BLUE SKY URANIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Background

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of Blue Sky Uranium Corp. ("Blue Sky" or "the Company") for the year ended December 31, 2011 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("GAAP" or "IFRS"). Previously, the Company prepared its annual consolidated financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's 2010 comparatives in this MD&A have been presented in accordance with IFRS. As the Company's IFRS transition date was January 1, 2010, 2009 comparative information included in this MD&A has not been restated. This MD&A has been prepared as of March 21, 2012.

Company Overview

The Company was incorporated under the Business Corporations Act (British Columbia) on November 30, 2005 as Mulligan Capital Corp. On May 18, 2006, the Company received final receipts for a prospectus and became a reporting issuer in British Columbia and Alberta. On June 27, 2006 the Company completed its initial public offering (the "Offering") and on June 28, 2006 the Company listed its common shares on the TSX Venture Exchange (the "TSX-V") as a capital pool company. On February 7, 2007, the Company completed its qualifying transaction (the "QT") and was upgraded to Tier II status on the TSX-V. The Company also changed its name to Blue Sky Uranium Corp. to reflect its business as a junior uranium exploration company. The address of the Company's registered office is Suite 709 – 837 West Hastings Street, Vancouver, BC, Canada V6C 3N6.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company's material mineral properties of interest are all located in Argentina. Blue Sky is one of the Argentina's leading uranium exploration companies with more than 6,000 km^2 of tenements. Argentina has an advanced nuclear industry, centred in the Rio Negro Province. As of March 21, 2012, the Company has not earned any production revenue, nor found any mineral resources or reserves on any of its properties.

Normand Champigny, President and Chief Operating Officer and Bruce A. Smith, Country Manager for Minera Cielo Azul S.A., a 100% owned subsidiary of Blue Sky, are Qualified Persons as defined by NI 43-101 and have reviewed and approved the exploration information and technical disclosure contained in this MD&A. The Company has Quality Assurance/Quality Control protocols in place for all sampling programs as part of all augering, geochemical sampling, sample preparation, sample shipping and sample analysis and compilation procedures.

Argentina and exploration targets

With the acquisition of Argentina Uranium in 2008, the Company gained control of a land package of more than 5,000 km^2 in Argentina. This acquisition followed a review of Argentina Uranium's properties and a 14,689 line-km geophysical airborne survey in 2007 in the province of Rio Negro over mineral properties covering a surface area of 3,000 km^2. Argentina Uranium also held properties in the province of Chubut.

The current land position of the Company is shown on the figure below. The focus of future exploration will be on surficial and near-surface sandstone-type uranium targets in the provinces of Rio Negro and Chubut. For the province of Rio Negro it is envisioned that a central processing facility near one deposit can produce yellowcake from the nearby deposit and from satellite deposits within a certain distance.


Bolivia
Paraguay
Brazil
Uruguay
Argentina
Mendoza
Buenos Aires
Chile
Rio Negro
Chubut
Santa Barbara
Celeste
Anit
Norma
Pierina
Ivana
Darmar
Bajo Tierras
Coloradas
Sierra Colonia
Cerro Parva
Santa Ana
BSK Property Locations
Exploration Office
0
500km

On January 4, 2012, the Company announced that it has entered into a Memorandum of Understanding ("MOU") with AREVA Mines ("AREVA") to jointly explore Argentina for uranium deposits. Under the terms of the MOU the following commitments have been made (amounts in CAD):

- AREVA and the Company form a joint technical committee to direct exploration activities.
- The Company will be the operator in years one and two (2012 and 2013).
- AREVA can select one or two projects and earn 51% interest by:
  - Funding $1 million in exploration in year one.
  - Funding $2 million in exploration in year two.
  - Funding $3 million in year three on the project AREVA selects if only one project is selected, or funding a total of $4 million in exploration on two projects if AREVA selects two projects.
- At the end of year two, the Company will retain a 100% interest in all projects except the one (or two) project(s) AREVA selects to earn a 51% interest.
- On newly acquired uranium targets in Argentina that are not listed in this MOU, AREVA can elect to earn a 51% interest by funding $1 million in exploration on each new target.
- For any non-uranium discoveries made the Company will retain a 100% interest.

Rio Negro Province

The 2007 airborne radiometric survey identified anomalous zones of uranium mineralization on the Anit and Santa Barbara properties. In 2010, the Company completed a second, 22,214 line-km regional airborne radiometric and magnetic survey in the prospective Rio Negro basin over areas with similar geology to the Anit and Santa Barbara properties. Three large new uranium anomalies were identified by the latter airborne survey and the Company applied for twelve exploration licenses ("cateos") to cover them.

Exploration programs at the Anit, Santa Barbara and Ivana properties (described in detail below) revealed two types of uranium mineralization in a near-surface horizon in poorly consolidated Upper Cretaceous to Tertiary sediments and underlying mineralization of the surficial calcrete type. The latter, in which the uranium occurs in gypsum and calcite-rich strata, resembles the Langer Heinrich deposit in Namibia (Measured and Indicated Resource of 150 million lbs. U_3O_8 at a grade of 0.054% U_3O_8 using a 0.025% U_3O_8 cut-off, Paladin Energy Ltd. 2011 annual report). Carnotite, a potassium uranium vanadate, is the uranium ore mineral. Vanadium pentoxide (V_2O_5) is a by-product at Langer Heinrich and is mainly used as an alloy of steel. At Langer Heinrich, mineralization occurs within a 15-km long paleo-drainage system and is near-surface, between one meter and 30 m thick, and between 50 m and 1,100 m wide.

