



**BAYSWATER URANIUM CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FEBRUARY 29, 2008**

## AUDITORS' REPORT

To the Shareholders of  
Bayswater Uranium Corporation

We have audited the consolidated balance sheets of Bayswater Uranium Corporation as at February 29, 2008 and February 28, 2007 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2008 and February 28, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

June 20, 2008



**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

	February 29, 2008	February 28, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 157,467	\$ 6,189,352
Short-term investments	23,501,768	6,686,500
Marketable securities (Note 5)	1,525,771	-
Receivables	874,639	330,723
Prepays and deposits	<u>330,967</u>	<u>27,167</u>
	26,390,612	13,233,742
<b>Equipment</b> (Note 4)	240,136	82,038
<b>Investments</b> ( Note 5)	-	823,968
<b>Reclamation bonds</b>	356,268	-
<b>Exploration advances</b>	989,539	249,086
<b>Mineral properties</b> (Note 7)	<u>46,367,905</u>	<u>18,167,376</u>
	<u>\$ 74,344,460</u>	<u>\$ 32,556,210</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current**

Accounts payable and accrued liabilities \$ 2,469,905 \$ 548,073

**Future income tax liability** (Note 13)

5,242,000 -

7,711,905 548,073

**Shareholders' equity**

Capital stock (Note 8) 68,233,203 39,676,686

Contributed surplus (Note 8) 13,945,484 4,394,171

Obligation to issue shares (Note 12) - 37,500

Deficit (15,546,132) (12,100,220)

66,632,555 32,008,137

\$ 74,344,460 \$ 32,556,210

**Nature of operations** (Note 1)

**Commitments** (Note 12)

**Subsequent events** (Note 16)

**On behalf of the Board:**

\_\_\_\_\_  
 "George Leary" Director

\_\_\_\_\_  
 "Victor Tanaka" Director

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

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

	Year Ended February 29, 2008	Year Ended February 28, 2007
<b>EXPENSES</b>		
Administration	\$ 51,381	\$ 58,158
Amortization	47,133	11,736
Consulting fees (Note 10(a))	238,467	-
Directors' fees	15,500	-
Investor relations	153,029	199,993
Management fees (Note 10(a))	354,360	451,941
Office and miscellaneous	320,084	107,362
Costs related to flow-through obligations	154,613	-
Professional fees	538,997	404,757
Property investigation costs	328,410	247,500
Rent	125,455	48,785
Shareholder communications	417,991	296,133
Stock-based compensation (Note 9)	7,629,161	5,216,773
Transfer agent and filing fees	87,636	108,713
Travel and related costs	50,517	25,634
<b>Loss before other items</b>	<u>(10,512,734)</u>	<u>(7,177,485)</u>
<b>OTHER ITEMS</b>		
Foreign exchange loss	(18,239)	(12,567)
Interest income	1,320,247	269,999
Unrealized loss on marketable securities (Note 5)	(30,451)	-
Realized gain on sale of marketable securities	1,450,586	-
Write-down of investment	-	(230,000)
Mineral properties written-off	<u>(1,724,838)</u>	<u>(20,957)</u>
	<u>997,305</u>	<u>6,475</u>
<b>Loss before income taxes</b>	(9,515,429)	(7,171,010)
<b>Future income tax recovery</b> (Note 13)	<u>5,703,000</u>	<u>-</u>
<b>Loss and comprehensive loss for the year</b>	(3,812,429)	(7,171,010)
<b>Deficit, beginning of year</b>	(12,100,220)	(4,929,210)
<b>Fair value adjustment on financial instruments</b> (Note 2)	<u>366,517</u>	<u>-</u>
<b>Deficit, end of year</b>	<u>\$ (15,546,132)</u>	<u>\$ (12,100,220)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.03)</u>	<u>\$ (0.13)</u>
<b>Weighted average number of common shares outstanding</b>	<u>114,089,657</u>	<u>55,498,435</u>

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

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended February 29, 2008	Year Ended February 28, 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (3,812,429)	\$ (7,171,010)
Items not affecting cash:		
Amortization	47,133	11,736
Obligation to issue shares for services	7,500	37,500
Shares issued for services	-	55,650
Stock-based compensation	7,629,161	5,216,773
Unrealized loss on marketable securities	30,451	-
Realized gain on sale of marketable securities	(1,450,586)	-
Write-down of investment	-	230,000
Write-off of mineral properties	1,724,838	20,957
Future income tax recovery	(5,703,000)	-
Changes in non-cash working capital items:		
Increase in receivables	(482,088)	(52,821)
Increase in prepaids and deposits	(276,937)	(17,130)
Decrease in accounts payable and accrued liabilities	(236,383)	(26,453)
Net cash used in operating activities	<u>(2,522,340)</u>	<u>(1,694,798)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short-term investments	(16,815,268)	(6,686,500)
Equipment	(155,424)	(27,274)
Mineral property expenditures	(19,019,235)	(10,683,411)
Mineral property recoveries	963,822	1,237,835
Exploration advances	(445,496)	(249,086)
(Purchase) recovery of reclamation bonds	(302,235)	3,500
Purchase of marketable securities	(1,300,000)	-
Proceeds on sale of marketable securities	2,515,585	-
Amalgamation and acquisition costs	(459,149)	-
Cash acquired on amalgamations	2,523,527	92,611
Investment	<u>-</u>	<u>(1,000,000)</u>
Net cash used in investing activities	<u>(32,493,873)</u>	<u>(17,312,325)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock issued	29,883,271	25,663,530
Share issue costs	<u>(898,943)</u>	<u>(467,055)</u>
Net cash provided by financing activities	<u>28,984,328</u>	<u>25,196,475</u>
<b>Change in cash during the year</b>	<b>(6,031,885)</b>	<b>6,189,352</b>
<b>Cash, beginning of year</b>	<u>6,189,352</u>	<u>-</u>
<b>Cash, end of year</b>	<b>\$ 157,467</b>	<b>\$ 6,189,352</b>

**Supplemental disclosure with respect to cash flows (Note 11)**

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

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

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**1. NATURE OF OPERATIONS**

Bayswater Uranium Corporation (formerly Kilgore Minerals Ltd.) (“new Bayswater”) and its wholly-owned subsidiaries, including old Bayswater (see below), (the “Company”), are engaged in the exploration of its mineral properties and has not yet determined whether these properties contain economically recoverable reserves. To date, the Company has not earned significant revenues and is considered to be in the development stage.

Effective July 24, 2007, a wholly-owned subsidiary of the Company amalgamated with Bayswater Uranium Corporation (“old Bayswater”) (Note 6). The resulting amalgamated company is named Bayswater Holdings Inc. and is a wholly-owned subsidiary of the Company.

In conjunction with the amalgamation, the Company changed its name to Bayswater Uranium Corporation.

Effective December 21, 2007, the Company completed an Arrangement Agreement with Northern Canadian Uranium (“NCA”). Pursuant to the Arrangement Agreement, NCA amalgamated with a wholly-owned subsidiary of the Company (Note 6). The resulting amalgamated company is named NCU Holdings Inc. and is a wholly-owned subsidiary of the Company.

On August 15, 2006, old Bayswater amalgamated with Pathfinder Resources Ltd.

**2. CHANGES IN ACCOUNTING POLICIES**

Effective March 1, 2007, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants (“CICA”) contained in CICA Handbook Sections 1530, “Comprehensive Income”, 3251, “Equity”, 3855, “Financial Instruments – Recognition and Measurement”, 3861, “Financial Instruments – Disclosure and Presentation”, and 3865, “Hedges”.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale or other financial liabilities. All financial instruments and derivatives are measured at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement will depend on a financial instrument’s initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in income. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is disposed of, impaired or its classification is changed.

As a result of the adoption of these new standards, the Company has classified its cash and marketable securities as held-for-trading. Receivables are classified as loans and receivables, short-term investments are classified as held-to-maturity, and accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost.

As a result of the application of Section 3855, the Company’s marketable securities were written up by \$441,517 and the deficit at the beginning of the period was reduced by \$366,517, net of a future income tax liability of \$75,000, to reflect the fair value of marketable securities held as at February 28, 2007.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Use of estimates**

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting year. Actual results could differ from the estimates.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Use of estimates (cont'd...)**

Significant accounts that require estimates relate to the possible impairment of equipment and mineral property interests, the useful life of equipment, future income taxes and related valuation allowances, valuation of investments, valuation of stock-based compensation and warrants on private placements and the valuation of asset retirement obligations.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Results of operations of subsidiaries are included from the date of acquisition. Significant inter-company balances and transactions have been eliminated upon consolidation.

**Foreign currency translation**

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollars at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at rates approximating those in effect at the transaction date. Exchange gains and losses arising on translation are included in the statement of operations.

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates, and income and expense items are translated at rates approximating those in effect at the transaction date for the year. Translation gains and losses are reflected in loss for the year.

**Short-term investments**

Short-term investments include Canadian guaranteed investment certificates with a major Canadian banking institution that are readily convertible to cash with an original term of more than 90 days when acquired. These investments are stated at cost and their carrying value approximates their fair value.

**Equipment**

Equipment is recorded at cost, net of accumulated amortization. Amortization is calculated on an annual basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	20% declining balance
Computer equipment	30% declining balance
Exploration equipment	30% declining balance
Vehicles	30% declining balance
Leasehold improvements	5 years straight-line

**Mineral properties**

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Mineral properties (cont'd...)**

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Government mining assistance**

The Company carries on certain mineral exploration activities in Newfoundland and Labrador and is eligible to earn refundable credits based on qualifying expenditures. Payments received for mining exploration assistance are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits.

**Asset retirement obligation**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

To date, the Company does not have any significant asset retirement obligations.

**Investments**

Long-term investments are carried at cost. If it is determined that the value of the investment is permanently impaired, it is written down to its estimated net realizable value.

**Stock-based compensation**

The Company uses the fair value-based method for all stock-based compensation, including options granted under the Company's incentive stock option plan and for compensatory rewards. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of the grant and expenses the fair value over the period of vesting. Any consideration paid by the option holders to purchase shares is credited to capital stock.

**Future income taxes**

Future income taxes are recorded for using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Flow-through common shares**

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a future income tax liability and a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of future income taxes in the statement of operations.

**Loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share because to do so would be anti-dilutive.

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

**Comparative figures**

Certain of the comparative figures have been restated in order to conform with the current year's presentation.

**Recent accounting pronouncements**

The following new standards were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2007 and are all effective for the fiscal year beginning March 1, 2008.

**CICA Handbook Section 1535 - Capital Disclosures**

This section establishes standards for the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

**CICA Handbook Section 3862 and 3863 - Financial Instruments**

These two standards replace the current standard, "Financial Instruments – Disclosure and Presentation" (Section 3861), revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how those risks are managed.

**CICA Handbook Section 1400 - General Standards of Financial Statements**

This section requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

The Company adopted these standards effective March 1, 2008 and management has determined that the adoption of these new standards will not have a material impact on the financial statements of the Company or its business, except for expanded disclosures in the notes to the financial statements.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Recent accounting pronouncements (cont'd...)**

CICA Handbook Section 3064 - Goodwill and other intangibles assets

This new section replaces Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Management does not expect that the adoption of this new standard will have a material impact on the Company's financial statements. The Company will adopt the new standard for its fiscal year beginning March 1, 2009.

**International reporting standards**

In addition to the above new accounting standards, the Accounting Standards Board ("AcSB"), in 2006, published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**4. EQUIPMENT**

	February 29, 2008			February 28, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 14,327	\$ 11,906	\$ 2,421	\$ 13,185	\$ 10,870	\$ 2,315
Computer equipment	119,498	35,180	84,318	60,758	18,148	42,610
Exploration equipment	111,765	21,547	90,218	31,452	-	31,452
Vehicles	86,260	27,044	59,216	-	-	-
Leasehold improvements	<u>10,191</u>	<u>6,228</u>	<u>3,963</u>	<u>10,191</u>	<u>4,530</u>	<u>5,661</u>
	\$ 342,041	\$ 101,905	\$ 240,136	\$ 115,586	\$ 33,548	\$ 82,038

**5. MARKETABLE SECURITIES**

During the current fiscal year, the Company reclassified its investments as marketable securities and carries them at fair value (Note 2). As at February 29, 2008, marketable securities consist of shares in publicly traded companies with an initial cost of \$1,556,222 and a fair value of \$1,525,771, which resulted in an unrealized loss on marketable securities of \$30,451 being recorded in operations. The February 28, 2007 balance is recorded at initial cost less write-downs. The fair value of investments at February 28, 2007 was \$1,265,485.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

**6. PLANS OF ARRANGEMENT**

**Amalgamation of Kilgore Minerals Ltd. and Bayswater Uranium Corporation**

The Company (i.e. new Bayswater) completed an Arrangement Agreement (the "Agreement") with old Bayswater. Pursuant to the Agreement, the Company split its shares on the basis of 1.25 new shares for each old share and, effective July 24, 2007, old Bayswater amalgamated with a wholly-owned subsidiary of the Company. Each share or convertible security of old Bayswater was exchanged for one common share or one convertible security of the Company, respectively. This transaction resulted in the issuance of 29,115,090 of the Company's common shares (including 500,000 shares issued as a finder's fee), as well as 1,685,540 stock options and 188,750 share purchase warrants. Upon completion of the agreement, the Company changed its name to Bayswater Uranium Corporation and all of its directors and management resigned in favour of directors and management of old Bayswater.

Since the former shareholders of old Bayswater control the majority of the outstanding capital stock of the Company, the transaction has been accounted for as an acquisition of the Company's net assets by old Bayswater. The fair value of an acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration is not clearly evident, in which case the fair value of the net assets acquired is used. Accordingly, the purchase consideration has been allocated based on the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase, July 24, 2007.

The allocation of the purchase price is summarized in the table below:

Purchase price:		
29,115,090 post-amalgamation common shares	\$	4,093,106
Stock options of Kilgore		840,953
Amalgamation costs		<u>318,510</u>
	\$	<u>5,252,569</u>
Net assets acquired:		
Cash	\$	2,490,962
Receivables		50,865
Prepays and deposits		24,863
Reclamation bond		6,862
Equipment		23,380
Mineral properties		2,738,847
Accounts payable and accrued liabilities		<u>(83,210)</u>
	\$	<u>5,252,569</u>

Using the Black-Scholes option-pricing model, the 1,685,540 stock options granted were valued at \$1,635,832 (\$0.97 per option). Of this total, \$840,953 was allocated to the purchase price for options vested at July 24, 2007.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

Risk-free interest rate:	4.66%
Expected life of options:	2.3 years
Annualized volatility:	92%
Dividend rate:	0%

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

**6. PLANS OF ARRANGEMENT (cont'd...)**

**Acquisition of Northern Canadian Uranium Inc.**

Effective December 21, 2007, the Company completed an Arrangement Agreement with Northern Canadian Uranium Inc. ("NCA"). Pursuant to the Arrangement Agreement, NCA amalgamated with a wholly-owned subsidiary of the Company, forming a new company, NCU Holdings Inc. ("NCU"). Each share or convertible security of NCA was exchanged for 0.65 common shares or 0.65 convertible securities of the Company, respectively. This transaction resulted in the issuance of 18,198,337 of the Company's common shares, as well as 1,059,500 stock options.

The transaction has been accounted for as an acquisition of NCA's net assets by the Company. The fair value of an acquisition should be based on the fair value of the consideration given, except where the fair value of the consideration is not clearly evident, in which case the fair value of the net assets acquired is used. Accordingly, the purchase consideration has been allocated based on the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase.

