BLUE SKY URANIUM CORP.
(formerly Mulligan Capital Corp.)

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Background
This discussion and analysis of financial position and results of operation is prepared as of April 15, 2010 and should be read in conjunction with the Company’s audited consolidated financial statements for the years ended December 31, 2009 and 2008 and related notes. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis (“MD&A”) are quoted in Canadian dollars. Additional information relevant to the Company’s activities, can be found on SEDAR at www.sedar.com.

Forward Looking Statements
Certain of the statements made and information contained herein is “forward-looking information” within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company’s expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company’s Business in the Company’s Prospectus that can be found on the SEDAR website and in each MD&A. Forward-looking information is, in addition, based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of uranium; that the Company can access financing, appropriate equipment and sufficient labour and acquire all government permits and licenses to extract uranium. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Future Outlook
On July 7, 2008, the Company acquired all issued and outstanding common shares of Argentina Uranium Corp. (“AUC”), a private mining exploration company, for consideration of 8,295,000 common shares at a deemed value of $0.29 per share, thereby gaining control of over a 500,000 plus hectare uranium land package in Argentina. With this acquisition, the Company has become one of the largest uranium explorers in Argentina.

Lumina Capital Limited Partnership (“Lumina Capital”) exercised 5,000,000 warrants on April 8, 2010, resulting in a $1,000,000 addition to Blue Sky’s treasury and increasing Lumina Capital’s ownership to 15% of the issued and outstanding common shares of the Company.

The Company has been focusing its exploration efforts primarily in Rio Negro Province, Argentina. Results from surface trenching and pitting on the ANIT project has returned significant uranium assays and a Phase I drill program commenced on March 25, 2010. Additional drilling and regional exploration is anticipated throughout the remainder of 2010.
Company Overview

The Company was incorporated under the Business Corporations Act (British Columbia) on November 30, 2005 as Mulligan Capital Corp. The Company’s registered and head office is located at Suite 709, 837 West Hastings Street, Vancouver, British Columbia, V6C 3N6.

On February 27, 2008, the Company entered into a Letter of Agreement to acquire 100% of the shares of Argentina Uranium Corp., thereby gaining control of over a 500,000 plus hectare uranium land package in Argentina. With this acquisition, the Company will become one of the largest uranium explorers in Argentina. On July 7, 2008, the Company completed the acquisition of 100% of the shares of Argentina Uranium Corp by issuing 8.295 million shares at a deemed price of $0.29 per share.

The Company has incorporated an Argentinean subsidiary Minera Cielo Azul S.A., Blue Sky Uranium (BVI) in the British Virgin Islands and Blue Sky (BVI) Uranium Corp. (Colombia). With the acquisition of Argentina Uranium Corporation the Company has Argentinean subsidiary called Desarrollo de Inversiones S.A.

Properties

Argentina

With the acquisition of Argentina Uranium in 2008, the Company gained control of a land package of more than 500,000 hectares in Argentina. The acquisition followed a review of Argentina Uranium’s properties and a geophysical airborne survey of 3,000km² of claims in 2007. The survey identified highly anomalous zones of uranium mineralization in the Santa Barbara and Anit properties, both located in the Rio Negro Province of Argentina.

Exploration programs at the Santa Barbara and Anit projects revealed two types of uranium mineralization in a near-surface horizon of uranium in poorly consolidated upper Cretaceous sediments and underlying mineralization of the surficial calcrete type. The latter, in which the uranium occurs in gypsum and calcite-rich strata, resembles the 23.8 million pound Lake Maitland deposit coming into production by Mega Uranium Ltd. and the 74 million pound Langer Heinrich deposit in Namibia.

In the third quarter of 2009 the Company entered into an agreement in principle with the Minister Responsible for State Companies in the Province of Rio Negro, Argentina. In the agreement, the Province of Rio Negro, commits to provide technical advice and put forth their best effort to facilitate the advancement and the development of mining projects implemented at the production stage. In order to promote proper development of mining activities in Rio Negro, the Province will jointly form with the Grosso Group Management Ltd. (“Grosso Group”), a mutually beneficial strategy for an association of public and private capital whose objective is the development of mining projects. This strategic alliance with the Government of Rio Negro demonstrates their commitment to working together with the Grosso Group and its member companies (of which the Company is a member). Likewise, the Grosso Group and its member companies are strongly committed to developing projects in the Province in conformity and in co-operation with local communities and the Government of Rio Negro.

Santa Barbara Property

The 60,000 hectare Santa Barbara property is located in the Province of Rio Negro, in the northern portion of the Patagonia region of Argentina.

