
Blue Sky Uranium Corp.

(An Exploration Stage Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED
MARCH 31, 2011 AND 2010

(Unaudited - Expressed in Canadian Dollars)

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

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

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

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

		March 31, 2011 \$	December 31, 2010 \$	January 1, 2010 \$
	Note		(note 12)	(note 12)
ASSETS				
Non-current assets				
Property and equipment	3	8,011	9,277	-
Mineral property interests	4	2,712,729	2,694,376	2,624,782
Deposit		60,000	60,000	-
Total non-current assets		2,780,740	2,763,653	2,624,782
Current assets				
Prepaid expenses		177,268	177,100	336,327
Amounts receivable		39,187	39,541	13,227
Cash		1,328,754	2,211,634	1,334,398
Total current assets		1,485,209	2,428,275	1,683,952
Total Assets		4,265,949	5,191,928	4,308,734
EQUITY				
Share capital	5	16,117,510	16,081,510	10,231,995
Reserves	5	3,072,332	3,088,332	2,477,291
Deficit		(15,088,445)	(14,188,195)	(8,598,933)
Total equity		4,101,397	4,981,647	4,110,353
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities		164,552	210,281	198,381
Total Liabilities		164,552	210,821	198,381
COMMITMENT (Note 9)				
Total Equity and Liabilities		4,265,949	5,191,928	4,308,734

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

These condensed consolidated interim financial statements are authorized for issue by the Board of Directors on May 30, 2011. They are signed on the Company's behalf by:

"Sean Hurd" , Director

"Ron McMillan" , Director

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

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

		Three months ended March 31	
	Note	2011 \$	2010 \$
Expenses			
Accounting and audit		-	5,591
Amortization		1,266	-
Corporate development and investor relations		117,416	52,673
Foreign exchange loss		25,654	44,942
Exploration	3	464,758	463,817
Management fees	6	117,000	-
Office and sundry		40,725	51,084
Professional and consulting fees	6	57,350	60,075
Rent, parking and storage		22,200	39,751
Salaries and employee benefits		25,872	154,673
Share-based compensation	5	-	82,410
Transfer agent and regulatory fees		9,922	12,131
Travel and accommodation		18,087	38,776
Loss from operating activities		(900,250)	(1,005,923)
Interest income		-	117
Loss and comprehensive loss for the period		(900,250)	(1,005,806)
Basic and diluted loss per common share		(0.01)	(0.02)

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

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

	Three months ended March 31	
	2011	2010
	\$	\$
Operating Activities		
Loss for the period	(900,250)	(1,005,806)
Share-based compensation	-	82,410
Amortization	1,266	-
	<u>(898,984)</u>	<u>(923,396)</u>
Change in non-cash working capital items:		
(Increase) decrease in amounts receivable and prepaid expenses	60,186	189,313
Increase (decrease) in accounts payable and accrued liabilities	<u>(45,729)</u>	<u>220,769</u>
Net cash used in operating activities	<u>(884,527)</u>	<u>(513,314)</u>
Cash flows from investing activities		
Expenditures on mineral property interests	<u>(18,353)</u>	<u>(7,343)</u>
Net cash used in investing activities	<u>(18,353)</u>	<u>(7,343)</u>
Cash flows from financing activities		
Exercise of warrants and options	<u>20,000</u>	<u>950,533</u>
Net cash generated by financing activities	<u>20,000</u>	<u>950,533</u>
Net increase in cash	<u>(882,880)</u>	<u>429,876</u>
Cash at beginning of period	<u>2,211,634</u>	<u>1,334,398</u>
Cash at end of period	<u>1,328,754</u>	<u>1,764,274</u>

