

**BAYSWATER URANIUM CORPORATION**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**NOVEMBER 30, 2007**

**(Unaudited – Prepared by management)**

These unaudited interim consolidated financial statements of Bayswater Uranium Corporation for the nine month period ended November 30, 2007 have been prepared by management and approved by the Audit Committee and the Board of Directors. These interim consolidated financial statements have not been reviewed by the Company's external auditors.

**BAYSWATER URANIUM CORPORATION**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	November 30, 2007	February 28, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,406,466	\$ 6,189,352
Short-term investments	26,674,026	6,686,500
Marketable securities (Note 5)	1,619,642	-
Receivables	784,163	330,723
Prepays and deposits	<u>247,553</u>	<u>27,167</u>
	30,731,850	13,233,742
<b>Equipment</b> (Note 4)	168,089	82,038
<b>Investments</b> (Note 5)	-	823,968
<b>Reclamation bond</b>	6,862	-
<b>Exploration advances</b>	957,189	249,086
<b>Mineral properties</b> (Note 7)	37,519,848	18,167,376
<b>Deferred amalgamation costs</b> (Note 16)	<u>72,903</u>	<u>-</u>
	<u>\$ 69,456,741</u>	<u>\$ 32,556,210</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,137,195	\$ 548,073
<b>Future income tax liability</b> (Note 10)	<u>1,833,000</u>	<u>-</u>
	<u>2,970,195</u>	<u>548,073</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	68,830,920	39,676,686
Contributed surplus (Note 8)	12,641,767	4,394,171
Obligation to issue shares (Note 13)	-	37,500
Deficit	<u>(14,986,141)</u>	<u>(12,100,220)</u>
	<u>66,486,546</u>	<u>32,008,137</u>
	<u>\$ 69,456,741</u>	<u>\$ 32,556,210</u>

**Nature of operations** (Note 1)

**Commitments** (Note 13)

**Subsequent events** (Note 16)

**On behalf of the Board:**

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"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 November 30, 2007	Three Months Ended November 30, 2006	Nine Months Ended November 30, 2007	Nine Months Ended November 30, 2006
<b>EXPENSES</b>				
Administration	\$ 13,027	\$ 15,791	\$ 40,087	\$ 35,791
Amortization	12,885	3,568	31,026	3,976
Consulting fees	4,500	-	69,500	-
Investor relations	45,262	136,381	107,637	136,381
Management fees	81,636	90,250	277,569	300,750
Office and miscellaneous	62,713	24,995	212,539	81,811
Professional fees	152,501	61,599	386,950	284,940
Property investigation costs	110,888	-	297,547	-
Rent	43,649	20,388	99,000	33,588
Shareholder communications	178,089	70,835	328,145	157,777
Stock-based compensation (Note 9)	67,857	1,292,452	6,670,697	3,819,303
Transfer agent and filing fees	30,183	25,047	72,256	97,163
Travel and related costs	8,110	18,052	35,441	34,359
<b>Loss before other items</b>	<u>(810,300)</u>	<u>(1,759,358)</u>	<u>(8,628,394)</u>	<u>(4,985,839)</u>
<b>OTHER ITEMS</b>				
Foreign exchange gain (loss)	8,303	(1,150)	11,366	(10,153)
Interest income	329,456	131,039	1,038,583	214,369
Unrealized gain (loss) on marketable securities	101,178	-	1,643,421	-
Reversal of portion of unrealized gain related to sale of marketable securities	(825,000)	-	(1,655,000)	-
Realized gain on sale of marketable securities	357,346	-	1,450,586	-
Write-down of investment	-	-	-	(230,000)
	<u>(28,717)</u>	<u>129,889</u>	<u>2,488,956</u>	<u>(25,784)</u>
<b>Loss before income taxes</b>	(839,017)	(1,629,469)	(6,139,438)	(5,011,623)
<b>Future income tax recovery</b> (Note 10)	<u>-</u>	<u>-</u>	<u>2,887,000</u>	<u>-</u>
<b>Loss for the period</b>	(839,017)	(1,629,469)	(3,252,438)	(5,011,623)
<b>Deficit, beginning of period</b>	(14,147,124)	(8,311,364)	(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>\$ (14,986,141)</u>	<u>\$ (9,940,833)</u>	<u>\$ (14,986,141)</u>	<u>\$ (9,940,833)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.12)</u>
<b>Weighted average number of common shares outstanding</b>	123,887,523	62,729,230	106,397,468	42,933,535

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 November 30, 2007	Three Months Ended November 30, 2006	Nine Months Ended November 30, 2007	Nine Months Ended November 30, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (839,017)	\$ (1,629,469)	\$ (3,252,438)	\$ (5,011,623)
Items not affecting cash:				
Amortization	12,885	3,568	31,026	3,976
Obligation to issue shares for services	-	15,000	7,500	15,000
Shares issued for services	-	7,500	-	52,500
Stock-based compensation	67,857	1,292,452	6,670,697	3,819,303
Unrealized (gain) on marketable securities	(101,178)	-	(1,643,421)	-
Portion of unrealized gain related to sale of marketable securities	825,000	-	1,655,000	-
Realized gain on sale of marketable securities	(357,346)	-	(1,450,586)	-
Write-down of investment	-	-	-	230,000
Future income tax recovery	-	-	(2,887,000)	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	341,077	(148,929)	(390,215)	(227,196)
(Increase) in prepaids and deposits	(68,490)	(151,815)	(195,523)	(203,918)
Increase (decrease) in accounts payable and accrued liabilities	<u>(139,589)</u>	<u>(379,196)</u>	<u>51,887</u>	<u>(376,365)</u>
Net cash (used in) operating activities	<u>(258,801)</u>	<u>(990,889)</u>	<u>(1,403,073)</u>	<u>(1,698,323)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Short-term investments	5,276,764	(4,300,000)	(19,987,526)	(7,686,500)
Equipment	(27,617)	-	(122,344)	-
Mineral property costs, net of recoveries	(6,369,035)	(3,724,653)	(14,861,303)	(7,232,104)
Exploration advances	(128,706)	-	(708,103)	-
Recovery of reclamation bond	-	3,500	-	3,500
Purchase of marketable securities	(1,300,000)	-	(1,300,000)	-
Proceeds on sale of marketable securities	852,346	-	2,515,586	-
Deferred amalgamation costs	(54,974)	-	(391,413)	-
Cash acquired on amalgamation	-	-	2,490,962	92,611
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,000,000)</u>
Net cash (used in) investing activities	<u>(1,751,222)</u>	<u>(8,021,153)</u>	<u>(32,364,141)</u>	<u>(17,822,493)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Capital stock issued	1,811,239	11,191,983	29,883,271	22,124,615
Share issue costs	<u>-</u>	<u>-</u>	<u>(898,943)</u>	<u>(231,200)</u>
Net cash provided by financing activities	<u>1,811,239</u>	<u>11,191,983</u>	<u>28,984,328</u>	<u>21,893,415</u>
<b>Change in cash during the period</b>	<b>(198,784)</b>	<b>2,179,941</b>	<b>(4,782,886)</b>	<b>2,372,599</b>
<b>Cash, beginning of period</b>	<u><b>1,605,250</b></u>	<u><b>192,658</b></u>	<u><b>6,189,352</b></u>	<u><b>-</b></u>
<b>Cash, end of period</b>	<u><b>\$ 1,406,466</b></u>	<u><b>\$ 2,372,599</b></u>	<u><b>\$ 1,406,466</b></u>	<u><b>\$ 2,372,599</b></u>

