



(an exploration stage company)

Audited Financial Statements

**For the years ended
February 29, 2012 and February 28, 2011**



(an exploration stage company)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited financial statements of Waseco Resources Inc. [the "Company"] are the responsibility of the management and have been approved by the Board of Directors of the Company.

The audited financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies as disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared fairly, in all material respects and are in accordance with International Financial Reporting Standards and IFRS 1 – First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the audited financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the audited financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P) and/or ICFR, as defined in NI 52-109

"Richard Williams"
President

"James (Jay) Richardson"
Chief Financial Officer

Chartered Accountants
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Independent Auditor's Report

To the Shareholders of
Waseco Resources Inc.

We have audited the accompanying financial statements of Waseco Resources Inc., which comprise the statement of financial position as at February 29, 2012, February 28, 2011 and March 1, 2010, and the statements of comprehensive loss and deficit, changes in equity and cash flows for the years ended February 29, 2012 and February 28, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Waseco Resources Inc. as at February 29, 2012, February 28, 2011 and March 1, 2010, and its financial performance and its cash flows for the years ended February 29, 2012 and February 28, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matters

Without qualifying our opinion, the accompanying financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in the notes to these financial statements, the Company has not generated revenues to date. This condition raises material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of this uncertainty.



Mississauga, Ontario
June 26, 2012

Chartered Accountants
Licensed Public Accountants



Statements of Financial Position

(Expressed in Canadian Dollars)

(an exploration stage company)

As at	February 29, 2012	February 28, 2011	March 1, 2010
	\$	\$	\$
Assets		(Note 3)	(Note 3)
Current assets			
Cash and cash equivalents (Note 7)	914,267	1,067,629	457,310
Refundable provincial exploration tax credit	18,858	3,587	789,572
Sales taxes recoverable (Note 8)	19,943	9,932	900
Trade receivables (Note 8)	4,326	4,326	4,326
	957,394	1,085,474	1,252,108
Liabilities			
Current liabilities			
Trade payables and accruals (Note 9)	58,000	76,452	49,400
Exploration deposits received	118,546	118,546	118,546
	176,546	194,998	167,946
Shareholders' Equity			
Share capital (Note 12)	5,777,662	5,777,662	5,777,662
Share payment reserves (Note 12)	170,802	128,902	128,902
Deficit	(5,167,616)	(5,016,088)	(4,822,402)
	780,848	890,476	1,084,162
	957,394	1,085,474	1,252,108

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 15)

Approved by the Board on June 26, 2012

("Signed") James (Jay) Richardson

CFO & Director

("Signed") Richard Williams

CEO & Director

The accompanying notes are an integral part of these financial statements



Statements of Comprehensive Loss and Deficit
(Unaudited and Interim Financial Statements)

(All amounts in US dollars unless otherwise indicated)

<i>For the Year Ended</i>	February 29, 2012	February 28, 2011
	\$	\$
		(Note 3)
Expenses		
General and administrative	66,415	68,144
Stock based compensation	41,900	-
Shareholder relations and regulatory fees	2,730	27,529
Professional fees	21,808	34,984
Exploration and evaluation expenditures	26,283	87,390
	159,136	218,047
Loss before other income	(159,136)	(218,047)
Other income:		
Miscellaneous income	-	18,173
Interest	7,608	6,188
	7,608	24,361
Net loss and comprehensive loss for the period	(151,528)	(193,686)
Deficit at the beginning of the period	(5,016,088)	(4,822,402)
Deficit at the end of the Period	(5,167,616)	(5,016,088)
Loss per share - basic and fully diluted	(0.005)	(0.006)
Weighted average number of shares outstanding - fully diluted	30,311,155	30,311,155

The accompanying notes are an integral part of these financial statements



Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

(an exploration stage company)

	Capital Stock		Reserve		Total
	Number of shares	Amount	Share based payments	Deficit	
		\$	\$	\$	\$
Balance at March 1, 2010	30,311,155	5,777,662	128,902	(4,822,402)	1,084,162
Net loss and comprehensive loss for the period	-	-	-	(193,686)	(193,686)
Balance at February 28, 2011	30,311,155	5,777,662	128,902	(5,016,088)	890,476
Net loss and comprehensive loss for the period	-	-	-	(151,528)	(151,528)
Share based transactions	-	-	41,900	-	41,900
Balance at February 29, 2012	30,311,155	5,777,662	170,802	(5,167,616)	780,848

