

BLUE SKY URANIUM CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2012 AND 2011

Background

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements of Blue Sky Uranium Corp. ("Blue Sky" or "the Company") for the three months ended March 31, 2012 and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("GAAP" or "IFRS"). All figures are in Canadian dollars unless otherwise noted. This MD&A has been prepared as of May 29, 2012.

Company Overview

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

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company's material mineral properties of interest are all located in Argentina. Blue Sky is one of the Argentina's leading uranium exploration companies with more than 6,000 km² of tenements. Argentina has an advanced nuclear industry, centred in the Rio Negro Province. As of May 29, 2012, the Company has not earned any production revenue, nor found any mineral resources or reserves on any of its properties.

Bruce A. Smith, Country Manager for Minera Cielo Azul S.A., a 100% owned subsidiary of Blue Sky, and Gerald Carlson, Ph.D., P.Eng., Director and member of the Technical Advisory Board, are Qualified Persons as defined by NI 43-101 and have reviewed and approved the exploration information and technical disclosure contained in this MD&A. The Company has Quality Assurance/Quality Control protocols in place for all sampling programs as part of all 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 and near-surface sandstone-type uranium targets. 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 January 4, 2012, 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 the following commitments have been made (amounts in CAD):

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

On 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 is under way at the Ivana property, to be followed by programs at the Sierra Colonia property and the newly acquired Bajo Tierras Coloradas property. All work will be performed by a joint AREVA-Blue Sky team with Blue Sky acting as the operator. The exploration programs are 100% funded by AREVA.



- BSK Property Locations
- Exploration Office

0 500km

Rio Negro Province

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

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

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

Ivana Property

Property and Ownership: The Ivana property consists of eight granted exploration licenses and one pending exploration license application registered on behalf of the Company totaling 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 - 22,000 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.

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 initial AREVA-Blue Sky program at Ivana is now underway and will include up to 500 auger holes as well as hand-excavated pits combined with surface radiometric surveys. The objective of the exploration program is to expand on a 2 km by 4 km area of known surficial mineralization that was discovered in 2011 and detect new buried mineralization. Highlights of the newly discovered target areas include an interval of 1.81% U₃O₈ over 0.75 m beginning at 0.25 m from surface in a hand excavated pit. Mineralization is open at depth. Assay results will be released as they become available.

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.

| 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 |

* 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.

Anit Property

Property and Ownership: The Anit property consists of four granted exploration licenses that cover 120 km². The total property area is 260 km² including six “manifestaciones de descubrimiento” (translated as discovery showings). 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 and therefore represents a grassroots uranium discovery of a new uranium district. The significant highlights of the property’s history are:

- 2007 - Completion of an airborne radiometric survey and rock sampling;
- 2008 - Hand excavation of five pits within strong radiometric anomalies identified by the airborne survey;
- 2009 - Excavation of 123 hand pits and collection of 588 samples, 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.

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

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

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

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

mineralization, 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.

Planned 2012 Exploration: The AREVA-Blue Sky program will continue prospecting in the areas of the airborne anomalies within the vicinity of the known mineralized zones. This work aims to outline areas where mineral resources may be estimated with additional sampling.

Santa Barbara Property

Property and Ownership: The Santa Barbara prospect was discovered 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 two granted exploration permits and 19 "manifestaciones de descubrimiento" that cover 476 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.

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

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

Chubut Province

Sierra Colonia Property

Property and Ownership: The Sierra Colonia property is located in the central part of the Chubut province. It is situated 96 km east-northeast of the Cerro Solo project where the National Commission of Atomic Energy (“CNEA”) identified a historical resource of 15 million pounds of contained U_3O_8 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. Two exploration licenses have been fully granted with an environmental impact study approved for prospecting. The approval of the two remaining exploration licenses 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) | Grade % U_3O_8 | Grade % V_2O_5 |
|--------------------|------------------|------------------------------------|------------------------------------|
| Fluo | 2.0 | 0.14 | 0.07 |
| | 1.0 | 0.09 | 1.12 |
| | 1.5 | 0.07 | 0.01 |
| Zone 1 | 1.0 | 0.13 | 0.50 |
| Zone Cañadon Lillo | 0.5 | 0.53 | 1.32 |
| Zone 5 | 1.0 | 0.03 | 0.27 |

Grab samples from outcrops and hand pits

- 16 samples were higher than 0.10% U_3O_8 , highlights include, 0.65 % U_3O_8 and 1.55 % V_2O_5 , 0.61 % U_3O_8 and 0.80% V_2O_5 , 0.53% U_3O_8 and 1.32% V_2O_5 , 0.25% U_3O_8 and 0.65% V_2O_5 , and 0.20% U_3O_8 , 0.09% V_2O_5 ;
- 90 samples were higher than 0.01% U_3O_8 ; and
- 177 samples were lower than 0.01% U_3O_8 .

