

# **BAYSWATER URANIUM CORPORATION**

## **Management's Discussion and Analysis**

### **Nine Months Ended November 30, 2014**

This Management's Discussion and Analysis ("MD&A") of Bayswater Uranium Corporation ("Bayswater" or the "Company") provides an analysis of the Company's financial results for the nine months ended November 30, 2014 and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements for the nine months ended November 30, 2014 and the related notes thereto, prepared in accordance with International Accounting Standard No.34, Interim Financial Reporting. This MD&A should also be read in conjunction with the Company's audited consolidated financial statements for the year ended February 28, 2014 and the related notes thereto. All amounts are expressed in Canadian dollars, unless otherwise stated. All documents previously mentioned are available on SEDAR at [www.sedar.com](http://www.sedar.com). This MD&A is based on information available as at January 28, 2015.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the financial statements and MD&A, are complete and reliable.

Additional information on the Company is available for viewing on its website at [www.bayswateruranium.com](http://www.bayswateruranium.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Executive Summary**

The Company is a natural resource company engaged in the acquisition and exploration of uranium properties. The Company's principal exploration asset is the Reno Creek uranium property, located in northeastern Wyoming (see Investment in Reno Creek Property section below). The Company also holds additional uranium interests in Saskatchewan.

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, 40 miles south of the community of Gillette, 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", "Reno Creek" 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 Reno Creek Property 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. The deposits at Reno Creek are considered to be amenable to In-Situ Recovery (ISR) production, and are located in close proximity to major infrastructure, power, and other operating ISR facilities.

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 entered into a shareholders’ agreement in respect of RCHI which permitted the Company to contribute additional amounts to RCHI in order to achieve a 50% ownership interest. PRRF has the right to convert its investment in RCHI into common shares of the Company, 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 provided 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 calendar 2012 program and budget for the Reno Creek Project in the amount of US\$8,000,000, the Company was not 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 notified the Company and the parties agreed that PRRF would

fund the entire US\$8,000,000 for the 2012 program. Consequently, on January 31, 2012, PRRF and the Company further amended the Agreements to reflect such funding by PRRF and reduced the interest held by the Company in RCHI from 17.27% to 13.47% and the maximum interest the Company could then earn in RCHI was reduced from 31.14% to 13.47%.

On March 7, 2013, PRRF completed a further US\$2,500,000 investment in RCHI. This financing was the first part of a US\$5,500,000 new investment in RCHI which, together with cash on hand at March 7, 2013, financed the US\$7,500,000 2013 Reno Creek work program budget. As a result, the interest held by Bayswater in RCHI was reduced to 12.73% from 13.47% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 13.47% to 12.73%.

During June, 2013, PRRF completed a further US\$3,105,000 investment in RCHI. The proceeds from this financing was used by AUC to fund AUC's acquisition of the AUC corporate 5% gross production royalty obligation to Strathmore for US\$3,000,000 plus certain fees totaling US\$105,000. Following the purchase of the royalty by AUC, the royalty was cancelled. As a result, the interest held by Bayswater in RCHI was reduced to 11.76% from 12.73% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 12.73% to 11.76%.

During August, 2013, PRRF completed a further US\$3,000,000 investment in RCHI. This financing was the second of two parts of a total US\$5,500,000 (as discussed above). As a result, the interest held by Bayswater in RCHI was reduced to 11.09% from 11.76% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 11.76% to 11.09%.

During December 2014, PRRF completed a further US\$3,250,000 investment in RCHI. As a result, the interest held by Bayswater in RCHI was reduced to 10.40% from 11.09% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 11.09% to 10.40%.

The Company continues to be dependent upon its ability to finance its operations and exploration programs. The Company has not met certain funding obligations with respect to the Reno Creek Property which has resulted in the dilution of the Company's ownership interest (Note 7). Subsequent to February 28, 2014, the Company has also pledged 20.8% of its then 11.09% interest in the Reno Creek Property as security on a balance of \$1,457,243 owing to the manager of the PRRF.

