

BAYSWATER URANIUM CORPORATION

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2008

(Unaudited – Prepared by management)

These unaudited interim consolidated financial statements of Bayswater Uranium Corporation for the six month period ended August 31, 2008 have been prepared by management and approved by the Board of Directors. These interim consolidated financial statements have not been reviewed by the Company's external auditors.

BAYSWATER URANIUM CORPORATION
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited)

	August 31, 2008 (Unaudited)	February 29, 2008 (Audited)
ASSETS		
Current		
Cash	\$ 320,653	\$ 157,467
Short-term investments	9,561,670	23,501,768
Marketable securities (Note 4)	609,745	1,525,771
Receivables	1,267,197	874,639
Prepays and deposits	<u>434,014</u>	<u>330,967</u>
	12,193,279	26,390,612
Equipment (Note 5)	233,157	240,136
Reclamation bonds	356,268	356,268
Exploration advances	810,586	989,539
Mineral properties (Note 7)	<u>57,685,323</u>	<u>46,367,905</u>
	<u>\$ 71,278,613</u>	<u>\$ 74,344,460</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 2,358,517	\$ 2,469,905
Future income tax liability (Note 13)	<u>5,563,000</u>	<u>5,242,000</u>
	<u>7,921,517</u>	<u>7,711,905</u>
Shareholders' equity		
Capital stock (Note 8)	68,156,305	68,233,203
Contributed surplus (Note 8)	14,205,085	13,945,484
Deficit	<u>(19,004,294)</u>	<u>(15,546,132)</u>
	<u>63,357,096</u>	<u>66,632,555</u>
	<u>\$ 71,278,613</u>	<u>\$ 74,344,460</u>
Nature of operations (Note 1)		
Commitments (Note 12)		
Subsequent events (Note 18)		
On behalf of the Board:		
"George Leary" _____	Director	"Victor Tanaka" _____
		Director

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

BAYSWATER URANIUM CORPORATION
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited)

	Three Months Ended August 31, 2008	Three Months Ended August 31, 2007	Six Months Ended August 31, 2008	Six Months Ended August 31, 2007
EXPENSES				
Administration	\$ 11,380	\$ 13,697	\$ 22,820	\$ 27,060
Amortization	16,682	9,792	32,813	18,141
Consulting fees	33,094	65,000	64,657	65,000
Directors' fees (Note 10)	24,750	-	43,500	-
Investor relations	42,376	13,875	87,621	62,375
Management fees (Note 10)	28,000	86,552	65,715	195,933
Office and miscellaneous	92,221	103,550	168,134	149,826
Professional fees	146,810	167,758	318,443	234,449
Property investigation costs	91,222	102,230	148,068	186,659
Rent	31,235	22,955	62,951	55,351
Shareholder communications	72,928	50,971	146,458	136,056
Stock-based compensation (Note 9)	150,406	676,076	284,529	6,602,840
Transfer agent and filing fees	17,195	32,089	33,487	42,073
Travel and related costs	6,930	36,110	25,903	42,331
	<u>(765,229)</u>	<u>(1,380,655)</u>	<u>(1,505,099)</u>	<u>(7,818,094)</u>
OTHER ITEMS				
Foreign exchange gain (loss)	(1,702)	4,603	1,148	3,063
Interest income	96,246	378,425	270,171	709,127
Recovery of costs	-	-	132,080	-
Write-off of mineral properties (Note 7)	(1,615,936)	-	(1,615,936)	-
Unrealized gain (loss) on marketable securities	(460,075)	(938,557)	(1,116,026)	712,243
Realized gain on marketable securities	-	1,093,240	-	1,093,240
	<u>(1,981,467)</u>	<u>537,711</u>	<u>(2,328,563)</u>	<u>2,517,673</u>
Loss before income taxes	(2,746,696)	(842,944)	(3,833,662)	(5,300,421)
Future income tax recovery (Note 13)	-	1,073,000	375,500	2,887,000
Net income (loss) and comprehensive income (loss) for the period	(2,746,696)	230,056	(3,458,162)	(2,413,421)
Deficit, beginning of period	(16,257,598)	(14,377,180)	(15,546,132)	(12,100,220)
Fair value adjustment on financial instruments (Note 4)	-	-	-	366,517
Deficit, end of period	\$ (19,004,294)	\$ (14,147,124)	\$ (19,004,294)	\$ (14,147,124)
Basic and diluted loss per common share	\$ (0.02)	\$ 0.00	\$ (0.02)	\$ (0.04)
Weighted average number of common shares outstanding	145,498,742	56,879,275	145,153,688	56,879,275

