

BLUE SKY URANIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Background

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of Blue Sky Uranium Corp. ("Blue Sky" or "the Company") for the year ended December 31, 2013 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All figures are in Canadian dollars unless otherwise noted. This MD&A has been prepared as of April 2, 2014.

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 km² of tenements. Argentina has an advanced nuclear industry, centred in the Rio Negro Province. As of April 2, 2014, the Company has not earned any production revenue, nor defined any mineral resources or reserves on any of its properties.

Ronald McMillan PhD, P.Geol and David Terry, Ph.D., P.Geol. are both members of the Board and Qualified Persons as defined by NI 43-101 and has 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 auguring, geochemical sampling, sample preparation, sample shipping and sample analysis and compilation procedures.

Argentina Exploration

With the acquisition of Argentina Uranium in 2008, the Company gained control of a land package of more than 5,000 km² in Argentina. This acquisition followed a review of Argentina Uranium's properties and a 14,689 line-km airborne geophysical survey in 2007 in the province of Rio Negro over mineral properties covering a surface area of 3,000 km². Argentina Uranium also held properties in the province of Chubut.

The Company's projects are shown on the figure below. The exploration focus is on surficial (calcrete-type), as well as sandstone-type (roll front) uranium targets. AREVA's interest is primarily in the potential for the latter type of deposit. Since these types of deposits often occur in clusters, it is envisioned that a central processing facility could potentially produce yellowcake from several adjacent deposits.

On December 11, 2011, the Company announced that it had entered into a Memorandum of Understanding ("MOU") with AREVA Mines ("AREVA") to jointly explore for uranium deposits in Argentina. Under the terms of the MOU, as amended on November 12, 2013, the following commitments have been made (amounts in CAD):

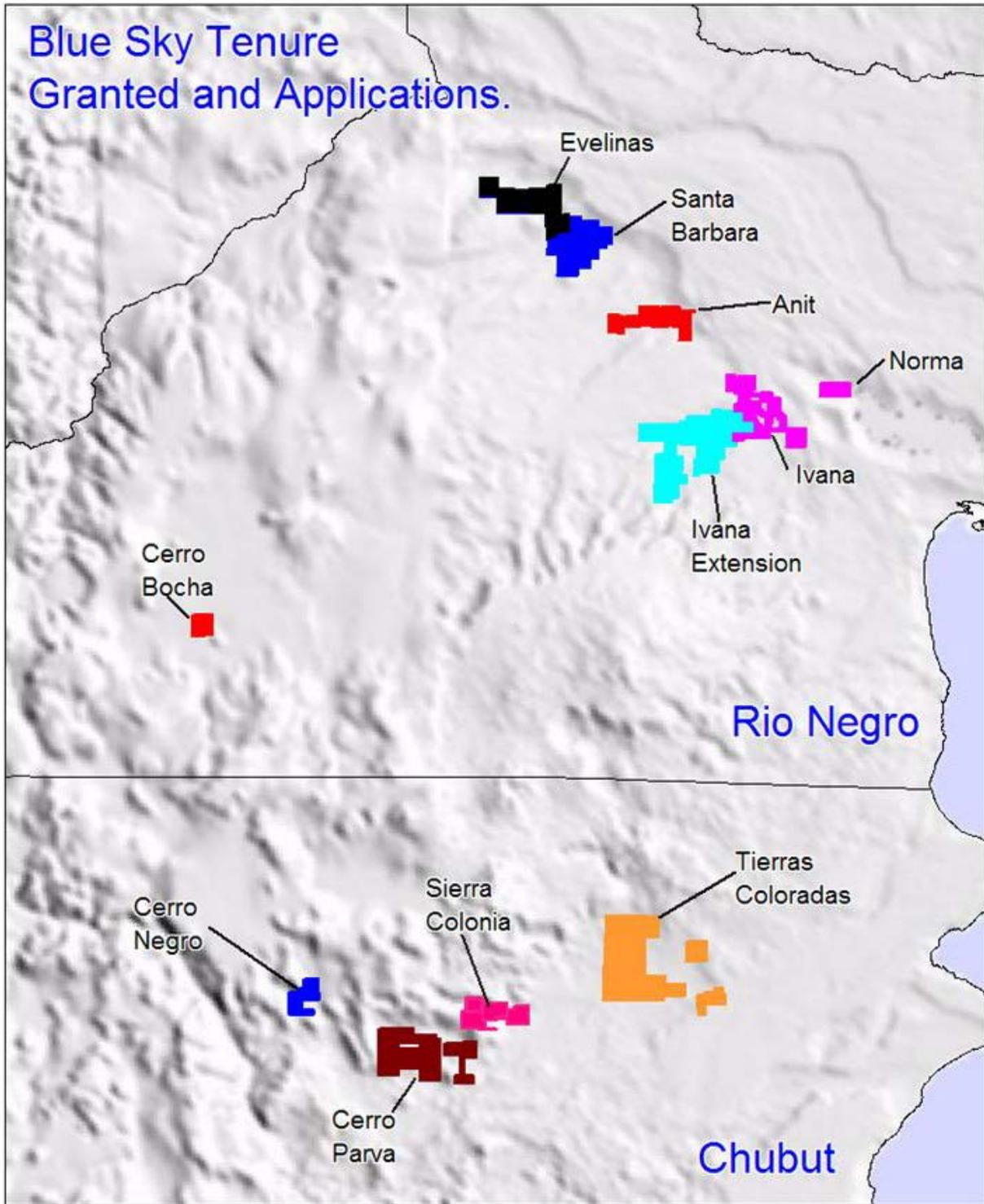
- AREVA and the Company form a joint technical committee to direct exploration activities.
- The Company will be the operator in years one and two (2012 and 2013).
 - (i) AREVA can select one or two projects and earn a 51% interest by:
 - i. Funding \$1 million in exploration by December 31, 2012 (received).
 - ii. Funding \$2 million in exploration by December 31, 2013 (received).
 - iii. Upon the completion of phase 2 if AREVA:
 - a) Elects to proceed with two projects it must incur a minimum of \$4 million in phase 3; or
 - b) Elects to proceed with one project it must incur a minimum of \$3 million in phase 3.

