BLUE SKY URANIUM CORP.

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED
JUNE 30, 2010 AND 2009

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

BLUE SKY URANIUM CORP.

(the “Company”)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Six months ended June 30, 2010 and
six months ended June 30, 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity’s auditor.

August 3, 2010

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

(See Note 1 – Nature of Operations and Going Concern)

(Unaudited - Expressed in Canadian Dollars)

	June 30, 2010 $	December 31, 2009 $
A S S E T S		
CURRENT ASSETS		
Cash	1,449,619	1,334,398
Accounts receivable	15,898	13,227
Prepaid expenses	54,334	336,327
	1,519,851	1,683,952
MINERAL PROPERTY INTERESTS (Note 3)	3,437,129	3,396,203
	4,956,980	5,080,155
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	187,594	198,381
Amount due to a related party (Note 7)	41,877	-
	229,471	198,381
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL		
Authorized – Unlimited common shares without par value (Note 4)		
Issued and outstanding 63,507,063 (December 31, 2009 – 52,435,426) common shares	12,994,030	10,231,995
WARRANTS (Note 4 and 6)	476,870	808,526
CONTRIBUTED SURPLUS	1,637,832	1,668,765
DEFICIT	(10,381,223)	(7,827,512)
	4,727,509	4,881,774
	4,956,980	5,080,155

APPROVED BY THE BOARD

"Sean Hurd" , Director

"Ron McMillan" , Director

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010 $	2009 $	2010 $	2009 $
EXPENSES				
Accounting and audit	22,208	-	27,799	-
Amortization	-	3,327	-	6,653
Corporate development and investor relations	61,664	29,699	114,337	39,027
General exploration	1,115,095	157,155	1,578,912	249,041
Management Fees	173,155	-	173,155	-
Office and sundry	46,441	25,955	97,525	54,763
Professional and consulting fees	92,758	40,895	152,833	74,210
Rent, parking and storage	27,000	14,971	66,751	28,770
Salaries	4,665	78,298	159,338	177,541
Stock-based compensation (Note 5)	-	195,621	82,410	195,621
Transfer agent and regulatory fees	5,015	10,343	17,146	21,431
Travel	23,249	14,580	62,025	22,775
LOSS (INCOME) BEFORE OTHER ITEMS	1,571,250	570,844	2,532,231	869,832
OTHER INCOME (EXPENSE)				
Foreign exchange	23,236	2,437	(21,706)	36,298
Interest income	109	59	226	71
	23,345	2,496	(21,480)	36,369
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(1,547,905)	(568,348)	(2,553,711)	(833,463)
DEFICIT - BEGINNING OF PERIOD	(8,833,318)	(6,941,580)	(7,827,512)	(6,676,465)
DEFICIT - END OF PERIOD	(10,381,223)	(7,509,928)	(10,381,223)	(7,509,928)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.02)	$ (0.01)	$ (0.04)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	63,027,393	39,947,072	58,824,982	40,669,000

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010 $	2009 $	2010 $	2009 $
CASH PROVIDED FROM (USED FOR)				
OPERATING ACTIVITIES				
Loss for the period	(1,547,905)	(568,348)	(2,553,711)	(833,463)
Items not affecting cash:				
Amortization	-	3,327	-	6,653
Stock-based compensation	-	195,621	82,410	195,621
	(1,547,905)	(369,400)	(2,471,301)	(631,189)
Change in non-cash working capital balances:				
Other receivables and prepaid expenses	90,009	(89,410)	279,322	(68,691)
Amount due to a related party	41,877	-	41,877	-
Accounts payable and accrued liabilities	(231,555)	(88,224)	(10,787)	(39,189)
	(1,647,574)	(547,034)	(2,160,889)	(736,069)
INVESTING ACTIVITIES				
Expenditures on mineral property interests	(33,583)	(10,454)	(40,926)	(10,454)
	(33,583)	(10,454)	(40,926)	(10,454)
FINANCING ACTIVITIES				
Issuance of common shares and warrants	-	700,000	-	700,000
Share issue costs	-	(42,548)	-	(42,548)
Exercise of warrants and options	1,366,502	-	2,317,036	-
	1,366,502	657,452	2,317,036	657,452
INCREASE (DECREASE) IN CASH	(314,655)	99,964	115,221	(92,071)
CASH - BEGINNING OF PERIOD	1,764,274	427,627	1,334,398	619,662
CASH - END OF PERIOD	1,449,619	527,591	1,449,619	527,591

