

# **BLUE SKY URANIUM CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND SIX MONTHS ENDED JUNE 30, 2009**

### **Background**

The following discussion of the operating results and the financial position of Blue Sky Uranium Corp. (the "Company") which have been prepared on the basis of available information up to August 3, 2010, should be read in conjunction with the annual audited consolidated financial statement and notes thereto of the Company for the years ended December 31, 2009 and 2008 and the unaudited consolidated financial statements and the notes thereto of the Company for the interim periods ended June 30, 2010 and 2009. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The discussion also provides an indication of future developments along with issues and risks that can be expected to impact future operations. There is no guarantee of future performance as actual results could change based on factors beyond management's control. Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at [www.sedar.com](http://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.

### **Company Overview**

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

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company's material mineral property interest is located in the Argentina. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proven reserves on any of its properties.

## **Properties**

### ***Argentina***

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<sup>2</sup> 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 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 volcanoclastic 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, scintillometer 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 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 over a combined strike length of approximately 14km. From this 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 channel anomaly. The Company's technical team 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 mostly concentrated in 10 to 20 cm layers exposed on the sides of the pits. In all cases uranium mineralization persisted at least to the depth of the hand-excavated pits, ranging in depth from one metre to four metres.

During the second and third quarters 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 was subdivided into the West, Central and East zones. In the Western and Central zones a total of 109 pits were 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 defined a paleochannel/lake system that is mineralized over at least 6km of strike length. Of the 83 pits containing uranium-vanadium mineralization approximately 60% were open to depth, bottoming in mineralization.

In the fourth quarter of 2009 the Company carried out hand augering from the base of previously hand excavated pits on ANIT 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 of 6.5m. Of the 41 pits selected for augering, 29 had previously encountered mineralization greater than 1m at 0.005% (50 ppm) U. In 20 of these pits (34 samples) the mineralization was extended between 0.5 and 2.8m with average extension of 0.85m at 0.032 %  $U_3O_8$  (270 ppm U) and 0.046% V. Of 12 pits with no previous mineralization, uranium mineralized material was encountered in the last sample of 3 auger extensions.

Augering from the base of Pit 225 (the highest-grade and thickest previously-reported mineralized interval with 3m averaging 0.849 %  $U_3O_8$  (7200 ppm U) and 0.20% V) extended the mineralization a further 2.8m at an average grade of 0.033 %  $U_3O_8$  (280 ppm U) and 0.04% V for a combined interval of 5.8m thickness averaging 0.436 %  $U_3O_8$  (3700 ppm U) and 0.12% V.

The Company's exploration team completed a radon gas survey during the fourth quarter of 2009. 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. Radon gas is produced by the decay of uranium minerals and can migrate through porous covering sediments. With a half life of 3.8 days, detection of anomalous radon gas is a strong indicator of uranium mineralization concealed beneath shallow cover, which cannot be detected by scintolometer surveys.

Of the 7 north-south radon lines completed, 3 lines crossed over and extended up to 7km on either side of the known east-west orientated Anit uranium-vanadium mineralized paleochannel. As expected, where the radon lines crossed the known mineralization, anomalous radon values of 6,000 to 8,000 picocuries per litre (Ci/L) were detected. The survey detected at least 9 other similar scale anomalies in new areas with values ranging between 5,000 to 9,000 pCi/L. Background values over the property are below 1,000 and typically 100 to 400 pCi/L. One of the most significant radon anomalies is contiguous to and extends 800m to the south of Anit West mineralization where 8 continuous radon samples have average values of 5,000 and maximum value 6,600 pCi/L. In this area recent hand auger drilling (described below) discovered buried uranium-vanadium mineralization.

Five pits (0.5 x 0.25 x 2m) were excavated measured and weighed for density calculations returning an average density 1,361 kg/m<sup>3</sup>.