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

Planned 2012 Exploration: The proposed AREVA-Blue Sky program will be focused on identifying drill targets for a 2012 drill program in 12 target areas contained within a 14 km long mineralized trend discovered by Blue Sky in 2011.

Bajo Tierras Coloradas Property

Property and Ownership: The Bajo Tierra Colorada (BTC) property consists of seven exploration licenses that cover 700 km². Two have been granted to date and all have the Environmental Impact Report approved for prospecting. BTC is located in the north-east part of the Chubut province and at about 130 km ENE from the town of Trelew. The property is 100% owned by the Company.

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

- 2007 - the first six exploration licenses were requested
- 2008-2010 - car-borne radiometric survey through public gravel roads
- 2011 - discovery of mineralization at Los Algarrobos and a new license was requested

Property Geology and Mineralization: The Jurassic volcanics of the Marifil Formation are the basement for the Cretaceous continental sediments that further west host the Cerro Solo uranium project. At BTC, mineralization in the form of carnotite is hosted in sandstones, conglomerates and clays of the Puntudo Chico Formation and in green pelites of the La Colonia Formation. Both units have an Upper Cretaceous age and mainly represent a continental environment. Mineralization is associated with ferruginous horizons and petrified wood. Permeable gravels and sands from the Rodados Patagonicos of Pliocene-Pleistocene age also contain carnotite mineralization. This outcropping mineralization shows the potential of this area for the occurrence of surficial type of mineral deposits. It also might be derived from the remobilization of non-outcropping sandstone type mineralization in the lower Grupo Chubut sandstone-conglomerates. At Los Algarrobos target, mineralization outcrops along a 14 km long trend.

Planned 2012 Program: The objective of the planned initial AREVA-Blue Sky exploration program will be to identify drill targets on surficial and near-surface sandstone-type mineralization. Ground radiometric surveys and surface rock sampling, hand pit excavations and trenching are planned at Los Algarrobos as a part of this program. On the rest of the licenses, a reconnaissance program will be completed.

Outlook

The Company is moving forward with an exploration program, 100% funded by AREVA, on its uranium properties in the provinces of Rio Negro and Chubut in Argentina. The focus of this program will be to define the best target areas for drilling later in 2012 and 2013. It is also actively evaluating opportunities to acquire new prospective ground in Rio Negro, Chubut and other provinces of Argentina.

Selected Annual Financial Information⁽¹⁾

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

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

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

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

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

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

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

Results Of Operations – For The Three Months Ended March 31, 2012 Compared To The Three Months Ended March 31, 2011

Expenses

During the three months ended March 31, 2012, expenses decreased by \$617,394 to \$282,856 compared to \$900,250 for the three months ended March 31, 2011. The decrease in expenses is largely due to:

- A decrease of \$208,469 in exploration expenditures. Exploration expenditures were \$256,289 for the three months ended March 31, 2012 compared to \$464,758 for the three months ended March 31, 2011. During the three months ended March 31, 2012, the Company hand-excavated pits and performed remote sensing and geological mapping interpretation at the Ivana project compared to prospecting airborne anomalies at the Anit property and auger sampling, ground radiometric surveys and detailed geological mapping at the Santa Barbara property during the three months ended March 31, 2011.
- A decrease of \$99,154 in corporate development and investor relations. Corporate development and investor relations were \$18,262 for the three months ended March 31, 2012 compared to \$117,416 for the three months ended March 31, 2011. The decrease is due to a lesser number of activities relating to promotion of the Company's projects in the three months ended March 31, 2012 compared to a greater number of activities relating to promotion of the Company's projects in the three months ended March 31, 2011.
- A decrease of \$59,342 in management fees and salaries. Management fees and salaries were \$83,530 for the three months ended March 31, 2012 compared to \$142,872 for the three months ended March 31, 2011. Management fees and salaries were lower as a result of reduced corporate activity for the three months ended March 31, 2012 compared to higher management fees and salaries as a result of increased corporate activity during the three months ended March 31, 2011.
- A decrease of \$15,890 in office expenses. Office expenses were \$24,835 for the three months ended March 31, 2012 compared to \$40,725 for the three months ended March 31, 2011. The Company was charged a lower amount for its project administration and lower cost allocation due to decreased activity during the three months ended March 31, 2012 compared to a greater portion of Grosso Group's costs allocated to the Company due to increased activity during the three months ended March 31, 2011.
- A decrease of \$7,887 in professional and consulting fees. Professional and consulting fees were \$49,463 for the three months ended March 31, 2012 compared to \$57,350 for the three months ended March 31, 2011. The decrease results from fewer consultants contracted to provide services due to decreased activity during the three months ended March 31, 2012 compared to more consultants contracted to provide services during the three months ended March 31, 2011.
- A decrease of \$11,325 in foreign exchange loss. Foreign exchange loss was \$14,329 for the three months ended March 31, 2012 compared to \$25,654 for the three months ended March 31, 2011. The decrease is due to the fluctuation in foreign exchange rates and differing amounts of foreign currencies held in the three months ended March 31, 2012 compared to the three months ended March 31, 2011.
- An increase of \$221,454 in exploration cost recovery. Exploration cost recovery was \$221,454 for the three months ended March 31, 2012 compared to \$Nil for the three months ended March 31,

