
Blue Sky Uranium Corp.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Blue Sky Uranium Corp.

Opinion

We have audited the consolidated financial statements of Blue Sky Uranium Corp. (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

Other Information

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

- Management's Discussion and Analysis

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, Canada Canada
April 19, 2023**

Blue Sky Uranium Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | Note | December 31, 2022 \$ | December 31, 2021 \$ |
|--|------|----------------------------|----------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1,796,358 | 3,287,023 |
| Accounts receivable | | 18,546 | 12,082 |
| Prepaid expenses | | 91,299 | 84,473 |
| Total current assets | | <u>1,906,203</u> | <u>3,383,578</u> |
| Non-current assets | | | |
| Mineral property interests | 3 | 99,682 | 79,830 |
| Total non-current assets | | <u>99,682</u> | <u>79,830</u> |
| Total Assets | | <u>2,005,885</u> | <u>3,463,408</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | 5 | 898,572 | 606,407 |
| Total Liabilities | | <u>898,572</u> | <u>606,407</u> |
| SHAREHOLDERS' EQUITY (DEFICIENCY) | | | |
| Share capital | 4 | 40,286,362 | 37,662,884 |
| Reserves | 4 | 12,175,001 | 10,975,741 |
| Deficit | | (51,354,050) | (45,781,624) |
| Total shareholders' equity (deficiency) | | <u>1,107,313</u> | <u>2,857,001</u> |
| Total Shareholders' Equity (Deficiency) and Liabilities | | <u>2,005,885</u> | <u>3,463,408</u> |

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

COMMITMENT (Note 10)

CONTINGENCY (Note 11)

SUBSEQUENT EVENTS (Note 14)

These consolidated financial statements are authorized for issue by the Board of Directors on April 19, 2023. They are signed on the Company's behalf by:

"Nikolaos Cacos" , Director

"David Terry" , Director

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

Blue Sky Uranium Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

| | Note | Year ended December 31, | |
|---|------|-------------------------|------------------|
| | | 2022 | 2021 |
| | | \$ | \$ |
| Expenses | | | |
| Accounting and audit | | 54,121 | 22,781 |
| Corporate development and investor relations | | 1,240,424 | 1,887,390 |
| Exploration | 3 | 5,317,289 | 3,559,961 |
| Management fees | 5 | 112,800 | 154,350 |
| Office and sundry | 5 | 48,977 | 69,909 |
| Professional fees | 5 | 150,763 | 215,605 |
| Rent, parking and storage | | 17,240 | 17,240 |
| Salaries and employee benefits | 5 | 249,340 | 219,000 |
| Share-based compensation | 5 | - | 1,141,549 |
| Transfer agent and regulatory fees | | 74,254 | 93,027 |
| Loss from operating activities | | 7,265,208 | 7,380,812 |
| Other (income) expenses | | | |
| Foreign exchange loss | | 190,194 | 107,779 |
| Gain on sale of marketable securities | 7 | (1,871,333) | (1,013,320) |
| Interest income | | (11,643) | (6,635) |
| Interest expense | | - | 1,984 |
| Income from other (income) expenses | | (1,692,782) | (910,192) |
| Loss and comprehensive loss for the year | | 5,572,426 | 6,470,620 |
| Basic and diluted loss per common share | 6 | 0.03 | 0.04 |

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

Blue Sky Uranium Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

| | Year ended December 31, | |
|---|-------------------------|-------------------------|
| | 2022 | 2021 |
| | \$ | \$ |
| Operating activities | | |
| Loss for the year | (5,572,426) | (6,470,620) |
| Interest expense | - | 1,984 |
| Shares issued for drilling services | - | 343,843 |
| Share-based compensation | - | 1,141,549 |
| | <u>(5,572,426)</u> | <u>(4,983,244)</u> |
| Change in non-cash working capital items: | | |
| Increase in accounts receivable | (6,464) | (5,228) |
| Increase in prepaid expenses | (6,826) | (44,685) |
| Increase in accounts payable and accrued liabilities | 292,165 | 25,694 |
| Net cash used in operating activities | <u>(5,293,551)</u> | <u>(5,007,463)</u> |
| Investing activity | | |
| Expenditures on mineral property interests | (19,852) | (8,954) |
| Net cash used in investing activity | <u>(19,852)</u> | <u>(8,954)</u> |
| Financing activities | | |
| Issuance of common shares and warrants | 3,916,100 | 6,573,074 |
| Share issue costs | (152,987) | (133,565) |
| Warrants exercised | 59,625 | 2,090,549 |
| Loan repayments | - | (1,404,000) |
| Interest paid | - | (38,187) |
| Net cash from financing activities | <u>3,822,738</u> | <u>7,087,871</u> |
| Net (decrease) increase in cash and cash equivalents | (1,490,665) | 2,071,454 |
| Cash and cash equivalents at beginning of year | 3,287,023 | 1,215,569 |
| Cash and cash equivalents at end of year | <u>1,796,358</u> | <u>3,287,023</u> |

SUPPLEMENTARY CASH FLOW INFORMATION (Note 12)

