

BAYSWATER URANIUM CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MAY 31, 2012

These unaudited condensed consolidated interim financial statements of Bayswater Uranium Corporation for the three months ended May 31, 2012 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

BAYSWATER URANIUM CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian Dollars)
AS AT

	May 31, 2012	February 29, 2012 (audited)
ASSETS		
Current		
Cash	\$ 117,721	\$ 237,628
Marketable securities (Note 4)	160,336	313,580
Receivables (Note 5)	131,788	130,177
Prepays and deposits	<u>78,532</u>	<u>68,819</u>
	488,377	750,204
Equipment (Note 6)	34,275	37,670
Reclamation bonds	17,785	17,785
Exploration and evaluation assets (Note 7)	<u>10,240,392</u>	<u>10,240,392</u>
	<u>\$ 10,780,829</u>	<u>\$ 11,046,051</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities (Note 8)	<u>\$ 1,741,329</u>	<u>\$ 1,651,215</u>
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Shareholders' equity

Capital stock (Note 9)	83,288,869	83,253,560
Reserves (Note 9)	16,710,431	16,707,962
Deficit	<u>(90,959,800)</u>	<u>(90,566,686)</u>
	<u>9,039,500</u>	<u>9,394,836</u>
	<u>\$ 10,780,829</u>	<u>\$ 11,046,051</u>

Nature and continuance of operations (Note 1)

Commitments (Notes 7 and 12)

Approved and authorized on behalf of the Board on July 27, 2012:

_____ "George Leary"	Director	_____ "Victor Tanaka"	Director
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The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

BAYSWATER URANIUM CORPORATION**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended May 31, 2012	Three Months Ended May 31, 2011
EXPENSES		
Administration (Note 10)	\$ 8,554	\$ 6,553
Amortization	3,395	6,628
Consulting fees	355	17,916
Directors' fees (Note 10)	9,375	9,375
Investor relations	-	3,548
Management fees (Note 10)	60,000	30,000
Office and miscellaneous	23,216	32,070
Professional fees	39,488	33,468
Rent (Note 10)	26,104	23,469
Shareholder communication	17,518	17,120
Stock-based compensation (Note 9)	1,964	29,176
Transfer agent and filing fees	4,362	3,365
Travel and related costs	<u>3,291</u>	<u>772</u>
Loss from operations	<u>(197,622)</u>	<u>(213,460)</u>
OTHER ITEMS		
Foreign exchange loss	(35,360)	(19,436)
Interest and other income	15,282	1,384
Interest expense	(35,014)	-
Write-off of exploration and evaluation assets	(6,876)	-
Gain on sale of exploration and evaluation assets	-	10,000
Unrealized loss on marketable securities (Note 4)	(149,916)	(412,248)
Realized gain on sale of marketable securities (Note 4)	<u>16,392</u>	<u>-</u>
	<u>(195,492)</u>	<u>(420,300)</u>
Loss and comprehensive loss for the period	<u>\$ (393,114)</u>	<u>\$ (633,760)</u>
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding	<u>22,332,113</u>	<u>22,315,548</u>

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

BAYSWATER URANIUM CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian Dollars)

	Three Months Ended May 31, 2012	Three Months Ended May 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (393,114)	\$ (633,760)
Items not affecting cash:		
Amortization	3,395	6,628
Stock-based compensation	1,964	29,176
Accrued interest expense	35,014	-
Write-off of exploration and evaluation assets	6,876	-
Unrealized loss on marketable securities	149,916	412,248
Realized gain on sale of marketable securities	(16,392)	-
Changes in non-cash working capital items:		
Increase in receivables	(1,611)	(7,476)
Increase in prepaids and deposits	(9,713)	(39,528)
Increase (decrease) in accounts payable and accrued liabilities	<u>61,790</u>	<u>(271,221)</u>
Net cash used in operating activities	<u>(161,875)</u>	<u>(503,933)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of marketable securities	19,720	-
Exploration and evaluation asset expenditures	(13,566)	(450,639)
Exploration and evaluation asset recoveries	<u>-</u>	<u>734,490</u>
Net cash provided by investing activities	<u>6,154</u>	<u>283,851</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Capital stock issued	<u>35,814-</u>	<u>-</u>
Net cash provided by financing activity	<u>35,814</u>	<u>-</u>
Decrease in cash during the period	(119,907)	(220,082)
Cash, beginning of period	<u>237,628</u>	<u>953,893</u>
Cash, end of period	<u>\$ 117,721</u>	<u>\$ 733,811</u>