In 2010, Grosso Group Management Ltd (the "Grosso Group") of which the Company is a member, signed a letter of intent ratified by the Governor of the Province of Rio Negro (¨Rio Negro¨). Under this letter of intent for a strategic alliance signed by the Minister Responsible for State Companies (the "Minister") and Grosso Group, Rio Negro commits to work with Grosso Group and its member companies and use its best efforts to facilitate the advancement and the development of mining projects to the production stage. In order to promote sound development of mining activities in Rio Negro, the Minister will jointly develop with Grosso Group a mutually beneficial strategic alliance whose objective is the development of mining projects. This agreement with Rio Negro demonstrates their commitment to work together with the Grosso Group and its member companies. Likewise, Grosso Group and its member companies are committed to developing projects in Rio Negro in close collaboration with local communities and the government of Rio Negro.

Ivana Property

Property and Ownership: The Ivana property consists of six granted exploration licenses and two exploration license applications registered on behalf of the Company totaling 713 km^2 in Rio Negro. It is located in the north-central part of Rio Negro near the municipality of Valcheta. The property is 100% owned by the Company.

Property Geology and Mineralization: Uranium mineralization is hosted mainly in the Gran Bajo del Gualicho Formation, consisting of Oligocene-Miocene fine grained sandstones and white tuff and to a lesser extent in the Arroyo Barbudo Formation consisting of sandstone, claystones and gypsum of Upper Cretaceous-Paleocene age. The Gran Bajo del Gualicho Formation contains shallow water mollusk shells. The host rocks are Near-shore marine and continental sediments adjacent to uranium-rich basement rocks. The geological environment has potential to host large surficial-type uranium deposits.

In addition, high grade uranium mineralization was recently found in the form of carnotite hosted in unconsolidated and well sorted reddish and yellowish sands covered by calcrete accompanied by lower grade mineralization hosted in green clays with carnotite occurring along parting planes. This mineralized material was encountered less than 500 m from Upper Proterozoic shales and schists of the Nahuel Niyeu Formation and Carboniferous to Permian granites of the Navarrete Plutonic Complex. The mineralized sands appear to be part of fluvial paleochannels eroded in the basement metamorphic and granitic rocks.

Significant results obtained to date are:

- a uranium discovery area within a 40 km by 10 km enclosed basin identified from the airborne radiometric survey. This area includes a major 20-km long northwest-southeast mineralized trend. The highlight is a hand excavated pit that returned 0.068% U_3O_8 over a width of 3 m in unconsolidated sediments beginning at surface and open to depth; and
- a new uranium discovery area along a 3.3 km long northwest-southeast mineralized trend situated 20 km south from the above trend. The highlight from the new discovery is an interval of 1.81% U_3O_8 over 0.75 m including 6.67% U_3O_8 over 0.15 m and open at depth.

Property History: The property's history is summarized as follows:

- 2010 - 22,000 km^2 airborne radiometric survey; and
- 2011 and early 2012 - sampling of 58 auger holes and hand pits performed as well as follow-up ground radiometric surveys, prospecting and geological mapping.

Planned 2012 Exploration: Blue Sky considers the results to be very encouraging. Exploration work planned and approved by an AREVA-Blue Sky Joint Technical Committee will continue to confirm the surficial mineralization potential using ground radiometrics, pit sampling (up to 500 holes) and augering.

Anit Property

Property and Ownership: The Anit property consists of four granted exploration licenses that cover 120 km^2. The total property area is 260 km^2 including six "manifestaciones de descubrimiento" (translated as discovery showings). It is located in the north-central part of Rio Negro approximately 100 km of the city of Villa Regina. The property is 100% owned by the Company.

Property Geology and Mineralization: At Anit outcrops of Cretaceous sediments of the Bajo de la Carpa Formation are covered by younger sediments and soils. Mineralization is hosted in these younger sediments that consist of cross-bedded gravels and sands with abundant petrified logs, some of which reach several meters in length. Locally the conglomeratic and/or sandy host rocks are stained with brown iron oxides. The environment appears to be that of a high-energy fluviatile paleochannel. Uranium mineralization is hosted in fine sandstones interbedded with white clays with small fragments of plant leaves and stems tentatively believed to correspond to the Gran Bajo del Gualicho Formation. Carnotite is the only visually recognized uranium mineral. No clear correlation has been established between the uranium mineralization and any specific lithology. Gypsum is abundant and closely associated with carnotite. Bassanite has also been reported.

The 2007 airborne radiometric survey identified a 15-km long by up to 1.5-km wide radiometric anomaly which was later subdivided into the West, Central and East zones. Follow-up ground prospecting discovered yellow uranium-vanadium bearing minerals mostly concentrated in 10 to 20 cm thick sedimentary layers. The Anit discovery was tested in 2010 with 210 aircore drill holes. Highlights included:

- West Zone - 4 m at 0.078% U_3O_8 and 0.107% V_2O_5; and
- Central Zone - 7 m at 0.037% U_3O_8 and 0.028% V_2O_5.

