

# BAYSWATER URANIUM CORPORATION

## Management Discussion and Analysis

Year Ended February 28, 2011

This discussion and analysis of financial position and results of operations (“MD&A”) is prepared as at June 28, 2011 and should be read in conjunction with the audited consolidated financial statements for the years ended February 28, 2011 and 2010 of Bayswater Uranium Corporation (the “Company” or “Bayswater”) with the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

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

### Description of Business

The Company is a natural resource company engaged in the acquisition and exploration of uranium properties with a secondary interest in base metal properties. During the year ended February 28, 2011, the Company completed the acquisition of the Reno Creek uranium property, located in northeastern Wyoming (see Investment in Reno Creek Property below). The Company holds additional uranium interests in the western United States, Saskatchewan, Labrador, Nunavut and the Northwest Territories. The Company also owns various base metal and diamond interests.

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

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

### INVESTMENT IN RENO CREEK PROPERTY

The Reno Creek Property, located in Wyoming, is the Company’s flagship project and our corporate goal is to put the property into production in the shortest time frame possible in order to maximize shareholder value.

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

Reno Creek is an advanced, near-surface uranium project at the permitting/feasibility stage located in the Powder River Basin in northeastern Wyoming, a well established uranium development region. The Project comprises NI 43-101 compliant resources of 10.96 million pounds of U<sub>3</sub>O<sub>8</sub> in 8,268,872 tons at an average grade of 0.066% U<sub>3</sub>O<sub>8</sub> measured and indicated and 4.73 million pounds of U<sub>3</sub>O<sub>8</sub> in 3,796,930 tons at an average grade of 0.063% U<sub>3</sub>O<sub>8</sub> inferred as documented in separate reports filed on Sedar on the Reno Creek and Southwest Reno Creek Uranium Properties dated January 30, 2009 by

Charles D. Snow, P.G. In addition, Reno Creek contains historical resources of approximately 8.41 million pounds of U<sub>3</sub>O<sub>8</sub> in 5,066,265 tons grading approximately 0.083% U<sub>3</sub>O<sub>8</sub> (Pathfinder Resources, 1980; Rocky Mountain Energy, 1986). The Project also has excellent potential to significantly increase resources through low-risk exploration. An extensive database, deep well injection permit and a disposal well were acquired in conjunction with the resources.

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

Effective April 7, 2010, the acquisition of the Reno Creek Property was completed through the acquisition of AUC LLC, 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 ("Newco") which holds the Property through certain wholly-owned subsidiaries. On closing of the transaction, PRRF held a 76.92% interest in Newco and the Company held a 23.08% interest in Newco. 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 Newco by the Company and bearing interest at the rate of prime plus 15% per annum) and a finder's fee of US\$1,000,000, both payable in conjunction with this investment agreement. The Company and PRRF have entered into a shareholders' agreement in respect of Newco which permits the Company to contribute additional amounts to Newco in order to achieve a 50% ownership interest. PRRF has the right to convert its investment in Newco into common shares of the Company, 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 Newco, subject to adjustment, as well as unanimous Newco shareholder approval for certain key decisions including annual work programs and budgets for the Property.

While PRRF has funded the acquisition of the Property and jointly funded with the Company a \$4,000,000 working capital position in Newco 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 Newco, it would have owned a 50% interest in Newco. Upon PRRF converting its investment in Newco

into common shares of the Company, the Company would then own a 100% interest in Newco and, thus, the Reno Creek Property.

As a result of the Company not contributing a minimum of US\$7,000,000 on or before December 1, 2010 pursuant to the above agreements with PRRF, PRRF elected to fund this amount by diluting Bayswater's interest in Newco as outlined below.

Bayswater and PRRF are developing the Reno Creek Uranium Project through Reno Creek Holdings Inc. ("RCHI"), a wholly-owned subsidiary of Newco, which holds the Project through RCHI's wholly owned subsidiary, AUC LLC ("AUC").

