



(an exploration stage company)

Audited Consolidated Financial Statements

(Expressed in Canadian dollars)

**As at and for the years ended
February 29, 2020 and February 28, 2019**



(an exploration stage company)

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Waseco Resources Inc. [the "Company"] are the responsibility of the management and have been approved by the Board of Directors of the Company.

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies as disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared fairly, in all material respects and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109.

"Richard Williams"
President

"Richard Williams"
Acting Chief Financial Officer

Independent Auditor's Report

To the Shareholders of
Waseco Resources Inc.

Opinion

We have audited the consolidated financial statements of Waseco Resources Inc., which comprise the consolidated statements of financial position as at February 29, 2020 and February 28, 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended February 29, 2020 and February 28, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2020 and February 28, 2019, and its financial performance and its cash flows for the years ended February 29, 2020 and February 28, 2019 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company had limited working capital as at February 29, 2020. As stated in Note 1, these events or conditions, along with other matters as set forth in this note, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this Independent Auditor's Report is Marco F. Simone.



June 29, 2020



(an exploration stage company)

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	February 29, 2020	February 28, 2019
	\$	\$
Assets		
Current assets		
Cash (Note 5)	5,257	693
Sales taxes recoverable	3,542	19,837
	8,799	20,530
Other assets		
BLM Exploration Bond (Note 6)	23,569	23,362
Total Assets	32,368	43,892
Liabilities		
Current liabilities		
Trade payables and accruals (Note 7)	151,049	165,940
Loans and advances payable (Note 12)	393,653	372,783
Shareholder loan	15,000	-
Exploration deposits received, net (Note 9)	357,637	357,637
	917,340	896,360
Long-term liabilities		
Provision for property restoration (Note 6)	23,569	23,362
Shareholders' Equity (Deficiency in Asset)		
Share capital	6,471,509	6,393,739
Share payment reserve	59,920	70,800
Warrants reserve	1,974	-
Deficit	(7,441,944)	(7,340,369)
Total Shareholders' Equity (Deficiency in Assets)	(908,541)	(875,830)
Total Liabilities and Shareholders' Equity	32,368	43,892

Nature of Operations and Going Concern (Note 1)

Subsequent events Note. 12

Approved by the Board:

("Signed") Derek Bartlett

Director

("Signed") Richard Williams

CEO & Director

The accompanying notes are an integral part of these financial statements



Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

(an exploration stage company)

Years ended	February 29, 2020	February 28, 2019
	\$	\$
Expenses		
General and administrative	9,255	44,724
Shareholder relations and regulatory fees	18,217	14,444
Professional fees	18,848	28,437
Share based payments	-	70,800
Exploration and evaluation expenditures	55,256	151,559
	101,575	309,964
Loss before other income	(101,575)	(309,964)
Other income:		
Miscellaneous income	-	899
	-	899
Comprehensive loss	(101,575)	(309,065)
Loss per share -basic and diluted	(0.002)	(0.008)
Weighted average number of shares outstanding - basic and diluted	41,192,127	40,271,390

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



Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

(an exploration stage company)

	Capital Stock		Reserves			
	Number of shares	Amount	Contributed Surplus	Warrants	(Deficit)	Total
		\$	\$	\$	\$	\$
Balance at March 1, 2018	40,271,390	6,308,719	184,002	85,020	(7,215,306)	(637,565)
Value of expired warrants	-	85,020	-	(85,020)	-	-
Value of expired options	-	-	(184,002)	-	184,002	-
Value of options granted	-	-	70,800	-	-	70,800
Comprehensive loss						
for the year ended February 28, 2019	-	-	-	-	(309,065)	(309,065)
Balance at February 28, 2019	40,271,390	6,393,739	70,800	-	(7,340,369)	(875,830)
July 2019:						
Issuance of shares	1,410,000	70,500	-	-	-	70,500
Value of options forfeited	-	10,880	(10,880)	-	-	-
Share issuance costs	-	(1,637)	-	-	-	(1,637)
Issue of warrants	-	(1,974)	-	1,974	-	-
Comprehensive loss						
for the year ended February 29, 2020	-	-	-	-	(101,575)	(101,575)
Balance at February 29, 2020	41,681,390	6,471,509	59,920	1,974	(7,441,944)	(908,541)

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



Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)

(an exploration stage company)