**Supplemental disclosure with respect to cash flows** (Note 12)

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

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2007**  
(Unaudited)

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**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 nine month period ended November 30, 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 cash and marketable securities as held-for-trading. Receivables are classified as loans and receivables, short-term investments are classified as held-to-maturity, and accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost.

As a result of the application of Section 3855, the Company’s marketable securities were written up by \$441,517 and the deficit at the beginning of the period was reduced by \$366,517, net of a future tax liability 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**  
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**4. EQUIPMENT**

	November 30, 2007			February 28, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 13,705	\$ 11,637	\$ 2,068	\$ 13,185	\$ 10,870	\$ 2,315
Computer equipment	109,511	33,952	75,559	60,758	18,148	42,610
Exploration equipment	79,164	12,444	66,720	31,452	-	31,452
Vehicle	38,707	19,353	19,354	-	-	-
Leasehold improvements	<u>10,191</u>	<u>5,803</u>	<u>4,388</u>	<u>10,191</u>	<u>4,530</u>	<u>5,661</u>
	\$ 251,278	\$ 83,189	\$ 168,089	\$ 115,586	\$ 33,548	\$ 82,038

**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 November 30, 2007, marketable securities consist of shares in publicly traded companies with an initial cost of \$1,495,040. 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**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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(Unaudited)

**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:

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

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 2007**  
(Unaudited)

**7. MINERAL PROPERTIES**

<b>Nine Months Ended November 30, 2007</b>	<b>CMB Labrador Claims</b>	<b>Thelon Basin Projects</b>	<b>Athabasca Basin, Saskatchewan</b>	<b>Murphy &amp; Hermitage, Nfld</b>	<b>Wisker Valley 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	\$ 399,158	\$ -	\$ 84,087	\$ -	\$ -	\$ 605,570	\$ 9,465,877
Additions	879,020	910,987	-	27,627	377,500	-	39,161	328,330	-	2,562,625
Recoveries	-	(559,299)	-	(167,256)	-	-	-	-	-	(726,555)
Acquisition of Kilgore	-	-	-	-	-	-	2,738,847	-	-	2,738,847
Balance, end of period	<u>1,456,621</u>	<u>2,652,124</u>	<u>5,499,025</u>	<u>259,529</u>	<u>377,500</u>	<u>84,087</u>	<u>2,778,008</u>	<u>328,330</u>	<u>605,570</u>	<u>14,040,794</u>
<b>Deferred exploration costs</b>										
Balance, beginning of period	<u>3,224,142</u>	<u>3,004,951</u>	<u>757,997</u>	<u>866,786</u>	<u>-</u>	<u>73,794</u>	<u>-</u>	<u>-</u>	<u>773,829</u>	<u>8,701,499</u>
Airborne survey	993,164	2,443,256	1,073,732	5,602	-	-	-	-	-	4,515,754
Analytical	173,439	7,906	-	-	6,092	-	1,767	-	3,846	193,050
Camp costs	139,092	416,089	-	-	-	-	-	-	-	555,181
Community relations	119,691	3,225	-	-	-	-	-	-	-	122,916
Compilation	10,261	18,162	-	-	20	-	-	157,549	7,410	193,402
Drilling	1,868,931	-	-	-	-	-	-	-	-	1,868,931
Environmental	-	-	-	-	-	-	-	45,672	-	45,672
Equipment	134,591	81,938	-	-	164	-	4,595	-	-	221,288
Field administration	48,559	81,880	5,129	22	800	-	402	150	11	136,953
Field supplies	61,248	54,031	-	-	679	-	-	-	-	115,958
Fixed wing/helicopter	1,834,915	904,269	-	-	-	-	-	-	-	2,739,184
Geological consulting	771,666	323,848	33,000	5,150	26,500	4,680	80,190	260,523	84,185	1,589,742
Ground geophysics	127,783	280,885	-	-	-	-	-	-	-	408,668
Geophysical consulting	115,826	140,020	136,872	-	-	8,850	-	13,932	2,940	418,440
Line cutting	98,478	-	-	-	8,357	-	-	-	-	106,835
Property cost recoveries	-	(92,595)	-	(13,814)	-	-	-	-	-	(106,409)
Property maintenance	3,000	18,202	1,000	-	7,500	20,000	160,400	426,402	-	636,504
Prospecting	375,680	141,067	-	936	307,869	-	-	-	-	825,552
Travel and related	24,117	127,938	3,591	-	21,164	723	1,455	10,946	-	189,934
	<u>6,900,441</u>	<u>4,950,121</u>	<u>1,253,324</u>	<u>(2,104)</u>	<u>379,145</u>	<u>34,253</u>	<u>248,809</u>	<u>915,174</u>	<u>98,392</u>	<u>14,777,555</u>
Balance, end of the period	<u>10,124,583</u>	<u>7,955,072</u>	<u>2,011,321</u>	<u>864,682</u>	<u>379,145</u>	<u>108,047</u>	<u>248,809</u>	<u>915,174</u>	<u>872,221</u>	<u>23,479,054</u>
<b>Total, end of period</b>	<b>\$ 11,581,204</b>	<b>\$ 10,607,196</b>	<b>\$ 7,510,346</b>	<b>\$ 1,124,211</b>	<b>\$ 756,645</b>	<b>\$ 192,134</b>	<b>\$ 3,026,817</b>	<b>\$ 1,243,504</b>	<b>\$ 1,477,791</b>	<b>\$37,519,848</b>

