BLUE SKY URANIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

Background

The following discussion of the operating results and the financial position of Blue Sky Uranium Corp. (the "Company") which have been prepared on the basis of available information up to March 14, 2011, should be read in conjunction with the annual audited consolidated financial statement and notes thereto of the Company for the years ended December 31, 2010 and 2009. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). The discussion also provides an indication of future developments along with issues and risks that can be expected to impact future operations. There is no guarantee of future performance as actual results could change based on factors beyond management's control. Except as otherwise disclosed all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at www.sedar.com.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Prospectus that can be found on the SEDAR website and in each MD&A. Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of uranium; that the Company can access financing, appropriate equipment and sufficient labour and acquire all government permits and licenses to extract uranium. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Company Overview

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

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

Properties

Argentina

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

Exploration programs at the Santa Barbara and Anit projects revealed two types of uranium mineralization in a near-surface horizon of uranium in poorly consolidated upper Cretaceous sediments and underlying mineralization of the surficial calcrete type. The latter, in which the uranium occurs in gypsum and calcite-rich strata, resembles the 23.8 million pound Lake Maitland deposit coming into production by Mega Uranium Ltd. and to the 74 million pound Langer Heinrich deposit in Namibia.

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

Anit Property

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

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

In 2008, five pits were hand-excavated within strong uranium-channel anomalies identified by the airborne r adiometric survey. Yellow uranium-vanadium mineralization was mostly concentrated in 10 to 20 cm layers exposed on the sides of the pits. In all cases uranium mineralization persisted at least to the depth of the hand-excavated pits, ranging in depth from one metre to four metres.

During the second and third quarters of 2009, the Company carried out a surface exploration program to follow up on the 2008 surface work. In total 123 pits were hand excavated and 588 samples were analyzed. For descriptive purposes, the 15 km long airborne uranium anomaly was subdivided into the West, Central and East zones. In the Western and Central zones a total of 109 pits were excavated of which 83 pits encountered mineralization. The average grade of the 280 samples taken from the 83 pits over the 6 kilometre strike length was 0.045% U_3O_8 (379 ppm U) and 475 ppm V with an average recorded mineralized interval of 1.7 meters from surface. This surface exploration defined a paleochannel/lake system that is mineralized over at least 6km of strike length. Of the 83 pits containing uranium-vanadium mineralization approximately 60% were open to depth, bottoming in mineralization.

In the fourth quarter of 2009 the Company carried out hand augering from the base of previously hand excavated pits on Anit to further test the vertical extent of mineralization. Auger holes were completed on 41 selected pits covering all areas of the Anit West and Central zones. Prior to this augering program average pit depth was 2.2m, with a maximum depth of 3.1m. In the auger program the average extension of sampling was 1.1m, to bring average depth to 3.3m for 41 pits, with a maximum depth of sampling of 6.5m. Of the 41 pits selected for augering, 29 had previously encountered mineralization greater than 1m at 0.005% (50 ppm) U. In 20 of these pits (34 samples) the mineralization was extended between 0.5 and 2.8m with average extension of 0.85m at 0.032 % U_3O_8 (270 ppm U) and 0.046% V. Of 12 pits with no previous mineralization, uranium mineralized material was encountered in the last sample of 3 auger extensions.

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

The Company's exploration team completed a radon gas survey during the fourth quarter of 2009. Seven radon gas lines totaling 65km (5 x 10km, 1 x 8km and 1 x 7km), with radon detector cups spaced every 100m, and scintolometer cps recordings every 50m, were completed on the Anit 1 and 2 properties. Approximately 650 radon gas detection points were completed. Radon gas is produced by the decay of uranium minerals and can migrate through porous covering sediments. With a half life of 3.8 days, detection of anomalous radon gas is a strong indicator of uranium mineralization concealed beneath shallow cover, which cannot be detected by scintolometer surveys.