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

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

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

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

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

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

During the year ended February 28, 2011, the Company commenced drilling and installing up to 44 baseline monitoring wells in the area of its proposed uranium In Situ Recovery (“ISR”) mine and plant at the Reno Creek project. The monitoring well network is part of the environmental baseline and is required to support the Company’s application to obtain a Source and Byproduct Material License from the US Nuclear Regulatory Commission (NRC) and a Permit to Mine from the Wyoming Department of Environmental Quality (WDEQ). The monitoring wells are designed to provide information on the hydrology and water quality of the production zone aquifer plus characterize the hydrology and water quality of the overlying confining unit, the underlying confining unit, and the overlying and underlying aquifers. Seven clusters of monitoring wells are being installed across the Reno Creek project. At each cluster, a temporary stratigraphic hole will be drilled to the Badger/Baker Coal zone, which ranges from 600 to 700 feet deep. The stratigraphic hole will be logged to characterize the stratigraphy and to assist in regarding the installation of the monitoring wells. Monitoring wells are planned to be completed in the Production Zone, the overlying aquifer, the underlying aquifer, and in the shallow aquifer if a saturated sandstone is detected. In addition, the Company will install Production Zone monitoring/observation wells at varying distances from each cluster for use in subsequent pump tests. The program also includes selected coring of the overlying and underlying confining units. Water quality samples will be taken from all of the monitoring wells on a quarterly basis in order to characterize the various aquifers. Following installation of the monitoring wells, the Company will commence its first quarter of surface and ground water quality sampling.

In addition, the Company has implemented other elements of its baseline environmental monitoring program, including:

- ? Identifying and measuring properties of surface water sources over the course of a year.
- ? Measurement of meteorological and air quality parameters over the course of a year. This includes installation of an on-site meteorological station and six air quality monitors.
- ? Background radiological conditions. Field surveys include background gamma, soil and vegetation sampling and analysis of radium, uranium and other radionuclides.
- ? Cultural resources and archaeology.
- ? Other miscellaneous baseline studies.

Subsequent to implementation of the above program, the Company has made significant progress in its environmental baseline studies on its Reno Creek Project. Following are the highlights of the extensive ongoing program:

- ? Twenty-five of the initially planned forty-four monitoring wells have been completed and are operational. The balance of the wells will be drilled and developed early in 2011.
- ? Monitoring well data has confirmed that the sandstone ore horizon is physically confined above and below by shale across the entire project area.
- ? One pump test has been successfully completed and the data is being analyzed. The pump tests are designed to document that pumping in the ore body sandstone does not cause any hydrologic communication with the overlying and underlying aquifers and to provide hydrologic data that is used for the design of production and restoration operations.
- ? 2011 first quarter ground water samples, surface water and sediment samples have been collected and are in the laboratory for analysis.

- ? An on-site meteorological station has been installed and a full quarter of data obtained.
- ? Five air quality monitoring stations have been installed and a full quarter of data acquired.
- ? Vegetation and soils mapping are nearly completed, and are expected to be complete in the spring of 2011.
- ? Archaeological surveys have been completed. All 41 previously recorded cultural resource sites identified on the Reno Creek project had been evaluated as not eligible for the National Register of Historic Places (NRHP), and files indicate State Historic Preservation Office concurrence for all previously recorded sites. All 37 newly recorded localities are also evaluated as not eligible for the National Register.
- ? Wildlife surveys are more than 80% complete. The survey documented the absence of sage-grouse in the entire project area, as well as the absence of any threatened or endangered species.
- ? Wetlands mapping is more than 90% complete, and should be finished during the spring of 2011.
- ? The baseline radiological survey, including soil and vegetation sampling, is 90% complete, and will be completed by summer of 2011.

During October 2010, the Company successfully completed its first quarterly meetings with the Nuclear Regulatory Commission (NRC) and the Wyoming Department of Environmental Quality (WDEQ) to provide an update on the progress of activities, discuss initial findings of the baseline studies, and affirm that the baseline program continues to meet the needs of both agencies for their review of future permit applications. The Company confirmed that it plans to submit its application to the NRC for a Source and Byproduct Material License and its application to the WDEQ for a mine permit by the end of 2011.

Also during 2010, drilling of monitoring and observation wells located both inside and outside of known resource areas led to the following results pertaining to the known mineralized areas and their potential expansion on the project:

- i) Holes confirmed mineralization within resource areas as identified from historical drilling by Rocky Mountain Energy and others; and
- ii) Some of the monitoring and pump test wells, located outside of known mineralized areas, intersected significant new mineralization.

When the well drilling program is completed in the first part of 2011, the data from all monitoring and observation wells will be integrated into the project database for additional resource evaluation. Mineralized intercepts outside of known resource areas indicate the potential for additional resources and are listed in the table below.