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 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 recoveries	(150,000)	-	-	(119,156)	(33,161)	-	-	(23,531)	-	(325,848)
Prospecting	168,535	-	-	333,991	26,600	-	-	-	-	529,126
Travel and related	74,180	12,077	2,529	27,350	-	22,476	3,387	6,763	8,000	156,762
	<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. An NSR of 1% will be payable on these claims. The Company retains the right to purchase the NSR (1%) at any time for \$2,000,000.

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

The Company has acquired, during the nine months ended November 30, 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 nine months ended November 30, 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 nine months ended November 30, 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 nine months ended November 30, 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 nine months ended November 30, 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 nine months ended November 30, 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 (received) and by incurring \$4,000,000 in exploration expenditures over five years (with a minimum of \$500,000 to be incurred prior to September 1, 2008). 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 nine months ended November 30, 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 nine months ended November 30, 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 nine months ended November 30, 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), issuance of 80,000 common shares to the Company (received at a value of \$48,800) 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 the value of 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...)

**Wisker Valley Property, Newfoundland, Canada**

During the nine month period ended November 30, 2007, the Company acquired an option to earn a 100% interest in the Wisker Valley property in the Baie Verte area of Newfoundland. To earn its 100% interest, the Company is required to pay \$1,470,000 (\$170,000 paid), issue 2,000,000 common shares (200,000 shares issued) and incur exploration expenditures totaling \$2,500,000 over a four year period. The property will be subject to a 3% net smelter returns royalty of which the Company may purchase one-third for \$2,000,000.

The remaining option requirements are due as follows:

	Cash	Common Shares	Exploration Expenditures
October 3, 2008	\$ 200,000	400,000	\$ 250,000
October 3, 2009	300,000	600,000	500,000
October 3, 2010	800,000	800,000	750,000
October 3, 2011	-	-	1,000,000
	<u>\$ 1,300,000</u>	<u>1,800,000</u>	<u>\$ 2,500,000</u>

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

During the nine months ended November 30, 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 shares issued) over a four year period. A NSR of 4% on mineral products produced will be payable on the claims. The Company retains the right to purchase one half of the NSR (2%) at any time for \$2,000,000. A 4% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$50,000 are to be paid annually and will be credited against future production royalties.

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

During the nine months ended November 30, 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.

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

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

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

- 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.
- 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. As

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

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

**Niger Concessions** (cont'd...)

consideration, the Company paid the underlying option holder a fee of 15,634 common shares valued at \$5,000. In addition, the Company must pay the underlying option holder \$15,000 in cash and \$15,000 in common shares once the concessions are granted. Additionally, the Company must pay the underlying option holder 10,000 common shares for each concession held twelve months after the date the concessions are granted.

Pursuant to a change to the mining code in Niger, approved by Parliament effective November 1, 2006, both Longview and the Company reapplied for uranium concessions in the aggregate comprising 16 concessions in two blocks. The Company incurred application fees for the 16 concessions totaling €23,050. During the nine months ended November 30, 2007, two of the concessions applied for by the Company were granted. The gold concessions in Niger were not reapplied for by Longview under the new system.

*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 November 30, 2007, the Company has filed applications for six 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 \$56,000) 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 \$56,000) per prospecting license and filing of corresponding report is required to be completed by June 10, 2008 in order to renew the licenses for a subsequent two year period to June 10, 2010.

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**NOVEMBER 30, 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	-	(1,824,768)	-
Stock-based compensation	-	-	6,670,697
Mineral properties	1,385,389	1,412,746	-
Obligation to issue shares	25,280	45,000	-
Acquisition of Kilgore	29,115,090	4,093,106	840,953
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	4,407,137	4,723,675	-
Reclassification of contributed surplus on the exercise of warrants	-	675,360	(675,360)
Future income taxes on the renunciation of flow through expenditures	-	(4,645,000)	-
Balance, November 30, 2007	125,442,980	\$ 68,830,920	\$ 12,641,767

During the nine months ended November 30, 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.

**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 November 30, 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
845,000	1.41	September 1, 2011
945,500	1.42	December 8, 2011
93,750	0.80	February 12, 2012
3,870,000	1.65	March 22, 2012
935,540	1.23	March 25, 2012
1,600,000	0.80	August 16, 2012
<u>10,704,860</u>		

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	<u>(1,540,000)</u>	1.56
Balance, November 30, 2007	10,704,860	\$ 1.26
Number of options currently exercisable	9,984,357	\$ 1.26

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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(Unaudited)

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

**Warrants**

As at November 30, 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
112,500	\$ 0.60	December 23, 2007 (subsequently expired unexercised)
8,175,151	1.85	September 8, 2008
1,571,180	1.70	September 8, 2008
4,864	1.10	November 1, 2008
<u>8,423,944</u>	1.20	November 1, 2008
<u>18,287,639</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	9,748,518	1.83
Kilgore warrants (Note 6)	188,750	0.40
Exercised	(4,407,137)	1.07
Expired	<u>(4,449,668)</u>	1.00
As at November 30, 2007	<u>18,287,639</u>	<u>\$ 1.53</u>

**Stock-based compensation**

The Company granted 6,400,000 stock options during the current period resulting in a fair value, using the Black-Scholes option-pricing model, of \$6,316,930. For the nine months ended November 30, 2007, the Company recorded \$6,670,697 as stock-based compensation expense and contributed surplus 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 nine months ended November 30, 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 nine month period ended November 30, 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 nine months ended November 30, 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 income tax liability of approximately \$1,833,000 as at November 30, 2007.