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

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

	Three Months Ended August 31, 2008	Three Months Ended August 31, 2007	Six Months Ended August 31, 2008	Six Months Ended August 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (2,746,696)	\$ 230,056	\$ (3,458,162)	\$ (2,413,421)
Items not affecting cash:				
Amortization	16,682	9,792	32,813	18,141
Shares issued for services	-	-	10,625	-
Obligation to issue shares for services	-	(7,500)	-	7,500
Stock-based compensation	150,406	676,076	284,529	6,602,840
Recovery of costs	-	-	(132,080)	-
Write-off of mineral properties	1,615,936	-	1,615,936	-
Unrealized (gain) loss on marketable securities	460,075	938,557	1,116,026	(712,243)
Realized (gain) on marketable securities	-	(1,093,240)	-	(1,093,240)
Future income tax recovery	-	(1,073,000)	(375,500)	(2,887,000)
Changes in non-cash working capital items:				
Increase in receivables	(192,816)	(379,204)	(302,072)	(731,292)
Increase in prepaids and deposits	(60,567)	(103,101)	(103,047)	(127,033)
Increase (decrease) in accounts payable and accrued liabilities	<u>(956)</u>	<u>272,152</u>	<u>15,372</u>	<u>191,476</u>
Net cash used in operating activities	<u>(757,936)</u>	<u>(529,412)</u>	<u>(1,295,560)</u>	<u>(1,144,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Short-term investments	5,989,044	3,202,233	13,940,098	(25,264,290)
Equipment	(3,154)	(15,525)	(25,834)	(94,727)
Mineral property expenditures	(6,556,645)	(4,904,719)	(13,347,588)	(8,492,268)
Mineral property recoveries	246,265	-	675,146	-
Exploration advances	87,988	(428,411)	178,953	(579,397)
Proceeds on sale of marketable securities	-	1,663,240	-	1,663,240
Cash acquired on amalgamation	-	2,490,962	-	2,490,962
Amalgamation and acquisition costs	<u>-</u>	<u>(291,625)</u>	<u>-</u>	<u>(336,439)</u>
Net cash provided by (used in) investing activities	<u>(236,502)</u>	<u>1,716,155</u>	<u>1,420,775</u>	<u>(30,612,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital stock issued	-	222,626	37,971	28,080,700
Share issue costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(907,611)</u>
Net cash provided by financing activities	<u>-</u>	<u>222,626</u>	<u>37,971</u>	<u>27,173,089</u>
Change in cash during the period	(994,438)	1,409,369	163,186	(4,584,102)
Cash, beginning of period	<u>1,315,091</u>	<u>195,881</u>	<u>157,467</u>	<u>6,189,352</u>
Cash, end of period	\$ 320,653	\$ 1,605,250	\$ 320,653	\$ 1,605,250

Supplemental disclosure with respect to cash flows (Note 11)

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

BAYSWATER URANIUM CORPORATION
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2008
(Unaudited)

1. NATURE OF OPERATIONS

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

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

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

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

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

2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the six month period ended August 31, 2008 are not necessarily indicative of the results that may be expected for the year ending February 28, 2009. These interim consolidated financial statements follow the same accounting policies as the annual financial statements except as disclosed in Note 3. Accordingly, these interim consolidated financial statements should be read in conjunction with the 2008 annual financial statements and notes thereto.

3. CHANGES IN ACCOUNTING POLICIES

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

CICA Handbook Section 1535 - Capital Disclosures

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

CICA Handbook Section 3862 and 3863 - Financial Instruments

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

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

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.

Future changes in accounting policies

CICA Handbook Section 3064 - Goodwill and other intangibles assets

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

International reporting standards

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

4. MARKETABLE SECURITIES

During the six months ended August 31, 2007, the Company reclassified its investments as marketable securities and carries them at fair value. This resulted in the Company's marketable securities being written up by \$366,517 and the deficit at the beginning of the period being reduced by \$366,517, to reflect the fair value of marketable securities held as at February 28, 2007. As at August 31, 2008, 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 \$609,745 (February 29, 2008 - \$1,525,771), which resulted in an unrealized loss on marketable securities of \$1,116,026 being recorded in operations.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2008
(Unaudited)

5. EQUIPMENT

	August 31, 2008			February 29, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 14,915	\$ 12,210	\$ 2,705	\$ 14,327	\$ 11,906	\$ 2,421
Computer equipment	139,234	48,801	90,433	119,498	35,180	84,318
Exploration equipment	132,454	33,060	99,394	111,765	21,547	90,218
Vehicles	47,552	10,041	37,511	86,260	27,044	59,216
Leasehold improvements	10,191	7,077	3,114	10,191	6,228	3,963
	<u>\$ 344,346</u>	<u>\$ 111,189</u>	<u>\$ 233,157</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>

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

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

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

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%

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>

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2008
(Unaudited)

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

Acquisition of Northern Canadian Uranium Inc. (cont'd...)

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
AUGUST 31, 2008
(Unaudited)