The allocation of the purchase price is summarized in the table below:

Purchase price:		
18,198,337 post-amalgamation common shares	\$	5,381,382
Stock options of NCA		441,154
Acquisition costs		140,639
	\$	<u>5,963,175</u>
Net assets acquired:		
Cash	\$	32,565
Receivables		40,526
Prepays and deposits		2,000
Reclamation bonds		47,171
Exploration advances		294,957
Equipment		55,074
Mineral properties		5,878,976
Accounts payable and accrued liabilities		<u>(388,094)</u>
	\$	<u>5,963,175</u>

Using the Black-Scholes option-pricing model, the 1,059,500 stock options granted were valued at \$441,154 (\$0.42 per option). Of this total, \$441,154 was allocated to the purchase price for options vested at the effective date of the purchase.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

Risk-free interest rate:	3.88%
Expected life of options:	2.5 years
Annualized volatility:	84%
Dividend rate:	0%

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

**6. PLANS OF ARRANGEMENT (cont'd...)**

**Amalgamation with Pathfinder**

The Company completed an amalgamation with Pathfinder Resources Ltd. ("Pathfinder") to form Bayswater Uranium Corporation (i.e. old Bayswater) effective August 15, 2006. This amalgamation was accounted for as a purchase transaction, with old Bayswater being identified as the acquirer and Pathfinder as the acquiree. Old Bayswater issued 20,247,186 common shares to the former shareholders of Pathfinder (based on a ratio of 0.588 to 1) and also granted options to replace outstanding Pathfinder options. The acquisition has been recorded at the value of the net identifiable assets of Pathfinder at the date of acquisition.

The allocation of the purchase price is summarized in the table below:

Purchase price:		
20,247,186 post-amalgamation common shares	\$	4,164,987
Stock options of Pathfinder		<u>183,972</u>
	\$	<u>4,348,959</u>
Net assets acquired:		
Cash	\$	92,611
Short-term investments		2,000,000
Receivables		106,361
Prepays and deposits		10,037
Reclamation bond		3,500
Equipment		34,819
Investments		5,168
Mineral properties		2,468,758
Accounts payable and accrued liabilities		<u>(372,295)</u>
	\$	<u>4,348,959</u>

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

**7. MINERAL PROPERTIES**

<b>Year Ended February 29, 2008</b>	<b>CMB Labrador Claims</b>	<b>Thelon Basin Projects</b>	<b>Athabasca Basin, Saskatchewan</b>	<b>Collins Bay Property, Saskatchewan</b>	<b>Murphy and Hermitage, Nfld</b>	<b>Wisker Valley Property Nfld</b>	<b>Mali and Niger, West Africa</b>	<b>USA Properties</b>	<b>Ireland, Italy and Other Properties</b>	<b>Total</b>
<b>Acquisition costs</b>										
Balance, beginning of year	\$ 577,601	\$ 2,300,436	\$ 5,499,025	\$ -	\$ 399,158	\$ -	\$ 84,087	\$ -	\$ 605,570	\$ 9,465,877
Additions	879,020	959,652	-	350,000	27,627	377,500	-	450,944	154,973	3,199,716
Recoveries	(88,450)	(559,299)	-	-	(167,256)	-	-	-	-	(815,005)
Acquisition of NCA (Note 6)	-	-	-	3,656,052	-	-	287,022	1,935,902	-	5,878,976
Acquisition of Kilgore (Note 6)	-	-	-	-	-	-	-	2,738,847	-	2,738,847
Written-off during the year	(204,000)	-	-	-	(259,529)	-	(273,684)	(82,154)	-	(819,367)
Balance, end of year	<u>1,164,171</u>	<u>2,700,789</u>	<u>5,499,025</u>	<u>4,006,052</u>	<u>-</u>	<u>377,500</u>	<u>97,425</u>	<u>5,043,539</u>	<u>760,543</u>	<u>19,649,044</u>
<b>Deferred exploration costs</b>										
Balance, beginning of year	<u>3,224,142</u>	<u>3,004,951</u>	<u>757,997</u>	<u>-</u>	<u>866,786</u>	<u>-</u>	<u>73,794</u>	<u>-</u>	<u>773,829</u>	<u>8,701,499</u>
Airborne survey	993,164	2,422,456	1,109,585	-	-	229,402	-	492,199	-	5,246,806
Analytical	361,549	12,804	-	-	-	36,479	-	1,767	3,846	416,445
Camp costs	210,549	707,852	127,800	-	-	10,414	-	-	-	1,056,615
Community relations	141,480	7,075	-	-	-	-	-	-	-	148,555
Compilation	33,028	18,331	55	2,005	-	20	-	129,148	7,447	190,034
Drilling	1,895,471	80,145	-	1,440,840	-	73,314	-	13,764	-	3,503,534
Environmental	-	-	-	-	-	-	-	104,467	-	104,467
Equipment	134,971	81,938	-	-	-	6,003	-	4,595	-	227,507
Field administration	50,687	76,665	7,274	-	22	3,098	2,438	53	326	140,563
Field supplies	36,749	54,165	-	-	-	2,676	-	437	-	94,027
Fixed wing/helicopter	1,903,587	904,269	-	-	14,666	7,264	-	-	-	2,829,786
Geological consulting	887,356	388,575	65,884	40,299	5,150	86,889	25,664	545,118	104,181	2,149,116
Ground geophysics	127,783	296,173	-	-	-	70,826	-	-	-	494,782
Geophysical consulting	119,306	153,789	168,576	20,994	-	-	8,850	45,442	12,450	529,407
Line cutting	98,499	-	-	-	-	27,133	-	-	-	125,632
Permitting	21	15,386	878	-	-	-	-	132,733	-	149,018
Property cost recoveries	(133,333)	(102,843)	-	-	(13,814)	-	-	-	-	(249,990)
Property maintenance	22,815	14,696	6,540	26,086	256	13,180	22,210	670,256	-	776,039
Prospecting	242,797	141,067	-	-	936	311,649	-	-	-	696,449
Travel and related	99,804	137,168	8,940	-	-	27,058	723	20,348	-	294,041
	<u>7,226,283</u>	<u>5,409,711</u>	<u>1,495,532</u>	<u>1,530,224</u>	<u>7,216</u>	<u>905,405</u>	<u>59,885</u>	<u>2,160,327</u>	<u>128,250</u>	<u>18,922,833</u>
<b>Written-off during the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(874,002)</u>	<u>-</u>	<u>(23,423)</u>	<u>(8,046)</u>	<u>-</u>	<u>(905,471)</u>
Balance, end of year	<u>10,450,425</u>	<u>8,414,662</u>	<u>2,253,529</u>	<u>1,530,224</u>	<u>-</u>	<u>905,405</u>	<u>110,256</u>	<u>2,152,281</u>	<u>902,079</u>	<u>26,718,861</u>
<b>Total, end of year</b>	<u>\$ 11,614,596</u>	<u>\$ 11,115,451</u>	<u>\$ 7,752,554</u>	<u>\$ 5,536,276</u>	<u>\$ -</u>	<u>\$ 1,282,905</u>	<u>\$ 207,681</u>	<u>\$ 7,195,820</u>	<u>\$ 1,662,622</u>	<u>\$ 46,367,905</u>

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

**7. MINERAL PROPERTIES (cont'd...)**

<b>Year Ended February 28, 2007</b>	<b>CMB Labrador Claims</b>	<b>Thelon Basin Projects</b>	<b>Athabasca Basin, Saskatchewan</b>	<b>Hermitage, Nfld</b>	<b>Murphy Property Nfld</b>	<b>Niger, West Africa</b>	<b>Central America Uranium Syndicate</b>	<b>Avoca, Ireland</b>	<b>Tuscany Gold, Italy</b>	<b>Total</b>
<b>Acquisition costs</b>										
Balance, beginning of year	\$ 1,002,880	\$ -	\$ -	\$ -	\$ -	\$ 45,880	\$ -	\$ 600,000	\$ -	\$ 1,648,760
Additions	419,571	1,732,947	5,499,025	-	167,000	38,207	-	-	5,570	7,862,320
Recoveries	(844,850)	-	-	(84,200)	(61,300)	-	-	-	-	(990,350)
Acquisition of Pathfinder	-	567,489	-	377,658	-	-	-	-	-	945,147
Balance, end of year	577,601	2,300,436	5,499,025	293,458	105,700	84,087	-	600,000	5,570	9,465,877
<b>Deferred exploration costs</b>										
Balance, beginning of year	241,408	1,042	-	-	-	-	-	450	-	242,900
Acquisition of Pathfinder	-	1,206,203	-	311,976	-	-	4,108	-	-	1,522,287
Airborne survey	1,799,205	835,754	712,700	71,486	10,543	-	-	-	-	3,429,688
Analytical	33,864	1,240	-	5,172	-	-	-	-	-	40,276
Camp costs	71,922	-	-	16,645	2,917	-	-	-	-	91,484
Compilation	39,555	32,881	7,240	-	-	-	-	-	-	79,676
Drilling	50,000	-	-	-	-	-	-	-	-	50,000
Equipment	109,390	-	-	14,842	-	-	-	-	-	124,232
Field administration	67,865	4,292	103	728	-	3,581	-	3,522	83,745	163,836
Field supplies	85,274	132	-	7,396	178	-	1,386	1,007	-	95,373
Fixed wing/helicopter	363,307	12,793	-	140,328	1,159	-	-	-	-	517,587
Geological consulting	182,485	170,903	19,232	35,025	2,300	2,475	380	-	13,000	425,800
Ground geophysics	-	154,015	-	-	-	11,100	-	590,480	-	755,595
Geophysical consulting	68,756	113,473	-	8,000	1,425	20,745	5,127	22,231	14,511	254,268
Mapping	8,441	14,469	14,111	280	-	13,417	-	-	28,534	79,252
Property maintenance	-	444,104	-	-	-	-	5,037	20,217	-	469,358
Project management	9,955	1,573	2,082	-	762	-	1,532	-	4,900	20,804
Property cost recoveries	(150,000)	-	-	(119,156)	(33,161)	-	-	(23,531)	-	(325,848)
Prospecting	168,535	-	-	333,991	26,600	-	-	-	-	529,126
Travel and related	74,180	12,077	2,529	27,350	-	22,476	3,387	6,763	8,000	156,762
	2,982,734	1,797,706	757,997	542,087	12,723	73,794	16,849	620,689	152,690	6,957,269
Balance, end of the year	3,224,142	3,004,951	757,997	854,063	12,723	73,794	20,957	621,139	152,690	8,722,456
<b>Written off during the year</b>	-	-	-	-	-	-	(20,957)	-	-	(20,957)
<b>Total, end of year</b>	\$ 3,801,743	\$ 5,305,387	\$ 6,257,022	\$ 1,147,521	\$ 118,423	\$ 157,881	\$ -	\$ 1,221,139	\$ 158,260	\$ 18,167,376

**7. MINERAL PROPERTIES (cont'd...)**

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

*Uranium properties*

**Central Mineral Belt Properties, Labrador**

On November 17, 2005, the Company entered into an option agreement with Longview Capital Partners Inc. (formerly Longview Strategies Incorporated) ("Longview"), a company related by a former director in common, to acquire a 100% interest in certain claim blocks located in Labrador, Newfoundland. Under the terms of the agreement, the Company has paid Longview \$560,000 and issued 431,202 common shares valued at \$372,000. In addition, the Company was obligated to make a cash payment of \$500,000 by March 28, 2008. Subsequent to February 29, 2008, and pursuant to an amended agreement, the Company settled this obligation by issuing 1,250,000 common shares valued at \$500,000. A net smelter royalty ("NSR") of 2% will be payable to an underlying option holder on each of the claim blocks retained. The Company has the right to purchase one-half of the NSR (1%) at any time for \$1,500,000. By agreement dated November 22, 2005, Longview assigned all its staking rights with the underlying option holder to the Company.

On November 29, 2005, the Company entered into an agreement with the underlying option holder to stake additional claim blocks at a cost of \$61,440. In consideration, the Company paid the underlying option holder a staking fee of 50,000 common shares valued at \$15,000. A NSR of 2% will be payable on each of the claim blocks. The Company has the right to purchase one-half of the NSR (1%) at any time for \$1,500,000.

On January 3, 2006, the Company entered into an agreement with the underlying option holder to stake additional claim blocks at a cost of \$599,040. In consideration, the Company paid the underlying option holder a staking fee of \$10,000 in cash and 180,000 common shares valued at \$86,400. A NSR of 1% will be payable on each of the claim blocks. The Company has the right to purchase all of the NSR (1%) at any time for \$2,000,000.

The Company acquired by staking, during the year ended February 28, 2007, additional claims in Labrador. In consideration, the Company paid a staking fee of \$19,400 in addition to staking costs of \$144,800. A NSR of 1% will be payable on these claims. The Company retains the right to purchase the NSR (1%) at any time for \$2,000,000.

The Company purchased, during the year ended February 28, 2007, additional claims in Labrador for cash consideration of \$5,600. A NSR of 2% will be payable on these claims. The Company has the right to purchase one-half of the NSR (1%) at any time for \$1,500,000.

The Company has acquired, during the years ended February 29, 2008 and February 28, 2007, a 100% interest, by staking, in additional claims in Labrador.

The Company has acquired, during the year ended February 28, 2007, a 100% interest, by staking, in additional claims in Labrador, subject to a 1% or 2% NSR for a staking fee of \$3,000. The Company has the right to purchase, respectively, all or one-half of the NSR (1%) at any time for \$1,000,000.

During the year ended February 29, 2008, the Company acquired an option from Silver Spruce Resources Inc. and Universal Uranium Ltd. to earn a 50% interest in additional claims in Labrador. To earn its 50% interest, the Company issued 200,000 common shares valued at \$204,000 and is required to incur exploration expenditures totaling \$100,000 by July 31, 2008. The Company terminated this agreement and as a result, all related costs have been written off to operations during the year ended February 29, 2008.

**7. MINERAL PROPERTIES (cont'd...)**

*Uranium properties (cont'd...)*

**Central Mineral Belt Properties, Labrador (cont'd...)**

During the year ended February 29, 2008, the Company entered into an option/joint venture agreement with Ucore Uranium Inc. ("Ucore"), whereby the Company and Ucore pooled certain claims and option rights on additional claims held by Ucore in Labrador. Pursuant to the terms of the agreement, the Company and Ucore each have the option to acquire a 50% interest in the pooled claims and option rights by incurring exploration expenditures totaling \$266,667 and \$133,333, respectively, by August 31, 2008.

**Thelon Basin Projects**

These properties include the Canada Uranium Joint Venture and the Company's other property holdings in the Thelon Basin.

**Thelon Basin Properties, Northwest Territories ("NWT") and Nunavut**

The Company entered into an agreement, dated April 13, 2006, with Yukon 37999 Inc. to acquire a 100% interest in additional uranium claims in the South Thelon area of the NWT in consideration of a cash payment of \$102,903. The Company has also agreed to issue 108,858 common shares in three equal installments, the first of which was issued during the year ended February 28, 2007 and the second of which was issued during the year ended February 29, 2008. The final installment was issued subsequent to February 29, 2008. A NSR of 2% on metals and a gross overriding royalty ("GOR") of 2% on diamonds will be payable on each of the claims. The Company retains the right to purchase one-half of the royalties (1.0%) at any time for \$2,000,000.

The Company entered into an agreement, dated April 13, 2006 as amended May 29, 2006 and August 4, 2006, with Aurora Geosciences Ltd. ("Aurora") to stake a minimum of 600,000 acres in Thelon Basin, NWT. Under the terms of the agreement, consideration for staking was \$0.60 per acre and one-third of a common share of the Company per acre, for claims located on land and \$0.40 per acre and one-quarter of a common share of the Company per acre for claims located over water. During the year ended February 28, 2007, a total of \$1,056,356 was paid by the Company for staking costs and 520,297 common shares were issued to Aurora.

Pursuant to a Memorandum of Understanding ("MOU") dated April 11, 2005, Pathfinder was granted an option to acquire an 80% interest in uranium rights in certain exploration permits acquired by Diamonds North Resources Ltd., located within and around the Thelon Basin, Northwest Territories, Canada in consideration of making a cash payment of \$100,000 (paid) and issuing a total of 2,000,000 common shares (1,500,000 shares issued pre-amalgamation). The Company issued 294,000 shares (500,000 pre-amalgamation Pathfinder shares) during the year ended February 29, 2008. The Company must also incur staged optional exploration expenditures on the property totaling \$4,000,000, of which \$400,000 must be expended by April 11, 2006 (completed), a further \$1,600,000 by April 11, 2007 (completed) and a further \$2,000,000 by April 11, 2008 (completed).

