

BAYSWATER URANIUM CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2007

(Unaudited – Prepared by management)

These unaudited interim consolidated financial statements of Bayswater Uranium Corporation for the three month period ended May 31, 2007 have been prepared by management and approved by the Audit Committee and the Board of Directors.

BAYSWATER URANIUM CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)

	As at May 31, 2007	As at February 28, 2007
ASSETS		
Current		
Cash	\$ 195,881	\$ 6,189,352
Short-term investments	35,153,023	6,686,500
Marketable securities (Note 5)	2,916,285	-
Receivables	653,248	330,723
Prepays and deposits	<u>51,099</u>	<u>27,167</u>
	38,969,536	13,233,742
Equipment (Note 4)	133,788	82,038
Investments (Note 5)	-	823,968
Exploration advances	400,072	249,086
Mineral properties (Note 7)	22,892,480	18,167,376
Deferred amalgamation costs (Note 16)	<u>112,961</u>	<u>-</u>
	<u>\$ 62,508,837</u>	<u>\$ 32,556,210</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 1,524,433	\$ 548,073
Future income tax liability (Note 10)	<u>2,906,000</u>	<u>-</u>
	<u>4,430,433</u>	<u>548,073</u>
Shareholders' equity		
Capital stock (Note 8)	61,343,299	39,676,686
Contributed surplus (Note 8)	11,059,785	4,394,171
Obligations to issue shares (Note 13)	52,500	37,500
Deficit	<u>(14,377,180)</u>	<u>(12,100,220)</u>
	<u>58,078,404</u>	<u>32,008,137</u>
	<u>\$ 62,508,837</u>	<u>\$ 32,556,210</u>

Nature of operations (Note 1)

Commitments (Note 13)

Subsequent events (Note 16)

On behalf of the Board:

"George Leary" Director "Victor Tanaka" Director

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

BAYSWATER URANIUM CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
THREE MONTHS ENDED MAY 31,
(Unaudited)

	2007	2006
EXPENSES		
Administration	\$ 13,363	\$ 9,500
Amortization	8,349	233
Investor relations	48,500	-
Management fees	109,381	105,000
Office and miscellaneous	46,276	20,723
Professional fees	66,691	21,882
Property investigation costs	84,429	-
Rent	32,396	3,000
Shareholder communications	85,085	6,130
Stock-based compensation (Note 9)	5,926,764	1,186,095
Transfer agent and filing fees	9,984	36,967
Travel and related costs	6,221	16,071
	<u>(6,437,439)</u>	<u>(1,405,601)</u>
OTHER ITEMS		
Foreign exchange	(1,540)	-
Interest income	330,702	39,155
Unrealized gain on marketable securities (Note 5)	1,650,800	-
Write-down of investment	-	(230,000)
	<u>1,979,962</u>	<u>(190,845)</u>
Loss before income taxes	(4,457,477)	(1,596,446)
Future income tax recovery (Note 10)	<u>1,739,000</u>	<u>-</u>
Loss for the period	(2,718,477)	(1,596,446)
Deficit, beginning of period	(12,100,220)	(4,929,210)
Fair value adjustment on financial instruments (Note 3)	<u>441,517</u>	<u>-</u>
Deficit, end of period	<u>\$ (14,377,180)</u>	<u>\$ (6,525,656)</u>
Basic and diluted loss per common share	<u>\$ (0.03)</u>	<u>\$ (0.07)</u>
Weighted average number of common shares outstanding	<u>90,257,577</u>	<u>25,155,188</u>

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

BAYSWATER URANIUM CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MAY 31,
(Unaudited)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (2,718,477)	\$ (1,596,446)
Items not affecting cash:		
Amortization	8,349	233
Obligation to issue shares for services	15,000	15,000
Shares issued for services	-	10,650
Stock-based compensation	5,926,764	1,186,095
Unrealized gain on marketable securities	(1,650,800)	-
Write-down of investment	-	230,000
Future income tax recovery	(1,739,000)	-
Changes in non-cash working capital items:		
(Increase) in receivables	(352,088)	(107,663)
(Increase) in prepaids and deposits	(23,932)	(1,787)
Increase (decrease) in accounts payable and accrued liabilities	<u>(80,676)</u>	<u>25,453</u>
Net cash used in operating activities	<u>(614,860)</u>	<u>(238,465)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	(28,466,523)	(5,530,000)
Deferred acquisition costs	-	13,894
Equipment	(79,202)	-
Mineral property costs, net of recoveries	(3,587,549)	(953,718)
Exploration advances	(150,986)	(17,041)
Investments	-	(1,000,000)
Deferred amalgamation costs	(44,814)	(17,500)
Investment in Pathfinder Resources Ltd.	<u>-</u>	<u>(2,000,000)</u>
Net cash used in investing activities	<u>(32,329,074)</u>	<u>(9,504,365)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	27,858,074	10,010,617
Share issue costs	<u>(907,611)</u>	<u>(231,200)</u>
Net cash provided by financing activities	<u>26,950,463</u>	<u>9,779,417</u>
Change in cash during the period	(5,993,471)	36,587
Cash, beginning of period	<u>6,189,352</u>	<u>-</u>
Cash, end of period	<u>\$ 195,881</u>	<u>\$ 36,587</u>

Supplemental disclosure with respect to cash flows (Note 12)

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

1. NATURE OF OPERATIONS

Bayswater Uranium Corporation (the “Company”) is 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.

In August 2006, the Company changed its name from Bayswater Ventures Ltd. to Bayswater Uranium Corporation following the amalgamation described in Note 6. To effect the merger, the pre-amalgamation common shares, outstanding stock options and warrants of the Company were exchanged on a one-to-one basis for similar securities in the merged Company. These financial statements reflect the post-amalgamation number of common shares, outstanding stock options and warrants for the years presented.

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three month period ended May 31, 2007 are not necessarily indicative of the results that may be expected for the year ending February 28, 2008. These interim financial statements follow the same accounting policies as the annual financial statements except as disclosed in note 3. Accordingly, these interim consolidated financial statements should be read in conjunction with the 2007 annual financial statements and notes thereto.

3. 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 \$441,517, including a future tax recovery of \$149,000, to reflect the fair value of marketable securities held as at February 28, 2007.

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

4. EQUIPMENT

	May 31, 2007			February 28, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 13,185	\$ 10,986	\$ 2,199	\$ 13,185	\$ 10,870	\$ 2,315
Computer equipment	84,898	22,249	62,649	60,758	18,148	42,610
Mining equipment	67,410	3,707	63,703	31,452	-	31,452
Leasehold improvements	<u>10,191</u>	<u>4,954</u>	<u>5,237</u>	<u>10,191</u>	<u>4,530</u>	<u>5,661</u>
	\$ 175,684	\$ 41,896	\$ 133,788	\$ 115,586	\$ 33,548	\$ 82,038

5. INVESTMENTS

During the current period, the Company reclassified its investments as marketable securities and carries them at fair value (Note 3). As at May 31, 2007, marketable securities consist of shares in publicly traded companies with an initial cost of \$1,064,304. During the current period, the Company recognized an unrealized gain of \$1,650,800. 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.