Supplemental disclosure with respect to cash flows (Note 11)

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

BAYSWATER URANIUM CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

	Number of Common Shares	Capital Stock Amount	Reserves	Deficit	Total
Balance, February 28, 2011	22,315,548	\$ 83,253,560	\$ 16,447,371	\$ (67,429,038)	\$ 32,271,893
Stock-based compensation	-	-	29,176	-	29,176
Loss for the period	-	-	-	(633,760)	(633,760)
Balance, May 31, 2011	22,315,548	83,253,560	16,476,547	(68,062,798)	31,667,309
Stock-based compensation	-	-	231,415	-	231,415
Loss for the period	-	-	-	(22,503,888)	(22,503,888)
Balance, February 29, 2012	22,315,548	83,253,560	16,707,962	(90,566,686)	9,394,836
Private placement	254,000	35,814	-	-	35,814
Finder's warrants	-	(505)	505	-	-
Stock-based compensation	-	-	1,964	-	1,964
Loss for the period	-	-	-	(393,114)	(393,114)
Balance, May 31, 2012	22,569,548	\$ 83,288,869	\$ 16,710,431	\$ (90,959,800)	\$ 9,039,500

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

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

1. NATURE AND CONTINUANCE OF OPERATIONS

Bayswater Uranium Corporation (incorporated under the laws of the Province of British Columbia) and its wholly-owned subsidiaries (“Bayswater” or the “Company”) are engaged in the acquisition and exploration of exploration and evaluation assets and have not yet determined whether these assets contain economically recoverable reserves. To date, the Company has not earned significant revenues.

The Company’s principal address and registered and records office is 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada, V6Z 1S4.

These unaudited condensed interim consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation. The Company has incurred operating losses over the past several years and does not have a current source of revenue or sufficient financial resources to sustain operations in the long term.

The Company continues to be dependent upon its ability to finance its operations and exploration programs, and has not met certain funding obligations with respect to the Reno Creek Property (Note 7). The financing activities may include issuances of additional debt or equity securities or disposal of interests in exploration and evaluation assets in order to re-invest the proceeds. The recoverability of the carrying value and maintenance of ownership interests on exploration projects, and ultimately, the Company’s ability to continue as a going concern, is dependent upon the existence and economic recovery of reserves, the ability to raise financing to complete the development of the assets, future profitable production or, alternatively, upon the Company’s ability to dispose of its interest on an advantageous basis, all of which are uncertain. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements were authorized for issue on July 27, 2012 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim consolidated financial statements do not include all of the information required of a full annual financial report and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended February 29, 2012.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9, "Financial Instruments"

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

IFRS 10, "Consolidated Financial Statements"

IFRS 10, "Consolidated Financial Statements", requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, "Consolidation - Special Purpose Entities", and parts of IAS 27, "Consolidated and Separate Financial Statements". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

IFRS 11, "Joint Arrangements"

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

IFRS 12, "Disclosure of Interests in Other Entities"

IFRS 12, "Disclosure of Interests in Other Entities", establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

BAYSWATER URANIUM CORPORATION
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(Unaudited)
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FOR THE THREE MONTHS ENDED MAY 31, 2012

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd...)

IFRS 13, "Fair Value Measurement"

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The new converged fair value framework is effective for annual periods beginning on or after January 1, 2013.

IAS 28, "Investments in Associates and Joint Ventures" (Amended in 2011)

IAS 28 (2011), "Investments in Associates and Joint Ventures", supersedes IAS 28 "Investments in Associates" and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. The amended standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities" and IAS 27 (2011), "Separate Financial Statements".

IAS 32, "Financial Instruments: Presentation"

The IASB amended IAS 32, "Financial Instruments: Presentation" to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2014.

4. MARKETABLE SECURITIES

As at May 31, 2012, marketable securities consist of shares in publicly-traded companies with an initial cost of \$712,175 (February 29, 2012 - \$715,504) and a fair value of \$160,336 (February 29, 2012 - \$313,580). An unrealized loss on marketable securities of \$149,916 (May 31, 2011 - \$412,248) was recorded in the statement of loss for the three months ended May 31, 2012.