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
INTERIM CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Unaudited - Expressed in Canadian Dollars)

	Number of Common Shares	Amount of Common Shares (Note 4)	Contributed Surplus (Note 5)	Warrants (Note 6)	Retained Earnings (Accumulated Deficit)
Balance as at December 31, 2008	37,820,000	8,576,180	554,893	733,195	(6,676,465)
Private placement	12,500,000	1,167,221	-	742,779	-
Share issue costs	-	(224,611)	-	-	-
Warrant issue costs	-	-	-	(120,285)	-
Expiration of warrants	-	-	439,340	(439,340)	-
Warrants exercised	1,513,784	541,337	-	(107,823)	-
Stock options exercised	290,549	87,873	(29,209)	-	-
Stock options granted	-	-	545,423	-	-
Agent's commission	311,093	83,995	158,318	-	-
Net loss	-	-	-	-	(1,151,047)
Balance as at December 31, 2009	52,435,426	10,231,995	1,668,765	808,526	(7,827,512)
Stock-based compensation	-	-	82,410	-	-
Warrants exercised	9,986,637	2,498,690	-	(331,656)	-
Stock options exercised	1,085,000	263,345	(113,343)	-	-
Net loss	-	-	-	-	(2,553,711)
Balance as at June 30, 2010	63,507,063	12,994,030	1,637,832	476,870	(10,381,223)

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTY INTERESTS

FOR THE PERIOD ENDED JUNE 30, 2010

(Unaudited - Expressed in Canadian Dollars)

	Argentina					
	Santa Barbara $	Anit $	Cebeza de Potro $	Villa Regina $	Other $	Total $
ACQUISITION COSTS						
BALANCE - BEGINNING OF PERIOD	1,045,065	1,248,533	272,002	9,715	820,888	3,396,203
Staking fees	791	8,106	-	-	32,029	40,926
BALANCE - END OF PERIOD	1,045,856	1,256,639	272,002	9,715	852,917	3,437,129
EXPLORATION EXPENDITURES						
CUMULATIVE COSTS EXPENSED - BEGINNING OF PERIOD	707,790	373,859	928	1,021	2,888	1,086,486
EXPLORATION EXPENDITURES DURING THE PERIOD:						
Assays	12,659	75,660	-	-	1,905	90,224
Drilling	-	158,996	-	-	-	158,996
Geophysics	-	482,731	-	-	-	482,731
Office	68,718	238,329	-	-	3,391	310,438
Salaries and contractors	7,233	93,132	-	-	924	101,289
Supplies and equipment	-	172,772	-	-	-	172,772
Transportation	30,742	128,342	-	-	1,359	160,443
IVA taxes	8,244	93,251	-	-	524	102,019
	127,596	1,443,213	-	-	8,103	1,578,912
CUMULATIVE COSTS EXPENSED - END OF PERIOD	835,386	1,817,072	928	1,021	10,991	2,665,398

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

BLUE SKY URANIUM CORP.
(An Exploration Stage Company)
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2010 AND
SIX MONTHS ENDED JUNE 30, 2009
(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company has experienced recurring operating losses and has accumulated an operating deficit of $10,381,223 at June 30, 2010 (December 31, 2009 - $7,827,512) and a shareholders' equity of $4,727,509 at June 30, 2010 (December 31, 2009 – $4,881,774). In addition, the Company had working capital of $1,290,380 at June 30, 2010 (December 31, 2009 –$1,485,571). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management's plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles, except that they do not contain all disclosures as required for annual financial statements. The interim financial statements have been prepared following the same accounting policies as for the consolidated financial statements for the year ended December 31, 2009 except as noted. Accordingly, they should be read in conjunction with the 2009 financial statements and the notes thereto.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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.

Mineral Property Interests

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Translation of Foreign Currencies

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

Future Accounting Standards

Business combinations, consolidated financial statements and non-controlling interest

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

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

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standards (“IAS”) 27, Consolidated and Separate Financial Statements (January 2008).