Years ended	February 29, 2020	February 28, 2019
Operating activities		
Net loss	(101,575)	(309,065)
Adjustments to reconcile net loss to cash flow from operating activities:		
Share based payments	-	70,800
Impact on cash flow of net changes in non-cash working capital items:		
Sales taxes recoverable	16,294	(14,096)
Exploration advances	-	(9,891)
Prepaid expenses	-	1,125
Trade and other payables	(14,891)	116,575
	(100,172)	(144,552)
Financing		
Net advances from director	20,873	140,445
Proceeds from loans and advances	20,000	-
Repayment of advances	(5,000)	-
Issue of shares	68,863	-
	104,736	140,445
Increase (Decrease) in cash	4,564	(4,107)
Cash at end of period	693	4,800
Cash and Cash Equivalents at End of Period	5,257	693

The accompanying notes are an integral part of these financial statements



(an exploration stage company)

1. NATURE OF OPERATIONS AND GOING CONCERN

Waseco Resources Inc. ("Waseco" or the "Company") is incorporated under the laws of Ontario. Its shares trade on the TSX Venture Exchange under the symbol WRI and on the Frankfurt Exchange under the symbol WSE. The Company's registered office is Suite 1500, 2 Queen Street East, Toronto, Ontario, M5C 3G5.

The Company is an exploration stage company whose current focus is on a gold prospect in Nevada, USA. The Company also has interests in exploration prospects in Ontario and Quebec, Canada and a Positive Bankable Feasibility Study ("Intellectual Property") relating to a gold prospect in Indonesia. Substantially all the Company's efforts are devoted to developing the properties. There has been no determination whether the Company's interests in mineral properties contain mineral reserves which are economically recoverable.

As at February 29, 2020, the Company had working capital deficiency of \$908,541 (February 28, 2019 - \$875,830), had no profitable operations, had accumulated losses in the development of its business of \$7,4541,944 (February 28, 2019 - \$7,340,369) and expects to incur future losses in the development of its business, all of which casts significant doubt on the Company's ability to continue as a going concern. These financial statements have been prepared on the basis that the Company will continue as a going concern and do not reflect the adjustments, if any, to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, aboriginal claims, unregistered claims, and non-compliance with regulatory and environmental requirements.

Management plans to secure necessary financing, as and when needed, through a combination of the issue of new equity or debt instruments and the entering of joint venture arrangements. Nevertheless, there is no assurance that these initiatives will be successful.

For further comments on the Company's liquidity risk refer to Note 5 below.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on June 29, 2020.



(an exploration stage company)

2. BASIS OF PREPARATION (continued)

2.2 Basis of presentation and functional and presentation currency

These audited consolidated financial statements have been prepared on a going concern basis, under the historical cost convention, except for fair value through profit and loss assets, which are carried at fair value, and have been prepared using the accrual basis of accounting except for cash flow information, as explained in the accounting policies set out in Note 3.

The consolidated financial statements are presented in Canadian Dollars, which is the functional currency of the Company.

2.3 Basis of consolidation

These audited consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary: Waseco Resources US Inc., a Nevada corporation based in the United States. Control is achieved when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

All inter-company transactions, balances revenues and expenses are eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Mineral properties

All acquisition, exploration and evaluation costs, net of incidental revenues, are charged to operations in the period incurred until it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property will be tested for impairment and then capitalized as a mining asset under development.

Ownership in mineral properties involves certain risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mining interests. The Company has investigated the ownership of its mineral properties and, to the best of its knowledge, ownership of its interests are in good standing.

3.2 Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Equity-settled transactions

The costs of equity-settled transactions with employees, when and if they occur, are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense is recognized for equity-settled transactions at each reporting date over the vesting period and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest.

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect, if any, of outstanding options is reflected as additional dilution in the computation of earnings per share.

3.3 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

As described in Note 1, the Company is in the mineral exploration business. Due the nature of this business, Waseco has a long history of accumulated losses that have given rise to both accumulated non-capital losses

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

carry forward and exploration and development expenditures that are capitalized for income tax purposes, both of which would result in the recording of a deferred tax asset if it were not for the Company's history of accumulated losses. As such, the Company has never recorded a deferred tax asset and does not anticipate to do so in the foreseeable future.

If and when Waseco recognizes a deferred income tax asset or liability it will be measured at the tax rates that are expected to apply to the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.4 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at average market price during the year. During the years ended February 29, 2020 and February 28, 2018 all the outstanding stock options were anti-dilutive.

3.5 Change in Accounting Policy

Effective January 1, 2018, the Company adopted IFRS 9, Financial Instruments, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in IFRS 9, the Company adopted this standard retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at March 1, 2018. There were no effects on opening balances at March 1, 2018 with respect to the adoption of IFRS 9.