7. MINERAL PROPERTIES

Six Months Ended August 31, 2008	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 period	\$ 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	-	83,700	-	-	326,876	-	1,063,867
Recoveries	(68,200)	-	-	-	-	(61,690)	-	(302,326)	-	(432,216)
Written-off during the period	-	-	-	-	-	(315,810)	-	-	-	(315,810)
Balance, end of period	<u>1,595,971</u>	<u>2,735,054</u>	<u>5,618,051</u>	<u>4,006,052</u>	<u>83,700</u>	<u>-</u>	<u>97,425</u>	<u>5,068,089</u>	<u>760,543</u>	<u>19,964,885</u>
Deferred exploration costs										
Balance, beginning of period	<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	-	-	20,166	-	-	-	-	-	-	20,166
Analytical	95,004	312	-	46,652	-	18,449	-	37,567	-	197,984
Camp costs	244,240	80,579	262,960	10,274	-	2,015	-	-	-	600,068
Community relations	127,003	200	-	-	-	-	-	-	-	127,203
Compilation	13,742	2,103	158	62,889	-	-	-	233,822	-	312,714
Drilling	1,944,979	22,859	-	2,221,992	-	189,133	-	1,629,133	92,021	6,100,117
Environmental	898	-	-	-	-	-	-	70,121	-	71,019
Equipment	56,483	-	-	14,400	-	-	-	-	-	70,883
Field administration	17,522	32,834	204	-	-	1,392	-	3,269	151	55,372
Field supplies	9,720	20,764	-	-	-	410	-	2,768	-	33,662
Fixed wing/helicopter	1,376,578	340,338	326,250	-	-	-	-	-	-	2,043,166
Geological consulting	698,645	259,165	99,558	93,914	-	68,184	-	297,324	110,794	1,627,584
Ground geophysics	302,975	-	216,500	-	-	-	-	-	-	519,475
Geophysical consulting	-	1,740	15,146	-	-	11,970	-	4,320	3,912	37,088
Line cutting	57,159	-	111,260	-	-	-	-	-	-	168,419
Permitting	-	845	-	-	-	-	-	134,275	-	135,120
Property cost recoveries	(300,000)	(354,271)	(42,189)	-	-	-	-	-	-	(696,460)
Property maintenance	2,500	4,000	2,000	1,000	-	500	-	452,612	8,482	471,094
Prospecting	127,138	-	-	-	-	88,756	-	-	-	215,894
Travel and related	103,561	41,944	5,689	636	-	13,912	-	21,364	4,028	191,134
	<u>4,878,147</u>	<u>453,412</u>	<u>1,017,702</u>	<u>2,451,758</u>	<u>-</u>	<u>394,721</u>	<u>-</u>	<u>2,886,575</u>	<u>219,388</u>	<u>12,301,703</u>
Written-off during the period	-	-	-	-	-	(1,300,126)	-	-	-	(1,300,126)
Balance, end of period	<u>15,328,572</u>	<u>8,868,074</u>	<u>3,271,231</u>	<u>3,981,982</u>	<u>-</u>	<u>-</u>	<u>110,256</u>	<u>5,038,856</u>	<u>1,121,467</u>	<u>37,720,438</u>
Total, end of period	\$ 16,924,543	\$ 11,603,128	\$ 8,889,282	\$ 7,988,034	\$ 83,700	\$ -	\$ 207,681	\$ 10,106,945	\$ 1,882,010	\$57,685,323

BAYSWATER URANIUM CORPORATION
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(Unaudited)

7. MINERAL PROPERTIES

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	<u>3,224,142</u>	<u>3,004,951</u>	<u>757,997</u>	<u>-</u>	<u>866,786</u>	<u>-</u>	<u>73,794</u>	<u>-</u>	<u>773,829</u>	<u>8,701,499</u>
Airborne survey	993,164	2,422,456	1,109,585	-	-	229,402	-	492,199	-	5,246,806
Analytical	361,549	12,804	-	-	-	36,479	-	1,767	3,846	416,445
Camp costs	210,549	707,852	127,800	-	-	10,414	-	-	-	1,056,615
Community relations	141,480	7,075	-	-	-	-	-	-	-	148,555
Compilation	33,028	18,331	55	2,005	-	20	-	129,148	7,447	190,034
Drilling	1,895,471	80,145	-	1,440,840	-	73,314	-	13,764	-	3,503,534
Environmental	-	-	-	-	-	-	-	104,467	-	104,467
Equipment	134,971	81,938	-	-	-	6,003	-	4,595	-	227,507
Field administration	50,687	76,665	7,274	-	22	3,098	2,438	53	326	140,563
Field supplies	36,749	54,165	-	-	-	2,676	-	437	-	94,027
Fixed wing/helicopter	1,903,587	904,269	-	-	14,666	7,264	-	-	-	2,829,786
Geological consulting	887,356	388,575	65,884	40,299	5,150	86,889	25,664	545,118	104,181	2,149,116
Ground geophysics	127,783	296,173	-	-	-	70,826	-	-	-	494,782
Geophysical consulting	119,306	153,789	168,576	20,994	-	-	8,850	45,442	12,450	529,407
Line cutting	98,499	-	-	-	-	27,133	-	-	-	125,632
Permitting	21	15,386	878	-	-	-	-	132,733	-	149,018
Property cost recoveries	(133,333)	(102,843)	-	-	(13,814)	-	-	-	-	(249,990)
Property maintenance	22,815	14,696	6,540	26,086	256	13,180	22,210	670,256	-	776,039
Prospecting	242,797	141,067	-	-	936	311,649	-	-	-	696,449
Travel and related	99,804	137,168	8,940	-	-	27,058	723	20,348	-	294,041
	<u>7,226,283</u>	<u>5,409,711</u>	<u>1,495,532</u>	<u>1,530,224</u>	<u>7,216</u>	<u>905,405</u>	<u>59,885</u>	<u>2,160,327</u>	<u>128,250</u>	<u>18,922,833</u>
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 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 common shares valued at \$872,000. A net smelter royalty ("NSR") of 2% will be payable to an underlying option holder on each of the claim blocks retained. The Company has the right to purchase one-half of the NSR (1%) at any time for \$1,500,000. By agreement dated November 22, 2005, Longview assigned all its staking rights with the underlying option holder to the Company.

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

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

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

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

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

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

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

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

Athabasca Basin Projects

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

Brudell Lake Properties, Athabasca Basin, Saskatchewan

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

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

Hermitage Uranium Belt Properties, Newfoundland

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

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

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 Bayswater and not subject to the Cochrane Pond Joint Venture were all allowed to lapse except for three claims. Certain of these abandoned claims were assigned to CMD. As a result, all related costs incurred by the Company 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. Subsequent to August 31, 2008, the agreement was amended, whereby the property option was terminated and Global will pay the Company and CMD \$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%.