During the first quarter of 2010 the Company reported that geological mapping and prospecting identified new mineralized outcrops located 4km to 6km east and northeast of the Anit West-Central mineralized zone. A total of 45

rock (grab) samples were collected with results averaging 0.026%  $U_3O_8$  and 0.057 %  $V_2O_5$ . The highest grade sample contained 0.373%  $U_3O_8$  and 0.170 %  $V_2O_5$ . It is considered significant that most of these outcrops occur stratigraphically below the level of Anit West and Central mineralization, and some were uncovered beneath a thin calcrete cap that would have effectively blocked detection by airborne or ground scintolometer surveys. These new discoveries provide further evidence of the depth extent of uranium-vanadium mineralization at Anit and enhance the potential for further discovery of mineralization below cover.

Also during the first quarter of 2010 the Company announced results from a 1,223 meter mechanized trenching program on Anit. Highlights included an interval that averaged 358 meters at 0.052%  $U_3O_8$  and 0.159%  $V_2O_5$  including 30 meters at 0.397%  $U_3O_8$  and 1.469%  $V_2O_5$ . The weighted average of mineralized intervals from all three trenches was 847 meters grading 0.043%  $U_3O_8$  and 0.104%  $V_2O_5$ . The trenches were cut to a depth of approximately 2m and were designed to test the lateral extent and continuity of the mineralized paleo-channel previously defined by pits along a minimum of 6km of strike length, within a larger 15km long radiometric uranium channel anomaly. Trench 1 was located in the centre of the Anit West anomaly; Trench 3 was located in the centre of the Anit Central anomaly and Trench 2 was located in the break between these two major anomalies.

The three trenches cut variable host sediments, including loose sands and gravels, clay sediments and gypsum layers. All major rock types were mineralized, and at this stage it does not appear that the host sediment lithology is a limiting factor for uranium vanadium mineralization. Each trench was sampled by a continuous horizontal channel sample with 1 or 2 meter composite samples. The channel samples were 10cm wide and targeted the higher gamma responses on the trench walls along the trench. The vertical component of mineralization will be determined through drilling. The mineralized paleo-channel remains open to depth; uranium -- vanadium mineralization appears to be open in width in Trench 1 and Trench 3.

On March 25, 2010 the Company announced it had commenced a Phase I aircore drilling program planned to include approximately 200 drill holes for a total of 5000 meters to test 6 km of the known mineralized paleo-channel, defined by pits and trenching, as well as further targets in the 15 km long radiometric U anomaly, and radon gas and new geochemical targets outside the principal airborne anomalies.

During the second quarter of 2010, the Company announced on May 18, 2010 its initial results from aircore drilling. Of 51 holes reported 40 holes intersected mineralization above cut-off grade. The best intercept averaged 4 meters thickness at 0.108%  $U_3O_8$  and 0.125%  $V_2O_5$ . The weighted average of intervals from all 40 mineralized drill holes was 2.73 meter thickness at 0.03%  $U_3O_8$  and 0.096%  $V_2O_5$  (see table 1 in press release dated May 18, 2010). On June 16, 2010 the Company announced further results from the aircore drilling program on ANIT. Overall at ANIT of 97 drill holes completed to date, 81 encountered mineralization above cut-off grade with weighted average of intervals from the mineralized holes of 2.6 meters thickness at 0.03%  $U_3O_8$  and 0.075%  $V_2O_5$ . In addition, evidence of stacked mineralized intervals up to 29 meters below surface were detected at ANIT Central. In the thickest intercept drilled to date, hole AN-85 averaged 10 meters at 0.036%  $U_3O_8$  and 0.045%  $V_2O_5$ , including 6 meters at 0.056%  $U_3O_8$  and 0.047%  $V_2O_5$ .

