
PEGASUS RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

As at and for the three months ended

August 31, 2024

Unaudited – Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

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

	August 31, 2024	May 31, 2024
ASSETS		
CURRENT ASSETS		
Cash	\$ 547,012	\$ 257,400
Taxes recoverable	21,732	23,903
Prepaid expenses	2,100	48,707
Marketable securities (Note 5)	8,430	8,430
	579,274	338,440
NON-CURRENT ASSETS		
Reclamation bond (Note 6)	22,962	23,276
Exploration advance and deposit	6,096	6,096
Exploration and evaluation assets (Note 7)	1,614,523	1,177,194
TOTAL ASSETS	\$ 2,222,855	\$ 1,545,006
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 8 and 12)	\$ 528,186	\$ 387,364
Loans payable (Note 9)	60,000	60,000
Flow-through premium liability (Note 10)	38,956	38,956
	627,142	486,320
EQUITY		
Share capital (Note 10)	29,924,886	28,948,658
Reserves (Notes 10 and 11)	1,595,125	1,564,952
Subscriptions receivable (Note 10)	(77,200)	-
Deficit	(29,847,098)	(29,454,924)
	1,595,713	1,058,686
TOTAL LIABILITIES AND EQUITY	\$ 2,222,855	\$ 1,545,006

NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY (Note 1)

APPROVED BY THE BOARD OF DIRECTORS ON OCTOBER 30, 2024

ON BEHALF OF THE BOARD

<i>“Christian Timmins”</i>	<i>“Dave Bissoondatt”</i>
Director	Director

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

PEGASUS RESOURCES INC.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)**

	Three months ended	
	2024	August 31, 2023
EXPENSES		
Business development and shareholder communications	\$ 208,748	\$ 5,371
Consulting fees (Note 12)	121,100	87,417
Office services and miscellaneous	11,359	7,647
Professional fees	29,160	30,912
Share-based payments (Notes 10, 11 and 12)	33,500	37,600
Transfer agent and filing fees	6,594	4,422
	(410,461)	(173,369)
OTHER INCOME (EXPENSES)		
Interest income	12	-
Foreign exchange loss	(34)	-
Loss on disposal of subsidiary	(318)	-
Realized loss on disposal of marketable securities (Note 5)		(49,702)
Change in fair value of marketable securities (Note 5)	-	43,382
Write-off of accounts payable (Note 8)	-	12,101
	(340)	5,781
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (410,801)	\$ (167,588)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (0.02)	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC AND DILUTED	22,329,204	11,381,771

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

PEGASUS RESOURCES INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	<u>Share Capital</u>		<u>Reserves</u>				Subscriptions receivable	Subscriptions received in advance	Total
	Number of shares issued	Amount	Warrant reserve	Share-based payment reserve	Deficit				
Balance, May 31, 2023	11,734,351	\$ 27,814,570	\$ 765,546	\$ 748,015	\$ (28,584,244)	\$ -	\$ 1,200	\$ 745,087	
Private placements	1,272,500	101,800	-	-	-	-	(1,200)	100,600	
Subscriptions received in advance	-	-	-	-	-	-	31,200	31,200	
Fair value of options granted	-	-	-	37,600	-	-	-	37,600	
Comprehensive loss for the period	-	-	-	-	(167,588)	-	-	(167,588)	
Balance, August 31, 2023	13,006,851	27,916,370	765,546	785,615	(28,751,832)	-	31,200	746,899	
Private placements	6,348,375	857,340	-	-	-	-	-	857,340	
Share issuance cost - cash	-	(54,146)	-	-	-	-	-	(54,146)	
Share issuance cost – broker warrants	-	(24,500)	24,500	-	-	-	-	-	
Shares issued for exploration and evaluation assets	20,000	4,000	-	-	-	-	-	4,000	
Exercise of options	310,000	71,289	-	(31,089)	-	-	-	40,200	
Exercise of warrants	1,767,125	218,105	(4,550)	-	-	-	-	213,555	
Flow-through premium liability	-	(39,800)	-	-	-	-	-	(39,800)	
Share-based payments	-	-	-	278,600	-	-	-	278,600	
Subscriptions received in advance	-	-	-	-	-	-	(31,200)	(31,200)	
Fair value of options cancelled and expired	-	-	-	(253,670)	216,070	-	-	(37,600)	
Comprehensive loss for the period	-	-	-	-	(919,162)	-	-	(919,162)	
Balance, May 31, 2024	21,452,351	28,948,658	785,496	779,456	(29,454,924)	-	-	1,058,686	
Private placements	4,047,750	647,640	-	-	-	-	-	647,640	
Share issuance cost - cash	-	(15,862)	-	-	-	-	-	(15,862)	
Share issuance cost – broker warrants	-	(15,300)	15,300	-	-	-	-	-	
Shares issued for exploration and evaluation assets	2,225,000	356,000	-	-	-	-	-	356,000	
Subscriptions receivable	-	-	-	-	-	(77,200)	-	(77,200)	
Exercise of warrants	31,250	3,750	-	-	-	-	-	3,750	
Fair value of options cancelled and expired	-	-	-	(18,627)	18,627	-	-	-	
Share-based payments	-	-	-	33,500	-	-	-	33,500	
Comprehensive loss for the period	-	-	-	-	(410,801)	-	-	(410,801)	
Balance, August 31, 2024	27,756,351	\$ 29,924,886	\$ 800,796	\$ 794,329	\$ (29,847,098)	\$ (77,200)	\$ -	\$ 1,595,713	