2011. The Company received exploration funding in accordance with the terms of the MOU entered into on January 4, 2012 with AREVA to jointly explore for uranium deposits in Argentina during the three months ended March 31, 2012 compared to no such MOU in place or exploration funding received during the three months ended March 31, 2011.

Gain on sale of mineral properties increased \$95,298. Gain on sale of mineral properties was \$95,298 for the three months ended March 31, 2012 compared to \$Nil for the three months ended March 31, 2011. The Company sold a non-uranium mineral property during the three months ended March 31, 2012 compared to no such sale of mineral properties during the three months ended March 31, 2011.

The net loss for the three months ended March 31, 2012 was \$187,437 or \$0.00 per basic and diluted share compared to a net loss of \$900,250 or \$0.01 per basic and diluted share for the three months ended March 31, 2011.

Cash Flow

Operating Activities

Cash inflow from operating activities was \$60,585 for the three months ended March 31, 2012 compared to an outflow of \$884,527 for the three months ended March 31, 2011. The increase in cash inflow is due to lower exploration expenditures and corporate and administrative cash costs offset by an increase in exploration funding and non-cash working capital balances.

Investing Activities

Cash outflow from investing activities was \$58,012 for the three months ended March 31, 2012 compared to \$18,353 for the three months ended March 31, 2011. This increase was attributable to purchases of short term investments of \$150,000, mineral property expenditures of \$8,012, and the Company received proceeds upon disposal of a mineral property of \$100,000 during the three months ended March 31, 2012 compared to \$18,353 in mineral property expenditures and no short term investment activity or disposals of mineral properties during the three months ended March 31, 2011.

Financing Activities

Cash flow from financing activities was \$Nil for the three months ended March 31, 2012 compared to an inflow of \$20,000 for the three months ended March 31, 2011. Proceeds from the exercise of options were \$Nil for the three months ended March 31, 2012 compared to \$20,000 for the three months ended March 31, 2011.

Balance Sheet

At March 31, 2012, the Company had total assets of \$3,064,678 which remains consistent with \$2,984,469 in total assets at December 31, 2011. Working capital deficiency at March 31, 2012 was \$310,047 compared to a working capital deficiency of \$180,565 at December 31, 2011, as a result of ongoing corporate and administrative cash costs.

Selected Quarterly Financial Data

| | 2012 | 2011 | | | | 2010 | | |
|---|--------------------------|-----------|-----------|-----------|--------------------------|----------------------------|-------------|-------------|
| | Mar. 31 | Dec. 31 | Sep. 30 | Jun. 30 | Mar. 31 | Dec. 31 | Sep. 30 | Jun. 30 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenues | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net Loss | (187,437) ⁽³⁾ | (920,983) | (790,562) | (976,340) | (900,250) ⁽²⁾ | (1,714,857) ⁽¹⁾ | (1,320,694) | (1,547,905) |
| Net Loss per Common Share Basic and Diluted | (0.00) | (0.01) | (0.01) | (0.01) | (0.01) | (0.03) | (0.02) | (0.02) |

(1) Increase is primarily driven by increase in share-based compensation of \$536,110.

(2) Decrease is primarily driven by decreases in exploration and share-based compensation of \$275,234 and \$561,016, respectively.

(3) 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 cost recovery and gain on sale of mineral properties of \$221,454 and \$95,298, respectively.

