WASECO RESOURCES INC.

(an exploration stage company)

Audited Financial Statements

(Expressed in Canadian dollars)

As at and for the years ended
February 28, 2013 and February 29, 2012

(an exploration stage company)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Waseco Resources Inc. [the "Company"] are the responsibility of the management and have been approved by the Board of Directors of the Company.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies as disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared fairly, in all material respects and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

As the Company is a Venture Issuer (as defined under under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109.

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

parker simone LLP

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Independent Auditor's Report

To the Shareholders of
Waseco Resources Inc.

We have audited the accompanying financial statements of Waseco Resources Inc., which comprise the statements of financial position as at February 28, 2013 and February 29, 2012, and the statements of comprehensive loss, statements of changes in equity and statements of 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 International Financial Reporting Standards, 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.

Auditor's 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, 2013 and February 29, 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 26, 2013 Licensed Public Accountants

WASECO RESOURCES INC.

(an exploration stage company)

Statements of Financial Position

(Expressed in Canadian Dollars)

Years Ended	**February 28, 2013**	February 29, 2012
	$	$
Assets		
Current assets		
Cash and cash equivalents	**137,500**	914,267
Refundable provincial exploration tax credits	**18,858**	18,858
Sales taxes recoverable	**43,206**	19,943
Trade receivable	**-**	4,326
Short-term loan receivable - secured (Note 8)	**105,250**	-
Total Assets	**304,814**	957,394
Liabilities		
Current liabilities		
Trade payables and accruals	**46,568**	58,000
Exploration deposits received, net	**112,349**	118,546
	158,917	176,546
Shareholders' Equity		
Share capital	**5,777,662**	5,777,662
Share payment reserves	**170,802**	170,802
Deficit	**(5,802,567)**	(5,167,616)
Total Shareholders' Equity	**145,897**	780,848
Total Liabilities and Shareholders' Equity	**304,814**	957,394

Nature of Operations and Going Concern (Note 1)
Commitments and Contingencies (Note 15)
Subsequent events (Note 16)

Approved by the Board:

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

("Signed") Richard Williams
CEO & Director

The accompanying notes are an integral part of these financial statements

WASECO RESOURCES INC.

Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(an exploration stage company)

Years Ended	February 28, 2013	February 29, 2012
	$	$
Expenses		
General and administrative	**72,920**	66,415
Share-based payments (Note 12)	**-**	41,900
Shareholder relations and regulatory fees	**21,293**	2,730
Professional fees	**37,292**	21,808
Exploration and evaluation expenditures (Note 11)	**512,195**	26,283
Loss before other income	**643,700**	159,136
Miscellaneous income	**6,197**	-
Interest	**2,552**	7,608
	8,749	7,608
Comprehensive loss	**(634,951)**	(151,528)
Loss per share - basic and diluted	**(0.021)**	(0.005)
Weighted average number of shares outstanding - basic and diluted	**30,311,155**	30,311,155

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

WASECO RESOURCES INC.

(an exploration stage company)

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Capital Stock		Reserves		
	Number of shares	Amount	Share based payments	Retained earnings (Deficit)	Total
		$	$	$	$
Balance at March 1, 2011	30,311,155	5,777,662	128,902	(5,016,088)	890,476
Comprehensive loss					
for the year ended February 29, 2012	-	-	-	(151,528)	(151,528)
Share-based payments	-	-	41,900	-	41,900
Balance at February 29, 2012	30,311,155	5,777,662	170,802	(5,167,616)	780,848
Comprehensive loss					
for the year ended February 28, 2013	**-**	**-**	**-**	**(634,951)**	**(634,951)**
Balance at February 28, 2013	**30,311,155**	**5,777,662**	**170,802**	**(5,802,567)**	**145,897**

The accompanying notes are an integral part of these financial statements

WASECO RESOURCES INC.

