



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 Thunder Mining Inc.

Opinion

We have audited the consolidated financial statements of Blue Thunder Mining Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' equity/(deficiency) 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 Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. 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 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company has a working capital deficit and need for financing. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company'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 judgement, 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.

Except for the matter described in the Material uncertainty related to going concern section, we have determined that there were no additional key audit matters to communicate 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 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 Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 IFRS, 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 Company'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 Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 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 judgement 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 risks 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 Company'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 Company'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 Company 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

McGovern Hurley

The engagement partner of the audit resulting in this independent auditor's report is Glen McFarland.

McGovern Hurley LLP

A handwritten signature in black ink that reads "McGovern Hurley LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
April 28, 2023

BLUE THUNDER MINING INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Expressed in Canadian Dollars)

As at	Note	December 31, 2022	December 31, 2021 (restated)	January 1, 2021 (restated)
		\$	Note 3 \$	Note 3 \$
ASSETS				
Current assets				
Cash		38,324	1,633,285	3,088,695
Sundry receivables and prepaid expenses	5	486,635	683,161	253,817
TOTAL ASSETS		524,959	2,316,446	3,342,512
LIABILITIES AND EQUITY				
Current liabilities				
Amounts payable and accrued liabilities	6,16	642,416	618,818	360,127
Flow-through share premium liability	8	-	199,952	652,677
Total liabilities		642,416	818,770	1,012,804
SHAREHOLDERS' (DEFICIENCY) EQUITY				
Share capital	9	7,527,670	7,151,991	6,118,689
Warrants	10	505,869	851,149	582,937
Contributed surplus	11	1,292,745	1,128,264	1,056,311
Accumulated deficit		(9,443,741)	(7,633,728)	(5,428,229)
Total shareholders' (deficiency) equity		(117,457)	1,497,676	2,329,708
TOTAL LIABILITIES AND EQUITY (DEFICIENCY)		524,959	2,316,446	3,342,512
Nature of operations and going concern	1			
Commitments and contingencies	1,8,13,18			
Subsequent events	20			

APPROVED BY THE BOARD:

Signed, "Chad Williams", Director

Signed, "Jean-Patrick Lariviere", Director

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

BLUE THUNDER MINING INC.**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
(Expressed in Canadian Dollars)

Year ended December 31,	Note	2022	2021 (restated)
		\$	Note 3 \$
Operating Expenses			
Exploration and evaluation expenditures	14	1,503,083	2,062,790
General and administrative expenses	15	996,213	890,223
Total expenses		2,499,296	2,953,013
Other expenses (income)			
Flow-through share premium	8	(199,952)	(625,225)
Interest income		(24,730)	(3,954)
Loss and comprehensive loss for the year		2,274,614	2,323,834
Basic and diluted loss per share	12	\$0.07	\$0.11
Weighted average number of common shares – basic and diluted	12	31,924,228	21,902,994

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

BLUE THUNDER MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Expressed in Canadian Dollars)

Year ended December 31,		2022	2021 (restated)
	Note	\$	Note 3 \$
Cash flows from the following activities:			
Operating activities:			
Net (loss) for the year		(2,274,614)	(2,323,834)
Adjustments for:			
Shares issued for acquisition of strategic data	9,13	—	10,000
Share-based compensation	11	164,481	72,017
Flow-through share premium	8	(199,952)	(625,225)
Changes in sundry receivables and prepaid expenses		196,526	(429,344)
Changes in amounts payable and accrued liabilities		23,598	258,691
Net cash used in operating activities		(2,089,961)	(3,037,695)
Financing activities:			
Proceeds from private placements		500,000	1,607,500
Share issue costs		(5,000)	(25,315)
Exercise of stock options		—	100
Net cash provided by financing activities		495,000	1,582,285
Net change in cash		(1,594,961)	(1,455,410)
Cash, beginning of year		1,633,285	3,088,695
Cash, end of year		38,324	1,633,285

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

BLUE THUNDER MINING INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY / (DEFICIENCY)
(Expressed in Canadian Dollars)

		CAPITAL		RESERVES		EQUITY	
	Note	# Shares	Share capital	Warrants	Contributed surplus	Accumulated deficit ⁽¹⁾	Total
Balance, December 31, 2020		21,831,149	\$6,118,689	\$582,937	\$1,056,311	(\$5,428,229)	\$2,329,708
Private placements	9	7,632,979	1,607,500	—	—	—	1,607,500
Less: share issue costs	9	—	(97,103)	16,464	—	—	(80,639)
Shares issued as consideration	9,13	396,543	55,324	—	—	—	55,324
Warrants issued	9	—	(370,083)	370,083	—	—	—
Expiration of warrants	10	—	—	(118,335)	—	118,335	—
Flow-through share premium	8	—	(172,500)	—	—	—	(172,500)
Shares issued for property acquisition	9	42,553	10,000	—	—	—	10,000
Exercise of stock options	9,11	213	164	—	(64)	—	100
Share-based compensation	11	—	—	—	72,017	—	72,017
Net loss and comprehensive loss		—	—	—	—	(2,323,834)	(2,323,834)
Balance, December 31, 2021		29,903,437	\$7,151,991	\$851,149	\$1,128,264	(\$7,633,728)	\$1,497,676
Private placements		7,092,199	500,000	—	—	—	500,000
Less: share issue costs		—	(5,000)	—	—	—	(5,000)
Warrants issued	9	—	(119,321)	119,321	—	—	—
Share-based compensation	11	—	—	—	164,481	—	164,481
Expiration of warrants	10	—	—	(464,601)	—	464,601	—
Net loss and comprehensive loss		—	—	—	—	(2,274,614)	(2,274,614)
Balance, December 31, 2022		36,995,636	\$7,527,670	\$505,869	\$1,292,745	(\$9,443,741)	(\$117,457)