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 may convert if not already done so, but in any event PRRF may 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 nine months ended November 30, 2014, the Company wrote down its investment in the Reno Creek property by \$4,013,143 to better reflect its carrying value.

### **Preliminary Feasibility Study ("PFS")**

On December 10, 2013 and December 18, 2013, the Company announced that, as a result of a review by the British Columbia Securities Commission ("BCSC"), the Company retracted certain of its previously-issued news releases and technical reports following the identification by the BCSC of certain disclosure and filing issues in relation to such news releases and technical reports, in particular a news release of the Company dated January 30, 2013, announcing the results of a prefeasibility study ("PFS") dated January, 2013 (as amended May 27, 2013), addressed to AUC and prepared by TREC Inc. for the Reno Creek uranium project. The Company retracted the January 30, 2013 press release clarifying that the PFS, as well as an amended prefeasibility study dated May, 2013, also addressed to AUC and prepared by TREC

Inc., were not compliant with National Instrument 43-101 and should not be relied upon until they have been independently verified and supported by an amended technical report. The Company also clarified the fact that the PFS was based on resources only and that no mineral reserves had been established at the project and, as a result, there was no certainty that the results of the PFS would be realized and that resources that are not reserves do not have demonstrated economic viability.

AUC, the operator of the project, engaged TREC Inc. to complete additional analyses and amendments to the PFS to address comments on the PFS raised by the BCSC relating primarily to the PFS being completed absent a mineral reserve estimate being prepared for the project.

As a result, on May 26, 2014, the Company announced that it received a new independent preliminary feasibility study for the Reno Creek project. The new PFS was prepared for AUC by TREC Inc. and Tetra Tech, and incorporated measured and indicated resources of 21.87 million pounds uranium (U3O8) estimated by Behre Dolbear in AUC's Nov. 30, 2012, technical report. The new PFS evaluates the technical and economic feasibility of the project, based on reserves estimated by Tetra Tech. Using the current scientific and engineering information available, the results of the PFS demonstrate both the technical and economic feasibility of the project.

#### **Key highlights of the preliminary feasibility study:**

- Measured and indicated resources of 21.87 million pounds U3O8 at a 0.30-per-cent-foot grade-thickness cut-off;
- 20.12 million pounds of probable reserves as U3O8;
- Recoverable uranium of 14.94 million pounds U3O8;
- Production designed for 1.5 million pounds U3O8 per year;
- Initial capital cost: \$78.4-million (U.S.);
- Cash operating costs: \$18.84 (U.S.) per pound U3O8;
- Total project costs (pretax): \$33.87 (U.S.) per pound U3O8;
- Life-of-mine after-tax earnings (undiscounted): \$359.8-million (U.S.);
- Net present value 8 per cent of \$150-million (U.S.) (after tax), internal rate of return 32.2 per cent (after tax), payback 3.2 years.

#### **Summary of project economics**

The PFS concludes the proposed Reno Creek project is technically and economically feasible selling 14.94 million pounds of U3O8 at an average price of \$65 (U.S.) per pound. The net present value for the project, using a discount rate of 8 per cent, is estimated to be approximately \$150-million (U.S.) after tax, and the internal rate of return is estimated to be 32.2 per cent after tax. Payback is projected to occur in the first quarter of the third year of production with net after-tax earnings (undiscounted) of \$359.8-million (U.S.) over the life of the mine.

Total initial project capital costs are estimated at \$78.4-million (U.S.) including the CPP (\$44-million (U.S.)), the first production unit (\$19.3-million (U.S.)) which consists of six wellfield/header houses and approximately 480 production wells and 40 monitor wells, and indirect costs of \$15.1-million (U.S.). Cash operating costs, including production, groundwater restoration, site decommissioning, reclamation, administrative costs, royalties and production taxes, are estimated at \$18.84 (U.S.) per pound U3O8. Total project costs, including cash operating costs, subsequent wellfield development/installation costs plus initial and subsequent capital, are estimated at \$33.87 (U.S.) per pound U3O8. A uranium price projection of \$65 (U.S.) per pound for long-term contracts is based on a wide variety of industry sources.

