

BAYSWATER URANIUM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 28, 2009

AUDITORS' REPORT

To the Shareholders of
Bayswater Uranium Corporation

We have audited the consolidated balance sheets of Bayswater Uranium Corporation as at February 28, 2009 and February 29, 2008 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2009 and February 29, 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

June 22, 2009



BAYSWATER URANIUM CORPORATION
CONSOLIDATED BALANCE SHEETS

	February 28, 2009	February 29, 2008
ASSETS		
Current		
Cash	\$ 342,222	\$ 157,467
Short-term investments	4,635,753	23,501,768
Marketable securities (Note 4)	445,909	1,525,771
Receivables	307,163	874,639
Prepays and deposits	<u>324,067</u>	<u>330,967</u>
	6,055,114	26,390,612
Equipment (Note 5)	159,758	240,136
Reclamation bonds	324,494	356,268
Exploration advances	183,210	989,539
Mineral properties (Note 7)	<u>56,516,941</u>	<u>46,367,905</u>
	<u>\$ 63,239,517</u>	<u>\$ 74,344,460</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 295,334	\$ 2,469,905
Future income tax liability (Note 13)	<u>2,705,000</u>	<u>5,242,000</u>
	<u>3,000,334</u>	<u>7,711,905</u>
Shareholders' equity		
Capital stock (Note 8)	68,779,241	68,233,203
Contributed surplus (Note 8)	15,354,841	13,945,484
Deficit	<u>(23,894,899)</u>	<u>(15,546,132)</u>
	<u>60,239,183</u>	<u>66,632,555</u>
	<u>\$ 63,239,517</u>	<u>\$ 74,344,460</u>

Nature of operations (Note 1)

Commitments (Note 12)

Subsequent events (Note 17)

On behalf of the Board:

 "George Leary" Director "Victor Tanaka" Director

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

BAYSWATER URANIUM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Year Ended February 28, 2009	Year Ended February 29, 2008
EXPENSES		
Administration	\$ 78,567	\$ 51,381
Amortization	67,009	47,133
Consulting fees	140,865	238,467
Costs related to flow-through obligations	259,764	154,613
Directors' fees	85,250	15,500
Investor relations	169,293	153,029
Management fees	107,160	354,360
Office and miscellaneous	315,266	320,084
Professional fees	561,845	538,997
Property investigation costs	172,269	328,410
Rent	126,212	125,455
Shareholder communications	232,310	417,991
Stock-based compensation (Note 9)	1,424,971	7,629,161
Transfer agent and filing fees	61,837	87,636
Travel and related costs	46,204	50,517
Loss before other items	<u>(3,848,822)</u>	<u>(10,512,734)</u>
OTHER ITEMS		
Foreign exchange gain (loss)	98,626	(18,239)
Interest income	394,452	1,320,247
Recovery of costs	148,955	-
Loss on disposal of equipment	(27,075)	-
Unrealized loss on marketable securities (Note 5)	(1,279,862)	(30,451)
Realized gain on sale of marketable securities	-	1,450,586
Mineral properties written-off (Note 7)	<u>(7,238,541)</u>	<u>(1,724,838)</u>
	<u>(7,903,445)</u>	<u>997,305</u>
Loss before income taxes	(11,752,267)	(9,515,429)
Future income tax recovery (Note 13)	<u>3,403,500</u>	<u>5,703,000</u>
Loss and comprehensive loss for the year	(8,348,767)	(3,812,429)
Deficit, beginning of year	(15,546,132)	(12,100,220)
Fair value adjustment on financial instruments (Note 2)	<u>-</u>	<u>366,517</u>
Deficit, end of year	<u>\$ (23,894,899)</u>	<u>\$ (15,546,132)</u>
Basic and diluted loss per common share	<u>\$ (0.06)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding	147,931,234	114,089,657

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

BAYSWATER URANIUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended February 28, 2009	Year Ended February 29, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (8,348,767)	\$ (3,812,429)
Items not affecting cash:		
Amortization	67,009	47,133
Obligation to issue shares for services	-	7,500
Shares issued for services	10,625	-
Stock-based compensation	1,424,971	7,629,161
Recovery of costs	(148,955)	-
Loss on disposal of equipment	27,075	-
Unrealized loss on marketable securities	1,279,862	30,451
Realized gain on sale of marketable securities	-	(1,450,586)
Write-off of mineral properties	7,238,541	1,724,838
Future income tax recovery	(3,403,500)	(5,703,000)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	717,733	(482,088)
(Increase) decrease in prepaids and deposits	6,900	(276,937)
Decrease in accounts payable and accrued liabilities	(208,207)	(236,383)
Net cash used in operating activities	<u>(1,336,713)</u>	<u>(2,522,340)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Short-term investments	18,866,015	(16,815,268)
Equipment	(46,684)	(155,424)
Proceeds on disposal of equipment	32,978	-
Mineral property expenditures	(19,476,825)	(19,019,235)
Mineral property recoveries	1,374,288	963,822
Exploration advances	(48,050)	(445,496)
(Purchase) recovery of reclamation bonds	31,774	(302,235)
Purchase of marketable securities	-	(1,300,000)
Proceeds on sale of marketable securities	-	2,515,585
Amalgamation and acquisition costs	-	(459,149)
Cash acquired on amalgamations	-	<u>2,523,527</u>
Net cash used in investing activities	<u>733,496</u>	<u>(32,493,873)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued	787,972	29,883,271
Share issue costs	-	(898,943)
Net cash provided by financing activities	<u>787,972</u>	<u>28,984,328</u>
Change in cash during the year	184,755	(6,031,885)
Cash, beginning of year	<u>157,467</u>	<u>6,189,352</u>
Cash, end of year	<u>\$ 342,222</u>	<u>\$ 157,467</u>

Supplemental disclosure with respect to cash flows (Note 11)

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

1. NATURE OF OPERATIONS

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

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

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

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

The recoverability of the amounts comprising mineral properties and deferred exploration costs is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their exploration and development and upon future profitable production.

2. CHANGES IN ACCOUNTING POLICIES

Effective March 1, 2008, the Company adopted the following new standards issued by the Canadian Institute of Chartered Accountants (“CICA”):

CICA Handbook Section 1535 - Capital Disclosures

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

CICA Handbook Section 3862 and 3863 - Financial Instruments

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

CICA Handbook Section 1400 - General Standards of Financial Statements

This section requires management to make an assessment of the Company’s ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future which is at least, but not limited to, twelve months from the balance sheet date.

Management has determined that the adoption of these new standards did not have a material impact on the financial statements of the Company, except for expanded disclosures in the notes to the financial statements.

Effective March 1, 2007, the Company adopted 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

2. CHANGES IN ACCOUNTING POLICIES (cont'd...)

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.

The Company has classified its cash, short-term investments and marketable securities as held-for-trading. Receivables are classified as loans and receivables, reclamation bonds 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 in fiscal 2008, the Company's marketable securities were written up by \$441,517 and the deficit at the beginning of the period was reduced by \$366,517, net of a future income tax liability of \$75,000, to reflect the fair value of marketable securities held as at February 28, 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

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

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

Principles of consolidation

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

Foreign currency translation

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

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

Short-term investments

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

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

Equipment

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

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

Mineral properties

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

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

Government mining assistance

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

Asset retirement obligation

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

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

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

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

Stock-based compensation

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

Income taxes

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

Flow-through common shares

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

Loss per share

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

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

Recent accounting pronouncements

CICA Handbook Section 3064 – “Goodwill and other intangibles assets”

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

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2009

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

Recent accounting pronouncements (cont'd...)

Business Combinations

In January 2009, the CICA issued Handbook Sections 1582 “Business Combinations”, 1601 “Consolidated Financial Statements” and 1602 “Non-controlling Interests” which replace CICA Handbook Sections 1581 “Business Combinations” and 1600 “Consolidated Financial Statements”. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These Sections are applicable for interim and annual consolidated financial statements for fiscal years beginning January 1, 2011. Early adoption of these Sections is permitted and all these Sections must be adopted concurrently.

International reporting standards

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

4. MARKETABLE SECURITIES

During the year ended February 29, 2008, the Company reclassified its investments as marketable securities and carries them at fair value (Note 2). As at February 28, 2009, marketable securities consist of shares in publicly traded companies with an initial cost of \$1,695,040 (February 29, 2008 - \$1,556,222) and a fair value of \$445,909 (February 29, 2008 - \$1,525,771), which resulted in an unrealized loss on marketable securities of \$1,279,862 (February 29, 2008 - \$30,451) being recorded in the results of operations.

