

Condensed Consolidated Interim  
Financial Statements of:

**Blue Sky Global Energy  
Corp. (formerly ITOK  
Capital Corp.)**

For the three and nine months ended  
September 30, 2023 and 2022  
(Expressed in Canadian dollars)  
(Unaudited)

## **NOTE TO READER**

Under National Instrument 51-102, if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a note indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements.

**Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)**  
**Condensed Consolidated Interim Financial Statements**  
**September 30, 2023 and 2022**

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# Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)

## Condensed Consolidated Interim Statements of Financial Position

As at September 30, 2023 and December 31, 2022

(Expressed in Canadian dollars)

(Unaudited)

As at	Note	September 30, 2023	December 31, 2022
			(audited)
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and term deposits	7	\$ 895,798	\$ 175,016
Sales tax receivable		3,171	601
Prepaid expenses		1,439	-
<b>Total current assets</b>		<b>900,408</b>	<b>175,617</b>
<i>Non-current assets</i>			
Exploration and evaluation assets	8	325,609	324,710
<b>Total assets</b>		<b>\$ 1,226,017</b>	<b>\$ 500,327</b>
<b>LIABILITIES</b>			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	9, 10	\$ 105,234	\$ 96,932
Due to related parties	10	6,311	6,311
<b>Total liabilities</b>		<b>111,545</b>	<b>103,243</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	2,344,368	881,251
Accumulated other comprehensive loss		(16,078)	(14,723)
Deficit		(1,213,818)	(469,444)
<b>Total shareholders' equity</b>		<b>1,114,472</b>	<b>397,084</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 1,226,017</b>	<b>\$ 500,327</b>

Nature of Business (Note 1)

Going Concern (Note 2)

These condensed consolidated interim financial statements were approved by the Board of Directors on October 19, 2023:

Approved on behalf of the Board:

"Dean Casorso" (signed)  
Director

"James Tworek" (signed)  
Director

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

**Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
**For the three and nine months ended September 30, 2023 and 2022**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

	Note	For the three months ended September 30,		For the nine months ended September 30,	
		2023	2022	2023	2022
<b>EXPENSES</b>					
Consulting fees		\$ 4,391	\$ 166	\$ 14,320	\$ 166
Filing fees		930	-	930	-
Interest and bank charges		1,413	151	3,701	188
Office and administrative		508	-	1,167	8,619
Professional fees		68,781	7,900	104,500	12,136
Travel and entertainment		747	-	747	12,380
<b>Total operating expenses</b>		<b>(76,770)</b>	<b>(8,217)</b>	<b>(125,365)</b>	<b>(33,489)</b>
<b>OTHER ITEMS</b>					
Interest income	7	9,658	-	22,138	-
Listing expense	6	(642,794)	-	(642,794)	-
Loss on debt settlement		-	-	-	(57,132)
Foreign exchange gain		18,920	52,234	1,647	55,393
<b>Net income (loss)</b>		<b>\$ (690,986)</b>	<b>\$ 44,017</b>	<b>\$ (744,374)</b>	<b>\$ (35,228)</b>
<b>Other comprehensive loss</b>					
Cumulative translation adjustment		(11,888)	(37,387)	(1,355)	(39,135)
<b>Net income (loss) and comprehensive income (loss)</b>		<b>(702,874)</b>	<b>6,630</b>	<b>(745,729)</b>	<b>(74,363)</b>
<b>Income (loss) per share</b>					
Basic and diluted	11	\$ (0.02)	\$ 0.01	\$ (0.03)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>					
Basic and diluted	11	45,050,797	4,200,002	23,436,283	3,215,386