The accompanying notes are an integral part of these financial statements



Statements of Cash Flow
(in thousands of dollars)

(an exploration stage company)

Years ended	February 29, 2012	February 28, 2011
	\$	\$
		(Note 3)
Operating activities		
Net loss for the period	(151,528)	(193,686)
Adjustments to reconcile net income to cash flow from operating activities:		
Stock based compensation	41,900	-
Option payments	-	(6,188)
Impact on cash flow of net changes in non-cash working capital items:		
Sales taxes recoverable	(10,011)	(9,033)
Refundable provincial exploration tax credit	(15,271)	-
Trade payables and accruals	(18,453)	23,465
	(153,362)	(185,442)
Investing		
Proceeds from provincial tax credit	-	795,761
	-	795,761
Increase (decrease) in cash and cash equivalents	(153,362)	610,319
Cash and cash equivalents, beginning of period	1,067,629	457,310
Cash and Cash Equivalents at End of Period	914,267	1,067,629

The accompanying notes are an integral part of these financial statements



Notes to Audited Financial Statements
(Expressed in Canadian Dollars)
Years Ended February 29, 2012 and February 28, 2011

(an exploration stage company)

1. NATURE OF OPERATIONS AND GOING CONCERN

Waseco Resources Inc. ("Waseco" or the "Company") is incorporated under the laws of Ontario. The principal business activity of the Company is mineral exploration in Canada and Indonesia as more particularly described in Note 11. The Company's registered office is 835 Millwood Road, Toronto, Ontario, M4G 1W5.

As at February 29, 2012, the Company had working capital of \$780,848 (February 28, 2011 - \$890,476), had accumulated losses of \$5,167,616 (February 28, 2011 - \$5,016,088) and expects to incur future losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of interest in mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs to the underlying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

Management plans to secure necessary financing, if as and when needed, through a combination of the issue of new equity or debt instruments and the entering into of joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

For further comments on the Company's liquidity risk refer to Note 6 (ii) below.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These Financial Statements represent the first annual financial statements of the Company prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). The Company adopted IFRS in accordance with IFRS 1, First-time Adoption of International Financial Reporting Standards. Previously, the Company prepared its annual and interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“CGAAP”).

These Financial Statements were authorized for issuance by the Board of Directors of the Company on June 26, 2012.

2.2 Basis of presentation and functional and presentation currency

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these annual audited financial statements are in accordance with IFRS. The financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company’s financial years beginning on or after January 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 ‘*Financial Instruments: Classification and Measurement*’ – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 ‘*Consolidated Financial Statements*’ – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 ‘*Joint Arrangements*’ - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

2. BASIS OF PREPARATION (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

The Company has not early adopted these standards, amendments and interpretations, however the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

3. ADOPTION OF IFRS

The Company adopted IFRS on March 1, 2011 with a transition date of March 1, 2010. Under IFRS 1 '*First time Adoption of International Financial Reporting Standards*', IFRS has been applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date.



Notes to Audited Financial Statements
(Expressed in Canadian Dollars)
Years Ended February 29, 2012 and February 28, 2011

(an exploration stage company)

3. ADOPTION OF IFRS (continued)

Below is the Company's Statement of Financial Position as at the transition date of March 1, 2010 under IFRS.

	As at March 31, 2010		
	GAAP	Effect of transition to IFRS	IFRS
Assets			
Current assets			
Cash and cash equivalents	\$ 457,310	-	\$ 457,310
Refundable provincial exploration tax credit	789,572	-	789,572
Sales taxes recoverable	900	-	900
Accounts and advances receivables	4,326	-	4,326
	1,252,108	-	1,252,108
Mineral Properties and Deferred Costs	258,639	(258,639)	-
	1,510,747	(258,639)	1,252,108
Liabilities			
Current liabilities			
Trades payables and accruals	\$ 49,400	-	49,400
Exploration deposits received	118,546	-	118,546
	167,946	-	167,946
Shareholders' Equity			
Share capital	5,800,662	(23,000)	5,777,662
Contributed surplus	128,902	(128,902)	-
Share payment reserves	-	128,902	128,902
Deficit	(4,586,763)	(235,639)	(4,822,402)
	1,342,801	(258,639)	1,084,162
	\$ 1,510,747	(258,639)	1,252,108