The Santa Barbara property hosts Triassic-Jurassic igneous and volcaniclastic units that are overlain by sub-horizontal, Cretaceous continental sedimentary rocks. Tertiary basaltic flows partially cover the Mesozoic rocks. In general, the topography is flat with scarce and small hills interrupted by basalt plateaus. The region is semi-desert and it is characterized by sparse scrub vegetation. The uranium mineralization identified to date on the Santa Barbara property is hosted by flat lying continental fluvial Upper Cretaceous calcite-cemented conglomerate and sandstone interlayered between limonitic mudstones with high gypsum contents and is being interpreted as a calcrete paleochannel type uranium occurrence similar in style to known deposits in Namibia and Western Australia.

In 2007, the Company completed a phase I reconnaissance sampling and scintillometer surveying program on the Santa Barbara property, confirming information provided by Argentina Uranium. In the initial discovery area grab samples returned grades up to 13,400 ppm U. The 2007 airborne survey identified three northeast trending zones of uranium mineralization, approximately 11 km, 6.5km and 5km in length and varying up to 1 km in width.
The 2008 exploration program was carried out on the three radiometric anomalies identified in the 2007 airborne survey. The program included auger and conventional soil and rock sampling, scintilometer surveys, radon gas surveys and geological mapping. A horizon of bright-yellow mineralization occurring in a flat lying “sheet” was defined in the northwest sector of Santa Barbara and a new linear trend of mineralization located 2 km northwest of the known anomalies was identified. Radon survey data completed over the three anomalous zones of uranium correspond well to those of the airborne survey.

In the second and third quarter of 2009, the Company carried out surface exploration which also focused on the three parallel radiometric anomalies identified from the airborne survey, as well as an overall geological evaluation of the project. In total, 90 shallow hand auger holes and pits were completed over a combined strike length of approximately 14km. From this broad scale sampling several mineralized zones were detected (maximum value of 727 ppm U from a 0.5m sample). Although many mineralized assays were received, thicknesses are generally 0.5m or 1.0m. The Company is continuing to prospect and sample the large Santa Barbara concession to identify zones with higher grades and increased thicknesses.

**Anit Property**

The Anit Property lies to the south of, and is contiguous with, the Santa Barbara Property in the Province of Rio Negro, Argentina.

The 2007 airborne radiometric survey over the Anit project identified a 15 kilometre long and up to 1.5 kilometre wide uranium channel anomaly. The Company's technical team followed up the anomaly and immediately located several rock samples with visible uranium mineralization along a freshly graded gravel road that intersects a portion of the anomaly. The Anit project has had no prior exploration history and represents a brand new grassroots uranium discovery.

In 2008, five pits were hand-excavated within strong uranium-channel anomalies identified by the airborne radiometric survey. Yellow uranium-vanadium mineralization was mostly concentrated in 10 to 20 cm layers exposed on the sides of the pits. In all cases uranium mineralization persisted at least to the depth of the hand-excavated pits, ranging in depth from one metre to four metres.

During the second and third quarter of 2009, the Company carried out a surface exploration program to follow up on the 2008 surface work. In total 123 pits were hand excavated and 588 samples were analyzed. For descriptive purposes, the 15 km long airborne uranium anomaly has been subdivided into the West, Central and East zones. The work completed to date concentrated on the Western and Central zones with a total of 109 pits excavated of which 83 pits encountered mineralization. The average grade of the 280 samples taken from the 83 pits over the 6 kilometre strike length was 0.045% U3O8 (379 ppm U) and 475 ppm V with an average recorded mineralized interval of 1.7 meters from surface. This surface exploration clearly defines a paleochannel/lake system that is mineralized over at least 6km of strike length. Of the 83 pits containing uranium-vanadium mineralization approximately 60% were open to depth, bottoming in mineralization. The depth extent of the uranium-vanadium mineralization is uncertain due the limitations in hand digging test pits. The Eastern Zone, located 8 km east along strike of the Central Zone, is interesting in that uranium mineralization there is hosted in sediments and channel deposits approximately 25m stratigraphically below the Western and Central Zone mineralization. This suggests that there maybe potential for depth-continuity of the uranium mineralization in the West and Central zones.

In the fourth quarter of 2009 the Company carried out hand augering from the base of previously hand excavated pits on Anit to further test the vertical extent of mineralization. Auger holes were completed on 41 selected pits covering all areas of the Anit West and Central zones. Prior to this augering program average pit depth was 2.2m, with a maximum depth of 3.1m. In the auger program the average extension of sampling was 1.1m, to bring average depth to 3.3m for 41 pits, with a maximum depth of sampling 6.5m depth. Of the 41 pits selected for augering, 29 had previously encountered mineralization greater than 1m at 0.005% (50 ppm) U. In 20 of these pits (34 samples) the mineralization was extended between 0.5 and 2.8m with average extension of 0.85m at 0.032 % U3O8 (270 ppm U) and 0.046% V. Of 12 pits with no previous mineralization, uranium mineralized material was encountered in the last sample of 3 auger extensions.