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

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

During the first quarter of 2010 the Company reported that geological mapping and prospecting identified new mineralized outcrops located 4km to 6km east and northeast of the Anit West-Central mineralized zone. A total of 45 rock (grab) samples were collected with results averaging 0.026% U_3O_8 and 0.057 % V_2O_5. The highest grade sample contained 0.373% U_3O_8 and 0.170 % V_2O_5. It is considered significant that most of these outcrops occur stratigraphically below the level of Anit West and Central mineralization, and some were uncovered beneath a thin calcrete cap that would have effectively blocked detection by airborne or ground scintolometer surveys. These new discoveries provide further evidence of the depth extent of uranium-vanadium mineralization at Anit and enhance the potential for further discovery of mineralization below cover.

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

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

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

During the second quarter of 2010, the Company announced on May 18, 2010 its initial results from aircore drilling. Of 51 holes reported 40 holes intersected mineralization above cut-off grade. The best intercept averaged 4 meters thickness at 0.108% U_3O_8 and 0.125% V_2O_5. The weighted average of intervals from all 40 mineralized drill holes was 2.73 meter thickness at 0.03% U3O8 and 0.096% V2O5 (see table 1 in press release dated May 18, 2010). On June 16, 2010 the

Company announced further results from the aircore drilling program on Anit. Overall at Anit of 97 drill holes completed to date, 81 encountered mineralization above cut-off grade with weighted average of intervals from the mineralized holes of 2.6 meters thickness at 0.03% U3O8 and 0.075% V_2O_5. In addition, evidence of stacked mineralized intervals up to 29 meters below surface were detected at Anit Central. In the thickest intercept drilled to date, hole AN-85 averaged 10 meters at 0.036% U_3O_8 and 0.045% V_2O_5, including 6 meters at 0.056% U_3O_8 and 0.047% V_2O_5.

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

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

On September 29, 2010 the Company announced complete results from Phase II aircore drilling at Anit totaling 2,581m in 107 holes. The Phase II program was designed to test for extensions of the Anit West and Central zones as well as to provide a preliminary evaluation of Anit East, radon gas anomalies and buried targets. This brings the total drilling to date on the Anit area to 5,044m in 204 holes. Highlights included Anit West hole AN174 that averaged 4m at 0.078% U3O8 and 0.107% V2O5, and Anit Central hole AN168 that averaged 7m at 0.037% U3O8 and 0.028% V2O5. This additional drilling in the main Anit area provided further definition to strongly mineralized and thicker portions of the mineralized paleochannel at Anit. Away from the main paleochannel large areas of lower grade, but potentially economic mineralization, have been discovered at Anit East as well as 200m north and 400m south of the Anit Central zone. Of 8 regional radon targets drilled 7 had no significant results, however, 1.65 km north of Anit hole AN124 cut 1m at 0.017% U3O8 and 0.080% V2O5 at 8-9m below cover.

On October 4, 2010 the Company announced it had completed a 22,214 line km regional airborne radiometric and magnetic survey in the prospective Rio Negro basin over areas with similar geology to the Anit and Santa Barbara prospects. Three large new uranium channel anomalies were identified by the airborne survey and Blue Sky has applied for 8 licenses, (71,765 hectares) to cover them. Global specialists APG Geophysics were contracted to fly the survey using a fixed wing aircraft loaded with 3 large crystal detection packs. As part of the survey the Company flew infill flight lines over Blue Sky's Anit and Santa Barbara targets to provide back ground data for comparison purposes and to develop a validation process for analyzing and prioritizing new targets.