5. EQUIPMENT

	February 28, 2009			February 29, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 14,417	\$ 12,022	\$ 2,395	\$ 14,327	\$ 11,906	\$ 2,421
Computer equipment	131,702	56,143	75,559	119,498	35,180	84,318
Exploration equipment	120,914	41,374	79,540	111,765	21,547	90,218
Vehicles	-	-	-	86,260	27,044	59,216
Leasehold improvements	10,191	7,927	2,264	10,191	6,228	3,963
	<u>\$ 277,224</u>	<u>\$ 117,466</u>	<u>\$ 159,758</u>	<u>\$ 342,041</u>	<u>\$ 101,905</u>	<u>\$ 240,136</u>

6. PLANS OF ARRANGEMENT

Amalgamation of Kilgore Minerals Ltd. and Bayswater Uranium Corporation

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

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

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

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

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

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

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

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2009

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

Acquisition of Northern Canadian Uranium Inc.

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

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

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

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

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

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

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

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2009

7. MINERAL PROPERTIES

Year Ended February 28, 2009	CMB Labrador Claims	Thelon Basin Projects	Athabasca Basin, Saskatchewan	Collins Bay Property, Saskatchewan	Cochrane Pond, Nfld	Wisker Valley Property Nfld	Mali and Niger, West Africa	USA Properties	Ireland, Italy and Other Properties	Total
Acquisition costs										
Balance, beginning of year	\$ 1,164,171	\$ 2,700,789	\$ 5,499,025	\$ 4,006,052	\$ -	\$ 377,500	\$ 97,425	\$ 5,043,539	\$ 760,543	\$19,649,044
Additions	500,000	34,265	119,026	-	86,785	-	27,650	805,864	34,201	1,607,791
Recoveries	(68,457)	-	(119,026)	(202,842)	(30,888)	(61,690)	-	(364,196)	-	(847,099)
Written-off during the year	-	-	(4,880,385)	-	(55,897)	(315,810)	-	-	-	(5,252,092)
Balance, end of year	<u>1,595,714</u>	<u>2,735,054</u>	<u>618,640</u>	<u>3,803,210</u>	<u>-</u>	<u>-</u>	<u>125,075</u>	<u>5,485,207</u>	<u>794,744</u>	<u>15,157,644</u>
Deferred exploration costs										
Balance, beginning of year	<u>10,450,425</u>	<u>8,414,662</u>	<u>2,253,529</u>	<u>1,530,224</u>	<u>-</u>	<u>905,405</u>	<u>110,256</u>	<u>2,152,281</u>	<u>902,079</u>	<u>26,718,861</u>
Airborne survey	-	-	54,169	-	-	-	-	-	-	54,169
Analytical	209,395	3,461	2,405	46,762	-	18,574	-	5,698	-	286,295
Camp costs	298,425	145,917	340,696	10,274	-	2,015	-	-	-	797,327
Community relations	140,423	200	-	-	-	-	-	-	-	140,623
Compilation	21,983	15,801	986	94,355	-	-	-	522,450	4,920	660,495
Drilling	2,705,905	22,860	431,398	2,235,472	-	189,133	-	1,801,657	201,609	7,588,034
Environmental	898	-	-	-	-	-	-	124,358	-	125,256
Equipment	69,568	-	237	14,400	-	5,443	-	-	-	89,648
Field administration	32,484	35,949	7,334	6,878	-	1,392	-	3,203	151	87,391
Field supplies	10,689	21,281	1,281	-	-	410	-	2,990	-	36,651
Fixed wing/helicopter	1,877,127	340,338	522,478	-	-	-	-	-	-	2,739,943
Geological consulting	1,005,432	316,787	247,429	137,020	-	74,434	2,316	612,853	160,403	2,556,674
Ground geophysics	422,159	-	216,500	-	-	-	-	-	-	638,659
Geophysical consulting	-	5,859	15,146	-	-	11,970	-	4,320	3,912	41,207
Line cutting	57,159	-	111,260	-	-	-	-	-	-	168,419
Permitting	-	855	-	-	-	-	-	147,305	-	148,160
Property cost recoveries	(475,594)	(372,426)	(81,079)	-	-	-	-	-	-	(929,099)
Property maintenance	5,343	22,945	2,000	1,000	-	500	-	763,149	8,482	803,419
Prospecting	244,702	-	-	-	-	90,538	-	-	-	335,240
Travel and related	138,590	44,925	17,942	636	-	13,912	9,037	29,304	4,028	258,374
	<u>6,764,688</u>	<u>604,752</u>	<u>1,890,182</u>	<u>2,546,797</u>	<u>-</u>	<u>408,321</u>	<u>11,353</u>	<u>4,017,287</u>	<u>383,505</u>	<u>16,626,885</u>
Written-off during the year	<u>-</u>	<u>-</u>	<u>(672,723)</u>	<u>-</u>	<u>-</u>	<u>(1,313,726)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,986,449)</u>
Balance, end of year	<u>17,215,113</u>	<u>9,019,414</u>	<u>3,470,988</u>	<u>4,077,021</u>	<u>-</u>	<u>-</u>	<u>121,609</u>	<u>6,169,568</u>	<u>1,285,584</u>	<u>41,359,297</u>
Total, end of year	<u>\$ 18,810,827</u>	<u>\$ 11,754,468</u>	<u>\$ 4,089,628</u>	<u>\$ 7,880,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,684</u>	<u>\$ 11,654,775</u>	<u>\$ 2,080,328</u>	<u>\$56,516,941</u>

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2009

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

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

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 (“CMB”) Properties, Labrador

On November 17, 2005, the Company entered into an option agreement with Longview Capital Partners Inc. (formerly Longview Strategies Incorporated) (“Longview”), a company related by a former director in common, to acquire a 100% interest in certain claim blocks located in Labrador, Newfoundland. Under the terms of the agreement, the Company has paid Longview \$560,000 and issued 1,681,202 (2008 – 431,202) common shares valued at \$872,000 (2008 - \$372,000). A net smelter royalty (“NSR”) of 2% will be payable to an underlying option holder on each of the claim blocks retained. The Company has the right to purchase one-half of the NSR (1%) at any time for \$1,500,000. By agreement dated November 22, 2005, Longview assigned all its staking rights with the underlying option holder to the Company.

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

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

The Company acquired by staking, during the year ended February 28, 2007, additional claims in Labrador. In consideration, the Company paid a staking fee of \$19,400 in addition to staking costs of \$144,800. 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 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.

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

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

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

Uranium properties (cont'd...)

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

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

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 ("NU")

The Company entered into an agreement, dated April 13, 2006, with Yukon 37999 Inc. to acquire a 100% interest in certain uranium claims in the South Thelon area of the NWT. As consideration, the Company paid cash of \$102,903 and issued 108,858 common shares valued at \$95,432. 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.

During the year ended February 28, 2007, the Company entered into agreements with Aurora Geosciences Ltd. ("Aurora") to stake a minimum of 1,100,000 acres in Thelon Basin, NWT and NU. Under the terms of the agreements, consideration for staking was \$0.60 per acre and one-third of a common share of the Company per acre, for claims located on land and \$0.40 per acre and one-quarter of a common share of the Company per acre for claims located over water. During the year ended February 28, 2007, a total of \$1,056,356 was paid by the Company for staking costs and 520,297 common shares were issued to Aurora. In addition, during the year ended February 29, 2008, a total of \$333,368 was paid for staking costs and 183,867 common shares were issued to Aurora.

Pursuant to a Memorandum of Understanding ("MOU") dated April 11, 2005, the Company was granted an option to acquire an 80% interest in uranium rights in certain exploration permits acquired by Diamonds North Resources Ltd. ("Diamonds North"), and now held by Uranium North Resources Corp. ("Uranium North"), located within and around the Thelon Basin, Northwest Territories, in consideration of making a cash payment of \$100,000 (paid) and issuing a total of 2,000,000 common shares. The Company issued 294,000 shares during the year ended February 29, 2008. The Company must also incur staged optional exploration expenditures on the property totaling \$4,000,000, of which \$400,000 must be expended by April 11, 2006 (completed), a further \$1,600,000 by April 11, 2007 (completed) and a further \$2,000,000 by April 11, 2008. The Company and UraniumNorth have agreed to suspend the remaining required exploration expenditures due to permitting restrictions. A formal amendment to the agreement is pending.

During the year ended February 29, 2008, the Company granted an option to Stornoway Diamond Corp. ("Stornoway"), whereby Stornoway may earn a 60% interest in certain diamond rights at Itza Lake, Nunavut by issuing to the Company common shares of Stornoway with a value of \$75,000 (received) and by incurring \$4,000,000 in exploration expenditures over five years (with a minimum of \$500,000 to be incurred prior to September 1, 2008 (subsequently amended to September 1, 2009)).

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

Uranium properties (cont'd...)

Canada Uranium Joint Venture

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

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

Pursuant to the joint venture, certain prospecting permits have been granted to Strongbow, now partially replaced by staked claims, in the North Thelon Basin, Nunavut. Strongbow has elected to include these permits and certain staked claims as an Earn-In Property under the Joint Venture.