## SUMMARY OF KEY PROJECT ECONOMICS

<b>Item</b>	<b>Total (U.S.\$m)</b>	<b>U.S.\$/pound U3O8 recovered</b>
Revenue	971.2	65.00
Cash operating costs (LOM)		18.84
Initial project capital costs	78.4	
Total project costs (LOM)	506	33.87
Net cash flow undiscounted (after tax)	360	24.09
NPV8% (after tax)	150	
IRR (after tax)	32.2%	

The PFS titled, "Reno Creek Preliminary Feasibility Study Wyoming, USA," was prepared by TREC and Tetra Tech. The PFS will be available on the Company's profile on SEDAR.

### Permits update

AUC is well into the permitting and licensing process with the Wyoming Department of Environmental Quality and the Nuclear Regulatory Commission. The National Historic Preservation Act Section 106 tribal consultation is also in process.

## OTHER PROJECT

### Collins Bay Extension, Saskatchewan

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

During the year ended February 28, 2010, the Company entered into an agreement with CanAlaska Uranium Ltd. ("CanAlaska"), whereby CanAlaska has an option to earn a 51% interest in the Collins Bay Extension property in the Athabasca Basin by spending \$4,000,000 in exploration over five years and by issuing 50,000 common shares (20,000 received to date) to the Company. CanAlaska also has an option to increase its interest to 70% by spending an additional \$2,000,000 in exploration over a further three year period and by issuing an additional 80,000 shares to the Company.

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

### 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. However, the reader is cautioned that without additional financing for general working capital and to maintain its current properties, the Company may not be able to maintain the minimum listing requirements of the TSX-V beyond fiscal 2015 (Please see the discussion under Liquidity and Capital Resources, below).

## Results of Operations

The Company recorded a loss of \$4,274,834 for the three months ended November 30, 2014 (the “current period”) compared to a loss of \$159,250 during the comparative three months ended November 30, 2013 (the “comparative period”). The increase in loss is mainly the result of the Company realizing an impairment loss on the Reno Creek exploration and evaluation asset of \$4,013,143.

The Company recorded a loss of \$4,535,524 for the nine months ended November 30, 2014 (the “current nine-month period”) compared to a loss of \$374,516 during the comparative nine months ended November 30, 2013 (the “comparative nine-month period”). The increase in loss is mainly a result of the Company realizing an impairment loss on the Reno Creek exploration and evaluation asset of \$4,013,143. The increase in loss is also a result of certain transactions occurring during the comparative nine-month period that did not occur during the current nine-month period. During the comparative nine-month period, the Company incurred a gain on the sale of exploration and evaluation assets of \$112,499. This gain was partially offset by the realized loss on sale of marketable securities of \$21,870.

## Quarterly Information

	Three Months Ended Nov 30, 2014	Three Months Ended Aug 31, 2014	Three Months Ended May 31, 2014	Three Months Ended Feb 28, 2014
Total assets	\$ 4,283,491	\$ 8,332,372	\$ 8,386,565	\$ 8,399,951
Exploration and evaluation assets	4,157,244	8,170,387	8,170,387	8,170,387
Working capital (deficiency)	(2,913,798)	(2,705,386)	(2,548,885)	(2,454,057)
Loss for the period	(4,274,834)	(157,400)	(103,290)	(389,656)
Loss per share	(0.18)	(0.01)	(0.00)	(0.01)

  

	Three Months Ended Nov 30, 2013	Three Months Ended Aug 31, 2013	Three Months Ended May 31, 2013	Three Months Ended Feb 28, 2013
Total assets	\$ 8,489,250	\$ 8,529,209	\$ 8,479,184	\$ 8,496,923
Exploration and evaluation assets	8,170,388	8,170,388	8,170,389	8,280,686
Working capital (deficiency)	(2,095,709)	(2,010,427)	(1,957,121)	(1,908,516)
Loss for the period	(159,250)	(54,787)	(160,482)	(2,261,578)
Loss per share	(0.01)	(0.00)	(0.01)	(0.10)

## Fiscal 2015

From September 1, 2014 to November 30, 2014, total assets decreased by \$4,048,881. The decrease was mainly due to the impairment of the Reno Creek property and cash used for operations.

