
Blue Sky Uranium Corp.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited consolidated interim financial statements of Blue Sky Uranium Corp. for the three and nine months ended September 30, 2012 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

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

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

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	Note	September 30, 2012 \$	December 31, 2011 \$
ASSETS			
Non-current assets			
Property and equipment	5	23,584	25,110
Mineral property interests	6	2,826,963	2,803,155
Deposit		-	60,000
Total non-current assets		2,850,547	2,888,265
Current assets			
Prepaid expenses		75,776	19,894
Amounts receivable		28,540	23,899
Short-term investments	3	550,000	-
Cash		1,007,916	52,411
Total current assets		1,662,232	96,204
Total Assets		4,512,779	2,984,469
EQUITY			
Share capital	8	18,784,971	17,016,485
Reserves	8	3,848,151	3,467,545
Accumulated deficit		(18,475,720)	(17,776,330)
Total Equity		4,157,402	2,707,700
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		104,368	276,769
Exploration advances	7	251,009	-
Total Liabilities		355,377	276,769
COMMITMENT (Note 12)			
Total Equity and Liabilities		4,512,779	2,984,469

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

SUBSEQUENT EVENT (Note 15)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on November 26, 2012. They are signed on the Company's behalf by:

"Sean Hurd" , Director

"Ron McMillan" , Director

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

Blue Sky Uranium Corp.*(An Exploration Stage Company)***Condensed Consolidated Interim Statements of Loss and Comprehensive Loss***(Unaudited - Expressed in Canadian Dollars)*

		Three months ended		Nine months ended	
		September 30,		September 30,	
	Note	2012	2011	2012	2011
		\$	\$	\$	\$
Expenses					
Depreciation		4,572	1,265	7,102	3,795
Corporate development and investor relations		35,492	27,061	64,154	198,051
Exploration	6	245,360	371,680	719,173	1,419,893
Exploration and other costs recovery	7	(271,444)	-	(748,991)	-
Foreign exchange (gain) loss		356	14,583	15,402	16,325
Management fees	9	56,400	117,000	169,200	351,000
Office and sundry	9	29,519	24,876	71,943	93,402
Professional and consulting fees	9	33,116	79,096	147,539	214,191
Rent, parking and storage	9	23,865	19,931	60,558	60,431
Salaries and employee benefits		34,621	63,827	70,189	177,523
Share-based compensation		100,898	47,081	109,093	56,654
Transfer agent and regulatory fees		5,503	812	20,820	19,794
Travel and accommodation		7,564	24,760	47,756	58,360
Loss from operating activities		305,822	791,972	753,938	2,669,419
Gain on sale of mineral properties	6e	-	-	(95,298)	-
Interest income		(1,913)	(1,410)	(2,192)	(2,267)
Write-off of mineral property interests	6	42,942	-	42,942	-
Loss and comprehensive loss for the period		346,851	790,562	699,390	2,667,152
Basic and diluted loss per common share	10	(\$0.02)	(\$0.09)	(\$0.06)	(\$0.32)

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

Blue Sky Uranium Corp.*(An Exploration Stage Company)***Condensed Consolidated Interim Statements of Cash Flows***(Unaudited - Expressed in Canadian Dollars)*