Included in marketable securities as at May 31, 2012, are 1,000,000 (February 29, 2012 - 1,000,000) common shares of Otis Gold Corp. which are subject to hold periods (Note 7).

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
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FOR THE THREE MONTHS ENDED MAY 31, 2012

5. RECEIVABLES

The Company's receivables consist of the following:

	May 31, 2012	February 29, 2012
Due from the sale of exploration and evaluation assets	\$ 66,667	\$ 66,667
HST receivable	21,890	35,842
Other	<u>43,231</u>	<u>27,668</u>
Total	\$ 131,788	\$ 130,177

6. EQUIPMENT

	Furniture and fixtures	Computer equipment	Exploration equipment	Total
Cost				
Balance, February 28, 2011	\$ 9,536	\$ 129,795	\$ 125,607	\$ 264,938
Disposals	<u>-</u>	<u>(33,275)</u>	<u>(79,164)</u>	<u>(112,439)</u>
Balance, May 31 and February 29, 2012	\$ 9,536	\$ 96,520	\$ 46,443	\$ 152,499
Accumulated amortization				
Balance, February 28, 2011	\$ 8,434	\$ 91,703	\$ 74,412	\$ 174,549
Amortization	259	13,511	8,218	21,988
Disposals	<u>-</u>	<u>(27,773)</u>	<u>(53,935)</u>	<u>(81,708)</u>
Balance, February 29, 2012	8,693	77,441	28,695	114,829
Amortization	<u>33</u>	<u>2,103</u>	<u>1,259</u>	<u>3,395</u>
Balance, May 31, 2012	\$ 8,726	\$ 79,544	\$ 29,954	\$ 118,224
Carrying amounts				
As at February 29, 2012	\$ 843	\$ 19,079	\$ 17,748	\$ 37,670
As at May 31, 2012	<u>\$ 810</u>	<u>\$ 16,976</u>	<u>\$ 16,489</u>	<u>\$ 34,275</u>

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

7. EXPLORATION AND EVALUATION ASSETS

Three Months Ended May 31, 2012	CMB Labrador Claims	Thelon Basin Projects	Collins Bay Property, Saskatchewan	USA Properties	Reno Creek Project	Total
Acquisition costs						
Balance, beginning of period	\$ 1	\$ 1	\$ 1	\$ 2,070,000	\$ 6,950,778	\$ 9,020,781
Additions	-	-	-	-	-	-
Balance, end of period	<u>1</u>	<u>1</u>	<u>1</u>	<u>2,070,000</u>	<u>6,950,778</u>	<u>9,020,781</u>
Deferred exploration costs						
Balance, beginning of period	-	-	-	-	1,219,611	1,219,611
Geological consulting	-	-	-	-	-	-
Property maintenance	-	-	-	6,876	-	6,876
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,876</u>	<u>-</u>	<u>6,876</u>
Written-off during the period	-	-	-	(6,876)	-	(6,876)
Balance, end of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,219,611</u>	<u>1,219,611</u>
Total, end of period	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 2,070,000</u>	<u>\$ 8,170,389</u>	<u>\$ 10,240,392</u>

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Year Ended February 29, 2012	CMB Labrador Claims	Thelon Basin Projects	Collins Bay Property, Saskatchewan	USA Properties	Ireland Properties	Reno Creek Project	Total
Acquisition costs							
Balance, beginning of year	\$ 1,618,399	\$ 1	\$ 1,850,049	\$ 3,492,298	\$ 1	\$ 6,950,778	\$ 13,911,526
Additions	9,420	-	-	-	-	-	9,420
Recoveries	(1,500)	-	-	-	-	-	(1,500)
Written-off during the year	(1,626,318)	-	(1,850,048)	(1,422,298)	(1)	-	(4,898,665)
Balance, end of year	1	1	1	2,070,000	-	6,950,778	9,020,781
Deferred exploration costs							
Balance, beginning of year	8,894,094	-	2,046,937	4,650,693	-	1,219,611	16,811,335
Analytical	-	-	-	9,592	-	-	9,592
Field administration	11,498	-	-	30,177	-	-	41,675
Geological consulting	28,500	-	5,250	119,667	-	-	153,417
Property maintenance	-	-	-	226,252	-	-	226,252
	39,998	-	5,250	385,688	-	-	430,936
Written-off during the year	(8,934,092)	-	(2,052,187)	(5,036,381)	-	-	(16,022,660)
Balance, end of year	-	-	-	-	-	1,219,611	1,219,611
Total, end of year	\$ 1	\$ 1	\$ 1	\$ 2,070,000	\$ -	\$ 8,170,389	\$ 10,240,392

