BLUE SKY URANIUM CORP.

(formerly Mulligan Capital Corp.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007

Background

This discussion and analysis of financial position and results of operation is prepared as of April 9, 2008 and should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2007 and 2006 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

The Company has been actively reviewing many projects and opportunities for future possible acquisition. The Company's reviews have focused on projects with a defined resource combined with future potential or which have had previous positive exploration activities. In the fall of 2007, Dr. Clifton Farrell was retained as Executive VP and Chief Operating Officer. Dr. Farrell's extensive professional career includes 25 years in natural resources, with a specific focus on the uranium and alternate energy industries.

On February 27, 2008, the Company entered into a Letter of Agreement to acquire 100 per cent 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. This acquisition has received preliminary approval from the TSX-V and is expected to close by the end of April 2008.

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 May 18, 2006, the Company received final receipts for a prospectus and became a reporting issuer in the Provinces of British Columbia and Alberta. On June 27, 2006, the Company completed its initial public offering (the "Offering") to raise $250,000 and on June 28, 2006, listed its common shares on the TSX Venture Exchange ("TSXV") as a capital pool company.

On August 21, 2006 and December 14, 2006, the Company and Eagle Plains Resources Ltd. ("Eagle Plains") executed an option agreement (the "Eagle Lake Option Agreement") whereby Eagle Plains granted an option to the Company to earn a 60% interest in Eagle Plains' 100% owned Eagle Lake Property located 28 km southeast of Cameco's Key Lake mining operation in north-central Saskatchewan, Canada. The Eagle Lake Option Agreement qualified as the Company's qualifying transaction. On February 7, 2007, the Company's listing was upgraded to Tier II status on the TSXV. The Company also changed its name to Blue Sky Uranium Corp.

On February 14, 2007 the Company entered into an agreement with Eagle Plains to earn a 60% interest in the Karin Lake Property located adjacent to the Eagle Lake Property.

During March 2007 the Company completed a number of private placements to raise $3.3 million gross proceeds from the issuance of 3.3 million units at $1.00 per unit.

On March 12, 2007 the Company entered into two option agreements to earn 100% interests in two uranium projects located in Colombia. The Company in addition, in May 2007 the Company entered into agreements to review uranium properties in Argentina. The Company is incorporating an Argentinean subsidiary Minera Cielo Azul S.A.

Properties

Canada

Eagle Lake and Karin Lake Projects, Saskatchewan

The Eagle Lake and Karin Lake Projects are two adjacent properties located in north-central Saskatchewan, approximately 190km north of La Ronge and 45 kms southeast of Cameco's Key Lake uranium mine. The Company is earning a 60% interest in the projects which cover 69,000 hectares. The option agreements are detailed below.

In 2006, the Company optioned from Eagle Plains a 60% interest in the 8,165 hectare Eagle Lake uranium property. Under terms of the Eagle Lake Option Agreement, the Company has paid $35,000 cash and is required to incur $5,000,000 in exploration expenditures by February 7, 2011 and issue a total of 1,000,000 common shares (200,000 shares issued) to Eagle Plains. A 1% royalty has been reserved for a third-party individual, and may be purchased at any time for $1,000,000. In February 2007 the Company paid $73,779 to Eagle Plains for its pro-rata shares of staking costs for an additional 26,000 hectares located contiguous to the Eagle Lake Property.

On February 14, 2007 the Company signed a letter of intent (the "Karin Lake LOI") with Eagle Plains under which the Company proposed, subject to final regulatory approval, to acquire an option to earn a 60% interest in three mineral tenures covering approximately 35,000 hectares located adjacent to the Eagle Lake Property in north-central Saskatchewan. Under the terms of the Karin Lake LOI the Company must pay $107,795 in cash, issue a total of 700,000 common shares and incur a total of $2.5 million in expenditures by December 31, 2011. The May 29, 2007 option agreement received approval from the TSX-V on July 3, 2007.

