

Waseco Resources Inc.

**Audited
Financial Statements**

**Years Ended
February 29, 2008 and
February 28, 2007**

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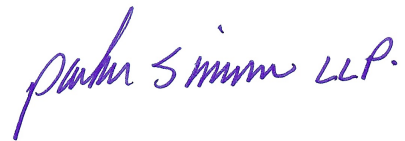
Auditors' Report

To the Shareholders of
Waseco Resources Inc.

We have audited the balance sheets of Waseco Resources Inc. as at February 29, 2008 and February 28, 2007 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 29, 2008 and February 28, 2007 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.



May 27, 2008

Licensed Public Accountants

Waseco Resources Inc.

Balance Sheet

<i>As at</i>	February 29, 2008	February 28, 2007
Assets		
Current Assets		
Cash and cash equivalents <i>(Note 2)</i>	\$ 586,721	\$ 226,259
Refundable provincial exploration tax credit	41,727	285,831
GST recoverable	12,984	40,787
Accounts receivable	9,980	37,579
	651,412	590,456
Mineral Properties and Deferred Costs <i>(Note 3)</i>	278,324	171,243
	\$ 929,736	\$ 761,699
Liabilities		
Current Liabilities		
Accounts payable and accruals <i>(Note 7)</i>	\$ 134,404	\$ 235,810
Exploration deposits received	231,992	36,119
	366,396	271,929
Shareholders' Equity		
Capital Stock <i>(Note 5)</i>	5,660,662	5,660,662
Contributed Surplus <i>(Note 4)</i>	66,902	66,902
Deficit	(5,164,224)	(5,237,794)
	563,340	489,770
	\$ 929,736	\$ 761,699

Approved by the Board:

("Signed") James Richardson _____, Director

("Signed") Richard Williams _____, Director

Waseco Resources Inc.

Statement of Income and Comprehensive Income and Deficit

Years Ended	February 29, 2008	February 28, 2007
Revenues		
Management fees	\$ 16,894	\$ 37,634
Option payments	193,169	182,438
	210,063	220,072
Expenses		
General and administrative	55,373	12,478
Shareholder relations and regulatory fees	52,756	28,869
Professional fees	28,364	39,148
	136,493	80,495
Net Income and Comprehensive Income for the Year	73,570	139,577
Deficit at beginning of year	(5,237,794)	(5,377,371)
Deficit at End of Year	\$ (5,164,224)	\$ (5,237,794)
Net income per share - basic	\$ 0.002	\$ 0.005
Weighted average number of shares outstanding - basic	29,511,155	29,180,763
Net income per share - fully diluted	\$ 0.002	\$ 0.005
Weighted average number of shares outstanding - fully diluted	30,311,155	29,864,237

Waseco Resources Inc.

Statement of Cash Flow

<i>Years Ended</i>	February 29, 2008	February 28, 2007
Operations		
Net Income	\$ 73,570	\$ 139,577
Adjustments to reconcile net income to cash flow from operating activities:		
Option payments	(193,169)	(182,438)
Net change in non-cash operating working capital items:		
GST recoverable	27,803	(31,659)
Prepaid expenses	-	5,000
Accounts receivable	27,599	(37,579)
Exploration deposits received	195,873	36,119
Accounts payable and accruals	(101,406)	50,842
Cash Flow from (Used In) Operating Activities	30,270	(20,138)
Financing		
Issuance of common shares, net of issuance costs	-	65,400
Cash Flow from Financing Activities	-	65,400
Investing		
Expenditures related to interest in mining properties	(107,081)	(737,692)
Provincial exploration tax credit received	287,273	101,964
Option payments received	150,000	809,470
Cash Flow from Investing Activities	330,192	173,742
Net Increase in Cash	360,462	219,004
Cash and cash equivalents at beginning of year	226,259	7,255
Cash and Cash Equivalents at End of Year	\$ 586,721	\$ 226,259

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 29, 2008 and February 28, 2007

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.

1. Significant Accounting Policies

Going Concern

Waseco's financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, under which the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of business. Waseco is an exploration company and has no production revenue to finance its operations. It is therefore required to fund its activities through joint venture arrangements, debt financing and the issuance of equity securities. The Company's ability to continue as a going concern is therefore dependant upon its ability to raise funds in the capital markets.

