

# **WASECO RESOURCES INC.**

## **Financial Statements**

**Three months ended May 31, 2008**

**(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 of the Company 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.

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

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	May 31, 2008 (Unaudited)	February 29, 2008 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 601,232	\$ 586,721
Refundable provincial exploration tax credit	41,727	41,727
Future income tax asset (Note 6)	31,259	-
GST Recoverable	15,062	12,984
Accounts Receivable	14,479	9,980
	703,759	651,412
Mineral Properties and Deferred Costs (Note 3)	278,324	278,324
	\$ 982,083	\$ 929,736
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accruals (Note 8)	\$ 94,660	\$ 134,404
	94,660	134,404
Exploration Deposits Received	231,992	231,992
	326,652	366,396
<b>Shareholders' Equity</b>		
Share capital (Note 4)	5,740,662	5,660,662
Contributed surplus (Note 5)	66,902	66,902
Deficit	(5,152,133)	(5,164,224)
	655,431	563,340
	\$ 982,083	\$ 929,736

Nature of operations (Note 1)

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

Approved on behalf of the board of directors:

"James Richardson"  
James Richardson, Director

"Richard Williams"  
Richard Williams, Director

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**Waseco Resources In.****Interim Statements of Operations and Deficit****(Unaudited – Prepared by Management)**

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	Three Months Ended May 31 2008	Three Months Ended May 31 2007
Expenses:		
Professional fees	17,615	1,907
Shareholder relations and regulatory fees	4,379	5,735
Miscellaneous	239	195
Rent	1,500	1,500
Stock-based compensation (Note 6)	-	-
	23,733	9,337
Loss before other income (expenses)	(23,733)	(9,337)
Other income:		
Interest	4,565	-
	4,565	-
Loss for the period before income taxes	(19,168)	(9,337)
Future tax recovery (Note 6.)	31,259	
Net income for the period	12,091	
Deficit, beginning of period	(5,164,224)	(5,237,794)
Deficit, end of period	\$ (5,152,133)	\$ (5,247,131)
Loss per share - basic and diluted	\$ 0.0004	\$ (0.0003)
Weighted average number of shares	29,511,155	29,511,155

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

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

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	Three Months Ended May 31 2008	Three Months Ended May 31 2007
Operating activities:		
Net income for the period	\$ 12,091	\$ (9,337)
Item not affecting cash:		
Future income tax recovery	(31,259)	
Stock-based compensation	-	-
	(19,168)	(9,337)
Changes in non-cash working capital items:		
GST Recoverable	(2,078)	37,114
Accounts Payable and Accruals	(39,744)	(74,228)
Accounts Receivable	(4,500)	(15,000)
Prepaid Exploration	-	(14,000)
Shareholder Loan	-	-
Total cash flows (used in) provided by operating activities	(65,489)	(75,454)
Investing activities:		
Option payments received	-	(8,340)
Expenditures related to interest in Mining Properties, net of recovery	-	-
Total cash flows used in investing activities	-	(8,340)
Financing activities:		
Shares issued for cash, net of share issue costs	80,000	-
Total cash flows (used in) provided by financing activities	80,000	-
Increase in cash and cash equivalents during the period	14,511	(83,791)
Cash and cash equivalents, beginning of period	586,721	226,259
Cash and cash equivalents, end of period	\$ 601,232	\$ 142,468
Cash and cash equivalents consists of:		
Cash	\$ 81,232	\$ 116,258
Term deposits	520,000	110,000
	\$ 601,232	\$ 142,468

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

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

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	Three Months Ended May 31, 2008	Three Months Ended May 31, 2007
Net income for the period, being comprehensive loss for the period	12,091	(9,337)

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

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**Waseco Resources Inc.****Notes to the Interim Financial Statements****For the Three Month Period Ended May 31, 2008****(Unaudited – Prepared by Management)**

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**1. NATURE OF OPERATIONS**

The reader is directed to the notes of the February 29, 2008 audited financial statements for a full description of the nature of operations for 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](http://www.wasecoresources.com) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

Waseco Resources Inc. (Waseco or the Company) is incorporated under the laws of Ontario. The Company's principal business activity is mineral exploration in Canada.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies followed in preparing these financial statements are those used by the Company as set out in the notes of the February 29, 2008 audited financial statements. For further information see the Company's February 29, 2008 audited financial statements.

