
BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2009 AND 2008

(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

**MANAGEMENT'S COMMENTS ON UNAUDITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Blue Sky Uranium Corp. (the "Company") for the three and nine months ended September 30, 2009 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

November 26, 2009

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	September 30, 2009 \$	December 31, 2008 \$
A S S E T S		
CURRENT ASSETS		
Cash	164,245	619,662
Amounts receivable	39,823	11,547
Prepaid expenses	113,685	82,471
	317,753	1,826,469
MINERAL PROPERTY INTERESTS (Note 4)	3,387,959	3,377,956
EQUIPMENT (Note 5)	14,083	24,063
	3,719,795	4,115,699

L I A B I L I T I E S

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	133,636	156,475
FUTURE INCOME TAX LIABILITIES	771,421	771,421
	905,057	927,896

S H A R E H O L D E R S ' E Q U I T Y

SHARE CAPITAL (Note 6)	9,029,628	8,576,180
WARRANTS (Note 6)	497,859	733,195
CONTRIBUTED SURPLUS (Note 7)	1,272,619	554,893
DEFICIT	(7,985,368)	(6,676,465)
	2,814,738	3,187,803
	3,719,795	4,115,699

NATURE OF OPERATIONS (Note 1)
SUBSEQUENT EVENT (Note 11)

APPROVED BY THE DIRECTORS

“Sean Hurd” , Director

“Ron McMillan” , Director

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

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT***(Unaudited – Prepared by Management)**(Expressed in Canadian Dollars)*

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
EXPENSES				
Amortization	3,326	3,009	9,980	8,390
Consulting fees	15,018	40,927	25,518	91,358
Corporate development and investor relations	17,518	11,499	56,546	196,672
Exploration (Note 4)	197,299	220,660	446,339	1,079,451
Office	28,329	29,735	83,091	105,118
Professional fees	16,759	30,377	80,470	139,556
Rent, parking and storage	12,596	20,855	41,365	63,296
Salaries and employee benefits	59,041	114,521	236,582	373,699
Stock-based compensation (Note 6(b))	82,765	-	278,386	19,010
Transfer agent and regulatory fees	3,479	31,667	24,910	52,256
Travel and accommodation	32,616	8,309	55,392	76,968
LOSS BEFORE OTHER ITEMS	<u>(468,746)</u>	<u>(511,559)</u>	<u>(1,338,579)</u>	<u>(2,205,774)</u>
OTHER ITEMS				
Foreign exchange gain (loss)	(6,737)	5,001	29,562	(3,357)
Write-off of mineral properties (Note 4)	-	-	-	(951,630)
Interest income	43	1,104	114	16,691
	<u>(6,694)</u>	<u>6,105</u>	<u>29,676</u>	<u>(938,296)</u>
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	<u>(475,440)</u>	<u>(505,454)</u>	<u>(1,308,903)</u>	<u>(3,144,070)</u>
DEFICIT - BEGINNING OF PERIOD	<u>(7,509,928)</u>	<u>(5,706,189)</u>	<u>(6,676,465)</u>	<u>(3,067,573)</u>
DEFICIT - END OF PERIOD	<u><u>(7,985,368)</u></u>	<u><u>(6,211,643)</u></u>	<u><u>(7,985,368)</u></u>	<u><u>(6,211,643)</u></u>
BASIC AND DILUTED LOSS PER COMMON SHARE	<u><u>\$(0.01)</u></u>	<u><u>\$(0.02)</u></u>	<u><u>\$(0.03)</u></u>	<u><u>\$(0.15)</u></u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u><u>44,820,000</u></u>	<u><u>28,887,649</u></u>	<u><u>41,589,231</u></u>	<u><u>21,466,062</u></u>

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

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY***(Unaudited – Prepared by Management)**(Expressed in Canadian Dollars)*