**LISTING OF SIGNIFICANT INTERCEPTS GRADING 0.01% eU3O8 or HIGHER- 2010 DRILLING PROGRAM**

**Drilling Outside of Known Resource Areas at Reno Creek**

<b>Well ID</b>	<b>Date of Geophysical Log</b>	<b>Depth to Intercept Top (feet)</b>	<b>Intercept Thickness (feet)</b>	<b>Intercept Grade % eU3O8</b>	<b>Intercept GT</b>
PZM5	08/12/10	241.5	10.5	0.052	0.546
PZM1	10/11/10	312.5	6.0	0.028	0.168
PZM8	09/20/10	306.0	12.0	0.041	0.492
		325.5	3.5	0.025	0.088
		334.0	6.5	0.086	0.559

PZM9	09/24/10	313.0	7.0	0.031	0.217
		338.5	1.0	0.018	0.018
PZM10	10/01/10	303.0	12.0	0.079	0.948
		331.0	5.0	0.018	0.090
UM1	10/06/10	299.0	7.0	0.037	0.259
		316.0	3.0	0.019	0.057
		336.5	21.5	0.124	2.666
		Includes this higher grade interval at 336.5:	6.5	0.332	2.158
PZM4	11/09/10	234.0	2.0	0.016	0.032
		259.0	5.5	0.024	0.132
PZM19	12/07/10	311.0	3.5	0.013	0.046

Note: PZM = Resource Host Sandstone Monitoring Well; UM = Underlying Aquifer Sandstone Monitoring Well. All uranium mineralization as noted above is in the known resource host sandstone.

The Company has planned to carry out a more extensive drilling program during 2011, which is currently underway, in addition to completing the environmental baseline studies (commenced in 2010) and preparation of permit applications. The drilling program includes a combination of confirmation and extension drilling in selected portions of the project—including areas of new mineralization encountered in the 2010 program, plus coring of the host sandstones in resource areas for metallurgical and engineering testing to support the applications for permits to the NRC and WDEQ. During 2011, the Company will also develop plans to commence drilling and environmental baseline activities in its Pine Tree trend located within the Reno Creek property which has significant historical resources as previously stated in news releases dated October 5, 2009 and April 7, 2010. Bayswater and PRRF, our investment partner in Reno Creek, have agreed to a budget of approximately \$7.6 million, which is fully funded, for the 2011 project.

Subsequent to February 28, 2011, Bayswater has announced in a news release dated June 8, 2011 a project update with respect to the 2011 program as outlined below.

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

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

Sixty-seven holes have been completed, including three core holes and two re-entries of historical holes, for a total of approximately 24,000 feet at SW Reno Creek. The historical holes were cleaned out to total depth previously drilled, re-logged, and then plugged and reclaimed in accordance with WDEQ regulations. The re-entries are designed to verify historical data, and to assess the condition of historical drill hole plugging activities. The current logging of these two holes compared favorably to and

confirmed the historical data. Both holes were found to be sealed throughout the entire saturated section, thus maintaining the hydrologic seal through the full reach of the overlying aquitard. Results of sub-regional hydrologic pumping tests conducted early this year in the same area of these historic boreholes also confirmed the hydraulic continuity of the effective overlying aquitard seal.

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

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

**LISTING OF INTERCEPTS GRADING 0.02% eU3O8 or HIGHER  
2011 DRILLING PROGRAM as of May 20, 2011  
Drilling in Southwest Reno Creek Area**

Hole ID	Depth to Intercept Top (feet)	Intercept Thickness (feet)	Grade (% eU3O8)	Intercept GT	SUM of Intercept GTs
RC0001	312.0	7.5	0.030	0.225	0.278
	358.5	2.5	0.021	0.053	
RC0004	260.0	1.5	0.023	0.035	0.035
<b>RC0006</b>	<b>330.0</b>	<b>16.0</b>	<b>0.049</b>	<b>0.784</b>	<b>0.874</b>
	349.0	4.5	0.020	0.090	
<b>RC0001C</b>	229.5	4.5	0.024	0.108	2.086
	<b>236.5</b>	<b>20.5</b>	<b>0.027</b>	<b>0.554</b>	
	<b>329.0</b>	<b>16.0</b>	<b>0.089</b>	<b>1.424</b>	
<b>RC0002C</b>	<b>328.0</b>	<b>24.5</b>	<b>0.117</b>	<b>2.867</b>	<b>2.867</b>
<b>RC0006C</b>	<b>342.5</b>	<b>16.0</b>	<b>0.042</b>	<b>0.672</b>	<b>0.672</b>
RC0011	245.0	5.5	0.026	0.143	0.143
RC0012	236.0	6.5	0.020	0.130	0.130
<b>RC0014</b>	264.0	4.0	0.021	0.084	0.570
	<b>327.0</b>	<b>7.5</b>	<b>0.048</b>	<b>0.360</b>	
	346.0	3.0	0.042	0.126	
<b>RC0015</b>	213.0	12.5	0.021	0.263	0.688
	<b>318.5</b>	<b>12.5</b>	<b>0.034</b>	<b>0.425</b>	
RC0017	220.0	8.0	0.021	0.168	0.324
	321.5	6.5	0.024	0.156	
RC0018	316.0	7.5	0.030	0.225	
<b>RC0019</b>	<b>236.5</b>	<b>22.0</b>	<b>0.030</b>	<b>0.660</b>	<b>1.956</b>
<b>RC0019</b>	<b>330.0</b>	<b>18.0</b>	<b>0.072</b>	<b>1.296</b>	
<b>RC0020</b>	<b>316.0</b>	<b>18.5</b>	<b>0.130</b>	<b>2.405</b>	<b>2.405</b>

