BLUE SKY URANIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND THE THREE AND SIX MONTHS ENDED JUNE 30, 2010

Background

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim consolidated financial statements of Blue Sky Uranium Corp. ("Blue Sky" or "the Company") for the three months ended June 30, 2011 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("GAAP" or "IFRS"). Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's 2010 comparatives in this MD&A have been presented in accordance with IFRS. As the Company's IFRS transition date was January 1, 2010, 2009 comparative information included in this MD&A has not been restated. This MD&A contains "forward-looking statements" that are subject to risk factors set out in a cautionary note contained herein. All figures are in Canadian dollars unless otherwise noted. This MD&A has been prepared as of July 28, 2011.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Prospectus that can be found on the SEDAR website and in each MD&A. Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of uranium; that the Company can access financing, appropriate equipment and sufficient labour and acquire all government permits and licenses to extract uranium. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Company Overview

The Company was incorporated under the Business Corporations Act (British Columbia) on November 30, 2005 as Mulligan Capital Corp. On May 18, 2006, the Company received final receipts for a prospectus and became a reporting issuer in British Columbia and Alberta. On June 27, 2006 the Company completed its initial public offering (the "Offering") and on June 28, 2006 the Company listed its common shares on the TSX Venture Exchange (the "TSX-V") as a capital pool company. On February 7, 2007, the Company completed its qualifying transaction (the "QT") and was upgraded to Tier II status on the TSX-V. The Company also changed its name to Blue Sky Uranium Corp. to reflect its business as a junior uranium exploration company.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company's material mineral properties of interest are all located in Argentina. Blue Sky is one of the Argentina's leading uranium exploration companies with more than 6,000 km^2 of tenements. Argentina has an advanced nuclear industry, centred in the Rio Negro Province. As of July 28, 2011, the Company has not earned any production revenue, nor found any mineral resources our reserves on any of its properties.

Normand Champigny, President and Chief Operating Officer and Bruce A. Smith, Country Manager for Minera Cielo Azul S.A., a 100% owned subsidiary of Blue Sky, are Qualified Persons as defined by NI 43-101 and have reviewed and approved the exploration information and technical disclosure contained in this MD&A. The Company has Quality Assurance/Quality Control protocols in place for all sampling programs as part of all augering, geochemical sampling, sample preparation, sample shipping and sample analysis and compilation procedures.

Properties

Argentina

With the acquisition of Argentina Uranium in 2008, the Company gained control of a land package of more than 5,000 km^2 in Argentina. This acquisition followed a review of Argentina Uranium's properties and a 14,689 line-km geophysical airborne survey in 2007 over mineral properties covering a surface area of 3,000 km^2. The survey identified anomalous zones of uranium mineralization on the Anit and Santa Barbara properties, both located in Rio Negro. In 2010 a 22,214 line-km regional airborne radiometric and magnetic survey was completed in the prospective Rio Negro basin over areas with similar geology to the Anit and Santa Barbara properties. Three large new uranium anomalies were identified by the airborne survey and the Company applied for eight licenses to cover them.

Exploration programs at the Anit, Santa Barbara and Ivana properties (see attached map) revealed two types of uranium mineralization in a near-surface horizon in poorly consolidated Upper Cretaceous sediments and underlying mineralization of the surficial calcrete type. The latter, in which the uranium occurs in gypsum and calcite-rich strata, resembles the Langer Heinrich deposit in Namibia (Measured and Indicated Resource of 149 million lbs. U_3O_8 at a grade of 0.055% U_3O_8 using a 0.025% U_3O_8 cut-off). At Langer Heinreich, mineralization occurs within a 15-km long paleo-drainage system and is near-surface, between one meter and 30 m thick, and between 50 m and 1,100 m wide.

In 2009 the Company entered into an agreement in principle with the Minister Responsible for State Companies in Rio Negro. Under this agreement, Rio Negro commits to provide technical advice and use its best effort to facilitate the advancement and the development of mining projects to the production stage. In order to promote sound development of mining activities in Rio Negro, Rio Negro will jointly develop with Grosso Group Management Ltd. ("Grosso Group") a mutually beneficial strategic alliance whose objective is the development of mining projects. This strategic alliance with Rio Negro demonstrates its commitment to working together with the Grosso Group and its member companies (of which the Company is a member). Likewise, the Grosso Group and its member companies are committed to developing projects in Rio Negro in close collaboration with local communities and Rio Negro. .