**11. RELATED PARTY TRANSACTIONS**

During the nine months ended November 30, 2007, the Company:

- a) Paid or accrued \$343,569 (2006 - \$300,750) for management and consulting fees to a company controlled by the president, a director and companies with common directors.
- b) Paid or accrued \$47,600 (2006 - \$27,000) for rent to a company controlled by the president, a company with a director in common and a company owned by an officer of the Company.
- c) Paid or accrued \$30,500 (2006 - \$22,500) for administration fees to a company owned by an officer of the Company.
- d) Paid or accrued \$50,000 (2006 - \$62,500) 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.

Included in accounts payable and accrued liabilities at November 30, 2007 is \$166,680 (February 28, 2007 - \$139,520) owing to a company controlled by the president of the Company and to companies with directors in common.

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

**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 nine months ended November 30, 2007 included:

- a) issuing 1,385,389 common shares valued at \$1,412,746 for mineral property acquisitions;
- b) issuing 638,500 units valued at \$925,825 and 1,571,180 compensation options valued at \$1,472,250 to an agent in connection with a private placement;
- c) issuing 29,115,090 common shares and 1,685,540 options, valued at \$4,934,059, pursuant to the acquisition of Kilgore;
- d) issuing 25,280 common shares to settle an obligation to issue shares totaling \$45,000;
- e) accruing \$716,515 of mineral property expenditures in accounts payable and accrued liabilities as at November 30, 2007; and
- f) accruing \$41,923 of mineral property recoveries in receivables as at November 30, 2007.

The significant non-cash investing and financing transactions during the nine months ended November 30, 2006 included:

- a) issuing 3,736,286 common shares valued at \$3,854,197 for mineral property acquisitions;
- b) issuing 1,500,000 common shares valued at \$600,000 pursuant to the acquisition of Jadebay Limited;
- c) issuing 1,171,852 units valued at \$1,012,989 as finders' fees;
- d) issuing 20,247,186 common shares and 1,487,640 stock options, valued at \$4,348,959, pursuant to the acquisition of Pathfinder;
- e) issuing 90,050 common shares valued at \$93,150 for consulting services;
- f) issuing 33,333 common shares valued at \$12,500 for the acquisition of property data; and
- g) accruing \$355,556 of mineral property expenditures in accounts payable and accrued liabilities as at November 30, 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 November 30, 2007, the Company had no further obligation with respect to this agreement.

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

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

**15. SEGMENTED INFORMATION**

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

Geographic information is as follows:

	November 30, 2007	February 28, 2007
<b>Capital assets</b>		
Canada	\$ 31,747,691	\$ 16,712,134
United States	4,270,321	-
Europe	1,477,791	1,379,399
Niger, West Africa	192,134	157,881
	<u>\$ 37,687,937</u>	<u>\$ 18,249,414</u>

**16. SUBSEQUENT EVENTS**

Subsequent to November 30, 2007, the Company:

- a) completed an Arrangement Agreement with Northern Canadian Uranium (“NCA”). Pursuant to the Arrangement Agreement, NCA amalgamated with a wholly owned subsidiary of the Company in exchange for 18,198,337 common shares of the Company issued to the shareholders of NCA on the basis of 0.65 shares of the Company for each outstanding share of NCA. As at November 30, 2007, the Company had deferred amalgamation costs totaling \$72,903;
- b) granted incentive stock options enabling the holders to acquire up to 2,560,000 common shares at \$0.83 per share for a period of five years; and
- c) was granted three gold exploration permits in Italy.

# **BAYSWATER URANIUM CORPORATION**

## **Management Discussion and Analysis**

### **Nine Months Ended November 30, 2007**

This discussion and analysis of financial position and results of operations is prepared as at January 28, 2008 and should be read in conjunction with the interim consolidated financial statements for the nine months ended November 30, 2007 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those unaudited interim 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 concessions and concession applications in Niger, West Africa; and, as a result of the recently closed amalgamation with Kilgore Minerals Ltd., owns interests, through its wholly-owned subsidiary, Kilgore Gold Inc., in 22 properties in the western United States. In addition, as a result of the recent closing of the amalgamation with Northern Canadian Uranium Inc, the Company owns interests, through its subsidiary, NCU Holdings Inc., in 12 uranium properties in the western United States, Saskatchewan, Canada and in Mali; plus several uranium concession applications in two blocks in Niger. Subsequent to the amalgamation with Kilgore, the Company acquired two additional uranium properties in the western United States. Also, through its subsidiary, Jadebay Limited, the Company owns an interest in two base metal prospecting licences in Ireland; and through its subsidiary, Kilgore Gold Inc., owns interests in three gold properties in Idaho. The Company trades on the TSX Venture Exchange under the symbol BAY.

#### **Overall Performance**

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

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, of which two have been granted recently, in Niger, West Africa; and has acquired prospecting permits for base metals in southern Ireland. In addition,

the Company has entered into a joint venture arrangement with Strongbow Exploration Inc. (“Strongbow”) (TSX-V: SBW) that is designed to identify, acquire and explore uranium properties in Canada—which to date has led to the acquisition of several separate properties in North and South Thelon Basins, Nunavut & NWT. Also, during August, 2006, the amalgamation with Pathfinder Resources Ltd. closed and, as a result, the Company’s land holdings expanding significantly in Thelon Basin, NWT and led to new uranium land interests in the Hermitage Belt, southern Newfoundland and in Guatemala. These land acquisitions comprise in total, including concessions granted in Niger, over 7.8 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 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 nine months ended November 30, 2007, the Company incurred further exploration expenditures of approximately \$14.8 million. Most of these funds were spent on the Company’s Canadian projects and resulted in significantly advancing all our projects with numerous favourable drill targets identified on all projects and with completion of over 15,000 metres of drilling in 68 holes on our Labrador holdings where the Company has reported its first major uranium discovery on the Anna Lake prospect as first announced October 29, 2007.

The amalgamation with Kilgore Minerals Ltd., which closed in late July, 2007, was a major milestone for the Company. As a result, the Company now owns a 100% interest in 22 uranium properties including 6 with approximately 12.5 million pounds of non 43-101 compliant historical uranium resources located in Montana, Nevada, Wyoming and California; as well as numerous additional properties in Wyoming and Montana with known uranium mineralization and defined targets for drill testing and potential resource delineation. Five of these properties in three project areas have historical uranium resources that offer opportunities for advancement to feasibility and potential production. Subsequent to the amalgamation with Kilgore, the Company has been actively engaged 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 (Baca property) and the other in Utah (Hurricane Cliffs property). Both offer potential for discovery of large uranium systems, respectively of the roll front and structural type, within the prolific uranium rich region of the Colorado Plateau.

