WASECO RESOURCES INC.

Suite 1002, 141 Adelaide St, W. TORONTO, ONTARIO M5H 3L5
PHONE: 416-364-3123 FAX: 416-868 1468
E-Mail: blackwell@tcn.net

Management's Discussion and Analysis - For the Year ended Feb. 28th, 2006.

General

This Management Discussion and Analysis (MD&A) is dated June 29th, 2006 and reflects the twelve month Period ended February 28th, 2006 and should be read in conjunction with the Audited Financial Statements for Fiscal 2006 and all the notes thereto. 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 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 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 the belief as to their being 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 common shares with no par value.

Exploration Activity

During the year under review, exploration activity has been focused on the five uranium prospects which originally covered approximately 105 square kilometres in the Quebec Labrador Trough and now extends to approximately 160 square kilometres as a result of additional staking carried out both during the year and subsequent to the year end. This exploration expenditure has been reflected in increases in The Mineral Properties and Deferred Costs account in the year resulting from the completion of the $250,000 program of ground and airborne surveys including magnetometer, radiometric and gravity surveys and the cost of additional claim staking which was undertaken based upon the results of the program. In November, 2005, McPhar delivered its preliminary findings in a report interpreting the results of these programs and in January 2006 its final report. Subsequently, UMC Energy plc, who held a right to earn-into the project, advised the Company it would not be proceeding. The Company has been studying the McPhar report in conjunction with geological and geochemical information in order to formulate a follow up program. The Company has no other obligations to incur additional work to maintain its ownership interests and has sufficient assessment work credits to maintain the properties in good standing for a number of years. Expressions of interest in joint-venturing the properties have been received from third parties.

The Company holds a 5% interest in the Attawapiskat Diamond Property in northern Ontario, as a result of meeting its 2004-5 expenditure commitment. This property is strategically located, immediately adjacent to the Victor Pipe Project which De Beers is advancing to production, as well as the KWG- Spider Resources joint venture that has successfully located a number of diamondiferous pipes to the west of the property. During the year ended February 28, 2005 the Company drilled one hole on the property at a cost of approximately $70,000. While the drilling was not successful in intercepting kimberlitic material, the expenditure level was sufficient to meet the Company's work commitment and maintain the property in good standing. The Company has not undertaken any further work on the Attawapiskat Diamond Property. 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 are taking place. The Company does not anticipate undertaking further expenditures under its earn-in agreement and will consider its options to maximize its possibility of gain with respect to its 5% interest.

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. This matter is being set down for trial in November of 2006. The Company is seeking reimbursement of moneys spent and compensation for loss of opportunity.

The balance sheet reflects a deduction in this account due to the receipt of $200,000 as an option payment from UMC, our former optionee on certain of our uranium properties in the Quebec Labrador Trough and for refunds receivable with respect to exploration work carried out (accounted for as credits to this account). The latter government refunds are anticipated to be received after the filing of the necessary tax returns (anticipated in the next two months).

Subsequent to the year end, the Company has been negotiating with potential joint venture ("JV") partners, has received a $50,000 payment for exclusivity of negotiations from one of them and anticipates concluding a new JV agreement which would include cash payments to the Company and work commitments by the partner.

Other Balance Sheet Comparisons

The decrease in cash balance this year reflects the expenditure on the Quebec properties during the year and the increased operating loss this year (less amounts provided by sales of shares, both from option exercise and by private placement). There is some offsetting augmentation of working capital from the amounts now identified as GST recoverable and exploration tax credit refundable.

The decrease in accounts payable and accruals results from the decrease in exploration activities at the 2006 year end.

There is still a deficit in working capital but this is in prospect of being converted to a surplus upon conclusion of the new JV arrangements, as discussed above and below.

During the year, 1,000,000 shares were issued at $.07 per share in connection with the acquisition of the uranium prospective properties. A private placement was completed with 833,334 shares being issued at $0.12 per share for total proceeds of $100,000. The subscribers also received one-half warrant per share, with each full warrant entitling the holder to subscribe for a further share at $0.20 per share on or before September 9th, 2006.

Contributed Surplus has been recorded for the first time owing to the amounts credited to this account from the Black Scholes calculation of allocation from Share Capital with respect to both warrant and option issues.

