BAYSWATER URANIUM CORPORATION

Management Discussion and Analysis

Six Months Ended August 31, 2012

This discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at October 30, 2012 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended August 31, 2012 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”).

Those unaudited condensed consolidated interim financial statements should be read in conjunction with the Company’s 2012 annual 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 consolidated interim financial statements. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company is a natural resource company engaged in the acquisition and exploration of uranium 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 section below). The Company holds additional uranium interests in the western United States, Saskatchewan, Labrador, Nunavut and the Northwest Territories.

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

Forward-Looking Statements

This MD&A may contain "forward-looking statements" within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this Interim MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

These forward-looking statements include, among others, statements with respect to the Company’s objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding the Company's future operations, future exploration and development activities or other development plans and estimated future financing requirements contain forward-looking statements.

All forward-looking statements and information are based on the Company's current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration and development activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

These factors include, but are not limited to, developments in world financial and commodity markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration plans due to exploration results and changing budget priorities of the Company or its joint venture partners, changes in project parameters as plans continue to be refined; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing, the effects of competition in the markets in which the Company operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the Company's anticipation of and success in managing the foregoing risks. The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, except as required by law.

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 U3O8 in 8,268,872 tons at an average grade of 0.066% U3O8 measured and indicated and 4.73 million pounds of U3O8 in 3,796,930 tons at an average grade of 0.063% U3O8 inferred as documented in separate reports filed on Sedar on the Reno Creek and Southwest Reno Creek Uranium Properties, respectively, dated January 30, 2009 by Charles D. Snow, P.G. Reno Creek also contains additional historical resources in the Pine Tree Trend of approximately 8.41 million pounds of U3O8 in 5,066,265 tons grading approximately 0.083%

U3O8 (Pathfinder Resources, 1980; Rocky Mountain Energy, 1986). Historical resource estimates are not compliant with NI 43-101 standards, are not treated as mineral resources, have not been verified by the Company's Qualified Person, are provided for information purposes only and, as such, should not be relied upon. The Project also has excellent potential to significantly increase resources through low-risk exploration.

The Reno Creek Project encompasses approximately 20,900 acres of claims and leases, including 588 unpatented mining claims, seven Wyoming State mineral leases, four fee (private) mineral leases, and nine 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 based on a prefeasibility report completed for the Company by TREC, Inc. in 2009. 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 the 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 funded the acquisition of the Property and jointly funded with the Company a US$4,000,000 working capital position in RCHI 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 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%. As a result of this reduction in the Company's maximum earnable interest, PRRF obtained control of the project. The remaining balance of the 2011 RCHI 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 could then earn in RCHI having been reduced from 45.13% to 31.14%.

Upon approval on December 7, 2011 by PRRF and the Company of the program and budget for the 2012 Reno Creek Project in the amount of US$8,000,000, the Company has not been able to fund either its obligation of US$7,000,000 and pro-rata share of the balance of US$1,000,000 or certain fees (and accrued interest thereon); and PRRF have notified the Company and the parties have agreed that PRRF will be funding the entire US$8,000,000 for the 2012 program. Consequently, on January 31, 2012, PRRF and the Company have further amended the Agreements to reflect such funding by PRRF and the reduced interest held by the Company in RCHI from 17.27% to 13.47% and the 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 at which time PRRF must convert if not already done so, but in any event PRRF must 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 indirectly holds the Reno Creek property.

During the year ended February 28, 2010, the Company received a positive National Instrument 43-101-compliant prefeasibility study report (PFS) from TREC Inc. on the technical and economic feasibility of the Reno Creek uranium project in Wyoming. The report also verified the previous resource estimates as outlined above. Based on a central processing plant with a capacity for producing up to 2.0 million pounds U_3O_8 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 U_3O_8. 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 U_3O_8 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.

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

During the period from June 1, 2012 to the date of this MD&A, the Company has announced the following positive results from the Reno Creek 2012 work program:

- AUC acquired two data packages applicable to the Reno Creek project and in particular to the Pine Tree Trend—the region hosting the historical resources referred to above. Data packages are currently being compiled and assessed.

