BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, D&H Group LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and their report follows.

"Sean Hurd"

Sean Hurd
President

"Mike Clark"

Mike Clark
Chief Financial Officer

April 24, 2009

AUDITORS' REPORT

To the Shareholders of
Blue Sky Uranium Corp.

We have audited the balance sheets of Blue Sky Uranium Corp. as at December 31, 2008 and 2007 and the statements of loss, comprehensive loss and deficit, cash flows and changes in shareholders' equity for the years ended December 31, 2008 and 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"D+H Group LLP"

Vancouver, B.C.
April 24, 2009

Chartered Accountants

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

BALANCE SHEETS

AS AT DECEMBER 31, 2008 AND 2007

(Expressed in Canadian Dollars)

	2008 $	2007 $ Restated – Note 2
A S S E T S		
CURRENT ASSETS		
Cash	619,662	171,056
Short-term investments (Note 5)	-	1,541,655
Amounts receivable	11,547	19,173
Prepaid expenses	82,471	94,585
	713,680	1,826,469
MINERAL PROPERTY INTERESTS (Note 6)	3,377,956	607,630
EQUIPMENT (Note 7)	24,063	30,692
	4,115,699	2,464,791
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	156,475	177,896
FUTURE INCOME TAX LIABILITIES (Note 4)	771,421	-
	927,896	177,896
S H A R E H O L D E R S' E Q U I T Y		
SHARE CAPITAL (Note 8)	8,576,180	4,399,896
WARRANTS (Note 8)	733,195	439,340
CONTRIBUTED SURPLUS (Note 9)	554,893	515,232
DEFICIT	(6,676,465)	(3,067,573)
	3,187,803	2,286,895
	4,115,699	2,464,791

NATURE OF OPERATIONS (Note 1)
COMMITMENTS (Note 6)
SUBSEQUENT EVENT (Note 17)

APPROVED BY THE DIRECTORS

"Sean Hurd" , Director

"Nikolaos Cacos" , Director

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

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Expressed in Canadian Dollars)

	2008 $	2007 $ Restated – Note 2
EXPENSES		
Accounting and administration	107,864	56,165
Amortization	11,716	8,389
Corporate development and investor relations (Note 10)	213,889	429,189
Exploration (Note 6)	1,296,853	1,252,206
Office (Note 10)	135,054	189,703
Professional fees	172,012	89,638
Rent, parking and storage (Note 10)	79,143	51,617
Salaries and employee benefits (Note 10)	505,344	265,422
Stock-based compensation (Note 8(c))	19,010	298,665
Transfer agent and regulatory fees	56,546	33,854
Travel and accommodation	89,956	138,677
	2,687,387	2,813,525
LOSS BEFORE OTHER ITEMS	(2,687,387)	(2,813,525)
OTHER ITEMS		
Foreign exchange gain (loss)	12,692	9,111
Write-off mineral properties (Note 6)	(951,630)	-
Interest income	17,433	95,995
	(921,505)	105,106
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(3,608,892)	(2,708,419)
DEFICIT - BEGINNING OF YEAR	(3,067,573)	(359,154)
DEFICIT - END OF YEAR	(6,676,465)	(3,067,573)
LOSS PER SHARE - BASIC AND DILUTED	$(0.14)	$(0.17)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	25,147,956	16,242,331

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

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Expressed in Canadian Dollars)

	2008 $	2007 $ Restated – Note 2
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the year	(3,608,892)	(2,708,419)
Items not affecting cash		
Amortization	11,716	8,389
Stock-based compensation	19,010	298,665
Unrealized foreign exchange	1,345	-
Write-off of mineral properties	951,630	-
	(2,625,191)	(2,401,365)
Changes in non-cash working capital balances	(22,297)	21,915
	(2,647,488)	(2,379,450)
FINANCING ACTIVITIES		
Issuance of common shares	1,787,378	3,304,272
Share issuance costs	(153,638)	(402,055)
	1,633,740	2,902,217
INVESTING ACTIVITIES		
Purchase of equipment	(5,088)	(22,855)
Net cash flow from investment (note 4)	31,848	-
Expenditures on mineral properties	(64,406)	(284,974)
Decrease (increase) in short-term investments	1,500,000	(1,041,655)
	1,462,354	(1,349,484)
INCREASE (DECREASE) IN CASH DURING THE YEAR	448,606	(826,717)
CASH - BEGINNING OF YEAR	171,056	997,773
CASH - END OF YEAR	619,662	171,056

SUPPLEMENTARY CASH FLOW INFORMATION (Note 13)

Interest paid	-	-
Income taxes paid	-	-

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

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

(Expressed in Canadian Dollars)