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

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

	<u>Share capital</u>		<u>Reserves</u>				
	<u>Number of shares</u>	<u>Amount \$</u>	<u>Contributed Surplus \$</u>	<u>Equity settled</u>	<u>Warrants \$</u>	<u>Deficit \$</u>	<u>Total \$</u>
				<u>share-based payments \$</u>			
Balance at January 1, 2010 (note 12)	52,435,426	10,231,995	817,462	851,303	808,526	(8,598,933)	4,110,353
Private placement	10,329,000	2,143,777	-	-	438,473	-	2,582,250
Share issue costs	-	(189,462)	-	-	-	-	(189,462)
Share-based compensation	-	-	-	668,332	-	-	668,332
Agent's warrants granted	-	-	-	-	55,735	-	55,735
Warrants exercised	15,119,970	3,631,856	-	-	(438,155)	-	3,193,701
Stock options exercised	1,085,000	263,344	-	(113,344)	-	-	150,000
Warrants expired	-	-	9,464	-	(9,464)	-	-
Total comprehensive (loss) for the year	-	-	-	-	-	(5,589,262)	(5,589,262)
Balance at December 31, 2010 (note 12)	78,969,396	16,081,510	826,926	1,406,291	855,115	(14,188,195)	4,981,647
Stock options exercised	200,000	36,000	-	(16,000)	-	-	20,000
Total comprehensive (loss) for the period	-	-	-	-	-	(900,250)	(900,250)
Balance at March 31, 2011	79,169,396	16,117,510	826,926	1,390,291	855,115	(15,088,445)	4,101,397

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

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Condensed Consolidated Schedules of Mineral Property Interests and Exploration Expenditures

(Unaudited - Expressed in Canadian Dollars)

Acquisition Costs

	Argentina					Total March 31, 2011	Total December 31, 2010
	Santa Barbara \$	Anit \$	Ivanas \$	Sierra Colonia \$	Other \$	\$	\$
Balance, beginning of period	814,430	955,017	11,429	-	913,500	2,694,376	2,624,782
Additions							
Land payments and staking fees	-	-	6,785	1,905	9,663	18,353	69,594
Balance, end of period	814,430	955,017	18,214	1,905	923,163	2,712,729	2,694,376

Exploration Expenditures

	Argentina					Total March 31, 2011	Total December 31, 2010
	Santa Barbara \$	Anit \$	Ivanas \$	Sierra Colonia \$	Other \$	\$	\$
Cumulative exploration costs, beginning of period	845,575	3,390,802	-	-	41,844	4,278,221	1,086,486
Expenditures during the period:							
Assays	184	2,057	599	3,050	714	6,604	201,739
Drilling	-	-	-	-	-	-	246,299
Geophysics	257	343	257	1,000	1,000	2,857	731,891
Office	6,781	19,870	15,847	33,617	33,804	109,919	229,815
Salaries and contractors	28,287	53,127	29,853	84,599	47,255	243,121	851,435
Supplies and equipment	1,705	2,051	9,070	15,390	5,565	33,781	545,334
Transportation	1,915	5,873	4,399	12,704	5,483	30,374	132,475
IVA taxes	3,494	7,441	5,360	13,428	8,379	38,102	252,747
	42,623	90,762	65,385	163,788	102,200	464,758	3,191,735
Cumulative exploration costs, end of period	888,198	3,481,564	65,385	163,788	144,044	4,742,979	4,278,221

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

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

(Unaudited - Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company has experienced recurring operating losses and has accumulated an operating deficit of \$15,088,445 at March 31, 2011 (December 31, 2010 - \$14,188,195) and shareholders' equity of \$4,101,397 at March 31, 2011 (December 31, 2010 - \$4,981,647). In addition, the Company had working capital of \$1,320,657 at March 31, 2011 (December 31, 2010 - \$2,217,994). Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's continued operations, as intended, are dependent upon its ability to raise additional funding to meet its obligations and to attain profitable operations. Management's plan in this regard is to raise equity financing as required. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Conversion to International Financial Reporting Standards

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that International Financial Reporting Standards ("IFRS") will replace Canadian Generally Accepted Accounting Principles ("GAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian securities regulatory authorities.