During the year ended February 29, 2008, the Company granted an option to Stornoway Diamond Corp. ("Stornoway"), whereby Stornoway may earn a 60% interest in certain diamond rights at Itza Lake, Nunavut by issuing to the Company common shares of Stornoway with a value of \$75,000 (received) and by incurring \$4,000,000 in exploration expenditures over five years (with a minimum of \$500,000 to be incurred prior to September 1, 2008).

**7. MINERAL PROPERTIES** (cont'd...)

*Uranium properties* (cont'd...)

**Canada Uranium Joint Venture**

On January 23, 2006, the Company entered into a joint venture agreement with Strongbow Exploration Inc. ("Strongbow") to identify, acquire and explore uranium properties in Canada. A director of Strongbow subsequently became a director of the Company. The Company will be the operator of the joint venture and, over the first five years of the agreement, shall contribute funding of up to \$500,000 for the acquisition of prospective Canadian uranium properties identified by Strongbow. Strongbow and the Company shall each retain a 50% working interest in each acquired property, subject to the right of Strongbow to select up to three joint venture properties ("Earn-In Properties") for which the Company must fund the first \$600,000 in exploration expenditures on each such property. Under the terms of the joint venture arrangement, Strongbow must offer all Canadian uranium opportunities that it identifies to the Company for inclusion in the joint venture. The Company maintains the right to identify and acquire Canadian uranium prospects outside of the joint venture, with no obligation to offer such projects to Strongbow unless such prospect is located in any of the Yukon, Nunavut, or Northwest Territories.

Pursuant to the joint venture, the Company entered into an agreement dated April 13, 2006 with Yukon 37999 Inc. ("Yukon") to acquire a 100% interest in certain uranium claims in the South Thelon Basin area of the NWT for cash consideration totaling \$105,706. A NSR of 1% on metals and a 1% GOR on diamonds will be payable on each of the claim blocks. The joint venture retains the right to purchase one-half of the royalties (0.5%) at any time for \$1,000,000. Strongbow has elected to include these claims as an Earn-In Property.

Pursuant to the joint venture, certain prospecting permits have been granted to Strongbow in the North Thelon Basin, Nunavut, at a cost of \$2,000 (Check this amount?) to the Company. Strongbow has elected to include these permits as an Earn-In Property under the Joint Venture.

**Athabasca Basin Projects**

These properties include the Brudell Lake property and other property holdings acquired in conjunction with the amalgamation with Northern Canadian Uranium (Note 6 & see below).

**Brudell Lake Properties, Athabasca Basin, Saskatchewan**

The Company entered into a purchase agreement dated July 19, 2006 as amended September 28, 2006 between the Company and the Saskatchewan Syndicate (the "Vendor") whereby the Company acquired a 100% interest in certain mineral claims in three claim blocks referred to as the Brudell Lake Property, Worden Lake Property and the William River Property located in the south central portion of the Athabasca Basin, Saskatchewan. The consideration payable to the Vendor was comprised of 3,500,000 common shares (issued) of the Company at a value of \$1.06 per share and \$1,500,000 (paid). The properties are also subject to a 2% NSR on all metals produced and 2% GOR on all diamonds produced. The Company granted a finder's fee of 100,000 common shares of the Company to a private individual for his assistance in introducing this property to the Company.

During the year ended February 28, 2007, the Company acquired, by staking, additional claims adjacent to the Brudell Lake properties at a cost of \$183,024.

**Hermitage Uranium Belt Properties, Newfoundland**

The Hermitage Uranium Belt properties include the Hermitage Property, Cochrane Pond Joint Venture property and the Murphy Property.

**7. MINERAL PROPERTIES (cont'd...)**

*Uranium properties (cont'd...)*

**Hermitage Property, Newfoundland, Canada**

On October 28, 2005, Pathfinder staked certain claims in southwestern Newfoundland. A finder's fee of 150,000 common shares (pre-amalgamation) of Pathfinder was issued to Commander Resources Ltd. ("CMD") and the property is subject to a 2% NSR to CMD. The Company also staked further claims.

During the year ended February 29, 2008, claims held 100% by Bayswater and not subject to the Cochrane Pond Joint Venture were all allowed to lapse except for three claims. Certain of these abandoned claims were assigned to CMD. As a result, all related costs incurred by the Company have been written off to operations during the year ended February 29, 2008.

**Cochrane Pond Joint Venture, Newfoundland, Canada**

On June 19, 2006, the Company signed a joint venture agreement with CMD whereby they agreed to associate and participate in a 50/50 joint venture operation for the purpose of exploring the Cochrane Pond property located in the Hermitage Uranium Belt, Newfoundland, and, if deemed warranted, bring the property or a portion thereof into commercial production by establishing and operating a mine.

During the year ended February 28, 2006, the companies jointly staked certain claims in southwestern Newfoundland.

During the year ended February 29, 2008, the Company and CMD entered into an option agreement with Global Gold Uranium, LLC (the "Optionee"), a wholly-owned subsidiary of Global Gold Corporation ("Global"), whereby the Optionee may earn up to a 60% interest in the Cochrane Pond property. To earn an initial 51% interest, the Optionee must pay US\$700,000, issue 350,000 common shares of Global and incur exploration expenditures totaling \$3,500,000 over a four year period. A further 9% interest can be earned by either incurring an additional \$2,000,000 of exploration expenditures over a two year period or funding and delivering a feasibility study to the Company and CMD within a three year period. During the year ended February 29, 2008, the Company received US \$100,000 (\$111,520) from the Optionee, and 75,000 common shares of Global valued at \$55,736.

**Murphy Property, Newfoundland, Canada**

During the year ended February 28, 2007, the Company entered into an option agreement to acquire a 90% interest in the Murphy Property located in the Hermitage Uranium Belt of southern Newfoundland. To earn its 90% interest, the Company must make phased total cash payments of \$375,000 (paid \$25,000) and issue 1,000,000 common shares (issued 100,000) over three years. The Company is also required to complete staged work expenditures totaling \$1,000,000 (completed \$100,000 in first year) over a four year period. The owner's 10% property interest will be carried to commercial production; prior to production, the interest may be converted to a 3% NSR on production. The Company may reduce the NSR to 2% by paying the owner \$2,000,000.

During the year ended February 29, 2008, the Company entered into a joint venture with CMD on the Murphy Property. Under the terms of the joint venture agreement, CMD acquired a 50% interest in the 90% interest the Company is earning in the Murphy Property by assuming 50% of the Company's option agreement obligations. CMD's first year obligations include a cash payment of \$12,500 (received), issuance of 80,000 common shares to the Company (received at a value of \$48,800) and funding \$50,000 in exploration expenditures (completed). Future optional obligations by CMD include additional cash payments of \$175,000, issuing common shares to the Company equal to the value of 450,000 shares of the Company over three years, and contributing \$450,000 towards exploration expenditures over four years. The Company has terminated the Joint Venture with CMD on the Murphy Property and has also terminated the option agreement on the property. As a result, all related costs incurred by the Company have been written off to operations during the year ended February 29, 2008.

**7. MINERAL PROPERTIES (cont'd...)**

*Uranium properties (cont'd...)*

**Wisker Valley Property, Newfoundland, Canada**

During the year ended February 29, 2008, the Company acquired an option to earn a 100% interest in the Wisker Valley property in the Baie Verte area of Newfoundland. To earn its 100% interest, the Company is required to pay \$1,470,000 (\$170,000 paid), issue 2,000,000 common shares (200,000 shares issued) and incur exploration expenditures totaling \$2,500,000 over a four year period. The property will be subject to a 3% net smelter returns royalty of which the Company may purchase one-third for \$2,000,000.

**Baca Property, New Mexico, United States**

During the year ended February 29, 2008, the Company acquired an option to earn a 100% interest in claims comprising the Baca Property in New Mexico by paying US \$500,000 (US \$50,000 paid) and issuing 1,000,000 common shares (100,000 shares issued) over a four year period. A NSR of 4% on mineral products produced will be payable on the claims. The Company retains the right to purchase one half of the NSR (2%) at any time for \$2,000,000. A 4% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$50,000 are to be paid annually and will be credited against future production royalties.

During the year ended February 29, 2008, the Company acquired a 100% interest by staking in additional claims in the region of the Baca Property.

**Hurricane Cliffs Property, Utah, United States**

During the year ended February 29, 2008, the Company acquired an option to earn a 100% interest in the Hurricane Cliffs Property in Utah by paying US \$250,000 (US \$25,000 paid) and issuing 500,000 common shares (50,000 issued) over a four year period. A NSR of 3% on mineral products produced will be payable on the claims. The Company retains the right to purchase one third of the NSR (1%) at any time for \$1,000,000. A 3% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$25,000 are to be paid annually and will be credited against future production royalties. Subsequent to February 29, 2008, the Company terminated the Hurricane Cliffs property agreement. As a result, all related costs incurred by the Company have been written off to operations during the year ended February 29, 2008.

**Montana, Wyoming, California and Nevada Uranium Properties, United States**

In conjunction with the Kilgore amalgamation (Note 6):

- a) the Company holds a 100% interest in several uranium properties located in the states of Montana, Wyoming, California and Nevada, USA.
- b) the Company holds a 100% interest in two uranium state leases in Wyoming, and entered into a surface and mineral lease agreement on lands in Carter County, Montana (the "Schlosser Lease"). Under the surface and mineral lease agreement, the Company is responsible for payment of production royalties at rates of between 1% and 3% based on gross value of mineral materials sold and for making certain minimum annual royalties payable in advance. Annual advance minimum royalty payments made by the Company shall be applied as a credit against production royalties. The first annual advance minimum royalty payment, being \$10,000, was due and paid on November 1, 2005, and increases on each anniversary date thereafter to a maximum of US\$100,000 by the 14<sup>th</sup> anniversary date. The annual minimum royalty payment will also increase upon commercial production of mineral materials from the lease. The primary term of the lease is for twenty years, and with a consecutive secondary term thereafter that begins on the twentieth (20<sup>th</sup>) anniversary, unless terminated sooner.

**7. MINERAL PROPERTIES** (cont'd...)

*Uranium properties* (cont'd...)

**Montana, Wyoming, California and Nevada Uranium Properties, United States** (cont'd...)

- c) the Company holds a 100% interest in additional claims staked in Nevada and acquired a 100% interest in ten uranium state leases in Wyoming.
- d) pursuant to a data base purchase agreement, the Company agreed to pay an NSR of 0.25% on uranium production from certain mineral lands within Carter County, Montana and Crook County, Wyoming and to pay a bonus of US\$100,000 in the event a uranium mine is constructed in the same region.
- e) the Company holds a 100% interest in additional staked claims in Montana and Wyoming; and entered into a surface and mineral lease agreement on land in Carter County, Montana (the "Cochrane Lease"). Under the surface and mineral lease agreement, the Company is responsible for an upfront payment of US\$25,000, and payment of production royalties at rates of between 2% and 5% based on net value realized from sale of minerals, and subject to certain minimum annual royalties payable in advance. Advance annual minimum royalty payment made by the Company shall be applied as a credit against production royalties. The advance annual minimum royalty is US\$3 per acre during the primary term, increasing to US\$6 per acre on the tenth (10<sup>th</sup>) anniversary date. The primary term of the lease is for ten years, and with a consecutive secondary term thereafter that begins on the tenth (10<sup>th</sup>) anniversary date, unless sooner terminated.
- f) the Company holds a database on the Mountain West Property in Elko county, Nevada. The database was acquired for an initial cash payment of US\$50,000, with a further cash payment of US\$100,000 to be made when the Company receives a Nevada mine permit. The acquisition agreement also includes the grant of a right of first offer to UG USA, Inc., under which the Company has entered into an agreement for the sale of uranium concentrates to UG USA, Inc. The right of first offer applies to the first one million pounds of uranium concentrate production from the Mountain West Property, at a 1% discount to the prevailing spot price of uranium.

**Saskatchewan, Canada; Nevada, Wyoming and South Dakota, USA and Mali and Niger, West Africa Uranium Properties**

In conjunction with the acquisition of NCA (Note 6) the Company acquired the following uranium properties:

- a) Saskatchewan and Nevada Properties: On June 15, 2005, NCA entered into an option agreement with Bullion Fund Inc. ("Bullion"), pursuant to which it acquired an undivided 90% interest in certain mineral claim blocks in northern Saskatchewan, certain mineral claim blocks in Mineral County, Nevada and a mineral claim block in Clark County, Nevada. Under the terms of the option agreement, Bullion retained an undivided 10% carried interest in all the claims.

During the year ended February 29, 2008, the Company purchased the 10% interest held by Bullion in the claims subject to the initial purchase agreement by paying \$125,000 cash and \$225,000 through the issuance of 369,459 common shares.

**7. MINERAL PROPERTIES** (cont'd...)

*Uranium properties* (cont'd...)

**Saskatchewan, Canada; Nevada, Wyoming and South Dakota, USA and Mali and Niger, West Africa Uranium Properties** (cont'd...)

- b) Wyoming and South Dakota Properties: By agreement, effective March 14, 2006, with Miller-Berdahl Partnership ("Miller-Berdahl") NCA has an option over a three year period to acquire a 100% interest, subject to certain production royalties, in state of Wyoming leases, mineral claims and one surface right agreement in four project areas in Wyoming and in one project area located in South Dakota and Wyoming. The surface right agreement, entered into between Stockade Beaver Creek Ltd., a company owned by Miller-Berdahl, and D. Spencer and P. Spencer and assigned to the Company as per terms of the Miller-Berdahl option agreement, provides the Company access and mining rights for the consideration of a 2% NSR production royalty and annual access payments in the amount of \$3.00 per acre. Under the terms of the Miller-Berdahl option agreement, the Company is to make cash payments totalling US\$750,000 and issue 325,000 common shares in order to exercise the option. As of February 29, 2008, and subsequent thereto, the Company has paid US\$450,000 in cash and issued 260,000 common shares.

Also, the Company has three surface rights agreements (providing also rights to mineral interests to the extent owned by the vendor) for access and mining rights in the Elkhorn project area.

- c) Mali Properties: NCA incorporated a Mali subsidiary under the name Northern Canadian Minerals Inc. Mali for the purpose of applying for and holding mineral rights in Mali. By an Establishment Agreement dated April 2, 2007 with the Government of the Republic of Mali, NCA acquired exclusive exploration and mining rights for uranium for a term of 30 years on the Samit Property in northeastern Mali. The Company is obligated to complete work commitments in the first three years to maintain the land comprising the equivalent of about US\$180,000 in the first year, US\$188,000 in the second year and US\$193,000 in the third year. The Company is in discussions with the Government of Mali in regards an extension of work requirements due to civil unrest in the country. Upon a production decision by the Company, the Government of Mali would hold a 10% carried interest in the project and would have the right to participate for up to an additional 10% interest by contributing to the development costs as per its prorated 10% participating interest.

In addition, NCA was granted on September 27, 2007 a Prospecting Permit which provides the Company with exclusive rights to explore for uranium and apply for Establishment Agreements within an area in northeastern Mali. The permit extends for 90 days, and expires on December 23, 2007, subject to notice of same from the government of Mali. No respective notice has been received from the government to date. The Company plans to apply for two Establishment Agreements within the Prospecting Permit area. The Company is in discussions with the Government of Mali in regards the Prospecting Permit. However, as a result of the civil unrest in the country, related costs incurred to date have been written down to \$1.

- d) Niger Properties: During the year ended February 29, 2008, NCA applied for 12 uranium concessions in two blocks in north central Niger, West Africa. Granting of the concessions is pending.

**7. MINERAL PROPERTIES** (cont'd...)

*Uranium properties* (cont'd...)