	2008 $	2007 $
SHARE CAPITAL		
Balance at beginning of year	4,399,896	1,785,456
Private placements	1,773,100	3,300,000
Issued for acquisition (Note 4)	2,405,550	-
Warrant valuation	(326,100)	(535,000)
Shares issued as corporate finance fee	12,500	60,000
Shares issued for mineral property interest	451,500	277,000
Exercise of warrants	14,278	4,272
Contributed surplus reallocated on the exercise of agent's options	-	2,563
Share issue costs	(154,544)	(494,395)
Balance at end of year	8,576,180	4,399,896
WARRANTS		
Balance at beginning of year	439,340	-
Warrant valuation from private placement warrants granted	326,100	535,000
Warrant issue costs	(32,245)	(95,660)
Balance at end of year	733,195	439,340
CONTRIBUTED SURPLUS		
Balance at beginning of year	515,232	91,130
Contributed surplus as a result of stock options granted	19,010	298,665
Contributed surplus as a result of agent's options granted	20,651	128,000
Contributed surplus reallocated on the exercise of agent's options	-	(2,563)
Balance at end of year	554,893	515,232
DEFICIT		
Balance at beginning of year	(3,067,573)	(359,154)
Loss and comprehensive loss for the year	(3,608,892)	(2,708,419)
Balance at end of year	(6,676,465)	(3,067,573)
TOTAL SHAREHOLDERS' EQUITY	3,187,803	2,286,895

The accompanying notes and schedules 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, 2008

(Expressed in Canadian Dollars)

ACQUISITION COSTS

	Canada		Argentina							Colombia	
	Eagle Lake $	Karin Lake $	Santa Barbara $	Anit $	Cebeza de Potro $	Nicky $	La Rioja $	Chubut $	Santa Cruz $	Santander & Norte de Santander $	Total
BALANCE - BEGINNING OF YEAR	340,435	132,914	60,000	-	-	-	-	-	-	74,281	607,630
ACQUSITION COSTS DURING THE YEAR:											
Cash	-	-	-	34,406	-	-	-	-	-	30,000	64,406
Shares	48,000	326,000	-	-	-	-	-	-	-	-	374,000
Acquisition of AUC	-	-	753,639	1,004,852	125,606	125,606	175,849	251,213	75,364	-	2,512,129
	388,435	458,914	813,639	1,039,258	125,606	125,606	175,849	251,213	75,364	104,281	3,558,165
Future income tax	-	-	231,426	308,568	38,571	38,571	54,000	77,142	23,143	-	771,421
Write-off mineral properties	(388,435)	(458,914)	-	-	-	-	-	-	-	(104,281)	(951,630)
	-	-	1,045,065	1,347,826	164,177	164,177	229,849	328,355	98,507	-	3,377,956

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS

FOR THE YEAR ENDED DECEMBER 31, 2008

(Expressed in Canadian Dollars)

EXPLORATION EXPENDITURES

	Canada		Argentina			Colombia		
	Eagle Lake $	Karin Lake $	Santa Barbara $	Anit $	Cabeza de Potro $	Santander & Norte de Santander $	General Exploration $	Total $
BALANCE - BEGINNING OF YEAR	387,942	415,239	162,806	-	-	53,022	412,490	1,431,499
EXPLORATION EXPENDITURES DURING THE YEAR								
Assays	-	-	888	789	-	-	-	1,677
Drilling	-	100,577	-		-	-	-	100,577
Geophysics	17,111	43	13,712	1,209	-	-	-	32,075
Office	-	51	49,073	38	19	-	-	49,181
Salaries and contractors	20,290	72,211	66,008	16,866	685	-	-	176,060
Supplies and equipment	159	10,972	18,440	18,343	18	-	-	47,932
Transportation	13,253	96,469	48,785	68	34	-	-	158,609
IVA taxes	-	-	44,700	8,470	172	-		53,342
General exploration	-	-	-	-	-	-	677,400	677,400
	50,813	280,323	241,606	45,783	928	-	677,400	1,296,853
BALANCE - END OF YEAR	438,755	695,562	404,412	45,783	928	53,022	1,089,890	2,728,352

BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Expressed in Canadian Dollars)

ACQUISITION COSTS

	Canada		Argentina	Colombia	
	Eagle Lake $	Karin Lake $	Santa Barbara $	Santander & Norte de Santander $	Total $
BALANCE - BEGINNING OF YEAR	45,656	-	-	-	45,656
ACQUISITION COSTS DURING THE YEAR:					
Cash	108,779	101,914	-	74,281	284,974
Shares	186,000	31,000	60,000	-	277,000
	294,779	132,914	60,000	74,281	561,974
BALANCE - END OF YEAR	340,435	132,914	60,000	74,281	607,630

EXPLORATION EXPENDITURES

	Canada		Argentina	Colombia		
	Eagle Lake $	Karin Lake $	Santa Barbara $	Santander & Norte de Santander $	General Exploration $	Total $
BALANCE - BEGINNING OF YEAR	179,293	-	-	-	-	179,293
EXPLORATION EXPENDITURES DURING THE YEAR						
Geophysics	49,275	204,818	94,633	-	-	348,726
Salaries and contractors	128,179	172,786	68,173	53,022	-	422,160
Supplies and equipment	10,828	14,826	-	-	-	25,654
Transportation	20,206	17,454	-	-	-	37,660
Other	161	5,355	-	-	-	5,516
General exploration	-	-	-	-	412,490	412,490
	208,649	415,239	162,806	53,022	412,490	1,252,206
BALANCE - END OF YEAR	387,942	415,239	162,806	53,022	412,490	1,431,499

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

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

As of December 31, 2008, the Company is in the process of exploring mineral properties in Argentina. On the basis of information to date it has not yet determined whether these properties contain economically recoverable ore reserves. The underlying value of the mineral properties is entirely dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. Mineral property interests represent acquisition costs incurred to date, less amounts amortized and/or written-off and do not necessarily represent present or future values.

