



# WASECO RESOURCES Inc.

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## Management's Discussion- For the Quarter ended May 31, 2006

### General

This Management's Discussion and Analysis (MD&A) is dated July 27<sup>th</sup>, 2006 and reflects the three month period ended May 31, 2006 and should be read in conjunction with the unaudited financial statements for the quarter ended May 31, 2006 and the notes thereto. As the year end Audited Financial Statements include more comprehensive notes than the quarterly financial statements, reference should be made to them as well. All of these financial statements, as well as press releases issued by the Company and other information, are available either at the Company's website: [www.wasecoresources.com](http://www.wasecoresources.com), or at SEDAR.

This MD&A is required to contain prospective and forward looking statements. The Company is not in the practice of making forecasts, financial or otherwise, as it believes its business of mineral exploration and development is not sufficiently foreseeable to permit any forecasts to be made with any accuracy. To the extent that it is obliged to include such prospective information herein, the Company claims the protection of safe harbour legislation and generally cautions readers that all forward looking statements are subject to change, inherent risks and uncertainties of many kinds. All statements made herein are made in good faith and in their belief as to best information and expectation available but no guarantee can be provided nor should any be inferred from any forward looking statement.

The Company is a Tier 2 junior exploration company listed on the TSX Venture Exchange, engaged in the acquisition and exploration of mineral properties. The authorized capital is comprised of an unlimited number of no par value shares.

### Exploration Activity

Having completed the geophysical exploration activities on the Company's five uranium prospects that cover approximately 165 square kilometres in the Quebec Labrador Trough, the Company has continued in the first quarter with the compilation of the historical geochemical and geological data and the analysis of the information developed. As a result, the Company decided to undertake further staking in areas contiguous to these blocks and has completed the current phase of that activity in the first quarter. This is reflected in corresponding increases to the Mineral Properties accounts.

Our former joint venture partner, UMC Energy plc. (formerly Uranium Mining Corporation plc)("UMC"), a company listed on the AIM (Alternative Investment Market) in the United Kingdom subsequently decided not to proceed to the next stage of our agreement and, as a result, has relinquished all of its interest in these properties. The expenditures on the properties in the first quarter have been funded from the proceeds of a private placement completed by the Company in the third quarter.

Further funding for any corporate purposes will be forthcoming from refunds of costs of work undertaken which will be provided by the Quebec provincial Government pursuant to the Quebec Income Tax Act and the Mining Duties Act and such further equity financing or joint venture arrangements as the Company may feel advisable.

The Company sought a new joint venture partner and we are very pleased now to be working with UraMin Inc., a company listed on the AIM. We have jointly studied the technical data in order to formulate a follow up exploration program. This work will be started this summer and Autumn as part of a program totalling \$1,600,000 that Uramin has agreed to undertake in order to earn a 50% interest in the uranium related assets on the property. In addition, they would make cash payments to the Company of \$300,000, of which \$50,000 is reflected as a receipt in the first quarter and the receipt of a further \$100,000 is reflected as a subsequent event. Subsequent to the quarter, the TSX Venture has given the transaction conditional approval, subject to Waseco shareholder ratification.

### Other Balance Sheet Comparisons

The increase in cash balance compared to the year end reflects the receipt of the first \$50,000 from UraMin and a \$10,000 short term interest free loan from two shareholders which has subsequently been repaid without consideration of any kind to the shareholders advancing it. These amounts will be further augmented by the collection of the Quebec Provincial refund referred to above and the receipt after the quarter end of the next \$100,000 payment from Uramin. The Company has achieved a modest decrease in accounts payable and accruals in the quarter and the working capital deficiency has been reduced to a modest level of only under \$20,000.

## **Statement of Operations Comparisons.**

Operating losses continue to be incurred as a result of the modest overhead costs of the Company in the absence of revenue. Some modest revenue is expected to be earned from a 5% Management Fee which the Company will be entitled to, based on the exploration and development activities funded by UraMin.

The Company's main focus is on its recently acquired uranium properties. It continues to review other projects that it believes would create added shareholder value while putting primary emphasis on acquiring additional properties in the vicinity of its Quebec Labrador Trough properties.

The Company has not undertaken any further work on the Attawapiskat Diamond Property, in northern Ontario, where it holds a 5% interest. The development of the adjacent Victor Pipe by DeBeers and the work on the Macfadyen diamondiferous dykes to the west of the property, have rekindled interest in the camp. Management believes that the property continues to have exploration merit and preliminary discussions with a view to resume work have taking place.