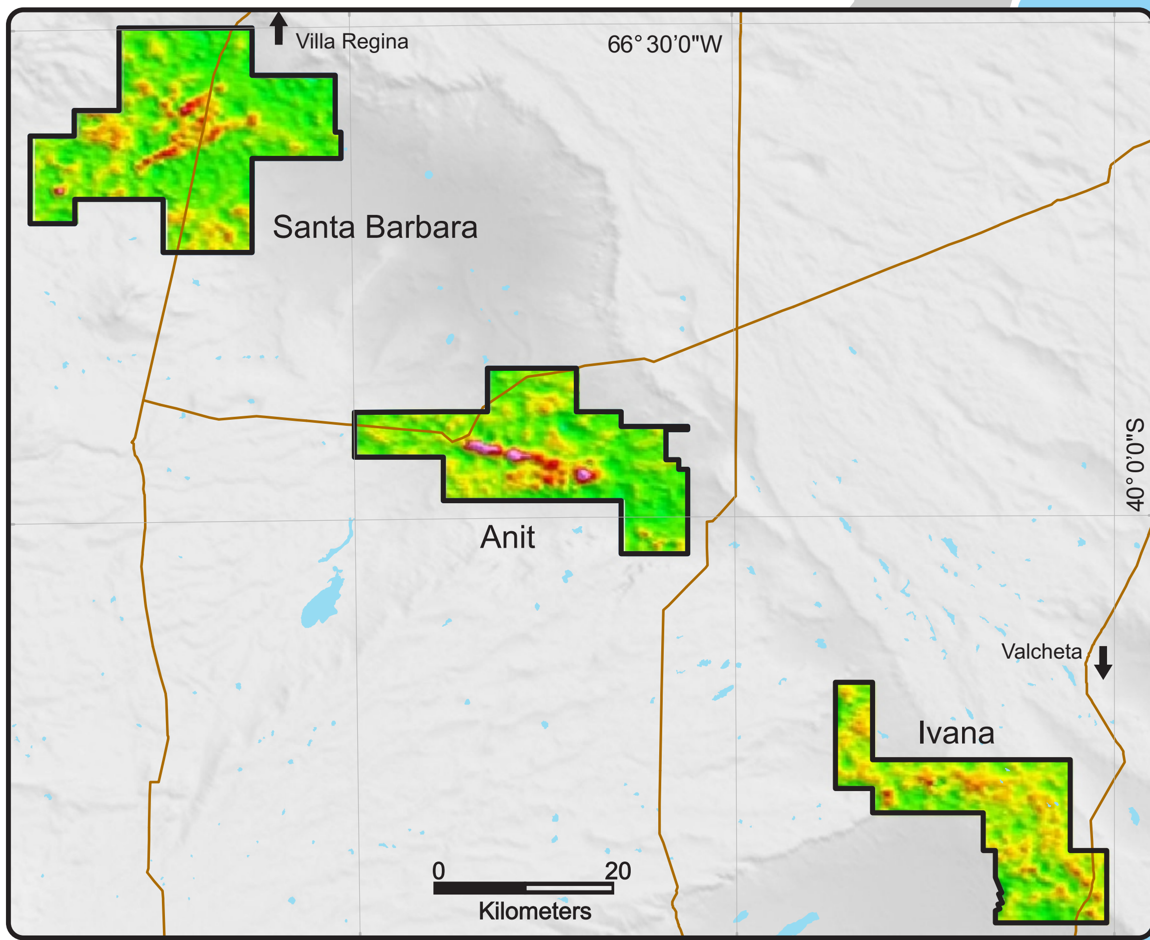
Anit Property

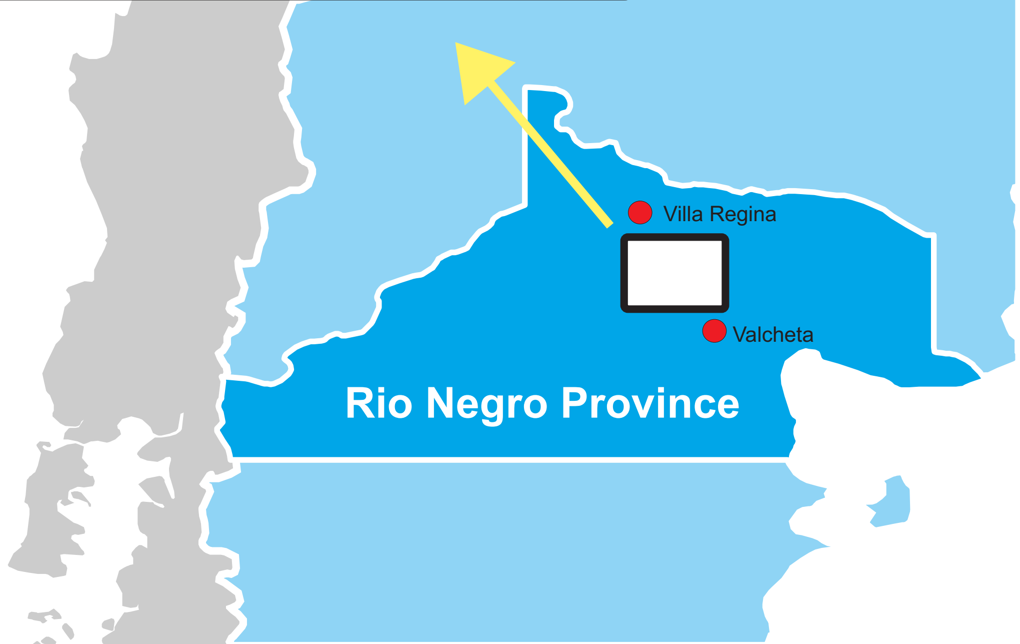
Property and Ownership: The Anit property consists of four granted exploration licenses or ("cateos") that cover 400 km^2. It is located in the north-central part of Rio Negro near the city of Villa Regina. The property is 100% owned by the Company.