⁽¹⁾ Certain figures are restated as at December 31, 2021 and 2020, and for the year ended December 31, 2021 – See note 3

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

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Blue Thunder Mining Inc. (the "Company" or "BTMI") was incorporated pursuant to the Business Corporations Act (Ontario) on April 28, 2017. Its corporate office is located at 401 Bay Street, Suite 2704, P.O. Box 4, Toronto, Ontario, Canada, M5H 2Y4 and its shares are traded on the TSX Venture Exchange ("TSX-V") under the symbol "BLUE" and on the OTCQB Venture Market ("OTCQB") under the symbol "BLTMF".

BTMI is an exploration company engaged in the identification, evaluation, acquisition and exploration of gold properties in Québec. The Company holds a 100% interest in five non-contiguous mineral exploration properties near Chibougamau, Québec.

These consolidated financial statements were prepared on a going concern basis of presentation, which contemplates the realization of assets and settlement of liabilities as they become due in the normal course of operations for the next fiscal year. For the year ended December 31, 2022, the Company incurred a net loss of \$2,274,614 (December 31, 2021 - \$2,323,834) and had an accumulated deficit of \$9,443,741 (December 31, 2021 - \$7,633,728 – restated, see note 3). On January 20, 2023, the Company completed a share consolidation of its share capital on the basis of 4.7 pre-consolidation common shares for one post-consolidation common shares. All common shares, per common share amounts, warrants and stock options in these consolidated financial statements have been retroactively re-stated to reflect the share consolidation. See note 20 - Subsequent events.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, and political uncertainty.

The Company has not yet determined whether its exploration and evaluation properties contain economically recoverable reserves. The recovery of amounts comprising the exploration and evaluation properties is dependent upon the establishment and confirmation of recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of any such reserves, the potential future profitability of any such reserves or alternatively, the disposition, on an advantageous basis, of the Company's interests in the exploration and evaluation properties.

BTMI had a working capital deficit at December 31, 2022 of \$117,457 (December 31, 2021 – working capital of \$1,497,676). The Company has no current source of operating cash flow, and there can be no assurances that sufficient funding, including adequate financing, will be available to explore and develop the Company's properties and meet the ongoing general and administrative expenses incurred to maintain operations. The Company's status as a going concern is contingent upon raising the necessary funds through the issuance of equity or debt. Raising additional funds will be dependent on exploration results. These factors indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue its operations as a going concern and to realize its assets and recover amounts expended on its exploration and evaluation properties

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

as this is dependent upon obtaining additional financing and for generating revenues sufficient to cover its operating costs.

COVID-19

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. Its impact on global economies has been far-reaching and business around the world are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced high volatility and significant movement. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. There is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on the Company's financial position and results, exploration activities, workers, partners, consultants, suppliers and on global financial markets. Considerable protocols have been implemented by the Company in order to continue operating in a safe manner. During 2021 and 2022, the Company was able to continue with its operations.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

These consolidated financial statements for the year ended December 31, 2022, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The functional and presentation currencies of the Company and its subsidiary are the Canadian dollar.

These financial statements incorporate the accounts of BTMI and its wholly owned subsidiary, BTM Corporation ("BTMC"). All intercompany amounts and transactions have been eliminated on consolidation.

These financial statements were authorized for issue by the Board of Directors on April 28, 2022.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Policy for Exploration and Evaluation Expenditures

In order to enhance the relevance to the decision-making needs of users and improve comparability with its peers, the Company has voluntarily elected to change its accounting policy with respect to exploration properties and deferred exploration expenditures, consistent with the guidance provided in IFRS 6 – Exploration for and

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

Evaluation of Mineral Resources and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The new accounting policy was adopted on December 31, 2022 and applied retroactively to the consolidated financial statements for the year ended December 31, 2021 and the statement of financial position as at January 1, 2021. In prior periods, the Company's policy was to capitalize all direct costs related to the acquisition of a mineral property upon acquiring the legal right to explore a mineral property, until such time as the properties were put into commercial production, sold, or became impaired.

The full accounting policy is as follows:

The Company expenses exploration and evaluation expenditures as incurred. Expenses charged to exploration properties include acquisition costs of mineral property rights, property option payments and certain exploration and evaluation activities.

Once a project has been established as commercially viable, technically feasible, and the decision to proceed with development has been approved by the Board of Directors, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production.

