

**BAYSWATER URANIUM CORPORATION**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MAY 31, 2009**

**(Unaudited – Prepared by management)**

These unaudited interim consolidated financial statements of Bayswater Uranium Corporation for the three months ended May 31, 2009 have been prepared by management and approved by the Board of Directors. These interim consolidated financial statements have not been reviewed by the Company's external auditors.

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

	May 31, 2009	February 28, 2009 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 245,431	\$ 342,222
Short-term investments	4,649,500	4,635,753
Marketable securities (Note 4)	835,084	445,909
Receivables	241,176	307,163
Prepays and deposits	<u>352,305</u>	<u>324,067</u>
	6,323,496	6,055,114
<b>Equipment</b> (Note 5)	151,945	159,758
<b>Reclamation bonds</b>	17,785	324,494
<b>Exploration advances</b>	90,483	183,210
<b>Mineral properties</b> (Note 6)	<u>56,375,413</u>	<u>56,516,941</u>
	<u>\$ 62,959,122</u>	<u>\$ 63,239,517</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 164,798	\$ 295,334
<b>Future income tax liability</b>	<u>2,808,000</u>	<u>2,705,000</u>
	<u>2,972,798</u>	<u>3,000,334</u>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	68,805,491	68,779,241
Contributed surplus (Note 7)	15,773,577	15,354,841
Deficit	<u>(24,592,744)</u>	<u>(23,894,899)</u>
	<u>59,986,324</u>	<u>60,239,183</u>
	<u>\$ 62,959,122</u>	<u>\$ 63,239,517</u>

**Nature of operations** (Note 1)

**Commitments** (Note 11)

**Subsequent events** (Note 15)

**On behalf of the Board:**

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

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

**BAYSWATER URANIUM CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**  
Three Months Ended May 31  
(Unaudited)

	2009	2008
<b>EXPENSES</b>		
Administration	\$ 5,340	\$ 11,440
Amortization	9,215	16,131
Consulting fees	33,149	31,563
Directors' fees	9,375	18,750
Investor relations	38,939	45,245
Management fees (Note 9)	12,000	36,000
Office and miscellaneous	61,534	77,628
Professional fees	61,244	171,633
Property investigation costs	13,599	56,846
Rent	27,603	31,716
Shareholder communications	16,496	73,530
Stock-based compensation (Note 8)	418,736	134,123
Transfer agent and filing fees	7,566	16,292
Travel and related costs	4,465	18,973
	<u>(719,261)</u>	<u>(739,870)</u>
<b>OTHER ITEMS</b>		
Foreign exchange gain (loss)	24,772	2,850
Interest income	21,939	173,925
Recovery of costs	-	132,080
Unrealized gain (loss) on marketable securities (Note 4)	139,175	(655,951)
Loss on sale of subsidiary (Note 6)	(61,470)	-
	<u>124,416</u>	<u>(347,096)</u>
<b>Loss before income taxes</b>	(594,845)	(1,086,966)
<b>Future income tax (expense) recovery</b>	<u>(103,000)</u>	<u>375,500</u>
<b>Loss and comprehensive loss for the period</b>	(697,845)	(711,466)
<b>Deficit, beginning of period</b>	<u>(23,894,899)</u>	<u>(15,546,132)</u>
<b>Deficit, end of period</b>	<u>\$ (24,592,744)</u>	<u>\$ (16,257,598)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
<b>Weighted average number of common shares outstanding</b>	154,189,681	144,808,633

