BLUE SKY URANIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2009

Background

The following management discussion and analysis of the financial position and results of operation is prepared as of November 26, 2009 and should be read in conjunction with the Company's unaudited interim consolidated financial statements for the three and nine months ended September 30, 2009 and the audited annual consolidated financial statements and related notes for the years ended December 31, 2008 and 2007. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at www.sedar.com .

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.

Future Outlook

On July 7, 2008, the Company acquired all issued and outstanding common shares of Argentina Uranium Corp. ("AUC"), a private mining exploration company, for consideration of 8,295,000 common shares at a fair value of $0.29 per share, thereby gaining control of over a 500,000 plus hectare uranium land package in Argentina. With this acquisition, the Company has become one of the largest uranium explorers in Argentina.

The Company is dedicated to actively exploring the Patagonia region of Argentina for economic mineral deposits.

Company Overview

The consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred significant losses and negative cash flow from operations since inception. The Company has funded operations through equity financings and will likely require future equity financings in order to continue as a going concern. Management intends to fund the Company's future cash requirements either through equity financings or the sale of assets. There can be no assurance that future financing can be successfully concluded. These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported income and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company was incorporated under the Business Corporations Act (British Columbia) on November 30, 2005 as Mulligan Capital Corp. The Company's registered and head office is located at Suite 709, 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

On February 27, 2008, the Company entered into a Letter of Agreement to acquire 100% of the shares of AUC, thereby gaining control of over a 500,000 plus hectare uranium land package in Argentina. With this acquisition, the Company intends to become one of the largest uranium explorers in Argentina. On July 7, 2008, the Company completed the acquisition of 100% of the shares of AUC by issuing 8.295 million shares at a deemed price of $0.29 per share.

The Company has incorporated an Argentinean subsidiary Minera Cielo Azul S.A., Blue Sky Uranium (BVI) in the British Virgin Islands and Blue Sky (BVI) Uranium Corp. (Colombia). With the acquisition of AUC the Company has an Argentinean subsidiary called Desarrollo de Inversiones S.A.

Properties

Argentina

Argentinean Properties

With the acquisition of Argentina Uranium in 2008, the Company gained control of a land package of more than 500,000 hectares in Argentina. The acquisition followed a review of Argentina Uranium's properties and a geophysical airborne survey of 3,000km^2 of claims in 2007. The survey identified highly anomalous zones of uranium mineralization in the Santa Barbara and Anit properties, both located in the Rio Negro Province of Argentina.

Exploration programs at the Santa Barbara and Anit projects revealed two types of uranium mineralization in a near-surface horizon of uranium 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 23.8 million pound Lake Maitland deposit coming into production by Mega Uranium Ltd. and to the 74 million pound Langer Heinrich deposit in Namibia.

In the third quarter of 2009 the Company entered into an agreement in principle with the Minister Responsible for State Companies in the Province of Rio Negro, Argentina. In the agreement, the Province of Rio Negro, commits to provide technical advice and put forth their best effort to facilitate the advancement and the development of mining projects implemented at the production stage. In order to promote proper development of mining activities in Rio Negro, the Province will jointly form with the Grosso Group Management Ltd. ("Grosso Group"), a mutually beneficial strategy for an association of public and private capital whose objective is the development of mining projects. This strategic alliance with the Government of Rio Negro demonstrates their 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 strongly committed to developing projects in the Province in conformity and in co-operation with local communities and the Government of Rio Negro.

Santa Barbara Property

The 60,000 hectare Santa Barbara property is located in the Province of Rio Negro, in the northern portion of the Patagonia region of Argentina.

The Santa Barbara property hosts Triassic-Jurassic igneous and volcaniclastic units that are overlain by sub-horizontal, Cretaceous continental sedimentary rocks. Tertiary basaltic flows partially cover the Mesozoic rocks. In general, the topography is flat with scarce and small hills interrupted by basalt plateaus. The region is semi-desert and it is characterized by sparse scrub vegetation. The uranium mineralization identified to date on the Santa Barbara property is hosted by flat lying continental fluvial Upper Cretaceous calcite-cemented conglomerate and sandstone interlayered between limonitic mudstones with high gypsum contents and is being interpreted as a calcrete paleochannel type uranium occurrence similar in style to known deposits in Namibia and Western Australia.