6. BUSINESS COMBINATION

Amalgamation with Pathfinder

The Company completed an amalgamation with Pathfinder Resources Ltd. ("Pathfinder") to form Bayswater Uranium Corporation effective August 15, 2006. This amalgamation was accounted for as a purchase transaction, with the Company being identified as the acquirer and Pathfinder as the acquiree. The Company 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 was 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>
	\$ 4,348,959
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>
	\$ 4,348,959

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

7. MINERAL PROPERTIES

Three Months Ended May 31, 2007	CMB Labrador Claims	Thelon Basin Projects	Athabasca Basin, Saskatchewan	Hermitage, Nfld	Murphy Property Nfld	Niger, West Africa	Avoca, Ireland	Tuscany Gold, Italy	Other Properties	Total
Acquisition costs										
Balance, beginning of period	\$ 577,601	\$ 2,300,436	\$ 5,499,025	\$ 293,458	\$ 105,700	\$ 84,087	\$ 600,000	\$ 5,570	\$ -	\$ 9,465,877
Additions	216,160	333,368	-	-	-	-	-	-	-	549,528
Recoveries	-	(40,265)	-	(111,520)	-	-	-	-	-	(151,785)
Balance, end of period	<u>793,761</u>	<u>2,593,539</u>	<u>5,499,025</u>	<u>181,938</u>	<u>105,700</u>	<u>84,087</u>	<u>600,000</u>	<u>5,570</u>	<u>-</u>	<u>9,863,620</u>
Deferred exploration costs										
Balance, beginning of period	<u>3,224,142</u>	<u>3,004,951</u>	<u>757,997</u>	<u>854,063</u>	<u>12,723</u>	<u>73,794</u>	<u>621,139</u>	<u>152,690</u>	<u>-</u>	<u>8,701,499</u>
Airborne survey	827,373	1,532,345	1,073,732	-	-	-	-	-	-	3,433,450
Analytical	357	-	-	-	-	-	2,262	-	-	2,619
Camp costs	-	185,558	-	-	-	-	-	-	-	185,558
Community relations	1,000	2,012	-	-	-	-	-	-	-	3,012
Compilation	1,098	3,380	-	-	-	-	-	-	-	4,478
Equipment	-	29,978	-	-	-	-	-	-	4,595	34,573
Field administration	10,661	2,898	-	-	-	-	-	-	-	13,559
Field supplies	1,913	6,245	-	-	-	-	-	-	-	8,158
Fixed wing/helicopter	-	51,885	-	-	-	-	-	-	-	51,885
Geological consulting	55,646	66,193	19,849	900	4,250	3,180	5,044	44,975	40,175	240,212
Ground geophysics	-	275,373	-	-	-	-	-	-	-	275,373
Geophysical consulting	21,408	12,500	-	-	-	8,850	1,200	-	-	43,958
Property maintenance	3,000	8,600	1,000	-	-	-	-	-	-	12,600
Travel and related	3,375	12,385	1,443	-	-	723	-	-	-	17,926
	<u>925,831</u>	<u>2,189,352</u>	<u>1,096,024</u>	<u>900</u>	<u>4,250</u>	<u>12,753</u>	<u>8,506</u>	<u>44,975</u>	<u>44,770</u>	<u>4,327,361</u>
Balance, end of the period	<u>4,149,973</u>	<u>5,194,303</u>	<u>1,854,021</u>	<u>854,963</u>	<u>16,973</u>	<u>86,547</u>	<u>629,645</u>	<u>197,665</u>	<u>44,770</u>	<u>13,028,860</u>
Total, end of period	\$ 4,943,734	\$ 7,787,842	\$ 7,353,046	\$ 1,036,901	\$ 122,673	\$ 170,634	\$ 1,229,645	\$ 203,235	\$ 44,770	\$22,892,480

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

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

Year Ended	CMB	Thelon	Athabasca	Hermitage,	Murphy	Niger,	Central		Tuscany	
February 28, 2007	Labrador	Basin	Basin,	Nfld	Property	West	America	Avoca,	Gold,	Total
	Claims	Projects	Saskatchewan		Nfld	Africa	Syndicate	Ireland	Italy	
Acquisition costs										
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 ⁽¹⁾	-	567,489	-	377,658	-	-	-	-	-	945,147
Balance, end of year	<u>577,601</u>	<u>2,300,436</u>	<u>5,499,025</u>	<u>293,458</u>	<u>105,700</u>	<u>84,087</u>	<u>-</u>	<u>600,000</u>	<u>5,570</u>	<u>9,465,877</u>
Deferred exploration costs										
Balance, beginning of year	<u>241,408</u>	<u>1,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450</u>	<u>-</u>	<u>242,900</u>
Acquisition of Pathfinder ⁽¹⁾	<u>-</u>	<u>1,206,203</u>	<u>-</u>	<u>311,976</u>	<u>-</u>	<u>-</u>	<u>4,108</u>	<u>-</u>	<u>-</u>	<u>1,522,287</u>
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 recovery	(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
	<u>2,982,734</u>	<u>1,797,706</u>	<u>757,997</u>	<u>542,087</u>	<u>12,723</u>	<u>73,794</u>	<u>16,849</u>	<u>620,689</u>	<u>152,690</u>	<u>6,957,269</u>
Balance, end of the year	<u>3,224,142</u>	<u>3,004,951</u>	<u>757,997</u>	<u>854,063</u>	<u>12,723</u>	<u>73,794</u>	<u>20,957</u>	<u>621,139</u>	<u>152,690</u>	<u>8,722,456</u>
Written off during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,957)</u>	<u>-</u>	<u>-</u>	<u>(20,957)</u>
Total, end of year	<u>\$ 3,801,743</u>	<u>\$ 5,305,387</u>	<u>\$ 6,257,022</u>	<u>\$ 1,147,521</u>	<u>\$ 118,423</u>	<u>\$ 157,881</u>	<u>\$ -</u>	<u>\$ 1,221,139</u>	<u>\$ 158,260</u>	<u>\$18,167,376</u>

(1) Pursuant to the acquisition of Pathfinder, these mineral properties and deferred exploration costs were acquired at August 15, 2006.

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.

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 common director, to acquire a 100% interest in certain claim blocks located in Labrador, Newfoundland. Under the terms of the agreement, the Company has paid Longview \$360,000 and issued 193,107 common shares valued at \$172,000. In addition, the Company must make staged cash payments of up to \$900,000 over two years. The Company has the option to issue 50% of the payments in common shares in lieu of the cash. 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. An 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. An 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 three months ended May 31, 2007 and the year ended 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.

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

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 subsequent to May 31, 2007. The final installment is due on or before April 1, 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 is \$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)) and 294,000 shares (500,000 shares (pre-amalgamation)) (issued subsequent to May 31, 2007). 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), and a further \$1,600,000 by April 11, 2007 (completed) and a further \$2,000,000 by April 11, 2008.

During the year ended February 28, 2006, Pathfinder and Diamonds North Resources Ltd., under the terms of the MOU, staked property along the eastern margin of the Thelon Basin.

During the year ended February 28, 2006, Pathfinder purchased a 100% interest in certain claims in the south Thelon Basin area. A 1% GOR is reserved for the vendor.

7. MINERAL 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 for which the Company must fund the first \$600,000 in exploration expenditures on each 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 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.

Pursuant to the joint venture, certain prospecting permits have been granted to Strongbow in the North Thelon Basin, Nunavut, at no direct cost to the Company.

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

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.

During the year ended February 28, 2006, Pathfinder staked additional claims in southwestern Newfoundland.

During the year ended February 28, 2007, the Company staked further claims.

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

Cochrane Pond Joint Venture, Newfoundland, Canada

On June 19, 2006, the Company signed a joint venture agreement with Commander Resources Ltd. ("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 three months ended May 31, 2007, 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 current period, the Company received US \$100,000 (CDN \$111,520) from the Optionee. Subsequent to May 31, 2007, the Company received 75,000 common shares of Global.

Murphy Property, Newfoundland, Canada

During the year ended February 28, 2007, the Company announced it has entered into an option agreement to acquire a 90% interest in the Murphy Property located in the Hermitage Uranium Belt of southern Newfoundland. In order to earn a 90% interest in the Murphy Property, the Company must make phased total cash payments of \$375,000 and issue 1,000,000 common shares over three years. The Company is also required to complete staged work expenditures totaling \$1 million over a four year period. In the first year of the agreement, the Company is committed to paying \$25,000 (paid), issuing 100,000 shares (issued) and completing \$100,000 in work expenditures; all other consideration is optional. 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.

Subsequently, the Company joint ventured the Murphy Property in Newfoundland with Commander Resources Ltd. ("Commander"). Under the terms of the joint venture agreement, Commander 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. Commander's first year obligations include a cash payment of \$12,500 (received), issuance of 80,000 common shares to the Company (received), and funding \$50,000 in exploration expenditures. Future optional obligations by Commander include additional cash payments of \$175,000, issuing common shares to the Company equal to 450,000 shares of the Company over three years, and contributing \$450,000 towards exploration expenditures over four years.

Niger Uranium and Gold 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.

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

Niger Uranium and Gold Concessions (cont'd...)

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. In 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. The gold concessions in Niger were not reapplied for by Longview under the new system.