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

**Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**  
(Expressed in Canadian dollars)  
(Unaudited)

	Number of Shares	Share capital \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total shareholders' equity (deficit) \$
<b>Balance, December 31, 2021</b>	10,000	6,331	16,378	(502,089)	(479,380)
Control of FCRL Belize	(10,000)	(6,331)	-		(6,331)
Shares for debt settlement (Note 11)	6,105,002	606,251	-	-	606,251
Shares issued for cash	1,923,077	275,000	-		275,000
Accumulated other comprehensive loss	-	-	(31,101)		(31,101)
Net loss for the period	-	-	-	32,645	32,645
<b>Balance, December 31, 2022</b>	8,028,079	881,251	(14,723)	(469,444)	397,084
Shares issued for cash	7,342,657	1,050,000	-	-	1,050,000
Share split upon RTO (Note 6 and 11)	28,637,197	-	-	-	-
Shares retained by former Blue Sky Global shareholders upon RTO (Note 6 and 11)	8,262,338	413,117	-	-	413,177
Accumulated other comprehensive loss	-	-	(1,355)	-	(1,355)
Net loss for the period	-	-	-	(744,374)	(744,374)
<b>Balance, September 30, 2023</b>	<b>52,270,271</b>	<b>2,344,368</b>	<b>(16,078)</b>	<b>(1,213,818)</b>	<b>1,114,472</b>

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

**Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**For the nine months ended September 30, 2023 and 2022**  
**(Expressed in Canadian dollars)**  
**(Unaudited)**

<b>For the nine months ended September 30,</b>	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Net loss	\$ (744,374)	\$ (35,228)
<b>Non-cash items:</b>		
Loss on debt settlement	-	57,132
Listing expense	642,794	-
Foreign exchange	(2,254)	(57,536)
<b>Changes in non-cash working capital items:</b>		
Sales tax receivable	(2,570)	-
Prepaid expenses	(1,439)	-
Accounts payable and accrued liabilities	(222,342)	31,300
Due to related parties	-	(19,597)
<b>Net cash used in operating activities</b>	<b>(330,185)</b>	<b>(23,929)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	-	(55,781)
Cash assumed upon closing of Qualifying Transaction	967	-
<b>Net cash provided by (used) in investing activities</b>	<b>967</b>	<b>(55,781)</b>
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash	1,050,000	-
Cash received in advance of share issuance	-	275,000
<b>Net cash provided by financing activities</b>	<b>1,050,000</b>	<b>275,000</b>
Increase in cash	720,782	195,290
Cash, beginning	175,016	-
<b>Cash, ending</b>	<b>\$ 895,798</b>	<b>\$ 195,290</b>

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

**Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**For the three and nine months ended September 30, 2023 and 2022**  
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**(Unaudited)**

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**1. NATURE OF BUSINESS**

Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.) (the "Company") was incorporated under the Business Company's Act of Ontario on January 21, 2005 and its shares have been listed for trading on the TSX Venture Exchange (the "Exchange") on May 2, 2008. On May 25, 2023, the Company changed its name from ITOK Capital Corp. to Blue Sky Global Energy Corp.

On July 18, 2023, the Company completed the acquisition of all the issued and outstanding shares of a private company, 2413017 Alberta Ltd. ("241") through a reverse takeover transaction ("RTO"), constituting its Qualifying Transaction under the applicable policies of the TSX Venture Exchange. Upon completion of the RTO, the shareholders of 241 obtained control of the consolidated entity. As a result, 241 has been identified as the accounting acquirer, and accordingly, the entity is considered to be a continuation of 241 with the net assets of the Company at the date of the RTO deemed to have been acquired by 241. These condensed consolidated interim financial statements for the nine months ended September 30, 2023 include the results of operations of 241 from January 1, 2023 and of the Company from July 18, 2023, the date of the RTO. The comparative figures are those of 241 (Note 6).

241 has two wholly-owned subsidiaries, Fire Creek (Barbados) Ltd. ("FCBL") which was incorporated under the Companies Act of Barbados on May 6, 2022, and FCRL Belize ("FCRL") which was incorporated under the Companies Act of Belize on December 10, 2014. On January 28, 2020, FCRL entered into a production Sharing Agreement with the Government of Belize whereas FCRL has been granted the right to exploration and production of petroleum resources in and throughout the contract area (Note 8).