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 six months ended August 31, 2008, the Company terminated this agreement and, as a result, all related costs, totaling \$1,615,936, 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 \$50,000 paid) and issuing 1,100,000 common shares (100,000 shares issued) over a four year period. A NSR of 4% on mineral products produced will be payable on the claims. The Company retains the right to purchase one half of the NSR (2%) at any time for \$2,000,000. A 4% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$50,000 are to be paid annually and will be credited against future production royalties.

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

Hurricane Cliffs Property, Utah, United States

During the year ended February 29, 2008, the Company acquired an option to earn a 100% interest in the Hurricane Cliffs Property in Utah by paying US \$250,000 (US \$25,000 paid) and issuing 500,000 common shares (50,000 issued) over a four year period. A NSR of 3% on mineral products produced will be payable on the claims. The Company retains the right to purchase one third of the NSR (1%) at any time for \$1,000,000. A 3% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$25,000 are to be paid annually and will be credited against future production royalties. 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 ten uranium state leases in Wyoming.
- d) pursuant to a data base purchase agreement, the Company agreed to pay an NSR of 0.25% on uranium production from certain mineral lands within Carter County, Montana and Crook County, Wyoming and to pay a bonus of US\$100,000 in the event a uranium mine is constructed in the same region.
- e) the Company holds a 100% interest in additional staked claims in Montana and Wyoming; and entered into a surface and mineral lease agreement on land in Carter County, Montana (the "Cochrane Lease"). Under the surface and mineral lease agreement, the Company is responsible for an upfront payment of US\$25,000, and payment of production royalties at rates of between 2% and 5% based on net value realized from sale of minerals, and subject to certain minimum annual royalties payable in advance. Advance annual minimum royalty payment made by the Company shall be applied as a credit against production royalties. The advance annual minimum royalty is US\$3 per acre during the primary term, increasing to US\$6 per acre on the tenth (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.

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

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

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

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

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

Uranium properties (cont'd...)

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

- b) Wyoming and South Dakota Properties: By agreement, effective March 14, 2006, with Miller-Berdahl Partnership ("Miller-Berdahl") NCA has an option over a three year period to acquire a 100% interest, subject to certain production royalties, in state of Wyoming leases, mineral claims and one surface right agreement in four project areas in Wyoming and in one project area located in South Dakota and Wyoming. The surface right agreement, entered into between Stockade Beaver Creek Ltd., a company owned by Miller-Berdahl, and D. Spencer and P. Spencer and assigned to the Company as per terms of the Miller-Berdahl option agreement, provides the Company access and mining rights for the consideration of a 2% NSR production royalty and annual access payments in the amount of \$3.00 per acre. Under the terms of the Miller-Berdahl option agreement, the Company is to make cash payments totalling US\$750,000 and issue 325,000 common shares in order to exercise the option. As of August 31, 2008, the Company has paid US\$450,000 in cash and has issued 325,000 common shares.

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

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

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

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

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.

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

Uranium properties (cont'd...)

Niger Concessions (cont'd...)

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

Pursuant to a change to the mining code in Niger, approved by Parliament effective November 1, 2006, both Longview and the Company reapplied for uranium concessions in the aggregate comprising 16 concessions in two blocks. The Company incurred application fees for the 16 concessions totaling €23,050. During the year ended February 29, 2008, two of the concessions applied for by the Company were granted and, subsequent to August 31, 2008, an additional two of these 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 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 six months ended August 31, 2008, 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, located in Clark County, Idaho, and two additional gold properties, Hai and Gold Bug, located in Lemhi Counties, Idaho, USA (the "Properties").

Otis can earn an initial 50% 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 and the issuance of 400,000 common shares and incurring US\$250,000 in exploration expenditures in year one;
- iii. Issuance of 400,000 common shares and incurring US\$350,000 in exploration expenditures in year two;
- iv. Issuance of 400,000 common shares and incurring US\$500,000 in exploration expenditures in year three;
- v. Issuance of 400,000 common shares and incurring US\$900,000 in exploration expenditures in year four; and
- vi. Issuance of 400,000 common shares and incurring US\$1,000,000 in exploration expenditures in year five.

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

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

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

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

Tuscany Gold Project, Italy

The Company incorporated an Italian subsidiary under the name Tuscany Minerals S.r.l. to facilitate the application process and holding of exploration and mining permits in Italy. As of February 29, 2008, the Company has been granted six gold permits in four areas in Italy. To maintain the permits minimal work requirements are necessary and annual fees of 76,000 euros (about \$120,000) are required. The permits are renewable every two years. In addition, during the year ended February 28, 2007, the Company issued 33,333 common shares valued at \$12,500 to acquire data related to the area for which the gold permits were filed.

Avoca Property, Ireland

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

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

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
Exercise of stock options	111,680	37,971	-
Reclassification of contributed surplus on the exercise of stock options	-	24,928	(24,928)
Mineral properties	1,351,286	546,078	-
Promotional services	25,000	10,625	-
Stock-based compensation	-	-	284,529
Future income taxes on the renunciation of flow through expenditures	-	(696,500)	-
Balance, August 31, 2008	145,498,742	\$ 68,156,305	\$ 14,205,085

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 was exercisable into one additional non-flow-through common share at an exercise price of \$1.85 to September 8, 2008.

