

Waseco Resources Inc.

**Audited
Financial Statements**

**Years Ended
February 28, 2009 and
February 29, 2008**

parker simone LLP

Chartered Accountants
129 Lakeshore Road East
Suite 201 Mississauga Ontario
L5G 1E5
T 905 271.7977
F 905 271.7677

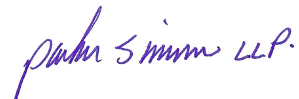
Auditors' Report

To the Shareholders of
Waseco Resources Inc.

We have audited the balance sheets of Waseco Resources Inc. as at February 28, 2009 and February 29, 2008 and the statements of income and comprehensive income and deficit and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2009 and February 29, 2008 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



June 16, 2009

Licensed Public Accountants

Waseco Resources Inc.

Balance Sheet

| <i>As at</i> | February 28, 2009 | February 29, 2008 |
|--|------------------------------|----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents <i>(Note 2)</i> | \$ 566,873 | \$ 674,412 |
| Refundable provincial exploration tax credit | 403,477 | 41,727 |
| GST recoverable | 15,011 | 12,984 |
| Accounts receivable | 937,874 | 4,327 |
| | 1,923,235 | 733,450 |
| Mineral Properties and Deferred Costs <i>(Note 3)</i> | 253,639 | 190,633 |
| | \$ 2,176,874 | \$ 924,083 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable and accruals <i>(Note 6)</i> | \$ 1,002,545 | \$ 134,404 |
| Exploration deposits received | 177,318 | 226,339 |
| | 1,179,863 | 360,743 |
| Shareholders' Equity | | |
| Capital Stock <i>(Note 4)</i> | 5,800,662 | 5,660,662 |
| Contributed Surplus <i>(Note 5)</i> | 128,902 | 66,902 |
| Deficit | (4,932,553) | (5,164,224) |
| | 997,011 | 563,340 |
| | \$ 2,176,874 | \$ 924,083 |

Nature of operations (Note 1)

Approved by the Board:

"James Richardson" _____, Director
CFO & Director

"Richard Williams" _____, Director
CEO & Director

The accompanying notes are an integral part of these financial statements.

Waseco Resources Inc.

Statement of Income and Comprehensive Income and Deficit

| Years Ended | February 28, 2009 | February 29, 2008 |
|--|------------------------------|------------------------------|
| Revenues | | |
| Option payments | \$ 385,548 | \$ 193,169 |
| Management fees | 46,688 | 15,891 |
| Interest income | 19,515 | 1,003 |
| | 451,751 | 210,063 |
| Expenses | | |
| Stock-based compensation | 122,000 | - |
| Professional fees | 40,840 | 28,364 |
| General and administrative | 38,706 | 55,373 |
| Shareholder relations and regulatory fees | 18,534 | 52,756 |
| | 220,080 | 136,493 |
| Net Income and Comprehensive Income for the Year | 231,671 | 73,570 |
| Deficit at beginning of year | (5,164,224) | (5,237,794) |
| Deficit at End of Year | \$ (4,932,553) | \$ (5,164,224) |
| Net income per share - basic | \$ 0.008 | \$ 0.002 |
| Weighted average number of shares outstanding - basic | 30,083,454 | 29,511,155 |
| Net income per share - fully diluted | \$ 0.008 | \$ 0.002 |
| Weighted average number of shares outstanding - fully diluted | 30,648,934 | 30,311,155 |

The accompanying notes are an integral part of these financial statements.

Waseco Resources Inc.