The Eagle Lake property is located in a prospective uranium district containing uranium mineralization discovered by Great Plains Development Company of Canada Ltd. ("Great Plains") during the 1969 Athabasca basin uranium rush. Exploration by Great Plains between 1969 and 1971 reportedly identified a float boulder train 1.5 kilometres in length. The boulders reportedly consisted of white pegmatite with uranium stain as well as uranium/copper mineralization in sheared graphitic material. The boulders were collected from an area adjacent to a prominent north-south-trending fault structure visible on government aeromagnetic surveys. Great Plains reported high radon gas values from both water and soil samples collected near the uraniferous boulder train. The bedrock source for these float boulders was not located. At the Karin Lake Property, uranium mineralization occurs both as a low-grade material in granitic pegmatites and associated granites, as well as higher-grade fracture-controlled mineralization in pegmatites and metasediments.

In the fall of 2006, the Company conducted a $170,000 exploration program on the Eagle Lake Property that included prospecting and airborne geophysical surveying. In 2007, surface prospecting programs were carried out on the Eagle

Lake and Karin Lake Properties. They included scintillometer prospecting, geological mapping and a radon soil gas survey. This exploration program identified numerous zones of interest and many potential drill targets including the Craig's Bay target which demonstrated anomalous scintillometer readings and a very large boulder train containing dozens of highly anomalous rock samples. The Craig’s Bay mineral showing is located along the southeast margin of a 27 kilometer long conductive EM anomaly ring feature which lies entirely within the Karin Lake property claim area.

A 1,500m drilling program is currently underway on the Eagle Lake/Karin Lake Projects. The drill program will test the Craig’s Bay mineral showing along portions of a strong EM-conductor identified during the 2006 GEOTEM airborne survey. The EM conductor coincides with a >2 kilometre long pronounced topographic lineament that is associated with yellow and red stained mineralized boulders. Recent exploration along this lineament by Eagle Plains geologists has revealed an extensive anomalous outcrop area, with sample values of up to 0.18% U_3O_8.

The Eagle Lake Option Agreement and the Karin Lake LOI were amended to cover the costs of the drilling program. The parties have agreed to a $477,000 budget for the program. The Company will issue an additional 500,000 shares to cover 50% of the cost and will pay no more than $239,000 for the remaining 50% of the drill program. The additional shares to be issued will be released at a rate of 100,000 per month beginning July 1, 2008 and ending on November 30, 2008. Expenditures by the Company on work commitments in excess of the minimum required in earlier agreements on either the Eagle Lake or Karin Lake projects can be applied against outstanding work commitments on the other project.

The work on the property has been overseen and reviewed by C.C. (Chuck) Downie, P.Geo., a "Qualified Person" under National Instrument 43-101.

Colombia

Santander and Norte de Santander Properties

In March 2007 the Company entered into two option agreements to acquire a 100% interest in two uranium projects in Colombia - one project, covering 5,499 hectares, in the department of Santander and another project, covering 9,592 hectares, in the department of Norte de Santander.

Under the terms of the option agreements, the Company must make staged cash payments over four years totaling US $414,080 on each project, with US $20,000 due on each project in the first 12 monthsEach project is subject to a 3% yellow cake Royalty capped at US $1,100,000. During the term of the option agreements, the Company will be required to make all annual mineral lease payments of approximately $115,000. There are no minimum work commitments. The Company is currently establishing operations in Colombia.

The Santander property is underlain by the Jurassic Giron Formation and has potential for hosting sandstone-type uranium mineralization. The Norte de Santander property has potential for pegmatite-hosted mineralization and is underlain by Jurassic-Cretaceous granitic rocks which cut older gneisses. The Company engaged a consulting geologist to conduct a field examination of the Norte de Santander property in November and December 2007, including stream sediment sampling, scintillometer surveys and geologic mapping.

Argentina

Argentinean Properties

In April 2007 the Company announced it had signed an exclusive agreement with Argentina Uranium Corp. (“Argentina Uranium”) to review over 4,000 square kilometres of its prospective uranium properties in Argentina. The agreement granted the Company an exclusive right for 90 days to conduct due diligence and to acquire four of Argentina Uranium’s projects. The Company paid US $65,000 to Argentina Uranium for the exclusive right to acquire properties and subsequently an additional US$25,000 to extend the time period for this review.

