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**BLUE SKY URANIUM CORP.**

*(formerly Mulligan Capital Corp.)  
(An Exploration Stage Company)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2007 AND 2006

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

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

The accompanying unaudited interim consolidated financial statements of Blue Sky Uranium Corp. (the "Company") for the nine months ended September 30, 2007 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

**BLUE SKY URANIUM CORP.**  
*(formerly Mulligan Capital Corp.)*  
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**INTERIM CONSOLIDATED BALANCE SHEETS**

<i>(Unaudited)</i> <i>(Expressed in Canadian Dollars)</i>	<b>September 30, 2007</b> \$	<b>December 31, 2006</b> \$
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash	246,744	997,773
Short-term investments (Note 3)	2,136,603	500,000
Amounts receivable	64,317	19,962
Prepaid expenses	72,699	19,525
	2,520,363	1,537,260
<b>MINERAL PROPERTY AND DEFERRED COSTS</b> (Note 4)	1,436,854	224,949
<b>CAPITAL ASSETS</b> , net of accumulated amortization of \$6,832	33,193	16,225
	3,990,410	1,778,434

**L I A B I L I T I E S**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	282,244	81,709

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

<b>SHARE CAPITAL</b> (Note 5)	4,461,074	1,785,456
<b>WARRANTS</b> (Note 5)	506,162	-
<b>CONTRIBUTED SURPLUS</b> (Note 6)	387,232	91,130
<b>DEFICIT</b>	(1,646,302)	(179,861)
	3,708,166	1,696,725
	3,990,410	1,778,434

**NATURE OF OPERATIONS** (Note 1)

**COMMITMENTS** (Note 4)

APPROVED BY THE DIRECTORS

“Sean Hurd” , Director

“Nikolaos Cacos” , Director

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

**BLUE SKY URANIUM CORP.**  
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**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

<i>(Unaudited)</i>	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
<i>(Expressed in Canadian Dollars)</i>	<b>September 30,</b>		<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	\$	\$	\$	\$
<b>EXPENSES</b>				
Amortization	2,501	-	5,887	12,431
Corporate development and investor relations	150,115	1,489	308,180	1,489
General exploration	291,380	-	407,036	-
Management and administration fees (Note 7)	10,481	3,600	42,732	8,300
Office (Note 7)	81,964	3,192	117,730	3,821
Professional fees	16,118	9,175	73,096	3,256
Rent, parking and storage (Note 7)	17,246	-	30,897	-
Salaries and employee benefits (note 7)	75,231	-	149,627	-
Stock-based compensation	-	20,000	298,665	80,000
Transfer agent and regulatory fees	3,649	(657)	33,008	6,014
Travel and accommodation	29,642	12,103	84,890	12,103
	<u>678,327</u>	<u>48,902</u>	<u>1,551,748</u>	<u>124,158</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(678,327)</u>	<u>(48,902)</u>	<u>(1,551,748)</u>	<u>(124,158)</u>
<b>OTHER INCOME</b>				
Foreign exchange	7,005	-	9,296	-
Interest income	30,726	5,709	76,011	10,277
	<u>37,731</u>	<u>5,709</u>	<u>85,307</u>	<u>10,277</u>
<b>LOSS FOR THE PERIOD</b>	<u>(640,596)</u>	<u>(43,193)</u>	<u>(1,466,441)</u>	<u>(113,881)</u>
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(1,305,706)</u>	<u>(76,981)</u>	<u>(179,861)</u>	<u>(6,293)</u>
<b>DEFICIT - END OF PERIOD</b>	<u><u>1,646,302</u></u>	<u><u>(120,174)</u></u>	<u><u>(1,646,302)</u></u>	<u><u>(120,174)</u></u>
<b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	<u><u>\$(0.04)</u></u>	<u><u>\$(0.01)</u></u>	<u><u>\$(0.09)</u></u>	<u><u>\$(0.02)</u></u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<u><u>17,088,367</u></u>	<u><u>8,751,806</u></u>	<u><u>15,943,629</u></u>	<u><u>7,517,269</u></u>

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**BLUE SKY URANIUM CORP.**  
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**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