- The Company announced discovery by AUC LLC of a significant mineralized extension to known resources in the Southwest Portion of the Reno Creek deposit. A major portion of the discovery has been delineated by 230 holes of which 195 were completed in 2012. Approximately 70% of the drill holes reported in the discovery area show grade-thickness (GT) in excess of 0.2, with an average grade of 0.051% U3O8 over an average thickness of 12.7 feet, resulting in an average GT of 0.64. Nearly 40% of the holes reported GT >0.5.

- The Company recently announced that AUC LLC has filed its application with the U.S. Nuclear Regulatory Commission (NRC) for a combined Source and 11e.(2) Byproduct Materials License for the Reno Creek Project. This is a major milestone in AUC's ongoing effort to bring the Reno Creek Project into production, and the culmination of nearly two years of intensive environmental baseline study and evaluation.

  The application demonstrates that the Reno Creek Project can be constructed and operated with minimal environmental effects, while directly employing up to 65 local Wyoming residents. The Reno Creek Project occurs 90% on private property and 10% on State land, with no BLM lands. No Threatened or Endangered Species are present, and the site is more than 20 miles from any Sage Grouse Core Area. The Production Zone sandstone is geologically confined across the entire project. Project logistics are ideal, with the Project located near all-weather public roads, high voltage power lines, and natural gas. The Plant Site will be located on land owned by AUC.

  NRC is initiating its process to evaluate the application for completeness, and then conduct a technical and environmental review. NRC will prepare a Safety Evaluation Report and a Site Specific Environmental Impact Statement during the License issuance process.

  In order to optimize the efficiency of the review process, AUC had previously arranged for NRC to conduct a pre-submission field investigation and an audit of AUC's draft application. AUC incorporated in its final application responses to all of NRC's comments and questions. In addition, AUC reviewed and incorporated in its application all of the most effective "best practices" that other ISR uranium companies had implemented in their applications.

  AUC is now preparing the formal application for a Permit to Mine, to be submitted soon to the Wyoming Department of Environmental Quality.

- The Company also recently announced that AUC has signed a boundary agreement with Uranerz Energy Corporation covering their respective North Reno Creek properties in the Reno Creek area of the Powder River Basin, Wyoming. The Agreement provides a framework for both companies to mine up to their respective mineral property boundaries to minimize loss of resource and provides each company the right to install and operate monitor wells on the other company's property during the in-situ-recovery (ISR) mining, restoration, and reclamation activities.

AUC's plans for the balance of calendar 2012 include the completion of an updated and revised NI 43-101 Resource Estimate for North Reno Creek and Southwest Reno Creek resource areas that comprise the known Reno Creek deposit. In addition, the Resource Estimate will incorporate portions of the area of the historical resources from the Pine Tree Trend utilizing recently acquired new data as stated above. The NI 43-101 Resource Estimate is being prepared by Behre Dolbear Group, Inc. Following completion of the Resource Estimate, AUC intends to issue a new Pre-Feasibility Study, which is currently being prepared by TREC, Inc. by calendar year end.

The Pine Tree Trend contains AUC's Moore Unit, which lies approximately 7 miles northwest of the Reno Creek Project, and the Pine Tree Unit, which lies approximately 5 miles southwest of the Reno Creek Project. The Pine Tree Trend contains a historical resource of 8.4 million pounds U3O8 grading

0.083% U3O8 based on a 1980 report by Pathfinder Mines Corporation and by Rocky Mountain Energy in a report dated April, 1986. Historical resource estimates are not compliant with NI 43-101 standards, are not treated as mineral resources, have not been verified by the Company's Qualified Person, are provided for information purposes only and, as such, should not be relied upon.

AUC also intends to continue its 2012 drilling program.

AUC anticipates that it will commence production in 2015, as previously reported.

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 13.47% share of these future payments through calendar 2014 totals US$80,685.