In connection with the closing of the Qualifying Transaction, the newly amalgamated entity received approval by the TSX Venture Exchange and trading commenced on July 20, 2023 under the symbol "BGE".

**2. GOING CONCERN**

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These condensed consolidated interim financial statements do not give effect to any adjustments to the amounts or classification of assets and liabilities which might be necessary should the Company be unable to continue as a going concern.

The Company has not generated revenue from operations. The Company incurred operating expenditures of \$125,365 (September 30, 2022 - \$33,489) and incurred a net loss of \$744,374 (September 30, 2022 - \$35,228) for the nine months ended September 30, 2023 and as of that date, the Company's accumulated deficit was \$1,213,818 (December 31, 2022 - \$469,444). The Company's continuation as a going concern is contingent on the completion of financings to adequately cover the Company's working capital requirements and planned exploration activities.

**Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)**  
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**2. GOING CONCERN (Continued)**

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financial resources to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties. These conditions indicate a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to raise financing to explore and develop the contract areas.

**3. BASIS OF PRESENTATION**

**Statement of Compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Accounting Standard 34, Interim Financial Reporting.

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

The condensed consolidated interim financial statements were authorized for issue by the directors of the Company on October 19, 2023.

**Basis of Presentation**

The condensed consolidated interim financial statements of the Company have been prepared on a historical cost basis except for certain financial instruments measured at fair value. All amounts are rounded to the nearest dollar.

The preparation of the condensed consolidated interim financial statements requires that management make estimates, judgment, and assumptions based on available information. Accordingly, actual results may differ from estimates as future confirming events occur.

**Functional and presentation currency**

The functional currency of each legal entity is measured using the currency of the primary economic environment in which it operates. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of Blue Sky and 241 is the Canadian dollar, and the wholly-owned subsidiaries, FCRL and FCBL is the United States dollar.

**Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)**  
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**3. BASIS OF PRESENTATION (Continued)**

**Basis of Consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its controlled subsidiaries. Subsidiaries are entities over which the Company has the power to govern financial and operating policies. Details of controlled subsidiaries are as follows:

Entity	Country of Company	Percentage Owned
2413017 Alberta Ltd.	Canada	100%
Fire Creek (Barbados) Ltd.	Barbados	100%
FCRL Belize Ltd.	Belize	100%

**4. SIGNIFICANT ACCOUNTING POLICIES**

**Common control transactions**

Transactions between entities that are subject to common control require that the assets be transferred at their carrying value. Any difference between the proceeds received and the carrying amount of the assets transferred is recognized in contributed surplus.

**Cash**

Cash consists of the proceeds generated from share issuances which are included in bank balances that are readily convertible into cash.

**Exploration and evaluation assets (“E&E assets”)**

Exploration and evaluation costs, including the costs of acquiring leases and licenses, initially are capitalized as E&E assets. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling, and sampling. Costs incurred before the Company has obtained the legal right to explore are recognized in net loss.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment at each financial position reporting date. Where a potential impairment is indicated, assessments are performed for each area of interest. Recoverability of the carrying amount of any exploration and evaluation assets is dependable on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. Any exploration expenditures that are not expected to be recovered are charged to the results of operations.

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments**

**Recognition, classification, and measurement**

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Financial assets are recognized in the consolidated statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has classified its cash, accounts payable and accrued liabilities, and due to related parties as financial instruments measured at amortized cost. Such financial instruments are recognized initially at fair value inclusive of any directly attributable transaction costs and subsequently carried at amortized cost using the effective interest method, less any impairment losses.

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**Share capital**

Common shares issued by the Company are classified as equity. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contingencies**

When a contingency is substantiated by confirming events, can be reliably measured, and will likely result in an economic outflow, a liability is recognized in the financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

**Earnings (loss) per share**

Basic loss per share is calculated by dividing the net income or loss attributable to the shareholders of the Company by the weighted average number of shares outstanding. Diluted loss per share is calculated by dividing the net loss applicable to shares by the sum of the weighted average number of shares issued and outstanding, all additional shares that would have been outstanding if potentially dilutive instruments were converted.