	<u>Nine Months Ended September 30,</u>	
	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>
		Restated – Note 3
SHARE CAPITAL		
Balance at beginning of period	8,576,180	4,399,896
Private placements	700,000	1,103,100
Issued for acquisition	-	2,488,500
Warrant valuation	(217,207)	(240,215)
Shares issued as corporate finance fee	-	12,500
Shares issued for mineral property interest	-	438,000
Exercise of warrants	-	14,278
Share issue costs	(29,345)	(154,545)
Balance at end of period	<u>9,029,628</u>	<u>8,061,514</u>
WARRANTS		
Balance at beginning of period	733,195	439,340
Warrant valuation from private placement warrants granted	217,207	240,215
Warrant issue costs	(13,203)	(32,244)
Contributed surplus reallocated on expiry of warrants	(439,340)	-
Balance at end of period	<u>497,859</u>	<u>647,311</u>
CONTRIBUTED SUPRLUS		
Balance at beginning of period	554,893	515,232
Contributed surplus as a result of stock options granted	278,386	19,010
Contributed surplus as a result of agent's options granted	-	20,651
Reallocated on the expiry of warrants	439,340	-
Balance at end of period	<u>1,272,619</u>	<u>554,893</u>
DEFICIT		
Balance at beginning of period	(6,676,465)	(3,067,573)
Loss for the period	(1,308,903)	(3,144,070)
Balance at end of period	<u>(7,985,368)</u>	<u>(6,211,643)</u>
TOTAL SHAREHOLDERS' EQUITY	<u><u>2,814,738</u></u>	<u><u>3,052,075</u></u>

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

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS***(Unaudited – Prepared by Management)**(Expressed in Canadian Dollars)*

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Loss for the period	(475,440)	(505,454)	(1,308,903)	(3,144,070)
Items not affecting cash				
Amortization	3,326	3,009	9,980	8,390
Foreign exchange	451	725	-	-
Stock-based compensation	82,765	-	278,386	19,010
Write-off of mineral properties	-	-	-	951,630
	<u>(388,898)</u>	<u>(501,720)</u>	<u>(1,020,537)</u>	<u>(2,165,040)</u>
Change in non-cash working capital balances	<u>25,552</u>	<u>(54,455)</u>	<u>(82,329)</u>	<u>31,109</u>
	<u>(363,346)</u>	<u>(556,175)</u>	<u>(1,102,866)</u>	<u>(2,133,931)</u>
INVESTING ACTIVITIES				
Expenditures on mineral properties interests	-	-	(10,003)	(63,535)
Purchase of equipment	-	-	-	(5,088)
Decrease in short-term investments	-	-	-	1,500,000
	<u>-</u>	<u>-</u>	<u>(10,003)</u>	<u>1,431,377</u>
FINANCING ACTIVITIES				
Issuance of common shares and warrants	-	1,004,100	700,000	1,117,378
Share issue costs	-	(147,772)	(42,548)	(153,638)
	<u>-</u>	<u>856,328</u>	<u>657,452</u>	<u>963,740</u>
INCREASE (DECREASE) IN CASH				
DURING THE PERIOD	<u>(363,346)</u>	<u>300,153</u>	<u>(455,417)</u>	<u>261,186</u>
CASH - BEGINNING OF PERIOD	<u>527,591</u>	<u>132,089</u>	<u>619,662</u>	<u>171,056</u>
CASH - END OF PERIOD	<u><u>164,245</u></u>	<u><u>432,242</u></u>	<u><u>164,245</u></u>	<u><u>432,242</u></u>

SUPPLEMENTARY CASH FLOW INFORMATION (Note 10)*The accompanying notes are an integral part of these interim consolidated financial statements.*

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(Unaudited - Prepared by Management)
(Expressed in Canadian dollars)