Subsequent to the 2010 year end on January 20, 2011 Blue Sky reported results from a total of 310 excavator pits of up to 6m depth at Anit. A CAT 320 L Excavator completed pits along north-south lines spaced 400m apart, generally at 40m spacing at Anit Central and 200m by 40m at Anit West. The pits extend over the Anit West and Central Zones that were previously sampled by hand-dug pits, excavator trenches and aircore drillholes (See News Releases September 29, July 7 and June 16, 2010). The Company believes the excavator pit sampling technique collects a more representative sample from the poorly consolidated to unconsolidated host to the Anit mineralization than the previous sample collection methods. Within the mineralized zone outlined to date by the current excavator pit program at Anit West and Central, including only pits with mineralization greater than 50 ppm Uranium over 1m, the average thickness of the mineralized layer is 1.97 meters with a weighted average grade of 0.04% * U3O8(337 ppm Uranium) and 594 ppm Vanadium.

During Q1 2011 in the Anit area field teams are prospecting airborne anomalies close to the known Anit mineralization.

The Company has also retained Independent Metallurgical Operations PTY LTD of Australia (IMO) to carry out beneficiation testing and basic metallurgical testing of the Anit uranium-vanadium mineralization; results from preliminary metallurgical test work are currently being evaluated.

Santa Barbara Property

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

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

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

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

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

In Q1 2011 exploration consisting of auger sampling, ground radiometric surveys and detailed geological mapping is now underway at the Company's Santa Barbara project.

All technical information pertaining to the Company's Argentine properties described above has been prepared by Bruce Smith, AusIMM, the Company's Exploration Manager and a Qualified Person as defined by National Instrument 43-101. Analysis of samples reported herein was performed by Alex Stewart Assayers, in Mendoza Argentina, an internationally recognized analytical services provider, by means of Inductively Coupled Plasma Mass Spectrometry following a four acid digestion (ICP-AR). The samples collected from the pits and auger were 0.5m samples. Blank, duplicate, and internal company standard samples were inserted into the sample sequence sent to the lab for quality assurance/quality control (QA/QC) purposes. The Company detected no significant QA/QC issues during review of the data. Note that 10,000 ppm = 1%, 1% U = 1.1792% U_3O_8 and 1% V = 1.785% V_2O_5.

Selected Annual Financial Information

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

	Years Ended December 31,		
	2010 $	2009 $	2008 $
Total revenue	Nil	Nil	Nil
Net loss and comprehensive loss for the year	(5,589,262)[5]	(1,151,047)[1]	(3,608,892) [2]
Loss per share – basic and diluted	(0.09)	(0.03)	(0.14)
Total assets	5,963,349	5,080,155[3]	4,115,699[4]

(1) includes $545,423 in stock based compensation and $635,363 in exploration expenses.
(2) includes $951,630 in write off of mineral properties and $1,296,853 in exploration expenses.
(3) increase is compared to 2008 is primarily due higher cash balances from issurance of common shares with gross proceeds of $2,402,179.
(4) increase in total assets compared to 2007 is due to additions of $2,770,326 to mineral properties in 2008.
(5) includes $668,332 in stock based compensation and $3,191,735 in exploration expenses.

Results Of Operations – For The Year Ended December 31, 2010 Compared To The Year Ended December 31, 2009

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

Other income (expense)

During the year ended December 31, 2010, other expense increased by $154,009, to $18,163 compared to other income of $135,846 for the year ended December 31, 2009. The increase in other expense is largely due to:

- An expense recovery of $Nil for the year ended December 31, 2010 compared to $170,000 for the year ended December 31, 2009. This relates to a recovery of expenses from the Grosso Group in 2009 as a result of a member leaving.

- A foreign exchange loss of $18,390 compared to $26,101 for the year ended December 31, 2009. This primarily resulted from the depreciation of the Argentine peso and US dollar against the Canadian dollar while funds were held in these respective currencies.

- A loss on write-off of equipment of $nil for the year ended December 31, 2010 compared to $14,083 for the year ended December 31, 2009. This relates to conditions present in the year ended December 31, 2009 requiring write-off of equipment not present in the year ended December 31, 2010.