2. CHANGE IN ACCOUNTING POLICY

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

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

The Company has accounted for this change in accounting policy on a retroactive basis. The impact of this change on the previously reported December 31, 2007 consolidated financial statements is as follows:

	As previously reported $	**Restatement $**	**As restated $**
Mineral property interests as at December 31, 2007	1,626,639	(1,019,009)	607,630
Exploration expense for the year ended December 31, 2007	412,490	839,716	1,252,206
Loss for the year ended December 31, 2007	(1,868,703)	(839,716)	(2,708,419)
Loss per share for the year ended December 31, 2007	(0.12)	(0.05)	(0.17)
Deficit at December 31, 2007	(2,048,564)	(1,019,009)	(3,067,573)
Deficit at December 31, 2006	(179,861)	(179,293)	(359,154)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Use of Estimates

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. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, the recoverability of mineral properties and the assumptions used in the determination of the fair value of stock-based compensation and warrants. Actual results may differ from these estimates. Actual results may differ from these estimates.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. The principal subsidiaries are Blue Sky BVI Uranium Corp. (100%), Blue Sky BVI Uranium Corp. (Colombia) (100%), Minera Cielo Azul S.A. (Argentina), Argentina Uranium Corporation (100%) and Desarrollo de Inversiones S.A. (Argentina) (100%). All inter-company transactions and balances have been eliminated.

Short-term Investments

Short-term investments include money market investments maturing less than 12 months from the date of initial investment.

Mineral Property Interests

Considering EIC-174, Mining Exploration Costs, during the year ended December 31, 2008, the Company changed its accounting policy relating to mineral property exploration expenditures and it now expenses exploration expenditures when incurred (see note 2).

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Equipment

Equipment is recorded at cost and amortized as follows:

Geological Equipment	4 years straight-line
Computer Equipment	2 years straight-line

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, 2008 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 assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

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 average rates in effect during the period except for depreciation which is translated at historical rates. The resulting gains or losses are reflected in the operating results in the period of translation.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Values of Financial Instruments

The fair value of the Company's financial instruments consisting of cash, short-term investments, other receivables and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments.

Income Taxes

The Company uses the 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.

Loss Per Share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years when a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 8.

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-classed from contributed surplus to share capital.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, *General Standards on Financial Statement Presentation*, has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The adoption of this standard did not have an effect on the Company for the year ended December 31, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Company has designated its financial instruments as follows:

(i) Cash and short-term investments are classified as *"Held-for-trading"*. Due to their short-term nature, their carrying value is equal to their fair value.

(ii) Amounts receivable 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.

Capital Disclosures

CICA Handbook Section 1535, *Capital Disclosures*, establishes standards for disclosing information about the Company's capital and how it is managed. Under this standard the Company is required to disclose the following, based on the information provided internally to the Company's key management personnel:

(i) qualitative information about its objectives, policies and processes for managing capital.
(ii) summary quantitative data about what it manages as capital.
(iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
(iv) when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

This standard is effective for interim and annual financial statements beginning on January 1, 2008. Disclosures required by this standard are included in Note 14.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, *General Standards on Financial Statement Presentation*, has been amended to include requirements to assess and disclose a company's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The adoption of this standard did not have an effect on the Company for the year ended December 31, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments Disclosures

In March 2007, the CICA issued Section 3862 *Financial Instruments – Disclosures,* and Section 3863 *Financial Instruments – Presentation,* which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862, requires disclosure of additional detail by financial asset and liability categories. Section 3863, establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The adoption of this change on the disclosure in the financial statements did not have an effect on the Company for the year ended December 31, 2008.

Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Handbook Section 1506, *Accounting Changes*, which requires that: (a) a voluntary change in accounting principals can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change and (c) for changes in estimates, the nature and amount of the change should be disclosed (see Note 2).

Recent Accounting Pronouncements

Goodwill and Intangible Assets

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses, during the pre-operating period. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The adoption of this change will not impact the disclosure in our financial statements.

4. ACQUISITION

On July 7, 2008, the Company acquired all issued and outstanding common shares of Argentina Uranium Corp. (“AUC”), a private mining exploration company, for consideration of 8,295,000 common shares at a fair value of $0.29 per share. The shares are subject an escrow agreement with a 10% release effective January 7, 2009 and the remaining shares released in equal tranches of 15% until January 7, 2012. Under the Escrow Agreement, the last 4,147,500 shares are to remain in escrow until the Company receives confirmation from The TSX-V Exchange that the shares can be released.

In addition, as a result of differences in the book value and tax value of the mineral property interests acquired, the Company has recorded a future income tax liability of $771,421 with a corresponding amount capitalized to mineral property interests.

