

Pegasus Resources Inc. (PEGA)

Inaugural Drilling Campaign Set to Kickoff Imminently

Event

Pegasus Resources issued its FY/2024 year-end review and announced its upcoming drilling plans in Utah for both the Energy Sands Project and for the Jupiter Project. With drilling permits now secured and with sufficient capital in treasury to commence the campaign, Pegasus is looking to leverage last year's exploration and acquisition success into a large-scale drilling campaign to further develop both projects.

Details

- **Energy Sands Project** – A drilling total of 3,200ft has been planned for on the property, spread between 18 holes (178ft average depth per hole). This is significant given that the historic drilling which occurred in the mid-1970s encompassed 19 holes with a single highlight drill hole reaching a maximum depth of “just” 160ft.
- **Jupiter Project** – A drilling total of 15,360ft has been planned for on the property, spread between 30 holes (500ft+ average depth per hole). These average depths are on par with the 90 historic drill holes drilled in the 1970s in the northeast corner of section 15.
- **Drill Crew Already Mobilized, Just Waiting on Weather** – Following the receipt of the necessary drill permits in November, the drilling crew is on standby (weather permitting) for the right moment to commence the needed ~four days of drilling to kick off the planned campaign. Recall that the Energy Sands property is located just ~3.0km south of the Jupiter property.
- **Current Valuation** – Though still pre-resource and pre-inaugural drill campaign, the current \$EV of \$2.8M is justifiably well below the peer average of \$21.8M encompassing pre-resource companies such as Nuclear Fuels, Myriad Uranium and Strathmore Plus. If successful, the upcoming drilling campaign will form the basis for a material re-rating opportunity. Additional drillholes will closer align Pegasus' valuation to the peer group which has had a head-start in terms of drilling.

Conclusion

On the cusp of large-scale drilling campaign, we feel that the near-term risk/reward dynamics warrant consideration. Provided a successful campaign, our maintained \$0.25 per share price objective will closer align Pegasus' valuation to the peer group. The story is worth telling, we certainly view the historic results and the close proximity to the needed mining infrastructure (the White Mesa mill) as meaningful positives. Successful de-risking of the asset may prompt an eventual consolidation play from Western Uranium who own an adjacent deposit. The full online details can be found [here](#):

Company Profile

Sector	Mining
Sub-Sector	Uranium
Company	Pegasus Resources Inc.
Ticker	PEGA

Current Price (C\$)	C\$0.11
12-Mth Price Objective (C\$)	C\$0.25
Potential Upside	127%
Mkt Cap, Basic (C\$M)	\$3.3
EV (C\$M)	\$2.8

Shares O/S Basic (M)	29.63
1-Mth Return	-8.3%
3-Mth Return	-31.3%
YTD Return	+10.0%

Measured & Indicated Grade U3O8 Attrib. lbs

Energy Sands	-	-
Jupiter	-	-
Pine Chanel	-	-

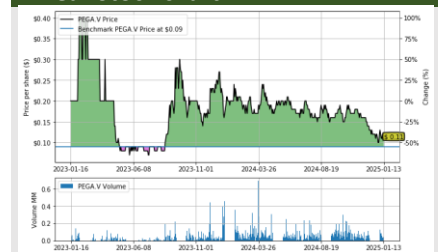
Inferred Resources Grade U3O8 Attrib. lbs

Energy Sands	-	-
Jupiter	-	-
Pine Chanel	-	-

Company Description

Pegasus Resources Inc. is a TSXV listed exploration company active with the development and acquisition of properties in North America. The current flagship asset is the wholly-owned Energy Sands Project, a past producing uranium property in Utah. An earn-in to acquire the nearby Jupiter property will nearly double the total acreage strategically located adjacent to Western Uranium's San Raphael Project.