Augering from the base of Pit 225 (the highest-grade and thickest previously-reported mineralized interval with 3m averaging 0.849 % U3O8 (7200 ppm U) and 0.20% V) extended the mineralization a further 2.8m at an average grade of 0.033 % U3O8 (280 ppm U) and 0.04% V for a combined interval of 5.8m thickness averaging 0.436 % U3O8 (3700 ppm U) and 0.12% V.
The Company’s exploration team has also completed a radon gas survey, density determinations and metallurgical sampling during the fourth quarter of 2009. Seven radon gas lines totaling 65km (5 x 10km, 1 x 8km and 1 x 7km), with radon detector cups spaced every 100m, and scintolometer cps recordings every 50m, were completed on the Anit 1 and 2 properties. Approximately 650 radon gas detection points were completed.

Radon gas is produced by the decay of uranium minerals and can migrate through porous covering sediments. With a half life of 3.8 days, detection of anomalous radon gas is a strong indicator of uranium mineralization concealed beneath shallow cover, which cannot be detected by scintolometer surveys.

Of the 7 north-south radon lines completed, 3 lines crossed over and extended up to 7km on either side of the known east-west orientated Anit uranium-vanadium mineralized paleochannel. As expected, where the radon lines crossed the known mineralization, anomalous radon values of 6,000 to 8,000 picocuries per litre (Ci/L) were detected. The survey detected at least 9 other similar scale anomalies in new areas with values ranging between 5,000 to 9,000 pCi/L. Background values over the property are below 1,000 and typically 100 to 400 pCi/L. One of the most significant radon anomalies is contiguous to and extends 800m to the south of Anit West mineralization where 8 continuous radon samples have average values of 5,000 and maximum value 6,600 pCi/L. In this area recent hand auger drilling (described below) discovered buried uranium-vanadium mineralization.

Testing of these newly identified radon targets will be incorporated into the planning for a Phase I drill program planned for early 2010 which will primarily focus on the Anit West and Central targets. In the area south of Anit West where new radon anomalies indicate buried mineralization, previous pits 212 and 213 had no mineralization greater than 0.005% (50 ppm) U. Augering from the base of these pits has encountered U and V mineralization in the deepest auger samples. Pit 212 has 0.011% U$_3$O$_8$ (90 ppm U) and 0.124% V between 2.3 and 2.7m and pit 213 has 0.019% U$_3$O$_8$ (160 ppm U) and 0.037% V between 3.5 and 4m depth.

Five pits (0.5 x 0.25 x 2m) were excavated measured and weighed for density calculations returning an average density 1,361 kg/m$^3$ and nine bulk samples (average 40kg) from representative pits were collected for metallurgical testing.

During the first quarter of 2010 the Company reported that geological mapping and prospecting has identified new mineralized outcrops located 4km to 6km east and northeast of the Anit West-Central mineralized zone. A total of 45 rock (grab) samples were collected with results averaging 0.026% U$_3$O$_8$ and 0.057% V$_2$O$_5$. The highest grade sample contained 0.373% U$_3$O$_8$ and 0.170% V$_2$O$_5$. It is considered significant that most of these outcrops occur stratigraphically below the level of Anit West and Central mineralization, and some were uncovered beneath a thin calcrete cap that would have effectively blocked detection by airborne or ground scintolometer surveys. These new discoveries provide further evidence of the depth extent of uranium-vanadium mineralization at Anit and enhance the potential for further discovery of mineralization below cover.

Also during the first quarter of 2010 the Company announced results from a 1,223 meter mechanized trenching program on Anit. Highlights included an interval that averaged 358 meters at 0.052% U$_3$O$_8$ and 0.159% V$_2$O$_5$ including 30 meters at 0.397% U$_3$O$_8$ and 1.469% V$_2$O$_5$. The weighted average of mineralized intervals from all three trenches was 847 meters grading 0.043% U$_3$O$_8$ and 0.104% V$_2$O$_5$. The trenches were cut to a depth of approximately 2m and were designed to test the lateral extent and continuity of the mineralized paleo-channel previously defined by pits along a minimum of 6km of strike length, within a larger 15km long radiometric uranium channel anomaly. Trench 1 was located in the centre of the Anit West anomaly; Trench 3 was located in the centre of the Anit Central anomaly and Trench 2 was located in the break between these two major anomalies.