Athabasca Basin Projects

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

Brudell Lake Properties, Athabasca Basin, Saskatchewan

The Company entered into a purchase agreement dated July 19, 2006 as amended September 28, 2006 between the Company and the Saskatchewan Syndicate (the "Vendor") whereby the Company acquired a 100% interest in certain mineral claims in three claim blocks referred to as the Brudell Lake Property, Worden Lake Property and the William River Property located in the south central portion of the Athabasca Basin, Saskatchewan. As consideration, the Company issued 3,500,000 common shares at a value of \$1.06 per share and paid \$1,500,000 cash. The properties are also subject to a 2% NSR on all metals produced and 2% GOR on all diamonds produced. During the year ended February 28, 2007, the Company also paid a finder's fee of 100,000 common shares to a private individual for his assistance in introducing this property to the Company.

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

During the year ended February 28, 2009, the Company allowed certain of its mineral claims to lapse and, as a result, related costs of \$5,553,108 were written off to operations.

Hermitage Uranium Belt Properties, Newfoundland

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

The Company acquired certain staked claims in southwestern Newfoundland which are subject to a 2% NSR to Commander Resources Ltd. ("CMD"). The Company also staked further claims.

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

Uranium properties (cont'd...)

Hermitage Uranium Belt Properties, Newfoundland (cont'd...)

Hermitage Property, Newfoundland, Canada

During the year ended February 29, 2008, claims held 100% by the Company and not subject to the Cochrane Pond Joint Venture were all allowed to lapse. As a result, related costs of \$1,133,531 incurred by the Company were written off to operations during the year ended February 29, 2008.

Cochrane Pond Joint Venture, Newfoundland, Canada

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

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

During the year ended February 29, 2008, the Company and CMD entered into an option agreement with Global Gold Uranium, LLC (the "Optionee"), a wholly-owned subsidiary of Global Gold Corporation ("Global"), whereby the Optionee may earn up to a 60% interest in the Cochrane Pond property. To earn an initial 51% interest, the Optionee must pay US\$700,000, issue 350,000 common shares of Global and incur exploration expenditures totaling \$3,500,000 over a four year period. A further 9% interest can be earned by either incurring an additional \$2,000,000 of exploration expenditures over a two year period or funding and delivering a feasibility study to the Company and CMD within a three year period. During the year ended February 29, 2008, the Company received US \$100,000 (\$111,520) from the Optionee, and 75,000 common shares of Global valued at \$55,736. During the year ended February 28, 2009, the agreement was amended, whereby the property option was terminated and Global paid the Company and CMD US \$25,000 each for a 1.0% gross production royalty ("GPR") from the sale of uranium concentrates up to \$1,000,000 after which the GPR will be reduced to 0.5%.

During the year ended February 28, 2009, the Cochrane Pond property was abandoned and, as a result, related costs of \$55,897 were written off to operations.

Murphy Property, Newfoundland, Canada

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

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

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

Uranium properties (cont'd...)

Wisker Valley Property, Newfoundland, Canada

During the year ended February 29, 2008, the Company acquired an option to earn a 100% interest in the Wisker Valley property in the Baie Verte area of Newfoundland. To earn its 100% interest, the Company is required to pay \$1,470,000 (\$170,000 paid), issue 2,000,000 common shares (200,000 shares issued) and incur exploration expenditures totaling \$2,500,000 over a four year period. The property will be subject to a 3% net smelter returns royalty of which the Company may purchase one-third for \$2,000,000. During the year ended February 28, 2009, the Company terminated this agreement and, as a result, all related costs, totaling \$1,625,786, were written off to operations.

Baca Property, New Mexico, United States

During the year ended February 29, 2008, the Company acquired an option to earn a 100% interest in claims comprising the Baca Property in New Mexico by paying US \$500,000 (US \$110,000 paid) and issuing 1,100,000 common shares (300,000 shares issued) over a four year period. A NSR of 4% on mineral products produced will be payable on the claims. The Company retains the right to purchase one half of the NSR (2%) at any time for \$2,000,000. A 4% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$50,000 are to be paid annually and will be credited against future production royalties.

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

Hurricane Cliffs Property, Utah, United States

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

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

In conjunction with the Kilgore amalgamation (Note 6):

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

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

Uranium properties (cont'd...)

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

- c) the Company holds a 100% interest in additional claims staked in Nevada and acquired a 100% interest in certain uranium state leases in Wyoming.
- d) pursuant to a data base purchase agreement, the Company agreed to pay an NSR of 0.25% on uranium production from certain mineral lands within Carter County, Montana and Crook County, Wyoming and to pay a bonus of US\$100,000 in the event a uranium mine is constructed in the same region.
- e) the Company holds a 100% interest in additional staked claims in Montana and Wyoming; and entered into a surface and mineral lease agreement on land in Carter County, Montana (the "Cochrane Lease"). Under the surface and mineral lease agreement, the Company is responsible for an upfront payment of US\$25,000, and payment of production royalties at rates of between 2% and 5% based on net value realized from sale of minerals, and subject to certain minimum annual royalties payable in advance. Advance annual minimum royalty payment made by the Company shall be applied as a credit against production royalties. The advance annual minimum royalty is US\$3 per acre during the primary term, increasing to US\$6 per acre on the tenth (10th) anniversary date. The primary term of the lease is for ten years, and with a consecutive secondary term thereafter that begins on the tenth (10th) anniversary date, unless sooner terminated.
- f) the Company holds a database on the Mountain West Property in Elko county, Nevada. The database was acquired for an initial cash payment of US\$50,000, with a further cash payment of US\$100,000 to be made when the Company receives a Nevada mine permit. The acquisition agreement also includes the grant of a right of first offer to UG USA, Inc., under which the Company has entered into an agreement for the sale of uranium concentrates to UG USA, Inc. The right of first offer applies to the first one million pounds of uranium concentrate production from the Mountain West Property, at a 1% discount to the prevailing spot price of uranium. In addition, during the year ended February 28, 2009, the Company acquired a 100% interest in certain unpatented mineral claims adjacent to the Mountain West Property by issuing 200,000 common shares.

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

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

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

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

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

Uranium properties (cont'd...)

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

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

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

During the year ended February 28, 2009, the Company sold its interest in certain claims and state leases in eastern Wyoming and in South Dakota to Powertech Uranium Corp., by agreement dated December 10, 2008, for consideration totaling US\$50,000 and retained yellowcake royalties ranging between 1% and 5%.

- c) Mali Properties: NCA incorporated a Mali subsidiary under the name Northern Canadian Minerals Inc. Mali for the purpose of applying for and holding mineral rights in Mali. By an Establishment Agreement dated April 2, 2007 with the Government of the Republic of Mali, NCA acquired exclusive exploration and mining rights for uranium for a term of 30 years on the Samit Property in northeastern Mali; and by an exploration permit dated June 23, 2008, obtained the right to carry out certain exploration programs over the first three years of the permit term, commencing June 23, 2008. The Company is obligated to complete work commitments in the first three years to maintain the land comprising the equivalent of about US\$200,000 in the first year, US\$140,000 in the second year and US\$130,000 in the third year. The Company is in discussions with the Government of Mali in regards an extension of work requirements due to civil unrest in the country. Upon a production decision by the Company, the Government of Mali would hold a 10% carried interest in the project and would have the right to participate for up to an additional 10% interest by contributing to the development costs as per its prorated 10% participating interest.

In addition, NCA was granted on September 27, 2007 a Prospecting Permit which provides the Company with exclusive rights to explore for uranium and apply for Establishment Agreements within an area in northeastern Mali. The permit extends for 90 days, and expires on December 23, 2007, subject to notice of same from the government of Mali. No respective notice has been received from the government to date. The Company has applied for two Establishment Agreements within the Prospecting Permit area. The Company is in discussions with the Government of Mali regarding the granting of the Establishment Agreements.

As a result of the civil unrest in the country, related costs incurred were written down to \$1 during the year ended February 29, 2008.

- d) Niger Properties: During the year ended February 29, 2008, NCA applied for 12 uranium concessions in two blocks (reduced to four concessions in one block during the current year, pursuant to policy changes made by the Government of Niger) in north central Niger, West Africa. Granting of one block of four concessions is pending.

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

Uranium properties (cont'd...)

Niger Concessions

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

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

Pursuant to a change to the mining code in Niger, approved by Parliament effective November 1, 2006, both Longview and the Company reapplied for uranium concessions in the aggregate comprising 16 concessions in two blocks (reduced to eight concessions in two blocks, during the current year, pursuant to policy changes made by the Government of Niger). The Company incurred application fees for the 16 concessions totaling €3,050. During the year ended February 29, 2008, two of the concessions applied for by the Company were granted and, during the year ended February 28, 2009, an additional two of these concessions were granted. During the year ended February 28, 2009, four Longview concessions were granted. No work expenditures are necessary to maintain the concessions granted as an unofficial "force majeure" is in effect until such time as current civil unrest in the country is under control. The gold concessions in Niger were not reapplied for by Longview under the new system.