Central America Uranium Syndicate

On January 11, 2005, the Company, along with Gold-Ore Resources Ltd. ("Gold-Ore") and Santoy Resources Ltd. ("Santoy"), created the Central America Uranium Syndicate ("CAUS") to explore for uranium in Central America. Under the terms of the letter agreement, the Company and Santoy could each earn a 33.3% interest in any mineral exploration tenements acquired by spending CDN\$500,000 each over a four-year period. Gold-Ore would retain 100% interest in the property and be responsible for the first CDN\$1,000,000 of expenditures, after which a joint venture would be formed with each of the three parties having a one-third interest.

In February 2006, the CAUS was granted two contiguous mineral concessions in Guatemala.

Subsequent to February 28, 2007, the letter agreement was terminated and the claims were allowed to lapse. As a result, mineral property costs totaling \$20,957 were written off during the year ended February 28, 2007.

Avoca Property, Ireland

On January 4, 2006, the Company entered into an agreement to purchase 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 \$73,000) per license by June 10, 2008 and complete an airborne survey by June 10, 2006.

During the year ended February 28, 2007, an induced polarization survey was completed and a corresponding report was filed, thus fulfilling the Company's obligation to maintain the licenses.

Tuscany Gold Project, Italy

The Company incorporated an Italian subsidiary under the name Tuscany Minerals S.r.l. to facilitate the application process for mining permits in Italy. As of May 31, 2007, the Company has filed applications for three gold permits in Italy.

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 are being filed.

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common 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	20,247,186	4,164,987	183,972
Acquisition of Jadebay	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 placement	15,711,800	25,057,110	-
Agent's commission	638,500	925,825	-
Compensation options	-	(1,472,250)	1,472,250
Share issue costs	-	(1,833,436)	-
Stock-based compensation	-	-	5,926,764
Mineral properties	54,645	100,000	-
Exercise of stock options	177,900	102,486	-
Reclassification of contributed surplus on the exercise of stock options	-	60,944	(60,944)
Exercise of warrants	2,534,106	2,698,478	-
Reclassification of contributed surplus on the exercise of warrants	-	672,456	(672,456)
Future income taxes on the renunciation of flow through expenditures	-	(4,645,000)	-
Balance, May 31, 2007	93,098,835	\$ 61,343,299	\$ 11,059,785

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

During the three months ended May 31, 2007, the Company:

- a) 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 consists of one flow-through common share and one half of one share purchase warrant. Each non-flow-through unit consists of one common share and one half of one share purchase warrant. Each whole share purchase warrant is 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 entitles 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 includes 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 entitle 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 is 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 post-amalgamation treasury common shares on completion of the amalgamation with Pathfinder (Note 6).

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

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 long as the Company is classified as a Tier 2 issuer.

As at May 31, 2007, the Company had outstanding stock options enabling the holders to acquire further common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
	111,680	\$ 0.34	March 20, 2008
	58,840	0.34	March 22, 2010
	44,100	0.63	February 23, 2011
	275,000	0.90	April 10, 2011
	150,000	0.90	April 13, 2011
	625,000	1.30	July 19, 2011
	504,200	1.22	July 26, 2011
	1,245,000	1.41	September 1, 2011
	1,145,500	1.42	December 8, 2011
	<u>4,800,000</u>	1.65	March 22, 2012
Total	8,959,320		

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	4,800,000	1.65
Options exercised	(177,900)	0.58
Options cancelled	<u>-</u>	-
Balance, May 31, 2007	8,959,320	\$ 1.47
Number of options currently exercisable	8,622,670	\$ 1.47

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

9. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrants

As at May 31, 2007, the Company had outstanding share purchase warrants and compensation options enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
4,887,373	\$ 1.00	September 27, 2007
787	0.80	September 27, 2007
112,500	0.60	December 23, 2007
8,175,151	1.85	September 8, 2008
1,571,180	1.70	September 8, 2008
7,912	1.10	November 1, 2008
<u>9,664,498</u>	1.20	November 1, 2008
<u>24,419,401</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	<u>(5,791,635)</u>	0.53
As at February 28, 2007	17,207,176	1.12
Issued	9,746,331	1.83
Exercised	<u>(2,534,106)</u>	1.06
As at May 31, 2007	<u>24,419,401</u>	\$ 1.41

Stock-based compensation

The Company granted 4,800,000 (2006 – 1,500,000) stock options during the current period resulting in stock-based compensation expense, using the Black-Scholes option-pricing model, of \$5,716,408 (2006 - \$1,218,886). For the three months ended May 31, 2007, the Company expensed \$5,926,764 (2006 - \$1,186,095) for options which vested during the period.

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

9. STOCK OPTIONS AND WARRANTS (cont'd...)

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

The weighted average fair value of the stock options granted during the three months ended May 31, 2007 was \$1.19 (2006 - \$0.816) per option.

The following weighted average assumptions were used for the BlackScholes valuation of stock options and compensation options granted during the three month periods ended May 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Risk-free interest rate:	4.00%	4.16%
Expected life of options:	3 years	5 years
Annualized volatility:	114%	131%
Dividend rate:	0%	0%

10. FUTURE INCOME TAXES

During the three months ended May 31, 2007, the Company renounced \$12,009,740 to flow through share subscribers resulting in a future income tax effect of \$4,645,000. 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 tax liability of approximately \$2,906,000 as at May 31, 2007.

11. RELATED PARTY TRANSACTIONS

Included in accounts payable and accrued liabilities at May 31, 2007 is \$47,917 (February 28, 2007 - \$139,520) owing to a company controlled by the president, a director and companies with common directors.

During the three months ended May 31, 2007, the Company:

- a) Paid or accrued \$109,381 (2006 - \$105,000) for management fees to a company controlled by the president, a director and companies with common directors.
- b) Paid or accrued \$13,200 (2006 - \$3,000) for rent to a company controlled by the president and a company with a director in common.
- c) Paid or accrued \$10,500 (2006 - \$9,500) for administration fees to a company owned by an officer of the Company.
- d) Paid or accrued \$37,500 (2006 - \$Nil) for investor relations to a company with a common director.
- e) Paid or accrued \$200,000 (2006 - \$Nil) for property acquisition costs to Longview.
- f) Received \$111,520 (2006 - \$Nil) from a company with common directors pursuant to a mineral property option agreement.
- g) Paid or accrued \$7,619 (2006 - \$Nil) for consulting fees included in deferred exploration costs to a director.

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
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

12. 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 three months ended May 31, 2007 included:

- a) issuing 54,645 common shares valued at \$100,000 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; and
- c) accruing \$1,241,835 of mineral property expenditures, \$9,544 of equipment expenditures and \$68,147 of deferred amalgamation costs in accounts payable and accrued liabilities as at May 31, 2007.

The significant non-cash investing and financing transactions during the three months ended May 31, 2006 included:

- a) issuing 100,000 common shares valued at \$22,000 for mineral property acquisitions;
- b) issuing 1,500,000 common shares valued at \$600,000 pursuant to the acquisition of Jadebay Limited;
- c) issuing 724,852 units valued at \$543,639 as a finder's fee; and
- d) accruing \$377,408 of mineral property expenditures in accounts payable and accrued liabilities as at May 31, 2006.

13. 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 shall pay Longview \$15,000 per month payable 50% in cash and 50% in common shares. As at May 31, 2007, the Company has accrued an obligation to issue shares of \$52,500 (February 28, 2007 - \$37,500).

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.

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007
(Unaudited)

13. COMMITMENTS (cont'd...)

The maximum annual lease commitments under this lease are as follows:

Fiscal	2008	\$ 281,819
	2009	308,723
	2010	308,723
	2011	308,723
	2012	308,723
	2013	308,723

However, the Company has agreed to pay a maximum of \$3,600 per month for the term of the lease, based on its proportionate space.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short-term investments, receivables, marketable securities 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 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:

	May 31, 2007	February 28, 2007
Capital assets		
Canada	\$ 21,377,984	\$ 16,712,134
Niger, West Africa	170,634	157,881
Ireland	1,229,645	1,221,139
Italy	203,235	158,260
Other	<u>44,770</u>	<u>-</u>
	<u>\$ 23,026,268</u>	<u>\$ 18,249,414</u>

16. SUBSEQUENT EVENTS

Subsequent to May 31, 2007, the Company:

- a) completed an Arrangement Agreement (the "Agreement") with Kilgore Minerals Ltd. ("Kilgore"). Pursuant to the Agreement, Kilgore split its shares on the basis of 1.25 new shares for each old share and the Company amalgamated with a wholly-owned subsidiary of Kilgore. Each share or convertible security of the Company was exchanged for one common share or one convertible security of Kilgore, respectively. This transaction resulted in the issuance of 28,615,090 of the Company's common shares. The Company's shareholders control the majority of the issued and outstanding capital stock of Kilgore. Kilgore changed its name to Bayswater Uranium Corporation and all of its directors and management resigned in favour of directors and management of the Company.