*(Unaudited)*

*(Expressed in Canadian Dollars)*

	<u>Nine Months Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
	\$	\$
<b>SHARE CAPITAL</b>		
Balance at beginning of period	1,785,456	199,404
Private placements	3,300,000	923,000
Warrant valuation	(416,000)	6,250
Shares issued as corporate finance fee	60,000	-
Shares issued for mineral property interest	277,000	-
Exercise of warrants	4,272	-
Contributed surplus reallocated on the exercise of warrants	2,563	3,750
Share issue costs	<u>(552,217)</u>	<u>(97,529)</u>
Balance at end of period	<u>4,461,074</u>	<u>1,034,875</u>
<b>WARRANTS</b>		
Balance at beginning of period	-	-
Warrant valuation from private placement warrants granted	416,000	-
Warrant valuation from agent's options granted	169,977	-
Warrant issue costs	<u>(79,815)</u>	<u>-</u>
Balance at end of period	<u>506,162</u>	<u>-</u>
<b>CONTRIBUTED SURPLUS</b>		
Balance at beginning of period	91,130	-
Contributed surplus as a result of stock options granted	298,665	80,000
Contributed surplus as a result of agent's warrants granted	-	15,000
Contributed surplus reallocated on the exercise of warrants	<u>(2,563)</u>	<u>(3,750)</u>
Balance at end of period	<u>387,232</u>	<u>91,250</u>
<b>DEFICIT</b>		
Balance at beginning of period	(179,861)	(6,293)
Loss for the period	<u>(1,466,441)</u>	<u>(113,881)</u>
Balance at end of period	<u>(1,646,302)</u>	<u>(120,174)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><u>3,708,166</u></u>	<u><u>1,005,951</u></u>

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**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>CASH PROVIDED FROM (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Loss for the period	(640,596)	(43,193)	(1,466,441)	(113,881)
Items not affecting cash				
Amortization	2,501	-	5,887	-
Stock-based compensation	-	20,000	298,665	80,000
	(638,095)	(23,193)	(1,161,889)	(33,881)
Change in non-cash working capital balances	(55,173)	35,315	48,563	26,090
	(693,268)	12,122	(1,113,326)	(7,791)
<b>INVESTING ACTIVITIES</b>				
Expenditures on mineral properties and deferred costs	(597,892)	(6,259)	(880,462)	(6,259)
Purchase of equipment	(3,025)	-	(22,855)	-
Decrease (increase) in short-term investments	1,293,495	-	(1,636,603)	-
	692,578	(6,259)	(2,539,920)	(6,259)
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares and warrants	-	329,250	3,304,272	929,250
Share and warrant issue costs	(1,116)	(10,279)	(402,055)	(80,665)
	(1,116)	318,971	2,902,217	848,585
<b>(DECREASE) INCREASE IN CASH</b>	(1,806)	324,834	(751,029)	1,028,258
<b>CASH - BEGINNING OF PERIOD</b>	248,550	703,424	997,773	-
<b>CASH - END OF PERIOD</b>	246,744	1,028,258	246,744	1,028,258
<b>SUPPLEMENTARY CASH FLOW INFORMATION (Note 9)</b>				
<b>Interest paid</b>	-	-	-	-
<b>Income taxes paid</b>	-	-	-	-

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**INTERIM CONSOLIDATED SCHEDULE OF MINERAL PROPERTY AND DEFERRED COSTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**

*(Unaudited)*

*(Expressed in Canadian Dollars)*

	Canada		Argentina	Colombia	Total
	Eagle Lake \$	Karin Lake \$	Santa Barbara \$	Santander & Norte de Santander \$	
<b>BALANCE - BEGINNING OF PERIOD</b>	224,949	-	-	-	224,949
<b>EXPENDITURES DURING THE PERIOD</b>					
<b>EXPLORATION COSTS</b>					
Geophysics	22,526	184,019	87,519	-	294,064
Office	70	5,254	-	-	5,324
Salaries and contractors	104,029	150,844	51,551	-	306,424
Supplies and equipment	8,101	11,413	-	-	19,514
Transportation	13,500	11,105	-	-	24,605
	148,226	362,635	139,070	-	649,931
<b>ACQUISITION COSTS</b>					
Option payments	221,000	31,000	60,000	11,608	323,608
Land holding fees	73,779	101,914	-	62,673	238,366
	294,779	132,914	60,000	74,281	561,974
<b>BALANCE - END OF PERIOD</b>	667,954	495,549	199,070	74,281	1,436,854

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**  
*(Unaudited – 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 16, 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 “TSXV”) 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 TSXV. The Company also changed its name to Blue Sky Uranium Corp. to reflect its business as a junior uranium exploration company.

