

**BAYSWATER URANIUM CORPORATION**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**AUGUST 31, 2007**

**(Unaudited – Prepared by management)**

These unaudited interim consolidated financial statements of Bayswater Uranium Corporation for the six month period ended August 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 August 31, 2007	As at February 28, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,605,250	\$ 6,189,352
Short-term investments	31,950,790	6,686,500
Marketable securities (Note 5)	1,463,464	-
Receivables	1,083,317	330,723
Prepays and deposits	<u>179,063</u>	<u>27,167</u>
	36,281,884	13,233,742
<b>Equipment</b> (Note 4)	153,357	82,038
<b>Investments</b> (Note 5)	-	823,968
<b>Reclamation bond</b>	6,862	-
<b>Exploration advances</b>	828,483	249,086
<b>Mineral properties</b> (Note 7)	32,227,850	18,167,376
<b>Deferred amalgamation costs</b> (Note 16)	<u>17,929</u>	<u>-</u>
	<u>\$ 69,516,365</u>	<u>\$ 32,556,210</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,855,747	\$ 548,073
<b>Future income tax liability</b> (Note 10)	<u>1,833,000</u>	<u>-</u>
	<u>4,688,747</u>	<u>548,073</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	66,922,131	39,676,686
Contributed surplus (Note 8)	12,007,611	4,394,171
Obligation to issue shares (Note 13)	45,000	37,500
Deficit	<u>(14,147,124)</u>	<u>(12,100,220)</u>
	<u>64,827,618</u>	<u>32,008,137</u>
	<u>\$ 69,516,365</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**  
(Unaudited)

	Three Months Ended August 31, 2007	Three Months Ended August 31, 2006	Six Months Ended August 31, 2007	Six Months Ended August 31, 2006
<b>EXPENSES</b>				
Administration	\$ 13,697	\$ 10,500	\$ 27,060	\$ 20,000
Amortization	9,792	175	18,141	408
Consulting fees	65,000	-	65,000	-
Investor relations	13,875	-	62,375	-
Management fees	86,552	105,500	195,933	210,500
Office and miscellaneous	103,550	43,893	149,826	56,816
Professional fees	167,758	201,459	234,449	223,341
Property investigation costs	102,230	-	186,659	-
Rent	22,955	10,200	55,351	13,200
Shareholder communications	50,971	73,012	136,056	86,942
Stock-based compensation (Note 9)	676,076	1,917,186	6,602,840	2,526,851
Transfer agent and filing fees	32,089	35,149	42,073	72,116
Travel and related costs	36,110	236	42,331	16,307
	<u>(1,380,655)</u>	<u>(2,397,310)</u>	<u>(7,818,094)</u>	<u>(3,226,481)</u>
<b>OTHER ITEMS</b>				
Foreign exchange gain (loss)	4,603	(9,003)	3,063	(9,003)
Interest income	378,425	44,175	709,127	83,330
Unrealized gain (loss) on marketable securities	(108,557)	-	1,542,243	-
Portion of unrealized gain related to sale of marketable securities	(830,000)	-	(830,000)	-
Realized gain on sale of marketable securities	1,093,240	-	1,093,240	-
Write-down of investment	-	-	-	(230,000)
	<u>537,711</u>	<u>35,172</u>	<u>2,517,673</u>	<u>(155,673)</u>
<b>Loss before income taxes</b>	(842,944)	(2,362,138)	(5,300,421)	(3,382,154)
<b>Future income tax recovery</b> (Note 10)	<u>1,073,000</u>	<u>-</u>	<u>2,887,000</u>	<u>-</u>
<b>Net income (loss) for the period</b>	230,056	(2,362,138)	(2,413,421)	(3,382,154)
<b>Deficit, beginning of period</b>	(14,377,180)	(5,949,226)	(12,100,220)	(4,929,210)
<b>Fair value adjustment on financial instruments</b> (Note 3)	<u>-</u>	<u>-</u>	<u>366,517</u>	<u>-</u>
<b>Deficit, end of period</b>	<u>\$ (14,147,124)</u>	<u>\$ (8,311,364)</u>	<u>\$ (14,147,124)</u>	<u>\$ (8,311,364)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ 0.00</u>	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>	<u>\$ (0.12)</u>
<b>Weighted average number of common shares outstanding</b>	<u>56,879,275</u>	<u>28,615,090</u>	<u>56,879,275</u>	<u>28,615,090</u>

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

**BAYSWATER URANIUM CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three Months Ended August 31, 2007	Three Months Ended August 31, 2006	Six Months Ended August 31, 2007	Six Months Ended August 31, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income (loss) for the period	\$ 230,056	\$ (2,362,138)	\$ (2,413,421)	\$ (3,382,154)
Items not affecting cash:				
Amortization	9,792	175	18,141	408
Obligation to issue shares for services	(7,500)	22,500	7,500	37,500
Shares issued for services	-	-	-	7,500
Stock-based compensation	676,076	1,917,186	6,602,840	2,526,851
Unrealized (gain) loss on marketable securities	108,557	-	(1,542,243)	-
Portion of unrealized gain related to sale of marketable securities	830,000	-	830,000	-
Realized gain on sale of marketable securities	(1,093,240)	-	(1,093,240)	-
Write-down of investment	-	-	-	230,000
Future income tax recovery	(1,073,000)	-	(2,887,000)	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(379,204)	26,246	(731,292)	(78,267)
Increase in prepaids and deposits	(103,101)	(50,316)	(127,033)	(52,103)
Increase (decrease) in accounts payable and accrued liabilities	<u>272,152</u>	<u>(22,623)</u>	<u>191,476</u>	<u>2,830</u>
Net cash used in operating activities	<u>(529,412)</u>	<u>(451,470)</u>	<u>(1,144,272)</u>	<u>(707,435)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Short-term investments	3,202,233	2,143,500	(25,264,290)	(3,386,500)
Equipment	(15,525)	-	(94,727)	-
Mineral property costs, net of recoveries	(4,904,719)	(2,550,586)	(8,492,268)	(3,507,451)
Exploration advances	(428,411)	-	(579,397)	-
Proceeds on sale of marketable securities	1,663,240	-	1,663,240	-
Deferred amalgamation costs	(291,625)	-	(336,439)	-
Cash acquired on amalgamation	2,490,962	92,611	2,490,962	92,611
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>
Net cash provided by (used in) investing activities	<u>1,716,155</u>	<u>(314,475)</u>	<u>(30,612,919)</u>	<u>(9,801,340)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital stock issued	222,626	922,016	28,080,700	10,932,633
Share issue costs	<u>-</u>	<u>-</u>	<u>(907,611)</u>	<u>(231,200)</u>
Net cash provided by financing activities	<u>222,626</u>	<u>922,016</u>	<u>27,173,089</u>	<u>10,701,433</u>
<b>Change in cash during the period</b>	<b>1,409,369</b>	<b>156,071</b>	<b>(4,584,102)</b>	<b>192,658</b>
<b>Cash, beginning of period</b>	<u><b>195,881</b></u>	<u><b>36,587</b></u>	<u><b>6,189,352</b></u>	<u><b>-</b></u>
<b>Cash, end of period</b>	<u><b>\$ 1,605,250</b></u>	<u><b>\$ 192,658</b></u>	<u><b>\$ 1,605,250</b></u>	<u><b>\$ 192,658</b></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 (formerly Kilgore Minerals Ltd.) (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.