Expenses

During the year ended December 31, 2010, expenses increased by $3,512,785 to $5,571,099 compared to $2,058,314 for the year ended December 31, 2009. The increase in expenses is largely due to:

- An increase of $2,556,372 in exploration. Exploration was $3,191,735 for the year ended December 31, 2010 compared to $635,363 for the year ended December 31, 2009. Phase 1 and 2 of the drilling program and an airborne radiometric and magnetic survey at the Anit project was completed and up to 310 excavator pits in the Anit Central and Anit West regions were being explored during the year ended December 31, 2010 with no equivalent program in the prior period.

- A total increase of $295,597 in salaries and management fees. Salaries and management fees were $613,867 for the year ended December 31, 2010 compared to $320,270 for the year ended December 31, 2009. This increase is due to Management Services Agreement amendments by the Company during 2010 as well as increased activity and new personnel. See 'Related Party Transactions' for more details of the transaction.

- An increase of $56,954 in rent, parking and storage. Rent, parking and storage was $117,447 for the year ended December 31, 2010 compared to $60,493 for the year ended December 31, 2009. Due to the increase in exploration activities during the current year compared to the prior year, a greater proportion of Grosso Group's costs were allocated to the Company.

- An increase of $189,693 in corporate development and investor relations. Corporate development and investor relations were $287,755 for the year ended December 31, 2010 compared to $98,062 for the year ended December 31, 2009. The increase is due to a greater number of activities relating to promotion of the Company's projects during the current year compared to the year ended December 31, 2009.

- An increase of $25,487 in travel. Travel was $96,022 for the year ended December 31, 2010 compared to $70,535 for the year ended December 31, 2009. The increase is due to travel associated with the initiation of the drilling program and a higher number of investor relation activities compared to the year ended December 31, 2009.

- An increase of $186,614 in professional and consulting fees. Professional and consulting fees were $287,680 for the year ended December 31, 2010 compared to $101,066 for the year ended December 31, 2009. With the increase in business activities during the year ended December 31, 2010, more consultants were contracted to provide services.

- An increase of $122,909 in stock-based compensation. Stock-based compensation was $668,332 for the year ended December 31, 2010 compared to $545,423 for the year ended December 31, 2009. The increase is due to 3,520,000 stock options being granted during 2010 compared to 3,625,000 in the year ended December 31, 2009 and differing variables in the Black-Scholes option pricing model.

The net loss for the year ended December 31, 2010 was $5,589,262 or $0.09 per basic and diluted share compared to a net loss of $1,151,047 or $0.03 per basic and diluted share for the year ended December 31, 2009.

Cash Flow

Operating Activities

Cash outflow from operating activities was $4,835,274 for the year ended December 31, 2010 compared to $1,566,613 for the year ended December 31, 2009. Exploration expenditures increased $2,556,372 over the prior period, increased in activity over the prior period of $189,693 for corporate development and investor relations, $186,614 in professional and consulting fees, and $293,597 for salaries and management fees, partially offset by changes in working capital balances contributed to the increase in cash outflow.

Investing Activities

Cash outflow from investing activities was $79,714 during the year ended December 31, 2010 due mostly to expenditures on mineral property interests compared to $18,247 for the year ended December 31, 2009.

Financing Activities

Proceeds from the issuance of common shares and warrants were $2,582,250, partially offset by $133,727 in share issue costs for the year ended December 31, 2010 compared to $1,910,000 partially offset by $102,583 in share issue costs for the year ended December 31, 2009. Proceeds from the exercise of warrants and options were $3,343,701 for the year ended December 31, 2010 compared to $492,179 for the year ended December 31, 2009.

<u>Results Of Operations – For The Three Months Ended December 31, 2010 Compared To The Three Months Ended December 31, 2009</u>

Other income (expense)

During the three months ended December 31, 2010, other income decreased by $87,102 to $19,068 compared $106,170 for the three months ended December 31, 2009. The increase in other expense is largely due to:

- An expense recovery of $Nil for the three months ended December 31, 2010 compared to $170,000 for the three months ended December 31, 2009. This relates to a recovery of expenses from the Grosso Group in 2009 as a result of a member leaving.