OTHER PROJECTS

During and subsequent to the period ending August 31, 2012, the Company has reduced land holding costs through the elimination of several non-core properties and joint ventures. Land holding costs have been reduced from over US$500,000 to less than US$15,000 annually. The substantial cost reductions have been achieved through the elimination of the Avoca base metals property in Ireland, the Mountain West claims in Nevada (whereby, as a result, during the six months ended August 31, 2012, remaining costs totaling $72,867 were written-off), the Hauber earn-in venture with Ur-Energy (TSX: URE) in Wyoming, and surface and lease agreements on the Alzada and Elkhorn properties located respectively in Montana and Wyoming. The Company has also terminated its joint venture with UCore Rare Metals (TSX-V: UCU) on the Makkovik claims, Labrador.

The reduced number of projects enables Bayswater to focus on its core uranium assets, particularly its flagship Reno Creek project, in which it holds a minority interest, and other 100% owned advanced properties in Wyoming.

Bayswater continues to maintain a 100% interest in its key uranium resource claims at Elkhorn, Wyoming including claims adjacent to the former producing Hauber Mine that cover uranium resources, compliant with NI 43-101 standards, estimated at 501,000 lbs U3O8 Indicated grading 0.18% eU3O8 in 139,000 tons and 153,000 lbs U3O8 Inferred grading 0.16% eU3O8 in 46,000 tons as documented in a report by Thomas C. Pool, P.E., of International Nuclear, Inc. dated January, 2010, as filed on sedar. Also on the Elkhorn Project, the Company holds claims at Tract 41 property that cover historical resources estimated at 104,457 lbs U3O8 grading 0.103% eU3O8 in 50,656 tons as documented in Federal Resources 1973 historic reports in the Marriott Library Special Collection Archives at the University of Utah. Historical resources are non NI 43-101 compliant, are not being treated as mineral resources and are not to be relied upon.

On the Alzada Project, Montana, the Company continues to own a 100% interest in claims at the Acadia/Cochrane property that covers historical resources of approximately 3.7 million pounds U3O8 in 2.1 million tons at a grade of 0.125% U3O8 as documented in a report by James R. Guilinger dated June 6, 2007 (as amended October 17, 2007), as filed on Sedar. Historical resources are non NI 43-101 compliant, are not being treated as mineral resources and are not to be relied upon.

Both the Elkhorn and Alzada Projects have excellent potential for substantially increasing resources through land acquisition and drilling and the Company plans to explore and develop these projects in the future.

In Canada, Bayswater retains 73,000 acres in Labrador's Central Mineral Belt, reduced from an initial explored 1.1 million acres, that cover the 100% owned Anna Lake uranium deposit and the most prospective targets from its original ground. The Anna Lake deposit, which was discovered by Bayswater in 2007, consists of a mineral resource estimate, compliant with NI 43-101 standards, of 4.91 million pounds U3O8 Inferred in 5.06 million tons grading 0.044% U3O8 using a 0.03% U3O8 cutoff as documented in a report by R. Dean Fraser and Gary H. Giroux of September, 2009 as filed on Sedar. The deposit remains open for resource expansion laterally and at depth. Several strong exploration targets defined by geophysical surveying and ground prospecting at Boiteau Lake, Dandy, Kanairiktok Bay and Minisinakawa Lake are all at the drill testing stage and comprise the balance of the Company's holdings in Labrador.

In the Athabasca Basin, Saskatchewan,Bayswater continues to hold its interest in the Collins Bay Extension property under option to CanAlaska. The Company also holds claims in the North Thelon and South Thelon Basins in Nunavut and the Northwest Territories, respectively. No activities were undertaken on these claims during calendar 2012

Overall Performance

During the year ended February 29, 2012, the Company sold its interest in all concessions in Niger to Cascade Resources Inc. ("Cascade"), subject to regulatory approval; however, during the six months ended August 31, 2012, 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.