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

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

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

**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 six month period ended August 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 \$366,517, net of a future tax expense of \$75,000, to reflect the fair value of marketable securities held as at February 28, 2007.

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

**4. EQUIPMENT**

	August 31, 2007			February 28, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 13,705	\$ 11,494	\$ 2,211	\$ 13,185	\$ 10,870	\$ 2,315
Computer equipment	93,648	29,566	64,082	60,758	18,148	42,610
Exploration equipment	67,410	7,415	59,995	31,452	-	31,452
Vehicle	38,707	16,450	22,257	-	-	-
Leasehold improvements	10,191	5,379	4,812	10,191	4,530	5,661
	<u>\$ 223,661</u>	<u>\$ 70,304</u>	<u>\$ 153,357</u>	<u>\$ 115,586</u>	<u>\$ 33,548</u>	<u>\$ 82,038</u>

**5. MARKETABLE SECURITIES**

During the current period, the Company reclassified its investments as marketable securities and carries them at fair value (Note 3). As at August 31, 2007, marketable securities consist of shares in publicly traded companies with an initial cost of \$620,040. 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. PLAN OF ARRANGEMENT**

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

The Company completed an Arrangement Agreement (the "Agreement") with old Bayswater. Pursuant to the Agreement, the Company split its shares on the basis of 1.25 new shares for each old share and, effective July 24, 2007, old Bayswater amalgamated with a wholly-owned subsidiary of the Company. Each share or convertible security of the Company was exchanged for one common share or one convertible security of old Bayswater, respectively. This transaction resulted in the issuance of 28,615,090 of the Company's common shares, as well as 1,685,540 stock options and 188,750 share purchase warrants. Upon completion of the agreement, the Company changed its name to Bayswater Uranium Corporation and all of its directors and management resigned in favour of directors and management of old Bayswater.

A finder's fee of 500,000 common shares valued at \$680,000 was paid in connection with the amalgamation.

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

**BAYSWATER URANIUM CORPORATION**  
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**6. PLAN OF ARRANGEMENT (cont'd...)**

**Amalgamation of Kilgore Minerals Ltd. and Bayswater Uranium Corporation (cont'd...)**

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

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

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

**7. MINERAL PROPERTIES**

<b>Six Months Ended August 31, 2007</b>	<b>CMB Labrador Claims</b>	<b>Thelon Basin Projects</b>	<b>Athabasca Basin, Saskatchewan</b>	<b>Hermitage, Nfld</b>	<b>Murphy Property Nfld</b>	<b>Niger, West Africa</b>	<b>Kilgore , USA</b>	<b>Other Properties, USA</b>	<b>Ireland, Italy and Other Properties</b>	<b>Total</b>
<b>Acquisition costs</b>										
Balance, beginning of period	\$ 577,601	\$ 2,300,436	\$ 5,499,025	\$ 293,458	\$ 105,700	\$ 84,087	\$ -	\$ -	\$ 605,570	\$ 9,465,877
Additions	460,660	719,765	-	-	-	-	5,247	303,604	-	1,489,276
Recoveries	-	(484,299)	-	(167,256)	-	-	-	-	-	(651,555)
Acquisition of Kilgore	-	-	-	-	-	-	2,738,847	-	-	2,738,847
Balance, end of period	<u>1,038,261</u>	<u>2,535,902</u>	<u>5,499,025</u>	<u>126,202</u>	<u>105,700</u>	<u>84,087</u>	<u>2,744,094</u>	<u>303,604</u>	<u>605,570</u>	<u>13,042,445</u>
<b>Deferred exploration costs</b>										
Balance, beginning of period	3,224,142	3,004,951	757,997	854,063	12,723	73,794	-	-	773,829	8,701,499
Airborne survey	833,754	2,269,852	1,073,732	-	-	-	-	-	-	4,177,338
Analytical	26,904	432	-	-	-	-	-	-	3,845	31,181
Camp costs	70,648	390,180	-	-	-	-	-	-	-	460,828
Community relations	92,457	3,150	-	-	-	-	-	-	-	95,607
Compilation	1,681	15,260	-	-	-	-	-	45,521	7,410	69,872
Drilling	948,745	-	-	-	-	-	-	-	-	948,745
Equipment	95,646	88,826	-	-	-	-	-	4,595	-	189,067
Field administration	28,131	39,531	47	22	-	-	-	150	12	67,893
Field supplies	30,294	53,531	-	-	-	-	-	-	-	83,825
Fixed wing/helicopter	1,080,793	891,522	-	-	-	-	-	-	-	1,972,315
Geological consulting	490,537	271,949	20,349	900	4,250	4,680	5,464	228,343	81,660	1,108,132
Ground geophysics	108,657	275,373	-	-	-	-	-	-	-	384,030
Geophysical consulting	23,147	28,880	-	-	-	8,850	-	-	2,940	63,817
Line cutting	94,158	-	-	-	-	-	-	-	-	94,158
Property maintenance	3,000	8,696	1,000	-	-	-	160,400	176,524	-	349,620
Prospecting	163,029	123,069	-	-	-	-	-	-	-	286,098
Travel and related	7,193	92,021	1,443	-	-	723	-	-	-	101,380
	<u>4,098,774</u>	<u>4,552,272</u>	<u>1,096,571</u>	<u>922</u>	<u>4,250</u>	<u>14,253</u>	<u>165,864</u>	<u>455,133</u>	<u>95,867</u>	<u>10,483,906</u>
Balance, end of the period	<u>7,322,916</u>	<u>7,557,223</u>	<u>1,854,568</u>	<u>854,985</u>	<u>16,973</u>	<u>88,047</u>	<u>165,864</u>	<u>455,133</u>	<u>869,696</u>	<u>19,185,405</u>
<b>Total, end of period</b>	<b>\$ 8,361,177</b>	<b>\$ 10,093,125</b>	<b>\$ 7,353,593</b>	<b>\$ 981,187</b>	<b>\$ 122,673</b>	<b>\$ 172,134</b>	<b>\$ 2,909,958</b>	<b>\$ 758,737</b>	<b>\$ 1,475,266</b>	<b>\$ 32,227,850</b>

