

**BAYSWATER URANIUM CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FEBRUARY 28, 2010**

## AUDITORS' REPORT

To the Shareholders of  
Bayswater Uranium Corporation

We have audited the consolidated balance sheets of Bayswater Uranium Corporation as at February 28, 2010 and 2009 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Accountants

June 24, 2010



**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT FEBRUARY 28**

	2010	2009
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 394,679	\$ 342,222
Short-term investments	1,949,000	4,635,753
Marketable securities (Note 4)	861,062	445,909
Receivables	135,719	307,163
Prepays and deposits	<u>76,200</u>	<u>324,067</u>
	3,416,660	6,055,114
<b>Long-term receivable</b> (Note 7)	221,633	-
<b>Equipment</b> (Note 5)	127,121	159,758
<b>Reclamation bonds</b>	17,785	324,494
<b>Exploration advances</b>	7,500	183,210
<b>Deferred acquisition costs</b> (Note 6)	826,306	-
<b>Mineral properties</b> (Note 7)	<u>33,376,284</u>	<u>56,516,941</u>
	<u>\$ 37,993,289</u>	<u>\$ 63,239,517</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 340,239	\$ 295,334
<b>Future income tax liability</b> (Note 13)	<u>-</u>	<u>2,705,000</u>
	<u>340,239</u>	<u>3,000,334</u>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	68,810,148	68,779,241
Contributed surplus (Note 8)	15,768,920	15,354,841
Deficit	<u>(46,926,018)</u>	<u>(23,894,899)</u>
	<u>37,653,050</u>	<u>60,239,183</u>
	<u>\$ 37,993,289</u>	<u>\$ 63,239,517</u>

**Nature of operations and going concern** (Note 1)

**Commitments** (Note 12)

**Subsequent events** (Note 17)

**On behalf of the Board:**

\_\_\_\_\_  
 "George Leary" Director                      "Victor Tanaka" Director

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

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**YEARS ENDED FEBRUARY 28**

	2010	2009
<b>EXPENSES</b>		
Administration	\$ 21,540	\$ 78,567
Amortization	45,154	67,009
Consulting fees	229,986	140,865
Costs related to flow-through obligations	10,748	259,764
Directors' fees	45,000	85,250
Investor relations	133,165	169,293
Management fees	48,000	105,000
Office and miscellaneous	206,370	317,426
Professional fees	292,784	561,845
Property investigation costs	26,903	172,269
Rent	113,643	126,212
Shareholder communications	408,851	232,310
Stock-based compensation (Note 9)	418,736	1,424,971
Transfer agent and filing fees	31,886	61,837
Travel and related costs	109,865	46,204
	<u>(2,142,631)</u>	<u>(3,848,822)</u>
<b>Loss before other items</b>		
<b>OTHER ITEMS</b>		
Foreign exchange gain	12,061	98,626
Interest and other income	67,067	394,452
Recovery of costs	-	148,955
Loss on disposal of equipment	-	(27,075)
Unrealized gain (loss) on marketable securities (Note 4)	175,653	(1,279,862)
Realized loss on sale of marketable securities	(1,895)	-
Gain on sale of mineral properties (Note 7)	229,488	-
Mineral properties written-off (Note 7)	(24,075,862)	(7,238,541)
	<u>(23,593,488)</u>	<u>(7,903,445)</u>
	<u>(25,736,119)</u>	<u>(11,752,267)</u>
<b>Loss before income taxes</b>		
<b>Future income tax recovery (Note 13)</b>	<u>2,705,000</u>	<u>3,403,500</u>
	<u>(23,031,119)</u>	<u>(8,348,767)</u>
<b>Loss and comprehensive loss for the year</b>		
<b>Deficit, beginning of year</b>	<u>(23,894,899)</u>	<u>(15,546,132)</u>
<b>Deficit, end of year</b>	<u>\$ (46,926,018)</u>	<u>\$ (23,894,899)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (1.49)</u>	<u>\$ (0.56)</u>
<b>Weighted average number of common shares outstanding</b>	<u>15,431,986</u>	<u>14,793,123</u>

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

**BAYSWATER URANIUM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED FEBRUARY 28**

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (23,031,119)	\$ (8,348,767)
Items not affecting cash:		
Amortization	45,154	67,009
Shares issued for services	-	10,625
Stock-based compensation	418,736	1,424,971
Accretion of interest on long-term receivable	(5,674)	-
Recovery of costs	-	(148,955)
Loss on disposal of equipment	-	27,075
Unrealized (gain) loss on marketable securities	(175,653)	1,279,862
Realized loss on sale of marketable securities	1,895	-
Gain on sale of mineral properties	(229,488)	-
Write-off of mineral properties	24,075,862	7,238,541
Future income tax recovery	(2,705,000)	(3,403,500)
Changes in non-cash working capital items:		
Decrease in receivables	221,187	717,733
Decrease in prepaids and deposits	247,867	6,900
Increase (decrease) in accounts payable and accrued liabilities	88,641	(208,207)
Net cash used in operating activities	<u>(1,047,592)</u>	<u>(1,336,713)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short-term investments	2,686,753	18,866,015
Proceeds on sale of marketable securities	248,105	-
Equipment	(12,517)	(46,684)
Proceeds on disposal of equipment	-	32,978
Mineral property expenditures	(1,897,843)	(19,476,825)
Mineral property recoveries	357,705	1,374,288
Exploration advances recovered	95,726	(48,050)
Proceeds on sale of mineral properties	52,624	-
Deferred acquisition costs	(763,463)	-
Recovery of reclamation bonds	306,709	31,774
Net cash provided by investing activities	<u>1,073,799</u>	<u>733,496</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Capital stock issued	<u>26,250</u>	<u>797,972</u>
Net cash provided by financing activity	<u>26,250</u>	<u>787,972</u>
<b>Increase in cash during the year</b>	52,457	184,755
<b>Cash, beginning of year</b>	<u>342,222</u>	<u>157,467</u>
<b>Cash, end of year</b>	<u>\$ 394,679</u>	<u>\$ 342,222</u>

**Supplemental disclosure with respect to cash flows (Note 11)**

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

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Bayswater Uranium Corporation and its wholly-owned subsidiaries (“Bayswater” or the “Company”) are engaged in the acquisition and exploration of their mineral properties and have not yet determined whether these properties contain economically recoverable reserves. To date, the Company has not earned significant revenues.

During fiscal 2010, the Company consolidated its outstanding common shares on the basis of ten existing shares to one new share (Note 8). All references to number of shares and per share amounts have been retroactively restated to reflect the consolidation.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term.

The Company continues to be dependent upon its ability to finance its operations and exploration programs through financing activities that may include issuances of additional debt or equity securities. The recoverability of the carrying value of exploration projects, and ultimately, the Company’s ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the properties, and upon future profitable production or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis, all of which are uncertain.

While management intends to pursue additional financings and the Company has been successful in obtaining its required financing in the past, there is no assurance that such financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

**2. 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 is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. The Company adopted the new standard for its fiscal year beginning March 1, 2009 and there was no significant impact on the Company’s financial statements.

*CICA Handbook Section 3862 – Financial instruments – disclosures*

This section was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

See Note 14 for relevant disclosures.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

#### **Use of estimates**

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

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

#### **Principles of consolidation**

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

#### **Foreign currency translation**

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

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

#### **Financial instruments and comprehensive income**

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

The Company has classified its cash, short-term investments and marketable securities as held-for-trading. Receivables and long-term receivable are classified as loans and receivables, reclamation bonds are classified as held-to-maturity, and accounts payable and accrued liabilities are classified as other liabilities, all of which are measured at amortized cost.

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

**Short-term investments**

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

**Equipment**

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

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

**Mineral properties**

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

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

**Government mining assistance**

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

**Asset retirement obligation**

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

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

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

**Asset retirement obligation (cont'd...)**

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

**Stock-based compensation**

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

**Income taxes**

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

**Flow-through common shares**

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

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

**Loss per share**

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

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

**Future changes in accounting policies**

*International financial reporting standards*

In February 2008, the Accounting Standards Board (“AcSB”), announced that 2011 is the changeover date for publicly listed companies to use International Financial Reporting Standards (“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 for the Company will be March 1, 2011 and 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.

*Business Combinations*

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

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2010**

**4. MARKETABLE SECURITIES**

As at February 28, 2010, marketable securities consist of shares in publicly traded companies with an initial cost of \$1,934,540 (2009 - \$1,695,040) and a fair value of \$861,062 (2009 - \$445,909). An unrealized gain on marketable securities of \$175,653 (2009 – unrealized loss of \$1,279,862) was recorded in the results of operations for the fiscal year.