	Argentina					Total \$
	Santa Barbara \$	Anit \$	Cebeza de Potro \$	Villa Regina \$	Other \$	
<u>ACQUISITION COSTS</u>						
BALANCE - BEGINNING OF PERIOD	1,045,065	1,240,001	272,002	-	820,888	3,377,956
Staking fees	-	-	-	10,003	-	10,003
BALANCE - END OF PERIOD	<u>1,045,065</u>	<u>1,240,001</u>	<u>272,002</u>	<u>10,003</u>	<u>820,888</u>	<u>3,387,959</u>
<u>EXPLORATION EXPENDITURES</u>						
CUMULATIVE COSTS EXPENSED - BEGINNING OF PERIOD	404,412	45,783	928	-	-	451,123
EXPLORATION EXPENDITURES DURING THE PERIOD:						
Assays	28,741	11,967	-	-	-	40,708
Office	116,334	105,979	-	957	15	223,285
Salaries and contractors	15,112	37,113	-	-	-	52,225
Transportation	51,407	30,715	-	23	-	82,145
IVA taxes	25,483	22,373	-	118	2	47,976
	<u>237,077</u>	<u>208,147</u>	<u>-</u>	<u>1,098</u>	<u>17</u>	<u>446,339</u>
CUMULATIVE COSTS EXPENSED -END OF PERIOD	<u>641,489</u>	<u>253,930</u>	<u>928</u>	<u>1,098</u>	<u>17</u>	<u>897,462</u>

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

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

The Company was incorporated under the Business Corporation Act of British Columbia on November 30, 2005 as Mulligan Capital Corp. On May 18, 2006, the Company received final receipts for a prospectus and became a reporting issuer in British Columbia and Alberta. On June 27, 2006 the Company completed its initial public offering (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.

As of September 30, 2009, the Company is in the process of exploring mineral properties in Argentina. On the basis of information to date it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties is entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Mineral property interests represent acquisition costs incurred to date, less amounts amortized and/or written-off and do not necessarily represent present or future values.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality.

As these unaudited interim consolidated financial statements do not contain all of the disclosures required by Canadian GAAP, they should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2008.

The accounting policies followed by the Company are set out in note 3 to the audited consolidated financial statements for the year ended December 31, 2008, and have been consistently followed in the preparation of these consolidated financial statements except that the Company has adopted the following CICA standard effective January 1, 2009:

(a) *Goodwill and Intangible Assets*

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the preoperating period. On January 1, 2009, the Company adopted these changes, with no impact on its consolidated financial statements.

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Credit Risk and Fair Value of Financial Assets and Liabilities*

In January 2009, the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The EIC provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments.

This standard is effective for our fiscal year beginning January 1, 2009. Adoption of this EIC did not have a significant effect on the Company's financial statements for the period ended September 30, 2009.

(c) *Mining Exploration Costs*

In March 2009, the CICA issued EIC-174, *Mining Exploration Costs*. The EIC provides guidance on the accounting and the impairment review of exploration costs. This standard is effective for our fiscal year beginning January 1, 2009. The application of this EIC did not have an effect on the Company's financial statements for the period ended September 30, 2009.

Future Accounting Standards

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These sections replace the former CICA Handbook Section 1581, *Business Combinations* and Section 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, *Business Combinations* (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards ("IAS") 27, *Consolidated and Separate Financial Statements* (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections as it has not adopted them yet.

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009***(Unaudited – Prepared by Management)**(Expressed in Canadian Dollars)***2. SIGNIFICANT ACCOUNTING POLICIES (continued)*****International Financial Reporting Standards ("IFRS")***

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that the date for publicly-listed companies to use IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is evaluating the financial reporting impact of the transition to IFRS.

3. CHANGE IN ACCOUNTING POLICY

During the year ended December 31, 2008, the Company retrospectively changed its accounting policy for exploration expenditures to be more relevant. Prior to the year ended December 31, 2008, the Company capitalized all such costs to mineral properties held directly or through an investment and would only write down capitalized costs if the property was abandoned or if the capitalized costs were not considered to be economically recoverable.

Exploration expenditures are now charged to earnings as they are incurred until the property reaches development stage. All direct costs related to the acquisition of resource property interests will continue to be 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.