Statements of Cash Flows
(Expressed in Canadian Dollars)

(an exploration stage company)

Years Ended	**February 28, 2013**	February 29, 2012
Operating activities	**$**	$
Comprehensive loss	**(634,951)**	(151,528)
Adjustments to reconcile net income to cash flow from operating activities:		
Share-based payments	**-**	41,900
	(634,951)	(109,628)
Impact on cash flow of net changes in non-cash working capital items:		
Refundable provincial exploration tax credit	**-**	(15,271)
Sales taxes recoverable	**(23,263)**	(10,011)
Trade receivable	**4,326**	-
Trade payables and accruals	**(11,432)**	(18,452)
	(665,320)	(153,362)
Investing		
Exploration deposits received (net)	**(6,197)**	-
Short term loan receivable - secured (Note 8)	**(105,250)**	-
	(111,447)	-
Decrease in cash and cash equivalents	**(776,767)**	(153,362)
Cash and cash equivalents, beginning of period	**914,267**	1,067,629
Cash and Cash Equivalents at End of Period	**137,500**	914,267

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Waseco Resources Inc. ("Waseco" or the "Company") is continued under the laws of Ontario. The principal business activity of the Company is mineral exploration in Canada and Nevada, U.S.A. as more particularly described in Note 11. The Company's registered office is Suite 1500, 2 Queen Street East, Toronto, Ontario, M5C 3G5.

As at February 28, 2013, the Company had working capital of $145,897 (February 29, 2012 - $780,848), had accumulated losses of $5,802,567 (February 29, 2012 - $5,167,616) and expects to incur future losses in the development of its business, all of which casts significant doubt on the Company's ability to continue as a going concern. These financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

Management plans to secure necessary financing, as and when needed, through a combination of the issue of new equity or debt instruments and the entering into of joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

For further comments on the Company's liquidity risk refer to Note 5 (ii) below.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These audited financial statements, including comparatives, have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issuance by the Board of Directors of the Company on June 26, 2013.

2.2 Basis of presentation and functional and presentation currency

These audited financial statements have been prepared on a going concern basis, under the historical cost convention, except fair value through profit and loss assets which are carried at fair value, and have been prepared using the accrual basis of accounting except for cash flow information, as explained in the accounting policies set out in Note 3.

The financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, IFRS, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2012. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- IAS 1 '*Presentation of Financial Statements'* – The IASB amended IAS 1 with a new requirement for entities to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially re-classifiable to profit and loss.

2 BASIS OF PREPARATION (continued)

2.3 Adoption of new and revised standards and interpretations (continued)

- IAS 32 '*Financial instruments, Presentation'* – In December 2011, effective for annual periods beginning on or after January 1, 2013, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date.

- IFRS 11 *'Joint Arrangements'* – is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues in accordance with the arrangement, whereas entities in the latter case account for the arrangements using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

Management anticipates that the above standards will be adopted in the Company's financial statements for the period beginning March 1, 2013, with the exception of IFRS 9 and is currently evaluating the impact that the adoption of these standards or amendments will have on the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Mineral properties

All acquisition exploration and evaluation costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are first tested for impairment and then capitalized as a mining asset under development. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mining interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Share-based payments

Share-based payment transactions
Employees (including directors and senior executives) of the Company may receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity-settled transactions
The costs of equity-settled transactions with employees, when and if they occur, are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.4 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended February 28, 2013 and February 29, 2012 all the outstanding stock options were antidilutive.

3.5 Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents and short-term investments are classified as FVTPL.

Financial assets classified as loans-and-receivables are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables and due to related parties are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At February 28, 2013 and February 29, 2012, the Company has not classified any financial liabilities as FVTPL.

3.7 Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets' original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3.9 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

3.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

3.12 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to the use of the going concern assumption in the preparation of the financial statements, recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

4. CAPITAL MANAGEMENT

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 and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such the Company may be dependent on external financing to fund its activities. If, however, the joint venture decides to continue the exploration in Quebec then the Company would have a source of revenue. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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 financial resources to do so.

4. CAPITAL MANAGEMENT (continued)

There has been significant market turbulence worldwide due to the credit crisis and potential of a global recession. These market conditions have and are expected to continue to have an adverse impact on the ability of junior mining exploration companies to secure equity funding. The Company has historically relied, beyond revenue amounts generated, on equity financing to raise capital and expects to be able to continue to do so, but its ability to do so may be impacted by the current global situation and economic uncertainties. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting but management is confident of the sufficiency of its present working capital to at least meet its needs for the next twelve months.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended February 28, 2013. The Company is not subject to externally imposed capital requirements.

5. FINANCIAL INSTRUMENTS

Fair value

The Company has designated its cash and cash equivalents as Fair Value Through Profit and Loss ("FVTPL"), which are measured at fair value. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Trade and other payables and due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables, trade and other payables and due to related parties are determined from transaction values which were derived from observable market inputs.

As at February 28, 2013, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these instruments.

