

WASECO RESOURCES INC.

Financial Statements

Three months ended May 31, 2010

(Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) a, if an auditor has not performed a review of the interim financial statements: they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Waseco Resources Inc.
Balance Sheets
(Unaudited – Prepared by Management)

	May 31, 2010 (Unaudited)	Feb. 28, 2010 (Audited)
Assets		
Current Assets		
Cash and cash equivalents <i>(Note 2)</i>	\$424,302	\$457,310
Refundable provincial exploration tax credit	789,572	789,572
GST recoverable	1,088	900
Other receivables	9,326	4,326
	1,224,288	1,252,108
Mineral Properties and Deferred Costs <i>(Note 3)</i>	264,171	258,639
	\$1,488,459	\$1,510,747
Liabilities		
Current Liabilities		
Accounts payable and accruals <i>(Note 6)</i>	\$52,418	\$49,400
Exploration deposits received	118,546	118,546
	170,964	167,946
Shareholders= Equity		
Capital Stock <i>(Note 4)</i>	5,800,662	5,800,662
Contributed Surplus <i>(Note 5)</i>	128,902	128,902
Deficit	(4,612,069)	(4,586,763)
	1,317,495	1,342,801
	\$1,488,459	\$1,510,747

Nature of operations (Note 1)

Approved by the Board:

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

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

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

Waseco Resources Inc.**Interim Statements of Income and Comprehensive Income and Deficit
(Unaudited – Prepared by Management)**

	Three Months Ended May 31 2010	Three Months Ended May 31 2009
Revenues		
Option payments	\$ -	123,858
Management fees	-	13,176
	-	137,034
Expenses		
General and administrative	10,094	10,711
Shareholder relations and regulatory fees	14,712	5,300
Professional fees	<u>500</u>	<u>5,000</u>
	<u>25,306</u>	<u>21,011</u>
Profit (Loss) before other income	(25,306)	116,023
Other income: Interest	-	3,125
Net Income and Comprehensive Income for the Period	(25,306)	119,148
Deficit at beginning of year	(4,586,763)	(4,932,554)
Deficit at End of Period	\$(4,612,069)	\$(4,813,406)
Net income per share - basic	\$(0.0008)	\$ 0.0039
Weighted average number of shares outstanding - basic	30,311,155	30,311,155
Net income per share - fully diluted	\$ (0.0008)	\$0.0038
Weighted average number of shares outstanding - fully diluted	30,311,155	30,311,155

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

Waseco Resources Inc.
Notes to the Interim Financial Statements
For the Three Month Period Ended May 31, 2010
(Unaudited – Prepared by Management)

Waseco Resources Inc.
Interim Statements of Cash Flow
(Unaudited – Prepared by Management)

	Three Months Ended May 31 2010	Three Months Ended May 31 2009
Operations		
Net Income	\$(25,306)	\$119,148
Adjustments to reconcile net income to cash flow from operating		
Stock-based compensation	-	-
Option payments	-	-
Net change in non-cash operating working capital items:		
GST recoverable	(188)	15,011
Accounts receivable	(5,000)	(291,699)
Exploration - provincial tax credit	-	(123,858)
Accounts payable and accruals	3,018	247,058
Cash Flow Used in Operating Activities	(27,476)	(34,341)
Financing		
Issuance of common shares, net of issuance costs	-	-
Cash Flow From Financing Activities	-	-
Investing		
Expenditures related to interest in mineral properties	(5,532)	-
Provincial exploration tax credit received	-	-
Cash Flow From (Used In) Investing Activities	(5,532)	-
Net Decrease in Cash and Cash Equivalents	(33,008)	(34,341)
Cash and cash equivalents at beginning of period	457,310	566,873
Cash and Cash Equivalents at End of Period	\$424,302	\$532,532

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

Waseco Resources Inc.
Notes to the Interim Financial Statements
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1. Nature of Operations

The reader is directed to the notes of the February 28, 2010 audited financial statements for a full description of the nature of operations of Waseco Resources Inc. (the “Company”) and more comprehensive notes to the Financial Statements generally. This and other useful information on the Company are available on the Company’s web site at www.wasecoresources.com and on SEDAR (www.sedar.com).

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

2. Summary of Significant Accounting Policies and Going Concern

The accounting policies followed in preparing these financial statements are those used by the Company as set out in the notes on the February 28, 2010 audited financial statements. For further information see the Company’s February 28, 2010 audited financial statements.

3. Mineral Properties and Deferred Costs

	May 31, 2010	February 28, 2010
Acquisition Costs		
Balance at beginning of period	\$331,760	\$331,760
Acquisition costs	5,532	-
	337,292	331,760
Deferred Exploration Expenditures		
Balance at beginning of year	(73,121)	(73,121)
	(73,121)	(73,121)
Balance at End of Year	\$264,171	\$258,639

The following is a summary of mineral properties and deferred costs at M ay 31, 2010 by area of interest:

Property	Acquisition	Exploration	Total
James Bay Lowlands (Northern Ontario)	\$50,000	\$120,324	\$ 170,323
Uranium properties (Labrador Trough, Quebec)	-	-	-
Kalimantan properties (Indonesia)	93,848	-	93,848
	\$138,315	\$120,324	\$ 264,171

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3. Mineral Properties (Cont'd.)

Uranium Properties

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

After signing of the initial agreement, UraMin was acquired by the AREVA Group (“AREVA”). On June 3, 2008, the option agreement with AREVA was amended. In consideration of granting and maintaining the 50% option, Areva provided \$2,000,000 of funding towards the Company’s exploration expenditures on the property on or before the expiration of the amended option agreement period, being June 28, 2010. In the event that AREVA elected not to fund the entire program, it would have no further obligations, and would retain no interest in the property. As at February 28, 2010, AREVA had met its expenditure requirements to obtain a 50% interest in the project and has elected to exercise the option. Waseco anticipates entering into a Joint Venture agreement with AREVA once the formal option is granted.

