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# **Blue Sky Uranium Corp.**

## **CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

*(Expressed in Canadian Dollars)*

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**Crowe MacKay LLP**

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## **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, 2020 and December 31, 2019 and the consolidated statements of loss and comprehensive loss, changes in (deficiency) equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and December 31, 2019, 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.

### **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 Diana Huang.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Vancouver, Canada Canada  
March 18, 2021**

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

	Note	December 31, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,215,569	360,605
Accounts receivable		6,854	7,104
Prepaid expenses		39,788	47,163
<b>Total current assets</b>		<b>1,262,211</b>	<b>414,872</b>
<b>Non-current assets</b>			
Mineral property interests	3	70,876	60,999
<b>Total non-current assets</b>		<b>70,876</b>	<b>60,999</b>
<b>Total Assets</b>		<b>1,333,087</b>	<b>475,871</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	6	580,713	252,292
Loans payable	4	1,404,000	-
Interest payable	4	36,203	-
<b>Total Liabilities</b>		<b>2,020,916</b>	<b>252,292</b>
<b>SHAREHOLDERS' (DEFICIENCY) EQUITY</b>			
Share capital	5	29,875,000	29,875,000
Reserves	5	7,730,665	7,730,665
Share subscriptions received	5	1,017,510	-
Deficit		(39,311,004)	(37,382,086)
<b>Total shareholders' (deficiency) equity</b>		<b>(687,829)</b>	<b>223,579</b>
<b>Total Shareholders' (Deficiency) Equity and Liabilities</b>		<b>1,333,087</b>	<b>475,871</b>

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**

**COMMITMENT (Note 10)**

**SUBSEQUENT EVENTS (Note 13)**

These consolidated financial statements are authorized for issue by the Board of Directors on March 18, 2021. 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,	
		2020	2019
		\$	\$
<b>Expenses</b>			
Accounting and audit		23,448	28,540
Corporate development and investor relations		130,071	661,282
Exploration	3	1,387,507	1,469,230
Management fees	6	174,000	182,450
Office and sundry	6	62,487	69,822
Professional fees	6	194,794	94,027
Rent, parking and storage		15,018	14,816
Salaries and employee benefits	6	204,000	205,420
Transfer agent and regulatory fees		41,332	46,930
Travel		16,803	37,295
<b>Loss from operating activities</b>		<b>2,249,460</b>	<b>2,809,812</b>
<b>Other (income) expenses</b>			
Foreign exchange gain		(375,616)	(23,342)
Interest expense	4	55,074	3,544
Interest income		-	(6,698)
<b>Income from other items</b>		<b>(320,542)</b>	<b>(26,496)</b>
<b>Loss and comprehensive loss for the year</b>		<b>1,928,918</b>	<b>2,783,316</b>
<b>Basic and diluted loss per common share (\$)</b>	7	0.02	0.02

*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,	
	2020	2019
	\$	\$
<b>Cash flows used in operating activities</b>		
Loss for the year	(1,928,918)	(2,783,316)
Interest expense	55,074	3,544
	<u>(1,873,844)</u>	<u>(2,779,772)</u>
Change in non-cash working capital items:		
Decrease in accounts receivable	250	5,275
Decrease in prepaid expenses	7,375	194,837
Increase in accounts payable and accrued liabilities	328,421	108,698
Net cash used in operating activities	<u>(1,537,798)</u>	<u>(2,470,962)</u>
<b>Cash flow used in investing activities</b>		
Expenditures on mineral property interests	(9,877)	(1,822)
Net cash used in investing activities	<u>(9,877)</u>	<u>(1,822)</u>
<b>Cash flows from financing activities</b>		
Issuance of common shares and warrants	-	1,548,228
Share issue costs	-	(4,374)
Share subscriptions received	1,017,510	-
Loan proceeds received	1,684,000	220,000
Loan repayment	(280,000)	(220,000)
Interest paid	(18,871)	(3,544)
Net cash from financing activities	<u>2,402,639</u>	<u>1,540,310</u>
<b>Net increase (decrease) in cash</b>	854,964	(932,474)
Cash at beginning of year	360,605	1,293,079
<b>Cash at end of year</b>	<u>1,215,569</u>	<u>360,605</u>