Since AUC is not considered a business for accounting purposes, the AUC acquisition was accounted for effectively as an acquisition of net assets of AUC, as summarized in the following table:

(Expressed in Canadian Dollars)

4. ACQUISITION (continued)

	$
Common shares issued (8,295,000 shares)	2,405,550

The assets and liabilities acquired are as follows:

Cash	31,848
Amounts receivable	18,686
Exploration properties	2,512,129
Amounts payable	(157,113)
Net assets acquired	2,405,550

5. SHORT-TERM INVESTMENTS

As at December 31, 2008 Company did not hold any short-term investments.

As at December 31, 2007, the Company held short-term investments comprised of the following:

	December 31, 2007	
	Maturity	**Principal $**
12 month term deposit - 4.2% annual interest rate ($1,500,000 principal)	April 28, 2008	1,541,655

Term deposits were fully redeemable in full or portion at the Company's option without penalty. Interest was payable if redeemed subsequent to 30 days from the date of investment. The principal and interest were unconditionally guaranteed by the Bank of Montreal.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS

The schedule below summarizes all costs incurred to date for each mineral property interest that the company is continuing to explore as at December 31, 2008 and 2007:

	December 31, 2008			December 31, 2007		
	Acquisition Costs $	Exploration Expenditures $	Total $	Acquisition Costs $	Exploration Expenditures $	Total $
Canada						
Eagle Lake	-	-	-	340,435	387,942	728,377
Karin Lake	-	-	-	132,914	415,239	548,153
Argentina						
Santa Barbara	1,045,065	404,412	1,449,477	60,000	162,806	222,806
Anit	1,240,001	45,783	1,285,784	-	-	-
Cabeza de Potro	272,002	928	272,930	-	-	-
Nicky	164,177	-	164,177	-	-	-
La Rioja	229,849	-	229,849	-	-	-
Chubut	328,355	-	328,355	-	-	-
Santa Cruz	98,507	-	98,507	-	-	-
Colombia						
Santander & Norte de Santander	-	-	-	74,281	53,022	127,303
	3,377,956	451,123	3,829,079	607,630	1,431,499	2,039,129

a) Eagle Lake Property

On December 14, 2006, the Company and Eagle Plains Resources Ltd. ("Eagle Plains"), a public company trading on the TSX-V, entered into an option agreement (the "Agreement") under which Eagle Plains granted an option to the Company to earn a 60% undivided interest in Eagle Plains' undivided 100% interest in the Eagle Lake group of mineral claims (the "Eagle Lake Property"), covering 8,165 hectares in the La Ronge area of north-central Saskatchewan, Canada.

The Company amended the option agreements that were entered into on the Eagle Lake and Karin Lake projects dated December 14, 2006, and May 29, 2007. The parties agreed to a $477,000 budget for a drilling program that commenced in March 2008. The Company would issue an additional 500,000 shares to cover 50% of the cost of the drill program and paid for the remaining 50% of the drill program. The additional shares to be issued were released at a rate of 100,000 per month beginning July 1, 2008 and ending on November 1, 2008.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS (continued)

The Company could maintain the option and acquire the 60% interest by issuing a total of one million shares, make total cash payments of $35,000 and incur a minimum of $5 million of exploration expenditures on the Eagle Lake Property as follows:

Date	**Expenditures** $	**Shares** #	**Option Payments** $
February 7, 2007 [(i)] (paid / issued)	-	200,000	35,000
March 9, 2007 (incurred)	200,000	-	-
February 7, 2008 (incurred / issued)	300,000	200,000	-
February 7, 2009	500,000	200,000	-
February 7, 2010	1,500,000	200,000	-
February 7, 2011	2,500,000	200,000	-
	5,000,000	1,000,000	35,000

(i) The Agreement required

(a) the issue of 50,000 common shares and a cash payment of $10,000 on or before the date which was the later of the date of delivery of a NI43-101 technical report (the "Report") and the date of receipt of TSXV approval of the QT (the "Final Exchange Bulletin").

(b) the issue of a further 50,000 common shares and a cash payment of $25,000 on or before the later of the date of execution of the Agreement and the Final Exchange Bulletin

(c) the issue of 100,000 common shares on or before the later of December 31, 2006 and the Final Exchange Bulletin.

The later of the two dates in (a), (b) and (c) above was February 7, 2007, which was the effective date the Agreement was accepted by the TSXV as the Company's QT.

In addition to the above requirements, the Company must maintain the Eagle Lake Property in good standing in accordance with applicable mining laws and make any and all governmental payments required by such law including, but not limited to, annual sustaining mineral claims.

The Eagle Lake Property is subject to a 1% net smelter royalty to a third-party, which may be purchased at any time for $1 million.