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

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

5. FINANCIAL INSTRUMENTS (continued)

i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the balance sheet.

a. **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian banks and therefore the risk of loss is minimal.

b. **Trade and other receivables** – The Company is exposed to minimal credit risks as portion of the receivables are from the Canadian Government and the short-term loan receivable is secured by property agreement.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. At February 28, 2013, the Company had working capital of \$145,897 (February 29, 2012 – \$780,848). In order to meet its longer-term working capital and property exploration expenditures, the Company would, if necessary, attempt to secure further financing to ensure that those obligations were properly discharged. Management believes that the Company has sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. There can be no assurance that Waseco will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Waseco may change and shareholders may suffer additional dilution.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

iv) Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

6. CASH AND CASH EQUIVALENTS

The balance at February 28, 2013, consists of \$137,500 (February 29, 2012 - \$914,267) on deposit with two major Canadian banks.

(Expressed in Canadian Dollars)

7. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables arise from the following sources:

	As at	
	February 28, 2013	February 29, 2012
Refundable provincial exploration tax credit	**18,858**	18,858
Sales taxes recoverable	**43,206**	19,943
Trade receivable	**-**	4,326
Short-term loan receivable-secured (note 8)	**105,250**	-
	167,314	43,127

At February 28, 2013, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 5. The Company holds no collateral at February 28, 2013 against these receivables except as discussed in Note 8 below.

8. SHORT-TERM LOAN RECEIVABLE

On April 18th, 2012, the Company optioned from Sparton Resources Inc., a 75% interest in a lease covering 29 claims on the Battle Mountain Gold Trend in Lander County, Nevada. As part of the option agreement, the Company agreed to provide a $100,000 loan for one year, secured by the remaining 25% interest in the lease. The loan is interest bearing at 7% per annum.

9. TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities of the Company are principally amounts owing for operating activities and deposit received re the AREVA joint venture and amounts owing to professional advisors in the normal course of business.

	As at	
	February 28, 2013	February 29, 2012
Trade payables and accruals	**46,568**	58,000
Exploration deposits received, net	**112,349**	118,546
	158,917	176,546

(Expressed in Canadian Dollars)

10. RELATED PARTY TRANSACTIONS

The financial statements include no balances and transactions with directors and/or officers of the Company other than management fee payments and reimbursements of out of pocket amounts paid by them on behalf of the Company and $5,559 owing to Richard Williams, a director, for advances made on behalf of the Company and payments made to Derek Bartlett, a director, for professional services. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties which are not in excess of fair market values.

The Company's related parties consist of the following officers, directors, and companies:

Officers and directors	**Title**
Richard Williams	President, Chief Executive Officer and Director
James Richardson	Chief Financial Officer and Director
Derek Bartlett	Director
Peter Howe	Director

	As at	
	February 28, 2013	February 29, 2012
Management and consulting fees	**60,000**	69,000
Property exploration expenditures	**10,629**	-
	70,629	69,000

On April 18, 2012, the Company provided Sparton Resources Inc. ("Sparton") with a $100,000 loan for one year as part of the terms of an option agreement with Sparton as detailed further in Note 8. Mr. Williams, the Company President and C.E.O., is a director of Sparton and as such Sparton is a related party. He abstained from voting on the transaction.

11. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenses for the Company are broken down as follows:

Property	**(CANADA)** James Bay Lowland Ontario	**(CANADA)** Labrador Trough Quebec	**(FOREIGN)** Battle Mountain Nevada
Balance, March 1, 2012	170,324	19,762	-
Property expenditures	-	24,138	-
Balance, February 29, 2012	170,324	43,900	-
Property expenditures	-	23,192	489,003
Balance, February 28, 2013	170,324	67,092	489,003

11. EXPLORATION AND EVALUATION EXPENDITURES (continued)

The Company has interests in the following properties:

1. Quebec-Labrador Trough – The Company controls these uranium properties which consist of multiple blocks. The Company has a joint venture agreement with AREVA and to date the Company's monetary contribution has been $67,092 in addition to the underlying properties.

2. James Bay Lowlands – The Company acquired a 5% interest in 2003 in a 2,440 acre claim block adjacent to the DeBeers Victor mine in the Attawapisakat Region 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%.