**5. EQUIPMENT**

	2010			2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 11,970	\$ 10,267	\$ 1,703	\$ 14,417	\$ 12,022	\$ 2,395
Computer equipment	138,020	77,237	60,783	131,702	56,143	75,559
Exploration equipment	120,914	56,845	64,069	120,914	41,374	79,540
Leasehold improvements	10,191	9,625	566	10,191	7,927	2,264
	<u>\$ 281,095</u>	<u>\$ 153,974</u>	<u>\$ 127,121</u>	<u>\$ 277,224</u>	<u>\$ 117,446</u>	<u>\$ 159,758</u>

**6. DEFERRED ACQUISITION COSTS**

**Acquisition of Reno Creek Property**

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement (the “Agreement”) with Strathmore Resources (US) Ltd. (“Strathmore”), a wholly owned subsidiary of Strathmore Minerals Corp. and American Uranium Corp. (“American”) for the acquisition (the “Acquisition”) of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the “Reno Creek Property” or the “Property”).

As at February 28, 2010, the Company has incurred deferred acquisition costs relating to this transaction totalling \$826,306. This total includes US \$500,000 of non-refundable deposits paid to Strathmore which were credited to the purchase price when the transaction closed subsequent to February 28, 2010 (Note 17(d)).

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2010**

**7. MINERAL PROPERTIES**

<b>Year Ended February 28, 2010</b>	<b>CMB Labrador Claims</b>	<b>Thelon Basin Projects</b>	<b>Athabasca Basin, Saskatchewan</b>	<b>Collins Bay Property, Saskatchewan</b>	<b>Mali and Niger, West Africa</b>	<b>USA Properties</b>	<b>Ireland Properties</b>	<b>Italy Properties</b>	<b>Total</b>
<b>Acquisition costs</b>									
Balance, beginning of year	\$ 1,595,714	\$ 2,735,054	\$ 618,640	\$ 3,803,210	\$ 125,075	\$ 5,485,207	\$ 600,000	\$ 194,744	\$ 15,157,644
Additions	3,000	-	-	-	-	10,877	-	-	13,877
Recoveries	-	-	-	(16,500)	-	(261,504)	-	-	(278,004)
Written-off during the year	-	(1,906,741)	(618,640)	(1,911,245)	-	-	-	-	(4,436,626)
Disposed of during the year	-	-	-	-	(1)	-	-	(194,744)	(194,745)
Balance, end of year	<u>1,598,714</u>	<u>828,313</u>	<u>-</u>	<u>1,875,465</u>	<u>125,074</u>	<u>5,234,580</u>	<u>600,000</u>	<u>-</u>	<u>10,262,146</u>
<b>Deferred exploration costs</b>									
Balance, beginning of year	<u>17,215,113</u>	<u>9,019,414</u>	<u>3,470,988</u>	<u>4,077,021</u>	<u>121,609</u>	<u>6,169,568</u>	<u>996,218</u>	<u>289,366</u>	<u>41,359,297</u>
Analytical	51,672	-	-	-	-	-	-	-	51,672
Camp costs	28,934	-	-	-	-	-	-	-	28,934
Community relations	1,480	365	-	-	-	-	-	-	1,845
Compilation	9,415	320	-	3,070	-	5,539	-	-	18,344
Environmental	-	-	-	-	-	123,680	-	-	123,680
Equipment	23,955	140	-	-	-	-	-	-	24,095
Field administration	18,510	1,406	-	310	-	-	3,268	-	23,494
Field supplies	2,754	-	-	-	-	-	-	-	2,754
Fixed wing/helicopter	97,863	-	-	-	-	-	-	-	97,863
Geological consulting	324,738	145,645	37,500	48,048	10,192	215,242	8,036	-	789,401
Property cost recoveries	-	(93,944)	-	-	-	-	-	-	(93,944)
Property maintenance	2,039	9,819	-	415	-	537,597	-	-	549,870
Travel and related	30,030	13,346	4,489	4,063	-	13,507	-	-	65,435
	<u>591,390</u>	<u>77,097</u>	<u>41,989</u>	<u>55,906</u>	<u>10,192</u>	<u>895,565</u>	<u>11,304</u>	<u>-</u>	<u>1,683,443</u>
Disposed of during the year	-	-	-	-	-	-	-	(289,366)	(289,366)
Written-off during the year	(8,903,251)	(5,137,018)	(3,512,977)	(2,085,990)	-	-	-	-	(19,639,236)
Balance, end of year	<u>8,903,252</u>	<u>3,959,493</u>	<u>-</u>	<u>2,046,937</u>	<u>131,801</u>	<u>7,065,133</u>	<u>1,007,522</u>	<u>-</u>	<u>23,114,138</u>
<b>Total, end of year</b>	<b>\$ 10,501,966</b>	<b>\$ 4,787,806</b>	<b>\$ -</b>	<b>\$ 3,922,402</b>	<b>\$ 256,875</b>	<b>\$ 12,299,713</b>	<b>\$ 1,607,522</b>	<b>\$ -</b>	<b>\$33,376,284</b>

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FEBRUARY 28, 2010**

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

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

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

**Title to mineral properties**

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

*Uranium properties*

**Central Mineral Belt (“CMB”) Properties, Labrador**

On November 17, 2005, the Company entered into an option agreement with Longview Capital Partners Inc. (formerly Longview Strategies Incorporated) (“Longview”), a company related by a former director in common, to acquire a 100% interest in certain claim blocks located in Labrador, Newfoundland. Under the terms of the agreement, the Company paid Longview \$560,000 and issued 168,120 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 5,000 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 18,000 common shares valued at \$86,400. A NSR of 1% will be payable on each of the claim blocks. The Company has the right to purchase all of the NSR (1%) at any time for \$2,000,000.

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

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

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

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

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

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

**Central Mineral Belt (“CMB”) 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 \$400,000 (completed).

During the year ended February 28, 2010, the Company wrote down the CMB Properties in the amount of \$8,903,251 due to market conditions and continues to maintain its key landholdings in Labrador.

**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 10,886 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 52,030 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 18,387 common shares were issued to Aurora.

Pursuant to a Memorandum of Understanding (“MOU”) dated April 11, 2005, the Company was granted an option to acquire an 80% interest in uranium rights in certain exploration permits acquired by Diamonds North Resources Ltd. (“Diamonds North”), and now held by Uranium North Resources Corp. (“Uranium North”), located within and around the Thelon Basin, Northwest Territories, in consideration of making a cash payment of \$100,000 (paid) and issuing a total of 200,000 common shares. The Company issued 29,400 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 Uranium North have agreed to suspend the remaining required exploration expenditures due to permitting restrictions. A formal amendment to the agreement is pending.

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

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

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

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, 2011)).

During the year ended February 28, 2010, the Company wrote-off the South Thelon Properties in the amount of \$7,043,759 due to permitting constraints as well as market conditions.

**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. 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 1% NSR on metals and a 1% GOR on diamonds will be payable on each of the claim blocks. The joint venture retains the right to purchase one-half of the royalties (0.5%) at any time for \$1,000,000. Strongbow has elected to include these claims as an Earn-In Property.

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

**Athabasca Basin Projects**

These properties include the Brudell Lake property and other property holdings acquired in conjunction with an amalgamation during the year ended February 29, 2008.

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

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

**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 Athabasca Basin, Saskatchewan. As consideration, the Company issued 350,000 common shares valued at \$3,710,000 and paid \$1,500,000 cash. The properties are also subject to a 2% NSR on all metals produced and 2% GOR on all diamonds produced. During the year ended February 28, 2007, the Company also paid a finder's fee of 10,000 common shares to a private individual for his assistance in introducing this property to the Company.

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

During the year ended February 28, 2009, the Company allowed certain of its mineral claims to lapse and, as a result, related costs of \$5,553,108 were written off to operations. As at February 28, 2010, the Company has, or will, allow all claims to lapse. As a result, the Company wrote-off the Brudell Lake Properties in the amount of \$4,131,617.

**Cochrane Pond Joint Venture, Newfoundland, Canada**

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

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

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

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

**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 200,000 common shares (20,000 shares issued) and incur exploration expenditures totaling \$2,500,000 over a four year period. The property will be subject to a 3% NSR of which the Company may purchase one-third for \$2,000,000. During the year ended February 28, 2009, the Company terminated this agreement and, as a result, all related costs, totaling \$1,625,786, were written off to operations.

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

During the year ended February 29, 2008, the Company acquired an option (subsequently amended) to earn a 100% interest in claims comprising the Baca Property in New Mexico by paying US \$520,000 (US \$120,000 paid) and issuing 130,000 common shares (30,000 shares issued) over a period ending on July 31, 2014. A 4% NSR on mineral products produced will be payable on the claims. The Company retains the right to purchase one half of the NSR (2%) at any time for \$2,000,000. A 4% NSR is also payable on production from mineral rights acquired by the Company within a one kilometer perimeter of the property unless such production is already burdened by a royalty or similar interest, in which case the Company will only be required to pay a 1% NSR. Upon the fourth anniversary of the option agreement, advance royalty payments of US \$50,000 are to be paid annually and will be credited against future production royalties.

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

During the year ended February 28, 2010, the Company entered into a quitclaim deed indenture with Running Fox Resource Corp. in order to exchange and assign certain mineral claims, at no cost, in connection with its New Mexico uranium acreage in the region of the Baca property. Most of the swapped claims were either adjoining or overlapping each company's respective landholdings.