Unfortunately, the friable carnotite mineralization was pulverized during drilling and significant quantities of uranium mineralization appear to have been inadvertently lost in the exhaust from the cyclone recovery system. A subsequent review suggested that the assay results from the drill program released to date may have underestimated uranium grades.

This review has helped establish a new sampling protocol using excavator pits. Vertical channel samples are now collected over 0.5 m intervals down three walls of each pit and combined into one sample of approximately 5 kilograms. One wall of each pit is mapped to facilitate correlation of individual units between pits. Mineralization below 6 m is checked using gamma probe logging of all drill holes.

Using the new sampling protocol, Blue Sky completed and sampled a total of 310 excavator pits of up to 6 m depth. This work has produced more reliable samples and has documented a channel-shaped mineralized zone more than 6 km long with a higher-grade and thicker central core. The mineralization averages 2.0 m in thickness with a maximum thickness of 6 meters. The mineralized paleochannel ranges in width from 40 to 480 m and covers a linear-lenticular area of approximately 1 km^2.

Property History: The Anit property has had no exploration history prior to 2007 and therefore represents a grassroots uranium discovery of a new uranium district. The significant highlights of the property's history are:

- 2007: Completion of an airborne radiometric survey and rock sampling;
- 2008: Hand excavation of five pits within strong radiometric anomalies identified by the airborne survey;
- 2009: Excavation of 123 hand pits and collection of 588 samples, augering from the base of pits on 41 selected pits, completion of a radon gas survey on the Anit 1 and 2 properties (seven lines totaling 65 km with detector cups spaced every 100 m), scintillometer readings every 50 m as well as excavation of five pits (each 0.5 m by 0.25 m by 2 m in size);
- 2010: Geological mapping and prospecting and collection of 45 grab samples, completion of a 1,223-sample mechanized trenching program (each trench approximately 2 m deep, one or two-meter composite channel samples), and an aircore drilling program (5,044 m in 210 holes in two phases); and
- 2011: Completion of 310 excavator pits of up to 6 m depth, along north-south lines spaced 400 m apart, generally at a spacing of 40 m on the Central Zone, and 200 m by 40 m on the West Zone, preliminary metallurgical work and palynological (fossil) study to date the host rocks.

Recent Results: Excavator pit sampling, including only pits with mineralization greater than 0.006% U_3O_8 over 1 m, showed an average thickness of the mineralized layer of 2.0 m with a weighted average grade of 0.04% U_3O_8 and 0.11% V_2O_5. Metallurgical test work performed by Independent Metallurgical Operations Ltd. demonstrates that most of the mineralized material can be significantly upgraded. The technique involves simple and inexpensive wet screening to remove coarse pebbles that contain little or no uranium mineralization producing low-mass high-grade concentrates. The results to date are preliminary and are based on seven select samples of the main uranium-mineralized lithologies.

Planned 2012 Exploration: The Company's exploration teams will continue prospecting in the areas of the identified airborne anomalies within the vicinity of the known mineralized zones. This work aims to outline areas where mineral resources may be estimated with additional sampling.

Santa Barbara Property

Property and Ownership: The Santa Barbara prospect was discovered by Dr. Jorge Berizzo, Blue Sky's geological consultant in late 2006 while conducting a car-borne reconnaissance of the Rio Negro province. It is the first documented uranium discovery in this province. The Santa Barbara property consists of two granted exploration permits and 19 "manifestaciones de descubrimiento" that cover 476 km^2. It is located in north-central Rio Negro approximately 75 km south of the city of Villa Regina. The property is 100% owned by the Company.

Property Geology and Mineralization: The Santa Barbara property is hosted by a Mesozoic to Quaternary sedimentary sequence overlying the Triassic Treneta volcanic-intrusive complex. The Cretaceous sedimentary sequence begins with Santonian-age Bajo de la Carpa Formation continental sediments composed of fine to conglomeratic sandstones intercalated with green clay and lenses of gypsum and petrified wood. These sediments are in turn covered by continental tuffs with clay interlayers of the Oligocene-Miocene Chichinales Formation. Upper Tertiary and Quaternary plateau basalts commonly cap mesas. Quaternary and Recent sediments cover all the "Bajos Basin": an enclosed internal drainage system in an area of ephemeral streams and playa lakes. The uranium mineralization identified to date on the property is within the Bajo de la Carpa Formation and consists of calcite-cemented conglomerate and sandstone interlayered between limonitic mudstones with high gypsum contents. It is being interpreted as a Langer Heinrich-style calcrete paleochannel type uranium occurrence. The geological environment at Santa Barbara is similar to Anit.

Key results obtained include:

- three northeast trending zones of uranium mineralization, approximately 11 km, 6.5 km and 5 km in length and varying up to 1.5 km in width; and
- 35 hand-augured holes have been drilled to a depth of two to three meters and have outlined mineralization between 0.5-1.0 m in thickness at a depth of 0.5-1.5 m below the surface. Highlights include 0.035% U_3O_8 over 1 m and 0.086% U_3O_8 over 0.5 meter.