**Niger Concessions**

Subject to regulatory approval, the Company entered into an option agreement dated November 17, 2005 with Longview to acquire a 100% interest in two uranium and two gold concessions located in Niger, West Africa. Pursuant to the option agreement, an application has been made to the Ministry of Mines and Energy of the Republic of Niger to acquire exploration and exploitation rights to the four concessions. Under the terms of the agreement, the Company must pay Longview \$200,000 (\$32,817 paid) and issue 250,000 common shares once the concessions are granted. In addition, the Company must make staged payments of up to \$840,000 in cash and issue 550,000 common shares over two years. The Company has the option to issue 50% of the payments in common shares in lieu of the cash.

Subject to regulatory approval, the Company entered into an agreement dated November 24, 2005 with the underlying option holder to acquire a 100% interest in two additional uranium concessions located in Niger, West Africa. As consideration, the Company paid the underlying option holder a fee of 15,634 common shares valued at \$5,000. In addition, the Company must pay the underlying option holder \$15,000 in cash and \$15,000 in common shares once the concessions are granted. Additionally, the Company must pay the underlying option holder 10,000 common shares for each concession held twelve months after the date the concessions are granted.

Pursuant to a change to the mining code in Niger, approved by Parliament effective November 1, 2006, both Longview and the Company reapplied for uranium concessions in the aggregate comprising 16 concessions in two blocks. The Company incurred application fees for the 16 concessions totaling €23,050. During the year ended February 29, 2008, two of the concessions applied for by the Company were granted. No work expenditures are necessary to maintain the concessions granted as an unofficial "force majeure" is in effect until such time as current civil unrest in the country is under control. The gold concessions in Niger were not reapplied for by Longview under the new system.

Upon a production decision by the Company, the Government of Niger would hold a 10% carried interest in the project and would have the right to participate for up to an additional 20% interest by contributing to the development costs as per its prorated 20% participating interest and by paying for its prorated share of prior exploration expenditures.

**7. MINERAL PROPERTIES (cont'd...)**

*Gold and base metal properties*

**Kilgore Gold Property, Idaho, United States**

The Kilgore Property is located in Clark County, Idaho and consists of certain mineral claims owned 100% by the Company.

**Other Gold Properties, United States**

The Company holds a 100% interest in the Hai and Gold Bug Properties located in Lemhi County, Idaho by staking.

**Tuscany Gold Project, Italy**

The Company incorporated an Italian subsidiary under the name Tuscany Minerals S.r.l. to facilitate the application process and holding of exploration and mining permits in Italy. As of February 29, 2008, the Company has been granted six gold permits in Italy. To maintain the permits minimal work requirements are necessary and annual fees of 76,000 euros (about \$120,000) are required. The permits are renewable every two years.

In addition, during the year ended February 28, 2007, the Company issued 33,333 common shares valued at \$12,500 to acquire data related to the area for which the gold permits were filed.

**Avoca Property, Ireland**

During the year ended February 28, 2006, the Company acquired all of the outstanding shares of Jadebay Limited ("Jadebay"), a 100% owned Irish subsidiary of Strongbow, a company related by a common director. This transaction was accounted for as an asset purchase as Jadebay has no business operations. Jadebay maintains a 100% interest in two prospecting licences in the Republic of Ireland. Under the terms of the agreement, the Company issued Strongbow 1,500,000 common shares valued at \$600,000. The full cost of the purchase has been allocated to the mineral concessions. To maintain the licenses, the Company must incur exploration expenditures of €37,500 (approximately CDN \$56,000) per license by June 10, 2008 and complete an airborne survey by June 10, 2006.

Further exploration expenditures in the amount of 37,500 euros (approximately \$56,000) per prospecting license and filing of corresponding report is required to be completed by June 10, 2008 in order to renew the licenses for a subsequent two year period to June 10, 2010. A drilling program is currently underway on the Avoca property that will fulfill the Company's obligation to maintain the licenses until 2010 and probably until 2012.

**BAYSWATER URANIUM CORPORATION**  
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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Unlimited Class A convertible preferred shares without par value			
Issued			
Balance, February 28, 2006	16,969,532	\$ 5,512,757	\$ 530,763
Private placements	22,507,531	20,556,724	-
Exercise of stock options	3,235,720	2,064,126	-
Reclassification of contributed surplus on the exercise of stock options	-	2,150,521	(2,150,521)
Exercise of warrants	5,791,635	3,042,680	-
Reclassification of contributed surplus on the exercise of warrants	-	592,568	(592,568)
Shares issued for services	90,050	93,150	-
Shares issued for mineral properties	4,395,045	4,559,480	-
Acquisition of Pathfinder (Note 6)	20,247,186	4,164,987	183,972
Acquisition of Jadebay (Note 7)	1,500,000	600,000	-
Finder's fees – units	1,171,852	1,012,989	-
Data acquisition	33,333	12,500	-
Cancellation of treasury stock	(1,960,000)	(2,000,000)	-
Share issue costs	-	(1,480,044)	-
Compensation options	-	(1,205,752)	1,205,752
Stock-based compensation	-	-	5,216,773
Balance, February 28, 2007	73,981,884	39,676,686	4,394,171
Private placements	15,711,800	25,057,110	-
Agent's commission	638,500	925,825	-
Compensation options	-	(1,472,250)	1,472,250
Share issue costs	-	(1,824,768)	-
Stock-based compensation	-	-	7,629,161
Mineral properties	1,754,848	1,637,746	-
Obligation to issue shares	25,280	45,000	-
Acquisition of Kilgore (Note 6)	29,115,090	4,093,106	840,953
Acquisition of NCA (Note 6)	18,198,337	5,381,382	441,154
Exercise of stock options	177,900	102,486	-
Reclassification of contributed surplus on the exercise of stock options	-	156,845	(156,845)
Exercise of warrants	4,407,137	4,723,675	-
Reclassification of contributed surplus on the exercise of warrants	-	675,360	(675,360)
Future income taxes on the renunciation of flow through expenditures	-	(10,945,000)	-
Balance, February 29, 2008	144,010,776	\$ 68,233,203	\$ 13,945,484

**BAYSWATER URANIUM CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

During the year ended February 29, 2008, the Company issued 4,336,800 units (the "Units") at a price of \$1.45 per Unit and 11,375,000 flow-through units (the "FT Units") at a price of \$1.65 per FT Unit to raise gross proceeds of \$25,057,110 (the "Offering").

Each Unit consisted of one common share and one half of one common share purchase warrant (each whole such purchase warrant, a "Warrant"). Each FT Unit consisted of one flow-through common share and one-half of one transferable Warrant. Each Warrant is exercisable into one additional non-flow-through common share at an exercise price of \$1.85 to September 8, 2008.

The Agent received a commission equal to 7% of the gross proceeds of the Offering, consisting of cash of \$828,173 and 638,500 Units valued at \$925,825. As well, the Agent received 1,571,180 compensation options valued at \$1,472,250, each of which is exercisable into one common share at an exercise price of \$1.70 to September 8, 2008. The compensation options were valued using the Black-Scholes option pricing model, assuming volatility of 105.64%, risk-free interest rate of 3.90%, expected life of eighteen months and 0% dividends.

During the year ended February 28, 2007, the Company:

- a) completed a brokered private placement for total proceeds of \$9,937,025. The private placement consisted of 6,357,500 flow-through units at a price of \$0.90 per unit and 5,620,366 non-flow-through units at a price of \$0.75 per unit. Each flow-through unit consisted of one flow-through common share and one half of one share purchase warrant. Each non-flow-through unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant was exercisable into one additional common share at an exercise price of \$1.00 per share until September 27, 2007. The Company paid a commission of 7.5% of the gross proceeds of the private placement through the issuance of 724,852 non-flow-through units valued at \$543,639 with the same terms as the private placement and \$201,638 in cash. Additionally, 1,197,786 compensation options valued at \$576,430 were issued as a commission in connection with the private placement. Each compensation option entitled the holder to acquire one additional common share at an exercise price of \$0.80 per share until September 27, 2007.
- b) completed a brokered private placement of 7,620,000 flow-through units issued at \$1.05 per unit for total proceeds of \$8,001,000. Each unit consisted of one flow-through common share and one share purchase warrant to acquire one additional flow-through common share for a period of two years from the date of closing at \$1.20 per share. Agent compensation included a commission of \$128,756, 447,000 units valued at \$469,350, having the same terms as the units in the offering except that they are not flow-through units, and 759,500 compensation options valued at \$629,322 which entitled the Agent to purchase one common share of the Company for a period of two years from closing at \$1.10 per share.
- c) completed a non-brokered private placement which consisted of 2,909,665 units at a price of \$0.90 per unit for total gross proceeds of \$2,618,700. Each unit was comprised of one common share and one share purchase warrant, each warrant exercisable at a price of \$1.20 per share for a period of two years from the date of closing. A finder's fee of \$22,043 was paid.
- d) cancelled 1,960,000 common shares held by Pathfinder on completion of the amalgamation (Note 6).

**BAYSWATER URANIUM CORPORATION**  
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**9. STOCK OPTIONS AND WARRANTS**

**Stock options**

The Company has a stock option plan where the directors are authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the closing price of the Company's shares on the date of grant less any discount permitted by the TSX Venture Exchange ("TSX-V") and vesting terms are at the discretion of the board of directors. The options can be granted up to a maximum term of 5 years.

As at February 29, 2008, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
111,680	\$ 0.34	March 20, 2008 (subsequently exercised)
162,500	0.77	May 16, 2008 (subsequently expired)
656,250	0.24	October 26, 2008
325,000	0.55	February 14, 2009
65,000	0.75	April 12, 2009
58,840	0.34	March 22, 2010
26,000	0.49	October 5, 2010
44,100	0.63	February 23, 2011
275,000	0.90	April 10, 2011
150,000	0.90	April 13, 2011
182,000	0.77	June 2, 2011
615,000	1.30	July 19, 2011
411,600	1.22	July 26, 2011
775,000	1.41	September 1, 2011
930,500	1.42	December 8, 2011
260,000	0.65	March 5, 2012
3,870,000	1.65	March 22, 2012
816,790	1.23	March 25, 2012
1,600,000	0.80	August 16, 2012
39,000	0.83	November 1, 2012
<u>2,560,000</u>	0.83	January 7, 2013
<u>13,934,260</u>		

**BAYSWATER URANIUM CORPORATION**  
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**9. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Stock options (cont'd...)**

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, February 28, 2006	1,605,000	\$	0.34
Options granted	5,040,500		1.24
Pathfinder options (Note 6)	1,487,640		0.71
Options exercised	(3,235,720)		0.63
Options cancelled	<u>(560,200)</u>		0.98
Balance, February 28, 2007	4,337,220		1.24
Options granted	8,960,000		1.26
Kilgore options (Note 6)	1,685,540		0.82
NCA options (Note 6)	1,059,500		0.67
Options exercised	( 177,900)		0.58
Options cancelled	<u>(1,930,100)</u>		1.48
Balance, February 29, 2008	13,934,260	\$	1.14
Number of options currently exercisable	12,063,757	\$	1.17

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**9. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Warrants**

As at February 29, 2008, the Company had outstanding share purchase warrants and compensation options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
8,175,151	\$ 1.85	September 8, 2008
1,571,180	1.70	September 8, 2008
4,864	1.10	November 1, 2008
<u>8,423,944</u>	1.20	November 1, 2008
<u>18,175,139</u>		

Warrant and compensation options transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at February 28, 2006	3,713,500	\$ 0.27
Issued	19,285,311	1.11
Exercised	(5,791,635)	0.53
Expired	<u>-</u>	-
As at February 28, 2007	17,207,176	1.12
Issued	9,748,518	1.83
Kilgore warrants (Note 6)	188,750	0.40
Exercised	(4,407,137)	1.07
Expired	<u>(4,562,168)</u>	1.00
As at February 29, 2008	<u>18,175,139</u>	<u>\$ 1.53</u>

**Stock-based compensation**

The Company granted 8,960,000 (2007 – 5,040,500) stock options during the current year resulting in a fair value, using the Black-Scholes option-pricing model, of \$7,505,902 (2007 - \$4,963,180). As well, during fiscal 2007, the Company granted 1,487,640 options valued at \$849,331 pursuant to the acquisition of Pathfinder (Note 6). For the year ended February 29, 2008, the Company recorded \$7,629,161 as stock-based compensation expense and contributed surplus for options which vested during the period. In fiscal 2007, the Company expensed \$5,216,773 for options which vested during the year and allocated \$183,972 to the acquisition of Pathfinder (Note 6).

**BAYSWATER URANIUM CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**9. STOCK OPTIONS AND WARRANTS (cont'd...)**

**Stock-based compensation (cont'd...)**

The weighted average fair value of the stock options granted during the year ended February 29, 2008 was \$0.85 (2007 - \$0.98) per option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation options granted during the years ended February 29, 2008 and February 28, 2007:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate:	3.92%	4.05%
Expected life of options:	2.8 years	3.5 years
Annualized volatility:	104%	129%
Dividend rate:	0%	0%

**10. RELATED PARTY TRANSACTIONS**

During the year ended February 29, 2008, the Company:

- a) Paid or accrued \$524,360 (2007 - \$451,941) for management and consulting fees to a company controlled by the president, a director, a former director and companies with common directors.
- b) Paid or accrued \$15,500 (2007 - \$Nil) for directors fees to directors of the Company.
- c) Paid or accrued \$55,850 (2007 - \$38,800) for rent to a company controlled by the president, a company with a director in common and a company owned by an officer of the Company.
- d) Paid or accrued \$38,000 (2007 - \$41,000) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$50,000 (2007 - \$106,250) for investor relations to a company with a former common director.
- f) Paid or accrued \$300,000 (2007 - \$51,000) and issued 292,740 (2007 - 38,462) common shares valued at \$300,000 (2007 - \$50,001) for property acquisition costs to a company with a former common director.
- g) Received \$Nil (2007 - \$12,500) and Nil (2007 - 80,000 common shares valued at \$48,800) from a company with common directors pursuant to a mineral property option agreement.
- h) Paid or accrued \$66,909 (2007 - \$58,480) for consulting fees included in deferred exploration costs to a director, a former director and a company controlled by the president.

Included in accounts payable and accrued liabilities at February 29, 2008 is \$179,577 (February 28, 2007 - \$139,520) owing to a company controlled by the president of the Company, to a company with a director in common and to directors.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**BAYSWATER URANIUM CORPORATION**  
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**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	2007	2006
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

The significant non-cash investing and financing transactions during the year ended February 29, 2008 included:

- a) issuing 1,754,848 common shares valued at \$1,637,746 for mineral property acquisitions;
- b) issuing 638,500 units valued at \$925,825 and 1,571,180 compensation options valued at \$1,472,250 to an agent in connection with a private placement;
- c) issuing 29,115,090 common shares and 1,685,540 options, valued at \$4,934,059, pursuant to the acquisition of Kilgore (Note 6);
- d) issuing 25,280 common shares to settle an obligation to issue shares totaling \$45,000;
- e) issuing 18,198,337 common shares and 1,059,500 options, valued at \$5,822,536, pursuant to the acquisition of NCU (Note 6);
- f) accruing \$1,949,401 of mineral property expenditures in accounts payable and accrued liabilities as at February 29, 2008; and
- g) receiving 151,601 common shares of publicly listed companies valued at \$130,736 pursuant to mineral property option agreements.

The significant non-cash investing and financing transactions during the year ended February 28, 2007 included:

- a) issuing 4,395,045 common shares valued at \$4,537,480 for mineral property acquisitions and \$22,000 to settle an obligation to issue shares;
- b) issuing 1,500,000 common shares valued at \$600,000 to settle an obligation to issue shares pursuant to the acquisition of Jadebay Limited;
- c) issuing 1,171,852 units valued at \$1,012,989 as finders' fees;
- d) issuing 20,247,186 common shares and 1,487,640 stock options, valued at \$4,348,959, pursuant to the acquisition of Pathfinder (Note 6);
- e) issuing 90,050 common shares to Longview for consulting services valued at \$55,650 and to settle an obligation to issue shares of \$37,500;
- f) issuing 33,333 common shares valued at \$12,500 for the acquisition of property data;
- g) receiving 80,000 common shares of a publicly listed company valued at \$48,800 pursuant to a mineral property option agreement;
- h) accruing \$29,563 of mineral property recoveries in receivables as at February 28, 2007; and
- i) accruing \$233,843 of mineral property expenditures and \$28,647 of equipment expenditures in accounts payable and accrued liabilities as at February 28, 2007.

