



## **Management's Discussion & Analysis**

**For the year ended February 28, 2010**

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## General

This Management's Discussion and Analysis ("MD&A") is dated June 24, 2010, and reflects the year ended February 28, 2010 and should be read in conjunction with the audited financial statements for the year then ended and the notes thereto. These financial statements, as well as press releases issued by the Company and other information, are available either at the Company's website: [www.wasecoresources.com](http://www.wasecoresources.com), or at SEDAR: [www.sedar.com](http://www.sedar.com).

This MD&A is required to contain prospective and forward looking statements. The Company is not in the practice of making forecasts, financial or otherwise, as it believes its business of mineral exploration and development is not sufficiently foreseeable to permit such forecasts to be made with any accuracy. To the extent that it is obliged to include such prospective information herein, the Company claims the protection of safe harbour legislation and generally cautions readers that all forward looking statements are subject to change, inherent risks and uncertainties of many kinds. All statements made herein are made in good faith and in their belief as to best information and expectation available but no guarantee can be provided nor should any be inferred from any forward looking statement.

## Description of the Business

The Company is a Tier 2 junior exploration company, listed on the TSX Venture Exchange ("WRI") and on the Frankfurt Exchange ("WSE"), engaged in the acquisition and exploration of mineral properties. The authorized capital is comprised of an unlimited number of no par value shares. The Company is a reporting issuer in the provinces of Ontario, Alberta and British Columbia.

The Company's principal activities are currently focused on a large land position in the Quebec Labrador Trough. These properties are presently being explored by AREVA Group S.A. ("AREVA"), the world's leading integrated nuclear company (see [www.aveva.com](http://www.aveva.com) for more information) under arrangements more fully explained below. The Company is also exploring a large alluvial gold prospect in Indonesia, which is also described further, below.

The Company does not hold any interests in producing or commercial ore deposits and has no production revenue. There is no operating history upon which investors may rely. Commercial development of any kind will only occur in the event that sufficient quantities of ore containing economic concentrations of uranium, gold or other mineral resources are discovered. If, in the future, a discovery is made, substantial financial resources will be required to establish ore reserves. Additional substantial financial resources would be required to develop mining and processing for any ore reserves that may be discovered. If the Company were to be unable to finance the establishment of ore reserves or the development of mining and processing facilities it might be required to sell all or a portion of its interest in such property to one or more parties capable of financing such development.

The Company is subject to numerous risk factors that may affect its business prospects in the future. These include commodity prices, availability of capital, exploration risks, regulatory risks, environmental risks, competition, dependence on key personnel, potential risks relating to mineral titles and aboriginal land claims, currency risk and potential amendments to tax laws.

As at June 24, 2010, the directors and officers of the Company were:

Derek Bartlett	Director
A.C.A. (Peter) Howe	Chairman and Director
Richard Ekstein	Director
James (Jay) Richardson	Director and Secretary-Treasurer (C.F.O.)
Richard Williams	Director and President (C.E.O.).

### **Overall Performance**

The following paragraphs provide an analysis of the financial condition of the Company, results of operations, trends, events, uncertainties and industry and economic factors that affect the Company's performance.

As at February 28, 2010, the Company's cash position was \$457,310. This was a decrease of \$109,563 from \$566,873 at February 28, 2009. Working capital, however, increased, as detailed below and the decrease in cash, above, was attributable to payment of operating costs set off by the receipt of the oldest amount of Exploration Tax Credits receivable; we continue to expect the receipt of the balance of the tax credits in due course. These are the most significant non-cash elements in working capital. The previous large amount of Accounts Receivable which were noted as being essentially a set-off with Accounts Payable have now been offset against those accounts payable as they were due from and to the same party, AREVA. This brings the appearance of the balance sheet more in line with the underlying reality without changing working capital or shareholders' equity.

During the year ended February 28, 2010, the Company's mineral properties' book value increased modestly to \$258,639 from \$253,639 at February 28, 2009, reflecting the incurring of some costs in Indonesia as a result of more active management and investigation of the present status of these properties driven by the continuing program for their extension. Further expenditures were made on the Quebec properties which might have been expected to increase their book value, but, as explained more fully below, the funding of these expenditures by AREVA results in a corresponding decrease netting to nil change in the book value.

During the year ended February 28, 2010, the Company had 30,311,155 common shares outstanding, unchanged from February 28, 2009.