During the six months ended August 31, 2012, the Company provided notice to terminate its option agreement to acquire the Hauber Uranium Project and, as a result, $397,415 of accumulated exploration costs were written off to operations during the year ended February 29, 2012. In addition, the Company allowed the Avoca property licenses to lapse and, as a result, the remaining $1 of costs was written off to operations during the year ended February 29, 2012.

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 $675,227 for the six months ended August 31, 2012 compared to a loss of $1,124,473 during the comparative period ended August 31, 2011. The decrease in loss of $522,113 was mostly due to the recording of an unrealized gain on marketable securities of $57,790 during the current period compared to a $634,870 unrealized loss on marketable securities during the comparative period. This was partially offset by the $242,425 (2011 - $74,067) realized loss on sale of marketable securities during the current period. Additionally, during the current period, the Company accrued $71,348 (2011 - $Nil) in interest expense in connection with the US$700,000 PRRF fee outstanding. This decrease was also partially offset by an increase of $60,000 for management fees during the current period as a result of the fact that management fees are no longer being capitalized to exploration and evaluation assets because the Company is not currently active with its exploration of its exploration and evaluation assets. Lastly, the Company incurred $355 (2011 - $40,966) in consulting fees during the current period. The decrease is a result of the Company's mandate of lowering operating costs while it is not actively working on its exploration and evaluation assets.

Quarterly Information

	Three Months Ended August 31, 2012	Three Months Ended May 31, 2012	Three Months Ended Feb 29, 2012	Three Months Ended Nov 30, 2011
Total assets	$ 10,507,299	$10,780,829	$11,046,051	$32,264,113
Exploration and evaluation assets	10,177,801	10,240,392	10,240,392	31,099,705
Working capital (deficiency)	(1,468,089)	(1,252,952)	(901,011)	(649,661)
Loss for the period	(282,113)	(393,114)	(21,471,073)	(542,102)
Loss per share	(0.01)	(0.02)	(0.96)	(0.02)

	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
Exploration and evaluation assets	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)	(7,047,781)	(545,741)
Loss per share	(0.02)	(0.03)	(0.32)	(0.02)

Basis of preparation

The quarters ended November 20, 2010 through August 31, 2012 have been prepared 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").

Fiscal 2013

From June 1, 2012 to August 31, 2012, total assets decreased by $273,530. This was mainly due to the expending of $208,219 on operating activities and the write-off of costs totaling $72,867 relating to the Mountain West property. This was partially offset by the $47,103 of proceeds received on the sale of marketable securities.

During the quarter ended August 31, 2012, the Company recorded a loss of $282,113, a decrease of $111,001 from the prior quarter. The decrease was primarily related to unrealized gain of $207,706 on marketable securities during the current quarter compared to an unrealized loss of $149,916 on marketable securities recorded in the prior quarter. This was partially offset by the realized loss of $258,817 on the sale of marketable securities during the current quarter, compared to a gain of $16,392 on the sale of marketable securities recorded in the prior quarter.

From March 1, 2012 to May 31, 2012, total assets decreased by $265,222. This was mainly due to the recording of unrealized loss on marketable securities of $149,916 and the expending of $161,875 on operating activities. This was partially offset by the net proceeds of $35,814 received pursuant to a private placement.

During the quarter ended May 31, 2012, the Company recorded a loss of $393,114, a decrease of $21,077,959 from the prior quarter. The decrease was mostly due to the write-off of exploration and evaluation assets of $20,921,325 during the quarter ended February 29, 2012.

Fiscal 2012

From March 1, 2011 to February 29, 2012, total assets decreased by $23,420,247. This was mainly due to the recording of realized and unrealized losses on marketable securities totaling $929,667, the write-off of exploration and evaluation assets of $20,921,325 and the expending of $1,186,952 on operating activities.