Notes to Audited Financial Statements
(Expressed in Canadian Dollars)
Years Ended February 29, 2012 and February 28, 2011

(an exploration stage company)

3. ADOPTION OF IFRS (continued)

IFRS employs a conceptual framework that is similar to Canadian GAAP. The adoption has resulted in significant changes to the reported financial position, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under Canadian GAAP:

Reconciliation of assets, liabilities and equity

				As at February 28, 2011		
				GAAP	Effect of transition to IFRS	IFRS
Assets						
Current assets						
Cash and cash equivalents	\$	1,067,629	-	\$	1,067,629	
Refundable provincial exploration tax credit		3,587	-		3,587	
Sales taxes recoverable		9,932	-		9,932	
Accounts and advances receivables		4,326	-		4,326	
		1,085,474	-			1,085,474
Mineral Properties and Deferred Costs		175,993	(175,993)			-
		1,261,467	(175,993)			1,085,474
Liabilities						
Current liabilities						
Trade payables and accruals	\$	76,452	-	\$	76,452	
Exploration deposits received		118,546	-		118,546	
		194,998	-			194,998
Shareholders' Equity						
Share capital		5,800,662	(23,000)		5,777,662	
Contributed surplus		128,902	(128,902)		-	
Share payment reserves		-	128,902		128,902	
Deficit		(4,863,095)	(152,993)		(5,016,088)	
		1,066,469	(175,993)			890,476
		\$ 1,261,467	(175,993)	\$	1,085,474	

(an exploration stage company)

3. ADOPTION OF IFRS (continued)

Reconciliation of statement of comprehensive loss

	<u>Year ended February 28, 2011</u>		
	<u>GAAP</u>	<u>Effect of transition to IFRS</u>	<u>IFRS</u>
Revenues	\$ 24,361	-	\$ 24,361
Administrative expenses			
General and administrative	68,144	-	68,144
Shareholder relations and regulatory fees	27,529	-	27,529
Professional fees	34,984	-	34,984
	130,657	-	130,657
Net income (loss) and comprehensive income (loss) before write-off of mineral properties	(106,296)		(106,296)
Write-off of mineral properties	170,037	(82,647)	87,390
Net income (loss) and comprehensive income (loss)	\$ (276,333)	82,647	\$ (193,686)



Notes to Audited Financial Statements
(Expressed in Canadian Dollars)
Years Ended February 29, 2012 and February 28, 2011

(an exploration stage company)

3. ADOPTION OF IFRS (continued)

Reconciliation of Cash Flows

	Year ended February 28, 2011		
	GAAP	Effect of transition to IFRS	IFRS
Operations			
Net loss	\$ (276,333)	82,647	\$ (193,686)
Adjustments to reconcile net income to cash flow from operating activities:			
Option payments	(6,188)	-	(6,188)
Write-off of mineral properties	170,037	(170,037)	-
Net change in non-cash working capital items:			
Sales taxes recoverable	(9,033)	-	(9,033)
Trade payables and accruals	17,798	5,667	23,465
	(103,719)	(81,723)	(185,442)
Investing			
Expenditures related to interest in mineral properties	(81,723)	81,723	-
Provincial exploration tax credit received, including interest	795,761	-	795,761
	714,038	81,723	795,761
Increase in cash and cash equivalents	610,319	-	610,319
Cash and cash equivalents, beginning of period	457,310	-	457,310
Cash and Cash Equivalents at End of Period	\$ 1,067,629	-	\$ 1,067,629

3. ADOPTION OF IFRS (continued)

Notes to Reconciliations

(a) Acquisition, exploration and evaluation expenditures

Under Canadian GAAP – Prior to 2011, the Company used the policy to defer the cost of mineral properties and their related exploration and development costs until the properties are placed into production, sold or abandoned. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of mineral properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Company, were recorded in the accounts at such time as the payments were made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

Under IFRS – Acquisition, exploration and evaluation expenditures for each property are expensed as incurred, unless such costs are expected to be recovered through successful development and exploration of the property or, alternatively, by its sale.