### **Trends**

There are no unusual trends, commitments, events or uncertainties presently known or identifiable to management that would reasonably be expected to have a material effect on the Company's business, financial condition or results of operations beyond the greater than usual variability of ease or difficulty in raising capital which appears to be in an improving trend after the extremely difficult period experienced by many companies in the last two years. The Company is fortunate that, as noted below, it does not presently or in near term prospect have any need to raise funds as it has more than enough for its present and prospective needs for the next twelve months in its available resources. The nature of the Company's business is demanding of capital for property acquisition costs, exploration commitments and holding costs. The Company intends to utilize cash on hand to meet these obligations and will continue to raise funds if necessary to augment this cash position. At the time of writing, no such need is anticipated. As AREVA has now spent its full commitment of exploration funding to earn a 50% interest in the uranium related metals, the flow of profitability the Company has enjoyed from the

benefits of the exploration tax credits may be interrupted pending whether a similar arrangement can be struck for further exploration.

## **Risks**

There are certain risk factors that could have material effects on the Company that are not quantifiable at present due to the nature of the Company's industry segment and other considerations.

### *Exploration Development and Operating Risk*

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration and development, any of which could result in work stoppages, damage to property, and possible environmental damage. None of the properties in which the Company has an interest have a known body of commercial ore as defined under NI 43-101. Development of the Company's mineral properties would follow only upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercially viable bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop metallurgical processes to extract the metal from the resources and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development could be obtained on a timely basis.

### *Business Risk*

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgment, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company's operations and financial performance.

### *Commodity Prices*

The price of the Company's 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 metals. Metal 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 consumption 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 precious and base metals or interests related thereto. The effect of these factors on the price of precious and base metals, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

### *Additional Capital*

The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing would be available if needed or that, if available, the terms of such financings would be favorable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing. No such adverse impacts are presently being experienced for the reason cited above.

### *Environmental and Permitting*

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, would not adversely affect the Company's operations.

### *Acquisition*

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate properties or acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and their development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favorable terms, or that any acquisition completed would ultimately benefit the Company.

### *Competition*

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than it. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospective properties for mineral exploration in the future.

### *Land Title*

The Company has not sought formal title opinions on its mineral property interests in Canada and in Indonesia. Any of the Company's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. The Company has no present knowledge of any material defect in the title to any of the properties in which the Company has or may acquire an interest.

## **Review of Operations**

### *Years Ended February 28, 2010 and February 28, 2009*

The Company had a net profit of \$345,791 or \$0.011 per share for the year ended February 28, 2010 compared to a net profit of \$231,671 or \$0.008 per share for the year ended February 28, 2009. This resulted from the greater level of exploration activity carried out, generating revenue and positive income to the Company from the Exploration Tax Credits and Management Fees .

Professional fees were \$36,778 for the year ended February 28, 2010 compared to \$40,840 for the year ended February 28, 2009. These fees relate primarily to the annual audit requirement.

Office and general costs (including Shareholders' Information and regulatory costs) were \$81,385 for the year ended February 28, 2010, compared to \$57,240 for the year ended February 28, 2009. There were certain office and general costs directly related to exploration activities which, as a result, were charged directly to mineral properties and deferred exploration expenditures. Office and general costs may be expected to increase as business activities grow. The increase was primarily with respect to its Annual Report expenses which were higher this year than last.

## **Exploration Activities**

### **Quebec Labrador Trough Project**

The principal activity carried out in the first quarter of the year under review was the aerial exploration of the Du Portage uranium prospect (formerly called Blocks I and II) by a close-spaced helicopter borne Electro Magnetic (E-M) survey over an area which was subsequently diamond drilled in the second quarter. During part of the drilling program, Waseco personnel were on site to gain additional first hand knowledge of the program as it was being carried out. Further information on the knowledge gained was included in the annual report mailed to shareholders in August. In the third quarter, AREVA funded the completion of the summer drilling program and undertook the compilation of the results and the filing of the assessment reports.

Management continues to be pleased with its working relationship with AREVA. It is the world's leader in the nuclear industry, and as such, provides valuable technical expertise to the projects. It has also developed an in depth knowledge of the area, having explored northern Quebec over the past 40 years. The work being undertaken not only advances our knowledge and understanding of the properties, but also generates revenue and profitability for the Company from the tax credits on exploration expenditures, as discussed in previous reports and below. These benefits are very positive for the Company; however, their continuation post the earn-in phase is not a given, and is currently a matter under negotiation with AREVA. Consideration is being given to modifying the land package by increasing certain holdings and decreasing holdings in other areas deemed to be less prospective; however, no such further agreements have been concluded to date.

### *History*

In fiscal 2006, the Company carried out airborne geophysical exploration activities on five uranium prospects that initially covered approximately 105 square kilometres (210 claims) in the

Quebec Labrador Trough. As a result, the Company decided to undertake further staking in areas contiguous to these blocks. This was reflected in corresponding increases to the Mineral Properties accounts. Waseco currently holds 775 claims, covering over 300 square kilometres.