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections as it has not adopted then yet.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that the date for publicly-listed companies to use IFRS, replacing Canadian GAAP, is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. The Company is evaluating the financial reporting impact of the transition to IFRS.

3. MINERAL PROPERTY INTERESTS

The schedule below summarizes the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at June 30, 2010 and December 31, 2009:

(Unaudited - Expressed in Canadian Dollars)

	June 30, 2010			December 31, 2009		
	Acquisition Costs $	Exploration Expenditures $	Total $	Acquisition Costs $	Exploration Expenditures $	Total $
Argentina						
Santa Barbara	1,045,856	835,386	1,881,242	1,045,065	707,790	1,752,855
Anit	1,256,639	1,817,072	3,073,711	1,248,533	373,859	1,622,392
Cabeza de Potro	272,002	928	272,930	272,002	928	272,930
Nicky	164,177	-	164,177	164,177	-	164,177
La Rioja	229,849	5,254	235,103	229,849	1,306	231,155
Chubut	350,049	1,548	351,597	328,355	-	328,355
Santa Cruz	98,507	-	98,507	98,507	-	98,507
Villa Regina	9,715	1,021	10,736	9,715	1,021	10,736
Thelon	7,963	-	7,963	-	-	-
Other	2,372	4,189	6,561	-	1,582	1,582
	3,437,129	2,665,398	6,102,527	3,396,203	1,086,486	4,482,689

a) Santa Barbara Property

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

b) Anit Property

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

4. SHARE CAPITAL

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

(Unaudited - Expressed in Canadian Dollars)

In May 2009, the Company completed a non-brokered private placement consisting of 7,000,000 units at a price of $0.10 per unit for gross proceeds of $657,452 net of share issue costs of $42,548. Each Unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the company at a price of $0.20 per share for 18 months.

In November 2009, the Company completed a non-brokered private placement consisting of 5,500,000 units at a price of $0.22 per unit for gross proceeds of $1,149,965 net of cash related share issue costs of $60,035. Non-cash related share issue costs of $242,313 were also incurred on this private placement. Each Unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the company at a price of $0.30 per share for two years.

5. STOCK OPTIONS

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

Stock option transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price (CAD$)
Balance at December 31, 2008	1,635,000	0.40
Granted	3,625,000	0.25
Exercised	(190,000)	0.15
Expired	(70,000)	0.49
Forfeited	-	-
Balance at December 31, 2009	5,000,000	0.30
Granted	175,000	0.70
Exercised	(1,085,000)	0.14
Cancelled	(10,000)	0.65
Expired	(335,000)	0.90
Balance at June 30, 2010	3,745,000	0.31
Number of stock options exercisable	3,745,000	0.31

5. STOCK OPTIONS (continued)

As at June 30, 2010, the following stock options were outstanding as follows:

(Unaudited - Expressed in Canadian Dollars)

Number of Shares Outstanding	Exercise Price (CAD$)	Expiry Date
65,000	$0.10	June 28, 2011
75,000	$0.21	October 6, 2011
215,000	$1.00	June 1, 2012
15,000	$0.40	January 5, 2013
1,875,000	$0.15	May 6, 2014
450,000	$0.15	July 6, 2014
150,000	$0.18	July 22, 2014
725,000	$0.65	December 9, 2014
75,000	$0.66	February 10, 2012
100,000	$0.73	March 15, 2015
3,745,000		

Total stock options granted during the three months ended June 30, 2010 were Nil (three months ended June 30, 2009 – 2,115,000). Stock options granted vest immediately but are subject to a four month hold period. Total stock-based compensation recognized for the fair value of stock options granted, vested and approved by the shareholders during the three months ended June 30, 2010 was $Nil (three months ended June 30, 2009 – $195,620).

Total stock options granted during the six months ended June 30, 2010 were 175,000 (six months ended June 30, 2009 –2,115,000). Total stock-based compensation recognized for the fair value of stock options granted, vested and approved by the shareholders during the six months ended June 30, 2010 was $82,410 (six months ended June 30, 2009 – $195,620).