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

PEGASUS RESOURCES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

	Three months ended August 31,	
	2024	2023
OPERATING ACTIVITIES		
Net loss for the period	\$ (410,801)	\$ (167,588)
Adjustments for non-cash items:		
Share-based payments	33,500	37,600
Change in fair value of marketable securities	-	(43,382)
Realized loss on disposal of marketable securities		49,702
Foreign exchange	314	64
Write-off of accounts payable	-	(12,101)
	(376,987)	(135,705)
Changes in non-cash working capital:		
Taxes recoverable	2,171	3,524
Prepaid expenses	46,607	(23,000)
Accounts payable and accrued liabilities	165,795	(45,529)
Net cash flow used in operating activities	(162,414)	(200,710)
INVESTING ACTIVITIES		
Exploration and evaluation assets and exploration expenditures	(106,302)	-
Tax credit recovery	-	87,593
Proceeds from sale of exploration and evaluation assets	-	25,000
Proceeds from sale of marketable securities	-	9,895
Net cash flow provided by (used in) investing activities	(106,302)	122,488
FINANCING ACTIVITIES		
Proceeds from the private placements, net of share issuance costs	554,578	100,600
Subscription received in advance	-	31,200
Proceeds from warrant exercise	3,750	-
Net cash flows provided by financing activities	558,328	131,800
CHANGE IN CASH	289,612	53,578
CASH, BEGINNING OF THE PERIOD	257,400	7,200
CASH, END OF THE PERIOD	\$ 547,012	\$ 60,778

Additional Cash Flow Information (Note 13)

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

PEGASUS RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED AUGUST 31, 2024
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

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 Suite 2501 - 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.

These condensed interim 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.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges such as the risk of higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

As at August 31, 2024, the Company has a working capital deficiency of \$47,868 (May 31, 2024– \$147,880) and an accumulated deficit of \$29,847,098 (May 31, 2024 – \$29,454,924). 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 condensed interim 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED AUGUST 31, 2024
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

2. BASIS OF PRESENTATIONBasis of preparation

The Company's condensed interim 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 condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries as at August 31, 2024. 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, 2024, PB was dissolved.

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. During the year ended May 31, 2024, South Dakota was dissolved.

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.

Statement of compliance

These condensed interim consolidated financial statements have been prepared by management of the Company in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", following the same accounting principles and methods of computation as outlined in the Company's financial statements for the period ended August 31, 2024 and 2023. These condensed interim financial statements include all necessary disclosures required for interim financial statements but do not include all disclosures required for annual financial statements. Therefore, condensed interim consolidated financial statements should be read in conjunction with the most recent audited annual financial statements and the notes thereto for the year ended May 31, 2024 and 2023.

Approval of the condensed interim consolidated financial statements

The condensed interim consolidated financial statements of the Company for the three months ended August 31, 2024 were reviewed by the Audit Committee and approved and authorized for issue on October 30, 2024 by the Board of Directors of the Company.

PEGASUS RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE THREE MONTHS ENDED AUGUST 31, 2024
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATE

Significant accounting judgments, estimates and assumptions

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

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 statements 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 consideration received (Note 7).