Property Geology and Mineralization: At Anit outcrops of Cretaceous sediments of the Bajo de la Carpa Formation are covered by younger sediments and soils. Mineralization is hosted in these younger sediments that consist of cross-bedded gravels and sands with abundant petrified logs, some of which reach several meters in length. Locally the conglomeratic and/or sandy host rocks are stained with brown iron oxides. The environment appears to be that of a high-energy fluviatile paleochannel. Uranium mineralization is hosted in fine sandstones interbedded with white clays with small fragments of plant leaves and stems tentatively believed to correspond to the Gran Bajo del Gualicho Formation. Carnotite (a uranyl vanadate) is the only visually recognized uranium mineral. No clear correlation has been established between the uranium mineralization and any specific lithology. Gypsum is abundant and closely associated with carnotite. Bassanite has also been reported.

The 2007 airborne radiometric survey identified a 15-km long by up to 1.5-km wide radiometric anomaly which was later subdivided into the West, Central and East zones. Follow-up ground prospecting discovered yellow uranium-vanadium bearing minerals mostly concentrated in 10 to 20 cm thick sedimentary layers. This discovery has been tested with 210 aircore holes totalling 5,040 meters. The friable carnotite mineralization was pulverized during drilling and significant quantities of uranium mineralization appear to have been unfortunately lost in the exhaust from

LOCATION MAP OF BLUE SKY'S PROPERTIES, RIO NEGRO AND U_3O_8 EQUIVALENT AIRBORNE RADIOMETRICS





the cyclone recovery system. A subsequent review suggested that the assay results from the drill program released to date may have underestimated uranium grades.

This review has helped establish a new sampling protocol using excavator pits. Vertical channel samples are now collected over 0.5 m intervals down three walls of each pit and combined into one sample of approximately 5 kilograms. One wall of each pit is mapped to facilitate correlation of individual units between pits. Mineralization below 6 m is checked using gamma probe logging of all drill holes,

Using the new sampling protocol Blue Sky completed and sampled a total of 310 excavator pits of up to 6 m depth. This work has produced more reliable samples and has documented a channel-shaped mineralized zone more than 6 km long with a higher-grade and thicker central core. The mineralization averages 2.0 m in thickness with a maximum thickness of 6 meters. The mineralized paleochannel ranges in width from 40 to 480 m and covers a linear-lenticular area of approximately 1 km^2.

In 2010 an aircore drilling program was completed. Highlights included:

- West Zone - 4 m at 0.078% U_3O_8 and 0.107% V_2O_5 in hole AN174; and
- Central Zone - 7 m at 0.037% U_3O_8 and 0.028% V_2O_5 in hole AN168.

This additional drilling provided further definition of the strongly mineralized and thicker portions of the mineralized paleochannel. Away from the main paleochannel large areas of lower grade mineralization, have been discovered on the East Zone as well as 200 m north and 400 m south of the Central Zone. Of eight regional radon targets drilled seven had no significant results, however, hole AN124 intersected 1 m at 0.017% U_3O_8 and 0.080% V_2O_5 from 8 to 9 m below cover.

Property History: Prior to 2007 the Anit project has had no prior exploration history and represents a grassroots uranium discovery of a new uranium district. The significant highlights of the property's history are:

- 2007: Completion of an airborne radiometric survey and rock sampling;
- 2008: Hand excavation of five pits within strong radiometric anomalies identified by the airborne survey;
- 2009: Excavation of 123 hand pits and collection of 588 samples, augering from the base of pits on 41 selected pits, completion of a radon gas survey on the Anit 1 and 2 properties (seven lines totaling 65 km with detector cups spaced every 100 m), scintillometer readings every 50 m as well as excavation of five pits (each 0.5m by 0.25 m by 2 m in size);
- 2010: Geological mapping and prospecting and collection of 45 grab samples, completion of a 1,223-sample mechanized trenching program (each trench approximately 2 m deep, one or two-meter composite channel samples), and an aircore drilling program (5,044 m in 204 holes in two phases); and
- 2011: Completion of 310 excavator pits of up to 6 m depth, along north-south lines spaced 400 m apart, generally at a 40 m spacing on the Central Zone, and 200 m by 40 m on the West Zone and preliminary metallurgical work.

Recent Results: Excavator pit sampling, including only pits with mineralization greater than 0.006% U_3O_8 over 1 m, showed an average thickness of the mineralized layer of 2.0 m with a weighted average grade of 0.04% U_3O_8 and 0.11% V_2O_5. Metallurgical test work performed by Independent Metallurgical Operations Ltd. demonstrates that most of the mineralized material can be significantly upgraded. The technique involves simple and inexpensive wet screening to remove coarse pebbles that contain little or no uranium mineralization producing low-mass high-grade concentrates. The results to date are preliminary and are based on seven select samples of the main uranium-mineralized lithologies.