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

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 August 31, 2008, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
656,250	\$ 0.24	October 26, 2008 (subsequently expired)
58,800	0.34	March 22, 2010
<u>13,834,490</u>	0.45	June 11, 2013
<u>14,549,540</u>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2007	4,337,220	\$ 1.24
Options granted	8,960,000	1.26
Kilgore options (Note 6)	1,685,540	0.82
NCA options (Note 6)	1,059,500	0.67
Options exercised	(177,900)	0.58
Options cancelled	<u>(1,930,100)</u>	1.48
Balance, February 29, 2008	13,934,260	1.14
Options exercised	(111,680)	0.34
Options granted	13,834,490	0.45
Options cancelled	<u>(13,107,530)</u>	1.19
Balance, August 31, 2008	14,549,540	\$ 0.44
Number of options currently exercisable	7,632,295	\$ 0.43

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2008
(Unaudited)

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

Warrants

As at August 31, 2008, the Company had outstanding share purchase warrants and compensation options enabling the holders to acquire common shares as follows:

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

Warrant and compensation options transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at February 28, 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 August 31 and February 29, 2008	<u>18,175,139</u>	<u>\$ 1.53</u>

Stock-based compensation

For the six months ended August 31, 2008, the Company recorded \$284,529 (2007 - \$6,602,840) as stock-based compensation expense, with an offset to contributed surplus, for previously-granted options which vested during the period.

The weighted average fair value of the stock options granted during the six months ended August 31, 2008 was \$0.21 (2007 - \$0.99) per option.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation options granted during the six month periods ended August 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Risk-free interest rate:	3.37%	4.08%
Expected life of options:	3 years	3 years
Annualized volatility:	94%	113%
Dividend rate:	0%	0%

10. RELATED PARTY TRANSACTIONS

During the six months ended August 31, 2008, the Company:

- a) Paid or accrued \$65,715 (2007 - \$259,933) for management and consulting fees to a company controlled by the president, a director, and for 2007, a former director and companies with common directors.
- b) Paid or accrued \$43,500 (2007 - \$Nil) for directors' fees to directors of the Company.
- c) Paid or accrued \$16,500 (2007 - \$13,200) 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 \$15,000 (2007 - \$21,000) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$Nil (2007 - \$37,500) for investor relations to a company with a former common director.
- f) Paid or accrued \$Nil (2007 - \$200,000) and issued Nil (2007 - 54,645) common shares valued at \$Nil (2007 - \$100,000) for property acquisition costs to a company with a former common director.
- g) Paid or accrued \$183,000 (2007 - \$11,429) for management and consulting fees included in deferred exploration costs to a director, a former director and a company controlled by the president.

Included in accounts payable and accrued liabilities at August 31, 2008 is \$70,957 (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

	2008	2007
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

The significant non-cash investing and financing transactions during the six months ended August 31, 2008 included:

- a) issuing 1,351,286 common shares valued at \$546,077 for mineral property acquisitions;
- b) issuing 25,000 common shares valued at \$10,625 pursuant to an agreement for promotional services;
- c) receiving 500,000 common shares valued at \$200,000 pursuant to a mineral property option agreement; and
- d) accruing \$1,954,721 of mineral property expenditures in accounts payable and accrued liabilities as at August 31, 2008.

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

The significant non-cash investing and financing transactions during the six months ended August 31, 2007 included:

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

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 is \$20,000 per month. If the Company terminates either agreement, the Company will, in certain circumstances, be obligated to make a termination payment equal to twelve times the monthly management fee.

13. INCOME TAXES

During the six months ended August 31, 2008, the Company renounced \$2,067,840 to flow through share subscribers resulting in a future income tax effect of \$696,500. As a result of the renunciation and the effect of recording marketable securities at fair value, which is not recognized for tax purposes, the Company has a net future income tax liability of approximately \$5,563,000 as at August 31, 2008.

14. FINANCIAL INSTRUMENTS

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

Currency risk

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

15. SEGMENTED INFORMATION

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

Geographic information is as follows:

	August 31, 2008	February 29, 2008
Capital assets		
Canada	\$ 45,604,322	\$ 37,437,987
United States	10,224,467	7,299,751
Europe	1,882,010	1,662,622
Mali and Niger, West Africa	207,681	207,681
	<u>\$ 57,918,480</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 development 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 as well as cash. 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. MANAGEMENT OF FINANCIAL RISK

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, 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 August 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash and cash equivalents	83,500
Receivables	500
Reclamation bonds	300,000
Accounts payable and accrued liabilities	<u>(288,000)</u>
Net exposure	<u>(96,000)</u>

17. MANAGEMENT OF FINANCIAL RISK (cont'd...)

Based on the above net exposure as at August 31, 2008, 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 cash equivalents are mainly held through large Canadian financial institutions and at August 31, 2008 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.

(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.

18. SUBSEQUENT EVENTS

Subsequent to August 31, 2008, the Company:

- a) issued 100,000 common shares pursuant to the terms of the mineral property option agreement to acquire the Baca Property in New Mexico (Note 7); and
- b) acquired 43 unpatented mining claims in Elko County, Nevada by issuing 200,000 common shares.

BAYSWATER URANIUM CORPORATION

Management Discussion and Analysis

Six Months Ended August 31, 2008

This discussion and analysis of financial position and results of operations is prepared as at October 29, 2008 and should be read in conjunction with the interim consolidated financial statements for the six months ended August 31, 2008 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, as a result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Accordingly, readers are referred to the February 29, 2008 annual audited consolidated financial statements of Bayswater and the accompanying notes. All dollar amounts included therein and in the following management discussion and analysis (“MD&A”) are expressed in Canadian dollars except where noted.