During the year ended May 31, 2024, management did not continue on certain uranium properties and allowed the claims to lapse and wrote off exploration and evaluation assets of \$182,346 (Note 7)

PEGASUS RESOURCES INC.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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4. MATERIAL ACCOUNTING POLICIESForeign currency translation

The condensed interim consolidated 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.

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4. MATERIAL 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.

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. MATERIAL 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 other income. 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. MATERIAL 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. The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the reserves account. The fair value is measured at the grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each statement of financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

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.

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. MATERIAL ACCOUNTING POLICIES (CONTINUED)Financial instruments

Financial instruments classified at fair value through profit or loss (“FTVPL”) are initially and subsequently measured at fair value. Financial instruments classified at amortized cost are initially measured at fair value and subsequently measured at amortized cost using the effective interest method.

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

Accounting standards not yet effective

A number of new standards, and amendments to standards and interpretations, are not effective and have not been early adopted in preparing these condensed interim consolidated financial statements. The following accounting standards and amendments are effective for future periods:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1) - The amendments to IAS1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date.

This amendment is effective for reporting periods beginning on or after January 1, 2024.

The Company has assessed that the impact of adopting this accounting standard on its condensed interim consolidated financial statements would not be significant.

New accounting standards adopted

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies – These amendments help companies provide useful accounting policy disclosures. The IASB also amended IFRS Practice Statement 2 to include guidance and examples on applying materiality to accounting policy disclosures.

The adoption of the amendment during 2023 reduced the disclosure of the Company’s accounting policies.

PEGASUS RESOURCES INC.

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5. MARKETABLE SECURITIES

	Common shares	Total
<i>Imagine Lithium Inc.</i>		
As of May 31, 2023	281,000 \$	22,480
Change in fair value	-	(14,050)
As of May 31, 2024 and August 31, 2024	281,000 \$	8,430

During the year ended May 31, 2024, the Company:

- i) sold 10,000 common shares of Renegade Gold Inc. (formerly Trillium Gold Mines Inc.) for proceeds of \$9,895.

6. RECLAMATION BOND

The Company has provided \$19,795 (2023 - \$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. The bond will be held by the Company until the property is assumed by a new owner.

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 August 31, 2024, the total carrying value of the bond was \$22,962 (May 31, 2024 - \$23,276).

7. EXPLORATION AND EVALUATION ASSETS**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.

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.

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 Garnet Property in consideration of the issuance of 500,000 common shares (valued at \$250,000) to Imagine.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

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, and amended on March 14, 2024, an option agreement with Compton Mining Corp (“Compton”) where Compton has an option to acquire a 100% interest in the property for cash consideration of \$135,000 over a 2-year period as follows:

- i) \$25,000 on or before the date that is within 10 days of the execution of the option agreement (July 23, 2023) (received).
- ii) \$60,000 upon TSX Venture, CBOE, or CSE acceptance of the option agreement (received).
- iii) \$25,000 on or before June 14, 2024 (outstanding).
- iv) \$25,000 on or before June 14, 2025.

Due to 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.

During the year ended May 31, 2024, the Company received \$85,000, of which \$25,000 was deducted from the remaining balance in exploration and evaluation assets and \$60,000 was recorded as gain on sales of exploration and evaluation assets.

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 (paid), 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).

During the period ended August 31, 2024, the Company completed the payments and are deemed to have a 100% interest in the 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.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**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, 2024, the Company allowed the uranium properties to lapse and wrote off exploration and evaluation assets of \$182,346.

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 (issued and valued at \$4,000).
- iv) 25,000 common shares on or before October 27, 2024 (issued and valued at \$4,000).

Exploration expenditures

- i) incur exploration expenditures of \$300,000 on or before October 27, 2024 (currently in discussion with vendor for an extension).

Upon completing the 70% earn-in interest, the Company will have the option to earn the remaining 30% interest by making a cash payment of \$200,000 and issuing 50,000 common shares over an additional 2 year period.

Energy Sands Property, USA

During the year ended May 31, 2022, the Company acquired, by staking, the Energy Sands Project, located in Emery County, Utah.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

Jupiter Project, USA

On July 3, 2024, and amended on September 17, 2024, the Company entered into a option agreement to acquire a 100% interest in the Jupiter Project located in Emery County, Utah, USA.

To earn a 75% interest in the property, the Company is required to satisfy all considerations as follows:

Share issuances

- i) 2,200,000 common shares on or before the date that is within 10 days of the Exchange approval of the option agreement (issued and valued at \$352,000).