The three trenches cut variable host sediments, including loose sands and gravels, clay sediments and gypsum layers. All major rock types were mineralized, and at this stage it does not appear that the host sediment lithology is a limiting factor for uranium vanadium mineralization. Each trench was sampled by a continuous horizontal channel sample with 1 or 2 meter composite samples. The channel samples were 10cm wide and targeted the higher gamma responses on the trench walls along the trench. The vertical component of mineralization will be determined through drilling. The mineralized paleo-channel remains open to depth; uranium -- vanadium mineralization appears to be open in width in Trench 1 and Trench 3.

On March 25, 2010 the Company announced it had commenced a Phase I aircore drilling program planned to include approximately 200 drill holes for a total of 5000 meters to test 6 km of the known mineralized paleo-channel, defined by pits and trenching, as well as further targets in the 15 km long radiometric U anomaly, and radon gas and new geochemical targets outside the principal airborne anomalies.
All technical information pertaining to the Company’s Argentine properties described above has been prepared by Bruce Smith, AusIMM, Blue Sky Uranium Exploration Manager and a Qualified Person as defined by National Instrument 43-101. Analysis of samples reported herein were performed by Alex Stewart Assayers, in Mendoza Argentina, an internationally recognized analytical services provider, by means of Inductively Coupled Plasma Mass Spectrometry following a four acid digestion (ICP-AR). The samples collected from the pits and auger were 0.5m samples. Blank, duplicate, and internal company standard samples were inserted into the sample sequence sent to the lab for quality assurance/quality control (QA/QC) purposes. The Company detected no significant QA/QC issues during review of the data. Note that 10,000 ppm = 1%, 1% U = 1.1792% U₃O₈ and 1% U = 1.785% V₂O₅.

**Selected Financial Data and Fourth Quarter Discussion**

The following selected financial information is derived from the unaudited interim financial statements of the Company prepared in accordance with Canadian GAAP.

<table>
<thead>
<tr>
<th></th>
<th>Three Months Ended</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
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<tr>
<td>Net Income (Loss)</td>
<td>157,857</td>
<td>(475,439)</td>
<td>(568,349)</td>
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<td>Net Loss per Common Share Basic and Diluted</td>
<td>(0.00)</td>
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For the three months ended December 31, 2009, the Company recorded income of $157,857, an increase in income of $622,679 from the loss of $464,822 in the three months ended December 31, 2008. The increase in loss is primarily a result of:

(i) Corporate development and investor relations costs increased by $25,034 to $41,516 in the 2009 period compared to $17,217 in the 2008 period mainly due to increased costs associated with promoting the upcoming exploration programs on the Santa Barbara and Anit.

(ii) Salaries and employee benefits decreased by $47,957 to $83,688 in the 2009 period compared to $131,645 in the 2008 period as a result of laying off employees in late 2008 and early 2009. Salaries include an allocation of fees from Grosso Group Management Ltd. (“Grosso Group”).

(iii) Stock-based compensation increased to $267,037 in the 2009 period compared to $Nil in the 2008 period as a result Company granting stock options to directors, employees and consultants to acquire 735,000 common shares of the Company.

(iv) Expense recovery in the 2009 period was $170,000 which related to a recovery of expenses from the Grosso Group. There was no expense recovery in 2008.

(v) Income tax recovery 2009 period was $771,421 which related to an offset of non-capital losses against the FIT liability. There was no income tax recovery in 2008.
The following selected consolidated financial information is derived from the audited consolidated financial statements and notes thereto. The information has been prepared in accordance with Canadian GAAP.

### Selected Annual Financial Information

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2009 $</th>
<th>2008 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Assets</td>
<td>5,080,155</td>
<td>4,115,699</td>
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<tr>
<td>Long Term Financial Liabilities</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Interest Income</td>
<td>6,030</td>
<td>17,433</td>
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<td>General and Administrative Expenses</td>
<td>(1,422,951)</td>
<td>(1,390,534)</td>
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<td>Exploration</td>
<td>(635,363)</td>
<td>(1,296,853)</td>
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<td>Net Loss Before Income Taxes</td>
<td>(1,922,468)</td>
<td>(3,608,892)</td>
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<tr>
<td>Income Tax Recovery</td>
<td>771,421</td>
<td>-</td>
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<tr>
<td>Net Loss for the Year</td>
<td>(1,151,047)</td>
<td>(3,608,892)</td>
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<tr>
<td>Net Loss per Common Share Basic and Diluted</td>
<td>(0.03)</td>
<td>(0.14)</td>
</tr>
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</table>

### Summary of Financial Results

For the year ended December 31, 2009, the Company reported a consolidated loss of $1,151,047 ($0.03 per share), a decrease in loss of $2,457,845 from the loss of $3,608,892 ($0.14 per share) for the year ended December 31, 2008. The decrease in the loss in 2009, compared to the 2008 amount, was due to a number of factors of which $629,073 can be attributed to decreases in operating expenses, a $1,057,351 increase in other income items and an increase in income tax recovery to $771,421.