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

Description of Business

The Company is a natural resource company engaged in the acquisition, exploration, and development principally of uranium properties with a secondary interest in gold and base metal properties. It holds uranium interests in large land holdings in Labrador, as well as in properties in Saskatchewan, Newfoundland, Nunavut and the Northwest Territories, Canada; in concessions and concession applications in Niger, West Africa; and, as a result of the recently closed amalgamation with Kilgore Minerals Ltd., it owns interests, through its wholly-owned subsidiary, Kilgore Gold Inc., in 22 properties in the western United States. In addition, as a result of the recent closing of the amalgamation with Northern Canadian Uranium Inc. (“NCA”), the Company owns interests, through its subsidiary, NCU Holdings Inc., in 12 uranium properties (subsequently reduced to 10 properties during the six months ended August 31, 2008) in the western United States, Saskatchewan, Canada and in Mali; plus several uranium concession applications in two blocks in Niger. During the year ended February 29, 2008, the Company acquired two additional uranium properties in the western United States (subsequently reduced to one property during the six months ended August 31, 2008). Also, through its subsidiary, Jadebay Limited, the Company owns an interest in two base metal prospecting licences in Ireland; and through its subsidiary, Kilgore Gold Inc., owns interests in three gold properties in Idaho (subsequently optioned to Otis Capital Corp. during the six months ended August 31, 2008). The Company trades on the TSX Venture Exchange under the symbol BAY.

Overall Performance

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

The Company, since late in 2005, has entered into a series of property agreements and directly acquired large, strategic land positions in the three most important uranium districts in Canada—including the Central Mineral Belt, Labrador, Thelon Basin, Nunavut and NWT and in Athabasca Basin, Saskatchewan,

Canada; made applications for large uranium concessions, of which four have been granted recently, in Niger, West Africa; and has acquired prospecting permits for base metals in southern Ireland. In addition, the Company has entered into a joint venture arrangement with Strongbow Exploration Inc. (“Strongbow”) (TSX-V: SBW) that is designed to identify, acquire and explore uranium properties in Canada—which to date has led to the acquisition of several separate properties in North and South Thelon Basins, Nunavut & NWT. Also, during August, 2006, the amalgamation with Pathfinder Resources Ltd. closed and, as a result, the Company’s land holdings expanded significantly in Thelon Basin, NWT and led to new uranium land interests in the Hermitage Belt, southern Newfoundland and in Guatemala. These land acquisitions comprise in total, including concessions granted in Niger, over 7.7 million acres, now reduced to approximately 5.2 million acres. Bayswater is currently the largest land holder in the three key uranium districts in Canada with cumulative holdings of a reduced land position that now comprises about 4.5 million acres. These land positions offer excellent opportunities for generally lower risk for discovery because of their size and strategic location in key uranium districts—but, also because of expenditures over the last three years on these properties that has led to discovery of over 20 targets warranting extensive drill testing.

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

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

Recently, an additional two concessions have been granted to the Company in Niger—making a total of four concessions granted to date. 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 an 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.

In addition, the Company entered into an option agreement in 2007 with Stornoway Diamond Corporation (subsequently amended during the six month period ended August 31, 2008 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.

Further to the Company's strategy to expand its interests in uranium resource properties and add to its management team, the Company completed its acquisition of Northern Canadian Uranium Inc. ("NCA") effective December 21, 2007. As a result of the amalgamation, the Company acquired NCA's portfolio of uranium properties in 12 project areas, some with historical or NI 43-101 compliant resources, in Canada, United States (two of several project areas in the US have subsequently been dropped during the six months ended August 31, 2008) and in Mali, West Africa, and has made application for 12 uranium concessions in Niger, West Africa. Many of these properties offer considerable synergy with Bayswater's uranium projects and resource growth potential to the Company—particularly the Elkhorn properties in Wyoming that combined with Bayswater's adjoining properties have NI 43-101 non compliant historical resources and compliant resources of over 650,000 lbs uranium in 6 separate deposits; Edgemont property, South Dakota; Collins Bay Extension property in the Athabasca Basin, Saskatchewan; Samit property, Mali, West Africa with a non NI 43-101 historical resource of 440,000 lbs uranium and the Carol R Mine property, Nevada. Also, four Niger concessions, once granted, will form a strategic addition to concessions that Bayswater has applied for near the Areva-operated Cominak and Somair uranium mines. In 2007, NCA had initiated permitting of the Elkhorn properties in Wyoming and made preparations for drilling of the Collins Bay Extension property, Saskatchewan for purposes of resource and exploration drilling in 2008. In addition, two key officers and directors of NCA—namely Praveen Varshney and Keith Laskowski, joined the management of Bayswater respectively as a director and as VP Exploration—USA along with other experienced members of NCA's uranium exploration team (subsequently Keith Laskowski resigned and Jim Viellenave has been appointed Operations Manager—USA during the period ended August 31, 2008).

During the year ended February 29, 2008, the Company incurred exploration expenditures of approximately \$18.9 million and during the six months ended August 31, 2008, the Company incurred additional exploration expenditures totaling \$12.3 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 on all project areas and with completion of major drilling programs on our Anna Lake discovery in Labrador, significant funds were also spent on a large shallow drill program on our Elkhorn project in Wyoming.