Argentina Uranium's land package has been assembled under the direction of Dr. Jorge Berizzo whose 22 years of experience in uranium exploration and production was obtained as a senior exploration geologist and later on as mine manager for the Argentinean National Atomic Energy Commission ("CNEA"). In September 2007 the Company contracted with New Sense Geophysics Ltd. to perform a fixed wing airborne magnetic/spectrometer survey of 3,000 km^2 of the Argentina Uranium claims in northern Rio Negro province. This survey identified two highly anomalous zones of uranium mineralization which are referred to as the Santa Barbara and Anit areas. A detailed surface exploration program was developed to investigate these anomalous zones through surface sampling, spectrometer surveys, auguring and radon soil analysis. This program started in late December 2007.

On Feb, 27, 2008, the Company announced that it entered into a an agreement to acquire 100 per cent of the shares of Argentina Uranium Corp., thereby gaining control of over its 500,000 hectare uranium land package in Argentina.

Santa Barbara Property

In May 2007 the Company announced it has signed a letter of intent to earn a 75% interest in the 60,000 hectare Santa Barbara uranium property in the Province of Rio Negro, located in the northern portion of the Patagonia region of Argentina. The Santa Barbara uranium project is a new discovery made by Dr. Jorge Berizzo,

In order to earn a 75% undivided interest in the Santa Barbara property the Company must complete $3.0 million in exploration expenditures over 4 years, issue a total of 400,000 shares to Argentina Uranium, and maintain the property in good standing. A total of 100,000 shares were issued upon approval of the transaction by the TSX-V and during year one there is a firm commitment to complete $200,000 of exploration expenditures. After completing all expenditure and share issue commitments, the parties will form a 75/25 joint venture. If Argentina Uranium fails to contribute its share to development of the project it would be diluted down to a 2% yellowcake royalty.

The Santa Barbara uranium property hosts Triassic-Jurassic igneous and volcaniclastic units that are underlain 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.

The Company completed a phase I reconnaissance sampling and scintillometer surveying program on the Santa Barbara property. The program was designed to substantiate the information provided by Argentina Uranium and to delineate the continuity and extent of radiometric anomalies and mineralization in the area. Less than 10% of the property has been prospected and surveyed and 21 samples of consolidated and unconsolidated material were collected. Results are tabulated below.

Sample	Description	U ppm	V ppm	P ppm	Th ppm	Counts per Second (cps)
M1416	U.M.	55	112	379	4.8	300
M1417	U.M.	122	99	259	3.9	450
M1418	U.M.	87	164	322	4.9	250
M1420	U.M., Yellow U mineral	3,070	762	458	5.3	5,000
M1421	U.M.	164	149	371	5.1	400
M1422	U.M.	23	67	147	3.0	120
M1423	U.M.	22	81	497	4.0	200
M1424	U.M.	223	98	342	4.3	1000
M1425	U.M., Yellow U mineral	13,400	2884	289	5.3	>10,000
M1426	U.M.	83	117	297	3.6	400
M1431	U.M., organic matter	159	842	234	5.8	250
M1432	U.M., Yellow U mineral	159	93	322	2.9	1,200
M1433	U.M., Yellow U mineral	1,279	315	341	1.6	5,000
M1434	U.M., Yellow U mineral	411	129	182	1.0	2,000
M1435	U.M., Yellow U mineral	130	104	427	2.5	450
M1436	U.M., Yellow U mineral and gypsum	1,059	349	352	3.0	8,000
M1419	Coarse sandstone fragments	33	46	277	6.2	
M1427	Conglomerate	37	54	189	3.2	220
M1428	Conglomerate	21	15	243	2.7	260
M1429	Conglomerate	27	19	281	2.9	200
M1430	Sandstone and conglomerate	12	19	85	2.5	250

Results from the program confirm Argentina Uranium's information. In the initial discovery area grab samples returned grades up to 13,400 ppm U. Also, preliminary prospecting traverses completed around the initial radiometric anomaly outlined a 1km long, continuous anomaly with readings >100 counts per second. Additional traverses identified 4 clusters of significant radiometric anomalies to the southwest up to 11km away from the initial discovery. The new anomalies are located along a linear northeast-southwest trending belt (or structure) that has only been partially surveyed. Although the continuity between the four anomaly clusters has not been verified, they represent an 11km long trend open in both directions.

The airborne survey identified three northeast trending zones of uranium mineralization, each approximately 11 km, 6.5km and 5km in length and varying up to 1 km in width.