The following tables reflect the retroactive changes made to the consolidated financial statements at January 1, 2021 giving effect to this policy change:

	As originally reported	Effects of restatement	As restated
<u>Consolidated statement of financial position</u>	\$	\$	\$
Assets			
Total current assets	3,342,512	-	3,342,512
Non-current assets			
Exploration and evaluation assets	947,977	(947,977)	-
Total assets	4,290,489	(947,977)	3,342,512
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	360,127	-	360,127
Flow-through share premium liability	652,677	-	652,677
Total liabilities	1,012,804	-	1,012,804
Shareholders' Equity			
Share capital	6,118,689	-	6,118,689
Warrants	582,937	-	582,937
Contributed surplus	1,056,311	-	1,056,311
Accumulated deficit	(4,480,252)	(947,977)	(5,428,229)
Total shareholders' equity	3,277,685	(947,977)	2,329,708
Total liabilities and shareholders' equity	4,290,489	(947,977)	3,342,512

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

The following tables reflect the retroactive changes made to the consolidated financial statements as at and for the year ended December 31, 2021 giving effect to this policy change:

	As originally reported	Effects of restatement	As restated
Consolidated statement of financial position	\$	\$	\$
Assets			
Total current assets	2,316,446	-	2,316,446
Non-current assets			
Exploration and evaluation assets	975,477	(975,477)	-
Total assets	3,291,923	(975,477)	2,316,446
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	618,818	-	618,818
Flow-through share premium liability	199,952	-	199,952
Total liabilities	818,770	-	818,770
Shareholders' Equity			
Share capital	7,151,991	-	7,151,991
Warrants	851,149	-	851,149
Contributed surplus	1,128,264	-	1,128,264
Accumulated deficit	(6,658,251)	(975,477)	(7,633,728)
Total shareholders' equity	2,473,153	(975,477)	1,497,676
Total liabilities and shareholders' equity	3,291,923	(975,477)	2,316,446
	As originally reported	Effects of restatement	As restated
Consolidated statement of loss and comprehensive loss	\$	\$	\$
Operating expenses			
Exploration expenditures	2,035,290	27,500	2,062,790
General and administrative expenses	890,223	-	890,223
Net loss for the year before the undernoted	2,925,513	27,500	2,953,013
Premium on flow-through shares income	(625,225)	-	(625,225)
Foreign exchange income	(3,954)	-	(3,954)
Net loss and comprehensive loss for the year	2,296,334	27,500	2,323,834
Basic and diluted loss per share	\$ 0.10	\$ 0.00	\$ 0.11
Weighted average number of shares outstanding - basic and diluted	21,902,994	21,902,994	21,902,994

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

	As originally reported	Effects of restatement	As restated
<u>Consolidated Statement of Cash Flow</u>	\$	\$	\$
Cash flows from operating activities			
Net loss for the year	(2,296,334)	(27,500)	(2,323,834)
Adjustments to non-cash items:			
Share-based compensation	72,017	-	72,017
Acquisition of strategic data and mining claims through options agreements	-	10,000	10,000
Premium on flow-through shares income	(625,225)	-	(625,225)
Sundry receivables and prepaid expenses	(429,344)	-	(429,344)
Accounts payable and accrued liabilities	258,691	-	258,691
Net cash flows used in operating activities	(3,020,195)	(17,500)	(3,037,695)
Cash flows from investing activities			
Exploration and evaluation assets	(17,500)	17,500	-
Net cash flows used in investing activities	(17,500)	17,500	-
Cash flows from financing activities			
Proceeds from private placements	1,607,500	-	1,607,500
Share issue costs	(25,315)	-	(25,315)
Proceeds from stock options exercises	100	-	100
Net cash flows from financing activities	1,582,285	-	1,582,285
Net decrease in cash	(1,455,410)	-	(1,455,410)
Cash, beginning of year	3,088,695	-	3,088,695
Cash, end of year	1,633,285	-	1,633,285

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, BTM Corporation ("BTMC"). All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are entities over which the Company has control, where control is defined to exist when the Company is exposed to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Financial Instruments

Financial assets are classified and measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the business model in which they are held and the characteristics of their contractual cash flows.

All financial assets not classified at amortized cost or FVOCI are measured at FVTPL. On initial recognition, the Company can irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold the financial asset to collect the contractual cash flows associated with the financial asset instead of selling the financial asset for a profit or loss; and
- Its contractual terms give rise to cash flows that are solely payments of principal and interest.

All financial instruments are initially recognized at fair value on the statement of financial position. Subsequent measurement of financial instruments is based on their classification. Financial assets and liabilities classified at FVTPL are measured at fair value with changes in those fair values recognized in the statement of loss and comprehensive loss for the period. Financial assets classified at amortized cost and financial liabilities are measured at amortized cost using the effective interest method.

The following table summarizes the classification and measurement for each financial instrument:

Classification	IFRS 9
Cash	Amortized cost
Sundry receivables and prepaid expenses	Amortized cost
Amounts payable and accrued liabilities	Amortized cost

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows to present value.

Flow-through Shares

The Company may from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a premium on flow-through shares in the statement of loss.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resources property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

renounced under the look-back rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid. The Company indemnifies subscribers of flow-through shares for certain tax related amounts that may become payable if the Company fails to meet its flow-through expenditure requirements.