Property History: Highlights of the property's history are:

- 2007, reconnaissance sampling and scintillometer surveying program;
- 2008, augering and conventional soil and rock sampling, scintillometer surveys, radon gas surveys and geological mapping on the three radiometric anomalies identified; and
- 2009, surface exploration focused on the three radiometric anomalies, as well as an overall geological evaluation, 90 shallow hand auger holes and pits completed over a combined strike length of approximately 14 kilometers.

Planned 2012 Exploration: Results obtained to date are being reviewed. The Company believes that the property has good exploration potential.

Chubut Province

Sierra Colonia Property

Property and Ownership: The Sierra Colonia property is located in the central part of the Chubut province. It is situated 96 km east-northeast of the Cerro Solo project where the National Commission of Atomic Energy ("CNEA") reported on their web site an estimate of 5,950 Tonnes of recoverable U (15 million pounds of U_30_8) dated June 5, 2009, and also an estimate of 4,600 Tonnes of recoverable U (12 million pounds of $U30_8$) with grades ranging from 0.3% to 0.5% U (0.4% to 0.6% U_30_8) dated December 13, 2005. These statements are not compliant with National Instrument 43-101. The property is 100% owned by the Company. Blue Sky has applied for four exploration licenses totaling 399 km^2. One exploration license has been fully granted with an environmental impact study approved for prospecting. The approval of the three remaining exploration licenses is pending.

Property Geology and Mineralization: Uranium mineralization is hosted in sandstones, conglomerates and tuffs of Lower to Upper Cretaceous age of the Chubut Group located in an erosional window eroded through late Tertiary El Cuy plateau basalts. Petrified wood is commonly associated with uranium mineralization. Highlights from the prospecting work performed to date are summarized below.

Hand pits and chip samples

Zone	Width (m)	Grade % U_3O_8	Grade % V_2O_5
Fluo	2.0	0.14	0.07
	1.0	0.09	1.12
	1.5	0.07	0.01
Zone 1	1.0	0.13	0.50
Zone Cañadon Lillo	0.5	0.53	1.32
Zone 5	1.0	0.03	0.27

Grab samples from outcrops and hand pits

- 16 samples were higher than 0.10%, highlights include, 0.65 % U_30_8 and 1.55 % V_2O_5, 0.61 % U_30_8 and 0.80 % V_2O_5, 0.53 % U_30_8 and 1.32 % V_2O_5, 0.25 % U_30_8 and 0.65 % V_2O_5, and 0.20 % U_30_8, 0.09 % V_2O_5;
- 90 samples were higher than 0.01% U_30_8; and
- 177 samples were lower than 0.01% U_30_8.

Anomalous molybdenum values have been detected at Cerro Solo and are also present at Sierra Colonia, including 21 samples ranging from 113 to 671 ppm Mo.

Property History: The Sierra Colonia project was selected following recommendations by Dr. Jorge Berizzo, Blue Sky's geological consultant, and was based on the proximity to CNEA's Mirasol uranium occurrence and similarities to the geological setting at Mirasol and Cerro Solo. The property's history is summarized as follows:

- surface radiometric survey covering 124 km^2;
- sampling of 54 hand pits and chip samples ranging in depth from surface to 2 meters; and
- collection of 283 grab samples from outcrops and hand pits.

Planned 2012 Exploration: Blue Sky is confident that the exploration potential of the Sierra Colonia justifies drilling. Exploration work planned and approved by an AREVA-Blue Sky Joint Technical Committee will aim to establish drill targets in 12 areas contained within a 14 km long mineralized trend and start drilling in 2012.

Tierras Coloradas ("TC") Property

Property and Ownership: The TC property is located east of the Sierra Colonia property and has a surface area of 1,355 km^2 including licences granted and under application.

Property History: Surficial mineralization was discovered by Blue Sky in 2011 while prospecting and carrying out surface radiometric surveys in the area in area of the property. The geological environment is similar to Sierra Colonia.

Planned 2012 Exploration: The objective will be to identify drill targets on surficial and near-surface sandstone-type mineralization. Exploration work planned and approved by an AREVA-Blue Sky Joint Technical Committee will consists of ground radiometric surveys and surface rock sampling, hand pit excavations and trenching.

Outlook

The Company is moving forward with the exploration programs 100% funded by AREVA in the provinces of Rio Negro and Chubut in Argentina with a focus on extending known surficial mineralization on the Ivana property, and identifying drill targets on Sierra Colonia and TC properties in order to bring these properties to the drill-ready stage. It is also actively evaluating opportunities to acquire new prospective ground in Rio Negro, Chubut and other provinces of Argentina.

Selected Annual Financial Information(1)

The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto.

	Years Ended December 31,		
	2011 $	2010 $	2009 $
Total revenue	Nil	Nil	Nil
Net loss and comprehensive loss for the year	(3,588,135)(2)	(5,589,262)(4)	(1,151,047)
Loss per share – basic and diluted	(0.04)	(0.09)	(0.03)
Total assets	2,984,469(3)	5,191,928(5)	4,308,734

(1) As the Company's IFRS transition date was January 1, 2010, 2009 comparative information has not been restated and is presented in accordance with Canadian GAAP.

(2) Variance from 2010 is primarily driven by decreases in exploration, share-based compensation and corporate development and investor relations of $1,168,601, $585,501, and $74,678, respectively.

(3) Decrease compared to 2010 is primarily due to decline in cash of $2,159,223.