Also, further granting of uranium applications for a large land position in Niger is pending government approval. Niger is an important producer of uranium and the applications submitted by the Company are strategic in relation to known producing uranium mines and undeveloped uranium deposits in the country. The Company plans airborne surveying and ground follow-up once the concessions are granted.

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

Further to the Company’s strategy to expand its interests in uranium resource properties and add to its management team, **the Company completed its acquisition of Northern Canadian Uranium Inc. (“NCA”)** effective December 21, 2007. As a result of the amalgamation, the Company acquired NCA’s portfolio of uranium properties in 12 project areas, some with historical resources, in Canada, United States and in Mali, West Africa, and has made application for 12 uranium concessions in Niger, West

Africa. Many of these properties offer considerable synergy with Bayswater's uranium projects and immediate resource growth potential to the Company—particularly the Elkhorn properties in Wyoming that combined with Bayswater's adjoining properties have NI 43-101 non compliant historical resources and compliant resources of over 650,000 lbs uranium in 6 separate deposits; Edgemont property, South Dakota; Collins Bay Extension property in the Athabasca Basin, Saskatchewan; Samit property, Mali, West Africa with a non NI 43-101 historical resource of 440,000 lbs uranium and the Carol R Mine property, Nevada. Also, four Niger concessions, once granted, will form a strategic addition to concessions that Bayswater has applied for near the Areva-operated Cominak and Somair uranium mines. NCA had initiated permitting of the Elkhorn properties in Wyoming and has made preparations for drilling of the Collins Bay Extension property, Saskatchewan for purposes of resource and exploration drilling in 2008. In addition, two key officers and directors of NCA—namely Praveen Varshney and Keith Laskowski, have joined the management of Bayswater respectively as a director and as VP Exploration—USA along with other experienced members of NCA's uranium exploration team.

The current uranium property assets of Bayswater include five properties at the resource drilling stage—namely, Anna Lake deposit, Labrador; Alzada properties, Montana; Elkhorn properties, Wyoming; Mountain West property, Nevada; and Mali property, West Africa. An additional 10 properties are also at the drill stage, either with drill ready targets or requiring minimal additional work to establish drill ready targets, including additional untested targets within the Company's Labrador land holdings and targets on the Wisker Valley property, Newfoundland; Burdell Lake and Collins Bay Extension properties, Saskatchewan; North and South Thelon properties, Nunavut and NWT; Baca property, New Mexico; Edgemont property, South Dakota; Carol R property, Nevada and on the Hurricane Cliffs property, Utah. Most of these properties are planned for drilling in 2008. This is a very aggressive portfolio of drill ready resource and early stage properties that individually and combined provide the Company with exceptional opportunities for growth.

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

During the nine months ended November 30, 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 68 diamond drill holes totaling 15,231 metres of drilling on the Anna Lake, Dandy, Stipec A, Stipec E and Kanairiktok Bay uranium prospects; 5700 line km of airborne EM and magnetic surveying of a portion of the historic uranium district covering the Company's Stipec River prospects and airborne radiometric and magnetic anomalies southwest of the Michelin deposit; grid construction over the Anna Lake prospect and areas of potential geologic extension to the northeast and southwest with soil sampling, induced polarization, magnetic and radiometric surveying of the grid area; limited grid controlled induced polarization and soil surveys over portions of the Stipec River prospects; radon gas surveying over the Ghost Lake A and B radiometric anomalies, a portion of the Anna Lake grid area in the area of the recent discovery from drilling and over a new radioactive sandstone boulder field located in the Stipec river area; further prospecting of a number of radiometric anomalies from the 2006 survey; and radiometric and magnetic airborne surveying totaling about 4500 line km and follow-up prospecting of radiometric anomalies over i) three 100% owned claim blocks comprising 797 claims staked to cover favourable uranium targets marginal to the Company's land holdings subsequent to the 2006 program and

ii) 829 pooled claims optioned/joint ventured with Ucore Uranium Inc. at the east end of the historic uranium belt.

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

Several prospects identified from the 2006 exploration season as well as further discoveries and additional targets identified from the 2007 work remain to be fully evaluated. Assay results from some of the regional prospecting in 2007 is still pending.

An extensive program on the Labrador project is planned for 2008 including i) drilling and further grid surveys at Anna Lake; ii) radon gas surveying of a number of potential drill targets in areas of limited outcrop with significant radiometric anomalies and/or good assay values from rock samples (Stomach Lake boulder train, Ghost Lake Anomalies A, B and C; and new boulder train in Stipeck River area); further prospecting of new uranium targets in the Makkovik River area; and further prospecting of selected priority airborne anomalies. Drilling comprising about 17,000 metres at Anna Lake and 4000 metres on other targets is planned for 2008 with up to three drills. A drill contract has been entered into with Cartwright Drilling Inc. who also conducted the drilling for Bayswater in 2006 on the Labrador project.

### **Athabasca Basin, Saskatchewan**

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

Results of the above VTEM/magnetic survey were announced December 17, 2007. Five conductors, ranging in length from 3 km to over 7 km, occur in an area of the property which shows strong structural uplifts and down drops associated with ENE-WSW to NE-SE regional basement faults. The conductors range in interpreted depth from 500 to 1,000 metres. Due to the thick cover of Athabasca sandstone and absence of any drilling in the 1.7 million acre property, the basement geology of this area is unknown and interpretive. C. Card of the Saskatchewan Northern Geological Survey Branch recently presented a paper in Saskatoon (December 5, 2007) that suggests the area may be underlain in substantial part by metasediments. Metasediments in other areas of the Athabasca Basin host high-grade ore reserves such as at Cameco Corp's (TSX: [CCO](#)) McArthur River mine and Cigar Lake deposit, as well as a number of other high grade uranium deposits including Shea Creek, operated by AREVA Resources Canada Inc. and UEX Corp. (TSX: [UEX](#)), and the Midwest Lake deposit owned by Denison Mines (TSX: [DML](#)) and AREVA who recently announced plans to put the deposit into production.