**BAYSWATER URANIUM CORPORATION**  
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**12. COMMITMENTS**

During the year ended February 28, 2006, the Company entered into a management agreement with Longview whereby Longview agreed to provide the Company with consulting services until May 1, 2007. In consideration, the Company paid Longview \$15,000 per month payable 50% in cash and 50% in common shares. As at February 29, 2008, the Company had no further obligation with respect to this agreement.

During the year ended February 28, 2007, the Company entered into a sublease for its premises along with three other publicly listed companies trading on the TSX Venture Exchange, related by a common director. In addition, the Company had agreed to pay a maximum of \$3,600 per month for the term of the lease, based on its proportionate space. This sublease agreement was amended and expired on November 1, 2007, with no further obligation by the Company.

During the year ended February 29, 2008, the Company entered into management services agreements with the Company's President and its Chief Operating Officer. Both contracts are effective from January 1, 2008 to December 31, 2009 and remuneration is \$20,000 per month. If the Company terminates either agreement, the Company will be obligated to make a termination payment equal to twelve times the monthly management fee.

**13. INCOME TAXES**

A reconciliation of income taxes at statutory rates is as follows:

	2008	2007
Loss before income taxes	\$ (9,515,429)	\$ (7,171,010)
Expected income tax (recovery)	\$ (3,205,000)	\$ (2,438,000)
Non-deductible items	2,865,000	1,823,000
Unrecognized (recognized) benefit of non-capital losses	<u>(5,363,000)</u>	<u>615,000</u>
Future income tax recovery	\$ (5,703,000)	\$ -

The significant components of the Company's future income tax assets are as follows:

	2008	2007
Future income tax assets:		
Non-capital loss carryforwards	\$ 2,079,000	\$ 1,432,000
Capital loss carryforwards	-	51,000
Other items	728,000	45,000
Future income tax liabilities:		
Resource properties and investments	<u>(8,049,000)</u>	<u>(999,000)</u>
Valuation allowance	(5,242,000)	529,000
	<u>-</u>	<u>(529,000)</u>
Net future income tax liability	\$ (5,242,000)	\$ -

The Company has available for deduction against future taxable income non-capital losses of approximately \$7,700,000. These losses, if not utilized, will expire through to 2028. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. INCOME TAXES (cont'd...)**

During the year ended February 29, 2008, the Company renounced \$32,489,727 to flow through share subscribers resulting in a future income tax liability of \$10,945,000 recorded as a charge against capital stock. As a result of the renunciation and the effect of recording marketable securities at fair value, which is not recognized for tax purposes, the Company has a net future income tax liability of approximately \$5,242,000 as at February 29, 2008.

**14. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, short-term investments, receivables, marketable securities, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**Currency risk**

The Company holds non-monetary assets in the United States, Niger, West Africa, Italy and Ireland. The Company could accordingly be at risk for foreign currency fluctuation and developing legal and political environments. The Company does not maintain significant cash or other monetary assets or liabilities in these countries.

**15. SEGMENTED INFORMATION**

The primary business of the Company is the acquisition and exploration of mineral properties.

Geographic information is as follows:

	February 29, 2008	February 28, 2007
<b>Capital assets</b>		
Canada	\$ 37,437,987	\$ 16,712,134
United States	7,299,751	-
Europe	1,662,622	1,379,399
Mali and Niger, West Africa	207,681	157,881
	<u>\$ 46,608,041</u>	<u>\$ 18,249,414</u>

**16. SUBSEQUENT EVENTS**

Subsequent to February 29, 2008, the Company:

- a) issued 1,351,286 common shares pursuant to mineral property option agreements;
- b) issued 111,680 common shares for total proceeds of \$37,971 pursuant to the exercise of incentive stock options;
- c) issued 25,000 common shares pursuant to an agreement for promotional services;
- d) Cancelled all outstanding stock options previously granted with exercise prices greater than \$0.45 and granted 13,834,490 new options at \$0.45; and
- e) entered into an option/joint venture agreement with Otis Capital Corp. ("Otis") whereby Otis can earn up to a 75% interest in the Kilgore Gold property, located in Clark County, Idaho, and two additional gold properties, Hai and Gold Bug, located in Lemhi Counties, Idaho, USA (the "Properties").

**16. SUBSEQUENT EVENTS** (cont'd...)

Otis can earn an initial 50% interest in the Properties by completing the following:

- i. Payment of US\$100,000 in cash and the issuance of 500,000 common shares upon the TSX-V acceptance of this transaction;
- ii. Payment of US\$100,000 in cash and the issuance of 400,000 common shares and incurring US\$250,000 in exploration expenditures in year one;
- iii. Issuance of 400,000 common shares and incurring US\$350,000 in exploration expenditures in year two;
- iv. Issuance of 400,000 common shares and incurring US\$500,000 in exploration expenditures in year three;
- v. Issuance of 400,000 common shares and incurring US\$900,000 in exploration expenditures in year four; and
- vi. Issuance of 400,000 common shares and incurring US\$1,000,000 in exploration expenditures in year five.

Otis can increase its interest to 75% by issuing an additional 1,000,000 common shares and by completing an independent pre-feasibility study on the Kilgore Gold Project. In the event that Otis does not exercise its right to earn the additional 25% interest, for a total of 75%, the Company may then elect to earn back a 10% interest, thereby retaining a 60% interest, by expending US\$600,000 within the year following its election to exercise.

A 2.0% NSR will be paid to the Company on production of gold from the Property. At any time, Otis will have the right to purchase each one-fourth of the NSR for the sum of \$500,000, up to a maximum of three-fourths (3/4), following which the Company would hold a 0.5% NSR.

Completion of the transaction is subject to TSX-V acceptance and the approval of Otis's Qualifying Transaction.

# **BAYSWATER URANIUM CORPORATION**

## **Management Discussion and Analysis**

**Year Ended February 29, 2008**

This discussion and analysis of financial position and results of operations is prepared as at June 26, 2008 and should be read in conjunction with the audited consolidated financial statements for the years ended February 29, 2008 and February 28, 2007 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following management discussion and analysis (“MD&A”) are expressed in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information on the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Description of Business**

The Company is a natural resource company engaged in the acquisition, exploration, and development principally of uranium properties with a secondary interest in gold and base metal properties. It holds uranium interests in large land holdings in Labrador, as well as in properties in Saskatchewan, Newfoundland, Nunavut and the Northwest Territories, Canada; in concessions and concession applications in Niger, West Africa; and, as a result of the recently closed amalgamation with Kilgore Minerals Ltd., owns interests, through its wholly-owned subsidiary, Kilgore Gold Inc., in 22 properties in the western United States. In addition, as a result of the recent closing of the amalgamation with Northern Canadian Uranium Inc. (“NCA”), the Company owns interests, through its subsidiary, NCU Holdings Inc., in 12 uranium properties in the western United States, Saskatchewan, Canada and in Mali; plus several uranium concession applications in two blocks in Niger. Subsequent to the amalgamation with Kilgore, the Company acquired two additional uranium properties in the western United States. Also, through its subsidiary, Jadebay Limited, the Company owns an interest in two base metal prospecting licences in Ireland; and through its subsidiary, Kilgore Gold Inc., owns interests in three gold properties in Idaho. The Company trades on the TSX Venture Exchange under the symbol BAY.

### **Overall Performance**

The Company is principally engaged in the identification, acquisition and exploration of uranium resource properties. In 2007, the Company advanced from an explorer of early stage uranium exploration properties in Canada to an explorer with i) a new discovery in Labrador and drill targets on all its Canadian holdings, and ii) an additional portfolio of resource property projects, three of which (Alzada, Montana; Mountain West, Nevada and Elkhorn, Wyoming), in the western United States, are at the advanced exploration to development stage. For these latter projects, the Company plans to advance them towards feasibility and potential production along an aggressive time line—depending on general market conditions.

The Company, since late in 2005, has entered into a series of property agreements and directly acquired large, strategic land positions in the three most important uranium districts in Canada—including the Central Mineral Belt, Labrador, Thelon Basin, Nunavut and NWT and in the Athabasca Basin, Saskatchewan, Canada; made applications for large uranium concessions, of which two have been granted recently, in Niger, West Africa; and has acquired prospecting permits for base metals in southern Ireland. In addition, the Company has entered into a joint venture arrangement with Strongbow Exploration Inc. (“Strongbow”) (TSX-V: SBW) that is designed to identify, acquire and explore uranium properties in

Canada—which to date has led to the acquisition of several separate properties in North and South Thelon Basins, Nunavut & NWT. Also, during August, 2006, the amalgamation with Pathfinder Resources Ltd. closed and, as a result, the Company's land holdings expanding significantly in Thelon Basin, NWT and led to new uranium land interests in the Hermitage Belt, southern Newfoundland and in Guatemala. These land acquisitions comprise in total, including concessions granted in Niger, over 7.7 million acres. Bayswater is currently the largest land holder in the three key uranium districts in Canada with cumulative holdings of over 6.6 million acres. These land positions offer excellent opportunities for generally lower risk for discovery because of their size and strategic location in key uranium districts.

The amalgamation with Kilgore Minerals Ltd., which closed in late July, 2007, was a major milestone for the Company. As a result, the Company now owns a 100% interest in 22 uranium properties including 6 with approximately 12.5 million pounds of non 43-101 compliant historical uranium resources located in Montana, Nevada, Wyoming and California; as well as numerous additional properties in Wyoming and Montana with known uranium mineralization and defined targets for drill testing and potential resource delineation. Five of these properties in three project areas (Alzada, Montana; Mountain West, Nevada and Elkhorn, Wyoming) have historical uranium resources that offer opportunities for advancement to feasibility and potential production. Subsequent to the amalgamation with Kilgore, the Company has been actively engaged in compiling various databases acquired by Kilgore, planning property programs and initiating permitting of properties in Montana and Nevada for drilling. Both of these projects have substantial potential for additional resources. A major program of confirmation drilling, metallurgical testing and step out drilling is planned, subject to general market conditions, in order to expand and quantify historical resources according to NI 43-101 standards and to advance these projects towards feasibility.

In addition, the Company has acquired an additional uranium property in New Mexico, referred to as the Tejana Mesa project, that includes optioned (Baca Property) and 100% owned staked claims along a 20 mile favourable roll front system along the margin of the uranium rich region of the Colorado Plateau. Significant historical drilling has been completed by major companies exploring for uranium in this region.

Also, further granting of uranium applications for a large land position in Niger is pending government approval. Niger is an important producer of uranium and the applications submitted by the Company are strategic in relation to known producing uranium mines and undeveloped uranium deposits in the country. Once the concessions are granted, airborne surveying and ground follow-up is warranted subject to current civil unrest in the country being under control. Alternatively, the Company may consider farming out these concessions .

In addition, the Company entered into an option agreement with Stornoway Diamond Corporation on its large Itza Lake property in North Thelon Basin for the purpose of evaluating its diamond potential. Bayswater has the right to participate as to a 40% interest, once Stornoway is vested by spending \$4.0 million over 5 years. This allows the Company to focus on uranium exploration but at the same time capitalize on the diamond potential of this property.

Further to the Company's strategy to expand its interests in uranium resource properties and add to its management team, the Company completed its acquisition of Northern Canadian Uranium Inc. ("NCA") effective December 21, 2007. As a result of the amalgamation, the Company acquired NCA's portfolio of uranium properties in 12 project areas, some with historical or NI 43-101 compliant resources, in Canada, United States and in Mali, West Africa, and has made application for 12 uranium concessions in Niger, West Africa. Many of these properties offer considerable synergy with Bayswater's uranium projects and immediate resource growth potential to the Company—particularly the Elkhorn properties in Wyoming that combined with Bayswater's adjoining properties have NI 43-101 non compliant historical resources and compliant resources of over 650,000 lbs uranium in 6 separate deposits; Edgemont property, South Dakota; Collins Bay Extension property in the Athabasca Basin, Saskatchewan; Samit

property, Mali, West Africa with a non NI 43-101 historical resource of 440,000 lbs uranium and the Carol R Mine property, Nevada. Also, four Niger concessions, once granted, will form a strategic addition to concessions that Bayswater has applied for near the Areva-operated Cominak and Somair uranium mines. In 2007, NCA had initiated permitting of the Elkhorn properties in Wyoming and made preparations for drilling of the Collins Bay Extension property, Saskatchewan for purposes of resource and exploration drilling in 2008. In addition, two key officers and directors of NCA—namely Praveen Varshney and Keith Laskowski, have joined the management of Bayswater respectively as a director and as VP Exploration—USA along with other experienced members of NCA's uranium exploration team.

During fiscal 2007, the Company incurred exploration expenditures of approximately \$7.0 million on its various properties and, during the year ended February 29, 2008, the Company incurred further exploration expenditures of approximately \$18.9 million. Most of these funds were spent on the Company's Canadian projects and resulted in significantly advancing all our projects with numerous favourable drill targets identified on all projects and with completion of over 15,000 metres of drilling in 68 holes on our Labrador holdings where the Company has reported its first major uranium discovery on the Anna Lake prospect as first announced October 29, 2007.

The current uranium property assets of Bayswater include five properties at the resource drilling stage—namely, Anna Lake deposit, Labrador; Alzada properties, Montana; Elkhorn properties, Wyoming; Mountain West property, Nevada; and Mali property, West Africa. An additional 8 properties are also at the drill stage, either with drill ready targets or requiring minimal additional work to establish drill ready targets, including additional untested targets within the Company's Labrador land holdings and targets on the Wisker Valley property, Newfoundland; Brudell Lake and Collins Bay Extension properties, Saskatchewan; North and South Thelon properties, Nunavut and NWT; Baca property, New Mexico; and Edgemont property, South Dakota. This is a very aggressive portfolio of drill ready resource and early stage properties that individually and collectively provide the Company with exceptional opportunities for growth.

The current uranium property assets of the Company are a balanced portfolio of advanced and early stage projects that provide a base for growth and better position the Company to be a market leader in uranium exploration and to become a major international uranium company with production.

For an overview of the evolving strategy of the Company prior to and during this difficult market, the reader is referred to news releases dated January 8 and April 28, 2008.

During 2008, the Company has completed a drilling program on its Collins Bay Extension, Saskatchewan and Wisker Valley, Newfoundland properties to test favourable targets; and completed a winter ground geophysical program on its Brudell Lake property, Saskatchewan in order to better define targets for drill testing. Assay results from drilling these two properties are pending and results of ground work on Brudell Lake are being evaluated.

In addition, the Company has completed the first phase of a planned 2008 two phase drill program on its Elkhorn project, Wyoming and has announced exceptionally good results from the initial 160 holes of the 312 holes drilled on the first phase. Further results are pending.

During the year ended February 29, 2008, the Company issued 4,336,800 units and 11,375,000 flow-through units pursuant to a private placement, raising net proceeds of approximately \$23.2 million. During the year ended February 28, 2007, the Company completed two brokered and one non-brokered private placements that netted approximately \$20.3 million.

## **Details of Property Acquisitions, Results of Exploration and Plans**

### **Central Mineral Belt, Labrador**

Exploration work carried out in 2007 on the Central Mineral Belt, Labrador property consisted of completion of 68 diamond drill holes totaling 15,231 metres of drilling on the Anna Lake, Dandy, Stipec A, Stipec E and Kanairiktok Bay uranium prospects; 5700 line km of airborne EM and magnetic surveying of a portion of the historic uranium district covering the Company's Stipec River prospects and airborne radiometric and magnetic anomalies southwest of the Michelin deposit; grid construction over the Anna Lake prospect and areas of potential geologic extension to the northeast and southwest with soil sampling, induced polarization, magnetic and radiometric surveying of the grid area; limited grid controlled induced polarization and soil surveys over portions of the Stipec River prospects; radon gas surveying over the Ghost Lake A and B radiometric anomalies, a portion of the Anna Lake grid area in the area of the recent discovery from drilling and over a new radioactive sandstone boulder field located in the Stipec river area; further prospecting of a number of radiometric anomalies from the 2006 survey; and radiometric and magnetic airborne surveying totaling about 4500 line km and follow-up prospecting of radiometric anomalies over i) three 100% owned claim blocks comprising 797 claims staked to cover favourable uranium targets marginal to the Company's land holdings subsequent to the 2006 program and ii) 829 pooled claims optioned/joint ventured with Ucore Uranium Inc. at the east end of the historic uranium belt.

