Blue Sky Uranium Corp.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Unaudited - Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed consolidated interim financial statements they must be accompanied by a notice indicating that these condensed consolidated interim financial statements have not been reviewed by an auditor.

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

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	June 30, 2011 $	December 31, 2010 $ (note 11)	January 1, 2010 $ (note 11)
ASSETS				
Non-current assets				
Property and equipment	3	6,747	9,277	-
Mineral property interests	4	2,740,785	2,694,376	2,624,782
Deposit		60,000	60,000	-
Total non-current assets		2,807,532	2,763,653	2,624,782
Current assets				
Prepaid expenses		32,439	177,100	336,327
Amounts receivable		28,164	39,541	13,227
Cash		1,502,712	2,211,634	1,334,398
Total current assets		1,563,315	2,428,275	1,683,952
Total Assets		4,370,847	5,191,928	4,308,734
EQUITY				
Share capital	5	16,886,307	16,081,510	10,231,995
Reserves	5	3,371,565	3,088,332	2,477,291
Deficit		(16,064,785)	(14,188,195)	(8,598,933)
Total equity		4,193,087	4,981,647	4,110,353
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		177,760	210,281	198,381
Total Liabilities		177,760	210,821	198,381
COMMITMENT (Note 9)				
Total Equity and Liabilities		4,370,847	5,191,928	4,308,734

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on July 28, 2011. They are signed on the Company's behalf by:

"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)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

		Three Months Ended June 30		Six Months Ended June 30	
		2011	2010	2011	2010
	Note	$	$	$	$
Expenses					
Accounting and audit		-	22,208	-	27,799
Amortization		1,264	-	2,530	-
Corporate development and investor relations		53,574	61,664	170,990	114,337
Foreign exchange (gain) loss		(23,912)	(23,236)	1,742	21,706
Exploration		583,455	1,115,095	1,048,213	1,578,912
Management fees		117,000	173,155	234,000	173,155
Office and sundry		27,801	46,441	68,526	97,525
Professional and consulting fees		77,745	92,758	135,095	152,833
Rent, parking and storage		18,300	27,000	40,500	66,751
Salaries and employee benefits		87,824	4,665	113,696	159,338
Share-based compensation		9,573	-	9,573	82,410
Transfer agent and regulatory fees		9,060	5,015	18,982	17,146
Travel and accommodation		15,513	23,249	33,600	62,025
Loss from operating activities		(977,197)	(1,548,014)	(1,877,447)	(2,553,937)
Interest income		857	109	857	226
Loss and comprehensive loss for the period		(976,340)	(1,547,905)	(1,876,590)	(2,553,711)
Basic and diluted loss per common share	7	(0.01)	(0.02)	(0.02)	(0.04)

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

Blue Sky Uranium Corp.
(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2011 $	2010 $	2011 $	2010 $
Cash flows from operating Activities				
Loss for the period	(976,340)	(1,547,905)	(1,876,590)	(2,553,711)
Share-based compensation	9,573	-	9,573	82,410
Amortization	1,264	-	2,530	-
	(965,503)	(1,547,905)	(1,864,487)	(2,471,301)
Change in non-cash working capital items:				
(Increase) decrease in amounts receivable	11,023	1,558	11,377	(2,671)
(Increase) decrease in prepaid expenses	84,829	88,451	144,661	281,993
Amount due to a related party	-	41,877	-	41,877
Increase (decrease) in accounts payable and accrued liabilities	13,208	(231,555)	(32,521)	(10,787)
Net cash used in operating activities	(856,443)	(1,647,574)	(1,740,970)	(2,160,889)
Cash flows from investing activities				
Expenditures on mineral property interests	(28,056)	(33,583)	(46,409)	(40,926)
Net cash used in investing activities	(28,056)	(33,583)	(46,409)	(40,926)
Cash flows from financing activities				
Issuance of common shares and warrants	1,044,090	-	1,044,090	-
Share issue costs	(35,633)	-	(35,633)	-
Exercise of warrants and options	50,000	1,366,502	70,000	2,317,036
Net cash generated by financing activities	1,058,457	1,366,502	1,078,457	2,317,036
Net increase (decrease) in cash	173,958	(314,655)	(708,922)	115,221
Cash at beginning of period	1,328,754	1,764,274	2,211,634	1,334,398
Cash at end of period	1,502,712	1,449,619	1,502,712	1,449,619