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

Blue Sky Uranium Corp.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian Dollars)

| | Share capital | | Reserves | | | | | Total |
|---------------------------------------|------------------|------------|------------------------|--|-------------|---------------------------------|--------------|-------------|
| | Number of Shares | Amount \$ | Contributed Surplus \$ | Equity Settled Share-based Payments \$ | Warrants \$ | Share Subscriptions Received \$ | Deficit \$ | |
| Balance at December 31, 2020 | 120,110,232 | 29,875,000 | 4,617,438 | 740,635 | 2,372,592 | 1,017,510 | (39,311,004) | (687,829) |
| Private placements | 55,316,166 | 5,212,790 | - | - | 2,377,794 | (1,017,510) | - | 6,573,074 |
| Share issue costs | - | (133,565) | - | - | - | - | - | (133,565) |
| Agents' warrants granted | - | (76,565) | - | - | 76,565 | - | - | - |
| Shares issued for drilling services | 1,666,714 | 343,843 | - | - | - | - | - | 343,843 |
| Share-based compensation | - | - | - | 1,141,549 | - | - | - | 1,141,549 |
| Incentive warrants granted | - | - | (666,249) | - | 666,249 | - | - | - |
| Warrants exercised | 8,362,195 | 2,441,381 | - | - | (350,832) | - | - | 2,090,549 |
| Warrants and agents' warrants expired | - | - | 617,242 | - | (617,242) | - | - | - |
| Comprehensive loss for the year | - | - | - | - | - | - | (6,470,620) | (6,470,620) |
| Balance at December 31, 2021 | 185,455,307 | 37,662,884 | 4,568,431 | 1,882,184 | 4,525,126 | - | (45,781,624) | 2,857,001 |
| Private placements | 32,161,000 | 2,769,104 | - | - | 1,146,996 | - | - | 3,916,100 |
| Share issue costs | - | (152,987) | - | - | - | - | - | (152,987) |
| Agents' warrants granted | - | (62,246) | - | - | 62,246 | - | - | - |
| Warrants exercised | 238,500 | 69,607 | - | - | (9,982) | - | - | 59,625 |
| Warrants and agents' warrants expired | - | - | 312,082 | - | (312,082) | - | - | - |
| Stock options expired | - | - | 41,543 | (41,543) | - | - | - | - |
| Comprehensive loss for the year | - | - | - | - | - | - | (5,572,426) | (5,572,426) |
| Balance at December 31, 2022 | 217,854,807 | 40,286,362 | 4,922,056 | 1,840,641 | 5,412,304 | - | (51,354,050) | 1,107,313 |

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

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated under the Business Corporation Act of British Columbia on November 30, 2005 as Mulligan Capital Corp. On May 18, 2006, the Company received final receipts for a prospectus and became a reporting issuer in British Columbia and Alberta. On June 27, 2006 the Company completed its initial public offering and on June 28, 2006 the Company listed its common shares on the TSX Venture Exchange (the "TSX-V") as a capital pool company. On February 7, 2007, the Company completed its qualifying transaction and was upgraded to Tier II status on the TSX-V. The Company also changed its name to Blue Sky Uranium Corp. to reflect its business as a junior uranium exploration company. The address of the Company's registered office is Suite 312 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in Argentina. The Company's mineral property interests presently have no proven or probable reserves and, on the basis of information to date, it has not yet determined whether these properties contain economically recoverable resources. Consequently, the Company considers itself to be an exploration stage company.

The amounts shown as mineral property interests represent acquisition costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral property interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to consolidated financial statements and to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company has experienced recurring operating losses and has an accumulated deficit of \$51,354,050 and shareholders' equity of \$1,107,313 at December 31, 2022. In addition, the Company has working capital of \$1,007,631 at December 31, 2022 and negative cash flow from operating activities of \$5,293,551. Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors create material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and commitments and to attain profitable operations. Management's plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals.

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, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

These audited consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities and reported expenses that might be necessary should the Company be unable to continue as a going concern, which could be material.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Company's audited consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in full compliance with IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee, effective for the Company's reporting for the year ended December 31, 2022. These consolidated financial statements were approved by the Board of Directors of the Company on April 19, 2023.

Basis of preparation

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

| | Place of Incorporation | Principal Activity |
|--|------------------------|---------------------|
| Blue Sky Uranium Holdings Corp. | BC, Canada | Holding company |
| Minera Cielo Azul S.A. (Argentina) | Argentina | Exploration company |
| Desarrollo de Inversiones S.A. (Argentina) | Argentina | Exploration company |
| Viento de Oro S.A. de C.V. (Mexico) | Mexico | Exploration company |

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Financial instruments

i. Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table summarizes the classification and measurement of the Company's financial assets and liabilities:

| Financial assets/liabilities | Classification and Measurement |
|--|--------------------------------|
| Cash and cash equivalents | FVTPL |
| Accounts payable and accrued liabilities | Amortized cost |
| Marketable Securities | FVTPL |

ii. Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

iii. Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in profit or loss.

Foreign currencies

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses are recognized in profit or loss.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration, Evaluation and Development Expenditures

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Proceeds received for farm-out arrangements or recoveries of costs are credited against the cost of the related claims. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount. Mineral property acquisition costs include cash costs and the fair market value of common shares issued, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment. Mineral property interests are classified as intangible assets.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions with high credit ratings.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 period.

In addition, at the end of each reporting period the Company reviews whether there is any indication that a previously recorded impairment should be reversed. If the recoverable amount of an asset is estimated to be greater than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the previous impairment loss is reversed in 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.

Valuation of equity units issued in private placements

The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants based on the pro rata relative values of the components. The fair value of the common shares is based on the closing price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black-Scholes pricing model. The fair value attributed to the warrants is recorded in warrant reserves.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based Payment Transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for stock options and warrants that have expired are transferred to contributed surplus. Charges for stock options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss. The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable. The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date are minimal.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the year-end applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Significant Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Critical accounting judgments

- i. Presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future, obtain additional financing as required, and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.
- ii. The analysis of the functional currency for each entity of the Company involves significant estimation and judgement by management. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(Expressed in Canadian Dollars Unless Otherwise Noted)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- iii. The net carrying value of each mineral property is reviewed regularly for conditions that suggest impairment or a reversal of previously recorded 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.