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

**BAYSWATER URANIUM CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Three Months Ended May 31  
(Unaudited)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (697,845)	\$ (711,466)
Items not affecting cash:		
Amortization	9,215	16,131
Shares issued for services	-	10,625
Stock-based compensation	418,736	134,123
Recovery of costs	-	(132,080)
Unrealized (gain) loss on marketable securities	(139,175)	655,951
Loss on sale of subsidiary	61,470	-
Future income tax expense (recovery)	103,000	(375,500)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	115,730	(109,256)
(Increase) decrease in prepaids and deposits	(28,238)	(42,480)
Increase (decrease) in accounts payable and accrued liabilities	<u>(55,811)</u>	<u>16,328</u>
Net cash used in operating activities	<u>(212,918)</u>	<u>(537,624)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short-term investments	(13,747)	7,951,054
Equipment	(1,402)	(22,680)
Mineral property expenditures	(417,307)	(6,790,943)
Mineral property recoveries	150,257	428,881
Exploration advances	12,743	90,965
Proceeds on sale of subsidiary, net of expenses	52,624	-
(Purchase) recovery of reclamation bonds	<u>306,709</u>	<u>-</u>
Net cash used in investing activities	<u>89,877</u>	<u>1,657,277</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock issued	<u>26,250</u>	<u>37,971</u>
Net cash provided by financing activities	<u>26,250</u>	<u>37,971</u>
<b>Change in cash during the period</b>	(96,791)	1,157,624
<b>Cash, beginning of period</b>	<u>342,222</u>	<u>157,467</u>
<b>Cash, end of period</b>	<u>\$ 245,431</u>	<u>\$ 1,315,091</u>

**Supplemental disclosure with respect to cash flows** (Note 10)

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

**1. NATURE OF OPERATIONS**

Bayswater Uranium Corporation and its wholly-owned subsidiaries (“Bayswater” or the “Company”) are engaged in the 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 and is considered to be in the development stage.

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

**2. BASIS OF PRESENTATION**

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three month period ended May 31, 2009 are not necessarily indicative of the results that may be expected for the year ending February 28, 2010. These interim consolidated financial statements follow the same accounting policies as the annual financial statements except as disclosed in Note 3. Accordingly, these interim consolidated financial statements should be read in conjunction with the 2009 annual financial statements and notes thereto.

**3. 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 does not expect it to have a significant impact on the Company’s financial statements.

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

*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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MAY 31, 2009**  
(Unaudited)

**4. MARKETABLE SECURITIES**

As at May 31, 2009, marketable securities consist of shares in publicly traded companies with an initial cost of \$1,945,040 (February 28, 2009 - \$1,695,040) and a fair value of \$835,084 (February 28, 2009 - \$445,909), which resulted in an unrealized gain on marketable securities of \$139,175 being recorded in the results of operations.

**5. EQUIPMENT**

	May 31, 2009			February 28, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 14,394	\$ 12,109	\$ 2,285	\$ 14,417	\$ 12,022	\$ 2,395
Computer equipment	133,104	60,999	72,105	131,702	56,143	75,559
Exploration equipment	120,914	45,199	75,715	120,914	41,374	79,540
Leasehold improvements	<u>10,191</u>	<u>8,351</u>	<u>1,840</u>	<u>10,191</u>	<u>7,927</u>	<u>2,264</u>
	\$ 278,603	\$ 126,658	\$ 151,945	\$ 277,224	\$ 117,466	\$ 159,758