On July 7, 2010 the Company announced results of a review of the variation between pit and drill hole sampling results at ANIT in addition to releasing the assay results from Trench 4 at ANIT. The variability review suggests that the assay results from the drill program released to date may have under reported actual  $U_3O_8$  grades. This preliminary analysis was based upon the assay results from pits dug over 25 drill holes that on average reported higher  $U_3O_8$  grades compared with the grades from the correspondingly-located drill hole over the same 3 meter interval. These preliminary results have helped establish a new exploration protocol at ANIT whereby drill-defined mineralization within 6 meters of surface will be verified with corresponding excavator sampling pits and trenches. Mineralization encountered below 6 meters will be checked using gamma probe logging of all holes,

Trench 4 at ANIT cut a 91 meter interval of higher grade mineralization, between 89 meters and 180 meters within a 180 meter trench. The mineralization occurs over at least 2 meters vertical thickness beginning at 0.3 meters below surface and averaging 0.066%  $U_3O_8$  and 0.071%  $V_2O_5$ . The interval included a high-grade zone of 33 meters grading 0.154%  $U_3O_8$  and 0.105%  $V_2O_5$ .

At the end of the quarter, aircore drilling, pitting and trenching as well as regional exploration were ongoing at ANIT.

The Company also completed an airborne radiometric survey in Rio Negro Province covering more than 20,000 square kilometers. The survey was completed over areas with similar geology to the ANIT and Santa Barbara prospects. The results of the survey are currently being analyzed and followed up on the ground.

All technical information pertaining to the Company's Argentine properties described above has been prepared by Bruce Smith, AusIMM, Blue Sky Uranium Exploration Manager and a Qualified Person as defined by National Instrument 43-101. Analysis of samples reported herein 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 and auger were 0.5m samples. 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. The Company detected no significant QA/QC issues during review of the data. Note that 10,000 ppm = 1%, 1% U = 1.1792% U<sub>3</sub>O<sub>8</sub> and 1% V = 1.785% V<sub>2</sub>O<sub>5</sub>.

### **Selected Annual Financial Information**

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto. The information has been prepared in accordance with Canadian GAAP.

	Years Ended December 31,		
	2009 \$	2008 \$	2007 \$
Total revenue	Nil	Nil	Nil
Net loss for the year	(1,151,047) <sup>(1)</sup>	(3,608,892) <sup>(2)</sup>	(2,708,419)
Loss per share – basic and diluted	(0.03)	(0.14)	(0.17)
Total assets	5,080,155 <sup>(3)</sup>	4,115,699 <sup>(4)</sup>	2,464,791

- (1) includes \$545,423 in stock based compensation and \$635,363 in exploration expenses.
- (2) includes \$951,630 in write off of mineral properties and \$1,296,853 in exploration expenses.
- (3) increase is compared to 2008 is primarily due higher cash balances though issuance of common shares with gross proceeds of \$2,402,179.
- (4) increase in total assets compared to 2007 is due to additions of \$2,770,326 to mineral properties in 2008.

### **Results Of Operations – For The Six Months Ended June 30, 2010 Compared To The Six Months Ended June 30, 2009**

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada.

#### **Other income (expense)**

During the six months ended June 30, 2010, other expenses increased by \$57,849, to \$21,480 compared to other income of \$36,369 for the six months ended June 30, 2009. The increase in other expenses is largely due to:

- A foreign exchange loss of \$21,706 for the six months ended June 30, 2010 compared to a foreign exchange gain of \$36,298 for the six months ended June 30, 2009. This primarily resulted from the appreciation of the Argentine peso against the Canadian dollar.

#### **Expenses**

During the six months ended June 30, 2010, expenses increased by \$1,662,399, to \$2,532,231 compared to \$869,832 for the six months ended June 30, 2009. The increase in expenses is largely due to:

- An increase of \$1,329,871 in exploration. Exploration was \$1,578,912 for the six months ended June 30, 2010 compared to \$249,041 in the six months ended June 30, 2009. Phase 1 of the drilling program at the ANIT project had commenced during the six months ended June 30, 2010 with no equivalent program in the prior period.
- A total increase of \$154,952 in salaries and management fees. Salaries and management fees were \$332,493 for the six months ended June 30, 2010 compared to \$177,541 for the six months ended June 30, 2009. A Management Services Agreement was entered into by the Company during the six months ended June 30, 2010 compared to none in the six months ended June 30, 2009. See 'Related Party Transactions' for more details of the transaction.