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

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Share capital		Reserves				
	Number of shares	Amount $	Contributed Surplus $	Equity settled share-based payments $	Warrants $	Deficit $	Total $
Balance at January 1, 2010 (note 11)	52,435,426	10,231,995	817,462	851,303	808,526	(8,598,933)	4,110,353
Share-based compensation	-	-	-	82,411	-	-	82,411
Stock options exercised	1,085,000	263,344	(9,087)	(104,257)	-	-	150,000
Stock options expired	-	-	137,720	(137,720)	-	-	-
Warrants exercised	9,986,637	2,498,690	-	-	(331,656)	-	2,167,034
Total comprehensive (loss) for the period	-	-	-	-	-	(2,553,711)	(2,553,711)
Balance at June 30, 2010 (note 11)	63,507,063	12,994,029	946,095	691,737	476,870	(11,152,644)	3,956,087
Private placement	10,329,000	2,143,777	-	-	438,473	-	2,582,250
Share issue costs	-	(189,462)	-	-	-	-	(189,462)
Share-based compensation	-	-	-	585,921	-	-	585,921
Agent's warrants granted	-	-	-	-	55,735	-	55,735
Warrants exercised	5,133,333	1,133,166	-	-	(106,499)	-	1,026,667
Warrants expired	-	-	9,464	-	(9,464)	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	(3,035,551)	(3,035,551)
Balance at December 31, 2010 (note 11)	78,969,396	16,081,510	955,559	1,277,658	855,115	(14,188,195)	4,981,647
Private placement	5,800,500	735,408	-	-	308,682	-	1,044,090
Share issue costs	-	(53,498)	-	-	-	-	(53,498)
Share-based compensation	-	-	-	9,573	-	-	9,573
Agent warrants issued	-	-	-	-	17,865	-	17,865
Stock options exercised	700,000	122,887	-	(52,887)	-	-	70,000
Stock options expired	-	-	3,720	(3,720)	-	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	1,876,590	1,876,590
Balance at June 30, 2011	85,469,896	16,886,307	959,279	1,230,624	1,181,662	(16,064,785)	4,193,087

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

Blue Sky Uranium Corp.
(An Exploration Stage Company)

Condensed Consolidated Schedules of Mineral Property Interests and Exploration Expenditures
(Unaudited - Expressed in Canadian Dollars)

Acquisition Costs

	Argentina					Total June 30, 2011	Total December 31, 2010
	Santa Barbara $	Anit $	Ivana $	Sierra Colonia $	Other $	$	$
Balance, beginning of period	814,430	955,017	11,429	-	913,500	2,694,376	2,624,782
Additions							
Land payments and staking fees	-	-	6,905	1,905	37,599	46,409	69,594
Balance, end of period	814,430	955,017	18,334	1,905	951,099	2,740,785	2,694,376

Exploration Expenditures

	Argentina					Total June 30, 2011	Total December 31, 2010
	Santa Barbara $	Anit $	Ivana $	Sierra Colonia $	Other $	$	$
Cumulative exploration costs, beginning of period	845,575	3,390,802	-	-	41,844	4,278,221	1,086,486
Expenditures during the period:							
Assays	202	2,091	1,470	6,818	765	11,346	201,739
Drilling	-	-	-	-	-	-	246,299
Geophysics	251	335	251	977	977	2,791	731,891
Office	7,568	72,890	50,933	36,213	42,008	209,612	229,815
Salaries and contractors	32,474	58,458	254,158	87,469	61,144	493,703	851,435
Supplies and equipment	2,208	3,169	69,403	19,807	7,062	101,649	545,334
Transportation	2,300	6,053	35,332	17,142	6,644	67,471	132,475
Statutory taxes	4,159	92,920	38,035	15,566	10,961	161,641	252,747
	49,162	235,916	449,582	183,992	129,561	1,048,213	3,191,735
Cumulative exploration costs, end of period	894,737	3,626,718	449,582	183,992	171,405	5,326,434	4,278,221