Cash payments

- i) USD \$25,000 cash payment on or before August 2, 2024 (paid).
- ii) USD \$75,000 cash payment on or before the earlier of July 3, 2025 or 15 business days following the closing of the private placement announced on July 22, 2024.

The Company will earn the remaining 25% upon completion of the NI 43-101 resource estimate.

This interest is subject to resource bonuses of USD\$100,000 for every increment of 500,000 lbs of uranium up to 2,500,000 lbs. The first resource bonus payment will be due within 90 days from the date the initial resource Calculation exceeding 475,000 lbs of uranium is issued.

Upon completion of the agreement, the vendor will retain 2.5% NSR.

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

For the period ended August 31, 2024, the exploration and evaluation assets consisted of the following:

	Icefield Project, British Columbia	Energy Sands Uranium Property, USA	Pine Channel Property, Saskatchewan	Total
BALANCE May 31, 2024	\$ 706,283	\$ 210,541	\$ 260,370	\$ 1,177,194
ACQUISITION COSTS:				
Cash	-	54,562	-	54,562
Shares	-	352,000	4,000	356,000
Total acquisition costs	-	406,562	4,000	410,562
EXPLORATION COSTS:				
Geological consulting	-	1,946	614	2,560
Staking	-	-	24,207	24,207
Total exploration costs	-	1,946	24,821	26,767
BALANCE August 31, 2024	\$ 706,283	\$ 619,049	\$ 289,191	\$ 1,614,523
TOTAL COSTS:				
Acquisition costs	\$ 401,980	\$ 503,764	\$ 139,271	\$ 1,045,015
Exploration costs	304,303	115,285	149,920	569,508
BALANCE August 31, 2024	\$ 706,283	\$ 619,049	\$ 289,191	\$ 1,614,523

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7. EXPLORATION AND EVALUATION ASSETS (CONTINUED)

For the year ended May 31, 2024, the exploration and evaluation assets consisted of the following:

	Aurcrest Property, Ontario	Icefield Project, British Columbia	Uranium Properties, Saskatchewan	Energy Sands Uranium Property, USA	Pine Channel Property, Saskatchewan	Total
BALANCE May 31, 2023	\$ 25,000	\$ 761,845	\$ 164,218	\$ 40,926	\$ 229,997	\$ 1,221,986
ACQUISITION COSTS:						
Cash	-	-	-	56,276	22,771	79,047
Shares	-	-	-	-	4,000	4,000
Total acquisition costs	-	-	-	56,276	26,771	83,047
EXPLORATION COSTS:						
Admin	-	-	-	-	2,277	2,277
Assays	-	1,790	-	-	-	1,790
Geological consulting	-	24,083	513	111,273	4,079	139,948
Field expenses	-	1,255	-	2,066	-	3,321
Travel	-	4,903	17,615	-	-	22,518
Cost recovery	-	-	-	-	(2,754)	(2,754)
Total exploration costs	-	32,031	18,128	113,339	3,602	167,100
Option out - cash	(25,000)	-	-	-	-	(25,000)
Tax credit recovery	-	(87,593)	-	-	-	(87,593)
Write off	-	-	(182,346)	-	-	(182,346)
BALANCE May 31, 2024	\$ -	\$ 706,283	\$ -	\$ 210,541	\$ 260,370	\$ 1,177,194
TOTAL COSTS:						
Acquisition costs	\$ 681,250	\$ 408,773	\$ 156,500	\$ 97,202	\$ 135,271	\$ 1,478,996
Exploration costs	860,934	402,619	25,846	113,339	125,099	1,527,837
Tax credit recovery	-	(105,109)	-	-	-	(105,109)
Receipts from option out and sale of properties	(877,500)	-	-	-	-	(877,500)
Write off	(664,684)	-	(182,346)	-	-	(847,030)
BALANCE May 31, 2024	\$ -	\$ 706,283	\$ -	\$ 210,541	\$ 260,370	\$ 1,177,194

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8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

	August 31, 2024	May 31, 2024
Accounts payable and accrued liabilities	\$ 528,186	\$ 387,364
	\$ 528,186	\$ 387,364

During the year ended May 31, 2024, 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 \$12,101.