Planned Exploration: The Company's exploration teams continue prospecting in the areas of the identified airborne anomalies within the vicinity of the known mineralized zones. This work aims at outlining areas where mineral resources may be estimated with additional sampling.

Santa Barbara Property

Property and Ownership: The Santa Barbara property consists of seven granted exploration permits that cover 700 km^2. It is located in the north-central part of Rio Negro near the city of Villa Regina. The property is 100% owned by the Company.

Property Geology and Mineralization: The Santa Barbara property is hosted by a Mesozoic to Quaternary sedimentary sequence overlying the Triassic Treneta volcanic-intrusive complex. The Cretaceous sedimentary sequence begins with Santonian-age Bajo de la Carpa Formation continental sediments composed of fine to conglomeratic sandstones intercalated with green clay and lenses of gypsum and petrified wood. These sediments are in turn covered by continental tuffs with clay interlayers of the Oligocene-Miocene Chichinales Formation. Upper Tertiary and Quaternary Photoau basalts commonly cap mesas. Quaternary and Recent sediments cover all the "Bajos". The uranium mineralization identified to date on the property is within the Bajo de la Carpa Formation and consists of calcite-cemented conglomerate and sandstone interlayered between limonitic mudstones with high gypsum contents. It is being interpreted as a calcrete paleochannel type uranium occurrence. The geological environment at Anit is similar to Santa Barbara.

Key results obtained included:

- three northeast trending zones of uranium mineralization, approximately 11 km, 6.5 km and 5 km in length and varying up to 1.5 km in width; and
- 35 hand-augured holes have been drilled to a depth of two to three meters and have outlined mineralization between 0.5-1.0 m in thickness at a depth of 0.5-1.5 m below the surface. Highlights include 0.035% U_3O_8 over 1 m and 0.086% U_3O_8 over 0.5 meter.

Property History: Highlights of the property's history are:

- 2007, reconnaissance sampling and scintillometer surveying program;
- 2008, augering and conventional soil and rock sampling, scintillometer surveys, radon gas surveys and geological mapping on the three radiometric anomalies identified; and
- 2009, surface exploration focused on the three radiometric anomalies, as well as an overall geological evaluation, 90 shallow hand auger holes and pits completed over a combined strike length of approximately 14 kilometers.

Planned Exploration: Results obtained to date are being reviewed. The Company believes that the property has very good exploration potential.

<u>Ivana Property</u>

Property and Ownership: The Ivana property consists of four granted exploration licenses that cover 400 km^2. Four licenses have been granted to date. It is located in the north-central part of Rio Negro near the municipality of Valcheta. The property is 100% owned by the Company.

Property Geology and Mineralization: Uranium mineralization is hosted mainly in the Gran Bajo del Gualicho Formation, consisting of Oligocene-Miocene shallow marine mollusk shells, fine grained sandstones and white tuff and to a lesser extent in the Arroyo Barbudo Formation consisting of sandstone, claystones and gypsum of Upper Cretaceous-Paleocene age. The mineralized district is located where the basement volcanics outcrop at the basin margin. Near shore marine and continental sediments are interbedded, providing a favourable geological environment to host large surficial type uranium deposits.

Significant results obtained to date are:

- a new uranium discovery within a 40 km by 10 km enclosed basin identified from the airborne radiometric survey;
- presence of a major 20-km long northwest-southeast mineralized trend; and
- a hand excavated pit returned 0.068% U_3O_8 over a width of 3 m in unconsolidated sediments beginning at surface and open to depth.

Property History: The property's history is summarized as follows:

- 2010, 22,000 km^2 airborne radiometric survey; and
- 2011, sampling of 31 auger holes performed on the granted licences as well as follow-up ground radiometric surveys, prospecting and geological mapping.

Planned Exploration: Blue Sky considers the results to be very encouraging and exploration work will continue to evaluate anomalies using pit sampling and augering.

Outlook

The Company is moving forward with the exploration of its uranium properties in the Province of Rio Negro in Argentina with a focus on reviewing the results obtained to date in order to determine the best target areas to bring to the excavation and/or drill-ready stage. It is also actively evaluating opportunities to acquire new prospective ground in Rio Negro and other provinces of Argentina.

Selected Annual Financial Information[1]

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto.

	Years Ended December 31,		
	2010 $	2009 $	2008 $
Total revenue	Nil	Nil	Nil
Net loss and comprehensive loss for the year	(5,589,262)[6]	(1,922,468)[2]	(3,608,892) [3]
Loss per share – basic and diluted	(0.09)	(0.03)	(0.14)
Total assets	5,191,928	4,308,734[4]	3,344,278[5]

(1) As the Company's IFRS transition date was January 1, 2010, 2009 and 2008 comparative information has not been restated and is presented in accordance with Canadian GAAP.
(2) includes $545,423 in stock based compensation and $635,363 in exploration expenses.
(3) includes $951,630 in write off of mineral properties and $1,296,853 in exploration expenses.
(4) increase is compared to 2008 is primarily due higher cash balances from issurance of common shares with gross proceeds of $2,402,179.
(5) increase in total assets compared to 2007 is due to additions of $1,998,905 to mineral properties in 2008.
(6) includes $668,332 in stock based compensation and $3,191,735 in exploration expenses.