**BAYSWATER URANIUM CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. MINERAL PROPERTIES**

<b>Three Months Ended May 31, 2009</b>	CMB Labrador Claims	Thelon Basin Projects	Athabasca Basin, Saskatchewan	Collins Bay Property, Saskatchewan	Mali and Niger, West Africa	USA Properties	Ireland Properties	Italy Properties	Total
<b>Acquisition costs</b>									
Balance, beginning of period	\$ 1,595,714	\$ 2,735,054	\$ 618,640	\$ 3,803,210	\$ 125,075	\$ 5,485,207	\$ 600,000	\$ 194,743	\$ 15,157,643
Additions	3,000	-	-	-	-	-	-	-	3,000
Recoveries	-	-	-	-	-	-	-	-	-
Disposed of during the period	-	-	-	-	-	-	-	(194,743)	(194,743)
Balance, end of period	<u>1,598,714</u>	<u>2,735,054</u>	<u>618,640</u>	<u>3,803,210</u>	<u>125,075</u>	<u>5,485,207</u>	<u>600,000</u>	<u>-</u>	<u>14,965,900</u>
<b>Deferred exploration costs</b>									
Balance, beginning of period	<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>996,217</u>	<u>289,367</u>	<u>41,359,297</u>
Analytical	1,009	-	-	-	-	-	-	-	1,009
Camp costs	4,950	-	-	-	-	-	-	-	4,950
Community relations	980	-	-	-	-	-	-	-	980
Compilation	6,892	95	-	3,070	225	3,962	-	-	14,244
Environmental	-	-	-	-	-	11,316	-	-	11,316
Equipment	5,245	140	-	-	-	-	-	-	5,385
Field administration	2,056	537	-	-	-	-	3,268	-	5,861
Geological consulting	55,361	41,855	23,500	16,258	1,350	51,173	172	-	189,669
Property maintenance	-	9,819	-	25	-	90,404	-	-	100,248
Travel and related	-	3,140	-	-	-	2,781	-	-	5,921
	<u>76,493</u>	<u>55,586</u>	<u>23,500</u>	<u>19,353</u>	<u>1,575</u>	<u>159,636</u>	<u>3,440</u>	<u>-</u>	<u>339,583</u>
<b>Disposed of during the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,367)</u>	<u>(289,367)</u>
Balance, end of period	<u>17,291,606</u>	<u>9,075,000</u>	<u>3,494,488</u>	<u>4,096,374</u>	<u>123,184</u>	<u>6,329,204</u>	<u>999,657</u>	<u>-</u>	<u>41,409,513</u>
<b>Total, end of period</b>	<u>\$ 18,890,320</u>	<u>\$ 11,810,054</u>	<u>\$ 4,113,128</u>	<u>\$ 7,899,584</u>	<u>\$ 248,259</u>	<u>\$ 11,814,411</u>	<u>\$ 1,599,657</u>	<u>\$ -</u>	<u>\$ 56,375,413</u>

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**6. 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>	<b>\$ 18,810,827</b>	<b>\$ 11,754,468</b>	<b>\$ 4,089,628</b>	<b>\$ 7,880,231</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 246,684</b>	<b>\$ 11,654,775</b>	<b>\$ 2,080,328</b>	<b>\$ 56,516,941</b>

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

**Title to mineral properties**

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

***Uranium properties***

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

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

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

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

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

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

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

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

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

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

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

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

**Thelon Basin Projects**

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

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

The Company entered into an agreement, dated April 13, 2006, with Yukon 37999 Inc. to acquire a 100% interest in certain uranium claims in the South Thelon area of the NWT. As consideration, the Company paid cash of \$102,903 and issued 108,858 common shares valued at \$95,432. A NSR of 2% on metals and a gross overriding royalty ("GOR") of 2% on diamonds will be payable on each of the claims. The Company retains the right to purchase one-half of the royalties (1.0%) at any time for \$2,000,000.