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

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 $16,064,785 at June 30, 2011 (December 31, 2010 - $14,188,195) and shareholders' equity of $4,193,087 at June 30, 2011 (December 31, 2010 – $4,981,647). In addition, the Company had working capital of $1,385,555 at June 30, 2011 (December 31, 2010 –$2,217,994). 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

Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian securities regulatory authorities.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's first IFRS condensed consolidated interim financial statements presented in accordance with IFRS. Previously the Company prepared its consolidated annual and consolidated interim financial statements in accordance with GAAP.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening IFRS statement of financial position as at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 11.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries as follows:

	Place of Incorporation	Principal Activity
Blue Sky BVI Uranium Corp.	British Virgin Islands	Holding company
Blue Sky BVI Uranium Corp. (Columbia)	British Virgin Islands	Holding company
Minera Cielo Azul S.A. (Argentina)	Argentina	Exploration company
Desarrollo de Inversiones S.A. (Argentina)	Argentina	Exploration company

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the condensed consolidated interim financial statements.

Foreign currencies

The presentation and functional currency of the Company is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

<u>Non-derivative financial assets</u>

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets are classified at fair value through profit or loss if they are classified as held for trading or are designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Other financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Property and Equipment

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over its estimated useful lives of two years for geological equipment.

Exploration, Evaluation and Development Expenditures

Exploration and evaluation expenditures are expensed as incurred, until the property reaches development stage. The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. 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.

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 related 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.

Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Valuation of equity units issued in private placements

The Company follows a pro rata allocation method with respect to the measurement of shares and warrants issued as private placement units. This values each component at fair value and allocates total proceeds received between shares and warrants based on the pro rata relative values of the components. The fair value of the common shares is based on the closing quoted bid price on the issue date and the fair value of the common share purchase warrants is determined at the issue date using the Black-Scholes pricing model. The fair value attributed to the warrants is recorded in warrant equity.

Share-based Payment Transactions

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

Loss per Share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income Taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings. The tax rate used is the rate that is enacted or substantively enacted.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Significant Accounting Estimates and Judgments

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

i. the recoverability of amounts receivable which are included in the condensed consolidated interim statements of financial position;

ii. the inputs used in accounting for share-based compensation expense in profit or loss.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

New Accounting Standards and Interpretations

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 9, *Financial Instruments*, IFRS 10, *Consolidated Financial Statements* (IFRS 10), IFRS 11, *Joint Arrangements* (IFRS 11), IFRS 12, *Disclosure of Interests in Other Entities* (IFRS 12), IAS 27, *Separate Financial Statements* (IAS 27), IFRS 13, *Fair Value Measurement* (IFRS 13) and amended IAS 28, *Investments in Associates and Joint Ventures* (IAS 28). Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

The following is a brief summary of the new standards:

IFRS 9 – Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income.

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

3. PROPERTY AND EQUIPMENT

	June 30, 2011			December 31, 2010		
	Cost $	Accumulated Depreciation $	Net Book Value $	Cost $	Accumulated Depreciation $	Net Book Value $
Geological equipment	10,120	(3,373)	6,747	10,120	(843)	9,277
	10,120	(3,373)	6,747	10,120	(843)	9,277

(Unaudited - Expressed in Canadian Dollars)

4. 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, 2011 and December 31, 2010:

	June 30, 2011		December 31, 2010	
Argentina	Acquisition Costs $	Cumulative Exploration Expenditures $	Acquisition Costs $	Cumulative Exploration Expenditures $
Anit	955,017	3,626,718	955,017	3,390,802
Santa Barbara	814,430	894,737	814,430	845,575
Ivana	18,334	549,582	11,429	-
Sierra Colonia	1,905	183,992	-	-
Other	951,099	171,405	913,500	41,844
	2,740,785	5,326,434	2,694,376	4,278,221

a) Anit Property

The Company owns a 100% interest in the 400 km^2 Anit uranium property, which lies to the south of, and is contiguous with, the Santa Barbara Property in the Province of Rio Negro, Argentina.