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

During the year ended February 29, 2008, pursuant to an amalgamation, the Company acquired the following:

- a) a 100% interest in several uranium properties located in the states of Montana, Wyoming, California and Nevada, USA.
- b) 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 14<sup>th</sup> anniversary date. The annual minimum royalty payment will also increase upon commercial production of mineral materials from the lease. The primary term of the lease is for twenty years, and with a consecutive secondary term thereafter that begins on the twentieth (20<sup>th</sup>) anniversary, unless terminated sooner.

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

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

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

- c) a 100% interest in additional claims staked in Nevada and acquired a 100% interest in certain uranium state leases in Wyoming.
- d) pursuant to a data base purchase agreement, the Company agreed to pay an NSR of 0.25% on uranium production from certain mineral lands within Carter County, Montana and Crook County, Wyoming and to pay a bonus of US\$100,000 in the event a uranium mine is constructed in the same region.
- e) a 100% interest in additional staked claims in Montana and Wyoming; and entered into a surface and mineral lease agreement on land in Carter County, Montana (the "Cochrane Lease"). Under the surface and mineral lease agreement, the Company is responsible for an upfront payment of US\$25,000, and payment of production royalties at rates of between 2% and 5% based on net value realized from sale of minerals, and subject to certain minimum annual royalties payable in advance. Advance annual minimum royalty payment made by the Company shall be applied as a credit against production royalties. The advance annual minimum royalty is US\$3 per acre during the primary term, increasing to US\$6 per acre on the tenth (10<sup>th</sup>) anniversary date. The primary term of the lease is for ten years, and with a consecutive secondary term thereafter that begins on the tenth (10<sup>th</sup>) anniversary date, unless sooner terminated.
- f) a database on the Mountain West Property in Elko county, Nevada. The database was acquired for an initial cash payment of US\$50,000, with a further cash payment of US\$100,000 to be made when the Company receives a Nevada mine permit. The acquisition agreement also includes the grant of a right of first offer to UG USA, Inc., under which the Company has entered into an agreement for the sale of uranium concentrates to UG USA, Inc. The right of first offer applies to the first one million pounds of uranium concentrate production from the Mountain West Property, at a 1% discount to the prevailing spot price of uranium. In addition, during the year ended February 28, 2009, the Company acquired a 100% interest in certain unpatented mineral claims adjacent to the Mountain West Property by issuing 20,000 common shares.

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

During the year ended February 29, 2008, pursuant to an amalgamation, the Company acquired the following:

- a) **Saskatchewan and Nevada Properties:** On June 15, 2005, the Company 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 (the "Collins Bay Extension"), 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 36,946 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...)**

a) (cont'd...)

During the year ended February 28, 2010, the Company entered into an agreement with CanAlaska Uranium Ltd. ("CanAlaska"), whereby CanAlaska has an option to earn a 51% interest in the Collins Bay Extension property in the Athabasca Basin by spending \$4,000,000 in exploration over five years and by issuing 500,000 shares (100,000 received to date) to the Company. CanAlaska also has an option to increase its interest to 70% by spending an additional \$2,000,000 in exploration over a further three year period and by issuing an additional 800,000 shares to the Company.

During the year ended February 28, 2010, the Company wrote down the Collins Bay Extension Properties in the amount of \$3,997,235 due to market conditions.

- b) **Wyoming and South Dakota Properties:** By agreement, effective March 14, 2006, with Miller-Berdahl Partnership ("Miller-Berdahl") the Company has an option over a three year period to acquire a 100% interest, subject to certain production royalties, in state of Wyoming leases, mineral claims and one surface right agreement in four project areas in Wyoming and in one project area located in South Dakota and Wyoming. The surface right agreement, entered into between Stockade Beaver Creek Ltd., a company owned by Miller-Berdahl, and D. Spencer and P. Spencer and assigned to the Company as per terms of the Miller-Berdahl option agreement, provides the Company access and mining rights for the consideration of a 2% NSR production royalty and annual access payments in the amount of \$3.00 per acre. Under the terms of the Miller-Berdahl option agreement, the Company made cash payments totalling US\$750,000 and issued 32,500 common shares in order to exercise the option.

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

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

During the year ended February 28, 2010, the Company entered into an agreement to acquire a 75% interest in the Hauber Uranium Project in Crook County, Wyoming. To earn its 75% interest, the Company must incur exploration expenditures totalling \$1,000,000 by December 1, 2013.

- c) **Mali Properties:** The Company owned a Mali subsidiary, Northern Canadian Minerals Inc. Mali ("NCA 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, the Company acquired exclusive exploration and mining rights for uranium for a term of 30 years on the Samit Property in northeastern Mali; and by an exploration permit dated June 23, 2008, obtained the right to carry out certain exploration programs over the first three years of the permit term, commencing June 23, 2008. The Company was obligated to complete work commitments in the first three years to maintain the land comprising the equivalent of about US\$470,000. 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 prorate 10% participating interest.

**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...)

c) (cont'd...)

In addition, the Company 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 expired on December 23, 2007, subject to notice of same from the government of Mali. The Company applied for two Establishment Agreements within the Prospecting Permit area.

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

During the year ended February 28, 2010, the Company sold to Cascade Resources Ltd ("Cascade"), a TSX listed company, 100% of its interest in exploration and mining rights and permits in Mali for the consideration of 1,000,000 shares valued at \$75,000 (received), a \$250,000 promissory note (with a fair value of \$215,959) due within 36 months of completion of the acquisition by Cascade and a 2.5% NSR on future production.

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

**Niger Concessions**

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 25,000 common shares once the concessions are granted. In addition, the Company must make staged payments of up to \$840,000 in cash and issue 55,000 common shares over two years. The Company has the option to issue 50% of the payments in common shares in lieu of the cash.

Subject to regulatory approval, the Company entered into an agreement dated November 24, 2005 with the underlying option holder to acquire a 100% interest in two additional uranium concessions located in Niger, West Africa. As consideration, the Company paid the underlying option holder a fee of 1,563 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 1,000 common shares for each concession held twelve months after the date the concessions are granted.

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

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

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

During the year ended February 28, 2010, the agreement with Longview was amended due to cancelation of applications for gold concessions and substantive changes in applications for uranium concessions whereby no further consideration is to be paid to Longview and the Company assumed all of Longview's obligations to the underlying option holder.

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 pro-rata 20% participating interest and by paying for its pro-rata share of prior exploration expenditures.

*Gold and base metal properties*

**Kilgore Gold and Other Gold Properties, Idaho, United States**

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

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

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

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

- i. Payment of US\$100,000 in cash (received) and the issuance of 500,000 common shares (received at a value of \$200,000) upon the TSX-V acceptance of this transaction;
- ii. Payment of US\$100,000 in cash (received) and the issuance of 400,000 common shares (received at a value of \$148,000) and incurring US\$250,000 in exploration expenditures (expended) 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.

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

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

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

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

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

**Tuscany Gold Project, Italy**

The Company held an Italian subsidiary, Tuscany Minerals S.r.l. ("Tuscany"), to facilitate the application process and holding of exploration and mining permits in Italy. The Company was granted six gold permits in Italy. To maintain the permits minimal work requirements are necessary and annual fees of €76,000 (approximately \$109,000) are required. The permits are renewable every two years. In addition, during the year ended February 28, 2007, the Company issued 3,333 common shares valued at \$12,500 to acquire data related to the area for which the gold permits were filed.

During the year ended February 28, 2010, the Company completed the sale of Tuscany to Coltstar Ventures Inc. ("Coltstar") for \$250,000 cash and 1,000,000 common shares of Coltstar valued at \$250,000. As at the date of sale, the carrying value of the investment in Tuscany was \$561,470.

**Avoca Property, Ireland**

The Company, through Jadebay Limited ("Jadebay"), a 100% owned Irish subsidiary, maintains a 100% interest in two prospecting licences in the Republic of Ireland. To maintain the licenses, the Company must incur exploration expenditures of €37,500 (approximately CDN \$54,000) per license, annually.

Exploration expenditures in the amount of €37,500 (approximately CDN \$54,000) per prospecting license and filing of corresponding report has been completed as required, pursuant to a recent drill program, in order to maintain and renew the licenses for a two year period to June 10, 2010.

Subsequent to February 28, 2010, the Company completed an exploration program and has filed the required report so as to renew the licenses for an additional two-year period ending June 10, 2012.

**BAYSWATER URANIUM CORPORATION**  
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**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 29, 2008	14,401,078	\$ 68,233,203	\$ 13,945,484
Private placement	750,000	750,000	-
Finders' fees	63,750	41,438	-
Share issue costs	-	(50,752)	9,314
Exercise of stock options	11,168	37,972	-
Reclassification of contributed surplus on the exercise of stock options	-	24,928	(24,928)
Mineral properties	181,628	598,327	-
Promotional services	2,500	10,625	-
Adjustment	(1)	-	-
Stock-based compensation	-	-	1,424,971
Future income taxes on the renunciation of flow through expenditures	-	(866,500)	-
	<u>15,410,123</u>	<u>68,779,241</u>	<u>15,354,841</u>
Balance, February 28, 2009	15,410,123	68,779,241	15,354,841
Exercise of warrants	26,250	26,250	-
Reclassification of contributed surplus on the exercise of warrants	-	4,657	(4,657)
Stock-based compensation	-	-	418,736
	<u>15,436,373</u>	<u>\$ 68,810,148</u>	<u>\$ 15,768,920</u>
Balance, February 28, 2010	15,436,373	\$ 68,810,148	\$ 15,768,920

**Share consolidation**

During the year ended February 28, 2010, the Company consolidated its share capital on the basis of 10 old shares for one new share. All common share, per share, option, warrant and weighted average price amounts have been restated to reflect this consolidation.