Phase 3 work must be completed no later than December 31, 2017.
 - (ii) Upon the completion of the phase 3 program, the Company will retain a 100% interest in all projects except the one (or two) project(s) AREVA selects to earn a 51% interest.
 - (iii) 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.
 - (iv) For any non-uranium discoveries made the Company will retain a 100% interest.

On February 8, 2012, the Company announced that, according to a program planned and approved by the AREVA-Blue Sky Joint Technical Committee, exploration had commenced in the Provinces of Rio Negro and Chubut. The initial program includes the Ivana property, the Sierra Colonia property and the newly acquired Bajo Tierras Coloradas property. All work is being performed by a joint AREVA-Blue Sky team with Blue Sky acting as the operator. The exploration programs are 100% funded by AREVA.

During 2012 AREVA and Blue Sky geologists reviewed all of the Blue Sky projects and relinquished several low-priority properties totaling 313,000 hectares in Rio Negro (200,000 ha), Chubut (53,000 ha) and Santa Cruz (60,000 ha). This was done as a result of prioritization of Blue Sky's extensive land package. In Rio Negro, application was made for an additional 100,000 hectares to extend the high-priority Ivana project. The new concessions will be called the Ivana Extension Project.

Blue Sky Tenure Granted and Applications.



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 Neuquen Basin in Rio Negro over areas with similar geology to the Anit and Santa Barbara properties. Three large new uranium anomalies were identified by the 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. U₃O₈ at a grade of 0.054% U₃O₈ using a 0.025% U₃O₈ cut-off, Paladin Energy Ltd. 2011 annual report). Carnotite, a potassium uranium vanadate mineral with chemical formula: K₂(UO₂)₂(VO₄)₂·3H₂O, is the uranium ore mineral. Vanadium pentoxide (V₂O₅) 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, one pending exploration license application, and eight mines or “*manifestaciones de descubrimiento*” registered on behalf of the Company totaling approximately 713 km². It is located in the north-central part of Rio Negro near the municipality of Valcheta. The property is 100% owned by the Company.

History: The property’s history is summarized as follows:

- 2010 - 23,000 km² airborne radiometric survey; and
- 2011 - Sampling of hand pits and 58 auger holes as well as follow-up ground radiometric surveys, prospecting and geological mapping.
- 2012 – Geophysical program completed (5 lines totaling 10.4 km of dipole-dipole IP/resistivity surveys with 25, 50 and 100 meter stations). Mechanical trenching program has been completed (22 trenches totaling approximately 2,200 meters) and 57 new exploration pits dug to a maximum depth of 6 meters.
- 2013 - No significant work completed.

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 to 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 include:

- 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% U₃O₈ 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 of the above trend. The highlight from the new discovery is an interval of 1.81% U₃O₈ over 0.75 m including 6.67% U₃O₈ over 0.15 m in a zone that is open at depth.

2012 Exploration: The AREVA-Blue Sky exploration program at Ivana includes surface radiometric surveys, an auger drill program, hand-excavated pits, mechanical trenching and geophysical surveys. The objective of the program is to expand on a 2 km by 4 km area of known surficial mineralization discovered in 2011 and to explore for new zones of buried mineralization. Geological mapping, a resistivity geophysical survey and shallow auger drilling have defined a paleo-channel cut into the basement. High grade uranium mineralization is found in the form of carnotite hosted in well sorted reddish and yellowish sands covered by calcrete, and extends into the weathered granitic and rhyolitic basement.

On March 13, 2012, the Company announced preliminary results including a high grade pit (1.40% U₃O₈ over 1.10 m, including 2.74% U₃O₈ over 0.5 m – see Table below) that occurs within an interpreted paleochannel in areas of very high surface radiometric anomalies (+200 counts per second using a Georadis RS 125 scintillometer) that cover a large area of approximately 3 km². The mineralization style and geological setting at Ivana are similar to BHP Billiton's Yeelirrie uranium deposit in Western Australia*. Ivana, as with Yeelirrie, are both surficial uranium deposits that are situated in a paleo-channel directly overlying granitic basement rocks.

* World Nuclear Association web site presents a resource estimate of 52,500 tonnes of contained U₃O₈ (174 million lbs.) at 0.15% U₃O₈ average grade in the Indicated category.

Pit	From	To	Thickness meters	% U ₃ O ₈
I CAL 11- 35	0.00	1.13	1.13	0.20
I CAL 11- 36	1.10	1.82	0.72	0.11
I CAL 11- 37	0.62	1.72	1.10	1.40
I CAL 11- 38	0.48	1.37	0.99	0.43

On August 8, 2012, the Company announced high grade assay results from four hand excavated pits from Ivana VIII. Results include 2 m of 0.67% U₃O₈, 0.74% copper and 592 g/t silver starting at surface and open at depth (see Table below).

Pit	U ₃ O ₈ (%)	Copper (%)	Silver (g/t)	Thickness (m)	From (m)	To (m)
39	0.05	0	0	2.3	0.3	2.6
40	0.14	0	0	1.2	0.0	1.2
41	0.02	0.03	Trace	1.9	0.0	1.9
42	0.67	0.74	592	2.0	0.0	2.0

The Company also reported the completion of a further 211 shallow auger holes wherein radiometric gamma probing defined 106 holes with recorded values over 400 counts per second (“cps”) at Ivana VIII. This probe work defined significant subsurface radioactivity in 3 zones which combined covers an area approximately 2.2 km².

On October 29th the Company also announced that it had completed a ground IP/ Resistivity geophysical survey on the project (4 lines for 9km total), the results of which will guided the mechanical trenching program. Mechanical trenching program was been completed. The program consisted of 22 trenches totaling approximately 2,200 meters and 57 new pits.