In preparation for drill testing of the targets, it is the Company's intent to conduct gravity and deep penetrating resistivity surveys, in conjunction with large loop electromagnetic surveys over the priority

area during the first part of 2008, in order to more precisely define basement faults in coincidence with electromagnetic conductors. This relationship may be reflective of favourable graphitic conductors in association with major faults, fundamentally important parameters in regards to unconformity-type uranium deposit emplacement. The Company has been awarded land use permits for the project and has secured a geophysical contractor to conduct the work.

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

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

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

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

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

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

In 2007, further prospecting, mapping and sampling and ground radiometric and magnetic surveys of most of the radiometric targets identified from airborne surveying of the Company's land holdings in 2006 was undertaken. Assay results from a portion of this work have confirmed that significant uranium mineralization of the sediment hosted type has been discovered in outcrop and float in the Amer West Block where Bayswater holds a 100% interest. Prospectors collected 16 grab samples from this block which yielded between 1,050 and 2,720 ppm U (0.12% to 0.32%  $U_3O_8$ ) with an average of 1,663 ppm U (0.20%  $U_3O_8$ ). This mineralization is stratigraphically hosted in phyllites and feldspathic sandstones of the Amer Lake Group, and the mineralized horizon displays significant continuity along strike in the order of 10's of kilometers. Limited exposure of this mineralized unit precludes an estimate of its average thickness. Detailed grids will be established in early 2008 on at least two targets in the Amer West Block to follow-up this mineralization by completing detailed geophysics followed by diamond drilling.

Other significant 2007 results came from the Permit-2 Block—part of the 50/50 Canada Uranium Joint Venture with Strongbow Exploration Inc. (TSX-V: [SBW](#)). Prospectors discovered a small (<0.5 m), subangular, granodiorite boulder which assayed 3,300 ppm U (0.389% U<sub>3</sub>O<sub>8</sub>). A major structural break—the Amer Lake Fault Zone, is interpreted to intersect the Thelon sandstone in the area of Permit-2 and extends southwesterly through Permit-1. Analytical results from additional rock samples from 2007 North Thelon prospecting are still pending.

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

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

The 2008 field program at North Thelon is planned to consist of detailed geophysical, geological and prospecting surveys to follow-up 2006 radiometric targets in Permit-1 and newly discovered radiometric anomalies from the 2007 survey. A diamond drill program, consisting of a minimum of 5,000 metres of drilling, is planned to test uranium zones of interest defined in the Amer West and Permit Area-2 areas. A drill contractor has been secured for this work, and permitting for the project is underway.

### **Wisker Valley, Newfoundland**

During the nine months ended November 30, 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% U<sub>3</sub>O<sub>8</sub> with several samples containing greater than 0.1% U<sub>3</sub>O<sub>8</sub>. Uranium has been discovered in felsic volcanics over an extensive area suggesting that the property is prospective for hosting a near-surface uranium deposit. The style of the mineralization appears similar to the Streltsovka complex in Russia which hosts 20 deposits within a 20 km diameter rhyolite caldera. Combined production, reserves and resources in the deposits of the Streltsovka uranium field totals 280,000 tonnes of U<sub>3</sub>O<sub>8</sub> at an average grade of 0.2% U<sub>3</sub>O<sub>8</sub>.

A follow-up exploration program was completed in 2007 on the property to evaluate mineralization discovered to date and to explore the property for additional mineralized areas in order to identify drill targets. This program included an airborne radiometric and magnetic survey; prospecting and mapping; grid establishment with soil sampling and ground radiometric surveying; and the excavation and sampling of trenches within one area of known mineralization. Results of this work is being compiled and further assays are pending. Initial drilling is planned in early 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 nine months ended November 30, 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 nine months ended November 30, 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.

### **Niger, West Africa**

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

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

The Company acquired Kilgore Minerals Ltd. through an amalgamation that closed in late July, 2007. As a result, the Company owns a 100% interest in 22 uranium properties comprising approximately 30,442 acres in claims and state leases in Montana, Wyoming, Nevada and California; and in addition owns rights to two surface and mineral leases covering 14,319 acres of prospective uranium lands in Carter County, Montana. These leases provide for surface access rights to lands under which the Company has mineral ownership through the location of federal lode claims by Kilgore, and acquisition of privately owned minerals on a portion of one of the leases. On six of the Company's properties in Montana, Wyoming, Nevada and California, it owns approximately 12.5 million pounds of non 43-101 compliant historical uranium resources. All of these properties, but particularly the ones in Montana (Alzada Project), Wyoming (Elkhorn Project) and Nevada (Mountain West Project), with historical uranium resources offer opportunities for advancement to feasibility and potential production.

In 2008, the Company plans a program of permitting and baseline studies along with an aggressive program of confirmation and step-out drilling, hydrologic and push-pull testing and metallurgical work on these properties with historical resources in Montana, Wyoming and Nevada. 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, including the Elkhorn Project and other properties pursuant to the amalgamation with Northern Canadian Uranium Inc., 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, continues as a special advisor to the Company on its US operations.

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

As a result of the amalgamation with Northern Canadian Uranium Inc., which closed in December, 2007, Bayswater now owns 90% to 100% interests in an additional 12 uranium properties comprising 363,632 acres of mineral lands in Wyoming, South Dakota, Nevada and Saskatchewan plus interests in 10,400 acres of leased surface rights in Wyoming, exploration permits in Mali comprising over 7 million acres and 12 concession applications in Niger comprising over 1.4 million acres in two blocks. These property interests cover 100% owned uranium resources on the Elkhorn Project properties in Wyoming that include i) the Busfield deposit with a NI 43-101 compliant resource comprising an indicated 397,000 lbs eU<sub>3</sub>O<sub>8</sub> grading 0.08% eU<sub>3</sub>O<sub>8</sub> and an additional inferred 5,000 lbs eU<sub>3</sub>O<sub>8</sub> grading 0.08% eU<sub>3</sub>O<sub>8</sub> and ii) 5 separate deposits with an additional approximately 250,900 lbs of non NI 43-101 compliant historical uranium resources; and on the Samit Project property, Mali with historical resources of 440,000 lbs U<sub>3</sub>O<sub>8</sub> grading 0.085% U<sub>3</sub>O<sub>8</sub> that are also non NI 43-101 compliant. Property interests as above, also include numerous additional targets on various properties in Wyoming, Nevada, South Dakota and Saskatchewan with known uranium mineralization and/or defined targets for drill testing and potential resource delineation.