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

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

<b>Year Ended February 28, 2007</b>	<b>CMB Labrador Claims</b>	<b>Thelon Basin Projects</b>	<b>Athabasca Basin, Saskatchewan</b>	<b>Hermitage, Nfld</b>	<b>Murphy Property Nfld</b>	<b>Niger, West Africa</b>	<b>Central America Uranium Syndicate</b>	<b>Avoca, Ireland</b>	<b>Tuscany Gold, Italy</b>	<b>Total</b>
<b>Acquisition costs</b>										
Balance, beginning of year	\$ 1,002,880	\$ -	\$ -	\$ -	\$ -	\$ 45,880	\$ -	\$ 600,000	\$ -	\$ 1,648,760
Additions	419,571	1,732,947	5,499,025	-	167,000	38,207	-	-	5,570	7,862,320
Recoveries	(844,850)	-	-	(84,200)	(61,300)	-	-	-	-	(990,350)
Acquisition of Pathfinder <sup>(1)</sup>	-	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>
<b>Deferred exploration costs</b>										
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 <sup>(1)</sup>	-	1,206,203	-	311,976	-	-	4,108	-	-	1,522,287
Airborne survey	1,799,205	835,754	712,700	71,486	10,543	-	-	-	-	3,429,688
Analytical	33,864	1,240	-	5,172	-	-	-	-	-	40,276
Camp costs	71,922	-	-	16,645	2,917	-	-	-	-	91,484
Compilation	39,555	32,881	7,240	-	-	-	-	-	-	79,676
Drilling	50,000	-	-	-	-	-	-	-	-	50,000
Equipment	109,390	-	-	14,842	-	-	-	-	-	124,232
Field administration	67,865	4,292	103	728	-	3,581	-	3,522	83,745	163,836
Field supplies	85,274	132	-	7,396	178	-	1,386	1,007	-	95,373
Fixed wing/helicopter	363,307	12,793	-	140,328	1,159	-	-	-	-	517,587
Geological consulting	182,485	170,903	19,232	35,025	2,300	2,475	380	-	13,000	425,800
Ground geophysics	-	154,015	-	-	-	11,100	-	590,480	-	755,595
Geophysical consulting	68,756	113,473	-	8,000	1,425	20,745	5,127	22,231	14,511	254,268
Mapping	8,441	14,469	14,111	280	-	13,417	-	-	28,534	79,252
Property maintenance	-	444,104	-	-	-	-	5,037	20,217	-	469,358
Project management	9,955	1,573	2,082	-	762	-	1,532	-	4,900	20,804
Property cost 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>
<b>Written off during the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,957)</u>	<u>-</u>	<u>-</u>	<u>(20,957)</u>
<b>Total, end of year</b>	<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.

*Uranium properties*

**Central Mineral Belt Properties, Labrador**

On November 17, 2005, the Company entered into an option agreement with Longview Capital Partners Inc. (formerly Longview Strategies Incorporated) ("Longview"), a company related by a former 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. A NSR of 1% will be payable on these claims. The Company retains the right to purchase the NSR (1%) at any time for \$2,000,000.

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

The Company has acquired, during the six months ended August 31, 2007 and during 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.

During the six months ended August 31, 2007, the Company acquired an option from Silver Spruce Resources Inc. and Universal Uranium Ltd. to earn a 50% interest in additional claims in Labrador. To earn its 50% interest the Company issued 200,000 common shares valued at \$204,000 and is required to incur exploration expenditures totaling \$100,000 by July 31, 2008.

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

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

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

During the six months ended August 31, 2007, the Company entered into an option/joint venture agreement with Ucore Uranium Inc. ("Ucore"), whereby the Company and Ucore pooled certain claims and option rights on additional claims held by Ucore in the eastern portion of the Central Mineral Belt in Labrador. Pursuant to the terms of the agreement, the Company and Ucore each have the option to acquire a 50% interest in the pooled claims and option rights by incurring exploration expenditures totaling \$266,667 and \$133,333, respectively, by August 31, 2008.

**Thelon Basin Projects**

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

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

The Company entered into an agreement, dated April 13, 2006, with Yukon 37999 Inc. to acquire a 100% interest in additional uranium claims in the South Thelon area of the NWT in consideration of a cash payment of \$102,903. The Company has also agreed to issue 108,858 common shares in three equal installments, the first of which was issued during the year ended February 28, 2007 and the second of which was issued during the six months ended August 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 Resources Ltd. ("Pathfinder") was granted an option to acquire an 80% interest in uranium rights in certain exploration permits acquired by Diamonds North Resources Ltd., located within and around the Thelon Basin, Northwest Territories, Canada in consideration of making a cash payment of \$100,000 (paid) and issuing a total of 2,000,000 common shares (1,500,000 shares issued pre-amalgamation). The Company issued 294,000 shares (500,000 pre-amalgamation Pathfinder shares) during the six months ended August 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), 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...)

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

**Thelon Basin Properties, Northwest Territories ("NWT") and Nunavut** (cont'd...)

During the six months ended August 31, 2007, the Company granted an option to Stornoway Diamond Corp. ("Stornoway"), whereby Stornoway may earn a 60% interest in certain diamond rights at Itza Lake, Nunavut by issuing to the Company common shares of Stornoway with a value of \$75,000 and by incurring \$4,000,000 in exploration expenditures over five years (with a minimum of \$500,000 to be incurred prior to September 1, 2008). 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.

**Canada Uranium Joint Venture**

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

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

Pursuant to the joint venture, certain prospecting permits have been granted to Strongbow in the North Thelon Basin, Nunavut, at no direct cost to the Company. Strongbow has elected to include these permits as an Earn-In Property.

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

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

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

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

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

**Hermitage Property, Newfoundland, Canada**

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

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.

**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 six months ended August 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 six months ended August 31, 2007, the Company received US \$100,000 (CDN \$111,520) from the Optionee, and 75,000 common shares of Global valued at \$55,736.

**Murphy Property, Newfoundland, Canada**

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

During the six months ended August 31, 2007, the Company joint ventured the Murphy Property in Newfoundland with CMD. Under the terms of the joint venture agreement, CMD acquired a 50% interest in the 90% interest the Company is earning in the Murphy Property by assuming 50% of the Company's option agreement obligations. CMD's first year obligations include a cash payment of \$12,500 (received at a value of \$48,800), issuance of 80,000 common shares to the Company (received), and funding \$50,000 in exploration expenditures. Future optional obligations by CMD 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.

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

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

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

During the six months ended August 31, 2007, the Company acquired an option to earn a 100% interest in claims comprising the Baca Property in New Mexico by paying US \$500,000 (US \$50,000 paid) and issuing 1,000,000 common shares (100,000 issued) over a four year period. A NSR of 4% on mineral products produced will be payable on the claims. The Company retains the right to purchase one half of the NSR (2%) at any time for \$2,000,000. A 4% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$50,000 are to be paid annually and will be credited against future production royalties.

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

During the six months ended August 31, 2007, the Company acquired an option to earn a 100% interest in the Hurricane Cliffs Property in Utah by paying US \$250,000 (US \$25,000 paid) and issuing 500,000 common shares (50,000 issued) over a four year period. A NSR of 3% on mineral products produced will be payable on the claims. The Company retains the right to purchase one third of the NSR (1%) at any time for \$1,000,000. A 3% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$25,000 are to be paid annually and will be credited against future production royalties.