9. LOANS PAYABLE

Loan Date	Principal amount	Outstanding balance as at August 31, 2024	Outstanding balance as at May 31, 2024
2019-03-29 ⁽¹⁾	\$ 10,000	\$ 10,000	\$ 10,000
2019-09-20 ⁽¹⁾	50,000	50,000	50,000
	\$ 60,000	\$ 60,000	\$ 60,000

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

10. SHARE CAPITAL

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

During the period ended August 31, 2024, the Company:

- i) issued 2,200,000 common shares valued at \$352,000 pursuant to the acquisition of the Jupiter Property (Note 7).
- ii) issued 25,000 common shares valued at \$4,000 pursuant to the acquisition of the Pine Channel Property (Note 7).
- iii) closed a non-brokered private placement of 4,047,750 units at a price of \$0.16 per unit for aggregate gross proceeds of \$647,640, of which \$77,200 was received subsequent to August 31, 2024 and recorded as subscriptions receivable. Each unit is comprised of one common share and one-half 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 \$0.20 per share. In connection with the financing, the Company paid finders' fees of \$15,862 cash and 99,138 brokers warrants fair valued at \$15,300. Each brokers warrant entitle the holders to purchase one share for a 24-month period from the closing date at an exercise price of \$0.20 per share.
- iv) issued 31,250 common shares pursuant to the exercise of warrants for gross proceeds of \$3,750

During the year ended May 31, 2024, the Company:

- i) 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. 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.
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10. SHARE CAPITAL (CONTINUED)

- ii) 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, 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. In connection with the financing, the Company paid finders' fees of \$4,340 cash and 54,250 warrants fair valued at \$3,200. 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. The Company paid other share issuance costs of \$3,167.
- iii) issued 20,000 common shares valued at \$4,000 pursuant to the acquisition of the Pine Channel Property (Note 7).
- iv) closed a private placement of 2,875,875 units at a price of \$0.16 per unit for gross proceeds of \$460,140. 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 \$0.20 per share.

Concurrently, the Company closed a private placement of 995,000 flow-through units at a price of \$0.20 per unit for gross proceeds of \$199,000. The Company recognized a flow-through premium of \$39,800. Each unit consists of a common share and a share purchase warrant. 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 \$0.28 per share. During the year ended May 31, 2024, the Company recorded flow-through premium recovery of \$844. As at August 31, 2024, the Company has a remaining flow through exploration expenditure commitment of \$38,956.

In connection with the financing, the Company paid finders' fees of \$46,639 cash and 163,931 finders' warrants with two different terms as follows:

- a) For 103,031 finders' warrants (fair valued at \$12,400), each warrant entitles the holders to purchase one share for a 24-month period from the closing date at an exercise price of \$0.20 per share.
 - b) For 60,900 finders' warrants (fair valued at \$8,900), each warrant entitles the holders to purchase one share for a 24-month period from the closing date at an exercise price of \$0.28 per share.
- v) issued 1,767,125 common shares pursuant to the exercise of warrants for gross proceeds of \$213,555, and accordingly, the Company allocated \$4,550 from warrant reserve to share capital.
 - vi) issued 310,000 common shares pursuant to the exercise of options for gross proceeds of \$40,200, and accordingly, the Company allocated \$31,089 from share-based payment reserve to share capital.

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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10. SHARE CAPITAL (CONTINUED)**Share Options (continued)**

A summary of share options outstanding is as follows:

	Outstanding and exercisable	Weighted Average Exercise Price	Weighted Average Years to Expiry
Balance at May 31, 2023	837,500	0.52	1.09
Granted	2,040,000	0.17	-
Exercised	(310,000)	0.13	-
Expired and cancelled	(467,500)	0.54	-
Balance at May 31, 2024	2,100,000	0.24	1.10
Granted	250,000	0.17	-
Expired and cancelled	(47,500)	0.50	-
Balance at August 31, 2024	2,302,500	\$ 0.22	0.84

As at August 31, 2024, the weighted average trading price of options exercised during the period ended August 31, 2024 is \$0.22 (May 31, 2024 - \$0.24).