7. EXPLORATION AND EVALUATION ASSETS (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

Investment in Reno Creek Property

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

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 for the aggregate payment of US\$20,000,000 (CDN\$20,026,000) 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 a historical database, rights to a previous permit and in exchange for American's consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US\$1,000,000 and issued 1,833,455 common shares of the Company valued at US\$1,000,000 (CDN\$1,000,860).

The Company executed an investment agreement dated April 7, 2010 pursuant to which Pacific Road Resources Funds ("PRRF"), a private mining equity investor, provided US\$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US\$20,000,000 investment into Reno Creek Holdings Inc. ("RCHI") (formerly 514565 Canada Inc. and formerly referred to as "Newco") which holds the Property indirectly through AUC LLC. PRRF initially held a 76.92% interest in RCHI and the Company initially 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 entered into a shareholders' agreement in respect of RCHI which permitted 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 at any time up to six months following the latter of completion of a feasibility study and mine permitting but, in any event, PRRF shall convert its investment not later than five years from April 7, 2010, provided certain conditions are met. Upon conversion of PRRF's investment, the Company would own a 100% interest in RCHI which holds the Reno Creek Property. 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 program and budgets for the Property.

The Company was to contribute additional amounts in stages totaling US\$14,000,000 to earn a 50% interest in RCHI and in order to complete a feasibility study and to secure mining permits.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
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FOR THE THREE MONTHS ENDED MAY 31, 2012

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Uranium properties (cont'd...)

Investment in Reno Creek Property (cont'd...)

Pursuant to the investment agreement and shareholders agreement dated April 7, 2010 (the "Agreements") involving PRRF, the Company was obliged to fund RCHI 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 RCHI 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%. On January 31, 2012, 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 the Company in RCHI was reduced to 17.27% from 21.29% with a maximum interest the Company could then earn in RCHI having been reduced from 45.13% to 31.14%. The Company would have been able to increase its interest in RCHI to the maximum level of 31.14% by contributing US\$7,000,000 to RCHI and by paying certain fees and interest charges to PRRF on or before the time of the setting of the next Reno Creek budget, which was December 7, 2011.

A budget in the amount of US\$8,000,000 for the 2012 Reno Creek Program was approved by PRRF and the Company on December 7th, 2011. On January 31, 2012, PRRF and the Company finalized a second amendment agreement whereby PRRF funded the entire US\$8,000,000 for the 2012 Reno Creek program and, as a result, the interest held by the Company in RCHI was reduced to 13.47% from 17.27% with a maximum interest the Company could then earn in RCHI having been reduced from 31.14% to 13.47%.

Pursuant to the Agreements as amended on January 5, 2011 and January 31, 2012, 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 April 7, 2015, provided certain conditions are met. Upon conversion by PRRF, Bayswater will own a 100% interest in RCHI which holds the Reno Creek property.

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 through calendar 2014. The Company's 13.47% share of these future payments total US\$80,685.

Central Mineral Belt ("CMB") Properties, Labrador

The Company holds a 100% interest in certain claim blocks located in Labrador, Newfoundland. Net smelter royalties ("NSR") of 1% or 2% will be payable to an underlying option holder or staker, as the case may be, on certain of the claim blocks. The Company has the right to purchase any 1% NSR on certain claim blocks at any time for \$1,000,000 to \$2,000,000, and one-half of any 2% NSR (1%) on certain other claim blocks at any time for \$1,000,000 to \$1,500,000.

During the year ended February 29, 2012, the Company wrote-down the property by \$10,560,410 to \$1 as a result of delayed development due to market conditions but continues to maintain its key landholdings in Labrador.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Uranium properties (cont'd...)

Thelon Basin Properties, Northwest Territories (“NWT”) and Nunavut (“NU”)

The Company holds a 100% interest in certain uranium claims in the Thelon Basin area of the NWT and NU. A NSR of 2% on metals and a gross overriding royalty (“GOR”) of 2% on diamonds will be payable on some 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 29, 2008, the Company granted an option to Stornoway Diamond Corp. (“Stornoway”), whereby Stornoway could 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. During the year ended February 29, 2012, the Company received notice from Stornoway that it will not be proceeding to exercise its option. As a result, the option agreement was terminated.