- An increase of \$78,623 in professional and consulting fees. Professional and consulting fees were \$152,833 for the six months ended June 30, 2010 compared to \$74,210 for the six months ended June 30, 2009. With the increased exploration activities of the Company during the six months ended June 30, 2010, more consultants were contracted to provide services.
- An increase of \$39,250 in travel. Travel was \$62,025 for the six months ended June 30, 2010 compared to \$22,775 for the six months ended June 30, 2009. Increase is due to travel associated with the initiation of the drilling program and increase investor relation activities compared to the six months ended June 30, 2009.
- An increase of \$75,310 in corporate development and investor relations. Corporate development and investor relations were \$114,337 for the six months ended June 30, 2010 compared to \$39,027 for the six months ended June 30, 2009. The increase is due to increased investor relations activities relating to promotion of the Company's projects compared to the six months ended June 30, 2009.
- An increase of \$37,981 in rent, parking and storage. Rent, parking and storage was \$66,751 for the six months ended June 30, 2010 compared to \$28,770 for the six months ended June 30, 2009. Due to the increased activities in exploration during the six months ended June 30, 2010 compared to the six months ended June 30, 2009, a greater allocation of Grosso Group's costs was incurred by the Company.

This increase was partially offset by the following:

- A decrease of \$113,210 in stock-based compensation. Stock-based compensation was \$82,410 for the six months ended June 30, 2010 compared to \$195,621 for the six months ended June 30, 2009. 175,000 stock options were granted in the six months ended June 30, 2010 compared to 2,115,000 in the six months ended June 30, 2009.

The net loss for the six months ended June 30, 2010 was \$2,553,711 or \$0.04 per basic and diluted share compared to net loss of \$833,463 or \$0.02 per basic and diluted share for the six months ended June 30, 2009.

## **Cash Flow**

### **Operating Activities**

Cash outflow from operating activities was \$2,160,889 for the six months ended June 30, 2010 compared to \$736,069 for the six months ended June 30, 2009. Exploration expenditures of \$1,578,912, current ongoing corporate and administrative cash costs, offset by changes in working capital balances contributed to the increase in cash outflow.

### **Financing Activities**

Proceeds from the exercise of warrants and options were \$2,317,036 for the six months ended June 30, 2010 compared to proceeds of \$700,000 from the issuance of common shares and warrants, offset by \$42,548 in share issue costs for the six months ended June 30, 2009.

### **Investing Activities**

Cash outflow from investing activities was \$40,926 during the six months ended June 30, 2010 due to expenditures on mineral property interests compared to \$10,454 for the six months ended June 30, 2009.

## **Results Of Operations – For The Three Months Ended June 30, 2010 Compared To The Three Months Ended June 30, 2009**

### **Other income (expense)**

During the three months ended June 30, 2010, other income increased by \$20,849, to \$23,345 compared to other income

of \$2,496 for the three months ended June 30, 2009. The increase in other income is largely due to:

- A foreign exchange gain of \$23,236 for the three months ended June 30, 2010 compared to a foreign exchange gain \$2,437 for the three months ended June 30, 2009. This primarily resulted from the appreciation of the Canadian dollar against the Argentine peso.

