

# **WASECO RESOURCES INC.**

## **Financial Statements**

**Three months ended May 31, 2009**

**(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 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, 2009 (Unaudited)	February 28, 2009 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 532,532	\$ 566,873
Refundable provincial exploration tax credit	527,335	403,477
GST recoverable	-	15,011
Accounts and advances receivable	1,229,573	937,874
	2,289,440	1,923,235
Mineral Properties and Deferred Costs (Note 3)	253,639	253,639
	\$ 2,543,079	\$ 2,176,874
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accruals	\$ 1,249,603	\$ 1,002,545
Income taxes payable	-	-
	1,249,603	1,002,545
Exploration Deposits Received, net	177,318	177,318
	1,426,921	1,179,863
<b>Shareholders' Equity</b>		
Share capital (Note 4)	5,800,662	5,800,662
Contributed surplus (Note 5)	128,902	128,902
Deficit	(4,813,406)	(4,932,553)
	1,116,158	997,011
	\$ 2,543,079	\$ 2,176,874

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

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	Three Months Ended May 31 2009	Three Months Ended May 31 2008
Revenue:		
Management fees	\$ 3,176	-
Income from option payments received	123,858	-
	137,034	-
Expenses:		
Professional fees	5,000	\$ 17,615
Shareholder relations and regulatory fees	5,300	4,379
Miscellaneous	211	239
Rent	1,500	1,500
Management fees	9,000	-
	21,011	23,733
Profit (Loss) before other income	116,023	(23,733)
Other income:		
Interest	3,125	4,565
	3,125	4,565
Income for the period before income taxes	119,148	(19,168)
Provision for income taxes	-	-
Future tax recovery	-	31,259
Net income and comprehensive income for the period	119,148	12,091
Deficit, beginning of period	(4,932,554)	(5,164,224)
Deficit, end of period	\$ (4,813,406)	\$ (5,152,133)
Profit per share – Basic	\$ 0.0039	\$ 0.0004
Profit per share –Fully Diluted	0.0038	0.0004
Weighted average number of shares	30,311,155	29,511,155

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

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

	Three Months Ended May 31 2009	Three Months Ended May 31 2008
Operating activities:		
Net profit (loss) for the period	\$ 119,148	\$ 12,091
Item not affecting cash:		
Future income tax recovery		(31,259)
Stock-based compensation	-	-
	119,148	(19,168)
Changes in non-cash working capital items:		
GST Recoverable	15,011	(2,078)
Accounts Payable and Accruals	247,058	(39,744)
Refundable Provincial Exploration Tax Credit	(123,858)	-
Income tax payable	-	-
Prepaid Exploration	-	-
Accounts Receivable	(291,699)	(4,500)
Total cash flows (used in) provided by operating activities	(34,341)	(65,489)
Investing activities:		
Option payments received	-	-
Exploration expenses advanced	-	-
Expenditures related to interest in Mining Properties, net of recovery	-	-
Total cash flows used in investing activities	-	-
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	(34,341)	14,511
Cash and cash equivalents, beginning of period	566,873	586,721
Cash and cash equivalents, end of period	\$ 532,532	\$ 601,232
Cash and cash equivalents consists of:		
Cash	\$ 58,169	\$ 81,232
Term deposits	474,636	520,000
	\$ 532,532	\$ 601,232

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

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**Waseco Resources Inc.****Notes to the Interim Financial Statements****For the Three Month Period Ended May 31, 2009****(Unaudited – Prepared by Management)**

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**1. NATURE OF OPERATIONS**

The reader is directed to the notes of the February 28, 2009 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](http://www.wasecoresources.com) and on SEDAR ([www.sedar.com](http://www.sedar.com)).

Waseco Resources Inc. ("the Company") was incorporated under the laws of British Columbia and continued 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 28, 2009 audited financial statements. For further information see the Company's February 28, 2009 audited financial statements.

**3. INTEREST IN MINING PROPERTIES**

Four 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 the claims, as more fully described below. During the UraMin agreement, the Company has added claims to its holdings and the agreement now covers the 775 claims held by the Company ("the Labrador Trough claims").