- A foreign exchange gain of $19,068 for the three months ended December 31, 2010 compared to a $55,663 foreign exchange loss for the three months ended December 31, 2009. This primarily resulted from the depreciation of the Argentine peso and US dollar against the Canadian dollar while different amounts of funds were held in these respective currencies during these periods.

- A loss on write-off of equipment of $nil for the three months ended December 31, 2010 compared to $14,083 for the year ended December 31, 2009. This relates to conditions present in the three months ended December 31, 2009 requiring write-off of equipment not present in the year ended December 31, 2010.

Expenses

During the three months ended December 31, 2010, expenses increased by $1,014,190 to $1,733,925 compared to $719,735 for the three months ended December 31, 2009. The increase in expenses is largely due to:

- An increase of $550,968 in exploration. Exploration was $739,992 for the three months ended December 31, 2010 compared to $189,024 for the three months ended December 31, 2009. Up to 310 excavator pits in the Anit Central and Anit West regions were being explored during the three months ended December 31, 2010 with no equivalent program in the prior period.

- An increase of $58,591 in salaries and management fees. Salaries and management fees were $142,279 for the three months ended December 31, 2010 compared to $83,688 for the three months ended December 31, 2009. This decrease is due to a Management Services Agreement amendment entered into by the Company during 2010. See 'Related Party Transactions' for more details of the transaction.

- An increase of $9,924 in transfer agent and regulatory fees. Transfer agent and regulatory fees were $20,781 for the three months ended December 31, 2010 compared to $10,857 for the three months ended December 31, 2009. This is related to the issuance of common shares and warrants during the three months ended December 31, 2010.

- An increase of $26,022 in corporate development and investor relations. Corporate development and investor relations were $67,538 for the three months ended December 31, 2010 compared to $41,516 for the three months ended December 31, 2009. The increase is due to a greater number of activities relating to promotion of the Company's projects during the current three-month period.

- An increase of $98,809 in professional and consulting fees. Professional and consulting fees were $93,887 for the three months ended December 31, 2010 compared to a recovery of $4,922 for the three months ended December 31, 2009. With the increase in business activities during the three months ended December 31, 2010, more consultants were contracted to provide services.

- An increase of $293,979 in stock-based compensation. Stock-based compensation was $561,016 for the three months ended December 31, 2010 compared to $267,037 for the three months ended December 31, 2009. This increase is due to the granting of 3,345,000 stock options during the three months ended December 31, 2010 compared to 810,000 granted during the three months ended December 31, 2009 and differing variables in the Black-Scholes option pricing model.

The net loss for the three months ended December 31, 2010 was $1,714,857 or $0.02 per basic and diluted share compared to net income of $157,856 or $0.00 per basic and diluted share for the three months ended December 31, 2009 related to an income tax recovery of $771,421.

Cash Flow

Operating Activities

Cash outflow from operating activities was $1,312,390 for the three months ended December 31, 2010 compared to $463,747 for the three months ended December 31, 2009. Exploration expenditures increased $550,968 over the prior period, increases in activity over the prior period of $98,809 in professional and consulting fees, $26,022 in corporate development and investor relations and $58,591 in salaries and management fees, partially offset by changes in working capital balances contributed to the increase in cash outflow.

Investing Activities

Cash outflow from investing activities was $8,943 during the three months ended December 31, 2010 due to fixed asset acquisitions and expenditures on mineral property interests compared to $8,244 for the three months ended December 31, 2009.

Financing Activities

Proceeds from the exercise of warrants and options were $1,016,666 for the three months ended December 31, 2010 compared to $492,179 for the three months ended December 31, 2009. Proceeds from the issuance of common shares and warrants were $Nil partially offset by share issue costs of $Nil for the three months ended December 31, 2010 compared to $1,210,000 partially offset by share issue costs of $60,035 for the three months ended December 31, 2009.