Technical Summary of the 2012 work completed:

Trenching, geological mapping, resistivity geophysical survey and shallow auger drilling have defined a system of mineralized paleo-channels cut into the granitic basement. High grade uranium mineralization is hosted in well sorted reddish and yellowish coarse sands, with carnotite-type minerals and extending into the weathered granitic basement.

Important observations for the trenching program included the discovery of mineralized paleo-channels beneath barren cover sediments, with positive implications for discovery of buried mineralization within the 28 by 15 km Ivana project. In 5 of the trenches high radiometric anomalies occurred below barren cover material.

The current round of trenches was aimed to prospect a large area and were widely dispersed over 12km² to test multiple surface radiometric anomalies, and areas with no surface anomalies. First pass radiometric mapping of the trenches and pits has been completed using RS 125 gamma ray scintillometer, with one reading being recorded along the trench wall per meter. Of the 22 trenches cut 12 had moderate to high radiometric response (+1000 cps per meter).

To date there have been a total of 69 pits completed, with 21 pits with moderate to high radiometric response (+1000 cps per meter). Detailed radiometric mapping is ongoing and representative sampling (200 samples) have been sent to the laboratory for geochemical analysis.

The mineralization at Ivana VIII ranges in the order of 100 to 300 ppm U, with local areas as isolated lenses in excess of 1000 ppm. This erratic style, coupled with the existence of mineralization in basement areas, where there are no surface radiometric data, or conversely, where no mineralization has been found to date in proximity to radiometric anomalies, indicate that detailed grid drilling with short holes (10 meters or less) will be required to fully evaluate the near surface uranium potential of the property.

The 2012 IP/resistivity survey completed by AREVA partially defined an east-trending paleochannel at the south side of the property. It is reflected as a superficial conductor (up to 60 Ohm.m) and covers the surface radiometric anomaly investigated previously by pitting and augering. The average thickness of the potential paleochannel is 25-30 m - it thickens towards the east in direction of the water well which returned 1100 ppb U in water. AREVA recommended that two IP/resistivity lines at the south side of the property be extended to complete the survey over the postulated paleochannel. Following that drilling will be required.

Ivana Extension Property

Property and Ownership: The Ivana Extension property consists of twelve cateos or granted exploration licenses and five mines of “*manifestaciones de descubrimiento*” totaling approximately 1180.2 km². The property is 100% owned by the Company

Geology and Mineralization: The Ivana Extension property covers a large fault-controlled half-graben believed to be filled with “red bed” type fluvial sediments which are believed to be Tertiary in age. The Bajo de Valcheta Basin is a large (70 x 12 km) enclosed half-graben structure filled with Tertiary and possibly Cretaceous clastic fluvial sediments – a small salar (playa lake) occupies the lower (eastern) end of the basin. Minor carnotite mineralization was encountered in some of the hand pits. .

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

- 2013 - Additional catego were acquired adjacent to and west of the Ivanas Project tenures - the new project was called the Ivanas Extension Project. The tenures cover the Bajo de Valcheta Basin which is believed to be a half-graben structure filled with Upper Cretaceous or Tertiary fluvial sediments and a potential host for "roll-front" uranium mineralization. The Basin was geologically mapped in detail. A total of 21 hand dug pits were completed to a maximum depth of 3 m over an area of approximately 35 x 15 km. One hundred and ten (110) line km of ground magnetic surveying (8 lines) were completed to define the southern limit of the graben structure.
- 2013 (November and December) – A total of 11 diamond drill holes were completed over an length of 60 km (approximately 1200 km²). A total of 2,023.5 m were drilled to an average depth of 180 m. Although the final report by AREVA has not been completed, the preliminary results are considered to be highly encouraging. The drilling encountered a succession of poorly to unconsolidated continental fluvial and lacustrine clastic sediments (with minor sections of marine strata) which thicken towards the east (possibly to a depth of approximately 500 m). The sediments are sourced from the west and south and are highly oxidized in the eastern portion of the basin. In the eastern portion, lower sections are unoxidized and contain significant organic material. There is considerable evidence for the presence of strong redox contrast, with low-level uranium anomalies (approximately 100 ppm across 1 metre from radiometric readings) locally. The paleoenvironment is highly encouraging for potential "roll-front" deposits as it is similar to the present sedimentological environment where surface waters carrying 1000 to 2000 ppb U have been found in water wells tested by the Company. Since the AREVA drill holes are spaced at several kilometers (between 10 and 3 kilometers), infill drilling is required to discover a potential "roll-front".

Target 4 Property

- 2013 – At the Target 4 Property or "cateo Cuatro", located 10 km south of the Bajo de Valcheta Basin, 2 lines of magnetometer surveying (6 km) were completed to help define a potential paleochannel. Sixty two (62) auger holes were drilled and probed to a maximum depth of 8 m (average depth 4 meters). The auger holes were spaced at 400m intervals over an area of 10 by 3 km.

Geology and Mineralization: The Target 4 Property covers a fluvial paleochannel, probably of Tertiary age, incised into Paleozoic Navarrete Plutonic Complex granitic rocks. None of the auger holes penetrated to the base of the Tertiary paleochannel. Three auger holes encountered weakly anomalous radioactivity, one of which was drilled near a water well which contained high concentrations of uranium (2000 ppb U). Follow-up reverse circulation drilling is required to determine if the paleochannel is mineralized.

Anit Property

Property and Ownership: The Anit property consists 10 mines or "manifestaciones de descubrimiento" that cover approximately 200 km². It is located in the north-central part of Rio Negro approximately 100 km SSE of the city of Villa Regina. The property is 100% owned by the Company.

History: The Anit property had no exploration history prior to 2007. It and the nearby Santa Barbara occurrences therefore are a grassroots uranium discovery of what could be 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, auguring 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; and excavation of five pits (each 0.5 m by 0.25 m by 2 m in size) to provide samples for metallurgical testing
- 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 air core drilling program (5,044 m in 210 holes in two phases).

