BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Blue Sky Uranium Corp.

We have audited the accompanying consolidated financial statements of Blue Sky Uranium Corp., which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations and deficit, and statements of cash flows and statements of in shareholders' equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Blue Sky Uranium Corp. as at December 31, 2010, and 2009, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.
March 14, 2011

"D&H Group LLP"
Chartered Accountants

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31
(See Note 1 – Nature of Operations and Going Concern)
(Expressed in Canadian Dollars)

	2010 $	2009 $
A S S E T S		
CURRENT ASSETS		
Cash	2,211,634	1,334,398
Amounts receivable	39,541	13,227
Prepaid expenses (Note 8)	177,100	286,327
TOTAL CURRENT ASSETS	2,428,275	1,633,952
DEPOSIT (Note 8)	60,000	50,000
EQUIPMENT (Note 4)	9,277	-
MINERAL PROPERTY INTERESTS (Note 3)	3,465,797	3,396,203
TOTAL ASSETS	5,963,349	5,080,155
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	210,281	198,381
TOTAL LIABILITIES	210,281	198,381
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL		
Authorized – Unlimited common shares without par value (Note 5)		
Issued and outstanding - 78,969,396 (December 31, 2009 – 52,435,426) common shares	16,081,510	10,231,995
WARRANTS (Note 5 and 7)	855,115	808,526
CONTRIBUTED SURPLUS (Note 6)	2,233,217	1,668,765
DEFICIT	(13,416,774)	(7,827,512)
TOTAL SHAREHOLDERS' EQUITY	5,753,068	4,881,774
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	5,963,349	5,080,155

COMMITMENT (Note 11)
SUBSEQUENT EVENT (Note 14)

APPROVED BY THE BOARD

"Sean Hurd" , Director

"Ron McMillan" , Director

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31

(Expressed in Canadian Dollars)

	2010 $	2009 $
EXPENSES		
Accounting and audit	65,799	56,081
Amortization	843	9,980
Corporate development and investor relations	287,755	98,062
Exploration (Note 3)	3,191,735	635,363
Management fees	388,855	-
Office and sundry	186,728	125,274
Professional and consulting fees	287,680	101,066
Rent, parking and storage	117,447	60,493
Salaries and employee benefits	225,012	320,270
Stock-based compensation (Note 6)	668,332	545,423
Transfer agent and regulatory fees	54,891	35,767
Travel	96,022	70,535
LOSS BEFORE OTHER ITEMS	5,571,099	2,058,314
OTHER INCOME (EXPENSE)		
Foreign exchange	(18,390)	(26,101)
Interest income	227	6,030
Loss on write-off of equipment	-	(14,083)
Expense recovery (Note 8)	-	170,000
TOTAL OTHER INCOME (EXPENSE)	(18,163)	135,846
LOSS BEFORE INCOME TAX RECOVERY	(5,589,262)	(1,922,468)
INCOME TAX RECOVERY (Note 9)	-	771,421
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(5,589,262)	(1,151,047)
DEFICIT - BEGINNING OF YEAR	(7,827,512)	(6,676,465)
DEFICIT - END OF YEAR	(13,416,774)	(7,827,512)
BASIC AND DILUTED LOSS PER COMMON SHARE	(0.09)	(0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	65,537,605	43,450,067

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2010 $	2009 $
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Net loss and comprehensive loss for the year	(5,589,262)	(1,151,047)
Items not affecting cash:		
Amortization	843	9,980
Stock-based compensation	668,332	545,423
Write-off of equipment	-	14,083
Income tax recovery	-	(771,421)
	(4,920,087)	(1,352,982)
Change in deposit	(10,000)	-
Change in non-cash working capital balances:		
Amounts receivable	(26,314)	(199,210)
Prepaid expenses	109,227	(56,326)
Accounts payable and accrued liabilities	11,900	41,905
Net cash used in operating activities	(4,835,274)	(1,566,613)
INVESTING ACTIVITIES		
Acquisition of equipment	(10,120)	-
Acquisition costs on mineral property interests	(69,594)	(18,247)
Net cash used in investing activities	(79,714)	(18,247)
FINANCING ACTIVITIES		
Issuance of common shares and warrants	2,582,250	1,910,000
Exercise of warrants and options	3,343,701	492,179
Share issuance costs	(133,727)	(102,583)
Net cash provided by financing activities	5,792,224	2,299,596
INCREASE (DECREASE) IN CASH	877,236	714,736
CASH - BEGINNING OF YEAR	1,334,398	619,662
CASH - END OF YEAR	2,211,634	1,334,398

SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS
(Note 12)

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(Expressed in Canadian Dollars)

	Number of Common Shares	Amount of Common Shares (Note 5) $	Contributed Surplus (Note 6) $	Warrants (Note 7) $	(Accumulated Deficit) $
Balance as at December 31, 2008	37,820,000	8,576,180	554,893	733,195	(6,676,465)
Private placement	12,500,000	1,167,221	-	742,779	-
Share issue costs	-	(224,611)	-	-	-
Warrant issue costs	-	-	-	(120,285)	-
Stock-based compensation	-	-	545,423	-	-
Warrants expired	-	-	439,340	(439,340)	-
Warrants exercised	1,513,784	541,337	-	(107,823)	-
Stock options exercised	290,549	87,873	(29,209)	-	-
Agent's commission	311,093	83,995	158,318	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(1,151,047)
Balance as at December 31, 2009	52,435,426	10,231,995	1,668,765	808,526	(7,827,512)
Private placement	10,329,000	2,143,777	-	438,473	-
Share issue costs	-	(189,462)	-	-	-
Stock-based compensation	-	-	668,332	-	-
Warrants expired	-	-	9,464	(9,464)	-
Warrants exercised	15,119,970	3,631,856	-	(438,155)	-
Stock options exercised	1,085,000	263,344	(113,344)	-	-
Agent's warrants	-	-	-	55,735	-
Net loss and comprehensive loss for the year	-	-	-	-	(5,589,262)
Balance as at December 31, 2010	78,969,396	16,081,510	2,233,217	855,115	(13,416,774)

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Expressed in Canadian Dollars)

	Argentina			
	Santa Barbara $	**Anit** $	**Other** $	**Total** $
ACQUISITION COSTS				
BALANCE - BEGINNING OF YEAR	1,045,065	1,248,533	1,102,605	3,396,203
Staking fees	791	15,052	53,751	69,594
BALANCE - END OF YEAR	1,045,856	1,263,585	1,156,356	3,465,797
EXPLORATION EXPENDITURES				
CUMULATIVE COSTS EXPENSED - BEGINNING OF YEAR	707,790	373,859	4,837	1,086,486
EXPLORATION EXPENDITURES DURING THE YEAR:				
Assays	12,658	186,654	2,308	201,620
Drilling	-	246,154	-	246,154
Geophysics	-	731,421	-	731,421
IVA taxes	10,684	233,936	2,872	247,492
Office	70,276	149,634	9,792	229,702
Salaries and contractors	12,367	836,404	9,143	857,914
Supplies and equipment	539	536,077	8,398	545,014
Transportation	31,261	96,663	4,494	132,418
	137,785	3,016,943	37,007	3,191,735
CUMULATIVE COSTS EXPENSED - END OF YEAR	845,575	3,390,802	41,844	4,278,221

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS

FOR THE YEAR ENDED DECEMBER 31, 2009

(Expressed in Canadian Dollars)

	Argentina			
	Santa Barbara $	**Anit** $	**Other** $	**Total** $
ACQUISITION COSTS				
BALANCE - BEGINNING OF YEAR	1,045,065	1,240,001	1,092,890	3,377,956
Staking fees	-	8,532	9,715	18,247
BALANCE - END OF YEAR	1,045,065	1,248,533	1,102,605	3,396,203
EXPLORATION EXPENDITURES				
CUMULATIVE COSTS EXPENSED - BEGINNING OF YEAR	404,412	45,783	928	451,123
EXPLORATION EXPENDITURES DURING THE YEAR:				
Assays	36,450	13,572	-	50,022
IVA taxes	20,518	22,188	264	42,970
Office	157,274	157,516	3,390	318,180
Salaries and contractors	19,635	69,949	233	89,817
Supplies and equipment	41	12,596	-	12,637
Transportation	69,460	52,255	22	121,737
	303,378	328,076	3,909	635,363
CUMULATIVE COSTS EXPENSED - END OF YEAR	707,790	373,859	4,837	1,086,486

