

# **BAYSWATER URANIUM CORPORATION**

## **Management Discussion and Analysis**

### **Six Months Ended August 31, 2011**

This discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at October 28, 2011 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended August 31, 2011 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Company’s transition date to IFRS was March 1, 2010. The rules for first-time adoption of IFRS are set out in IFRS 1, “First-time adoption of International Financial Reporting Standards”. In preparing the Company’s first IFRS financial statements, these transition rules have been applied to the amounts previously reported in accordance with Canadian generally accepted accounting principles (“GAAP”). Historical results and balances have been restated under IFRS. Those unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s 2011 GAAP annual consolidated financial statements, and in consideration of the disclosure regarding the transition from Canadian GAAP to IFRS included in Note 15 to the condensed interim consolidated financial statements. Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS are not included in the condensed interim consolidated financial statements nor in the Company’s most current annual GAAP financial statements. 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 of uranium properties with a secondary interest in base metal properties. During the year ended February 28, 2011, the Company completed the acquisition of the Reno Creek uranium property, located in northeastern Wyoming (see Investment in Reno Creek Property below). The Company holds additional uranium interests in the western United States, Saskatchewan, Labrador, Nunavut and the Northwest Territories. The Company also owns various base metal and diamond interests.

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

### **INVESTMENT IN RENO CREEK PROPERTY**

The Reno Creek Property, located in Wyoming, is 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.

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement as amended (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 U<sub>3</sub>O<sub>8</sub> in 8,268,872 tons at an average grade of 0.066% U<sub>3</sub>O<sub>8</sub> measured and indicated and 4.73 million pounds of U<sub>3</sub>O<sub>8</sub> in 3,796,930 tons at an average grade of 0.063% U<sub>3</sub>O<sub>8</sub> inferred as documented in separate reports filed on Sedar on the Reno Creek and Southwest Reno Creek Uranium Properties dated January 30, 2009 by Charles D. Snow, P.G. In addition, Reno Creek contains historical resources of approximately 8.41 million pounds of U<sub>3</sub>O<sub>8</sub> in 5,066,265 tons grading approximately 0.083% U<sub>3</sub>O<sub>8</sub> (Pathfinder Resources, 1980; Rocky Mountain Energy, 1986). 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 were 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 five year development schedule to production, a timeline the Company will aggressively pursue.

Effective April 7, 2010, the acquisition of the Reno Creek Property was completed through the acquisition of AUC LLC ("AUC"), 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 valued at \$2,502,150. In consideration for an extensive historical database, rights to a previous deep well injection 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.

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, Reno Creek Holdings Inc., ("RCHI") (formerly referred to as "Newco"), which holds the Property indirectly through AUC. On closing of the transaction, PRRF held a 76.92% interest in RCHI and the Company held a 23.08% interest in RCHI. The Company's cost of its 23.08% interest totaled \$8,250,678, which included an establishment fee of US\$700,000 (originally payable on or before December 1, 2010 and subsequently amended to be paid upon, or prior to, the next capital contribution to RCHI by the Company and bearing interest at the rate of prime plus 15% per annum) and a finder's fee of US\$1,000,000, both payable in conjunction with this investment agreement. The Company and PRRF have entered into a shareholders' agreement in respect of RCHI which permits the Company to contribute additional amounts to RCHI in order to achieve a 50% ownership interest. PRRF has the right to convert its investment in RCHI into common shares of the Company, subject to shareholder approval (obtained during the year ended February 28, 2011), at any time up to six months following the latter of completion

of a feasibility study and mine permitting, but not later than five years from April 7, 2010 provided certain conditions are met. The shareholders' agreement also provides for equal representation on the board of RCHI, subject to adjustment, as well as unanimous RCHI shareholder approval for certain key decisions including annual work programs and budgets for 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 AUC for the first year's program in 2010, Bayswater was 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 US\$14,000,000 cash contribution to RCHI, it would have owned a 50% interest in RCHI. Upon PRRF converting its investment in RCHI into common shares of the Company, the Company would then own a 100% interest in RCHI and, thus, the Reno Creek Property.

Pursuant to the investment agreement and shareholders agreement dated April 7, 2010 (the "Agreements") involving PRRF, the Company was obliged to fund AUC, which directly holds the Reno Creek Uranium Project, with US\$7,000,000 and pay certain fees to PRRF on or before December 1, 2010. Such funding and payment of fees did not occur. On January 5, 2011, PRRF and the Company entered into an amending agreement in respect of the Agreements whereby PRRF funded the first quarter of the 2011 AUC budget in the amount of US\$1,750,000 and, as a result, the interest held by the Company in RCHI was reduced to 21.29% from 23.08% with a maximum interest the Company could earn in RCHI having been reduced from 50.0% to 45.13%. The remaining balance of the 2011 AUC budget, being US\$5,250,000 plus certain fees (and accrued interest thereon), was due before March 1, 2011. The Company was unable to secure such funding before March 1, 2011. As a result, PRRF funded the balance of \$5,250,000 and, as of March 1, 2011, the interest held by Bayswater in RCHI was reduced to 17.27% from 21.29% with a maximum interest the Company may now earn in RCHI having been reduced from 45.13% to 31.14%. The Company may increase its interest in RCHI to the maximum level of 31.14% by contributing US\$7.0 million to RCHI and by paying certain fees and interest charges to PRRF on or before the time of the setting of the next AUC budget, currently anticipated to be December 1, 2011.