Following an earlier joint venture with UMC Energy Inc., in 2006, the Company entered into an agreement with UraMin, a company then listed on the Toronto Stock Exchange and the AIM in London. A follow up work program of airborne geophysics and ground geochemistry was initiated as part of a program totalling \$1,600,000 that UraMin agreed to fund the Company to undertake over a two year period in order to acquire a 50% interest in the uranium and related metals discovered on the properties. In addition, UraMin agreed to make cash payments to the Company of \$300,000, which have been received. As the initial interest has been achieved, UraMin/AREVA may now elect to increase its interest in the uranium and related metals identified on the properties to 70% by agreeing to fund work resulting in a bankable feasibility study. There is no indication at this time that they would choose to do so and the Company is prepared for the possibility of sharing in the funding of future exploration costs on a 50:50 basis with them.

During the year ended February 28, 2007 and as part of the agreement with UraMin Inc., additional staking was undertaken with them on a 50:50 shared cost basis. This additional staking increases the Company's total land position in this area to approximately 330 square kilometres.

In August of 2007, an initial field program of prospecting and sampling was carried out on a portion of the Du Portage claims. The results of this program were deemed to be incomplete and inconclusive by UraMin.

Subsequently, UraMin has advised the Company of the depth of presence that it has in Canada as a result of UraMin being taken over by AREVA, as discussed below. This development provides the project with access to additional regional information, as well as a significant team of qualified geologists and technicians for the undertaking and supervision of field work.

2007 also saw the commencement of work to digitize previous known exploration work carried out on the properties and surrounding lands and this work was deemed to be extremely valuable. A previous year also saw a helicopter-borne high resolution geophysical survey project completed over the Du Portage claims and the expanded Block III as well as an initial geochemical survey which included nearly 1,000 samples.

During the second quarter of the year ended February 29, 2008, UraMin committed to fund the Company's continuing program for the second year and remitted \$450,000 to the Company in payment of the \$150,000 unrestricted payment to the Company and \$300,000 towards the program commenced in August. Following the UraMin acquisition by AREVA SA, as noted below, the Company's legal and contractual relationship with UraMin remains unchanged. The Company now works additionally with AREVA staff to integrate the respective property databases and plan and carry out work programs.

In the first quarter of the year concluded on February 28, 2009 the Company successfully negotiated the Extension Agreement with UraMin Inc. ("UraMin") and its new parent the AREVA. By this Extension Agreement, UraMin was provided additional time, to June 28, 2010, to complete its funding option to earn a 50% interest in the uranium and related metals discovered on the Company's properties, in exchange for increasing its funding option to an additional \$2,000,000 as from the signing of this agreement.

This was followed in the second and third quarters by a helicopter assisted surface exploration program of geological mapping and sampling. Results of samples taken further confirmed the presence of Uranium at surface, as reported in the Company's press releases of March 10 and April 28, 2009.

A program of approximately \$900,000 was carried out by the Company during the course of the year ended Feb. 28, 2009, all funded by UraMin, as noted above. This was designed to provide the ground information preparatory to the drilling program that was carried out over the summer and fall of 2009. The initial drilling has now been completed and results have been made available to management and will be released by way of press release (which will be posted on the Company's website and on SEDAR), following review by management and consultation with AREVA.

In terms of accounting treatment, it is noteworthy that the significant expenditure on exploration activities commenced in the second quarter of the fiscal year ended Feb. 28, 2008 and continued subsequently is not reflected in the closing balance of the Mining Properties account, as UraMin funded Waseco to undertake these activities. As such, the payments from UraMin to fund Waseco's expenditures, which otherwise would have increased the Mineral Properties account, are credited to the Mineral Properties account, effectively in matching amount, leaving the Mineral Properties account unchanged. Moreover, the refunds received and receivable from the Quebec government also go to reduce the carrying value of the Mining Properties. When these reductions result in the carrying value of a property being reduced to zero (as has occurred) further amounts are credited to income instead of reducing the value below zero. Any further net receipts with respect to the Quebec Labrador properties would be taken into income as a result of the carrying value having been reduced to nil, and this is what has substantially been responsible for the Company's recent profitability.

As a result of the expenditures being funded by UraMin/AREVA, there is no impact on the Mineral Properties as shown on the balance sheet as the amount funded by UraMin/AREVA is credited to Mineral Properties completely offsetting the amount debited to the same account for the costs expended.