- 2011 - Completion of 310 excavator pits of up to 6 m depth, along north-south lines spaced 400 m apart, 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 determine the age of the host rocks.
- 2012, 2013 - No significant work completed.

Geology and Mineralization: At Anit outcrops of Cretaceous sediments of the Bajo de la Carpa Formation are covered by younger Tertiary 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 fluvial 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 Tertiary Chinchinales 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 air core drill holes. Highlights included:

- West Zone - 4 m at 0.078% U_3O_8 and 0.107% V_2O_5 in hole AN174; and
- Central Zone - 7 m at 0.037% U_3O_8 and 0.028% V_2O_5 in hole AN168.

It appears that 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 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 depth 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 km².

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, thus 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.

Santa Barbara Property

Property and Ownership: The Santa Barbara prospect was discovered in late 2006 by Dr. Jorge Berizzo, Blue Sky's geological consultant, while conducting a car-borne reconnaissance of the Rio Negro province. It hosts the first documented uranium discovery in this province. . The property consists of 23 "manifestaciones de descubrimiento" that cover approximately 462 km². 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.

History: Highlights of the property's history are:

- 2007 - reconnaissance sampling and scintillometer surveying program;
- 2008 - auguring 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.
- 2012 – a single 7.5 km line of dipole-dipole IP/resistivity surveying with D = 25, 50, 100 and 200 meters, as well as magnetic and VLF-EM surveys.
- 2013 - No significant work completed.

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 Bajo de la Carpia 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 Chinchinales Formation. Upper Tertiary and Quaternary plateau basalts commonly cap mesas. Quaternary and Recent sediments cover 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 Chinchinales 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 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% U₃O₈ over 1 m and 0.086% U₃O₈ over 0.5 meters.

Planned 2013 Exploration: Blue Sky is reviewing the results obtained to date. The Company believes that the property has good exploration potential.

Chubut Province

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”) identified a historical resource of 15 million pounds of contained U₃O₈ in the same geological environment (CNEA web site with information dated June 5, 2009. The resource statement is not compliant with National Instrument 43-101). The property is 100% owned by the Company. Blue Sky has applied for four exploration licenses totalling 399 km². Four exploration licenses have been fully granted and three with an environmental impact study approved for exploration and drilling. The approval of the remaining exploration and drilling license is pending.

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 km²;
- 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.

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)	U ₃ O ₈ (%)	V ₂ O 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% U₃O₈; highlights include, 0.65 % U₃O₈ and 1.55 % V₂O₅, 0.61 % U₃O₈ and 0.80% V₂O₅, 0.53% U₃O₈ and 1.32% V₂O₅, 0.25% U₃O₈ and 0.65% V₂O₅, and 0.20% U₃O₈, 0.09% V₂O₅;
- 90 samples were higher than 0.01% U₃O₈; and
- 177 samples were lower than 0.01% U₃O₈.

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.

2012 Exploration: The AREVA-Blue Sky program focused on identifying drill targets for a 2013 drill program in 12 target areas contained within a 14 km long mineralized trend discovered by Blue Sky in 2011. 2 lines of IP / Resistivity (total 7 km) were completed along with detailed geological and topographic surveys. Preliminary drill targets have been defined.

2013 Exploration: During 2013 the AREVA-Blue Sky program consisted of a comprehensive geological mapping program and 14 km of IP/resistivity surveying on two lines. The program was successful in tracing the favourable stratigraphic units and defining drill targets.

Outlook

The Company will be evaluating the results of the 2013 exploration and drill program at the Ivana Extension and Sierra Colonia Projects and is awaiting the final report by AREVA on the drilling on the Ivana Extension Project. AREVA must then make a decision as to whether they will fund one or two of the projects at a cost of \$3 million or \$4 million, depending on whether they retain one or two of the projects. The Company plans to conduct additional prospecting work on the Anit and Santa Barbara projects to extend the known mineralization and to define one or more deposits of sufficient size to support a modest-sized operation which would recover the near-surface gravel-hosted carnotite mineralization by screening the pebbles, dissolving the uranium mineralization in a lixiviant (leach solution) and recovering the uranium. The uranium-bearing solution would then be filtered through a resin and through an ion exchange process, the resin would adsorb uranium from the solution. The uranium-loaded resins would then be transported to a processing plant where U₃O₈ would be separated from the resin and yellowcake produced.

Selected Annual Financial Information

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

	Years Ended December 31,		
	2013	2012	2011
	\$	\$	\$
Total revenue	Nil	Nil	Nil
Net loss and comprehensive loss for the year	(1,116,683)	(1,251,175) ⁽¹⁾	(3,588,135)
Loss per share – basic and diluted	(0.05) ⁽³⁾	(0.08) ⁽³⁾	(0.43) ⁽³⁾
Total assets	3,293,458	3,723,117 ⁽²⁾	2,984,469

(1) Variance from 2011 primarily driven by decrease in exploration of \$939,883, management fees of \$197,400 and salaries of \$122,513 partially offset by increase in exploration and other costs recovery of \$1,036,174.

(2) Increase compared to 2011 is primarily due to increase in cash and short-term investments of \$758,825.

(3) On April 2, 2012, the Company received approval by the TSX-V and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively adjusted.