Pursuant to the Agreements as amended, PRRF continues to be entitled to convert its investment in RCHI into common shares of the Company at any time up to six months following the later of completion of a feasibility study or receipt of all requisite mining permits, but in any event PRRF shall convert its investment not later than within five years of acquisition of the Property, provided certain conditions are met. On conversion, PRRF's investment in RCHI will be converted into common shares of the Company, pursuant to prescribed formulas as previously described in the Company's news release dated March 3, 2010. Upon conversion of PRRF, Bayswater will own a 100% interest in RCHI which indirectly holds the Reno Creek property.

For operational efficiencies, employees, consultants and contractors of NCA Nuclear Inc., a wholly-owned subsidiary of Bayswater, who have been working on the Reno Creek Project, have been transferred over to AUC, the limited liability company that owns the Project and of which the only shareholders are PRRF and Bayswater, effective January 1, 2011. Jim Viellenave, President of AUC, acts as Project Manager on the Reno Creek Project and continues as the General Manager—US Operations for Bayswater. Bayswater has assembled a highly effective and experienced management team for Reno Creek that will now operate directly within AUC and report to the board of AUC, which currently has two representatives from each of PRRF and Bayswater, with PRRF holding a majority interest in AUC through RCHI.

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. The PFS financial parameters as stated were determined using U3O8 selling prices ranging from US\$63.00 per pound in the first year of production increasing to US\$72.50 in the sixth year of production. Such prices were based on UxC annual price projections (2009).

AUC plans to complete baseline environmental and engineering studies and permitting of the project for planned production by 2015 or earlier.

AUC is in the process of completing during 2011 i) an approximate 350-hole drilling program of the Southwest Reno Creek deposit in order to further evaluate mineralized areas and ii) environmental baseline studies which were commenced in 2010. AUC is also in preparation of permit applications. The drilling program includes a combination of confirmation and extension drilling in selected portions of the project—including areas of new mineralization encountered in the 2010 program, plus coring of the host sandstones in resource areas for metallurgical and engineering testing to support the applications for permits to the NRC and WDEQ. During 2011, AUC will also develop plans to commence drilling and environmental baseline activities in its Pine Tree trend located within the Reno Creek property which has significant historical resources as previously stated in news releases dated October 5, 2009 and April 7, 2010. Bayswater and PRRF, our investment partner in Reno Creek, have agreed to a budget of approximately \$7.6 million, which is fully funded, for the 2011 project.

Bayswater announced in a news release dated June 8, 2011 a project update with respect to the 2011 program as outlined below.

AUC, operator of the Reno Creek Uranium Project, has made significant progress on its 2011 delineation drilling program and environmental baseline studies at Reno Creek located in Campbell County, Wyoming. In addition, AUC continues to be on schedule to submit its applications to the National Regulatory Commission (“NRC”) for a Source Materials License and to the Wyoming Department of Environmental Quality (“WDEQ”) for a Permit to Mine uranium at the Reno Creek site. Following are the highlights of the extensive ongoing program.

AUC has completed the first 67 holes of the planned 2011 350-hole drilling program and, in addition, AUC is on schedule to complete environmental baseline studies in 2011. The drilling program includes a combination of confirmation and step-out drilling in the southwestern portions of the project area plus coring of the host sandstones for metallurgical and engineering testing to support the applications for permits to the NRC and WDEQ.

Sixty-seven holes have been completed, including three core holes and two re-entries of historical holes, for a total of approximately 24,000 feet at SW Reno Creek. The historical holes were cleaned out to total depth previously drilled, re-logged, and then plugged and reclaimed in accordance with WDEQ regulations. The re-entries are designed to verify historical data, and to assess the condition of historical drill hole plugging activities. The current logging of these two holes compared favorably to and confirmed the historical data. Both holes were found to be sealed throughout the entire saturated section, thus maintaining the hydrologic seal through the full reach of the overlying aquitard. Results of sub-regional hydrologic pumping tests conducted early this year in the same area of these historic boreholes also confirmed the hydraulic continuity of the effective overlying aquitard seal.

Highlights from the first 67 holes drilled during 2011, are as follows:

- Drilling confirmed the results of previous historical drilling in two holes;

- Drilling identified additional mineralization along extensions of known resources by stepping out from the historical edge of open areas of mineralization that could potentially add to the resource base for the project; and
- Drilling defined significant uranium intercepts utilizing cutoff grades of greater than or equal to 0.03% eU3O8 and grade-thickness values of 0.30 as highlighted in the table below from the first 67 holes drilled. .

