

Blue Sky Uranium Corp.
(TSXV: BSK / OTCQB: BKUCF)

BUY

Current Price: C\$0.11

Fair Value: C\$0.37

Risk: 5

Expanding Argentina's Largest Uranium Resource

Sector / Industry: Junior Resource

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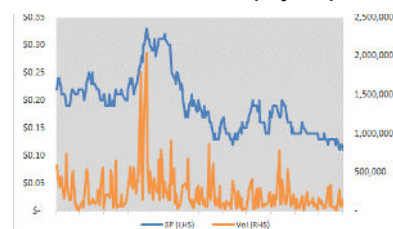
Highlights

- A recent infill and step-out drill program at the Ivana deposit on the flagship Amarillo Grande project (Argentina) **indicates potential for resource upgrade/expansion**. Results will be included in an upcoming resource update, and a Pre-Feasibility Study (PFS) in 2023/2024.
- Ivana (a medium-sized/low-grade deposit) holds 23 Mlbs of U₃O₈, and 12 Mlbs of V₂O₅ (vanadium) in inferred resources. Uranium accounts for approximately 85% of the project's value. **We believe a major advantage of the deposit is that it is near surface (within depths of 25 m).**
- We believe the project has potential to be a low-cost mine, as the cash cost is estimated to be just US\$16/lb vs the spot price of US\$50/lb.
- A 2019 Preliminary Economic Assessment (PEA) had returned an AT-NPV8% of US\$135M, and a high AT-IRR of 29%, using US\$50/lb U₃O₈. **BSK is trading at just 12% of AT-NPV8%.**
- Pursuing a \$1M equity financing to continue exploring (drilling/geophysical surveys) regional targets for resource expansion.
- Uranium prices have pulled back 22% from their highs in April 2022, but are still up 9% YoY. We believe the uranium supply-chain is highly vulnerable, and supply disruptions are likely. Russia accounts for 35% of global enriched uranium production. Another factor supporting uranium is high oil prices.
- **As the uranium supply chain is highly vulnerable**, we believe majors are likely to pursue M&A to secure long-term supply. Canadian uranium junior UEX Corporation was recently acquired by Uranium Energy Corp (NYSE: UEC) for \$196M. We believe BSK could be an attractive acquisition target if it is able to delineate resource estimates for one or more of its regional targets.
- We note that there is a **need for domestic uranium producers**, as Argentina imports 100% of its uranium consumption. Argentina has three operating nuclear reactors (plus one in construction, and two additional planned), but no domestic uranium production.
- **BSK is trading at just \$1.5/lb vs the sector average of \$3.7/lb.** Key near-term catalysts include exploration and drill results.

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Price Performance (1-year)



	YTD	12M
BSK	-48%	-56%
TSXV	-37%	-36%

Company Data

52 Week Range	C\$0.11 - C\$0.34
Shares O/S	200M
Market Cap.	C\$21M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	N/A

Key Financial Data (FYE - Dec 31)

(C\$)	2021	2022 (9M)
Cash	\$3,287,023	\$1,037,825
Working Capital	\$2,777,171	\$379,357
Mineral Assets	\$79,830	\$140,376
Total Assets	\$3,463,408	\$1,244,769
Net Income (Loss)	-\$6,470,620	-\$4,405,688
EPS	-\$0.04	-\$0.02

*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.

Portfolio Summary

Four uranium-vanadium properties covering 450,000 hectares

The flagship Amarillo Grande project, located in Rio Negro province, holds the largest NI 43-101 compliant uranium resource in Argentina

Amarillo Grande consists of three properties – Ivana, Anit, and Santa Barbara, spread along a 145 km long trend

