ -	\$ 94,929
Marketable securities	\$ 371,393	\$ -	\$ -	\$ 371,393

**Financial Instrument Risks**

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

a) Credit risk

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

b) Interest rate risk

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

c) Market risk

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

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at May 31, 2023, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at May 31, 2023, the Company had cash of \$7,200 (2022 - \$94,929) and a working capital deficiency of \$521,059 (2022 - \$166,784). The Company may not be able to settle accounts payable and accrued liabilities of \$513,385 (2022 - \$531,283), promissory note payable of \$Nil (2022 - \$65,860) and loans payable of \$60,000 (2022 - \$60,000) 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, 2023, the Company's cash is held in Canadian dollars and accordingly the Company's exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

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**17. LEGAL JUDGEMENT**

On July 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, 2023 and 2022, 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.

**18. 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.

**19. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	<b>2023</b>	<b>2022</b>
Net loss before income taxes	\$ (1,518,834)	\$ (1,024,423)
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	\$ (410,000)	\$ (277,000)
Permanent differences	26,000	142,000
True up	(174,000)	27,000
Change in tax benefits not recognized	558,000	108,000
<b>Income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>

Details of deductible temporary differences are as follows:

	<b>Expiry</b>	<b>2023</b>	<b>Expiry</b>	<b>2022</b>
Loss carry-forwards	2026-2043	\$ 15,293,000	2026-2042	\$ 14,158,000
Exploration and evaluation assets	None	1,639,000	None	725,000
Share issuance costs	2024-2028	13,000	2023-2027	22,000
Deductible capital losses carry-forward	None	416,000	None	114,000
Others	None	56,000	None	295,000
Deductible temporary difference not recognized	None	(17,417,000)	None	(15,314,000)
Net deductible temporary differences		<b>\$ -</b>		<b>\$ -</b>

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.

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**20. SUBSEQUENT EVENTS**

Subsequent to May 31, 2023, the Company:

- i) entered into a property option agreement with a private entity, Compton where Compton can acquire a 100% interest in the Garnet Lake / Arrow Zone claims in the AurCrest property held by the Company in consideration of a total of \$75,000 in cash and 3,000,000 common shares of Compton as follows:
  - i) receive \$25,000 on or before the date that is within 10 days of the execution of the option agreement (July 23, 2023) (received).
  - ii) receive 1,000,000 common shares of Compton upon TSX Venture, CBOE, or CSE acceptance of the option agreement.
  - iii) receive \$25,000 and 1,000,000 common shares of Compton on or before the date that is the first-year anniversary of Compton getting listed on a stock exchange ("Trading").
  - iv) receive \$25,000 and 1,000,000 common shares of Compton on or before the date that is the second-year anniversary of Trading.

The Company has to pay a 2.0% net smelter return to the vendors of the property pursuant to the option agreement.

- ii) closed a non-brokered private placement of 1,272,500 units at a price of \$0.08 per unit for aggregate gross proceeds of \$101,800, of which \$1,200 was received during the year ended May 31, 2023. 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 \$0.12 per share.
  - iii) granted 400,000 share options, which are exercisable for a period of two years, at a price of \$0.12 per share.
  - iv) granted 275,000 share options, which are exercisable for a period of two years, at a price of \$0.175 per share.
  - v) closed a non-brokered private placement of 2,477,500 units at a price of \$0.08 per unit for aggregate gross proceeds of \$198,200. 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 \$0.12 per share. In connection with the financing, the Company paid finders' fees of \$4,340 cash and 54,250 warrants. These warrants entitle the holders to purchase one share for a 24-month period from the closing date at an exercise price of \$0.12 per share.
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