The weighted average fair value of stock options granted is estimated to be $0.47 for the six months ended June 30, 2010 (six months ended June 30, 2009 – $0.09) by using the Black-Scholes options pricing model with the following weighted average assumptions:

	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Risk-free interest	1.34%	0.84%
Expected dividend yield	-	-
Expected stock price volatility	117.25%	112%
Expected option life in years	2.5	3.0

6. WARRANTS

Share purchase warrant transactions are summarized as follows:

(Unaudited - Expressed in Canadian Dollars)

	Number of warrants	Weighted Average Exercise Price $	Number of agent options	Weighted Average Exercise Price $
Balance at December 31, 2009	21,088,315	0.23	79,211[(1)]	0.30
Issued	39,605[(1)]	0.40	-	-
Expired	(27,365)	0.40	-	
Exercised	(9,907,426)	0.22	(79,211) [(1)]	0.30
Balance at June 30, 2010	11,193,129	0.25	-	-

[(1)]Each Agent's Option is exercisable for one unit until February 5, 2010 at an exercise price of $0.30 per Agent's Unit. Each Agent's Unit will consist of one Share and one-half of one non-transferable common share purchase warrant. Each Agent's Warrant will be exercisable for one additional Share until February 5, 2010 at an exercise price of $0.40 per Share.

At June 30, 2010, the following warrants were outstanding as follows:

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

7. RELATED PARTY TRANSACTIONS

(a) On March 31, 2010, the Company and Golden Arrow Resources Corp. ("Golden Arrow") collectively entered into a sale agreement with an officer and director of Golden Arrow to sell their shares held in Grosso Group Management Ltd., ("Grosso Group") for proceeds of $1. On April 1, 2010, the Company entered into a Management Services Agreement ("Agreement") with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among each member company. The initial fee based on expected usage is $60,000 per month. This fee is reviewed and adjusted quarterly based on level of services required. The Agreement expires on December 31, 2012. The Agreement contains termination and early termination fees in the event the services are terminated by the Company. The termination fee includes three months of compensation and any contractual obligations that Grosso Group undertook for the Company, up to a maximum of $750,000. The early termination fees is the aggregate of the termination fee in addition to the lesser of monthly fees calculated to the end of the term and the monthly fees calculated for eighteen months, up to a maximum of $1,000,000

7. RELATED PARTY TRANSACTIONS (continued)

(b) During the six months ended June 30, 2010, the Company incurred fees of $317,091 (2009 – $191,870) from Grosso Group: $317,091(2009 - $209,340) was paid in monthly installments and $Nil is included in accounts payable (2009 – $17,470 included in accounts receivable) as a result of a review of the allocation of Grosso Group costs to the member companies for the period. An officer and director's salary comprise a portion of the fee.

(Unaudited - Expressed in Canadian Dollars)

(c) During the six months ended June 30, 2010, the Company incurred $12,375 (2009 - $Nil) for consulting services, including travel expenses, provided by a company owned by an officer and director of the Company.

(d) The Company and Golden Arrow share office space and costs in Mendoza, Argentina. As at June 30, 2010 included in accounts payable is $41,877 to Golden Arrow related to the shared office space.

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

8. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the six months ended June 30, 2010.

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

	June 30, 2010		
	Corporate Canada $	Argentina $	Total $
Current assets	1,217,416	302,435	1,519,851
Mineral property interests	-	3,437,129	3,437,129
	1,217,416	3,739,564	4,956,980

	December 31, 2009		
	Canada $	Argentina $	Total $
Current assets	1,455,132	228,820	1,683,952
Mineral property interests	-	3,396,203	3,396,203
	1,455,132	3,625,023	5,080,155

9. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

(a) Fair Values

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

(b) Financial Instrument Risk Exposure

Credit risk

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

Liquidity risk

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

Market risk

(i) Currency risk

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

	June 30, 2010

(Unaudited - Expressed in Canadian Dollars)

	10% Increase in the Argentine Peso	10% Decrease in the Argentine Peso	10% Increase in the US Dollar	10% Decrease in the US Dollar
Increase (decrease) in net earnings	$12,568	$(12,568)	$27,328	$(27,328)
Increase (decrease) in other comprehensive (loss) income	-	-	-	-
Comprehensive (loss) income	$12,568	$(12,568)	$27,328	$(27,328)

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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and cash equivalents bear interest at variable rates. The fair value of cash and cash equivalents approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

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

(c) Capital Management

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

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

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

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

10. SUBSEQUENT EVENTS

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

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