**LISTING OF INTERCEPTS GRADING 0.02% eU3O8 or HIGHER  
2011 DRILLING PROGRAM as of June 8, 2011  
Drilling in Southwest Reno Creek Area**

Hole ID	Depth to Intercept Top (feet)	Intercept Thickness (feet)	Grade (% eU3O8)	Intercept GT	SUM of Intercept GTs
RC0001	312.0	7.5	0.030	0.225	0.278
	358.5	2.5	0.021	0.053	
RC0004	260.0	1.5	0.023	0.035	0.035
<b>RC0006</b>	<b>330.0</b>	<b>16.0</b>	<b>0.049</b>	<b>0.784</b>	<b>0.874</b>
	349.0	4.5	0.020	0.090	
<b>RC0001C</b>	229.5	4.5	0.024	0.108	2.086
	<b>236.5</b>	<b>20.5</b>	<b>0.027</b>	<b>0.554</b>	
	<b>329.0</b>	<b>16.0</b>	<b>0.089</b>	<b>1.424</b>	
<b>RC0002C</b>	<b>328.0</b>	<b>24.5</b>	<b>0.117</b>	<b>2.867</b>	<b>2.867</b>
<b>RC0006C</b>	<b>342.5</b>	<b>16.0</b>	<b>0.042</b>	<b>0.672</b>	<b>0.672</b>
RC0011	245.0	5.5	0.026	0.143	0.143
RC0012	236.0	6.5	0.020	0.130	0.130
<b>RC0014</b>	264.0	4.0	0.021	0.084	0.570
	<b>327.0</b>	<b>7.5</b>	<b>0.048</b>	<b>0.360</b>	
	346.0	3.0	0.042	0.126	
<b>RC0015</b>	213.0	12.5	0.021	0.263	0.688
	<b>318.5</b>	<b>12.5</b>	<b>0.034</b>	<b>0.425</b>	
RC0017	220.0	8.0	0.021	0.168	0.324
	321.5	6.5	0.024	0.156	
RC0018	316.0	7.5	0.030	0.225	
<b>RC0019</b>	<b>236.5</b>	<b>22.0</b>	<b>0.030</b>	<b>0.660</b>	<b>1.956</b>
<b>RC0019</b>	<b>330.0</b>	<b>18.0</b>	<b>0.072</b>	<b>1.296</b>	
<b>RC0020</b>	<b>316.0</b>	<b>18.5</b>	<b>0.130</b>	<b>2.405</b>	<b>2.405</b>
	360.5	2.5	0.040	0.100	
RC0029	352.5	3.0	0.026	0.078	0.078
RC0033	229.0	8.0	0.024	0.192	0.242
	250.5	2.5	0.020	0.050	
<b>RC0034</b>	<b>245.5</b>	<b>3.5</b>	<b>0.153</b>	<b>0.536</b>	<b>0.656</b>
	331.0	6.0	0.020	0.120	
<b>RC0035</b>	<b>237.0</b>	<b>7.0</b>	<b>0.057</b>	<b>0.399</b>	<b>0.399</b>
RC0036	328.5	4.0	0.035	0.140	0.242

	338.0	3.5	0.029	0.102	
RC0037	326.0	5.0	0.023	0.115	0.115
<b>RC0038</b>	<b>334.0</b>	<b>10.0</b>	<b>0.043</b>	<b>0.430</b>	<b>0.430</b>
<b>RC0039</b>	<b>327.5</b>	<b>14.5</b>	<b>0.031</b>	<b>0.450</b>	<b>0.450</b>
RC0040	354.5	4.0	0.037	0.148	0.148
<b>RC0041</b>	<b>321.0</b>	<b>17.5</b>	<b>0.031</b>	<b>0.543</b>	<b>0.778</b>
	345.5	5.0	0.047	0.235	
<b>RC0042</b>	<b>336.5</b>	<b>12.0</b>	<b>0.059</b>	<b>0.708</b>	<b>0.773</b>
	349.5	2.5	0.026	0.065	
RC0043	355.5	3.5	0.066	0.231	0.231
<b>RC0045</b>	<b>340.5</b>	<b>14.0</b>	<b>0.043</b>	<b>0.602</b>	<b>0.602</b>
<b>RC0046</b>	<b>331.0</b>	<b>18.5</b>	<b>0.029</b>	<b>0.537</b>	<b>0.537</b>
<b>RC0047</b>	<b>316.0</b>	<b>13.5</b>	<b>0.049</b>	<b>0.662</b>	<b>0.662</b>
RC0049	318.5	8.5	0.021	0.179	0.179
<b>RC0051</b>	228.5	8.0	0.032	0.256	1.065
	<b>323.5</b>	<b>14.0</b>	<b>0.040</b>	<b>0.560</b>	
	344.5	3.0	0.083	0.249	
<b>RC0052</b>	<b>226.5</b>	<b>23.0</b>	<b>0.056</b>	<b>1.288</b>	<b>1.586</b>
	318.0	8.0	0.030	0.240	
	330.0	2.5	0.023	0.058	
RC0053	330.5	7.5	0.036	0.270	0.270
RC0054	252.0	3.0	0.021	0.063	0.063
RC0055	255.5	8.5	0.024	0.204	0.204
RC0057	244.5	8.0	0.028	0.224	0.314
	259.5	4.5	0.020	0.090	
RC0058	360.0	3.0	0.026	0.078	0.173
	364.5	3.5	0.027	0.095	
14W360166	279.0	1.5	0.025	0.038	0.038
<b>RC0061</b>	265.5	3.0	0.023	0.069	0.620
	360.0	4.5	0.029	0.131	
	<b>367.0</b>	<b>7.0</b>	<b>0.060</b>	<b>0.420</b>	
RC0062	340.0	8.0	0.030	0.240	0.360
	362.0	5.0	0.024	0.120	
<b>RC0064</b>	<b>338.5</b>	<b>8.5</b>	<b>0.050</b>	<b>0.425</b>	<b>0.425</b>
<b>RC0065</b>	<b>345.5</b>	<b>23.5</b>	<b>0.029</b>	<b>0.682</b>	<b>0.682</b>