b) Santa Barbara Property

The Company owns a 100% interest in the 700 km^2 Santa Barbara uranium property in the Province of Rio Negro, located in the northern Patagonia region of Argentina.

c) Ivana Property

The Company owns a 100% interest in the 400 km^2 Ivana uranium property in the San Jorge Basin, Province of Rio Negro, located in the northern Patagonia region of Argentina.

5. CAPITAL AND RESERVES

Authorized Share Capital

At June 30, 2011, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Issued Share Capital

At June 30, 2011, the issued share capital comprised 85,469,896 common shares (December 31, 2010 – 78,969,396).

Details of Private Placement Issues of Common Shares in 2011 and 2010

In September 2010, 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.

5. CAPITAL AND RESERVES (continued)

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.

In May 2011, the Company completed a non-brokered private placement consisting of 5,800,500 units at a price of $0.18 per unit for gross proceeds of $1,044,090. Each unit consisted of one common share and one common 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 $0.25 per share for 18 months from the date of issue of the warrant. Finders' fees were $35,633 of cash and 197,960 warrants exercisable into common shares at $0.25 per share for 18 months having a fair value of $17,865. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 1.64%; expected stock price volatility – 99.32%; dividend yield of 0%, and expected warrant life of 1.48 years.

Share Purchase Option Compensation Plan

The Company has a share purchase option plan (the "Plan") approved by the Company's shareholders that allows it to grant share purchase options, subject to regulatory terms and approval, to its officers, directors, employees and service providers. The Plan is based on the maximum number of eligible shares equaling a rolling percentage of 10% of the Company's outstanding common shares, calculated from time to time. If outstanding share purchase options are exercised or expire, and/or the number of issued and outstanding common shares of the Company increases, then the share purchase options available to grant under the Plan increase proportionately.

The exercise price of each share purchase option is set by the Board of Directors at the time of grant but cannot be less than the market price less allowable discounts in accordance with the policies of the TSX Venture Exchange. Share purchase options granted vest immediately, are subject to a four-month hold period and are exercisable for a period of five years.

(Unaudited - Expressed in Canadian Dollars)

5. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the period ended June 30, 2011 is as follows:

Expiry date	Exercise Price	December 31, 2010	Granted	Exercised	Expired/ cancelled	June 30, 2011	Options exercisable
June 28, 2011	0.10	700,000	-	700,000	-	-	-
October 6, 2011	0.21	75,000	-	-	-	75,000	75,000
February 10, 2012	0.66	75,000	-	-	-	75,000	75,000
June 1, 2012	1.00	215,000	-	-	-	215,000	215,000
January 25, 2013	0.40	15,000	-	-	-	15,000	15,000
May 6, 2014	0.15	1,465,000	-	-	-	1,465,000	1,465,000
July 6, 2014	0.15	300,000	-	-	-	300,000	300,000
July 22, 2014	0.18	75,000	-	-	-	75,000	75,000
December 9, 2014	0.65	725,000	-	-	10,000	715,000	715,000
March 15, 2015	0.73	100,000	-	-	-	100,000	100,000
October 5, 2015	0.26	3,270,000	-	-	-	3,270,000	3,270,000
October 29, 2015	0.25	75,000	-	-	-	75,000	75,000
May 31, 2016	0.22	-	600,000	-	-	600,000	-
		7,090,000	600,000	700,000	-	6,980,000	6,380,000
Weighted average exercise price		$0.29	$0.22	$0.10	$0.65	$0.30	$0.31
Weighted average contractual remaining life (years)		3.2	4.90	-	-	3.7	3.6
Weighted average share price on exercise		-	-	$0.21	-	-	-

During the six months ended June 30, 2011, the Company issued 600,000 share purchase options to purchase common shares at an exercise price of $0.22 per common share.

