WESCAN GOLDFIELDS INC.

Consolidated Financial Statements
December 31, 2009

(A Development Stage Entity)

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Wescan Goldfields Inc. are the responsibility of management and have been approved by the Board of Directors.

Management has prepared the consolidated financial statements in conformity with Canadian generally accepted accounting principles. The consolidated financial statements include some amounts that are based on best estimates and judgments.

The management of the Company, in furtherance of the integrity and objectivity of data in the consolidated financial statements, has developed and maintains a system of internal accounting controls. Management believes the internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of consolidated financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements through its audit committee, the majority of which are outside directors. The audit committee reviewed the Company's annual consolidated financial statements and recommended their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

The shareholders' auditors, KPMG LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards, have examined these consolidated financial statements and their independent professional opinion on the fairness of the consolidated financial statements is attached.

Kenneth E. MacNeill
Chairman and Chief Executive Officer
Saskatoon, Canada
April 27, 2010

Harvey J. Bay
Chief Financial Officer
Saskatoon, Canada
April 27, 2010

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AUDITORS' REPORT

To the Shareholders of Wescan Goldfields Inc.

We have audited the consolidated balance sheets of Wescan Goldfields Inc. as at December 31, 2009 and 2008 and the consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Canada
April 27, 2010

Wescan Goldfields Inc.
(A Development Stage Entity)
Consolidated Balance Sheets

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 289,605	$ 2,549,435
Receivables	92,948	152,141
Prepaids and deposits	34,246	22,943
	416,799	2,724,519
Mineral properties (note 4)	6,824,985	8,990,066
Property and equipment (note 5)	270,371	462,964
	$ 7,512,155	$ 12,177,549
Liabilities & Shareholders' Equity		
Current liabilities:		
Payables and accrued liabilities	$ 738,725	$ 381,548
Shareholders' equity:		
Share capital (note 7)	15,026,429	14,781,186
Warrants (note 7)	61,649	18,143
Contributed surplus (note 7)	1,643,855	1,444,117
Deficit	(9,958,503)	(4,447,445)
	6,773,430	11,796,001
	$ 7,512,155	$ 12,177,549

Nature of operations and going concern (note 1)
Commitments (note 12)
Contingency (note 13)

On behalf of the Board

Kenneth E. MacNeill
Chairman and Chief Executive Officer

Arnie E. Hillier
Chairman of the Audit Committee

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.

(A Development Stage Entity)

Consolidated Statements of Loss and Comprehensive Loss

	Year Ended December 31, 2009	Year Ended December 31, 2008
Income		
Interest	$ 2,924	$ 40,323
Other	26,621	63,506
	29,545	103,829
Expenses		
Administration	838,837	1,469,454
Consulting fees	-	24,490
Professional fees	68,469	78,763
Amortization	105,047	105,997
	1,012,353	1,678,704
Loss before the undernoted items	(982,808)	(1,574,875)
Gain on sale of equipment	36,904	-
Write down of mineral properties (note 4)	(5,186,102)	(1,215,707)
Loss before income taxes	(6,132,006)	(2,790,582)
Future income tax recovery (note 6)	620,948	387,500
Net and comprehensive loss	$ (5,511,058)	$ (2,403,082)
Net loss per share		
Basic and diluted (note 8)	$ (0.07)	$ (0.04)
Weighted average number of shares outstanding	79,875,520	65,107,834

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.

(A Development Stage Entity)

Consolidated Statements of Cash Flows

	Year Ended December 31, 2009	Year Ended December 31, 2008
Cash provided by (used in):		
Operations:		
Net and comprehensive loss	$ (5,511,058)	$ (2,403,082)
Non-cash items:		
Amortization	105,047	105,997
Fair value of stock options vested	171,858	309,763
Write-down of mineral properties	5,186,102	1,215,707
Gain on sale of equipment	(36,904)	-
Future income tax recovery	(620,948)	(387,500)
Net change in non-cash operating working capital items:		
Receivables	59,193	(51,709)
Prepaids and deposits	(11,303)	(10,290)
Payables and accrued liabilities	357,177	(146,537)
	(300,836)	(1,367,651)
Investing:		
Additions to mineral properties	(3,021,021)	(2,202,754)
Proceeds on sale of equipment	128,194	-
Additions to equipment	(3,744)	(94,898)
	(2,896,571)	(2,297,652)
Financing:		
Issue of share capital (net of issue costs)	937,577	2,801,463
	937,577	2,801,463
Decrease in cash position	(2,259,830)	(863,840)
Cash and cash equivalents, beginning of year	2,549,435	3,413,275
Cash and cash equivalents, end of year	$ 289,605	$ 2,549,435
Cash and cash equivalents consists of:		
Cash	$ 56,010	$ 316,821
Guaranteed investment certificates and treasury bills	233,595	2,232,614
	$ 289,605	$ 2,549,435

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.