In addition, AUC's 2011 environmental baseline studies have resulted in the following important preliminary findings that relate directly to amenability of the Reno Creek Project to ISR mining:

- Delineation drill hole and monitoring well data confirmed that the mineralized sandstone horizon is physically confined above and below by a low permeability shale or mudstone across the entire project area.
- A second pump test has been successfully completed. The data from the first two pump tests document that the hydrologic conditions such as permeability and transmissivity are within the normal operating ranges exhibited at existing commercial ISR production facilities in Wyoming.

In addition, the data document that there is no hydrologic communication between the mineralized sandstone and the underlying and overlying aquifers in the area of the pump testing. This finding also confirms that there is no evidence of hydrologic leakage or communication through historical drill holes.

During February and May of 2011, AUC successfully completed its second and third quarterly meetings with the Nuclear Regulatory Commission (NRC) and the Wyoming Department of Environmental Quality (WDEQ), respectively, to provide an update on the progress of activities, discuss ongoing findings of the baseline studies, and affirm that the baseline program continues to meet the needs of both agencies for their review of future permit applications.

The Company also announced in a news release dated October 3, 2011 a further project update in regards the 2011 program at Reno Creek as outlined below.

AUC has completed an additional 171 holes of its 350 hole delineation drilling program at the Reno Creek project located in Campbell County, Wyoming. In addition, AUC has now determined that baseline environmental work has progressed sufficiently so that permit applications may be submitted early in the 1<sup>st</sup> quarter of calendar 2012 to the National Regulatory Commission (“NRC”) for a Source Materials License and to the Wyoming Department of Environmental Quality (“WDEQ”) for a Permit to Mine uranium at the Reno Creek site.

Highlights of the 171 hole drilling program in the Southwest Reno Creek portion of the Reno Creek deposit are as follows:

- Drilling confirmed historical mineralization, both in extent and grade, over all portions of SW Reno Creek drilled to date.
- Delineation and step-out holes identified additional mineralization beyond known resources in the SW Reno Creek area, which has not yet been added to the resource base for the project.
- Drilling defined significant uranium intercepts utilizing cutoff grades of greater than or equal to 0.03% eU<sub>3</sub>O<sub>8</sub> and grade-thickness values of greater than or equal to 0.30. Drill holes intercepts that either meet or exceed the cutoff, as stated, are summarized in the table below.
- The best hole intersected 19.0 feet grading 0.409% eU<sub>3</sub>O<sub>8</sub> for a grade/thickness (“GT”) interval of 7.8.

AUC has now completed a total of 238 holes for a total of 96,000 feet of drilling on the Southwest Reno Creek deposit in 2011, including 7 core holes and 2 re-entries of historical holes. The drilling program includes a combination of confirmation and step-out drilling plus coring of the host sandstones for metallurgical and engineering testing to support the applications for permits to the NRC and WDEQ.

AUC also completed metallurgical tests from the first three of its core holes in the Southwest Reno Creek deposit. Tests were conducted on a variety of grades of uranium mineralization, ranging from 0.022% to 0.245% eU<sub>3</sub>O<sub>8</sub>. Each test simulated approximately 30 pore volumes of treatment. The initial results indicate uranium recoveries ranging from 78%-93%. The core was also tested for permeability in order to assess amenability for In-Situ Recovery (“ISR”). The permeability in the three core samples ranged from 1350 to 3100 millidarcies which is well within the range for other uranium ISR operations under on-going permitting or recently permitted for production in Wyoming or otherwise currently producing in Wyoming and neighbouring states.