**Private placement**

During the year ended February 28, 2009, the Company completed a private placement consisting of 750,000 units (the "Units") at a price of \$1.00 per Unit for gross proceeds of \$750,000. Each Unit consisted of one flow-through common share and one-half of one share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$2.00 until May 11, 2010.

In connection with the private placement, the Company paid finders' fees totaling 63,750 common shares (valued at \$41,438) and 52,500 broker warrants with a value of \$9,314. Each broker warrant is exercisable into one common share at a price of \$1.00 until May 11, 2010. The broker warrants were valued using the Black-Scholes option pricing model, assuming volatility of 83.42%, risk-free interest rate of 1.84%, expected life of eighteen months and 0% dividends.

**BAYSWATER URANIUM CORPORATION**  
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**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 10 years.

As at February 28, 2010, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
5,880	\$ 3.40	March 22, 2010 (Subsequently expired)
<u>1,326,199</u>	4.50	June 10, 2013 (Note 17)
<u>1,332,079</u>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 29, 2008	1,393,426	\$ 11.40
Options granted	1,383,449	4.50
Options exercised	( 11,168)	3.40
Options cancelled/expired	<u>(1,376,378)</u>	11.50
Balance, February 28, 2009	1,389,329	4.50
Options cancelled/expired	<u>(57,250)</u>	4.50
Balance, February 28, 2010	1,332,079	\$ 4.50
Number of options currently exercisable	1,332,079	\$ 4.50

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

**Warrants**

As at February 28, 2010, the Company had outstanding share purchase warrants and broker warrants enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
375,000	\$ 2.00	May 11, 2010 (Subsequently expired)
<u>26,250</u>	1.00	May 11, 2010 (Subsequently expired)
401,250		

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at February 29, 2008	1,817,514	\$ 15.30
Issued	427,500	1.88
Expired	<u>(1,817,514)</u>	15.30
As at February 28, 2009	427,500	1.88
Exercised	<u>(26,250)</u>	1.00
As at February 28, 2010	401,250	\$ 1.93

**Stock-based compensation**

For the year ended February 28, 2010, the Company recorded \$418,736 (2009 - \$375,768) as stock-based compensation expense, with an offset to contributed surplus for options that vested during the year.

The weighted average fair value of the stock options granted during the year ended February 28, 2010 was \$Nil (2009 - \$2.10) per option.

During the year ended February 28, 2009, the Company also cancelled and repriced 1,236,999 previously vested stock options that were exercisable at prices ranging from \$4.90 - \$16.50 to a price of \$4.50 per option. The expiry dates for these options were also extended until June 11, 2013. As a result, additional stock-based compensation of \$1,049,203 was recorded.

The weighted average fair value of stock options repriced during the year ended February 28, 2009 was \$2.20 per option.

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

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

The following weighted average assumptions were used for the Black-Scholes valuation of stock options and compensation options granted or repriced during the years ended February 28, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Risk-free interest rate:	-	3.31%
Expected life of options:	-	3 years
Annualized volatility:	-	99%
Dividend rate:	-	0%

**10. RELATED PARTY TRANSACTIONS**

During the year ended February 28, 2010, the Company:

- a) Paid or accrued \$48,000 (2009 - \$105,000) for management fees to a company controlled by the president of the Company and to a director.
- b) Paid or accrued \$45,000 (2009 - \$85,250) for directors' fees to directors of the Company.
- c) Paid or accrued \$12,000 (2009 - \$12,000) for rent to a company controlled by the president of the Company and \$Nil (2009 - \$17,500) to a company owned by an officer of the Company.
- d) Paid or accrued \$15,000 (2009 - \$27,500) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$Nil (2009 - \$88,173) for property acquisition costs to a company with a former common director.
- f) Paid or accrued \$192,000 (2009 - \$343,000) for geological consulting fees included in deferred exploration costs to a director and a company controlled by the president of the Company.

Included in accounts payable and accrued liabilities at February 28, 2010 is \$83,937 (2009 - \$30,392) owing to a company controlled by the president of the Company, to a company with a director in common and to directors, all related to the above transactions.

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**

	<u>2010</u>	<u>2009</u>
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

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

The significant non-cash investing and financing transactions during the year ended February 28, 2010 included:

- a) receiving 1,000,000 common shares of a publicly listed company valued at \$250,000 pursuant to the sale of Tuscany (Note 7);
- b) receiving common shares valued at \$164,500 pursuant to mineral property option agreements;
- c) receiving 1,000,000 common shares valued at \$75,000 and a promissory note receivable with a fair value of \$215,959 pursuant to the sale of NCA Mali (Note 7); and
- d) accruing \$25,413 of mineral property expenditures and \$62,843 of deferred acquisition costs in accounts payable and accrued liabilities as at February 28, 2010.

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

- a) issuing 181,628 common shares valued at \$598,327 for mineral property acquisitions;
- b) issuing 2,500 common shares valued at \$10,625 pursuant to an agreement for promotional services;
- c) issuing 63,750 common shares valued at \$41,438 and 52,500 broker warrants valued at \$9,314 as finders' fees pursuant to a private placement;
- d) receiving 500,000 common shares of a publicly listed company valued at \$200,000 pursuant to a mineral property option agreement;
- e) accruing \$150,257 of mineral property recoveries in receivables as at February 28, 2009;
- f) accruing \$131,992 of mineral property expenditures in accounts payable and accrued liabilities as at February 28, 2009; and
- g) allocating \$854,379 of exploration advances to mineral properties.

**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 (subsequently amended to December 31, 2011) and remuneration was originally \$20,000 per month (reduced to \$10,000 per month effective January 1, 2009) (Notes 10 (a) and 10 (f)). If the Company terminates either agreement, the Company will, in certain circumstances, be obligated to make a termination payment equal to twelve times the original monthly management fee.

**BAYSWATER URANIUM CORPORATION**  
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**13. INCOME TAXES**

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

	2010	2009
Loss before income taxes	\$(25,736,119)	\$(11,752,267)
Expected income tax recovery	\$ (7,656,000)	\$ (3,613,000)
Non-deductible items	7,007,000	2,795,000
Recognized benefit of non-capital losses	<u>(2,056,000)</u>	<u>(2,585,500)</u>
Future income tax recovery expense	<u>\$ (2,705,000)</u>	<u>\$ (3,403,500)</u>

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

	2010	2009
Future income tax assets:		
Non-capital loss carryforwards	\$ 3,171,000	\$ 2,776,000
Other items	600,000	838,000
Future income tax liabilities:		
Resource properties and investments	<u>(160,000)</u>	<u>(6,319,000)</u>
	3,611,000	(2,705,000)
Valuation allowance	<u>(3,611,000)</u>	<u>-</u>
Net future income tax liability	<u>\$ -</u>	<u>\$ (2,705,000)</u>

The Company has available for deduction against future taxable income non-capital losses of approximately \$12,000,000. These losses, if not utilized, will expire through to 2030. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

During the year ended February 28, 2010, the Company renounced \$Nil (2009 - \$2,817,000) of property expenditures to flow through share subscribers resulting in a future income tax liability of \$Nil (2009 - \$866,500) recorded as a charge against capital stock.

**14. FINANCIAL INSTRUMENTS AND RISK**

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

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**14. FINANCIAL INSTRUMENTS AND RISK (cont'd...)**

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 394,679	\$ -	\$ -	\$ 394,679
Short-term investments	1,949,000	-	-	1,949,000
Marketable securities	-	861,062	-	861,062
<b>Total</b>	<b>\$ 2,343,679</b>	<b>\$ 861,062</b>	<b>\$ -</b>	<b>\$ 3,204,741</b>

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

(a) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States, Africa and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in the other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash and cash equivalents	50,060
Reclamation bonds	16,000
<u>Accounts payable and accrued liabilities</u>	<u>(33,603)</u>
<u>Net exposure</u>	<u>32,457</u>

Based on the above net exposure as at February 28, 2010, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

(b) Credit Risk

The Company's cash and short-term investments are mainly held through large Canadian financial institutions and at February 28, 2010 mostly consist of cash held in interest bearing accounts. Accordingly, credit risk is minimized. The Company's receivables are mainly GST recoverable from the Canadian government, interest receivable on short-term investments and an amount due from the sale of the Company's subsidiary, Tuscany. The long-term receivable is an amount due from the sale of exploration and mining rights and permits in Mali (Note 7), and is unsecured.

(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.

**14. FINANCIAL INSTRUMENTS AND RISK (cont'd...)**

(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.

(e) Market Risk

*Commodity Price risk*

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of uranium, gold and other base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

*Equity market risk*

The Company is exposed to equity price risk arising from marketable securities. Marketable securities are classified as held for trading. The Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities.