On August 22, 2008 the Company gave notice that it was terminating its option on the Eagle Lake Property. As a result, mineral property acquisition costs of $388,435 were written off during the year.

b) Karin Lake Property

On February 14, 2007, the Company entered into a letter of intent with Eagle Plains (the "Karin Lake LOI") under which the Company proposed to acquire the option to earn a 60% interest in mineral claims (the "Karin Lake Property') located in the La Ronge area of north-central Saskatchewan, Canada, by issuing 50,000 common shares and paying $107,795 cash. The Company could maintain the option by incurring a total of $2.5 million in expenditures and issuing a total of 1,200,000 common shares, as follows:

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS (continued)

Date	Expenditures $	Shares #	Option Payments $
July 27, 2007 (paid and issued)	-	50,000	107,795
December 31, 2007 (incurred and issued)	100,000	100,000	-
March 31, 2008 (issued)	-	500,000	-
December 31, 2008 (incurred)	150,000	100,000	-
December 31, 2009	250,000	200,000	-
December 31, 2010	1,000,000	100,000	-
December 31, 2011	1,000,000	150,000	-
	2,500,000	1,200,000	107,795

Subsequent to earning its 60% interest, the Company and Eagle Plains would form a joint venture for further exploration of the property, in which each party provides funding in proportion to its interest. Either party's interest will be diluted if it does not contribute the appropriate proportion of funding to the joint venture. Any party diluting below 10% equity interest in the joint venture would receive a 5% net profits royalty interest in lieu of such equity interest. On May 29, 2007 the Company signed an option agreement that received approval from the TSX-V on July 3, 2007.

On August 22, 2008 the Company gave notice that it was terminating its option on the Karin Lake Property. As a result, mineral property acquisition costs of $458,914 were written off during the year.

c) Santa Barbara Property

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

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

d) Anit Property

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

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS (continued)

e) Santander and Norte de Santander Projects, Colombia

In 2007, the Company entered into two option agreements to acquire 100% interests in two uranium properties in Colombia. One property, covering 5,499 hectares, located in the department of Santander, (the "Santander Project"). The other property, covering 9,592 hectares, located in the department of Norte de Santander (the "Norte de Santander Project"). Under the terms of the letter agreements the Company had to make staged cash payments to the vendor over four years totalling US $414,080 on each project, as follows:

Date	Santander Project US $	Norte de Santander Project US $
April 12, 2007 (paid)	-	5,000
April 17, 2007 (paid)	5,000	-
March 12, 2008 (paid)	15,000	15,000
March 12, 2009	20,000	20,000
March 12, 2010	50,000	50,000
March 12, 2011	324,080	324,080
	414,080	414,080

The Company could terminate either of the agreements at any time. During the term of the agreements, the Company was responsible for government taxes totalling 218,165,607 Colombian pesos (approximately $115,000) per annum.

On May 14, 2008 the Company gave notice that it was terminating its option on the Santander and Norte de Santander project. As a result, mineral property acquisition costs of $104,281 were written off during the year.

7. EQUIPMENT

	December 31, 2008		
	Cost $	Accumulated Amortization $	Net Carrying Amount $
Geological equipment	37,000	18,205	18,795
Computer equipment	8,113	2,845	5,268
	45,113	21,050	24,063

	December 31, 2007		
	Cost $	Accumulated Amortization $	Net Carrying Amount $
Geological equipment	37,000	8,955	28,045
Computer equipment	3,025	378	2,647
	40,025	9,333	30,692

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

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

Issued common shares:	December 31, 2008		December 31, 2007	
	Shares	$	Shares	$
Balance, beginning of year	17,130,215	4,399,896	13,377,500	1,785,456
Issued during the period:				
For cash				
Private placements	10,910,333	1,773,100	3,300,000	3,300,000
Less warrants valuation	-	(326,100)	-	(535,000)
Agent's options exercised	142,785	14,278	42,715	4,272
For agent's commission	-	-	60,000	60,000
Reallocation of contributed surplus on exercise of agent's options	-	-	-	2,563
For corporate finance fee	41,667	12,500	-	-
For mineral property interests	1,300,000	451,500	350,000	277,000
For acquisition	8,295,000	2,405,550	-	-
Less share issue costs	-	(154,544)	-	(494,395)
Balance, end of year	37,820,000	8,576,180	17,130,215	4,399,896

a) During the year ended December 31, 2008, the following share transactions occurred:

(i) The Company completed a non-brokered private placement in which it issued a total of 330,000 units at $0.30 per unit for aggregate gross proceeds of $99,000. Each unit consisted of one common share of the Company and one half of one transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.40 per common share for a period of eighteen months.

The fair value assigned to the 165,000 warrants was $15,011, net of share issue costs of $378.

The Black-Scholes Pricing Model was used to value the warrants on a proportionate basis with related shares. The warrants were valued at $0.09, based on the following assumptions: dividend yield 0%, risk-free rate 3.37%, expected volatility 87% and expected life of 1.6 years.

(ii) The Company completed a financing by way of short form offering document as announced on June 3, 2008 and June 24, 2008. The financing consisted of 2,247,000 units at a price of $0.30 per Unit for gross proceeds of $674,100. Each Unit consists of one common share of the Company and one-half of one transferable common share purchase warrant. Each Warrant entitles the holder to acquire one additional Share at an exercise price of $0.40 per share until February 5, 2010 and are transferable in accordance with the rules of the TSX Venture Exchange.

8. SHARE CAPITAL (continued)

In connection with the financing, Canaccord Capital Corporation ("Canaccord") received a cash commission equal to 8% of the gross proceeds of the sale of Units under the Offering and a corporate finance fee consisting of cash and 41,667 units. Each Corporate Finance Unit has the same terms as the Units sold under the Offering, except that the warrants comprising part of the Corporate Finance Units are non-transferable. In addition, Canaccord received non-transferable agent's options equal to 8% of the Units sold under the Offering. Each Agent's Option is exercisable for one unit until February 5, 2010 at an exercise price of $0.30 per Agent's Unit. Each Agent's Unit will consist of one Share and one-half of one non-transferable common share purchase warrant. Each Agent's Warrant will be exercisable for one additional Share until February 5, 2010 at an exercise price of $0.40 per Share.