**SUPPLEMENTARY CASH FLOW INFORMATION (Note 11)**

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

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

	Share capital		Reserves					Total
	Number of Shares	Amount \$	Contributed Surplus \$	Equity Settled Share-based Payments \$	Warrants \$	Share Subscriptions Received \$	Accumulated Deficit \$	
<b>Balance at December 31, 2018</b>	109,788,717	28,729,625	4,506,972	802,798	2,022,416	-	(34,598,770)	1,463,041
Private placements	10,321,515	1,150,869	-	-	397,359	-	-	1,548,228
Share issue costs	-	(4,374)	-	-	-	-	-	(4,374)
Agent warrants granted	-	(1,120)	-	-	1,120	-	-	-
Stock options cancelled/expired	-	-	22,201	(22,201)	-	-	-	-
Comprehensive loss for the year	-	-	-	-	-	-	(2,783,316)	(2,783,316)
<b>Balance at December 31, 2019</b>	120,110,232	29,875,000	4,529,173	780,597	2,420,895	-	(37,382,086)	223,579
Stock options cancelled/expired	-	-	39,962	(39,962)	-	-	-	-
Warrants and agents' warrants expired	-	-	48,303	-	(48,303)	-	-	-
Share subscriptions received	-	-	-	-	-	1,017,510	-	1,017,510
Comprehensive loss for the year	-	-	-	-	-	-	(1,928,918)	(1,928,918)
<b>Balance at December 31, 2020</b>	120,110,232	29,875,000	4,617,438	740,635	2,372,592	1,017,510	(39,311,004)	(687,829)

*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, 2020 and 2019

*(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 \$39,311,004 and shareholders' deficiency of \$687,829 at December 31, 2020. In addition, the Company has negative working capital of \$758,705 at December 31, 2020 and negative cash flow from operating activities of \$1,537,798. 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.

On March 11, 2020, the World Health Organization declared the global outbreak of a novel coronavirus identified as "COVID-19" as a global pandemic. In order to combat the spread of COVID-19 governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operations in future periods.

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, 2020 and 2019

(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, 2020. These consolidated financial statements were approved by the Board of Directors of the Company on March 18, 2021.

#### *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, 2020 and 2019

(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	FVTPL
Accounts payable and accrued liabilities	Amortized cost
Loans payable	Amortized cost

#### *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 the consolidated statements of operations and comprehensive income (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 the consolidated statements of comprehensive income (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 the consolidated statements of comprehensive income (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 the consolidated statements of comprehensive income (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.

## **Blue Sky Uranium Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *Equipment*

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over its estimated useful lives of two years for computer equipment. Depreciation of an asset begins once it is available for use.

#### *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 are classified as loans and receivables and 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.

## **Blue Sky Uranium Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *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 reserve.

#### *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.

## **Blue Sky Uranium Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *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.

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 statement of financial position 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. 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 financial position reporting date 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 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 financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 estimates*

1. 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.

## **Blue Sky Uranium Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### *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 determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- iii. The analysis of the functional currency for each entity of the Company. 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.
- iv. The determination of our tax expense for the period and deferred tax assets and liabilities involves significant estimation and judgement by management. In determining these amounts, we interpret tax legislation in a variety of jurisdictions and make estimates of the expected timing of the reversal of deferred tax assets and liabilities. We also make estimates of future earnings which affect the extent to which potential future tax benefits may be used. We are subject to assessments by various taxation authorities, which may interpret legislation differently. These differences may affect the final amount or the timing of the payment of taxes. We provide for such differences where known based on our best estimate of the probable outcome of these matters.

#### *Changes in Accounting Standards*

Amendments to IFRS 3, Business Combinations (effective January 1, 2020) assist in determining whether a transaction should be accounted for as a business combination or an asset acquisition. It amends the definition of a business to include an input and a substantive process that together significantly contribute to the ability to create goods and services provided to customers, generating investment and other income, and it excludes returns in the form of lower costs and other economic benefits. This amendment did not have an impact on the Company's consolidated financial statements.

Amendments to IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures (effective January 1, 2020) will affect entities that apply the hedge accounting requirements to hedging relationships directly affected by the interest rate benchmark reform. The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform. If a hedging relationship no longer meets the requirements for hedge accounting for reasons other than those specified by the amended Standards, then discontinuation of hedge accounting is still required. This amendment did not have an 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, 2020 and accordingly, have not been applied in preparing these consolidated financial statements.

## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Otherwise Noted)

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is not expected to have any impact on the Company's 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, 2020:

#### Acquisition Costs

	Argentina		
	Ivana	Regalo	Total
	\$	\$	\$
Balance – December 31, 2018	34,177	25,000	59,177
Additions	1,822	-	1,822
Balance – December 31, 2019	35,999	25,000	60,999
Additions	9,877	-	9,877
Balance – December 31, 2020	45,876	25,000	70,876

#### *Ivana Property*

The Company owns a 100% interest in the 83,800 hectare (838 km<sup>2</sup>) 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 23,300 hectare (233 km<sup>2</sup>) Regalo property located northwest of the Cerro Solo Uranium District in the province of Chubut Argentina.



## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 3. MINERAL PROPERTY INTERESTS (continued)

#### Exploration Expenditures

	<b>Argentina</b>		
	<b>Amarillo Grande</b>		
	<b>Ivana</b>	<b>Other*</b>	<b>Total</b>
	\$	\$	\$
Cumulative exploration costs			
December 31, 2019	9,588,602	7,348,713	16,937,315
Expenditures during the year:			
Assays	5,588	-	5,587
Drilling	121,195	-	121,195
Geophysics	(13,332)	-	(13,332)
Office	118,331	4,512	122,844
Property maintenance payments	34,705	27,047	61,752
Salaries and contractors	714,918	22,118	737,036
Social and community	51,055	1,651	52,705
Statutory taxes	90,203	4,033	94,236
Supplies and equipment	131,462	6	131,469
Travel	74,004	11	74,015
	<u>1,328,129</u>	<u>59,378</u>	<u>1,387,507</u>
Cumulative exploration costs			
December 31, 2020	10,916,731	7,408,091	18,324,822

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

	<b>Argentina</b>		
	<b>Amarillo Grande</b>		
	<b>Ivana</b>	<b>Other*</b>	<b>Total</b>
	\$	\$	\$
Cumulative exploration costs			
December 31, 2018	8,193,065	7,275,020	15,468,085
Expenditures during the year:			
Assays	14,648	-	14,648
Environmental engineering	100,239	3,015	103,254
Geophysics	144,492	-	144,492
Metallurgy and mineralogy	65,749	1,978	67,727
Office	64,873	3,222	68,095
Property maintenance payments	26,813	21,087	47,900
Resource modeling	-	29,330	29,330
Salaries and contractors	704,444	11,088	715,532
Social and community	53,379	1,606	54,985
Statutory taxes	40,818	2,156	42,974
Supplies and equipment	82,221	54	82,275
Travel	97,861	157	98,018
	<u>1,395,537</u>	<u>73,693</u>	<u>1,469,230</u>
Cumulative exploration costs			
December 31, 2019	9,588,602	7,348,713	16,937,315

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

## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 4. LOANS PAYABLE

During the year ended December 31, 2020, the Company received loans totalling \$1,684,000 and repaid principal loan balances of \$280,000 and interest totalling \$18,871. At December 31, 2020, the Company had the following loans payable. See Note 13 for further information.

	December 31, 2020		
	Maturity	Currency	Amount
Unsecured, 12% annual interest rate (1)	On demand	Canadian dollar	\$ 333,000
Unsecured, non-interest bearing (2)	On demand	Canadian dollar	\$ 137,000
Unsecured, non-interest bearing (3)	On demand	Canadian dollar	\$ 80,000
Unsecured, non-interest bearing (4)	On demand	Canadian dollar	\$ 154,000
Unsecured, non-interest bearing (5)	On demand	Canadian dollar	\$ 400,000
Unsecured, non-interest bearing (6)	On demand	Canadian dollar	\$ 100,000
Unsecured, non-interest bearing (7)	On demand	Canadian dollar	\$ 30,000
Unsecured, 12% annual interest rate (8)	On demand	Canadian dollar	\$ 170,000
			<u>\$1,404,000</u>

(1) \$333,000 Unsecured, 12% annual interest rate

On February 13, 2020, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is \$333,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand. During the year ended December 31, 2020, the Company accrued \$35,253 in interest expense for this loan.

(2) \$137,000 Unsecured, non-interest bearing

On February 13, 2020, the Company entered into a loan agreement with a non-arm's length lender. The principal amount of the loan is \$137,000 and is to be used for working capital purposes and is non-interest bearing. The principal balance of the loan shall become due and payable in full on demand.