A finder's fee of 500,000 common shares was paid in connection with the amalgamation.

The transaction will be accounted for as an acquisition of Kilgore by the Company, as the former shareholders of the Company hold the majority of the capital stock of Bayswater Uranium Corporation after the amalgamation. As at May 31, 2007, the Company has incurred and deferred \$ 112,961 of costs related to this transaction.

- b) granted an option to Stornoway Diamond Corp. (C-SWY) ("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 and by incurring \$4 million in exploration expenditures over five years (with a minimum of \$500,000 to be incurred prior to September 1, 2008). The Company will be entitled to receive additional consideration from Stornoway for each geographically distinct, in-situ kimberlite body, up to a maximum of 10 bodies, identified on the property.
- c) issued 400 common shares pursuant to the exercise of warrants for total proceeds of \$ 320.
- d) issued 330,286 common shares pursuant to mineral property option agreements.

BAYSWATER URANIUM CORPORATION

Management Discussion and Analysis

Three Months Ended May 31, 2007

This discussion and analysis of financial position and results of operations is prepared as at July 30, 2007 and should be read in conjunction with the consolidated financial statements for the three months ended May 31, 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.

Description of Business

The Company is a natural resource company engaged in the acquisition, exploration, and development of uranium, 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 concession applications in Niger, West Africa; and, as a result of the recently closed merger with Kilgore Minerals Ltd., owns interests, through its subsidiary, Kilgore Gold Inc., in 22 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 for mineral resource properties. 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 Athabasca Basin, Saskatchewan, Canada; made applications for large uranium concessions 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. During August, 2006, the announced merger with Pathfinder Resources Ltd. closed and, as a result, led to 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 Niger, over 9.5 million acres. Bayswater is currently the largest uranium land holder in Canada with cumulative holdings of over 7.1 million acres in the three key uranium districts in Canada. During fiscal 2007, the Company incurred exploration expenditures of approximately \$8.0 million on its various properties and during the three months ended May 31, 2007, the Company incurred further exploration expenditures of approximately \$4.3 million.

Also, the previously announced merger with Kilgore Minerals Ltd. closed in late July, 2007. Additionally, the Company now owns a 100% interest in properties with approximately 12 million pounds of non 43-101 compliant historical uranium resources located in Montana, Nevada 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. A significant portion of the properties with historical uranium resources offer short term production potential. These assets, combined with the current uranium properties of the Company, provide a balanced portfolio that will appeal to a broader range of market participants and positions the Company to be a market leader in uranium exploration.

Also, 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.

During the three months ended May 31, 2007, the Company issued 4,336,800 units and 11,375,000 flow-through units pursuant to a private placement, raising net proceeds of approximately \$24,150,000. During the year ended February 28, 2007, the Company completed two brokered and one non-brokered private placements that netted approximately \$20.3 million.

Highlights of 2007 Property Exploration and 2008 Plans & Current Status

- Airborne surveying and follow-up prospecting on the **Labrador Uranium Project** discovered 12 IOCG and Rossing type uranium mineralized zones and targets of interest of which up to 10 will be drill tested this year—including the Stipec River, Anna Lake, Dandy, Kanairiktok Bay and Stomach Lake uranium prospects for which 10,000 metres and possibly up to 20,000 metres of drill testing is planned to test these and other targets. Drilling is to commence by the end of June, 2007. These targets have potential for deposits comparable to those being drill tested by Aurora Energy and Crosshair and also for lower grade, bulk tonnage deposits.
- Airborne surveying and very limited follow-up prospecting on the **North Thelon Basin Project** identified 18 high priority radiometric anomalies several of which are associated with known uranium occurrences in association with basement structure and host rocks favourable for high grade unconformity type deposits. Additional airborne flying, currently underway, is being carried out to evaluate both the uranium and diamond potential of our 100% owned expanded land position in North Thelon Basin. All priority uranium targets from this work as well as targets identified last year will be followed up this year to identify drill targets. Ground follow-up prospecting has commenced on these targets.
- Deep penetrating EM surveying of a portion of the Company's **South Thelon Basin Project** land holdings identified several favourable shallow and deep conductive targets of which one of the deep targets cuts through the northwestern portion of our 100% owned CL claims. This target extends the 70 km long favourable conductive trend on Uravan and Cameco ground that trends from the Boomerang uranium prospect in the southwest to our claim boundary on the northeast. Uravan and Cameco are planning a 20 to 25 drill hole program on their land this year to test this conductive trend. Bayswater is planning follow-up ground geophysical surveying on these targets, a portion of which has been completed this winter and for which results should be available shortly, and prospecting this year to evaluate these favourable anomalies in preparation for drill testing. Also, the Company has recently completed the majority of its planned deep penetrating EM survey on land holdings in the internal portion of the basin not previously flown and has completed radiometric surveying of the marginal portions of the basin. Ground follow-up of targets from these surveys as well as follow-up of a number of high grade uranium occurrences that are located on our land holdings will be evaluated this year for high grade unconformity style targets in order to identify drill targets. A ground follow-up prospecting program is currently underway on these targets.
- A deep penetrating EM survey has recently been completed on the Company's large land holding in **Athabasca Basin**. Results from this survey are anticipated shortly and ground follow-up

geophysics and prospecting will be undertaken this summer on conductive targets favourable for high grade unconformity type deposits typical of the Athabasca Basin. Major basement structures and proximity to known uranium mineralization of the unconformity type—such as the mined out Cliff Lake deposits and other undeveloped prospects and deposits in the region of the Company's claims, indicate the favorability of the land position. Exploration this year will be directed towards identifying drill targets.

- Additional airborne surveying and prospecting is warranted on the **Hermitage Uranium Project** with land in close proximity and along strike uranium prospects being evaluated by Commander Resources. This work is planned for later this summer and fall. Also, a portion of the Company's Hermitage land holdings have been joint ventured.
- **Drilling on the South & North Thelon Basin Projects and Athabasca Basin Project** may commence on some targets in 2007 depending on permitting but is also planned for the first half of 2008 depending on results of our surveys and permitting.
- 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 after 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.
- 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. The Company plans airborne surveying and ground follow-up once the concessions are granted.
- The recently closed **merger with Kilgore Minerals Ltd.** is a major milestone as this merger brings to Bayswater substantive non 43-101 historical resources in Montana and Nevada offering short term production potential. Both projects have substantial potential for additional resources. A major program of confirmation drilling, metallurgical testing and step out drilling is planned over the next year in order to begin expanding and quantifying historical resources according to NI 43-101 standards and to advance the project towards feasibility.
- Deep penetrating induced polarization surveying on the **Avoca Base Metal Project** in Ireland identified numerous conductive targets warranting drill testing for possible high grade massive sulphide zones.
- 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 is exploring ways of developing the Avoca base metal and Kilgore gold projects, as well as other gold assets of the Company without detracting Bayswater from its core business in uranium.
- **The Company has a uranium exploration budget for 2007 until mid 2008 of approximately \$30 million for Canada, United States and Niger.** The Company is well financed to carry out this program.