IFRS 9 replaces International Accounting Standard ("IAS") 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial Instrument Classification	
	Under IAS 39	Under IFRS 9
Financial Assets		
Cash	FVTPL	Amortized cost
BLM exploration bond	FVTPL	FVPL
Financial Liabilities		
Trade payables and accruals	Other financial liabilities	Amortized cost
Due to directors	Other financial liabilities	Amortized cost
Exploration deposits received, net	Other financial liabilities	Amortized cost
Provisions for property restoration	Other financial liabilities	Amortized cost

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended February 28, 2018 was accounted for in accordance with the Company's previous accounting policy under IAS 39. The accounting policy under IAS 9 for the comparative information presented in respect of financial asset and liabilities was as follows:

Fair value through profit and loss Fair value through profit or loss makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Loans and receivables Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Other financial instruments Other financial liabilities are recognized initially at fair value net of any directly attributable transactions costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. The effective interest method is a method of calculating the amortized

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Change in Accounting Policy (continued)

cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

3.8 Related party transactions

Parties are related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

3.9 Significant accounting judgments and estimates

The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue, and expenses.

Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

Judgments made by management that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years are discussed below: The most significant estimates relate to, but are not limited to, the following:

- the calculation of the fair value of share-based payments and equity settled transactions requires the use of estimates of inputs in the Black-Scholes option pricing valuation model;
- assessment of the going concern presumption as detailed in Note 1 to the financial statements;

3.10 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties and to ensure it continues as a going concern. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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4. CAPITAL MANAGEMENT (continued)

All of the properties in which the Company currently has an interest are in the exploration stage with no operating revenues; as such the Company is dependent on external financing to fund its activities. If, however, the joint venture decides to continue the exploration in Quebec then the Company would have a source of revenue. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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 financial resources to do so.

The mining industry is cyclical in nature. For the past few years, raising equity capital for junior explorers, such as Waseco, has been challenging. These market conditions appear to be improving as the price of gold recovers. The Company has historically relied, beyond modest revenue amounts generated, on equity financing to raise capital and expects to be able to continue to do so. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting. In the meantime, the Company has been fortunate in being the beneficiary of interest free advances by Directors but there is no assurance of the continuation of such support.

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

The Company is not subject to any capital requirements imposed by regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required to maintain operations and cover general and administrative expenses for a period of 6 months. As of February 29, 2020, the Company was not compliant with this policy of the TSXV.

There were no changes in the Company's approach to capital management during the year ended February 29, 2020.

5. FINANCIAL INSTRUMENTS

Waseco's risk exposures and the impact on the Company's financial instruments are summarized below:

Interest-rate risk

Waseco maintains excess cash balances in an interest-bearing bank account at a major Canadian financial institution.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and refunds of government taxes due and the risk is considered low.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. At February 29, 2020, the Company had a working capital deficiency of \$908,541 (February 28, 2019 – \$875,830). In order to meet its longer-term working capital and property exploration



Notes to Audited Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended February 29, 2020 and February 28, 2019

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5. FINANCIAL INSTRUMENTS (continued)

expenditures, the Company would, if necessary, attempt to secure further financing to ensure that those obligations were properly discharged. There can be no assurance that Waseco will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. In the meantime, Mr. Williams, the Chief Executive Officer and a Director of the Company, has been supporting the Company's operations by extending shareholder advances to the Company with neither interest nor fixed repayment terms. If additional financing is raised by the issuance of shares from the treasury of the Company, control of Waseco may change and shareholders may suffer additional dilution.

Sensitivity analysis

The Company's investments are subject to fair value fluctuations. As at February 29, 2020 if the fair value of the investments had changed by 10%, with all other variables held constant, the change in net comprehensive loss for the year then ended would have been insignificant.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

6. BLM EXPLORATION BOND

The lease covering 29 claims on the Battle Mountain Gold Trend, in Larder County, Nevada, has been transferred to Waseco Resources US Inc., a wholly owned subsidiary of the Company. There was an initial US\$10,200 exploration bond on the leased property, and this was subsequently increased to US\$17,740 to cover the planned follow up drill program.

7. CURRENT LIABILITIES

Trade payables and accruals of the Company are principally amounts owing from normal operating activities. Advances from a director represent funds advanced to support the Company. The deposit received is in respect of the Labrador Trough ORANO joint venture which is discussed in Note 8 below.

	As at	
	February 29, 2020	February 28, 2019
Trade payables and accruals	151,049	165,940
Shareholder loan	15,000	-
Due to director	393,653	372,783
Exploration deposits received, net	357,637	357,637
	\$ 917,340	\$ 896,360



Notes to Audited Consolidated Financial Statements
(Expressed in Canadian Dollars)
Years Ended February 29, 2020 and February 28, 2019

(an exploration stage company)

8. RELATED PARTY TRANSACTIONS AND DUE TO DIRECTORS

Except for the amounts advanced to or on behalf of the Company by a director noted below, the financial statements include no balances or transactions with directors and/or officers of the Company other than management fee payments and accruals and reimbursements of out of pocket amounts paid by them on behalf of the Company. These transactions are measured and recorded at their exchange amounts, being the amounts agreed to by the related parties.