As of September 30, 2007, the Company is in the process of exploring mineral properties in Canada, Argentina and Colombia. 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 and related deferred costs 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 costs incurred to date, less amounts amortized and/or written-off and do not necessarily represent present or future values.

**2. SIGNIFICANT ACCOUNTING POLICIES**

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

*New accounting policies*

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”).

- (a) Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation*, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

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.



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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

The Company has designated its financial instruments as follows:

- (i) Cash and short-term investments are classified as “*Available-for-sale*”. Due to their short-term nature, their carrying value is equal to their fair value.
- (ii) Amounts receivable, and prepaids 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.

As a result of adopting Section 3855, effective January 1, 2007 interest accrued on short-term investments in the amount of \$2,250 was reclassified from amounts receivable to short-term investments.

- (b) Section 1530, *Comprehensive Income*, introduces a new financial statement “Statement of Comprehensive Income” and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the nine months ended September 30, 2007.
- (c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the six months ended June 30, 2007.

*Comparative Figures*

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

**3. SHORT-TERM INVESTMENTS**

As at September 30, 2007 and December 31, 2006, the Company held short-term investments comprised of the following:

	<u>September 30, 2007</u>	
	<u>Maturity</u>	<u>Fair Value</u>
		<u>\$</u>
12 month term deposit		
- 4.2% annual interest rate (\$2,100,000 principal)	April 28, 2008	<u>2,136,603</u>

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**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**  
*(Unaudited – Expressed in Canadian Dollars)*

**3. SHORT-TERM INVESTMENTS (continued)**

	December 31, 2006	
	Maturity	Principal \$
12 month term deposit		
- Prime minus 2.35% annual interest rate	November 15, 2007	500,000

All term deposits are fully redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment. The principal and interest are unconditionally guaranteed by the Bank of Montreal.

**4. MINERAL PROPERTY INTERESTS**

	June 30, 2007			December 31, 2006		
	Acquisition Costs \$	Exploration Expenditures \$	Total \$	Acquisition Costs \$	Exploration Expenditures \$	Total \$
Canada						
Eagle Lake	340,435	327,519	667,954	45,656	179,293	224,949
Karin Lake	132,915	362,634	495,549	-	-	-
Argentina						
Santa Barbara	60,000	139,070	199,070	-	-	-
Colombia						
Santander & Norte de Santander	74,281	-	74,281	-	-	-
	<u>607,631</u>	<u>829,223</u>	<u>1,436,854</u>	<u>45,656</u>	<u>179,293</u>	<u>224,949</u>

a) Eagle Lake Property

On December 14, 2006, the Company and Eagle Plains Resources Ltd. ("Eagle Plains"), a public company trading on the TSXV, 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. To exercise the option and acquire the 60% interest, the Company must issue 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:

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(Unaudited – Expressed in Canadian Dollars)

**4. MINERAL PROPERTY INTERESTS (continued)**

a) Eagle Lake Property (continued)

Date	Expenditures \$	Shares #	Option Payments \$
February 7, 2007 <sup>(i)</sup> (paid / issued)	-	200,000	35,000
March 9, 2007 (incurred)	200,000	-	-
February 7, 2008	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	-
	<u>5,000,000</u>	<u>1,000,000</u>	<u>35,000</u>

(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.

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 may maintain the option by incurring a total of \$2.5 million in expenditures and issuing a total of 650,000 common shares, as follows:

Date	Expenditures \$	Shares #
December 31, 2007 (incurred)	100,000	100,000
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
	<u>2,500,000</u>	<u>650,000</u>

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**4. MINERAL PROPERTY INTERESTS (continued)**

b) Karin Lake Property (continued)

Subsequent to earning its 60% interest, the Company and Eagle Plains shall 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 will 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.

c) Santander and Norte de Santander Projects

During the nine months ended September 30, 2007, the Company entered into two option agreements to acquire 100% interests in two uranium projects in Colombia. One project, covering 5,499 hectares, is located in the department of Santander, (the "Santander Project"). The other project, covering 9,592 hectares, is located in the department of Norte de Santander (the "Norte de Santander Project"). Under the terms of the letter agreements the Company must 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	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
	<u>414,080</u>	<u>414,080</u>

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

Each project is also subject to a 3% yellow cake royalty to a maximum of US \$1.1 million.