The Company has accounted for this change in accounting policy on a retrospective basis. The impact of this change on the previously reported September 30, 2008 consolidated financial statements is as follows:

	As previously reported \$	Restatement \$	As restated \$
Mineral property interests as at September 30, 2008	3,894,327	(434,291)	3,460,036
Exploration expense for the nine months ended September 30, 2008	496,439	583,012	1,079,451
Loss for the nine months ended September 30, 2008	(3,757,820)	(613,750)	(3,144,070)
Loss per share for the nine months ended September 30, 2008	(0.18)	0.03	(0.15)
Deficit at September 30, 2008	(5,806,384)	(405,259)	(6,211,643)
Cash flows from operating activities for the nine months ended September 30, 2008	(1,526,973)	(606,958)	(2,133,931)
Cash flows from investing activities for the nine months ended September 30, 2008	824,419	606,958	1,431,377

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009***(Unaudited – Prepared by Management)**(Expressed in Canadian Dollars)***4. MINERAL PROPERTY INTERESTS**

The schedule below summarizes all costs incurred to date for each mineral property interest that the company is continuing to explore as at September 30, 2009 and December 31, 2008:

	September 30, 2009			December 31, 2008		
	Acquisition Costs \$	Exploration Expenditures \$	Total \$	Acquisition Costs \$	Exploration Expenditures \$	Total \$
Argentina						
Santa Barbara	1,045,065	641,489	1,686,554	1,045,065	404,412	1,449,477
Anit	1,240,001	253,930	1,493,931	1,240,001	45,783	1,285,784
Cabeza de Potro	272,002	928	272,930	272,002	928	272,930
Nicky	164,177	-	164,177	164,177	-	164,177
La Rioja	229,849	-	229,849	229,849	-	229,849
Chubut	328,355	-	328,355	328,355	-	328,355
Santa Cruz	98,507	-	98,507	98,507	-	98,507
Villa Regiona	10,003	1,098	11,101	-	-	-
Bajo Grande	-	17	17	-	-	-
	<u>3,387,959</u>	<u>897,462</u>	<u>4,285,421</u>	<u>3,377,956</u>	<u>451,123</u>	<u>3,829,079</u>

a) Santa Barbara Property

Effective May 8, 2007 the Company entered into a letter of intent with Argentina Uranium Corp. ("Argentina Uranium") to earn a 75% interest in the 60,000 hectare Santa Barbara uranium property in the Province of Rio Negro, located in the northern Patagonia region of Argentina.

On July 8, 2008, the Company issued 8,295,000 shares at a fair price of \$0.29 per share in exchange for 100% of the issued shares of Argentina Uranium. As a result of the acquisition of Argentina Uranium, the Company owns 100% of the property and the terms of the May 8, 2007 letter of intent are no longer applicable.

b) Anit Property

In January 2008 the Company signed a letter of intent to earn a 75% interest in the 128,689 hectare "Anit" uranium property in the Province of Rio Negro, Argentina. In order to earn a 75% undivided interest in the Anit property the Company had to complete \$2.0 million in exploration expenditures over 4 years. During year one there was a firm commitment to complete \$100,000 of exploration expenditures. After completing the expenditure commitments, the parties would form a 75/25 joint venture. As a result of the acquisition of Argentina Uranium, the Company owns 100% of the property and the terms of the Anit letter of intent are no longer applicable.

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009***(Unaudited – Prepared by Management)**(Expressed in Canadian Dollars)***5. EQUIPMENT**

	September 30, 2009		
	Cost \$	Accumulated Amortization \$	Net Carrying Amount \$
Geological equipment	37,000	(25,143)	11,857
Computer equipment	8,113	(5,887)	2,226
	<u>45,113</u>	<u>(31,030)</u>	<u>14,083</u>
	December 31, 2008		
	Cost \$	Accumulated Amortization \$	Net Carrying Amount \$
Geological equipment	37,000	(18,205)	18,795
Computer equipment	8,113	(2,845)	5,268
	<u>45,113</u>	<u>(21,050)</u>	<u>24,063</u>

6. SHARE CAPITAL

Authorized: unlimited common shares without par value
unlimited preferred shares without par value