	360.5	2.5	0.040	0.100	
RC0029	352.5	3.0	0.026	0.078	0.078
RC0033	229.0	8.0	0.024	0.192	0.242
	250.5	2.5	0.020	0.050	
<b>RC0034</b>	<b>245.5</b>	<b>3.5</b>	<b>0.153</b>	<b>0.536</b>	<b>0.656</b>
	331.0	6.0	0.020	0.120	
<b>RC0035</b>	<b>237.0</b>	<b>7.0</b>	<b>0.057</b>	<b>0.399</b>	<b>0.399</b>
RC0036	328.5	4.0	0.035	0.140	0.242
	338.0	3.5	0.029	0.102	
RC0037	326.0	5.0	0.023	0.115	0.115
<b>RC0038</b>	<b>334.0</b>	<b>10.0</b>	<b>0.043</b>	<b>0.430</b>	<b>0.430</b>
<b>RC0039</b>	<b>327.5</b>	<b>14.5</b>	<b>0.031</b>	<b>0.450</b>	<b>0.450</b>
RC0040	354.5	4.0	0.037	0.148	0.148
<b>RC0041</b>	<b>321.0</b>	<b>17.5</b>	<b>0.031</b>	<b>0.543</b>	<b>0.778</b>
	345.5	5.0	0.047	0.235	
<b>RC0042</b>	<b>336.5</b>	<b>12.0</b>	<b>0.059</b>	<b>0.708</b>	<b>0.773</b>
	349.5	2.5	0.026	0.065	
RC0043	355.5	3.5	0.066	0.231	0.231
<b>RC0045</b>	<b>340.5</b>	<b>14.0</b>	<b>0.043</b>	<b>0.602</b>	<b>0.602</b>
<b>RC0046</b>	<b>331.0</b>	<b>18.5</b>	<b>0.029</b>	<b>0.537</b>	<b>0.537</b>
<b>RC0047</b>	<b>316.0</b>	<b>13.5</b>	<b>0.049</b>	<b>0.662</b>	<b>0.662</b>
RC0049	318.5	8.5	0.021	0.179	0.179
<b>RC0051</b>	228.5	8.0	0.032	0.256	1.065
	<b>323.5</b>	<b>14.0</b>	<b>0.040</b>	<b>0.560</b>	
	344.5	3.0	0.083	0.249	
<b>RC0052</b>	<b>226.5</b>	<b>23.0</b>	<b>0.056</b>	<b>1.288</b>	<b>1.586</b>
	318.0	8.0	0.030	0.240	
	330.0	2.5	0.023	0.058	
RC0053	330.5	7.5	0.036	0.270	0.270
RC0054	252.0	3.0	0.021	0.063	0.063
RC0055	255.5	8.5	0.024	0.204	0.204
RC0057	244.5	8.0	0.028	0.224	0.314
	259.5	4.5	0.020	0.090	
RC0058	360.0	3.0	0.026	0.078	0.173
	364.5	3.5	0.027	0.095	
14W360166	279.0	1.5	0.025	0.038	0.038
<b>RC0061</b>	265.5	3.0	0.023	0.069	0.620
	360.0	4.5	0.029	0.131	
	<b>367.0</b>	<b>7.0</b>	<b>0.060</b>	<b>0.420</b>	
RC0062	340.0	8.0	0.030	0.240	0.360
	362.0	5.0	0.024	0.120	
<b>RC0064</b>	<b>338.5</b>	<b>8.5</b>	<b>0.050</b>	<b>0.425</b>	<b>0.425</b>
<b>RC0065</b>	<b>345.5</b>	<b>23.5</b>	<b>0.029</b>	<b>0.682</b>	<b>0.682</b>

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

- ? Delineation drill hole and monitoring well data confirmed that the mineralized sandstone horizon is physically confined above and below by a low permeability shale or mudstone across the entire project area.
- ? A second pump test has been successfully completed. The data from the first two pump tests document that the hydrologic conditions such as permeability and transmissivity are within the normal operating ranges exhibited at existing commercial ISR production facilities in Wyoming. In addition, the data document that there is no hydrologic communication between the mineralized sandstone and the underlying and overlying aquifers in the area of the pump testing. This finding also confirms that there is no evidence of hydrologic leakage or communication through historical drill holes.