## **Indonesia**

The Company, having previously severed its ties with its former Indonesian subsidiary, retained a significant quantity of proprietary information with respect to the Tewah Alluvial Gold project. Having learned that the Contract of Work covering the project had been terminated, the Company is in the process of re-establishing title to significant portions of its former holdings. Once this has been substantially advanced it intends to seek a funding partner and it has received expressions of interest in this regard. Substantial progress in this matter is not expected until the re-assembly of as much as possible of the former land position has been completed. As of the date of this MD&A, this process of re-assembly had been delayed by multiple elections in Indonesia and new mining laws and regulations governing foreign based companies operating in Indonesia. The full implications of the new laws and regulations are not yet fully understood or established. One Kuasa Pertambangan ("KP"), which is an Indonesian form of exploration tenement, has now been obtained while two others have been applied for.

The Company continues to work with local people with considerable depth of experience with mining companies in Indonesia and a Canadian consultant who is also well experienced in the area. Our CEO has recently been in Indonesia to reinforce our relationships both with our new

consultants there and with local government officials. We are now more directly involved in the process of establishing and extending our property rights and an increase in expenditures in this regard has taken place since the year end and should be expected to continue into the near future.

Only a small additional amount was invested during the year for the consulting assistance referred to above, but it is anticipated that there will be additional investment in furthering the re-assembly.

The Company's previously completed Final Feasibility Study on the project in Kalimantan puts it in an advanced position on this project. The recent prices for gold as well as zircon have attracted new potential investors to consider the opportunity. However, any discussions are viewed to be at a very preliminary stage at this time. The Company has expended up to the year end approximately \$88,000 in this activity and an additional approximately \$50,000 since the year end. This has been funded from unrestricted working capital while still leaving the Company with a healthy cash balance and more in prospect anticipated to be received in the coming quarters as a result of the receipt of exploration tax credits from the activities pursuant to the Extension Agreement and an increased working capital position.

### **Attawapiskat**

The Company has participated in a geophysical survey on the Attawapiskat Diamond Property, in northern Ontario, where it holds a 5% interest. The development of the adjacent Victor Mine by De Beers and the work on the Macfadyen diamondiferous dykes to the west of the property, have rekindled interest in the camp. The Company has been informed of certain evaluation work which has been undertaken by one of the other joint owners of the property. As a result, the Company expects to be informed of plans for additional work to be done on the property and expects to contribute its proportionate share of the cost of such program. It is possible that the Company might seek to increase its share, presently standing at 5%, by contributing an amount to the program greater than its share, in the event that any participant does not opt to maintain its present interest. Sufficient assessment work has been filed to maintain the property in good standing.

During a previous year, the Company received an amount of \$2,500 as its proportionate share of a payment received from De Beers for the rental of a portion of the surface rights of one of the claims and paid \$1,580 as its proportionate share of work done in the year. No additional amounts have been invested during the previous or current year but it is anticipated that there will be further investment as the exploration program continues and perhaps also further investment if the Company is provided the opportunity to increase its interest in the project.

### **Other Balance Sheet Comparisons**

The continuing increases in cash and significant fluctuations in receivables (from Refundable Provincial Exploration Tax Credits) balances over the last three years, reflect the profitability which the Company has achieved from having UraMin (and a former partner) supply funds for the Company's exploration expense and obtaining the benefit of the Exploration Tax Credits. Refundable Exploration Tax Credits increased significantly from \$403,477 at the previous year end to \$789,572 at February 28, 2010 as a result of the exploration expenditures incurred in the current program. Accounts Receivable and Accounts Payable have now both also decreased

significantly reflecting the setoff of the offsetting amounts due from and to UraMin/AREVA in connection with the program and its funding.

While Mineral Properties (which might normally be considered one of the most important balance sheet numbers) remains unchanged from the year end, the reason therefor has been explained above. However, the deficit carried forward by the Company has been significantly reduced during the quarter as a result of the profit generated as more fully explained below. Finally, what may appear to be the most significant changes in balance sheet numbers, those for Accounts Receivable and Accounts Payable, are actually offsetting decreases whose net effect is not significant.

### **Statement of Operations Comparisons**

There was an increase in net profit for the year ended February 28, 2010 compared to the prior year end, primarily owing to the profitability generated by the exploration program in Quebec being much greater this year, resulting from its increased activity level by comparison to last year. The Company continues to build its CDE and CEE pools while continuing to earn net profits without income taxes becoming exigible.

Management fees were a larger expense than in the previous year as a result of their only having commenced in the second quarter of last year (and as a result of a modest under-accrual at the year end which was expensed in the first quarter). Management fee income increased during the year reflecting the greater level of expenditure in the Quebec Labrador Trough project. Such expenses are the basis for the calculation of the Company's Management Fee income. Overall, the profitability from the combined management fee income and Exploration Tax Credits continues to be at very satisfactory levels for a junior exploration company, but continuation of this favourable situation is not assured.