Statement of Cash Flow

| Years Ended | February 28, 2009 | February 29, 2008 |
|---|------------------------------|------------------------------|
| Operations | | |
| Net Income | \$ 231,671 | \$ 73,570 |
| Adjustments to reconcile net income to cash flow from operating activities: | | |
| Stock-based compensation | 122,000 | - |
| Option payments | (361,750) | (193,169) |
| Net change in non-cash operating working capital items: | | |
| GST recoverable | (2,027) | 27,803 |
| Accounts receivable | (937,874) | 27,599 |
| Exploration deposits received | (49,021) | 195,873 |
| Accounts payable and accruals | 872,468 | (101,406) |
| Cash Flow from (Used In) Operating Activities | (124,533) | 30,270 |
| Financing | | |
| Issuance of common shares, net of issuance costs | 80,000 | - |
| Cash Flow from Financing Activities | 80,000 | - |
| Investing | | |
| Expenditures related to interest in mining properties | (63,006) | (19,390) |
| Provincial exploration tax credit received | - | 287,273 |
| Option payments received | - | 150,000 |
| Cash Flow from (used in) Investing Activities | (63,006) | 417,883 |
| Net Increase (Decrease) in Cash | (107,539) | 448,153 |
| Cash and cash equivalents at beginning of year | 674,412 | 226,259 |
| Cash and Cash Equivalents at End of Year | \$ 566,873 | \$ 674,412 |

The accompanying notes are an integral part of these financial statements.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

General

Waseco Resources Inc. ("Waseco" or the "Company") is incorporated under the laws of Ontario. The Company's principal business activity is mineral exploration in Canada and Indonesia as more particularly described in Note 3.

1. Summary of Significant Accounting Policies

Going concern

The Company is in the process of exploring and evaluating its mineral properties. The business of mining and exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable mining operations. The amounts shown as mineral properties represent costs to date and are not necessarily representative of present or future cash flows. The Company's continued existence is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals and attaining profitable production or alternatively, upon the Company's ability to joint venture or dispose of its interest on an advantageous basis; all of which are uncertain.

At February 28, 2009, the Company had working capital of \$743,372, had yet to achieve profitable mining operations, has accumulated losses of \$4,932,553 and expects to incur further losses in the development of its business, all of which casts substantial doubt upon the Company's ability to continue as a going concern. Waseco will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. While the Company has been successful in securing financings and achieving modest profitability in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities at their liquidation values could be material to these financial statements.

Revenue Recognition

Waseco recognizes management fees as earned in accordance with the related exploration agreement. Interest revenue is accrued as earned. Payments received for mineral properties are recorded as a reduction of the corresponding property. When the carrying value has been reduced to nil the offsetting charge is to option income.

Stock-based Compensation

The Company has a stock-based compensation plan, which is described in Note 4. Waseco accounts for all stock-based payments using the fair value based method. Under the fair value based method, compensation cost attributable to options granted is measured at its fair value using the Black Scholes option pricing model and amortized on a straight-line basis over the vesting period. The offset to the recorded cost is to contributed surplus.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

Waseco accounts for income taxes using the liability method. Under this method, future income taxes are recognized for all significant temporary differences between the tax and accounting bases of assets and liabilities. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future tax assets and liabilities are measured using substantially enacted tax rates. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment or substantive enactment of the change.

Earnings per Share

Basic earnings per share are computed by dividing net earnings by the weighted average number of common shares outstanding for the year. Diluted earnings per share are similar to basic earnings per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potentially dilutive common shares had been issued using the treasury stock method.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Areas where management uses subjective judgement include, but are not limited to, recoverability of mineral properties and related deferred costs, future income taxes and the valuation of warrants/options using the Black-Scholes pricing model. Management believes that these estimates are reasonable. Changes in estimates and assumptions will occur based on additional information and the occurrence of future events.

Cash and Cash Equivalents

Cash and cash equivalents include short-term deposits and are comprised of highly liquid investments having terms of maturity of 90 days or less when acquired. They are valued at cost plus accrued interest, which approximates fair value.