(4) Variance from 2009 is primarily driven by increases in corporate development of $189,693, exploration of $2,556,372, management services of $388,855 and professional fees of $186,614. Income tax recovery for the period was $Nil.

(5) Increase compared to 2009 is primarily due to higher cash balances from issuance of common shares and warrants for gross proceeds of $2,582,250.

Results Of Operations – For The Year Ended December 31, 2011 Compared To The Year Ended December 31, 2010

Expenses

During the year ended December 31, 2011, expenses decreased by $1,998,867 to $3,590,622 compared to $5,589,489 for the year ended December 31, 2010. The decrease in expenses is largely due to:

- A decrease of $1,209,878 in exploration expenditures. Exploration expenditures were $1,981,857 for the year ended December 31, 2011 compared to $3,191,735 for the year ended December 31, 2010. During the year ended December 31, 2011, the Company performed ground radiometric surveys, hand pits sampling, prospecting, geological mapping and augering on new properties compared to an airborne radiometric and magnetic survey, extensive drilling programs on the Anit property including 310 hand excavated pits were being performed during the year ended December 31, 2010.

- A decrease of $74,678 in corporate development and investor relations. Corporate development and investor relations were $213,077 for the year ended December 31, 2011 compared to $287,755 for the year ended December 31, 2010. The decrease is due to a smaller number of activities relating to promotion of the Company's projects in the year ended December 31, 2011 compared to the year ended December 31, 2010.

- A decrease of $71,579 in office expenses. Office expenses were $115,149 for the year ended December 31, 2011 compared to $186,728 for the year ended December 31, 2010. The Company was charged a lower amount for administration of its projects and lower cost allocation due to decreased activity during the year ended December 31, 2011 compared to a greater portion of Grosso Group's costs allocated to the Company in the year ended December 31, 2010.

- A decrease of $36,428 in rent, parking and storage. Rent, parking and storage was $81,019 for the year ended December 31, 2011 compared to $117,447 for the year ended December 31, 2010. The Company was charged a lower cost allocation due to decreased activity during the year ended December 31, 2011 compared to a greater portion of Grosso Group's costs allocated to the Company in the year ended December 31, 2010.

- A decrease of $25,241 in travel. Travel was $70,781 for the year ended December 31, 2011 compared to $96,022 for the year ended December 31, 2010. The decrease is due to travel in the year ended December 31, 2010 associated with the execution of drilling programs on the Anit project and a higher number of investor relation activities compared to no similar drilling programs and a lower level of investor relations activity during the year ended December 31, 2011.

- A decrease of $31,600 in professional and consulting fees. Professional and consulting fees were $256,080 for the year ended December 31, 2011 compared to $287,680 for the year ended December 31, 2010. The decrease results from fewer consultants contracted to provide services due to decreased activity during the year ended December 31, 2011 compared to more consultants contracted to provide services during the year ended December 31, 2010.

- A decrease of $585,501 in share-based compensation. Share-based compensation was $82,831 for the year ended December 31, 2011 compared to $668,332 for the year ended December 31, 2010. The decrease is due to the vesting of 350,000 stock options granted during the year ended December 31, 2011compared to 3,520,000 fully vested stock options granted during the year ended December 31, 2010.

- A decrease of $32,084 in transfer agent and regulatory fees. Transfer agent and regulatory fees were $22,807 for the year ended December 31, 2011 compared to $54,891 for the year ended December 31, 2010. The decrease is due to the a lower number of stock options and warrants being exercised during the year ended December 31, 2011 compared to a higher number of stock options and warrants being exercised during the year ended December 31, 2010.

These decreases were partially offset by the following:

- An increase of $61,996 in salaries and management fees. Salaries and management fees were $675,863 for the year ended December 31, 2011 compared to $613,867 for the year ended December 31, 2010. This increase is due to related increases in the number of staff levels in the organization during the year ended December 31, 2011 compared to the year ended December 31, 2010.

- An increase of $27,708 in foreign exchange loss. Foreign exchange loss was $46,098 for the year ended December 31, 2011 compared to $18,390 for the year ended December 31, 2010. The increase is due to the fluctuation in foreign exchange rates and differing amounts of foreign currencies held in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Other Items

- Interest income was $2,487 for the year ended December 31, 2011 compared to $227 for the year ended December 31, 2010. The Company earned interest on its short term investments held during the year ended December 31, 2011 compared to no short term investments held during the year ended December 31, 2010.

The net loss for the year ended December 31, 2011 was $3,588,135 or $0.04 per basic and diluted share compared to a net loss of $5,589,262 or $0.09 per basic and diluted share for the year ended December 31, 2010.

Cash Flow

Operating Activities

Cash outflow from operating activities was $3,260,908 for the year ended December 31, 2011 compared to $4,835,274 for the year ended December 31, 2010. The decrease in cash outflow is due to declines in exploration expense of $1,209,878 and corporate and administrative cash costs of $235,413 and an increase in non-cash working capital balances of $144,523 during the year ended December 31, 2011.

Investing Activities

Cash outflow from investing activities was $129,672 during the year ended December 31, 2011 compared to $79,714 for the year ended December 31, 2010. The increase in cash outflow is due to fixed asset acquisitions of $20,893 and higher mineral property acquisition costs of $108,779 compared to $10,120 in capital expenditures and $69,594 in mineral property acquisition costs during the year ended December 31, 2010.