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

In conjunction with the amalgamation with Kilgore (Note 6):

- a) the Company has acquired a 100% interest in several uranium properties, that were previously staked by Kilgore, located in the states of Montana, Wyoming, California and Nevada, USA.
- b) the Company acquired a 100% interest in two uranium leases in Wyoming, and entered into a surface and mineral lease agreement on lands in Carter County, Montana (the "Schlosser Lease"). Under the surface and mineral lease agreement, the Company is responsible for payment of production royalties at rates of between 1% and 3% based on gross value of mineral materials sold and for making certain minimum annual royalties payable in advance. Annual advance minimum royalty payments made by the Company shall be applied as a credit against production royalties. The first annual advance minimum royalty payment, being \$10,000, was due and paid on November 1, 2005, and increases on each anniversary date thereafter to a maximum of US\$100,000 by the 14<sup>th</sup> anniversary date. The annual minimum royalty payment will also increase upon commercial production of mineral materials from the lease. The primary term of the lease is for twenty years, and with a consecutive secondary term thereafter that begins on the twentieth (20<sup>th</sup>) anniversary, unless terminated sooner.
- c) the Company acquired a 100% interest in additional claims staked in Nevada and acquired a 100% interest in ten uranium leases in Wyoming.
- d) pursuant to a data base purchase agreement, the Company agreed to pay a Net Smelter Royalty ("NSR") of 0.25% on uranium production from certain mineral lands within Carter County, Montana and Crook County, Wyoming and to pay a bonus of US\$100,000 in the event a uranium mine is constructed in the same region.

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

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

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

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

**Niger Concessions**

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

Subject to regulatory approval, the Company entered into an agreement dated November 24, 2005 with the underlying option holder to acquire a 100% interest in two additional uranium concessions located in Niger, West Africa. 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.

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

*Gold and base metal properties*

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

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

**Other Gold Properties, United States**

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

**Tuscany Gold Project, Italy**

The Company incorporated an Italian subsidiary under the name Tuscany Minerals S.r.l. to facilitate the application process for mining permits in Italy. As of August 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.

**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.

Further exploration expenditures in the amount of 37,500 euros (approximately \$73,000) per prospecting license and filing of corresponding report is required to be completed by June 10, 2008 in order to renew the licenses for a subsequent two year period to June 10, 2010.

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

**8. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Unlimited Class A convertible preferred shares without par value			
Issued			
Balance, February 28, 2007	73,981,884	\$ 39,676,686	\$ 4,394,171
Private placements	15,711,800	25,057,110	-
Agent's commission	638,500	925,825	-
Compensation options	-	( 1,472,250)	1,472,250
Share issue costs	-	(1,833,436)	-
Stock-based compensation	-	-	6,602,840
Mineral properties	734,931	793,897	-
Acquisition of Kilgore	29,115,090	4,659,591	274,468
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	2,770,396	2,921,104	-
Reclassification of contributed surplus on the exercise of warrants	-	675,174	(675,174)
Future income taxes on the renunciation of flow through expenditures	-	(4,645,000)	-
Balance, August 31, 2007	123,130,501	\$ 66,922,131	\$ 12,007,611

During the six months ended August 31, 2007, 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.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 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 at August 31, 2007, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
	111,680	\$ 0.34	March 20, 2008
	656,250	0.24	October 26, 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
	615,000	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
	93,750	0.80	February 12, 2012
	4,800,000	1.65	March 22, 2012
	935,540	1.23	March 25, 2012
	1,600,000	0.80	August 16, 2012
<b>Total</b>	<b>12,234,860</b>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2007	4,337,220	\$ 1.24
Options granted	6,400,000	1.44
Kilgore options (Note 6)	1,685,540	0.82
Options exercised	( 177,900)	0.58
Options cancelled	(10,000)	1.30
<b>Balance, August 31, 2007</b>	<b>12,234,860</b>	<b>\$ 1.30</b>
<b>Number of options currently exercisable</b>	<b>11,360,280</b>	<b>\$ 1.30</b>

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

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

**Warrants**

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

Number of Shares	Exercise Price	Expiry Date
159,375	\$ 0.40	September 19, 2007
4,375	0.34	September 19, 2007
4,685,085	1.00	September 27, 2007 (Note 16(b))
387	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
4,864	1.10	November 1, 2008
<u>9,658,944</u>	1.20	November 1, 2008
<u>24,371,861</u>		

Warrant and compensation options transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at February 28, 2007	17,207,176	\$ 1.12
Issued	9,746,331	1.83
Kilgore warrants (Note 6)	188,750	0.40
Exercised	<u>(2,770,396)</u>	1.05
As at August 31, 2007	<u>24,371,861</u>	\$ 1.40

**Stock-based compensation**

The Company granted 6,400,000 stock options during the current period resulting in stock-based compensation expense, using the Black-Scholes option-pricing model, of \$6,316,930. For the six months ended August 31, 2007, the Company expensed \$6,602,840 for options which vested during the period.

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

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

The weighted average fair value of the stock options granted during the six months ended August 31, 2007 was \$0.99 per option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation options granted during the six month period ended August 31, 2007:

Risk-free interest rate:	4.08%
Expected life of options:	3 years
Annualized volatility:	113%
Dividend rate:	0%

**10. FUTURE INCOME TAXES**

During the six months ended August 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 \$1,833,000 as at August 31, 2007.

**11. RELATED PARTY TRANSACTIONS**

Included in accounts payable and accrued liabilities at August 31, 2007 is \$31,575 (February 28, 2007 - \$139,520) owing to a company controlled by the president, a director and a company with common directors.

During the six months ended August 31, 2007, the Company:

- a) Paid or accrued \$259,933 (2006 - \$210,500) for management and consulting fees to a company controlled by the president, a director and companies with common directors.
- b) Paid or accrued \$13,200 (2006 - \$13,200) for rent to a company controlled by the president and a company with a director in common.
- c) Paid or accrued \$21,000 (2006 - \$20,000) 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 former 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 \$11,429 (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**  
**AUGUST 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 six months ended August 31, 2007 included:

- a) issuing 734,931 common shares valued at \$793,897 for mineral property acquisitions;
- b) issuing 638,500 units valued at \$925,825 and 1,571,180 compensation options valued at \$1,472,250 to an agent in connection with a private placement;
- c) issuing 29,115,090 common shares and 1,685,540 options, valued at \$5,252,569, pursuant to the acquisition of Kilgore; and
- d) accruing \$2,295,478 of mineral property expenditures in accounts payable and accrued liabilities as at August 31, 2007.

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

- a) issuing 3,636,286 common shares valued at \$3,767,197 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;
- d) issuing 20,247,186 common shares and 1,487,640 stock options, valued at \$4,348,959, pursuant to the acquisition of Pathfinder;
- e) issuing 51,223 common shares valued at \$48,150 for consulting services; and
- f) accruing \$1,225,876 of mineral property expenditures in accounts payable and accrued liabilities as at August 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 paid Longview \$15,000 per month payable 50% in cash and 50% in common shares. As at August 31, 2007, the Company has an accrued obligation to issue shares of \$45,000 (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.