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. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. All outstanding options and warrants are considered anti-dilutive and are therefore excluded from the diluted loss per share for the periods presented.

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous periods.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net loss and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. 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 a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

Share-based Payment Transactions

The fair value of stock options granted to employees, directors and officers of the Company is recognized as an expense over the vesting period using the graded vesting method with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest. Stock-based compensation incorporates an expected forfeiture rate of nil.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Share Capital, Warrants and Contributed Surplus

Share capital represents the amount received on the issue of shares, less issuance costs. Warrants includes the fair value of warrants until such equity instruments are exercised or expired. Contributed surplus includes charges related to stock options until such equity instruments are exercised or expired and contributions made by the shareholders. The Company transfers to deficit the value of expired, forfeited or canceled warrants or options.

Impairment of non-financial assets

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. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 profit or loss for 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. Following the recognition of an impairment loss, the depreciation charge applicable to the asset is adjusted prospectively in order to systematically allocate the revised carrying amount, net of any residual value, over the remaining useful life.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

Significant Accounting Judgments and Estimates

The preparation of these financial statements requires management (“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 that, 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.

Critical accounting estimates

Significant assumptions about the future that Management has made 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:

- The recoverability of sundry receivables which are included in the statements of financial position;
- **Asset carrying values and impairment charges:** in the determination of carrying values and impairment charges, Management looks at the higher of recoverable amount, fair value less costs to sell in the case of assets, and significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that Management make a decision based on the best available information at each reporting period;
- **Restoration, rehabilitation and environmental obligations:** Management determines there are no material restoration, rehabilitation and environmental obligations, based on the facts and circumstances that existed in the current period that would trigger recognition of the provision in accordance with IAS 37, “Provisions, contingent liabilities and contingent assets”;
- **Fair value of options and warrants:** management determines the fair value of warrants and stock options using the Black-Scholes option pricing model; and
- **Income, value added, withholding and other taxes:** The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company’s provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company’s income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company’s interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.
- **Valuation of the refundable mining duties credit and the refundable tax credit for resources:** The refundable mining duties credit and the refundable tax credit for resources for the current and prior periods are measured at the amount expected to be recovered from the taxation authorities using the tax rates and tax laws that have been enacted or substantively enacted at the statement of financial position date. Uncertainties exist with respect to the interpretation of tax regulations, including the mining duties credit and the tax credit for resources for which certain expenditures could be disallowed by the taxation

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

authorities in the calculation of credits, and the amount and timing of their collection. The calculation of the Company's mining duties credit and tax credit for resources necessarily involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until a notice of assessments and payments has been received from the relevant taxation authority. Differences arising between the actual results following the final resolution of some of these items and the assumptions made, or future changes to such assumptions, could necessitate adjustments to the mining duties credit and tax credit for resources and the exploration and evaluation expenses in future periods.

Standards issued and effective for annual periods beginning on or after January 1, 2023

IFRS 10 – Consolidated Financial Statements (“IFRS 10”) and **IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”)** were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however early adoption is permitted.

IAS 1 – In February 2021, the IASB issued ‘Disclosure of Accounting Policies’ with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for year ends beginning on or after January 1, 2023. **Presentation of Financial Statements (“IAS 1”)** was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 8 – In February 2021, the IASB issued ‘Definition of Accounting Estimates’ to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

The Company is currently assessing the impact of these standards.

4. Financial Risk Management

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and price risk).

Risk management is carried out by the Company's Management with oversight of these risks by the Company's Board of Directors.

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and other receivables, which consist mainly of taxes recoverable. The Company has no significant concentration of credit risk arising from operations.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

(b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2022, the Company had cash of \$38,324 (December 31, 2021 - \$1,633,285) to settle current liabilities of \$642,416 (December 31, 2021 - \$818,770). Current liabilities include a flow-through share liability of \$nil (December 31, 2021 - \$199,952) which does not get settled by cash. This balance is amortized (decreased) against qualifying flow-through expenditures which are required to be incurred before December 31, 2022. See note 18 – *Commitments and Contingencies*. The Company's financial liabilities generally have contractual maturities of less than 30 days.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and quoted prices.

(i) Interest rate risk

At December 31, 2022, the Company had \$38,324 (December 31, 2021 - \$1,633,285) in cash balances. The Company's current policy is to invest excess cash in high yield savings accounts and guaranteed investment certificates issued by a recognized Canadian chartered bank. The Company periodically monitors the investments it makes and the creditworthiness of the bank where the investments are held. As a result, Management believes the Company's exposure to interest rate risk is minimal.

(ii) Foreign currency risk

The Company does not have any significant assets in any currency other than its functional currency, nor does it have significant foreign currency denominated liabilities, therefore any changes in foreign exchange rates should not give rise to any significant change to the ongoing results of operations.

(iii) Price risk

The Company is exposed to price risk with respect to equity prices and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact and economic value due to commodity price movements and volatilities. As the Company is not a commodity producer, Management believes the Company's exposure to price risk is minimal.