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

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

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

## **Overall Performance**

During the year ended February 28, 2011, the Company also carried out the following activities:

- i) The Company carried out a program on the Hauber Project, Wyoming, representing a portion of the Company's uranium Elkhorn Project, in order to fulfill its requirements for the first year under the agreement as amended with Ur-Energy Inc. whereby the Company can earn a 75% interest by spending US\$1,000,000 by March 31, 2015. The Company drilled two core holes for initial testing of the uranium host formation for metallurgical and hydrologic testing in order to evaluate the potential for in-situ-recovery. Results of this program, as announced April 28, 2011, were encouraging as follows:

- ? Gamma ray logging of two core holes verified historical levels of mineralization in the target Lakota Sandstone at depths ranging from 250 to 325 feet below surface.
- ? PFN logging and chemical assays collected on the two core holes drilled in 2010, and compared to radiometric uranium measurements, revealed on average no significant disequilibrium; additional data to verify this conclusion will be collected in the future.
- ? The mineralized host sandstones exhibited permeabilities ranging from 600 to over 2400 millidarcies, within the accepted range for ISR mining.
- ? The overlying and underlying aquitards exhibited permeabilities ranging from 0.2 to 5 millidarcies, demonstrating the existence of quality confining layers.
- ? Bottle roll metallurgical tests reported total uranium recoveries averaging approximately 90%, on samples ranging from 0.03% to 0.19% U<sub>3</sub>O<sub>8</sub>.

In January 11, 2010, the Company announced the results of an independent National Instrument (NI) 43-101 Technical Report for its Elkhorn Uranium Project in the Black Hills area of northeastern Wyoming. The study was conducted by Tom Pool, P.E., of International Nuclear, Inc., based in Golden, Colorado, and was prepared for Bayswater's wholly owned U.S. subsidiary, NCA Nuclear, Inc. (NCA). The Elkhorn estimate shows an Indicated Resource of 1.95 million pounds of uranium oxide at an average grade of 0.17% eU<sub>3</sub>O<sub>8</sub> in 562,000 tons and an Inferred Resource of 570,000 pounds of uranium oxide at an average grade of 0.14% eU<sub>3</sub>O<sub>8</sub> in 199,000 tons. The agreement with Ur-Energy covers about one half of this resource as stated; whereas, the balance is owned 100% by the Company. Potential exists for expanding this resource based on evaluation of an extensive historical database to which the Company has access.

Bayswater, depending on general market conditions and financing, intends to expand its evaluation of the Hauber Project by carrying out a two-phase program in 2011 that will include:

- ? a pump test of the host Lakota sandstone in the area of 2010 drilling in order to demonstrate the production zone aquifer behavior to further evaluate potential ISR mining; and
- ? drilling of up to 25 additional holes for purposes of confirmation of previous historical drill results and to potentially expand resources.

The goal of future programs is to successfully demonstrate the hydrologic and metallurgical potential for ISR mining and that the known resources can be expanded by further step-out drilling.

- ii) CanAlaska Uranium, under an option agreement, has the right to earn a 70% interest in the Company's Collins Bay Extension Property in the Athabasca Basin. During the year ended February 28, 2011, CanAlaska announced encouraging results from drilling on the property in early 2010. The property is located at the northeastern margin of the Athabasca Basin and drilling was undertaken in the vicinity of a previous drill intersection grading 0.152% U<sub>3</sub>O<sub>8</sub> over 4 meters on Fife Island and on a new target at Blue Island. A total of about 1000 meters in 5 holes was completed on these targets. Several anomalous radioactive zones were encountered on both targets. The Fife Island target is associated with faulting in basement graphitic meta-sediments with the best 2010 drill intersection of 0.043% U<sub>3</sub>O<sub>8</sub> over 4.0 meters; whereas, the Blue Island target consists of two subjacent circular conductive/gravity low features each up to 700 meters in diameter associated with basement altered diatreme breccias with the best mineralized intersection of 0.014% U<sub>3</sub>O<sub>8</sub> over 0.60 meters. Both targets require further work.