**15. SEGMENTED INFORMATION**

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

Geographic information is as follows:

	2010	2009
<b>Capital assets</b>		
Canada	\$ 19,279,544	\$ 42,628,503
United States	13,185,770	11,721,184
Europe	1,607,522	2,080,328
Africa	256,875	246,684
	<u>\$ 34,329,711</u>	<u>\$ 56,676,699</u>

**16. MANAGEMENT OF CAPITAL**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity. The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. As at February 28, 2010, the Company has sufficient capital to fund its exploration programs and to cover its administrative costs for the next twelve months.

**17. SUBSEQUENT EVENTS**

Subsequent to February 28, 2010, the Company:

- a) issued 608,663 units for total proceeds of \$334,765 pursuant to private placements. Each unit consists of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire one common share at \$0.75 for twenty four months;
- b) cancelled stock options enabling the holders to acquire up to 1,284,824 common shares at \$4.50 per share until June 10, 2013;
- c) granted stock options enabling the holders to acquire up to 2,100,000 common shares at \$0.55 per share until April 29, 2017; and
- d) entered into a formal Purchase Agreement (the "Agreement"), during the year ended February 28, 2010, with Strathmore Resources (US) Ltd. ("Strathmore"), a wholly owned subsidiary of Strathmore Minerals Corp. and American Uranium Corp. ("American") for the acquisition (the "Acquisition") of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the "Reno Creek Property" or the "Property") (Note 6).

Effective April 7, 2010, pursuant to a series of agreements, the Company completed the acquisition of the Reno Creek Property through the acquisition of AUC LLC, a limited liability company, in consideration for the aggregate payment of US\$20,000,000 to Strathmore, of which US\$17,500,000 was paid in cash and US\$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company. In consideration for an extensive historical database, rights to a previous permit and in exchange for American's consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US\$2,000,000, of which US\$1,000,000 was paid in cash and US\$1,000,000 was paid through the issuance of 1,833,455 common shares of the Company. All common shares of the Company issued to Strathmore and American have a four month hold period expiring August 8, 2010.

The Company executed an investment agreement dated April 7, 2010 pursuant to which Pacific Road Resources Funds ("PRRF"), a private mining equity investor, provided US\$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US\$20,000,000 investment into a special purpose entity ("Newco") which holds the Property through certain wholly-owned subsidiaries. PRRF holds a 76.92% interest in Newco and the Company holds a 23.08% interest in Newco. An administration fee of US\$700,000 and a finder's fee of \$1,000,000 (\$100,000 paid on closing with the balance payable on or before December 1, 2010) were payable in conjunction with this investment agreement. The Company and PRRF have entered into a shareholders' agreement in respect of Newco which will permit the Company to contribute additional amounts to Newco in order to achieve a 50% ownership interest. PRRF has the right to convert its investment in Newco into common shares of the Company. The shareholders' agreement also provides for equal representation on the board of Newco, subject to adjustment, as well as unanimous Newco shareholder approval for certain key decisions including annual work program and budgets for the Property.

In addition, the Company is the initial manager of the Property. The Company is to contribute additional amounts in stages totaling US\$14,000,000 in order to complete a feasibility study and to secure mining permits. Upon the Company making the \$14,000,000 cash contribution to Newco it will own a 50% interest in Newco. Upon PRRF converting its investment in Newco into common shares of the Company, the Company will then own a 100% interest in Newco and, thus, the Reno Creek Property.

# BAYSWATER URANIUM CORPORATION

## Management Discussion and Analysis

### Year Ended February 28, 2010

This discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at June 25, 2010 and should be read in conjunction with the audited consolidated financial statements for the years ended February 28, 2010 and 2009 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

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

### Description of Business

The Company is a natural resource company engaged in the acquisition and exploration, principally of uranium properties, with a secondary interest in gold and base metal properties. It holds uranium interests in large land holdings in Labrador, Nunavut and the Northwest Territories, as well as in properties in Saskatchewan, Canada; in concessions and concession applications in Niger, West Africa; in permits and permit applications in Mali, West Africa (sold during the year ended February 28, 2010 to Cascade Resources Ltd.); and owns interests, through its wholly-owned U.S. subsidiaries, Kilgore Gold Company and NCA Nuclear Inc., in several uranium properties in the western United States.

The Company also owns various gold, base metal and diamond interests. Through its subsidiary, Jadebay Limited, the Company owns an interest in two base metal prospecting licences in Ireland; and through its subsidiary, Kilgore Gold Company, the Company owns interests in three gold properties in Idaho (optioned to Otis Capital Corp. during the year ended February 28, 2009). The Company has also farmed out diamond interests in a portion of its uranium land holdings in the North Thelon Basin to Stornoway Diamond Corporation and, during the current year, the Company sold its wholly-owned Italian subsidiary, Tuscany Minerals s.r.l. (which owned interests in six gold permits in Italy), to Coltstar Ventures Inc.

*During the year ended February 28, 2010, the Company consolidated its share capital on the basis of 10 old shares for one new share. All common share, per share, option, and warrant amounts have been restated to reflect this consolidation.*

The Company trades on the TSX Venture Exchange (“TSX-V”) under the new symbol BYU (formerly BAY).

### ACQUISITION OF RENO CREEK PROJECT

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement (the “Agreement”) with Strathmore Resources (US) Ltd. (“Strathmore”), a wholly owned subsidiary of Strathmore Minerals Corp. (TSX-STM.V) and American Uranium Corp. (OTC:ACUC)(“American”) for the acquisition (the “Acquisition”) of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the “Reno Creek Property” or the “Property”).

Reno Creek is an advanced, near-surface uranium project at the permitting/feasibility stage located in the Powder River Basin in northeastern Wyoming, a well established uranium development region. The Project comprises NI 43-101 compliant resources of 10.96 million pounds of U3O8 at an average grade of 0.066% U3O8 measured and indicated and 4.73 million pounds of U3O8 at an average grade of 0.063% U3O8 inferred. In addition, Reno Creek contains approximately 8.41 million pounds of U3O8 in historical resources grading approximately 0.083% U3O8. The Project also has excellent potential to significantly increase resources through low-risk exploration. An extensive database, deep well injection permit and a disposal well are being acquired in conjunction with the resources.

The Reno Creek Project encompasses approximately 17,500 acres of claims and leases, including 563 unpatented mining claims, four Wyoming State mineral leases, four fee (private) mineral leases, and five surface access agreements. As the deposits at Reno Creek are considered to be highly amenable to In-Situ Recovery (ISR) production, and are located in close proximity to major infrastructure, power, and other operating ISR facilities, the Project economics appear to be very robust. The near-ideal geological characteristics of the uranium deposits which make the resources conducive to low-cost, minimal-impact ISR mining, combined with the benefits of nearby infrastructure within a highly favorable political jurisdiction for uranium mining, are among the chief reasons that the Reno Creek Project is one of the best undeveloped major uranium properties in the western United States as stated independently by Tom Pool, a leading US uranium industry mining engineer. These factors allow for a fairly predictable 5 year development schedule to production, a timeline the Company will aggressively pursue.

The Property was subject to a joint venture between Strathmore and American, whereby American holds the right to acquire up a 60% interest in the Reno Creek Property by expending US\$33,000,000 on the Reno Creek Property (the "Joint Venture"). As at February 28, 2010, American had not yet earned any interest in the Reno Creek Property. The Joint Venture will be terminated as part of the Acquisition.

As consideration, the Company was required to pay Strathmore US\$30,000,000 cash, and to pay American US\$1,000,000 cash and US\$1,000,000 in the Company's common shares. The transaction was subject to obtaining financing of at least US\$36,000,000 and receiving regulatory and shareholder approval. The Company obtained shareholder approval for the transaction, including any amendments, by special meeting held on November 16, 2009 and subsequently completed its due diligence on the project.

Subsequently, the Agreement was amended. The amended agreement required the Company to pay Strathmore US\$25,000,000 in cash and US\$6,000,000 in shares on an incremental basis over an approximate two year period ending December 31, 2011 in order to earn in the aggregate a 100% interest. The amended agreement also provided the Company, at its option, the right to defer some substantive incremental payments by taking the project to bankable feasibility by December 31, 2013 and paying Strathmore a further cash and share consideration payment in the aggregate totalling US\$20,000,000 in cash and US\$1,000,000 in shares for a 75% interest in the project. Upon the Company earning a 75% interest, Strathmore had the right, at its option, to either a 25% joint venture participating interest in the project or to a 5% gross production royalty which the Company had the right to buy-out in 1% increments for US\$2,000,000 payable ½ in cash and ½ in common shares of the Company. The terms with American Uranium remained the same as the original Agreement as stated above. The amended agreement was subject to obtaining financing of at least US\$7,000,000 and receiving regulatory approval.