## **Expenses**

During the three months ended June 30, 2010, expenses increased by \$1,000,406, to \$1,571,250 compared to \$570,844 for the three months ended June 30, 2009. The increase in expenses is largely due to:

- An increase of \$957,939 in exploration. Exploration was \$1,115,095 for the three months ended June 30, 2010 compared to \$157,155 in the three months ended June 30, 2009. Phase 1 of the drilling program at the ANIT project had commenced during the three months ended June 30, 2010 with no equivalent program in the prior period.
- A total increase of \$99,522 in salaries and management fees. Salaries and management fees were \$177,820 for the three months ended June 30, 2010 compared to \$78,298 for the three months ended June 30, 2009. A Management Services Agreement was entered into by the Company during the three months ended June 30, 2010 compared to none in the three months ended June 30, 2009. See 'Related Party Transactions' for more details of the transaction.
- An increase of \$51,863 in professional and consulting fees. Professional and consulting fees were \$92,758 for the three months ended June 30, 2010 compared to \$40,895 for the three months ended June 30, 2009. With the increased exploration activities of the Company during the three months ended June 30, 2010, more consultants were contracted to provide services.
- An increase of \$31,965 in corporate development and investor relations. Corporate development and investor relations were \$61,664 for the three months ended June 30, 2010 compared to \$29,699 for the three months ended June 30, 2009. The increase is due to increased investor relations activities relating to promotion of the Company's projects compared to the three months ended June 30, 2009.
- An increase of \$8,669 in travel. Travel was \$23,249 for the three months ended June 30, 2010 compared to \$14,580 for the three months ended June 30, 2009. Increase is due to travel associated with the initiation of the drilling program and increase investor relation activities compared to the three months ended June 30, 2009.

This increase was partially offset by the following:

- A decrease of \$195,621 in stock-based compensation. Stock-based compensation was \$Nil for the three months ended June 30, 2010 compared to \$195,621 for the three months ended June 30, 2009. No stock options were granted during the three months ended June 30, 2010 compared to 2,115,000 stock options granted during the three months ended June 30, 2009.

The net loss for the three months ended June 30, 2010 was \$1,547,905 or \$0.02 per basic and diluted share compared to net loss of \$568,348 or \$0.01 per basic and diluted share for the three months ended June 30, 2009.

## **Cash Flow**

### **Operating Activities**

Cash outflow from operating activities was \$1,647,574 for the three months ended June 30, 2010 compared to \$547,034 for the three months ended June 30, 2009. Exploration expenditures of \$1,115,095, current ongoing corporate and administrative cash costs, and changes in working capital balances contributed to the increase in cash outflow.

### **Financing Activities**

Proceeds from the exercise of warrants and options were \$1,366,502 for the three months ended June 30, 2010 compared to proceeds from issuance of common shares and warrants of \$700,000 offset by \$42,548 in share issue costs for the three months ended June 30, 2009.

## **Investing Activities**

Cash outflow from investing activities was \$33,583 during the three months ended June 30, 2010 due to expenditures on mineral property interests and \$10,454 for the three months ended June 30, 2009.

## **Balance Sheet**

At June 30, 2010, the Company had total assets of \$4,956,980 compared with \$5,080,155 in total assets at December 31, 2009. This decrease is primarily a result of a decrease in prepaid expenses and ongoing operational and administrative costs related to the drilling program during the six months ended June 30, 2010, offset by \$2,317,036 raised in the exercise of warrants and options. Working capital at June 30, 2010 was \$1,290,380 compared to a working capital of \$1,485,571 at December 31, 2009, as a result of an increase in cash from proceeds from common share and warrant issuance offset by an increase in accounts payable and accrued liabilities and a decrease in prepaid expenses.

## **Selected Financial Data and Fourth Quarter Discussion**

	2010		2009				2008	
	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$	Jun. 30 \$	Mar. 31 \$	Dec. 31 \$	Sep. 30 \$
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(1,547,905)	(1,005,806)	157,857	(475,439)	(568,349)	(265,116)	(464,822)	(505,454)
Net Loss per Common Share Basic and Diluted	(0.02)	(0.02)	(0.00)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)

## **Liquidity and Capital Resources**

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$10,381,223 at June 30, 2010 (December 31, 2009 - \$7,827,512) and a shareholders' equity of \$4,727,509 at June 30, 2010 (December 31, 2009 - \$4,881,774). In addition, the Company had working capital of \$1,290,380 at June 30, 2010 (December 31, 2009 - \$1,485,571). 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.