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

Gold and base metal properties

Kilgore Gold and Other Gold Properties, Idaho, United States

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

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

During the year ended February 28, 2009, the Company entered into an option/joint venture agreement with Otis Capital Corp. ("Otis") whereby Otis can earn up to a 75% interest in the Kilgore Gold property and two additional gold properties, Hai and Gold Bug (the "Properties").

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

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

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

Gold and base metal properties (cont'd...)

Kilgore Gold and Other Gold Properties, Idaho, United States (cont'd...)

- vi. Issuance of 400,000 common shares and incurring US\$1,000,000 in exploration expenditures in year five.

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

A 2% NSR will be paid to the Company on production of gold from the Property. At any time, Otis will have the right to purchase each one-fourth of the NSR for the sum of \$500,000, up to a maximum of three-fourths (3/4), following which the Company would hold a 0.5% NSR.

Tuscany Gold Project, Italy

The Company incorporated an Italian subsidiary under the name Tuscany Minerals S.r.l. ("Tuscany") to facilitate the application process and holding of exploration and mining permits in Italy. To date, the Company has been granted six gold permits in Italy. To maintain the permits minimal work requirements are necessary and annual fees of 76,000 euros (about \$120,000) are required. The permits are renewable every two years. In addition, during the year ended February 28, 2007, the Company issued 33,333 common shares valued at \$12,500 to acquire data related to the area for which the gold permits were filed.

During the year ended February 28, 2009, the Company entered into an agreement to sell Tuscany to Coltstar Ventures Inc. ("Coltstar") for \$250,000 cash and 1,000,000 common shares of Coltstar. As at February 28, 2009, the carrying value of the investment in Tuscany was \$564,093. The sale was completed subsequent to February 28, 2009 (Note 17).

Avoca Property, Ireland

The Company, through Jadebay Limited ("Jadebay"), a 100% owned Irish subsidiary, maintains a 100% interest in two prospecting licences in the Republic of Ireland. To maintain the licenses, the Company must incur exploration expenditures of €7,500 (approximately CDN \$60,000) per license, annually.

Exploration expenditures in the amount of €7,500 (approximately CDN \$60,000) per prospecting license and filing of corresponding report has been completed as required, pursuant to a recent drill program, in order to maintain and renew the licenses for a two year period to June 10, 2010.

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	-	-	7,629,161
Mineral properties	1,754,848	1,637,746	-
Obligation to issue shares	25,280	45,000	-
Acquisition of Kilgore (Note 6)	29,115,090	4,093,106	840,953
Acquisition of NCA (Note 6)	18,198,337	5,381,382	441,154
Exercise of stock options	177,900	102,486	-
Reclassification of contributed surplus on the exercise of stock options	-	156,845	(156,845)
Exercise of warrants	4,407,137	4,723,675	-
Reclassification of contributed surplus on the exercise of warrants	-	675,360	(675,360)
Future income taxes on the renunciation of flow through expenditures	-	(10,945,000)	-
Balance, February 29, 2008	144,010,776	68,233,203	13,945,484
Private placement	7,500,000	750,000	-
Finders' fees	637,500	41,438	-
Share issue costs	-	(50,752)	9,314
Exercise of stock options	111,680	37,972	-
Reclassification of contributed surplus on the exercise of stock options	-	24,928	(24,928)
Mineral properties	1,816,286	598,327	-
Promotional services	25,000	10,625	-
Adjustment	(12)	-	-
Stock-based compensation	-	-	1,424,971
Future income taxes on the renunciation of flow through expenditures	-	(866,500)	-
Balance, February 28, 2009	154,101,230	\$ 68,779,241	\$ 15,354,841

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

During the year ended February 28, 2009, the Company completed a private placement consisting of 7,500,000 units (the "Units") at a price of \$0.10 per Unit for gross proceeds of \$750,000. Each Unit consisted of one flow-through common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.20 until May 11, 2010.

In connection with the private placement, the Company paid finders' fees totaling 637,500 common shares (valued at \$41,438) and 525,000 broker warrants with a value of \$9,314. Each broker warrant is exercisable into one common share at a price of \$0.10 until May 11, 2010. The broker warrants were valued using the Black-Scholes option pricing model, assuming volatility of 83.42%, risk-free interest rate of 1.84%, expected life of eighteen months and 0% dividends.

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

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

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

9. STOCK OPTIONS AND WARRANTS

Stock options

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

As at February 28, 2009, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
58,800	\$ 0.34	March 22, 2010
<u>13,834,490</u>	0.45	June 11, 2013
<u>13,893,290</u>		

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

Stock options (cont'd...)

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, February 28, 2007	4,337,220	\$	1.24
Options granted	8,960,000		1.26
Kilgore options (Note 6)	1,685,540		0.82
NCA options (Note 6)	1,059,500		0.67
Options exercised	(177,900)		0.58
Options cancelled/expired	<u>(1,930,100)</u>		1.48
Balance, February 29, 2008	13,934,260		1.14
Options granted	13,834,490		0.45
Options exercised	(111,680)		0.34
Options cancelled/expired	<u>(13,763,780)</u>		1.15
Balance, February 28, 2009	13,893,290	\$	0.45
Number of options currently exercisable	10,434,667	\$	0.45

Warrants

As at February 28, 2009, the Company had outstanding share purchase warrants and broker warrants enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,750,000	\$ 0.20	May 11, 2010
<u>525,000</u>	0.10	May 11, 2010
<u>4,275,000</u>		

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

Warrants (cont'd...)

Warrant 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>(4,562,168)</u>	1.00
As at February 29, 2008	18,175,139	1.53
Issued	4,275,000	0.19
Expired	<u>(18,175,139)</u>	1.53
As at February 28, 2009	4,275,000	\$ 0.19

Stock-based compensation

For the year ended February 28, 2009, the Company recorded \$375,768 (2008 - \$7,629,161) as stock-based compensation expense, with an offset to contributed surplus for options that vested during the year.

The weighted average fair value of the stock options granted during the year ended February 28, 2009 was \$0.21 (2008 - \$0.85) per option.

During the year ended February 28, 2009, the Company also cancelled and repriced 12,369,990 previously vested stock options that were exercisable at prices ranging from \$0.49 - \$1.65 to a price of \$0.45 per option. The expiry dates for these options were also extended until June 11, 2013. As a result, additional stock-based compensation of \$1,049,203 (2008 - \$Nil) has been recorded.

The weighted average fair value of stock options repriced during the year ended February 28, 2009 was \$0.22 (2008 - \$Nil) per option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation options granted or repriced during the years ended February 28, 2009 and February 29, 2008:

	<u>2009</u>	<u>2008</u>
Risk-free interest rate:	3.31%	3.92%
Expected life of options:	3 years	2.8 years
Annualized volatility:	99%	104%
Dividend rate:	0%	0%

10. RELATED PARTY TRANSACTIONS

During the year ended February 28, 2009, the Company:

- a) Paid or accrued \$107,160 (February 29, 2008 - \$524,360) for management and consulting fees to a company controlled by the president, a director, a former director and companies with common directors.
- b) Paid or accrued \$85,250 (February 29, 2008 - \$15,500) for directors' fees to directors of the Company.
- c) Paid or accrued \$29,500 (February 29, 2008 - \$55,850) for rent to a company controlled by the president, a company with a director in common and a company owned by an officer of the Company.
- d) Paid or accrued \$27,500 (February 29, 2008 - \$38,000) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$Nil (February 29, 2008 - \$50,000) for investor relations to a company with a former common director.
- f) Paid or accrued \$88,173 (February 29, 2008 - \$300,000) and issued Nil (February 29, 2008 - 292,740) common shares valued at \$Nil (February 29, 2008 - \$300,000) for property acquisition costs to a company with a former common director.
- g) Paid or accrued \$343,000 (February 29, 2008 - \$66,909) for consulting fees included in deferred exploration costs to a director and a company controlled by the president.

Included in accounts payable and accrued liabilities at February 28, 2009 is \$30,392 (February 29, 2008 - \$179,577) owing to a company controlled by the president of the Company, to a company with a director in common and to directors.

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

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	February 28, 2009	February 29, 2008
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

The significant non-cash investing and financing transactions during the year ended February 28, 2009 included:

- a) issuing 1,816,286 common shares valued at \$598,327 for mineral property acquisitions;
- b) issuing 25,000 common shares valued at \$10,625 pursuant to an agreement for promotional services;
- c) issuing 637,500 common shares valued at \$41,438 and 525,000 broker warrants valued at \$9,314 as finders' fees pursuant to a private placement;
- d) receiving 500,000 common shares of a publicly listed company valued at \$200,000 pursuant to a mineral property option agreement;
- e) accruing \$150,257 of mineral property recoveries in receivables as at February 28, 2009;
- f) accruing \$131,992 of mineral property expenditures in accounts payable and accrued liabilities as at February 28, 2009; and
- g) allocating \$854,379 of exploration advances to mineral properties.