1. NATURE OF OPERATIONS AND GOING CONCERN

Blue Sky Uranium Corp. (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.

The amounts shown as mineral property interests represent costs incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral property interests is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to advance the properties beyond the exploration stage, and future profitability of the properties.

The Company has experienced recurring operating losses and has accumulated an operating deficit of $13,416,774 at December 31, 2010 (December 31, 2009 - $7,827,512) and shareholders' equity of $5,753,068 at December 31, 2010 (December 31, 2009 – $4,881,774). In addition, the Company had working capital of $2,217,994 at December 31, 2010 (December 31, 2009 –$1,435,571). 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. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management's plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements and accompanying notes have been prepared in conformity with Canadian generally accepted accounting principles ("GAAP").

These consolidated financial statements include the accounts of the Company and its wholly-owed subsidiaries Blue Sky BVI Uranium Corp., Blue Sky BVI Uranium Corp. (Columbia), Minera Cielo Azul S.A. (Argentina), Argentina Uranium Corp., and Desarrollo de Inversiones S.A. (Argentina). All inter-company transactions and balances have been eliminated upon consolidation.

Cash and cash equivalents

Cash and cash equivalents include short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Company places its deposits with financial institutions with high credit standings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over their estimated useful lives of two years.

Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2010 the Company does not have any asset retirement obligations.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment when changes in circumstances suggest their carrying value has become impaired. Management considers long-lived assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the long-lived asset and its eventual disposition. If impairment is deemed to exist, the long-lived assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Where estimates of future net cash flows are not available and where other conditions suggest impairment, management assesses whether the carrying value can be recovered. If an impairment is identified, the carrying value of the long-lived asset is written down to its estimated fair value.

Mineral Property Interests

Exploration expenditures are charged to earnings as they are incurred until the property reaches their development stage. All direct costs related to the acquisition of mineral 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.

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, the acquisition costs are written-off. If its carrying value has been impaired, 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 expenses when incurred. The recovery of these taxes may commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a recovery of exploration expenses at that time.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Stock-based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of stock-based compensation is charged to expense over the period that it is earned, with offsetting amounts to contributed surplus. If the stock-based compensation is for past services, it is expensed immediately. If the stock-based compensation is forfeited, no amounts are charged to expense. If stock options are exercised then the fair value of the options is reclassified from contributed surplus to share capital.

Translation of Foreign Currencies

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at rates approximating the exchange rate at the transaction date except for depreciation and amortization which are translated at historical rates. The resulting gains or losses are reflected in operating results in the period of translation.

Income Taxes

The Company uses the asset and liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Comprehensive income (loss)

The Company follows CICA Handbook Section 1530, "Comprehensive Income". This Section represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments, and changes in the fair market value of derivative instruments designated as cash flow hedges. Amounts included in other comprehensive income are shown net of tax. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented (if applicable) as a separate category of shareholders' equity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The Company follows the treasury stock method in the calculation of diluted earnings per share. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Since the Company has losses, the exercise of outstanding stock options and warrants has not been included in this calculation as it would be anti-dilutive. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Notes 6 and 7.

Valuation of equity units issued in private placements

The Company has adopted a pro rata basis method with respect to the measurement of shares and warrants issued as private placement units. The pro rata basis method required each component to be valued at fair value and an allocation of the total proceeds received based on the pro rata relative values of the components. The fair value of the common shares is based on the closing price on the issue date and the fair value of the warrants is determined at the issue date using the Black- Scholes pricing model. The fair value attributed to the warrants is recorded in warrant equity.

Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation. The accounts affected were prepaid expenses and deposit.

Management Estimates and Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Significant estimates include assumptions used in the determination of the fair value of stock-based compensation and warrants, the basis of impairment of mineral property interests and equipment, allocation of costs to mineral property interest, asset retirement obligations, expected tax rates and assumptions for future income tax provision, fair values of financial instruments and useful lives for amortization of equipment. Actual results could differ from those estimates.

Financial Instruments

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available-for-sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available-for-sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company has designated its financial instruments as follows:

(i) Cash is classified as *"Held-for-trading",* and recorded at fair value with changes in fair value recorded in the statement of operations.
(ii) Amounts receivable and deposits are classified as *"Loans and Receivables"*. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
(iii) Accounts payable and accrued liabilities are classified as "*Other Financial Liabilities*." These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

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 adoption of Sections 1601 and 1602 is not expected to have a material impact on the Company's consolidated financial statements. Whether the Company will be materially affected by the new recommendations of IFRS 3 (Section 1582) will depend on the specific facts of business combinations, if any, occurring subsequent to January 1, 2011.

(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 has evaluated the differences between Canadian GAAP and IFRS and has determined that there are no material differences for all the items appearing in the Company's balance sheet and income statement from what has been recorded under Canadian GAAP.

3. MINERAL PROPERTY INTERESTS

The schedule below summarizes the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at December 31, 2010 and December 31, 2009:

	December 31, 2010		December 31, 2009	
	Acquisition Costs $	Exploration Expenditures $	Acquisition Costs $	Exploration Expenditures $
Argentina				
Anit	1,263,585	3,390,802	1,248,533	373,859
Santa Barbara	1,045,856	845,575	1,045,065	707,790
Other	1,156,356	41,844	1,102,605	4,837
	3,465,797	4,278,221	3,396,203	1,086,486

a) Anit Property

The Company owns a 100% interest in the 128,689 hectare Anit uranium property, which lies to the south of, and is contiguous with, the Santa Barbara Property in the Province of Rio Negro, Argentina.

b) Santa Barbara Property

The Company has a 100% interest in the 60,000 hectare Santa Barbara uranium property in the Province of Rio Negro, located in the northern Patagonia region of Argentina.

(Expressed in Canadian Dollars)

4. EQUIPMENT

	December 31, 2010			December 31, 2009			
	Cost $	Accumulated Depreciation $	Net Book Value $	Cost $	Accumulated Depreciation $	Write Off $	Net Book Value $
Geological equipment	10,120	843	9,277	37,000	25,143	(11,857)	-
Computer equipment	-	-	-	8,113	5,887	(2,226)	-
	10,120	843	9,277	45,113	31,030	(14,083)	-

5. SHARE CAPITAL

At December 31, 2010, the Company had unlimited authorized common shares without par value. At December 31, 2010, an aggregate of 78,969,396 common shares were issued and outstanding.

In May 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 $700,000 less 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.

In November 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 less cash related share issue costs of $60,035. Non-cash related share issue costs of $242,313 were also incurred on this private placement. 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.

In September 2010, the Company completed a non-brokered private placement consisting of 10,329,000 units at a price of $0.25 per unit for gross proceeds of $2,582,250. Each unit consisted of one common share and one-half 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 $0.35 per share for two years. Finders' fees were $133,727 of cash and 534,310 warrants that are exercisable at a price of $0.35 per share for two years having a fair value of $55,735. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 1.25%, expected stock price volatility – 110%, dividend yield of 0%, and expected warrant life in years – 1.4.

6. STOCK OPTIONS

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the grant date, less allowable discounts in accordance with the policies of the TSX Venture Exchange. Stock options granted vest immediately and are subject to a four-month hold period and exercisable for a period of five years.