Changes in Accounting Standards

Amendments to IAS 37, Provisions, contingent liabilities and contingent assets (effective January 1, 2022) specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). This amendment did not have any impact on the Company's consolidated financial statements.

New Accounting Standards and Interpretations not yet effective

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2022 and accordingly, have not been applied in preparing these consolidated financial statements.

Amendments to IAS 1, Presentation of financial statements (effective January 1, 2023) provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. This amendment is not expected to have any impact on the Company's consolidated financial statements.

3. MINERAL PROPERTY INTERESTS

The schedules below summarize the acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company holds title to and is continuing to explore as December 31, 2022:

Acquisition Costs

| | Argentina | | |
|-----------------------------|-------------|--------------|-------------|
| | Ivana \$ | Regalo \$ | Total \$ |
| Balance – December 31, 2020 | 45,876 | 25,000 | 70,876 |
| Additions | 8,954 | - | 8,954 |
| Balance – December 31, 2021 | 54,830 | 25,000 | 79,830 |
| Additions | 19,852 | - | 19,852 |
| Balance – December 31, 2022 | 74,682 | 25,000 | 99,682 |

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Otherwise Noted)

3. MINERAL PROPERTY INTERESTS (continued)

Ivana Property

The Company owns a 100% interest in the 153,000 hectare (1,530 km²) Ivana uranium property in the San Jorge Basin, Province of Rio Negro, located in the Northern Patagonia region of Argentina. The Ivana property forms the southeastern portion of Amarillo Grande Project.

Regalo Property

The Company owns a 100% interest in the 28,300 hectare (283 km²) Regalo property located northwest of the Cerro Solo Uranium District in the province of Chubut Argentina.

Exploration Expenditures

| | Argentina | | |
|---|-----------------|--------------|-------------|
| | Amarillo Grande | | Total \$ |
| | Ivana \$ | Other* \$ | |
| Cumulative exploration costs December 31, 2021 | 14,447,411 | 7,437,372 | 21,884,783 |
| Expenditures during the period: | | | |
| Assays | 77,593 | - | 77,593 |
| Drilling | 1,257,694 | - | 1,257,694 |
| Geophysics | 68,002 | - | 68,002 |
| Metallurgy | 25,315 | - | 25,315 |
| Office | 315,468 | 9,624 | 325,092 |
| Property maintenance payments | 69,988 | 16,085 | 86,073 |
| Salaries and contractors | 1,782,532 | 255 | 1,782,787 |
| Social and community | 45,681 | - | 45,681 |
| Statutory taxes | 587,063 | 2,062 | 589,125 |
| Supplies and equipment | 734,149 | - | 734,149 |
| Transportation | 325,778 | - | 325,778 |
| | 5,289,263 | 28,026 | 5,317,289 |
| Cumulative exploration costs December 31, 2022 | 19,736,674 | 7,465,398 | 27,202,072 |

*Other includes Anit, Santa Barbara, Regalo, and Sierra Colonia.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Otherwise Noted)

3. MINERAL PROPERTY INTERESTS (continued)

| | Argentina | | |
|---|-----------------|-----------|------------|
| | Amarillo Grande | Other* | Total |
| | Ivana \$ | | |
| Cumulative exploration costs December 31, 2020 | 10,916,731 | 7,408,091 | 18,324,822 |
| Expenditures during the year: | | | |
| Assays | 75,716 | - | 75,716 |
| Drilling | 531,250 | - | 531,250 |
| Geophysics | 95,012 | - | 95,012 |
| Metallurgy and mineralogy | 56,414 | - | 56,414 |
| Office | 206,273 | 5,943 | 212,216 |
| Property maintenance payments | 36,720 | 19,347 | 56,067 |
| Salaries and contractors | 1,208,421 | 1,929 | 1,210,350 |
| Social and community | 47,422 | - | 47,422 |
| Statutory taxes | 373,831 | 2,062 | 375,893 |
| Supplies and equipment | 593,349 | - | 593,349 |
| Transportation | 306,272 | - | 306,272 |
| | 3,530,680 | 29,281 | 3,559,961 |
| Cumulative exploration costs December 31, 2021 | 14,447,411 | 7,437,372 | 21,884,783 |

*Other includes Anit, Santa Barbara, Regalo, and Sierra Colonia.

4. SHARE CAPITAL AND RESERVES

Authorized Share Capital

The Company's authorized share capital comprises an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Details of Issues of Common Shares in 2022

On December 20, 2022, the Company completed the second and final tranche of the non-brokered private placement announced on November 21, 2022 and increased on December 1, 2022. The Company issued 1,381,000 units in this tranche at a price of \$0.10 per unit for gross proceeds of \$138,100. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.20 per share for two years from the date of issue. Finder's fees payable were \$3,052 cash and 30,520 non-transferable warrants exercisable into common shares at \$0.20 for two years from the date of issue with a fair value of \$1,154. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 3.73%; expected stock price volatility – 92.23%; dividend yield – 0%; and expected warrant life – 2 years.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Otherwise Noted)

4. SHARE CAPITAL AND RESERVES (continued)

On December 2, 2022, the Company completed the first tranche of the non-brokered private placement announced on November 21, 2022 and increased on December 1, 2022. The Company issued 16,780,000 units in this tranche at a price of \$0.10 per unit for gross proceeds of \$1,678,000. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.20 per share for two years from the date of issue. Finder's fees payable were \$58,730 cash and 587,300 non-transferable warrants exercisable into common shares at \$0.20 for two years from the date of issue with a fair value of \$24,108. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 3.72%; expected stock price volatility – 92.56%; dividend yield – 0%; and expected warrant life – 2 years.