Details of Property Acquisitions, Results of Exploration and Plans

Central Mineral Belt, Labrador Uranium Project

To date, Bayswater has optioned, and acquired by staking, an aggregate of 17,947 claims (4,486 sq km) in the Central Mineral Belt uranium district, Labrador. These claims cover extensive lake sediment uranium anomalies and favourable geologic settings for IOCG-Olympic Dam type deposits and for granite hosted-Rossing type deposits. Bayswater is by far the largest land holder in this important uranium district which is currently undergoing extensive exploration by competitor companies for IOCG type deposits - including drilling by Aurora Energy Resources Inc. (formerly Fronteer-Altius) (TSX-V: AXU) on the Michelin deposit and other prospects in the eastern portion of the district and drilling by Crosshair Exploration & Mining Corp. on the Moran Lake deposit and other prospects in the western portion of the district. Other companies active in the district include Silver Spruce Resources Inc. (TSXV: SSE), Santoy Resources Ltd. (TSX-V: SAN) and Monster Copper Corp. The interests of the latter two companies have been recently acquired by Mega Uranium Ltd. (TSX: MGA). In 2006, the Company completed on its land holdings i) a compilation of all previous industry and government work, ii) a 41,000 line km helicopter borne radiometric and magnetic survey by Fugro Airborne Surveys Corp. covering all its land holdings except for 1,087 recently staked add-on peripheral claims, and iii) an extensive follow-up prospecting program of priority compilation targets and numerous airborne radiometric anomalies. Approximately 80 high priority radiometric targets were identified of which many were followed-up in 2006. The prospecting and geological field crew was demobilized in October 2006 due to weather conditions. Results of the target follow-up program led to the discovery of 14 uranium mineralized zones or anomalous targets of interest and one rare earth element discovery of further interest. Uranium targets of interest represent both IOCG and Rossing types. A number of the uranium mineralized structures are conductive as a result of associated sulphides and/or graphite. Accordingly, a 5,700 line km airborne EM/magnetic survey has recently been completed by Aeroquest Limited in 2007 within the central portion of the Company's land holdings in the historic portion of the uranium district over and along these conductive targets and similarly over radiometrically anomalous targets southwest of the Michelin deposit. Results of this survey are currently under review. Additionally, in 2007 an extensive program is planned consisting of i) detailed mapping, soil sampling, prospecting, ground geophysics and diamond drill testing of known uranium mineralized zones and selected uranium targets; ii) follow-up prospecting of numerous radiometric anomalies identified in 2006 requiring further evaluation; iii) follow-up prospecting of any 2007 EM anomalies that indicate extensions to known zones or potential new zones of uranium mineralization; and iv) a 3000 line km airborne radiometric and magnetic survey by Novatem Inc. of recently staked claims and follow-up of respective radiometric anomalies. A 10,000 metre drill contract has recently been entered into by the Company in order to drill test these favourable uranium targets. Drilling with two rigs has commenced on these targets. Also, following a thorough review of all project data completed this spring, further follow-up prospecting and sampling of numerous selected anomalous uranium targets is planned for this summer and fall. Additional drilling is planned based on results of the above work.

Brudell Lake Uranium Property, Athabasca Basin, Saskatchewan

In 2006, Bayswater announced a strategic acquisition of a 1.5 million acre land package in the west central region of the Athabasca Basin, Saskatchewan. In addition, recent staking by Bayswater has expanded this land package to over 1.7 million acres. This makes Bayswater one of the largest land holders in this important uranium district. Also, this land package is well positioned in terms of the unconformity model applicable to the basin and with respect to known nearby uranium deposits and prospects. The Athabasca Basin hosts the largest and highest grade deposits of uranium in the world and is also the number one producer of uranium in the world. Bayswater has recently completed a 14,000 line km VTEM and magnetic survey, using a deep penetrating EM system of Geotech Ltd., over all its land holdings. The Company plans to follow-up any favourable basement conductive targets identified as a result of the survey once data processing is completed with more detailed ground geophysical and geological surveys to define drill targets this summer. Drilling of favorable targets is planned for later this year.

Canada Uranium Joint Venture—North and South Thelon Basin

The 50/50 joint venture agreement with Strongbow, announced January 24, 2006, has, and will, continue to provide Bayswater access to uranium opportunities in Canada through the knowledge, skill and excellent contacts, particularly in northern Canada, of the Strongbow management group. Strongbow's chairman, D. Grenville Thomas, has been involved in the discovery of a number of mineral deposits in northern Canada, including the Diavik Diamond Mine in the Northwest Territories. Also, Robert Campbell, who conducts Strongbow's uranium exploration activities, has 18 years of uranium experience in Canada. Kenneth Armstrong, president of Strongbow, also has extensive northern Canada experience. A program of identifying prospective areas for uranium mineralization has commenced and property acquisition is underway under the joint venture. To date, pursuant to the joint venture, several uranium unconformity type targets have been acquired in the Thelon Basin, Nunavut and NWT. Thelon Basin is analogous geologically to the Athabasca Basin, Saskatchewan that hosts numerous high grade unconformity type deposits. Acquired targets include ten prospecting permits in two blocks, totaling 330,794 acres in the North Thelon Basin and four claim blocks comprising 175,029 acres in the South Thelon Basin. A compilation of previous work covering these lands has been completed that will assist any further follow-up work. Also, an airborne radiometric and magnetic survey by Tundra Airborne Surveys Ltd. was completed over the permit areas, which were designated by Strongbow pursuant to the joint venture agreement as an "earn-in project", in North Thelon Basin during the summer of 2006. Several high priority radiometric targets were identified from this survey in both permit blocks that require detailed follow-up prospecting. A limited field examination of these targets was carried out late in the fall of 2006 that identified several boulders containing anomalous uranium contents in both permit blocks. Detailed follow-up prospecting has commenced on these targets with ground geophysics planned later this summer and fall, depending on results, in order to define drill targets. The claim blocks in South Thelon Basin, which were also designated by Strongbow pursuant to the joint venture agreement as a separate "earn-in project", were flown this spring with VTEM and magnetics, a deep penetrating EM system of Geotech Ltd, for which results are anticipated once current data processing is completed. Ground follow-up work, including prospecting and ground geophysical surveying, is planned this year on any favorable basement conductive zones identified from this survey in order to define drill targets. Drilling is planned on priority targets for both the North and South Thelon Basin properties late this year or in 2008 subject to permitting.

Thelon Basin Properties, Nunavut and NWT—100% Owned

Bayswater acquired by staking in 2006 a 100% interest in five further claim blocks totaling 1,183,142 acres in South Thelon Basin; and a further five claim blocks totaling 522,967 acres in North Thelon Basin. Land acquisition was guided by the results of a Bayswater preliminary data compilation of prior industry and government work in Thelon Basin. In addition, as a result of the merger with Pathfinder in 2006, Bayswater's land interests were expanded significantly in South Thelon Basin. The additional land includes 1,236,231 acres, consisting of one contiguous block of permits and claims adjoining the north side of a portion of Bayswater's previously staked land to the south, in which Bayswater is earning an 80% interest from Uranium North Resources Ltd. (TSX-V: UNR) and 98,719 acres in claims (CL claims) in an adjoining piece of ground that is 100% owned by Bayswater. Field exploration carried out in 2006 in South Thelon included a MegaTem II survey by Fugro Airborne Surveys Corp. comprising about 8,000 line km that was initiated by Pathfinder prior to the merger and completed after the merger. This survey covered about two thirds of the land interests held by Pathfinder prior to the merger. This survey identified several favorable basement conductive zones and associated basement structures on which ground geophysical follow-up work was commenced earlier this winter and will be continued along with prospecting this summer in order to define drill targets. One of the conductive targets, traced for at least 5 kms, is along strike to the northeast of a basement conductive zone traced for over 50 kms on land held under the Uravan/Cameco joint venture that is currently being drill tested by them. Drilling of these Bayswater priority targets in South Thelon is planned this year subject to obtaining the requisite permits. In addition, the magnetic survey identified a number of single line magnetic features in South Thelon that could reflect kimberlites. The Company plans to farm-out its interest in the diamond potential on this property. In North Thelon Basin, Bayswater carried out an airborne radiometric and magnetic survey in

2006 by Tundra on its 100% owned five claim blocks. Several high priority radiometric targets were identified from this survey on all claim blocks—a number of which are known to be associated with uranium occurrences on the ground. A limited field examination of these targets was carried out late in the fall of 2006 that confirmed radiometric anomalies. Detailed follow-up prospecting is currently underway on these targets and ground geophysics is planned later this summer and fall, depending on results, in order to define drill targets. Drilling of priority targets in North Thelon is planned later this year or in 2008.