Nature of Operations

Waseco, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of expenditures on mineral properties and the related deferred exploration costs is dependent upon the existence of economically recoverable mineralization, the ability of Waseco to obtain financing necessary to complete the exploration and the development of mineral properties and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

Revenue Recognition

The Company recognizes interest revenue over the passage of time on a quarterly basis. The Company recognizes management revenue as earned from the related exploration expenditure incurred. Option payments received are applied against the mineral property or deferred exploration costs until the property is carried at a \$Nil value. All subsequent option payments received above the carrying value are recognized as revenue once received.

Mineral Properties and Deferred Costs

Waseco defers the costs, net of refundable provincial exploration tax credits, of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and deferred exploration costs are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs are amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration costs are written off. Option payments received are applied against the mineral property or deferred exploration costs.

Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced by the Company to the investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the later of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 29, 2008 and February 28, 2007

1. Significant Accounting Policies (Continued)

Future Income Taxes

Future income taxes are accounted for using the liability method of tax allocation. Under this method, future income taxes are based on the differences between assets and liabilities reported for financial accounting purposes and those reported for tax purposes. Future tax liabilities and assets are measured using enacted tax rates. The effect on future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs.

Stock Options

Waseco has a stock-based compensation plan. All stock-based payments to non-employees as well as direct awards of stock or options to acquire stock granted to employees and directors are accounted for in accordance with the fair value method of accounting for stock-based compensation.

Net Income per Share

Net income per share has been calculated using the weighted-average number of common shares outstanding during the year. Net earnings per share, fully diluted, have been calculated assuming the full exercise of stock options and warrants.

Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results could differ from those estimates.

Fair Values of Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accruals and exploration deposits received approximate their fair values due to the relatively short periods to maturity of the instruments.

Asset Retirement Obligations

There are no projects under development at this time and therefore there is no legal obligation requiring remediation. However, as the development of any 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. Thereafter, the Company will be required to record 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 and deferred exploration costs 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 investment exceeds the 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, senior 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.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 29, 2008 and February 28, 2007

1. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand and other highly liquid short-term investments, which may be settled on demand or within a maximum 90 day period.

Financial Instruments, Comprehensive Income and Hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments — Recognition and Measurement", 1530, "Comprehensive Income", 3861, "Financial Instruments - Disclosure and Presentation" and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective March 1, 2007.

a) Financial instruments - recognition and measurement

Section 3855 prescribed when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

b) Comprehensive Income

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses such as changes in the currency translation adjustment relating to self-sustaining foreign operations, unrealized gains or losses on available-for-sale investments, and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

c) Financial instruments - disclosure and presentation

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 29, 2008 and February 28, 2007

1. Significant Accounting Policies (Continued)

d) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. As at and for the year ended February 29, 2008, the Company had no hedges in place. The application of these new standards has no impact on the Company's financial results.

e) Impact upon adoption of Sections 1530, 3855, 3861 and 3865

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable is classified as loans and receivables, which are measured at amortized cost. Accounts payable and accruals are classified as other financial liabilities, which are measured at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit. There were no gains or losses resulting from changes in fair value.

Future Accounting Changes

Capital Disclosures and Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on March 1, 2008.

Section 1535 specified the disclosure 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 new 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.

International Financial Reporting Standards ("IFRS")

In January, 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian Enterprises with public accountability ("PAEs"). The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. The use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 29, 2008 and February 28, 2007

1. Significant Accounting Policies (Continued)

Going Concern

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. These amendments are required to be adopted by the Company effective March 1, 2008.

Goodwill and Intangible Assets

Section 3064, Goodwill and Intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations. The new standard is effective as of March 1, 2009.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

2. Cash and Cash Equivalents

The balance at February 29, 2008, consists of \$391,721 (2007 - \$116,259) on deposit with Canadian Chartered banks and \$195,000 (2007 - \$110,000) in Canadian Chartered bank term deposits accruing interest at 3.3% p.a.

3. Mineral Properties and Deferred Costs

	2008	2007
Acquisition Costs		
Balance at beginning of year	\$ 243,445	\$ 214,035
Acquisition costs	108,000	29,410
	351,445	243,445
Deferred Exploration Expenditures		
Balance at beginning of year	(72,202)	111,879
Exploration costs	1,581	732,282
Refund of exploration costs	(2,500)	-
Refundable provincial exploration tax credit	(43,169)	(289,331)
Option payment received	(150,000)	(809,470)
Option payments recognized as revenues	193,169	182,438
	(73,121)	(72,202)
Balance at End of Year	\$ 278,324	\$ 171,243

Waseco Resources Inc.