The Blue Island target is a large new feature in this area of the Athabasca Basin, and is geologically encouraging by the amount of breccia intersected in the drill hole. Other areas of the Athabasca Basin have circular structures associated with brecciation, alteration and uranium mineralization. This is a discrete target, and it is encouraging that the first drill hole has provided evidence of uranium mineralization associated with the breccias.

CanAlaska subsequently carried out seismic profiling of the Blue Island target and adjoining area of previous sediment sampling east of the Rabbit Lake Mine. Results were encouraging from initial collation of data from the seismic survey with respect to enriched uranium contents in lake bottom sediments, a uranium boulder train whose source may relate to the surveyed area, and gravity, EM and bathymetric survey data. The data indicates a well developed structural break and associated distinct channel of uranium enrichment trending north-easterly along the postulated trend of the Rabbit Lake fault system in the Pow Bay area. Further offshore to the northeast, the large airborne Blue Island electromagnetic anomaly matches a rapid change in the bathymetric survey, surrounding the location of the mineralized CanAlaska drill hole as noted above. This drill hole identified a 200 meter faulted offset in the basement rocks, underlain by breccias, and localized uranium mineralization.

CanAlaska's seismic survey ties into an earlier seismic survey and extends a major paleovalley, interpreted as a possible fault or shear zone, which ties into the Blue Island anomaly.

Further processing of seismic data and integration of data is planned prior to further drill testing of targets which was originally planned for this past winter, and that has now been deferred due to delays in securing permits by CanAlaska.

- iii) Permitting of planned drilling on the Mountain West project, Nevada continued during the year ended February 28, 2011.
- iv) The Company sold the Juniper Property, located in California, to Longview Capital Partners Limited, a private company, for the consideration of US\$12,000 to cover the current year's land maintenance fees plus 10% of the shares issuable to Longview as a result of any vending of the property into a listed company on the TSX Venture Exchange; and that such shares will not be less than 500,000 shares and failing which, and in place of the shares, Longview will pay US\$250,000 to the Company upon the expiry of two years from the date of the agreement if such shares have not been issued to the Company. In addition, the Company is to be paid US\$500,000 upon public announcement of commercial production from the Property. The Juniper property has historical resources of 4.0 million lbs U<sub>3</sub>O<sub>8</sub>, which resources are not compliant with NI 43-101 standards and should not be relied upon, in an area posing potential permitting restrictions and mining difficulties in northeastern California and as such is not a core asset of the Company.
- v) The Company sold its interest in all concessions in Niger to Cascade Resources Inc. ("Cascade"), subject to regulatory approval; however, subsequent to February 28, 2011, Cascade advised the Company that it had declined to close the transaction and, as a result of this and the financial obligations to maintain the concessions, the Company terminated its interest in the concessions. The Niger holdings are early stage exploration targets that do not fit with current corporate goals to focus on advance uranium projects.

- vi) The Company amended the sale agreement, as previously reported, of its Mali property to Coltstar whereby the \$250,000 promissory note under the original agreement is to be cancelled and Coltstar is to issue in its place 1,000,000 common shares (received subsequent to February 28, 2011) to the Company.
- vii) During the year ended February 28, 2011, the Company entered into a Purchase Agreement with Otis Gold Corp. (“Otis”), which replaces the former option/joint venture agreement, to sell a 100% interest in all of the Idaho gold properties held by the Company, including the Kilgore Gold Property, to Otis. The Purchase Agreement requires Otis to pay an additional US\$1,750,000 and issue 2,000,000 common shares (received). The cash will be 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). 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).
- viii) The Company carried out a small geochemical/geophysical surface program on its Avoca base/precious property in Ireland in order to maintain its licenses. Results from this work identified an interesting coincident gravity, soil geochemical and soil gas hydrocarbon anomaly that suggests a small, blind, favourable rhyolite dome with a potential base metal associated mineralized zone along the northeast extension of the known Avoca strataform mineralized zones. The Company plans to sell or farm-out this project as it is not a core asset.

All of the above listed sale transactions and other activities for the year ended February 28, 2011 are in line with the Company’s objective of building a pure uranium exploration and development company with a focus on production—particularly from potential in-situ recovery (“ISR”) operations in the western USA.

