parker simone LLP

Waseco Resources Inc.

Audited
Financial Statements

Years Ended
February 28, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by management who when necessary, has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. Management acknowledges its responsibility for the fairness, integrity and objectivity of all information in the financial statements.

As means of fulfilling its responsibility, management relies on the company's system of internal control. This system has been established to ensure, within reasonable limits, that the assets are safeguarded, transactions are properly recorded and are executed in accordance with management's authorization and that the accounting records provide a solid foundation from which to prepare the financial statements.

The Board of Directors carries out its responsibility for the financial statements principally through the Audit Committee, consisting solely of independent, non-management directors. The Audit Committee has a written mandate that complies with the requirements of Canadian securities legislation. This committee meets at least quarterly, reviews the scope of the external audit, the adequacy of the system of internal control and the appropriateness of the financial reporting and then makes its recommendations to the Board of Directors. Based on those recommendations, the Board of Directors approves the financial statements.

Management's Assessment of Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of financial statements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as at February 28, 2011. Based on management's evaluation, management has concluded that the Company's internal control over financial reporting was effective as at that date.

parker simone LLP, an independent firm of chartered accountants was appointed by a vote of shareholders at the Company's last annual meeting to audit and provide an independent opinion on the Company's financial statements as at February 28, 2011; as stated in their auditors' report, parker simone LLP has provided such opinions.

("Signed") Richard Williams	("Signed") Jay Richardson
Richard Williams	Jay Richardson
President	Chief Financial Officer

parker simone LLP

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

Independent Auditors' Report

To the Shareholders of
Waseco Resources Inc.

We have audited the accompanying financial statements of Waseco Resources Inc., which comprise the balance sheets as at February 28, 2011 and 2010, and the statements of income (loss) and comprehensive income (loss) and deficit and cash flows for the years then ended, 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 Canadian generally accounting principles, 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 28, 2011 and 2010, and its financial performance and its cash flows for the years then ended in accordance with Canadian generally accounting principles.

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 substantial 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.

parker simone LLP.

June 28, 2011 **Licensed Public Accountants**

Waseco Resources Inc.

Balance Sheets

As at February 28,		**2011**		2010
Assets				
Current Assets				
Cash and cash equivalents *(Note 2)*	**$**	**1,067,629**	$	457,310
Refundable provincial exploration tax credit		**3,587**		789,572
HST recoverable		**9,932**		900
Other receivables		**4,326**		4,326
		1,085,474		1,252,108
Mineral Properties and Deferred Costs *(Note 3)*		**175,993**		258,639
	$	**1,261,467**	$	1,510,747
Liabilities				
Current Liabilities				
Accounts payable and accruals *(Note 6)*	**$**	**76,453**	$	49,400
Exploration deposits received		**118,546**		118,546
		194,999		167,946
Shareholders' Equity				
Capital Stock *(Note 4)*		**5,800,662**		5,800,662
Contributed Surplus *(Note 5)*		**128,902**		128,902
Deficit		**(4,863,096)**		(4,586,763)
		1,066,468		1,342,801
	$	**1,261,467**	$	1,510,747

Nature of operations (Note 1)

Approved by the Board:

("Signed") James Richardson , Director
CFO & Director

("Signed") Richard Williams , Director
CEO & Director

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

Waseco Resources Inc.

Statements of Income (Loss), and Comprehensive Income (Loss) and Deficit

Years Ended February 28,		**2011**		2010
Revenues				
Option payments	**$**	**6,188**	$	427,832
Management fees		**-**		56,012
Interest		**16,173**		4,795
Miscellaneous		**2,000**		-
		24,361		488,639
Expenses				
General and administrative		**68,144**		41,772
Shareholder relations and regulatory fees		**27,529**		39,614
Professional fees		**34,984**		36,778
Indonesian		**-**		24,685
		130,657		142,849
Net Income (Loss) and Comprehensive Income (Loss) before write-off of Mineral properties		**(106,296)**		345,790
Write-off of Mineral properties *(Note 3)*		**170,037**		-
Net Income (Loss) and Comprehensive Income (Loss)		**(276,333)**		345,790
Deficit at beginning of year		**(4,586,763)**		(4,932,553)
Deficit at End of Year	**$**	**(4,863,096)**	$	(4,586,763)
Net income (Loss) per share - basic and fully diluted	**$**	**(0.009)**	$	0.011
Weighted average number of shares outstanding - basic and fully diluted		**30,311,155**		30,311,155

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

Waseco Resources Inc.