Mineral Properties

Waseco considers its exploration costs to have the characteristics of property, plant and equipment, as such all costs related to mineral exploration are capitalized on a property-by-property basis. Such costs include acquisition, exploration, development and mining-related administration expenditures, net of any recoveries. Until the mineral properties are explored to a point where it is determined that the mineral properties are or are not capable of being economically developed through assessable exploration results or measurable reserves, in management's opinion, it is impractical to assess the realization of exploration and development costs capitalized to the mineral properties. When there is little prospect of future work on a property being carried out by the Company or its partners, the costs of the property will be charged to earnings. The recoverability of amounts shown as mineral properties is dependent on the identification and determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development of the properties and upon future profitable production.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

1. Summary of Significant Accounting Policies (Continued)

Asset Retirement Obligations

The Company currently has no projects under development, as such it has no legal obligation requiring remediation. However, if and when the development of a project commences, senior management will assess whether an asset retirement obligation ("ARO") liability will arise. At the point where such liability arises, the financial statement adjustment required will be to increase the project's property value and related ARO liability by the discounted value of the total liability. Upon the Company commencing commercial production, the ARO liability will be recorded as a charge to earnings each year to accrete the discounted ARO obligation amount to the final expected liability.

Impairment of Long-Lived Assets

Senior management periodically reviews the carrying value of mineral properties to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the asset exceeds its estimated fair value, which is normally the discounted value of future cash flows. Where estimates of future cash flows are not available, and where other conditions suggest impairment, management assesses if carrying value can be recovered and provides for impairment if so indicated, by reducing the carrying value of the property to its estimated fair value.

Comprehensive Income

Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income. The Company had no other comprehensive income transactions during the period, therefore comprehensive income is equal to the net income.

Hedging

Section 3865 of the CICA Handbook specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and for the year ended February 28, 2009, the Company had no hedges in place.

Share Issue Costs

Costs directly identifiable with the raising of capital is recorded as a reduction of the paid-up capital received from common share issuances.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

1. Summary of Significant Accounting Policies (Continued)

Newly Adopted Accounting Standards

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosure (Handbook Section 1535); Financial Instruments Disclosures (Handbook Section 3862); and Financial Instruments Presentation (Handbook Section 3863). Waseco was required to adopt these new standards on March 1, 2008.

Capital Disclosures

Handbook Section 1535 specifies the disclosures of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The Company defines capital as the aggregate of its long term obligations (presently nil) and shareholders' equity.

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. The Board of Directors does not establish quantitative return on capital criteria for management of capital resources, but rather relies on the expertise of the Company's management to sustain future development of the business. Management is presently looking for an additional project to employ the additional shareholder equity which is not presently required for its existing projects. While the perceived excess is only a six figure sum, this is a magnitude which management on previous occasion has been able to employ profitably.

The properties in which the Company currently has an interest are in the development and exploration stages and, as such, the Company is dependent on joint venture partnering, funds from government rebate programs or external financing through private placements to fund its activities. The bulk of its present exploration and development activity centring on its Quebec Labrador Trough properties is being funded by Areva. 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 available or committed financial resources to complete such acquisitions.

The Company is not subject to any externally imposed capital restrictions.

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

Financial Instruments - Sections 3862 and 3863

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook sections in Note 8 to these audited financial statements.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

1. Summary of Significant Accounting Policies (Continued)

Going Concern

On March 1, 2008 the Company adopted Section 1400, General standards of financial statement presentation, has been amended to include going concern requirements. The amendments require management to make an assessment of the Company's ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern. The Company's disclosures reflect such assessments.

EIC 173 - Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counter party should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 12, 2009. The Company adopted this standard on January 12, 2009. The adoption of this Handbook Section had no impact on the results of the financial statements.

EIC 174 – Mining Exploration Costs

On March 27, 2009, the EIC issued EIC-174. In this EIC, the Committee reached a consensus that an enterprise that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The EIC should be applied to financial statements issued after March 27, 2009 and the Company has adopted EIC-174. The adoption of this Handbook Section had no impact on the results of the financial statements.

Financial Instruments - Section 3855

Section 3855 establishes standards for the recognition and measurement of financial instruments. It requires all financial instruments within its scope, including derivatives, to be included on a company's balance sheet and measured either at fair value or, in limited circumstances when the fair value may not be considered most relevant, at cost or amortized cost. This standard also specifies when gains or losses as a result of changes in fair value are to be recognized in the statement of operations and comprehensive income/loss.