Kalimantan Properties

During the year ended February 28, 2009, the Company acquired an exploration permit for the Kalimantan properties. It is located on the island of Kalimantan and includes portions of the river course and surrounding terraces which were previously held by a subsidiary as the Tewah alluvial gold property. Other property interests held are identified as general survey permits (“SKIP’s”) and are in the process of being converted to the more permanent Kuasa Pertambangan (“KP’s”) form of exploration tenement.

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

James Bay Lowlands

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

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

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3. Mineral Properties (Cont'd.)

2% net smelter return (“NSR”) with the Company and its joint venture partners having a right of first refusal to buy out 1%.

4. Capital Stock

Share Capital

Waseco is authorized to issue an unlimited number of common shares. The issued and outstanding share capital consists of common shares as follows:

	Shares	Amount
Balance at February 29, 2008	29,511,155	\$5,660,662
Issuance of shares for cash:		
Stock options exercised	800,000	80,000
Fair value transfer on exercised options	-	60,000
Balance at May 31 and February 28, 2010 and 2009	30,311,155	\$5,800,662

Stock-Based Compensation Plan

Waseco established a stock option plan to provide additional incentive to its directors, officers, employees, service providers, or consultants in their efforts on behalf of the Company in the conduct of its affairs. The total number of shares which may be issued thereunder shall not exceed 10% of the then issued and outstanding shares of the Company. Under the terms of the plan, options shall vest immediately except those options granted to consultants or persons employed in investor relations activities; they are to vest over a twelve month period. All options expire on the fifth anniversary from the grant date, unless specified otherwise in a director's resolution. The exercise price of each option issued shall not be less than the closing market price of the Company's stock on the day immediately preceding the date of grant.

The following table summarizes the continuity of stock options issued:

	May 2010		February 2010	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
Outstanding at beginning of period	\$0.25	1,000,000	\$0.25	1,000,000
Transactions during the period:				
Granted	-		-	-
Exercised	-		-	-
Expired	-		-	-
Outstanding at end of period	\$0.25	1,000,000	\$0.25	1,000,000
Exercisable at end of period	\$0.25	1,000,000	\$0.25	1,000,000

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4. Capital Stock (Cont'd)

All outstanding stock options expire between June 27 and August 28, 2011.

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

	May 2010	February 2010
Risk free interest rate	-	2.89% - 3.30%
Dividend yield	-	-
Volatility factor of the future expected market price of common shares	-	105% - 104%
Expected life of the options	-	3 years
Weighted average fair value of options granted during the period	-	\$0.08

Warrants

As at May 31, 2010 Waseco had no warrants outstanding.

5. Contributed Surplus

	May 2010	Feb. 2010
Balance, beginning of period	\$128,902	\$128,902
Value of options issued	-	-
Exercised options and warrants	-	-
Balance, end of period	\$128,902	\$128,902

6. Related Party Transactions

The financial statements include balances and transactions with directors and/or officers of the Company. These transactions are measured and recorded at their actual cash amounts, being the actual cash amounts paid or due to the related parties.

During the period, the Company paid \$9,350 (May 2009 - \$9,000) to officers of the Company for management fees. Included in accounts payable is \$Nil (February 2010 - \$9,350) owed to directors and officers of the Company for management fees.

7. Income Taxes

The Company has \$85,300 (2009 - \$60,400) 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 2030.

The Company also has \$3,074,000 (2009 - \$2,336,000) of unused CCEE, CCDE, FEDE and CFRE expenses and capital losses of \$312,400 (2009 - \$312,400). The tax benefits pertaining to these expenses are available to carry forward indefinitely.

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7. Income Taxes (cont'd.)

Future Income Taxes Recoverable

The Canadian statutory income tax rate of 32% (2009 - 33%) is comprised of the federal income tax rate of approximately 18% (2009 - 19%) and the provincial income tax rate of approximately 14% (2009 - 14%). The income tax provision differs from that computed using the statutory tax rates for the following reasons:

Three months ended May 31	2010	2009
Expected income tax expense (recovery) at federal and provincial statutory rates	\$(8,098)	\$40,873
Non-deductible expenses	-	-
Stock-based compensation	-	-
Option revenue included in exploration pools	-	(40,873)
Valuation allowance: Exploration pools	8,089	-
Income Tax Provision	\$-	\$-

Future Income Tax Asset

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

May 31,	2010	2009
Future Tax Assets		
Loss carry forwards	\$63,606	\$30,000
Temporary differences	745,700	520,000
Less: valuation allowance	(809,306)	(550,000)
Net Future Tax Assets	-	-
Future Tax Liabilities	-	-
Net Future Income Taxes Recoverable	\$-	\$-

8. Financial Instrument Risk Exposures

Fair Value of Financial Instruments

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

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

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

Credit Risk

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

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8. Financial Instrument Risk Exposures (cont'd.)

Interest Rate Risk

The Company invests cash surplus to its operational needs in investment-grade short term deposit certificates issued by the bank where it keeps its Canadian Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposit certificates. A change in the interest rate of 1% would cause interest income to change annually by \$4,600 given its February 28, 2010 certificate holdings.

Political Risk

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

Business Risk

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

Liquidity Risk

The Company's approach to managing liquidity risk is to attempt to ensure that it will have sufficient liquidity to meet its liabilities when due and conduct its planned activities. As at May 31, 2010, the Company had working capital of \$1,053,324. All of the Company's financial liabilities are subject to normal trade terms.

Commodity Price Risk

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