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

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

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

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

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

**Canada Uranium Joint Venture**

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

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

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

**Athabasca Basin Projects**

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

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

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

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

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

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

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

**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.

**Wisker Valley Property, Newfoundland, Canada**

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

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

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

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

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

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

**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) the Company holds a 100% interest in several uranium properties located in the states of Montana, Wyoming, California and Nevada, USA.
- b) the Company holds a 100% interest in two uranium state leases in Wyoming, and entered into a surface and mineral lease agreement on lands in Carter County, Montana (the "Schlosser Lease"). Under the surface and mineral lease agreement, the Company is responsible for payment of production royalties at rates of between 1% and 3% based on gross value of mineral materials sold and for making certain minimum annual royalties payable in advance. Annual advance minimum royalty payments made by the Company shall be applied as a credit against production royalties. The first annual advance minimum royalty payment, being \$10,000, was due and paid on November 1, 2005, and increases on each anniversary date thereafter to a maximum of US\$100,000 by the 14<sup>th</sup> anniversary date. The annual minimum royalty payment will also increase upon commercial production of mineral materials from the lease. The primary term of the lease is for twenty years, and with a consecutive secondary term thereafter that begins on the twentieth (20<sup>th</sup>) anniversary, unless terminated sooner.
- c) the Company holds a 100% interest in additional claims staked in Nevada and acquired a 100% interest in certain uranium state leases in Wyoming.
- d) pursuant to a data base purchase agreement, the Company agreed to pay an NSR of 0.25% on uranium production from certain mineral lands within Carter County, Montana and Crook County, Wyoming and to pay a bonus of US\$100,000 in the event a uranium mine is constructed in the same region.
- e) the Company holds a 100% interest in additional staked claims in Montana and Wyoming; and entered into a surface and mineral lease agreement on land in Carter County, Montana (the "Cochrane Lease"). Under the surface and mineral lease agreement, the Company is responsible for an upfront payment of US\$25,000, and payment of production royalties at rates of between 2% and 5% based on net value realized from sale of minerals, and subject to certain minimum annual royalties payable in advance. Advance annual minimum royalty payment made by the Company shall be applied as a credit against production royalties. The advance annual minimum royalty is US\$3 per acre during the primary term, increasing to US\$6 per acre on the tenth (10<sup>th</sup>) anniversary date. The primary term of the lease is for ten years, and with a consecutive secondary term thereafter that begins on the tenth (10<sup>th</sup>) anniversary date, unless sooner terminated.
- f) the Company holds a database on the Mountain West Property in Elko county, Nevada. The database was acquired for an initial cash payment of US\$50,000, with a further cash payment of US\$100,000 to be made when the Company receives a Nevada mine permit. The acquisition agreement also includes the grant of a right of first offer to UG USA, Inc., under which the Company has entered into an agreement for the sale of uranium concentrates to UG USA, Inc. The right of first offer applies to the first one million pounds of uranium concentrate production from the Mountain West Property, at a 1% discount to the prevailing spot price of uranium. In addition, during the year ended February 28, 2009, the Company acquired a 100% interest in certain unpatented mineral claims adjacent to the Mountain West Property by issuing 200,000 common shares.

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

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

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

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

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

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

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

- c) Mali Properties: NCA incorporated a Mali subsidiary under the name Northern Canadian Minerals Inc. Mali for the purpose of applying for and holding mineral rights in Mali. By an Establishment Agreement dated April 2, 2007 with the Government of the Republic of Mali, NCA acquired exclusive exploration and mining rights for uranium for a term of 30 years on the Samit Property in northeastern Mali; and by an exploration permit dated June 23, 2008, obtained the right to carry out certain exploration programs over the first three years of the permit term, commencing June 23, 2008. The Company is obligated to complete work commitments in the first three years to maintain the land comprising the equivalent of about US\$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 prorated 10% participating interest.

**6. 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...)

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

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

Subsequent to May 31, 2009, the Company entered into an agreement to sell all of its interest in uranium assets in Mali (Note 15(b)).

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

**Niger Concessions**

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

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

Pursuant to a change to the mining code in Niger, approved by Parliament effective November 1, 2006, both Longview and the Company reapplied for uranium concessions in the aggregate comprising 16 concessions in two blocks (reduced to eight concessions in two blocks, during the 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.

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.

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

*Gold and base metal properties*

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

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

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

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

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

- i. Payment of US\$100,000 in cash (received) and the issuance of 500,000 common shares (received) upon the TSX-V acceptance of this transaction;
- ii. Payment of US\$100,000 in cash (subsequently received) and the issuance of 400,000 common shares and incurring US\$250,000 in exploration expenditures in year one;
- iii. Issuance of 400,000 common shares and incurring US\$350,000 in exploration expenditures in year two;
- iv. Issuance of 400,000 common shares and incurring US\$500,000 in exploration expenditures in year three;
- v. Issuance of 400,000 common shares and incurring US\$900,000 in exploration expenditures in year four; and
- vi. Issuance of 400,000 common shares and incurring US\$1,000,000 in exploration expenditures in year five.