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

1. Summary of Significant Accounting Policies (Continued)

The Company has made the following classifications:

| | |
|--|-----------------------------|
| Cash and cash equivalents | Held for trading |
| Refundable provincial exploration tax | Loans and receivables |
| Accounts receivable | Loans and receivables |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Exploration deposits received | Other financial liabilities |

Transaction costs are expensed as incurred for financial instruments classified as held for trading for all other financial instruments, transaction costs are expenses on initial recognition.

Future Accounting Pronouncements

Section 3064 - Goodwill and intangible assets

Effective January 1, 2009, the Company will adopt Section 3064 "Goodwill and intangible assets" which establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The Company presently does not have any goodwill and therefore the adoption of this new policy will have no impact on the Company at the present time.

Convergence with International Financial Reporting Standards

The Canadian Institute of Chartered Accountants plans to transition Canadian GAAP for public companies to International Financial Reporting Standards ("IFRS"). The effective changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Corporation's financial statements has not yet been determined, but Waseco intends to continue its study of the impacts in the following quarters and implement the provisions on schedule.

Other Standards

The CICA issued new accounting standard Section 3031 Inventory which becomes effective for fiscal years beginning on or after October 1, 2008. This pronouncement establishes standards for the measurement of inventories, allocations of overhead, accounting for write-downs and disclosures. The Company has determined that this new standard will have no impact on the financial statements.

Business Combinations

In January 2009, the CICA issued Handbook Section 1582, "Business combinations," which replaces the existing standards. This section establishes the standards for the accounting of business combinations, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. This standard is equivalent to the International Financial Reporting Standards on business combinations. This standard is applied prospectively to business combinations with acquisition dates on or after January 1, 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an impact on the Company's financial statements.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

2. Cash and Cash Equivalents

The balance at February 29, 2009, consists of \$4,423 (2008 - \$391,721) on deposit with Canadian Chartered banks, \$24,685 (2008 - \$87,691) held in trust by an Indonesian exploration partner and \$537,765 (2008 - \$195,000) in Canadian Chartered bank term deposits accruing interest at an average rate of 2.8% p.a.

3. Mineral Properties and Deferred Costs

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Acquisition Costs | | |
| Balance at beginning of year | \$ 263,754 | \$ 243,445 |
| Acquisition costs | 63,006 | 20,309 |
| | 326,760 | 263,754 |
| Deferred Exploration Expenditures | | |
| Balance at beginning of year | (73,121) | (72,202) |
| Exploration costs | - | 1,581 |
| Refund of exploration costs | - | (2,500) |
| Refundable provincial exploration tax credit | - | (43,169) |
| Option payment received | - | (150,000) |
| Option payments recognized as revenues | - | 193,169 |
| | (73,121) | (73,121) |
| Balance at End of Year | \$ 253,639 | \$ 190,633 |

The following is a summary of mineral properties and deferred costs by area of interest:

| Property | Acquisition | Exploration | Total |
|--|-------------------|--------------------|-------------------|
| James Bay Lowlands (Northern Ontario) | \$ 50,000 | \$ 120,324 | \$ 170,323 |
| Uranium properties (Labrador Trough, Quebec) | 193,445 | (193,445) | - |
| Kalimantan properties (Indonesia) | 83,315 | - | 83,315 |
| | \$ 326,760 | \$ (73,121) | \$ 253,639 |

Waseco Resources Inc.

Notes to Audited Consolidated Financial Statements

Years Ended February 28, 2009 and February 29, 2008

3. Mineral Properties and Deferred Costs (Continued)

In 2007, the Company entered into an option agreement whereby a third party, UraMin Inc. ("UraMin"), could acquire a 70% ownership interest in 331 of the Labrador Trough mining claims. To acquire a 50% interest during stage one and two, UraMin paid Waseco \$150,000 on signing of the agreement and was to pay another \$800,000 within one year of the agreement to fund exploration on the property. During stage two, UraMin paid \$150,000 to Waseco and within two years from signing the agreement, was to pay an additional \$800,000 to fund further exploration. The \$300,000 cash payment was received and the amount of funding for exploration expenses was subsequently revised as described below. To acquire an additional 20% (total of 70%) UraMin would need to notify Waseco by election within three months after completing the exploration expenditures their intention to increase its interest to 70%, complete a work program approved by the technical committee, leading to a bankable feasibility study on or before 2 years from the election.