(Expressed in Canadian Dollars)

6. STOCK OPTIONS (continued)

Stock option transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price $
Balance at December 31, 2008	1,635,000	0.40
Granted	3,625,000	0.25
Exercised	(190,000)	0.15
Expired	(70,000)	0.49
Balance at December 31, 2009	5,000,000	0.30
Granted	3,520,000	0.28
Exercised	(1,085,000)	0.14
Expired	(345,000)	0.89
Balance at December 31, 2010	7,090,000	
Number of stock options exercisable	7,090,000	

At December 31, 2010, the following stock options were outstanding and exercisable as follows:

Number of Shares Outstanding and Exercisable	Exercise Price ($)	Expiry Date
700,000	0.10	June 28, 2011
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
725,000	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
7,090,000		

Total stock options granted during the year ended December 31, 2010 were 3,520,000 (year ended December 31, 2009 – 3,625,000). Stock options granted vest immediately but are subject to a four month hold period. Total stock-based compensation recognized for the fair value of stock options granted, vested and approved by the shareholders during the year ended December 31, 2010 was $668,332 (year ended December 31, 2009 – $545,423).

(Expressed in Canadian Dollars)

6. STOCK OPTIONS (continued)

The weighted average fair value of stock options granted is estimated to be $0.18 for the year ended December 31, 2010 (year ended December 31, 2009 – $0.15) by using the Black-Scholes options pricing model with the following weighted average assumptions:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Risk-free interest	1.39%	0.99%
Expected dividend yield	-	-
Expected stock price volatility	111%	112%
Expected option life in years	2.69	3.0

7. WARRANTS

Share purchase warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price $	Number of agent options	Weighted average exercise price $
Balance at December 31, 2008	11,292,665	0.37	506,760 (1)	0.75
Issued	12,959,434	0.25	-	-
Exercised	(1,513,784)	0.29	(100,549) (1)	0.30
Expired	(1,650,000)	1.30	(327,000) (1)	1.00
Balance at December 31, 2009	21,088,315	0.23	79,211 (1)	0.30
Issued on sale of units	5,698,810	0.35	-	-
Issued on exercise of warrants	39,605 (1)	0.40	-	-
Expired	(332,365)	0.22	-	-
Exercised	(15,040,759)	0.21	(79,211) (1)	0.30
Balance at December 31, 2010	11,453,606		-	-

(1) *Each agent's option was exercisable for one unit until February 5, 2010 at an exercise price of $0.30 per agent's unit. Each agent's unit consisted of one share and one-half of one non-transferable common share purchase warrant. Each agent's warrant was exercisable for one additional share until February 5, 2010 at an exercise price of $0.40 per Share.*

At December 31, 2010, the following warrants were outstanding as follows:

Number of Warrants Outstanding	Exercise Price (CAD$)	Expiry Date
5,754,796	0.30	November 6, 2011
5,698,810	0.35	August 27, 2012
11,453,606		

8. RELATED PARTY TRANSACTIONS

(a) On March 31, 2010, the Company and an arms' length exploration company collectively entered into a sale agreement with an officer and director of the arms' length exploration company 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. During the year ended December 31, 2010, the Company incurred fees of $801,999 (2009 – $446,315) from Grosso Group: $581,999 (2009 - $465,188) was paid in monthly instalments, $nil (2009 - $188,873) is included in prepaid expenses and $60,000 (2009 - $50,000) is included in deposits as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. The $801,999 (2009 – 446,315) incurred fees consisted of $388,855 (2009 - $nil) in management fees, $136,820 (2009 - $100,190) in office and sundry, $117,152 (2009 – 64,827) in rent, parking and storage, $154,673 (2009 – 281,299) in salaries and employee benefits and $4,500 (2009 - $nil) in travel. An officer and director's salary comprise a portion of the fee.

(b) During the year ended December 31, 2010, the Company received $nil (2009 - $170,000) as an allocated expense recovery from the severance of the termination of a Grosso Group member company.

(c) During the year ended December 31, 2010, the Company incurred $45,830 (2009 - $27,774) for consulting services, including travel expenses, provided by a company owned by a director of the Company.

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.

