

WASECO RESOURCES INC.

Consolidated Financial Statements  
(Prepared by Management)

Unaudited

For the Three Months Ended May 31, 2004

WASECO RESOURCES INC.  
CONSOLIDATED BALANCE SHEETS  
(Prepared by Management)

	Three Months Ended May 31, 2004  Unaudited	Year Ended February 29, 2004  Audited
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>
Current		
Cash	41,169	73,393
Share subscription - receivable	5,500	5,500
<b>INTEREST IN MINING PROPERTIES (note 3)</b>	46,669	78,893
	144,551	151,674
 <b>LIABILITIES and SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	112,121	112,121
		-
 <b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (note 4)</b>	5,213,214	5,213,214
Deficit	(5,180,784)	(5,173,661)
<b>SHAREHOLDERS' EQUITY</b>	32,430	39,553
	144,551	151,674

Approved on behalf of the Board of Directors:  
"James Richardson"  
Director

"Richard Williams"  
Director

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WASECO RESOURCES INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT  
(Prepared by Management)

Unaudited	Three Months Ended	
	May 31 2004	May 31 2003
	\$	\$
<b>REVENUE</b>	-	-
<b>EXPENSES</b>		
General	67	32
Interest	-	8,000
Legal, audit and accounting fees	943	2,000
Transfer Agent, Regulatory Compliance fees	6,113	1,651
	7,123	11,683
<b>NET LOSS FOR PERIOD</b>	(7,123)	(11,683)
<b>DEFICIT, BEGINNING OF PERIOD</b>	(5,173,661)	(5,359,319)
<b>DEFICIT, END OF PERIOD</b>	(5,180,784)	(5,371,002)
<b>LOSS PER SHARE</b>	0.00	(0.001)

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The accompanying notes are an integral part of these financial statements

WASECO RESOURCES INC.  
CONSOLIDATED STATEMENTS OF CASH FLOW  
(Prepared by Management)

Unaudited	Three Months Ended	
	May 31 2004	May 31 2003
	\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(7,123)	(11,683)
Changes in components of non-cash working capital:		
Prepaid expenses and sundry receivables	-	-
Accounts payable and accrued liabilities	-	(222)
	(7,123)	(11,905)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Due to affiliated company	-	8,000
	-	8,000
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Deferred exploration expenditures	(25,101)	-
Change in cash during period	(32,224)	(3,905)
<b>CASH, BEGINNING OF PERIOD</b>	73,393	3,924
<b>CASH, END OF PERIOD</b>	41,169	19

The accompanying notes are an integral part of these financial statements

WASECO RESOURCES INC.  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 MAY 31, 2003

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## 1. NATURE OF OPERATIONS

The reader is directed to the notes of the February 29, 2004 audited financial statements for a full description of the nature of operations for Waseco Resources Inc. (the "Company")

## 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, 2004 audited financial statements. For further information see the Company's February 29, 2004 audited financial statements.

## 3. INTEREST IN MINING PROPERTIES

	May 31 2004	February 29 2004
Acquisition costs	\$	\$
James Bay Lowlands, Ontario	50,000	50,000
Deferred exploration expenditures		
James Bay Lowlands, Ontario	47,828	22,781
	<u>97,882</u>	<u>72,781</u>

For further information, see the notes accompanying the Company's February 29, 2004 audited financial statements.

## 4. CAPITAL STOCK

Note 4 of the audited February 29, 2004 financial statements shows 26,201,321 common shares outstanding as at year-end. There were no shares issued during the period from March 1, 2004 through May 31, 2004.

### 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 29, 2004 audited financial statements.

No new options were granted during the period March 1, 2004 – May 31, 2004. The current number of options outstanding is as follows:

Share Options	Exercise Price	Expiry Date
1,200,000	\$0.10	November 15, 2005

## 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 have 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-month periods ended May 31, 2004 or May 31, 2003.

## 7. BASIC LOSS PER SHARE

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

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

## 8. CONTINGENT LIABILITY

Debts associated with the interest in the Indonesian mining properties written off prior to the current year were approximately \$639,000 as at February 28, 2004. This amount relates mainly to unpaid property taxes. Any ultimate disposition of the properties or new exploration or development will require the company to settle such debts or have the acquirer assume such debts in the case of a disposition.