Additional land was acquired in North Thelon Basin in early 2007. This land includes 790,100 acres in permits and staked claims to the east and northwest of the Itza Lake claim block, staked in 2006, and forms a contiguous block of land with the Amer West claim block, also staked in 2006, to the northwest. This land covers potential extensions of favorable circular magnetic features that were identified on the Itza Lake claim block from airborne surveying in 2006 that indicated possible kimberlite pipes which are the known host of diamond deposits. This property is in close proximity to diamond company De Beers' large diamond land holdings, and is considered to have high potential for diamonds. This new ground also has considerable uranium potential as it is situated along the northeastern margin of the Thelon Basin with known major basement fault structures and areas of favourable Amer Group sediments north of the Kiggavik Trend of uranium deposits. The Company is currently carrying out an airborne radiometric, magnetic and EM survey over this newly acquired land to evaluate both the uranium and diamond potential. Radiometric anomalies will be followed-up with ground geophysics and prospecting in order to define drill targets. Any drilling would likely be carried out in 2008. Bayswater has recently completed an agreement with Stornoway in regards farming out its diamond interests in this property. Under the agreement, Stornoway is to spend \$4.0 million over 5 years at which time Bayswater can elect to participate as to a 40% interest.

Claim blocks acquired by Bayswater by staking in 2006, as above, and portions of the permits and claims acquired pursuant to the merger with Pathfinder that were not flown in 2006 by MegaTem within the internal portions of the South Thelon Basin were recently flown with VTEM and magnetics by Geotech. Of a planned 9,500 line km survey some 7,030 line km were completed over priority areas prior to spring breakup. Completion of the survey is tentatively planned subject to results after spring breakup. In the meantime the current airborne survey data is being processed. Any conductive zones of interest identified as a result of this survey are planned to be followed-up this summer and fall with ground geophysics and prospecting in order to define drill targets. Claim blocks acquired in 2006 along the marginal portions of the South Thelon Basin have recently been surveyed by Tundra with an airborne radiometric, magnetic and EM system. Ground follow-up prospecting, mapping and geophysical surveying to follow in order to define drill targets this year is currently underway on favourable targets. Drilling is planned on priority targets on the Company's South Thelon land holdings as a result of these surveys this year or in 2008 subject to permitting.

Summary of Thelon Basin Land Holdings

In summary, as a result of the above acquisitions in Thelon Basin, Bayswater has rights in South Thelon Basin to 2,693,122 acres in two large contiguous blocks--one along the northwest margin of the basin (Northwest Block) and the other internal and along the southeast margin of the basin (Southeast Block); and, has rights in North Thelon Basin to 1,643,861 acres in seven blocks (Permit-1 and Permit-2; Itza Lake (Including recently staked claims and acquired permits), Amer West, Amer East, Kiggavik Southwest and Kiggavik Central claim blocks) along the margin and in a shallow internal portion of the basin. All these lands are characterized by favourable basement structure and lithology either along the margin of the basin or underlying internal portions of the basin with geologic conditions considered favorable to host high grade, unconformity-type uranium deposits. High grade uranium occurrences are known within two of the claim blocks acquired in North Thelon Basin and two such occurrences are known within the northern portion of the Northwest Block staked in South Thelon Basin. Some of these occurrences require further evaluation. In 2007, exploration of marginal areas of the basin in both North and South Thelon Basin will be conducted by airborne radiometric and magnetic surveying which has been completed over approximately one half of the North Thelon land holdings in 2006 as above and has

been recently completed over the South Thelon Basin marginal claims and is currently underway in the expanded land package in North Thelon Basin. Follow-up prospecting, mapping and geophysical surveying of priority radiometric anomalies is currently underway in both North and South Thelon Basin in order to define drill targets. Also in 2007, exploration of internal portions of the basin in South Thelon Basin has been continued by conducting initial deep penetrating airborne EM and magnetic surveying, which to date has been completed over the majority of the Company's land holdings in 2006 and 2007 as above with the balance of the limited unsurveyed areas to be tentatively surveyed this year subject to results of processing and analysis of the current survey. This summer a program of continued follow-up ground geophysical surveying of basement conductive zones of interest, initiated and partially completed this winter as above, along with prospecting and mapping will be carried out to define drill targets. A major effort will be undertaken by the Company to further advance all its properties in Thelon Basin to the drill stage this year; as well as to undertake initial drill testing of priority targets.

Hermitage Uranium Project, Newfoundland

As a result of the merger with Pathfinder, Bayswater acquired a large interest in the Hermitage Uranium Belt, southwestern Newfoundland. This new uranium area is a 100 km by 10 km structural arch that hosts a number of uranium prospects. Several types of uranium occurrences have been discovered in the belt, of which stratiform sedimentary and volcanic settings are most important due to their large-scale potential. Commander Resources Ltd. ("Commander") (TSX-V: CMD) is also exploring this belt. They have reported assay results up to 3.1% U₃O₈ from sandstone hosted occurrences. Subsequent to the merger, Bayswater staked additional 100% owned claims in the belt and also acquired a small strategic land package by option agreement to acquire a 100% interest that was subsequently 50:50 joint ventured with Commander. Within the Hermitage Belt, Bayswater currently holds a 100% interest in 268,706 acres, a 50% interest in 148,942 acres under a joint venture with Commander that was subsequently optioned to Global Gold Uranium LLC ("Global") whereby Global can earn up to a 60% interest and rights to acquire a 100% interest in a 3,212 acre block (Murphy) under an option agreement that was subsequently 50:50 joint ventured with Commander. Bayswater's land holdings comprise more than half of this newly recognized prospective uranium belt. An airborne radiometric, magnetic and EM survey by Aeroquest Ltd. comprising approximately 4,000 line km was completed in 2006 over approximately 92,705 acres (Hermitage East and West) of Bayswater's 100% owned land holdings and the 3,212 acre Murphy parcel subsequently joint ventured with Commander. Geophysical airborne survey data from the Hermitage West, East and Murphy properties identified a large number of priority radiometric anomalies and several electromagnetic conductors. Based on the final processed data, prospecting of selected targets was carried out in 2006. No uranium mineralized areas of interest were identified; however, several high priority targets remain to be examined. Further airborne surveying of the balance of Bayswater's 100% owned ground (176,999 acres in the La Poile and Gunflap claim blocks) is planned late this summer as well as further follow-up prospecting and mapping of any priority radiometric anomalous targets from this survey. The goal of our 2007 work is to identify priority targets for drill testing.

Guatemala Central America Uranium Syndicate

Also, as a result of the merger with Pathfinder, Bayswater had a 33.33% interest in a syndicate with Gold-Ore Resources Ltd., (TSX-V: GOZ) and Santoy Resources Ltd., that had two concessions totaling 42,000 acres in Guatemala targeting sediment-hosted uranium deposits. Results from a first phase prospecting and geochemical sampling program did not identify targets of interest and the syndicate was terminated and the land holdings have been allowed to lapse.

Niger Uranium Applications, West Africa

Bayswater has applied directly and indirectly for 16 uranium concessions in two blocks in Niger, West Africa. These concessions comprise 8,000 sq km in favorable structural and stratigraphic settings in the region of sandstone type uranium deposits several of which are currently producing in Niger—including the Akouta underground mine and Arlit open pit mine operated by Cogema. The president of Bayswater visited Niger in 2006 and examined several deposits including one operating underground mine owned by Cogema. The government of Niger has undertaken a review of its mining code which has led to a delay in

its granting of subsequent concessions including those applied for by Bayswater. The government process was completed as of November 1, 2006, and Bayswater reapplied, which it was required to do under the new system, for its concessions. When Bayswater reapplied it was able to modify the concession areas, previously applied for, based on new information Bayswater obtained in regards to previous airborne geophysical surveying of Niger including the uranium mine area and our proposed concessions. Bayswater has been notified that the process for granting of the concessions will be completed shortly. Once the concessions are granted Bayswater plans an airborne radiometric and magnetic survey and follow-up prospecting of anomalous targets this year in order to define uranium targets of interest for subsequent drill testing. Bayswater cannot be certain that all or any of the concessions applied for as above in Niger will be granted as the government system of granting of concessions is still uncertain in some respects.