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2012	2011	2012	2011
		\$	\$	\$	\$
Cash flows from operating activities					
Loss for the period		(346,851)	(790,562)	(699,390)	(2,667,152)
Depreciation		4,572	1,265	7,102	3,795
Gain on sale of mineral properties	6e	-	-	(95,298)	-
Share-based compensation		100,898	47,081	109,093	56,654
Write-off of mineral property interests	6	42,942	-	42,942	-
		(198,439)	(742,216)	(635,551)	(2,606,703)
Change in deposit		-	-	60,000	-
Change in non-cash working capital items:					
(Increase) decrease in amounts receivable		27,087	(78,446)	36,123	(67,069)
(Increase) decrease in prepaid expenses		(44,048)	(926)	(47,852)	143,735
Increase (decrease) in accounts payable and accrued liabilities		(515,856)	7,395	(222,826)	(25,126)
Increase (decrease) in exploration advances		(21,444)	-	251,009	-
Net cash used in operating activities		(752,700)	(814,193)	(559,097)	(2,555,163)
Cash flows from investing activities					
Purchase of short term investments		(400,000)	(400,000)	(750,000)	(1,150,851)
Redemption of short term investments		50,000	750,000	200,000	750,000
Proceeds upon disposition of mineral properties	6e	-	-	100,000	-
Mineral property interests acquisitions		(21,297)	(39,673)	(36,186)	(86,082)
Property and equipment acquisitions		(5,576)	(20,893)	(5,576)	(20,893)
Cash and short term investments acquired upon acquisition of Windstorm Resources Inc. less transaction costs paid	4	1,356,764	-	1,356,764	-
Net cash used in investing activities		979,891	289,434	865,002	(507,826)
Cash flows from financing activities					
Issuance of common shares and warrants		670,000	-	670,000	1,044,090
Share issue costs		(20,400)	-	(20,400)	(35,633)
Exercise of options		-	-	-	70,000
Net cash generated by financing activities		649,600	-	649,600	1,078,457
Net increase (decrease) in cash		876,791	(524,759)	955,505	(1,984,532)
Cash at beginning of period		131,125	751,861	52,411	2,211,634
Cash at end of period		1,007,916	227,102	1,007,916	227,102

SUPPLEMENTARY CASH FLOW INFORMATION (Note 13)*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited - Expressed in Canadian Dollars)

	Share capital		Reserves				Total
	Number of shares ⁽¹⁾	Amount \$	Contributed Surplus \$	Equity settled share-based payments \$	Warrants \$	Accumulated Deficit \$	
Balance at December 31, 2010	7,896,939	16,081,510	955,559	1,277,658	855,115	(14,188,195)	4,981,647
Private placement	580,050	735,408	-	-	308,682	-	1,044,090
Share issue costs	-	(53,498)	-	-	-	-	(53,498)
Agent's warrants granted	-	-	-	-	17,865	-	17,865
Share-based compensation	-	-	-	56,654	-	-	56,654
Stock options exercised	70,000	122,887	-	(52,887)	-	-	70,000
Stock options expired	-	-	3,720	(3,720)	-	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	(2,667,152)	(2,667,152)
Balance at September 30, 2011	8,546,989	16,886,307	959,279	1,277,705	1,181,662	(16,855,347)	3,449,606
Private placement	155,000	132,915	-	-	22,722	-	155,637
Share issue costs	-	(2,737)	-	-	-	-	(2,737)
Share-based compensation	-	-	-	26,177	-	-	26,177
Stock options expired	-	-	35,444	(35,444)	-	-	-
Warrants expired	-	-	360,906	-	(360,906)	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	(920,983)	(920,983)
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 placements	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	-	-	-	109,093	-	-	109,093
Stock options expired	-	-	204,534	(204,534)	-	-	-
Warrants expired	-	-	494,208	-	(494,208)	-	-
Total comprehensive (loss) for the period	-	-	-	-	-	(699,390)	(699,390)
Balance at September 30, 2012	23,402,010	18,784,971	2,054,371	1,202,873	590,907	(18,475,720)	4,157,402

⁽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 accompanying notes are an integral part of these condensed consolidated interim financial statements.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company has experienced recurring operating losses and has an accumulated deficit of \$18,475,720 at September 30, 2012 (December 31, 2011 - \$17,776,330) and equity of \$4,157,402 at September 30, 2012 (December 31, 2011 - \$2,707,700). In addition, the Company had working capital of \$1,306,855 at September 30, 2012 (December 31, 2011 - working capital deficiency of \$180,565). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management's plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These condensed consolidated interim financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2011 consolidated annual financial statements.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

Basis of consolidation

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

	Place of Incorporation	Principal Activity
Blue Sky BVI Uranium Corp.	British Virgin Islands	Holding company
Minera Cielo Azul S.A. (Argentina)	Argentina	Exploration company
Desarrollo de Inversiones S.A. (Argentina)	Argentina	Exploration company
Windstorm Resources Inc.	Canada	Exploration company
Viento de Oro S.A. de C.V. (Mexico)	Mexico	Exploration company

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

Foreign currencies

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

Non-derivative financial assets

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

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

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

(ii) *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and amounts receivable.