(3) \$80,000 Unsecured, non-interest bearing

On June 30, 2020, the Company entered into a loan agreement with a non-arm's length lender. The principal amount of the loan is \$80,000 and is to be used for working capital purposes and is non-interest bearing. The principal balance of the loan shall become due and payable in full on demand.

(4) \$154,000 Unsecured, non-interest bearing

On July 31, 2020, the Company entered into a loan agreement with a non-arm's length lender. The principal amount of the loan is \$154,000 and is to be used for working capital purposes and is non-interest bearing. The principal balance of the loan shall become due and payable in full on demand.

(5) \$400,000 Unsecured, non-interest bearing

On August 18, 2020, the Company entered into a loan agreement with a non-arm's length lender. The principal amount of the loan is \$400,000 and is to be used for working capital purposes and is non-interest bearing. The principal balance of the loan shall become due and payable in full on demand.

## **Blue Sky Uranium Corp.**

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

*(Expressed in Canadian Dollars Unless Otherwise Noted)*

### **4. LOANS PAYABLE (continued)**

*(6) \$100,000 Unsecured, non-interest bearing*

On September 14, 2020, the Company entered into a loan agreement with a non-arm's length lender. The principal amount of the loan is \$100,000 and is to be used for working capital purposes and is non-interest bearing. The principal balance of the loan shall become due and payable in full on demand.

*(7) \$30,000 Unsecured, non-interest bearing*

On November 3, 2020, the Company entered into a loan agreement with a non-arm's length lender. The principal amount of the loan is \$30,000 and is to be used for working capital purposes and is non-interest bearing. The principal balance of the loan shall become due and payable in full on demand.

*(8) \$170,000 Unsecured, 12% annual interest rate*

On December 14, 2020, the Company entered into a loan agreement with an arm's length lender. The principal amount of the loan is \$170,000 and is to be used for working capital purposes and bears interest at the rate of 12% per annum. The principal balance of the loan, together with all accrued and unpaid interest thereon shall become due and payable in full on demand. During the year ended December 31, 2020, the Company accrued \$950 in interest expense for this loan.

At December 31, 2019, the Company did not have any loans payable.

### **5. 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 2020*

On December 29, 2020, the Company announced a non-brokered private placement financing of up to 27,000,000 units at a price of \$0.13 per unit. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase an additional common share of the Company at \$0.25 per share for three years from the date of issue. As at December 31, 2020, \$1,017,510 (2019 - \$Nil) in share subscriptions were received. Refer to Note 13 for further information.

*Details of Issues of Common Shares in 2019*

On October 23, 2019, the Company closed a non-brokered private placement financing of 5,793,333 units at a price of \$0.15 per unit for gross proceeds of \$869,000. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.25 per share for two years from the date of issue, expiring on October 23, 2021. Fair value was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 1.65%; expected stock price volatility – 92.5%; dividend yield – 0%; and expected warrant life – 1.552 years.

## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 5. SHARE CAPITAL AND RESERVES (continued)

On July 11, 2019, the Company closed the second and final tranche of a non-brokered private placement financing of 2,043,332 units at a price of \$0.15 per unit for gross proceeds of \$306,500. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.25 per share for three years from the date of issue, expiring on July 11, 2022. Fair value was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 1.62%; expected stock price volatility – 89.74%; dividend yield – 0%; and expected warrant life – 1.433 years.

On June 4, 2019, the Company closed the first tranche of a non-brokered private placement financing of 2,484,850 units at a price of \$0.15 per unit for gross proceeds of \$372,728. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at \$0.25 per share for three years from the date of issue, expiring on June 4, 2022. Finders' fees were paid of \$4,374 cash and 29,162 non-transferable warrants exercisable into common shares at \$0.25 for three years from the date of issue. Fair value was calculated using the Black-Scholes pricing model and the following variables: risk-free interest rate – 1.42%; expected stock price volatility – 92.94%; dividend yield – 0%; and expected warrant life – 1.357 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.

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 five years.