Results of this work have been summarized in news releases dated July 12, August 2, October 15, October 29, November 27, December 10, 2007 and January 4, 2008. Most importantly, the Company has initially reported, as of October 29, 2007, a major uranium discovery at its Anna Lake prospect. Drilling has identified a mineralized zone traced for 600 metres along strike and up to 230 metres vertical depth with approximate true widths of up to 25 metres. The best hole assayed 0.07% U<sub>3</sub>O<sub>8</sub> over 40 metres with significant molybdenum credits. The mineralized zone occurs along the western margin of a north-south trending induced polarization anomaly traced for 1.4 km and is open in all directions. The discovery occurs in an area of extensive overburden consisting of thin glacial deposits of drift and boulder fields. The mineralized zone has potential for higher grade zones at depth based on characteristics of other known deposits in the district. In addition, at Anna Lake, surface geophysical and geochemical surveys have delineated a number of additional targets for drill testing in 2008 along a 10 km long favourable corridor northeast of the deposit.

Several prospects identified from the 2006 exploration season as well as further discoveries and additional targets identified from the 2007 work remain to be fully evaluated.

An extensive program on the Labrador project commenced in early May, 2008 including i) further drill testing of the Anna Lake deposit; ii) drilling and further grid surveys along the favourable 10 km corridor at Anna Lake; iii) prospecting of a new uraniumiferous boulder train discovered late last year in the Stipec River area and iv) further prospecting new uranium targets in the Makkovik River area and of selected priority airborne anomalies. Drilling comprising about 17,000 metres at Anna Lake and 4000 metres on other targets is planned for 2008 with up to three drills. A drill contract has been entered into with Cartwright Drilling Inc. who also conducted the drilling for Bayswater in 2007 on the Labrador project.

### **Athabasca Basin, Saskatchewan**

In 2007, Bayswater completed a 14,000 line km VTEM and magnetic survey, a deep penetrating EM system of Geotech Ltd., over all its Brudell Lake land holdings in the Athabasca Basin. This survey is one of the largest airborne electro-magnetic (EM) programs carried out in the Athabasca Basin by any company to date. The objective of the survey was to locate and define anomalies that may reflect the presence of basement conductors or alteration and associated basement structure that are known to be related to high-grade unconformity-type uranium mineralization.

Results of the above VTEM/magnetic survey were announced December 17, 2007. Five conductors, ranging in length from 3 km to over 7 km, occur in an area of the property which shows strong structural

uplifts and down drops associated with ENE-WSW to NE-SE regional basement faults. The conductors range in interpreted depth from 500 to 1,000 metres. Due to the thick cover of Athabasca sandstone and absence of any drilling in the 1.7 million acre property, the basement geology of this area is unknown and interpretive. C. Card of the Saskatchewan Northern Geological Survey Branch recently presented a paper in Saskatoon (December 5, 2007) that suggests the area may be underlain in substantial part by metasediments. Metasediments in other areas of the Athabasca Basin host high-grade ore reserves such as at Cameco Corp's (TSX: CCO) McArthur River mine and Cigar Lake deposit, as well as a number of other high grade uranium deposits including Shea Creek, operated by AREVA Resources Canada Inc. and UEX Corp. (TSX: UEX), and the Midwest Lake deposit owned by Denison Mines (TSX: DML) and AREVA who recently announced plans to put the deposit into production.

In preparation for drill testing of the above targets, the Company completed preliminary deep penetrating resistivity surveys over the priority areas during the first part of 2008. Quantec Geosciences Ltd. carried out the surveys utilizing the Spartan Magnetotelluric system. This work was carried out in order to more precisely define basement faults in coincidence with electromagnetic conductors, depth to basement and to evaluate the potential presence of alteration zones. These relationships are reflective of favourable geologic environments for unconformity-type uranium deposit emplacement. Results of the survey are currently being assessed.

### **South Thelon Basin, Northwest Territories**

In 2007, additional deep penetrating EM surveys, comprising over 7,000 line km, were continued using the Geotech Ltd. VTEM system in areas, not previously surveyed with MegaTem II in 2006, within the internal portion of the Southeast Block in South Thelon Basin. Results of this survey identified three high priority targets that average 5 to 10 km in length and are associated with major basement structures.

To date, a total of nine EM targets of potential interest have been identified throughout the South Thelon 2006/2007 survey area. Of these, four high priority targets, including the CL property target and the above targets, have been defined that average 5 to 10 km in length and are associated with major basement structures. These targets will be a focus for Bayswater with respect to further ground geophysical definition and drilling.

Also in 2007, Bayswater carried out a 20,000 line km radiometric and magnetic survey of all its property interests around the margin of the basin, including the Northwest Block and eastern portion of the Southeast Block, in South Thelon. This survey identified 25 high priority radiometric anomalies marginal to the basin which were followed-up by prospecting and mapping. Other targets within the Southeast Block, including historical radiometric anomalies and areas of MegaTem II conductors from the 2006 survey within the internal portion of the basin, were also followed-up by prospecting and mapping. Based on this follow-up work, a significant uranium showing called the Hanbury Showing was discovered in the northwest portion of the NW Claim Block in basement gneisses in close proximity to the unconformity. This showing consists of a series of frost heaved boulders with anomalous radioactivity concentrated in chloritic fractures. Four grab samples assayed between 1,650 and 3,010 ppm U (0.19 and 0.36 %  $U_3O_8$ ). This target requires further work prior to drill testing.

In the spring of 2007, applications for land use permits were submitted to the Mackenzie Valley Land and Water Board to allow camp establishment and diamond drilling on priority targets within the South Thelon project area. In late August of 2007, these applications were referred to the Mackenzie Valley Environmental Impact Review Board for a full environmental assessment. Meantime, Bayswater has been granted relief under the Canada Mining Regulations so that assessment requirements for all the claims and prospecting permits in the South Thelon project area will be put in abeyance pending a resolution of the permitting issues.

### **North Thelon Basin, Nunavut**

In 2007, further prospecting, mapping and sampling and ground radiometric and magnetic surveys of most of the radiometric targets identified from airborne surveying of the Company's land holdings in 2006 was undertaken. Assay results from this work have confirmed that significant uranium mineralization of the sediment hosted type has been discovered in outcrop and float in the Amer West Block where Bayswater holds a 100% interest. Prospectors collected 16 grab samples from this block which yielded between 1,050 and 2,720 ppm U (0.12% to 0.32%  $U_3O_8$ ) with an average of 1,663 ppm U (0.20%  $U_3O_8$ ). This mineralization is stratigraphically hosted in phyllites and feldspathic sandstones of the Amer Lake Group, and the mineralized horizon displays significant continuity along strike in the order of 10's of kilometers. Limited exposure of this mineralized unit precludes an estimate of its average thickness. Detailed grids will be established this summer on at least two targets in the Amer West Block to follow-up this mineralization by completing detailed geophysics, mapping, prospecting and sampling to better define drill targets.

Other significant 2007 results came from the Permit-2 Block—part of the 50/50 Canada Uranium Joint Venture with Strongbow Exploration Inc. (TSX-V: SBW). Prospectors discovered a small (<0.5 m), subangular, granodiorite boulder which assayed 3,300 ppm U (0.389%  $U_3O_8$ ). A major structural break—the Amer Lake Fault Zone, is interpreted to intersect the Thelon sandstone in the area of Permit-2 and extends southwesterly through Permit-1.

Also in 2007, a 16,000 line kilometer fixed-wing airborne radiometric and magnetic survey was completed over the majority of newly acquired claims and permits, comprising approximately 551,600 acres, in the Itza Lake area in order to carry out an initial evaluation of the uranium and diamond potential of this region. These new claims and permits were acquired in 2007 as a result of the 2006 airborne survey which identified a number of circular magnetic features, potentially reflecting kimberlites—potential host for diamonds as noted above, within the Itza claim block, and as a result of the uranium potential along the favourable northeastern margin of the Thelon Basin with associated major basement fault structures and areas of basement pelitic sediments north of the Kiggavik Trend of uranium deposits. Results from the 2007 airborne survey indicates the presence of several anomalous radiometric targets in favorable geological settings. These radiometric targets are planned to be detailed prospected and evaluated in 2008.

The Company is waiting on results of Stornoway Diamond Corporation (TSX: SWY) in regards to its follow-up work carried out in 2007 on circular magnetic features—indicating potential kimberlite pipes within the Itza claim block pursuant to our option agreement with Stornoway.

The 2008 field program at North Thelon is planned to consist of detailed mapping, prospecting, geophysical surveying and sampling to i) follow-up 2006 radiometric targets in Permit-1 and newly discovered radiometric anomalies from the 2007 survey; and to ii) further evaluate the mineralized trend within the Amer West Block in order to better define drill targets. Field crews have been mobilized and follow-up work has commenced on this project.

### **Wisker Valley, Newfoundland**

During the year ended February 29, 2008, the Company signed an agreement with a group of Newfoundland prospectors whereby Bayswater can earn 100% interest in 96,297 acres of property in the Baie Verte area of north-central Newfoundland. This region has good infrastructure that includes several towns, seaports, and power lines. The Trans-Canada highway is 25 km south and access to the property itself is provided by a network of bush roads. Bayswater entered into this option agreement due to the presence of grab samples collected by prospectors from widespread bedrock exposures which yielded assays grading up to 0.86%  $U_3O_8$  with several samples containing greater than 0.1%  $U_3O_8$ . Uranium has been discovered in felsic volcanics over an extensive area suggesting that the property is prospective

for hosting a near-surface uranium deposit. The style of the mineralization appears similar to the Streltsovka complex in Russia which hosts 20 deposits within a 20 km diameter rhyolite caldera. Combined production, reserves and resources in the deposits of the Streltsovka uranium field totals 280,000 tonnes of U<sub>3</sub>O<sub>8</sub> at an average grade of 0.2% U<sub>3</sub>O<sub>8</sub>.

A preliminary follow-up exploration program was completed in 2007 on the property to evaluate mineralization discovered to date and to explore the property for additional mineralized areas in order to identify drill targets. This program included an airborne radiometric and magnetic survey; prospecting and mapping; grid establishment with soil sampling and ground radiometric surveying; and the excavation and sampling of trenches within one area of known uranium mineralization. Several radiometric anomalies were not fully evaluated in 2007.

Results of the 2007 work were encouraging as summarized in news releases of December 5, 2007 and February 21, 2008. The focus of the 2007 ground work was on the Amanda Zone, a uraniumiferous area of felsic breccias with associated elevated uranium contents in soils measuring about 300 m long by 100 m wide and prospecting of some of the airborne radiometric anomalies. Also, a shear/vein gold occurrence (Road Showing) was sampled and mapped. The best sample from this showing returned an assay of 31.1 g/t Au over a 1.0 m interval. Both the Amanda Zone and Road Showing were evaluated with limited ground geophysics and a minimal 1500 m drill program this winter. Results of this work are pending.

A further follow-up prospecting program of radiometric anomalies is planned for later this summer.

#### **Hermitage Belt, Newfoundland**

Limited prospecting was carried out in 2007 on the Hermitage property located in southern Newfoundland. As a result of lack of encouragement from the Company's exploration efforts in 2006 and 2007 on its land holdings in the Hermitage Belt, it has terminated the joint venture with Commander Resources on the Murphy claims and terminated the option on the Murphy claims. However, the Company continues its joint venture with Commander Resources on the Cochrane Pond property that was farmed out to Global Gold under an option/joint venture agreement. Global carried out an airborne survey and follow-up prospecting of anomalous targets in 2007. Results of this work and plans for 2008 are pending from Global.

#### **Baca Property, New Mexico, United States**

During the year ended February 29, 2008, the Company acquired an option to earn a 100% interest in the Baca Property, Catron County, New Mexico by paying US \$500,000 (US \$50,000 paid) and issuing 1,000,000 common shares (100,000 issued) over a four period. The property consists of 127 staked claims comprising 2540 acres.

Over the last year, the Company acquired a 100% interest by staking 1,576 claims in the region of and contiguous with the Baca property in Catron County along a 20 mile favourable uranium belt. Together with the Baca property, these land holdings comprise 33,940 acres of mineral lands.

The Baca property and adjoining claims staked by the Company, referred to as the Tejana Mesa project, has potential for roll front type uranium deposits associated with favourable sandstone units on the margin of the Colorado Plateau—known for its uranium deposits and production history. The area of the project has received considerable historic exploration drilling for uranium. Data acquisition and compilation is currently being carried out in order to evaluate the potential of the trend and to establish drill targets.

#### **Hurricane Cliffs Property, Utah, United States**

During the year ended February 29, 2008, the Company acquired an option to earn a 100% interest in the Hurricane Cliffs Property by paying US \$250,000 (US \$25,000 paid) and issuing 500,000 common shares (50,000 issued) over a four period. This property has potential for structurally controlled uranium

deposits in favourable carbonate units on the margin of the Colorado Plateau. As a result of local anticipated permitting issues, due to private land owners, in areas of potential drill targets the option has been terminated subsequent to the Company's fiscal year end. All related costs have been written off as of February 29, 2008.

### **Niger, West Africa**

Two concessions, comprising approximately 1000 sq km, that were applied for directly by Bayswater, as part of a block of 12 concessions under application, northwest of the mine area in north central Niger, have been granted to Bayswater. No work is planned on these concessions until all the concessions are granted for this block and civil unrest in the country is under control and it is safe to work in Niger.

### **Kilgore Minerals Ltd. Amalgamation—Montana, Wyoming, Nevada and California Properties**

The Company acquired Kilgore Minerals Ltd. through an amalgamation that closed in late July, 2007. As a result, the Company owns a 100% interest in 22 uranium properties comprising approximately 30,442 acres in claims and state leases in Montana, Wyoming, Nevada and California; and in addition owns rights to two surface and mineral leases covering 14,319 acres of prospective uranium lands in Carter County, Montana. These leases provide for surface access rights to lands under which the Company has mineral ownership through the location of federal lode claims by Kilgore, and acquisition of privately owned minerals on a portion of one of the leases. On six of the Company's properties in Montana, Wyoming, Nevada and California, it owns approximately 12.5 million pounds of non 43-101 compliant historical uranium resources. All of these properties, but particularly the ones in Montana (Alzada Project), Wyoming (Elkhorn Project) and Nevada (Mountain West Project), with historical uranium resources offer opportunities for advancement to feasibility and potential production. Significant data bases were acquired by Kilgore on these three project areas—namely one comprising about 4600 drill holes completed by Kerr McGee and other major company's in southeast Montana and northeast Wyoming; and another involving data on over 360 holes drilled on the Mountain West project by Pathfinder Resources all in the 1970's to 1980's.

In anticipation of drilling on the Alzada project this year, the Company commenced the permitting and public relations process with regulators, land owners and other stakeholders in southeast Montana in late 2007 and continued until the first quarter of 2008. In early 2008, the Company acquired additional extensive drilling data pursuant to a data base purchase agreement in reference to its land holdings in Carter County, Montana (Alzada Project). This data is currently being compiled and evaluated. In view of the additional data acquired and general market conditions, drilling on the Alzada project has been deferred until market conditions improve. Subject to market conditions and pursuant to completion of the data compilation and evaluation, the Company plans a program of continuing permitting and baseline studies along with an aggressive program of confirmation and step-out drilling, hydrologic and push-pull testing and metallurgical work on the Alzada project, Montana.