Subsequent to the Agreement being amended, Strathmore received and accepted an unsolicited competing offer for the Reno Creek Property. To acquire a 100% interest, the competing bidder would have paid US\$17,500,000 cash, issued to Strathmore US\$2,500,000 in common shares of the competing bidder and granted a 5% gross production royalty which could be repurchased at any time for US\$2,000,000 (US\$1,000,000 cash and US\$1,000,000 in shares) per 1% of royalty reduction. The competing bidder would have also acquired American's interest on the same terms as its agreement with the Company. The competing offer was subject to satisfactory due diligence, shareholder approval and financing, with a closing to occur by March 30, 2010.

The Company subsequently exercised its right under the amended agreement and elected to meet the terms of the unsolicited competing offer for the Reno Creek property and, as a result, Strathmore, American and the Company entered into an amended formal purchase agreement, pursuant to the terms of which, Bayswater would acquire a 100% interest in the property in consideration of the payment of an aggregate of US\$20,000,000, of which US\$17,500,000 is payable in cash and US\$2,500,000 is payable through the issuance of common shares of the Company. In addition, the Company shall grant to Strathmore a 5% gross production royalty which the Company has the right to buy-out in 1% increments for US\$2,000,000 payable ½ in cash and ½ in common shares of the Company at any time prior to commencement of commercial production. A non-refundable deposit of US\$250,000 in cash was previously paid to Strathmore in conjunction with the signing of the original Agreement, which is credited against the purchase price, and an additional US\$250,000 non-refundable deposit was paid and is also credited against the purchase price, for an aggregate deposit of US\$500,000.

Effective April 7, 2010, the Company completed the acquisition of the Reno Creek Property through the acquisition of AUC LLC, a limited liability company, in consideration of the aggregate payment of US\$20,000,000 to Strathmore, of which US\$17,500,000 was paid in cash and US\$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company. In consideration for an extensive historical database, rights to a previous deep well injection permit and in exchange for American Uranium Corporation's ("American") consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US\$2,000,000, of which US\$1,000,000 was paid in cash and US\$1,000,000 was paid through the issuance of 1,833,455 common shares of the Company. All common shares of the Company issued to Strathmore and American have a four month hold period expiring August 8, 2010.

The Company executed an investment agreement dated April 7, 2010 pursuant to which the Pacific Road Resources Funds ("PRRF"), a private mining equity investor, provided US\$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US\$20,000,000 investment into a special purpose entity ("Newco") which holds the Property through certain wholly-owned subsidiaries. **PRRF holds a 76.92% interest in Newco and the Company holds a 23.08% interest in Newco.** An administration fee of US\$700,000 and a finder's fee of Cdn\$1,000,000 (\$100,000 paid on closing with the balance payable on or before December 1, 2010) were payable in conjunction with this investment agreement. The Company and PRRF have entered into a shareholders' agreement in respect of Newco which will permit the Company to contribute additional amounts to Newco in order to achieve a 50% ownership interest. PRRF has the right to convert its investment in Newco into common shares of the Company. The shareholders' agreement also provides for equal representation on the board of Newco, subject to adjustment, as well as unanimous Newco shareholder approval for certain key decisions including annual work programs and budgets for the Property.

In addition, the Company is the initial manager of the Property. While PRRF has funded the acquisition of the Property and jointly funded with the Company a \$4,000,000 working capital position in Newco for the first year's program, Bayswater is to contribute additional amounts in stages totaling US\$14,000,000 in order to complete a feasibility study and to secure mining permits. Upon the Company making the \$14,000,000 cash contribution to Newco it will own a 50% interest in Newco. Upon PRRF converting its investment in Newco into common shares of the Company, the Company will then own a 100% interest in Newco and, thus, the Reno Creek Property.

During the year ended February 28, 2010, the Company received a positive National Instrument 43-101-compliant prefeasibility study report (PFS) from TREC Inc. on the technical and economic feasibility of the Reno Creek uranium project in Wyoming. The report also verified the previous resource estimates as outlined above. Based on a central processing plant with a capacity for producing up to 2.0 million pounds U3O8 per year, the PFS indicated the project has potential robust economics with an IRR of 79% and a discounted NPV of US\$164 million. Cash operating costs were projected at US\$13.72 per pound

U3O8. The PFS also indicated a conservative five year timeline to production with potential for reducing the timeline based primarily on time spent to completion of permitting.

Also, during the year ended February 28, 2010, the Company added Mr. Philip Cavendor as Project Environmental Manager for the project.

The Company plans to complete baseline environmental and engineering studies and permitting of the project for planned production by 2015; and subsequent to February 28, 2010 and closing of the acquisition on April 7, 2010, the Company initiated such work and hired Leland Huffman as ISR Engineering & Operations Manager and Dan Dowers as Chief Geologist to complete our initial core management team for the Reno Creek Project.

The Reno Creek Project is now the Company's flagship project and our corporate goal is to put the property into production in the shortest time frame possible in order to maximize shareholder value.

### **Overall Performance**

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

- i) strategic land positions in the three most important uranium districts in Canada—including the Central Mineral Belt, Labrador, Thelon Basin, Nunavut and NWT and in Athabasca Basin, Saskatchewan, Canada (Land holdings have been reduced from 7.2 million acres originally to approximately 4.2 million acres in order to cover priority target areas—the largest cumulative land holding of any company in these three regions);
- ii) acquisition of uranium concessions and permits, and made application for additional concessions in Niger, West Africa; and
- iii) acquisition of numerous uranium properties in the western United States, including four with substantial combined historical resources (Not compliant with NI 43-101 and should not be relied upon.) of about 12.5 million lbs uranium.

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

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

Bayswater's second flagship project, next to Reno Creek, includes the Elkhorn project in northeast Wyoming, which was the focus of extensive drilling in 2008 and subsequent on-going compilation of an extensive drill hole database that has only recently become available; and the Alzada project in southeast

Montana, where the Company also proceeded with compilation of a large drill hole database in preparation of a drill plan and permitting. The Company plans to develop Elkhorn and Alzada in tandem because of their proximity to each other and the potential economic synergy of combined mining operations. Together, these two projects, prior to the current fiscal year ended February 28, 2010, comprise nearly 7.6 million pounds of  $U_3O_8$  in historical resources in roll front deposits which are not compliant with NI 43-101 standards and should not be relied upon; and, based on a report by SRK in 2007 on the Busfield deposit in the Elkhorn Project area, a NI 43-101 compliant indicated resource of 397,000 lbs of eU3O8 in 250,000 tons at an average grade of 0.08%, plus an inferred resource of 5000 lbs of eU3O8 in 3000 tons at an average grade of 0.08%. The Company anticipates that resources for the Elkhorn Project should significantly increase once its data compilation is complete, drill results have been fully evaluated from 2008 drilling and as historical resources are converted to compliant resources. The Elkhorn and Alzada projects are considered by management to have a combined potential for 20 – 30 million pounds  $U_3O_8$  that may be amenable to a combination of ISR and surface mining.

The Company's Mountain West uranium project in Nevada has an historical resource (non NI 43-101 compliant) comprising approximately 1.1 million pounds  $U_3O_8$  with an average grade of 0.153%  $U_3O_8$ . Further drilling is planned to confirm historical resources and evaluate the potential of the deposit. This deposit is believed to have good potential for expansion of the resource area. Drill permitting is in progress.

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

During the year ended February 28, 2009, the Company incurred exploration expenditures of approximately \$16,600,000, and during the year ended February 28, 2010, the Company incurred additional exploration expenditures totaling approximately \$1.68 million. Although most of these funds were spent on the Company's Canadian projects which resulted in significantly advancing all our projects with numerous favourable drill targets identified in all project areas and with completion of a major drilling program on our Anna Lake discovery in Labrador, significant funds were also spent on a large, shallow drill program on our Elkhorn project in Wyoming.

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement with Strathmore Resources (US) Ltd. ("Strathmore"), a wholly owned subsidiary of Strathmore Minerals Corp. (TSX-STM.V) and American Uranium Corp. (OTC:ACUC)("American") for the acquisition of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming. **(see Acquisition of Reno Creek Project section above).**

During the year ended February 28, 2010, the Company entered into an agreement with Ur-Energy Inc. to acquire a 75% interest in the Hauber Uranium Project in Crook County, Wyoming, which is in close proximity to the Company's Elkhorn project, and overall forms a part of this project. To earn its 75% interest, the Company must incur exploration expenditures totalling \$1,000,000 by December 1, 2013. The Company is the manager of the project.

The Hauber Uranium Project comprises approximately 5,160 acres, consisting of 205 federal lode mining claims totaling approximately 4,200 acres and one Wyoming State Uranium Lease of 960 acres. In addition, the Project includes a substantial database including logs, stratigraphy, assays and metallurgical information on up to 700 drill holes, plus a geologic study, a hydro-engineering report, an in-situ recovery (ISR) amenability report and an environmental due diligence report prepared by outside consultants.

The Hauber Project is located within five miles of portions of Bayswater's Elkhorn Project and represents a significant addition to Elkhorn's resource base. In addition, the Project is located very close to the

former Hauber Mine, previously operated by Homestake Mining Company (“Homestake”). Homestake produced 2,600,000 pounds of U<sub>3</sub>O<sub>8</sub> averaging 0.22% U<sub>3</sub>O<sub>8</sub> from the underground Hauber mine during the period 1958-1966, and explored adjacent areas of the northern Black Hills into the mid-1980s.