Statements of Cash Flows

Years Ended February 28,		**2011**		2010
Operations				
Net Income (loss)	**$**	**(276,333)**	$	345,790
Adjustments to reconcile net income to cash flow from operating activities:				
Write-off of mineral properties		**170,037**		-
Option payments		**(6,188)**		(427,832)
Net change in non-cash operating working capital items:				
GST recoverable		**(9,033)**		14,113
Accounts receivable		**-**		933,548
Exploration deposits received		**-**		(58,772)
Accounts payable and accruals		**17,798**		(953,145)
Cash Flow Used in Operating Activities		**(103,719)**		(146,298)
Investing				
Expenditures related to interest in mineral properties		**(81,723)**		(5,000)
Provincial exploration tax credit received, including interest		**795,761**		41,735
Cash Flow From Investing Activities		**714,038**		36,735
Net Increase (Decrease) in Cash and Cash Equivalents		**610,319**		(109,563)
Cash and cash equivalents at beginning of year		**457,310**		566,873
Cash and Cash Equivalents at End of Year	**$**	**1,067,629**	$	457,310
Supplementary Information				
Interest received	**$**	**11,127**	$	2,130

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

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2011 and February 28, 2010

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 and Going Concern

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.

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 financing 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. At February 28, 2011, the Company had working capital of $890,475 (2010 - $1,084,162), had accumulated losses of $4,863,096 (2010 - $4,586,763).

Revenue Recognition
Waseco recognizes management fees as earned in accordance with a 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 credit is to option payments revenue.

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 method. Under this 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. Upon exercise of options, contributed surplus is relieved of the associated fair value.

1. Summary of Significant Accounting Policies (Continued)

Income Taxes
Waseco accounts for income taxes using the asset and 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 in effect at the reporting date. 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 (Loss) per share
Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the year. Diluted earnings per share is 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. In the years when the Company reports a net loss, the affect of potential issuance of shares under options and warrants would be anti-dilutive and therefore, basic and diluted losses per share are the same.

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, valuation of future income taxes and the valuation of warrants/options using the Black-Scholes option 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 cash on deposit and banking term-deposits having terms to maturity of 2 years or less when acquired, with no penalty for removing the funds.

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 or exploration activity, a property has been dormant for three years, the costs of the property will be reviewed for a possible charge 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.

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 and the corresponding recognition of an asset retirement obligation ("ARO"). However, if and when the development of a project commences, senior management will assess whether an 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. On an annual basis, the ARO liability will be recorded as a charge to earnings 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 undiscounted 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.

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

***Financial Instruments* - Recognition and Measurement**
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.

The Company has made the following classifications:

Cash and cash equivalents	Held for trading
Refundable provincial exploration tax credit	Loans and receivables
Other receivables	Loans and receivables
Accounts payable and accruals	Other financial liabilities
Exploration deposits received	Other financial liabilities

Transaction costs are expensed as incurred for all financial instruments classifications.

1. Summary of Significant Accounting Policies (Continued)

The Company adopted the amendment to CICA Handbook 3862, which requires disclosure about inputs to fair value measurement within the fair value measurement hierarchy as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: inputs for the asset or liability that are not based on observable market data.

The Company has classified cash and cash equivalents as Level 1 as active markets for identical assets exists with all other fair value instruments being classified as Level 2.

Future Accounting Pronouncements

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 transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending February 28, 2011. The Company has been assessing the potential impact of this changeover and developing its IFRS changeover plan, which includes project structure and governance, outsourcing and training, analysis of the key GAAP differences and a phased plan to assess the accounting policies under IFRS. However, at this time, the complete financial reporting impact of the transition to IFRS has not been determined.

2. Cash and Cash Equivalents

The balance at February 28, 2011, consists of $148,620 (2010 - ($5,505)) on deposit with Canadian Chartered banks, and $919,009 (2010 - $462,815) in Canadian Chartered bank term deposits accruing interest at a weighted average rate of return of 1.74% per annum (2010 - 0.76% per annum).

3. Mineral Properties and Deferred Costs

	2011	2010
Acquisition Costs		
Balance at beginning of year	**$ 331,760**	$ 326,760
Acquisition costs	**90,978**	5,000
Quebec tax refund	**(3,587)**	-
Indonesian property write-off	**(170,037)**	-
	249,114	331,760
Deferred Exploration Expenditures		
Balance at beginning of year	**(73,121)**	(73,121)
Balance at end of year	**(73,121)**	(73,121)
Balance at End of Year	**$ 175,993**	$ 258,639

The following is a summary of mineral properties and deferred costs at February 28, 2011 by area of interest:

Property	Acquisition	Exploration	Total
James Bay Lowlands (Northern Ontario)	$ 50,000	$ 120,324	$ 170,324
Uranium properties (Labrador Trough, Quebec)	-	5,669	5,669
	$ 50,000	$ 125,993	$ 175,993

Uranium Properties

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 and maintaining 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, 2010, AREVA had met its expenditure requirements to obtain a 50% interest in the project and has elected to exercise the option. Waseco anticipates entering into a Joint Venture agreement with AREVA once the formal option is granted.