During the twelve-month period ended February 29, 2020 the Company expensed \$Nil (2019 - \$44,000) to officers of the Company for management fees. These unpaid fees are included in the Due to Director liability of \$393,653 (2019- \$372,783) and have been lent interest free to the Company.

The Company's related parties consist of the following officers, directors:

Officers and directors	Title
Richard Williams	President, Chief Executive Officer and Director
Derek Bartlett	Director
Michael Ellingson	Director
Gary O'Connor	Director

9. EXPLORATION AND EVALUATION EXPENDITURES

The exploration and evaluation expenses for the Company are broken down as follows:

Property	(CANADA)	(CANADA)	(FOREIGN)
	James Bay Lowland Ontario	Labrador Trough Quebec	Battle Mountain Nevada
Balance, March 1, 2018	170,324	93,761	1,395,940
Property expenditures	-	8,992	142,567
Balance, March 1, 2019	170,324	102,753	1,538,507
Property expenditures	-	-	55,256
Balance February 29, 2020	\$ 170,324	\$ 102,753	\$ 1,593,763

The Company has interests in the following properties:

1. Quebec-Labrador Trough – The Company controls these uranium prospects which consist of multiple blocks. The Company has a joint venture agreement with ORANO and to date the Company's monetary contribution has been \$102,753 in addition to the underlying properties. The Company's joint venture partner advanced the Company funds to be used to pay for exploration expenditures of which \$357,638 in advances is unspent at February 29, 2020. Waseco earns a 10% fee on exploration expenditures incurred, which is recognized as miscellaneous income in these financial statements.
2. James Bay Lowlands – The Company acquired a 5% interest in 2003 in a 2,440-acre claim block adjacent to the DeBeers Victor mine in the Attawapiskat Region in Northern Ontario. The property is subject to a 2%

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net smelter return ("NSR"), with the Company and its joint venture partners having a right of first refusal to buy out 1%.

3. Battle Mountain Ridge, Nevada – is subject to a 5% NSR royalty of which 2.5% NSR can be acquired at any time for US\$1.5 Million. The NSR Agreement initially called for advance royalty payments of US\$75,000 per year. The Annual Advance Royalty was reduced by negotiation from US \$75,000 annually in 2016 to US \$50,000, starting in fiscal 2018. The Company currently owes CDN \$58,000 which is included in Trade Payables and Accruals (Note 7).

In addition, the Company has contracted to pay quarterly lease payments of US \$5,000. These payments include an inflation adjustment, to be calculated quarterly.

10. 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.

On July 5th, 2019, the Company closed a non-brokered unit private placement, (the "Offering"), with the placement of 1,410,000 units for gross proceeds of \$70,500. The Offering was for units at a price of \$0.05 per unit, with each unit consisting of consisting of one common share (the "Common Shares") and one half (1/2) share purchase warrant (the "Warrants"). Each full Warrant entitles the holder to purchase one common share of the Company at a price of \$0.075 per share at any time prior to 12 months from the date of the closing of the Offering.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the cost of the warrants issued during the period.

	July 5, 2019
Number of warrants issued	705,000
Weighted average information	
Exercise Price	\$0.075
Risk-free interest rate	1.65%
Life	1 year
Expected volatility	100%
Expected dividends	-

An analysis of movements in Capital Stock is set out in the Equity analysis above.

Share-Based Payment Plan

Waseco has 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



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10. CAPITAL STOCK (continued)

shares of the Company. Under the terms of the plan, options shall vest immediately except those options granted to consultants or persons employed in investor relations activities, which are to vest over a twelve-month period. All options expire on the fifth anniversary from the grant date, unless specified otherwise in a Director's Resolution.

The exercise price of each option issued shall not be less than the closing market price of the Company's stock on the day immediately preceding the date of grant.

The following table summarizes stock options issued and outstanding:

<i>Period ended</i>	February 29, 2020		February 28, 2019	
	Weighted Average Exercise Price	No. of Options	Weighted Average Exercise Price	No. of Options
Outstanding at beginning of period	\$0.075	2,600,000	\$0.075	800,000
Transactions during the year				
Granted	-	-	\$0.075	2,600,000
Exercised	-	-	-	-
Expired	0.075	(400,000)	\$0.075	(800,000)
Outstanding at end of the period	\$0.075	2,200,000	\$0.075	2,600,000
Exercisable at end of the period	\$0.075	2,200,000	\$0.075	2,600,000

On March 16, 2018, the Company issued 1.6 million options to its Directors as well as 1.0 million options to its four members of its Technical Advisory Committee and its Battle Mountain Ridge Project Manager. These options are exercisable at \$0.075 per share and expire on March 16, 2021.