2-Year Stock chart



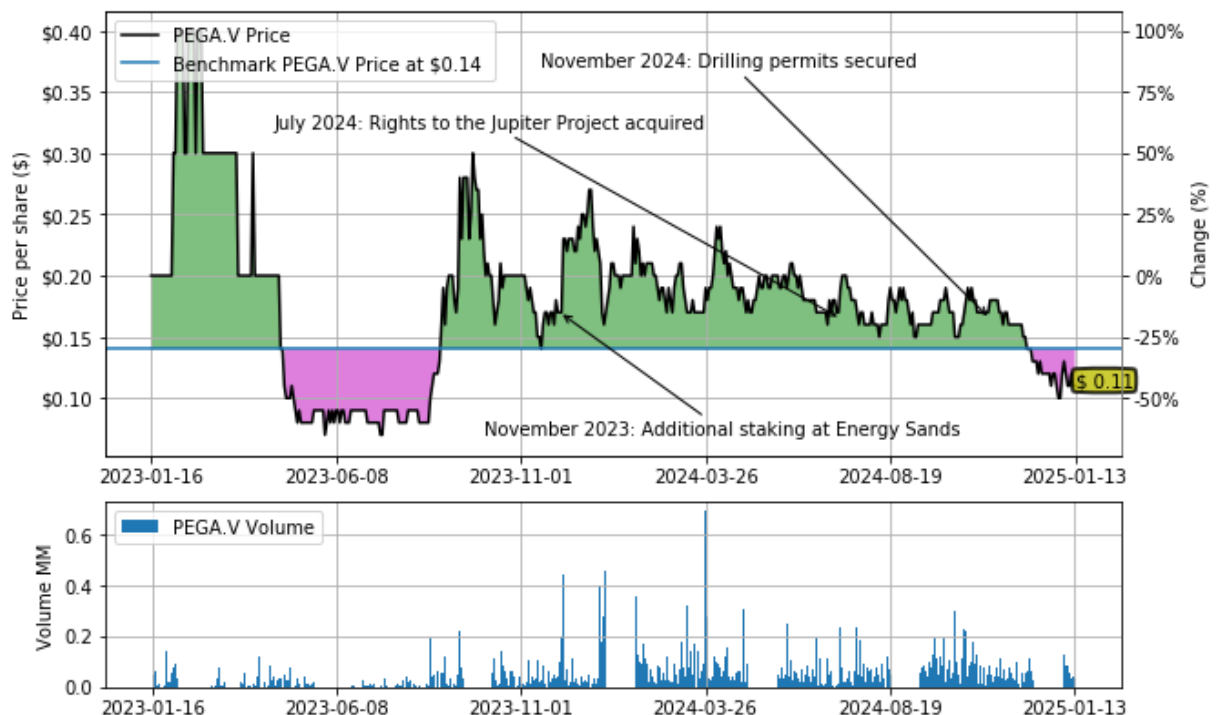
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DRILLING CAMPAIGN SET TO BEGIN ANY DAY NOW

Building upon last year’s sampling success at the Energy Sands Project, along with permitting success and the acquisition of the Jupiter Project, Pegasus Resources is on the cusp of beginning its large-scale exploration campaign with the goal to further develop and define both energy Sands and Jupiter. As such, plans have been put together for a combined drilling program encompassing as much as 18,560ft. Given that a drilling crew has already been secured, management is simply waiting for the right weather conditions to begin the estimated four day start to the drilling campaign.

Exhibit 1. Two-Year Share Price Performance



Source: HoldCo Markets

THE PLANNED 2025 DRILLING SPECIFICS:

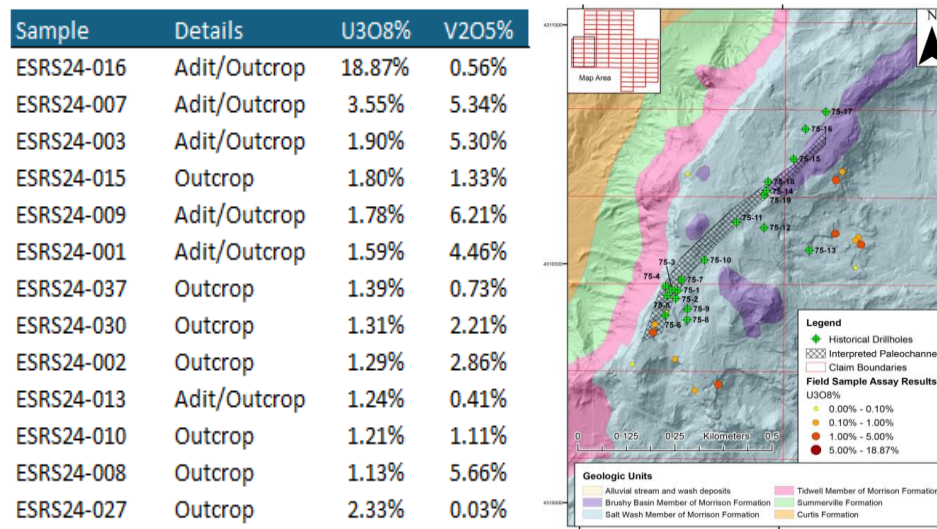
Energy Sands - A total of 3,200ft has been planned for. Spread between 18 holes, the 178ft average depth per hole is significant given that the historic drilling which occurred in the mid-1970s encompassed 19 holes with a single highlight drill hole reaching a maximum depth of “just” 160ft. Note that of the historical drill holes, uranium and vanadium mineralization was detected in four drillholes (IDs 75-1 to 75-6). Mineralization occurred at relatively shallow depths, none deeper than 17.5ft (Exhibit 3).

Jupiter Project – A drilling total of 15,360ft has been planned for the Jupiter Project. Spread between 30 holes (500ft+ average depth per hole). These average depths are on par with the ~90 historic drill holes drilled in the 1970s in the northeast corner of section 15 (Exhibit 4).

The planned 2025 drilling program represents the most significant campaign undertaken on site since the mid-1970s.

Recall that in March 2024, Pegasus announced the results from a sampling program conducted on site at the Energy Sands Project. Of 41 samples collected, 13 displayed uranium grades exceeding 1.0% with a notable sample being ESR24-016 returning 18.8% U₃O₈ and ESR24-007 returning 3.55%

Exhibit 2. 2024 Sampling Program Overlayed to Historic Drill Holes – Energy Sands



Source: Pegasus Resources Inc.

The remaining 28 samples returned grades ranging between 0.5%-1.0% U₃O₈ (4 samples) and grades between 0.0%-0.5% U₃O₈ (24 samples). A RS-125 handheld spectrometer was used to gather the various samples. Note that the samples were collected from mineralized outcrops, tailings, and historical mine workings.

HISTORIC DRILLING

Energy Sands Project - Historic drilling detected sandstone-hosted uranium and vanadium mineralization. Small scale mining was conducted between 1953-1956 by the Minerals Corporation of America in two isolated regions of the Energy Sands property. Total production amounted to 51.8 tons at a notable grade of 0.373% U₃O₈ and 1.10% V₂O₅. Uranium mineralization on the project is hosted within the Salt Wash Member of the Jurassic Morrison Formation. Mineralization within the Tidwell Mineral Belt of the San Rafael Uranium District is oriented in a series of roughly northeast trends. Individual mineralized bodies are tabular to lenticular with the long axis aligned along the trend. This geological feature shapes the potential for resource exploration and development of economical uranium deposits.

Historical drilling conducted in the mid 1970s by Consolidated Monarch Metal Mines Ltd identified several near surface intercepts with high-grade uranium mineralization. The limited, near surface program was highlighted by the following intercepts:

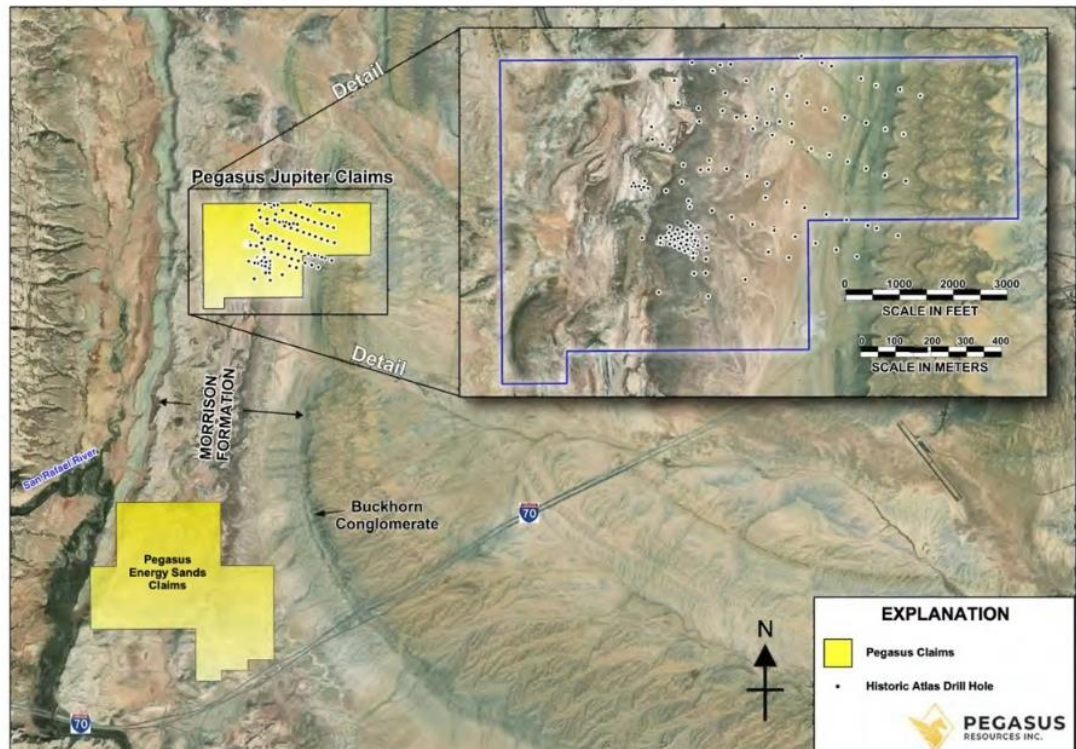
Exhibit 3. Historic Drill Holes – Energy Sands

Hole ID	From (ft)	To (ft)	Length (ft)	CPM	U3O8%	V2O5%
75-1	15.0	17.5	2.5	10,000	3.41%	0.014%
75-2	5.0	12.0	7.0	10,000	0.51%	0.583%
75-3	12.5	15.0	2.5	4,500	2.16%	0.890%
75-3	15.0	17.5	2.5	6,000	1.87%	0.596%
75-6	0.0	2.5	2.5	100	0.39%	0.089%

Source: Summary of Drilling & Claims, Prepared for Consolidated Monarch Metal Mines Ltd, June 1975

The drilling summary included the fact that drill program calculations estimated approximately 1,168 tons of rock in place containing 15,350 lbs of vanadium and 43,230 lbs of uranium in a flat lying deposit at a depth of 9ft to 15ft below surface. These estimated tons were seen as readily available for mining.

Jupiter Project - On July 3rd 2024 Pegasus announced that it had secured exclusive rights to the Jupiter Uranium Project, located just 3.0km north of the Energy Sands Project. The Jupiter Project encompasses 48 unpatented claims totaling 960 acres. The claims occur in the Bureau of Land Management, and access is obtained over a well-maintained service road which joins I-70 near Green River, Utah. Between 1972-1983, the Jupiter Project was held by Atlas Minerals. During this period, nearly 200 drill holes were drilled with the highest concentration (approximately 90 drill holes) occurring in the northeast corner of Section 15. The historical drill logs revealed promising results, with notable uranium intercepts. Atlas Minerals was advancing the project towards full-scale mining before the collapse of the uranium market in the early 1980s.

Exhibit 4. Jupiter & Energy Sands in Close Proximity


Source: Pegasus Resources Inc.