In 2007, the Company completed a phase I reconnaissance sampling and scintillometer surveying program on the Santa Barbara property, confirming information provided by Argentina Uranium. In the initial discovery area grab samples returned grades up to 13,400 ppm U.   The 2007 airborne survey identified three northeast trending zones of uranium mineralization, approximately 11 km, 6.5km and 5km in length and varying up to 1 km in width.

The 2008 exploration program was carried out on the three radiometric anomalies identified in the 2007 airborne survey. The program included augur and conventional soil and rock sampling, scintilometer surveys, radon gas surveys and geological mapping. A horizon of bright-yellow mineralization occurring in a flat lying “sheet” was defined in the northwest sector of Santa Barbara and a new linear trend of mineralization located 2 km northwest of the known anomalies was identified. Radon survey data completed over the three anomalous zones of uranium do correspond well to those of the airborne survey.

In the second and third quarter of 2009, the Company carried out surface exploration which also focused on the three parallel radiometric anomalies identified from the airborne survey, as well as an overall geological evaluation of the project   In total, 90 shallow hand auger holes and pits were completed with a combined strike length of approximately 14km. From this very broad scale sampling several mineralized zones were detected (maximum value of 727 ppm U from a 0.5m sample). Although many mineralized assays were received, thicknesses are generally 0.5m or 1.0m. The Company is continuing to prospect and sample the large Santa Barbara concession to identify zones with higher grades and increased thicknesses.

Anit Property

The Anit Property lies to the south of, and is contiguous with, the Santa Barbara Property in the Province of Rio Negro, Argentina.

The 2007 airborne radiometric survey over the Anit project identified a 15 kilometre long and up to 1.5 kilometre wide uranium anomaly. The Company's technical teams followed up the anomaly and immediately located several rock samples with visible uranium mineralization along a freshly graded gravel road that intersects a portion of the anomaly. The Anit project has had no prior exploration history and represents a brand new grassroots uranium discovery.

In 2008, five pits were hand-excavated within strong uranium-channel anomalies identified by the airborne radiometric survey. Yellow uranium-vanadium mineralization was most-concentrated in 10 to 20 cm layers exposed on the sides of the pits. In all cases uranium mineralization persists at least to the depth of the hand-excavated pits.

During the second and third quarter of 2009, the Company carried out a surface exploration program to follow up on the 2008 surface work. In total 123 pits were hand excavated and 588 samples were analyzed. For descriptive purposes, the 15 km long airborne uranium anomaly has been subdivided into the West, Central and East zones. The work completed to date concentrated on the Western and Central zones with a total of 109 pits excavated of which 83 pits encountered mineralization. The average grade of the 280 samples taken from the 83 pits over the 6 kilometre strike length was 0.045% U_3O_8 (379 ppm U) and 475 ppm V with an average recorded mineralized interval of 1.7 meters from surface. This surface exploration clearly defines a paleochannel/lake system that is mineralized over at least 6km of strike length. Of the 83 pits containing uranium-vanadium mineralization approximately 60% are open to depth, bottoming in mineralization. The depth extent of the uranium-vanadium mineralization is uncertain due the limitations in hand digging test pits. The Eastern Zone, located 8 km east along strike of the Central Zone, is interesting in that uranium mineralization there is hosted in sediments and channel deposits approximately 25m stratigraphically below the Western and Central Zone mineralization. This suggests that there maybe considerable potential for depth-continuity of the uranium mineralization in the West and Central zones.