On June 22, 2022, the Company completed the third and final tranche of the non-brokered private placement announced on May 24, 2022 and increased on June 8, 2022. The Company issued 2,261,000 units in this tranche at a price of \$0.15 per unit for gross proceeds of \$339,150. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.25 per share for three years from the date of issue. Finder's fees payable were \$20,275 cash and 135,170 non-transferable warrants exercisable into common shares at \$0.25 for three years from the date of issue with a fair value of \$6,581. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 3.22%; expected stock price volatility – 102.55%; dividend yield – 0%; and expected warrant life – 2.37 years.

On June 14, 2022, the Company completed the second tranche of the non-brokered private placement announced on May 24, 2022 and increased on June 8, 2022. The Company issued 6,045,000 units in this tranche at a price of \$0.15 per unit for gross proceeds of \$906,750. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.25 per share for three years from the date of issue. Finder's fees payable were \$45,465 cash and 303,100 non-transferable warrants exercisable into common shares at \$0.25 for three years from the date of issue with a fair value of \$14,756. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 3.42%; expected stock price volatility – 102.31%; dividend yield – 0%; and expected warrant life – 2.37 years.

On June 7, 2022, the Company completed the first tranche of the non-brokered private placement announced on May 24, 2022 and increased on June 8, 2022. The Company issued 5,694,000 units in this tranche at a price of \$0.15 per unit for gross proceeds of \$854,100. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.25 per share for three years from the date of issue. Finder's fees payable were \$25,465 cash and 169,097 non-transferable warrants exercisable into common shares at \$0.25 for three years from the date of issue with a fair value of \$15,647. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 2.99%; expected stock price volatility – 101.93%; dividend yield – 0%; and expected warrant life – 2.4 years.

Details of Issues of Common Shares in 2021

On August 5, 2021, the Company completed the third and final tranche of the non-brokered private placement announced on July 12, 2021. The Company issued 338,339 units in this tranche at a price of \$0.16 per unit for gross proceeds of \$54,134. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.25 per share for two years from the date of issue. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 0.41%; expected stock price volatility – 106.39%; dividend yield – 0%; and expected warrant life – 2 years.

Blue Sky Uranium Corp.

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(Expressed in Canadian Dollars Unless Otherwise Noted)

4. SHARE CAPITAL AND RESERVES (continued)

On July 30, 2021, the Company completed the second tranche of the non-brokered private placement announced on July 12, 2021. The Company issued 4,264,000 units in this tranche at a price of \$0.16 per unit for gross proceeds of \$682,240. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.25 per share for two years from the date of issue. Finder's fees payable were \$14,703 cash and 91,893 non-transferable warrants exercisable into common shares at \$0.25 for two years from the date of issue with a fair value of \$7,331. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 0.38%; expected stock price volatility – 105.99%; dividend yield – 0%; and expected warrant life – 2 years.

On July 21, 2021, the Company completed the first tranche of the non-brokered private placement announced on July 12, 2021. The Company issued 8,713,750 units in this tranche at a price of \$0.16 per unit for gross proceeds of \$1,394,200. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.25 per share for two years from the date of issue. Finder's fees payable were \$34,300 cash and 214,375 non-transferable warrants exercisable into common shares at \$0.25 for two years from the date of issue with a fair value of \$20,226. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 0.39%; expected stock price volatility – 105.8%; dividend yield – 0%; and expected warrant life – 2 years.

On January 26, 2021, the Company completed the second and final tranche of the non-brokered private placement announced on December 29, 2020 and increased on January 5, 2021. The Company issued 19,086,500 units in this tranche at a price of \$0.13 per unit for gross proceeds of \$2,481,245. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.25 per share for three years from the date of issue. Finder's fees payable were \$71,799 cash and 552,300 non-transferable warrants exercisable into common shares at \$0.25 for three years from the date of issue with a fair value of \$42,075. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 0.16%; expected stock price volatility – 103.89%; dividend yield – 0%; and expected warrant life – 2 years.

On January 11, 2021, the Company completed the first tranche of the non-brokered private placement announced on December 29, 2020 and increased on January 5, 2021. The Company issued 22,913,577 units in this tranche at a price of \$0.13 per unit for gross proceeds of \$2,978,765. Each unit consisted of one common share and one transferable common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at \$0.25 per share for three years from the date of issue. Finder's fees payable were \$12,763 cash and 98,175 non-transferable warrants exercisable into common shares at \$0.25 for three years from the date of issue with a fair value of \$6,933. Included in this tranche were \$1,017,510 of subscription proceeds that were received prior to December 31, 2020. Fair value of the warrants was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 0.18%; expected stock price volatility – 103.53%; dividend yield – 0%; and expected warrant life – 2.07 years.

Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers for a maximum term of ten years. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Otherwise Noted)

4. SHARE CAPITAL AND RESERVES (continued)

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX Venture Exchange. Share purchase options granted generally vest immediately, are subject to a four-month hold period and are generally exercisable for a period of ten years.