Liquidity and Capital Resources

The Company has experienced recurring operating losses and has an accumulated deficit of \$17,963,767 at March 31, 2012 (December 31, 2011 - \$17,776,330) and equity of \$2,520,263 at March 31, 2012 (December 31, 2011 – \$2,707,700). In addition, the Company had a working capital deficiency of \$310,047 at March 31, 2012 (December 31, 2011 – \$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.

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

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 | 258,300 | - | - | - | - |

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group’s costs including its staff and overhead costs among the member companies. The current fee is \$28,700 per month. This fee is reviewed and adjusted quarterly based on the level of services required.

Capital Stock

At March 31, 2012, the Company had unlimited authorized common shares without par value. At March 31, 2012, an aggregate of 87,019,896 common shares were issued and outstanding. At May 29, 2012, 8,710,989 common shares were issued and outstanding after giving affect for the ten for one share consolidation.

| | <u>Share capital</u> | | <u>Reserves</u> | | | | <u>Total</u> |
|---|-------------------------|------------------|-------------------------------|---|--------------------|-------------------------------|--------------|
| | <u>Number of shares</u> | <u>Amount \$</u> | <u>Contributed Surplus \$</u> | <u>Equity settled share-based payments \$</u> | <u>Warrants \$</u> | <u>Accumulated Deficit \$</u> | |
| Balance at December 31, 2010 | 78,969,396 | 16,081,510 | 955,559 | 1,277,658 | 855,115 | (14,188,195) | 4,981,647 |
| Stock options exercised | 200,000 | 36,000 | - | (16,000) | - | - | 20,000 |
| Total comprehensive (loss) for the period | - | - | - | - | - | (900,250) | (900,250) |
| Balance at March 31, 2011 | 79,169,396 | 16,117,510 | 955,559 | 1,261,658 | 855,115 | (15,088,445) | 4,101,397 |
| Private placement | 7,350,500 | 868,323 | - | - | 331,404 | - | 1,199,727 |
| Share issue costs | - | (56,235) | - | - | - | - | (56,235) |
| Agent's warrants granted | - | - | - | - | 17,865 | - | 17,865 |
| Share-based compensation | - | - | - | 82,831 | - | - | 82,831 |
| Stock options exercised | 500,000 | 86,887 | - | (36,887) | - | - | 50,000 |
| Stock options expired | - | - | 39,164 | (39,164) | - | - | - |
| Warrants expired | - | - | 360,906 | - | (360,906) | - | - |
| Total comprehensive (loss) for the period | - | - | - | - | - | (2,687,885) | (2,687,885) |
| Balance at December 31, 2011 | 87,019,896 | 17,016,485 | 1,355,629 | 1,268,438 | 843,478 | (17,776,330) | 2,707,700 |
| Stock options expired | - | - | 110,327 | (110,327) | - | - | - |
| Total comprehensive (loss) for the period | - | - | - | - | - | (187,437) | (187,437) |
| Balance at March 31, 2012 | 87,019,896 | 17,016,485 | 1,465,956 | 1,158,111 | 843,478 | (17,963,767) | 2,520,263 |

The Company had the following warrants outstanding as at May 29, 2012:

| <u>Number of Warrants Outstanding</u> | <u>Exercise Price (CAD\$)</u> | <u>Expiry Date</u> |
|---------------------------------------|-------------------------------|--------------------|
| 569,881 | \$3.50 | August 27, 2012 |
| 599,846 | \$2.50 | November 8, 2012 |
| 69,600 | \$1.50 | June 5, 2013 |
| 10,000 | \$1.50 | June 15, 2013 |
| 1,249,327 | | |

The following summarizes information about the stock options outstanding and exercisable as at May 29, 2012:

| Number of Shares | | Exercise Price (CAD\$) | Expiry Date |
|-------------------------|--------------------|-----------------------------------|--------------------|
| Outstanding | Exercisable | | |
| 19,000 | 19,000 | \$10.00 | June 1, 2012 |
| 1,500 | 1,500 | \$4.00 | January 25, 2013 |
| 125,500 | 125,500 | \$1.50 | May 6, 2014 |
| 30,000 | 30,000 | \$1.50 | July 6, 2014 |
| 7,500 | 7,500 | \$1.80 | July 22, 2014 |
| 66,500 | 66,500 | \$6.50 | December 9, 2014 |
| 10,000 | 10,000 | \$7.30 | March 15, 2015 |
| 304,500 | 304,500 | \$2.60 | October 5, 2015 |
| 7,500 | 7,500 | \$2.50 | October 29, 2015 |
| 60,000 | 20,000 | \$2.20 | May 31, 2016 |
| 20,000 | 20,000 | \$1.00 | September 25, 2016 |
| 652,000 | 612,000 | | |

Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

Related Party Transactions

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

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

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

| Transactions | Three months ended March 31, | |
|----------------------------------|------------------------------|------------|
| | 2012 \$ | 2011 \$ |
| Services rendered: | | |
| Grosso Group Management Ltd. (a) | 93,000 | 151,500 |
| R.H. McMillan Ltd. (b) | 7,000 | 17,709 |
| Total for services rendered | 100,000 | 169,209 |

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

Key management personnel compensation

| Compensation | Three months ended | | | Three months ended | | |
|-------------------------|--------------------|-------------------------------|----------------------|--------------------|-------------------------------|----------------------|
| | Salaries \$ | Share-based benefits \$ | March 31, 2012 \$ | Salaries \$ | Share-based benefits \$ | March 31, 2011 \$ |
| Chief Executive Officer | 15,000 | - | 15,000 | 30,000 | - | 30,000 |
| President | 19,787 | - | 19,787 | - | - | - |
| Chief Financial Officer | 6,830 | - | 6,830 | 13,088 | - | 13,088 |
| Total | 41,617 | - | 41,617 | 43,088 | - | 43,088 |

SUBSEQUENT EVENTS

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. The number of post-Consolidation shares issued and outstanding are 8,710,989 common shares.

Merger

On May 22, 2012, the Company and Windstorm Resources Inc. ("Windstorm") signed an arrangement agreement that provides for a merger of the two companies (the "Transaction"). The proposed structure of the Transaction involves a plan of arrangement whereby Blue Sky will acquire from the shareholders of Windstorm 100% of the outstanding common shares of Windstorm in exchange for common shares of Blue Sky, and Windstorm will as a result become a wholly-owned subsidiary of Blue Sky. The resulting company will have the name of Blue Sky Uranium Corp.

Blue Sky will issue to each shareholder of Windstorm 0.38868 of a common share in the capital of Blue Sky in exchange for each Windstorm common share held by such shareholder (the "Share Exchange Ratio"). No fractional shares of Blue Sky will be issued, and fractions will be rounded down to the nearest lower whole

share. Based on the 20,582,550 common shares of Windstorm outstanding on the date hereof, Windstorm shareholders would receive 8,000,025 common shares of Blue Sky under the Transaction, representing approximately 48% of Blue Sky's outstanding shares on completion of the Transaction (based on Blue Sky's 8,701,989 outstanding common shares on the date hereof). The holders of outstanding stock options and warrants of Windstorm will be entitled to receive equivalent stock options and warrants of Blue Sky as adjusted by the Share Exchange Ratio.

The closing of the Transaction is subject to all required shareholder, court, TSX Venture Exchange and regulatory approvals.

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 condensed consolidated interim financial statements for the three months ended March 31, 2012. 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, which increase or extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

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

Restoration, Rehabilitation, and Environmental Obligations

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

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

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

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

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

Impairment

At the end of each reporting period the carrying amounts of the Company's long lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

New Accounting Standards and Interpretations

In 2011, the International Accounting Standards Board issued new and amended standards and interpretations which have not yet been adopted by the 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 is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2015.

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 11 - Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 - Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value

measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The standard is applicable for annual periods beginning on or after January 1, 2013, with earlier application permitted.

Financial Instruments

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

(a) Fair Values

The Company's financial instruments consist of cash, short-term investments, amounts receivable, and accounts payable. The fair value of cash, short-term investments, amounts receivable and accounts payable 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. The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Market risk

(i) *Currency risk*

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

- A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net loss by \$Nil.
- A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net loss by \$9,691.

(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 approximate 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.

Risk Factors and Uncertainties

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

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

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

1. the difficulty of identifying appropriate joint venture partners or opportunities;
2. the time the Company's senior management must spend negotiating agreements, and monitoring joint venture activities;
3. the possibility that the Company may not be able to reach agreement on definitive agreements, with potential joint venture partners;

4. potential regulatory issues applicable to the mineral exploration business;
5. the investment of the Company's capital or properties and the loss of control over the return of the Company's capital or assets;
6. the inability of management to capitalize on the growth opportunities presented by joint ventures; and
7. the insolvency of any joint venture partner.

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

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

Potential conflicts of interest: Several of the Company's directors are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which could place the Company in a worse position than if no conflict existed. The directors of the Company are required by law to act honestly and in good faith with a view to the best interest of the Company and to disclose any interest which they 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 March 31, 2012.

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.