PEER COMPARISONS

Our US based peer group includes a group of companies which are still pre-production and pre-PEA/PFS (specifically speaking - more recent PEAs or PFS'). Though **Western Uranium & Vanadium (WUC)** is currently stockpiling ore, it neither has its own mill nor does it have a more recent economic study. All other relevant, pre-production comps include **Premier American Uranium (PUR)**, **GTI Energy (GTR.AX)**, **Nuclear Fuels (NF)**, **Myriad Uranium (M)** and **Strathmore Plus (SUU)**. As can be seen from the graph in Exhibit 5 below, producers and more senior developers are listed on the higher part of the comp group while the more representative group of junior exploration/development companies are listed on the bottom half of the table. Note as well that some of the more junior companies listed below do have some booked resource, either NI-43-101 compliant or as with the case of GTI Energy, JORC compliant.

Exhibit 5. US Peer Group & Flagship Properties

Company	Symbol	Flagship Asset	Mining/Exploration			EV C\$M	M&I M lbs	Inferred M lbs	Global M lbs	Exploration Target Mid-Point, M lbs	EV/lb
			Acreage	Location	Type - Stage						
Ur-Energy	URG	Lost Creek	35,400	Wyoming	Current Production - ISR	\$454.9	12.6	6.1	18.7	n/a	\$24.33
enCore Energy	EU.V	Alta Mesa	4,598	Texas	Current Production - ISR	\$833.6	3.4	16.8	20.2	n/a	\$41.27
Peninsula Energy	PENMF	Lance	38,416	Wyoming	Current Production - ISR	\$45.1	16.0	37.8	53.8	133.5	\$0.84
Anfield Energy	AEC.V	Velvet Wood	2,166	Utah	PEA - Conventional	\$90.9	4.6	0.6	5.2	n/a	\$17.65
Laramide Resources	LAM	Churchrock	4,680	New Mexico	PEA - ISR	\$164.6	0.0	50.8	50.8	n/a	\$3.24
Average						\$317.8			29.7		\$17.46
Western Uranium & Vanadium	WUC.CSE	Sunday Complex	9,230	Colorado	Development/Stockpiling	\$50.6	4.9	3.9	8.7	n/a	\$5.79
Premier American Uranium	PUR.V	Cebolleta	6,717	New Mexico	Exploration	\$56.4	18.6	4.9	23.5	n/a	\$2.40
GTI Energy	GTR.AX	Lo Herma	13,300	Wyoming	Exploration	\$6.4	0.0	5.7	5.7	8.1	\$1.12
Nuclear Fuels	NF.CSE	Kaycee	24,000	Wyoming	Exploration	\$33.5	n/a	n/a	n/a	20.8	n/a
Myriad Uranium	M.CSE	Copper Mtn (50%)	1,911	Wyoming	Exploration	\$23.9	n/a	n/a	n/a	n/a	n/a
Strathmore Plus	SUU.V	Agate	1,756	Wyoming	Exploration	\$7.9	n/a	n/a	n/a	n/a	n/a
Average									12.6		\$3.10
Pegasus Resources Inc	PEGA.V	Energy Sands, Jupiter	2,520	Utah	Exploration	\$2.8	n/a	n/a	n/a	n/a	n/a

Notes:

- * Alta Mesa: 4,598 acres as mining leases. Project area comprises 16,010 acres. Mineral options comprise 195,501 acres
- * Copper Mountain has a historic resource for the Canning Deposit ranging between 8.8M-19.0M lbs U3O8
- * JORC Resource for Lance & Lo Herma

Source: HoldCo Markets, Company Reports

VALUATION

Ultimately, valuing any pre-resource exploration company is difficult – more so if also pre-initial drill results as well. For benchmarking purposes, we can see the stage set from the three peers highlighted in blue and listed above. Following largescale initial drilling campaigns, the EVs currently range between C\$7.9M-C\$33.5M (average C\$21.8M). For this reason alone, we view the upcoming inaugural drilling campaign to be the single largest near-term value driver for Pegasus. Successful data collection, historic confirmation and positive grade continuity will be the critical elements needed to create value and further de-risk the property.