Options

The continuity of share purchase options for the year ended December 31, 2022 is as follows:

| Expiry date | Exercise Price | December 31, 2021 | Granted | Expired/ Forfeited | December 31, 2022 | Options Exercisable |
|---|----------------|-------------------|---------|--------------------|-------------------|---------------------|
| January 23, 2023 ⁽¹⁾ | \$0.30 | 4,170,000 | - | (100,000) | 4,070,000 | 4,070,000 |
| January 29, 2026 | \$0.25 | 12,000,000 | - | (250,000) | 11,750,000 | 11,750,000 |
| | | 16,170,000 | - | (350,000) | 15,820,000 | 15,820,000 |
| Weighted average exercise price (\$) | | 0.26 | - | 0.26 | 0.26 | 0.26 |
| Weighted average contractual remaining life (years) | | 3.30 | - | - | 2.31 | 2.31 |

(1) See Note 14 for further information.

The continuity of share purchase options for the year ended December 31, 2021 is as follows:

| Expiry date | Exercise Price | December 31, 2020 | Granted | Expired/ Forfeited | December 31, 2021 | Options Exercisable |
|---|----------------|-------------------|------------|--------------------|-------------------|---------------------|
| January 23, 2023 | \$0.30 | 4,170,000 | - | - | 4,170,000 | 4,170,000 |
| January 29, 2026 | \$0.25 | - | 12,000,000 | - | 12,000,000 | 12,000,000 |
| | | 4,170,000 | 12,000,000 | - | 16,170,000 | 16,170,000 |
| Weighted average exercise price (\$) | | 0.30 | 0.25 | - | 0.26 | 0.26 |
| Weighted average contractual remaining life (years) | | 2.1 | - | - | 3.30 | 3.30 |

The value of share purchase options granted during the year ended December 31, 2022 is \$Nil (2021 - \$0.10).

Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

| | Year ended December 31, | |
|--|-------------------------|---------|
| | 2022 | 2021 |
| Risk-free interest rate | - | 0.34% |
| Expected option life in years | - | 2.86 |
| Expected share price volatility ⁽¹⁾ | - | 102.25% |
| Grant date share price | - | \$0.18 |
| Expected forfeiture rate | - | - |
| Expected dividend yield | - | Nil |

(1) Expected volatility was estimated based on historical trading price.

Blue Sky Uranium Corp.

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(Expressed in Canadian Dollars Unless Otherwise Noted)

4. SHARE CAPITAL AND RESERVES (continued)

Warrants

The continuity of warrants for the year ended December 31, 2022 is as follows:

| Expiry date | Exercise Price | December 31, 2021 | Granted | Exercised | Expired/Cancelled | December 31, 2022 |
|--------------------------------------|----------------|-------------------|------------|-----------|-------------------|-------------------|
| December 19, 2022 | \$0.30 | 5,940,064 | - | - | (5,940,064) | - |
| February 28, 2023 ⁽¹⁾ | \$0.35 | 7,258,500 | - | - | - | 7,258,500 |
| June 11, 2023 | \$0.30 | 24,906,588 | - | - | - | 24,906,588 |
| July 21, 2023 | \$0.25 | 8,928,125 | - | (100,000) | - | 8,828,125 |
| July 30, 2023 | \$0.25 | 4,355,893 | - | - | - | 4,355,893 |
| August 5, 2023 | \$0.25 | 338,339 | - | - | - | 338,339 |
| January 11, 2024 | \$0.25 | 21,274,557 | - | (38,500) | - | 21,236,057 |
| January 26, 2024 | \$0.25 | 17,998,800 | - | - | - | 17,998,800 |
| June 4, 2024 | \$0.25 | 2,289,012 | - | (100,000) | (29,162) | 2,159,850 |
| July 11, 2024 | \$0.25 | 2,043,332 | - | - | - | 2,043,332 |
| October 23, 2024 | \$0.35 | 4,760,000 | - | - | - | 4,760,000 |
| June 7, 2025 | \$0.25 | - | 5,863,097 | - | - | 5,863,097 |
| June 14, 2025 | \$0.25 | - | 6,348,100 | - | - | 6,348,100 |
| June 22, 2025 | \$0.25 | - | 2,396,170 | - | - | 2,396,170 |
| December 2, 2024 | \$0.20 | - | 17,367,300 | - | - | 17,367,300 |
| December 19, 2024 | \$0.20 | - | 1,411,520 | - | - | 1,411,520 |
| | | 100,093,210 | 33,386,187 | (238,500) | (5,969,226) | 127,271,671 |
| Weighted average exercise price (\$) | | 0.27 | 0.22 | 0.25 | 0.30 | 0.26 |

(1) See Note 14 for further information.

24,906,588 warrants set to expire on June 11, 2022 were extended to June 11, 2023 during the year ended December 31, 2022. These warrants were originally issued on June 11, 2018 and originally set to expire on June 11, 2020 as part of the units issued under a private placement completed by the Company in June 2018. The exercise price of the warrants remains at \$0.30.

4,203,182 warrants set to expire on June 4 and July 11, 2022 were extended to June 4 and July 11, 2024 during the year ended December 31, 2022. These warrants were originally issued under a private placement completed by the Company in two tranches in June and July 2019. The exercise price of the warrants remains at \$0.25.

7,258,500 warrants set to expire on February 28, 2022 were extended to February 28, 2023 during the year ended December 31, 2022. These warrants were originally issued on March 1, 2018 and originally set to expire on February 28, 2020 as part of the units issued under a private placement completed by the Company in February 2018 and are also subject to an acceleration clause. The exercise price of the warrants remains at \$0.35.