Financing Activities

Proceeds from the issuance of common shares and warrants were $1,199,727, less share issuance costs of $38,370 during the year ended December 31, 2011 compared to $2,582,250, less share issuance costs of $133,727 for the year ended December 31, 2010. Proceeds from the exercise of warrants and options were $70,000 for the year ended December 31, 2011 compared to $3,343,701 for the year ended December 31, 2010. The decrease is due to the exercise of options and warrants that were significantly in the money during the year ended December 31, 2010 compared to the majority of options and warrants not in the money during the year ended December 31, 2011.

Results Of Operations – For The Three Months Ended December 31, 2011 Compared To The Three Months Ended December 31, 2010

Expenses

During the three months ended December 31, 2011, expenses decreased by $793,654 to $921,203 compared to $1,714,857 for the three months ended December 31, 2010. The decrease in expenses is largely due to:

- A decrease of $178,028 in exploration expenditures. Exploration expenditures were $561,964 for the three months ended December 31, 2011 compared to $739,992 for the three months ended December 31, 2010. During the three months ended December 31, 2011, the Company performed ground geophysical surveys, hand pits sampling, prospecting and geological mapping on new properties compared to the exploration of 310 excavator pits in the Anit Central and Anit West regions during the three months ended December 31, 2010.

- A decrease of $52,512 in corporate development and investor relations. Corporate development and investor relations were $15,026 for the three months ended December 31, 2011 compared to $67,538 for the three months ended December 31, 2010. The decrease is due to a lesser number of activities relating to promotion of the Company's projects in the three months ended December 31, 2011 compared to the three months ended December 31, 2010.

- A decrease of $534,839 in share-based compensation. Share-based compensation was $26,177 for the three months ended December 31, 2011 compared to $561,016 for the three months ended December 31, 2010. The decrease is due to the vesting of 150,000 stock options granted during fiscal 2011 in the three months ended December 31, 2011 compared to 3,345,000 fully vested stock options granted during the three months ended December 31, 2010.

- A decrease of $51,998 in professional and consulting fees. Professional and consulting fees were $41,889 for the three months ended December 31, 2011 compared to $93,887 for the three months ended December 31, 2010. The decrease results from fewer consultants contracted to provide services due to decreased activity during the three months ended December 31, 2011 compared to more consultants contracted to provide services during the three months ended December 31, 2010.
- A decrease of $16,427 in office expenses. Office expenses were $21,747 for the three months ended December 31, 2011 compared to $38,174 for the three months ended December 31, 2010. The Company was charged a lower amount for its project administration and lower cost allocation due to decreased activity during the three months ended December 31, 2011 compared to a greater portion of Grosso Group's costs allocated to the Company in the three months ended December 31, 2010.

These decreases were partially offset by the following:

- An increase of $48,841 in foreign exchange loss. Foreign exchange loss was $29,773 for the three months ended December 31, 2011 compared to a gain of $19,068 for the three months ended December 31, 2010. The increase is due to the fluctuation in foreign exchange rates and differing amounts of foreign currencies held in the three months ended December 31, 2011 compared to the three months ended December 31, 2010.

The net loss for the three months ended December 31, 2011 was $920,983 or $0.01 per basic and diluted share compared to a net loss of $1,714,857 or $0.03 per basic and diluted share for the three months ended December 31, 2010.

Cash Flow

Operating Activities

Cash outflow from operating activities was $705,745 for the three months ended December 31, 2011 compared to $1,312,390 for the three months ended December 31, 2010. The decrease in cash outflow is due to declines in exploration expense of $178,028 and corporate and administrative cash costs of $130,050 and an increase in non-cash working capital balances of $287,188.

Investing Activities

Cash inflow from investing activities was $378,154 for the three months ended December 31, 2011 compared to a cash outflow of $8,943 for the three months ended December 31, 2010. This increase was attributable to redemptions of short term investments of $400,851and mineral property expenditures of $22,697 during the three months ended December 31, 2011compared to $8,943 in capital asset and mineral property expenditures and no redemptions of short term investments during the three months ended December 31, 2010.

Financing Activities

Proceeds from the issuance of common shares and warrants were $155,638, less share issue costs of $2,738 during the three months ended December 31, 2011 compared to no common share or warrant issuances. Proceeds from the exercise of warrants and options were $Nil during the three months ended December 31, 2011 compared to $1,016,666 proceeds from the exercise of warrants and options during the three months ended December 31, 2010. The decrease is due to the exercise of options and warrants that were significantly in the money during the three months ended December 31, 2010 compared to the majority of options and warrants not in the money during the three months ended December 31, 2011.

Balance Sheet

At December 31, 2011, the Company had total assets of $2,984,469 compared with $5,191,928 in total assets at December 31, 2010. This decrease is primarily a result of a decrease in cash related to the Company's ongoing exploration activities and administrative costs. Working capital deficiency at December 31, 2011 was $180,565 compared to working capital of $2,217,994 at December 31, 2010, as a result of ongoing exploration activities and fewer financing activities related to the issuance of common shares and warrants.

