WASECO RESOURCES INC

Financial Statements

For the Six Months ended August 31, 2005

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 un-audited interim financial statements of the Company have been prepared by and are they 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 Sheet

(Prepared by Management)

As at	August 31, 2005 Unaudited	February 28, 2005 Audited
	2006	2005
	$	$
Assets		
Current Assets		
Cash	**16,591**	196,237
Sundry receivables	**75,400**	-
	91,991	196,237
Mineral Properties and Deferred Costs	**176,986**	16,243
	268,978	212,480
Liabilities		
Current Liabilities		
Accounts payable and accruals	**210,398**	208,282
	210,398	208,282
Shareholders' Equity		
Capital stock *(note 4)*	**5,284,214**	5,213,214
Contributed surplus	**7,418**	-
Deficit	**(5,233,053)**	(5,209,016)
Shareholder's Equity	**58,580**	4,198
	268,978	212,480

Approved by the Board:

Signed by: “Richard Williams” President & Director

James Richardson” Director & C.F.O.

Waseco Resources Inc.

Statement of Operations and Deficit
(Prepared by Management)

	Six months ended		Three months ended	
As at	**August 31, 2005**	August 31, 2004	**August 31, 2005**	August 31, 2004
	2006	2005	**2006**	2005
	$	$	**$**	$
Revenue - Management fees	**7,000**	-	**-**	-
Expenses				
Professional fees	**5,000**	7,428	**3,000**	6,428
Compensation cost re options issued	**7,418**	-	**7,418**	-
Shareholder relations and regulatory fees	**16,719**	7,812	**11,708**	1,699
Miscellaneous	**1,899**	321	**69**	208
	31,037	15,561	**22,195**	8,335
Net Loss	**(24,037)**	(15,561)	**(22,195)**	(8,335)
Deficit at beginning of period	**(5,209,016)**	(5,173,661)	**(5,210,858)**	(5,180,887)
Deficit at End of Period	**(5,233,053)**	(5,189,222)	**(5,233,053)**	(5,189,222)
Net loss per share-basic and fully diluted	(0.001)	(0.001)	(0.001)	(0.000)
Number of shares outstanding	**27,161,321**	26,201,321	**27,161,321**	26,201,321

Waseco Resources Inc.

Statements of Cash Flow

	Six months ended		Three months ended	
Periods ended	**August 31, 2005**	August 31, 2004	**August 31, 2005**	August 31, 2004
	2006	2005	**2006**	2005
	$	**$**	**$**	**$**
Operations				
Net income / (loss)	**(24,037)**	(15,561)	**(22,195)**	(8,335)
Adjustments to reconcile net income (loss) to cash flow from operating activities:				
Net change in non-cash operating working capital items:				
Sundry receivables	**(75,400)**	-	**(66,865)**	-
Accounts payable and accrued liabilities	**2,116**	6,133	**99,983**	6,031
Cash flow from operating activities	**(97,321)**	(9,428)	**10,923**	(2,304)
Financing				
Capital stock	**71,000**	-	**20,000**	-
Contributed surplus	**7,418**	-	**7,418**	-
	78,418	-	**27,418**	-
Investing				
Expenditure related to interest in mining properties	**(160,743)**	(30,597)	**(72,877)**	(5,497)
Cash flow from investing activities	**(160,743)**	(30,597)	**(72,877)**	(5,497)
Net increase in cash	**(179,646)**	(40,025)	**(34,536)**	(7,801)
Cash, beginning of period	**196,237**	73,393	**51,127**	41,169
Cash, end of period	**16,591**	33,368	**16,591**	33,368

WASECO RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
August 31st, 2005

1. NATURE OF OPERATIONS

The reader is directed to the notes of the February 28, 2005 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 and on SEDAR (www.sedar.ca).

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 28, 2005 audited financial statements. For further information see the Company's February 28, 2005 audited financial statements.