(Unaudited - Expressed in Canadian Dollars)

5. CAPITAL AND RESERVES (continued)

The continuity of share purchase options for the period ended June 30, 2010 is as follows:

Expiry date	Exercise Price $	December 31, 2009	Granted	Exercised	Expired/ cancelled	June 30, 2010	Options exercisable
January 31, 2010	0.90	335,000	-	-	335,000	-	-
June 28, 2011	0.10	1,000,000	-	300,000	-	700,000	700,000
October 6, 2011	0.21	75,000	-	-	-	75,000	75,000
February 10, 2012	0.66	-	75,000	-	-	75,000	75,000
June 1, 2012	1.00	215,000	-	-	-	215,000	215,000
January 5, 2013	0.40	15,000	-	-	-	15,000	15,000
May 6, 2014	0.15	1,925,000	-	460,000	-	1,465,000	1,465,000
July 6, 2014	0.15	550,000	-	250,000	-	300,000	300,000
July 22, 2014	0.18	150,000	-	75,000	-	75,000	75,000
December 9, 2014	0.65	735,000	-	-	10,000	725,000	725,000
March 15, 2015	0.73	-	100,000	-	-	100,000	100,000
		5,000,000	175,000	1,085,000	345,000	3,745,000	3,745,000
Weighted average exercise price		$0.30	$0.70	$0.14	$0.89	$0.32	$0.32
Weighted average contractual remaining life (years)		3.01	3.4	3.1	-	3.3	3.3
Weighted average share price on exercise		-	-	$0.73	-	-	-

The weighted average fair value of share purchase options granted during the six months ended June 30, 2011 - $0.17 (2010 - $0.47). Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Six months ended June 30	
	2011	2010
Risk-free interest rate	1.44%	1.34%
Expected option life in years	2.95	2.50
Expected share price volatility	161.44%	117.25%
Grant date share price	$0.21	$0.70
Expected dividend yield	Nil	Nil

(Unaudited - Expressed in Canadian Dollars)

5. CAPITAL AND RESERVES (continued)

Warrants

The continuity of warrants for the period ended June 30, 2011 is as follows:

Expiry date	Exercise Price $	December 31, 2010	Granted	Exercised	Expired/ cancelled	June 30, 2011
November 6, 2011	0.30	5,754,796	-	-	-	5,754,796
August 27, 2012	0.35	5,698,810	-	-	-	5,698,810
November 8, 2010	0.25		5,998,460	-	-	5,998,460
		11,453,606	5,998,460	-	-	17,452,066
Weighted average exercise price		$0.325	$0.25	-	-	$0.30

The continuity of warrants for the period ended June 30, 2010 is as follows:

Expiry date	Exercise Price $	December 31, 2009	Granted	Exercised	Expired/ cancelled	June 30, 2010
February 5, 2010	0.40	733,186	-	733,186	-	-
February 5, 2010	0.30	79,211	-	79,211	-	-
February 5, 2010	0.40	-	39,605	12,240	27,365	-
September 17, 2010	0.18	2,750,000	-	2,750,000	-	-
October 29, 2010	0.18	5,583,333	-	2,250,000	-	3,333,333
November 12, 2010	0.20	6,140,000	-	4,035,000	-	2,105,000
November 6, 2011	0.30	5,881,796	-	127,000	-	5,754,796
		21,167,526	39,605	9,986,637	27,365	11,193,129
Weighted average exercise price		0.23	0.40	0.21	0.40	0.25

6. RELATED PARTY BALANCES AND TRANSACTIONS

A number of key management personnel, or their related parties, hold positions in other entities that result in them have control or significant influence over the financial or operating policies of the entities outlined below.

The following entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

(Unaudited - Expressed in Canadian Dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows:

	Three months ended June 30		Six months ended June 30	
Transactions	2011 $	2010 $	2011 $	2010 $
Services rendered:				
Grosso Group Management	151,500	81,157	303,000	317,901
R.H. McMillan Ltd. (b)	8,900	196	26,609	12,375
Total for services rendered	160,400	81,353	329,609	372,153

(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 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.