	September 30, 2009		December 31, 2008	
	Shares	\$	Shares	\$
Issued common shares:				
Balance, beginning of the period	<u>37,820,000</u>	<u>8,576,180</u>	<u>17,130,215</u>	<u>4,399,896</u>
Issued during the period:				
For cash				
Private placements	7,000,000	700,000	10,910,333	1,773,100
Less warrants valuation	-	(217,207)	-	(326,100)
Agent's options exercised	-	-	142,785	14,278
For corporate finance fee	-	-	41,667	12,500
For mineral property interests	-	-	1,300,000	451,500
For acquisition	-	-	8,295,000	2,405,550
Less share issue costs	-	(29,345)	-	(154,544)
Balance, end of the period	<u>44,820,000</u>	<u>9,029,628</u>	<u>37,820,000</u>	<u>8,576,180</u>

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009***(Unaudited – Prepared by Management)**(Expressed in Canadian Dollars)***6. SHARE CAPITAL (continued)**

a) During the period ended September 30, 2009:

i) The Company completed a non-brokered private placement consisting of 7,000,000 units at a price of \$0.10 per unit for gross proceeds of \$657,452 net of share issue costs of \$42,548. Each Unit consisted of one common share and one 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 \$0.20 per share for 18 months. The fair value assigned to the warrants was \$217,207. The warrants were valued using the Black-Scholes Pricing Model at \$0.04 per warrant on the following assumptions: dividend yield 0%, risk-free rate 0.84%, expected volatility 135% and expected life of 1.15 years. The securities are subject to a 4 month hold period.

b) Stock options and stock-based compensation

The Company has established a rolling stock option plan (the “Plan”), in which the maximum number of common shares which can be reserved under the Plan is 10% of the issued and outstanding common shares of the Company. The exercise price of the options is set at the Company’s closing shares price on the day before the grant date, less allowable discounts in accordance with the policies of the TSX-V.

A summary of the changes in the Company's outstanding stock options for the nine months ended September 30, 2009 is presented below:

	Number	Weighted Average Exercise Price \$
Balance, December 31, 2008	1,635,000	0.40
Granted	2,815,000	0.15
Forfeited	(70,000)	0.49
Balance, September 30, 2009	<u>4,380,000</u>	<u>0.24</u>

During the nine months ended September 30, 2009, the Company granted 2,815,000 stock options (2008 – 100,000) and recorded stock-based compensation expense of \$278,386 (2008 - \$19,010) with a corresponding increase to contributed surplus. The stock options granted vest immediately and are subject to a four month hold period and exercisable for a period of five years.

The fair value of stock options granted is estimated on the dates of grants using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the grants made during the period:

	September 30, 2009	September 30, 2008
Risk-free interest rate	0.94%	3.27%
Estimated volatility	121%	82%
Expected life	2.93 years	2.2 years
Expected dividend yield	0%	0%

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009***(Unaudited – Prepared by Management)**(Expressed in Canadian Dollars)***6. SHARE CAPITAL (continued)**

Stock options outstanding and exercisable at September 30, 2009, are as follows:

Number	Exercise Price	Expiry Date
1,000,000	\$0.10	June 28, 2011
335,000	\$0.90	January 31, 2010
215,000	\$1.00	June 1, 2012
15,000	\$0.40	January 5, 2013
2,115,000	\$0.15	May 6, 2014
550,000	\$0.15	July 6, 2014
<u>150,000</u>	<u>\$0.18</u>	<u>July 22, 2014</u>
<u>4,380,000</u>		

c) Warrants and Agent's Options

A summary of the changes in outstanding warrants and Agent's Options for the period ended September 30, 2009 is as follows:

	Warrants #	Agents Options #
Balance, December 31, 2007	1,650,000	469,785
Issued	9,642,665	179,760
Exercised	-	(142,785)
Balance, December 31, 2008	11,292,665	506,760
Issued	7,000,000	-
Expired	(1,650,000)	(327,000)
Balance, September 30, 2009	<u>16,642,665</u>	<u>179,760</u>

Common shares reserved pursuant to warrants outstanding and exercisable at September 30, 2009 are as follows:

Number	Exercise Price \$	Expiry Date
165,000	0.40	January 1, 2010
1,144,332	0.40	February 5, 2010
179,760	0.30	February 5, 2010
2,750,000	0.18	September 17, 2010
5,583,333	0.18	October 28, 2010
<u>7,000,000</u>	<u>0.20</u>	<u>November 12, 2010</u>
<u>16,822,425</u>		

- d) As at September 30, 2009, 8,205,375 common shares are held in escrow in accordance with the rules of the TSX-V. Of the 8,205,375 common shares held in escrow, 604,875 of them are released in equal tranches every six months ending February 6, 2010 and 7,600,500 of them began to be released January 7, 2009 in equal tranches ending January 7, 2012.