Balance Sheet

At December 31, 2010, the Company had total assets of $5,963,349 compared with $5,080,155 in total assets at December 31, 2009. This increase is primarily a result of an increase in cash related to the issuance of common shares and warrants and the exercise of warrants and options. Working capital at December 31, 2010 was $2,217,994 compared to working capital of $1,485,571 at December 31, 2009, as a result of an increase in cash related to proceeds from issuances of common shares and warrants and exercise of warrants and options partially offset by an increase in accounts payable and accrued liabilities.

Selected Financial Data and Fourth Quarter Discussion

	2010				2009			
	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(1,714,857)	(1,320,694)	(1,547,905)	(1,005,806)	157,857	(475,439)	(568,349)	(265,116)
Net Loss per Common Share Basic and Diluted	(0.02)	(0.02)	(0.02)	(0.02)	(0.00)	(0.01)	(0.01)	(0.01)

Liquidity and Capital Resources

The Company has experienced recurring operating losses and has accumulated an operating deficit of $13,416,774 at December 31, 2010 (December 31, 2009 - $7,827,512) and shareholders' equity of $5,753,068 at December 31, 2010 (December 31, 2009 – $4,881,774). In addition, the Company had working capital of $2,217,994 at December 31, 2010 (December 31, 2009 –$1,435,571). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year.

The Company presently does not have adequate resources to maintain its core activities for the next fiscal year or sufficient working capital to fund all its planned activities. The Company will continue to rely on successfully completing additional equity financing to maintain its core activities and further exploration of its existing and new properties in Argentina. There can be no assurance that the Company will be successful in obtaining the required financing. The failure to obtain such financing could result in the loss of the Company's interest in one or more of its mineral claims.

The Company's cash position at December 31, 2010 was $2,211,634 which is an increase of $877,236 from the December 31, 2009 balance of $1,334,398. Total assets increased to $5,963,349 at December 31, 2010 from $5,080,155 at December 31, 2009. This increase is mainly due to the increase in the cash balance.

The Company has financed its operations through the sale of its equity securities. During the year ended December 31, 2009, the Company:

- Completed a non-brokered private placement consisting of 7,000,000 units at a price of $0.10 per unit for gross proceeds of $700,000 less share issue costs of $42,548. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the company at a price of $0.20 per share for 18 months.

- Completed a non-brokered private placement consisting of 5,500,000 units at a price of $0.22 per unit for gross proceeds of $1,210,000 less cash related share issue costs of $60,035. Non-cash related share issue costs of $242,313 were also incurred on this private placement. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the company at a price of $0.30 per share for two years.

During the year ended December 31, 2010:

- 15,119,970 warrants were exercised for proceeds of $3,193,701 and 1,085,000 options were exercised for proceeds of $150,000.

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

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs. The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

Commitment

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

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is $60,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

Capital Stock

At December 31, 2010, the Company had unlimited authorized common shares without par value. At December 31, 2010, an aggregate of 78,969,396 common shares were issued and outstanding. At March 14, 2011, 79,169,396 common shares were issued and outstanding.

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

The Company had the following warrants outstanding as at March 14, 2011:

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

The following summarizes information about the stock options outstanding and exercisable as at March 14, 2011:

Number of Shares Outstanding and Exercisable	Exercise Price (CAD$)	Expiry Date
500,000	$0.10	June 28, 2011
75,000	$0.21	October 6, 2011
75,000	$0.66	February 10, 2012
215,000	$1.00	June 1, 2012
15,000	$0.40	January 25, 2013
1,465,000	$0.15	May 6, 2014
300,000	$0.15	July 6, 2014
75,000	$0.18	July 22, 2014
715,000	$0.65	December 9, 2014
100,000	$0.73	March 15, 2015
3,270,000	$0.26	October 5, 2015
75,000	$0.25	October 29, 2015
6,880,000		

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Related Party Transactions.