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

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

**Tuscany Gold Project, Italy**

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

During the three months ended May 31, 2009, 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 \$60,000) per license, annually.

Exploration expenditures in the amount of €37,500 (approximately CDN \$60,000) per prospecting license and filing of corresponding report has been completed as required, pursuant to a recent drill program, in order to maintain and renew the licenses for a two year period to June 10, 2010.

**7. 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	144,010,776	\$ 68,233,203	\$ 13,945,484
Private placement	7,500,000	750,000	-
Finders' fees	637,500	41,438	-
Share issue costs	-	( 50,752)	9,314
Exercise of stock options	111,680	37,972	-
Reclassification of contributed surplus on the exercise of stock options	-	24,928	(24,928)
Mineral properties	1,816,286	598,327	-
Promotional services	25,000	10,625	-
Adjustment	(12)	-	-
Stock-based compensation	-	-	1,424,971
Future income taxes on the renunciation of flow through expenditures	-	(866,500)	-
	<u>154,101,230</u>	<u>68,779,241</u>	<u>15,354,841</u>
Balance, February 28, 2009	154,101,230	68,779,241	15,354,841
Exercise of warrants	262,500	26,250	-
Stock-based compensation	-	-	418,736
	<u>154,363,730</u>	<u>\$ 68,805,491</u>	<u>\$ 15,773,577</u>

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

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

**8. STOCK OPTIONS AND WARRANTS**

**Stock options**

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

As at May 31, 2009, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
58,800	\$ 0.34	March 22, 2010
<u>13,311,990</u>	0.45	June 11, 2013
<u>13,370,790</u>		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 29, 2008	13,934,260	\$ 1.14
Options granted	13,834,490	0.45
Options exercised	( 111,680)	0.34
Options cancelled/expired	<u>(13,763,780)</u>	1.15
Balance, February 28, 2009	13,893,290	0.45
Options cancelled/expired	<u>(522,500)</u>	0.45
Balance, May 31, 2009	13,370,790	\$ 0.45
Number of options currently exercisable	10,042,792	\$ 0.45

**Warrants**

As at May 31, 2009, the Company had outstanding share purchase warrants and broker warrants enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,750,000	\$ 0.20	May 11, 2010
<u>262,500</u>	0.10	May 11, 2010
<u>4,012,500</u>		

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

**Warrants (cont'd...)**

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
As at February 29, 2008	18,175,139	\$	1.53
Issued	4,275,000		0.19
Expired	<u>(18,175,139)</u>		1.53
As at February 28, 2009	4,275,000		0.19
Exercised	<u>(262,500)</u>		0.10
As at May 31, 2009	4,012,500	\$	0.19

**Stock-based compensation**

For the three months ended May 31, 2009, the Company recorded \$418,736 (2008 - \$134,123) as stock-based compensation expense for options vesting in the period, with an offset to contributed surplus.

No stock options were granted during the three month periods ended May 31, 2009 and 2008.

**9. RELATED PARTY TRANSACTIONS**

During the three months ended May 31, 2009, the Company:

- a) Paid or accrued \$12,000 (2008 - \$36,000) for management and consulting fees to a company controlled by the president of the Company and to a director.
- b) Paid or accrued \$9,375 (2008 - \$18,750) for directors' fees to directors of the Company.
- c) Paid or accrued \$3,000 (2008 - \$3,000) for rent to a company controlled by the president of the Company and \$Nil (2008 - \$5,250) for rent to a company with a director in common and to a company owned by an officer of the Company.
- d) Paid or accrued \$3,750 (2008 - \$7,500) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$48,000 (2008 - \$92,000) for management 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 May 31, 2009 is \$13,250 (February 28, 2009 - \$18,750) 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.