As at August 31, 2024, the Company had share purchase options outstanding as follows:

Outstanding	Exercisable	Exercise Price	Expiry Date	Contractual life (in years)
22,500	22,500	\$0.50	10-Sep-24 ⁽¹⁾	0.03
20,000	20,000	\$0.50	22-Nov-24	0.23
30,000	30,000	\$0.50	01-Jun-25	0.75
230,000	230,000	\$0.50	28-Aug-25	0.99
150,000	150,000	\$0.12	28-Aug-25	0.99
20,000	20,000	\$0.50	03-Sep-25	1.01
275,000	275,000	\$0.175	11-Sep-25	1.03
355,000	355,000	\$0.17	09-Jan-26	1.36
250,000	250,000	\$0.215	02-Feb-26	1.42
125,000	125,000	\$0.17	13-Mar-26	1.53
250,000	250,000	\$0.165	01-Aug-26	1.92
575,000	575,000	\$0.19	14-May-27	2.70
2,302,500	2,302,000			

(1) expired subsequently

During the period ended August 31, 2024:

- i) On August 01, 2024, the Company granted 250,000 share options, which are exercisable for a period of two years, at a price of \$0.165 per share. The fair value of \$33,500 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.

During the year ended May 31, 2024

- i) On August 28, 2023, the Company granted 400,000 share options, which are exercisable for a period of two years, at a price of \$0.12 per share. The fair value of \$37,600 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.

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10. SHARE CAPITAL (CONTINUED)**Share options (continued)**

- ii) On September 11, 2023, the Company granted 275,000 share options, which are exercisable for a period of two years, at a price of \$0.175 per share. The fair value of \$37,800 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.
- iii) On January 9, 2024, the Company granted 355,000 share options, which are exercisable for a period of two years, at a price of \$0.17 per share. The fair value of \$46,700 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.
- iv) On February 2, 2024, the Company granted 250,000 share options, which are exercisable for a period of two years, at a price of \$0.215 per share. The fair value of \$41,300 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.
- v) On March 13, 2024, the Company granted 185,000 share options, which are exercisable for a period of two years, at a price of \$0.17 per share. The fair value of \$23,400 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.
- vi) On May 14, 2024, the Company granted 575,000 share options, which are exercisable for a period of three years, at a price of \$0.19 per share. The fair value of \$91,800 was estimated using the Black-Scholes Option Pricing Model. The options vested immediately.

During the period ended August 31, 2024, 47,500 of the share options expired or cancelled unexercised. The Company has reclassified a total of \$18,627 from reserves to deficit as a result of the expired and cancelled options.

During the year ended May 31, 2024, 467,500 of the share options expired or cancelled unexercised. The Company has reclassified a total of \$216,070 from reserves to deficit as a result of the expired and cancelled options.

The following weighted average assumptions were used in the Black-Scholes Option Pricing Model for the valuation of the share options granted:

	August 31, 2024	May 31, 2024
Risk-free interest rate	3.36%	4.30%
Exercise price	\$0.17	\$0.17
Share price	\$0.16	\$0.17
Expected life of options	2.00 years	2.28 years
Expected annualized volatility	210.93%	165.84%
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.

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10. SHARE CAPITAL (CONTINUED)**Warrants**

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

	Outstanding and exercisable	Weighted average exercise price	Weighted average years to expiry
Balance at May 31, 2023	3,086,127	0.69	0.60
Granted	7,839,056	0.17	-
Exercised	(1,767,125)	0.12	-
Expired	(1,832,860)	0.82	-
Balance at May 31, 2024	7,325,198	0.24	1.22
Granted	2,123,013	0.20	-
Exercised	(31,250)	0.12	-
Balance at August 31, 2024	9,416,961	\$ 0.23	1.36

Details of warrants outstanding as at May 31, 2024 are as follows:

Outstanding and exercisable	Exercise price	Expiry Date	Weighted average life (in years)
1,217,267	\$0.50	November 23, 2024	0.23
36,000	\$0.50	November 23, 2024	0.23
1,232,500	\$0.12	July 20, 2025	0.88
765,000	\$0.12	September 7, 2025	1.02
27,125	\$0.12	September 7, 2025	1.02
2,857,125	\$0.20	December 28, 2025	1.33
103,031	\$0.20	December 28, 2025	1.33
995,000	\$0.28	December 28, 2025	1.33
60,900	\$0.28	December 28, 2025	1.33
2,023,875	\$0.20	August 29, 2026	1.99
99,138	\$0.20	August 29, 2026	1.99
9,416,961			

During the period ended August 31, 2024, the Company:

- i) issued 2,023,875 warrants and 99,138 brokers warrants related to private placement.
- ii) 31,250 warrants were exercised.

During the year ended May 31, 2024, the Company:

- i) issued 7,620,875 warrants and 218,181 brokers warrants related to private placement.
- ii) 1,832,860 warrants expired unexercised.