(b) Reserves

Under Canadian GAAP – Prior to 2011, the Company recorded the value of share based payments and warrants issued to contributed surplus.

Under IFRS – IFRS requires an entity to present for each component of equity, reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. IFRS requires a separate disclosure of the value that relates to "Reserves for warrants", "Reserves for share based payments" and any other component of equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into Property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or “ARO”)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the ~~cost of production~~ ^{unit production} method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

4.3 Share based payments

Share based payment transactions

Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of sharebased payment transactions, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity settled transactions

The costs of equitysettled transactions with employees , when and if they occur, are measured by reference to the fair value at the date on which they are granted.

The costs of equitysettled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equitysettled transactions at each reporting date until the vesting date and reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

4.4 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

4.5 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended February 29, 2012 and February 28, 2011 all the outstanding stock options were antidilutive.

4.6 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents and short-term investments are classified as FVTPL.

Financial assets classified as loans-and-receivables are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

4.7 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables and due to related parties are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At February 29, 2012 and February 28, 2011, the Company has not classified any financial liabilities as FVTPL.

4.8 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

4.9 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

4.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.12 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4.13 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to the use of the going concern assumption in the preparation of the financial statements, recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Flow-through Shares

The obligation to renounce tax deductions at the time of issuance of flow-through shares is recorded as a liability in accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" measured using a residual or a relative fair value method. This obligation is released into the statement of comprehensive income as a gain as and when the Company incurs qualifying expenditures (i.e. fulfilling its obligation to renounce tax attributes).

4.15 Future Accounting Policies

A number of new standards, amendments to standards and interpretations are not yet effective for the period ended February 29, 2012, and have not been applied in preparing these financial statements. None of these new standards will have an effect on the financial statements of the Company, with the exception of:

IFRS 9 Financial Instruments, published on November 12, 2009 as part of phase I of the IASB's comprehensive project to replace Financial Instruments Recognition and measurement ("IAS 39"), deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: Amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognized in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss. The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

The standard is effective for periods beginning on or after January 1, 2015. Earlier adoption is permitted. The Company is currently in the process of evaluating the potential effect of this standard.

IFRS 13 Fair Value Measurement, issued in May 2011, defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. The main features of the

4.15 Future Accounting Policies (continued)

new standard include the fact that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk (i.e., it is a market-based, rather than entity-specific, measurement). When measuring the fair value of a non-financial asset, an entity considers the highest and best use of the asset, and whether the asset is used in combination with other assets or on a stand-alone basis. A fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value and gives priority to observable inputs. An entity discloses information about the valuation techniques and inputs it has used, as well as the uncertainty inherent in its fair value measurements.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

5. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such the Company may be dependent on external financing to fund its activities. If, however, the joint venture decides to continue the exploration in Quebec then the Company would have a source of revenue. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There has been significant market turbulence worldwide due to the credit crisis and potential of a global recession. These market conditions have and are expected to continue to have an adverse impact on the ability of junior mining exploration companies to secure equity funding. The Company has historically relied, beyond revenue amounts generated, on equity financing to raise capital and expects to be able to continue to do so, but its ability to do so may be impacted by the current global situation and economic uncertainties. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting but management is confident of the sufficiency of its present working capital to meet its needs for at least the next twelve months.

5. CAPITAL MANAGEMENT (continued)

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended February 29, 2012. The Company is not subject to externally imposed capital requirements.

6. FINANCIAL INSTRUMENTS

Fair value

The Company has designated its cash and cash equivalents as FVTPL, which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables, trade and other payables and due to related parties are determined from transaction values which were derived from observable market inputs.

As at February 29, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments is reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

- a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian banks and therefore the risk of loss is minimal.
- b. **Trade and other receivables** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. At February 29, 2012, the Company had working capital of \$780,848 (February 28, 2011 – \$890,476). In order to meet its longer-term working capital and property exploration expenditures, the Company would, if necessary, attempt to secure further

6. FINANCIAL INSTRUMENTS (continued)

financing to ensure that those obligations were properly discharged. Management believes that the Company has sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. There can be no assurance that Waseco will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Waseco may change and shareholders may suffer additional dilution.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

7. CASH AND CASH EQUIVALENTS

The balance at February 29, 2012, consists of \$914,267 (February 28, 2011 - \$1,067,629) on deposit with two major Canadian banks.

8. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from one main source which is Harmonized Sales Taxes ('HST') receivable from government taxing authorities.

	As at		
	February 29, 2012	February 28, 2011	March 1, 2010
Refundable provincial exploration tax credit	18,858	3,587	789,572
Sales taxes recoverable	19,943	9,932	900
Trade receivables	4,326	4,326	4,326
	\$ 43,127	\$ 17,845	\$ 794,798

At February 29, 2012, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 6. The Company holds no collateral at February 29, 2012 against these receivables.



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(Expressed in Canadian Dollars)
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(an exploration stage company)

9. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally amounts owing for operating and financing activities and contribution to the AREVA joint venture.

	As at		
	February 29, 2012	February 28, 2011	March 1, 2010
Trade payables and accruals	58,000	76,452	49,400
Exploration deposits received	118,546	118,546	118,546
	\$ 176,546	\$ 194,998	\$ 167,946

The following is an aged analysis of the trade and other payables:

	As at		
	February, 29 2012	February 28, 2011	March 1, 2010
Less than 1 month	35,576	55,687	22,797
Over 90 days	140,970	139,311	145,149
	\$ 176,546	\$ 194,998	\$ 167,946

10. RELATED PARTY TRANSACTIONS

The financial statements include no balances and transactions with directors and/or officers of the Company other than management fee payments and reimbursements of out of pocket amounts paid by them on behalf of the Company. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties which are not in excess of fair market values.

During the twelve months ended February 29, 2012, the Company paid \$69,000 (2011 - \$45,000) to officers of the Company for management fees.

11. MINERAL PROPERTIES

The Company incurred mineral project development expenditure of \$26,283 for the year ended February 29, 2012 (2011 - \$81,723). Of this amount, \$24,138 represented the Company's contribution to the joint venture with AREVA on the Labrador Trough, Quebec uranium properties and \$2,145 represented expenses with respect to the Indonesian properties.

(an exploration stage company)

11. MINERAL PROPERTIES (continued)

The evaluation and exploration expenses for the Company are broken down as follows:

	Year ended		Cumulative to date
	February 29, 2012	February 28, 2011	
Properties			
Quebec-Labrador Trough, QC	\$ 24,138	\$ 5,618	\$ 43,900
James Bay Lowlands, ON	-	-	170,324
Other *	2,145	81,722	-
	\$ 26,283	\$ 87,390	\$ 214,224

* abandoned and no longer has ownership

The Company has interests in the following properties:

1. Quebec-Labrador Trough – The Company controls these uranium properties which consist of multiple blocks. A joint venture agreement has been granted with AREVA which became effective September 1, 2011. To date, the joint venture partners have spent \$2,096,222 on the properties of which the Company's monetary contribution has been \$43,900 in addition to the underlying properties.
2. James Bay Lowlands – The Company acquired a 5% interest in 2003 in a 2,440 acre claim block adjacent to the DeBeers Victor mine in the Attawapiskat Region in Northern Ontario. The property is subject to a 2% net smelter return ("NSR"), with the Company and its joint venture partners having a right of first refusal to buy out 1%.
3. The Company has made application for certain alluvial gold properties in Kalimantan, Indonesia; however, the current status of these properties has been brought into question by virtue of a government imposed regional moratorium. Until the treatment of the applications and the rights upon receipt are better understood, management has elected not to reflect an asset interest in respect of these prospects.

12. CAPITAL STOCK

Share Capital

Waseco is authorized to issue an unlimited number of common shares. The issued and outstanding share capital consists of common shares.

An analysis of movements in Capital Stock is set out in the Equity analysis (Page 5) above.



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(an exploration stage company)

12. CAPITAL STOCK (continued)

Stock-Based Compensation Plan

Waseco has established a stock option plan to provide additional incentive to its directors, officers, employees, service providers, or consultants in their efforts on behalf of the Company in the conduct of its affairs. The total number of shares which may be issued thereunder shall not exceed 10% of the then issued and outstanding shares of the Company. Under the terms of the plan, options shall vest immediately except those options granted to consultants or persons employed in investor relations activities, which are to vest over a twelve month period. All options expired on the fifth anniversary from the grant date, unless specified otherwise in a director's resolution. The exercise price of each option issued shall not be less than the closing market price of the Company's stock on the day immediately preceding the date of grant.