The Company has severed its ties with its former Indonesian subsidiary but retains a significant quantity of proprietary information with respect to the Tewah Alluvial Gold which may put it in a position to participate again if it is able to identify a funding partner. The Company completed a Final Feasibility Study on the project in Kalimantan and has been seeking production funding for a number of years. The recent increase in the price of gold bullion has attracted new potential investors to consider the opportunity. However, any discussions are viewed to be at a very preliminary stage at this time.

The Company is also a co-plaintiff in an action against the Ministry of Natural Resources of the Province of Quebec arising from government expropriation of certain claims, optioned by the Company, that are prospective for tantalum. The trial in this matter has been delayed and is now set down for November of 2006. The Company is seeking reimbursement of moneys spent and compensation for loss of opportunity.

## **Liquidity and Solvency**

As the Company does not generally derive revenues from its operations, its ability to conduct exploration and development on its properties is based upon its ability to raise capital by way of joint-venture or equity funding. The Company's ability to raise capital by way of equity funding will be affected by general stock market conditions. Acquisition and exploration costs are deferred in the Company's accounts up to the point of any individual property achieving commercial production. The Company's dependence on these sources has been substantially reduced as a result of the favourable arrangements agreed in the UraMin joint venture and the prospective Quebec tax credits from the substantial exploration work being undertaken which accrue to the Company notwithstanding the funding having been provided by third parties, initially UMC and now UraMin. This should put the Company in a position of positive working capital in the near future for the first time in many years.

Together with amounts on hand and to be received in the second quarter from UraMin, the amounts anticipated from collection of receivables (the refunds from Quebec incentive programs) represent sufficient funds in prospect to fund administrative costs and modest exploration and development for the next several quarters.

## **Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements.

No account is taken in the balance sheet of the potential recovery to the Company from the litigation presently outstanding over the expropriation of certain properties by the Quebec government. The litigation continues and the Company has sufficient funding for the modest legal costs being incurred.

## **Related Party Transactions**

There were no related party transactions during the period beyond the reimbursement of travel and other costs incurred by individual Directors on behalf of the Company and the advance to the Company by two shareholders who are also Directors and Officers of the Company of the amount of \$10,000 on a completely interest free basis, which has been repaid as identified in Subsequent Events. A member of the Board of Directors is a party from whom the Company purchased the uranium prospective properties when he was not a member of the Board. This transaction was negotiated and completed at arm's length when the individual had no relationship with the Company. Mr. Hawkins was subsequently nominated and elected to the Board of Directors in view of his public company management experience as well as his knowledge of the properties.

## **Proposed Transactions**

Management is continuously examining potential acquisitions or options of additional properties as they are presented to the Company. No such transactions are presently pending while some possibilities are in early stages of discussion. Any such transactions would be announced by way of press release promptly upon their being committed to. The possibility of staking additional properties in the Quebec Labrador Trough camp, of particular interest to the Company, has been referred to above.

## **Change in Accounting Policy**

There has been no change to accounting policy during the period.

## **Summary of Quarterly Results**

Selected financial information for the 1st quarter of fiscal 2007 and each of the previous nine quarters comprising all of the quarters in 2006 and 2005 appears below:

<b>Fiscal years</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>1<sup>st</sup> Quarter</b>			
Revenue	-	7,000	-
Gain (loss)	(8,727)	(1,842)	(7,123)
Gain (loss) per share	(0.000)	(0.000)	(0.000)
<b>2<sup>nd</sup> Quarter</b>			
Revenue	-	-	-
Gain (loss)		(22,195)	(1,212)
Gain (loss) per share		(0.001)	(0.000)
<b>3<sup>rd</sup> Quarter</b>			
Revenue		-	-
Gain (loss)		(9,051)	(14,290)
Gain (loss) per share		(0.000)	(0.001)
<b>4<sup>th</sup> Quarter</b>			
Revenue		-	-
Gain (loss)		(135,267)	(12,730)
Gain (loss) per share		(0.005)	(0.000)

Management of the Company invites questions from its shareholders and will be pleased to consider how these statements may be made more useful to shareholders and others.

**WASECO RESOURCES INC.**

"Richard Williams"  
Richard Williams  
President

July 27<sup>th</sup>, 2006