Blue Sky Uranium Corp.

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4. SHARE CAPITAL AND RESERVES (continued)

The continuity of warrants for the year ended December 31, 2021 is as follows:

| Expiry date | Exercise Price | December 31, 2020 | Granted | Exercised | Expired/ Cancelled | December 31, 2021 |
|--------------------------------------|----------------|-------------------|------------|-------------|--------------------|-------------------|
| September 19, 2021 | \$0.50 | 4,180,966 | - | - | (4,180,966) | - |
| October 23, 2021 | \$0.25 | 5,793,333 | - | (4,760,000) | (1,033,333) | - |
| February 28, 2022 | \$0.35 | 7,258,500 | - | - | - | 7,258,500 |
| June 4, 2022 | \$0.25 | 2,514,012 | - | (225,000) | - | 2,289,012 |
| June 11, 2022 | \$0.30 | 24,906,588 | - | - | - | 24,906,588 |
| July 11, 2022 | \$0.25 | 2,043,332 | - | - | - | 2,043,332 |
| December 19, 2022 | \$0.30 | 5,940,064 | - | - | - | 5,940,064 |
| July 21, 2023 | \$0.25 | - | 8,928,125 | - | - | 8,928,125 |
| July 30, 2023 | \$0.25 | - | 4,355,893 | - | - | 4,355,893 |
| August 5, 2023 | \$0.25 | - | 338,339 | - | - | 338,339 |
| January 11, 2024 | \$0.25 | - | 23,011,752 | (1,737,195) | - | 21,274,557 |
| January 26, 2024 | \$0.25 | - | 19,638,800 | (1,640,000) | - | 17,998,800 |
| October 23, 2024 | \$0.35 | - | 4,760,000 | - | - | 4,760,000 |
| | | 52,636,795 | 61,032,909 | (8,362,195) | (5,214,299) | 100,093,210 |
| Weighted average exercise price (\$) | | 0.31 | 0.24 | 0.25 | 0.45 | 0.27 |

On October 23, 2019, the Company completed a private placement offering of 5,793,333 units at a subscription price of \$0.15 per unit. Each unit was comprised of one common share and one common share purchase warrant for two years at \$0.25 from the date of issuance (the "Placement Warrants") expiring on October 23, 2021 (the "Expiry Date"). On October 7, 2021, the Company announced its intention to implement a warrant exercise incentive program (the "Incentive Program") subject to approval by the TSX-V.

The Incentive Program commenced on October 7, 2021, when the Company received conditional acceptance by the TSX-V and expired on the Expiry Date (the "Incentive Period"). If the Placement Warrant holder exercised the Placement Warrants, the Placement Warrant holder received one additional warrant (an "Incentive Warrant") in consideration of the exercise of each Placement Warrant. Each Incentive Warrant will be exercisable to acquire one common share of the Company at a price of \$0.35 per share for a period of three years from the date of issuance until October 23, 2024. The Incentive Warrants and any shares issued upon the exercise of the Incentive Warrants are subject to a hold period expiring four months plus one day after the date of distribution of the Incentive Warrants. The Incentive Warrants were given a fair value of \$666,249 using the Black-Scholes pricing model and the following variables: risk-free interest rate – 0.79%; expected stock price volatility – 106.06%; dividend yield – 0%; and expected warrant life – 2.11 years.

On October 22, 2021, the Company issued 4,760,000 common shares through the exercise of the original warrants for gross proceeds of \$1,190,000 at \$0.25 per share and issued 4,760,000 Incentive Warrants. 1,033,333 warrants that were not exercised under the incentive program expired on October 23, 2021.

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5. RELATED PARTY BALANCES AND TRANSACTIONS

Grosso Group Management Ltd.

On April 1, 2010, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group Management Ltd. (“Grosso Group”) to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. The fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expires on December 31, 2022 and has been automatically renewed for a period of two years pursuant to the terms of the Agreement.

The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of \$750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of \$1,000,000.

| | Year ended December 31, | |
|------------------------------|-------------------------|---------|
| | 2022 | 2021 |
| Transactions | \$ | \$ |
| Services rendered: | | |
| Grosso Group Management Ltd. | | |
| Management fees | 112,800 | 154,350 |
| Office & sundry | 19,200 | 28,970 |
| Total for services rendered | 132,000 | 183,320 |

Key management personnel compensation

Key management personnel of the company are members of the Board of Directors, as well as the Executive Chairman, President and CEO, CFO and Vice President of Corporate Development.

| | Year ended December 31, | |
|--|-------------------------|---------|
| | 2022 | 2021 |
| Transactions | \$ | \$ |
| Share-based compensation | - | 772,924 |
| Consulting, salaries and professional fees to key management or their consulting corporations: | | |
| President/CEO/Director Salaries and employee benefits | 62,340 | 60,000 |
| CFO Salaries and employee benefits | 30,000 | 12,000 |
| Directors/Consultants Salaries, employee benefits and professional fees | 146,000 | 146,000 |
| Total for services rendered | 238,340 | 990,924 |

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5. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

| | As at December 31, | |
|--|--------------------|---------|
| | 2022 | 2021 |
| | \$ | \$ |
| Balances | | |
| Amounts owed to related parties | | |
| Payable to Golden Arrow Resources Corp. ⁽¹⁾ | 271,154 | 47,533 |
| Payable to Oxbow International Marketing Ltd. ⁽²⁾ | 1,154 | 851 |
| Payable to Grosso Group Management Ltd. ⁽²⁾ | 251,795 | 308,092 |
| Total shared costs included in accounts payable | 524,103 | 356,476 |

(1) A company related through common directors that receives reimbursement for shared office costs and overhead.