Results of Operations – for the Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

Expenses

During the six months ended June 30, 2011, expenses decreased by $676,490 to $1,877,447 compared to $2,553,937 for the six months ended June 30, 2010. The decrease in expenses is largely due to:

- A total decrease of $15,203 in salaries and management fees. Salaries and management fees were $347,696 for the six months ended June 30, 2011 compared to $332,493 for the six months ended June 30, 2010. This decrease is due to Management Services Agreement amendments by the Company during 2010 which are fully reflected in 2011. See 'Related Party Transactions' for more details of the transaction.

- A decrease of $530,699 in exploration expenditures. Exploration expenditures were $1,048,213 for the six months ended June 30, 2011 compared to $1,578,912 for the six months ended June 30, 2010. During the six months ended June 30, 2011, the Company performed ground radiometric surveys, hand pits sampling, prospecting geological mapping and augering on prospective new properties compared to a much more extensive Phase 1 drilling program on the Anit Project during the six months ended June 30, 2010.

- A decrease of $19,964 in foreign exchange loss. Foreign exchange loss was $1,742 for the six months ended June 30, 2011 compared to $21,706 for the six months ended June 30, 2010. The decrease is due to the fluctuation in foreign exchange rates and differing amounts of foreign currencies held in the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

- A decrease of $28,999 in Office expenses. Office expenses were $68,526 for the six months ended June 30, 2011 compared to $97,525 for the six months ended June 30, 2010. The Company was charged a lower amount for its approximate usage during the six months ended June 30, 2011 compared to a greater portion of Grosso Group's costs allocated to the Company in the six months ended June 30, 2010.

- A decrease of $26,251 in rent, parking and storage. Rent, parking and storage was $40,500 for the six months ended June 30, 2011 compared to $66,751 for the six months ended June 30, 2010. The Company was charged a lower amount for its approximate usage during the six months ended June 30, 2011 compared to a greater portion of Grosso Group's costs allocated to the Company in the six months ended June 30, 2010.

- A decrease of $28,425 in travel. Travel was $33,600 for the six months ended June 30, 2011 compared to $62,025 for the six months ended June 30, 2010. The decrease is due to travel in the six months ended June 30, 2011 associated with the initiation of the drilling program and a higher number of investor relation activities compared to the six months ended June 30, 2011.

- A decrease of $72,837 in stock-based compensation. Stock-based compensation was $9,573 for the six months ended June 30, 2011 compared to $82,410 for the six months ended June 30, 2010. The decrease is due to lower number of stock options vesting during the six months ended June 30, 2011compared to the six months ended June 30, 2010.

These decreases were partially offset by the following:

- An increase of $56,653 in corporate development and investor relations. Corporate development and investor relations were $170,990 for the six months ended June 30, 2011 compared to $114,337 for the six months ended June 30, 2010. The increase is due to a greater number of activities relating to promotion of the Company's projects in the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

The net loss for the six months ended June 30, 2011 was $1,876,590 or $0.02 per basic and diluted share compared to a net loss of $2,553,711 or $0.04 per basic and diluted share for the six months ended June 30, 2010.

Cash Flow

Operating Activities

Cash outflow from operating activities was $1,740,970 for the six months ended June 30, 2011 compared to $2,160,889 for the six months ended June 30, 2010. This decrease was mainly attributable to lower operational and administrative costs and changes in working capital balances.

Investing Activities

Cash outflow from investing activities was $46,409 during the six months ended June 30, 2011 due to expenditures on mineral property interests compared to $40,926 for the six months ended June 30, 2010. More property payments were paid during the six months ended June 30, 2011 compared to the six months ended June 30, 2010.

Financing Activities

Proceeds from the issuance of common shares and warrants was $1,044,090, less share issuance costs of $35,633 during the six months ended June 30, 2011 compared to $Nil as there was no issuances of common shares and warrants and no share issue costs in the six months ended June 30, 2010. Proceeds from the exercise of warrants and options were $70,000 for the six months ended June 30, 2011 compared to $2,317,036 for the six months ended June 30, 2010.

Results Of Operations – For The Three Months Ended June 30, 2011 Compared To The Three Months Ended June 30, 2010

Expenses

During the three months ended June 30, 2011, expenses decreased by $570,817 to $977,197 compared to $1,548,014 for the three months ended June 30, 2010. The decrease in expenses is largely due to:

- A decrease of $531,640 in exploration expenditures. Exploration expenditures were $583,455 for the three months ended June 30, 2011 compared to $1,115,095 for the three months ended June 30, 2010. During the three months ended June 30, 2011, the Company performed ground radiometric surveys, hand pits sampling, prospecting geological mapping and augering on prospective new properties compared to a much more extensive Phase 1 drilling program on the Anit Project during the three months ended June 30, 2010.

These decreases were partially offset by the following:

- An increase of $9,573 in stock-based compensation. Stock-based compensation was $9,573 for the three months ended June 30, 2011 compared to $Nil for the three months ended June 30, 2010. The increase is due to the incremental vesting of 600,000 stock options being granted during the three months ended June 30, 2011compared to no stock option grants in the three months ended June 30, 2010.