**3. INTEREST IN MINING PROPERTIES**

Three years ago, the Company entered into a Purchase and Sale Agreement to acquire 210 claims in the Quebec Labrador Trough, which are prospective for uranium and other minerals. The vendors have retained a 2% net smelter royalty interest that the Company can buy down to 1% by paying \$1 million within 1 year of the commencement of commercial production on the properties. The Company paid \$35,000 and issued 1,000,000 common shares to the vendors during the year of acquisition fulfilling its obligations so that it now holds a 100% interest in the claims subject to the aforementioned royalty and subject to an option on certain claims, as more fully described below.

During the fiscal year ended Feb. 28, 2007, the Company entered into an Agreement with a third party (UraMin Inc. ["UraMin"]) whereby the latter can earn a 50% interest in the uranium and related metals in all of the Labrador Trough claims. To acquire the option, the optionee paid Waseco \$300,000 spread over the two years of the agreement. The Company has undertaken an exploration program designed as a continuing evaluation of the uranium and other mineral potential of the property. UraMin was to provide \$1,600,000 of funding of the Company's exploration expenditures to earn a property interest. In the event that the optionee elected not to fund the entire program over a two year period, it would have no further obligations, and would retain no interest in the property. As at the year end and as the expiry date approached, UraMin had not fully satisfied the \$1,600,000 requirement.

On \_\_\_\_\_, 2008, the Company entered into an Extension Agreement with UraMin by which UraMin undertook to spend an additional \$2,000,000 for the right to earn its interest over an extended period to June \_\_\_\_\_ 2010.

The Company has been and anticipates continuing to be the recipient of refunds for approximately 47% of exploration and development expenditures spent on the properties in the Quebec Labrador Trough pursuant to the Quebec Mining Duties and Provincial Income Tax treatments.

The Company continues to hold a 5% interest in the Attawapiskat diamond prospect in northern Ontario. No work was performed on this property during the period.

**Waseco Resources Inc.**  
**Notes to the Interim Financial Statements**  
**For the Three Month Period Ended May 31, 2008**  
**(Unaudited – Prepared by Management)**

	May 31, 2008	February 29, 2008
<b>Acquisition Costs:</b>		
Balance, beginning of year	351,445	243,445
Acquisition costs in period	-	108,000
	<u>351,445</u>	<u>351,445</u>
<b>Deferred Exploration Expenditures:</b>		
Balance, beginning of period	\$ (73,121)	\$ (72,202)
Exploration costs	-	1,581
Refund of exploration costs		(2,500)
Refundable provincial exploration tax credit		(43,169)
Option payment received		(150,000)
Option payments recognized as revenues		193,169
	<u>(73,121)</u>	<u>(73,121)</u>
Balance, end of period	\$ 278,324	\$ 278,324

For further information, see the notes accompanying the Company's February 29, 2008 audited financial statements.

**4. SHARE CAPITAL**

(a) Authorized Share Capital

Unlimited common shares.

(b) Issued and Outstanding Share Capital

	Number of Shares	Amount
Balance, February 29, 2008	29,511,155	\$ 5,660,662
Issuance of shares for cash:		
Stock options exercised	800,000	80,000
Balance, May 31, 2008	<u>30,311,155</u>	<u>\$ 5,740,662</u>

**Waseco Resources Inc.**  
**Notes to the Interim Financial Statements**  
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**4. SHARE CAPITAL (continued)**

(c) Stock Options

During the period 800,000 options were exercised at a price of \$0.10 per share, for total proceeds to the Company of \$80,000.