Results Of Operations – For The Year Ended December 31, 2013 Compared To The Year Ended December 31, 2012

Loss from operating activities

During the year ended December 31, 2013, loss from operating activities decreased by \$57,401 to \$1,118,910 compared to \$1,176,311 for the year ended December 31, 2012. The decrease in loss from operating activities is largely due to:

- An increase of \$905,889 in exploration expenditures. Exploration expenditures were \$1,947,863 for the year ended December 31, 2013 compared to \$1,041,974 for the year ended December 31, 2012. In accordance with the agreement with AREVA, during the year ended December 31, 2013, the Company conducted a drilling campaign at the Ivana project compared to hand-excavated pits, completed trenching and shallow auger drilling and performed remote sensing and geological mapping interpretation during the year ended December 31, 2012.
- A decrease of \$27,586 in corporate development and investor relations. Corporate development and investor relations were \$99,670 for the year ended December 31, 2013 compared to \$127,256 for the year ended December 31, 2012. The decrease is due to a lower number of activities relating to promotion of the Company's projects throughout the year ended December 31, 2013 compared to a greater number of activities relating to promotion of the Company's projects throughout the year ended December 31, 2012.
- A decrease of \$28,545 in travel and accommodation. Travel and accommodation was \$31,203 for the year ended December 31, 2013 compared to \$59,748 for the year ended December 31, 2012. Less travel was
- required during the year ended December 31, 2013 due to more time spent during 2012 to establish the operational program in Argentina compared to more travel required due to such program set-up activity during the year ended December 31, 2012.
- A decrease of \$13,465 in professional and consulting fees. Professional and consulting fees were \$251,437 for the year ended December 31, 2013 compared to \$264,902 for the year ended December 31, 2012. The decrease is due to the less consultant activities incurred during 2013 compared to higher expenses during the year ended December 31, 2012.
- A decrease of \$ 111,982 in stock-based compensation. Stock-based compensation was \$Nil for the year ended December 31, 2013 compared to \$111,982 for the year ended December 31, 2012. No options vested during the year ended December 31, 2013 compared to \$111,982 in options vested during the year ended December 31, 2012.

- A decrease of \$16,638 in rent, parking and storage. Rent, parking and storage was \$64,054 for the year ended December 31, 2013 compared to \$80,692 for the year ended December 31, 2012. The decrease is primarily due to less rent expense during the year ended December 31, 2013 compared to the year ended December 31, 2012.
- An increase of \$24,662 in management fees and salaries and employee benefits. Management fees and salaries and employee benefits were \$380,612 for the year ended December 31, 2013 compared to \$355,950 for the year ended December 31, 2012. Management fees and salaries were higher due to increased corporate activity during the year ended December 31, 2013 compared to lower management fees and salaries due to lesser corporate activity during the year ended December 31, 2012.
- An increase of \$30,207 in foreign exchange loss. Foreign exchange loss was \$30,746 for the year ended December 31, 2013 compared to \$539 for the year ended December 31, 2012. The increase is due to the fluctuation in foreign exchange rates and differing amounts of foreign currencies held in the year ended December 31, 2013 compared to the year ended December 31, 2012.

The decrease in loss from operating activities was partially offset by the following:

- An increase of \$812,524 in exploration and other costs recovery. Exploration and other costs recovery was \$1,848,698 for the year ended December 31, 2013 compared to \$1,036,174 for the year ended December 31, 2012. The Company received higher exploration funding in accordance with the terms of the MOU entered into with AREVA to jointly explore for uranium deposits in Argentina during the year ended December 31, 2013 compared to less funding received during the year ended December 31, 2012.

Other items

- A decrease of \$95,298 in gain on sale of mineral properties. Gain on sale of mineral properties was \$Nil for the year ended December 31, 2013 compared to \$95,908 for the year ended December 31, 2012. There were no sales of mineral properties during the year ended December 31, 2013 compared to the sale of a non-uranium mineral property during the year ended December 31, 2012.
- A decrease of \$174,327 in write-off of mineral property interests. Write-off of mineral property interests was \$Nil for the year ended December 31, 2013 compared to \$174,327 for the year ended December 31, 2012. There were no write-offs of mineral properties during the year ended December 31, 2013 compared to the write off of the Company's property interest in the Santa Cruz province of Argentina and Mexican mineral properties that were acquired from Windstorm.

The net loss and comprehensive loss for the year ended December 31, 2013 was \$1,116,683 or \$0.05 per basic and diluted share compared to a net loss and comprehensive loss of \$1,251,175 or \$0.08 per basic and diluted share for the year ended December 31, 2012.

Cash Flow

Operating Activities

Cash outflow used in operating activities was \$553,943 for the year ended December 31, 2013 compared to \$1,295,602 for the year ended December 31, 2012. The decrease in cash outflow is primarily due to the increase in current liabilities of \$485,544 during the year ended December 31, 2013.

Investing Activities

Cash inflow from investing activities was \$618,037 for the year ended December 31, 2013 compared to an inflow of \$754,827 for the year ended December 31, 2012. Cash and short term investments acquired in the acquisition of Windstorm less transaction costs paid was \$Nil during the year ended December 31, 2013 compared to \$1,356,764 of such acquisitions completed during the year ended December 31, 2012. The Company purchased \$Nil in short-term investments during the year ended December 31, 2013 compared to purchases of \$1,000,000 in short-term investments during the year ended December 31, 2012. The Company redeemed \$650,000 in short-term investments during the year ended December 31, 2013 compared to redemptions of \$350,000 in short-term investments during the year ended December 31, 2012. The Company received proceeds upon disposal of a mineral property of \$Nil during the year ended December 31, 2013 compared to \$100,000 of disposals of mineral properties during the year ended December 31, 2012. Mineral property interest acquisitions were \$31,963, during the year ended December 31, 2013 compared to mineral property interest acquisitions of \$46,361 during the year ended December 31, 2012. Property and equipment acquisitions were \$Nil during the year ended December 31, 2013 compared property and equipment acquisitions of \$5,576 during the year ended December 31, 2012.