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

These are the Company's first IFRS condensed consolidated interim financial statements presented in accordance with IFRS. Previously the Company prepared its consolidated annual and consolidated interim financial statements in accordance with GAAP.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on a historical cost basis. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

The preparation of these condensed consolidated interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They have also been applied in preparing an opening IFRS statement of financial position as at January 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, *First Time Adoption of International Financial Reporting Standards* ("IFRS 1"). The impact of the transition from GAAP to IFRS is explained in Note 12.

(c) Basis of consolidation

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

	Place of Incorporation	Principal Activity
Blue Sky BVI Uranium Corp.	British Virgin Islands	Holding company
Blue Sky BVI Uranium Corp. (Columbia)	British Virgin Islands	Holding company
Minera Cielo Azul S.A. (Argentina)	Argentina	Exploration company
Desarrollo de Inversiones S.A. (Argentina)	Argentina	Exploration company

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

(d) Foreign currencies

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

(e) Financial Instruments

The Company does not have any derivative financial instruments.

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(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets

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

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

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

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities

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

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

(f) Exploration, Evaluation and Development Expenditures

Exploration and evaluation expenditures are charged to the statement of comprehensive income as incurred, until the property reaches development stage. The development stage begins once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable. All direct costs related to the acquisition of resource property interests are capitalized. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

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

(g) Impairment

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

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(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(i) Valuation of equity units issued in private placements

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

(j) Share-based Payment Transactions

The fair value of share purchase options granted is recognized as an employee or consultant expense with a corresponding increase in equity.

The fair value of share purchase options granted is determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of share purchase options, the fair value of the Company's shares and the risk-free interest rate. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The estimated fair value of awards of share purchase options is charged to expense over the vesting period, with offsetting amounts to equity settled share-based payment reserve. If the share purchase options are granted for past services, they are expensed immediately. If the share purchase options are forfeited prior to vesting, no amounts are charged to expense. If share purchase options are exercised then the fair value of the options is re-classified from equity settled share-based payment reserve to share capital.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

(k) Restoration, Rehabilitation, and Environmental Obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising

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Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

(l) Loss per Share

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

(m) Income Taxes

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(m) Significant Accounting Estimates and Judgments

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

Critical accounting estimates

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

- i. the recoverability of amounts receivable which are included in the condensed consolidated interim statements of financial position;
- ii. the inputs used in accounting for share-based compensation expense in profit or loss.

Critical accounting judgments

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(n) New Accounting Standards and Interpretations

The following new accounting standard, that is not required to be adopted for the March 31, 2011 reporting period, is assessed not to have any impact on the Company's financial statements:

- IFRS 9, *Financial Instruments, Classification and Measurement*, effective January 1, 2013; and

At the financial position reporting date, the following accounting interpretation was in issue but not yet effective: IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*. This interpretation is not expected to have any impact on the financial results of the Company.

The Company anticipates that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Company except for additional disclosure.

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(Unaudited - Expressed in Canadian Dollars)

3. PROPERTY AND EQUIPMENT

	March 31, 2011			December 31, 2010		
	Cost \$	Accumulated Depreciation \$	Net Book Value \$	Cost \$	Accumulated Depreciation \$	Net Book Value \$
Geological equipment	10,120	(2,109)	8,011	10,120	(843)	9,277
	10,120	(2,109)	8,011	10,120	(843)	9,277

4. MINERAL PROPERTY INTERESTS

The schedule below summarizes the carrying costs of acquisition costs and all exploration expenditures incurred to date for each mineral property interest that the Company is continuing to explore as at March 31, 2011 and December 31, 2010:

	March 31, 2011		December 31, 2010	
	Acquisition Costs \$	Cumulative Exploration Expenditures \$	Acquisition Costs \$	Cumulative Exploration Expenditures \$
Argentina				
Anit	814,430	3,481,564	814,430	3,390,802
Santa Barbara	955,017	888,198	955,017	845,575
Ivanas	18,214	65,385	11,429	-
Sierra Colonia	1,905	163,788	-	-
Other	923,163	144,044	913,500	41,844
	2,712,729	4,742,979	2,694,376	4,278,221

a) Anit Property

The Company owns a 100% interest in the 128,689 hectare "Anit" uranium property, which lies to the south of, and is contiguous with, the Santa Barbara Property in the Province of Rio Negro, Argentina.

b) Santa Barbara Property

The Company owns a 100% interest in the 60,000 hectare Santa Barbara uranium property in the Province of Rio Negro, located in the northern Patagonia region of Argentina.