**SUMMARY OF INTERCEPTS GRADING  $\geq 0.03\%$  eU3O8 WITH GT's  $\geq 0.30$   
 2011 DRILLING PROGRAM between May 20 and September 13, 2011  
 Drilling in Southwest Reno Creek Area**

Hole ID	Depth to Intercept Top (feet)	Intercept Thickness (feet)	Grade (% eU3O8)	Intercept GT (feet%eU3O8)
RC0071	340.0	7.0	0.048	0.336
RC0072	342.5	10.0	0.054	0.540
RC0074	362.5	4.5	0.072	0.324
RC0075	340.5	20.5	0.043	0.882
RC0076	328.5	11.5	0.032	0.368
RC0076	340.5	10.5	0.058	0.609
RC0077	245.5	8.0	0.049	0.392
RC0079	247.5	5.0	0.239	1.195
RC0079	334.5	11.5	0.145	1.668
RC0086	365.0	11.5	0.065	0.748
RC0098	404.5	7.0	0.092	0.644
RC0101	372.0	11.0	0.238	2.618
RC0105	348.5	16.5	0.063	1.040
RC0106	345.5	3.0	0.121	0.363
RC0108	334.5	9.0	0.071	0.639
RC0109	233.0	16.0	0.051	0.816
RC0110	324.5	7.0	0.043	0.301
RC0111	227.0	28.5	0.048	1.368
RC0112	332.5	19.0	0.409	7.771
RC0123	296.0	17.5	0.031	0.543
RC0127	353.0	12.0	0.042	0.504
RC0128	245.0	11.0	0.048	0.528
RC0131	360.5	6.0	0.051	0.306
RC0142	336.5	11.5	0.068	0.782
RC0144	231.5	15.5	0.042	0.651
RC0146	346.5	13.5	0.041	0.554
RC0149	381.0	21.5	0.033	0.710
RC0156	323.5	7.5	0.070	0.525
RC0161	262.0	8.5	0.035	0.298
RC0161	330.5	10.5	0.054	0.567
RC0162	331.5	11.0	0.057	0.627
RC0164	233.0	26.5	0.035	0.928
RC0164	333.5	19.5	0.071	1.385
RC0165	328.5	4.0	0.086	0.344
RC0165	343.5	11.0	0.047	0.517
RC0166	325.5	19.5	0.075	1.463
RC0167	331.5	9.0	0.095	0.855
RC0169	339.0	7.0	0.063	0.441



RC0173	222.5	25.5	0.039	0.995
RC0174	220.0	24.5	0.040	0.980
RC0175	225.5	26.5	0.036	0.954
RC0176	304.0	18.5	0.042	0.777
RC0178	244.0	10.0	0.043	0.430
RC0178	321.0	11.5	0.070	0.805
RC0179	235.0	12.0	0.051	0.612
RC0179	337.5	10.0	0.032	0.320
RC0182	281.5	21.5	0.030	0.645
RC0183	282.5	28.5	0.046	1.311
RC0183	313.0	20.0	0.042	0.840
RC0184	293.0	9.5	0.034	0.323
RC0184	315.0	10.5	0.059	0.620
RC0185	275.0	21.0	0.042	0.882
RC0185	300.5	7.5	0.051	0.383
RC0187	285.5	19.0	0.083	1.577
RC0188	289.0	9.5	0.043	0.409
RC0188	308.0	9.5	0.034	0.323
RC0190	266.0	19.5	0.035	0.683
RC0192	276.5	12.5	0.034	0.425
RC0198	308.0	9.5	0.081	0.770
RC0199	272.5	20.5	0.032	0.656
RC0205	218.0	22.5	0.048	1.080
RC0205	242.5	13.0	0.080	1.040
RC0205	261.5	15.0	0.031	0.465
RC0209	311.5	12.0	0.033	0.396
RC0214	292.5	17.0	0.040	0.680
RC0215	304.5	12.0	0.039	0.468
RC0218	322.5	8.5	0.153	1.301
RC0219	307.0	11.0	0.038	0.418
RC0222	296.0	15.0	0.078	1.170
RC0224	277.5	13.5	0.052	0.702
RC0225	277.5	15.0	0.084	1.260
RC0225	295.5	15.0	0.058	0.870
RC0226	269.0	21.0	0.068	1.428
RC0227	299.5	10.0	0.030	0.300
RC0227	333.5	13.5	0.056	0.756
RC0228	276.5	13.5	0.039	0.527
RC0229	296.5	22.5	0.051	1.148
RC0230	310.0	14.0	0.043	0.602
RC0233	281.5	17.0	0.060	1.020
RC0237	276.0	21.0	0.042	0.882
RC0238	210.0	27.5	0.043	1.183

Interim positive results from AUC's environmental baseline studies have been communicated during quarterly meetings to the NRC and the WDEQ, including the following:

- The mineralized Production Zone sandstone horizon is physically confined above and below by a low permeability shale or mudstone across the entire project area. Detailed core testing of these mudstone aquitards has revealed very low permeability ranging from 0.0005 to 0.0009 millidarcies.
- The third pump test (of four total) has been successfully completed. The data from the three pump tests document that the hydrologic conditions such as permeability and transmissivity are within the normal operating ranges exhibited at existing commercial ISR production facilities in Wyoming and neighbouring states as well as for projects under on-going permitting or recently permitted for production in Wyoming. In addition, no hydrologic communication between the mineralized sandstone and the underlying and overlying aquifers in the area of the pump testing has been detected. This finding also confirms that there is no evidence of hydrologic leakage or communication through historical drill holes.

AUC has scheduled a pre-submission document audit by the NRC to review the draft Technical and Environmental Reports and conduct a field tour during the third week of November, 2011. On the basis of comments by the NRC, AUC will finalize the two documents in preparation for submission. AUC plans to then submit its applications to the NRC and the WDEQ early in the 1<sup>st</sup> quarter of calendar 2012.