(iii) Other financial liabilities

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

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

Property and Equipment

Equipment is recorded at cost less accumulated depreciation calculated using the straight-line method over its estimated useful lives of two years for geological equipment and computer software. Depreciation of an asset begins once it is available for use.

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.

Cash and Cash Equivalents

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

Impairment

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

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

recoverable amount and the impairment loss is recognized in the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Valuation of equity units issued in private placements

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

Share-based Payment Transactions

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

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.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss. The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

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

Loss per Share

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

Income Taxes

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

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

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

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

Significant Accounting Estimates and Judgments

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Critical accounting estimates

- i. the estimated useful lives of property and equipment which are included in the consolidated statements of financial position and the related depreciation included in profit or loss;
- ii. the inputs used in accounting for share-based compensation expense in profit or loss;
- iii. the assessment of indications of impairment of each mineral property and related determination of the net realizable value and write-down of those properties where applicable; and,
- iv. the valuation of consideration paid for the acquisition of Windstorm Resources Inc. and fair value of assets and liabilities acquired.

Critical accounting judgments

- i. the determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.
- ii. the analysis of the functional currency for each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

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 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

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

3. SHORT-TERM INVESTMENTS

As at September 30, 2012 the Company held the following:

	September 30, 2012	
	Maturity	Amount
Guaranteed Investment Certificate		
- Prime minus 2.05% annual interest rate	June 10, 2013	\$150,000
- Prime minus 1.95% annual interest rate	July 12, 2013	\$400,000
		<u>\$550,000</u>

The Company did not hold any short term investments as at December 31, 2011.

4. ACQUISITION

Windstorm Resources Inc.

On July 5, 2012, Blue Sky 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 Blue Sky.

Blue Sky issued to each shareholder of Windstorm 0.38868 (the "Share Exchange Ratio") of a common share in the capital of Blue Sky in exchange for each Windstorm common share held by such shareholder. No fractional shares of Blue Sky 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 Blue Sky 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:

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

4. ACQUISITION (continued)

	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	35,266
Prepaid expenses	8,030
Accounts payable and accrued liabilities	(50,425)
	<u>1,426,886</u>

5. PROPERTY AND EQUIPMENT

	Computer Software \$	Geological Equipment \$	Total \$
Cost			
Balance at December 31, 2011	20,893	10,120	31,013
Additions	5,576	-	5,576
Balance at September 30, 2012	26,469	10,120	36,589
Accumulated Depreciation			
Balance at December 31, 2011	-	5,903	5,903
Depreciation	3,307	3,795	7,102
Balance at September 30, 2012	3,307	9,698	13,005
Carrying Amount			
At December 31, 2011	20,893	4,217	25,110
At September 30, 2012	23,162	422	23,584

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS

The schedule below summarizes the carrying costs of acquisition costs to date for each mineral property interest that the Company is continuing to explore as at September 30, 2012 and December 31, 2011:

Acquisition Costs

	Argentina				Other (Note 6e) \$	Mexico	Total \$
	Santa Barbara \$	Anit \$	Ivana \$	Sierra Colonia \$		General \$	
Balance – December 31, 2011	814,430	956,440	16,530	21,723	994,032	-	2,803,155
Additions							
Acquisition of Windstorm Resources Inc. (Note 4)	-	-	-	-	-	35,266	35,266
Land payments and staking fees	-	4,045	1,348	5,410	17,707	7,676	36,186
Disposals	-	-	-	-	(4,702)	-	(4,702)
Properties no longer being explored	-	-	-	-	-	(42,942)	(42,942)
	-	4,045	1,348	5,410	13,005	-	23,808
Balance – September 30, 2012	814,430	960,485	17,878	27,133	1,007,037	-	2,826,963

The schedules below summarizes the carrying costs of all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at September 30, 2012 and September 30, 2011:

	Argentina				Other (Note 6e) \$	Mexico	Total \$
	Santa Barbara \$	Anit \$	Ivana \$	Sierra Colonia \$		General \$	
Cumulative exploration costs – December 31, 2011	894,994	3,640,863	1,078,753	193,995	451,473	-	6,260,078
Expenditures during the period:							
Assays	-	-	4,866	2,115	471	-	7,452
Community relations	794	-	11,751	4,120	2,024	-	18,689
Drilling	-	-	-	-	7,329	-	7,329
Geophysics	1,397	-	20,048	7,332	3,431	-	32,208
Office	4,843	1,281	72,026	17,299	8,686	-	104,135
Salaries and contractors	19,852	1,281	231,190	79,873	17,741	1,263	351,200
Supplies and equipment	5,459	-	65,217	19,842	2,347	-	92,865
Transportation	3,179	-	44,768	15,625	1,342	-	64,914
Statutory taxes	2,354	170	29,813	9,689	2,874	(4,519)	40,381
	37,878	2,732	479,679	155,895	46,245	(3,256)	719,173
Properties no longer being explored	-	-	-	-	-	3,256	3,256
Cumulative exploration costs – September 30, 2012	932,872	3,643,595	1,558,432	349,890	497,718	-	6,982,507

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS (continued)

	Argentina					Total \$
	Santa Barbara	Anit	Ivana	Sierra Colonia	Other (Note 6e)	
	\$	\$	\$	\$	\$	
Cumulative exploration costs – December 31, 2010	845,575	3,390,802	-	-	41,844	4,278,221
Expenditures during the period:						
Assays	200	2,385	3,153	6,742	2,923	15,403
Community relations	-	-	-	-	-	-
Drilling	-	-	-	-	-	-
Geophysics	248	331	248	966	966	2,759
Office	7,430	77,893	82,731	29,110	46,157	243,321
Salaries and contractors	31,288	51,347	382,152	91,367	126,886	683,040
Supplies and equipment	2,183	3,432	137,778	19,013	11,130	173,536
Transportation	2,274	6,358	66,992	16,950	16,488	109,062
Statutory taxes	4,169	89,036	64,328	15,689	19,550	192,772
	47,792	230,782	737,382	179,837	224,100	1,419,893
Cumulative exploration costs – September 30, 2011	893,367	3,621,584	737,382	179,837	265,944	5,698,114

a) Anit Property

The Company owns a 100% interest in the 260 km² Anit uranium property, which lies to the south of, and is contiguous with, the Santa Barbara Property in the Province of Rio Negro, Argentina.

b) Santa Barbara Property

The Company owns a 100% interest in the 476 km² Santa Barbara uranium property in the Province of Rio Negro, located in the northern Patagonia region of Argentina.

c) Ivana Property

The Company owns a 100% interest in the 713 km² Ivana uranium property in the San Jorge Basin, Province of Rio Negro, located in the northern Patagonia region of Argentina.

d) Sierra Colonia Property

The Company owns a 100% interest in the 399 km² Sierra Colonia property in the central part of the province of Chubut, Argentina.

e) Other –Nicky, La Rioja, Chubut, Santa Cruz, and Darmar Properties

The Company owns 100% interests in the 550 km² Nicky property and 340 km² Cabeza de Potro property in the Province of Rio Negro, Argentina. The Company owns a 100% interest in the 864 km² Cerro Parva property in the Province of Chubut, Argentina. The Company owns a 100% interest in the 379 km² Santa Catalina property in the Province of Santa Cruz, Argentina. These are early stage exploration projects and management continues to evaluate results obtained to date for further exploration potential.

On February 29, 2012, the Company sold its 100% interest in the 198 km² Darmar property in the Province of Rio Negro to an arm's length party for proceeds of \$100,000. The sale resulted in a gain of \$95,298 in the Condensed Consolidated Interim Statements of Loss and Comprehensive Loss.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

7. EXPLORATION ADVANCES & COSTS RECOVERY

On January 4, 2012, the Company 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 the following commitments have been made (amounts in CAD\$):

- (i) AREVA can select one or two projects and earn 51% interest by:
 - i. Funding \$1 million in exploration in year one.
 - ii. Funding \$2 million in exploration in year two.
 - iii. Funding \$3 million in year three on the project AREVA selects if only one project is selected, or
 - iv. Funding a total of \$4 million in exploration on two projects if AREVA selects two projects.
- (ii) 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.
- (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.