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

7. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

	\$
Balance, December 31, 2008	554,893
Contributed surplus as a result of stock options granted	278,386
Reallocated on the expiry of warrants	439,340
Balance, September 30, 2009	<u>1,272,619</u>

8. RELATED PARTY TRANSACTIONS

- a) Effective March 1, 2007 the Company engaged Grosso Group Management Ltd. (“Grosso Group”) to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, Kobex Minerals Inc. (“Kobex”) (formerly IMA Exploration Inc.) and Golden Arrow Resources Corporation (“Golden Arrow”), each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees based upon a pro-rating of the Grosso Group’s costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of \$500,000. The Company has significant influence over the Grosso Group and therefore it has been accounted for using the equity method.

During the nine months ended September 30, 2009, the Company incurred fees of \$285,409 (2008 - \$523,803) from the Grosso Group: \$311,870 (2008 - \$473,907) was paid in monthly installments and \$26,461 is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period (2008 - \$49,896 is included in accounts payable). As at September 30, 2009, a \$50,000 deposit to the Grosso Group is included in prepaid expenses.

On October 19, 2009 Kobex gave notice that it was terminating this agreement effective November 30, 2009.

- b) During the nine months ended September 30, 2009, the Company incurred \$22,973 (2008 - \$11,772) for geological consulting services, including travel expenses, provided by a private corporation owned by a director of the Company.
- c) During the nine months ended September 30, 2009, the Company incurred fees of \$Nil (2008 - \$29,301) for consulting and management services provided by a director of the Company.
- d) Effective May 1, 2007, the Company entered into an agreement with Kobex to pay a monthly fee for the services provided Kobex’s Chief Executive Officer. For the nine months ended September 30, 2009, the Company paid \$Nil (2008 - \$10,000) to Kobex for the services. This agreement was terminated on June 30, 2008.

BLUE SKY URANIUM CORP.*(An Exploration Stage Company)***NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Canada and Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the nine months ended September 30, 2009. The Company's total assets are segmented as follows:

	September 30, 2009		
	Canada	Argentina	Total
	\$	\$	\$
Current assets	231,896	85,857	317,753
Mineral property interests	-	3,387,959	3,387,959
Capital assets	14,083	-	14,083
	<u>245,979</u>	<u>3,473,816</u>	<u>3,719,795</u>

	December 31, 2008			
	Canada	Argentina	Colombia	Total
	\$	\$	\$	\$
Current assets	673,907	36,349	3,424	713,680
Mineral property interests	-	3,377,956	-	3,377,956
Capital assets	24,063	-	-	24,063
	<u>697,970</u>	<u>3,414,305</u>	<u>3,424</u>	<u>4,115,699</u>

10. SUPPLEMENTARY CASH FLOW INFORMATION

	Three Months Ended		Nine Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
		Restated – Note 3		Restated – Note 3
Change in non-cash working capital				
Amounts receivable	(26,419)	19,630	(28,276)	7,908
Prepaid expenses	35,620	4,514	(31,214)	(6,616)
Accounts payable	16,351	(78,599)	(22,839)	29,817
	<u>25,552</u>	<u>(54,455)</u>	<u>(82,329)</u>	<u>31,109</u>

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11. SUBSEQUENT EVENT

On November 9, 2009 the Company completed a non-brokered private placement consisting of 5,500,000 units at a price of \$0.22 per unit for gross proceeds of \$1,210,000. Each Unit consisted of one common share and one 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 \$0.30 per share for two years. The securities are subject to a 4 month hold period. Finders' fees were 311,093 common shares and 381,796 warrants that are exercisable at a price of \$0.30 per share for two years.