d) Santa Barbara Property

Effective May 8, 2007 the Company entered into a letter of intent with Argentina Uranium Corp. ("Argentina") to earn a 75% interest in the 60,000 hectare Santa Barbara uranium property in the Province of Rio Negro, located in the northern portion of the Patagonia region of Argentina. In order to earn a 75% undivided interest in the Santa Barbara property the Company must maintain the property in good standing, complete CDN \$3.0 million in exploration expenditures over 4 years, issue a total of 400,000 (100,000 issued) shares to Argentina Uranium as follows:

**4. MINERAL PROPERTY INTERESTS (continued)**

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d) Santa Barbara Property (continued)

Date	Expenditures \$	Shares #
On TSX Venture Exchange approval (issued)	-	100,000
May 8, 2008	200,000	70,000
May 8, 2009	400,000	70,000
May 8, 2010	800,000	70,000
May 8, 2011	<u>1,600,000</u>	<u>90,000</u>
	<u><u>3,000,000</u></u>	<u><u>400,000</u></u>

After completing the expenditure and share commitments, the parties will form a 75/25 joint venture. If Argentina Uranium fails to contribute its share to development of the project it would be diluted down to a 2% yellowcake royalty.

**5. SHARE CAPITAL**

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

Issued common shares:	<u>September 30, 2007</u>		<u>December 31, 2006</u>	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of period	<u>13,377,500</u>	<u>1,785,456</u>	<u>4,000,000</u>	<u>199,404</u>
Issued during the period:				
For cash				
Private placements	3,300,000	3,300,000	6,733,334	1,473,000
Less warrants valuation	-	(416,000)	-	-
Initial public offering	-	-	2,500,000	250,000
Agent's warrants exercised	42,715	4,272	64,500	6,450
For agent's commission	60,000	60,000	79,666	47,800
Reallocation of contributed surplus on				
exercise of agent's warrants	-	2,563	-	3,870
For mineral property interests	350,000	277,000	-	-
Less share issue costs	<u>-</u>	<u>(552,217)</u>	<u>-</u>	<u>(195,068)</u>
Balance, end of period	<u><u>17,130,215</u></u>	<u><u>4,461,074</u></u>	<u><u>13,377,500</u></u>	<u><u>1,785,456</u></u>

a) During the nine months ended September 30, 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 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.

**5. SHARE CAPITAL (continued)**

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The underwriters received a cash commission equal to 8% of the gross proceeds of the sale of units under the placement and agent's options (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 \$210,115, net of share issue costs of \$49,885.
- ii) value assigned to 200,000 Agent's Options was \$112,700.

The Black-Scholes Pricing Model was used to value the warrants and Agent's Options. The warrants and Agent's Options were valued at \$0.26 and \$.56 respectively, based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 89% 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 units 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 options (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 \$126,070, net of share issue costs of \$29,930
- ii) value assigned to 127,000 Agent's Options was \$57,277

The Black-Scholes Pricing Model was used to value the warrants and Agent's Options. The warrants and Agent's Options were valued at \$0.24 and \$.41 respectively, based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 90% and expected life of 12 months.

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b) Stock options and stock-based compensation

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

A summary of the changes in the number of stock options outstanding for the nine months ended September 30, 2007 is as follows:

	<b>Number</b>	<b>Weighted Average Exercise Price</b>
		\$
Balance, beginning of period	1,000,000	0.10
Granted	670,000	0.95
Balance, end of period	1,670,000	0.44

During the nine months ended September 30, 2007 the Company granted 670,000 stock options (2006 – 1,000,000) and recorded stock-based compensation expense of \$298,665 (2006 - \$80,000) 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:

Risk-free interest rate	4%
Estimated volatility	88% - 89%
Expected life	1.5 - 2.5 years
Expected dividend yield	0%

Stock options outstanding and exercisable at September 30, 2007, are as follows:

Number	Exercise Price	Expiry Date
1,000,000	\$0.10	June 28, 2011
350,000	\$0.90	January 31, 2010
320,000	\$1.00	June 1, 2012
1,670,000		

The weighted average fair value per share of stock options granted during the nine months ended September 30, 2007 was \$0.46 per share (2006 - \$0.08). 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.

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c) Warrants and Agent's Options

A summary of the changes in outstanding warrants and Agent's Options for the nine months ended September 30, 2007 is as follows:

	Warrants #	Agents Options (i) #
Balance, beginning of period	185,500	-
Issued	1,813,500	327,000
Exercised	<u>(42,715)</u>	<u>-</u>
Balance, end of period	<u><u>1,956,285</u></u>	<u><u>327,000</u></u>

- (i) Each Agent's Option is exercisable at \$1.00 for one Agent's Unit until March 23, 2009. Each Agent's Unit consists of one common share and one half of one non-transferable common share purchase warrant. Each full warrant entitles the holder to purchase one common share at \$1.30 until March 23, 2009.