The net loss for the three months ended June 30, 2011 were $976,340 or $0.01 per basic and diluted share compared to a net loss of $874,596 or $0.01 per basic and diluted share for the three months ended June 30, 2010.

Cash Flow

Operating Activities

Cash outflow from operating activities was $856,443 for the three months ended June 30, 2011 compared to $1,647,574 for the three months ended June 30, 2010. This decrease was mainly attributable to lower operational and administrative costs and changes in working capital balances.

Investing Activities

Cash outflow from investing activities was $28,056 during the three months ended June 30, 2011 due to expenditures on mineral property interests compared to $33,583 for the three months ended June 30, 2010. Less property payments were paid during the three months ended June 30, 2011 compared to the three months ended June 30, 2010.

Financing Activities

Proceeds from the issuance of common shares and warrants was $1,044,090, less share issuance costs of $35,633 during the three months ended June 30, 2011 compared to $Nil as there was no issuances of common shares and warrants and no share issue costs in the three months ended June 30, 2010. Proceeds from the exercise of warrants and options were $50,000 for the three months ended June 30, 2011 compared to $1,366,502 for the three months ended June 30, 2010.

Balance Sheet

At June 30, 2011, the Company had total assets of $4,370,847 compared with $5,191,928 in total assets at December 31, 2010. This decrease is primarily a result of a decrease in cash related to the Company's ongoing operational and administrative costs. Working capital at June 30, 2011 was $1,385,555 compared to working capital of $2,217,994 at December 31, 2010, as a result of ongoing exploration activities.

Selected Financial Data and Fourth Quarter Discussion[1]

	2011		2010				2009	
	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sep. 30 $
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(976,340)	(900,250)	(1,714,857)	(1,320,694)	(1,547,905)	(1,005,806)	(613,564)	(475,439)
Net Loss per Common Share Basic and Diluted	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.01)

[1] As the Company's IFRS transition date was January 1, 2010, 2009 comparative information has not been restated and is presented in accordance with Canadian GAAP.

Liquidity and Capital Resources

The Company has experienced recurring operating losses and has accumulated an operating deficit of $16,064,785 at June 30, 2011 (December 31, 2010 - $14,188,195) and shareholders' equity of $4,193,087 at June 30, 2011 (December 31, 2010 – $4,981,647). In addition, the Company had working capital of $1,385,555 at June 30, 2011 (December 31, 2010 –$2,217,994). Working capital is defined as current assets less current liabilities and provides a measure of the

Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

The Company presently does not have adequate resources to maintain its core activities for the next fiscal year or sufficient working capital to fund all its planned activities. The Company will continue to rely on successfully completing additional equity financing to maintain its core activities and further exploration of its existing and new properties in Argentina. There can be no assurance that the Company will be successful in obtaining the required financing. The failure to obtain such financing could result in the loss of the Company's interest in one or more of its mineral claims.

During the six months ended June 30, 2011:

- In May 2011, the Company completed a non-brokered private placement consisting of 5,800,500 units at a price of $0.18 per unit for gross proceeds of $1,044,090. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the company at a price of $0.25 per share for 18 months from the date of issue of the warrant. Finders' fees were $35,633 of cash and 197,960 warrants exercisable into common shares at $0.25 per share for 18 months having a fair value of $17,865. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 1.64%; expected stock price volatility – 99.32%; dividend yield of 0%, and expected warrant life of 1.48 years.

- 700,000 options were exercised for proceeds of $70,000.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs. The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

Commitment

	1 Year $	2 Years $	3 Years $	4-5 Years $	More than 5 Years $
Management Services Agreement	720,000	360,000	-	-	-

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is $60,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

Capital Stock

At June 30, 2011, the Company had unlimited authorized common shares without par value. At June 30, 2011, an aggregate of 85,169,896 common shares were issued and outstanding. At July 28, 2011, 85,169,896 common shares were issued and outstanding.

	Share capital		Reserves				
	Number of shares	Amount $	Contributed Surplus $	Equity settled share-based payments $	Warrants $	Deficit $	Total $
Balance at January 1, 2010	52,435,426	10,231,995	817,462	851,303	808,526	(8,598,933)	4,110,353
Share-based compensation	-	-	-	82,411	-	-	82,411
Stock options exercised	1,085,000	263,344	(9,087)	(104,257)	-	-	150,000
Stock options expired	-	-	137,720	(137,720)	-	-	-
Warrants exercised	9,986,637	2,498,690	-	-	(331,656)	-	2,167,034
Total comprehensive (loss) for the period	-	-	-	-	-	(2,553,711)	(2,553,711)
Balance at June 30, 2010	63,507,063	12,994,029	946,095	691,737	476,870	(11,152,644)	3,956,087
Private placement	10,329,000	2,143,777	-	-	438,473	-	2,582,250
Share issue costs	-	(189,462)	-	-	-	-	(189,462)
Share-based compensation	-	-	-	585,921	-	-	585,921
Agent's warrants granted	-	-	-	-	55,735	-	55,735
Warrants exercised	5,133,333	1,133,166	-	-	(106,499)	-	1,026,667
Warrants expired	-	-	9,464	-	(9,464)	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	(3,035,551)	(3,035,551)
Balance at December 31, 2010	78,969,396	16,081,510	955,559	1,277,658	855,115	(14,188,195)	4,981,647
Private placement	5,800,500	735,408	-	-	308,682	-	1,044,090
Share issue costs	-	(53,498)	-	-	-	-	(53,498)
Share-based compensation	-	-	-	9,573	-	-	9,573
Agent warrants issued	-	-	-	-	17,865		17,865
Stock options exercised	700,000	122,887	-	(52,887)	-	-	70,000
Stock options expired	-	-	3,720	(3,720)	-	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	(1,876,590)	(1,876,590)
Balance at June 30, 2011	85,169,896	16,886,307	959,279	1,230,624	1,181,662	(16,064,785)	4,193,087