The fluctuating profitability reflects the variability of exploration activities. We anticipate an absence of exploration activity next quarter and perhaps continuing into future quarters with a corresponding elimination of profitability, subject to UraMin/AREVA opting to continue its activities with the Company by entering into a new exploration agreement to earn in on additional properties and fund the corresponding program to do so and to their plans for ongoing exploration of the existing properties and the completion of the negotiation of the terms of the Joint Venture agreement.

### **Other Cash Flow Comparisons**

The main elements of the Statement of Cash Flows have been discussed above under Balance Sheet Comparisons or Statements of Operations Comparisons. Over \$40,000 of Provincial Exploration Tax Credit was received and accrued amounts are anticipated to be received in future periods. The magnitude of the amounts receivable has increased from the ongoing activity.

The Company's main focus is on its uranium properties and the re-establishment of its position in Indonesia. It continues to review other projects that it believes would create added shareholder value while putting primary emphasis on acquiring additional properties of merit in the vicinity of its Quebec Labrador Trough properties.

## **Liquidity and Solvency**

The Company's ability to conduct exploration and development on its properties has traditionally been primarily based upon its ability to enter into attractive joint venture arrangements with third parties to undertake exploration and development expenditures on its behalf or to fund it to undertake them. As the Company builds its resources from its profitable operations, its ability to undertake additional activities on its own has been enhanced.

Further funding for any corporate purposes will be forthcoming from refunds of costs of work undertaken which may, subject to the renegotiation with AREVA, be provided by the Quebec provincial Government pursuant to the Quebec Income Tax Act and such further equity or other financing as the Company may feel advisable.

The Company's present and prospective resources from amounts anticipated from collection of receivables (the refunds from Quebec incentive program) represent sufficient funds in prospect to fund administrative costs and modest exploration and development of its own. If UraMin having completed its earn in elects not to exercise its option to increase its interest to 70% by advancing to a bankable feasibility study, the Company would anticipate participating with UraMin in further expenditure in the 50:50 joint venture which would be formed.

It is also the Company's intention to seek a joint venture partner for the development of its Indonesian project and it is optimistic from initial expressions of interest that this will be achievable, particularly in the currently favourable environment of strong prices both for gold and for zircon, an important prospective by-product in this project. The Company will address these possibilities more rigorously when the property re-assembly has been completed.

## **Dividends**

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

## **Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements.

## **Related Party Transactions**

There were no related party transactions during the year beyond the payment or accrual of \$9,000 quarterly in management fees paid or payable to three officers and/or directors comparable to the prior year. Subsequent to the year end, this amount has been increased to \$18,000 quarterly.

## **Assessment of Recoverability of GST and Tax Credits Recoverable**

The carrying amounts of GST and Exploration Tax Credits Recoverable are considered representative of their respective values. The Company assesses the likelihood that these receivables will be recovered and, to the extent that recoveries were to be considered doubtful a provision for doubtful accounts would be recorded.

## **Assessment of Recoverability of Mineral Property Costs**

The Company's recorded value of its exploration properties is based on that portion of historical costs that are not reimbursed by third party funding or other amounts to be recovered related to them and that are expected to be recovered in the future. The Company's recoverability evaluation is based on market conditions for minerals, underlying prospects or mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The carrying value is significantly less than might be expected given the significant exploration expenses that have been incurred to understand them better, owing to the factors already explained above. Insufficient assessment work has been conducted to this stage to enable an informed view as to the recoverability of amounts expended and we look forward to carrying out further assessment work to assist in this regard.

## **Change in Accounting Policy**

### *New Accounting Standards*

In February 2008, the Company adopted the following new CICA accounting standards. Section 1535 Capital Disclosures establishes disclosure requirements regarding an entity's capital, including (i) an entity's objectives, policies, and processes of managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The new standard has had no impact on the Company's financial statements. Sections 3862 Financial instruments – Disclosures and 3863 Financial Instruments – Presentation replace Section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards have had no material impact on the Company's financial statements.

Adoption of these standards did not require the Company to restate prior periods as these new standards have been adopted prospectively. The Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants relating to the accounting for and disclosure of financial instruments and comprehensive income.

### *Goodwill and Intangible Assets*

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets* replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The new standard became effective as of March 1, 2009. The section has no significant effect to these annual financial statements.

## **FUTURE ACCOUNTING CHANGES**

### **International Financial Reporting Standards (“IFRS”)**

The Canadian Accounting Standards Board has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, including the Company, effective fiscal

years beginning on or after January 1, 2011.