Homestake prepared historical estimates of the uranium contained within the Hauber Project, as currently held by Ur-Energy, at 1.2 million pounds U<sub>3</sub>O<sub>8</sub> which is not compliant with NI 43-101 standards and should not be relied upon.

During the year ended February 28, 2010, the Company completed the sale of its wholly-owned subsidiary, Tuscany Minerals S.r.l., to Coltstar Ventures Inc. (“Coltstar”). As consideration, Coltstar paid \$50,000, issued 1,000,000 common shares and is required to pay an additional \$200,000 in equal monthly installments (\$100,000 received) over a twelve month period.

Also during the year ended February 28, 2010, the Company sold to Cascade Resources Ltd (“Cascade”), a TSX listed company, 100% of its interest in uranium assets in Mali for the consideration of 1,000,000 shares, \$250,000 in cash pursuant to a promissory note due within 36 months of completion of the acquisition by Cascade and a 2.5% NSR on future production.

During the year ended February 28, 2010, the Company also carried out the following activities:

- i) Completed a digital compilation of its drill hole database on the Alzada project, Montana in reference to a revised drill plan to be prepared in order to confirm historical resources and expand the resource base of the property;
- ii) Made significant progress towards compiling a large drill hole database and in land consolidation with respect to its Elkhorn/Hauber project in Wyoming. As well, the Company released the results of an independent National Instrument (NI) 43-101 Technical Report for the Elkhorn Project, which included the area of the historical resource as stated above on the Hauber Project. The estimate shows an indicated resource of 1,950,000 pounds (at an average grade of 0.17% eU<sub>3</sub>O<sub>8</sub> in 562,000 tons) and an inferred resource of 570,000 pounds (at an average grade of 0.14% eU<sub>3</sub>O<sub>8</sub> in 199,000 tons);
- iii) On the Kilgore gold property, Idaho, Otis Gold Corp. (“Otis”), under an option/joint venture agreement with the Company, announced plans to carry out further drilling in 2009 and reported additional analysis of holes drilled in 2008 which included significant mineralized intercepts in areas of bulk tonnage potential and previously announced compliant NI 43-101 resources with the best intercept over 55.4 metres assaying 6.15 g/t gold.

During the latter part of calendar 2009, Otis released significant drill results consisting of both high-grade, underground and bulk-tonnage, open-pittable intercepts from the first seven assayed core holes of its then continuing 2009, 12-core hole, 3,100-metre drill program. Highlights of the seven drill holes include high-grade intercepts of 9.5 metres of 11.6 grams per tonne gold in hole 09 OKC-199 and 10.2 m of 9.8 g/t Au in 09 OKC-204, and bulk-tonnage intercepts of 84.8 m of 1.37 g/t Au in 09 OKC-197 and 95.6 m of 1.46 g/t Au in 09 OKC-204. All seven holes contain numerous intervals of anomalous gold mineralization, with many of the bulk-tonnage intercepts between 50 metres and 120 metres thick.

As a result, Otis believes that a strong possibility exists to increase the overall size, grade and economic viability of the Kilgore bulk-tonnage deposit.

Otis also released, prior to February 28, 2010, results of a magnetotelluric geophysical survey that identified five anomalous targets in Dog Bone Ridge area, southwest of the Kilgore gold deposit in the Mine Ridge area of which only three had been tested by historic drilling with all holes in these anomalous areas containing significant intercepts of gold mineralization. Otis reported plans to test these targets by further drilling in 2010 as part of a larger drill program on the property.

Subsequent to year end, Otis announced the results from the balance of the holes drilled in 2009. Highlights of this drilling include bulk-tonnage intercepts of 64.0 metres (m) of 1.89 grams per tonne gold (g/t Au) in hole 09 OKC-206 and 50.0 m of 1.02 g/t Au in hole 09 OKC-205, including high-grade intercepts of 7.7 m of 12.70 g/t Au in hole 09 OKC-206 and 3.0 m of 8.42 g/t Au in hole 09 OKC-205.

Also, subsequent to year end, Otis announced the commencement of a 6,000 meter 30-hole drill program to upgrade the current resource and test for possible resource expansions and to further test for offsets to previous higher grade intercepts in the area of the main deposit. Also, drill permitting of the Dog Bone Ridge area is in progress;

- iv) Released the results of an independent National Instrument (NI) 43-101 mineral resource estimate for its 100% owned Anna Lake deposit located in the Central mineral belt of Labrador. The Anna Lake estimate indicates an inferred resource of 4.91 million pounds of uranium oxide using a 0.030% U<sub>3</sub>O<sub>8</sub> cut-off (5.06 million tonnes averaging 0.044% U<sub>3</sub>O<sub>8</sub>). Also contained within this resource are 1.56 million pounds of molybdenum and 1.00 million grams of rhenium;
- v) Released the results of the 2009 exploration program on its Boiteau Lake uranium property located within the Central Mineral Belt of Labrador. A program of grid establishment, soil geochemistry, geological mapping, prospecting and ground geophysical surveying was carried out during the summer of 2009 along a 3.5-kilometre portion of a larger mineralized trend and associated structural corridor discovered during 2008.

The 2009 ground exploration program has confirmed the presence of a large and significant uranium mineralized system characterized by numerous bedrock uranium showings along an extensive structural corridor on the Boiteau Lake property. During the field program, four new bedrock mineralized zones were located within the gridded portion of a 12-kilometre-long favourable structural corridor cutting through the company's claims. Forty-five of 69 samples collected during the 2008/2009 programs have assayed above 0.10 U<sub>3</sub>O<sub>8</sub> with the best sample returning a value of 1.48 U<sub>3</sub>O<sub>8</sub>; and

- vi) CanAlaska Uranium announced a drilling program on the Collins Bay Extension property in the Athabasca Basin under option from Bayswater; whereby CanAlaska can earn a 51% interest by spending a minimum of \$4.0 million and issuing 500,000 shares to the Company. The program will test for extensions to a previous encouraging shallow drill hole intersection grading 0.152% U<sub>3</sub>O<sub>8</sub> over 4 meters.

## Future Plans and Outlook

Given current market conditions, the Company has significantly reduced overhead and project expenditures going forward with a realigned focus primarily on advancing the Reno Creek Project to feasibility and production in the shortest time frame possible and secondarily on acquisition of additional advanced uranium projects and on development of select early stage Canadian and United States projects through joint ventures. These measures will enable the Company to maintain operations and, at the same time, maintain its major property assets and its management team.

## Selected Annual Financial Information

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

	Year Ended February 28, 2010	Year Ended February 28, 2009	Year Ended February 29, 2008
Interest income	\$ 67,067	\$ 394,452	\$ 1,320,247
Loss for the year	(23,031,119)	(8,348,767)	(3,812,429)
Basic and diluted loss per share	(1.49)	(0.56)	(0.33)
Total assets	37,993,289	63,239,517	74,344,460
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

## Results of Operations

The Company recorded a loss of \$23,031,119 for the year ended February 28, 2010 compared to a loss of \$8,348,767 during the comparative year ended February 29, 2009. The increase in the loss from the prior comparative year was due mainly to the fact that, during the current year, the Company recorded a write-off of mineral property costs totaling \$24,075,862 (2009 - \$7,238,541), which was partially offset by a future income tax recovery of \$2,705,000. Excluding stock-based compensation, operating expenses were reduced significantly (2010 - \$1,723,895; 2009 - \$2,423,851) as a result of a planned 50% reduction in management and directors' fees commencing January 1, 2009, as well as from a significant decrease in professional fees and shareholder communication expense during the current year as a result of a planned lower level of operations. (See fourth quarter results within Fiscal 2010 section below).

## Quarterly Information

	Three Months Ended Feb 28, 2010	Three Months Ended Nov 30, 2009	Three Months Ended August 31, 2009	Three Months Ended May 31, 2009
Total assets	\$37,993,289	\$62,490,849	\$62,972,153	\$62,959,122
Mineral properties	33,376,284	57,244,192	56,866,731	56,375,413
Working capital	3,076,421	4,274,820	5,095,728	6,158,698
Loss for the period	(21,895,186)	(342,372)	(95,716)	(697,845)
Loss per share	(1.41)	(0.02)	(0.01)	(0.05)

	Three Months Ended Feb 28, 2009	Three Months Ended Nov 30, 2008	Three Months Ended August 31, 2008	Three Months Ended May 31, 2008
Total assets	\$63,239,517	\$69,921,050	\$71,278,613	\$73,874,014
Mineral properties	56,516,941	61,463,709	57,685,323	53,258,304
Working capital position (deficiency)	5,759,780	6,550,590	9,834,762	16,756,555
Loss for the period	(4,245,523)	(645,082)	(2,746,696)	(711,466)
Loss per share	(0.29)	(0.04)	(0.19)	(0.05)

### **Fiscal 2010**

From March 1, 2009 to February 28, 2010, total assets decreased by \$25,246,228. This was mainly due to the write-off of mineral properties (\$24,075,862) and funds being spent on operations (\$1,047,592). During the current year, the Company completed the sale of its wholly-owned subsidiaries, Tuscany Minerals S.r.l. and Northern Canadian Minerals Inc. Mali (discussed above).