### Results of Operations

The Company’s operating expenses for the year ended December 31, 2009, were $2,058,314, a decrease of $629,073 from $2,687,387 in 2008 as a result of the following:

(i) Accounting and administration fees decreased by $51,783 to 56,081 in 2009 compared to $107,864 in 2008 mainly due the consultants from 2008 no longer being used in the 2009 period.

(ii) Corporate development and investor relation fees decreased by $115,827 to $98,062 in 2009 compared to $213,889 as result of the Company attending fewer investor and industry conferences.

(iii) Exploration expenses decreased to $635,363 in the 2009 period compared to $1,296,853 in the 2008 period as the Company has significantly focused its exploration primarily on low-cost surface programs in Argentina. In the 2008 period the Company was still actively exploring on the Karin Lake and Eagle Lake properties and also exploring in Colombia.

(iv) Professional fees decreased by $70,946 to $101,066 in 2009 from $172,012 in 2008 mainly as a result of the Company incurring more legal fees in 2008 which related to the acquisition of AUC.

(v) Salaries and employee benefits decreased by $185,074 to $320,270 compared to $505,344 in 2008 as a result of maintaining low staffing levels during 2009. The salary expense is comprised of an allocation of fees from Grosso Group Management Ltd. (see discussion in related parties section below).

(vi) Stock-based compensation was $545,423 in 2009 compared to $19,010 in 2008 which represents the estimated fair value of 3,625,000 stock options granted (2008 – 100,000) to directors and consultants in the year. The fair value was obtained using the Black-Scholes Pricing Model.

(vii) Travel and accommodation decreased by $19,421 to $70,535 in 2009 compared to $89,956 in 2008 as a result of decreased business travel activities incurred in the 2009.

During the year ended December 31, 2009, the Company recorded interest income of $6,030 compared to $17,433 in 2008 as a result of a decrease in short-term investments.
During the year ended December 31, 2009 the Company recorded an income tax recovery of $771,421 which related to an offset of non-capital losses against the FIT liability. There was no income tax recovery in 2008.

During the year ended December 31, 2009 the Company capitalized cash payments of $8,532 on the Anit property and $9,715 on the Villa Regina property. In Argentina the Company incurred exploration expenditures of $303,378 on Santa Barbara, $328,076 on Anit, and $1,021 on Villa Regina and $2,888 on other properties in Argentina.

**Liquidity and Capital Resources**

The Company’s cash position at December 31, 2009 was $1,334,398 which is an increase of $714,736 from the December 31, 2008 balance of $619,662. Total assets increased to $5,080,155 at December 31, 2009 from $4,115,699 at December 31, 2008. This increase is mainly due to the increase in cash balance.

As of April 15, 2010 the Company had working capital of approximately $1,210,593.

The Company has financed its operations through the sale of its equity securities. During the year ended December 31, 2009, the Company:

- Completed a non-brokered private placement consisting of 7,000,000 units at a price of $0.10 per unit for gross proceeds of $657,452 net of share issue costs of $42,548. Each Unit consisted of one common share and one 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 $0.20 per share for 18 months.
- Completed a non-brokered private placement consisting of 5,500,000 units at a price of $0.22 per unit for gross proceeds of $1,149,965 net of cash related share issue costs of $60,035. Non-cash related share issue costs of $242,313 were also incurred on this private placement. Each Unit consisted of one common share and one 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 $0.30 per share for two years.
- 1,494,999 warrants were exercised for proceeds of $426,000.
- 100,549 agent’s options were exercised at for proceeds of $30,165.
- 190,000 options were exercised for proceeds of $28,500.
- 18,785 agent’s warrants were exercised for proceeds of $7,514.

Subsequent to December 31, 2009:

- 9,936,637 warrants were exercised for proceeds of $2,157,034.
- 1,035,000 options were exercised for proceeds of $142,500.

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.

**Operating Cash Flow**

Cash outflow from operating activities was $1,566,613 for the year ended December 31, 2009 compared to cash outflow of $2,647,488 for 2008.