Stock option activity since February 29, 2008 is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding, February 29, 2008	800,000	\$ 0.10
Transactions during the quarter		
Granted	-	-
Exercised	(800,000)	0.10
Outstanding, May 31, 2008	-	\$ -

Waseco established a stock option plan to provide additional incentive to its directors, officers, employees, service providers, or consultants in their efforts on behalf of the Company in the conduct of its affairs. The total number of shares which may be issued thereunder shall not exceed 10% of the then issued and outstanding shares of the Company. Under the terms of the plan, the options shall vest immediately except that options granted to consultants or persons employed in investor relations activities shall vest over twelve months. All options expire on the fifth anniversary from the grant date, unless otherwise specified.

**Warrants**

As at May 31, 2008 Waseco had no warrants outstanding.

**5. CONTRIBUTED SURPLUS**

	Three Months Ended May 31, 2008
Balance, beginning of period	\$ 66,902
Stock-based compensation expense	-
Balance, end of period	\$ 66,902

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**Waseco Resources Inc.**  
**Notes to the Interim Financial Statements**  
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## **6. INCOME TAXES**

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

The components of the Corporation's future income tax assets are as follows:

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	Three months ended May 31, 2008	Year Ended February 29, 2008
Future income tax asset:		
Non capital losses carried forward.	\$ 79,067	\$ 24,800
Total future income tax assets before valuation allowance	79,067	24,800
Valuation allowance: CEE, CDE, FEDE, CFRE pools	-	(24,800)
Effective rate	33.7%	-
Net future income tax asset.	\$ 31,259	\$ -

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The primary reason why our effective income tax rate on ordinary income differs from the Canadian statutory rate are because the Company operates in multiple tax jurisdictions.

## **7 CAPITAL MANAGEMENT**

Effective January 1, 2008, the Company has adopted the CICA issued Handbook Section 1535, Capital Disclosures.

This new guidance establishes standards for disclosing information about an entity's capital and how it is managed. This standard became effective for fiscal years beginning on or after October 1, 2007 and is applicable to the Company as of January 1, 2008.

### Capital Management

The Company defines capital as the aggregate of its long term obligations (presently nil) and shareholders' equity.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties.

The Board of Directors does not establish quantitative return on capital criteria for management of capital resources, but rather relies on the expertise of the Company's management to sustain future development of the business.

## **7. CAPITAL MANAGEMENT (continued)**

The properties in which the Company currently has an interest are in the development and exploration stages and, as such, the Company is dependent on joint venture partnering, funds from government rebate programs or external financing through private placements to fund its activities. The bulk of its present exploration and development activity centring on its Quebec Labrador Trough properties is being funded by UraMin. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate available or committed financial resources to complete such acquisitions.

The Company is not subject to any externally imposed capital restrictions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.”

## **8. SUPPLEMENTARY CASH FLOW INFORMATION**

The Company did not pay any income taxes or interest during the three month period ended May 31, 2008.

## **9. BASIC EARNINGS PER SHARE**

The earnings per share figures are calculated using the weighted average number of common shares outstanding during the period.

Fully diluted earnings per share has not been disclosed for the three months ended May 31, 2008, there were no dilutive instruments outstanding.

## **10. RELATED PARTY TRANSACTIONS**

Other than the reimbursement to Related Parties of amounts expended by them on behalf of the Company for travel and other costs and the payment of a total of \$9,000 in Management fees to three Officers who are members of the Board of Directors during the quarter, there were no Related party Transactions in the period.

## **11. SUBSEQUENT EVENTS**

Subsequent to the end of the Quarter, the Company:

- i. On June 27, 2008 granted to each of its four Directors, options to acquire 200,000 shares in the Company at a price of \$.25 per share until June 27, 2011. The shares of the Company in trading on the TSX Venture Exchange that day closed at a price of \$.17?? per share.
- ii Entered into the Extension Agreement with UraMin and Areva Group described in Note 3 above.