**Income taxes**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used are those that are substantively enacted by the end of the reporting date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting.

The change in the net deferred income tax asset or liability is recognized in the statements of income (loss) and comprehensive income (loss) except for deferred income tax relating to equity items which is recognized directly in equity. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as deferred income tax assets or liabilities. Deferred income tax assets and liabilities are measured using the substantively enacted statutory income tax rates which are expected to apply to taxable income in the years in which the assets are realized or the liabilities settled.

A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to offset current tax assets against liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and are intended to be settled on a net basis.

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**4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income taxes (continued)**

The determination of current and deferred taxes requires interpretations of tax legislation, estimates of expected timing of reversal of deferred tax assets and liabilities, and estimates of future earnings.

**Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive loss in the period in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive loss in the consolidated statement of comprehensive loss to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive loss. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

**Translation of operations with a different functional currency**

The financial results and position of foreign operations whose functional currency is different from the Company's functional currency are translated to the Company's presentation currency as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Company's foreign currency reserve in the statement of other comprehensive income (loss). These differences are recognized in the profit or loss in the period in which the operation is disposed.

**Accounting standards issued but not yet effective**

There are no new accounting standards which will come into effect for annual periods beginning on or after January 1, 2023, that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**Blue Sky Global Energy Corp. (formerly ITOK Capital Corp.)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, and contingent liabilities at the date of the condensed consolidated interim financial statements and reported amounts of income and expenses during the reporting period. Estimates, judgments, and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In the process of applying the Company's accounting policies, management has made the following estimates, which have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements.

**Taxes**

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

**Judgments**

The key areas of judgment that have a significant risk of causing material adjustment to the amounts recognized in the condensed consolidated interim financial statements are:

**Amortization of E&E assets**

The Company applies judgement with respect to its determination that none of its exploration and evaluation assets have reached a feasible stage of operations to warrant capitalization as developed and producing assets.

**Decommissioning liabilities**

Decommissioning liabilities include present obligations where the Company will be required to retire assets such as existing well sites. The existing well sites on the contract area are fully abandoned and reclaimed. As such, a decommissioning liability has not been recognized.

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**5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

**Establishing Cash-Generating Units (“CGU”)**

For the purpose of assessing impairment of its long-term assets, the Company determines the CGU, defined as being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The determination of the CGU and the classification of the Company’s assets to the determined CGU require significant judgment having a potentially significant incidence on the result of the subsequent impairment analysis. The Company periodically reviews the determination of the CGU and the corresponding grouping of the Company’s assets, including its assets classified as common assets.

**Financial instruments**

The Company is required to classify its various financial instruments into certain categories for the financial instruments’ initial and subsequent measurement. This classification is based on management’s judgment as to the purpose of the financial instrument and to which category is most applicable.

**Going concern**

Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company’s own resources and external market conditions affecting the ability to find investors.

**Assessment of indicators of impairment**

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, exploration and evaluation assets are allocated to the related cash-generating unit (“CGU”).

The technical feasibility and commercial viability are considered to be determinable when recoverable energy resources are proved and probable. At least once annually, a review of each exploration license or field is carried out to ascertain whether technical feasibility and commercial viability has been reached. Upon proof of technical feasibility and commercial viability, intangible exploration, and evaluation assets attributable are first tested for impairment and then reclassified from exploration and evaluation assets to property, plant and equipment.

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**5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

**Impairment**

At each period end, or as conditions dictate, the carrying amounts of the Company's non-financial assets are assessed for impairment indicators. When impairment or impairment reversal indicators exist, an impairment test is completed. The carrying amounts of the non-financial assets are compared to the recoverable amount, which is the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). For purposes of the impairment test, PP&E is grouped together into the smallest group of assets that generates largely independent cash inflows from other assets or CGUs.