(a) On March 31, 2010, the Company and an arms' length exploration company collectively entered into a sale agreement with an officer and director of the arms' length exploration company to sell their shares held in Grosso Group Management Ltd., ("Grosso Group") for proceeds of $1. On April 1, 2010, the Company entered into a Management Services Agreement ("Agreement") with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is $60,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expires on December 31, 2012. The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of $750,000. The early termination fees are the aggregate of the termination fee in addition to the lesser of the monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of $1,000,000. During the year ended December 31, 2010, the Company incurred fees of $801,999 (2009 – $446,315) from Grosso Group: $581,999 (2009 - $465,188) was paid in monthly instalments, $nil (2009 - $188,873) is included in prepaid expenses and $60,000 (2009 - $50,000) is included in deposits as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. The $801,999 (2009 – 446,315) incurred fees consisted of $388,855 (2009 - $nil) in management fees, $136,820 (2009 - $100,190) in office and sundry, $117,152 (2009 – 64,827) in rent, parking and storage, $154,673 (2009 – 281,299) in salaries and employee benefits and $4,500 (2009 - $nil) in travel. An officer and director's salary comprise a portion of the fee.

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

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

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

Subsequent Event

Subsequent to December 31, 2010:

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

Critical Accounting Estimates and Recent Accounting Pronouncements

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from these estimates.

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2010. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Stock-based Compensation

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

Translation of Foreign Currencies

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

Mineral Property Interests

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

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

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

The Company accounts for foreign value added taxes paid as expenses when incurred. The recovery of these taxes may commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a recovery of exploration expenses at that time.

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.

Asset Retirement Obligations

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

Impairment of Long-Lived Assets

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

Future Accounting Standards

Business combinations, consolidated financial statements and non-controlling interest

In January 2009, the CICA issued CICA Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidations*, and Section 1602, *Non-controlling Interests*. These sections replace the former CICA Handbook Section 1581, *Business Combinations* and Section 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, *Business Combinations* (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.
All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections. The adoption of Sections 1601 and 1602 is not expected to have a material impact on the Company's consolidated financial statements. Whether the Company will be materially affected by the new recommendations of

IFRS 3 (Section 1582) will depend on the specific facts of business combinations, if any, occurring subsequent to January 1, 2011.

International Financial Reporting Standards

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

The four phases of the Company's transition plan to IFRS are as follows: scoping and planning ("phase 1"), detailed assessment ("phase 2"), development and implementation ("phase 3"), and post implementation ("phase 4"). As of December 31, 2010, the Company has completed its review of the Canadian equivalents to IFRS as part of phase 1 and no areas have been identified that may have an impact on the financial statements of the Company. The Company adopted its IFRS changeover plan and management has completed an IFRS diagnostic and has quantified and analyzed differences between Canadian GAAP and IFRS during phase 2. Phase 3 began during the third quarter of 2010 and the Company compiled its support for the IFRS opening balance sheet at January 1, 2010. Ongoing training for key personnel, documentation of impact and required changes to, and ensuring the effectiveness of, the Company's internal control environment and disclosure controls and procedures occurred during the remainder of 2010. The remaining phase: post-implementation and review will be completed during the first quarter of 2011.

Management has considered the differences between Canadian GAAP and IFRS during phase 1 to phase 3 and has concluded that there are no material differences for all the items appearing in the Company's balance sheet and income statement from what has been recorded under Canadian GAAP.

The International Accounting Standards Board ("IASB") continues to amend and add to current IFRS standards with several projects underway. The Company's transition plan includes monitoring actual and anticipated changes to IFRS, including interpretations thereof, and related rules and regulations and assessing the impacts of these changes on the Company and its financial statements, including expected dates of when such impacts are effective.