The Company had the following warrants outstanding as at July 28, 2011:

Number of Warrants Outstanding	Exercise Price $	Expiry Date
5,754,796	0.30	November 6, 2011
5,698,810	0.35	August 27, 2012
5,998,460	0.25	November 8, 2012
17,452,066		

The following summarizes information about the stock options outstanding and exercisable as at July 28, 2011:

Number of Shares Outstanding and Exercisable	Exercise Price (CAD$)	Expiry Date
75,000	$0.21	October 6, 2011
75,000	$0.66	February 10, 2012
215,000	$1.00	June 1, 2012
15,000	$0.40	January 25, 2013
1,465,000	$0.15	May 6, 2014
300,000	$0.15	July 6, 2014
75,000	$0.18	July 22, 2014
715,000	$0.65	December 9, 2014
100,000	$0.73	March 15, 2015
3,270,000	$0.26	October 5, 2015
75,000	$0.25	October 29, 2015
600,000	$0.22	June 1, 2015
6,980,000		

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Related Party Transactions.

A number of key management personnel, or their related parties, hold positions in other entities that result in them have control or significant influence over the financial or operating policies of the entities outlined below.

The following entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

	Three months ended June 30		Six months ended June 30	
Transactions	2011 $	2010 $	2011 $	2010 $
Services rendered:				
Grosso Group Management Ltd. (a)	151,500	81,157	303,000	317,901
R.H. McMillan Ltd. (b)	8,900	196	26,609	12,375
Total for services rendered	160,400	81,353	329,609	372,153

(a) On March 31, 2010, the Company and Golden Arrow Resources Corp. ("Golden Arrow") collectively entered into a sale agreement with an officer and director of Golden Arrow to sell their shares held in Grosso Group Management Ltd., ("Grosso Group") for proceeds of $1. On April 1, 2010, the Company entered into a Management Services Agreement ("Agreement") with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is $60,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expires on December 31, 2012. The Agreement contains termination

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

(b) R.H. McMillan Ltd. is a private company controlled by a director that provided geological services to the Company at market rates.

Key management personnel compensation

	Three months ended June 30, 2011			Three months ended June 30, 2010		
Compensation	Salaries	Share-based benefits	Total	Salaries	Share-based benefits	Total
Chief Executive Officer	30,000	-	30,000	30,000	-	30,000
President	10,417	9,573	19,990	-	-	-
Chief Financial Officer	13,088	-	13,088	4,665	-	4,665
Total	53,505	9,573	63,078	34,665	-	34,665

	Six months ended June 30, 2011			Six months ended June 30, 2010		
Compensation	Salaries	Share-based benefits	Total	Salaries	Share-based benefits	Total
Chief Executive Officer	60,000	-	60,000	60,000	-	60,000
President	10,417	9,573	19,990	-	-	-
Chief Financial Officer	26,176	-	26,176	4,665	51,814	56,479
Total	96,593	9,573	106,166	64,665	51,814	116,479

Subsequent Events

There were no subsequent events.

Critical Accounting Estimates and Recent Accounting Pronouncements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated interim financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates.

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's condensed consolidated interim financial statements for the period ended June 30, 2011. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian securities regulatory authorities.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS condensed consolidated interim financial statements presented in accordance with IFRS. Previously the Company prepared its consolidated annual and consolidated interim financial statements in accordance with GAAP.

Transition to International Financial Reporting Standards

As stated in Note 2 of the condensed consolidated financial statements, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied as follows:

- in preparing the condensed consolidated interim financial statements for the six months ended June 30, 2011;
- the comparative information for the six months ended June 30, 2010;
- the statement of financial position as at December 31, 2010; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing the opening IFRS statement of financial position, comparative information for the six months ended June 30, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP ("CAGAAP").

An explanation of how the transition from CAGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in Note 10 of the condensed consolidated interim financial statements.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS. The Company did not make any elections with respect to IFRS optional exemptions.

Share-based Payment Transactions

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

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

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

Exploration, Evaluation and Development Expenditures

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

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments related to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment.

Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the period. 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.