(b) R.H. McMillan Ltd. is a private company controlled by a director that provided geological services to the Company at market rates.

Key management personnel compensation

	Three months ended June 30, 2011			Three months ended June 30, 2010		
Compensation	Salaries	Share-based benefits	Total	Salaries	Share-based benefits	Total
Chief Executive Officer	30,000	-	30,000	30,000	-	30,000
President	10,417	9,573	19,990	-	-	-
Chief Financial Officer	13,088	-	13,088	4,665	-	4,665
Total	53,505	9,573	63,078	34,665	-	34,665

(Unaudited - Expressed in Canadian Dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

	Six months ended June 30, 2011			Six months ended June 30, 2010		
Compensation	Salaries	Share-based benefits	Total	Salaries	Share-based benefits	Total
Chief Executive Officer	60,000	-	60,000	60,000	-	60,000
President	10,417	9,573	19,990	-	-	-
Chief Financial Officer	26,176	-	26,176	4,665	51,814	56,479
Total	96,593	9,573	106,166	64,665	51,814	116,479

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended June 30, 2011 was based on the following:

	Three months ended June 30 2011	2010
Loss attributable to common shareholders ($)	(976,340)	(1,547,905)
Weighted average number of common shares outstanding	82,635,621	63,027,393

	Six months ended June 30 2011	2010
Loss attributable to common shareholders ($)	(1,876,590)	(2,553,711)
Weighted average number of common shares outstanding	80,871,200	58,824,982

Diluted loss per share did not include the effect of 6,980,000 (June 30, 2010 – 3,745,000) share purchase options and 17,452,066 (June 30, 2010 – 11,193,129) common share purchase warrants as they are anti-dilutive.

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 period ended June 30, 2011.

(Unaudited - Expressed in Canadian Dollars)

8. SEGMENTED INFORMATION (continued)

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

June 30, 2011	Canada $	Argentina $	Total $
Property and equipment	-	6,747	6,747
Mineral property interests	-	2,740,785	2,740,785
Deposit	60,000	-	60,000
Current assets	1,398,555	164,760	1,563,315
	1,458,555	2,912,292	4,370,847

December 31, 2010	Canada $	Argentina $	Total $
Property and equipment	-	9,277	9,277
Mineral property interests	-	2,694,376	2,694,376
Deposit	60,000	-	60,000
Current assets	2,262,121	166,154	2,428,275
	2,322,121	2,869,807	5,191,928

9. COMMITMENT

	1 Year $	2 Years $	3 Years $	4-5 Years $	More than 5 Years $
Management Services Agreement	720,000	360,000	-	-	-

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.

10. 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.

(Unaudited - Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

(a) Fair Values

The Company's financial instruments consist of cash, receivables and accounts payable. The fair value of cash, receivables and accounts payable 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.

At June 30, 2011 the Company's financial instruments measured at fair value are as follows:

	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Cash	1,502,712	-	-	1,502,712
Amounts receivable	28,164	-	-	28,164
Deposit	60,000	-	-	60,000
Liabilities				
Accounts payable and accrued liabilities	177,760	-	-	177,760

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

L
evel 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).

10. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

(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 amounts receivable. The Company has reduced its credit risk by depositing its cash 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, amounts 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 between the Canadian dollar and the Argentine Peso is summarized as follows:

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by $14,792.

A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $170.

(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 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.

10. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

(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.

11. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the condensed consolidated interim financial statements for the three and six months ended June 30, 2011, the comparative information for the three and six months ended June 30, 2010, the statement of financial position as at December 31, 2010 and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date."