Accordingly, the Company will report interim and annual financial statements in accordance with IFRS beginning with the quarter ended May 31, 2011. The Company's 2011 interim and annual financial statements will include comparative 2010 financial statements adjusted to comply with IFRS.

### *IFRS Transition Plan*

The Company has established a comprehensive IFRS transition plan and engaged third-party advisers to assist with the planning and implementation of its transition to IFRS. The following summarizes the Company's progress and expectations with respect to its IFRS transition plan:

Initial scoping and analysis of key areas for which accounting policies may be impacted by the transition to IFRS.	Complete
Detailed evaluation of potential changes required to accounting policies, information systems and business processes, including the application of IFRS 1 First-time Adoption of International Financial Reporting Standards.	Complete
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives.	In progress, completion expected during Q2 2010
Resolution of the accounting policy change implications on information technology, business processes and contractual arrangements.	In progress, completion expected during Q3 2010
Qualification of the financial statement impact of changes in accounting policies.	Throughout 2010
Management education and training.	Throughout the transition process

### *Impact of Adopting IFRS on the Company's Business*

As part of its analysis of potential changes to significant accounting policies, the Company is assessing what changes may be required to its accounting systems and business processes. The Company believes that the changes identified to date are minimal and the systems and processes can accommodate the necessary changes.

To date, the Company has not identified any contractual arrangements that may be affected by potential changes to significant accounting policies, nor does it anticipate any such impact.

The Company's management and advisers involved in the preparation of the financial statements are being trained on the relevant aspects of IFRS and the anticipated changes to

accounting policies. Personnel of the Company who will be affected by a change to business processes as a result of the conversion to IFRS will also be trained as necessary.

The Board of Directors and the Audit Committee have been regularly updated on the progress of the IFRS conversion plan, and made aware of the evaluation to date of the key aspects of IFRS affecting the Company.

### *First-time adoption of IFRS*

The adoption of IFRS requires the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards*, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS, effective at the end of its first annual IFRS reporting period.

However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has identified the following optional exemptions that it expects apply in its preparation of an opening IFRS statement of financial position as at February 28, 2010, the Company's transition date:

- To apply IFRS 2 *Share-based Payments* only to equity instruments issued after November 7, 2002, and that had not vested by the transition date.
- To apply the transition provisions of IFRIC 14 *Determining whether an Arrangement Contains a Lease*, therefore determining if arrangements existing at the transition date contain a lease based on the circumstances existing at that date.
- To apply IAS 23 *Borrowing Costs* prospectively from the transition date. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets. While this exemption applies, it is not relevant to the Company's financial statements as there has been no borrowing at interest in its history.

Prior to reporting interim financial statements in accordance with IFRS for the quarter ending May 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the transition date will be consistent with those made under current Canadian GAAP. If necessary, estimates will be adjusted to reflect any difference in accounting policy.

### *Impact of Adopting IFRS on the Company's Financial Statements*

The adoption of IFRS will result in some changes to the Company's accounting policies that are applied in the recognition, measurement and disclosure of balances and transactions in its financial statements.

The following provides a summary of the Company's evaluation to date of potential changes to accounting policies in key areas based on the current standards and guidance within IFRS. This is not intended to be a complete list of areas where the adoption of IFRS will require a change in

accounting policies, but is intended to highlight the areas the Company has identified as having the most potential for a significant change. The International Accounting Standards Board has a number of ongoing projects, the outcome of which may have an effect on the changes required to the Company's accounting policies on adoption of IFRS. At the present time, however, the Company is not aware of any significant expected changes prior to its adoption of IFRS that would affect the summary provided below:

#### 1) *Exploration and Evaluation Expenditures*

Subject to certain conditions, IFRS currently allows an entity to determine an accounting policy that specifies the treatment of costs related to the exploration for and evaluation of mineral properties.

The Company expects to establish an accounting policy to expense, as incurred, all costs relating to exploration and evaluation until such time as it has been determined that a property has economically recoverable reserves.

The application of this policy on the adoption of IFRS will have a significant impact on the Company's financial statements. On adoption of IFRS, the carrying value of the mineral property interests will be reduced to zero (at the transition date), with a corresponding adjustment to accumulated deficit. All subsequent exploration and evaluation costs will be expensed as incurred until such time as it has been determined that a property has economically recoverable reserves.

#### 2) *Impairment of (Non-financial) Assets*

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets will be changed to reflect these differences. However, the Company does not expect that this change will have an immediate additional impact on the carrying value of its assets. The Company will perform impairment assessments in accordance with IFRS at the transition date.