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

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

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2009

12. COMMITMENTS

During the year ended February 29, 2008, the Company entered into management services agreements with the Company's President and its Chief Operating Officer. Both contracts are effective from January 1, 2008 to December 31, 2009 and remuneration was \$20,000 per month (reduced to \$10,000 per month effective January 1, 2009) (Notes 10 (a) and 10 (g)). If the Company terminates either agreement, the Company will, in certain circumstances, be obligated to make a termination payment equal to twelve times the original monthly management fee.

13. INCOME TAXES

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

	Year Ended February 28, 2009	Year Ended February 29, 2008
Loss before income taxes	\$(11,752,267)	\$ (9,515,429)
Expected income tax (recovery)	\$ (3,613,000)	\$ (3,205,000)
Non-deductible items	2,795,000	2,865,000
Unrecognized (recognized) benefit of non-capital losses	<u>(2,585,500)</u>	<u>(5,363,000)</u>
Future income tax recovery	\$ (3,403,500)	\$ (5,703,000)

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

	February 28, 2009	February 29, 2008
Future income tax assets:		
Non-capital loss carryforwards	\$ 2,776,000	\$ 2,079,000
Other items	838,000	728,000
Future income tax liabilities:		
Resource properties and investments	<u>(6,319,000)</u>	<u>(8,049,000)</u>
Valuation allowance	(2,705,000)	(5,242,000)
	<u>-</u>	<u>-</u>
Net future income tax liability	\$ (2,705,000)	\$ (5,242,000)

The Company has available for deduction against future taxable income non-capital losses of approximately \$11,000,000. These losses, if not utilized, will expire through to 2029. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2009

13. INCOME TAXES (cont'd...)

During the year ended February 28, 2009, the Company renounced \$2,817,000 (2008 - \$32,489,727) of property expenditures to flow through share subscribers resulting in a future income tax liability of \$866,500 (2008 - \$10,945,000) recorded as a charge against capital stock. Primarily as a result of the renunciation of expenditures 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 \$2,705,000 (2008 - \$5,242,000) as at February 28, 2009.

14. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, short-term investments, receivables, marketable securities, reclamation bonds and accounts payable and accrued liabilities. The fair value of short-term investments, receivables and accounts payable and accruals approximates their carrying value due to their short-term nature. 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.

The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

(a) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States, Africa, Italy and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in the other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash and cash equivalents	55,275
Receivables	13,500
Reclamation bonds	312,535
<u>Accounts payable and accrued liabilities</u>	<u>(2,374)</u>
<u>Net exposure</u>	<u>378,936</u>

Based on the above net exposure as at February 28, 2009, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

(b) Credit Risk

The Company's cash and short-term investments are mainly held through large Canadian financial institutions and at February 28, 2009 are mainly cash held in high interest bearing accounts. Accordingly, credit risk is minimized. The Company's receivables are mainly GST recoverable from the Canadian government and other amounts due from provincial governments.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources as outlined in Note 16.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held mainly in interest bearing accounts and therefore there is currently minimal interest rate risk.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 28, 2009

15. SEGMENTED INFORMATION

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

Geographic information is as follows:

	February 28, 2009	February 29, 2008
Capital assets		
Canada	\$ 42,628,503	\$ 37,437,987
United States	11,721,184	7,299,751
Europe	2,080,328	1,662,622
Mali and Niger, West Africa	246,684	207,681
	<u>\$ 56,676,699</u>	<u>\$ 46,608,041</u>

16. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity. The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company currently has sufficient capital to fund its exploration programs and to cover its administrative costs for at least the next twelve months.

17. SUBSEQUENT EVENTS

Subsequent to February 28, 2009, the Company:

- a) issued 262,500 common shares for total proceeds of \$26,250 pursuant to the exercise of broker warrants;
- b) completed the sale of its wholly owned subsidiary, Tuscany Minerals S.r.l., to Coltstar Ventures Inc. ("Coltstar"). As consideration, Coltstar paid \$50,000, issued 1,000,000 common shares and is required to pay an additional \$200,000 in equal monthly installments over a twelve month period; and
- c) cancelled 522,500 stock options with an exercise price of \$0.45 and an expiry date of June 11, 2013.

BAYSWATER URANIUM CORPORATION

Management Discussion and Analysis

Year Ended February 28, 2009

This discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at June 24, 2009 and should be read in conjunction with the audited consolidated financial statements for the years ended February 28, 2009 and February 29, 2008 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

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

Description of Business

The Company is a natural resource company engaged in the acquisition and exploration, principally of uranium properties, with a secondary interest in gold and base metal properties. It holds uranium interests in large land holdings in Labrador, Nunavut and the Northwest Territories, as well as in properties in Saskatchewan, Canada; in concessions and concession applications in Niger, West Africa; in permits and permit applications in Mali, West Africa; and owns interests, through its wholly-owned U.S. subsidiaries, Kilgore Gold Inc. and NCA Nuclear Inc., in several uranium properties in the western United States.

The Company also owns various gold, base metal and diamond interests. 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., the Company owns interests in three gold properties in Idaho (subsequently optioned to Otis Capital Corp. during the year ended February 28, 2009); and through its subsidiary, Tuscany Minerals s.r.l., owns interests in six gold permits in Italy (subsequently sold its 100% interest in Tuscany to Coltstar Ventures Inc.). The Company has also farmed out diamond interests in a portion of its uranium land holdings in the North Thelon Basin to Stornoway Diamond Corporation.

The Company trades on the TSX Venture Exchange under the symbol BAY.

Overall Performance

The Company, since late in 2005 to 2007, entered into a series of corporate transactions, including property acquisitions, amalgamations with other junior uranium explorers and joint ventures, and directly acquired by staking or by making applications that led to assembly of a large uranium land package, which in the aggregate included the following:

i) 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 (Land holdings have been reduced from 7.2 million acres originally to approximately 4.5 million acres as at February 28, 2009 in order to cover priority target areas—the largest cumulative land holding of any company in these three regions);

ii) acquisition of uranium concessions and permits, and made application for additional concessions and permits, in Niger and Mali, West Africa—one of which in Mali has an historical resource of 440,000 lbs uranium (Not compliant with NI 43-101 and should not be relied upon.); and

iii) acquisition of numerous uranium properties in the western United States, including four with substantial combined historical resources (Not compliant with NI 43-101 and should not be relied upon.) of about 12.5 million lbs uranium.

The above amalgamations also contributed significantly to strengthening the Company's board and management team.

Over the last 3 ½ years, the Company has advanced from an explorer of early stage uranium exploration properties in Canada to an explorer with i) a discovery in Labrador and over 20 drill target areas established on its various Canadian land holdings, and with ii) an additional portfolio of resource property projects located primarily in the United States. Three of these resource properties are in the western United States (Alzada, Montana; Mountain West, Nevada and Elkhorn, Wyoming) and are at the advanced exploration to development stage. The Company plans to advance these three projects towards feasibility and potential production—depending on general market conditions. To develop its interests in early stage uranium projects, the Company is, for the most part, seeking joint venture partners or corporate strategic alliances. Going forward, our land holdings are planned to be further reduced to include only our priority target areas and key assets.

Bayswater's flagship projects include the Elkhorn project in northeast Wyoming, which has been the focus of recent extensive drilling and subsequent on-going compilation of an extensive drill hole database that has only recently become available; and the Alzada project in southeast Montana, where the Company is nearing completion of compilation of a large drill hole database in preparation of a drill plan and permitting. The Company plans to develop Elkhorn and Alzada in tandem because of their proximity to each other and the potential economic synergy of combined mining operations. Together the two projects currently comprise nearly 8 million pounds of U₃O₈ in historical resources which are not compliant with NI 43-101 standards. The Company anticipates that this number will significantly increase once its data compilation at Elkhorn is complete as additional historical resources are present on its mineral lands that were not previously known to be documented. The Elkhorn and Alzada projects are considered to have a combined potential for 20 – 30 million pounds U₃O₈ that may be amenable to a combination of ISR and surface mining.

The Company's Mountain West uranium project in Nevada has an historical resource (non NI 43-101 compliant) comprising approximately 1.1 million pounds U₃O₈ with an average grade of 0.153% U₃O₈. Further drilling is planned to confirm historical resources and evaluate the potential of the deposit. This deposit is believed to have good potential for expansion of the resource area. Drill permitting is in progress.