In preparing the opening IFRS statement of financial position, comparative information for the three and six months ended June 30, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2011 and 2010

(Unaudited - Expressed in Canadian Dollars)

Reconciliation of Assets, Liabilities and Equity

	As at January 1, 2010			As at June 30, 2010			As at December 31, 2010		
	GAAP	**Effect of transition to IFRS Notes (a) and (b)**	**IFRS**	**GAAP**	**Effect of transition to IFRS Notes (a) and (b)**	**IFRS**	**GAAP**	**Effect of transition to IFRS Notes (a) and (b)**	**IFRS**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
ASSETS									
Non-current assets									
Property, plant and equipment	-	-	-	-	-	-	9,277	-	9,277
Mineral property interests	3,396,203	(771,421)	2,624,782	3,437,129	(771,421)	2,665,708	3,465,797	(771,421)	2,694,376
Deposit	-	-	-	-	-	-	60,000	-	60,000
Total non-current assets	3,396,203	(771,421)	2,624,782	3,437,129	(771,421)	2,665,708	3,535,074	(771,421)	2,763,653
Current assets									
Prepaid expenses	336,327	-	336,327	54,334	-	54,334	177,100	-	177,100
Amounts receivable	13,227	-	13,227	15,898	-	15,898	39,541	-	39,541
Cash and cash equivalents	1,334,398	-	1,334,398	1,449,619	-	1,449,619	2,211,634	-	2,211,634
Total current assets	1,683,952	-	1,683,952	1,519,851	-	1,519,851	2,428,275	-	2,428,275
Total assets	5,080,155	(771,421)	4,308,734	4,956,980	(771,421)	4,185,559	5,963,349	(771,421)	5,191,928
EQUITY									
Share capital	10,231,995	-	10,231,995	12,994,030	-	12,994,030	16,081,510	-	16,081,510
Warrants	808,526	(808,526)	-	476,870	(476,870)	-	855,115	(855,115)	-
Contributed surplus	1,668,765	(1,668,765)	-	1,637,832	(1,637,832)	-	2,233,217	(2,233,217)	-
Reserves	-	2,477,291	2,477,291	-	2,114,702	2,114,702	-	3,088,332	3,088,332
Deficit	(7,827,512)	(771,421)	(8,598,933)	(10,381,223)	(771,421)	(11,152,644)	(13,416,774)	(771,421)	(14,188,195)
Total equity	4,881,774	(771,421)	4,110,353	4,727,509	(771,421)	3,956,088	5,753,068	(771,421)	4,981,647
LIABILITIES									
Current Liabilities									
Accounts payable and accrued liabilities	198,381	-	198,381	187,594	-	187,594	210,281	-	210,281
Amount due to a related party	-	-	-	41,877	-	41,877			
Total liabilities	198,381	-	198,381	229,471		229,471	210,281	-	210,281
Total equity and liabilities	5,080,155	(771,421)	4,308,734	4,956,980	(771,421)	4,185,559	5,963,349	(771,421)	5,191,928

(Unaudited - Expressed in Canadian Dollars)

Reconciliation of Loss and Comprehensive Loss

	Three months ended June 30, 2010			Six months ended June 30, 2010			Year ended December 31, 2010		
	GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS	GAAP	Effect of transition to IFRS	IFRS
	$	$	$	$	$	$	$	$	$
Expenses									
Accounting and audit	22,208	-	22,208	27,799	-	27,799	65,799	-	65,799
Amortization	-	-	-	-	-	-	843	-	843
Corporate development and investor relations	61,664	-	61,664	114,337	-	114,337	287,755	-	287,755
Exploration	(23,236)	-	(23,236)	21,706	-	21,706	3,150,458	-	3,150,458
Foreign exchange loss	1,115,095	-	1,115,095	1,578,912	-	1,578,912	59,667	-	59,667
Management fees	173,155	-	173,155	173,155	-	173,155	388,855	-	388,855
Office and sundry	46,441	-	46,441	97,525	-	97,525	186,728	-	186,728
Professional and consulting fees	92,758	-	92,758	152,833	-	152,833	287,680	-	287,680
Rent, parking and storage	27,000	-	27,000	66,751	-	66,751	117,447	-	117,447
Salaries and employee benefits	4,665	-	4,665	159,338	-	159,338	225,012	-	225,012
Share-based compensation	-	-	-	82,410	-	82,410	668,332	-	668,332
Transfer agent and regulatory fees	5,015	-	5,015	17,146	-	17,146	54,891	-	54,891
Travel and accommodation	23,249	-	23,249	62,025	-	62,025	96,022	-	96,022
Loss from operating activities	1,548,014	-	1,548,014	2,553,937	-	2,553,937	5,589,489	-	5,589,489
Interest income	(109)	-	(109)	(226)	-	(226)	(227)	-	(227)
Loss and comprehensive loss for the period	1,547,905	-	1,547,905	2,553,711	-	2,553,711	5,589,262	-	5,589,262

