
PEGASUS RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at and for the years ended

May 31, 2024 and 2023

PEGASUS RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
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OVERVIEW

The following management discussion and analysis of the financial position of Pegasus Resources Inc. (“Company”) and results of operations should be read in conjunction with the audited consolidated financial statements for the years ended May 31, 2024 and 2023. The consolidated financial statements together with the following management discussion and analysis are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance.

Additional information related to the Company is available for view on SEDAR+ at www.sedarplus.ca, on the Company’s website at www.pegasusresourcesinc.com, or by requesting further information from the Company’s head office located at: 700 – 838 West Hastings Vancouver, BC, V6C 0A6 and its registered address is Suite 2501 - 550 Burrard Street, Vancouver, BC V6C 2B5.

Date of report: September 27, 2024.

NATURE OF BUSINESS AND OVERALL PERFORMANCE

The Company is engaged in the exploration and development of mineral resources, currently focusing on projects in North America.

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

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

Management expects to be successful in arranging sufficient funding to meet operating commitments for the ensuing year. However, the Company’s future capital requirements will depend on many factors, including the costs of exploring and developing its resource properties, operating costs, the current capital market environment and global market conditions. The Company has a working capital deficiency at May 31, 2024 of \$147,880 (2023 – \$521,059). For significant expenditures and resource property development, the Company will depend almost exclusively on outside capital. Such outside capital will include the issuance of additional equity shares. There can be no assurance that capital will be available, as necessary, to meet the Company’s operating commitments and further exploration and development plans. The issuance of additional equity securities by the Company may result in significant dilution to the equity interests of current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the future success of the business could be adversely affected.

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FORWARD LOOKING STATEMENTS

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

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

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

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

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MINERAL PROPERTY INTERESTS

AurCrest Properties, Ontario:

Garnet Lake Property:

On February 3, 2020, the Company entered into an option agreement with Imagine Lithium Inc. (“Imagine”) (formerly “Infinite Ore Corp.”) 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 thirty six 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 the Garnet Property in consideration of the issuance of 500,000 common shares to Imagine (valued at \$250,000).

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

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”) 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:

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

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 warrants in a period of two years as follow:

- Pay \$10,000 (paid) upon signing of the agreement (September 9, 2020).
- Pay \$15,000 in cash (paid), issue 100,000 common shares (issued on September 21, 2020 at a fair value of \$55,000), and 100,000 share purchase warrants (“warrants”) (granted and valued at \$50,300) within five days of the exchange approval date (September 16, 2020).
- Pay \$25,000 in cash (subsequently 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).
- Issue 500,000 common shares on the second anniversary of the Exchange approval date (issued and valued at \$100,000).

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

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to the NSR royalty. Subsequent to the year ended May 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. The Company continues to engage the Optionor for future work on the property, with a future mapping and sampling program planned for 2025, weather permitting.

2023 work at Golden Project:

At the Golden Project in southeastern BC, a follow-up to the 2023 mapping and sampling program is planned to be completed summer of 2025 on the Gold Mountain Project.

A) Gold Mountain Highlights

- Early-stage gold/silver property located approximately 50 km NW of Golden, BC, just north of Highway 1.
- The property is comprised of two mineral claims over 802 ha

B) Vertebrae Ridge Highlights:

- Early-stage copper/polymetallic property located approximately 30 km NW of the Gold Mountain property and 80 km NW of Golden, BC.
- The property is comprised of four mineral claims over 5324 ha.

C) Punch Bowl Highlights:

- Early-stage gold property located approximately 90 km NW of the Gold Mountain property and 140 km NW of Golden, BC.
- The property is comprised of three mineral claims over 3,079 ha.

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Pine Channel Property, Saskatchewan:

On October 5, 2021, the Company entered into an option agreement to acquire interest in 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 (subsequently issued).

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 the remaining 30% interest by making a cash payment of \$200,000 and issuing 50,000 common shares over an additional 2-year period.

Exploration 2024-2025

The Company intends to complete a gravity survey on the property.

Athabaskan Uranium Properties

On October 20, 2021, the Company entered into an option agreement to acquire interest in three uranium properties located immediately northwest of the prolific Athabasca Basin of northern Saskatchewan and one property in Utah, USA

Pursuant to the option agreement to acquire a 100% interest in the property, the Company reimbursed staking costs of approximately \$35,000 (paid) and issued 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 (issued and valued at \$13,500) as finder's fee.