(A Development Stage Entity)

Consolidated Statements of Shareholders' Equity

	Year Ended December 31, 2009	Year Ended December 31, 2008
Share Capital (note 7)		
Balance, beginning of year	$ 14,781,186	$ 12,308,919
Shares issued for mineral property	-	37,000
Private placements	856,767	2,859,407
Shares issued in exchange for debt	80,454	-
Shares issued on exercise of broker warrants	-	97,193
Shares issued on exercise of stock options	-	56,000
Share issue costs (net of tax)	(54,481)	(157,333)
Tax effect of renunciation of flow-through shares	(637,497)	(420,000)
Balance, end of year	$ 15,026,429	$ 14,781,186
Warrants (note 7)		
Balance, beginning of year	$ 18,143	$ -
Issued	61,649	18,143
Expired	(18,143)	-
Balance, end of year	$ 61,649	$ 18,143
Contributed Surplus (note 7)		
Balance, beginning of year	$ 1,444,117	$ 1,148,301
Stock based compensation	171,858	309,763
Broker warrants issued	9,737	11,221
Options exercised	-	(19,910)
Broker warrants exercised	-	(5,258)
Warrants expired	18,143	-
Balance, end of year	$ 1,643,855	$ 1,444,117
Deficit		
Balance, beginning of year	$ (4,447,445)	$ (2,044,363)
Net and comprehensive loss	(5,511,058)	(2,403,082)
Balance, end of year	$ (9,958,503)	$ (4,447,445)

See accompanying notes to consolidated financial statements

1. Nature of operations and going concern

Wescan Goldfields Inc. was originally incorporated as Shore Resources Inc. under the Business Corporations Act of Alberta on January 17, 2003 and by amended articles dated April 2, 2004 changed its name to Wescan Goldfields Inc. ("Wescan" or the "Company"). Substantially all of the Company's efforts are directed to the exploration and development of its mineral properties and the Company is considered to be in the development stage with respect to its current mineral property holdings.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable mineral reserves. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the financing necessary to complete exploration and development and the success of future operations.

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. At December 31, 2009, the Company has a working capital deficiency of $321,926 and does not have sufficient resources to finance operation and exploration activities through its 2010 fiscal year, conditions which raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern, to extinguish current liabilities, fund exploration expenditures in an orderly manner and provide funds for ongoing general and administrative costs will require further equity issues in 2010 which are currently being pursued.

These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Areas of significance requiring the use of management estimates relate to the determination of the recoverability of capitalized mineral exploration costs, stock-based compensation costs and the determination of future income tax. Actual recovered amounts could differ from those estimates.

The following accounting policies are considered to be significant:

Consolidation principles

The consolidated financial statements include the accounts of the Company and its subsidiary.

Cash and cash equivalents

Cash and cash equivalents includes cash and investments that, upon acquisition, have an initial term to maturity of three months or less.

Mineral properties

Subject to compliance with provincial mineral regulations, the Company holds the right to explore for and develop mineral resources on various Crown property dispositions within the Province of Saskatchewan. These rights are classified as mineral properties for financial statement purposes. All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production from a property, the related accumulated costs are amortized against future income of the project using the unit-of-production method over estimated recoverable reserves. Interest on debt associated with the acquisition and development of mineral properties is capitalized until commencement of commercial production. There have been no interest costs capitalized to date. Management assesses carrying values of non-producing properties each time it issues financial statements. Where information and conditions suggest impairment and where independent estimates of reserves or resources are unavailable for which to estimate future net cash flows or the properties are allowed to lapse, carried costs are written down.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to establish the existence of reserves, to complete the development of such reserves, and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options to acquire mineral properties are granted or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

Property and equipment

Property and equipment purchases are recorded at cost and amortized using the declining balance method except for leasehold improvements, which are amortized on a straight-line basis over a term equal to the remaining life of the current lease agreement. Annual amortization rates are as follows:

Automotive equipment	30%
Computer equipment	30%
Computer software	100%
Furniture and equipment	20%

Future income taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax basis. Future income tax assets and liabilities are measured using enacted and substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are to be recovered or settled. The effect on future income tax assets and liabilities resulting from a change in rates is recognized in earnings in the period which includes the enactment date. Future income tax assets and liabilities are recorded in the financial statements if realization is considered more likely than not. The valuation of future income taxes is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated recoverable amount.

Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares. The Company renounces the deductions to investors and accordingly records share issue costs related to the future tax liability of the temporary difference arising from the renunciation. As a result, share capital is reduced and future income tax liabilities are increased by the estimated tax benefits when renounced by the Company to the investors, except to the extent that the Company has unused tax benefits from loss carry forwards and tax pools in excess of book values available for deduction against which a valuation allowance has been provided. In these circumstances, the future tax liability reduces the valuation allowance, if any, and the reduction is recognized in earnings.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds received on the exercise of options and warrants would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change. Excluded from the calculation of diluted loss per common share are the effects of outstanding options, as the effect on basic loss per share would be anti-dilutive.