3. On April 18th, 2012, the Company signed a letter agreement whereby it optioned from Sparton Resources Inc., a 75% interest in a lease covering 29 claims on the Battle Mountain Gold Trend in Lander County, Nevada. In order to satisfy the terms of the option, the Company is to maintain the property in good standing by making quarterly lease payments of $4,250, paying the annual advanced royalty payments of US$75,000 (paid for 2012) and by spending $900,000 on exploration over three years. Approximately $489,000 has been spent towards satisfying this obligation. The Company has provided a $100,000 loan for one year, secured by the remaining 25% interest in the lease. The loan is interest bearing at 7% per annum. (Refer to Note 8 above.)

12. 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.

An analysis of movements in Capital Stock is set out in the Equity analysis (Page 6) above.

Share-Based Payment Plan

Waseco has 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, which 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 be less than the closing market price of the Company's stock on the day immediately preceding the date of grant.

(Expressed in Canadian Dollars)

12. CAPITAL STOCK (continued)

The following table summarizes stock options issued:

Years ended	**February 28, 2013**		February 29, 2012	
	Weighted Average Exercise Price	**No. of Options**	Weighted Average Exercise Price	No. of Options
Outstanding at beginning of period	**$0.10**	**1,000,000**	$0.25	1,000,000
Transactions during the period				
Granted	-	-	$0.10	1,000,000
Exercised	-	-	-	-
Expired	-	-	$0.25	(1,000,000)
Outstanding at end of period	**$0.10**	**1,000,000**	-	1,000,000
Exercisable at end of period	**$0.10**	**1,000,000**	$0.10	1,000,000

The remaining weighted average life remaining on the stock options is 2 years.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the stock options granted during the year ended February 29, 2012. There were no such payments in 2013:

	February 29, 2012
Number of options granted	1,000,000
Weighted average information	
Exercise Price	$0.10
Risk-free interest rate	1.13%
Expected life	3 years
Expected volatility	90%
Vesting	100%
Expected dividends	-
Fair value of options granted	$ 41,900
Share-based payments	$ 41,900

13. RESERVE FOR SHARE BASED PAYMENTS

An analysis of movements in Share-Based Payments is set out in the Equity analysis above.

(Expressed in Canadian Dollars)

14. 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 follows:

		February 28, 2013	February 29, 2012
Loss before income taxes		**(634,951)**	(151,528)
Combined statutory tax rate		**26.13%**	28.25%
		(166,000)	(43,000)
Permanent changes		**(152,000)**	(51,000)
Share-based payments		**-**	12,000
Difference between current and future tax rates		**7,000**	5,000
Change in valuation allowance		**311,000**	77,000
Income tax provision	**$**	**-**	$ -

Deferred Income Taxes Recoverable

The Canadian statutory income tax rate of 26.125% (2012 – 28.25%) is comprised of the federal income tax rate of approximately 15.0% (2012 – 16.5%) and the provincial income tax rate of approximately 11.125% (2012 – 11.75%).

At February 28, 2013, the Company has $799,000 (2012 - $193,200) 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 between 2028 and 2033.

At February 28, 2013, the Company has $5,099,500 (2012 - $4,558,600) of unused CCEE, CCDE, FEDE and CFRE expenses and capital losses of $312,400 (2012 - $312,400). The tax benefits pertaining to these expenses are available to be carried forward and similarly no benefit has been recognized in the accounts.

The tax effect of temporary differences that gave rise to the deferred tax assets and liabilities are:

	2013	2012
Deferred Tax Assets		
Loss carry-forwards	239,000	63,000
Temporary differences	1,275,000	1,140,000
Less: valuation allowance	(1,514,000)	(1,203,000)
Net Deferred Tax Assets	-	-

15. COMMITMENTS AND CONTINGENCIES

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Certain commitments pertaining to the Nevada property are detailed in Note 11 above. In order to satisfy the terms of the option, the Company is to maintain the property in good standing by making quarterly lease payments of $4,250 (paid up to date), paying the annual advanced royalty payments of US$75,000 (paid for 2012) and by spending $900,000 on exploration over three years. Approximately $489,000 of the $900,000 has been spent towards satisfying this obligation.

16. SUBSEQUENT EVENTS

On June 25, 2013, the Company renegotiated its contract with Sparton Resources with respect to the Battle Mountain Property in Nevada as referred to in Note 8 above.

Sparton will pay Waseco $5,000 immediately for a six-month extension to the terms of the secured loan of $100,000 made to it by Waseco, together with accrued interest to original maturity of $7,000, and Sparton will provide a one year extension on Waseco's remaining work commitment.