Upon completion of data collection, compilation and analysis for baseline studies, AUC intends to assemble and submit its applications to the NRC and the WDEQ. AUC has carefully studied both the evolving permitting processes and the experiences of Ur-Energy (TSX: [URE](#)), Uranium One (TSX: [UUU](#)), Uranerz (AMEX: [URZ](#)), and Powertech (TSX: [PWE](#)) over the past four years, including a detailed review of all of the Requests for Additional Information (RAI) issued by the NRC and WDEQ and the Environmental Impact Statements for each project. Now that licenses and permits are being granted by the agencies, it is possible to use this information and AUC's own detailed discussions with the NRC and WDEQ respective staff to assure that its application documents contain the required information. AUC anticipates that this effort could improve the efficiency of agency review and could substantially reduce the time required for receipt of permits. Bayswater's previously announced schedule anticipated that AUC would be in a position to commence a feasibility study in early 2013 with construction development to follow once completed and be in production by 2015. AUC now believes that all phases of the Project, including the permitting time-line, may be shortened.

Future obligations associated with the Reno Creek Property consist of payments pursuant to maintaining mineral claims and various underlying mineral lease, surface access and property option agreements. The Company's 17.27% share of these future payments totals US\$193,940.

## **Overall Performance**

During the six months ended August 31, 2011, the Company also carried out the following activities:

- i) The Company sold its interest in all concessions in Niger to Cascade Resources Inc. ("Cascade"), subject to regulatory approval; however, during the period ending May 31, 2011, Cascade advised the Company that it had declined to close the transaction and, as a result of this and the financial obligations to maintain the concessions, the Company terminated its interest in the concessions. The Niger holdings are early stage exploration targets that do not fit with current corporate goals to focus on advance uranium projects.
- ii) Acquired by staking strategic ground covering a potential extension to the Company's Anna Lake uranium deposit, Labrador.

## 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.

## Results of Operations

The Company recorded a loss of \$1,124,473 for the six months ended August 31, 2011 compared to a loss of \$2,314,048 during the comparative period ended August 31, 2010. The decrease in loss of \$1,189,575 was mostly due to the recording of less stock-based compensation (2011 - \$29,176; 2010 - \$535,558) and write-off of mineral properties (2011 - \$Nil; 2010 - \$1,132,406) during the current period. These decreases were partially offset by the increase in the combined unrealized/realized loss on marketable securities (2011 - \$708,937; 2010 - \$97,820) during the six months ended August 31, 2011.

The Company recorded a loss of \$490,713 for the three months ended August 31, 2011 compared to a loss of \$1,593,741 during the comparative period ended August 31, 2010. The decrease in loss of \$1,103,028 was mostly due to the recording of less stock-based compensation (2011 - \$Nil; 2010 - \$133,970) and write-off of mineral properties (2011 - \$Nil; 2010 - \$1,132,406) during the current period. These decreases were partially offset by the increase in the combined unrealized/realized loss on marketable securities (2011 - \$296,689; 2010 - \$41,847) during the three months ended August 31, 2011.

## Quarterly Information

	Three Months Ended Aug 31, 2011	Three Months Ended May 31, 2011	Three Months Ended Feb 28, 2011	Three Months Ended Nov 30, 2010
Total assets	\$32,723,619	\$33,283,783	\$34,466,298	\$41,629,713
Mineral properties	31,018,140	30,865,290	30,722,861	40,071,137
Working capital (deficiency)	(111,462)	190,473	720,858	(1,186,877)
Loss for the period	(490,713)	(633,760)	(7,225,640)	(547,884)
Loss per share	(0.02)	(0.03)	(0.32)	(0.02)

	Three Months Ended Aug 31, 2010	Three Months Ended May 31, 2010	Three Months Ended Feb 28, 2010	Three Months Ended Nov 30, 2009
Total assets	\$41,944,205	\$43,322,681	\$37,993,289	\$62,490,849
Mineral properties	39,948,020	40,738,297	33,376,284	57,244,192
Working capital (deficiency)	(634,655)	60,804	3,076,421	4,274,820
Loss for the period	(1,593,741)	(720,307)	(21,895,186)	(342,372)
Loss per share	(0.07)	(0.04)	(1.41)	(0.02)

## **Basis of preparation**

The quarters ended May 31, 2010 through August 31, 2011 have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting” using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). Quarterly information prior to the three months ended May 31, 2010 was prepared using Canadian GAAP.

## **Fiscal 2012**

From March 1, 2011 to August 31, 2011, total assets decreased by \$1,742,679. This was mainly due to the recording of realized and unrealized losses on marketable securities totaling \$708,937 and the paying down of accounts payable and accrued liabilities by \$647,382.