More recent exploration activity on the Anit project included hand augering from the base of previously hand excavated pits to further test the vertical extent of mineralization. Auger holes were completed on 41 selected pits covering all areas of the Anit West and Central zones. Prior to this augering program average pit depth was 2.2m, with a maximum depth of 3.1m. In the auger program the average extension of sampling was 1.1m, to bring average depth to 3.3m for 41 pits, with a maximum depth of sampling 6.5m depth. Samples have been sent for assays and the results will be released when they are available.

The Company's exploration team has also completed a radon gas survey, density determinations and metallurgical sampling. Seven radon gas lines totaling 65km (5 x 10km, 1 x 8km and 1 x 7km), with radon detector cups spaced every 100m, and scintolometer cps recordings every 50m, were completed on the Anit 1 and 2 properties. Approximately 650 radon gas detection points were completed. Results from this survey are currently being evaluated and plotted. Five pits (0.5 x 0.25 x 2m) were excavated measured and weighed for density calculations returning an average density 1,361 kg/m3 and nine bulk samples (average 40kg) from representative pits were collected for metallurgical testing.

The Company has now filed for drill permits as it prepares for expanding its exploration activity on the ANIT project and within the region.

The 2008 and 2009 exploration programs on the Company's Argentinean properties were carried out under the direction of Bruce Smith, AusIMM, Exploration Manager and a Qualified Person as defined by National Instrument 43-101. Analyses for the 2009 sampling were performed by Alex Stewart Assayers, in Mendoza Argentina, an internationally recognized analytical services provider, by means of Inductively Coupled Plasma Mass Spectrometry following a four acid digestion (ICP-AR). The samples collected from the pits were 0.5 or 0.6 metre composites taken from four channel samples (one on each pit wall face). The four samples were mixed, then split, with a 1kg sample sent to Alex Stewart Assayers. The remaining sample material was retained in storage on the project site for future use and reference. Blank, duplicate, and internal company standard samples were inserted into the sample sequence sent to the lab for quality assurance/quality control (QA/QC) purposes. In total, 76 quality control samples (12.9% of all 588 samples) were analyzed. The Company detected no significant QA/QC issues during review of the data.

Selected Financial Data and Third Quarter Discussion

The following selected financial information is derived from the unaudited interim financial statements of the Company prepared in accordance with Canadian GAAP.

	Three Months Ended							
	2009			**2008 (Restated)**				**2007 (Restated)**
	Sep. 30 $	**Jun. 30 $**	**Mar. 31 $**	**Dec. 31 $**	**Sept. 30 $**	**Jun. 30 $**	**Mar. 31 $**	**Dec. 31 $**
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(475,440)	(568,348)	(265,115)	(464,822)	(505,454)	(1,907,970)	(730,646)	(592,047)
Net Loss per Common Share Basic and Diluted	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.07)	(0.03)	(0.04)

For the three months ended September 30, 2009, the Company recorded a net loss of $475,440, a decrease in loss of $30,014 from the net loss of $505,454 in the three months ended September 30, 2008. The decrease in loss is primarily a result of:

(i) Consulting fees decreased by $25,909 to $15,018 in the 2009 period compared to $40,927 in the 2008 period mainly due the consultants from 2008 no longer being used in the 2009 period.

(ii) Exploration expenses decreased to $197,299 in the 2009 period compared to $220,660 in the 2008 period as the Company has significantly focused its exploration primarily on low-cost surface programs in Argentina. In the 2008 period the Company was still actively exploring on the Karin Lake and Eagle Lake properties and also exploring in Colombia.

(iii) Salaries and employee benefits decreased to $59,041 in the 2009 period compared to $114,521 in the 2008 period as a result of laying off employees in late 2008 and early 2009. Salaries include an allocation of fees from Grosso Group Management Ltd. ("Grosso Group").

(iv) Stock-based compensation increased to $82,765 in the 2009 period compared to $Nil in the 2008 period as a result of the Company granting stock options to directors, employees and consultants to acquire 700,000 common shares of the Company.