During the year ended May 31, 2024, the Company allowed the Athabasca uranium properties to lapse and wrote off exploration and evaluation assets of \$182,346.

Energy Sands Project, Utah, USA

On October 20, 2021, the Company announced the acquisition, by staking, of the Energy Sands Project, located in Emery County, Utah. The Project consists of sandstone-hosted uranium and vanadium mineralization with

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demonstrated potential to establish resources, with historical small-scale mining having occurred in two isolated regions of the Property.

On November 30, 2023, the Company staked an additional 48 lode claims adjacent to Energy Sands.

Project highlights:

- 78 unpatented lode claims, totaling 1560 acres
- Located within the San Rafael Uranium District, and approximately 4 kilometres from the San Rafael Uranium Project of Western Uranium.

Exploration 2024-2025

In January 2024, The Company completed a first-pass geological exploration program at Energy Sands. During the first-pass study, geologists conducted a broad assessment to gather basic information about the geological features, rock formations, and potential uranium mineralization in an area.

The Company started the permitting process with the intention of drilling Energy Sands once permits and funding are secured.

Jupiter Project, Utah, USA

On July 3, 2024, the Company entered into a property purchase and sales agreement (later amended on September 17, 2024) to acquire an interest in the Jupiter Project located in Emery County, Utah, USA.

To earn a 75% interest in the property, the Company is required 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 (subsequently issued).

Cash payments

- i) USD \$25,000 cash payment on or before August 2, 2024 (subsequently 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% interest 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.

Exploration 2024 – 2025

The Company started the permitting process with the intention of drilling Jupiter once permits and funding are secured.

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RESULTS OF OPERATIONS

Operational activities:

Year ended May 31, 2024

During the year ended May 31, 2024, the Company had a comprehensive loss of \$1,086,750, compared to \$1,518,834 during the year ended May 31, 2023. Significant comparative variances for the years ended May 31, 2024 and 2023 were:

Business development and shareholder communications of \$189,724 (2023 - \$154,959) increased due to additional levels of promotional activities to increase market awareness for financing opportunities during the current year.

Consulting fees of \$305,670 (2023 - \$338,474) decreased due to reduced business activities during the current year. Share-based payments of \$278,600 (2023 - \$39,500) increased due to more stock options granted during the current year.

Gain on sale of exploration and evaluation assets of \$60,000 (2023 - \$Nil) due to sale proceeds from AurCrest property during the current year.

Change in fair value of marketable securities of (\$16,155) (2023 - (\$49,404)) due to sales of marketable securities received pursuant to the option out agreement for mineral properties during the current year.

Write-off of accounts payable of \$12,101 (2023 - \$123,498) due to certain payables are no longer applicable from lapse of statute of limitations during the current year.

Write-off of exploration and evaluation assets of \$182,346 (2023 - \$830,752) due to the Company's decision to allow the uranium properties to lapse during the current year, to reduce ongoing cost associated with keeping the properties in good standing.

Three Months ended May 31, 2024

During the three months ended May 31, 2024, the Company had a comprehensive loss of \$412,673, compared to \$669,440 during the three months ended May 31, 2023. Significant comparative variances for the period ended May 31, 2024 and 2023 were:

Business development and shareholder communications of \$81,105 (2023 - \$6,257) increased due to additional levels of promotional activities to increase market awareness for financing opportunities during the current period.

Consulting fees of \$52,505 (2023 - \$84,750) decreased due to reduced business activities during the current period.

Share-based payments of \$115,200 (2023 - \$Nil) increased due to more stock options granted during the current period.

Gain on sale of exploration and evaluation assets of \$60,000 (2023 - \$Nil) due to sale proceeds from AurCrest property during the current period.

Change in fair value of marketable securities of \$Nil (2023 - \$3,664) decreased due to the change in fair value of marketable securities owned by the Company during the comparative period.

Write-off of exploration and evaluation assets of \$182,346 (2023 - \$664,684) due to the Company's decision to allow the uranium properties to lapse during the current period.

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Write-off of accounts payable of \$Nil (2023 - \$123,498) decreased due to management's decision to write off certain payables and interest due to lapse of statute of limitation during the comparative period.