Chemical analysis of rock and soil samples were performed by SGS Del Peru S.A.C., an internationally recognized analytical service provider. The information above has been reviewed by Dr. Ron McMillan, P.Geo., a consultant to and director of the Company, and a "Qualified Person" as defined by National Instrument 43-101. Official title for the Santa Barbara exploration permits has not yet been granted. The Permit applications are shown on the tenure maps for the Province of Rio Negro and are expected to be officially granted upon completion of consultation with the owners of the relevant surface rights.

Anit Property

As a result of the ongoing property review of Argentina Uranium, the Company announced in January 2008 it has signed a letter of intent to earn a 75% interest in the 128,689 hectare "Anit" uranium property in the Province of Rio Negro, Argentina.

In order to earn a 75% undivided interest in the Anit property the Company must complete CDN $2.0 million in exploration expenditures over 4 years. During year one there is a firm commitment to complete CDN $100,000 of exploration expenditures. After completing the expenditure commitments, the parties will form a 75/25 joint venture. If Argentina Uranium fails to contribute its share to development of the project it would be diluted down to a 2% yellowcake royalty. Official title for the Anit exploration permits has not yet been granted. The permit applications are shown on the tenure maps for the Province of Rio Negro and are expected to be officially granted upon completion of consultation with the owners of the relevant surface rights.

The airborne radiometric survey over the Anit project identified a 15 kilometre long and up to 1.5 kilometre wide uranium anomaly. The Company's and Argentina Uranium's technical teams followed up to ground truth 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.

The eastern part of the Anit anomaly was detected while flying East-West, 1-kilometre spaced flight lines and the western part was defined by North-South lines flown a few days later. Airborne uranium gamma ray spectrometry results higher than 30 counts per second (CPS) delimit the Anit anomaly. A west-northwest trending anomaly with readings over 50 CPS and up to 138 CPS represents the core of the Anit anomaly. Thorium readings are homogeneous and low (23 CPS average) throughout the Anit anomaly. Regional geologic maps (1:250,000 scale) show that early Cretaceous sandstone and conglomerate underlie the Anit anomaly. Late Tertiary and Quaternary gravel and sand deposits cover the early Cretaceous rocks. Gamma ray spectrometry results and available geologic information are consistent with a "sandstone-hosted" environment.

The 2008 exploration program on Santa Barbara and Anit properties has now started. The program includes overburden augur sampling to a depth of 3 to 5 metres, radon sail gas analyses, ground geophysics, geologic mapping, surface chip sampling from trenches and chemical analyses of augured and trench samples.

The information above has been reviewed by Dr. Ron McMillan, P.Geo., a consultant to and director of the Company, and a "Qualified Person".

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.

	Three Months Ended							
	2007				2006			
	Dec. 31 $	Sept. 30 $	Jun. 30 $	Mar. 31 $	Dec. 31 $	Sept. 30 $	Jun. 30 $	Mar. 31 $
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss)	(402,262)	(640,596)	(457,942)	(367,903)	(59,687)	(43,193)	(72,144)	1,456
Net Loss per Common Share Basic and Diluted	(0.02)	(0.04)	(0.03)	(0.03)	(0.00)	(0.01)	(0.01)	0.00

For the three months ended December 31, 2007, the Company recorded a net loss of $402,262, an increase in loss of $342,575 from the net loss of $59,687 in the three months ended December 31, 2006. The increase in loss is primarily a result of:

(i) Corporate development and investor relations increased by $98,337 to $121,009 in the 2007 period compared to $22,672 in the 2006 period as a result of increased activities.

(ii) Office expense increased by $68,732 to $71,973 in the 2007 period compared to $3,241 in the 2006 period as a result of increased activities.

(iii) Salaries increased to $115,795 in the 2007 period compared to $Nil in the 2006 period. Salaries include an allocation of fees from Grosso Group Management Ltd. ("Grosso Group").

(iv) Travel increased by $51,491 to $53,787 in the 2007 period compared to $2,296 in the 2006 period as a result of an increased number of visits to exploration projects, as well as travel to investor and industry conferences.