On the Alzada, Elkhorn and Mountain West projects, major programs of confirmation and step out drilling, metallurgical testing and engineering studies are planned, subject to general market conditions, in order to quantify, upgrade and expand historical resources to NI 43-101 standards and to advance these projects towards feasibility.

Other resource properties of the Company include the Juniper property in California with historical resources of 4,018,000 lbs U₃O₈ and the Samit property, Mali, West Africa with an historical resource of 440,000 lbs U₃O₈, both of which are not compliant with NI 43-101 and should not be relied upon. A 43-101 resource calculation is under review on the Company's Anna Lake discovery, Labrador.

In summary, the current main uranium property assets of the Company include four wholly owned properties at the resource drilling stage: Anna Lake (Labrador), Alzada (Montana), Elkhorn (Wyoming), and Mountain West (Nevada). Other resource properties are also held in California and Mali, West Africa. These properties, except for Anna Lake, comprise historical resources, of about 13 million pounds U₃O₈. These historic resources are not compliant with NI 43-101 and are not to be relied upon, however Management believes they are relevant for planning purposes. Of these properties, the Alzada,

Elkhorn and Mountain West properties are considered to offer the best potential for advancement towards feasibility and potential production—depending on market conditions.

In addition, the Company holds six properties, either wholly owned or with rights to acquire 80% to 100%, that are at the drill stage either with drill ready targets or requiring minimal additional work to establish drill ready targets within its Labrador land holdings; Brudell Lake and Collins Bay Extension properties, Saskatchewan; North and South Thelon properties, Nunavut and NWT; and Tejana Mesa property, New Mexico. The Company also maintains an emerging land position in Niger and Mali that offers good potential for discovery. Over 20 targets, warranting drill testing, have been defined on the Company's land holdings in Canada alone — each of which offers potential for discovery.

This portfolio of drill ready resource and early stage properties collectively provide the Company with good opportunities for growth.

During the year ended February 29, 2008, the Company incurred exploration expenditures of approximately \$18.9 million and during the year ended February 28, 2009, the Company incurred additional exploration expenditures totaling \$16.6 million. Although most of these funds were spent on the Company's Canadian projects which resulted in significantly advancing all our projects with numerous favourable drill targets identified in all project areas and with completion of a major drilling program on our Anna Lake discovery in Labrador, significant funds were also spent on a large, shallow drill program on our Elkhorn project in Wyoming.

During the year ended February 28, 2009, the Company completed several major exploration programs including drilling programs to test favourable targets on its Collins Bay Extension property, Saskatchewan and Wisker Valley, Newfoundland property; completed a winter ground geophysical program and limited drill testing on its Brudell Lake property, Saskatchewan in order to better define unconformity type geophysical targets for drill testing; completed major drill programs on the Anna Lake deposit, Labrador in order to potentially outline a resource and on the Elkhorn project, Wyoming in order to confirm and expand resources; completed further grid surveys and drill testing of targets within the favourable Anna Lake corridor and follow-up prospecting of other targets on our Labrador land holdings; and completed a follow-up prospecting and mapping program on the North Thelon project in order to better define drill targets at Amer West and evaluate additional priority radiometric targets within its land holdings. The Company also completed a review and compilation of available data on its newly acquired Tejana Mesa property in New Mexico. In addition, in the US, the Company completed surface evaluations of several of its numerous properties in order to prioritize and determine strategy; and made good progress in compiling a digital database on the Alzada project. Results of these programs are summarized below.

Results of drilling 12 holes at the Collins Bay Extension property (see news release of August 15, 2008) were encouraging in that anomalous uranium values were encountered in three holes in favourable pelitic host rocks—especially in view of proximity to the Eagle Point deposit located 7 km to the southwest. A total of five high priority targets are recommended for further drill testing—one of which has a historic drill hole that returned 0.152% U₃O₈ over 4 meters.

Drilling and follow-up prospecting on the Wisker Valley property did not identify any significant mineralized uranium zones of interest (see news release of July 29, 2008) and, as a consequence, the Company's option on the property was terminated.

Results of ground follow-up magnetotelluric geophysical surveying at Brudell Lake were excellent in that favourable VTEM targets, identified by previous Company surveys, were much better defined in relation to stratigraphy and structure and also in terms of potential alteration halos in Athabasca sandstone; and, as a result, an initial drill test with one hole on one of five priority unconformity uranium targets was carried out (see news releases of August 5, October 16, 2008 and June 5, 2009). This single drill hole did not

explain the geophysical conductor although anomalous multielement geochemical values were encountered above the unconformity—intersected at a depth of 965 meters. Further drill testing is warranted—for which the Company is seeking a potential partner to further evaluate this highly under-explored portion of the prolific Athabasca Basin. The Brudell Lake property has been reduced to 14 claims comprising 192,280 acres covering the area of the main targets.

On the Company's Labrador land holdings, approximately 19,500 meters of drilling was completed with two drills. The bulk of this drilling was directed towards the Anna Lake discovery deposit. Drill results as previously announced (see news releases of August 6, 2008 and February 17, 2009) have been successful in expanding and better defining the deposit—although the deposit remains open in most directions. To date, drilling has demonstrated that the deposit extends along a strike distance of up to 700 meters and to depths of at least 550 meters. The mineralized zone is planar, although undulating, and dips approximately 60 to 70 degrees to the east and ranges in true thickness from 3 meters to over 20 meters. A determination of a resource calculation is currently in progress. Also, grid surveys and limited drill testing of targets along the favourable Anna Lake corridor failed to identify any new zones of significant mineralization—although did encounter local zones of anomalous radioactivity. Several targets remain that have not been drill tested with this favourable corridor. Prospecting of additional radiometric targets within the Company's large land holding led to discovery of two new uranium mineralized areas—one in the Boitreau Lake area (see news release of November 20, 2008) and the other in the Minisinakwa Lake area (see news releases of September 29, 2008 & June 25, 2009). At Boiteau lake, four new uranium showings in bedrock were discovered along a 5 km structural corridor characterized by fractured and carbonate altered sediments along a linear magnetic trend that extends for over 12 km. Assay results from 23 of 28 grab samples collected from these showings assayed from 0.11% to 0.723% U3O8. At Minisinakwa Lake, high grade angular mineralized boulders in magnetite rich, altered felsic volcanic rocks were discovered over a 650 meter linear zone along a 1.7 km long linear topographic feature in association with a magnetic high anomaly. Assay results from 26 of 29 samples collected from boulders, returned assays ranging from 0.10% to 3.48% U3O8. Limited drilling failed to identify the mineralized zone but did confirm the presence of a magnetite bearing unit but did not intersect the favourably altered host unit. Further drill testing of this target is warranted. The Company's land holdings on its Central Mineral Belt property have been reduced over the past year to 504,157 acres from an original land position of over 1.2 million acres. All of the Company's uranium discoveries and targets warranting further work are within the reduced land package and claims are all in good standing for a minimum of three years.

The Company completed 489 shallow drill holes in a two phase planned drill program on its Elkhorn project, Wyoming (see news releases of March 6, May 20, August 7 and August 11, 2008 and March 3, 2009). Results of this drilling were successful in significantly expanding and in some cases delineating the limits of the mineralized zones in the resource areas in the Busfield-Vickers-Clover-Quad areas and confirming known mineralization at Tract 41. One of the best holes to date on this project returned 33 feet (10 m) at 0.045% eU3O8 in the area of the Busfield deposit. Other good holes assayed 16.5 ft (5.0m) grading 0.04% eU3O8 at Busfield, 6.0 ft (1.8 m) grading 0.08% eU3O8 at Quad and 11.0 ft (3.4 m) grading 0.071% eU3O8 at Tract 41. Information from this drilling and a revised calculation of resources is under review.

On the North Thelon project, results of the Company's 2008 program were highly encouraging (see news releases of July 28 and September 10, 2008). At Itza Lake, a new high grade discovery was made and, together with results at Amer Lake, define a belt of favourable sediments with disseminated uranium mineralization along a distance of over 40 km. Sampling of angular boulders and outcrops of strongly radioactive sediments along this unit has yielded assay results ranging from 0.124% to 7.55% U3O8. A high priority drill target has been defined at Amer West where 14 samples from boulders and outcrop assay from 0.124% to 4.32% U3O8. The Company staked 16 claims totaling 38,000 acres in the former permit 1 and 2 areas, held under a 50/50 joint venture with Strongbow Exploration Inc., as the permits were in the final year. These claims cover the priority targets of interest. In addition, the Company

currently holds a 100% interest in approximately 624,000 acres in Itza Lake, Amer West and Amer East areas. Overall the Company's North Thelon land holdings have been reduced from a total of about 1.6 million acres to approximately 662,000 acres in order to cover the priority target areas.