During the first half of 2008, the first phase of a planned two phase drill program on the Elkhorn project was completed. This program is discussed below under "Wyoming and South Dakota Properties, USA".

On the Mountain West project, Nevada, a preliminary compilation of historic drill data has been completed. Permitting on this project is on-going with plans to carry out confirmation and step-out drilling and metallurgical work next year.

Also, several additional properties in Wyoming and Montana have known uranium mineralization and defined targets for drill testing and potential resource delineation. These additional properties are planned to be evaluated by surface work and drilling as warranted.

An environmental review with respect to viability of exploration and mining on the California project is also planned.

### **Northern Canadian Uranium Inc. Amalgamation-USA, Canada, Mali and Niger Properties**

As a result of the amalgamation with Northern Canadian Uranium Inc., which closed in December, 2007, Bayswater acquired a 90% interest, subsequently increased post amalgamation to a 100% interest pursuant to a purchase agreement with Bullion Fund Inc., or otherwise acquired a 100% interest in an additional 12 uranium properties comprising 363,632 acres of mineral lands in Wyoming, South Dakota, Nevada and Saskatchewan plus interests in 10,400 acres of leased surface rights in Wyoming, exploration permits in Mali comprising over 7 million acres and 12 concession applications in Niger comprising over 1.4 million acres in two blocks. These property interests cover 100% owned uranium resources on the Elkhorn Project properties in Wyoming that include i) the Busfield deposit with a NI 43-101 compliant resource comprising an indicated 397,000 lbs eU3O8 grading 0.08% eU3O8 and an additional inferred 5,000 lbs eU3O8 grading 0.08% eU3O8 and ii) 5 separate deposits with an additional approximately 250,900 lbs of non NI 43-101 compliant historical uranium resources; and on the Samit Project property, Mali with historical resources of 440,000 lbs U3O8 grading 0.085% U3O8 that are also non NI 43-101 compliant. Property interests as above, also include numerous additional targets on various properties in Wyoming, Nevada, South Dakota and Saskatchewan with known uranium mineralization and/or defined targets for drill testing and potential resource delineation.

#### Wyoming and South Dakota properties, USA

Northern Canadian Uranium Inc., prior to the amalgamation with Bayswater, acquired a 100% interest in over 12,000 acres of uranium mineral claims and State of Wyoming leases (the “Properties” including Elkhorn, Edgemont, Mule Creek, Aladdin, Oshoto and Pumpkin Buttes properties) subject to variable royalties as provided in an exploration and option to purchase agreement (“EAOP”) dated March 14<sup>th</sup>, 2006 between Northern Canadian Minerals Inc. and Miller–Berdahl Partnership (MB). This agreement provides for an area of interest (“AOI”) with an assignment of a variable production royalty to MB. The Properties are located in four historic uranium producing districts and one undeveloped uranium district. Four project areas are located in northeast Wyoming, in Campbell, Crook, Niobrara and Weston counties. One project is located in adjacent areas of northwest South Dakota in Custer and Fall River counties. NCA also staked and received additional mineral claims covering 14,635 additional acres on USBM managed lands, bringing NCA’s total mineral holdings to 876 claims plus state leases comprising 26,635 acres. NCA also acquired three surface and mineral agreements with fee owners, subject to annual payments and royalty agreements, covering 10,001.19 acres.

All the Properties, subject to the MB agreement, are located within the northeastern Powder River Basin (PRB) —a prolific source of natural resources with well-developed infrastructure, and a proven mining friendly environment. The PRB produces uranium, coal, petroleum, and natural gas. Bayswater’s properties lie within four historic uranium producing districts and one undeveloped uranium district. Three uranium mines are in production in this region, which employ in-situ recovery of uranium mineralization. Operating mines are exploiting uranium mineralization that occurs in concentrations that range from approximately 0.1 – 0.3% U3O8. Since 1995, Wyoming has been the leading producer of uranium in the U.S. and also contains the largest uranium reserves in the U.S.

Prior to the amalgamation with Bayswater, NCA focused exploration work on the Busfield deposit within the Elkhorn Project, and completed Phase I and II drilling programs which defined a NI 43-101 compliant indicated uranium resource of 250,000 tonnes at 0.08 % for 397,000 lbs eU3O8. The Busfield resource remains open in three directions for expansion and occurs within the central region of a 12 mile (20 km) long trend of uranium mineralization defined by historic drilling and five historic open pit mines.

On the Elkhorn properties, field mapping and ground radiometric surveys have been completed over all areas of historic mining and drilling by NCA. Wide-spread near surface uranium mineralization has been identified within the regional trend of uranium mineralization at the Elkhorn Project. Extensive additional drilling is required to convert historic resources to compliant NI 43-101 resources, and to expand areas of known uranium resources. Two types of drilling are planned, including "Resource Definition" drilling and "Reconnaissance" drilling. "Resource Definition" drilling will be completed in areas containing historic resources, defined by previous mining companies, in a manner necessary to calculate NI 43-101 compliant resources, including relatively close spacing on a regular grid with both core and RC drilling to provide radiometric, geological and geochemical data. Bayswater is planning an extensive program of drilling on this project in two phases in 2008 for which permits have been received. To date, the Company has completed the first phase of drilling including 312 holes which were focused primarily in the area of the Busfield resource and Quad and Clover pits. Results from 160 of the 312 holes, announced in a news release dated May 20, 2008, are highly encouraging with 33 significant intercepts reported ranging from 3 to 92 feet in thickness with eU3O8% ranging from 0.027 to 0.472 eU3O8%. The best intercept graded 0.129 eU3O8% over 92 feet (28.0 m). Consistent with the known historic pits and Busfield resource, all the intercepts are within 100 ft of surface. Results of confirmation assays from core holes and the balance of the rotary holes are pending. A second phase of drilling is currently anticipated for later this summer or fall. Upon completion of the drill program, a revised NI 43-101 resource will be determined.

Data compilation and property investigations is ongoing on other properties in Wyoming and South Dakota with a view to identifying targets for drill testing. One of the more promising targets is the Edgemont property which is adjacent to the Dewey Creek deposit of Powertech Resources in South Dakota. This property is close to the drill stage, pending compilation of data, with possible resource extensions from the Dewey deposit area potentially extending onto Bayswater's ground.

#### Nevada Properties, USA

Northern Canadian Uranium Inc., prior to the amalgamation with Bayswater, acquired a 90% interest in three uranium project areas (Carol R Mine, Holiday Mine and Green Monster properties), covering 2,480 acres in southwestern Nevada, subject to an agreement with Bullion Fund Inc. Subsequent to the amalgamation, Bayswater has purchased the remaining 10% interest from Bullion. All three project areas have uranium mineralization identified in various geologic settings with historic assays reported from grab and bulk samples. One project area (Carol R Mine) has historic production and historic company reports state that historic drilling identified areas of continuous mineralization. The projects are at an early stage and are well suited for exploration and drilling. Further evaluation of these properties is warranted to determine the Company's plans. Nevada is a well established mining state and has favorable infrastructure and climate for mining.

#### Saskatchewan Properties, Canada

Bayswater acquired, pursuant to the amalgamation with Northern Canadian Uranium, three exploration properties in Saskatchewan, all within the region known as the Athabasca Basin. All properties are located immediately outside the boundary of the clastic rocks that define the present "basin". Pursuant to the amalgamation, Bayswater acquired a 90% interest in all three projects and subsequently thereto purchased the remaining 10% interest from Bullion and now owns a 100% interest in these properties.

The target and deposit types of these properties are characterized as high grade, structure-hosted deposits, related to the Athabasca Basin unconformity. The Collins Bay Extension project is located along the eastern margin of the Athabasca Basin. Bayswater also has two smaller properties (Coin Canyon and Viking), located along the northern border of the basin, east of Uranium City, the site of initial uranium mining in Canada.

The CBE Property is located on the west side of Wollaston Lake in northern Saskatchewan at the eastern extremity of the Athabasca Basin. The CBE property consists of 37,310 hectares of contiguous mineral claims located adjacent to  **Cameco's Eagle Point**  uranium mine and  **Rabbit Lake**  uranium mine and mill. The CBE project involves exploring for uranium in areas immediately east of the cover rocks of the Athabasca Basin. Uranium mineralization occurs in the basement rocks, where the Athabasca sandstone has been removed. These areas have the potential to host uranium mineralization that is near surface with favorable metallurgy and competent host rocks, similar to the Eagle Point Mine. The Eagle Point and Collins Bay deposits are closely associated with the Collins Bay fault zone, and have a global resource of approximately 140 million pounds U<sub>3</sub>O<sub>8</sub>. The CBE claim block covers over 25 kilometers of the prospective strike extension of the Collins Bay structure as well as other favourable sub-parallel structures.

Airborne VTEM surveying, limited drilling to evaluate lithology and structure and geochemical sampling by NCA has identified several major structures with coincident conductivity, favourable geology and anomalous radon gas in geochemical samples. Numerous anomalous targets from the 2007 survey have been selected on land and in lake areas adjacent to land for drill testing.

Bayswater completed a preliminary 12 hole drill program in the winter of 2008 to test favourable targets located under lake ice near land along the favourable structures as noted above. Assay results from this drilling are pending.

The Coin Canyon property consists of one claim comprising 923 hectares that covers three outcropping uranium occurrences. Uranium mineralization occurs as structurally controlled / shear zone type mineralization which assays up to 3.7% U<sub>3</sub>O<sub>8</sub>. The three occurrences are hosted in the footwall gneisses, similar to some of the deposits in the Uranium City and Collins Bay areas. All historic geological data has been compiled and the property has received reconnaissance sampling and mapping to confirm the uranium mineralization and prospectivity for exploration drilling. A well defined target is present, that extends over a strike length of more than 3 kilometers. Drilling of this target is warranted.

The Viking property consists of one recently re-staked claim covering 2,106 hectares, located on the north side of the Athabasca Basin, east of Uranium City. As a result of re-staking, the property was expanded to cover four additional structurally controlled uranium prospects hosted in the footwall gneisses, similar to some of the deposits in the Uranium City and Collins Bay areas. The property also contains a large area of iron oxide alteration with potential for REE elements located north and northeast of the main uranium occurrences. All geological data has been compiled, and the property has received reconnaissance sampling and mapping. Additional work may be warranted on this property.

#### Mali Properties, West Africa

Pursuant to the amalgamation with NCA, Bayswater has acquired rights to certain tracts of land in northeast Mali. Exploration opportunities are being pursued in northeast Mali, based on the recognition that the area contains similar geology to adjacent Niger—the world's fourth largest uranium producer. NCA established a subsidiary company in Mali, Northern Canadian Minerals Inc. Mali that is now a wholly owned subsidiary of Bayswater, which holds the rights to the properties.

The Samit property consists of one Establishment Agreement covering 1000 square kilometers which provides Bayswater with the exclusive right to explore for and mine uranium for a term of 30 years. The Establishment Agreement area covers six uranium occurrences that were discovered and drilled in the 1970's by PNC, a Japanese utility company. PNC conducted extensive regional exploration programs from 1974-1978 which identified a limestone plateau, containing a 20 km x 20 km concentration of uranium-bearing apatite (phosphatic) occurrences, near the village of Samit that are located within the Establishment Agreement area. PNC conducted drilling programs in each of the six areas containing

uranium mineralization and identified a small uranium resource. PNC initially drilled 39 shallow prospecting holes (135.32 m) followed by 13 deeper holes (501 m) to determine the stratigraphy and controls on uranium mineralization. In 1980-1981, PNC drilled 361 additional core holes (3,084 m) to identify and outline the locations of deeper uranium bearing apacrete occurrences. Historic records (non-NI 43-101 compliant) indicate the uranium contents of the apacrete mineralization range from 0.0X % to 0.X%. A report submitted to the Ministry of Mines and Energy by PNC and translated from Japanese indicated “the uranium reserves of the sector are only 200 tons U<sub>3</sub>O<sub>8</sub> with an average content of 0.085% of U<sub>3</sub>O<sub>8</sub>”. Bayswater interprets this statement to indicate the drill results identified a uranium resource which contains a total of 200 tons (~440,000 lbs) of U<sub>3</sub>O<sub>8</sub>, from mineralized rock containing an average grade of 0.085% U<sub>3</sub>O<sub>8</sub>. This is not compliant with the requirements of National Instrument 43-101 and should not be relied upon.

NCA completed initial sampling of four of the uranium prospect areas within the Samit property. Two areas, B and E Zones, contain uranium mineralization that warrants follow-up sampling. These Zones contain uranium mineralization at surface, and at depth as reported from historic drilling programs. The B Zone contains a northwest trending zone of carbonate-hosted fluorapatite-cemented breccia, containing up to 0.085% U<sub>3</sub>O<sub>8</sub>. The E Zone, located 6 kilometers northeast of the B Zone, contains regolith-breccia material with up to 0.02% U<sub>3</sub>O<sub>8</sub>. Preliminary samples were also taken for metallurgical testing.

The Company also holds rights to a large uranium prospecting permit covering over 29,000 sq km in Mali.

The above properties warrant further work but due to civil unrest in Mali, the Company is planning to either sell or farm-out these properties.

#### Niger Properties, West Africa

Prior to the amalgamation with Bayswater, NCA submitted applications for 4 exploration concessions totaling 2000 sq km in the Tim-Merso Basin, northern Niger, west of the Arlit uranium mining district adjoining concession application areas applied for by Bayswater. These applications are targeted in areas with historic exploration carried out by Pan Ocean Petroleum in the late 1970's. Public historic information from this work contains extensive drilling and surface geophysical data. Bayswater plans to compile project data once the concessions are granted prior to formalizing its exploration program.

In addition, NCA has submitted applications for 8 concessions in the Djado Basin, in northern Niger. This is a grassroots exploration play, based on the presence of a prospective sedimentary basin, similar to the Tim Merso Basin. Once concessions are granted, available data will be compiled and exploration planning will be undertaken.

Civil unrest is also on-going in Niger adjacent to neighbouring Mali. As a result the government of Niger has imposed an unofficial “force majeure” with respect to mineral lands located in affected areas which applies to all of the Company's holdings and applications for concessions in Niger.

#### **Base Metal and Gold Projects**

##### Avoca Base Metal Property, Ireland

Deep penetrating induced polarization surveying on the Avoca Base Metal property in Ireland identified numerous conductive targets warranting drill testing for possible high grade massive sulphide copper-zinc-lead zones. A limited drill program of about 1300 metres in two holes is currently underway to test deep targets within the zinc-lead zone in order to maintain the prospecting licenses. Pending results of drilling, the Company is planning to sell or farm-out this property.

### Kilgore Gold Property, Idaho, USA

The Kilgore Gold Project in Idaho, acquired pursuant to the Kilgore merger, with an historical resource of nearly ½ million ounces of gold, offers additional potential for both low and high grade gold mineralization and warrants additional drilling. The Company has recently entered into an option/joint venture agreement with Otis Capital Corp. in respect to the Kilgore property and two other early stage gold properties in Idaho.

### Other Gold Property Acquisitions

Bayswater has previously applied for two gold concessions in Niger, West Africa under the old mining code. Bayswater decided not to proceed with these applications under the new system. Also, the Company has applied for six gold permits in Italy, all of which have now been granted. The Company is planning to sell or farm-out these permits.

### **Investments**

Commensurate with the Company's large uranium land holding in Canada and corporate goals in Labrador and Thelon Basin, it invested in two private placements in 2006 in other junior resource companies including Silver Spruce Resources Corp. ("Silver Spruce", TSX-V: SSE) and Pathfinder Resources Ltd., with respective major land holdings in these promising uranium regions. Silver Spruce is actively exploring its land holdings in Labrador.