Financing Activities

Cash inflow from financing activities was \$ 201,480 for the year ended December 31, 2013 compared to \$649,600 for the year ended December 31, 2012. Proceeds from the issuance of common shares and warrants were \$209,000 offset by share issue costs of \$7,520 during the year ended December 31, 2013 compared to proceeds from the issuance of common shares and warrants of \$670,000 offset by share issue costs of \$20,400 during the year ended December 31, 2012

Results Of Operations – For The Three Months Ended December 31, 2013 Compared To The Three Months Ended December 31, 2012

Loss from operating activities

During the three months ended December 31, 2013, loss from operating activities increased by \$1,515 to \$423,888 compared to \$422,373 for the three months ended December 31, 2012. The decrease in loss from operating activities is largely due to:

- An increase of \$845,683 in exploration expenditures. Exploration expenditures were \$1,168,484 for the three months ended December 31, 2013 compared to \$322,801 for the three months ended December 31, 2012. During the three months ended December 31, 2013, the Company completed a drilling program at the Ivana Extension project which resulted in greater expenditures, as compared to work done on trenching, hand-excavated pits, remote sensing and geological mapping and interpretation on the Ivana project, and prospecting and geological mapping on prospective new properties during the three months ended December 31, 2012.
- A decrease of \$44,261 in management fees and salaries. Management fees and salaries were \$72,300 for the three months ended December 31, 2013 compared to \$116,561 for the three months ended December 31, 2012. Management fees and salaries were lower as a result of reduced corporate activity for the three months ended December 31, 2013 compared to higher management fees and salaries as a result of increased corporate activity during the three months ended December 31, 2012.
- A decrease of \$34,196 in professional and consulting fees. Professional and consulting fees were \$83,167 for the three months ended December 31, 2013 compared to \$117,363 for the three months ended December 31, 2012. A lesser number of consultants provided services to the Company due to decreased corporate business activity during the three months ended December 31, 2013 compared to a higher number of consultants providing similar services to the Company during the three months ended December 31, 2012.
- A decrease of \$57,842 in corporate development and investor relations. Corporate development and investor relations was \$5,260 for the three months ended December 31, 2013 compared to \$63,102 for the three months ended December 31, 2012. The Company undertook a lesser number of investor relations activities relating to promotion of the Company's projects during the three months ended December 31, 2013 compared to a greater number of investor relations activities relating to promotion of the Company's projects during the three months ended December 31, 2012.

- A decrease of \$14,073 in office and sundry. Office and sundry was \$21,462 for the three months ended December 31, 2013 compared to \$35,535 for the three months ended December 31, 2012. The Company was charged a lesser amount for its usage relating to Grosso Group's costs due to reduced activity during the three months ended December 31, 2013 compared to a higher amount for its usage relating to Grosso Group's costs due to increased activity during the three months ended December 31, 2012.
- An increase of \$44,162 in foreign exchange loss. Foreign exchange loss was \$29,299 for the three months ended December 31, 2013 compared to a foreign exchange gain of \$14,863 for the three months ended December 31, 2012. 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, 2013 compared to the three months ended December 31, 2012.

The increase in loss from operating activities was partially offset by the following:

- An increase of \$692,517 in exploration and other costs recovery. Exploration and other costs recovery was \$979,700 for the three months ended December 31, 2013 compared to \$287,183 for the three months ended December 31, 2012. The Company received higher exploration funding in accordance with the terms of the MOU with AREVA to jointly explore for uranium deposits in Argentina during the three months ended December 31, 2013 compared to lesser amount received during the three months ended December 31, 2012.

Other items

- A decrease of \$131,385 in write-off of mineral property interests. Write-off of mineral property interests was \$Nil for the three months ended December 31, 2013 compared to \$131,385 for the three months ended December 31, 2012. The Company wrote off in 2012 its property interest in the Santa Cruz province of Argentina and Mexican mineral properties that were acquired from Windstorm.

The net loss and comprehensive loss for the three months ended December 31, 2012 was \$423,709 or \$0.02 per basic and diluted share compared to a net loss and comprehensive loss of \$551,785 or \$0.02 per basic and diluted share for the three months ended December 31, 2012.

Cash Flow

Operating Activities

Cash inflow from operating activities was \$35,232 for the three months ended December 31, 2013 as compared to cash outflow from operating activities of \$736,505 for the three months ended December 31, 2012. The reduction of cash outflow during the year ended December 31, 2013 is primarily due to the change in non-working capital items during such period.

Investing Activities

Cash outflow from investing activities was \$4,156 for the three months ended December 31, 2013 compared to an outflow of \$110,175 for the three months ended December 31, 2012. The Company purchased \$Nil in short-term investments during the three months ended December 31, 2013 compared to purchases of \$250,000 in short-term investments during the three months ended December 31, 2012. The Company redeemed \$Nil in short-term investments during the three months ended December 31, 2013 compared to redemptions of \$150,000 in short-term investments during the three months ended December 31, 2012. Mineral property interest acquisitions were \$4,156 during the three months ended December 31, 2013 compared to mineral property interest acquisitions of \$10,175 during the three months ended December 31, 2012.

Financing Activities

Cash flow from financing activities was \$115,000 for the three months ended December 31, 2013 compared to an inflow of \$ Nil for the three months ended December 31, 2012. Proceeds from the issuance of common shares and warrants of \$115,000 were obtained during the three months ended December 31, 2013 compared to no financing activity undertaken during the three months ended December 31, 2012.

Balance Sheet

At December 31, 2013, the Company had total assets of \$3,293,458 which is a decrease of \$429,659 from the \$3,723,117 in total assets at December 31, 2012. The change is mainly due to a decrease in cash and short term investments, exploration advances and account receivables during the year ended December 31, 2013. Working capital deficiency as at December 31, 2013 was \$79,934 compared to a working capital of \$853,996 at December 31, 2012. The working capital deficiency is primarily the result of increased accounts payable and accrued liabilities as at December 31, 2013.

Selected Quarterly Financial Data⁽¹⁾

	2013				2012			
	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	(423,709) ⁽⁸⁾	(154,493) ⁽⁷⁾	(210,577) ⁽⁶⁾	(327,904) ⁽⁵⁾	(551,785) ⁽⁴⁾	(346,851) ⁽³⁾	(165,102)	(187,437) ⁽²⁾
Net Loss per Common Share Basic and Diluted (\$)	(0.02)	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)

(1) Presented in accordance with International Financial Reporting Standards.