The schedule below summarizes the exploration and other costs recovery at each mineral property interest for the nine months ended September 30, 2012:

	Amount (\$)
Exploration expenses incurred	
Santa Barbara ¹	37,878
Anit ¹	2,732
Ivana ¹	479,679
Sierra Colonia ¹	155,895
Other ¹	46,245
Legal fees	22,503
Foreign exchange translation of US to Canadian dollars	4,059
Exploration and other costs recovery	748,991

(1) Trenching, geological mapping, resistivity geophysical survey and shallow auger drilling has been performed during the nine months ended September 30, 2012. See note 6 for additional breakdown of exploration expenditures incurred at each of the Company’s properties.

As at September 30, 2012, the Company has received the following in funding from AREVA:

	Amount (\$)
Year one exploration funding (i)	1,000,000
Less: exploration and other costs recovery	(748,991)
Exploration advances for expenses not yet incurred	251,009

At December 31, 2011, the Company did not receive exploration funding.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES

Authorized Share Capital

At September 30, 2012, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Capital Restructuring

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.

Issued Share Capital

At September 30, 2012, the issued share capital comprised 23,402,010 common shares (December 31, 2011 – 87,019,896).

Details of Private Placement Issues of Common Shares in 2012 and 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.

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.

In September 2012, the Company completed a non-brokered private placement consisting of 6,700,000 units at a price of \$0.10 per unit for gross proceeds of \$670,000. 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 \$0.15 per share for 2 years from the date of issue of the warrant. Finders' fees were \$20,400 of cash and 204,000 warrants exercisable into common shares at \$0.15 per share for 2 years having a fair value of \$14,712. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 1.20%; expected stock price volatility – 135.46%; dividend yield of 0%; and expected warrant of life of 1.35 years.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Share Purchase Option Compensation Plan

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

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

The continuity of share purchase options for the nine months ended September 30, 2012 is as follows:

Expiry date	Exercise Price	December 31, 2011 ⁽¹⁾	Granted	Exercised	Expired/ forfeited	September 30, 2012	Options exercisable
February 10, 2012	\$6.60	7,500	-	-	(7,500)	-	-
June 1, 2012	\$10.00	21,500	-	-	(21,500)	-	-
December 17, 2012	\$1.18	-	23,319	-	-	23,319	23,319
January 25, 2013	\$4.00	1,500	-	-	-	1,500	1,500
May 6, 2014	\$1.50	146,500	-	-	(21,000)	125,500	125,500
July 6, 2014	\$1.50	30,000	-	-	-	30,000	30,000
July 22, 2014	\$1.80	7,500	-	-	-	7,500	7,500
December 9, 2014	\$6.50	71,500	-	-	(5,000)	66,500	66,500
March 4, 2015	\$0.51	-	116,604	-	-	116,604	116,604
March 15, 2015	\$7.30	10,000	-	-	-	10,000	10,000
September 28, 2015	\$0.64	-	97,170	-	-	97,170	97,170
October 5, 2015	\$2.60	322,000	-	-	(17,500)	304,500	304,500
October 29, 2015	\$2.50	7,500	-	-	-	7,500	7,500
December 10, 2015	\$1.16	-	233,207	-	-	233,207	233,207
March 2, 2016	\$1.08	-	64,132	-	-	64,132	64,132
May 31, 2016	\$2.20	60,000	-	-	-	60,000	45,000
July 28, 2016	\$0.41	-	38,868	-	-	38,868	38,868
September 25, 2016	\$1.00	20,000	-	-	-	20,000	20,000
September 24, 2017	\$0.12	-	972,500	-	-	972,500	972,500
		705,500	1,545,800	-	(72,500)	2,178,800	2,163,800
Weighted average exercise price		\$2.97	\$0.40	-	\$5.16	\$1.07	\$1.07
Weighted average contractual remaining life (years)		3.3	4.2	-	-	3.8	3.8
Weighted average share price on exercise		-	-	-	-	-	-

⁽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.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

The continuity of share purchase options for nine months ended September 30, 2011 is as follows:

Expiry date	Exercise Price	December 31, 2010 ⁽¹⁾	Granted	Exercised	Expired/ forfeited	September 30, 2011 ⁽¹⁾	Options exercisable
June 28, 2011	\$1.00	70,000	-	(70,000)	-	-	-
October 6, 2011	\$2.10	7,500	-	-	-	7,500	7,500
February 10, 2012	\$6.60	7,500	-	-	-	7,500	7,500
June 1, 2012	\$10.00	21,500	-	-	-	21,500	21,500
January 25, 2013	\$4.00	1,500	-	-	-	1,500	1,500
May 6, 2014	\$1.50	146,500	-	-	-	146,500	146,500
July 6, 2014	\$1.50	30,000	-	-	-	30,000	30,000
July 22, 2014	\$1.80	7,500	-	-	-	7,500	7,500
December 9, 2014	\$6.50	72,500	-	-	(1,000)	71,500	71,500
March 15, 2015	\$7.30	10,000	-	-	-	10,000	10,000
October 5, 2015	\$2.60	327,000	-	-	-	327,000	327,000
October 29, 2015	\$2.50	7,500	-	-	-	7,500	7,500
May 31, 2016	\$2.20	-	60,000	-	-	60,000	-
September 25, 2016	\$1.10	-	20,000	-	-	20,000	20,000
		709,000	80,000	(70,000)	(1,000)	718,000	658,000
Weighted average exercise price		\$2.89	\$1.93	\$1.00	\$6.50	\$2.96	\$3.03
Weighted average contractual remaining life (years)		3.7	4.8	0.20	-	3.5	3.4
Weighted average share price on exercise		-	-	\$2.10	-	-	-

⁽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 weighted average fair value of share purchase options granted during the nine months ended September 30, 2012 is \$0.08 (nine months ended September 30, 2011 - \$0.15). Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Nine months ended September 30,	
	2012	2011
Risk-free interest rate	1.25%	1.40%
Expected option life in years	3.17	2.97
Expected share price volatility	113.91%	160.51%
Grant date share price	\$0.14	\$0.18
Expected forfeiture rate	-	-
Expected dividend yield	-	-

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (continued)

Warrants

The continuity of warrants for the nine months ended September 30, 2012 is as follows:

Expiry date	Exercise Price	December 31, 2011 ⁽¹⁾	Granted	Exercised	Expired/ forfeited	September 30, 2012
July 21, 2012	\$0.51	-	101,813	-	(101,813)	-
August 27, 2012	\$3.50	569,881	-	-	(569,881)	-
November 8, 2012	\$2.50	599,846	-	-	-	599,846
February 15, 2013	\$1.41	-	1,121,571	-	-	1,121,571
June 5, 2013	\$1.50	69,600	-	-	-	69,600
June 15, 2013	\$1.50	10,000	-	-	-	10,000
August 16, 2014	\$0.15	-	3,130,000	-	-	3,130,000
August 28, 2014	\$0.15	-	1,428,000	-	-	1,428,000
September 12, 2014	\$0.15	-	2,346,000	-	-	2,346,000
		1,249,327	8,127,384	-	671,694	8,705,017
Weighted average exercise price		\$2.89	\$0.33	-	\$3.05	\$0.49

⁽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 continuity of warrants for the nine months ended September 30, 2011 is as follows:

Expiry date	Exercise Price	December 31, 2010 ⁽¹⁾	Granted	Exercised	Expired/ forfeited	September 30, 2011 ⁽¹⁾
November 6, 2011	\$3.00	575,479	-	-	-	575,479
August 27, 2012	\$3.50	569,881	-	-	-	569,881
November 8, 2012	\$2.50	-	599,846	-	-	599,846
		1,145,360	599,846	-	-	1,745,206
Weighted average exercise price		\$3.25	\$2.50	-	-	\$2.99

⁽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.

9. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

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 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.

Transactions	Three months ended		Nine months ended	
	September 30, 2012	2011	September 30, 2012	2011
	\$	\$	\$	\$
Services rendered:				
Grosso Group Management Ltd.				
Management fees ¹	56,400	117,000	169,200	351,000
Rent, parking and storage ¹	23,400	18,300	58,200	58,800
Office & sundry ¹	16,650	16,200	48,150	67,200
Total for services rendered	96,450	151,500	275,550	477,000

(1) Included in the Interim Statements of Loss and Comprehensive Loss for the three and nine months ended September 30, 2012 and 2011.