VIU is determined by estimating the discounted future cash flows expected to be derived from the continuing use of the assets. In determining FVLCD, recent market transactions are considered, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the statements of income (loss) and other comprehensive income (loss) and reported as impairment.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. If the amount of the impairment loss decreases in a subsequent period and can be objectively related to an event occurring after the impairment was recognized, the impairment loss is reversed up to the original carrying amount of the asset that would have been determined, net of depletion, depreciation, and amortization, if no impairment loss had been recognized. Such reversal is recognized in the statements of income (loss) and comprehensive income (loss) and reported as an impairment reversal.

**Taxes**

The Company recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available to utilize the Company's deductible temporary differences which are based on management's judgment on the degree of future taxable profits. To the extent that future taxable profits differ significantly from the estimates impacts the amount of the deferred tax assets management judges is probable.

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**5. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (Continued)**

**Business combinations**

At the time of acquisition, the Company considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Company accounts for an acquisition as a business combination where an integrated set of activities and assets, is acquired. More specifically, consideration is given to the extent to which significant processes are acquired.

When the acquisition of subsidiaries does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.

**Fair value of consideration in reverse takeover transaction**

The fair value of consideration to acquire the Company in the reverse take-over transaction comprised of common shares, for which the fair value at the date of issuance is a significant estimate. In determining the estimate, management considered recent financings and the Company's previous trading price. The Company applied IFRS 2 Share-based Payment in accounting for the Acquisition.

**6. REVERSE TAKEOVER**

On February 24, 2023, the Company and 241 entered into an amalgamation agreement whereby, the Company would acquire all issued and outstanding shares of 241, and shareholders of 241 would receive shares in the Company at a rate of approximately 2.8631 for each share held in 241. The transaction closed July 18, 2023 and constitutes a Qualifying Transaction under the applicable policies of the TSX Venture Exchange.

Upon completion of the Qualifying Transaction, former shareholders of 241 own 84% and the existing shareholders of Blue Sky own 15% of the issued and outstanding common shares of the Company. As part of the Qualifying Transaction, 650,000 common shares were issued to a finder (Note 10), which constitutes 1% of the Company's common shares issued and outstanding. As a result, former shareholders of 241 acquired control of the Company, thereby constituting a reverse takeover of the Company. The reverse takeover is considered a purchase of the Company's net assets by the shareholders of 241.

The Qualifying Transaction is accounted for in accordance with guidance provided in IFRS 2 Share-Based Payment. As the Company did not qualify as a business according to the definition in IFRS 3 as there were no substantive processes in place, the Qualifying Transaction does not constitute a business combination; rather, it is treated as an issuance of shares by 241 for the net assets of the Company.

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**6. REVERSE TAKEOVER (Continued)**

The fair value of the consideration issued to acquire the net assets of the Company is as follows:

<b>Consideration:</b>		
Fair value of shares retained by former shareholders (8,262,338 shares at \$0.05)	\$	413,117
<b>Total consideration</b>		<b>413,117</b>
<b>Net Assets of the Company:</b>		
Cash	\$	967
Accounts payable and accrued liabilities		(230,644)
<b>Total net assets</b>	<b>\$</b>	<b>(229,677)</b>
 Listing expense	 \$	 642,794

The fair value of \$0.05 per share was based on the most recent financing completed prior to the reverse takeover transaction, on a post-split basis (\$0.143/share split at approximately 2.8631).

**7. CASH AND TERM DEPOSITS**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Cash held in bank	\$ 13,678	\$ 175,016
Term deposits	882,120	-
	<b>\$ 895,798</b>	<b>\$ 175,016</b>

As at September 30, 2023, the Company held a cashable guaranteed investment certificate (“GIC”) of \$875,000 including accrued interest of \$7,120. The GIC matures on August 1, 2024, and bears interest at a rate of 4.95% annually.

**8. EXPLORATION AND EVALUATION ASSETS**

On January 28, 2020, FCRL entered into a Production Sharing Agreement (“PSA”) with the Government of Belize whereas FCRL has been granted the right to exploration and production of petroleum resources in and throughout the contract area.