During the quarter ended February 29, 2012, the Company recorded a loss of $21,471,073, an increase of $20,928,971 from the prior quarter. The increase was mostly due to the write-off of exploration and evaluation assets of $20,921,325 during the quarter ended February 29, 2012. The Company recorded a loss of $542,102 during the quarter ended November 30, 2011, which was an increase in loss of $51,389 from the quarter ended August 31, 2011. The increase was insignificant. 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 $6,414,021 compared to the loss of $7,047,781 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 $7,047,781, which was an increase in loss of $6,502,040 compared to the loss of $545,741 recorded in the quarter ended November 30, 2010. The increase was mostly due to the write-down of mineral properties (February 28, 2011 - $6,502,040; November 30, 2010 - $Nil) and the recording of stock-based compensation (February 28, 2011 - $43,766; November 30, 2010 - $101,477). The Company recorded a loss of $545,741 during the quarter ended November 30, 2010, which was a decrease of $1,048,000 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 (November 30, 2010 - $237,407; August 31, 2010 - $Nil). During the quarter ended August 31, 2010, the Company recorded a loss of $1,593,741, 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).

Liquidity and Capital Resources

The Company commenced fiscal 2013 with a working capital deficiency of approximately $901,000 and cash of $237,628. As at August 31, 2012, the Company had a working capital deficiency of approximately $1,468,000 and cash of $64,692. Exploration and administrative expenditures incurred during the six months ended August 31, 2012 were primarily funded from cash on hand at February 29, 2012, from net proceeds of $35,814 received pursuant to a private placement and from the sale of marketable securities yielding net proceeds totaling $66,823.

During the year ended February 28, 2011, the Company entered into a Purchase Agreement with Otis Gold Corp.("Otis"), which replaced the original option/joint venture agreement, to sell a 100% interest in the Kilgore Gold – Hai and Gold Bug properties, (located in Idaho), 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 subsequent to February 28, 2011); and US $250,000 within twelve months (received)). Otis issued the 2,000,000 common shares at closing.. The shares were 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). The Company currently holds 500,000 shares subject to a hold period.

Included in accounts payable and accrued liabilities are finder's and establishment fees totaling $1,213,889 (US$1,225,000) 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 29, 2013, Bayswater anticipates incurring exploration and property maintenance expenditures in order to maintain the Company's projects. The Company does not have sufficient working capital to sustain operations for the 2013 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, 2012 and 2011, the Company:

a) Paid or accrued $120,000 (2011 - $60,000) for management fees, $6,000 (2011 - $6,000) for rent, and $Nil (2011 - $60,000) for geological consulting fees included in exploration and evaluation costs to a company controlled by the president of the Company and to a director of the Company.

b) Paid or accrued $10,500 (2011 - $7,500) for administration fees and $1,500 (2011 - $Nil) for rent to a company owned by Company's corporate secretary.

Included in accounts payable and accrued liabilities at August 31, 2012 is $120,125 (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 six months ended August 31, 2012 and 2011 are as follows:

	2012	2011
Administration fees	$ 10,500	$ 7,500
Directors’ fees	18,750	20,250
Management fees	120,000	60,000
Professional fees	20,250	-
Rent	7,500	6,000
Stock-based compensation (i)	-	14,171
Geological consulting fees included in deferred exploration costs	-	60,000
	$ 177,000	$ 167,921

(i) Stock-based compensation is 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. During the year ended February 29, 2012, the agreement was terminated.

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.

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 Canada and the United States. 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, 2012 of $1,468,089. Included in accounts payable and accrued liabilities are finder's and establishment fees totaling $1,213,889 (US$1,225,000) 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, 2012, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US$
Cash	13,693
Reclamation bonds	16,000
Accounts payable and accrued liabilities	(1,225,275)
Net exposure	(1,195,582)

Based on the above net exposure as at August 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 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 30, 2012, there were 22,569,548 common shares issued and outstanding. There were also 2,085,750 stock options outstanding to directors, officers and consultants with an exercise price of $0.30 per share which expire on April 29, 2017, 2,200,000 stock options with an exercise price of $0.30 per share which expire on February 3, 2018 and 41,375 stock options with an exercise price of $0.30 per share which expire on June 10, 2013. In addition, 269,240 warrants were outstanding with an exercise price of $0.25 per share, expiring May 24, 2014.