During the quarter ended August 31, 2011, the Company recorded a loss of \$490,713, which was a decrease in loss of \$143,047 compared to the loss of \$633,760 recorded in the quarter ended May 31, 2011. The decrease was mostly due to the higher unrealized and realized losses on marketable securities recorded in the prior quarter (August 31, 2011 - \$296,689; May 31, 2011 - \$412,248). During the quarter ended May 31, 2011, the Company recorded a loss of \$633,760, which was a decrease in loss of \$6,591,880 compared to the loss of \$7,225,640 recorded in the quarter ended February 28, 2011. The decrease was mostly due to the write-down of mineral properties in the prior quarter (May 31, 2011 - \$Nil; February 28, 2011 - \$6,729,797).

## **Fiscal 2011**

From March 1, 2010 to February 28, 2011, total assets decreased by \$3,526,991. This was mainly due to the write-down of mineral properties totaling \$7,862,203, which was partially offset by the acquisition of the Reno Creek Project, pursuant to which the Company issued 6,256,262 common shares valued at \$3,503,010 and the issuance of common shares for proceeds of \$334,765 pursuant to private placements.

During the quarter ended February 28, 2011, the Company recorded a loss of \$7,225,640, which was an increase in loss of \$6,677,756 compared to the loss of \$547,884 recorded in the quarter ended November 30, 2010. The increase was mostly due to the write-down of mineral properties (February 28, 2011 - \$6,729,797; November 30, 2010 - \$Nil) and the recording of stock-based compensation (February 28, 2011 - \$221,625; November 30, 2010 - \$103,620). The Company recorded a loss of \$547,884 during the quarter ended November 30, 2010, which was a decrease of \$911,887 from the loss incurred in the previous quarter. The decrease was mostly due to the write-off of mineral properties during the previous quarter (November 30, 2010 - \$Nil; August 31, 2010 - \$1,132,406) which was partially offset by the loss on sale of mineral properties (2010 - \$237,407; August 31, 2010 - \$Nil). During the quarter ended August 31, 2010, the Company recorded a loss of \$1,593,741 (under IFRS), which was an increase of \$873,434 from the quarter ended May 31, 2010. The increase was mostly due to the write-off of mineral properties in the current quarter (August 31, 2010 - \$1,132,406; May 31, 2010 - \$Nil), which was partially offset by the recording of more stock-based compensation in the previous quarter (August 31, 2010 - \$133,970; May 31, 2010 - \$401,588). The Company recorded a loss of \$720,307 (under IFRS) during the quarter ended May 31, 2010, which was a decrease of \$21,174,879 from the loss incurred during the quarter ended February 28, 2010. The decrease was due mainly to the write-down of mineral properties in the prior quarter (May 31, 2010 - \$Nil; February 28, 2010 - \$24,075,862), which was partially offset by a future income tax recovery (May 31, 2010 - \$Nil; February 28, 2010 - \$2,808,000).

## **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 year ended February 28, 2010, the Company sold its wholly-owned subsidiaries, Tuscany Minerals S.r.l. and Northern Canadian Minerals Inc. Mali.

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.

## **Liquidity and Capital Resources**

The Company commenced fiscal 2012 with working capital of approximately \$721,000 and cash of \$953,893. As at August 31, 2011, the Company had a working capital deficiency of approximately \$111,000 and cash of \$522,242. Acquisition, exploration and administrative expenditures incurred during the six months ended August 31, 2011 were primarily funded from cash on hand at February 28, 2011 and from US\$750,000 received pursuant to the agreement with Otis (see Overall Performance section above).

Included in accounts payable and accrued liabilities are finder's and establishment fees totaling \$1,339,764 (US\$1,370,000) associated with the acquisition of the Reno Creek Property which were scheduled to be paid by December 1, 2010. The Company does not currently have the working capital required to satisfy these obligations.

For the year ending February 28, 2012, Bayswater anticipates incurring exploration and property maintenance expenditures in order to maintain the Company's projects. The Company has sufficient working capital to sustain operations for the remainder of the 2012 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, will need to be funded through additional equity financings.

## **Related party transactions**

During the six months ended August 31, 2011, the Company:

- a) Paid or accrued \$60,000 (2010 - \$60,000) for management fees, \$6,000 (2010 - \$6,000) for rent, and \$60,000 (2010 - \$60,000) for geological consulting fees included in deferred exploration costs to a company controlled by the president of the Company and to a director of the Company.
- b) Paid or accrued \$7,500 (2010 - \$7,500) for administration fees to a company owned by an officer of the Company.

Included in accounts payable and accrued liabilities at August 31, 2011 is \$9,475 (February 28, 2011 - \$289,014) owing to a company controlled by the president of the Company and to directors of the Company, all related to the above transactions.

The remuneration of directors and key management personnel during the six months ended August 31, 2011 and 2010 are as follows:

	2011	2010
Administration fees	\$ 7,500	\$ 7,500
Directors' fees	20,250	21,750
Management fees	60,000	60,000
Rent	6,000	6,000
Share-based payments (i)	14,171	260,128
Geological consulting fees included in deferred exploration costs	<u>60,000</u>	<u>60,000</u>
	\$ 167,921	\$ 415,378

(i) Share-based payments are the fair value of options granted to key management personnel.