The Company presently does not have adequate resources to maintain its core activities for the next fiscal year or sufficient working capital to fund all its planned activities. The Company will continue to rely on successfully completing additional equity financing to maintain its core activities and further exploration of its existing and new properties in 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's cash position at June 30, 2009 was \$1,449,619 which is an increase of \$115,221 from the December 31, 2009 balance of \$1,334,398. Total assets decreased to \$4,956,980 at June 30, 2010 from \$5,080,155 at December 31, 2009. This decrease is primarily a result of a decrease in prepaid expenses and ongoing operational and administrative costs related to the drilling program during the six months ended June 30, 2010, offset by \$2,317,036 raised in the exercise of warrants and options.

The Company has financed its operations through the sale of its equity securities. During the year ended December 31, 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 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.
- Completed a non-brokered private placement consisting of 5,500,000 units at a price of \$0.22 per unit for gross proceeds of \$1,149,965 net of 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.

During the six months ended June 30, 2010:

- 9,986,637 warrants were exercised for proceeds of \$2,167,036.
- 1,085,000 options were exercised for proceeds of \$150,000.

Subsequent to June 30, 2010,

- On July 19, 2010 the Company announced a non-brokered private placement consisting of 14,000,000 units at a price of \$0.25 per unit for gross proceeds of \$3,500,000. Each Unit consists 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 twenty-four months from the date of issue of the warrant. If the closing price for the Company's common shares is \$0.60 or greater for a period of 15 consecutive trading days, then the warrant holders will have 20 days to exercise their warrants; otherwise the warrants will expire on the 21st day. A commission may be paid related to this transaction.

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.

#### **Contractual Commitments**

As of June 30, 2010, the Company had no commitments.

#### **Capital Stock**

At June 30, 2010, the Company had unlimited authorized common shares without par value. As at June 30, 2010, an aggregate of 63,507,063 common shares were issued and outstanding. As at August 3, 2010, 63,507,063 common shares were issued and outstanding.

	Number of Common Shares	Amount of Common Shares	Contributed Surplus	Warrants	Retained Earnings (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)	
Expiration of warrants			439,340	(439,340)	
Warrants exercised	1,513,784	541,337		(107,823)	
Stock options exercised	290,549	87,873	(29,209)		
Stock options granted			545,423		
Agent's commission	311,093	83,995	158,318		
Net loss					(1,151,047)
Balance as at December 31, 2009	52,435,426	10,231,995	1,668,765	808,526	(7,827,512)
Stock-based compensation			82,410		
Warrants exercised	9,986,637	2,498,690		(331,656)	
Stock options exercised	1,085,000	263,345	(113,343)		
Net loss					(2,553,711)
Balance as at June 30, 2010	63,507,063	12,994,030	1,637,832	476,870	(10,381,223)

The Company had the following warrants outstanding as at August 3, 2010:

Number of Warrants Outstanding	Exercise Price (CAD\$)	Expiry Date
3,333,333	0.20	October 29, 2010
2,105,000	0.20	November 12, 2010
5,373,000	0.30	November 6, 2011
381,796	0.30	November 6, 2011
11,193,129		

The following summarizes information about the stock options outstanding as at August 3, 2010:

Number of Shares Outstanding	Exercise Price (CAD\$)	Expiry Date
65,000	\$0.10	June 28, 2011
75,000	\$0.21	October 6, 2011

215,000	\$1.00	June 1, 2012
15,000	\$0.40	January 5, 2013
1,875,000	\$0.15	May 6, 2014
450,000	\$0.15	July 6, 2014
150,000	\$0.18	July 22, 2014
725,000	\$0.65	December 9, 2014
75,000	\$0.66	February 10, 2012
100,000	\$0.73	March 15, 2015
<hr/>		
3,745,000		
<hr/>		