**10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

	May 31, 2009	May 31, 2008
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

The significant non-cash investing and financing transactions during the three months ended May 31, 2009 included:

- a) receiving 1,000,000 common shares of a publicly listed company valued at \$250,000 pursuant to the sale of Tuscany;
- b) accruing \$200,000 of sales proceeds pursuant to the sale of Tuscany in receivables as at May 31, 2009; and
- c) accruing \$57,267 of mineral property expenditures in accounts payable and accrued liabilities as at May 31, 2009.

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

- a) issuing 1,351,286 common shares valued at \$546,077 for mineral property acquisitions;
- b) issuing 25,000 common shares valued at \$10,625 pursuant to an agreement for promotional services; and
- c) accruing \$1,952,876 of mineral property expenditures in accounts payable and accrued liabilities as at May 31, 2008.

**11. COMMITMENTS**

During the year ended February 29, 2008, the Company entered into management services agreements with the Company's President and its Chief Operating Officer. Both contracts are effective from January 1, 2008 to December 31, 2009 and remuneration was \$20,000 per month (reduced to \$10,000 per month effective January 1, 2009) (Notes 9 (a) and 9 (e)). 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.

**12. FINANCIAL INSTRUMENTS AND RISK**

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

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

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

(a) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States, Africa, Italy and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in the other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At May 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash and cash equivalents	133,783
Reclamation bonds	16,000
Accounts payable and accrued liabilities	(15,507)
Net exposure	134,276

Based on the above net exposure as at May 31, 2009, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

(b) Credit Risk

The Company's cash and short-term investments are mainly held through large Canadian financial institutions and at May 31, 2009 are mainly cash held in high interest bearing accounts. Accordingly, credit risk is minimized. The Company's receivables are mainly GST recoverable from the Canadian government and other amounts due from provincial governments.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital resources as outlined in Note 14.

(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.

**13. SEGMENTED INFORMATION**

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

Geographic information is as follows:

	May 31, 2009	February 28, 2009
<b>Capital assets</b>		
Canada	\$ 42,800,311	\$ 42,628,503
United States	11,879,131	11,721,184
Europe	1,599,657	2,080,328
Mali and Niger, West Africa	248,259	246,684
	<u>\$ 56,527,358</u>	<u>\$ 56,676,699</u>

**14. MANAGEMENT OF CAPITAL**

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

**15. SUBSEQUENT EVENTS**

Subsequent to May 31, 2009, the Company:

- a) 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 over five years and by issuing 500,000 shares 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.
- b) entered into an agreement with Cascade Resources Ltd ("Cascade"), a TSX listed company, to sell all 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; and the requirement to spend \$200,000 on the Samit license, Mali by December 31, 2009 on a commercially best efforts basis subject to TSX approval.
- c) entered into a quitclaim deed indenture with Running Fox Resource Corp. in order to exchange and assign certain mineral claims in connection with its New Mexico uranium acreage. Most of the swapped claims were either adjoining or overlapping each company's respective landholdings.
- d) cancelled 50,000 stock options with an exercise price of \$0.45 and an expiry date of June 11, 2013.

# **BAYSWATER URANIUM CORPORATION**

## **Management Discussion and Analysis**

### **Three Months Ended May 31, 2009**

This discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at July 27, 2009 and should be read in conjunction with the unaudited interim consolidated financial statements for the three months ended May 31, 2009 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, as a result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Accordingly, readers are referred to the February 28, 2009 annual audited consolidated financial statements of Bayswater and the accompanying notes. 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; 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 quarter, the Company sold its wholly-owned Italian subsidiary, Tuscany Minerals s.r.l. (which owns interests in six gold permits in Italy), to Coltstar Ventures Inc.