CONCLUSION

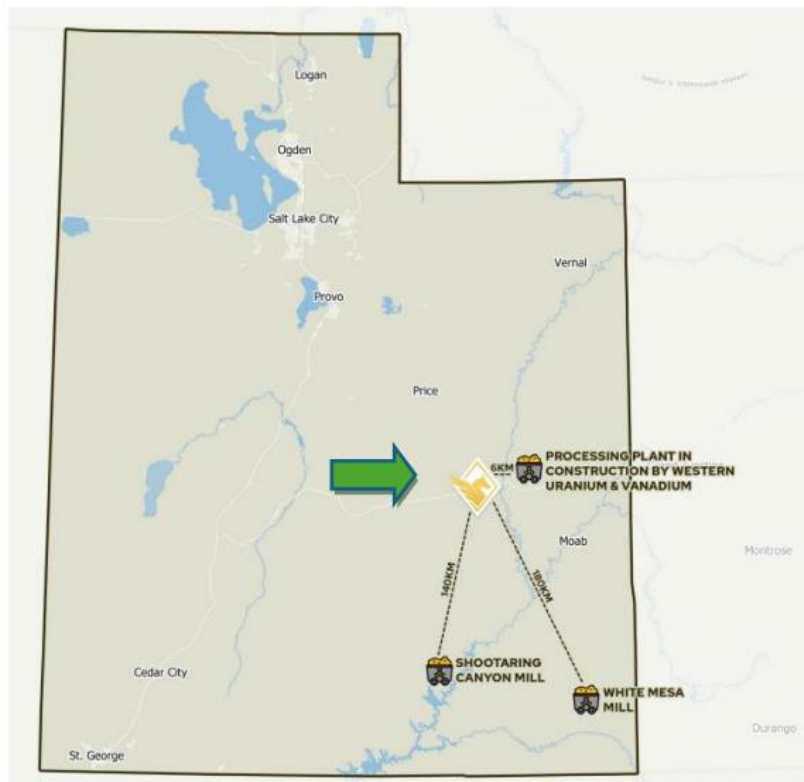
In anticipation of the drill results, we maintain our C\$0.25 per share target which would equate to an EV closer to ~C\$7.0M which would still be on the lower end compared to the peer group. This price objective somewhat reflects the smaller inaugural drilling campaign and overall life of project drilling at both Energy Sands and Jupiter. The C\$0.25 per share target equates to upside of +127% from the most recent close. Keep in mind however that as we await results from the drilling campaign, positive high grade results can certainly surprise further to the upside while consequently, drilling a series of misses can easily lead to undershooting the target.

Combined, Energy Sands and Jupiter encompass 2,520 acres situated adjacent to Western Uranium & Vanadium's San Rafael deposit. Though we see these two properties as highly prospective, we highlight the

following key points which when taken together, make the investment case into Pegasus Resources compelling on a risk/reward standpoint:

- Mining at the Energy Sands project in the mid 1950s resulted in small scale production of both uranium and vanadium (51.8 tons at a grade of 0.373% U3O8 and 1.10% V2O5).
- Historic shallowing drilling at Energy Sands is highlighted by a 2.5ft intercept grading 3.41% U3O8 with an additional drill hole encountering 2.5ft grading 2.16% U3O8.
- Jupiter is host to nearly 200 historic drill holes. Drilling was performed when the property was held by Atlas Minerals.
- Both Energy Sands and Jupiter are located adjacent to Western Uranium & Vanadium's San Rafael deposit which currently hosts a global resource of over 5.2M lbs U3O8 and over 7.0M lbs V2O5.
- Successful exploration on Pegasus' Utah properties may eventually lead to an economic resource in an area which has all the needed infrastructure for large scale mining and milling operations.
- Given close proximity to the White Mesa mill (180km), the Shootaring Canyon mill (140km) and the proposed Maverick mill (6km) there is excess milling capacity in the area (from White Mesa alone). Additional feedstock to White Mesa is needed.

Exhibit 6. Project Proximity to Infrastructure



Source: HoldCo Markets, Pegasus Resources

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