5. CAPITAL AND RESERVES

Authorized Share Capital

At March 31, 2011, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

Issued Share Capital

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5. CAPITAL AND RESERVES (continued)

At March 31, 2011, the issued share capital comprised 79,169,396 common shares (December 31, 2010 – 78,969,396).

Details of Private Placement Issues of Common Shares in 2011 and 2010

In September 2010, the Company completed a non-brokered private placement consisting of 10,329,000 units at a price of \$0.25 per unit for gross proceeds of \$2,582,250. Each unit consisted of one common share and one-half 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 \$0.35 per share for two years. Finders' fees were \$133,727 of cash and 534,310 warrants that are exercisable at a price of \$0.35 per share for two years having a fair value of \$55,735. Fair value was calculated using the following Black-Scholes pricing model variables: risk-free interest rate – 1.25%, expected stock price volatility – 110%, dividend yield of 0%, and expected warrant life in years – 1.4.

Share Purchase Option Compensation Plan

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

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

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

*(Unaudited - Expressed in Canadian Dollars)***5. CAPITAL AND RESERVES (continued)**

The continuity of share purchase options for the period ended March 31, 2011 is as follows:

Expiry date	Exercise Price \$	Dec 31, 2010	Granted	Exercised	Expired/ cancelled	March 31, 2011	Options exercisable
June 28, 2011	0.10	700,000	-	200,000	-	500,000	500,000
October 6, 2011	0.21	75,000	-	-	-	75,000	75,000
February 10, 2012	0.66	75,000	-	-	-	75,000	75,000
June 1, 2012	1.00	215,000	-	-	-	215,000	215,000
January 25, 2013	0.40	15,000	-	-	-	15,000	15,000
May 6, 2014	0.15	1,465,000	-	-	-	1,465,000	1,465,000
July 6, 2014	0.15	300,000	-	-	-	300,000	300,000
July 22, 2014	0.18	75,000	-	-	-	75,000	75,000
December 9, 2014	0.65	725,000	-	-	-	725,000	725,000
March 15, 2015	0.73	100,000	-	-	-	100,000	100,000
October 5, 2015	0.26	3,270,000	-	-	-	3,270,000	3,270,000
October 29, 2015	0.25	75,000	-	-	-	75,000	75,000
		7,090,000	-	200,000	-	6,880,000	6,880,000
Weighted average exercise price		\$0.29	-	\$0.10	-	\$0.29	\$0.29
Weighted average contractual remaining life (years)		3.7	-	0.2	-	3.6	3.6
Weighted average share price on exercise		-	-	\$0.38	-	-	-

During the three months ended March 31, 2011, the Company issued no share purchase options to purchase common shares at an exercise price of \$nil per common share.

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*(Unaudited - Expressed in Canadian Dollars)***5. CAPITAL AND RESERVES (continued)**

The continuity of share purchase options for the period ended March 31, 2010 is as follows:

Expiry date	Exercise Price \$	Dec 31, 2009	Granted	Exercised	Expired/ cancelled	March 31, 2010	Options exercisable
January 31, 2010	0.90	335,000	-	-	335,000	-	-
June 28, 2011	0.10	1,000,000	-	300,000	-	700,000	700,000
October 6, 2011	0.21	75,000	-	-	-	75,000	75,000
February 10, 2012	0.66	-	75,000	-	-	75,000	75,000
June 1, 2012	1.00	215,000	-	-	-	215,000	215,000
January 5, 2013	0.40	15,000	-	-	-	15,000	15,000
May 6, 2014	0.15	1,925,000	-	410,000	-	1,515,000	1,515,000
July 6, 2014	0.15	550,000	-	150,000	-	400,000	400,000
July 22, 2014	0.18	150,000	-	75,000	-	75,000	75,000
December 9, 2014	0.65	735,000	-	-	-	735,000	735,000
March 15, 2015	0.73	-	100,000	-	-	100,000	100,000
		5,000,000	175,000	935,000	335,000	3,905,000	3,905,000
Weighted average exercise price		\$0.30	\$0.70	\$0.14	\$0.90	\$0.31	\$0.31
Weighted average contractual remaining life (years)		3.5	3.6	3.2	-	3.5	3.5
Weighted average share price on exercise		-	-	\$0.73	-	-	-

The weighted average fair value of share purchase options granted during the three months ended March 31, 2010 - \$0.47. Options were priced based on the Black-Scholes option pricing model using the following weighted average assumptions to estimate the fair value of options granted:

	Three months ended March 31	
	2011	2010
Risk-free interest rate	-	1.34%
Expected option life in years	-	2.5
Expected share price volatility	-	117.25%
Grant date share price	-	\$0.70
Expected dividend yield	Nil	Nil

Blue Sky Uranium Corp.

(An Exploration Stage Company)

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For the three months ended March 31, 2011 and 2010

(Unaudited - Expressed in Canadian Dollars)

5. CAPITAL AND RESERVES (continued)

(e) Warrants

The continuity of warrants for the period ended March 31, 2011 is as follows:

Expiry date	Exercise Price \$	Dec 31, 2010	Granted	Exercised	Expired/ cancelled	March 31, 2011
November 6, 2011	0.30	5,754,796	-	-	-	5,754,796
August 27, 2012	0.35	5,698,810	-	-	-	5,698,810
		11,453,606	-	-	-	11,453,606
Weighted average exercise price		\$0.325	-	-	-	\$0.325

The continuity of warrants for the period ended March 31, 2010 is as follows:

Expiry date	Exercise Price \$	December 31, 2009	Granted	Exercised	Expired/ cancelled	March 31, 2010
February 5, 2010	0.40	733,186	-	733,186	-	-
February 5, 2010	0.30	79,211	-	79,211	-	-
February 5, 2010	0.40	-	39,605	12,240	27,365	-
September 17, 2010	0.18	2,750,000	-	-	-	2,750,000
October 29, 2010	0.18	5,583,333	-	-	-	5,583,333
November 12, 2010	0.20	6,140,000	-	2,315,000	-	3,825,000
November 6, 2011	0.30	5,881,796	-	127,000	-	5,754,796
		21,167,526	39,605	3,266,637	27,365	17,913,129
Weighted average exercise price \$		0.23	0.40	0.25	0.40	0.22

6. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

Blue Sky Uranium Corp.

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(Unaudited - Expressed in Canadian Dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

Transactions	Three months ended March 31	
	2011	2010
	\$	\$
Services rendered:		
Grosso Group Management Ltd. (a)	151,500	236,744
R.H. McMillan Ltd. (b)	17,709	12,179
Total for services rendered	169,209	248,923

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

(b) R.H. McMillan Ltd. is a private company controlled by a director that provided geological services to the Company at market rates.

Key management personnel compensation

Compensation	Three months ended March 31, 2011			Three months ended March 31, 2010		
	Salaries	Share-based benefits		Salaries	Share-based benefits	
Chief Executive Officer	30,000	-	30,000	30,000	-	30,000
Chief Financial Officer	13,088	-	13,088	-	51,814	51,814
Total	43,088	-	43,088	30,000	51,814	81,814

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

(Unaudited - Expressed in Canadian Dollars)

7. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended March 31, 2011 was based on the following:

	Three months ended March 31	
	2011	2010
Loss attributable to common shareholders (\$)	(900,250)	(1,005,806)
Weighted average number of common shares outstanding	79,087,174	54,579,289

Diluted loss per share did not include the effect of 6,880,000 (March 31, 2010 – 3,905,000) share purchase options and 11,453,606 (March 31, 2010 – 17,913,129) common share purchase warrants as are they are anti-dilutive.