In summary, the current uranium property assets of Bayswater include five properties at the resource drilling stage—namely, Anna Lake deposit, Labrador; Alzada properties, Montana; Elkhorn properties, Wyoming; Mountain West property, Nevada; and Mali property, West Africa. An additional 6 properties are also at the drill stage, either with drill ready targets or requiring minimal additional work to establish drill ready targets within the Company's Labrador land holdings; Brudell Lake and Collins Bay Extension properties, Saskatchewan; North and South Thelon properties, Nunavut and NWT; Tejana Mesa property, New Mexico; and Edgemont property, South Dakota. Also, the Company's emerging land position in Niger offers good potential for discovery. This is a very aggressive portfolio of drill ready resource and early stage properties that individually and collectively provide the Company with exceptional opportunities for growth.

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

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

During 2008, the Company 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 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 and Elkhorn project, Wyoming in order to expand resources; completed further grid surveys and drill testing of targets within the favourable Anna Lake corridor and follow-up prospecting and limited drill testing of other targets on our Labrador land holdings; and completed a follow-up prospecting and mapping program on its North Thelon project in order to better define drill targets at Amer West and evaluate additional priority radiometric targets within its land holdings. In addition, in the US, the Company completed surface evaluations of several of its numerous properties in order to prioritize and determine strategy. Results of these efforts 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 has been terminated.

Results of ground follow-up 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, initial drill testing of one and possibly two of five priority unconformity uranium targets has recently commenced (see news releases of August 5 and October 16, 2008).

On the Company's Labrador land holdings, approximately 19,500 meters of drilling has been completed with two drills and all field work has been concluded for the season. 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) have been successful in delineating the deposit to depths of up to 430 meters. To date, drilling has demonstrated that the deposit extends along a strike distance of up to 600 meters and to depths of over 550 meters. The mineralized zone is planar and dips approximately 60 to 70 degrees to the east and ranges in true thickness from 3 meters to over 20 meters. Further assays are pending. Once all the results are assessed, a determination of a resource calculation will be undertaken. Grid surveys and drilling testing of targets along the favourable Anna Lake corridor failed to identify any new zones of significant mineralization. Prospecting of additional radiometric targets within the Company's large land holding led to discovery at the end of the season of two very interesting new uranium mineralized areas—one in the Boitreau Lake area and the other in the Minisinakwa Lake area. Assay results are pending for the Boitreau Lake area—although the mineralization is associated with fractured and carbonate altered sediments along a linear trend that extends over several kms. At Minisinakwa Lake, high grade angular mineralized boulders in magnetite rich, altered felsic volcanic rocks were discovered along a 1.7 km long linear topographic feature in association with a magnetic high anomaly. Assay results from 29 samples collected, 26 returned assays ranging from 0.10% to 3.48% U₃O₈. Limited drilling failed to identify the mineralized zone but did confirm the favourable host rock. Further drill testing of this target is warranted.

The Company completed 476 shallow drill holes in a two phase planned drill program on its Elkhorn project, Wyoming and has announced exceptionally good results (see news releases of March 6, May 20, August 7 and August 11, 2008) from the initial 312 holes drilled on the first phase. Results of the first phase have significantly expanded resources in the Busfield-Vickers-Clover-Quad areas. One of the best holes to date on this project returned 33 feet (10 m) at 0.045% eU₃O₈. Further results are pending from the second phase of drilling that consisted of 164 holes. Once all the results have been received and the data has been compiled and assessed a determination of a resource calculation will be undertaken.

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 kms. 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.

In the US, 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.

The Tejana Mesa property, New Mexico, includes the 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 adjacent 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. 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. The focus of this drilling was shallow along the leading edge of favourable onlapping Cretaceous sediments and identified a number of resource areas. The main potential of the region is believed to be primarily down dip the sequence which is mainly controlled by land held by Bayswater. The down dip potential, as suggested by others in available technical reports who have had experience in this region, at the water table interface for transported roll fronts has never been tested. An independent compilation of limited available data has led to identifying several down dip targets that are recommended for drill testing on the Company's land holdings. These targets are along the down dip trends of channels and known near surface mineralization where evidence suggests considerable leaching of roll front mineralization.

On the Hermitage 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 six months ended August 31, 2008 on the Company's Cochrane Pond joint venture lands with Commander Resources. These land holdings are in good standing. No further work is currently planned on this property.

At Mountain West, the Company purchased an additional 43 claims during the six months ended August 31, 2008 to consolidate its land holding of the resource area and immediate potential extensions of the uranium mineralized channel.

On the Avoca base metal project in Ireland, the Company is currently completing two drill holes to test deep induced polarization targets as previously announced. Results from the drilling are pending.

During the six months ended August 31, 2008, the Company completed an option/joint venture agreement on its three gold properties, including the Kilgore Gold property in Idaho, 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.

The Company also now holds six prospecting permits for gold in Italy. It is in the process of selling this interest.

During the six months ended August 31, 2008, the Company issued 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 is significantly reducing 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 several years with minimal cash raises 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.

As a result of market conditions, the Company is reducing expenditures across the board, yet plans to maintain its key assets and management team and cost-effectively advance select projects to ensure the value added to the 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 intends to aggressively pursue the acquisition of advanced uranium projects as opportunities arise during this market downturn in order to facilitate rapid growth of the Company once the junior markets turn positive. The Company's initiatives will enable it to weather the current market downturn and be well positioned when the junior markets recover.