Summary of Financial Results

For the year ended December 31, 2007, the Company reported a consolidated loss of $1,868,703 ($0.12 per share), an increase in loss of $1,695,135 from the loss of $173,568 ($0.02 per share) for the year ended December 31, 2006. The increase in the loss in 2007 period, compared to the 2006 amount, was due to a number of factors of which $1,779,624 can be attributed to increases in operating expenses, which were partially offset by a $84,489 increase in other income items. The 2007 fiscal year represents the first full year of activity.

Results of Operations

The Company's operating expenses for the year ended December 31, 2007, were $1,973,809, an increase of $1,779,624 from $194,185 in the 2006 period. Significant expenditures were incurred in the following categories:

(i) Accounting and administration fees were $56,165 for the year ended December 31, 2007 (2006 - $18,350) primarily as the result of increased activity during the year.
(ii) Corporate development and investor relation fees were $429,189 for the year ended December 31, 2007 (2006 - $24,161) primarily as the result of the Company participating in investor and industry conferences in the 2007 period as well as incurring costs in order to increase investor awareness.
(iii) General exploration costs were $412,490 in the 2007 period (2006 - $Nil) due to the Company's exploration activities in Argentina and Colombia. The Company's policy is to expense costs associated with exploration that are not related to specific projects or properties.
(iv) Office expenses increased by $185,897 to $189,703 due to increased activity during year and the recruitment fees and the associated moving costs for the addition of Clifton Farrell. Office expense is comprised of an allocation of fees from Grosso Group (see discussion in related parties section below).

(v) Professional fees were $89,638 in the 2007 period (2006 - $34,778) primarily as a result of legal and audit fees related to the Company's qualifying transaction, annual information form and annual audit.

(vi) Rent, parking and storage increased $51,617 due to increased activity during the year. Rent, parking and storage is comprised of an allocation of fees from Grosso Group (see discussion in related parties section below).

(vii) Salaries increased by $265,422 due to increases in staff and activity levels. The salary expense is comprised of an allocation of fees from Grosso Group Management Ltd. (see discussion in related parties section below).

(viii) Stock-based compensation was $298,665 in the year ended December 31, 2007 (2006 - $80,000) which represents the estimated fair value of 670,000 stock options granted to directors and consultants in the period. The fair value was obtained using the Black-Scholes Pricing Model and was based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 89% and expected life of 1.5 – 2.5 years.

(ix) Travel and accommodation expenses were $138,677 in the 2007 period (2006 - $14,399) as a result of exploration related travel costs as well as travel to investor and industry conferences.

(x) Interest income increased to $95,995 in 2007 from $20,617 in 2006 as a result of the Company holding more short-term investments.

During the year ended December 31, 2007 the Company capitalized $503,428 of expenditures on the Eagle Lake Property, $548,153 to the Karin Lake Property, $127,303 to the Santander and Norte de Santander Properties and $222,806 to the Santa Barbara Property. The amount capitalized to the Eagle Lake Property includes 200,000 shares valued at $186,000 which were issued as part of the Company's option commitment to earn its interest in the property. The amount capitalized to the Karin Lake Property includes 50,000 shares valued at $31,000 which were issued as part of the Company's option to earn its interest in the property. The amount capitalized to the Santa Barbara Property includes 100,000 shares valued at $60,000 which were issued as part of the Company's option commitment to earn its interest in the property.

Liquidity and Capital Resources

The Company's cash position at December 31, 2007 was $171,056, a decrease of $826,717 from the December 31, 2006 balance of $997,773. Short-term investments balance increased to $1,041,655 at December 31, 2007 from $500,000 at December 31, 2006. Total assets increased to $3,483,800 at December 31, 2007 from $1,778,434 at December 31, 2006. This increase is mainly due to the increase in the short-term investment balance and the 2007 exploration expenditures capitalized to mineral property and deferred costs, which were partially offset by the decrease in cash balance.

As of April 9, 2008 the Company had working capital of approximately $950,000. The Company considers that it has adequate resources to maintain its ongoing operations and current property commitments for the ensuing year, but may not have sufficient working capital to fund all of its planned exploration work. 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 the Americas. 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.

As the Company is an exploration stage company, revenues are limited to interest earned on cash held with the Company's financial institutions. During the year ended December 31, 2007, the Company earned $95,995 in interest income (2006 – $20,617).