#### 3) *Share-based Payments*

In certain circumstances, IFRS requires a different measurement of stock-based compensation related to stock options than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to share-based payments that would result in a significant change in line items within its financial statements.

#### 4) *Asset Retirement Obligations (Decommissioning Liabilities)*

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities will be changed to reflect these differences. However, the Company does not expect this change will have an

immediate impact on the carrying value of its assets.

#### 5) *Property and Equipment*

IFRS contains different guidance related to recognition and measurement of property and equipment than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to property and equipment that would result in a significant change to line items within its financial statements.

#### 6) *Income Taxes*

In certain circumstances, IFRS contains different requirements related to recognition and measurement of future (deferred) income taxes.

The Company does not expect any changes to its accounting policies related to income taxes that would result in a significant change to line items within its financial statements.

#### 7) *Foreign Currency*

IFRS requires that the functional currency of the Company be determined separately, and the factors considered to determine functional currency are somewhat different than current Canadian GAAP.

The Company does not expect any changes to its accounting policies related to foreign currency that would result in a significant change to line items within its financial statements at the transition date.

### ***Subsequent Disclosures***

Further disclosures of the IFRS transition process are expected as follows:

- The Company's MD&A for the 2010/11 interim periods and the year ended February 28, 2011 will include updates on the progress of the transition plan, and, to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual financial statements.
- The Company's first financial statements prepared in accordance with IFRS will be the interim financial statements for the three months ending May 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. The interim financial statements for the three months ending May 31, 2011, will also include 2010 financial statements for the comparative period adjusted to comply with IFRS, and the Company's transition date IFRS statement of financial position (at February 28, 2010).

### ***Non-Controlling Interests***

In January 2009, the CICA issued Handbook Section 1602, "Non-controlling interests," which establishes standards for the accounting of non-controlling interests of a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. This standard is equivalent to the International Financial Reporting Standards on consolidated and separate financial statements. This standard is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have an y immediate impact on

the Company's financial statements as there are no such interests.

## **Consolidated Financial Statements**

In January 2009, the CICA issued Handbook Section 1601, "Consolidated financial statements," which replaces the existing standards. This section establishes the standards for preparing consolidated financial statements and is effective for 2011. Earlier adoption is permitted. Management does not believe the adoption of this standard will have any immediate impact on the Company's financial statements as the Company presently has no subsidiaries for consolidation.

## **Critical Accounting Policies**

### *Income Tax*

The Company accounts for income taxes in accordance with the asset and liability method. The determination of future income tax assets and liabilities is based on the differences between the financial statement and the income tax bases of assets and liabilities, using substantively enacted tax rates in effect for the period in which the differences are expected to reverse. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they would be realized.

### *Cash and Cash Equivalents*

Cash and cash equivalents are comprised of highly liquid investments with maturity of 3 months or less (or option of early encashment without significant penalty) at the date of original issue.

### *Earnings per Share*

Basic earnings per share are determined by dividing the net earnings by the weighted average number of ordinary shares outstanding during the financial period. Diluted earnings per share is the same as basic earnings per share except that the denominator is the fully diluted number of shares that would be outstanding if all of the options outstanding were to be exercised.

### *Changes in Accounting Policies Including Initial Adoption*

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments - Disclosures (Handbook Section 3862), and Financial Instruments - Presentation (Handbook Section 3863). These new standards became effective for the Company on October 1, 2007.

### *Financial Instruments*

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

In January 2009, the CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit and the credit risk of

the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The application of this new standard had no impact on the Company's operating results or financial position.

On March 27, 2009, the CICA approved EIC 174, "Mining Exploration Costs". This provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long lived assets in general. The application of this new standard had no impact on the Company's operating results or financial position.

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, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications for its Financial Instruments:

Cash	Held for trading
Short-term investments	Held for trading
Accounts and other amounts receivable	Loans and Receivables
Accounts payable and accrued liabilities	Other Liabilities

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

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

### *Fair Value*

As at February 28, 2010, the carrying values of cash, short term investments, subscriptions receivable, GST receivable, accounts payable and accrued liabilities are at fair value due to their immediate or short term to maturity.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy included in GAAP. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data.

	Level One	Level Two	Level Three
Cash	\$457,310		
Accounts receivables		\$ 4,326	
Accounts payable and accrued liabilities		\$ 49,400	

### *Credit Risk*

The Company's cash and short-term investments are held with Schedule A Canadian Chartered Banks and are therefore not considered to be exposed to significant credit risk.