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

#### **Overall Performance**

The Company, since late in 2005 to 2007, entered into a series of corporate transactions, including property acquisitions, amalgamations with other junior uranium explorers and joint ventures, and directly acquired 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 4.5 million acres as at May 31, 2009 in order to cover priority target areas—the largest cumulative land holding of any company in these three regions);

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

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

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

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

Bayswater's flagship projects include the Elkhorn project in northeast Wyoming, which has been the focus of recent extensive drilling and subsequent on-going compilation of an extensive drill hole database that has only recently become available; and the Alzada project in southeast Montana, where the Company is nearing completion of compilation of a large drill hole database in preparation of a drill plan and permitting. The Company plans to develop Elkhorn and Alzada in tandem because of their proximity to each other and the potential economic synergy of combined mining operations. Together the two projects currently comprise nearly 8 million pounds of  $U_3O_8$  in historical resources which are not compliant with NI 43-101 standards. The Company anticipates that this number will significantly increase once its data compilation at Elkhorn is complete as additional historical resources are present on its mineral lands that were not previously known to be documented. The Elkhorn and Alzada projects are considered to have a combined potential for 20 – 30 million pounds  $U_3O_8$  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 29, 2009, the Company incurred exploration expenditures of approximately \$16.6 million and during the three months ended May 31, 2009, the Company incurred additional exploration expenditures totaling approximately \$0.4 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 three months ended May 31, 2009, 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 (\$50,000 received) over a twelve month period.

During the three months ended May 31, 2009, 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; and
- iii) On the Kilgore gold property, Idaho, Otis Capital, under an option/joint venture agreement with the Company, announced plans to carry out further drilling in 2009.

Subsequent to May 31, 2009, other activities have taken place as outlined in the Subsequent Events section below.

### **Future Plans and Outlook**

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

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

### **Results of Operations**

The Company recorded a loss of \$697,845 for the three months ended May 31, 2009 ("current period") compared to a loss of \$711,466 during the comparative three months ended May 31, 2008 ("comparative period"). The decrease in the loss from the comparative period was due mainly to a significant decrease in operating expenses (2009 - \$300,525; 2008 - \$605,747), excluding stock-based compensation expense of \$418,736 (2008 - \$134,123). This decrease resulted from 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 period as a result of a planned lower level of operations. Other significant differences included the recognition of an unrealized gain on marketable securities during the current period of \$139,175 (2008 – loss of \$655,951), lower interest income of \$21,939 (2008 - \$173,925) as a result of lower interest rates and a decrease in short-term investments during the current period and future income tax expense of \$103,000 (2008 – recovery of \$375,500).

### Quarterly Information

	Three Months Ended May 31, 2009	Three Months Ended Feb 28, 2009	Three Months Ended Nov 30, 2008	Three Months Ended August 31, 2008
Total assets	\$62,959,122	\$63,239,517	\$69,921,050	\$71,278,613
Mineral properties and deferred costs	56,375,413	56,516,941	61,463,709	57,685,323
Working capital	6,158,698	5,759,780	6,550,590	9,834,762
Net income (loss) for the period	(697,845)	(4,245,523)	(645,082)	(2,746,696)
Net income (loss) per share	(0.01)	(0.03)	(0.01)	(0.02)

  

	Three Months Ended May 31, 2008	Three Months Ended Feb 29, 2008	Three Months Ended Nov 30, 2007	Three Months Ended Aug 31, 2007
Total assets	\$73,874,014	\$74,344,460	\$69,456,741	\$69,516,365
Mineral properties and deferred costs	53,258,304	46,367,905	37,519,848	32,227,850
Working capital position (deficiency)	16,756,555	23,920,707	29,594,655	33,426,137
Net income (loss) for the period	(711,466)	(559,991)	(839,017)	230,056
Loss per share	(0.01)	(0.00)	(0.01)	0.00

### Fiscal 2010

Total assets decreased by \$280,395 from March 1 to May 31, 2009. This was mainly due to funds being spent on operations (\$212,918). In addition, the Company completed the sale of its wholly-owned subsidiary, Tuscany Minerals S.r.l., to Coltstar (discussed above).