Summary of Financial Results

For the nine months ended September 30, 2009, the Company reported a consolidated loss of $1,308,903 ($0.03 per share), a decrease of $1,835,167 from the loss of $3,144,070 ($0.15 per share) for the nine months ended September 30, 2008. The decrease in the loss in 2009 period, compared to the 2008 amount, was due to a number of factors of which $867,195 can be attributed to decreases in operating expenses and a $967,972 increase in other income items.

The Company's operating expenses for the nine months ended September 30, 2009 were $1,338,579, a decrease of $867,195 from $2,205,774 in the 2008 period as a result of the following:

(i) Consulting fees decreased by $65,840 to $25,518 in the 2009 period compared to $91,358 in the 2008 period mainly due the consultants from 2008 no longer being used in 2009.

(ii) Corporate development and investor relations decreased by $140,126 to $56,546 in the 2009 period compared to $196,672 in the 2008 period mainly due to decreased costs associated with advertising and attendance at investor conferences.

(iii) Exploration expenses decreased to $446,339 in the 2009 period compared to $1,079,451 in the 2008 period as the Company has significantly focused its exploration primarily on low-cost surface programs in Argentina. In the 2008 period the Company was still actively exploring on the Karin Lake and Eagle Lake properties and also exploring in Colombia.

(iv) Professional fees decreased by $59,086 to $80,470 in the 2009 period compared to $139,556 in the 2008 period as the Company incurred significant professional fees in the 2008 period that related to the acquisition of AUC.

(v) Salaries and employee benefits decreased to $236,582 in the 2009 period compared to $373,699 in the 2008 period as a result of laying off employees in late 2008 and early 2009. Salaries include an allocation of fees from Grosso Group Management Ltd. ("Grosso Group").

(vi) Stock-based compensation increased to $278,386 in the 2009 period compared to $19,010 in the 2008 period as a result of the Company granting stock options to directors, employees and consultants to acquire 2,815,000 common shares of the Company in the 2009 period compared to 100,000 options granted in the 2008 period.

During the nine months ended September 30, 2009 the Company capitalized acquisition costs of $10,003 of expenditures on the Villa Regina property and incurred exploration expenditures of $237,077 on Santa Barbara, $208,147 on Anit, and $1,098 on Villa Regina and $17 on other properties in Argentina.

<u>Liquidity and Capital Resources</u>

The Company's cash position at September 30, 2009 was $164,245 a decrease of $455,417 from the December 31, 2008 balance of $619,662. Total assets decreased to $3,719,795 at September 30, 2009 from $4,115,699 at December 31, 2008. This decrease is mainly due to the decrease in cash, which was used for operations during the period.

As of November 26, 2009 the Company had working capital of approximately $1,150,000. The Company does not consider that it has adequate resources to maintain its ongoing operations and current property commitments for the ensuing year and as a result will require additional financings. 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 the Americas. 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.

The Company has financed its operations through the sale of its equity securities. During the nine months ended September 30, 2009, 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 issuance 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.

Subsequent to September 30, 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 four 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.

The Company has received $Nil from the exercise of warrants from January 1, 2009 to September 30, 2009 (2008 - $14,278). No options were exercised in the 2009 or 2008 periods.

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.

Operating Cash Flow

Cash outflow from operating activities was $1,102,866 for the nine months ending September 30, 2009 compared to $2,133,931 for the 2008 period. The decrease is due to decreased activities and a reduction in overhead expenses in the 2009 period.

Financing Activities

For the nine months ended September 30, 2009 the Company received $700,000 from a private placement less share issuance costs of $42,548. For the nine months ended September 30, 2008 the Company received $1,103,100 from private placements less share issue costs of $153,638 and $14,278 from the exercise of agent's warrants.

Investing Activities

For the nine months ended September 30, 2009 investing activities required cash of $10,003 for expenditures on mineral property interests. For the nine months ended September 30, 2008 the Company generated cash of $1,431,377 a result of a reduction to short-term investments, partially offset by expenditures on mineral property interests and purchase of equipment.