All of the Corporate Finance Units and Agent's Options, and 163,334 Units issued to purchasers who are members of Canaccord's pro group (as defined in the Exchange's policies) are subject to a four month hold period expiring on November 4, 2008 under applicable securities laws and Exchange policies.

The fair value assigned to the 1,123,500 warrants was $153,353, net of share issue costs of $31,866.

The fair value assigned to the 41,667 units was $12,500. The fair value assigned to the 20,833 warrants attached was $2,844.

The Black-Scholes Pricing Model was used to value the warrants on a proportionate basis with related shares. The warrants were valued at $0.14, based on the following assumptions: dividend yield 0%, risk-free rate 3.26%, expected volatility 85% and expected life of 1.3 years.

The fair value assigned to the 179,760 Agent's options was $20,651. The Black-Scholes Pricing Model was used to value the Agent's options. The warrants were valued at $0.11, based on the following assumptions: dividend yield 0%, risk-free rate 3.26%, expected volatility 85% and expected life of 1.3 years.

(iii) The Company completed the first tranche of the non-brokered private placement announced on September 12, 2008 consisting of 2,750,000 units at a price of $0.12 per Unit for gross proceeds of $330,000. Each Unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share in the capital of the company at a price of $0.18 per share in year one and $0.20 per share in year two. The securities are subject to a 4 month hold period which will expire January 17, 2009 and the warrants will be exercisable up to and including September 17, 2010.

The fair value assigned to the 2,750,000 warrants was $69,008.

The Black-Scholes Pricing Model was used to value the warrants on a proportionate basis with related shares. The warrants were valued at $0.03, based on the following assumptions: dividend yield 0%, risk-free rate 2.84%, expected volatility 78% and expected life of 1.2 years.

8. SHARE CAPITAL (continued)

(iv) The Company completed the second and final tranche of the non-brokered private placement announced on October 28, 2008 consisting of 5,583,333 units at a price of $0.12 per Unit for gross proceeds of $670,000. Each Unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share in the capital of the company at a price of $0.18 per share in year one and $0.20 per share in year two. The securities are subject to a 4 month hold period which will expire February 28, 2009 and the warrants will be exercisable up to and including October 28, 2010.

The fair value assigned to the 5,583,333 warrants was $85,884.

The Black-Scholes Pricing Model was used to value the warrants on a proportionate basis with related shares. The warrants were valued at $0.02, based on the following assumptions: dividend yield 0%, risk-free rate 2.18%, expected volatility 107% and expected life of 1.27 years.

(v) 142,785 warrants were exercised at $0.10 each for proceeds of $14,278.

(vi) 1,300,000 shares were issued as option payments for the Eagle Lake and Karin Lake Properties with a deemed value of $451,500.

(vii) 8,295,000 shares were issued as payment for the acquisition of AUC (Note 4).

b) During the year ended December 31, 2007, the Company:

(i) Completed a brokered private placement in which it issued a total of 2,000,000 units at $1.00 per unit for aggregate gross proceeds of $2,000,000. Each unit consisted of one common share of the Company and one half of one transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $1.30 per common share until March 23, 2009.

The underwriters received a cash commission equal to 8% of the gross proceeds of the sale of units under the placement and agent's option warrants (each an “Agent’s Option”) entitling them to subscribe for 200,000 units (each an "Agent's Unit") at an exercise price of $1.00 per Agent's Unit until March 23, 2009. Each Agent's Unit will consist of one common share and one half of one non-transferable common share purchase warrant (an "Agent's Warrant"), each whole Agent's Warrant entitling the Agent to acquire one additional common share until March 23, 2009 at an exercise price of $1.30 per common share. In addition, the underwriter received a corporate finance fee of 60,000 common shares and an administration fee of $5,000.

The fair value assigned to warrants and Agent’s Options was as follows:

i) value assigned to 1,000,000 warrants was $279,206, net of share issue costs of $60,794.
ii) value assigned to 200,000 Agent’s Options was $85,000.

8. SHARE CAPITAL (continued)

The Black-Scholes Pricing Model was used to value the warrants and Agent's Options. The warrants and Agent's Options were valued at $0.34 and $0.42 respectively, based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 95% and expected life of 12 months.

(ii) Completed a private placement in which it issued a total of 1,300,000 units at $1.00 per unit for aggregate gross proceeds of $1,300,000. The placement included a brokered portion of 1,270,000 units and a non-brokered portion of 30,000 units. Each unit consisted of one common share in the capital of the Company and one half of one transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $1.30 per common share until March 23, 2009.