From June 1, 2014 to August 31, 2014, total assets decreased by \$54,193. The decrease was due to cash used for operations.

From March 1, to May 31, 2014, total assets decreased by \$13,386. The decrease was mainly due to cash used for operations.

### **Fiscal 2014**

From December 1, 2013 to February 28, 2014, total assets decreased by \$89,299. The decrease was mainly due to cash used for operations, and the write-off of prepaid financial consulting fees of \$35,000.

From September 1, 2013 to November 30, 2013, total assets decreased by \$39,959. In addition, the Company received net proceeds of \$67,200 pursuant to the closing of a non-brokered private placement.

From June 1 to August 31, 2013, total assets increased by \$50,025. The increase was mainly due to operating costs incurred during the current period offset by the fact that the Company sold the Central Mineral Belt properties for net proceeds of \$112,500.

From March 1 to May 31, 2013, total assets decreased by \$17,739. The decrease was mainly due to operating costs incurred during the current period. Also during this period, the Company sold the Elkhorn and Alzada properties located in Crooke county, Wyoming, and Carter county, Montana. Consideration received by the Company was US\$120,000 and 250,000 common shares (valued at \$2,500) of the purchaser (of which US\$10,000 was received as at February 28, 2013).

### **Fiscal 2013**

From December 1, 2012 to February 28, 2013, total assets decreased by \$2,045,230. The decrease was mainly due to the write off of exploration assets of \$1,886,078 in the quarter, as well as the write off of receivables of \$66,667 and the realized loss on sale of marketable securities of \$119,704.

During the quarter ended February 28, 2013, the Company recorded a loss of \$2,261,578, an increase of \$2,164,872 from the prior quarter. The increase was primarily a result of the \$1,886,078 in exploration costs written off during the quarter. The increase was also attributed to the write off of receivables of \$66,667 and a realized loss on sale of marketable securities of \$119,704 in the current quarter.

From September 1, 2012 to November 30, 2012, total assets increased by \$34,854. This was mainly due to an increase in the fair value of marketable securities of \$56,754 as well as an increase in receivables of \$28,884. These items were partially offset by the \$40,239 decrease in cash during the period.

### **Liquidity and Capital Resources**

The Company commenced fiscal 2015 with a working capital deficiency of approximately \$2,454,000 and cash of \$146,475. As at November 30, 2014, the Company had a working capital deficiency of approximately \$2,914,000 and cash of \$51,775. Operating expenditures incurred during the nine months ended November 30, 2014 were funded from cash on hand at February 28, 2014 and gross proceeds received of \$57,000 from the completion of a non-brokered private placement.

Included in accounts payable and accrued liabilities are finder's and establishment fees (including interest accrued thereon) totaling \$2,185,929 (US\$1,913,956) 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.

Subsequent to November 30, 2014, the Company received \$180,000 pursuant to a non-brokered private placement of 3,600,000 units at a price of \$0.05 per unit. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for two years at a price of \$0.10 per share.

For the year ending February 28, 2015, Bayswater anticipates incurring minimal exploration and property maintenance expenditures in order to maintain the Company's project. The Company may not have sufficient working capital to sustain operations through to the end of the 2016 fiscal year. Bayswater's main source of financing is through issuances of equity, proceeds from the sale of marketable securities



and, potentially, proceeds from the sale of certain mineral properties. Without additional financing for general working capital and to maintain its current properties, the Company may not be able to maintain the minimum listing requirements of the TSX-V beyond fiscal 2016.

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.

The Company's financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company are dependent on the Company's ability to complete equity financings or generate profitable operations in the future. The Company's financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Financing opportunities for companies with early-stage exploration projects are limited at the present time and failure to re-finance the Company in Fiscal 2015 could result in the need to wind-down existing activities.