5. Sundry Receivables and Prepaid Expenses

	December 31, 2022	December 31, 2021
As at		
Sales tax receivable	\$459,153	\$523,003
Prepaid expenses	27,482	160,158
	\$486,635	\$683,161

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

6. Amounts Payable and Accrued Liabilities

As at	December 31, 2022	December 31, 2021
Amounts payable	\$601,416	\$563,003
Accrued liabilities	41,000	55,815
	\$642,416	\$618,818

7. Capital Risk Management

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Company monitors its capital structure and makes adjustments to it according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending, or disposing assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis. The Company's ability to continue to carry out its planned exploration activities is uncertain and dependent upon securing additional financing.

The Company considers its capital to be comprised of share capital, warrants reserve, contributed surplus and accumulated deficit, which at December 31, 2022, was in a deficiency position of \$117,457 (equity position at December 31, 2021 - \$1,497,676 – restated, see note 3).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. The Company's capital management objectives, policies and processes have remained significantly unchanged during the years ended December 31, 2022 and 2021.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX-V which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As at December 31, 2022, the Company was not compliant with the policies of the TSX-V. The consequences of non-compliance are at the discretion of the TSX-V.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

8. Flow-Through Share Premium Liability

The following is a continuity schedule of the liability of the flow-through share issuances:

Balance, December 31, 2020	\$652,677
Liability incurred on flow-through shares issued	172,500
Flow-through share premium recognized	(625,225)
Balance, December 31, 2021	\$199,952
Flow-through share premium recognized	(199,952)
Balance, December 31, 2022	\$ —

The flow-through common shares (defined below) issued in the private placements completed during the year ended December 31, 2021 were issued at a premium to the estimated price of a regular common share, in recognition of the tax benefits accruing to subscribers. The flow-through share premium for these private placements was estimated to be \$172,500. The flow-through share premium is derecognized through income as the eligible expenditures are incurred.

9. Share Capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value and all issued shares are fully paid. At December 31, 2022, the Company had 36,995,636 common shares issued and fully paid for.

b) Common shares issued

The following table represents the changes to share capital during the years ended December 31, 2022 and 2021:

	Number of Common Shares	Amount
Balance, December 31, 2020	21,831,150	\$6,118,689
Private placements (b)(iii)	7,632,979	1,607,500
Less: share issue costs	—	(97,103)
Finder's fee shares issued (b)(iii)	396,543	55,324
Warrants issued (b)(iii)	—	(370,083)
Flow-through share premium (note 8)	—	(172,500)
Shares issued for property acquisition (b)(i)	42,553	10,000
Shares issued for the exercise of stock options (b)(ii)	213	164
Balance, December 31, 2021	29,903,437	\$7,151,991
Private placements (b)(iv)	7,092,199	500,000
Less: share issue costs (b)(iv)	—	(5,000)
Warrants issued (b)(iv)	—	(119,321)
Balance, December 31, 2022	36,995,636	\$7,527,670

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

- i. On May 7, 2021, the Company issued 42,553 common shares valued at \$10,000 as consideration for the acquisition of certain exploration and evaluation assets. The shares are valued at the quoted market price at the time of issue. See note 13 – *Exploration and Evaluation Assets*.
- ii. On July 9, 2021, 213 options were exercised for proceeds of \$100. The fair value of \$64 assigned to these options was added to share capital.
- iii. On December 29, 2021, the Company completed a non-brokered private placement financing of 3,670,213 flow-through units (the “FT Units”) of BTMI at a price of \$0.24 per share for gross proceeds of \$862,500 and 3,962,766 non-flow-through units (the “NFT Units”) of BTMI at a price of \$0.19 per unit for gross proceeds of \$745,000. Directors and officers subscribed for 664,894 non-flow-through units for gross proceeds of \$125,000.

Each FT Unit consists of one flow-through common share of BTMI and one common share purchase warrant, and each NFT Unit consists of one common share of BTMI and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of BTMI for 36 months at a price of \$0.33.

In connection with this financing, the Company issued 396,543 shares as a finders’ fee. The shares were valued at \$55,324 based on the prevailing market price at the time of issuance. In addition, BTMI issued 339,574 broker warrants, each entitling the holder to acquire one additional common share of BTMI for 36 months at a price of \$0.33.

Using the Black-Scholes option pricing model, a fair value of \$370,083 was assigned to the 7,632,979 warrants issued in the FT Units and NFT Units, and a fair value of \$16,464 was assigned to the 339,574 broker warrants using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.06%; volatility of 85% and an expected life of 36 months. Volatility was estimated based on the historical volatility of the Company.

- iv. On September 19, 2022, the Company completed a non-brokered private placement financing of 7,092,199 units (the “Units”) of BTMI at a price of \$0.33 per unit for gross proceeds of \$500,000. Each Unit consists of one common share and one common share purchase warrant. Directors, officers and insiders of the Company subscribed for 4,765,957 units of this financing.

Each Warrant entitles the holder to purchase one common share of the Company at a price of \$0.24 for a period of 3 years following the closing date of the Offering. Each Warrant is subject to an acceleration clause under certain conditions. Using the Black-Scholes option pricing model, a fair value of \$119,321 was assigned to the warrants using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 3.71%; volatility of 97% and an expected life of 36 months. Volatility was estimated based on the historical volatility of the Company.

In connection with this financing, the Company paid \$5,000 in issuance costs.