### *Market and Interest Rate Risk*

The Company does not have any interest bearing debt. The Company invests cash, surplus to its operational needs, in investment-grade short-term deposit certificates issued by the banks where it keeps its Canadian Bank accounts. The Company periodically assesses the quality of its investments with these banks and is satisfied with the credit ratings of the banks and the investment grade of their short-term deposit certificates. The interest rates attaching to these instruments are fixed and therefore do not carry interest rate risk.

### *Sensitivity Analysis*

The Company has designated its cash and cash equivalents as held for trading, which is measured at fair value; the carrying amount of the financial instruments equals fair market value.

Management believes that, based on their knowledge and experience of financial markets, the following sensitivity analysis is appropriate for its cash and cash equivalents and its exposure to foreign exchange risk: The Company's funds are held primarily in short term investment grade deposits, the rates of which are fixed for varying periods. As a result, changes in interest rates would not affect the amount of interest to be earned by the Company.

As of February 28, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equal.

### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due and to plan expenditures only when funds will be available. As at February 28, 2010, the Company had current assets of \$1,252,108 after setting off the significant account payable as referred to above (previous year end \$1,923,235) and current liabilities of \$167,946 (previous year end \$1,179,863, comparisons again impacted by the same setoff). As a result, working capital at February 28, 2010 was \$1,084,162 up from \$743,372 at the year end. The bulk of the Company's receivables are represented by amounts due from governments for tax refunds and credits and are correspondingly unpredictable as to date of receipt but considered to be very secure as to collectibility.

### *Additional Capital*

The continued exploration work by the Company may require substantial additional financing. There can be no assurance that additional capital or other types of financing would be available if needed or that, if available, the terms of such financings would be favorable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing since the mineral property investment that constitutes the primary asset of the Company is linked to such prices.

### *Critical Accounting Estimates*

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates relate primarily to the recoverable value of its mineral properties and related deferred exploration costs.

These estimates involve considerable judgment and are, or could be, affected by significant factors that are outside of the Company's control. At this time, the Company has no reason to believe or expect that the amounts shown for mineral properties would not be recoverable.

### **Outlook**

The business objective of the Company is the acquisition, exploration, development and production of mineral resources from properties in Canada and abroad. More particularly, the Company's primary business objective is to carry out exploration programs on the Quebec Labrador Trough properties.

If the results of the initial exploration and test drilling programs prove to be encouraging, the Company may require additional capital that may require future financings. There can be no assurance that the Company would be able to raise such additional capital if and when required on terms it considers acceptable.

### **Internal Control over Financial Reporting**

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

During the most recent year there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. In view of the small size of the Company's management team and the absence of staff beyond that small team, the Company relies fundamentally on the personal involvement of two senior Officers in all transactions and their scrutiny of same.

### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the quarter covered by this Management's Discussion and Analysis, management of the Company, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be

disclosed in the Company's annual *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### **Subsequent Events**

Following the completion of the year end under review and prior to the date of the accompanying audited financial statements (June 25, 2010), there were no material subsequent events.

### **Proposed Transactions**

Management is continuously examining potential acquisitions or options of additional properties as they are presented to the Company. No such transactions are presently pending while some possibilities are in early stages of discussion. Any such transactions would be announced by way of press release promptly upon their being committed to. Referred to above is the Company's renewed interest in the Tewah project and the expectation of entering into discussions which may lead to arrangements for its exploitation.

### **Disclosure of Outstanding Share Information**

The following table sets forth information concerning the outstanding securities of the Company as at February 28, 2010:

<b>Common Shares of no par value</b>	<b>Number</b>
Shares	30,311,155
Warrants	nil
Options	1,000,000

### **Summary of Quarterly Results**

Selected financial information for the fourth quarter of fiscal 2010 and each of the previous seven quarters appears below:

<b>Fiscal Period Ended</b>	<b>Feb '10</b>	<b>Feb '09</b>
<b>1<sup>st</sup> Quarter</b>		
Revenue	\$ 140,160	-
Gain	119,149	\$ 12,091
Gain per share	0.004	.0000
<b>2<sup>nd</sup> Quarter</b>		
Revenue	104,434	383,760
Gain	57,526	189,545
Gain per share	0.002	0.006
<b>3<sup>rd</sup> Quarter</b>		
Revenue	243,159	7,195
Gain (loss)	191,259	(9,192)
Gain per share	0.006	0.000
<b>4<sup>th</sup> Quarter</b>		
Revenue	882	60,796
Gain (loss)	(22,143)	39,235
Gain (loss) per share	(0.001)	0.002

Management of the Company invites questions from its shareholders and will be pleased to consider how these statements may be made more useful to shareholders and others.

**WASECO RESOURCES INC.**

“Richard Williams”  
President  
June 24, 2010