During the year ended February 28, 2011, the Company wrote-down the Thelon Properties to \$1 due to market conditions.

Canada Uranium Joint Venture

On January 23, 2006, the Company entered into a joint venture agreement with Strongbow Exploration Inc. (“Strongbow”) to identify, acquire and explore uranium properties in Canada. The Company will be the operator of the joint venture and, over the first five years of the agreement, shall contribute funding of up to \$500,000 for the acquisition of prospective Canadian uranium properties identified by Strongbow. Strongbow and the Company shall each retain a 50% working interest in each acquired property, subject to the right of Strongbow to select up to three joint venture properties (“Earn-In Properties”) for which the Company must fund the first \$600,000 in exploration expenditures on each such property. Currently, the joint venture relates to certain mineral claims in the North Thelon and South Thelon Basins.

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

Pursuant to the joint venture, Strongbow has elected to include certain staked mineral claims, in the North Thelon Basin, Nunavut, as an Earn-In Property under the Joint Venture.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Uranium properties (cont'd...)

Collins Bay Extension, Saskatchewan

The Company holds an undivided 100% interest in certain mineral claim blocks in northern Saskatchewan (the "Collins Bay Extension").

During the year ended February 28, 2010, the Company entered into an agreement with CanAlaska Uranium Ltd. ("CanAlaska"), whereby CanAlaska has an option to earn a 51% interest in the Collins Bay Extension property in the Athabasca Basin by spending \$4,000,000 in exploration over five years and by issuing 50,000 shares (10,000 received to date) to the Company. CanAlaska also has an option to increase its interest to 70% by spending an additional \$2,000,000 in exploration over a further three year period and by issuing an additional 80,000 shares to the Company.

During the year ended February 29, 2012, the Company wrote-down the property by \$3,902,235 to \$1 as a result of market conditions but the agreement with CanAlaska remains in good standing.

Mountain West Properties, Nevada

The Company holds an undivided 100% interest in certain mineral claims in Elko County, Nevada ("Mountain West Property").

The Company acquired a database on the Mountain West Property for an initial cash payment of US\$50,000 (paid), 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 1,000,000 pounds of uranium concentrate production from the Mountain West Property, at a 1% discount to the prevailing spot price of uranium. In addition, the Company acquired a 100% interest in certain unpatented mineral claims adjacent to the Mountain West Property by issuing 20,000 common shares.

During the year ended February 29, 2012, the Company wrote-down the property to \$72,867 as a result of market conditions.

Elkhorn Property, Wyoming

By agreement with Miller-Berdahl Partnership ("Miller-Berdahl") the Company acquired a 100% interest, subject to certain production royalties, in state leases and mineral claims in Wyoming. Under the terms of the Miller-Berdahl option agreement, the Company made cash payments totalling US\$750,000 and issued 32,500 common shares in order to exercise the option.

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

During the year ended February 29, 2012, the Company wrote-down the property to \$1,997,133 as a result of market conditions.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Uranium properties (cont'd...)

Hauber Project, Wyoming

During the year ended February 28, 2010, the Company entered into an agreement, subsequently amended, to acquire a 75% interest in the Hauber Uranium Project in Crook County, Wyoming. To earn its 75% interest, the Company was required to incur exploration expenditures totalling US\$1,000,000 by March 31, 2015. However, during the three months ended May 31, 2012, the Company provided its notice of termination of this option agreement (with a formal termination agreement having been signed on July 25, 2012) and, as a result, \$397,415 of exploration costs were written off to operations during the year ended February 29, 2012.

Alzada Property, Montana

The Company holds three separate blocks of 100%-owned mineral claims in Crook County, southeastern Montana. Two of these claim blocks have associated surface and mineral lease agreements (“Schlosser Lease” and “Cochran Lease”).