- v. On December 16, 2022, the Company’s shareholders approved, at the Annual General and Special Meeting, the consolidation of all of the issued and outstanding common shares of the Company on the basis of 1 new common share for every 4.7 pre-consolidation common shares issued and outstanding (the “Consolidation”). The Consolidation became effective on the market on January 20, 2023. All share capital amounts at December 31, 2022 and 2021, including common shares issued and outstanding, warrants, and options, are shown at their post-consolidation values.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

10. Warrants

The following table reflects the warrants activity for the year ended December 31, 2022 and December 31, 2021:

	Number of Warrants	Fair value on the date of issuance
Balance, December 31, 2020	2,847,094	\$582,937
Issued (note 9(b)(iii))	7,972,553	386,547
Expired	(641,692)	(118,335)
Balance, December 31, 2021	10,177,955	\$851,149
Issued (note 9(b)(iv))	7,092,199	119,321
Expired	(2,205,402)	(464,601)
Balance, December 31, 2022	15,064,752	\$505,869

The following table reflects the warrants issued and outstanding as of December 31, 2022:

Exercise Price	Number of Warrants Outstanding	Weighted Average Remaining Contractual Life – Years	Expiry Date
\$0.33	7,972,553	2.00	December 29, 2024
\$0.24	7,092,199	2.72	September 19, 2025
\$0.29	15,064,752	2.34	

The weighted average warrant exercise price at December 31, 2022 is \$0.29 (December 31, 2021 - \$0.40). The weighted average remaining warrant life at December 31, 2022 is 2.34 years (December 31, 2021 – 2.48 years). During the year ended December 31, 2022, 2,205,402 warrants expired, unexercised (2021 – 641,692). The warrants had a weighted average exercise price of \$0.65 (2021 - \$0.79) and a fair value of \$464,601 (2021 – \$118,335) which was transferred to Accumulated Deficit.

11. Stock Options

The following table reflects the options activity during the years ended December 31, 2022 and 2021:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2020	1,548,987	\$0.38
Granted (a)-(e)	358,511	0.42
Forfeited (i)	(712,129)	0.38
Exercised	(213)	0.47
Balance, December 31, 2021	1,195,156	\$0.28
Granted (f)-(h)	2,250,000	0.24
Forfeited (i)	(10,638)	0.24
Balance, December 31, 2022	3,434,518	\$0.26

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

- a) On January 28, 2021, 53,191 stock options were granted to a recently appointed director of the Company at an exercise price of \$0.47 per share, expiring on January 27, 2026. The options vest as to one-half on the date of grant, and one-half on the first anniversary of the date of grant. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk-free rate interest rate of 0.41% and expected volatility of 155%. The fair value assigned to these options was \$19,368.
- b) On March 18, 2021, 60,638 stock options were granted to consultants of the Company at an exercise price of \$0.47 per share, expiring on March 18, 2026. Of the options granted, 7,447 vest as to one-half on the date of grant, and one-half on the first anniversary of the date of grant. The remaining 53,191 options vest as to one quarter every three months beginning on June 18, 2021. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk-free rate interest rate of 1.01% and expected volatility of 135%. The fair value assigned to these options was \$18,198.
- c) On June 2, 2021, 53,191 stock options were granted to an officer of the Company at an exercise price of \$0.26 per share, expiring on June 2, 2026. The options vest as to one-half on the date of grant, and one-half on the six-month anniversary of the date of grant. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk-free rate interest rate of 0.90% and expected volatility of 118%. The fair value assigned to these options was \$10,119.
- d) On July 7, 2021, the Company's Board of Directors granted 106,383 stock options to an officer of the Company at an exercise price of \$0.24 per share, expiring on July 7, 2026. The options vest as to one half on the date of grant, and one half on the first anniversary of the date of grant. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk-free rate interest rate of 0.93% and expected volatility of 118%. The fair value assigned to these options was \$20,390.
- e) On September 27, 2021, the Company's Board of Directors granted 85,106 stock options to consultants of the Company at an exercise price of \$0.19 per share, expiring on September 27, 2023. The options vest as to one quarter every three months, starting three months from the date of grant. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk-free rate interest rate of 0.50% and expected volatility of 137%. The fair value assigned to these options was \$17,763.
- f) On January 7, 2022, 930,851 options were granted to directors, officers, and consultants of the Company with an exercise price of \$0.24 and term to expiry of 5 years. The options vest as to one-half on the date of grant, and one-half on the six-month anniversary of the date of grant. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk-free rate interest rate of 1.50% and expected volatility of 144.9%. The fair value assigned to these options was \$135,033.
- g) On August 23, 2022, 106,383 options were granted to a director and officer of the Company with an exercise price of \$0.24 and term to expiry of 5 years. The options vest as to one-half on the date of grant, and one-half on the six-month anniversary of the date of grant. The fair value of these options was estimated to be \$6,313 on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk-free rate interest rate of 3.21% and expected volatility of 148%.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

- h) On October 18, 2022, 1,212,766 options were granted to officers, directors, and consultants of the Company with an exercise price of \$0.24 for a period of 5 years from the date of grant, and a range of vesting periods.
- i) During the year ended December 31, 2022, 10,638 unvested options were forfeited upon resignation of a consultant of the Company (2021 – 712,129).
- j) For the year ended December 31, 2022, the impact on the statement of loss and other comprehensive loss was an aggregate expense of \$226,100 (2021 - \$72,017) for options that vested during the period. The weighted average remaining life at December 31, 2022 is 4.36 years (December 31, 2021 – 5.7 years). At December 31, 2022, 2,704,021 options were exercisable.