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share-based payments for the options granted during the period.

	March 16, 2018
Number of options granted	2,600,000
Weighted average information	
Exercise Price	\$0.075
Risk-free interest rate	1.88%
Life	3 years
Expected volatility	100%
Expected dividends	-



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11. INCOME TAXES

The Company's income tax provision differs from the application of the Canadian statutory tax rate. A reconciliation of the combined Canadian Federal and provincial income tax rates with the Company's effective tax rate is as follows:

Reconciliation of Statutory Income Taxes to Income Tax Provision:

	February 29, 2020	February 28, 2019
Canadian statutory income tax rate	26.50%	26.50%
Income taxes recoverable on comprehensive loss	(26,917)	(81,902)
Amortization of share issue costs	(1,200)	(1,200)
Cost of share based payments	-	18,762
Exploration costs expensed for accounting purposes	19,943	40,163
	(8,175)	(24,177)
Valuation allowance	8,175	24,177
Income tax provision	\$ -	\$ -

Deferred Income Taxes Recoverable

At February 29, 2020, the Company has \$988,000 (2019 - \$926,600) 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 2030 and 2040.

At February 29, 2020, the Company has \$6,213,100 (2019 - \$6,156,900) of unused CCEE, CCDE, FEDE and CFRE expenses and capital losses of \$312,400 (2019 - \$312,400). The tax benefits pertaining to these expenses are available to be carried forward indefinitely and similarly no benefit has been recognized in the accounts owing to the uncertainty of the Company's ever achieving taxable income against which these amounts might be utilized.

The tax effect of temporary differences, at the statutory Canadian income tax rate of 26.5%, that gave rise to the unrecorded deferred tax assets are:

	2020	2019
Deferred Tax Assets		
Exploration expenditures	1,646,600	1,632,000
Loss carry-forwards	303,000	287,000
Less: valuation allowance	(1,949,600)	(1,919,000)
Net Deferred Tax Assets	-	-



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11. SEGMENTED INFORMATION

The Company has identified its reportable operating segments based on the information used by the President and Chief Financial Officer (considered to be the chief decision makers) to manage the business. The Company primarily manages its business by looking at the geographical location that separates its operations.

As at	February 29, 2020 Current Assets	February 29, 2020 Total Assets	February 28, 2019 Current Assets	February 28, 2019 Total Assets
Canada	8,888	8,888	20,514	20,514
U.S.A	(88)	23,480	16	23,378
	\$ 8,800	\$ 32,368	\$ 20,530	\$ 43,892

As at	February 29, 2020 Current Liabilities	February 29, 2020 Total Liabilities	February 28, 2019 Current Liabilities	February 28, 2019 Total Liabilities
Canada	824,025	824,025	794,437	794,437
U.S.A	93,314	116,883	101,923	125,285
	\$ 917,339	\$ 940,908	\$ 896,360	\$ 919,722

For the period ended	February 29, 2020 Canada	February 29, 2020 U.S.A.	February 28, 2019 Canada	February 28, 2019 U.S.A.
Operating segment				
Other income	-	-	(899)	-
Exploration and evaluation expenditures	-	55,256	8,992	142,567
Other expenditures	46,319	-	300,972	-
Comprehensive Loss	\$ 46,319	\$ 55,256	\$ 309,065	\$ 142,567

12. LOANS AND ADVANCES PAYABLE

As at February 29, 2019 loans and advances consisted of the following:

Unsecured loan payable bearing interest at 12% p.a.; matures February 27, 2020	\$ 10,000
Non-interest bearing, unsecured advance	5,000
	\$ 15,000

13. SUBSEQUENT EVENT

Prior to year end, and continuing subsequent to year end, the Company is engaged in negotiations to option its Nevada properties. Under the terms currently being negotiated the Company will receive a cash payment plus the reimbursement of certain costs incurred by the Company. To exercise the option the optionee must incur minimum amounts of exploration expenditures within a five year period. The optionee will then have the right to acquire the Nevada property assets at a predetermined price per measured, inferred and indicated ounces of gold subject to a minimum and maximum purchase price.

This transaction is subject the successful negotiation and execution of an Option Agreement as well as regulatory approval. The transaction may also require approval by the Company's shareholders.