After signing of the initial agreement, UraMin was acquired by the AREVA Group ("AREVA"). On June 3, 2008, the option agreement with AREVA was amended. In consideration of granting the 50% option and in order to maintain the 50% option, Areva is to provide \$2,000,000 of funding towards the Company's exploration expenditures on the property on or before the expiration of the amended option agreement period, being June 28, 2010. In the event that AREVA elects not to fund the entire program, it would have no further obligations, and would retain no interest in the property. As at February 28, 2009, AREVA had expended \$1,041,000 in qualifying expenditures and has budgeted \$1,100,000 for a fiscal 2010 drilling program, scheduled to begin in June 2009.

Kalimantan Properties

During the year, the Corporation acquired an exploration permit for the Kalimantan properties. They are located on the island of Kalimantan and include portions of the river course and surrounding terraces which were previously held by a subsidiary as the Tewah alluvial gold property. Other property interests held are identified as general survey permits ("SKIP's") and are in the process of being converted to the more permanent Kuasa Pertambangan ("KP's") form of exploration tenement.

Substantially all of the property so held has been included in the bankable feasibility study which was completed on the Tewah property in 1998. The costs of such study have all been written off in the accounts of the Company. The amount now recorded represent the regulatory and administrative costs of registering the claims, commencing the process of transformation from SKIP's to KP's and compliance costs associated with the exploration permit.

James Bay Lowlands

In 2003, the Company acquired an option to earn up to a 40% interest in a 2,440 acre claim block in the Attawapiskat Region of the James Bay Lowlands in Northern Ontario, together with a right of first refusal to purchase an additional 9% interest.

The Company made a payment of \$50,000 to enter into the agreement. Pursuant to an amended agreement, the Company earned a 5% interest by completing \$100,000 in cumulative expenditures by September 30, 2004, which includes mapping, sampling, magnetic ground surveying and drilling. The Company could have earned up to an additional 20% interest (thereby increasing the total interest to 25%) by spending an additional \$620,000 by July 30, 2005. The Company having elected not to proceed in this fashion currently retains a 5% interest.

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%.

Waseco Resources Inc.

Notes to Audited Consolidated Financial Statements

Years Ended February 28, 2009 and February 29, 2008

4. 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 as follows:

| | Shares | Amount |
|--|-------------------|---------------------|
| Balance at February 28, 2007 and February 29, 2008 | 29,511,155 | 5,660,662 |
| Issuance of shares for cash: | | |
| Stock options exercised | 800,000 | 80,000 |
| Fair value transfer on exercised options | - | 60,000 |
| Balance at February 28, 2009 | 30,311,155 | \$ 5,800,662 |

Stock-Based Compensation Plan

Waseco 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, they are to vest over a twelve month period. All options expire 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 exceed 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:

| | 2009 | | 2008 | |
|----------------------------------|--|-------------------|--|-------------------|
| | Weighted Average Exercise Price | No. of Options | Weighted Average Exercise Price | No. of Options |
| Outstanding at beginning of year | \$ 0.10 | 800,000 | \$ 0.10 | 800,000 |
| Transactions during the year: | | | | |
| Granted | 0.25 | 1,000,000 | - | - |
| Exercised | 0.10 | (800,000) | - | - |
| Expired | - | - | - | - |
| Outstanding at end of year | \$ 0.25 | 1,000,000 | \$ 0.10 | 800,000 |
| Exercisable at end of year | \$ 0.25 | 1,000,000 | \$ 0.10 | 800,000 |