**Financing Activities**

For the year ended December 31, 2009 the Company received $1,910,000 less cash related issue costs of $102,583 from private placements, $30,165 from the exercise of agent’s options, $7,514 from the exercise of agent’s warrants, $28,500
from exercise of options and $426,000 from exercise of warrants. For the year ended December 31, 2008, the Company received $1,773,100 less related issue costs of $153,638 from private placements and $14,278 from the exercise of agent’s warrants.

**Investing Activities**

Investing activities required cash of $18,247 during the year ended December 31, 2009, compared to $1,462,354 generated in 2008, primarily a result a decrease in short-term investments in 2008.

**Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

**Related Party Transactions.**

a) Effective March 1, 2007 the Company engaged Grosso Group Management Ltd. (“Grosso Group”) to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company and Golden Arrow Resources Corporation (“Golden Arrow”), each of which owns one share. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees based upon a pro-rating of the Grosso Group’s costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company. The Grosso Group services contract also provides that, in the event the services are terminated by a member company, a termination payment would include three months of compensation and any contractual obligations that the Grosso Group undertook for the company, up to a maximum of $500,000. The Company has significant influence over the Grosso Group and therefore it has been accounted for using the equity method.

During the year ended December 31, 2009, the Company incurred fees of $446,315 (2008 – $619,085) from the Grosso Group: $465,188 (2008 - $619,803) was paid in monthly installments and $18,873 is included in accounts receivable (2008 – $718) as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. As at December 31, 2009, included in prepaid expenses is a $50,000 (2008 - $50,000) deposit to the Grosso Group for operating working capital.

On November 30, 2009 Kobex Minerals Inc. (“Kobex”) terminated its services agreement with the Grosso Group. Upon termination Kobex paid a severance of $500,000 to the Grosso Group. The Grosso Group allocated an expense recovery of $170,000 to the Company which is included in accounts receivable.

b) During the year ended December 31, 2009, the Company incurred $27,774 (2008 - $20,561) for geological consulting services, including travel expenses, provided by a private corporation owned by a director of the Company.

c) During the year ended December 31, 2009, the Company incurred fees of $Nil (2008 - $33,819) for consulting and management services provided by a director of the Company.

d) Effective May 1, 2007, the Company entered into an agreement with Kobex to pay a monthly fee for the services provided Kobex’s Chief Executive Officer. The agreement may be terminated at any time by the Company upon 30 days written notice. For the year ended December 31, 2009, the Company paid $Nil (2007 - $10,000) to Kobex for the services. The Company terminated this agreement effective June 30, 2008.

e) During the year ended December 31, 2009, the Company incurred fees of $20,113 (2008 - $Nil) for consulting and management services provided by a director of the Company.

All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.
**Contractual Commitments**

As of December 31, 2009, the Company had no commitments, other than the commitment with the Grosso Group discussed above in “Related Party Transactions”.

**Critical Accounting Estimates and Recent Accounting Pronouncements**

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

Reference should be made to the Company’s significant accounting policies contained in Note 2 of the Company’s consolidated financial statements for the year ended December 31, 2009. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

**Mineral Property Interests**

Exploration expenditures are charged to earnings as they are incurred until the property reaches development stage. 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.

Management periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the acquisition costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value.

Mineral property acquisition costs include cash costs and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests, pursuant to the terms of the related property agreements. Payments relating 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.

The Company accounts for foreign value added taxes paid as expenses when incurred. The recovery of these taxes may commence on the beginning of foreign commercial operations. Should these amounts be recovered they would be treated as a recovery of exploration expenses at that time.

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.

**Recent Accounting Pronouncements**

Effective January 1, 2009, new accounting standards were issued by the CICA which may impact the Company in the future as follows:

(a) **Goodwill and Intangible Assets**

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, *Revenues and Expenses during the preoperating period*. On January 1, 2009, the Company adopted these changes, with no impact on its consolidated financial statements.

(b) **Credit Risk and Fair Value of Financial Assets and Liabilities**

In January 2009, the CICA issued EIC-173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities*. The EIC provides guidance on how to take into account credit risk of an entity
and counterparty when determining the fair value of financial assets and financial liabilities, including

This standard is effective for our fiscal year beginning January 1, 2009. Adoption of this EIC did not
have a significant effect on the Company’s financial statements for the year ended December 31, 2009.

(c) **Mining Exploration Costs**

In March 2009, the CICA issued EIC-174, *Mining Exploration Costs*. The EIC provides guidance on
the accounting and the impairment review of exploration costs. This standard is effective for our fiscal
year beginning January 1, 2009. The application of this EIC did not have an effect on the Company’s
financial statements for the year ended December 31, 2009.

(d) **General Standard of Financial Statement Presentation**

For the year ended December 31, 2009, the Corporation adopted the amendments to CICA Handbook
Section 3862, Financial Instruments – Disclosures, which expands financial instrument fair value
measurement and liquidity risk management disclosures.