(2) A company owned by Joseph Grosso of Blue Sky Uranium Corporation.

Balances are unsecured, non-interest bearing and has no specific terms of repayment.

During the year ended December 31, 2022, the Company borrowed \$74,492 from Argentina Lithium & Energy Corp., a company with common directors and officers. The loan is non-interest bearing, due on demand and included in accounts payable and accrued liabilities as of December 31, 2022.

6. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2022, and 2021 was based on the following:

| | Year ended December 31, | |
|--|-------------------------|-------------|
| | 2022 | 2021 |
| Loss attributable to common shareholders (\$) | 5,572,426 | 6,470,620 |
| Weighted average number of common shares outstanding | 193,858,978 | 166,687,095 |

Diluted loss per share did not include the effect of 15,820,000 (December 31, 2021 – 16,170,000) common share purchase options and 127,271,671 (December 31, 2021 – 100,093,210) common share purchase warrants as they are anti-dilutive.

7. MARKETABLE SECURITIES

From time to time, the Company may acquire and transfer marketable to facilitate intragroup funding transfers between the Canadian parent and its Argentine operating subsidiaries. The Company does not acquire marketable securities and engage in these transactions for speculative purposes. In this regard, under this strategy, the Company generally uses marketable securities of large and well-established companies with high trading volumes and low volatility. Nonetheless, as the process to acquire, transfer and ultimately sell the marketable securities occurs over several days, some fluctuations are unavoidable. As the marketable securities are acquired with the intention of a near term sale, they are considered financial instruments that are held for trading, all changes in the fair value of the instruments between acquisition and disposition are recognized through profit or loss. The subsequent disposition of these marketable securities in exchange for Argentine pesos gave rise to a gain as the amount received in Argentine peso exceeds the amount of Argentine peso the Company would have received from a direct foreign currency exchange.

As a result of having utilized this mechanism for intragroup funding for the year ended December 31, 2022, the Company realized a gain of \$1,871,333 (December 31, 2021 – \$1,013,320) from the favorable foreign currency impact.

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8. OPERATING SEGMENTS

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the year ended December 31, 2022.

The Company's total non-current assets are segmented geographically as follows:

| December 31, 2022 | | |
|----------------------------|-----------|--------|
| | Argentina | Total |
| | \$ | \$ |
| Mineral property interests | 99,682 | 99,682 |
| | 99,682 | 99,682 |

| December 31, 2021 | | |
|----------------------------|-----------|--------|
| | Argentina | Total |
| | \$ | \$ |
| Mineral property interests | 79,830 | 79,830 |
| | 79,830 | 79,830 |

9. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of loss and comprehensive loss differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

| | 2022 | 2021 |
|---------------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Loss before income taxes | <u>(5,572,426)</u> | <u>(6,470,620)</u> |
| Income tax recovery at statutory rate | (1,504,555) | (1,747,068) |
| Non-deductible differences | (421,854) | 67,724 |
| Rate differential and other | 98,359 | 63,904 |
| Foreign exchange movement | 813,613 | 189,825 |
| Non-capital loss expired | (17) | 49 |
| Change in unrecognized tax benefits | <u>1,014,454</u> | <u>1,425,566</u> |
| Income tax recovery | <u>-</u> | <u>-</u> |
| Statutory tax rate | <u>27.00%</u> | <u>27.00%</u> |

Deferred income taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

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9. INCOME TAXES (continued)

| | 2022 | 2021 |
|----------------------------------|--------------------|--------------------|
| | \$ | \$ |
| Deferred income tax assets | | |
| Resource deductions | 2,651,553 | 2,236,984 |
| Property and equipment | 11,997 | 11,997 |
| Financing costs | 54,919 | 37,248 |
| Operating loss carryforwards | 6,938,252 | 6,315,961 |
| | <u>9,656,721</u> | <u>8,602,190</u> |
| Net deferred income tax assets | 9,656,721 | 8,602,190 |
| Unrecognized deferred tax assets | <u>(9,656,721)</u> | <u>(8,602,190)</u> |
| Deferred income tax assets | <u>-</u> | <u>-</u> |

As at December 31, 2022, the Company has Canadian non-capital loss carry forwards of approximately \$25,696,000 that may be available for tax purposes. The Company's non-capital losses expire as follows:

| Expiry Date | \$ |
|-------------|-------------------|
| 2026 | 132,000 |
| 2027 | 1,756,000 |
| 2028 | 1,960,000 |
| 2029 | 1,093,000 |
| 2030 | 2,139,000 |
| 2031 | 3,061,000 |
| 2032 | 1,844,000 |
| 2033 | 304,000 |
| 2034 | 723,000 |
| 2035 | 264,000 |
| 2036 | 549,000 |
| 2037 | 1,521,000 |
| 2038 | 1,822,000 |
| 2039 | 1,913,000 |
| 2040 | 1,224,000 |
| 2041 | 3,087,000 |
| 2042 | <u>2,304,000</u> |
| | <u>25,696,000</u> |

At December 31, 2022, the Company had net operating loss carry forwards for Argentinean income tax purposes of \$Nil (2021 – \$Nil). The Company has available resource deductions in Argentina of approximately \$7,009,100 (2021 – \$5,338,000).