Under the Schlosser Lease agreement, the Company is responsible for payment of production royalties at rates of between 1% and 3% based on gross value of mineral materials sold and for making certain minimum annual royalties payable in advance. Annual advance minimum royalty payments made by the Company shall be applied as a credit against production royalties. The first annual advance minimum royalty payment, being \$10,000, was due and paid on November 1, 2005, and increases on each anniversary date thereafter to a maximum of US\$100,000 by the 14th anniversary date. The annual minimum royalty payment will also increase upon commercial production of mineral materials from the lease. The primary term of the lease is for twenty years, and with a consecutive secondary term thereafter that begins on the twentieth (20th) anniversary, unless terminated sooner.

Under the Cochran Lease agreement, the Company is responsible for an upfront payment of US\$25,000 (paid), and payment of production royalties at rates of between 2% and 5% based on net value realized from sale of minerals, and subject to certain minimum annual royalties payable in advance. Advance annual minimum royalty payment made by the Company shall be applied as a credit against production royalties. The advance annual minimum royalty is US\$3 per acre during the primary term, increasing to US\$6 per acre on the tenth (10th) anniversary date. The primary term of the lease is for ten years, and with a consecutive secondary term thereafter that begins on the tenth (10th) anniversary date, unless sooner terminated.

Pursuant to a database 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. This agreement relates to land held pursuant to the Alzada Property in Montana and Elkhorn Property in Wyoming.

During the year ended February 29, 2012, the Company wrote-off costs associated with the Alzada Property as a result of delayed development due to market conditions but continues to maintain its key landholdings.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

7. EXPLORATION AND EVALUATION ASSETS (cont'd...)

Gold and base metal properties

Kilgore Gold and Other Gold Properties, Idaho, United States

During the year ended February 28, 2009, the Company entered into an option/joint venture agreement with Otis Gold Corp. (formerly Otis Capital Corp.) ("Otis") whereby Otis could earn up to a 75% interest in the Kilgore Gold, Hai and Gold Bug Properties (the "Properties") by paying US\$200,000 (received), issuing 3,000,000 common shares (received 1,300,000 common shares valued at \$500,000) and incurring exploration expenditures totaling \$3,000,000 over a five year period. A 2% NSR would be paid to the Company on production of gold from the Property. At any time, Otis would 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.

During the year ended February 28, 2011, the Company entered into a Purchase Agreement, which replaced the option/joint venture agreement, to sell a 100% interest in the Properties to Otis. The Purchase Agreement required Otis to pay an additional US \$1,750,000 and issue 2,000,000 common shares. The cash was paid over a one year period from the date of closing (US \$750,000 within forty five days (received); US\$750,000 within four months (received); and US \$250,000 within twelve months (received)). Otis issued the 2,000,000 common shares at closing. The shares are subject to hold periods (500,000 for six months; 500,000 for twelve months; 500,000 for eighteen months; and 500,000 for twenty four months) (Note 4).

8. ACCOUNTS PAYABLES AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of the following:

	May 31, 2012	February 29, 2012
Trade payables	\$ 1,424,083	\$ 1,368,983
Accrued liabilities	<u>317,246</u>	<u>282,232</u>
Total	\$ 1,741,329	\$ 1,651,215

BAYSWATER URANIUM CORPORATION**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

(Unaudited)

(Expressed in Canadian Dollars)

FOR THE THREE MONTHS ENDED MAY 31, 2012

9. CAPITAL STOCK AND RESERVES**Authorized capital stock**

As at May 31, 2012, the authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of Class A convertible preferred shares without par value.

Private placements

During the three months ended May 31, 2012, the Company issued 254,000 units for total gross proceeds of \$38,100 pursuant to a non-brokered private placement. Each unit consisted of one common share and one share purchase warrant enabling the holder to acquire an additional common share at \$0.25, expiring May 24, 2014. A commission of \$2,286 and 15,240 finder's warrants were paid in connection with the private placement. The warrants issued to the finder were issued under the same terms and conditions as the units sold pursuant to the private placement.

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 20% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option shall not be less than the closing price of the Company's shares on the date of grant less any discount permitted by the TSX Venture Exchange ("TSX-V") and vesting terms are at the discretion of the board of directors. The options can be granted up to a maximum term of 10 years.

As at May 31, 2012, the Company had outstanding stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
41,375	\$ 0.30	June 10, 2013
2,085,750	0.30	April 29, 2017
<u>2,200,000</u>	0.30	February 3, 2018
<u>4,327,125</u>		

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

9. CAPITAL STOCK AND RESERVES (cont'd...)

Stock options (cont'd...)