Kilgore Minerals Ltd. Merger

Also, the announced merger with Kilgore Minerals Ltd. closed in late July, 2007. Kilgore owns a 100% interest in 22 uranium properties comprising approximately 30,442 acres in claims and state leases; and in addition owns rights to a surface and mineral lease covering 13,119 acres of prospective uranium lands in Carter County, Montana. The lease provides for surface access rights to lands under which Kilgore has mineral ownership through the location of federal lode claims, and acquisition of privately owned minerals on a portion of the lease. On five of Kilgore's properties in Montana, Wyoming, Nevada and California, it owns approximately 12 million pounds of non 43-101 compliant historical uranium resources. A significant portion of these uranium resources offer short term production potential—particularly in Montana and Nevada. The Company plans a program of permitting and baseline studies along with an aggressive program of confirmation and step-out drilling, testing and metallurgical work on these properties with historical resources in Nevada and Montana. Also, numerous additional properties in Wyoming and Montana have known uranium mineralization and defined targets for drill testing and potential resource delineation. These additional properties will be evaluated by surface work and drilling over the next year. Initial more detailed compilation and assessment of all historic data for Montana, Wyoming and Nevada is underway as well as economic modeling of historic resources in order to formulate our exploration program over the next year. The Company has budgeted approximately \$10 million for exploration on these US properties over the next year. An environmental review with respect to viability of exploration and mining on the California project is also planned. Pursuant to the merger with Kilgore, Norman Burmeister, former CEO and president of Kilgore, has agreed to continue as a special advisor to the Company on its US operations.

Base Metal and Gold Projects

Avoca Base Metal Project, Ireland

Bayswater completed an agreement in 2006 to purchase all the outstanding shares of Jadebay Limited (“Jadebay”), a wholly owned subsidiary of Strongbow Exploration Inc., which owns a 100% interest in two prospecting licences comprising 73 sq km covering the Avoca Mine in southeastern Ireland. The acquisition closed in 2007. The property has had significant open pit and near surface underground mining of copper resources from stratiform massive sulphide deposits—consisting of an approximate aggregate of 16 million tonnes of ore grading 0.60% copper with recoverable gold and silver values. Significant gold and silver values occur in the deposit. The deposit is zoned laterally with high grade zinc-lead zones off the extensions to the northeast (East Avoca) and southwest (West Avoca) of the deposit that require further delineation to define resources. An historical resource occurs along the southwest extension of the deposit—reported as 6.0 million tonnes grading 5.3% zinc and 1.9% lead. Also, along the northeast extension, previous drilling in the 1980's by RTZ identified several high grade intersections in the Kilmacco area the best of which assayed 10.1% zinc, 5.7% lead, 0.48% copper and 4.52 gm/tonne gold in an 8.3 metre intersection. In addition, the deposit offers potential for discovery of a much larger, blind base metal deposit at depth beneath the known deposit. One old hole drilled under the mined

copper zone intersected 9.1 metres grading 1.42% copper, 5.32% zinc and 1.62% lead—indicating potential for a separate massive sulphide horizon that has not been followed up. The deposit has many similarities to the Bathurst and Buchans type deposits in eastern Canada that correlate with this region of Ireland. A deep penetrating, high power gradient array, induced polarization survey was completed in 2006 on this property with the primary goal to evaluate the potential at depth for deep, blind deposits of the large Bathurst and Buchan's type deposits. A secondary goal was to evaluate the near surface extension of high grade zinc-lead zones in order to identify drill targets for potentially expanding the reported historical non NI 43-101 compliant resource base of the property. The induced polarization survey consisted of five surveyed sections spaced at 1 1/2 to 2 km intervals along a strike length of 8 km centered over the historic Avoca mine. The survey was designed to test the deposit to depths of over 900 metres. Results from this survey were successful in identifying several deep targets, some indicating potentially wider zones at depth than known near surface mineralized zones, as well as shallow and deep extensions of known zinc-lead mineralized zones for drill testing. The survey indicated that the sulphide system consists of multiple subparallel zones that extend the length of the survey area. Paterson, Grant & Watson Limited, consulting geophysicists, supervised the project and have processed and assessed the induced polarization data, compiled previous geophysical work done on the project and have correlated this data with the known mineralized zones. They have recommended a large number of shallow and deep drill holes to test favourable conductive zones.

Gold Property Acquisitions

Bayswater has previously applied for two gold concessions in Niger, West Africa under the old mining code. Bayswater has recently decided not to proceed with these applications under the new system. Also, the Company has applied for three gold permits in Italy.

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. and Pathfinder Resources Ltd. with respective major land holdings in these promising uranium regions. Silver Spruce is actively exploring its land holdings in Labrador. Pathfinder merged with Bayswater on August 15, 2006 and, as a result, the shares acquired pursuant to the private placement were subsequently returned to treasury and cancelled during the year ended February 28, 2007.

Summary of Corporate Development and Plans for Growth

Further to building out the uranium assets of the Company, management has been active in adding talented and experienced professionals to its board of directors and advisory board. Damien Reynolds, president of Longview Strategies Inc., has been appointed chairman of the board. Mr. Reynolds has extensive experience in identifying projects of merit and raising capital. Ken Armstrong, president of Strongbow, has also joined our board of directors. Mr. Armstrong has extensive experience in northern Canada. He was involved in the development of resource models for the Diavik Diamond Mine, NWT and has managed numerous exploration programs in northern Canada. As a result of the merger with Pathfinder, Vic Tanaka, a highly experienced uranium geologist involved with several Athabasca high grade deposit discoveries, has joined the Company as Chief Operating Officer. In addition, Gordon Davidson has recently joined our management team as Vice President Exploration—Canada. Mr. Davidson is a professional geologist with over 20 years experience in uranium exploration including directing exploration strategy and project management. He has been involved in exploration in all the major uranium districts in Canada including areas of the Company's land holdings. He is credited with having a significant role in the discovery of Areva's Andrew Lake uranium deposit in the Kiggavik Trend of the North Thelon Basin, Canada, as well as the discovery of unconformity-type uranium mineralization in the South Thelon Basin at the Boomerang Project, currently being explored by Cameco Corporation (TSX: CCO) and Uravan Minerals Inc. (TSX-V: UVN). More recently, Gord directed exploration activities at Cumberland Resources (TSX: CLG) where he was an important member of the team that

brought the Meadowbank Gold Project in the Northwest Territories, Canada to a positive production decision. Also, the Company's advisory board has been built out and includes Stephen Flechner, former general counsel and secretary of GoldFields Mining Corporation; and, Robert Campbell who has some 18 years experience with uranium exploration programs and deposits in North America--primarily in northern Canada. Also, as a result of the merger with Pathfinder, Siegfried Muessig, an independent senior mineral consultant, and Jerry Blackwell, an experienced geologist, have joined the advisory board. In addition, as a result of the merger with Kilgore, Norman Burmeister will continue as a special advisor to the Company on its US operations. Mr. Burmeister has extensive uranium experience and was responsible for assembling the Kilgore uranium and gold assets. He previously served as chief geologist for Silver Standard Resources from 1965 to 1978 and was instrumental in the discovery of the Mill Canyon gold deposit, Elko County, Nevada which was subsequently sold to Freeport-McMoRan, and in the discovery of the Minto copper deposit in the Yukon.

This is an exciting time for the shareholders of Bayswater. Significant value has been added to the Company as a result of its property acquisitions, including those as a result of the Pathfinder and Kilgore mergers, additions to management and investments completed to date. Also, acquisition of the large land position in Athabasca Basin, Saskatchewan, Canada has strategically positioned the Company as one of the largest land holders in the most important uranium producing district in the world. Also, as a result of its other land acquisitions in under explored major uranium districts, the Company is now the dominant land holder in the Central Mineral Belt, Labrador, Thelon Basin, NWT and Nunavut and in the Hermitage Belt, Newfoundland. In addition, upon concessions applied for in Niger being approved by the Niger government, the Company will be a major land holder in this important uranium producing district. Furthermore, with the merger with Kilgore completed, the Company has a balanced portfolio of uranium projects—some of which will offer short term production potential. With the combined talent of its management team, important and strategic asset base, and current working capital position of about \$42 million, the Company is poised for major growth as we advance our projects and continue to pursue other acquisitions in the uranium business. Our overall exploration budget for the next 12 months, including Canada, United States and Niger, is approximately \$30.0 million. Of this budget, approximately \$7.0 million is allocated for drilling on projects in Canada and is in part dependent on results of our programs as we go forward. Also, of this budget, approximately \$10.0 million has been allocated for United States uranium projects of which the majority will be on drilling.

Commensurate with the asset growth of the Company, an investor relations agreement has been entered into with Longview Strategies Inc. (Now Longview Capital Partners Inc.) to conduct investor relations activities for the Company. Also, the Company is actively involved in various media, investor and technical conferences and other forms of disseminating information on the Company.

The president of the Company, on behalf of the board of directors, would like to thank all of our shareholders for their support.

