

parker simone LLP

Waseco Resources Inc.

**Audited
Financial Statements**

**Years Ended
February 28, 2006 and 2005**

parker simone LLP

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Auditors' Report

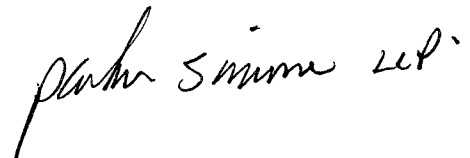
To the Shareholders of
Waseco Resources Inc.

We have audited the balance sheets of Waseco Resources Inc. as at February 28, 2006 and 2005 and the statements of operations and deficit and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2006 and 2005 and the results of its operations and its cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

June 14, 2006

A handwritten signature in black ink that reads "Parker Simone LLP". The signature is written in a cursive, flowing style.

Waseco Resources Inc.

Balance Sheet

<i>As at February 28.</i>	2006	2005
Assets		
Current Assets		
Cash	\$ 7,255	\$ 196,237
Refundable provincial exploration tax credit	98,464	-
GST recoverable	9,128	-
Prepaid exploration expenses	5,000	-
	119,847	196,237
Mineral Properties and Deferred Costs (Note 2)	325,914	16,243
	\$ 445,761	\$ 212,480
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 184,968	\$ 208,282
	184,968	208,282
Shareholders' Equity		
Capital Stock (Note 3)	5,536,164	5,213,214
Contributed Surplus (Note 4)	102,000	-
Deficit	(5,377,371)	(5,209,016)
	260,793	4,198
	\$ 445,761	\$ 212,480

Approved by the Board:

(“Signed”) James Richardson , Director

(“Signed”) Richard Williams , Director

Waseco Resources Inc.
Statement of Operations and Deficit

Years Ended February 28,	2006	2005
Expenses		
Professional fees	\$ 23,754	\$ 17,702
Shareholder relations and regulatory fees	55,137	16,177
Miscellaneous	(3,536)	1,476
Stock-based compensation (Note 4)	90,000	-
Interest	3,000	-
	168,355	35,355
Net Loss	(168,355)	(35,355)
Deficit at beginning of year	(5,209,016)	(5,173,661)
Deficit at End of Year	\$ (5,377,371)	\$ (5,209,016)
Net loss per share - basic and fully diluted	\$ (0.006)	\$ (0.001)
Weighted average number of shares outstanding	27,632,469	26,201,321

Waseco Resources Inc.

Statement of Cash Flow

<i>Years Ended February 28,</i>	2006	2005
Operations		
Net loss	\$ (168,355)	\$ (35,355)
Adjustments to reconcile net loss to cash flow from operating activities:		
Stock-based compensation (<i>Note 4</i>)	90,000	-
Net change in non-cash operating working capital items:		
GST recoverable	(9,128)	-
Prepaid expenses	(5,000)	-
Accounts receivable	-	5,500
Accounts payable and accruals	(23,314)	96,161
Cash Flow from Operating Activities	(115,797)	66,306
Financing		
Issuance of common shares (net of issuance costs)	189,950	-
Cash Flow from Financing Activities	189,950	-
Investing		
Expenditures related to interest in mining properties	(263,135)	(143,462)
Option payments received	-	200,000
Cash Flow from Investing Activities	(263,135)	56,538
Net Increase in Cash	(188,982)	122,844
Cash at beginning of year	196,237	73,393
Cash at End of Year	\$ 7,255	\$ 196,237

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2006 and 2005

General

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.

1. Significant Accounting Policies

Going Concern

Waseco's financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, under which the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of business. Waseco is an exploration company and has no revenue to finance its operations. It is therefore required to fund its activities through joint venture arrangements, debt financing and the issuance of equity securities. The Company's ability to continue as a going concern is therefore dependant upon its ability to raise funds in the capital markets.

Nature of Operations

Waseco, directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of expenditures on mineral properties and the related deferred exploration costs is dependent upon the existence of economically recoverable mineralization, the ability of Waseco to obtain financing necessary to complete the exploration and the development of mineral properties and upon future profitable production or alternatively, on the sufficiency of proceeds from disposition.

Mineral Properties and Deferred Costs

Waseco defers the costs, net of refundable provincial exploration tax credits, of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and deferred exploration costs are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs are amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration costs are written off. Option payments received are applied against the mineral property or deferred exploration costs.

Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced by the Company to the investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the later of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

Future 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.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2006 and 2005

1. Significant Accounting Policies (Continued)

Stock Options

Waseco has a stock-based compensation plan. All stock-based payments to non-employees as well as direct awards of stock to employees and directors are accounted for in accordance with the fair value method of accounting for stock-based compensation.

Net Earnings (Loss) per Share

Net earnings (loss) per share has been calculated using the weighted-average number of common shares outstanding during the year. Net earnings per share, fully diluted, have been calculated assuming the full exercise of stock options.

Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes.

2. Mineral Properties and Deferred Costs

	2006	2005
Acquisition Costs		
Balance at beginning of year	\$ 60,000	\$ 50,000
Acquisition costs	154,035	45,000
Option payment received	-	(35,000)
	214,035	60,000
Deferred Exploration Expenditures		
Balance at beginning of year	(43,757)	22,781
Exploration costs	254,100	98,462
Refundable provincial exploration tax credit	(98,464)	-
Option payment received	-	(165,000)
	111,879	(43,757)
Balance at End of Year	\$ 325,914	\$ 16,243

The following is a summary of mineral properties and deferred costs by area of interest:

Property	Acquisition	Exploration	Total
James Bay Lowlands (Northern Ontario)	\$ 50,000	\$ 121,243	\$ 171,243
Uranium properties (Labrador Trough, Quebec)	164,035	(9,364)	154,671
	\$ 214,035	\$ 111,879	\$ 325,914

Waseco Resources Inc.