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

However, this sublease agreement has been amended and will expire on November 1, 2007, with no further obligation by the Company.

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

**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:

	August 31, 2007	February 28, 2007
Capital assets		
Canada	\$ 27,042,727	\$ 16,712,134
United States	3,691,080	-
Europe	1,475,266	1,379,399
Niger, West Africa	172,134	157,881
	<u>\$ 32,381,207</u>	<u>\$ 18,249,414</u>

**16. SUBSEQUENT EVENTS**

Subsequent to August 31, 2007, the Company:

- a) entered into an option agreement to acquire a 100% interest in the Wisker Valley property in the Baie Verte area of Newfoundland. To earn its 100% interest, the Company is required to pay \$1,400,000, issue 2,000,000 common shares and incur exploration expenditures totaling \$2,500,000 over a four year period. The property will be subject to a 3% net smelter returns royalty of which the Company may purchase one-third for \$2,000,000.
- b) issued 401,741 common shares pursuant to the exercise of warrants for total proceeds of \$329,239. Warrants entitling the holders to acquire up to 4,447,481 common shares, at prices ranging from \$0.40 to \$1.00 per share, expired unexercised.
- c) issued 200,000 common shares pursuant to mineral property option agreements.
- d) entered into an Arrangement Agreement with Northern Canadian Uranium ("NCA"). Pursuant to the Arrangement Agreement, NCA will amalgamate with a wholly owned subsidiary of the Company in exchange for common shares of the Company on the basis of 0.65 shares of the Company for each share of NCA. The Arrangement Agreement is subject to regulatory approval. As at August 31, 2007, the Company has deferred amalgamation costs totaling \$17,929.

# **BAYSWATER URANIUM CORPORATION**

## **Management Discussion and Analysis**

### **Six Months Ended August 31, 2007**

This discussion and analysis of financial position and results of operations is prepared as at October 29, 2007 and should be read in conjunction with the interim consolidated financial statements for the six months ended August 31, 2007 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, as a result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Accordingly, readers are referred to the February 28, 2007 annual audited consolidated financial statements of Bayswater and the accompanying notes. All dollar amounts included therein and in the following management discussion and analysis (“MD&A”) are expressed in Canadian dollars except where noted.

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

#### **Description of Business**

The Company is a natural resource company engaged in the acquisition, exploration, and development principally of uranium properties with a secondary interest in gold and base metal properties. It holds uranium interests in large land holdings in Labrador, as well as in properties in Saskatchewan, Newfoundland, Nunavut and the Northwest Territories, Canada; in concession applications in Niger, West Africa; and, as a result of the recently closed acquisition of Kilgore Minerals Ltd., owns interests, through its subsidiary, Kilgore Gold Inc., in 22 properties in the western United States. Subsequent to the acquisition of Kilgore, the Company acquired two additional uranium properties in the western United States. Also, through its subsidiary, Jadebay Limited, the Company owns an interest in two base metal prospecting licences in Ireland; and through its subsidiary, Kilgore Gold Inc., owns interests in three gold properties in Idaho. The Company trades on the TSX Venture Exchange under the symbol BAY.

#### **Overall Performance**

The Company is principally engaged in the identification, acquisition and exploration for mineral resource properties. In 2007, the Company advanced from an explorer of early stage uranium exploration properties in Canada to an explorer with an additional portfolio of resource properties, some of which offer short term production potential at the advanced exploration to development stage, in the western United States.

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. Also, 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 land holder in the three key uranium districts in Canada with cumulative holdings of over 7.1 million acres. These large land positions offer excellent opportunities for generally lower risk for discovery because of their size and strategic location in key uranium districts. During fiscal 2007, the Company incurred exploration expenditures of approximately \$7.0 million on its various properties and during the six months ended August 31, 2007, the Company incurred further exploration expenditures of approximately \$10.4 million. Most of these funds were spent on the Company's Canadian projects and resulted in significantly advancing all our projects with numerous favourable targets identified and with drilling well underway with two drill rigs on our Labrador holdings where the Company has reported its first major uranium discovery on the Anna Lake prospect as announced October 29, 2007.

The acquisition of Kilgore Minerals Ltd., which closed in late July, 2007, was a major milestone for the Company. As a result, the Company now owns a 100% interest in 22 uranium properties including 6 with approximately 12.5 million pounds of non 43-101 compliant historical uranium resources located in Montana, Nevada, Wyoming and California; as well as numerous additional properties in Wyoming and Montana with known uranium mineralization and defined targets for drill testing and potential resource delineation. A significant portion of the properties with historical uranium resources offer short term production potential. Subsequent to the acquisition of Kilgore, the Company has been actively engaged compiling various databases acquired by Kilgore, planning property programs and initiating permitting of properties in Montana and Nevada for drilling in 2008. Both of these 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 these projects towards feasibility.

In addition, the Company has acquired two other uranium properties in the United States—one in New Mexico and the other in Utah. Both offer excellent potential for discovery of major uranium deposits of the roll front and structural type associated with the prolific uranium rich region of the Colorado Plateau.

The above advanced and other U.S. assets, combined with the uranium properties of the Company in Canada, 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, 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.

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. This allows the Company to focus on uranium exploration but at the same time capitalize on the diamond potential of this property.

Further to the Company's strategy to expand its interests in uranium resource properties and add to its management team, it announced on October 16, 2007 the planned acquisition of Northern Canadian Uranium Inc. ("NCA"). NCA owns a portfolio of uranium properties in 13 project areas, some with historical resources, in Canada, United States and in Mali, West Africa, and has made application for 12 uranium concessions in Niger, West Africa. Many of these properties offer considerable synergy with Bayswater's uranium projects and immediate resource growth potential to the Company—particularly the Elkhorn properties in Wyoming that combined with Bayswater's adjoining properties have non NI 43-101 historical resources of nearly 600,000 lbs uranium in 6 separate deposits; Edgemont properties, South Dakota; Collins Bay property in the Athabasca Basin, Saskatchewan; Samit property, Mali, West Africa with a non NI 43-101 historical resource of 440,000 lbs uranium and the Carol R Mine property, Nevada.

Also, four Niger concessions, once granted, will form a strategic addition to concessions that Bayswater has applied for near the Areva-operated Cominak and Somair uranium mines. NCA has initiated permitting of the Elkhorn properties in Wyoming and the Athabasca property, Saskatchewan for purposes respectively of resource and exploration drilling in 2008. In addition, two key officers and directors of NCA—namely Praveen Varshney and Keith Laskowski, will be joining the management of Bayswater along with other experienced members of NCA's uranium exploration team.