8. SEGMENTED INFORMATION

The Company is primarily involved in mineral exploration activities in Argentina. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating revenues for the period ended March 31, 2011.

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

	March 31, 2011		
	Canada	Argentina	Total
	\$	\$	\$
Property and equipment	-	8,011	8,011
Mineral property interests	-	2,712,729	2,712,729
Deposit	60,000	-	60,000
Current assets	1,358,809	126,400	1,485,209
	1,418,809	2,847,140	4,265,949

	December 31, 2010		
	Canada	Argentina	Total
	\$	\$	\$
Property and equipment	-	9,277	9,277
Mineral property interests	-	2,694,376	2,694,376
Deposit	60,000	-	60,000
Current assets	2,262,121	166,154	2,428,275
	2,322,121	2,869,807	5,191,928

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

(Unaudited - Expressed in Canadian Dollars)

9. COMMITMENT

	1 Year \$	2 Years \$	3 Years \$	4-5 Years \$	More than 5 Years \$
Management Services Agreement	720,000	540,000	-	-	-

On April 1, 2010, the Company entered into an Agreement with Grosso Group to provide services and facilities to the Company. Grosso Group provides its member companies with administrative and management services. The member companies pay monthly fees to Grosso Group on a cost recovery basis. The fee is based upon a pro-rating of Grosso Group's costs including its staff and overhead costs among the member companies. The initial fee based on expected usage is \$60,000 per month.

10. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

(a) Fair Values

The Company's financial instruments consist of cash, receivables and accounts payable. The fair value of cash, receivables and accounts payable approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

The following table outlines the Company's financial assets and liabilities measured at fair value by level within 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.

At March 31, 2011 the Company's financial instruments measured at fair value are as follows:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Cash	1,328,754	-	-	1,328,754
Amounts receivable	39,187	-	-	39,187
Deposit	60,000	-	-	60,000
Liabilities				
Accounts payable and accrued liabilities	164,552	-	-	164,552

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

(Unaudited - Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

At December 31, 2010 the Company's financial instruments measured at fair value are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Cash	2,211,634	-	-	2,211,634
Amounts receivable	39,541	-	-	39,541
Deposits	60,000	-	-	60,000
Liabilities				
Accounts payable and accrued liabilities	210,281	-	-	210,281

L

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).

(b) Financial Instrument Risk Exposure

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. The Company has reduced its credit risk by depositing its cash with financial institutions that operate globally. Also, as the majority of its receivables are with the government of Canada in the form of sales tax, the credit risk is minimal. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due (Note 1). The Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares and warrants to fund exploration programs and may require doing so again in the future.

Market risk

(i) *Currency risk*

Financial instruments that impact the Company's net earnings or other comprehensive income due to currency fluctuations include: US dollars and Argentine Pesos, all denominated in cash, accounts receivable and accounts payable. The sensitivity of the Company's net earnings and other comprehensive income to changes in the

Blue Sky Uranium Corp.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

(Unaudited - Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

exchange rate between the Canadian dollar and the United States dollar and between the Canadian dollar and the Argentine Peso is summarized as follows:

A 10% change in the US dollar exchange rate relative to the Canadian dollar would change the Company's net income by \$6,557.

A 10% change in the Argentinean peso exchange rate relative to the Canadian dollar would change the Company's net income by \$1,514.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The fair value of cash approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

Other current financial assets and liabilities are not exposed to interest rate risk because they are non-interest bearing.

(c) Capital Management

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

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, contributed surplus and deficit. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets.

To effectively manage the entity's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company has historically relied on issuance of shares to develop the project and may require doing so again in the future.

The Company is monitoring market conditions to secure funding at the lowest cost of capital. The Company is exposed to various funding and market risks which could curtail its access to funds.