Selected Quarterly Financial Data

	2011				2010			
	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sep. 30 $	Jun. 30 $	Mar. 31 $
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(920,983)	(790,562)	(976,340)	(900,250)[3]	(1,714,857)[2]	(1,320,694)	(1,547,905)[1]	(1,005,806)
Net Loss per Common Share Basic and Diluted	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)	(0.02)	(0.02)

(1) Increase is primarily driven by an increase in exploration of $650,337 partially offset by foreign exchange gain of $48,890.
(2) Increase is primarily driven by increase in share-based compensation of $536,110.
(3) Decrease is primarily driven by decreases in exploration and share-based compensation of $275,234 and $561,016, respectively.

Liquidity and Capital Resources

The Company has experienced recurring operating losses and has an accumulated deficit of $17,776,330 at December 31, 2011 (December 31, 2010 - $14,188,195) and equity of $2,707,700 at December 31, 2011 (December 31, 2010 – $4,981,647). In addition, the Company had a working capital deficiency of $180,565 at December 31, 2011 (December 31, 2010 –working capital of $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.

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

During the year ended December 31, 2011:

- 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.

- 700,000 options were exercised for proceeds of $70,000.

- In December 2011, the Company completed a non-brokered private placement consisting of 1,550,000 units at a price of $0.10 per unit for gross proceeds of $155,000. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share in the capital of the Company at a price of $0.15 per share for 18 months from the date of issue of the warrant. Finders' fees were $2,100 of cash and 21,000 warrants exercisable into common shares at $0.15 per share for 18 months having a fair value of $638. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 0.95%; expected stock price volatility – 102.66%; dividend yield of 0%, and expected warrant life of 1.48 years.

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

Commitment

	1 Year $	2 Years $	3 Years $	4-5 Years $	More than 5 Years $
Management Services Agreement	372,000	-	-	-	-

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 current fee is $31,000 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

Capital Stock

At December 31, 2011, the Company had unlimited authorized common shares without par value. At December 31, 2011, an aggregate of 87,019,896 common shares were issued and outstanding. At March 21, 2012, 87,019,896 common shares were issued and outstanding.

	Share capital		Reserves				
	Number of shares	Amount $	Contributed Surplus $	Equity settled share-based payments $	Warrants $	Accumulated Deficit $	Total $
Balance at January 1, 2010	52,435,426	10,231,995	817,462	851,303	808,526	(8,598,933)	4,110,353
Private placement	10,329,000	2,143,777	-	-	438,473	-	2,582,250
Share issue costs	-	(189,462)	-	-	-	-	(189,462)
Agent's warrants granted	-	-	-	-	55,735	-	55,735
Warrants exercised	15,119,970	3,631,856	-	-	(438,155)	-	3,193,701
Warrants expired	-	-	9,464	-	(9,464)	-	-
Share-based compensation	-	-	-	668,332	-	-	668,332
Stock options exercised	1,085,000	263,344	(9,087)	(104,257)	-	-	150,000
Stock options expired	-	-	137,720	(137,720)	-	-	-
Total comprehensive (loss) for the year	-	-	-	-	-	(5,589,262)	(5,589,262)
Balance at December 31, 2010	78,969,396	16,081,510	955,559	1,277,658	855,115	(14,188,195)	4,981,647
Private placement	7,350,500	868,323	-	-	331,404	-	1,199,727
Share issue costs	-	(56,235)	-	-	-	-	(56,235)
Agent's warrants granted	-	-	-	-	17,865	-	17,865
Share-based compensation	-	-	-	82,831	-	-	82,831
Stock options exercised	700,000	122,887	-	(52,887)	-	-	70,000
Stock options expired	-	-	39,164	(39,164)	-	-	-
Warrants expired	-	-	360,906	-	(360,906)	-	-
Total comprehensive (loss) for the year	-	-	-	-	-	(3,588,135)	(3,588,135)
Balance at December 31, 2011	87,019,896	17,016,485	1,355,629	1,268,438	843,478	(17,776,330)	2,707,700

The Company had the following warrants outstanding as at March 21, 2012:

Number of Warrants Outstanding	Exercise Price (CAD$)	Expiry Date
5,698,810	$0.35	August 27, 2012
5,998,460	$0.25	November 8, 2012
696,000	$0.15	June 5, 2013
100,000	$0.15	June 15, 2013
12,493,270		

The following summarizes information about the stock options outstanding and exercisable as at March 21, 2012:

Number of Shares		Exercise Price	
Outstanding	Exercisable	(CAD$)	Expiry Date
215,000	215,000	$1.00	June 1, 2012
15,000	15,000	$0.40	January 25, 2013
1,465,000	1,465,000	$0.15	May 6, 2014
300,000	300,000	$0.15	July 6, 2014
75,000	75,000	$0.18	July 22, 2014
715,000	715,000	$0.65	December 9, 2014
100,000	100,000	$0.73	March 15, 2015
3,220,000	3,220,000	$0.26	October 5, 2015
75,000	75,000	$0.25	October 29, 2015
600,000	150,000	$0.22	May 31, 2016
200,000	200,000	$0.10	September 25, 2016
6,980,000	6,530,000		

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Related Party 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.

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

	Year ended December 31,	
	2011	2010
Transactions	$	$
Services rendered:		
Grosso Group Management Ltd. (a)	597,000	642,291
R.H. McMillan Ltd. (b)	41,379	45,830
Total for services rendered	638,379	688,121

(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 Ron McMillan, a director that provided geological services to the Company at market rates.