Notes to Audited Consolidated Financial Statements

Years Ended February 29, 2008 and February 28, 2007

3. Mineral Properties and Deferred Costs (Continued)

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)	108,000	-	108,000
	\$ 351,445	\$ (73,121)	\$ 278,324

Uranium Properties

During fiscal 2005, the Company entered into an agreement to purchase 210 mining claims in the Labrador Trough, in the Province of Quebec. The agreement required payments by the Company of \$35,000 cash and 1.0 million shares of Waseco. The vendors were granted a 2% net smelter return royalty of which 1% may be purchased by Waseco for \$1.0 million within one year of attaining commercial production.

In fiscal 2007, the Company entered into an option agreement under which a third party, UraMin Inc. ("UraMin"), could purchase a 70% interest on 331 of the Labrador Trough mining claims. To acquire a 50% option during stage one, UraMin paid Waseco \$150,000 on signing of the agreement and was to pay another \$800,000 to fund exploration on the property within one year of the agreement. During stage two, UraMin was to pay \$150,000 to Waseco before the last day of stage one and an additional \$800,000 to fund further exploration within two years of the agreement. 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. As payment for a success fee, the Company issued 100,000 common shares to a Director of the Company with a fair value of \$24,000. After signing of the initial agreement, UraMin was acquired by The Areva Group ("Areva"). The agreement with Areva was amended subsequent to year end, see Note 8.

Kalimantan Properties

During the year, the Corporation acquired certain land rights in Indonesia for the amount of \$108,000. The properties 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. The 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 costs now recorded represent the regulatory and administrative costs of registering the claims and commencing the process of transformation from SKIP's to KP's.

Waseco Resources Inc.

Notes to Audited Consolidated Financial Statements

Years Ended February 29, 2008 and February 28, 2007

3. Mineral Properties and Deferred Costs (Continued)

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 earn 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 having a right of first refusal to buy out 1%.

4. Contributed Surplus

	2008	2007
Balance at beginning of year	\$ 66,902	\$ 102,000
Value transferred to common shares on exercise of warrants	-	(35,098)
Balance at end of year	\$ 66,902	\$ 66,902

5. 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, 2006	28,934,155	\$ 5,536,164
Issuance of shares for cash:		
Stock options exercised	300,000	30,000
Warrants exercised	177,000	35,400
Issuance of shares for non-cash consideration:		
Property Option Success Fee	100,000	24,000
Transfer of Fair value on exercised warrants and options	-	35,098
Balance at February 28, 2007 and February 29, 2008	29,511,155	\$ 5,660,662

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 29, 2008 and February 28, 2007

5. Capital Stock (Continued)

Stock Options

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, the options shall vest immediately except that options granted to consultants or persons employed in investor relations activities shall vest over twelve months. All options expire on the fifth anniversary from the grant date, unless otherwise specified.

The following table summarizes the continuity of stock options issued:

	2008		2007	
	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	1,100,000
Transactions during the year:				
Granted	-	-	-	-
Exercised	-	-	0.10	(300,000)
Expired	-	-	-	-
Outstanding at end of year	\$ 0.10	800,000	\$ 0.10	800,000
Exercisable at end of year	\$ 0.10	800,000	\$ 0.10	800,000

6. Income Taxes

The Company has \$59,900 (2007 - \$Nil) 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. The future tax benefit attributable to these loss carry-forwards have been offset by a valuation allowance.

The Company also has \$1,834,000 (2007 - \$1,521,000) of unused CEE, CDE, FEDE and CFRE expenses and capital losses of \$312,400 (2007 - \$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:

	2008	%	2007	%
Income tax recoveries at statutory rates	\$ 24,800	33.7	\$ 50,400	36.1
Valuation adjustment of for				
CEE, CDE, FEDE and CFRE pools	(24,800)	(33.7)	(50,400)	(36.1)
Income Tax Expense	\$ -	-	\$ -	-

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 29, 2008 and February 28, 2007

7. 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 not disclosed elsewhere in these financial statements are as follows:

During the year, the company paid \$7,000 to officers of the Company for management fees. Included in accounts payable is \$20,000 owed to Directors and officers of the Company for management fees.

8. Subsequent Events

800,000 stock options were exercised subsequent to year end for proceeds of \$80,000. As at the audit report date, there were no options outstanding.

The option agreement with Areva was amended on June 3, 2008. In consideration of the granting of 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.