### **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 was obligated to pay US\$4,000 per month for certain investor relations services provided. During the year ended February 28, 2011, the Windward Agency reduced its monthly charge to US\$2,500 to January 31, 2011, after which it was agreed that the Windward Agency would continue its services to December 31, 2011 for one payment of US\$4,000. 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 were 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). On April 1, 2010, these management services agreements were replaced by new, substantively identical, agreements with effective dates from April 1, 2010 to March 31, 2012. If the Company terminates either agreement, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times the reduced monthly management fee.

### **Subsequent Events**

There are no significant subsequent events.

### **First Time Adoption of IFRS**

The consolidated financial statements for the three months ended May 31, 2011 were the Company's first condensed consolidated interim financial statements prepared in accordance with IFRS. The accounting policies in Note 3 have been applied in preparing the condensed consolidated interim financial statements for the six months ended August 31, 2011 and 2010, and for the three months ended May 31, 2011 and 2010, as well as for the consolidated financial statements for the year ended February 28, 2011 and the opening IFRS statement of financial position on March 1, 2010, the "Transition Date".

In preparing the opening IFRS statement of financial position and the financial statements for the interim periods ended August 31 and May 31, 2011, the Company has adjusted amounts reported previously in financial statements that were prepared in accordance with GAAP. An explanation of how the transition from GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables. The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

- a) to apply the requirements of IFRS 3, Business Combinations, prospectively from the Transition Date;
- b) to apply the requirements of IFRS 2, Share-based payment, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- c) to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit at the Transition Date including those foreign currency differences which arose on adoption of IFRS.

Additionally, in accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of March 1, 2010 are consistent with its GAAP estimates for the same date.

The reconciliation between the Canadian generally accepted accounting principles ("GAAP") and IFRS equity as at March 1, 2010 (date of transition to IFRS), August 31, 2010 and February 28, 2011 is provided below:

	Note	March 1, 2010	August 31, 2010	February 28, 2011
<b>Equity under Canadian GAAP</b>		\$ 37,653,050	\$ 39,712,335	\$ 32,271,893
Adjustment	(a)	-	-	-
<b>Equity under IFRS</b>		\$ 37,653,050	\$ 39,712,335	\$ 32,271,893

The reconciliation between the Canadian GAAP and IFRS total comprehensive income for the period ended August 31, 2010 and the year ended February 28, 2011 is provided below:

	Note	Three months ended August 31, 2010	Six months ended August 31, 2010	Year ended February 28, 2011
<b>Comprehensive income under Canadian GAAP</b>		\$ (1,459,771)	\$ (1,985,729)	\$ (9,759,253)
Adjustment	(a)	(133,970)	(328,319)	(148,317)
<b>Comprehensive income under IFRS</b>		\$ (1,593,741)	\$ (2,314,048)	\$ (9,907,570)

There are no differences between IFRS and Canadian GAAP in connection with the Company's statements of cash flows for the period ended August 31, 2010 or the year ended February 28, 2011.

**a) Share-based payments**

IFRS requires each tranche of a share-based award with different vesting dates to be considered a separate grant for purpose of fair value calculation, and the resulting fair value is amortized over the vesting period of the respective tranches. Furthermore, forfeiture estimates are recognized in the period they are estimated.

Under GAAP, the fair value of share-based awards with graded vesting was calculated as one single grant and the resulting fair value was recognized on a straight-line basis over the longest vesting period. Forfeitures of awards were only recognized in the period the forfeiture occurred.

**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 and Capital Risk Management**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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.

The fair value of the Company's receivables, accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instruments, being cash and marketable securities, are measured at fair value using Level 1 inputs.



The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of amounts due from the sale of mineral properties and HST receivable due from the government of Canada.

*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 its capital management as outlined below. Accounts payable relating to mineral properties and other accounts payable and accrued liabilities are due within one year.

The Company has a working capital deficiency as at August 31, 2011 of \$111,462. Included in accounts payable and accrued liabilities are finder's and establishment fees totaling \$1,339,764 (US\$1,370,000) associated with the acquisition of the Reno Creek Property.

*Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) 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 market interest rates.

The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because these investments roll over daily.

b) Foreign 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 and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in the other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At August 31, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash	470,569
Receivables	250,000
Reclamation bonds	16,000
Accounts payable and accrued liabilities	<u>(1,377,156)</u>
Net exposure	<u>(640,587)</u>

Based on the above net exposure as at August 31, 2011, 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.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly uranium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

*Capital management*

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 in effort 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 will require additional financing in order to provide working capital to fund costs relating to the financing of the investment in the Reno Creek Property and fund its exploration programs. These financing activities may include issuances of additional debt or equity securities or disposal of mineral property interests in order to re-invest the proceeds.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

**Outstanding Share Data**

As at October 28, 2011, there were 22,315,548 common shares issued and outstanding. There were also 2,085,750 stock options outstanding to directors, officers and consultants with an exercise price of \$0.55 per share which expire on April 29, 2017, 2,200,000 stock options with an exercise price of \$1.00 per share which expire on February 3, 2018 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 between April 6 and April 14, 2012 all with an exercise price of \$0.75 per share.