The specific areas where no applicable differences in recognition and measurement have been identified between IFRS and Canadian GAAP are cash, amounts receivable, prepaid expenses, and accounts payable and accrued liabilities. Certain relevant accounting differences between Canadian GAAP and IFRS and the assessed impacts on the financial statements of the Company are described below:

Financial Statement Component	IFRS	Canadian GAAP	Possible Impact
Exploration Expenditures and Development Costs	An entity shall determine a policy specifying which expenditures are recognized as exploration and evaluation assets and apply the policy consistently. In making this determination, an entity considers the degree to which the expenditure can be associated with finding specific mineral resources. Exploration Expenditures shall be recognized at cost. The Company can elect to measure exploration and evaluation assets using either cost model or the revaluation model.	Exploration costs related to mining properties may initially be capitalized if an enterprise considers that such costs have the characteristics of property, plant and equipment and that capitalization is appropriate to its circumstances. Exploration and evaluation assets are measured at cost. Canadian GAAP does not allow for the revaluation of exploration and evaluation assets other than during a business combination.	No impact. Continue with existing policy under IFRS 6. Continue with Cost Model

Foreign Currency Translation	Defines functional currency as the currency of the primary economic environment in which the entity operates. Foreign currency translation methods are based on the functional currency concept.	Does not directly define functional currency. Foreign currency translation is based on the concept of integrated and self-sustaining foreign operations.	No impact expected at this time.
Impairment of Non-Current Assets	Assess at each reporting date whether there is any indication that an asset (other than goodwill and intangible assets with indefinite lives) may be impaired. Impairment loss recognition is a one-step process based on discounted cash flows. Impairment losses are recognized when the carrying value exceeds the recoverable amount, which is the higher of (a) value in use and (b) fair value less costs to sell. An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.	A long-lived asset should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment testing is based on a two-step test. Once an impairment loss is identified on an undiscounted cash flow basis (step 1), the impairment loss is measured as the amount by which the carrying value exceeds fair value (step 2). An impairment loss relating to long-lived assets should not be reversed even if the fair value subsequently increases	No impact expected at this time.
Income Taxes	A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit.	There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized.	The Company is in the final stages of quantifying the impact of this difference.
Share-Based Payments	For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ. Requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.	Allows the option to use the straight-line method or the attribution method to account for graded-vesting features. Permits companies to either estimate the forfeitures at time of grant date or record the entire expense as if all its stock option grants vest and then record forfeitures as they occur	No impact expected at this time.

Financial Instruments

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

(a) Fair Values

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

The following table outlines the Company’s financial assets and liabilities measured at fair value by level within the fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As at December 31, 2010 the Company’s financial instruments measured at fair value are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash	2,211,634	-	-	2,211,634
Amounts receivable	39,541	-	-	39,541
Deposits	60,000	-	-	60,000
Liabilities				
Accounts payable and accrued liabilities	210,281	-	-	210,281

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

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

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, amounts receivable, and deposit. The Company has reduced its credit risk by investing its cash in term deposits with financial institutions that operate globally. Also, as the majority of its amounts receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company’s credit risk has not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due (See Note 1 to the Consolidated Financial Statements). The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Market risk

(i) Currency risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentine Pesos, all denominated in cash, amounts receivable and accounts payable. The sensitivity of the Company's net loss and comprehensive loss to changes in the exchange rate between the Canadian dollar and the United States dollar and Argentine Peso is summarized in the table below:

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

(ii) ***Interest rate risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The fair value of cash approximates its carrying values due to the immediate or short-term maturity of this financial instrument.

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

(c) Capital Management

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

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

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

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

Risk Factors and Uncertainties

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

History of losses: The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2010 and 2009. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Community Risk: The Company has negotiated with the local communities on its mineral property concessions for access to facilitate the completion of geological studies and exploration work programs. The Company's operations could be significantly disrupted or suspended by activities such as protests or blockades that may be undertaken by such certain groups or individuals within the community.

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

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

Additional Information

Additional information relating to the Company, including news releases, financial statements and prior MD&A filings, is available on SEDAR at www.sedar.com.

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