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10. SHARE CAPITAL (CONTINUED)**Warrants (continued)**

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

	August 31, 2024	May 31, 2024
Risk-free interest rate	3.31%	4.09%
Exercise price	\$0.20	\$0.20
Share price	\$0.18	\$0.14
Expected life of warrants	2.00 years	2.00 years
Expected annualized volatility	210.07%	168.85%
Expected dividend rate	0.00%	0.00%

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

11. RESERVES**Share-based payment reserve**

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

Balance, May 31, 2023	\$	748,015
Granted		278,600
Fair value of share options exercised		(31,089)
Fair value of share options expired and cancelled		(216,070)
Balance, May 31, 2024		779,456
Granted		33,500
Fair value of share options expired and cancelled		(18,627)
Balance, August 31, 2024	\$	794,329

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 reserve.

Balance, May 31, 2023	\$	765,546
Broker warrants issued		24,500
Fair value of broker warrants exercised		(4,550)
Balance, May 31, 2023		785,496
Broker warrants issued		15,300
Balance, August 31, 2024	\$	800,796

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12. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. As at August 31, 2024, due to related parties amounted to \$26,680 (May 31, 2024 – \$21,680) included in accounts payable and accrued liabilities and prepaid expenses to related parties amounted to \$Nil (May 31, 2024 - \$10,000) on the statements of financial position.

During the period ended August 31, 2024 and 2023, the Company incurred the following amounts through transactions with directors and officers of the Company:

		2024		2023
Consulting fees	\$	76,000	\$	42,000
Share-based payments		-		16,450
	\$	76,000	\$	58,450

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 period ended August 31, 2024, the Company:

- i) paid or accrued \$22,500 (2023 - \$4,500) to a director of the Company in consulting fees.
- ii) paid or accrued \$Nil (2023 - \$7,500) in consulting fees to a former director of the Company.
- iii) paid or accrued \$46,000 (2023 - \$30,000) to the President of the Company in consulting fees.
- iv) paid or accrued \$7,500 (2023 - \$Nil) to a director of the Company in consulting fees.
- v) granted Nil (2023 – 175,000) stock options with a value of \$Nil (2023 - \$16,450) to directors of the Company for services provided.

13. ADDITIONAL CASH FLOW INFORMATION

	For the three months ended August 31,	
	2024	2023
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	-	-
Non-cash financing activities and investing activities:		
Exploration and evaluation assets included in accounts payable and accrued liabilities	71,901	-
Fair value of options cancelled and expired	18,627	-
Fair value of broker's warrant granted	15,300	-
Share subscription receivable	77,200	-
Shares issued for exploration and evaluation assets	356,000	-

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14. CAPITAL MANAGEMENT

The Company considers its capital structure to include net residual equity of all assets, less liabilities. The Company's objectives when managing capital are to (i) maintain financial flexibility in order to preserve its ability to meet financial obligations and continue as a going concern; (ii) maintain a capital structure that allows the Company to pursue the development of its mineral properties; and (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders commensurate with risk. The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and receivables. The Company is not subject to any externally imposed capital requirements.

There have been no changes to the Company's approach to capital management during the period ended August 31, 2024.

15. 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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15. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

As at August 31, 2024 and May 31, 2024, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
August 31, 2024				
Cash	\$ 547,012	\$ -	\$ -	\$ 547,012
Marketable securities	\$ 8,430	\$ -	\$ -	\$ 8,430
May 31, 2024				
Cash	\$ 257,400	\$ -	\$ -	\$ 257,400
Marketable securities	\$ 8,430	\$ -	\$ -	\$ 8,430

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 August 31, 2024, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at August 31, 2024, the Company had cash of \$547,012 (May 31, 2024 - \$257,400) and a working capital deficiency of \$47,868 (May 31, 2024 - \$147,880). The Company may not be able to settle accounts payable and accrued liabilities of \$528,186 (May 31, 2024 - \$387,364), and loans payable of \$60,000 (May 31, 2024 - \$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 August 31, 2024, the Company's cash is held in Canadian dollars and accordingly the Company's exposure to foreign currency risks on cash balances held in foreign currencies is not expected to be significant.

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16. 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 August 31, 2024 and May 31, 2024, the Company has accrued \$105,272 in accounts payable and accrued liabilities in connection with the outstanding amounts. In the Company’s opinion, it will not be liable for the other related companies’ portion of the amount claimed.

17. 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.