**Future Accounting Standards**

**Business combinations, consolidated financial statements and non-controlling interest**

and Section 1602, *Non-controlling Interests*. These sections replace the former CICA Handbook Section 1581, *Business Combinations* and Section 1600, *Consolidated Financial Statements* and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. It provides the Canadian equivalent to IFRS 3, *Business Combinations* (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011.

CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements.

CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination.

CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year.

All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

**International Financial Reporting Standards**

In February 2008, the CICA announced that publicly accountable enterprises will be required to transition from Canadian GAAP to IFRS for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011. This includes a requirement to present comparative financial information in accordance with IFRS for 2010. Accordingly, our first interim consolidated financial statements will be presented in accordance with IFRS for the three months ending March 31, 2011 with 2010 comparative results.

The Company has commenced a preliminary review of the Canadian equivalents to IFRS. At this stage of the transition, a small number of areas have been identified that may have an impact on the financial statements of the Company. We expect that there may be changes with respect to foreign currency translations, share-based compensation and asset impairment. The Company has not adopted an IFRS changeover plan at December 31, 2009 however management has completed an IFRS diagnostic and analysis. We note that Canadian GAAP to IFRS may be amended prior to adoption.
Management has considered the differences between Canadian GAAP and IFRS and to date have identified that there are likely no material differences to the majority of line items appearing in the Company’s balance sheet and income statement from what it has recorded under Canadian GAAP.

The specific areas where no applicable differences in recognition and measurement have been identified between IFRS and Canadian GAAP are cash, amounts receivable, prepaid expenses, and accounts payable and accrued liabilities.

Certain relevant accounting differences between Canadian GAAP and IFRS and the possible impacts on the consolidated financial statements of the Company are described below:

<table>
<thead>
<tr>
<th>Financial Statement Component</th>
<th>IFRS</th>
<th>Canadian GAAP</th>
<th>Possible Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exploration Expenditures and Development Costs</strong></td>
<td>An entity shall determine a policy specifying which expenditures are recognized as exploration and evaluation assets and apply the policy consistently. In making this determination, an entity considers the degree to which the expenditure can be associated with finding specific mineral resources. Exploration Expenditures shall be recognized at cost. The Company can elect to measure exploration and evaluation assets using either cost model or the revaluation model.</td>
<td>Exploration costs related to mining properties may initially be capitalized if an enterprise considers that such costs have the characteristics of property, plant and equipment and that capitalization is appropriate to its circumstances. Exploration and evaluation assets are measured at cost. Canadian GAAP does not allow for the revaluation of exploration and evaluation assets other than during a business combination.</td>
<td>No impact. Continue with existing policy under IFRS 6. Continue with Cost Model</td>
</tr>
<tr>
<td><strong>Foreign Currency Translation</strong></td>
<td>Defines functional currency as the currency of the primary economic environment in which the entity operates. Foreign currency translation methods are based on the functional currency concept.</td>
<td>Does not directly define functional currency. Foreign currency translation is based on the concept of integrated and self-sustaining foreign operations.</td>
<td>The functional currency for the parent company is Canadian dollars. The functional currency for the Argentinean subsidiary could be either Argentine pesos or US dollars. If it is determined that a subsidiary has a functional currency other than local currency then we will need to run parallel books in the functional currency (US)</td>
</tr>
<tr>
<td><strong>Impairment of Non-Current Assets</strong></td>
<td>Assess at each reporting date whether there is any indication that an asset (other than goodwill and intangible assets with indefinite lives) may be impaired. Impairment loss recognition is a one-step process based on discounted cash flows. Impairment losses are recognized when the carrying value exceeds the recoverable amount, which is the higher of (a) value in use and (b) fair value less costs to sell. An impairment loss recognized in prior periods for an asset shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.</td>
<td>A long-lived asset should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Impairment testing is based on a two-step test. Once an impairment loss is identified on an undiscounted cash flow basis (step 1), the impairment loss is measured as the amount by which the carrying value exceeds fair value (step 2). An impairment loss relating to long-lived assets should not be reversed even if the fair value subsequently increases</td>
<td>No impact expected at this time.</td>
</tr>
<tr>
<td>Share-Based Payments</td>
<td>For graded-vesting features, IFRS requires each installment to be treated as a separate share option grant, because each installment has a different vesting period, and hence the fair value of each installment will differ. Requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.</td>
<td>Allows the option to use the straight-line method or the attribution method to account for graded-vesting features. Permits companies to either estimate the forfeitures at time of grant date or record the entire expense as if all its stock option grants vest and then record forfeitures as they occur.</td>
<td>No impact on employee stock-options. May impact options granted to consultants. May have impact on forfeitures</td>
</tr>
</tbody>
</table>

**Financial Instruments**

The Company’s financial instruments are exposed to certain risks, including currency, credit and metal price risk.