#### Wyoming and South Dakota properties, USA

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

All the Properties, subject to the MB agreement, are located within the northeastern Powder River Basin (PRB) —a prolific source of natural resources with well-developed infrastructure, and a proven mining friendly environment. The PRB produces uranium, coal, petroleum, and natural gas. Bayswater's properties lie within four historic uranium producing districts and one undeveloped uranium district. Three uranium mines are in production in this region, which employ in-situ recovery of uranium mineralization. Operating mines are exploiting uranium mineralization that occurs in concentrations that range from approximately 0.1 – 0.3% U<sub>3</sub>O<sub>8</sub>. Since 1995, Wyoming has been the leading producer of uranium in the U.S. and also contains the largest uranium reserves in the U.S.

Prior to the amalgamation with Bayswater, NCA focused exploration work on the Busfield deposit within the Elkhorn Project, and completed Phase I and II drilling programs which defined a NI 43-101 compliant indicated uranium resource of 250,000 tonnes at 0.08 % for 397,000 lbs eU<sub>3</sub>O<sub>8</sub>. The Busfield resource

remains open in three directions for expansion and occurs within the central region of a 12 mile (20 km) long trend of uranium mineralization defined by historic drilling and five historic open pit mines.

On the Elkhorn properties, field mapping and ground radiometric surveys have been completed over all areas of historic mining and drilling by NCA. Wide-spread near surface uranium mineralization has been identified within the regional trend of uranium mineralization at the Elkhorn Project. Extensive additional drilling is required to convert historic resources to compliant NI 43-101 resources, and to expand areas of known uranium resources. Two types of drilling are planned, including "Resource Definition" drilling and "Reconnaissance" drilling. "Resource Definition" drilling will be completed in areas containing historic resources, defined by previous mining companies, in a manner necessary to calculate NI 43-101 compliant resources, including relatively close spacing on a regular grid with both core and RC drilling to provide radiometric, geological and geochemical data. Bayswater is planning an extensive program of drilling on this project in 2008 that will involve well over 250 drill holes. Permitting for up to over 500 drill holes has been partially granted and the balance of the permitting approvals is anticipated shortly. Bayswater is in discussion with possible drill contractors for this project.

Data compilation is ongoing on other properties in Wyoming and South Dakota with a view to identifying targets for drill testing. The Edgemont property, adjacent to the Dewey Creek deposit of Powertech Resources, is at the drill stage with potential resource extensions from the Dewey deposit area potentially extending onto Bayswater's ground. Consideration is being given to drill testing the Edgemont property in 2008.

#### Nevada Properties, USA

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

Evaluation of the Carol R Mine historic drill area as reported is planned to be carried out with a view to potentially drilling this property in 2008.

#### Saskatchewan properties, Canada

Bayswater acquired, pursuant to the amalgamation with Northern Canadian Uranium, three exploration properties in Saskatchewan, all within the region known as the Athabasca Basin. All properties are located immediately outside the boundary of the clastic rocks that define the present "basin". Bayswater owns a 90% interest in all three projects, subject to an agreement with Bullion Fund Inc. which provides for Bullion to own a 10% interest that is carried through completion of a feasibility study. Bayswater has entered into an agreement with Bullion Fund to purchase the 10% carried interest subject to approval by the TSX Venture Exchange.

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

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

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

Bayswater plans an extensive drilling program in early 2008 to test favourable targets within the CBE project area.

The Coin Canyon property consists of one claim comprising 923 hectares that covers three outcropping uranium occurrences. Uranium mineralization occurs as structurally controlled / shear zone type mineralization which assays up to 3.7% U<sub>3</sub>O<sub>8</sub>. The three occurrences are hosted in the footwall gneisses, similar to some of the deposits in the Uranium City and Collins Bay areas. All historic geological data has been compiled and the property has received reconnaissance sampling and mapping to confirm the uranium mineralization and prospectivity for exploration drilling. A well defined target is present, that extends over a strike length of more than 3 kilometers. Drilling of this target is being considered for 2008.

The Viking property consists of one recently re-staked claim covering 2,106 hectares, located on the north side of the Athabasca Basin, east of Uranium City. As a result of re-staking, the property was expanded to cover four additional structurally controlled uranium prospects hosted in the footwall gneisses, similar to some of the deposits in the Uranium City and Collins Bay areas. The property also contains a large area of iron oxide alteration with potential for REE elements located north and northeast of the main uranium occurrences. All geological data has been compiled, and the property has received reconnaissance sampling and mapping. Additional work will be considered during 2008.

#### Mali Properties, West Africa

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

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

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

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

Bayswater plans to determine the detailed distribution and control of the mineralization in an upcoming exploration program in 2008 that will include radiometric surveying, mapping and sampling. Based on the results of this work, Bayswater plans to re-drill the resource area and evaluate possible extensions by drilling with the object of outlining a NI 43-101 compliant resource in 2008.

#### Niger Properties, West Africa

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

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

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

#### Avoca Base Metal Property, Ireland

Deep penetrating induced polarization surveying on the Avoca Base Metal property in Ireland identified numerous conductive targets warranting drill testing for possible high grade massive sulphide copper-zinc-lead zones. A limited drill program of about 1300 metres in two holes is planned to test targets within the zinc-lead zone in order to maintain the prospecting licenses.

#### 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 decided not to proceed with these applications under the new system. Also, the Company has applied for six gold permits in Italy of which three have now been granted.

### **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.

### **Future Plans and Outlook**

Bayswater aims to significantly increase its uranium resources in 2008 through an aggressive planned \$25-million exploration program that will feature drilling on up to 15 projects. The objective of this major exploration initiative is to at least double resources to 25 million to 30 million pounds and to develop a number of the Company's advanced projects towards feasibility and potential production; and to make additional new uranium discoveries. The Company is adequately financed to complete this initiative.