The Company recorded a loss of \$21,895,186 during the quarter ended February 28, 2010, which was an increase of \$21,552,814 from the loss incurred in the previous quarter. The increase was due to the write-off of mineral properties totaling \$24,075,862 during the current quarter, which was partially offset by a future income tax recovery of \$2,808,000. During the three months ended November 30, 2009, the Company incurred a loss of \$342,372, which was an increase of \$246,656 compared to the loss for the previous quarter. The increase was due to the gain on the sale of mineral properties of \$290,958 recorded in the previous quarter. During the three months ended August 31, 2009, the Company incurred a loss of \$95,716, which was a decrease of \$602,129 from the previous quarter. The decrease was mainly due to incurring \$418,736 less of stock-based compensation expense and recording a gain on sale of mineral properties of \$290,958 during the current quarter compared to a loss of \$61,470 incurred in the previous quarter. This was partially offset by an unrealized loss on marketable securities of \$78,439 as opposed to the gain of \$139,175 recorded in the previous quarter. The loss for the quarter ended May 31, 2009 decreased by \$3,547,678 from the loss incurred during the quarter ended February 28, 2009. This was mostly due to decreases in mineral properties written off (\$5,612,755), stock-based compensation expense incurred (\$705,670), and other operating expenses (\$418,175). This was partially offset by a decrease in future income tax recovery \$3,131,000).

### **Fiscal 2009**

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

During the three months ended February 28, 2009, the Company incurred a loss of \$4,245,523 which was an increase of \$3,600,441 from the loss for the previous quarter. The increase was due mostly to mineral properties being written-off (\$5,612,755) and the recording of stock-based compensation (\$1,124,406), which were partially offset by an increase in future income tax recovery (\$3,028,000). During the three months ended November 30, 2008, the Company incurred a loss of \$645,082 which was a decrease of \$2,101,614 from the previous quarter. This was mainly due to decreases in write-off of mineral properties (\$1,606,086), unrealized loss on marketable securities (\$196,438) and stock-based compensation (\$134,370). The loss for the three months ended August 31, 2008 was \$2,035,230 higher than for the three months ended May 31, 2008. This was mainly due the write-off of mineral properties of \$1,615,936 during the quarter ended August 31, 2008. The loss for the three months ended May 31, 2008 was

\$151,475 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).

### **Liquidity and Capital Resources**

The Company commenced fiscal 2010 with working capital of approximately \$5,800,000 and cash and short-term investments of \$4,977,975. As at February 28, 2010, the Company had a working capital position of approximately \$3,100,000 and cash and short-term investments of \$2,343,679. Acquisition, exploration and administrative expenditures incurred during the year ended February 28, 2010 were primarily funded from cash and short-term investments on hand at February 28, 2009 and from proceeds from the sale of the Company's subsidiary, Tuscany, and from the sale of mineral assets in Mali. During the year ended February 28, 2010, the Company incurred net mineral property expenditures totaling approximately \$1,540,000.

For the year ending February 28, 2011, 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 remainder of the 2011 fiscal year. Bayswater's main source of financing is through issuances of equity.

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

### **Related party transactions**

During the year ended February 28, 2010, the Company:

- a) Paid or accrued \$48,000 (2009 - \$105,000) for management fees to a company controlled by the president of the Company and to a director.
- b) Paid or accrued \$45,000 (2009 - \$85,250) for directors' fees to directors of the Company.
- c) Paid or accrued \$12,000 (2009 - \$12,000) for rent to a company controlled by the president of the Company and \$Nil (2009 - \$17,500) for rent to a company owned by an officer of the Company.
- d) Paid or accrued \$15,000 (2009 - \$27,500) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$192,000 (2009 - \$343,000) for geological consulting fees included in deferred exploration costs to a director and to a company controlled by the president of the Company.

Included in accounts payable and accrued liabilities at February 28, 2010 is \$83,937 (2009 - \$30,392) owing to a company controlled by the president of the Company, to a company with a director in common and to directors, all relating to the above transactions.

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 (subsequently amended to December 31, 2011) and remuneration for each was originally \$20,000 per month (\$10,000 per month commencing January 1, 2009). If the Company terminates either agreement prior to December 31, 2011, the Company will be obligated to make a termination payment equal to twelve times the original monthly management fee.

## **Subsequent Events**

Subsequent to February 28, 2010, the Company:

- a) issued 608,663 units for total proceeds of \$334,765 pursuant to private placements. Each unit consists of one common share and one half of one share purchase warrant. One whole warrant enables the holder to acquire one common share at \$0.75 for twenty four months;
- b) cancelled stock options enabling the holders to acquire up to 1,284,824 common shares at \$4.50 per share until June 10, 2013;
- c) granted stock options enabling the holders to acquire up to 2,100,000 common shares at \$0.55 per share until April 29, 2010; and
- d) effective April 7, 2010, the Company completed its acquisition of the Reno Creek Property through the acquisition of AUC LLC, a limited liability company, in consideration of the aggregate payment of US\$20,000,000 to Strathmore, of which US\$17,500,000 was paid in cash and US\$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company. (see **Reno Creek Acquisition section above**).

## **New 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 is applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. The Company adopted the new standard for its fiscal year beginning March 1, 2009 and does not expect it to have a significant impact on the Company's financial statements.

*CICA Handbook Section 3862 – Financial instruments – disclosures*

This section was amended to require disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

**New accounting pronouncements effective for future periods**

*Business Combinations*

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

*International reporting standards*

In addition to the above new accounting standards, the Accounting Standards Board (“AcSB”), in 2006, published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be March 1, 2011 and 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.

**IFRS Changeover Plan Disclosure**

The Canadian Accounting Standards Board (AcSB) has announced its decision to replace Canadian generally accepted accounting principles (“GAAP”) with International Financial Reporting Standards (IFRS) for all Canadian Publicly Accountable Enterprises (“PAEs”). The effective changeover date is January 1, 2011, at which time Canadian GAAP will cease to apply and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim consolidated financial statements prepared under IFRS in the first quarter of fiscal 2011 including comparative IFRS financial results and an opening balance sheet as at March 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ending February 29, 2012 with restated comparatives for the year ending February 28, 2011.

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company’s first quarter; and, 3) Transition phase which will include the preparation of

an IFRS compliant opening balance sheet as at March 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

Management has completed phase one, IFRS Scoping phase, and is now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Company is still evaluating which option exemptions it should elect under IFRS 1.

Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

In the period leading up to the changeover in 2011, the AcSB has ongoing projects and intends to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company's consolidated financial statements can only be measured once all the IFRS accounting standards at the conversion date are known. Management will continue to review new standards, as well as the impact of the new accounting standards, between now and the conversion date to ensure all relevant changes are addressed.

#### IFRS 2 – Share Based Payments;

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transaction with only a few differences. Starting Q1 2011, the Company is moving from 'straight line' to 'graded' vesting for the recognition of stock-based compensation expense. A greater portion of expense is recorded in the initial vesting periods compared to distributing the expense equally over all vesting period.

#### IAS 36 – Impairment of Assets;

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

## 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.

## Financial Instruments and risk

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

Financial instruments measured at fair value on the balance sheet are summarized in levels of fair value hierarchy as follows:

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 394,679	\$ -	\$ -	\$ 394,679
Short-term investments	1,949,000	-	-	1,949,000
Marketable securities	-	861,062	-	861,062
<b>Total</b>	<b>\$ 2,343,679</b>	<b>\$ 861,062</b>	<b>\$ -</b>	<b>\$ 3,204,741</b>

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

(a) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States, Africa and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in the other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash and cash equivalents	50,060
Reclamation bonds	16,000
Accounts payable and accrued liabilities	(33,603)
Net exposure	32,457

Based on the above net exposure as at February 28, 2010, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

(b) Credit Risk

The Company's cash and short-term investments are mainly held through large Canadian financial institutions and at February 28, 2010 mostly consist of cash held in interest bearing accounts. Accordingly, credit risk is minimized. The Company's receivables are mainly GST recoverable from the Canadian government, interest receivable on short-term investments and an amount due from the sale of the Company's subsidiary, Tuscany. The long-term receivable is an amount due from the sale of exploration and mining rights and permits in Mali.

(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.

(e) Market Risk

*Commodity Price risk*

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of uranium, gold and other base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

*Equity market risk*

The Company is exposed to equity price risk arising from marketable securities. Marketable securities are classified as held for trading. The Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities.

### **Outstanding Share Data**

*During the year ended February 28, 2010, the Company consolidated its share capital on the basis of 10 old shares for one new share. All common share, per share, option, and warrant amounts have been restated to reflect this consolidation.*

As at June 25, 2010, there were 22,301,298 common shares issued and outstanding. There were also 2,100,000 stock options outstanding to directors, officers and consultants with an exercise price of \$0.55 per share which expire on April 29, 2017 and 41,375 stock options with an exercise price of \$4.50 per share which expire on June 10, 2013. In addition, 304,332 warrants were outstanding, which expire from April 6 to April 14, 2012 and have an exercise price of \$0.75 per share.