In the U.S., during the year ended February 28, 2009, property investigations on former Kilgore and NCA holdings and Bayswater properties were undertaken. As a result, certain properties have been allowed to lapse, including the Holiday and Green Monster properties in Nevada which did not have sufficient merit to meet the Company's objectives; and the Hurricane property in Utah which had anticipated significant permitting challenges due to private land owners in areas of potential drill targets and as a result the option was terminated.

Also, during the year ended February 28, 2009, the Company sold several of its early stage uranium properties in the western United States that did not fit with the Company's business plan to Powertech Uranium Corp. These properties included the Alladin, Edgemont and Mule Creek properties, originally acquired by NCA, and numerous state leases that were acquired by Kilgore, comprising in the aggregate a total of 15,806 acres of claims and leases, in eastern Wyoming and South Dakota. Pursuant to the sale agreement, the Company retained a 1% to 5% yellowcake royalty in all these lands and rights to reacquire any of the lands in the event Powertech wishes to abandon all or parts of the land package.

The Tejana Mesa property, New Mexico, includes a previously announced option to acquire a 100% interest in the Baca property, New Mexico, comprising 127 staked claims, as well as 1,570 staked claims by the Company contiguous with and subjacent to the Baca property along a 20 mile favourable uranium belt in Catron County. The aggregate of these claims comprise 33,940 acres located on National Forest Service, Bureau of Land Management and private surface (NOITL) lands. The claims cover favourable sandstone units along the margin of the Colorado Plateau—known for its uranium deposits, many of which have been in production previously. The area of the claims was a focus of uranium exploration including extensive drilling during the late 1960's to early 1980's by Gulf Minerals (who drilled over 900 holes), Ranchers Exploration, Occidental Minerals, Wold Nuclear, Pioneer Nuclear, Energy Reserves and Federal American Partners. This drilling, which was primarily focused on shallow targets along the leading edge of favourable on-lapping Cretaceous sediments, resulted in identifying a number of near surface small resource and mineralized areas along the 20 mile belt. The larger scale potential of the region is believed to be primarily down dip of the sequence which is mainly covered by land held by Bayswater. During the year ended February 28, 2009, the Company compiled limited available information on former drilling, obtained government reports of resource potential and carried out a compilation to determine areas of interest on Bayswater land holdings. This work led to the conclusion that the down dip potential, as reported by others in available technical reports, is considered to be at the water table interface for transported roll fronts at depths from about 200 ft to 1,000 ft—a target that has never been drill tested. These reports suggest potential for 15 to 45 million lbs of uranium in transported roll fronts. The Company's independent compilation of limited available data has led to the identification of several down dip targets that are recommended for drill testing. These targets are along the down dip trends of channels and known near surface mineralization where evidence suggests considerable leaching of roll front mineralization—a condition favourable for potentially depositing transported roll front mineralization down dip. The Company is planning to farm out this property.

With respect to the Hermitage, Newfoundland land holdings of the Company, as a result of lack of encouragement from the Company's exploration efforts in 2006 and 2007, it terminated the joint venture with Commander Resources on the Murphy claims and terminated the option on the Murphy claims. Also, Global Gold subsequently terminated their option during the year ended February 28, 2009 on the Company's Cochrane Pond joint venture lands with Commander Resources. Also, during the year ended February 28, 2009, Bayswater and Commander sold a 1% royalty on sales of uranium products from the Cochrane Pond joint venture land holdings to Global Gold (see news release dated November 13, 2008); and subsequently all these land holdings have or are being allowed to lapse.

At Mountain West, the Company purchased an additional 43 claims during the year ended February 28, 2009 to consolidate its land holding of the resource area and immediate potential extensions of the uranium mineralized channel (see news release of September 10, 2008). Permitting for drilling on this property is pending.

In Niger, an additional six concessions have been granted either directly to the Company or indirectly to the Company through its option agreement with Longview Capital—making a total of eight concessions granted to date, comprising a total of about 1,000,000 acres. Four applications for further uranium concessions are pending government approval which, when granted, would provide the Company with a large strategic land position northwest of the uranium mine area in north-central Niger—an important producer of uranium. Once the additional four concessions are granted in this area, airborne surveying and ground follow-up would be warranted subject to current civil unrest in the country being under control. The Company is planning to farm out these concessions.

On the Avoca base metal project in Ireland, the Company completed two drill holes totaling 1,193 m were drilled to carry out a preliminary test two of several deep induced polarization targets and in order to maintain the licenses. These holes, one due to deviation, did not adequately test either of the geophysical targets; however, both intersected encouraging alteration and mineralization. One hole intersected a massive sulphide zone at Kilmacco which assayed 9.5% Zinc and 3.3% lead over 1.8 m. This intercept was encountered at about 125 m in an inclined drill hole and occurs above two deep chargeability anomalous zones and subparallel to the shallow known mineralized zones at Kilmacco. This is a new zone that requires further drilling to evaluate its continuity and potential—particularly in regards any connection it may have with spatially associated deeper chargeability anomalies. The second hole, drilled beneath the Tigroney-Cronbane open pit intersected a more than 100m wide zone of intermittent quartz-pyrite stringer veins with associated lead-zinc mineralization down dip the Cronbane copper zone. The best intercept in this zone assayed 13.83% zinc, 4.46% lead and 0.9 oz silver/tonne over 0.90 m. This mineralized zone occurs well above (i.e. at least 200 m above) deep chargeable anomalies that remain untested. In addition, there are numerous other IP anomalies at depth down plunge and along strike the known mineralized system at Avoca that warrant drill testing. As a result of the drilling at Avoca, the prospecting licenses covering the property are in good standing until June, 2010. The Company plans to consider further geophysical work along the Avoca trend prior to resuming further drilling in order to better define and prioritize drill targets of interest at depth and along strike. The Company plans to farm out this project.

During the year ended February 28, 2009, the Company completed an option/joint venture agreement on its three gold properties in Idaho, including the Kilgore Gold property, to Otis Capital Corp. Otis has the right to earn up to a 75% interest in the properties. Upon Otis earning a 50% interest, the Company has the right to earn back a 10% interest for a total interest of 60%. The Company also retains an NSR in the project. Otis drilled 4 holes totaling 2083 feet in 2008 from which the best intercept assayed 1.767 ounces of gold per ton over 4.3 feet. Otis plans to do further drilling in 2009.

The Company, through its wholly owned subsidiary Tuscany Minerals s.r.l., holds six prospecting permits for gold in Italy. During the year ended February 28, 2009, and as subsequently amended, the Company entered into an agreement with Coltstar Ventures Inc. whereby Coltstar is to acquire the Company's 100% interest in Tuscany Minerals for the consideration of \$250,000 cash and 1,000,000 common shares of Coltstar. This transaction has subsequently closed as reported in a news release dated May 4, 2009.

In addition, the Company entered into an option agreement in 2007 with Stornoway Diamond Corporation (subsequently amended during the year ended February 28, 2009 to provide for the first year work commitment to be extended one year to September 1, 2009) 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. Stornoway continues to express interest in evaluating various potential kimberlite targets within the Company's land position.

During the year ended February 28, 2009, the Company issued 7,500,000 units for proceeds totaling \$750,000 pursuant to a private placement and 111,680 common shares for proceeds totaling \$37,971 pursuant to the exercise of stock options.

Future Plans and Outlook

Bayswater is pleased to report on its operational and growth plans for 2009 and subsequent years. Given current market conditions, the Company has significantly reduced overhead and project expenditures going forward with a realigned focus primarily on acquisition of advanced uranium projects, and secondarily on development of select Canadian and United States projects through joint ventures. As Bayswater has adequate financial resources, these measures will enable the Company to stay operational for at least the next twelve months and, at the same time, maintain its major property assets, cost-effectively advance some of its key projects and, most importantly, pursue the acquisition of advanced uranium projects that add immediate value and strong growth potential. At the same time, these measures will allow the Company to maintain its management team.

This strategy will ensure that value added to the Company's projects to date is safeguarded and potentially enhanced in some areas on behalf of the Company's shareholders. In addition, and most importantly, the Company's focus on pursuing the acquisition of advanced uranium projects as opportunities arise should facilitate rapid growth, depending on the nature of the acquisitions, of the Company once the junior markets recover.

Selected Annual Financial Information

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

	Year Ended February 28, 2009	Year Ended February 29, 2008	Year Ended February 28, 2007
Interest income	\$ 394,452	\$ 1,320,247	\$ 269,999
Loss for the year	(8,348,767)	(3,812,429)	(7,171,010)
Basic and diluted loss per share	(0.06)	(0.03)	(0.13)
Total assets	63,239,517	74,344,460	32,556,210
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

Results of Operations

The Company recorded a loss of \$8,348,767 for the year ended February 28, 2009 compared to a loss of \$3,812,429 during the comparative year ended February 29, 2008. The increase in the loss from the prior comparative year was due mainly to significant decreases in future income tax recovery (2009 - \$3,403,500; 2008 - \$5,703,000), realized gain on the sale of marketable securities (2009 - \$Nil; 2008 - \$1,450,586) and interest income (2009 - \$394,452; 2008 - \$1,320,247), as well as significant increases in unrealized loss on marketable securities (2009 - \$1,279,862; 2008 - \$30,451) and mineral properties written-off (2009 - \$7,238,541; 2008 - \$1,724,838). This was partially offset by a significant decrease in stock-based compensation expense (2009 - \$1,424,971; 2008 - \$7,629,161). Excluding stock-based compensation, operating expenses were comparable (2009 - \$2,423,851; 2008 - \$2,883,573).