In addition, the underwriters received a cash commission equal to 8% of the gross proceeds of the sale of units under the brokered portion of the placement and agent's option warrant (each an "Agent's Option") entitling the Agent to subscribe for 127,000 units (each an "Agent's Unit") at an exercise price of $1.00 per Agent's Unit until March 23, 2009. Each Agent's Unit will consist of one common share and one half of one non-transferable common share purchase warrant (an "Agent's Warrant"), each whole Agent's Warrant entitling the Agent to acquire one additional common share until March 23, 2009 at an exercise price of $1.30 per common share.

The fair value assigned to warrants and Agent's Options was as follows:

i) value assigned to 650,000 warrants was $160,133, net of share issue costs of $34,867.
ii) value assigned to 127,000 Agent's Options was $43,000.

The Black-Scholes Pricing Model was used to value the warrants and Agent's Options. The warrants and Agent's Options were valued at $0.30 and $0.34 respectively, based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 95% and expected life of 12 months.

c) Stock options and stock-based compensation

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

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

A summary of the changes in the number of stock options outstanding for the years ended December 31, 2008 and 2007 is as follows:

	Number	Weighted Average Exercise Price $
Balance, December 31, 2006	1,000,000	0.10
Granted	670,000	0.95
Expired	(30,000)	0.95
Balance, December 31, 2007	1,640,000	0.43
Granted	100,000	0.40
Expired	(105,000)	0.86
Balance, December 31, 2008	1,635,000	0.40

During the year ended December 31, 3008 the Company granted 100,000 stock options (2007 – 670,000) and recorded stock-based compensation expense of $19,010 (2007 - $298,665) with a corresponding increase to contributed surplus. The fair value of stock options granted is estimated on the dates of grants using the Black-Scholes Option Pricing Model with the following assumptions used for the grants made during the period:

	2008	2007
Risk-free interest rate	3.27%	4.00%
Estimated volatility	82%	89%
Expected life	2.2 years	1.5 – 2.5 years
Expected dividend yield	0%	0%
Expected forfeiture rate	0%	0%

Stock options outstanding and exercisable at December 31, 2008 are as follows:

Number	Exercise Price	Expiry Date
1,000,000	$0.10	June 28, 2011
335,000	$0.90	January 31, 2010
225,000	$1.00	June 1, 2012
75,000	$0.40	January 5, 2013
1,635,000		

The weighted average fair value per share of stock options granted during the year, calculated using the Black-Scholes Option Pricing Model, was $0.19 per share (2007 - $0.44). Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company’s stock options.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (continued)

d) Warrants and Agent's Options

A summary of the changes in outstanding warrants and Agent's Options for the years ended December 31, 2008 and 2007 is as follows:

	Warrants #	Agents Options #
Balance, December 31, 2006	-	185,500
Issued	1,650,000	327,000
Exercised	-	(42,715)
Balance, December 31,2007	1,650,000	469,785
Issued	9,642,665	179,760
Exercised	-	(142,785)
Balance, December 31, 2008	11,292,665	506,760

Common shares reserved pursuant to warrants outstanding and exercisable at December 31, 2008 are as follows:

Number	Exercise Price $	Expiry Date
200,000	1.00	March 23, 2009
127,000	1.00	March 30, 2009
1,650,000	1.30	March 23, 2009
165,000	0.40	January 1, 2010
1,144,332	0.40	February 5, 2010
179,760	0.30	February 5, 2010
2,750,000	0.18	September 17, 2010
5,583,333	0.18	October 28, 2010
11,799,425		

e) As at December 31, 2008, 10,109,625 common shares are held in escrow in accordance with the rules of the TSX-V. Of the 10,109,625 common shares held in escrow, 1,814,625 of them are released in equal tranches every six months ending February 6, 2010 and 8,295,000 of them will begin to be released January 7, 2009 in equal tranches ending January 7, 2012.

9. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

	$
Balance, December 31, 2007	515,232
Contributed surplus as a result of stock options granted	19,010
Contributed surplus as a result of agent's options granted	20,651
Reallocation of contributed surplus on the exercise of options	-
Balance, December 31, 2008	554,893

10. RELATED PARTY TRANSACTIONS

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

During the year ended December 31, 2008, the Company incurred fees of $619,085 (2007 – $377,718) from the Grosso Group: $619,803 (2007 - $344,360) was paid in monthly installments and $718 is included in accounts receivable as a result of a review of the allocation of the Grosso Group costs to the member companies for the period (2007 - $33,358 included in accounts payable and accrued liabilities). Prior to becoming a shareholder, the Company retained the Grosso Group's services from October 1, 2006 to February 28, 2007, for a monthly fee of $4,000. Accordingly, during the year ended December 31, 2007, the Company incurred additional fees of $8,000 from the Grosso Group. As at December 31, 2008, included in prepaid expenses is a $50,000 (2007 - $50,000) deposit to the Grosso Group for operating working capital.

Effective February 29, 2008 Gold Point Energy withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

Effective May 31, 2008 Astral Mining Corporation withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

Effective September 1, 2008 Panthera Exploration Inc. withdrew as a shareholder of Grosso Group and discontinued the use of the services and facilities provided.

b) During the year ended December 31, 2008, the Company incurred $20,561 (2007 - $65,780) for geological consulting services, including travel expenses, provided by a private corporation owned by a director of the Company.

c) During the year ended December 31, 2008, the Company incurred fees of $33,819 (2007 - $20,583) for consulting and management services provided by a director of the Company.

d) Effective May 1, 2007, the Company entered into an agreement with IMA Exploration Inc. to pay a monthly fee for the services provided IMA's Chief Executive Officer. The agreement may be terminated at any time by the Company upon 30 days written notice. For the year ended December 31, 2008, the Company paid $10,000 (2007 - $13,333) to IMA for the services. The Company terminated this agreement effective June 30, 2008.