The current uranium property assets of Bayswater along with the properties of Northern, once the acquisition closes, include 6 properties at the resource drilling stage—namely, Anna Lake deposit, Labrador; Alzada properties, Montana; Elkhorn properties, Wyoming; Mountain West property, Nevada; and Mali property, West Africa. An additional 8 properties are also at the drill stage including untested targets within our Labrador land holdings; the Wisker Valley property, Newfoundland; Collins Bay property, Saskatchewan; Tejana Mesa property, New Mexico; Edgemont property, South Dakota; Carol R property, Nevada and the Hurricane Cliffs property, Utah. Most of these properties are planned for drilling in 2008. This is a very aggressive portfolio of drill ready and resource properties that provide the Company with an exceptional opportunity for growth.

During the six months ended August 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 \$23.2 million. During the year ended February 28, 2007, the Company completed two brokered and one non-brokered private placements that netted approximately \$20.3 million.

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

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

Exploration work carried out to date in 2007 on the Central Mineral Belt, Labrador property consists of completion of 62 diamond drill holes totaling 13,000 metres of drilling on the Anna Lake, Dandy, Stipec A, Stipec E and Kanairiktok Bay uranium prospects; 5700 line km of airborne EM and magnetic surveying of a portion of the historic uranium district covering the Company's Stipec River prospects and airborne radiometric and magnetic anomalies southwest of the Michelin deposit; grid construction over the Anna Lake prospect and areas of potential geologic extension to the northeast and southwest with soil sampling, induced polarization, magnetic and radiometric surveying of the grid area; limited grid controlled induced polarization and soil surveys over portions of the Stipec River prospects; radon gas surveying over the Ghost Lake A and B radiometric anomalies, a portion of the Anna Lake grid area in the area of the recent discovery from drilling and over a new radioactive sandstone boulder field located in the Stipec river area; further prospecting of a number of radiometric anomalies from the 2006 survey; and radiometric and magnetic airborne surveying totaling about 4500 line km and follow-up prospecting of radiometric anomalies over i) three 100% owned claim blocks comprising 797 claims staked to cover favourable uranium targets marginal to the Company's land holdings subsequent to the 2006 program and ii) 829 pooled claims optioned/joint ventured with Ucore Uranium Inc. at the east end of the historic uranium belt. Currently only diamond drilling with two rigs is ongoing at the Anna Lake discovery.

Results of this work has been summarized in news releases dated July 12, August 2, October 15 and October 29, 2007. Most importantly, the Company has reported as of October 29, 2007 a major uranium discovery at its Anna Lake prospect. Drilling has identified a mineralized zone traced for 340 metres along strike and up to 230 metres vertical depth with approximate true widths of up to 25 metres. The best hole assayed 0.07% U<sub>3</sub>O<sub>8</sub> over 40 metres with significant molybdenum credits. The mineralized zone occurs along the western margin of a north-south induced polarization anomaly traced for 1.3 km and is open in all directions. Drilling is continuing to better define and expand the mineralized zone. The

discovery occurs in an area of extensive overburden consisting of thin glacial deposits of drift and boulder fields. The mineralized zone has potential for higher grade zones at depth based on characteristics of other known deposits in the district. Results of the various grid surveys over Anna Lake will be reported when sufficient soil sample results have been received and all the geophysical data has been reviewed and evaluated (Note: Preliminary results from the IP survey were announced in a news release dated August 12,2007).

Also, encouraging assay drill results were obtained from a number of holes drilled on the Dandy prospect. The best intersection returned 5.0 metres grading 0.04% U3O8. Further evaluation of this prospect is planned for next year.

Although the airborne survey identified several conductive zones associated with the Stipec River uranium prospects, drilling did not identify any zones of interest. An option/joint venture agreement, whereby the Company has the right to earn a 50% interest in certain claims, was entered into with Silver Spruce Resources Inc. and Universal Uranium Ltd. with respect to 34 claims that occur along this favourable conductive zone with associated uranium occurrences.

Also, drill results from the Kanairiktok Bay prospect did not identify uranium mineralization of interest.

Regional prospecting of various targets has led to discovery of several new uranium prospects. The Company will report on this work when sufficient sample assay results have been received.

Results of radon gas surveys conducted over a number of targets has led to encouraging results and is currently being evaluated. Airborne radiometric and magnetic surveying of new peripheral claim blocks, as well as on joint venture ground pursuant to the agreement with Ucore Uranium Inc. has identified numerous anomalous radiometric targets in all areas surveyed and follow-up prospecting on these targets has identified new areas of uranium mineralization and assay results from this work are pending.

In summary, the Company is highly encouraged by the results from drilling to date as indicated above. Also, results from our follow-up prospecting, soil sampling, ground geophysics and radon gas surveying have also identified several areas warranting further work including drilling.

Further results of drill hole assays (Note: Results from six holes-mostly Anna Lake, are pending), ground and airborne geophysical surveys, and rock and soil geochemical surveys will be forthcoming as analytical results are received and data is assessed and evaluated

### **Athabasca Basin, Saskatchewan**

Geophysical consultants are completing their interpretation of the 14,000 line km helicopter-borne VTEM survey completed earlier this year on the Company's large Athabasca Basin landholdings. Results are expected to be received in mid November. This survey is one of the largest airborne electro-magnetic (EM) programs carried out in the Athabasca Basin by any company to date. The objective of the survey is to locate and define anomalies that may reflect the presence of basement conductors or alteration related to high-grade uranium mineralization. Bayswater's 100% owned properties consists of two large claim blocks comprising 1.7 million acres that cover major fault structures and geological settings that are favourable environments for high-grade, unconformity deposits. Based on positive data results, follow-up ground geophysical surveys are planned to generate drill targets.

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

A 20,000 line-kilometre airborne fixed-wing radiometric and magnetic survey was completed on the Company's 100% owned holdings on the west and southeast margins of the South Thelon basin to identify uranium targets. Preliminary results from this survey have been obtained and approximately 25 high priority radiometric targets have been identified. Geological and prospecting crews evaluated these anomalous targets in addition to historical radiometric anomalies and other targets identified within the internal portion of the South Thelon basin. Assays from this work have not been received to date.

A 9,500 line kilometre VTEM helicopter-borne geophysical survey has been completed in the central internal portion of the South Thelon Basin in areas not flown last year. The area surveyed mainly encompasses 100% owned land but also covers part of the land holdings subject to the option from Uranium North as well as lands subject to the joint venture with Strongbow Exploration. The raw data from this survey is currently being interpreted by the Company's consultants.

Based on a 2006 MEGATEM survey, the Company has identified a 2 to 3 kilometre wide conductive trend, comprised of two subparallel conductors, that cuts through the northwest section of Bayswater's 100% owned CL property. These conductive anomalies are interpreted as part of the same 70 km long conductive trend that extends northward from the adjacent Boomerang uranium property where joint venture partners Cameco Corporation and UraVan Minerals Inc. are conducting a drilling program. This major conductive trend is a strong drill target with the potential to host unconformity-type, high-grade uranium deposits similar to uranium deposits located in the geologically analogous Athabasca Basin. Winter-spring ground geophysics has been conducted on this target to assist in identifying drill targets. Also, this survey identified a number of weak favourable conductive zones and associated clusters of radioactive boulders that occur along a major basement structure that extends northeast-southwest through the South Thelon property on ground optioned from Uranium North. Further ground geophysics is required on these later targets in order to define drill targets.