### Future Plans and Outlook

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

### Selected Annual Financial Information

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

	Year Ended February 28, 2011	Year Ended February 28, 2010	Year Ended February 28, 2009
Interest income	\$ 1,130	\$ 67,067	\$ 394,452
Loss for the year	(9,759,253)	(23,031,119)	(8,348,767)
Basic and diluted loss per share	(0.45)	(1.49)	(0.56)
Total assets	34,466,298	37,993,289	63,239,517
Total long-term liabilities	-	-	-
Cash dividends	-	-	-

## Results of Operations

The Company recorded a loss of \$9,759,253 for the year ended February 28, 2011 compared to a loss of \$23,031,119 during the comparative year ended February 28, 2010. The decrease in loss of \$13,271,866 was mostly due to the write-off of mineral properties (2011 - \$7,862,203; 2010 - \$24,075,862). Significant expense increases during the current year included higher stock-based compensation (2011 - \$532,484; 2010 - \$418,736) due to more options vesting, and interest expense (2011 - \$99,679; 2010 - \$Nil) due on amounts now owing to PRRF. These increases were offset by continuing reductions in operating expenses. Other significant differences included future income tax recovery (2011 - \$Nil; 2010 - \$2,705,000) related to the write-off of mineral properties, and gain (loss) on sale of mineral properties (2011 - \$(262,729); 2010 - \$229,488).

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

## Quarterly Information

	Three Months Ended Feb 28, 2011	Three Months Ended Nov 30, 2010	Three Months Ended August 31, 2010	Three Months Ended May 31, 2010
Total assets	\$34,466,298	\$41,629,713	\$41,944,205	\$43,322,681
Mineral properties	30,722,861	40,071,137	39,948,020	40,738,297
Working capital (deficiency)	720,858	(1,186,877)	(634,655)	60,804
Loss for the period	(7,225,640)	(547,884)	(1,459,771)	(525,958)
Loss per share	(0.32)	(0.02)	(0.07)	(0.03)

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

### **Fiscal 2011**

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

During the quarter ended February 28, 2011, the Company recorded a loss of \$7,225,640, which was an increase in loss of \$6,677,756 compared to the loss of \$547,884 recorded in the quarter ended November 30, 2010. The increase was mostly due to the write-down of mineral properties (February 28, 2011 - \$6,729,797; November 30, 2010 - \$Nil) and the recording of stock-based compensation (February 28, 2011 - \$221,625; November 30, 2010 - \$103,620). The Company recorded a loss of \$547,884 during the quarter ended November 30, 2010, which was a decrease of \$911,887 from the loss incurred in the previous quarter. The decrease was mostly due to the write-off of mineral properties during the previous quarter (November 30, 2010 - \$Nil; August 31, 2010 - \$1,132,406) which was partially offset by the loss on sale of mineral properties (2010 - \$237,407; August 31, 2010 - \$Nil). During the quarter ended August 31, 2010, the Company recorded a loss of \$1,459,771, which was an increase of \$933,813 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 stock-based compensation in the previous quarter (August 31, 2010 - \$Nil; May 31, 2010 - \$207,239). The Company recorded a loss of \$525,958 during the quarter ended May 31, 2010, which was a decrease of \$21,369,228 from the loss incurred during the quarter ended February 28, 2010. The decrease was due mainly to the write-down of mineral properties in the prior quarter (May 31, 2010 - \$Nil; February 28, 2010 - \$24,075,862), which was partially offset by a future income tax recovery (May 31, 2010 - \$Nil; February 28, 2010 - \$2,808,000).

### **Fiscal 2010**

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

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

## **Liquidity and Capital Resources**

The Company commenced fiscal 2011 with working capital of approximately \$3,100,000 and cash and short-term investments of \$2,343,679. As at February 28, 2011, the Company had working capital of approximately \$721,000 and cash of \$953,893. Acquisition, exploration and administrative expenditures incurred during the year ended February 28, 2011 were primarily funded from cash and short-term investments on hand at February 28, 2010, from the proceeds of private placements which totaled \$334,765, and from US\$750,000 received pursuant to the agreement with Otis (see Overall Performance section above).

Included in accounts payable and accrued liabilities are finder's and establishment fees, totaling \$1,426,639 (US\$1,460,000) associated with the acquisition of the Reno Creek Property which were scheduled to be paid by December 1, 2010. The Company does not currently have the working capital required to satisfy these obligations.

For the year ending February 28, 2011, Bayswater anticipates incurring exploration and property maintenance expenditures in order to maintain the Company's projects. The Company has sufficient working capital to sustain operations for the remainder of the 2012 fiscal year. Bayswater's main source of financing is through issuances of equity.

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

## **Related party transactions**

During the year ended February 28, 2011, the Company:

- a) Paid or accrued \$120,000 (2010 - \$48,000) for management fees to a company controlled by the president of the Company and to a director.
- b) Paid or accrued \$43,500 (2010 - \$45,000) for directors' fees to directors of the Company.
- c) Paid or accrued \$12,000 (2010 - \$12,000) for rent to a company controlled by the president of the Company.
- d) Paid or accrued \$15,000 (2010 - \$15,000) for administration fees to a company owned by an officer of the Company.
- e) Paid or accrued \$120,000 (2010 - \$192,000) for geological consulting fees included in deferred exploration costs to a director and a company controlled by the president of the Company.