SUMMARY OF ANNUAL FINANCIAL RESULTS

Financial Results	2024	2023	2022
	\$	\$	\$
Total revenue	Nil	Nil	Nil
Loss and comprehensive loss	1,086,750	1,518,834	1,024,423
Basic and diluted loss per share	(0.06)	(0.14)	(0.12)
Total assets	1,545,006	1,318,472	2,347,020
Cash dividends	Nil	Nil	Nil

FOURTH QUARTER

The Company did not have any significant events or transactions in the quarter of May 31, 2024 to report.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

	31-May-24	29-Feb-24	30-Nov-23	31-Aug-23
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss for the period	(412,673)	(315,490)	(190,999)	(167,588)
Loss per share	(0.02)	(0.02)	(0.01)	(0.01)
	31-May-23	28-Feb-23	30-Nov-22	31-Aug-22
Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Net loss for the period	(669,440)	(169,661)	(300,803)	(378,930)
Loss per share	(0.05)	(0.01)	(0.03)	(0.04)

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

Increased loss for the quarter ended May 31, 2024 compared with the previous quarter was primarily due to \$115,200 in share-based payments and \$182,346 in write-off of exploration and evaluation assets.

Increased loss for the quarter ended February 29, 2024 compared with the previous quarter was primarily due to \$88,000 in share-based payments and \$77,945 in business development and shareholder communications.

Increased loss for the quarter ended November 30, 2023 compared with the previous quarter was primarily due to \$5,620 in change in fair value of marketable securities and \$25,303 in business development and shareholder communications.

Decreased loss for the quarter ended August 31, 2023 compared with the previous quarter was primarily due to \$6,320 in change in fair value of marketable securities and \$12,101 in write-off of accounts payable.

Increased loss for the quarter ended May 31, 2023 compared with the previous quarter was primarily due to \$664,684 in write-off of exploration and evaluation assets and \$123,498 in write-off of accounts payable.

Decreased loss for the quarter ended February 28, 2023 compared with the previous quarter was primarily due to the change in fair value of marketable securities of \$29,947.

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Decreased loss for the quarter ended November 30, 2022 compared with the previous quarter was primarily due to the change in fair value of marketable securities of \$131,352, decrease of \$39,500 in share-based compensation, decrease of \$72,285 in business development and \$166,068 in write-off of exploration and evaluation assets.

Decreased loss for the quarter ended August 31, 2022 compared with the previous quarter was primarily due to no write off of exploration and evaluation properties during the current quarter.

CAPITAL DISCLOSURE

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

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

LIQUIDITY & CAPITAL RESOURCES

As at May 31, 2024, the Company had a working deficiency of \$147,880 (2023 – \$521,059), and cash of \$257,400 (2023 – \$7,200). The Company will require significant funds from either equity or debt financing for property exploration and to support general administrative expenses.

Share Capital Transactions:

For 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.
- 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.
- iv) closed its 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 for gross proceeds of \$199,000. The Company recognized a flow-through premium of \$39,800. Each unit

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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.

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.

For the year ended May 31, 2024, the Company experienced a net increase in its cash position by \$250,200 (2023 – decrease of \$87,729).

Cash flows used in operating activities was \$858,129 as at May 31, 2024 (2023 - \$568,612) primarily attributed to the change in working capital during the current year.

Cash flows used in investing activities was \$49,220 as at May 31, 2024 (2023 – provided by \$120,839) primarily attributed to the expenditure on exploration and evaluation assets, and the sale of the marketable securities.

Cash flows provided by financing activities was \$1,157,549 as at May 31, 2024 (2023 – \$360,044) primarily attributed to proceeds from private placements, exercise of options and warrants.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

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TRANSACTIONS WITH RELATED PARTIES AND EXECUTIVE COMPENSATION

Related party transactions are in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. Amounts due to or from related parties are non-interest bearing and unsecured. Amount advanced to the director(s) of the Company is for business purposes, such as travel and accommodation and is included in prepaid expenses. The amount due from (to) companies with directors in common was for shared office administration and occupancy expenses. Repayment terms, if any, are determined at the time of the advance. As at May 31, 2024, due to related parties amounted to \$21,680 (2023 - \$98,300).