The objective of the above surveys and follow-up ground exploration is to identify drill targets---both shallow targets around the margin of the basin and deeper targets internally within the basin. Bayswater has applied to the Mackenzie Valley Land and Water Board for Land Use Permits to establish camps and carry out diamond drilling based on some of the targets identified from the 2006 airborne surveys. These applications have subsequently been referred to the Mackenzie Valley Environmental Impact Review Board for review.

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

A 16,000 line kilometre fixed-wing airborne radiometric and magnetic survey has been completed on newly acquired land in the Itza area (approximately 3,215 square kilometres) for an initial evaluation of the uranium and diamond potential of this region. This area was acquired as a result of the 2006 airborne survey which identified a number of circular magnetic features within the Itza claim block. These magnetic features are interpreted to represent possible clusters of kimberlite pipes---host rock for diamonds. Earlier this month, the Company entered into an agreement with Stornoway Diamond Corporation (TSX: SWY) to explore the 430,738 hectare (1,064,353 acres) Itza Lake property for diamonds. The Company plans to follow-up priority radiometric anomalies from this survey in 2008 with prospecting, mapping and possibly ground

geophysics to identify targets for drilling.

At Bayswater's other properties in the North Thelon Basin, exploration crews are conducting detailed mapping, prospecting, geochemical and ground geophysical surveys (radiometric and magnetic) to follow-up the numerous radiometric anomalies identified by last year's airborne surveys. This program is being undertaken on the Company's 100% owned claims and on the 50/50 joint ventured permits with Strongbow Exploration Inc. The objective of the program is to identify targets for drilling in 2008. The results of this work are currently being compiled.

### **Wisker Valley, Newfoundland**

Subsequent to August 31, 2007, the Company signed an agreement with a group of Newfoundland prospectors whereby Bayswater can earn 100% interest in 96,297 acres of property in the Baie Verte area of north-central Newfoundland. This region has good infrastructure that includes several towns, seaports, and power lines. The Trans-Canada highway is 25 km south and access to the property itself is provided by a network of bush roads. Bayswater entered into this option agreement due to the presence of grab samples collected by prospectors from widespread bedrock exposures which yielded assays grading up to 0.86% U3O8 with several samples containing greater than 0.1% U3O8. Uranium has been discovered in felsic volcanics over an extensive area suggesting that the property is prospective for hosting a near-surface uranium deposit. The style of the mineralization appears similar to the Streltsovka complex in Russia which hosts 20 deposits within a 20 km diameter rhyolite caldera. Combined production, reserves and resources in the deposits of the Streltsovka uranium field totals 280,000 tonnes of U3O8 at an average grade of 0.2% U3O8. A follow-up exploration program is underway to evaluate mineralization discovered and identify drilling targets. This program includes an airborne radiometric and magnetic survey, grid establishment with soil sampling, and the excavation and sampling of trenches within one area of known mineralization. Drilling is anticipated in 2008 to test favourable targets.

### **Hermitage Belt, Newfoundland**

Limited prospecting was carried out in 2007 on the Hermitage property located in southern Newfoundland. The Company is currently evaluating the results from this work as well as the results of work recently completed by other companies in the area.

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

During the six months ended August 31, 2007, the Company acquired an option to earn a 100% interest in the Baca Property by paying US \$500,000 (US \$50,000 paid) and issuing 1,000,000 common shares (100,000 issued) over a four period. This property has potential for roll front type uranium deposits associated with favourable sandstone units on the margin of the Colorado Plateau—known for its uranium deposits and production history. Data is currently being compiled and evaluated to determine drill targets for 2008.

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

During the six months ended August 31, 2007, the Company acquired an option to earn a 100% interest in the Hurricane Cliffs Property by paying US \$250,000 (US \$25,000 paid) and issuing 500,000 common shares (50,000 issued) over a four period. This property has potential for structurally controlled uranium

deposits in favourable carbonate units on the margin of the Colorado Plateau. Data is currently being compiled for this property. A ground radiometric survey is planned prior to drill testing.

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

The Company acquired Kilgore Minerals Ltd. through a merger that closed in late July, 2007. As a result, the Company owns a 100% interest in 22 uranium properties comprising approximately 30,442 acres in claims and state leases in Montana, Wyoming, Nevada and California; and in addition owns rights to two surface and mineral leases covering 14,319 acres of prospective uranium lands in Carter County, Montana. These leases provide for surface access rights to lands under which the Company has mineral ownership through the location of federal lode claims by Kilgore, and acquisition of privately owned minerals on a portion of one of the leases. On six of the Company's properties in Montana, Wyoming, Nevada and California, it owns approximately 12.5 million pounds of non 43-101 compliant historical uranium resources. A significant portion of these uranium resources offer short term production potential—particularly in Montana, Wyoming 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, Wyoming 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 are planned to be evaluated by surface work and drilling over the next year. Detailed compilations and assessment of all historic data for Montana, Wyoming and Nevada is being completed as well as economic modeling of historic resources in order to formulate our exploration programs. The Company has budgeted approximately \$10 million for exploration and resource delineation 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 Property, Ireland

Deep penetrating induced polarization surveying on the Avoca Base Metal property in Ireland identified numerous conductive targets warranting drill testing for possible high grade massive sulphide copper-zinc-lead zones.

#### Kilgore Gold Property, Idaho, USA

The Kilgore Gold Project in Idaho, acquired pursuant to the Kilgore merger, with an historical resource of nearly ½ million ounces of gold, offers additional potential for both low and high grade gold mineralization and warrants additional drilling.

#### Other 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. ("Silver Spruce") and Pathfinder Resources Ltd.,

with respective major land holdings in these promising uranium regions. Silver Spruce is actively exploring its land holdings in Labrador.

### **Summary of Corporate Development and Plans for Growth**

Further to building out the uranium assets and growth of the Company, certain changes have been made to the management of the Company. Damien Reynolds, president of Longview Strategies Inc., has resigned as chairman of the board; and James Stewart has been appointed to the board of directors. Mr. Stewart is currently General Counsel for Longview Capital Partners Incorporated. Mr. Stewart is an accomplished lawyer who has practiced law in both private practice and as corporate counsel since 1984. He has extensive experience in the fields of mining, corporate finance and securities law. Mr. Stewart has served as a director or senior officer for numerous public companies, including Buffalo Gold Ltd., Adrian Resources Ltd., and Madison Minerals Inc., in addition to being involved in mineral exploration and development projects throughout North, Central and South America, Africa and Australia.

Damien Reynolds has resigned from the board of Bayswater as well as several other companies in an effort to focus his attention on Longview Capital Partners. Bayswater thanks Mr. Reynolds for his contributions as a director of Bayswater and for his efforts in significantly developing the Company.