#### *Options*

The continuity of share purchase options for the year ended December 31, 2020 is as follows:

Expiry date	Exercise Price	December 31, 2019	Granted	Exercised	Expired/ Forfeited	December 31, 2020	Options Exercisable
January 23, 2023	\$0.30	4,395,000	-	-	(225,000)	4,170,000	4,170,000
		4,395,000	-	-	(225,000)	4,170,000	4,170,000
Weighted average exercise price (\$)		0.30	-	-	0.30	0.30	0.30
Weighted average contractual remaining life (years)		3.1	-	-	-	2.1	2.1

## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 5. SHARE CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the year ended December 31, 2019 is as follows:

Expiry date	Exercise Price	December 31, 2018	Granted	Exercised	Expired/ Forfeited	December 31, 2019	Options Exercisable
January 23, 2023	\$0.30	4,520,000	-	-	(125,000)	4,395,000	4,395,000
		4,520,000	-	-	(125,000)	4,395,000	4,395,000
Weighted average exercise price (\$)		0.30	-	-	0.30	0.30	0.30
Weighted average contractual remaining life (years)		4.1	-	-	-	3.1	3.1

#### Warrants

The continuity of warrants for the year ended December 31, 2020 is as follows:

Expiry date	Exercise Price	December 31, 2019	Granted	Exercised	Expired/ Cancelled	December 31, 2020
September 19, 2021	\$0.50	4,180,966	-	-	-	4,180,966
October 23, 2021	\$0.25	5,793,333	-	-	-	5,793,333
February 28, 2022	\$0.35	7,331,125	-	-	(72,625)	7,258,500
June 4, 2022	\$0.25	2,514,012	-	-	-	2,514,012
June 11, 2022	\$0.30	25,851,297	-	-	(944,709)	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
		53,654,129	-	-	(1,017,334)	52,636,795
Weighted average exercise price (\$)		0.31	-	-	0.30	0.31

5,940,064 warrants set to expire on December 19, 2020 were extended to December 19, 2022 during the year ended December 31, 2020. These warrants were originally issued on December 19, 2017 as part of the units issued under a private placement completed by the Company in December 2017 and are also subject to an accelerator. The exercise price of the warrants remains at \$0.30.

24,906,588 warrants set to expire on June 11, 2020 were extended to June 11, 2022 during the year ended December 31, 2020. These warrants were originally issued on June 12, 2018 as part of the units issued under a private placement completed by the Company in June 2018 and are also subject to an accelerator. The exercise price of the warrants remains at \$0.30.

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

## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 5. SHARE CAPITAL AND RESERVES (continued)

The continuity of warrants for the year ended December 31, 2019 is as follows:

Expiry date	Exercise Price	December 31, 2018	Granted	Exercised	Expired/Cancelled	December 31, 2019
February 28, 2020	\$0.35	7,331,125	-	-	-	7,331,125
June 11, 2020	\$0.30	25,851,297	-	-	-	25,851,297
December 19, 2020	\$0.30	5,940,064	-	-	-	5,940,064
September 19, 2021	\$0.50	4,180,966	-	-	-	4,180,966
October 23, 2021	\$0.25	-	5,793,333	-	-	5,793,333
June 4, 2022	\$0.25	-	2,514,012	-	-	2,514,012
July 11, 2022	\$0.25	-	2,043,332	-	-	2,043,332
		43,303,452	10,350,677	-	-	53,654,129
Weighted average exercise price (\$)		0.33	0.25	-	-	0.31

### 6. 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 is 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.

Transactions	Year ended December 31,	
	2020	2019
	\$	\$
Services rendered:		
Grosso Group Management Ltd.		
Management fees	174,000	182,450
Office & sundry	43,095	41,695
Total for services rendered	217,095	224,145

## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

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### 6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

#### 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.

Transactions	Year ended December 31,		
	2020	2019	
	\$	\$	
Consulting, salaries and professional fees to key management or their consulting corporations:			
President/CEO/Director	Salaries and employee benefits	60,000	60,000
CFO	Salaries and employee benefits	12,000	12,000
Directors/Consultants	Salaries, employee benefits and professional fees	146,000	147,770
Total for services rendered		218,000	219,770

Transactions	Year ended December 31,		
	2020	2019	
	\$	\$	
Amounts owed to related parties			
Payable to Golden Arrow Resources Corp. <sup>(1)</sup>	257,462	59,653	
Payable to Oxbow International Marketing Ltd. <sup>(2)</sup>	560	2,288	
Payable to Grosso Group Management Ltd. <sup>(2)</sup>	174,609	-	
Total shared costs included in accounts payable		432,631	61,941

(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.