The following table reflects the issued and outstanding stock options at December 31, 2022:

Exercise price	Number of Options Outstanding	Weighted Average Remaining Contractual Life - Years	Number of Options Exercisable	Expiry Date
\$0.19	85,106	0.74	85,106	September 27, 2023
\$0.47	17,021	2.57	17,021	July 27, 2025
\$0.66	191,489	2.60	191,489	August 6, 2025
\$0.47	53,191	3.08	53,191	January 27, 2026
\$0.47	60,426	3.21	60,426	March 18, 2026
\$0.26	53,191	3.42	53,191	June 2, 2026
\$0.24	106,383	3.52	106,383	July 7, 2026
\$0.24	920,214	4.02	920,214	January 7, 2027
\$0.24	106,383	4.65	53,191	August 23, 2027
\$0.24	1,212,767	4.80	535,462	October 18, 2027
\$0.19	628,347	5.45	628,347	June 11, 2028
\$0.26	3,434,518	4.36	2,704,021	

12. Net Loss Per Share

The calculation of basic and diluted loss per share for the year ended December 31, 2022 was based on the loss attributable to common shareholders of \$2,274,614 (2021 – \$2,323,834 – restated, see note 3) and the weighted average number of common shares outstanding of 31,924,228 (2021 – 21,902,994). Diluted loss per share for years ended December 31, 2022 and 2021 did not include the effect of stock options and warrants as they would be anti-dilutive.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

13. Exploration and Evaluation Properties

Details of the Company's property holdings are as follows:

Property Acquired	Date Acquired	Interest	Consideration Paid	NSR Royalty ¹
Muus-Principal, Québec	August 2017	100%	\$255,000 cash \$100,000 shares \$30,000 finders' fees	2%
Muus-Tectonic Claims, Québec	February 2019	100%	\$570,000 cash \$250,000 exploration	2%
Muus Extension, Québec	May 2019	100%	\$30,000 cash \$50,000 shares	1%
Muus and Muus East Properties, Québec	February 2020	100%	\$150,000 shares	—
Fancamp and Embry gold properties, Québec	May 2020	100%	\$428,776 shares	1%
Contiguous to Muus & Nisk properties, Québec	November 2020	100%	\$10,265 cash \$10,000 shares	—
Lac Des Vents, Quebec	February 2021	100%	\$12,500 cash	—
Muus Southwest Property	April 2021	100%	\$5,000 cash \$10,000 shares	2%

¹ Pursuant to the respective property agreements, the vendor may buy back some or all of the NSR Royalty for an agreed-upon fee.

During the year ended December 31, 2022, the Company dropped claims in the Embry, Nisk, and Muus East regions. The claims were allowed to lapse as renewal costs on them, in the view of management and the Board of Directors, were too high in light of minimal work that had been done on the claims.

14. Exploration and evaluation expenditures ("E&E")

Years ended December 31,	2022	2021 (restated)
		note 3
Geology/Field		
Drilling (including supplies and logistics expenses)	\$199,463	\$363,352
Consulting (contract geologists and other technical specialists)	494,937	391,310
Camp, field expenses (including geochemistry and geophysics)	316,935	315,896
Assays	207,490	475,160
Claim maintenance (including acquisition costs)	182,338	177,278
Travel, transportation	20,669	47,369
Financial/Administrative Support		
Other (includes CSR, Environment, G&A, insurance, legal etc.)	81,251	292,425
	\$1,503,083	\$2,062,790

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

15. General and administrative expenses

Years ended December 31,	2022	2021
Management and consulting fees	\$216,525	\$387,287
Office and general	415,667	306,524
Professional fees	152,119	76,316
Share-based compensation (note 11)	164,481	72,017
Regulatory fees	47,421	48,079
	\$996,213	\$890,223

16. Related Party Balances and Transactions

Related parties as defined by IAS 24 - *Related Party Disclosures* include members of the Board of Directors, key management personnel, and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing, and controlling activities of the Company being directors and executive management, comprising of the Chief Executive Officer and the Chief Financial Officer.

The transactions noted below are in the normal course of business and are approved by the Board of Directors in adherence to conflict-of-interest laws and regulations.

Remuneration of directors and key management personnel of the Company was as follows:

Years ended December 31,	2022	2021
Consulting fees – general and administrative expenses	\$351,525	\$364,787
Consulting fees – exploration and evaluation expenditures	75,000	90,000
Share-based compensation	141,031	58,781
	\$567,556	\$513,568

Consulting fees included in general and administrative expenses include amounts paid to Grove Corporate Services Ltd., (“Grove”), a private company through which the services of the CFO and Corporate Secretary are provided.

At December 31, 2022, a total of \$175,568 (December 31, 2021 - \$212,358) is owed to officers, directors and companies controlled by officers and directors. These amounts are unsecured, non-interest-bearing, and with no fixed terms of repayment.