Notes to Audited Consolidated Financial Statements

Years Ended February 28, 2006 and 2005

2. Mineral Properties and Deferred Costs (Continued)

Uranium Properties

During fiscal 2005, the Company entered into an agreement to purchase 210 mining claims in the Labrador Trough, in the Province of Quebec. The agreement required payments by the Company of \$35,000 cash and 1.0 million shares of Waseco, of which 500,000 shares were to be issued following execution of the agreement, with the balance to be issued six months from the delivery of the initial allotment. The vendors were granted a 2% net smelter return royalty of which 1% may be purchased by Waseco for \$1.0 million within one year of attaining commercial production. The initial 500,000 shares were issued subsequent to year end February 28, 2005 (see Note 3).

In 2005, the Company entered into an option agreement under which a third party could earn a 75% interest on 150 of the Labrador Trough mining claims. To acquire the option the optionee paid Waseco \$200,000. Of this amount, \$35,000 was applied by Waseco to third party payments with the balance was applied to an exploration program designed to do a preliminary evaluation of the uranium potential of the property. In addition, the optionee was to expend a further \$800,000 of exploration expenditures to earn the property interest.

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 earn 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, further options became available.

The property is subject to a 2% net smelter return ("NSR") with the Company having a right of first refusal to buy out 1%.

The Company has yet to succeed in obtaining financing for its Tewah project but continues to address possibilities and is currently in discussions with a party, which it believes is capable of raising the requisite financing. The Company has received a notice suggesting the termination of its rights with respect to its Tikukur project in 90 days time if certain financial obligations were not met. The 90 day period has elapsed and the Company has not heard further in regard to this matter.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2006 and 2005

3. 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, 2004 and February 28, 2005	26,201,321	\$ 5,213,214
Issuance of shares for cash:		
Stock options exercised	899,500	89,950
Common share issue	833,334	100,000
Issuance of shares for non-cash consideration:		
Property Option Agreement	1,000,000	145,000
Share issuance costs	-	(1,000)
Fair value assigned to unexercised warrants	-	(12,000)
Collection of subscription receivable	-	1,000
Balance at February 28, 2006	28,934,155	\$ 5,536,164

On August 15, 2005, Waseco completed a private placement of 833,334 Units at a price of \$0.12 per Common Unit for gross cash proceeds of \$100,000. Each Unit consists of one common share and one-half of one share purchase warrant. Each whole purchase warrant entitles the holder thereof to acquire one common share at a price of \$0.20 for a period of 12 months from the closing date.

The warrants were assigned a value of \$12,000, using the Black-Scholes valuation model with the following assumptions: a one year expected term; 136.20% volatility; risk-free interest rate of 3.07% p.a.; and a dividend yield of Nil%.

Stock Options

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.

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2006 and 2005

3. Capital Stock (Continued)

The following table summarizes the continuity of stock options issued:

	2006		2005	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
Outstanding at beginning of year	\$ 0.10	1,200,000	\$ 0.10	1,200,000
Transactions during the year:				
Granted	0.10	1,200,000		
Exercised	0.10	(899,500)	-	-
Expired	0.10	(400,500)	-	-
Outstanding at end of year	\$ 0.10	1,100,000	\$ 0.10	1,200,000
Exercisable at end of year	\$ 0.10	1,100,000	\$ 0.10	1,200,000

All of the outstanding options expire on May 6, 2008.

Stock-Based Compensation Costs

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options issued during the year ended February 28, 2006:

Issue date	May 6
No. of options	1,200,000
Price	\$ 0.10
Volatility	142.64%
Expected life (years)	3
Risk free interest rate	3.4%
Dividend yield	0%
Value of options granted	\$ 90,000
Stock-based compensation expense	\$ 90,000

Warrants

As at February 28, 2006 Waseco had 416,667 warrants outstanding with an exercise price of \$0.20 each. These warrants expire on September 9th, 2006

Waseco Resources Inc.

Notes to Audited Financial Statements

Years Ended February 28, 2006 and 2005

4. Contributed Surplus

	2006
Balance at beginning of year	\$ -
Value assigned to:	
Options related to stock-based compensation costs	90,000
Unexercised warrants	12,000
Value transferred to common shares on exercise of warrants	-
Balance at end of year	<u>\$ 102,000</u>

5. Income Taxes

The Company has \$250,000 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 2007 and 2010. The future tax benefits attributable to these loss carry-forwards have been offset by a valuation allowance.

6. Contingent Liabilities

Debts associated with the interest in the Indonesian mining properties written off during 2003 were approximately \$576,000 as at February 28, 2003. This amount relates mainly to unpaid property taxes. Any ultimate disposition of the properties or new exploration or development could require the company to settle such debts or have the acquirer assume such debts in the case of a disposition.

7. Subsequent Event

The Company has held discussions with several parties interested in participating in exploration and development of the uranium prospects. A party has paid \$50,000 for a period of exclusivity, to enable it to perform due diligence on the properties. Said funds are non-refundable, but will be applied to the initial earn-in fee should a transaction proceed.