### 7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended December 31, 2020 and 2019 was based on the following:

	Year ended December 31,	
	2020	2019
Loss attributable to common shareholders (\$)	1,928,918	2,783,316
Weighted average number of common shares outstanding	120,110,232	113,008,224

Diluted loss per share did not include the effect of 4,170,000 (December 31, 2019 – 4,395,000) share purchase options and 52,636,795 (December 31, 2019 – 53,654,129) common share purchase warrants as they are anti-dilutive.

### 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, 2020.

## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(Expressed in Canadian Dollars Unless Otherwise Noted)

### 8. OPERATING SEGMENTS (continued)

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

	December 31, 2020	
	Argentina	Total
	\$	\$
Mineral property interests	70,876	70,876
	<u>70,876</u>	<u>70,876</u>

  

	December 31, 2019	
	Argentina	Total
	\$	\$
Mineral property interests	60,999	60,999
	<u>60,999</u>	<u>60,999</u>

### 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:

	2020	2019
	\$	\$
Loss before income taxes	<u>(1,928,918)</u>	<u>(2,783,316)</u>
Income tax recovery at statutory rate	(520,808)	(751,495)
Non-deductible differences	(110,792)	(33,990)
Rate differential and other	57,258	50,040
Effect of rate change	(34,695)	(31,130)
Foreign exchange movement	271,731	405,642
Non-capital loss expired	3,407	11,059
Change in unrecognized tax benefits	<u>333,899</u>	<u>349,874</u>
Income tax recovery	-	-
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:

	2020	2019
	\$	\$
Deferred income tax assets		
Resource deductions	1,628,018	1,610,244
Financing costs	11,997	11,997
Operating loss carryforwards	18,162	29,293
Property and equipment	<u>5,482,386</u>	<u>5,155,129</u>
	<u>7,140,563</u>	<u>6,806,663</u>
Net deferred income tax assets	7,140,563	6,806,663
Unrecognized deferred tax assets	<u>(7,140,563)</u>	<u>(6,806,663)</u>
Deferred income tax assets	-	-



## Blue Sky Uranium Corp.

Notes to the Consolidated Financial Statements

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### 9. INCOME TAXES (continued)

As at December 31, 2020, the Company has Canadian non-capital loss carry forwards of approximately \$20,305,000 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
	<u>20,305,000</u>

At December 31, 2020, the Company had net operating loss carry forwards for Argentinean income tax purposes of \$Nil (2019 – \$12,000). The Company has available resource deductions in Argentina of approximately \$2,897,000 (2019 – \$2,820,000).

At December 31, 2020, the Company had net operating loss carry forwards for Mexican income tax purposes of approximately \$139,025 (2019 – \$139,025) which, if not utilized to reduce Mexican taxable income in future periods, expire through the year 2021. 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 \$14,500 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

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	174,000	174,000	-	-	-

## Blue Sky Uranium Corp.

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For the years ended December 31, 2020 and 2019

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### 11. SUPPLEMENTARY CASH FLOW

	Year ended December 31,	
	2020	2019
	\$	\$
<b>Non-cash investing and financing activities:</b>		
Share issue cost – issuance of warrants to agents	-	1,120
Stock options cancelled/expired	39,962	22,201
Warrants and agents' warrants expired	48,303	-

### 12. 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, accounts payable, accrued liabilities, interest payable, and loans payable. The recorded amounts approximate their fair value due to their short-term nature.

#### (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 accounts receivable. 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 overall the Company's credit risk has not changed significantly from the prior year.

## **Blue Sky Uranium Corp.**

Notes to the Consolidated Financial Statements

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### **12. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)**

#### ***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, accounts receivable 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 and comprehensive loss:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$600.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by approximately \$7,000.

##### ***(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 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.

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, 2020.

## **Blue Sky Uranium Corp.**

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### **13. SUBSEQUENT EVENTS**

#### *Private Placement*

- 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 consists 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. Included in this tranche were \$1,017,510 of subscription proceeds that were received prior to December 31, 2020.
- 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 consists 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.
- The Company issued a total of 42,000,077 units at a price of \$0.13 per unit for gross proceeds of \$5,460,010.

#### *Loans Payable*

- On January 12, 2021, the Company repaid the principal balances of \$1,404,000 for all the Company's loans payable together with all accrued and unpaid interest totalling \$38,187.

#### *Stock Option Grant*

- On January 29, 2021, the Company granted 12,000,000 stock options to directors, officers, employees, and consultants of the Company at an exercise price of \$0.25, with an expiry date of January 27, 2026.