The Company has financed its operations through the sale of its equity securities. During the year ended December 31, 2007, the Company:

- Completed a brokered private placement in which it issued a total of 2,000,000 units at $1.00 per unit for aggregate gross proceeds of $2,000,000. Each unit consisted of one common share in the capital of the Company and one half of one transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $1.30 per common share until March 23, 2009.

- Completed a private placement in which it issued a total of 1,300,000 units at $1.00 per units for aggregate gross proceeds of $1,300,000. The placement included a brokered portion of 1,270,000 units and a non-brokered portion of 30,000 units. Each unit consisted of one common share in the capital of the Company and one half of one transferable common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $1.30 per common share until March 23, 2009.

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 $1,577,675 for the year ended December 31, 2007 compared to cash outflow of $81,994 for the 2006 period as a result of the significant change in operating activities.

Financing Activities

For the year ended December 31, 2007 the Company received $3,300,000 less related issue costs of $402,055 from private placements and $4,272 from the exercise of agent's warrants. For the year ended December 31, 2006, the Company received $1,729,450 from private placements less share issue costs of $120,773.

Investing Activities

Investing activities required cash of $2,151,259 during the year ended December 31, 2007, compared to $722,633 spent in the 2006 period, primarily a result of additions to short-term investments, purchase of equipment and mineral property expenditures.

Related Parties Transactions.

A. The Company engages Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA Exploration Inc. ("IMA"), Golden Arrow Resources Corporation, Amera Resources Corporation and Astral Mining Corporation, 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 Company became a shareholder of the Grosso Group effective March 1, 2007. During the year ended December 31, 2007, the Company incurred fees of $377,718 from the Grosso Group: $344,360 was paid in monthly installments and $33,358 is included in accounts payable and accrued liabilities as a result of a review of the allocation of the Grosso Group costs to the member companies for the period. Prior to becoming a shareholder, the Company retained the Grosso Group's services from October 1, 2006 to February 28, 2007, for a monthly fee of $4,000. Accordingly, during the year ended December 31, 2007, the Company incurred additional fees of $8,000 from the Grosso Group.

B. During the year ended December 31, 2007, the Company incurred $20,583 (2006 - $8,300) for accounting and administration services provided by a private corporation owned by a former director of the Company.

C. As at December 31, 2007, included in prepaids is a $50,000 deposit to the Grosso Group for operating working capital.

D. During the year ended December 31, 2007, the Company incurred $65,780 (2006 - $Nil) for geological consulting services, including travel expenses, provided by a private corporation owned by a director of the Company. Of these costs $62,580 were recorded in mineral properties and deferred costs and $3,200 were expensed during the year. The Company also incurred fees of $20,583 for consulting and management services provided by a director of the Company

E. Effective May 1, 2007, the Company entered into an agreement with IMA to pay a monthly fee for the services provided IMA'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, 2007, the Company paid $13,333 to IMA for the services.

All of the related party transactions and balances 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, 2007, the Company had the following Canadian dollar and US dollar option payment and work expenditure commitments, as well as share issue commitments, in relation to its mineral property projects:

	Less than 1 year $	1 to 3 years $	Greater than 3 years $	Total $
Canadian dollar commitments				
Work expenditures	200,000	4,450,000	5,100,000	9,750,000

	Less than 1 year US$	1 to 3 years US$	Greater than 3 years US$	Total US$
US dollar commitments				
Option payments	30,000	140,000	648,160	818,160

	Less than 1 year #	1 to 3 years #	Greater than 3 years #	Total #
Share issue commitments	870,000	840,000	440,000	2,150,000

Further details of the Company's option payments and expenditure commitments are disclosed in Note 4 to the Company's December 31, 2007 audited consolidated financial statements. The commitments related to the Santa Barbara and Anit options with Argentina Uranium will be absorbed upon the acquisition of Argentina Uranium by the Company.

Critical Accounting Policies

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, 2007. These accounting policies can have a significant impact on the financial performance and financial position of the Company.

Recent Accounting Pronouncements

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

(a) Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation*, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available-for-sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

(i) Cash and short-term investments are classified as *"Available-for-sale"*. Due to their short-term nature, their carrying value is equal to their fair value.

(ii) Amounts receivable and prepaids are classified as *"Loans and Receivables"*. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.