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. UraMin has been acquired by AREVA Group SA ("AREVA") and is now a wholly owned subsidiary of AREVA.

On June 28, 2008, the Company entered into an Extension Agreement with UraMin and AREVA by which UraMin undertook to spend an additional \$2,000,000 for the right to earn its interest over an extended period to June 28, 2010.

The Company has been and anticipates continuing to be the recipient of exploration tax credits generating 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.

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**Waseco Resources Inc.****Notes to the Interim Financial Statements****For the Three Month Period Ended May 31, 2009****(Unaudited – Prepared by Management)**

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**3. INTEREST IN MINING PROPERTIES (continued)**

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	May 31, 2009	February 28, 2009
<b>Acquisition Costs:</b>		
Balance, beginning of year	\$ 326,760	263,754
Acquisition costs in period - Indonesia	-	63,006
	-	326,760
<b>Deferred Exploration Expenditures:</b>		
Balance, beginning of period	\$ (73,121)	\$ (73,121)
Exploration costs	263,528	-
Funding by UraMin of exploration costs	(263,528)	-
Refundable provincial exploration tax credit	(123,858)	-
Option payment received	-	-
Option payments recognized as revenues	123,858	-
	(73,121)	(73,121)
Balance, end of period	\$ 253,639	\$ 253,639

For further information, see the notes accompanying the Company's February 28, 2009 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 28, 2009	30,311,155	\$ 5,800,662
Transactions during the three months	-	-
Balance, May 31, 2009	30,311,155	\$ 5,800,662

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**Waseco Resources Inc.****Notes to the Interim Financial Statements****For the Three Month Period Ended May 31, 2009****(Unaudited – Prepared by Management)**

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**4. SHARE CAPITAL (continued)**

## (c) Stock Options

Stock option activity since February 28, 2009 is presented below:

	Number of Options	Weighted Average Exercise Price
Outstanding, February 29, 2008	1,000,000	\$ 0.25
Transactions during the three months		
Granted	-	-
Expired	-	-
Outstanding, May 31, 2009	1,000,000	\$ 0.25

On June 27, 2008, the Company granted to four Directors a total of 800,000 options at \$0.25 and on August 28, 2008 a further 200,000 to a newly appointed fifth Director also at \$0.25. All 1,000,000 options are exercisable for a period of 3 years from their date of grant.

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, 2009 Waseco had no warrants outstanding.

**5. CONTRIBUTED SURPLUS**

	Three Months Ended May 31, 2009
Balance, beginning of period	\$ 128,902
Balance, end of period	\$ 128,902

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**Waseco Resources Inc.****Notes to the Interim Financial Statements****For the Three Month Period Ended May 31, 2009****(Unaudited – Prepared by Management)**

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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, 2009	Year Ended February 28, 2009
Future income tax asset:		
Non capital losses carried forward.	\$ 76,400	\$ 76,400
Utilization of previously unrecognized future income tax assets	-	-
Valuation allowance: CEE, CDE, FEDE, CFRE pools	(76,400)	(76,400)
Effective rate	33.0%	-
Net future income tax asset.		-

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The primary reason why the Company's effective income tax rate on ordinary income differs from the Canadian statutory rate is because the Company operates in multiple tax jurisdictions (Ontario and Quebec).

The future tax asset recognized at May 31, 2009 was derecognized at February 28, 2009 based on changing circumstances unforeseen by management as at the date of initial recognition.

**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 March 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. Management is presently looking for an additional project to employ the additional shareholder equity which is not presently required for its existing projects. While the

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**Waseco Resources Inc.****Notes to the Interim Financial Statements****For the Three Month Period Ended May 31, 2009****(Unaudited – Prepared by Management)**

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**7. CAPITAL MANAGEMENT (continued)**

perceived excess is only a six figure sum, this is a magnitude which management on previous occasion has been able to employ profitably.

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, 2009.

**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 reflect the impact of the potential exercise of the outstanding stock options.

**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 three months, there were no Related Party Transactions in the period.