Results of Operations

The Company recorded a loss of \$3,458,162 for the six months ended August 31, 2008 compared to a loss of \$2,413,421 during the comparative six months ended August 31, 2007. The increase in the loss from the prior comparative period was due mainly to significant decreases in future income tax recovery (2008 - \$375,500; 2007 - \$2,887,000), realized gain on the sale of marketable securities (2008 - \$Nil; 2007 - \$1,093,240) and interest income (2008 - \$270,171; 2007 - \$709,127), as well as significant increases in write-off of mineral properties (2008 - \$1,615,936; 2007 - \$Nil) and unrealized loss on marketable securities (2008 - \$1,116,026 loss; 2007 - \$712,243 gain). This was partially offset by a significant decrease in stock-based compensation expense (2008 - \$284,529; 2007 - \$6,602,840). Excluding stock-based compensation, operating expenses were comparable (2008 - \$1,220,570; 2007 - \$1,215,254).

The Company recorded a loss of \$2,746,696 for the three months ended August 31, 2008 compared to net income of \$230,056 during the comparative three months ended August 31, 2007. The increase in the loss from the prior comparative period was due mainly to significant decreases in future income tax recovery (2008 - \$Nil; 2007 - \$1,073,000), realized gain on the sale of marketable securities (2008 - \$Nil; 2007 - \$1,093,240) and interest income (2008 - \$96,246; 2007 - \$378,425), as well as a significant increase in write-off of mineral properties (2008 - \$1,615,936; 2007 - \$Nil). This was partially offset by decreases in stock-based compensation expense (2008 - \$150,406; 2007 - \$676,076) and unrealized loss on marketable securities (2008 - \$460,075 loss; 2007 - \$938,557 gain). Excluding stock-based compensation, operating expenses were comparable (2008 - \$614,823; 2007 - \$704,579).

Quarterly Information

	Three Months Ended August 31, 2008	Three Months Ended May 31, 2008	Three Months Ended Feb 29, 2008	Three Months Ended Nov 30, 2007
Total assets	\$71,278,613	\$73,874,014	\$74,344,460	\$69,456,741
Mineral properties and deferred costs	57,685,323	53,258,304	46,367,905	37,519,848
Working capital	9,834,762	16,756,555	23,920,707	29,594,655
Net income (loss) for the period	(2,746,696)	(711,466)	(484,991)	(839,017)
Net income (loss) per share	(0.02)	(0.01)	(0.00)	(0.01)

	Three Months Ended Aug 31, 2007	Three Months Ended May 31, 2007	Three Months Ended Feb 28, 2007	Three Months Ended Nov 30, 2006
Total assets	\$69,516,365	\$62,508,837	\$32,556,210	\$29,329,715
Mineral properties and deferred costs	32,227,850	22,892,480	18,167,376	15,768,931
Working capital position (deficiency)	33,426,137	37,445,103	12,685,669	12,161,235
Net income (loss) for the period	230,056	(2,718,477)	(1,550,166)	(1,629,469)
Loss per share	0.00	(0.03)	(0.03)	(0.03)

Fiscal 2009

Total assets decreased by \$3,065,847 from February 29, 2008 to August 31, 2008. This was mainly due to funds being spent on operations (\$1,295,560), the write-off of mineral properties (\$1,615,936) and the write-down of marketable securities to fair value (\$1,116,026). These decreases were partially offset by the acquisition of mineral properties through the issuance of common shares of the Company with a value of \$546,078. 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.

Fiscal 2007

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

Liquidity and Capital Resources

The Company commenced fiscal 2009 with working capital of approximately \$23,900,000 and cash and short-term investments of \$23,659,235. As at August 31, 2008, the Company has a working capital position of approximately \$9,800,000 and cash and short-term investments of \$9,882,323. Acquisition, investment, exploration and administrative expenditures incurred during the six months ended August 31, 2008 were primarily funded from cash and short-term investments on hand at February 29, 2008. During the six months ended August 31, 2008, the Company incurred net mineral property expenditures totaling approximately \$12,670,000.

For the year ending February 28, 2009, Bayswater anticipates incurring exploration and property maintenance expenditures on each of the Company's held projects. The Company has sufficient working capital to sustain operations for the next fiscal year. Bayswater's main 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 three months ended August 31, 2008, the Company:

- a) Paid or accrued \$65,715 (2007 - \$259,933) 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 \$43,500 (2007 - \$Nil) for directors' fees.
- c) Paid or accrued \$16,500 (2007 - \$13,200) 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 \$15,000 (2007 - \$21,000) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$Nil (2007 - \$37,500) for investor relations to a company with a former common director.
- f) Paid or accrued \$Nil (2007 - \$200,000) and issued Nil (2007 - 54,645) common shares valued at \$Nil (2007 - \$100,000) for property acquisition costs to a company with a former common director.
- g) Paid or accrued \$183,000 (2007 - \$11,429) for consulting fees included in deferred exploration costs to a director, a former director and a company controlled by the president.

Included in accounts payable and accrued liabilities at August 31, 2008 is \$70,959 (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 is \$20,000 per month. 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 monthly management fee.

New accounting policies

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

CICA Handbook Section 1535 - Capital Disclosures

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

CICA Handbook Section 3862 and 3863 - Financial Instruments

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

CICA Handbook Section 1400 - General Standards of Financial Statements

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

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

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 August 31, 2008, the Company:

- a) issued 100,000 common shares pursuant to the terms of the mineral property option agreement to acquire the Baca Property in New Mexico (Note 7); and
- b) acquired 43 unpatented mining claims in Elko County, Nevada by issuing 200,000 common shares.

Risks and Uncertainties

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

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

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

Outstanding Share Data

As at October 29, 2008, there were 145,798,742 common shares issued and outstanding. There were also 13,893,290 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, 8,428,808 warrants were outstanding, which expire on November 1, 2008 with exercise prices ranging between \$1.10 and \$1.20 per share.