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

4. Capital Stock (Continued)

The fair value of the options granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average amounts:

| | 2009 | 2008 |
|--|-----------------|------|
| Risk free interest rate | 2.89% - 3.30% | - |
| Dividend yield | - | - |
| Volatility factor of the future expected market price of common shares | 105% - 104% | - |
| Expected life of the options | 3 years | - |
| Weighted average fair value of options granted during the year | \$0.08 - \$0.13 | - |

5. Contributed Surplus

| | 2009 | 2008 |
|--------------------------------|-------------------|------------------|
| Balance, beginning of year | \$ 66,902 | \$ 66,902 |
| Value of options issued | 122,000 | - |
| Value of warrants issued | - | - |
| Exercised options and warrants | (60,000) | - |
| Balance, end of year | \$ 128,902 | \$ 66,902 |

6. Related Party Transactions

The financial statements include balances and transactions with directors and/or officers of the Company. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties. Related party transactions are as follows:

During the year, the company paid \$36,000 (2008 - \$7,000) to officers of the Company for management fees. Included in accounts payable is \$9,350 (2008 - \$20,000) owed to directors and officers of the Company for management fees.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

7. Income Taxes

The Company has \$60,400 (2008 - \$59,900) 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 in 2028 and 2029. The future tax benefit attributable to these loss carry-forwards have been offset by a valuation allowance.

The Company also has \$2,336,000 (2008 - \$1,834,000) of unused CCEE, CCDE, FEDE and CFRE expenses and capital losses of \$312,400 (2008 - \$312,400). The tax benefits pertaining to these expenses are available to carry forward indefinitely.

Future Income Taxes Recoverable

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

| | 2009 | % | 2008 | % |
|---|-----------|--------|-----------|--------|
| Income tax recoveries at statutory rates | \$ 76,400 | 33.0 | \$ 24,800 | 33.7 |
| Valuation adjustment of for | | | | |
| CEE, CCDE, FEDE and CFRE pools | (76,400) | (33.0) | (24,800) | (33.7) |
| Income Tax Expense | \$ - | | \$ - | |

8. Financial Instrument Risk Exposures

Fair Value of Financial Instruments

The carrying value of the financial instruments approximate their fair value due to the relatively short periods to maturity of these vehicles.

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, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

Credit Risk

The Company is not exposed to credit risk attributable to customers. Additionally, the Company's cash and cash equivalents are held with schedule A Canadian Chartered banks.

Interest Rate Risk

The Company invests cash surplus to its operational needs in investment-grade short term deposit certificates issued by the bank where it keeps its Canadian Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposit certificates. A change in the interest rate of 1% would cause interest income to change annually by \$5,400 given its February 28, 2009 certificate holdings.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2009 and February 29, 2008

8. Financial Instrument Risk Exposures (Continued)

Political Risk

The properties are located in Canada and Indonesia; accordingly, the Company is subject to risks normally associated with exploration and development of mineral properties in these countries. The Company's ability to conduct future exploration and development activities is subject to changes in government regulations and shifts in political attitudes over which the Company has no control.

Business Risk

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. Waseco's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether. The success of the operations and activities is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company's operations and financial performance.

Liquidity Risk

The Company's approach to managing liquidity risk is to attempt to ensure that it will have sufficient liquidity to meet its liabilities when due. As at February 28, 2009, the Company had working capital of \$743,372. All of the Company's financial liabilities are subject to normal trade terms.

Commodity Price Risk

The price of the common shares in the capital the Company ("Common Shares"), its financial results, exploration and development activities have been, or may in the future be, adversely affected by declines in the price of uranium, gold and/or other commodities. Gold and uranium prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from mining and sale of commodities or interests related thereto. The effect of these factors on the prices of commodities, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

9. Reclassifications

Certain of the comparative figures have been reclassified to conform with the current year's presentation. The 2008 funds held in trust from mineral properties was reclassified to cash and the accounts receivable were reclassified to exploration deposits received. Such reclassification did not impact previously reported net income or retained earnings.