Key management personnel compensation

Compensation	Salaries $	Bonus payments $	Share-based benefits $	Year ended December 31, 2011 $	Salaries $	Bonus payments $	Share-based benefits $	Year ended December 31, 2010 $
Chief Executive Officer	120,000	-	-	120,000	120,000	-	-	120,000
President	72,917	50,000	39,943	162,860	-	-	-	-
Chief Financial Officer	53,429	-	-	53,429	32,655	-	51,814	84,469
Total	246,346	50,000	39,943	336,289	152,655	-	51,814	204,469

SUBSEQUENT EVENTS

- On January 4, 2012, the Company announced entering into a MOU with AREVA to jointly explore Argentina for uranium deposits. Under the terms of the MOU the following commitments have been made (amounts in CAD):

  - AREVA and the Company form a joint technical committee to direct exploration activities.
  - The Company will be the operator in years one and two (2012 and 2013).
  - AREVA can select one or two projects and earn 51% interest by:
    - Funding $1 million in exploration in year one.
    - Funding $2 million in exploration in year two.
    - Funding $3 million in year three on the project AREVA selects if only one project is selected, or funding a total of $4 million in exploration on two projects if AREVA selects two projects.
  - At the end of year two, the Company will retain a 100% interest in all projects except the one (or two) project(s) AREVA selects to earn a 51% interest.
  - On newly acquired uranium targets in Argentina that are not listed in this MOU, AREVA can elect to earn a 51% interest by funding $1 million in exploration on each new target.
  - For any non-uranium discoveries made the Company will retain a 100% interest.

- On January 27, 2012, the Company announced a proposed consolidation of its share capital on the basis of one new common share of the Company for every ten existing common shares. The share consolidation is subject to approval by Blue Sky shareholders at the upcoming special meeting to be held on March 22, 2012, and approval by the TSX Venture Exchange.

- On February 10, 2012, 75,000 stock options expired with an exercise price of $0.75.

Critical Accounting Estimates and Recent Accounting Pronouncements

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

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's financial statements for the year ended December 31, 2011. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Conversion to International Financial Reporting Standards

These annual consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 annual consolidated financial statements presented in accordance with IFRS. Previously the Company prepared its consolidated annual financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

Transition to International Financial Reporting Standards

As stated in Note 2 of the annual consolidated financial statements, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 of the consolidated annual financial statements have been applied as follows:

- in preparing the consolidated annual financial statements for the year ended December 31, 2011;
- the comparative information for the year ended December 31, 2010;
- the statement of financial position as at December 31, 2010; and
- the preparation of an opening IFRS statement of financial position on the Transition Date, January 1, 2010.

In preparing the opening IFRS statement of financial position 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 Canadian GAAP ("CAGAAP").

An explanation of how the transition from CAGAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in Note 14 of the consolidated annual financial statements.

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. The IFRS 1 optional exemptions applied by the Company in the conversion from GAAP to IFRS are as follows:

(i) Business Combination Exemption

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations that occurred on or after the Transition Date and such business combinations have not been restated. As a result of this election, no adjustments were required to the Company's statement of financial position as at the Transition Date.

(ii) Share-Based Payment Exemption

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date.

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 items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 equity settled share-based payments reserve.

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

Exploration, Evaluation and Development Expenditures

Exploration and evaluation expenditures are expensed as incurred, until the property reaches the development stage. The development stage is considered to begin 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 issued, 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.

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 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.

Impairment

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

New Accounting Standards and Interpretations

In 2011, the International Accounting Standards Board issued new and amended standards and interpretations which have not yet been adopted by the Group. The Group has not yet begun the process of assessing the impact that the new and amended standards and interpretations 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 and amended standards and interpretations:

IFRS 9 – Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

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. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted.

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. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted.

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. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted.

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. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Financial Instruments

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

(a) Fair Values

The Company's financial instruments consist of cash, amounts receivable, and accounts payable. The fair value of cash, amounts receivable and accounts payable 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 amounts receivable. The Company has reduced its credit risk by depositing its cash with financial institutions that operate globally. The Company's 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. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Market risk

(i)   Currency risk

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

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by $201.

- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by $19,568.

(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 bears no interest. The fair value of cash approximates its carrying value due to the immediate or short-term maturity of this financial instrument.Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

(c) Capital Management

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

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, reserves 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 its mineral projects and may require doing so again in the future.

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

Risk Factors and Uncertainties

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

History of losses: The Company has historically incurred losses as evidenced by its audited consolidated financial statements for the years ended December 31, 2011 and 2010. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

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

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

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

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

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

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

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

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

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

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

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

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

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

Interest Risk: The Company's bank accounts do not earn interest income. Cash bears no interest. The fair value of cash approximates its carrying values due to the immediate or short-term maturity of this financial instrument.
Currency Risk: Business is transacted by the Company in a number of currencies. Fluctuations in exchange rates may have a significant effect on the cash flows of the Company. Future changes in exchange rates could materially affect the Company's results in either a positive or negative direction.

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

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

Disclosure Controls and Procedures and Internal Control over Financial Reporting

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. The Company is a Venture Issuer; therefore it files the venture issuer basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2011.

Additional Information

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

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