New Accounting Standards and Interpretations

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, *Financial Instruments*, IFRS 10, *Consolidated Financial Statements* (IFRS 10), IFRS 11, *Joint Arrangements* (IFRS 11), IFRS 12, *Disclosure of Interests in Other Entities* (IFRS 12), IAS 27, *Separate Financial Statements* (IAS 27), IFRS 13, *Fair Value Measurement* (IFRS 13) and amended IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Financial Instruments

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

(a) Fair Values

The Company's financial instruments consist of cash, amounts receivables, deposits, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

At June 30, 2011 the Company's financial instruments measured at fair value are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash	1,502,712	-	-	1,502,712
Amounts receivable	28,164	-	-	28,164
Deposits	60,000	-	-	60,000
Liabilities				
Accounts payable and accrued liabilities	177,760	-	-	177,760

At June 30, 2010 the Company's financial instruments measured at fair value are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash	2,211,634	-	-	2,211,634
Amounts receivable	39,541	-	-	39,541
Deposits	60,000	-	-	60,000
Liabilities				
Accounts payable and accrued liabilities	210,281	-	-	210,281

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, amounts receivable, and deposit. The Company has reduced its credit risk by depositing its cash with financial institutions that operate globally. Also, as the majority of its amounts receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

Liquidity risk

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

Market risk

(i) Currency risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentine Pesos, all denominated in cash, amounts receivable and accounts payable. The sensitivity of the Company's net loss and comprehensive loss to changes in the exchange rate between the Canadian dollar and the United States dollar and Argentine Peso is summarized as follows:

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by $14,792.

- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $170.

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The fair value of cash approximates its carrying values due to the immediate or short-term maturity of this financial instrument.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

(c) Capital Management

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

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

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop the project and may require doing so again in the future.

The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

Risk Factors and Uncertainties

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. A number of the risks and uncertainties are discussed below:

History of losses: The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2010 and 2009. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

Joint ventures and other partnerships: The Company may seek joint venture partners to provide funding for further work on any or all of its other properties. Joint ventures may involve significant risks and the Company may lose any investment it makes in a joint venture. Any investments, strategic alliances or related efforts are accompanied by risks such as:

1. the difficulty of identifying appropriate joint venture partners or opportunities;
2. the time the Company's senior management must spend negotiating agreements, and monitoring joint venture activities;
3. the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;
4. potential regulatory issues applicable to the mineral exploration business;
5. the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;
6. the inability of management to capitalize on the growth opportunities presented by joint ventures; and
7. the insolvency of any joint venture partner.

There are no assurances that the Company would be successful in overcoming these risks or any other problems encountered with joint ventures, strategic alliances or related efforts.

Unexpected delays: The Company's minerals business will be subject to the risk of unanticipated delays including permitting its contemplated projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project.

Potential conflicts of interest: Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which could place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they many have in any project or opportunity of the Company. However, each director has a similar obligation to other companies for which such director serves as an officer or director. The Company has no specific internal policy governing conflicts of interest.

Competition with larger, better capitalized competitors: The mining industry is competitive in all of its phases. The Company faces strong competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, base and precious metals. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, the Company's revenues, operations and financial condition could be materially adversely affected.

The Company does not intend to pay dividends: The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor's return on investment will be solely determined by his or her ability to sell common shares in the secondary market.

Title Risk: Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Price Risk: The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings 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 on earnings and economic value due to commodity price movements and volatilities. The Company's property has exposure to predominantly uranium. The prices of these metals, especially uranium, greatly affect the value of the Company and the potential value of its property and investments.

Financial Markets: The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Political Risk: Exploration is presently carried out in the Argentina and is currently being reviewed worldwide. This exposes the Company to risks that may not otherwise be experienced if all operations were domestic. Political risks may adversely affect the Company's potential projects and operations. Real and perceived political risk in some countries may also affect the Company's ability to finance exploration programs and attract joint venture partners, and future mine development opportunities.

Credit Risk: Credit risk is the risk of an unexpected loss of a third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash. The Company's limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity Risk: Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company raises capital through equity issues and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. The Company's cash is invested in bank accounts.

Interest Risk: The Company's bank accounts earn interest income at variable rates. The fair value of cash approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

Currency Risk: Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

Community Risk: The Company has negotiated with the local communities on its mineral property concessions for access to facilitate the completion of geological studies and exploration work programs. The Company's operations could be significantly disrupted or suspended by activities such as protests or blockades that may be undertaken by such certain groups or individuals within the community.

Environmental Risk: The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the countries in which the Company operates. Present or future laws and regulations, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploration and the developing, operating and closing of mines. Programs may also be delayed or prohibited in some areas. Although minimal at this time, site restoration costs are a component of exploration expenses.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. The Company is a Venture Issuer; therefore it files the venture issuer basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2010.

Additional Information

Additional information relating to the Company, including news releases, financial statements and prior MD&A filings, is available on SEDAR at www.sedar.com.

The investor relations program is focusing on shareholder communications, corporate development and building the Company an active following of investment professionals in Canada, US and Europe. The Company also maintains a website at www.blueskyuranium.com.