### **Private placements**

During the nine months ended November 30, 2014, the Company received \$57,000 pursuant to a non-brokered private placement of 1,440,000 units at a price of \$0.05 per unit. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for two years at a price of \$0.10 per share. Total commissions paid consisted of \$4,560 cash and the issuance of 91,200 finder's fee warrants valued at \$2,431 using the black-scholes option pricing model. The finder's warrants are subject to the same terms as the private placement warrants.

Subsequent to November 30, 2014, the Company received \$180,000 pursuant to a non-brokered private placement of 3,600,000 units at a price of \$0.05 per unit. Each unit was comprised of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one additional common share of the Company for two years at a price of \$0.10 per share.

### **Related party transactions**

During the nine months ended November 30, 2014, the Company:

- a) Paid or accrued \$90,000 (2013 - \$90,000) for management fees to the CEO of the Company.
- b) Paid or accrued \$24,750 (2013 - \$24,750) for administration fees and \$6,750 (2013 - \$6,750) for rent to a company associated with an officer of the Company.
- c) Paid or accrued \$34,375 (2013 - \$37,500) for directors' fees.

Included in accounts payable and accrued liabilities at August 31, 2014 is \$539,853 (February 28, 2014 - \$415,478) owing to directors of the Company, to a company controlled by the former CEO of the Company and to the current CEO of the Company, all related to the above transactions and for directors' fees.

The remuneration of directors and key management personnel during the nine months ended November 30, 2014 and November 30, 2013 are as follows:

	2014	2013
Administration fees	\$ 24,750	\$ 24,750
Directors' fees	34,375	37,500
Management fees	90,000	90,000
Professional fees	26,500	24,500
Rent	<u>6,750</u>	<u>6,750</u>
	<u>\$ 182,375</u>	<u>\$ 181,500</u>

### **Off Balance Sheet Arrangements**

The Company has no off-Balance Sheet arrangements as at the date of this report.

### **Commitments**

During the year ended February 28, 2014, the Company entered into a management services agreement and various consulting agreements with the Company's CEO and consultants with remuneration of \$10,000 and \$9,250 per month, respectively. If the Company terminates the agreements, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times, and twelve times, respectively, the monthly management or consulting fees.

### **Proposed transactions**

The Company has not entered into any proposed transactions as of the date of this MD&A.

### **Investor relations**

The Company has not entered into any investor relations agreements as of the date of this MD&A.

### **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.

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.

## **Adoption of New Accounting Standards**

The Company has adopted the following standards, amendments and interpretations as of March 1, 2014:

IAS 32 Financial Instruments: Presentation  
IAS 36 Impairment of Assets

The adoption of these standards, amendments and interpretations had no effect on the Company's financial statements.

## **Financial and Capital Risk Management**

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values. 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 a related company 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 November 30, 2014 of \$2,913,798. Included in accounts payable and accrued liabilities are finder's and establishment fees (and accrued interest thereon) totalling \$2,185,929 (US\$1,913,956) 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 November 30, 2014, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

	US\$
Cash	10,978
Reclamation bonds	6,688
Accounts payable and accrued liabilities	(1,913,956)
Net exposure	(1,896,290)

Based on the above net exposure as at November 30, 2014, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would affect the loss and comprehensive loss by \$189,629.

#### 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 January 28, 2015, there were 28,739,548 common shares issued and outstanding. There are also 1,853,250 stock options outstanding to directors, officers and consultants with an exercise price of \$0.10 per share which expire on April 29, 2017 and 2,052,500 stock options with an exercise price of \$0.10 per share which expire on February 3, 2018. In addition, 6,061,200 warrants are outstanding with exercise prices between \$0.075 and \$0.10, expiring between October 30, 2015 and December 22, 2016.

During the year ended February 28, 2014, the Company received \$7,500 pursuant to the exercise of 100,000 share purchase warrants. The 100,000 common shares were issued during the nine months ended November 30, 2014.