Statement of Operations Comparisons

The loss for the year increased significantly to $168,000 owing to the Black Scholes estimation of Compensation cost from the granting and issue of options to management who receive no other form of compensation and the increase in listing, regulatory and investor relations costs primarily deriving from the listing of the Company's shares on the Frankfurt Stock Exchange. The increase in interest expense in the year under review as compared to the previous year results from the accrual of interest on an account payable.

There was no similar item in the prior year and accordingly a modest net loss of approximately $35,000 was recorded for the year. Correspondingly, the per share results similarly changed from a loss per share of $ 0.001 to a loss of $ 0.006 from the same considerations.

The Company's main focus is on its newly acquired uranium properties. It continues to pursue the possibility of farming out the Indonesian Alluvial Project while also reviewing other projects which it believes will create added shareholder value.

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. During the year, the Company recorded $7,000 of Management fee revenue but this was reversed at the year end when it was clear that this amount, while contractual, would not be collectible from its joint venture partner. In the coming year the Company anticipates earning management fee revenue from a new JV partner. Additionally, the Company expects its cash resources to be augmented by payments from the new JV partner and the exploration cost credits referred to above. This will reduce the Company's dependence on equity funding. The Company's ability to raise capital by way of equity funding will always be affected by general stock market conditions.

As of June 29th, 2006, the Company's working capital position is sufficient to cover administrative costs for the next two quarters following which it is expected to be replenished from the sources referred to above.

A new program of continued exploration on the Quebec properties is being planned, to be funded by the new JV partner who will manage the program while the Company will be the Operator.

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 subscriptions for shares issued by way of private placement on identical terms as offered to and subscribed by non-related parties and exercise of options outstanding on terms previously disclosed. 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

The Company is continuously examining potential acquisitions or earn-in options as they are presented to the Company.

Change in Accounting Policy

There were no changes to the accounting policies during the period other than:
(i) the change referred to in the 3rd quarter financial statements and MD&A regarding the calculation of per share amounts which was reversed in the 4th quarter to conform to regulatory requirements. As it was a minor technical difference in method no difference in numbers resulted.

(ii) the accounting for the implicit compensation cost inherent in the issue of share purchase options under the Company's Stock Option Plan. Issues are valued using the Black-Scholes model for valuation and are accounted for at the time of their grant. The notes to the financial statements describe the assumptions used by the Company in this calculation. The cost is included in the general and administration costs of the periods and the corresponding credit is made to contributed surplus. Similarly, the Black-Scholes valuation of the warrant element of the private placement units issued during the quarter has been transferred from Capital Stock to Contributed Surplus. The assumptions are similarly listed in Note 3 to the financial statements.

Selected Annual Information

Fiscal Years Ended February 28/29	**2006**	**2005**	**2004**
Profit (loss) for the year	($168,355)	($35,355)	$185,658
Profit (loss) per share	($0.006)	($0.001)	$0.008
Total Assets	$445,761	$212,480	$151,674
Total Long-Term Liabilities	-	-	-

Summary of Quarterly Results

Selected financial information for each of the last eight quarters in 2005 and 2006.

Fiscal Year 2006	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Revenue	-	-	-	- *
Gain (loss)	($135,267)	($9,051)	($22,195)	($8,842)*
Gain (loss) per share	($0.004)	($0.000)	($0.001)	($0.000)*

*** As restated to reflect the reversal of the management fee revenue originally booked in the first quarter.**

Fiscal Year 2005	**4th Quarter**	**3rd Quarter**	**2nd Quarter**	**1st Quarter**
Revenue	-	-	-	-
Profit (loss)	($12,730)	($14,290)	($1,212)	($7,123)
Profit (loss) per share	($0.000)	($0.001)	($0.000)	($0.000)

Additional disclosure for Venture Companies without significant revenue:

Fiscal Years Ended February 28th	**2006**	**2005**
General and Administrative Costs		
Professional Fees	$ 23,754	$17,702
Consulting Fees	0	0
Stock Based Compensation	$ 90,000	0
General Office	$ 1,000	$ 1, 476
Investor Relations/ Regulatory Fees	$ 55,137	$ 16,177
Travel and Entertainment	0	$561
Amortization	0	0

WASECO RESOURCES INC.

"Richard Williams"
Richard Williams
President
June 29th, 2006