(2) Decrease is primarily driven by decrease in exploration and management fees and salaries of \$305,675 and \$63,810, respectively, and an increase in exploration and other costs recovery and gain on sale of mineral properties of \$221,454 and \$95,298, respectively.

(3) Increase primarily driven by increases in share-based compensation of \$92,703, corporate development and investor relations of \$25,092, salaries and employee benefits of \$26,183 and write-off of mineral property interests of \$42,942.

(4) Increase primarily driven by increases in corporate development and investor relations of \$27,610, exploration of \$77,441, professional and consulting fees of \$84,247 partially offset by an increase in foreign exchange gain of \$15,219.

(5) Decrease primarily driven by decreases in professional and consulting fees of \$53,846, exploration of \$104,965 and corporate development and investor relations of \$18,890.

(6) Decrease primarily results from decrease in management fees and salaries and employee benefits of \$66,862 and decrease in office and sundry expenses of \$18,720.

(7) Decrease primarily driven by decrease in corporate development and investor relations of \$28,000 and professional and consulting fees of \$14,655.

(8) Increase primarily results from net expenses related to exploration activities and fourth quarter drill program in Argentina of \$188,784.

Liquidity and Capital Resources

The Company has experienced recurring operating losses and has an accumulated deficit of \$20,144,188 at December 31, 2013 (December 31, 2012 - \$19,027,505) and equity of \$2,693,302 at December 31, 2013 (December 31, 2012 - \$3,608,505). In addition, the Company had working capital deficiency of \$79,934 at December 31, 2013 (December 31, 2012 - working capital of \$853,996). 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 income or more of its mineral claims.

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	243,600	-	-	-	-

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 monthly fee is \$20,300 per month. This fee is reviewed and adjusted quarterly based on the level of services required. The fee for 2013 is consistent with the amount charged for the year ended December 31, 2012.

Acquisition of Windstorm Resources Inc.

On July 5, 2012, the Company acquired 100% of the outstanding common shares of Windstorm Resources Inc. ("Windstorm"), a Canadian junior mining and exploration company, which became a wholly-owned subsidiary of the Company.

The Company issued to each shareholder of Windstorm 0.38868 (the "Share Exchange Ratio") of a common share in the capital of the Company in exchange for each Windstorm common share held by such shareholder. No fractional shares of the Company were issued, and fractions were rounded down to the nearest lower whole share. The holders of outstanding stock options and warrants of Windstorm received equivalent stock options and warrants of the Company as adjusted by the Share Exchange Ratio.

As a result of the acquisition, the Company issued 8,000,021 common shares to Windstorm shareholders. The results of Windstorm, which include its wholly-owned subsidiary Viento de Oro S.A. de C.V., have been consolidated with the results of the Company commencing on July 5, 2012.

In accordance with IFRS 3, Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that is capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the transaction resulted in the acquisition of Windstorm's financial assets and additional Board member expertise. Consequently, the transaction has been recorded as an acquisition of an asset.

Total consideration paid of \$1,426,886, including 573,300 replacement stock options and 1,223,384 replacement warrants, was calculated as follows:

	Amount
	(\$)
Common shares issued	1,360,004
Fair value of replacement warrants issued	519
Fair value of replacement stock options issued	29,876
Transaction costs paid	36,487
	<u>1,426,886</u>

The total purchase price was allocated to the assets acquired and the liabilities assumed based on the fair value of the total consideration at the closing date of acquisition. All financial assets acquired and financial liabilities assumed were recorded at fair value.

	Amount (\$)
Assets acquired and liabilities assumed	
Cash	193,251
Short-term investments	1,200,000
Amounts receivable	40,764
Mineral property interests	64,168
Prepaid expenses	8,030
Accounts payable and accrued liabilities	(79,327)
	<u>1,426,886</u>

Capital Stock

At December 31, 2013, the Company had unlimited authorized common shares without par value. At December 31, 2013, an aggregate of 26,877,010 common shares were issued and outstanding. At April 2, 2014, 32,288,010 common shares were issued and outstanding.

	<u>Share capital</u>		<u>Reserves</u>				<u>Total</u> \$
	Number of shares ⁽¹⁾	Amount \$	Contributed Surplus \$	Equity settled share-based payments \$	Warrants \$	Accumulated Deficit \$	
Balance at December 31, 2011	8,701,989	17,016,485	1,355,629	1,268,438	843,478	(17,776,330)	2,707,700
Private placement	6,700,000	443,594	-	-	226,406	-	670,000
Share issue costs	-	(35,112)	-	-	-	-	(35,112)
Agent's warrants granted	-	-	-	-	14,712	-	14,712
Acquisition of Windstorm Resources Inc.	8,000,021	1,360,004	-	29,876	519	-	1,390,399
Share-based compensation	-	-	-	111,981	-	-	111,981
Stock options expired	-	-	423,042	(423,042)	-	-	-
Warrants expired	-	-	802,890	-	(802,890)	-	-
Agent's warrants expired	-	-	17,865	-	(17,865)	-	-
Total comprehensive loss for the year	-	-	-	-	-	(1,251,175)	(1,251,175)
Balance at December 31, 2012	23,402,010	18,784,971	2,599,426	987,253	264,360	(19,027,505)	3,608,505
Private placements	3,475,000	153,138	-	-	55,862	-	209,000
Share issue costs	-	(10,482)	-	-	-	-	(10,482)
Agent's warrants granted	-	-	-	-	2,962	-	2,962
Stock options expired	-	-	564,739	(564,739)	-	-	-
Warrants expired	-	-	23,179	-	(23,179)	-	-
Agent's warrants expired	-	-	64	-	(64)	-	-
Total comprehensive loss for the year	-	-	-	-	-	(1,116,683)	(1,116,683)
Balance at December 31, 2013	26,877,010	18,927,627	3,187,408	422,514	299,941	(20,144,188)	2,693,302

⁽¹⁾ On April 2, 2012, the Company received approval by the TSX Venture Exchange and the Company's shareholders for the consolidation of the Company's issued and outstanding common shares on the basis of ten (10) pre-consolidation shares for one (1) post-consolidation share. Comparative periods have been retrospectively adjusted.