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

Quarterly Information

	Three Months Ended Feb 28, 2009	Three Months Ended Nov 30, 2008	Three Months Ended August 31, 2008	Three Months Ended May 31, 2008
Total assets	\$63,239,517	\$69,921,050	\$71,278,613	\$73,874,014
Mineral properties and deferred costs	56,516,941	61,463,709	57,685,323	53,258,304
Working capital	5,759,780	6,550,590	9,834,762	16,756,555
Net income (loss) for the period	(4,245,523)	(645,082)	(2,746,696)	(711,466)
Net income (loss) per share	(0.02)	(0.01)	(0.02)	(0.01)

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

Fiscal 2009

Total assets decreased by \$11,104,943 from March 1, 2008 to February 28, 2009. This was mainly due to funds being spent on operations (\$1,336,713), the write-off of mineral properties (\$7,238,541) and the unrealized loss on marketable securities (\$1,279,862). These decreases were partially offset by the acquisition of mineral properties through the issuance of common shares of the Company with a value of \$598,327 and the issuance of common stock for total proceeds of \$787,972.

During the three months ended February 28, 2009, the Company incurred a loss of \$4,245,523 which was an increase of \$3,600,441 from the loss for the previous quarter. The increase was due mostly to mineral properties being written-off (\$5,612,755) and the recording of stock-based compensation (\$1,124,406), which were partially offset by an increase in future income tax recovery (\$3,403,500). During the three months ended November 30, 2008, the Company incurred a loss of \$645,082 which was a decrease of \$2,101,614 from the previous quarter. This was mainly due to decreases in write-off of mineral properties (\$1,606,086), unrealized loss on marketable securities (\$196,438) and stock-based compensation (\$134,370). The loss for the three months ended August 31, 2008 was \$2,035,230 higher than for the three months ended May 31, 2008. This was mainly due the write-off of mineral properties of \$1,615,936 during the quarter ended August 31, 2008. The loss for the three months ended May 31, 2008 was \$226,475 higher than for the three months ended February 29, 2008. This was mainly due to an increase in unrealized loss on marketable securities (quarter ended May 31, 2008 - \$655,951; quarter ended February 29, 2008 - \$18,872) which was partially offset by the net effect of decreases in the recovery of future income taxes (quarter ended May 31, 2008 - \$375,500; quarter ended February 29, 2008 - \$2,816,000), stock-based compensation (quarter ended May 31, 2008 - \$134,123; quarter ended February 29, 2008 - \$958,464) and the write-off of mineral properties (quarter ended May 31, 2008 - \$Nil; quarter ended February 29, 2008 - \$1,724,838).

Fiscal 2008

Total assets increased by \$4,887,719 from November 30, 2007 to February 29, 2008. This was due mainly to the acquisition of NCA. Net loss for the quarter ended February 29, 2008 was \$354,026 lower than for the quarter ended November 30, 2007. This was due to the recording of an income tax recovery of \$2,891,000, which was partially offset by increases in stock-based compensation expense on granting of stock options and the write-off of mineral properties, during the current quarter. During the quarter ended February 29, 2008, stock-based compensation expense was \$958,464 as compared to \$67,857 in the prior quarter. Write-off of mineral properties was \$1,724,838 as compared to \$Nil during the prior quarter. At November 30 and August 31, 2007, total assets were similar. However, the loss for the quarter ended November 30, 2007 was \$839,017 compared to net income of \$230,056 for the quarter ended August 31, 2007. This was mainly due to a much larger gain on the sale of marketable securities and the recording of a future income tax recovery during the quarter ended August 31, 2007. Total assets at August 31, 2007 increased from May 31, 2007 due mainly to the amalgamation with Kilgore. The net income recorded during the quarter ended August 31, 2007 differed significantly from the loss for the previous quarter due to the reduction in stock-based compensation expense recorded. Total assets increased significantly from February 28, 2007 to May 31, 2007 due mostly to the completion of a private placement and the exercise of options and warrants for net proceeds totaling \$26,950,463. The loss for the period was also much higher, due in large part to a significant increase in stock-based compensation expense.

Liquidity and Capital Resources

The Company commenced fiscal 2009 with working capital of approximately \$23,900,000 and cash and short-term investments of \$23,659,235. As at February 28, 2009, the Company has a working capital position of approximately \$5,800,000 and cash and short-term investments of \$4,977,975. Acquisition, investment, exploration and administrative expenditures incurred during the year ended February 28, 2009 were primarily funded from cash and short-term investments on hand at February 29, 2008. During the year ended February 28, 2009, the Company incurred net mineral property expenditures totaling approximately \$17,390,000.

For the year ending February 28, 2010, 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 source of financing is through issuances of equity.

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

Related party transactions

During the year ended February 28, 2009, the Company:

- a) Paid or accrued \$107,160 (February 29, 2008 - \$524,360) for management and consulting fees to a company controlled by the president, a director, a former director and companies with common directors.
- b) Paid or accrued \$85,250 (February 29, 2008 - \$15,500) for directors' fees to directors of the Company.
- c) Paid or accrued \$29,500 (February 29, 2008 - \$55,850) for rent to a company controlled by the president, a company with a director in common and a company owned by an officer of the Company.
- d) Paid or accrued \$27,500 (February 29, 2008 - \$38,000) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$Nil (February 29, 2008 - \$50,000) for investor relations to a company with a former common director.
- f) Paid or accrued \$88,173 (February 29, 2008 - \$300,000) and issued Nil (February 29, 2008 - 292,740) common shares valued at \$Nil (February 29, 2008 - \$300,000) for property acquisition costs to a company with a former common director.
- g) Paid or accrued \$343,000 (February 29, 2008 - \$66,909) for consulting fees included in deferred exploration costs to a director and a company controlled by the president.

Included in accounts payable and accrued liabilities at February 28, 2009 is \$30,392 (February 29, 2008 - \$179,577) owing to a company controlled by the president of the Company, to a company with a director in common and to directors.

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

Off Balance Sheet Arrangements

The Company has no off Balance Sheet arrangements.

Investor Relations

During the year ended February 29, 2008, the Company entered into an investor relations agreement with The Windward Agency whereby the Company is obligated to pay US\$4,000 per month for certain investor relations services provided. This agreement may be terminated, without penalty, with two weeks' notice.

Commitments

During the year ended February 29, 2008, the Company entered into management services agreements with the Company's President and its Chief Operating Officer. Both contracts are effective from January 1, 2008 to December 31, 2009 and remuneration for each was \$20,000 per month (\$10,000 per month commencing January 1, 2009). If the Company terminates either agreement prior to December 31, 2009, the Company will be obligated to make a termination payment equal to twelve times the original monthly management fee.

New accounting policies

Effective March 1, 2008, the Company adopted the following new standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

CICA Handbook Section 1535 - Capital Disclosures

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

CICA Handbook Section 3862 and 3863 - Financial Instruments

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

CICA Handbook Section 1400 - General Standards of Financial Statements

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

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

New accounting pronouncements effective for future periods

CICA Handbook Section 3064 - Goodwill and other intangibles assets

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

International reporting standards

In addition to the above new accounting standards, the Accounting Standards Board ("AcSB"), in 2006, published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal

years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Subsequent events

Subsequent to February 28, 2009, the Company:

- a) issued 262,500 common shares for total proceeds of \$26,250 pursuant to the exercise of broker warrants;
- b) completed the sale of its wholly owned subsidiary, Tuscany Minerals S.r.l., to Coltstar Ventures Inc. ("Coltstar"). As consideration, Coltstar paid \$50,000, issued 1,000,000 common shares and is required to pay an additional \$200,000 in equal monthly installments over a twelve month period; and
- c) cancelled 522,500 stock options with an exercise price of \$0.45 and an expiry date of June 11, 2013.

Risks and Uncertainties

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

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

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

Outstanding Share Data

As at June 24, 2009, there were 154,363,730 common shares issued and outstanding. There were also 13,370,790 stock options outstanding to directors, officers and consultants with exercise prices ranging between \$0.34 and \$0.45 per share and which expire between March 22, 2010, and June 11, 2013. In addition, 4,012,500 warrants were outstanding, which expire on May 11, 2010 and have exercise prices ranging between \$0.10 and \$0.20 per share.