The following table summarizes the continuity of stock options issued:

	2012		2011	
	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options
Outstanding at beginning of period	\$ 0.25	1,000,000	\$ 0.25	1,000,000
Transactions during the period				
Granted	\$ 0.10	1,000,000	-	-
Exercised	-	-	-	-
Expired	\$ 0.25	(1,000,000)	-	-
Outstanding at end of period	\$ 0.10	1,000,000	\$ 0.25	1,000,000
Exercisable at end of period	\$ 0.10	1,000,000	\$ 0.25	1,000,000

The following table provides additional information about outstanding stock options at February 29, 2012:

Range of Exercise Prices	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
\$ 0 – 0.20	1,000,000	3.0	0.10
	1,000,000	3.0	0.10

(an exploration stage company)

12. CAPITAL STOCK (continued)

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the stock options granted during the year ended February 29, 2012:

	February 21, 2012
Number of options granted	1,000,000
Weighted average information	
Exercise Price	\$0.10
Risk-free interest rate	1.13%
Expected life	3 years
Expected volatility	90%
Vesting	100%
Expected dividends	-
Fair value of options granted	\$ 41,900
Share-based payments	\$ 41,900

The fair value of the stock options granted for the year ended February 29, 2012, was \$41,900 (2011 – nil), which amount has been expensed in the statement of operations.

13. RESERVE FOR SHARE BASED PAYMENTS

An analysis of movements in Share Based Payments is set out in the Equity analysis above.

14. INCOME TAXES

The Company's income tax provision differs from the application of the Canadian statutory tax rate. A reconciliation of the combined Canadian Federal and provincial income tax rates with the Company's effective tax rate is as follows:

	2012	2011
Expected income tax expense (recovery) at statutory rates of 28.5% (2011 - 30.5%)	(42,800)	(84,300)
Non-deductible expenses	42,800	86,200
Option revenue included in exploration pools		(1,900)
Income tax provision	\$ -	\$ -

Deferred Income Taxes Recoverable

The Canadian statutory income tax rate of 28.25% (2011 – 30.5%) is comprised of the federal income tax rate of approximately 16.5% (2011 – 17.5%) and the provincial income tax rate of approximately 11.75% (2011 - 13%).



Notes to Audited Financial Statements
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(an exploration stage company)

14. INCOME TAXES (continued)

The Company has \$193,200 (2011 - \$186,400) in non-capital losses carried forward for which no benefit has been recognized in the accounts. If these losses are not utilized, they will expire between 2028 and 2032.

The Company also has \$4,558,600 (2011 - \$3,074,000) of unused CCEE, CCDE, FEDE and CFRE expenses and capital losses of \$312,400 (2011 - \$312,400). The tax benefits pertaining to these expenses are available to carry forward and similarly no benefit has been recognized in the accounts.

The tax effect of temporary differences that give rise to the deferred tax assets and liabilities are:

	2012	2011
Deferred Tax Assets		
Loss carry forwards	63,000	61,400
Temporary differences	1,140,000	1,064,600
Less: valuation allowance	(1,203,000)	(1,126,000)
Net Deferred Tax Assets	-	-
Deferred Tax Liabilities	-	-
Net Deferred Income Taxes Recoverable	\$ -	\$ -

15. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

16. SUBSEQUENT EVENTS

On April 18th, 2012, the Company signed a letter agreement whereby it optioned from Sparton Resources Inc., a 75% interest in a lease covering 29 claims on the Battle Mountain Gold Trend in Lander County, Nevada. In order to satisfy the terms of the option, the Company is to maintain the property in good standing by making quarterly lease payments, paying the annual advanced royalty payments of \$75,000 U.S. (which the Company immediately paid for 2012) and by spending \$900,000 on exploration over three years. The Company has also agreed to provide a \$100,000 loan for one year, secured by the remaining 25% interest in the lease. The loan is interest bearing at 7% per annum. Mr. Williams, the Company President and C.E.O., is a director of Sparton and as such is a related party. He abstained from voting on the transaction.