11. SUBSEQUENT EVENTS

On May 9, 2011, the Company completed a non-brokered private placement consisting of 5,800,500 units at a price of \$0.18 per unit for gross proceeds of \$1,044,090. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share in the capital of the company at a price of \$0.25 per share for two years. Finders' fees were \$35,633 of cash and 197,960 warrants that are exercisable at a price of \$0.25 per share for an eighteen month period.

200,000 stock options were exercised for gross proceeds of \$20,000.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

(Unaudited - Expressed in Canadian Dollars)

12. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

As stated in Note 2, these are the Company's first condensed consolidated interim financial statements for the period covered by the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 have been applied in preparing the condensed consolidated interim financial statements for the three months ended March 31, 2011, the comparative information for the three months ended March 31, 2010, the statement of financial position as at December 31, 2010 and the opening IFRS statement of financial position on January 1, 2010, the "Transition Date."

In preparing the opening IFRS statement of financial position, comparative information for the three months ended March 31, 2010 and the financial statements for the year ended December 31, 2010, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first-time adopters of IFRS.

Blue Sky Uranium Corp.

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Notes to the Condensed Consolidated Interim Financial Statements

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(Unaudited - Expressed in Canadian Dollars)

Reconciliation of Assets, Liabilities and Equity

	<u>As at January 1, 2010</u>			<u>As at December 31, 2010</u>		
	Effect of			Effect of		
	GAAP	IFRS	IFRS	GAAP	IFRS	IFRS
	Notes (a) and (b)			Notes (a) and (b)		
	\$	\$	\$	\$	\$	\$
ASSETS						
Non-current assets						
Property, plant and equipment	-	-	-	9,277	-	9,277
Mineral property interests	3,396,203	(771,421)	2,624,782	3,465,797	(771,421)	2,694,376
Deposit	-	-	-	60,000	-	60,000
Total non-current assets	3,396,203	(771,421)	2,624,782	3,535,074	(771,421)	2,763,653
Current assets						
Prepaid expenses	336,327	-	336,327	177,100	-	177,100
Amounts receivable	13,227	-	13,227	39,541	-	39,541
Cash and	1,334,398	-	1,334,398	2,211,634	-	2,211,634
Total current assets	1,683,952	-	1,683,952	2,428,275	-	2,428,275
Total assets	5,080,155	(771,421)	4,308,734	5,963,349	(771,421)	5,191,928
EQUITY						
Share capital	10,231,995	-	10,231,995	16,081,510	-	16,081,510
Warrants	808,526	(808,526)	-	855,115	(855,115)	-
Contributed surplus	1,668,765	(1,668,765)	-	2,233,217	(2,233,217)	-
Reserves	-	2,477,291	2,477,291	-	3,088,332	3,088,332
Deficit	(7,827,512)	(771,421)	(8,598,933)	(13,416,774)	(771,421)	(14,188,195)
Total equity	4,881,774	(771,421)	4,110,353	5,753,068	(771,421)	4,981,647
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	198,381	-	198,381	210,281	-	210,281
Total liabilities	198,381	-	198,381	210,281	-	210,281
Total equity and liabilities	5,080,155	(771,421)	4,308,734	5,963,349	(771,421)	5,191,928

Blue Sky Uranium Corp.*(An Exploration Stage Company)*

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2011 and 2010

*(Unaudited - Expressed in Canadian Dollars)***Reconciliation of Loss and Comprehensive Loss**