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

### **Related Party Transactions.**

- (a) On March 31, 2010, the Company and Golden Arrow Resources Corp. (“Golden Arrow”) collectively entered into a sale agreement with an officer and director of Golden Arrow to sell their shares held in Grosso Group Management Ltd., (“Grosso Group”) for proceeds of \$1. On April 1, 2010, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among each member company. The initial fee based on expected usage is \$60,000 per month. This fee is reviewed and adjusted quarterly based on 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 is the aggregate of the termination fee in addition to the lesser of monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of \$1,000,000
- (b) During the six months ended June 30, 2010, the Company incurred fees of \$317,091 (2009 – \$191,870) from Grosso Group: \$317,091(2009 - \$209,340) was paid in monthly installments and \$Nil is included in accounts payable (2009 – \$17,470 included in accounts receivable) as a result of a review of the allocation of Grosso Group costs to the member companies for the period. An officer and director’s salary comprise a portion of the fee.
- (c) During the six months ended June 30, 2010, the Company incurred \$12,375 (2009 - \$Nil) for consulting services, including travel expenses, provided by a company owned by an officer and director of the Company.
- (d) The Company and Golden Arrow share office space and costs in Mendoza, Argentina. As at June 30, 2010 included in accounts payable is \$41,877 to Golden Arrow related to the shared office space.

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.

### **Subsequent Events**

Subsequent to June 30, 2010:

1. On July 19, 2010 the Company announced a non-brokered private placement consisting of 14,000,000 units at a price of \$0.25 per unit for gross proceeds of \$3,500,000. Each Unit consists 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 twenty-four

months from the date of issue of the warrant. If the closing price for the Company's common shares is \$0.60 or greater for a period of 15 consecutive trading days, then the warrant holders will have 20 days to exercise their warrants; otherwise the warrants will expire on the 21st day. A commission may be paid related to this transaction.

### **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 2 of the Company's consolidated financial statements for the year ended December 31, 2009. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

#### ***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 re-classified from contributed surplus to share capital.

#### ***Mineral Property Interests***

Exploration expenditures are charged to earnings as they are incurred until the property reaches development stage. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

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 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.

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.

#### ***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.

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.

### ***International Financial Reporting Standards***

In February 2008, the CICA announced that publicly accountable enterprises will be required to transition from Canadian GAAP to IFRS for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. This includes a requirement to present comparative financial information in accordance with IFRS for 2010. Accordingly, our first interim consolidated financial statements will be presented in accordance with IFRS for the three months ending March 31, 2011 with 2010 comparative results.

The Company has commenced a preliminary review of the Canadian equivalents to IFRS. At this stage of the transition, no areas have been identified that may have an impact on the financial statements of the Company. As at June 30, 2010 the Company has adopted its IFRS changeover plan and management has completed an IFRS diagnostic and has quantified and analyzed differences between Canadian GAAP and IFRS as part of its first phase of transition. The remaining phases: development and implementation, and post-implementation and review will be completed during the remainder of 2010. We note that Canadian GAAP to IFRS may be amended prior to adoption.

Management has considered the differences between Canadian GAAP and IFRS and to date have identified that there are likely no material differences to the majority of line items appearing in the Company's balance sheet and income statement from what it has recorded under Canadian GAAP.

The specific areas where no applicable differences in recognition and measurement have been identified between IFRS and Canadian GAAP are cash, amounts receivable, prepaid expenses, and accounts payable and accrued liabilities.