All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

11. 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:

	2008	2007 Restated – Note 2
Statutory tax rate	31.00%	34.12%
	$	$
Loss before income taxes	(3,608,892)	(2,708,419)
Provision for (recovery of) income taxes based on statutory Canadian combined federal and provincial income tax rates	(1,118,757)	(924,113)
Non-deductible differences	6,839	103,859
Effect of statutory rate change	6,441	-
Losses for which an income tax benefit has not been recognized	1,105,477	820,254
	-	-

Future incomes 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:

	2008 $	2007 $
Future income tax assets		
Resource deductions	330,600	(35,162)
Financing costs	161,774	173,733
Operating loss carryforwards	1,220,009	503,049
Capital assets	5,473	2,520
	1,717,856	644,140
Valuation allowance for future income tax assets	(1,717,856)	(644,140)
	-	-
Future income tax liabilities		
Mineral properties	771,421	-
Net future income tax liabilities	771,421	-

(Expressed in Canadian Dollars)

11. INCOME TAXES (continued)

As at December 31, 2008, the Company has non-capital loss carryforwards of $3,856,469 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	1,758,478
2028	1,960,034
	3,856,469

12. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Canada, Argentina and Colombia. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the year ended December 31, 2008. The Company's total assets are segmented as follows:

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

	December 31, 2007 Restated – Note 2			
	Canada $	Argentina $	Colombia $	Total $
Current assets	1,726,414	-	100,055	1,826,469
Mineral property interests	473,349	60,000	74,281	607,630
Capital assets	30,692	-	-	30,692
	2,230,455	60,000	174,336	2,464,791

(Expressed in Canadian Dollars)

13. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash investing and financing activities were conducted by the Company as follows:

	Year Ended December 31,	
	2008 $	2007 Restated – Note 2 $
Investing activities		
Acquisition costs on mineral property interests	(374,000)	(277,000)
Exploration	(77,500)	-
Common shares issued for mineral property interests	451,500	277,000
	-	-
Financing activities		
Common shares issued for non-cash consideration	12,500	60,000
Agent's options and warrants issued for non-cash consideration	20,651	128,000
Share issue costs	(33,151)	(157,521)
Warrant issue costs	-	(30,479)
	-	-
Change in non-cash working capital		
Amounts receivable	26,312	789
Prepaid expenses	12,114	(75,060)
Accounts payable and accrued liabilities	(60,723)	96,186
	(22,297)	21,915

14. CAPITAL RISK MANAGEMENT

The Company views its equity as capital, and manages its issued share capital and outstanding stock options and share purchase warrants as such. As the Company presently has no revenue, it principal source of funding is from the sale of common shares and exercise of outstanding stock options and share purchase warrants. It is the Company's capital management objective to safeguard its ability to continue as a going concern so it may continue to carry on its business operations.

The Company's common shares are listed on the TSX-V. The TSX-V's policies impose certain minimum capital requirements, limits how many options to grant, pricing of options and private placements upon the Company. Management believes that the Company is in compliance with these externally imposed capital requirements.

Refer to notes 8 (Equity) and 9 (Contributed Surplus) for a description of changes in capital during 2008 and 2007.

14. CAPITAL RISK MANAGEMENT (continued)

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has incurred significant losses and negative cash flow from operations since inception. The Company has funded operations through equity financings and without additional future financings there is substantial doubt concerning the Company's ability to continue as a going concern. Management intends to raise further financing in the future. There can be no assurance that future financing can be successfully concluded. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported income and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

15. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain risks, including currency, credit and interest rate risk.

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.

The Company has not hedged its exposure to currency fluctuations. As at December 31, 2008, the Company is exposed to currency risk through the following assets and liabilities in US dollars, Argentina pesos and Colombian pesos:

	December 31, 2008			**Converted**
	US$	**Arg$**	**Col$**	**to Cdn$**
Cash	72,966	62,610	6,282,132	113,985
Amounts receivable	4,169	55,811	-	24,412
Accounts payable and accrued liabilities	(41,837)	(46,406)	(1,000,000)	(67,577)
	35,298	72,015	5,282,132	70,820
Foreign exchange rate at December 31, 2008	1.2180	0.3464	0.000545	

Based on the net exposures as at December 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar, Argentinean pesos and Colombian pesos would be insignificant in the Company's net earnings.

Credit Risk: Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments and other receivables. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts.

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

16. COMPARATIVE FIGURES

Certain of the prior period comparative figures have been reclassified to conform to the current period's presentation.

17. SUBSEQUENT EVENT

On April 6, 2009 the Company announced 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. Each Unit will consist of one common share and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional common share in the capital of the company at a price of $0.20 per share for 18 months. The securities will be subject to a 4 month hold period.