(Expressed in Canadian Dollars)

9. INCOME TAXES

The recovery of income taxes shown in the consolidated statements of operations and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2010	2009
Statutory tax rate	28.50%	30.00%
	$	$
Loss before income taxes	(5,589,262)	(1,922,468)
Provision for (recovery of) income taxes based on statutory Canadian combined federal and provincial income tax rates	(1,592,940)	(576,740)
Non-deductible differences	191,339	243,143
Income tax rate change and differential between Canadian rate and rates applicable to entities in other countries	(46,768)	17,179
Recovery of loss carryforwards	-	(455,003)
Change in valuation allowance	1,448,369	-
	-	(771,421)

Future income taxes reflect the net tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets and liabilities are as follows:

	2010	2009
	$	$
Future income tax assets		
Resource deductions	944,782	739,959
Financing costs	141,191	172,523
Operating loss carryforwards	2,516,834	1,242,167
Capital assets	11,489	11,278
	3,614,296	2,165,927

	2010	2009
	$	$
Future income tax liabilities		
Mineral properties	771,421	771,421
Net future income tax liabilities	771,421	771,421
Net future income tax assets	2,842,875	1,394,506
Valuation allowance for future income tax assets	(2,842,875)	(1,394,506)
	-	-

(Expressed in Canadian Dollars)

9. INCOME TAXES (continued)

As at December 31, 2010, the Company has Canadian non-capital loss carryforwards of $7,001,807 that may be available for tax purposes. The Company's capital losses do not expire and may be carried forward indefinitely. The Company's non-capital losses expire as follows:

Expiry Date	$
2015	6,293
2026	131,664
2027	1,725,188
2028	1,921,813
2029	1,092,852
2030	2,123,997
	7,001,807

At December 31, 2010, the Company had net operating loss carry forwards for Argentina income tax purposes of approximately $106,659 (2009 – $679,641) which, if not utilized to reduce Argentinean taxable income in future periods, expire through the year 2014. These available tax losses may only be applied to offset future taxable income from the Company's current Argentinean subsidiary.

10. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the year ended December 31, 2010.

The Company's total assets are segmented geographically as follows:

	December 31, 2010		
	Canada $	Argentina $	Total $
Current assets	2,262,121	166,154	2,428,275
Deposit	60,000	-	60,000
Equipment	-	9,277	9,277
Mineral property interests	-	3,465,797	3,465,797
	2,322,121	3,641,228	5,963,349

	December 31, 2009		
	Canada $	Argentina $	Total $
Current assets	1,405,132	228,820	1,633,952
Deposit	50,000	-	50,000
Mineral property interests	-	3,396,203	3,396,203
	1,455,132	3,625,023	5,080,155

(Expressed in Canadian Dollars)

11. COMMITMENT

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

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.

12. SUPPLEMENTARY CASH FLOW INFORMATION

	Year ended December 31, 2010 $	Year ended December 31, 2009 $
Non-cash investing and financing activities		
Common shares issued for non-cash consideration	-	83,995
Agent's options issued for non-cash consideration	-	158,318
Share issue costs	55,735	137,056
Warrant issue costs	-	105,257
Interest paid in cash	-	-
Income taxes paid in cash	-	-

13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

As at December 31, 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

As at December 31, 2009 the Company's financial instruments measured at fair value are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash	1,334,398	-	-	1,334,398
Amounts receivable	13,227	-	-	13,227
Deposits	50,000	-	-	50,000
Liabilities				
Accounts payable and accrued liabilities	198,381	-	-	198,381

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 investing its cash in term deposits 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.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due (Note 1). 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 in the table below:

	December 31, 2010			
	10% Increase in the Argentine Peso $	10% Decrease in the Argentine Peso $	10% Increase in the US Dollar $	10% Decrease in the US Dollar $
Increase (decrease) in net loss	(4,993)	4,993	15,139	(15,139)
Increase (decrease) in comprehensive loss	-	-	-	-
Net loss and comprehensive loss	(4,993)	4,993	15,139	(15,139)

(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.

13. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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.

14. SUBSEQUENT EVENT

200,000 options were exercised for gross proceeds of $20,000 and 10,000 options expired.