FCRL was granted an initial exploration period of two years and, subject to conditions, three successive renewal periods of two years each to the initial exploration period. On March 20, 2020, a Notice of Force Majeure was provided to the Government of Belize, in attempts to contain the spread of COVID-19, which restricted movement and closed borders.

On November 22, 2021, FCRL sent a letter to end the Force Majeure Notice effective January 15, 2022, and to resume exploration efforts under the initial exploration period. The initial exploration period expires January 2024.

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**8. EXPLORATION AND EVALUATION ASSETS (Continued)**

The following table represents the expenditures incurred on the property during the nine months ended September 30, 2023 and the year ended December 31, 2022:

<b>Balance, December 31, 2021</b>	\$	219,966
Exploration expenditures		86,291
Currency translation adjustment		18,453
<b>Balance, December 31, 2022</b>	\$	324,710
Currency translation adjustment		899
<b>Balance, September 30, 2023</b>	\$	<b>325,609</b>

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Accounts payable	\$ 75,109	\$ 31,932
Accrued liabilities	29,253	65,000
Due to related parties (Note 9)	872	-
	<b>\$ 105,234</b>	<b>\$ 96,932</b>

**10. RELATED PARTY TRANSACTIONS**

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

*Related party transactions and balances:*

During the nine months ended September 30, 2023, management fees of \$27,000 (September 30, 2022 - \$Nil) were incurred to a company controlled by the CEO and Director of the Company.

During the nine months ended September 30, 2023, management fees of \$3,677 (September 30, 2022 - \$Nil) were incurred to the CFO of the Company.

During the nine months ended September 30, 2023, 650,000 common shares were issued as finders fees to the CEO and Director of the Company, in connection with the organization of the Qualifying Transaction (Note 6).

As at September 30, 2023, due to related parties balance consists of \$6,311 (December 31, 2022 - \$6,311) for the transfer of FCRL Belize's shares from a company controlled by the directors of the Company to 241.

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**10. RELATED PARTY TRANSACTIONS (Continued)**

*Related party transactions and balances (continued):*

As at September 30, 2023, accounts payable and accrued liabilities includes \$872 (December 31, 2022 - \$Nil) related to filing fees and travel and entertainment expenses due to the CEO and Director of the Company.

As at September 30, 2023, accounts payable and accrued liabilities includes \$11,250 (December 31, 2022 - \$Nil) relating to management fees due to a company controlled by the CEO and Director of the Company.

As at September 30, 2023, accounts payable and accrued liabilities includes \$1,500 (December 31, 2022 - \$Nil) relating to management fees due to the CFO of the Company.

As at September 30, 2023, accounts payable and accrued liabilities includes \$19,128 (December 31, 2022 - \$Nil) relating to professional fees due to a company controlled by a Director of the Company.

On March 5, 2022, 1,333,333 shares were issued to a director of the Company to settle debt of \$77,209, at a deemed price of \$0.057907 per share (Note 11).

Transactions with related parties are incurred in the normal course of operations and are initially recorded at fair value.

**11. SHARE CAPITAL**

**Authorized**

Authorized share capital consists of the following:

- An unlimited number of common shares without par value

*For the nine months ended September 30, 2023:*

On March 15, 2023, the Company issued 7,342,657 shares at a price of \$0.143 per share for gross proceeds of \$1,050,000 as part of a private placement that was required to close the Qualifying Transaction (Note 6).

On July 18, 2023, the Company issued 28,637,197 common shares in conjunction with the Qualifying Transaction (Note 6). As part of the Qualifying Transaction, the issued and outstanding shares of 241 were exchanged for the Company's shares at an approximate rate of 1:2.8631 basis, resulting in the issuance of 28,637,197 common shares.

On July 18, 2023, as a result of the closing of the Qualifying Transaction, 8,262,338 common shares were retained by former Blue Sky shareholders, the fair value was deemed to be \$413,117 (Note 6).