3. INTEREST IN MINING PROPERTIES

During the first quarter, 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 500,000 common shares to the vendors during the first quarter and subsequent to the end of the second quarter issued a further 500,000 common shares 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 Quarter, the Company entered into an Agreement with a third party (Uranium Mining Corporation plc. [“UMC”]) whereby the latter can earn a 75% interest in 150 of the Labrador Trough claims. To acquire the option, the optionee paid Waseco $200,000. The Company has undertaken an exploration programme designed as a preliminary evaluation of the uranium and other mineral potential of the property. Within 60 days of receipt of the Report (anticipated to be prior to the end of November 2005) detailing the results of these programmes, UMC must commit to spend a further $800,000 of exploration expenditures to earn a property interest. In the event that UMC elects not to fund the said balance by December 31, 2006, it will have no further obligations, and will retain no interest in the property.

The Company anticipates being the recipient of refunds for approximately 46% 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.

	Aug 31 2005	Feb 28 2005
Acquisition costs	$	$
James Bay Lowlands, Ontario	50,000	50,000
Labrador Trough, Quebec	35,000	10,000
Deferred exploration expenditures		
James Bay Lowlands, Ontario	160,643	121,243
Labrador Trough, Quebec	160,743	-
Option payment received	(165,000)	(165,000)
Exploration Expenses Recoverable	(64,400)	
	176,986	**16,243**

For further information, see the notes accompanying the Company's February 28, 2005 audited financial statements.

4. CAPITAL STOCK

Common Shares Outstanding:

May 31, 2005:	**26,961,321**
Shares issued June 1, 2005 through August 31st, 2005:	
Exercise of Stock Options:	200,000
Outstanding at August 31st, 2005:	27,161,321

Stock based compensation and Stock Option Plan

The Company has a share option plan under which options to purchase common shares may be granted by the board of directors to directors, consultants, officers and employees of the Company for terms up to five years at a price at least equal to the market price prevailing on the date of the grant less the maximum discount permitted by the Canadian Venture Exchange. The maximum number of common shares available for issuance under the plan is limited to 10% of the issued and outstanding. For further information see the Company's February 28, 2005 audited financial statements.

The fair value of options recognized in the Statement of Operations and Deficit has been estimated at the grant date using the Black-Scholes pricing model. Assumptions used in the pricing model for the year are:
risk-free interest rate of 3.5%; expected volatility 105.9%; expected dividend yield of nil %; and expected life of three years. The fair value was charged to share capital with credit to contributed surplus.

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumption can affect estimates and therefore the existing models do not necessarily provide a reliable means of determining the fair value of the Company’s stock option. The fair value on the grant-date of options was $0.058 per option.

During the period, 200,000 options were exercised at a price of $0.10 per share, for total proceeds to the Company of $20,000. The current number of options outstanding is as follows:

Share Options	Exercise Price	Expiry Date
840,000	$0.10	Nov 15th, 2005
1,100,000	$0.10	May 5th, 2008

5. INCOME TAXES

The estimated taxable income for the period is nil. Based upon the level of historical taxable income, it cannot be reasonably estimated at this time if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values has been reduced by an equivalent estimated taxable temporary difference valuation allowance. The estimated taxable temporary difference valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some or all of the future tax assets or future tax liabilities will be realized.

6. SUPPLEMENTARY CASH FLOW INFORMATION

The Company did not pay any income taxes or interest during the three and six month periods ended August 31st, 2005 and August 31st, 2004.

7. BASIC LOSS PER SHARE

The loss per share figures are calculated using the number of common shares outstanding at the close of the period.

Fully diluted loss per share has not been disclosed, as the effects would be anti-dilutive.

8. CONTINGENT LIABILITY

The item previously referred to as "Contingent liability" has been deleted, as the Company has severed its ties with its Indonesian subsidiary. For further details, refer to the Management's Discussion and Analysis for the Second Quarter.

9, SUBSEQUENT EVENTS

Subsequent to the end of the Quarter, the Company issued 500,000 common shares, each share valued at $0.07, to the vendors of the Quebec Labrador Trough Properties. The Company also completed a private placement of 833,334 commons hares at $0.12 per share, plus a half-warrant, as described above.