### **Future Plans and Outlook**

Bayswater aims to significantly increase its uranium resources in 2008 through an aggressive planned \$18-million exploration program that will feature drilling on the Anna Lake deposit, Labrador and on the Elkhorn resource property, Wyoming. Other drill programs to evaluate targets for potential discovery include Colins Bay Extension, Saskatchewan; Anna Lake corridor, Labrador; and Wisker Valley, Newfoundland properties. Ground exploration programs on the North Thelon and Brudell Lake properties in Canada and several property investigations on the Company's land holdings in the western United States should significantly advance various projects to the drill stage. The objective of this major exploration initiative is to significantly increase the Company's uranium resources and to further advance projects towards feasibility and potential production; and to make additional new uranium discoveries. The Company is adequately financed to complete this initiative.

### **Selected Annual Financial Information**

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Consolidated Financial Statements.

	Year Ended February 29, 2008	Year Ended February 28, 2007	Year Ended February 28, 2006
Interest income	\$ 1,320,247	\$ 269,999	\$ 1,169
Loss for the year	(3,812,429)	(7,171,010)	(832,130)
Basic and diluted loss per share	(0.03)	(0.13)	(0.07)
Total assets	74,344,460	32,556,210	2,050,566
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

## Results of Operations

The Company recorded a loss of \$3,812,429 for the year ended February 29, 2008 compared to a loss of \$7,171,010 during the comparative year ended February 28, 2007. The decrease in the loss from the prior comparative year was due mainly to the recording of a future income tax recovery of \$5,703,000 during the current year from the renunciation of \$32,489,727 of qualified exploration expenditures to flow-through share subscribers. During the year ended February 28, 2007, there was no income tax recovery. Loss before income taxes for the current year was \$9,515,429 compared to \$7,171,010 for the year ended February 28, 2007. The increase in loss before income taxes was due mainly to the recording of stock-based compensation expense of \$7,629,161 (2007 - \$5,216,773), property investigation costs of \$328,410 (2007 - \$247,500), consulting fees of \$238,467 (2007 - \$Nil), office expenses of \$320,084 (2007 - \$107,362), professional fees of \$538,997 (2007 - \$404,757), shareholder communications of \$417,991 (2007 - \$296,133) and the write-off of mineral properties totaling \$1,724,838 (2007 - \$20,957). These increases related primarily to increased exploration and corporate activities which required the contracting of more professionals and office space, and significantly higher expenditures related to advertising and trade shows. The increase in expenses was partially offset by the Company recording realized gains on the sale of marketable securities totaling \$1,450,586 (2007 - \$Nil) and interest income of \$1,320,247 (2007 - \$269,999) due to a significant increase in short-term investments held.

## Quarterly Information

	Three Months Ended Feb 29, 2008	Three Months Ended Nov 30, 2007	Three Months Ended Aug 31, 2007	Three Months Ended May 31, 2007
Total assets	\$74,344,460	\$69,456,741	\$69,516,365	\$62,508,837
Mineral properties and deferred costs	46,367,905	37,519,848	32,227,850	22,892,480
Working capital	23,920,707	29,594,655	33,426,137	37,445,103
Net income (loss) for the period	(484,991)	(839,017)	230,056	(2,718,477)
Net income (loss) per share	(0.00)	(0.01)	0.00	(0.03)

  

	Three Months Ended Feb 28, 2007	Three Months Ended Nov 30, 2006	Three Months Ended Aug 31, 2006	Three Months Ended May 31, 2006
Total assets	\$32,556,210	\$29,329,715	\$19,602,265	\$11,810,405
Mineral properties and deferred costs	18,167,376	15,768,931	12,815,098	3,185,048
Working capital position (deficiency)	12,685,669	12,161,235	4,131,035	5,176,136
Net income (loss) for the period	(1,550,166)	(1,629,469)	(2,362,138)	(1,629,237)
Loss per share	(0.03)	(0.03)	(0.05)	(0.07)

### Fiscal 2008

Total assets increased by \$4,887,719 from November 30, 2007 to February 29, 2008. This was due mainly to the acquisition of NCA. Net loss for the quarter ended February 29, 2008 was \$354,026 lower than for the quarter ended November 30, 2007. This was due to the recording of an income tax recovery of \$2,891,000, which was partially offset by increases in stock-based compensation expense on granting

of stock options and the write-off of mineral properties, during the current quarter. During the quarter ended February 29, 2008, stock-based compensation expense was \$958,464 as compared to \$67,857 in the prior quarter. Write-off of mineral properties was \$1,724,838 as compared to \$Nil during the prior quarter. At November 30 and August 31, 2007, total assets were similar. However, the loss for the quarter ended November 30, 2007 was \$839,017 compared to net income of \$230,056 for the quarter ended August 31, 2007. This was mainly due to a much larger gain on the sale of marketable securities and the recording of a future income tax recovery during the quarter ended August 31, 2007. Total assets at August 31, 2007 increased from May 31, 2007 due mainly to the amalgamation with Kilgore. The net income recorded during the quarter ended August 31, 2007 differed significantly from the loss for the previous quarter due to the reduction in stock-based compensation expense recorded. Total assets increased significantly from February 28, 2007 to May 31, 2007 due mostly to the completion of a private placement and the exercise of options and warrants for net proceeds totaling \$26,950,463. The loss for the period was also much higher, due in large part to a significant increase in stock-based compensation expense.

#### Fiscal 2007

There were several significant changes in the key financial data during all of the quarters of fiscal 2007. The Company completed three private placement financings for total net proceeds of approximately \$20.3 million. The Company also completed the amalgamation with Pathfinder Resources Ltd. ("Pathfinder"). Additionally, the Company purchased 2 million units at \$0.50 per unit in Silver Spruce Resources Inc. ("Silver Spruce"). Silver Spruce is currently listed on the TSX Venture Exchange. This investment was written-down by \$230,000 to reflect market value at May 31, 2006. During the year ended February 28, 2007, 5,791,635 share purchase warrants were exercised for proceeds totaling \$3,042,680 and 3,235,720 stock options were exercised for proceeds totaling \$2,064,126. The Company also recorded \$5,216,773 in stock-based compensation expense associated with the granting of 5,040,500 incentive stock options.

#### **Liquidity and Capital Resources**

The Company commenced fiscal 2008 with working capital of approximately \$12,700,000 and cash and short-term investments of \$12,875,852. As at February 29, 2008, the Company has a working capital position of approximately \$23,900,000 and cash and short-term investments of \$23,659,235. Acquisition, investment, exploration and administrative expenditures incurred during the year ended February 29, 2008 were funded from cash generated by the transactions noted below:

- a) The Company issued 4,336,800 units (the "Units") at a price of \$1.45 per Unit and 11,375,000 flow-through units (the "FT Units") at a price of \$1.65 per FT Unit to raise gross proceeds of \$25,057,110 (the "Offering").

Each Unit consisted of one common share and one half of one common share purchase warrant (each whole such purchase warrant, a "Warrant"). Each FT Unit consisted of one flow-through common share and one-half of one transferable Warrant. Each Warrant is exercisable into one additional non-flow-through common share at an exercise price of \$1.85 to September 8, 2008.

The Agent received a commission equal to 7% of the gross proceeds of the Offering, consisting of cash of \$828,173 and 638,500 Units valued at \$925,825. As well, the Agent received 1,571,180 compensation options valued at \$1,472,250, each of which is exercisable into one common share at an exercise price of \$1.70 to September 8, 2008. The compensation options were valued using the Black-Scholes option pricing model, assuming volatility of 105.64%, risk-free interest rate of 3.90%, expected life of eighteen months and 0% dividends.

- b) The Company issued 177,900 common shares pursuant to the exercise of stock options for total proceeds of \$102,486.

- c) The Company issued 4,407,137 common shares pursuant to the exercise of warrants for total proceeds of \$4,723,675.
- d) The Company sold 2,000,000 shares of Silver Spruce for total proceeds of \$2,515,586.

For the year ending February 28, 2009, Bayswater anticipates incurring exploration and property maintenance expenditures on each of the Company's held projects. The Company has sufficient working capital to sustain operations for the next fiscal year. Bayswater's main sources of financing are through issuances of equity.

The Company does not anticipate generating revenues in the near future and intends to continue its mineral exploration activities. These activities, along with further mineral acquisitions, may need to be funded through additional equity financings.

### **Related party transactions**

During the year ended February 29, 2008, the Company:

- a) Paid or accrued \$524,360 (2007 - \$451,941) for management and consulting fees to a company controlled by the president, a director, a former director and companies with common directors.
- b) Paid or accrued \$15,500 (2007 - \$Nil) for directors fees to directors of the Company.
- c) Paid or accrued \$55,850 (2007 - \$38,800) for rent to a company controlled by the president, a company with a director in common and a company owned by an officer of the Company.
- d) Paid or accrued \$38,000 (2007 - \$41,000) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$50,000 (2007 - \$106,250) for investor relations to a company with a former common director.
- f) Paid or accrued \$300,000 (2007 - \$51,000) and issued 292,740 (2007 - 38,462) common shares valued at \$300,000 (2007 - \$50,001) for property acquisition costs to a company with a former common director.
- g) Received \$Nil (2007 - \$12,500) and Nil (2007 - 80,000 common shares valued at \$48,800) from a company with common directors pursuant to a mineral property option agreement.
- h) Paid or accrued \$66,909 (2007 - \$58,480) for consulting fees included in deferred exploration costs to a director, a former director and a company controlled by the president.

Included in accounts payable and accrued liabilities at February 29, 2008 is \$179,577 (February 28, 2007 - \$139,520) owing to a company controlled by the President of the Company, a director and a company with directors in common.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## **Off Balance Sheet Arrangements**

The Company has no off Balance Sheet arrangements.

## **Investor Relations**

During the year ended February 28, 2007, the Company entered into an investor relations agreement with Longview for a one year term for consideration of \$12,500 per month. Subsequent to February 28, 2007, this agreement was renewed for a further six months and has now terminated.

## **Commitments**

- a) During the year ended February 28, 2006, the Company entered into a management agreement with Longview whereby Longview agreed to provide the Company with consulting services until May 1, 2007. In consideration, the Company paid Longview \$15,000 per month payable 50% in cash and 50% in common shares. As at February 29, 2008, the Company has no further obligation with respect to this agreement.
- b) During the year ended February 28, 2007, the Company entered into a sublease for its premises along with three other publicly listed companies trading on the TSX Venture Exchange, related by a common director. In addition, the Company had agreed to pay a maximum of \$3,600 per month for the term of the lease, based on its proportionate space. However, this sublease agreement has been amended and expired on November 1, 2007, with no further obligation by the Company.
- c) During the year ended February 29, 2008, the Company entered into management services agreements with the Company's President and its Chief Operating Officer. Both contracts are effective from January 1, 2008 to December 31, 2009 and remuneration is \$20,000 per month. If the Company terminates either agreement, the Company will be obligated to make a termination payment equal to twelve times the monthly management fee.

## **Changes in accounting policies**

Effective March 1, 2007, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") contained in CICA Handbook Sections 1530, "Comprehensive Income", 3251, "Equity", 3855, "Financial Instruments – Recognition and Measurement", 3861, "Financial Instruments – Disclosure and Presentation", and 3865, "Hedges".

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available for sale or other financial liabilities. All financial instruments and derivatives are measured at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement will depend on a financial instrument's initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in income. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is disposed of, impaired or its classification is changed.

As a result of the adoption of these new standards, the Company has classified its marketable securities as held-for-trading. Receivables are classified as loans and receivables, short-term investments are classified

as held-to-maturity, and accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost.

As a result of the application of Section 3855, the Company's marketable securities were written up by \$441,517 and the deficit at the beginning of the period was reduced by \$366,517, which is net of future taxes of \$75,000, to reflect the fair value of marketable securities held as at February 28, 2007.

### **New accounting pronouncements effective for future periods**

The following new standards were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2007 and are all effective for the fiscal year beginning March 1, 2008.

#### **CICA Handbook Section 1535 - Capital Disclosures**

This section establishes standards for the disclosure of an entity's objectives, policies and processes for managing capital.

#### **CICA Handbook Section 3862 and 3863 - Financial Instruments**

This section provides further guidance regarding the application Handbook Sections 3855 and 3861 related the requirement to report all financial instruments at fair value in the financial statements unless certain criteria are met.

#### **CICA Handbook Section 3031- Inventories**

This section prescribes the accounting treatment for inventories including guidance on the determination of cost and its subsequent recognition as an expense, including any adjustment to net realizable value.

#### **CICA Handbook Section 1400 - General Standards of Financial Statements**

This section requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

The Company adopted these standards effective March 1, 2008 and management has determined that the adoption of these new standards will not have a material impact on the financial statements of the Corporation or its business, except for expanded disclosures in the notes to the financial statements.

#### **CICA Handbook Section 3064 - Goodwill and other intangibles assets**

This new section replaces Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Management does not expect the adoption of this new standard to have a material impact on the financial statements of the Corporation or its business. The Company will adopt the new standards for its fiscal year beginning March 1, 2009.

### **Subsequent events**

Subsequent to February 29, 2008, the Company:

- a) issued 1,351,286 common shares pursuant to mineral property option agreements;

- b) issued 111,680 common shares for total proceeds of \$37,971 pursuant to the exercise of incentive stock options;
- c) issued 25,000 common shares pursuant to an agreement for promotional services;
- d) Cancelled all outstanding stock options previously granted with exercise prices greater than \$0.45 and granted 13,834,490 new options at \$0.45; and
- e) entered into an option/joint venture agreement with Otis Capital Corp. (“Otis”) whereby Otis can earn up to a 75% interest in the Kilgore Gold Project, located in Clark County, Idaho, and two additional gold properties, Hai and Gold Bug, located in Lemhi Counties, Idaho, USA (the “Properties”).

Otis can earn an initial 50% joint venture interest in the Properties by completing the following:

- i. Payment of US\$100,000 in cash and the issuance of 500,000 common shares upon the TSX Venture Exchange acceptance of this transaction;
- ii. Payment of US\$100,000 in cash and the issuance of 400,000 common shares and incurring US\$250,000 in exploration expenditures in year one;
- iii. Issuance of 400,000 common shares and incurring US\$350,000 in exploration expenditures in year two;
- iv. Issuance of 400,000 common shares and incurring US\$500,000 in exploration expenditures in year three;
- v. Issuance of 400,000 common shares and incurring US\$900,000 in exploration expenditures in year four; and
- vi. Issuance of 400,000 common shares and incurring US\$1,000,000 in exploration expenditures in year five.

Otis can increase its interest to 75% by issuing an additional 1,000,000 common shares and by completing an independent pre-feasibility study on the Kilgore Gold Project. In the event that Otis does not exercise its right to earn the additional 25% interest, for a total of 75%, Bayswater may then elect to earn back a 10% interest, thereby retaining a 60% interest, by expending US\$600,000 within the year following its election to exercise.

A 2.0% NSR will be paid to Bayswater on production of gold from the Property. At any time, Otis will have the right to purchase each one-fourth of the NSR for the sum of \$500,000, up to a maximum of three-fourths (3/4), following which Bayswater would hold a 0.5% NSR.

**Completion of the transaction is subject to TSX Venture Exchange acceptance and the approval of Otis’s Qualifying Transaction.**

## **Risks and Uncertainties**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company’s properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market prices for uranium and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Bayswater is currently earning an interest in certain of its key properties through option agreements and acquisition of title to the properties is only completed when the option conditions have been met. These conditions generally include making property payments, incurring exploration expenditures on the properties and can include the satisfactory completion of pre-feasibility studies. If the Company does not satisfactorily complete these option conditions in the time frame laid out in the option agreements, the Company's title to the related property will not vest and the Company will have to write-down the previously capitalized costs related to that property.

The Company is operating in countries that currently have varied political environments. Changing political situations may affect the manner in which the Company operates. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies or in US dollars. At this time there are no currency hedges in place. All work is primarily carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

### **Outstanding Share Data**

As at June 26, 2008, there were 145,498,742 common shares issued and outstanding. There were also 13,660,080 stock options outstanding to directors, officers and consultants with exercise prices ranging between \$0.24 and \$1.65 per share and which expire between October 26, 2008, and January 7, 2013. In addition, 18,175,139 warrants were outstanding, which expire between September 8, 2008 and November 1, 2008 with exercise prices ranging between \$1.10 and \$1.85 per share.