Certain relevant accounting differences between Canadian GAAP and IFRS and the possible impacts on the consolidated financial statements of the Company are described below:

Financial Statement Component	IFRS	Canadian GAAP	Possible Impact
-------------------------------	------	---------------	-----------------

<p>Exploration Expenditures and Development Costs</p>	<p>An entity shall determine a policy specifying which expenditures are recognized as exploration and evaluation assets and apply the policy consistently. In making this determination, an entity considers the degree to which the expenditure can be associated with finding specific mineral resources.</p> <p>Exploration Expenditures shall be recognized at cost. The Company can elect to measure exploration and evaluation assets using either cost model or the revaluation model.</p>	<p>Exploration costs related to mining properties may initially be capitalized if an enterprise considers that such costs have the characteristics of property, plant and equipment and that capitalization is appropriate to its circumstances.</p> <p>Exploration and evaluation assets are measured at cost. Canadian GAAP does not allow for the revaluation of exploration and evaluation assets other than during a business combination.</p>	<p>No impact. Continue with existing policy under IFRS 6.</p> <p>Continue with Cost Model</p>
<p>Foreign Currency Translation</p>	<p>Defines functional currency as the currency of the primary economic environment in which the entity operates. Foreign currency translation methods are based on the functional currency concept.</p>	<p>Does not directly define functional currency. Foreign currency translation is based on the concept of integrated and self-sustaining foreign operations.</p>	<p>No impact expected at this time.</p>
<p>Impairment of Non-Current Assets</p>	<p>Assess at each reporting date whether there is any indication that an asset (other than goodwill and intangible assets with indefinite lives) may be impaired.</p> <p>Impairment loss recognition is a one-step process based on discounted cash flows. Impairment losses are recognized when the carrying value exceeds the recoverable amount, which is the higher of (a) value in use and (b) fair value less costs to sell.</p> <p>An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.</p>	<p>A long-lived asset should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.</p> <p>Impairment testing is based on a two-step test. Once an impairment loss is identified on an undiscounted cash flow basis (step 1), the impairment loss is measured as the amount by which the carrying value exceeds fair value (step 2).</p> <p>An impairment loss relating to long-lived assets should not be reversed even if the fair value subsequently increases</p>	<p>No impact expected at this time.</p>
<p>Share-Based Payments</p>	<p>For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ.</p> <p>Requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.</p>	<p>Allows the option to use the straight-line method or the attribution method to account for graded-vesting features.</p> <p>Permits companies to either estimate the forfeitures at time of grant date or record the entire expense as if all its stock option grants vest and then record forfeitures as they occur</p>	<p>No impact expected at this time.</p>

**Financial Instruments**

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

**(a) Fair Values**

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

The Company's marketable securities are classified as available for sale and fair value is determined using bid prices at the balance sheet date with any temporary unrealized gains or losses recognized in other comprehensive income.

**(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 and cash equivalents and accounts receivable. The Company has reduced its credit risk by investing its cash and cash equivalents in term deposits with financial institutions that operate globally. Also, as the majority of its receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

*Liquidity risk*

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due (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 and cash equivalents, accounts receivable and accounts payable. The sensitivity of the Company's net earnings and other comprehensive income to changes in the exchange rate between the Canadian dollar and the United States dollar and Argentine Peso is summarized in the table below:

	June 30, 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 earnings	\$12,568	\$(12,568)	\$27,328	\$(27,328)
Increase (decrease) in other comprehensive (loss) income	-	-	-	-
Comprehensive (loss) income	\$12,568	\$(12,568)	\$27,328	\$(27,328)

**(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. Cash and cash equivalents bear interest at variable rates. The fair value of cash and cash equivalents approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

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

### **(c) Capital Management**

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

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

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

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

### **Risk Factors and Uncertainties**

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

*History of losses:* The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2009 and 2008. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

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

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

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

*Unexpected delays:* The Company's minerals business will be subject to the risk of unanticipated delays including



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

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

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

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

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

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

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

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

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

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

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

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

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

### **Disclosure Controls and Procedures and Internal Control over Financial Reporting**

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. The Company is a Venture Issuer; therefore it files the venture issuer basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at June 30, 2010.

### **Additional Information**

Additional information relating to the Company, including news releases, financial statements and prior MD&A filings, is available on SEDAR at [www.sedar.com](http://www.sedar.com).

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