R.H. McMillan Ltd. (“R.H. McMillan”) is a private company controlled by Ron McMillan, a director of the Company. For the three months ended September 30, 2012, R.H. McMillan was paid \$6,000 (three months ended September 30, 2011 - \$8,845) for geological services. For the nine months ended September 30, 2012, R.H. McMillan was paid \$19,000 (nine months ended September 30, 2011 - \$35,454) for geological services. Amounts paid to R.H. McMillan are classified as professional and consulting fees in the interim statements of loss and comprehensive loss.

At September 30, 2012, the Company had \$2,000 (December 31, 2011 - \$Nil) included in amounts payable and accrued liabilities to R.H. McMillan.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Key management personnel compensation

Compensation	Three months ended				Three months ended			
	Salaries	Bonus	Share-based	September 30, 2012	Salaries	Bonus	Share-based	September 30, 2011
	\$	\$	\$	\$	\$	\$	\$	\$
Chief Executive Officer	30,000	-	-	30,000	30,000	-	-	30,000
President	-	-	6,203	6,203	31,250	-	30,370	61,620
Chief Financial Officer	13,660	-	-	13,660	13,357	-	-	13,357
Total	43,660	-	6,203	49,863	74,607	-	30,370	104,977

Compensation	Nine months ended				Nine months ended			
	Salaries	Bonus	Share-based	September 30, 2012	Salaries	Bonus	Share-based	September 30, 2011
	\$	\$	\$	\$	\$	\$	\$	\$
Chief Executive Officer	30,000	-	-	30,000	90,000	-	-	90,000
President	19,787	-	14,398	34,185	41,667	50,000	39,943	131,610
Chief Financial Officer	27,320	-	-	27,320	40,072	-	-	40,072
Total	77,107	-	14,398	91,505	171,739	50,000	39,943	261,682

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the three and nine months ended September 30, 2012 and 2011 was based on the following:

	Three months ended		Nine months ended	
	September 30, 2012	September 30, 2011	September 30, 2012	September 30, 2011
Loss attributable to common shareholders (\$)	(346,851)	(790,562)	(699,390)	(2,667,152)
Weighted average number of common shares outstanding	18,832,444	8,546,990 ⁽¹⁾	12,103,456	8,239,860 ⁽¹⁾

⁽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.

Diluted loss per share did not include the effect of 2,178,800 (September 30, 2011 – 718,000) share purchase options and 8,705,017 (September 30, 2011 – 1,745,206) common share purchase warrants as they are anti-dilutive.

11. OPERATING SEGMENTS

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the nine months ended September 30, 2012.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

11. OPERATING SEGMENTS (continued)

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

	September 30, 2012		
	Canada	Argentina	Total
	\$	\$	\$
Property and equipment	-	23,584	23,584
Mineral property interests	-	2,826,963	2,826,963
	-	2,850,547	2,850,547

	December 31, 2011		
	Canada	Argentina	Total
	\$	\$	\$
Property and equipment	-	25,110	25,110
Mineral property interests	-	2,803,155	2,803,155
Deposit	60,000	-	60,000
	60,000	2,828,265	2,888,265

12. COMMITMENT

	1 Year	2 Years	3 Years	4-5 Years	More than
	\$	\$	\$	\$	5 Years
					\$
Management Services Agreement	120,000	-	-	-	-

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 monthly fee is \$40,000 per month.

13. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Non-cash investing and financing activities				
Exercise of options	-	36,887	-	52,887
Issuance of shares relating to acquisition of Windstorm	1,360,004	-	1,360,004	-
Issuance of options relating to acquisition of Windstorm	29,876	-	29,876	-
Issuance of warrants relating to acquisition of Windstorm	519	-	519	-
Share issue costs	14,712	17,865	14,712	17,865

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

(a) Fair Values

The Company's financial instruments consist of cash, 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 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 (Note 1). The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Market risk

(i) Currency risk

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars, Argentine pesos and Mexican 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, between the Canadian dollar and the Argentine peso, and between the Canadian dollar and Mexican 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 \$3,032.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$4,741.

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2012 and 2011

(Unaudited - Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

- A 10% change in the Mexican peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$397.

(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 and short-term investments are redeemable at any time without penalty. The fair value of cash and short-term investments approximates their carrying values due to the immediate or short-term maturity of this financial instrument. Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

(c) Capital Management

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

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, 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.

15. SUBSEQUENT EVENT

On November 8, 2012, 599,846 warrants expired with an exercise price of \$2.50.