See also note 9(b)(iv).

17. Segmented Information

The Company’s only activity is mineral exploration and evaluation. All of the Company’s field equipment and supplies, and exploration claims are physically located in the Province of Quebec.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2022 and 2021
(Expressed in Canadian Dollars)

18. Commitments and Contingencies

- a) Flow-through shares: pursuant to the terms of flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations to subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As at December 31, 2022 the Company has complied with its spending commitments for flow-through shares issued in 2020, and 2021. The Company has indemnified the subscribers of the flow-through shares for taxable amounts that may become due if the Company does not complete its contractual obligations related to the flow-through shares.
- b) The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make expenditures to comply with such laws and regulations.
- c) COVID-19: see note 1 – *Going Concern*.
- d) Property payments: see note 13 – *Exploration and Evaluation Properties*.
- e) Management contracts: the Company is party to certain contracts. The Company is also committed to minimum payments upon termination of approximately \$20,925 pursuant to the terms of these contracts as of December 31, 2022.
- f) The Company may be subject to various claims, lawsuits and other complaints arising in the ordinary course of business. The Company records provisions for losses when claims become probable, and the amounts are estimable.

19. Income Tax

- a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the 2022 combined Canadian federal and provincial statutory rate of approximately 26.5% (2021 – 26.5%) were as follows:

Years ended December 31,	2022	2021
Loss before income taxes:	\$(2,274,614)	\$(2,323,834)
Expected income tax (recovery) based on statutory rate	(603,000)	(616,000)
Increase (decrease) resulting from:		
Stock-based compensation	44,000	19,000
Flow-through renunciation	104,000	495,000
Other	(54,000)	(142,000)
Change in tax rates	–	–
Change in benefit of tax assets not recognized	509,000	244,000
	\$–	\$–

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

b) Deferred Income Tax Balances

Deferred tax assets have not been recognized in respect of the following deductible temporary differences. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits.

Years ended December 31,	2022	2021
Non-capital loss carry-forwards	\$3,432,000	\$2,523,000
Share issue costs	118,000	215,000
Mineral property costs	2,752,000	666,000
Other temporary differences	118,000	118,000
	\$6,420,000	\$3,522,000

c) Tax loss carry-forwards

Non-capital losses will expire between 2037-2042. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of those items because it is not possible that future taxable profit will be available against which the company can use the benefits.

20. Subsequent Events

- a) On January 30, 2023, the Company announced that it signed a binding letter of intent ("LOI") with Analog Gold Inc. ("Analog") which sets out the basic terms and conditions pursuant to which the Company will acquire all of the issued and outstanding shares of Analog ("Analog Shares") in exchange for common shares of the Company ("Blue Thunder Shares"). Pursuant to the terms of the LOI, the Company will issue sufficient Blue Thunder Shares such that the transaction will constitute a Reverse Takeover ("RTO") under the rules of the TSX Venture Exchange (the "Exchange"). The RTO is arm's length and there is no finder's fee associated with the transaction.

It is proposed that Blue Thunder will use an indicative aggregate valuation of \$10 million to combine with Analog for its indicative aggregate price of \$37.5 million payable by the issuance by Blue Thunder of such aggregate number of Blue Thunder Shares to the shareholders of Analog (including those from the Analog Financing (as defined below)) pro rata based on the number of Analog Shares held by each such shareholder of Analog, at the deemed price per Blue Thunder Share equal to the Concurrent Financing Price (as defined below). The aggregate purchase price is subject to due diligence and the assumptions, terms and conditions of the LOI, and is also subject to Analog having closed the Analog Financing (as described below) prior to closing of the RTO (the "Closing").

The LOI also contemplates other material conditions precedent to be fulfilled prior to Closing, including, the completion by: (i) Analog of a financing to raise gross proceeds of a minimum of \$5.0 million (the "Analog Financing"), customary due diligence, and all requisite board and shareholder approvals being obtained, and (ii) Blue Thunder of a concurrent financing (the "Concurrent Financing") for minimum gross proceeds of \$250,000, the form and terms of which are to be determined at a future date (the "Concurrent Financing Price"). To the extent the Analog Financing is less than \$5.0 million, appropriate adjustments will be made.

Blue Thunder Mining Inc.

Notes to the Consolidated Financial Statements For the years ended December 31, 2022 and 2021 (Expressed in Canadian Dollars)

When the LOI was announced on January 30, 2023, it was anticipated that the parties would enter into a definitive agreement replacing the LOI (the "Formal Agreement") on or about March 27, 2023, and that the closing of the RTO would take place on or about March 30, 2023. The parties now anticipate that the Formal Agreement will be entered into on or on or about May 17, 2023, and the RTO will close in late June, 2023 following a meeting of the Company's shareholders which will be held to approve the RTO. There can be no assurance the RTO will be completed as described or at all.

- b) On March 30, 2023, BTMI completed the Concurrent Financing by issuing a convertible promissory note in the amount of \$250,000 which will be converted into common shares of the Company on completion of the RTO at a price of \$0.28 per share (the "Concurrent Financing Price").
- c) Share consolidation – see note 9(b)(v).