As a result of the merger with Kilgore, Norman Burmeister, former president and CEO of Kilgore, 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 early stage and advanced property acquisitions, including those as a result of the Pathfinder and Kilgore mergers, exploration success in identifying favourable targets for drill testing on its Canadian land holdings, discovery of a major new uranium deposit in Labrador as announced on October 29, 2007 and additions to its management. 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 the dominant land holder in the Central Mineral Belt, Labrador as well as in the Thelon Basin, NWT and Nunavut. 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, as a result of the merger with Kilgore, the Company has a balanced portfolio of uranium projects—some of which offer short term production potential. With the combined talent of our management team, important and strategic asset base, and current working capital position of about \$31 million, the Company continues to be poised for major growth as we advance our projects and continue to pursue other acquisitions in the uranium business. Our overall exploration budget, including Canada, United States and Niger, is under review; however, a major component will be allocated for resource drilling in the U.S. and for projects at or near the drill stage in Canada.

Commensurate with the asset growth of the Company, an investor relations agreement continues in place with Longview Capital Partners Inc.(formerly Longview Strategies 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 \$2,413,421 for the six months ended August 31, 2007 compared to a loss of \$3,382,154 during the comparative six months ended August 31, 2006. The decrease in the loss from the prior comparative period was due mainly to the recording of a future income tax recovery of \$2,887,000 during the current period from the renunciation of \$12,009,740 of qualified expenditures to flow through share subscribers. During the period ended August 31, 2006, there was no income tax recovery. Loss before income taxes for the current period was \$5,300,421 compared to \$3,382,154 for the six months ended August 31, 2006. The increase in loss before income taxes was due mainly to the recording of stock-based compensation expense of \$6,602,840 (2006 - \$2,526,851), property investigation costs of \$186,659 (2006 - \$Nil), consulting fees of \$65,000 (2006 - \$Nil), investor relations fees of \$62,375 (2006 - \$Nil) and office expenses of \$149,826 (2006 - \$56,816). 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. The increase in expenses was partially offset by the Company recording realized and unrealized gains on marketable securities totaling \$1,805,483 (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 to \$709,127 (2006 - \$83,330) due to a large increase in short-term investments held.

During the six months ended August 31, 2007, the Company incurred mineral property acquisition and deferred exploration costs of \$14,060,474.

## Quarterly Information

	Three Months Ended Aug 31, 2007	Three Months Ended May 31, 2007	Three Months Ended Feb 28, 2007	Three Months Ended Nov 30, 2006
Total assets	\$69,516,365	\$62,508,837	\$32,556,210	\$29,329,715
Mineral properties and deferred costs	32,227,850	22,892,480	18,167,376	15,768,931
Working capital	33,426,137	37,445,103	12,685,669	12,161,235
Net income (loss) for the period	230,056	(2,718,477)	(2,159,387)	(1,629,469)
Loss per share	0.00	(0.03)	(0.04)	(0.03)

	Three Months Ended Aug 31, 2006	Three Months Ended May 31, 2006	Three Months Ended Feb 28, 2006	Three Months Ended Nov 30, 2005
Total assets	\$19,602,265	\$11,810,405	\$ 2,050,566	\$ 465,985
Mineral properties and deferred costs	12,815,098	3,185,048	1,905,554	440,716
Working capital position (deficiency)	4,131,035	5,176,126	(134,778)	(245,005)
Loss for the period	(2,362,138)	(1,629,237)	(382,673)	(395,640)
Loss per share	(0.05)	(0.07)	(0.04)	(0.04)

### Fiscal 2008

Total assets at August 31, 2007 increased from May 31, 2007 due mainly to the acquisition of Kilgore. The net income recorded during the current quarter differed significantly from the loss for the previous quarter due to the reduction in stock-based compensation recorded. Total assets increased significantly from February 28, 2007 to May 31, 2007 due mostly to the completion of a private placement and the

exercise of options and warrants for net proceeds totaling \$26,950,463. The loss for the period was also much higher, due in large part to a significant increase in stock-based compensation.

#### 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 August 31, 2007, the Company has a working capital position of approximately \$33,400,000 and cash and short-term investments of \$33,556,040. Acquisition, investment, exploration and administrative expenditures incurred during the six months ended August 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 2,770,396 common shares pursuant to the exercise of warrants for total proceeds of \$2,921,104.

- d) The Company sold 1,000,000 shares of Silver Spruce for total proceeds of \$1,663,240.

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 August 31, 2007 is \$31,575 (February 28, 2007 - \$139,520) owing to a company controlled by the president, a director and a company with common directors.

During the six months ended August 31, 2007, the Company:

- a) Paid or accrued \$259,933 (2006 - \$210,500) for management and consulting fees to a company controlled by the president, a director and companies with common directors.
- b) Paid or accrued \$13,200 (2006 - \$13,200) for rent to a company controlled by the president and a company with a director in common.
- c) Paid or accrued \$21,000 (2006 - \$20,000) 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 \$11,429 (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 paid Longview \$15,000 per month payable 50% in cash and 50% in common shares. As at August 31, 2007, the Company has accrued an obligation to issue shares of \$45,000 (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.

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

However, this sublease agreement has been amended and will expire on November 1, 2007, with no further obligation by the Company.

## **Changes in accounting policies**

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

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

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

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

## **Subsequent events**

Subsequent to August 31, 2007, the Company:

- a) entered into an option agreement to acquire a 100% interest in the Wisker Valley property in the Baie Verte area of Newfoundland. To earn its 100% interest, the Company is required to pay \$1,400,000, issue 2,000,000 common shares and incur exploration expenditures totaling \$2,500,000 over a four year period. The property will be subject to a 3% net smelter returns royalty of which the Company may purchase one-third for \$2,000,000.
- b) issued 401,741 common shares pursuant to the exercise of warrants for total proceeds of \$329,239. Warrants entitling the holders to acquire up to 4,447,481 common shares, at prices ranging from \$0.40 to \$1.00 per share, expired unexercised.
- c) issued 200,000 common shares pursuant to mineral property option agreements.
- d) entered into an Arrangement Agreement with Northern Canadian Uranium ("NCA"). Pursuant to the Arrangement Agreement, NCA will amalgamate with a wholly owned subsidiary of the Company in exchange for common shares of the Company on the basis of 0.65 shares of the Company for each share of NCA. The Arrangement Agreement is subject to regulatory approval. As at August 31, 2007, the Company has deferred amalgamation costs totaling \$17,929.

## **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 October 29, 2007, there were 123,732,242 common shares issued and outstanding. There were also 12,234,860 stock options outstanding to directors, officers and consultants with exercise prices ranging between \$0.24 and \$1.65 per share and 19,522,639 warrants outstanding, which expire between December 23, 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 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 August 31, 2007 which materially affected, or are reasonably likely to materially affect, the Company's internal control for financial reporting.