The Company had the following warrants outstanding as at April 2, 2014:

Number of Warrants Outstanding	Exercise Price (CAD\$)	Expiry Date
3,130,000	\$0.15	August 16, 2014
1,428,000	\$0.15	August 28, 2014
2,346,000	\$0.15	September 12, 2014
2,300,000	\$0.10	December 19, 2015
1,961,000	\$0.10	January 28, 2016
3,450,000	\$0.10	March 3, 2016
14,615,000		

The following summarizes information about the stock options outstanding and exercisable as at April 2, 2014:

Number of Shares		Exercise Price (CAD\$)	Expiry Date
Outstanding	Exercisable		
32,500	32,500	\$1.50	May 6, 2014
5,850	5,850	\$6.50	December 9, 2014
38,868	38,868	\$0.51	March 4, 2015
10,000	10,000	\$7.30	March 15, 2015
72,500	72,500	\$2.60	October 5, 2015
25,264	25,264	\$1.16	December 10, 2015
64,132	64,132	\$1.08	March 2, 2016
60,000	60,000	\$2.20	May 31, 2016
20,000	20,000	\$1.00	September 25, 2016
935,000	935,000	\$0.12	September 24, 2017
300,000	75,000	\$0.10	January 23, 2016
1,564,114	1,339,114		

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 having 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 favorable 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:

On April 1, 2010, the Company entered into a Management Services Agreement (“Agreement”) with Grosso Group Management Ltd. (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 fee is reviewed and adjusted quarterly based on the level of services required. The Agreement expired on December 31, 2012 and was automatically renewed for a period of two years pursuant to the terms of the Agreement. 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.

Transactions	Year ended December 31,	
	2013	2012
	\$	\$
Services rendered:		
Grosso Group Management Ltd.		
Management fees ¹	190,200	242,100
Rent, parking and storage ¹	63,900	78,000
Office & sundry ¹	60,900	69,450
Total for services rendered	315,000	389,550

⁽¹⁾ Included in the Consolidated Statements of Loss and Comprehensive Loss for the years ended December 31, 2013 and 2012.

At December 31, 2013, the Company had \$Nil (December 31, 2012 - \$489) included in accounts payable and accrued liabilities to Grosso Group Management Ltd.

R.H. McMillan Ltd. (“R.H. McMillan”) is a private company controlled by Ron McMillan, a director of the Company. For the year ended December 31, 2013, R.H. McMillan was paid \$35,000 (year ended December 31, 2012 - \$32,000) for geological services. Amounts paid to R.H. McMillan are classified as professional and consulting fees in the consolidated statements of loss and comprehensive loss. For the year ended December 31, 2013, R.H. McMillan received share-based benefits of \$Nil (year ended December 31, 2012 - \$11,198).

At December 31, 2013, the Company had \$7,676 (December 31, 2012 - \$Nil) included in accounts payable and accrued liabilities to R.H. McMillan.

Key management personnel compensation

During fiscal 2013 and 2012 the following amounts was incurred with respect to the Company’s executive officers, comprising the Chief Executive Officer and President, Sean Hurd, and Chief Financial Officer, Michael Iannacone:

Compensation	Year ended		Share-based		Year ended
	Salaries	December 31, 2013	Salaries	benefits	December 31, 2012
	\$	\$	\$	\$	\$
Chief Executive Officer	124,550	124,550	90,000	18,046	108,046
President	-	-	19,787	17,286	37,073
Chief Financial Officer	52,221	52,221	40,980	12,172	53,152
Total	176,771	176,771	150,767	47,504	198,271

Events After the Reporting Period

On January 31, 2014, the Company closed the first tranche of its non-brokered private placement for aggregate gross proceeds of \$98,050. The Company issued 1,961,000 units at a price of \$0.05 per unit in the first tranche. Finder's fees of \$7,844 in cash and 156,880 non-transferrable finder's warrants were issued, with each finder's warrant entitling a finder to purchase one common share at a price of \$0.10 per share expiring January 28, 2016.

On January 24, 2014, 300,000 stock options were granted at an exercise price of \$0.10 expiring on January 23, 2016. The options vest on a quarterly basis until fully vested on October 24, 2014.

On March 4, 2014, 681,500 warrants expired with an exercise price of \$0.15.

On March 5, 2014, the Company closed the second tranche of its non-brokered private placement for aggregate gross proceeds of \$172,500. The Company issued 3,450,000 units at a price of \$0.05 per unit in the second tranche. Finder's fees of \$4,240 in cash and 84,800 non-transferrable finder's warrants were issued, with each finder's warrant entitling a finder to purchase one common share at a price of \$0.10 per share expiring March 3, 2016.

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 consolidated financial statements for the year ended December 31, 2013. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

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. Mineral property interests are classified as intangible assets.

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.

Adoption of accounting standards and interpretations

The Company has adopted the following new accounting standards and interpretations effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions and had no impact on the consolidated financial statements.

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 previous 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.

New Accounting Standards and Interpretations not yet Adopted

The International Accounting Standards Board issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company 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 intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

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, short-term investments, amounts receivable, exploration advances and accounts payable and accrued liabilities. The fair value of cash, short-term investments, amounts receivable, exploration advances and accounts payable and accrued liabilities approximate 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, short-term investments and amounts receivable. The Company has reduced its credit risk by depositing its cash and short-term investments with financial institutions that operate globally. The majority of 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.

Currency risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentinean 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 Argentinean 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 \$293.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$46,449.

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 and short-term investments are redeemable at any time without penalty. The fair value of cash and short-term investments approximate their carrying values due to the immediate or short-term maturity of these 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, 2012 and 2011. 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 may 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, 2013.

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.