At December 31, 2022, the Company had net operating loss carry forwards for Mexican income tax purposes of approximately \$Nil (2021 – \$Nil). These available tax losses may only be applied to offset future taxable income from the Company's current Mexican subsidiary.

10. COMMITMENT

Management Services Agreement

Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The current fee is \$9,400 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

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10. COMMITMENT (continued)

The table below represents the Company's aggregate commitment to Grosso Group over the term of the Management Services Agreement.

| | 1 Year | 2 Years | 3 Years | 4-5 Years | More than 5 Years |
|-------------------------------|---------|---------|---------|-----------|----------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Management Services Agreement | 112,800 | 112,800 | - | - | - |

The Company has a consulting agreement with its Chairman of the Board (the "Chairman Agreement"). The termination provisions of the Chairman Agreement provide that a fee of 24 months' compensation be paid in the event of termination without cause. In the event of a change of control, or the sale of all or substantially all of the assets of the Company to a bona fide third party purchaser, the Chairman would receive an amount equal to 24 months' compensation. As of December 31, 2022, the Company would have to pay \$100,000 to the Chairman in the event of termination without cause or a change of control.

The Company has a consulting agreement with its President and CEO (the "CEO Agreement"). The termination provisions of the CEO Agreement provide that a fee of 24 months' compensation be paid in the event of termination without cause. In the event of a change of control, or the sale of all or substantially all of the assets of the Company to a bona fide third party purchaser, the CEO would receive an amount equal to 24 months' compensation. As of December 31, 2022, the Company would have to pay \$120,000 to the CEO in the event of termination without cause or a change of control.

The Company has a consulting agreement with its CFO (the "CFO Agreement"). The termination provisions of the CFO Agreement provide that a fee of 24 months' compensation be paid in the event of termination without cause. In the event of a change of control, or the sale of all or substantially all of the assets of the Company to a bona fide third party purchaser, the CFO would receive an amount equal to 24 months' compensation. As of December 31, 2022, the Company would have to pay \$60,000 to the CFO in the event of termination without cause or a change of control.

The Company has a consulting agreement with its Corporate Secretary (the "Corporate Secretary Agreement"). The termination provisions of the Corporate Secretary Agreement provide that a fee of 24 months' compensation be paid in the event of termination without cause. In the event of a change of control, or the sale of all or substantially all of the assets of the Company to a bona fide third party purchaser, the Corporate Secretary would receive an amount equal to 24 months' compensation. As of December 31, 2022, the Company would have to pay \$72,000 to the Corporate Secretary in the event of termination without cause or a change of control.

The Company has a consulting agreement with its Controller (the "Controller Agreement"). The termination provisions of the Controller Agreement provide that a fee of 12 months' compensation be paid in the event of termination without cause. In the event of a change of control, or the sale of all or substantially all of the assets of the Company to a bona fide third party purchaser, the Controller would receive an amount equal to 12 months' compensation. As of December 31, 2022, the Company would have to pay \$36,000 to the Controller in the event of termination without cause or a change of control.

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11. CONTINGENCY

During 2021, the Company's wholly owned Argentine subsidiary, Minera Cielo Azul S.A. was named in a lawsuit (the "Lawsuit") introduced before the Supreme Court of the Province of Rio Negro by anti-mining, environmental activists (the "Plaintiffs") in Argentina who were asserting environmental protection rights, among other arguments against the Amarillo Grande project, comprised of Ivana, Anit and Santa Barbara projects. On January 12, 2022, the Company announced that the Lawsuit and a subsequent appeal filed before the same court had been dismissed. The Plaintiffs did not file any further appeals and therefore the ruling is considered final.

12. SUPPLEMENTARY CASH FLOW

| | Year ended December 31, | |
|---|-------------------------|---------|
| | 2022 | 2021 |
| | \$ | \$ |
| Non-cash investing and financing activities: | | |
| Share issue cost – issuance of warrants to agents | 62,246 | 76,565 |
| Incentive warrants granted | - | 666,249 |
| Warrants and agents' warrants expired | 312,082 | 617,242 |
| Stock options expired | 41,543 | - |
| Warrants exercised | 9,982 | 350,832 |
| Cash and cash equivalents: | | |
| Cash | 992,103 | - |
| Cash equivalents | 804,255 | - |

13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include credit risk, liquidity risk, currency risk, and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Fair Values

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The Company's financial instruments consist of cash and cash equivalents, marketable securities, and accounts payable and accrued liabilities.

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13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company has reduced its credit risk by depositing its cash and short-term investments with financial institutions that operate globally. Therefore, the Company is not exposed to significant credit risk and the Company's overall credit risk has not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future. See Note 1 for further information.

Market risk

(i) Currency risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: cash, and accounts payable all denominated in United States dollars and Argentinean pesos. A 10% change in US dollar and the Argentinean peso exchange rates relative to Canadian dollar would have insignificant impact on the Company's net loss:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$2,000.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$33,000.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The fair value of cash and cash equivalents approximates its carrying value due to the immediate or short-term maturity of this financial instrument. Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing or have prescribed interest rates.

(c) Capital Management

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

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13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop its mineral projects and may require doing so again in the future. The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds. The Company is not subject to any external covenants. There were no changes in the Company's approach to capital management during the year ended December 31, 2022.

14. SUBSEQUENT EVENTS

Stock Option Expiry

- 4,070,000 stock options at an exercise price of \$0.30 expired unexercised on January 23, 2023.

Warrants Expiry

- 7,258,500 warrants at an exercise price of \$0.35 expired unexercised on February 28, 2023.