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, February 28, 2011	4,327,125	\$ 0.82
Repriced	(4,327,125)	0.82
Repriced	<u>4,327,125</u>	0.30
Balance, February 29 and May 31, 2012	4,327,125	\$ 0.30
Number of options currently exercisable	4,263,375	\$ 0.30

Warrants

As at May 31, 2012, 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
254,000	\$ 0.25	May 24, 2014
<u>15,240</u>	0.25	May 24, 2014
269,240		

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at February 28, 2011 and February 29, 2012	304,332	\$ 0.75
Issued	269,240	0.25
Expired	<u>(304,332)</u>	0.75
As at May 31, 2012	269,240	\$ 0.25

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

9. CAPITAL STOCK AND RESERVES (cont'd...)

Stock-based compensation

For the three months ended May 31, 2012, the Company recorded \$1,964 (May 31, 2011 - \$29,176) as stock-based compensation expense pursuant to the vesting of 21,250 (May 31, 2011 - 525,000) stock options, with an offset to reserves, for options that vested during the current period.

10. RELATED PARTY TRANSACTIONS

During the three months ended May 31, 2012, the Company:

- a) Paid or accrued \$60,000 (May 31, 2011 - \$30,000) for management fees, \$3,000 (May 31, 2011 - \$3,000) for rent, and \$Nil (May 31, 2011 - \$30,000) 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 \$3,750 (May 31, 2011 - \$3,750) for administration fees to a company owned by an officer of the Company.

Included in accounts payable and accrued liabilities at May 31, 2012 is \$52,059 (February 29, 2012 - \$27,112) owing to a company controlled by the president of the Company, a company with a director in common and to directors of the Company, all related to the above transactions.

The remuneration of directors and key management personnel during the three months ended May 31, 2012 and 2011 are as follows:

	2012	2011
Administration fees	\$ 3,750	\$ 3,750
Directors' fees	9,375	9,375
Management fees	60,000	30,000
Professional fees	9,750	9,650
Rent	3,000	3,000
Stock-based compensation (i)	-	15,908
Geological consulting fees included in deferred exploration costs	-	30,000
	<u>\$ 85,875</u>	<u>\$ 101,683</u>

(i) Stock-based compensation is the fair value of options granted to key management personnel.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2012	2011
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

The significant non-cash transaction during the three months ended May 31, 2012 was the issuance of 15,240 finder's warrants valued at \$505, in conjunction with a private placement (Note 9).

The significant non-cash transactions during the three months ended May 31, 2011 included:

- a) accruing \$244,160 of mineral property sales proceeds in receivables as at May 31, 2011; and
- b) accruing \$2,430 of deferred exploration costs for exploration and evaluation assets and \$1,381,946 of acquisition costs related to the acquisition of the Reno Creek Property in accounts payable and accrued liabilities as at May 31, 2012.

12. COMMITMENTS

During the year ended February 29, 2008, the Company entered into management services agreements with the Company's President and its Chief Operating Officer. Both contracts 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, 2013 with remuneration of \$10,000 per month. 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 monthly management fee.

13. 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, and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature. The Company's other financial instruments, being cash and marketable securities, are measured at fair value using Level 1 inputs.

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

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's receivables consist mainly of amounts due from the sale of exploration and evaluation assets and HST receivable due from the government of Canada (Note 5).

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 exploration and evaluation assets and other accounts payable and accrued liabilities are due within one year.

The Company has a working capital deficiency as at May 31, 2012 of \$1,252,952. Included in accounts payable and accrued liabilities are finder's and establishment fees totaling \$1,257,401 (US\$1,225,000) associated with the acquisition of the Reno Creek Property (Note 7).

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 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 May 31, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash	55,451
Reclamation bonds	16,000
Accounts payable and accrued liabilities	(1,231,798)
Net exposure	(1,160,347)

BAYSWATER URANIUM CORPORATION
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)
FOR THE THREE MONTHS ENDED MAY 31, 2012

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Market risk (cont'd...)

b) Foreign currency risk (cont'd...)

Based on the above net exposure as at May 31, 2012, 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 resource 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 resource 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.

14. SEGMENTED INFORMATION

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

Geographic information is as follows:

	May 31, 2012	February 29, 2012
Capital assets		
Canada	\$ 9,198	\$ 9,932
United States	10,265,469	10,268,130