Included in accounts payable and accrued liabilities at February 28, 2011 is \$289,014 (February 28, 2010 - \$83,937) owing to a company controlled by the president of the Company, to a company with a director in common and to directors, all related to the above transactions.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Off Balance Sheet Arrangements**

The Company has no off Balance Sheet arrangements.

### **Investor Relations**

During the year ended February 29, 2008, the Company entered into an investor relations agreement with The Windward Agency whereby the Company was obligated to pay US\$4,000 per month for certain investor relations services provided. During the year ended February 28, 2011, the Windward Agency reduced its monthly charge to US\$2,500 to January 31, 2011, after which it was agreed that the Windward Agency would continue its services to December 31, 2011 for one payment of US\$4,000. This agreement may be terminated, without penalty, with two weeks' notice.

### **Commitments**

During the year ended February 29, 2008, the Company entered into management services agreements with the Company's President and its Chief Operating Officer. Both contracts were effective from January 1, 2008 to December 31, 2009 (subsequently amended to December 31, 2011) and remuneration was originally \$20,000 per month (reduced to \$10,000 per month effective January 1, 2009) (Notes 9 (a) and 9 (e)). On April 1, 2010, these management services agreements were replaced by new, substantively identical, agreements with effective dates from April 1, 2010 to March 31, 2012. If the Company terminates either agreement, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times the reduced monthly management fee.

### **Subsequent Events**

There are no significant subsequent events.

### **New accounting pronouncements effective for future periods**

#### *Business Combinations*

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

### *International reporting standards*

In addition to the above new accounting standards, the Accounting Standards Board (“AcSB”), in 2006, published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date for the Company will be March 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **IFRS Changeover Plan Disclosure**

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

Management has developed a project plan for the conversion to IFRS based on the current nature of operations. The conversion plan is comprised of three phases: 1) Scoping phase which will assess the overall impact and effort required by the Company in order to transition to IFRS; 2) Planning phase which will include a detailed analysis of the conversion process and implementation plan required for disclosure for the Company’s first quarter; and, 3) Transition phase which will include the preparation of an IFRS compliant opening balance sheet as at March 1, 2010, any necessary conversion adjustments and reconciliations, preparation of a fully compliant pro forma financial statements including all note disclosures and disclosures required for the MD&A.

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

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

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

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

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

#### IFRS 2 – Share Based Payments;

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

#### IAS 36 – Impairment of Assets;

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

### **Risks and Uncertainties**

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

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

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

## Financial Instruments and risk

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

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

### (a) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in the other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash	745,363
Receivables	1,003,078
Reclamation bonds	16,000
Accounts payable and accrued liabilities	(1,475,175)
Net exposure	289,266

Based on the above net exposure as at February 28, 2011, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations.

### (b) Credit Risk

The Company's cash and short-term investments are mainly held through large Canadian financial institutions and at February 28, 2011 mostly consist of cash held in interest bearing accounts. Accordingly, credit risk is minimized. The Company's receivables are mainly HST recoverable from the Canadian government, amounts due from the sale of the Company's subsidiary, Tuscany and from the sale of a mineral property. The long-term receivable was an amount due from the sale of exploration and mining rights and permits in Mali, and was unsecured.

### (c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has working capital as at February 28, 2011 of \$720,858. Included in accounts payable and accrued liabilities are finder's and establishment fees, totaling \$1,426,639 (US\$1,460,000) 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. The Company manages liquidity risk through the management of its capital resources as outlined in Note 14 to the audited annual consolidated financial statements for the year ended February 28, 2011.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company's cash is held mainly in interest bearing accounts and therefore there is currently minimal interest rate risk.

(e) Market Risk

*Commodity Price risk*

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

*Equity market risk*

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

**Outstanding Share Data**

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

As at June 28, 2011, there were 22,315,548 common shares issued and outstanding. There were also 2,100,000 stock options outstanding to directors, officers and consultants with an exercise price of \$0.55 per share which expire on April 29, 2017, 2,200,000 stock options with an exercise price of \$1.00 per share which expire on February 3, 2018 and 41,375 stock options with an exercise price of \$4.50 per share which expire on June 10, 2013. In addition, 304,332 warrants were outstanding, which expire between April 6 and April 14, 2012 all with an exercise price of \$0.75 per share.