*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.

The Company has not hedged its exposure to currency fluctuations. At December 31, 2009 and 2008, the Company is exposed to currency risk through the following assets and liabilities in US dollars and Argentina pesos:

<table>
<thead>
<tr>
<th>December 31, 2009</th>
<th>December 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$</td>
<td>Arg$</td>
</tr>
<tr>
<td>Cash</td>
<td>192,426</td>
</tr>
<tr>
<td>Amounts receivable</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(86)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>192,340</td>
</tr>
</tbody>
</table>

Based on the net exposures as at December 31, 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar and/or Argentine pesos would be insignificant in the Company’s net earnings.

*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 the cash balances at the bank and amounts receivable. The Company’s limits its exposure to credit risk 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 primarily invested in business bank accounts which are available on demand. The Company’s cash on hand at December 31, 2009, provides the Company with sufficient financial resources to carry out its operations through the 2010 financial year however, the Company expects to raise additional equity capital in 2010.

**Fair Values**

The carrying values of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities approximate fair values due to their short terms to maturity or ability to readily convert to cash.

The following table outlines the Corporation’s financial assets and liabilities measured at fair value by level within the...
The fair value hierarchy described below. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

As at December 31, 2009 the Company’s financial instruments measured at fair value are as follows:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1,334,398</td>
<td>-</td>
<td>-</td>
<td>1,334,398</td>
</tr>
</tbody>
</table>

**Level 1** – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

**Level 2** – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Corporation’s cash instruments are valued using quoted market prices in active markets, and therefore are classified as Level 1.

**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.

**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.

**Metal Price Risk:** The Company’s portfolio of properties has exposure predominantly to uranium. The price of this resource greatly affects the value of the Company and the potential value of its properties 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 Argentina. 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.

**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.

**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 in which the Company is registered exempted Venture Issuer from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting.
as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is now required to file basic certificates, which it has done for the year ended December 31, 2008. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at December 31, 2009.

**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](http://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](http://www.blueskyuranium.com).

**Outstanding Share Data**

The Company’s authorized share capital is an unlimited number of common and preferred shares without par value. As of December 31, 2009, there were 52,435,426 outstanding common shares. As of April 15, 2010 there were 63,407,063 outstanding common shares.

The Company had stock options outstanding and exercisable at April 15, 2010 as follows:

<table>
<thead>
<tr>
<th>Number</th>
<th>Exercise Price</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>75,000</td>
<td>0.66</td>
<td>February 10, 2012</td>
</tr>
<tr>
<td>700,000</td>
<td>0.10</td>
<td>June 28, 2011</td>
</tr>
<tr>
<td>75,000</td>
<td>0.21</td>
<td>October 6, 2011</td>
</tr>
<tr>
<td>215,000</td>
<td>1.00</td>
<td>June 1, 2012</td>
</tr>
<tr>
<td>15,000</td>
<td>0.40</td>
<td>January 5, 2013</td>
</tr>
<tr>
<td>1,515,000</td>
<td>0.15</td>
<td>May 6, 2014</td>
</tr>
<tr>
<td>300,000</td>
<td>0.15</td>
<td>July 6, 2014</td>
</tr>
<tr>
<td>75,000</td>
<td>0.18</td>
<td>July 22, 2014</td>
</tr>
<tr>
<td>735,000</td>
<td>0.65</td>
<td>December 9, 2014</td>
</tr>
<tr>
<td>100,000</td>
<td>0.73</td>
<td>March 15, 2015</td>
</tr>
<tr>
<td><strong>3,805,000</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Company had warrants outstanding and exercisable at April 15, 2010 as follows:

<table>
<thead>
<tr>
<th>Number</th>
<th>Exercise Price</th>
<th>Expiry Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,333,333</td>
<td>0.20</td>
<td>October 29, 2010</td>
</tr>
<tr>
<td>2,155,000</td>
<td>0.20</td>
<td>November 12, 2010</td>
</tr>
<tr>
<td>5,373,000</td>
<td>0.30</td>
<td>November 6, 2011</td>
</tr>
<tr>
<td>381,796</td>
<td>0.30</td>
<td>November 6, 2011</td>
</tr>
<tr>
<td><strong>11,243,129</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

More information on these instruments and the terms of their conversion are set out in Note 5 to the Company’s December 31, 2009 audited consolidated financial statements.