### 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).

### Fiscal 2008

Total assets increased by \$4,887,719 from November 30, 2007 to February 29, 2008. This was due mainly to the acquisition of NCA. Net loss for the quarter ended February 29, 2008 was \$279,026 lower than for the quarter ended November 30, 2007. This was due to the recording of an income tax recovery of \$2,816,000, which was partially offset by increases in stock-based compensation expense on granting of stock options and the write-off of mineral properties, during the quarter. During the quarter ended February 29, 2008, stock-based compensation expense was \$958,464 as compared to \$67,857 in the prior quarter. Write-off of mineral properties was \$1,724,838 as compared to \$Nil during the prior quarter. At November 30 and August 31, 2007, total assets were similar. However, the loss for the quarter ended November 30, 2007 was \$839,017 compared to net income of \$230,056 for the quarter ended August 31, 2007. This was mainly due to a much larger gain on the sale of marketable securities and the recording of a future income tax recovery during the quarter ended August 31, 2007. Total assets at August 31, 2007 increased from May 31, 2007 due mainly to the amalgamation with Kilgore. The net income recorded during the quarter ended August 31, 2007 differed significantly from the loss for the previous quarter due to the reduction in stock-based compensation expense recorded.

### **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 May 31, 2009, the Company had a working capital position of approximately \$6,200,000 and cash and short-term investments of \$4,894,931. Acquisition, exploration and administrative expenditures incurred during the three months ended May 31, 2009 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. During the three months ended May 31, 2009, the Company incurred net mineral property expenditures totaling approximately \$267,000.

For the year ending February 28, 2010, Bayswater anticipates incurring exploration and property maintenance expenditures on each of the Company's held projects. The Company has sufficient working capital to sustain operations for the remainder of the 2010 fiscal year. Bayswater's main source of financing is through issuances of equity.

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

### **Related party transactions**

During the three months ended May 31, 2009, the Company:

- a) Paid or accrued \$12,000 (2008 - \$36,000) for management and consulting fees to a company controlled by the president of the Company and to a director.
- b) Paid or accrued \$9,375 (2008 - \$18,750) for directors' fees to directors of the Company.
- c) Paid or accrued \$3,000 (2008 - \$3,000) for rent to a company controlled by the president of the Company and \$Nil (2008 - \$5,250) for rent to a company with a director in common and a company owned by an officer of the Company.
- d) Paid or accrued \$3,750 (2008 - \$7,500) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$48,000 (2008 - \$92,000) for management 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 May 31, 2009 is \$13,250 (February 28, 2009 - \$18,750) 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 and remuneration for each was \$20,000 per month (\$10,000 per month commencing January 1, 2009). If the Company terminates either agreement prior to December 31, 2009, the Company will be obligated to make a termination payment equal to twelve times the original monthly management fee.

### **New accounting policies**

*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.

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

#### **Subsequent events**

Subsequent to May 31, 2009, the Company:

- a) 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 over five years and by issuing 500,000 of its common shares 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 common shares to the Company.
- b) entered into an agreement with Cascade Resources Ltd. ("Cascade"), a TSX-V listed company, to sell all 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; and the requirement to spend \$200,000 on the Samit license, Mali by December 31, 2009 on a commercially best efforts basis subject to TSX approval.
- c) entered into a quitclaim deed indenture with Running Fox Resource Corp. in order to exchange and assign certain mineral claims in connection with its New Mexico uranium acreage. Most of the swapped claims were either adjoining or overlapping each company's respective landholdings.
- d) cancelled 50,000 stock options with an exercise price of \$0.45 and an expiry date of June 11, 2013.

## **Risks and Uncertainties**

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

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

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

## **Outstanding Share Data**

As at July 27, 2009, there were 154,363,730 common shares issued and outstanding. There were also 13,320,790 stock options outstanding to directors, officers and consultants with exercise prices ranging between \$0.34 and \$0.45 per share and which expire between March 22, 2010, and June 11, 2013. In addition, 4,012,500 warrants were outstanding, which expire on May 11, 2010 and have exercise prices ranging between \$0.10 and \$0.20 per share.