For the year ended May 31, 2024 and 2023, the Company incurred the following amounts through transactions with directors of the Company:

	2024	2023
	- \$ -	- \$ -
Consulting fees	237,500	219,000
Share-based payments	116,180	14,812
	353,680	233,812

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, 2024, the Company:

- i) paid or accrued \$66,000 (2023 - \$69,000) to a director of the Company (Dave Bissoondatt) and a company controlled by the director in consulting fees.
- ii) paid or accrued \$20,000 (2023 - \$30,000) to a former director of the Company (Lorne McCarthy) in consulting fees.
- iii) paid or accrued \$120,000 (2023 - \$80,000) to the CEO of the Company (Chris Timmins) and a company controlled by the CEO in consulting fees.
- iv) paid or accrued \$27,500 (2023 - \$Nil) to a director of the Company (Noah Komavli) in consulting fees.
- v) paid or accrued \$4,000 (2023 - \$Nil) to a company controlled by a director (Derrick Strickland) in consulting fees.
- vi) paid or accrued \$Nil (2023 - \$40,000) to the son of a former director of the Company (Charles Desjardins) in consulting fees.
- vii) granted 825,000 (2023 - 30,000) stock options with a value of \$116,180 (2023 - \$14,812) to directors of the Company for services provided.

FINANCIAL INSTRUMENTS

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

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

Level 1 - Quoted Prices in Active Markets for Identical Assets

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

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

Level 2 - Significant Other Observable Inputs

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

Level 3 - Significant Unobservable Inputs

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

Fair Values

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

As at May 31, 2024 and 2023, the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
May 31, 2024				
Cash	\$ 257,400	\$ -	\$ -	\$ 257,400
Marketable securities	\$ 8,430	\$ -	\$ -	\$ 8,430
May 31, 2023				
Cash	\$ 7,200	\$ -	\$ -	\$ 7,200
Marketable securities	\$ 34,480	\$ -	\$ -	\$ 34,480

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.

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c) Market risk

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

d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they come due. As at May 31, 2024, the Company manages this risk by monitoring its working capital to ensure its expenditures will not exceed available resources. As at May 31, 2024, the Company had a working capital deficiency of \$147,880 (2023 - \$521,059). The Company may not be able to settle accounts payable and accrued liabilities of \$387,364 (2023 - \$513,385), and loans payable of \$60,000 (2023 - \$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. As at May 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.

PROPOSED TRANSACTIONS

The Company has no proposed transactions.

SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

For a detailed summary of the Company's significant accounting judgement and estimates, the readers are directed to Note 3 of the Notes to the audited consolidated financial statements for the years ended May 31, 2024 and 2023 that are available on SEDAR+ at www.sedarplus.ca.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

For a detailed summary of the Company's significant accounting policies, the readers are directed to Note 4 of the Notes to the audited consolidated financial statements for the years ended May 31, 2024 and 2023 that are available on SEDAR+ at www.sedarplus.ca.

SHARE CAPITAL

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

- 27,756,351 common shares

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- Options

Outstanding	Exercisable	Exercise Price	Expiry Date
20,000	20,000	\$0.50	22-Nov-24
30,000	30,000	\$0.50	01-Jun-25
230,000	230,000	\$0.50	28-Aug-25
150,000	150,000	\$0.12	28-Aug-25
20,000	20,000	\$0.50	03-Sep-25
275,000	275,000	\$0.175	11-Sep-25
355,000	355,000	\$0.17	09-Jan-26
250,000	250,000	\$0.215	02-Feb-26
125,000	125,000	\$0.17	13-Mar-26
575,000	575,000	\$0.19	14-May-27
2,030,000	2,030,000		

- Warrants

Outstanding and Exercisable	Exercise Price	Expiry Date
1,217,267	\$0.50	November 23, 2024
36,000	\$0.50	November 23, 2024
1,232,500	\$0.12	July 20, 2025
765,000	\$0.12	September 7, 2025
27,125	\$0.12	September 7, 2025
2,857,125	\$0.20	December 28, 2025
103,031	\$0.20	December 28, 2025
995,000	\$0.28	December 28, 2025
60,900	\$0.28	December 28, 2025
2,023,875	\$0.20	August 29, 2026
99,138	\$0.20	August 29, 2026
9,416,961		

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

RISKS

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

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

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

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

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

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

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

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

The Company's business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia's military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts, of the pandemic and the war in the Ukraine, to the business to be limited, the indirect impacts on the economy and on the mining industry and other industries in general could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future.

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

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

MANAGEMENT AND DIRECTORS

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

Current Directors and Officers of the Company are as follows:

Dave Bissoondatt, CFO and Director

Derrick Strickland, Director

Chris Timmins, President, CEO and Director

Noah Komavli, Director

OUTLOOK

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

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ADDITIONAL INFORMATION

Additional information related to the Company is available for view on SEDAR+ at www.sedarplus.ca, on the Company's website at www.pegasusresourcesinc.com, or by requesting further information from the Company's head office in Vancouver BC Canada.

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