(Unaudited - Expressed in Canadian Dollars)

Reconciliation of Cash Flows

	Three months ended June 30, 2010			Six months ended June 30, 2010			Year ended December 31, 2010		
	GAAP $	Effect of transition to IFRS $	IFRS $	GAAP $	Effect of transition to IFRS $	IFRS $	GAAP $	Effect of transition to IFRS $	IFRS $
Operating activities									
Loss for the period	(1,547,905)	-	(1,547,905)	(2,553,711)	-	(2,553,711)	(5,589,262)	-	(5,589,262)
Amortization	-	-	-	-	-	-	843	-	843
Share-based compensation	-	-	-	82,410	-	82,410	668,332	-	668,332
Change in long term deposit	-	-	-		-	-	(10,000)	-	(10,000)
Changes in non-cash working capital items	(99,669)	-	(99,669)	310,412	-	310,412	94,813	-	94,813
Cash used in operating activities	(1,647,574)	-	(1,647,574)	(2,160,889)	-	(2,160,889)	(4,835,274)	-	(4,835,274)
Investing activities									
Acquisition of fixed assets	-	-	-	-	-	-	(10,120)	-	(10,120)
Mineral property interests	(33,583)	-	(33,583)	(40,926)	-	(40,926)	(69,594)	-	(69,594)
Cash used in investing activities	(33,583)	-	(33,583)	(40,926)	-	(40,926)	(79,714)	-	(79,714)
Financing activities									
Issuance of common shares and warrants	-	-	-	-	-	-	2,582,250	-	2,582,250
Exercise of warrants and options	1,366,502	-	1,366,502	-	-	-	3,343,701	-	3,343,701
Share issue costs	-	-	-	2,317,036	-	2,317,036	(133,727)	-	(133,727)
Cash generated by financing activities	1,366,502	-	1,366,502	2,317,036	-	2,317,036	5,792,224	-	5,792,224
Increase (decrease) in cash	(314,655)	-	(314,655)	115,221	-	115,221	877,236	-	877,236
Cash, beginning of period	1,764,274	-	1,764,274	1,334,398	-	1,334,398	1,334,398	-	1,334,398
Cash, end of period	1,449,619	-	1,449,619	1,449,619	-	1,449,619	2,211,634	-	2,211,634

Notes to Reconciliations

(a) Reclassification Within Equity Section

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its contributed surplus account and concluded that as at the Transition Date, the balance is to be allocated between equity settled share-based payments reserve and contributed surplus reserve. As a result, the Company believes that a reclassification would be necessary in the equity section between contributed surplus reserve of $817,462 and equity settled share-based payments reserve of $815,303 totalling $1,668,765.
In addition, the warrants balance of $808,526 was reclassified into warrants reserve.

(b) Deferred Tax on Mineral Property

Under GAAP, the Company, in recording the acquisition of mineral properties by a subsidiary, recognized a deferred tax recovery on temporary differences arising on the initial recognition of the mineral property (where the fair value of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting profit or loss nor taxable profit or loss. IAS 12, Income Taxes ("IAS 12") does not permit the recognition of deferred income taxes on such transactions. As of the Transition Date, the Company has derecognized the impacts of the deferred tax recovery and the offsetting increase in mineral properties which had previously been recognized on the initial acquisition of the mineral property through transactions deemed not to be business combinations and affecting neither accounting profit or loss nor taxable profit or loss.