Related Party Transactions.

a) Effective March 1, 2007 the Company engaged Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA Exploration Inc. ("IMA") 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 IMA 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 IMA to pay a monthly fee for the services provided IMA's Chief Executive Officer. For the nine months ended September 30, 2009, the Company paid $Nil (2008 - $10,000) to IMA for the services. This agreement was terminated on June 30, 2008.

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.

Contractual Commitments

As of September 30, 2009, the Company had no commitments, other than the commitment with the Grosso Group discussed above in "Related Party Transactions".

Critical Accounting Estimates and Recent Accounting Pronouncements

The preparation of financial statements in conformity with Canadian GAAP 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 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 3 of the Company's consolidated financial statements for the year ended December 31, 2008. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Mineral Property Interests

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

When a property is placed in commercial production, acquisition costs will be depleted using the units-of-production method. Management periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the acquisition costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value.

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 relating 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.

The Company accounts for foreign value added taxes paid as part of general exploration. The recovery of these taxes will commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a reduction in general exploration expense.

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.

Recent Accounting Pronouncements

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.

(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 then yet.

International Financial Reporting Standards

We have been monitoring the deliberations and progress being made by accounting standard setting bodies and securities regulators in Canada and United States with respect to their plans regarding convergence to International Financial Reporting Standards ("IFRS"):

- In February 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however, exemptive relief requires approval of the Canadian Securities Administrators.

- In August 2008, the Securities and Exchange Commission of the United States announced that it would seek public comments on a proposed roadmap for the potential mandatory adoption of IFRS beginning in 2014 for large accelerated filers, accelerated filers in 2015 and then remaining public companies in 2016.

In preparation for the changeover from GAAP to IFRS, we commenced the planning process during the second quarter of 2009. Specific initiatives are underway and others have been planned for the transitioning from GAAP to IFRS. Current status of the project is as follows:

Resources

- We have retained the service of a major public accounting firm to provide technical and process management assistance for the project.
- We will continue to invest in training and resources to ensure a timely and effective conversion.

Process

- A diagnostic assessment of the key impact areas has been completed.
- A detailed assessment of accounting and measurement differences between IFRS and Canadian GAAP on current accounting policies, as well as new policies anticipated to be implemented as we transition to a producer, is currently underway.
- Initial findings and observations from the work completed to date will serve as an input in establishing the key parameters to develop solutions during the design phase of the project.
- A high-level impact assessment of IFRS conversion on our IT systems and tax processes is underway.
- Our audit committee is monitoring our progress and is kept informed of issues identified.
- Our external auditor is advised of the progress status and issues identified.

We anticipate that there will be changes in accounting policies and these changes may materially impact our financial statements.

Financial Instruments

The Company's financial instruments as at September 30, 2009 consist of cash, amounts receivable and accounts payable and accrued liabilities. For discussion of the valuation of these financial instruments for financial reporting purposes, refer to the Critical Accounting Estimates and Recent Accounting Pronouncements section above.

Risk Factors

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.

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. With regards to the Company's Argentinean properties it is still in the process of some of the concessions being granted.

Metal Price Risk: The Company's portfolio of properties has exposure predominantly to uranium. The price of this resource greatly affects the value of the Company and the potential value of its properties 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 Argentina. 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.

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.

Interest rate risk: Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to significant interest rate risk because of their current nature.

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 in which the Company is registered exempted Venture Issuer from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is now required to file basic certificates, which it has done for the year ended December 31, 2008. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at September 30, 2009.

Investor Relations Activities

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.

Outstanding Share Data

The Company's authorized share capital is an unlimited number of common and preferred shares without par value. As of September 30, 2009, there were 44,820,000 outstanding common shares and 4,380,000 stock options, which were outstanding and exercisable, with exercising prices ranging between $0.10 and $1.00. In addition, there were 16,822,425 warrants outstanding, with exercise prices ranging between $0.18 and $0.40.

As of November 26, 2009, there were outstanding 51,716,925 common shares, 4,415,000 stock options and 21,667,993 warrants or Agent's Options.