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**11. SHARE CAPITAL (Continued)**

*For the year ended December 31, 2022*

On March 5, 2022, the Company issued 4,200,002 common shares to settle accounts payable and accrued liabilities, and related party payables of \$250,619. Of these shares issued, 2,666,666 were issued at a deemed price of \$0.057907 per share, 1,433,336 were issued at a deemed price of \$0.06014 per share, and 100,000 issued at a deemed price of \$0.10 per share. The loss on the settlement of accounts payable and accrued liabilities, and related party payables amounted to \$57,132.

On September 9, 2022, 10,000 issued and outstanding shares in FCRL Belize were transferred from a company owned by the directors of the Company to 241. The comparative figures for the nine months ended September 30, 2022 reflect the Company's operations as if the common control transaction took place on January 1, 2022.

On October 11, 2022, the Company issued 1,905,000 common shares to settle accounts payable and accrued liabilities, and related party payables of \$484,694. Of these shares issued, 1,610,000 were issued at a deemed price of \$0.25 per share, 75,000 issued at a deemed price of \$0.25333 per share and 220,000 issued at a deemed price of \$0.28725 per share. The gain on the settlement of accounts payable and accrued liabilities, and related party payables amounted to \$186,194.

On November 17, 2022, the Company issued 1,923,077 common shares at a price of \$0.143 per share, for proceeds of \$275,000.

**Stock options**

As at the date of these condensed consolidated interim financial statements, no stock options have been granted.

**Per share amounts**

	<b>Three months ended</b>		<b>Nine months ended,</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Weighted average number of shares outstanding:				
	15,370,73			
Issued common shares at start of period	6	4,200,002	8,028,079	10,000
Effect of common shares issued during the period	29,680,06	1	15,408,20	4
	1	-	4	3,205,386
Weighted average number of shares outstanding – basic and diluted	45,050,79		23,436,28	
	7	4,200,002	3	3,215,386
Income (loss) per share – basic and diluted	(0.02)	0.00	(0.03)	(0.01)

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**12. CAPITAL MANAGEMENT**

The Company's objective for managing capital is to safeguard its ability to continue as a going concern and maintain sufficient capital to identify, evaluate and complete financing as disclosed in Note 1 and 2. In order to do so, the Company has successfully completed a Qualifying Transaction, that was approved by the TSX Venture Exchange, and commenced trading publicly. In the management of capital, the Company considers capital to be funds received from share capital and cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new debt.

The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's approach to capital management during the nine months ended September 30, 2023.

**13. FINANCIAL RISK MANAGEMENT**

The Company, as part of its operations, carries financial instruments consisting of cash and term deposits, sales tax receivables, prepaid expenses, accounts payable and accrued liabilities, and due to related parties. It is management's opinion that the Company is not exposed to significant credit, interest, or currency risks arising from these financial instruments except as otherwise disclosed.

**Fair value**

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount cash and term deposits, sales tax receivable, prepaid expenses, accounts payable and accrued liabilities, and due to related parties approximates its fair value due to the short-term maturities of these items.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

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**13. FINANCIAL RISK MANAGEMENT (Continued)**

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's financial assets consist of cash and term deposits. The Company's maximum exposure to credit risk, as at the period-end, is the carrying value of its financial assets. The Company mitigates credit risk by holding financial instruments within financial institutions of high creditworthiness.

**Interest rate risk**

The Company has no debt which would expose itself to fluctuations in interest rates. As a result, interest rate risk is deemed insignificant.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by receiving funds from share capital and cash of the Company in order to meet obligations as they become due. The Company's ability to meet its short-term liquidity requirements is dependent upon its ability to raise financing.

**Other risks**

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's financial instruments will be affected by foreign exchange risk, price risk or other risk.

**14. COMMITMENTS**

Under the terms of the PSA, FCRL is obligated to incur minim work expenditures of US\$ 250,000 during the initial exploration period, US\$ 100,000 during the first renewal period, US\$ 2,100,000 during the second renewal period and US\$ 2,100,000 during the third renewal period.