	<u>Three months ended March 31, 2010</u>			<u>Year ended December 31, 2010</u>		
		Effect of			Effect of	
	GAAP	transition	IFRS	GAAP	transition	IFRS
	\$	\$	\$	\$	\$	\$
Expenses						
Accounting and audit	5,591	-	5,591	65,799	-	65,799
Amortization	-	-	-	843	-	843
Corporate development and investor relations	52,673	-	52,673	287,755	-	287,755
Exploration	463,817	-	463,817	3,150,458	-	3,150,458
Foreign exchange loss	44,942	-	44,942	59,667	-	59,667
Management fees	-	-	-	388,855	-	388,855
Office and sundry	51,084	-	51,084	186,728	-	186,728
Professional and consulting fees	60,075	-	60,075	287,680	-	287,680
Rent, parking and storage	39,751	-	39,751	117,447	-	117,447
Salaries and employee benefits	154,673	-	154,673	225,012	-	225,012
Share-based compensation	82,410	-	82,410	668,332	-	668,332
Transfer agent and regulatory fees	12,131	-	12,131	54,891	-	54,891
Travel and accommodation	38,776	-	38,776	96,022	-	96,022
Loss from operating activities	1,005,923	-	1,005,923	5,589,489	-	5,589,489
Interest income	(117)	-	(117)	(227)	-	(227)
Loss and comprehensive loss for the period	1,005,806	-	1,005,806	5,589,262	-	5,589,262

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For the three months ended March 31, 2011 and 2010

*(Unaudited - Expressed in Canadian Dollars)***Reconciliation of Cash Flows**

	<u>Three months ended March 31, 2010</u>			<u>Year ended December 31, 2010</u>		
	Effect of transition to			Effect of transition to		
	GAAP	IFRS	IFRS	GAAP	IFRS	IFRS
	\$	\$	\$	\$	\$	\$
Operating activities						
Loss for the period	(1,005,806)	-	(1,005,806)	(5,589,262)	-	(5,589,262)
Amortization	-	-	-	843	-	843
Share-based compensation	82,410	-	82,410	668,332	-	668,332
Change in long term deposit	-	-	-	(10,000)	-	(10,000)
Changes in non-cash working capital items	410,082	-	410,082	94,813	-	94,813
Cash used in operating activities	(513,314)	-	(513,314)	(4,835,274)	-	(4,835,274)
Investing activities						
Acquisition of fixed assets	-	-	-	(10,120)	-	(10,120)
Mineral property interests	(7,343)	-	(7,343)	(69,594)	-	(69,594)
Cash used in investing activities	(7,343)	-	(7,343)	(79,714)	-	(79,714)
Financing activities						
Issuance of common shares and warrants	-	-	-	2,582,250	-	2,582,250
Exercise of warrants and options	950,533	-	950,533	3,343,701	-	3,343,701
Share issue costs	-	-	-	(133,727)	-	(133,727)
Cash generated by financing activities	950,533	-	950,533	5,792,224	-	5,792,224
Increase in cash	429,876	-	429,876	877,236	-	877,236
Cash, beginning of period	1,334,398	-	1,334,398	1,334,398	-	1,334,398
Cash, end of period	1,764,274	-	1,764,274	2,211,634	-	2,211,634

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(Unaudited - Expressed in Canadian Dollars)

Notes to Reconciliations

(a) Reclassification Within Equity Section

IFRS requires an entity to present for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its contributed surplus account and concluded that as at the Transition Date, the balance is to be allocated between equity settled share-based payments reserve and contributed surplus reserve. As a result, the Company believes that a reclassification would be necessary in the equity section between contributed surplus reserve of \$817,462 and equity settled share-based payments reserve of \$815,303 totalling \$1,668,765.

In addition, the warrants balance of \$808,526 was reclassified into warrants reserve.

(b) Deferred Tax on Mineral Property

Under GAAP, the Company, in recording the acquisition of mineral properties by a subsidiary, recognized a deferred tax recovery on temporary differences arising on the initial recognition of the mineral property (where the fair value of the asset acquired exceeded its tax basis) in a transaction which was not a business combination and affected neither accounting profit or loss nor taxable profit or loss. IAS 12, Income Taxes ("IAS 12") does not permit the recognition of deferred income taxes on such transactions. As of the Transition Date, the Company has derecognized the impacts of the deferred tax recovery and the offsetting increase in mineral properties which had previously been recognized on the initial acquisition of the mineral property through transactions deemed not to be business combinations and affecting neither accounting profit or loss nor taxable profit or loss.