During the most recent annual fiscal period, AREVA recommended and the Company agreed to allow 397 claims to lapse, as they were deemed to be non-core to the exploration program going forward.

Waseco is negotiating the Joint Venture agreement with AREVA recognizing the formalization of the Joint Venture.

3. Mineral Properties and Deferred Costs (Continued)

Kalimantan Properties

Changes in the Indonesian Mining Law and the administration of title in Indonesia have delayed the Company's efforts to secure exploration properties that are prospective for gold. A moratorium has been in effect for a number of months affecting mineral, agricultural and forestry reserves in the general area of interest to the Company. The properties sought are located on the island of Kalimantan, Indonesia and include portions of the river course and surrounding terraces which were previously held by a Company subsidiary as the Tewah alluvial gold property.

All of the KP's (leases) included in the bankable feasibility study which was completed on the Tewah property in 1998 have been written off. The costs of such study have all been written off due to the above mentioned issues surrounding the Indonesian Mining Laws. A new tender system with a formal auction process is now being introduced with the anticipated result of regaining title of the land.

James Bay Lowlands

In 2003, the Company acquired a 5% interest in a 2,440 acre claim block adjacent to the DeBeers Victor 3 Mine in the Attawapiskat Region of the James Bay Lowlands 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%.

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 29, 2010 and 2009	30,311,155	$	5,800,662
Transactions during the year	-		-
Balance at February 28, 2011	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.

4. Capital Stock (Continued)

The following table summarizes the continuity of stock options issued:

		2011			2010	
		Weighted Average Exercise Price	**No. of Options**		Weighted Average Exercise Price	No. of Options
Outstanding at beginning of year	$	0.25	1,000,000	$	0.25	1,000,000
Transactions during the year		-	-		-	-
Outstanding at end of year	$	0.25	1,000,000	$	0.25	1,000,000
Exercisable at end of year			1,000,000	$	0.25	1,000,000

All outstanding stock options expire June 27 - August 29, 2011.

5. Contributed Surplus

		2011		2010
Balance, beginning of year	**$**	**128,902**	$	128,902
Transactions during the year		**-**		-
Balance, end of year	**$**	**128,902**	$	128,902

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 and represent fair market value.

During the year, the company paid $63,000 (2010 - $36,000) to officers of the Company for management fees. Included in accounts payable is $8,000 (2010 - $Nil) owed to directors and officers of the Company for management fees.

7. 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 follow:

	2011	2010
Expected income tax expense (recovery) at statutory rates of 30.5% (2010 - 32%)	**$ (84,300)**	$ 110,700
Non-deductible expenses	**86,200**	18,272
Option revenue included in exploration pools	**1,900**	(128,972)
Income Tax Provision	**$ -**	$ -

Future Income Taxes Recoverable

The Canadian statutory income tax rate of 30.5% (2010 - 32%) is comprised of the federal income tax rate of approximately 16.5% (2010 - 18%) and the provincial income tax rate of approximately 14% (2010 - 14%). The income tax provision differs from that computed using the statutory tax rates for the following reasons:

The Company also has $3,149,700 (2010 - $3,074,000) of unused CCEE, CCDE , FEDE and CFRE expenses and capital losses of $312,400 (2010 - $312,400). The tax benefits pertaining to these expenses are available to carry forward indefinitely.

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

	2011	2010
Future Tax Assets		
Loss carry forwards	**$ 61,400**	$ 38,300
Temporary differences	**1,064,600**	745,700
Less: valuation allowance	**(1,126,000)**	(784,000)
Net Future Tax Assets	**-**	-
Future Tax Liabilities	**-**	-
Net Future Income Taxes Recoverable	**$ -**	$ -

At February 28, 2011, the Company has income tax loss carry forwards expiring as follows:

	Canada
2028	$ 60,000
2029	1,000
2030	25,000
2031	101,000
	$ 187,000

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 under $10,000 given its February 28, 2011 certificate holdings.

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, 2011, the Company had working capital of $890,475. 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. Capital Management

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.