Results of Operations

The Company recorded a loss of \$2,718,477 for the three months ended May 31, 2007 compared to a loss of \$1,596,446 during the comparative three months ended May 31, 2006. The increase in the loss from the prior comparative period was due mainly to the recording of stock-based compensation expense of \$5,926,764 (2006 - \$1,186,095). This was partially offset by the recording of a future income tax recovery of \$1,739,000 during the current quarter from the renunciation of \$12,009,740 of qualified expenditures to flow through share subscribers. During the quarter ended May 31, 2006, there was no income tax recovery. As well, the Company recorded an unrealized gain on marketable securities of \$1,650,800 (2006 - \$Nil) which arose due to a change in accounting policy (see note 3 to the consolidated financial statements), and an increase in interest income of \$330,702 (2006 - \$39,155) due to a large increase in short-term investments held. Additionally, the Company incurred significantly higher costs

for investor relations (2007 - \$48,500; 2006 - \$Nil), professional fees (2007 - \$66,691; 2006 - \$21,882), property investigation costs (2007 - \$84,429; 2006 - \$Nil), rent (2007 - \$32,396; 2006 - \$3,000) and shareholder communications (2007 - \$85,085; 2006 - \$6,130). These increases related to increased exploration and corporate activities which required the contracting of more professionals and office space, and much higher expenditures related to advertising and trade shows.

During the three months ended May 31, 2006, the Company also wrote-down its investment in Silver Spruce Resources Inc. (“Silver Spruce”) by \$230,000 to reflect the then-current market value. As at May 31, 2007, the market value of the Silver Spruce shares was \$2,800,000.

During the three months ended May 31, 2007, the Company incurred mineral property acquisition and deferred exploration costs of \$4,725,104 (2006 - \$1,293,388).

Quarterly Information

	Three Months Ended May 31, 2007	Three Months Ended Feb 28, 2007	Three Months Ended Nov 30, 2006	Three Months Ended Aug 31, 2006
Total assets	\$62,508,837	\$32,556,210	\$30,095,778	\$20,368,328
Mineral properties and deferred costs	22,892,480	18,167,376	16,534,994	13,581,161
Working capital position (deficiency)	37,445,103	12,685,669	12,161,235	4,131,035
Loss for the period	(2,718,477)	(2,159,387)	(1,629,469)	(2,362,138)
Loss per share	(0.03)	(0.04)	(0.03)	(0.05)

	Three Months Ended May 31, 2006	Three Months Ended Feb 28, 2006	Three Months Ended Nov 30, 2005	Three Months Ended Aug 31, 2005
Total assets	\$11,810,405	\$ 2,050,566	\$ 465,985	\$ 146,102
Mineral properties and deferred costs	3,185,048	1,905,554	440,716	129,396
Working capital position (deficiency)	5,176,126	(134,778)	(245,005)	(109,063)
Loss for the period	(1,629,237)	(382,673)	(395,640)	(26,772)
Loss per share	(0.07)	(0.04)	(0.04)	(0.01)

Fiscal 2008

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.

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.

Fiscal 2006

Significant changes in key financial data from 2005 to 2006 can be attributed to the stock-based compensation expense and to the associated costs with the property option agreements in the third and fourth quarters of 2006. In the third quarter of 2006, the Company completed a \$291,000 private placement and an \$800,000 private placement was completed in the fourth quarter. In the fourth quarter of 2006, 1,111,111 share purchase warrants were exercised for proceeds totaling \$333,333. During the third and fourth quarter of 2006, the Company paid out approximately \$1.1 million in mineral property costs. These transactions had a significant impact on the Company's working capital.

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 May 31, 2007, the Company has a working capital position of approximately \$37,400,000 and cash and short-term investments of \$35,348,904. Acquisition, investment, exploration and administrative expenditures incurred during the three months ended May 31, 2007 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 2,534,106 common shares pursuant to the exercise of warrants for total proceeds of \$2,698,478.

For the year ending February 28, 2008, 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

Included in accounts payable and accrued liabilities at May 31, 2007 is \$47,917 (February 28, 2007 - \$139,520) owing to a company controlled by the president, a director and companies with common directors.

During the three months ended May 31, 2007, the Company:

- a) Paid or accrued \$109,381 (2006 - \$105,000) for management fees to a company controlled by the president, a director and companies with common directors.
- b) Paid or accrued \$13,200 (2006 - \$3,000) for rent to a company controlled by the president and a company with a director in common.
- c) Paid or accrued \$10,500 (2006 - \$9,500) for administration fees to a company owned by an officer of the Company.
- d) Paid or accrued \$37,500 (2006 - \$Nil) for investor relations to a company with a common director.
- e) Paid or accrued \$200,000 (2006 - \$Nil) for property acquisition costs to Longview.
- f) Received \$111,520 (2006 - \$Nil) from a company with common directors pursuant to a mineral property option agreement.
- g) Paid or accrued \$7,619 (2006 - \$Nil) for consulting fees included in deferred exploration costs to a director.

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 six months with a provision to extend a further six months upon notice from the Company, subject to regulatory approval.

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 shall pay Longview \$15,000 per month payable 50% in cash and 50% in common shares. As at May 31, 2007, the Company has accrued an obligation to issue shares of \$52,500 (February 28, 2007 - \$37,500).
- 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.

The maximum annual lease commitments under this lease are as follows:

Fiscal 2008	\$ 281,819
2009	308,723
2010	308,723
2011	308,723
2012	308,723
2013	308,723

However, the Company has agreed to pay a maximum of \$3,600 per month for the term of the lease, based on its proportionate space.

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 \$441,517, including a future tax recovery of \$149,000, to reflect the fair value of marketable securities held as at February 28, 2007.

Subsequent events

Subsequent to May 31, 2007, the Company:

- a) completed an Arrangement Agreement (the "Agreement") with Kilgore Minerals Ltd. ("Kilgore"). Pursuant to the Agreement, Kilgore split its shares on the basis of 1.25 new shares for each old share and the Company amalgamated with a wholly-owned subsidiary of Kilgore. Each share or convertible security of the Company was exchanged for one common share or one convertible security of Kilgore, respectively. This transaction resulted in the issuance of 28,615,090 of the Company's common shares. The Company's shareholders control the majority of the issued and outstanding capital stock of Kilgore. Kilgore changed its name to Bayswater Uranium Corporation and all of its directors and management resigned in favour of directors and management of the Company.

A finder's fee of 500,000 common shares was paid in connection with the amalgamation.

The transaction will be accounted for as an acquisition of Kilgore by the Company as the former shareholders of the Company hold the majority of the capital stock of Bayswater after the amalgamation. As at May 31, 2007, the Company has incurred and deferred \$112,961 of costs related to this transaction.

- b) granted an option to Stornoway Diamond Corp. (C-SWY) ("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 and by incurring \$4 million in exploration expenditures over five years (with a minimum of \$500,000 to be incurred prior to September 1, 2008). The Company will be entitled to receive additional consideration from Stornoway for each geographically distinct, in-situ kimberlite body, up to a maximum of 10 bodies, identified on the property.
- c) issued 400 common shares pursuant to the exercise of warrants for total proceeds of \$320.
- d) issued 330,286 common shares pursuant to mineral property option agreements

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 July 30, 2007, there were 122,547,659 common shares issued and outstanding. There were also 8,959,320 stock options outstanding to directors, officers and consultants with exercise prices ranging between \$0.34 and \$1.65 per share and 24,419,001 warrants outstanding, which expire between September 27, 2007, and November 1, 2008 with exercise prices ranging between \$0.60 and \$1.85 per share.

Disclosure Controls and Internal Controls over Financial Reporting

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have assessed the design of the Company's internal controls over financial reporting for the three months ended May 31, 2007, pursuant to the certification requirements of Multilateral Instrument 52-109. They concluded that as of May 31, 2007, weaknesses existed in the design of internal control over financial reporting with respect to process controls and segregation of duties as a result of a having a limited number of accounting staff at head office. The CEO and CFO have concluded that considering the size and stage of development of the Company and the best interests of its shareholders, the issue does not warrant the hiring of additional accounting staff to correct the lack of segregation of duties and its effect on process controls at this time.

The CEO and CFO acknowledge responsibility for the design of internal control over financial reporting (ICFR), and confirm that there were no changes in these controls that occurred during the three months ended May 31, 2007 which materially affected, or are reasonably likely to materially affect, the Company's internal control for financial reporting.