(iii) Accounts payable and accrued liabilities are classified as *"Other Financial Liabilities"*. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

As a result of adopting Section 3855, effective January 1, 2007 interest accrued on short-term investments in the amount of $2,250 was reclassified from amounts receivable to short-term investments.

(b) Section 1530, *Comprehensive Income,* introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the year ended December 31, 2007.

(c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the year ended December 31, 2007.

Use of Estimates

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. Significant areas requiring the use of management estimates relate to the determination of environmental obligations and assessment of carrying values of mineral properties and deferred costs. Actual results may differ from these estimates.

Mineral Properties and Deferred Costs

Consistent with the Company's accounting policies disclosed in Note 2 of the annual consolidated financial statements, direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company have been capitalized on an individual property basis. It is the Company's policy to expense any exploration associated costs not related to specific projects or properties. Management of the Company 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 or its carrying value has been impaired, a provision is made for any expected loss on the project or property. During the year ended December 31, 2007, no impairment of long-lived assets was identified.

Financial Instruments

The Corporation's financial instruments consist of cash, short-term investments, amounts receivable, prepaids, and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.

Risk Factors

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Some of the Company's mineral properties are located in Colombia and Argentina and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures are defined under Multilateral Instrument 52-109 - Certification of Disclosure Controls in Issuers' Annual and Interim Filings ("MI 52-109") as "… controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under provincial and territorial securities legislation is recorded, processed, summarized and reported within the time periods specified in the provincial and territorial securities legislation and include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in its annual filings, interim filings or other reports filed or submitted under provincial and territorial securities legislation is accumulated and communicated to the issuer's management, including its chief executive officers and chief financial officers (or persons who perform similar functions to a chief executive officer or a chief financial officer), as appropriate to allow timely decisions regarding required disclosure". The Company has conducted a review and evaluation of its disclosure controls and procedures, with the conclusion that it has an effective system of disclosure controls, and procedures as defined under MI 52-109. In reaching this conclusion, the Company recognizes that two key factors must be, and are, present:

a) the Company is very dependant upon its advisors and consultants (principally its legal counsel) to assist in recognizing, interpreting, understanding and complying with the various securities regulations disclosure requirements; and

b) an active Board and management with open lines of communication.

The Company has a small staff with varying degrees of knowledge concerning the various regulatory disclosure requirements. The Company is not of a sufficient size to justify a separate department or one or more staff member specialists in this area. Therefore, the Company must rely upon its advisors and consultants to assist it and as such they form part of the disclosure controls and procedures.

Proper disclosure necessitates that one not only be aware of the pertinent disclosure requirements, but one is also sufficiently involved in the affairs of the Company and/or receives the communication of information to assess any necessary disclosure requirements. Accordingly, it is essential that there be proper communication among those people who manage and govern the affairs of the Company, this being the Board of Directors and senior management. The Company believes this communication exists.

While the Company believes it has adequate disclosure controls and procedures in place, lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company would take whatever steps necessary to minimize the consequences thereof.

Management is responsible for the design of internal controls over financial reporting within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Management has evaluated the design of the Company's internal controls and procedures over financial reporting as of the end of the period covered by the annual filings, and believes the design to be sufficient to provide reasonable assurance.

During the fiscal year ended December 31, 2007, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Investor Relations Activities

On February 15, 2007, the Company entered into an agreement with Accent Marketing Ltd. ("Accent") as its European investor relations representative. The investor relations program is focusing on shareholder communications, corporate development and building the Company an active following of investment professionals in Europe. Accent, which is arm's length to the Company, has been retained for a monthly fee of €3,000 plus a stock option package to purchase 50,000 shares.

The Company also maintains a website at 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, 2007, there were 17,130,215 outstanding common shares and 1,640,000 stock options, which were outstanding and exercisable, with exercising prices ranging between \$0.10 and \$0.95. In addition, there were 2,119,785 warrants outstanding, with exercise prices ranging between \$0.10 and \$1.30. More information on these instruments and the terms of their conversion are set out in Note 6 to the Company's December 31, 2007 audited consolidated financial statements.

As of April 9, 2008, there were outstanding 17,980,170 common shares, 1,740,000 stock options and 2,069,830 warrants or Agent's Options.