BSK's Portfolio



Source: Company

Amarillo Grande Project, Rio Negro Province

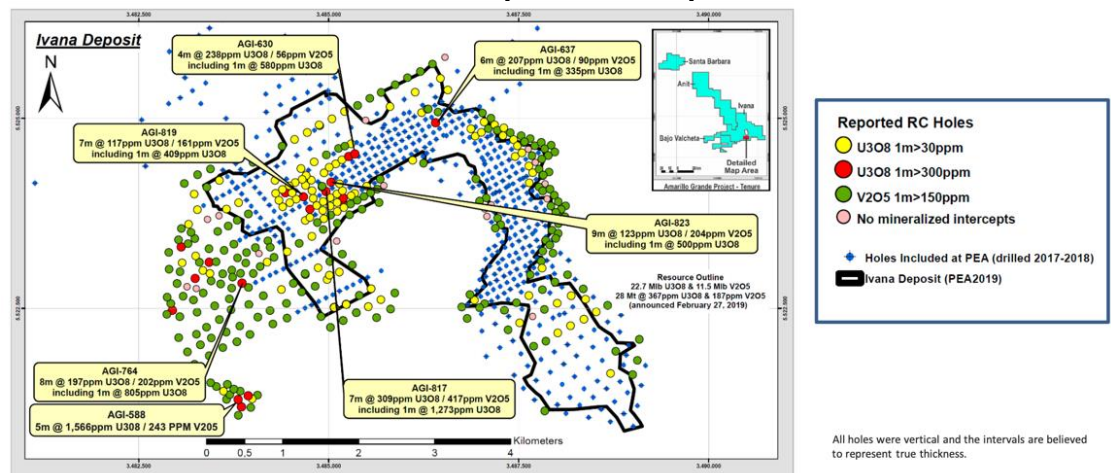
BSK recently completed a 350 hole/ 3,346 m Reverse Circulation (RC) drill program at the Ivana deposit. **Several infill and step-out holes intersected significant uranium and vanadium mineralization, implying potential for resource upgrade/expansion.**

Ivana holds 100% of the project's resource estimate

Resource expansion potential to the west-southwest of the current resource estimate

Infill drilling at the margins of the Ivana deposit returned positive results, implying potential for resource upgrade

Ivana Deposit Drill Map



Source: Company

2019 Resource Estimate - Ivana

Inferred Resources – Base Case at 100 ppm Uranium cut-off grade							
Zone	Tonnes (Mt)	U (ppm)	U ₃ O ₈ (%)	V (ppm)	V ₂ O ₅ (%)	Contained U ₃ O ₈ (Mlbs)	Contained V ₂ O ₅ (Mlbs)
Upper	3.2	133	0.016	123	0.022	1.1	1.5
Lower	24.8	335	0.040	105	0.018	21.6	10
Total	28	311	0.037	107	0.019	22.7	11.5

Medium-size / low-grade inferred resource

Initial CAPEX estimate of US\$128M, and low cash costs of \$16/lb

AT-NPV8% of US\$135M, and a high AT-IRR of 29%, using US\$50/lb uranium

After Tax	
NPV8%: \$135.2 million	IRR: 29.3% Payback period: 2.4 years
Pre-production Capital Cost: \$128.05M incl. \$28.3M contingency	LOM Sustaining Capital Cost: \$35.46M incl. \$7.21M contingency
Average LOM Total Cash Cost net of credits: \$16.24/lb U ₃ O ₈	Average LOM All-In Sustaining Costs ("AISC") net of credits: \$18.27/lb U ₃ O ₈

PEA Results

PEA Key Assumptions & Inputs	
Uranium price:	\$50/lb U ₃ O ₈
Vanadium Price	\$15/lb V ₂ O ₅
Years of Construction	2
Years of Full production:	13
Strip Ratio (waste/ore):	1.1:1
Dilution:	3%
Average Mining rate (waste + mineralized material):	13,000 tonnes per day ("tpd")
Processing throughput:	6,400 tpd
Process Plant Recoveries	Uranium: 84.6%, Vanadium: 52.5%
Average Annual Production (LOM):	1.35 Mlbs/y U ₃ O ₈
LOM uranium production:	17.5 Mlbs U ₃ O ₈

Source: Company

BSK recently launched exploration programs at two regional targets – Cateo Cuatro an Ivana East. The Ivana East target is 10 km east of the Ivana deposit, while Cateo Cuatro is located 32 km to the southwest. The company has already drilled 40 holes at Ivana North (totaling 1,591 m), and 43 holes at Ivana Central (2,637 m), with plans to pursue follow-up drilling.