Common shares reserved pursuant to warrants outstanding at September 30, 2007 are as follows:

Number	Exercise Price \$	Expiry Date
142,785	0.10	June 28, 2008
<u>1,813,500</u>	1.30	March 23, 2009
<u><u>1,956,285</u></u>		

A summary of the changes in the Company's warrant equity for the nine months ended September 30, 2007 is as follows:

	Value \$
Balance, beginning of period	-
Warrants issued	416,000
Agent's options issued	169,977
Less warrant issue costs	<u>(79,815)</u>
Balance, end of period	<u><u>506,162</u></u>

- d) As at September 30, 2007 3,024,375 common shares are held in escrow in accordance with the rules of the TSXV and are released every six months ending February 6, 2010.

**6. CONTRIBUTED SURPLUS**

A continuity summary of contributed surplus is presented below:

	\$
Balance, December 31, 2006	91,130
Contributed surplus as a result of stock options granted	298,665
Reallocation of contributed surplus on the exercise of warrants	<u>(2,563)</u>
Balance, September 30, 2007	<u><u>387,232</u></u>

**7. RELATED PARTY TRANSACTIONS**

- a) During the nine months ended September 30, 2007, the Company incurred \$18,614 (2006 - \$8,300)



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for accounting and administration services provided by a private corporation owned by a former director of the Company.

- b) The Company engages 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., Golden Arrow Resources Corporation, Amera Resources Corporation, Astral Mining Corporation, and Gold Point Energy Corp., 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 Company became a shareholder of the Grosso Group effective March 1, 2007. During the nine months ended September 30, 2007, the Company incurred fees of \$222,813 from the Grosso Group: \$136,900 was paid in monthly installments and \$85,913 is included in accounts payable and accrued liabilities as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. 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 nine month period ended September 30, 2007, the Company incurred additional fees of \$8,000 from the Grosso Group.

As at September 30, 2007, included in prepaid expenses is a \$50,000 deposit to the Grosso Group for operating working capital.

- c) During the nine months ended September 30, 2007, the Company incurred \$32,105 (2006 - \$Nil) for geological consulting services, including travel expenses, provided by a private corporation owned by a director of the Company.
- d) During the nine months ended, the Company incurred fees of \$12,584 for consulting and management services provided by a director of the Company.
- d) Effective May 1, 2007, the Company entered into an agreement with IMA to pay a monthly fee for the services provided IMA’s Chief Executive Officer who is a director of the Company. The agreement may be terminated at any time by the Company upon 30 days written notice. For the nine months ended September 30, 2007, the Company paid \$8,333 to IMA for the services.

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.

**8. 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

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revenues for the nine months ended September 30, 2007. The Company's total assets are segmented as follows:

	<b>September 30, 2007</b>			
	<b>Canada</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	2,468,890	-	51,473	2,520,363
Mineral properties and deferred costs	1,163,504	199,069	74,281	1,436,854
Capital assets	33,193	-	-	33,193
	<u>3,665,587</u>	<u>199,069</u>	<u>125,754</u>	<u>3,990,410</u>

  

	<b>December 31, 2006</b>			
	<b>Canada</b>	<b>Argentina</b>	<b>Colombia</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current assets	1,537,260	-	-	1,537,260
Mineral properties and deferred costs	224,949	-	-	224,949
Capital assets	16,225	-	-	16,225
	<u>1,778,434</u>	<u>-</u>	<u>-</u>	<u>1,778,434</u>

**9. SUPPLEMENTARY CASH FLOW INFORMATION**

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

	<b>Nine Months Ended September 30,</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Investing activities		
Expenditures on mineral property interests	(277,000)	-
Common shares issued for mineral property interests	277,000	-
	<u>-</u>	<u>-</u>
Financing activities		
Common shares issued for non-cash consideration	60,000	-
Agent's options and warrants issued for non-cash consideration	169,977	15,000
Share issue costs	(200,986)	(15,000)
Warrant issue costs	(28,991)	-
	<u>-</u>	<u>-</u>

**10. FINANCIAL INSTRUMENTS**

The Corporation's financial instruments are comprised of cash, short-term investments, amounts receivable, prepaids, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.