### **Results of Operations**

The Company recorded a loss of \$3,252,438 for the nine months ended November 30, 2007 compared to a loss of \$5,011,623 during the comparative nine months ended November 30, 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 exploration expenditures to flow through share subscribers. During the period ended November 30, 2006, there was no income tax recovery. Loss before income taxes for the current period was \$6,139,438 compared to \$5,011,623 for the nine months ended November 30, 2006. The increase in loss before income taxes was due mainly to the recording of stock-based compensation expense of \$6,670,697 (2006 - \$3,819,303), property investigation costs of \$297,547 (2006 - \$Nil), consulting fees of \$69,500 (2006 - \$Nil), office expenses of \$212,539 (2006 - \$81,811), professional fees of \$386,950 (2006 - \$284,940) and shareholder communications of \$328,145 (2006 - \$157,777). 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 gains on the sale of marketable securities totaling \$1,450,586 (2006 - \$Nil) and interest income of \$1,038,583 (2006 - \$214,369) due to a large increase in short-term investments held.

The Company recorded a loss of \$839,017 for the three months ended November 30, 2007 compared to a loss of \$1,629,469 during the comparative three months ended November 30, 2006. The decrease in the loss from the prior comparative period was due mainly to the recording of \$67,857 for stock-based compensation expense during the current period and \$1,292,452 during the comparative period and the recording of a combined loss of \$366,476 (2006 - \$Nil) relating to realized and unrealized gains and losses on disposal of marketable securities. The Company incurred property investigation costs of \$110,888 (2006 - \$Nil), office expenses of \$62,713 (2006 - \$24,995), professional fees of \$152,501 (2006 - \$61,599) and shareholder communications of \$192,089 (2006 - \$70,835) during the current quarter. 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 interest income of \$329,456 (2006 - \$131,039) due to a large increase in short-term investments held.

## Quarterly Information

During the nine months ended November 30, 2007, the Company incurred mineral property acquisition and deferred exploration costs of \$19,352,472.

	Three Months Ended Nov 30, 2007	Three Months Ended Aug 31, 2007	Three Months Ended May 31, 2007	Three Months Ended Feb 28, 2007
Total assets	\$69,456,741	\$69,516,365	\$62,508,837	\$32,556,210
Mineral properties and deferred costs	37,519,848	32,227,850	22,892,480	18,167,376
Working capital	29,594,655	33,426,137	37,445,103	12,685,669
Net income (loss) for the period	(839,017)	230,056	(2,718,477)	(2,159,387)
Loss per share	(0.01)	0.00	(0.03)	(0.04)

	Three Months Ended Nov 30, 2006	Three Months Ended Aug 31, 2006	Three Months Ended May 31, 2006	Three Months Ended Feb 28, 2006
Total assets	\$29,329,715	\$19,602,265	\$11,810,405	\$ 2,050,566
Mineral properties and deferred costs	15,768,931	12,815,098	3,185,048	1,905,554
Working capital position (deficiency)	12,161,235	4,131,035	5,176,136	(134,778)
Loss for the period	(1,629,469)	(2,362,138)	(1,629,237)	(382,673)
Loss per share	(0.03)	(0.05)	(0.07)	(0.04)

### Fiscal 2008

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

### Fiscal 2007

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

### 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 November 30, 2007, the Company has a working capital position of approximately \$29,600,000 and cash and short-term investments of \$28,080,492. Acquisition, investment, exploration and administrative expenditures incurred during the nine months ended November 30, 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 4,407,137 common shares pursuant to the exercise of warrants for total proceeds of \$4,723,675.
- d) The Company sold 2,000,000 shares of Silver Spruce for total proceeds of \$2,515,586.

For the year ending February 28, 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**

During the nine months ended November 30, 2007, the Company:

- a) Paid or accrued \$343,569 (2006 - \$300,750) for management and consulting fees to a company controlled by the President of the Company, a director and companies with common directors;
- b) Paid or accrued \$47,600 (2006 - \$27,000) for rent to a company controlled by the President of the Company, a company with a director in common and a company owned by an officer of the Company;
- c) Paid or accrued \$30,500 (2006 - \$22,500) for administration fees to a company owned by an officer of the Company;
- d) Paid or accrued \$50,000 (2006 - \$62,500) for investor relations to a company with a director in common;
- e) Paid or accrued \$200,000 (2006 - \$Nil) for property acquisition costs to Longview.
- f) Received \$111,520 (2006 - \$Nil) from a company with directors in common 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 of the Company.

Included in accounts payable and accrued liabilities at November 30, 2007 is \$166,680 (February 28, 2007 - \$139,520) owing to a company controlled by the President of the Company, a director and a company with directors in common.

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

### **Off Balance Sheet Arrangements**

The Company has no off Balance Sheet arrangements.

### **Investor Relations**

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

### **Commitments**

- a) During the year ended February 28, 2006, the Company entered into a management agreement with Longview whereby Longview agreed to provide the Company with consulting services until May 1, 2007. In consideration, the Company paid Longview \$15,000 per month payable 50% in cash and 50% in common shares. As at November 30, 2007, the Company has no further obligation to issue shares to Longview.

- b) During the year ended February 28, 2007, the Company entered into a sublease for its premises along with three other publicly listed companies trading on the TSX Venture Exchange, related by a common director.

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

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

### **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 November 30, 2007, the Company:

- a) completed an Arrangement Agreement with Northern Canadian Uranium (“NCA”). Pursuant to the Arrangement Agreement, NCA amalgamated with a wholly owned subsidiary of the Company in exchange for 18,198,337 common shares of the Company issued to the shareholders of NCA on the basis of 0.65 shares of the Company for each outstanding share of NCA. As at November 30, 2007, the Company had deferred amalgamation costs relating to this transaction totaling \$72,903;
- b) granted incentive stock options enabling the holders to acquire up to 2,560,000 common shares at \$0.83 per share for a period of five years; and
- c) was granted three gold exploration permits in Italy.

## **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 January 28, 2008, there were 143,641,317 common shares issued and outstanding. There were also 14,480,260 stock options outstanding to directors, officers and consultants with exercise prices ranging between \$0.24 and \$1.65 per share and which expire between March 20, 2008, and August 16, 2012. In addition, 18,287,639 warrants were 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 November 30, 2007 which materially affected, or are reasonably likely to materially affect, the Company's internal control for financial reporting.