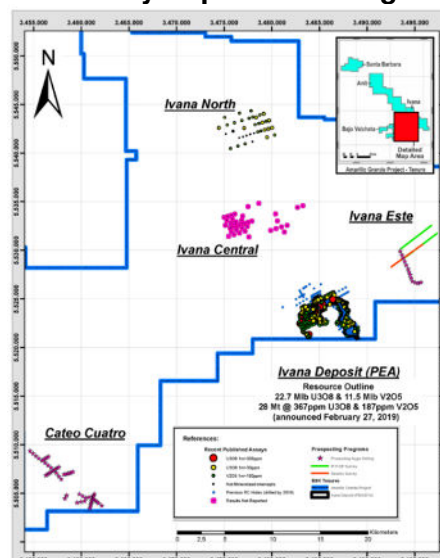
Currently exploring additional targets on the property - Ivana North, Central, East, and Cateo Cuatro

Ivana North and Ivana Central each covers an area of approximately 4 km x 7 km

Assay results from Ivana Central are pending

Drilling and/or geophysical surveys planned for all four targets

Priority Exploration Targets



Source: Company

Financials

Pursuing a \$1M equity financing

(in C\$)	2021	2022 (9M)
Cash	\$3,287,023	\$1,037,825
Working Capital	\$2,777,171	\$379,357
Current Ratio	5.58	1.52
LT Debt	-	-
LT Debt/Assets	-	-
Monthly Burn Rate (incl. G&A)	-\$223,275	-\$154,197
Property Related	-\$3,568,915	-\$5,024,689
Cash from Financing Activities	\$7,087,871	\$2,068,420

Options	#	Exercise Price	Amount
Total	16,020,000	\$0.26	\$4,211,000
In-the-Money	-	-	-

Warrants	#	Exercise Price	Value
Total	114,432,915	\$0.27	\$31,352,411
In-the-Money	-	-	-

Source: FRC / Company

FRC Valuation

BSK is trading at \$1.53/lb (previously \$4.24/lb) vs the sector average of \$3.74/lb (previously \$5.85/lb)

	Location	EV (\$M)	EV / Resource (\$/lb)
NexGen Energy Ltd.	Athabasca Basin, Canada	\$2,794	\$9.24
Lotus Resources	Malawi	\$230	\$6.76
Denison Mines Corp.	Athabasca Basin, Canada	\$1,243	\$6.38
Fission Uranium Corp	Athabasca Basin, Canada	\$600	\$5.05
Global Atomic	Africa	\$609	\$4.19
Peninsula Energy	U.S.	\$134	\$3.85
Azarga Uranium (acquired)	U.S.	\$172	\$3.66
Bannerman Energy	Namibia	\$199	\$2.54
Laramide Resources	U.S.	\$114	\$1.64
UEX Corporation (acquired)	Athabasca Basin, Canada	\$206	\$1.60
Blue Sky Uranium	Argentina	\$20	\$1.53
Deep Yellow	Namibia	\$331	\$1.25
GoviEx	Africa	\$141	\$0.92
Average (Global)			\$3.74

*Resource = 100% of M&I + 50% of Inferred

Source: FRC / S&P Capital IQ

Not making any material changes to our DCF valuation

However, our comparables valuation declined (from \$0.40 to \$0.23) due to the lower sector multiple

Valuation Summary	Fair Value (C\$M)	Per Share (C\$)
- DCF	\$107.74	\$0.51
- Comparables @ \$3.74/lb	\$48.99	\$0.23
Average	\$78.37	\$0.37
Working Capital (\$M)	\$1.02	\$0.00
Fair Value of BSK	\$79.39	\$0.38

C\$:US\$ - 1.34	Uranium Price (US\$/lb)				
	\$45.00	\$50.00	\$55.00	\$65.00	\$75.00
7.5%	\$0.35	\$0.47	\$0.59	\$0.83	\$1.07
10.0%	\$0.27	\$0.37	\$0.47	\$0.67	\$0.86
Discount Rate					
12.5%	\$0.22	\$0.30	\$0.38	\$0.54	\$0.70
12.5%	\$0.22	\$0.30	\$0.38	\$0.54	\$0.70
15.0%	\$0.17	\$0.24	\$0.31	\$0.44	\$0.58

Source: FRC

We are reiterating our BUY rating, and adjusting our fair value estimate from \$0.47 to \$0.38 per share (the average of our DCF and comparables valuations). Upcoming catalysts include drilling/exploration results. As the uranium market is vulnerable, potential supply disruptions could drive uranium stocks higher.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- BSK’s ability to advance its projects depends on **uranium prices**
- Exploration and development risks
- **Geopolitical and exchange rate risks**
- Access to capital and share dilution
- Sandstone-hosted uranium deposits are of relatively low-grade

Maintaining our risk rating of 5 (Highly Speculative)

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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