Stock-based compensation

The Company has a share option plan that is described in note 7 (f).

Options granted under the share option plan are accounted for using the fair value method. Under this method, the fair value of stock options granted is measured at the estimated fair value at the grant date and recognized over the vesting period. When forfeitures occur during the period in which a stock option vests, no further amounts are recognized. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

Financial instruments presentation and disclosure

a) Financial assets

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Due to the short-term maturity of accounts receivable, the carrying amounts approximate fair value.

The Company has not entered into any hedging relationships and does not hold any other available-for-sale securities that would result in the recognition of other comprehensive income or loss.

b) Financial liabilities

Accounts payable are classified as other financial liabilities, which are measured at amortized cost. Due to the short-term nature of accounts payable, the carrying amounts approximate fair value.

c) Fair value

All financial instruments measured at fair value are categorized into one of three hierarchy levels, described below, for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and
Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measure in its entirety. Based on these categories, all of the Company's financial instruments which are measured at fair value are categorized as Level 1.

3. Changes in accounting policies

a) Recently adopted accounting standards

During the year, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Goodwill and other intangible assets

Effective January 1, 2009, the Company adopted a CICA handbook section relating to goodwill and intangible assets, which replaces existing standards relating to goodwill and intangible assets and research and development costs. The standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with IFRS and applies to annual and interim financial statements for fiscal years beginning on or after October 1, 2008. The adoption of this standard did not impact the Company's consolidated financial statements.

Mining exploration costs (Emerging Issues Committee Abstract 174)

In March 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 174, "Mining Exploration Costs". The EIC provides guidance on the capitalization and impairment assessment of exploration costs. This abstract applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The new standard has been considered in the assessment of the carrying values of the properties.

Financial instruments disclosure

Effective October 1, 2009, the Company adopted the amendments to a CICA handbook section relating to disclosure of financial instruments. The amendments establish a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The disclosures required by these amendments have been included in the Company's disclosure of significant accounting policies.

b) New accounting pronouncements

International financial reporting standards

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards ("IFRS") effective in calendar year 2011. The Company's first financial statements presented in accordance with IFRS will therefore be the three-month period ended March 31, 2011. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements. The International Accounting Standard Board ("IASB") has several projects currently underway to change standards however, no significant changes are expected to be mandatory earlier than 2012. If early adoption for any new or amended IFRS that might be issued during 2010 is permitted, the

Company would have the option of applying these new standards on changeover (and for 2010 comparatives).

As a result of this convergence, the Company has developed a plan to convert its financial statements to IFRS. Management has not yet completed its quantification of the effects of adopting IFRS. The consolidated financial performance and financial position as presented in the Company's Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

4. Mineral properties

Mineral properties are made up of the following:

	December 31, 2008	Acquisition Costs	Exploration Costs	Write-down of Mineral Properties	December 31, 2009
Fork Lake/ Jasper/Tamar (a)	$ 5,122,007	$ -	$ 6,555	$ (5,128,562)	$ -
Munro (b)	324,714	-	39,812	-	364,526
Jojay (c)	3,059,594	-	(2,214)	-	3,057,380
Hudson Bay/ Pinehouse Lake (d)	426,211	6,076	2,970,792	-	3,403,079
Limestone Lake/ Hanson Lake (e)	57,540	-	-	(57,540)	-
Total	$ 8,990,066	$ 6,076	$ 3,014,945	$ (5,186,102)	$ 6,824,985

	December 31, 2007	Acquisition Costs	Exploration Costs	Write-down of Mineral Properties	December 31, 2008
Fork Lake/ Jasper/Tamar (a)	$ 4,910,201	$ -	$ 211,806	$ -	$ 5,122,007
Munro (b)	78,087	-	246,627		324,714
Jojay (c)	1,919,811	-	1,139,783	-	3,059,594
Hudson Bay/ Pinehouse Lake (d)	-	256,400	169,811	-	426,211
Limestone Lake/ Hanson Lake (e)	57,540	-	-	-	57,540
Mud Lake	259,071	37,000	131,103	(427,174)	-
Athabasca Basin Properties	723,812	-	64,721	(788,533)	-
Total	$ 7,948,522	$ 293,400	$ 1,963,851	$ (1,215,707)	$ 8,990,066

The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date and cost of properties acquired, less write-downs and does not necessarily reflect fair values.

a) Fork Lake/Jasper/Tamar Property

The Company holds a 100% interest in the Fork Lake/Jasper/Tamar property, consisting of certain mineral dispositions located approximately 150 kilometers northeast of La Ronge, Saskatchewan. Given the Company's current strategic focus and uncertainty surrounding financial resources, the Company has decided not to explore these properties in the short-term. As a result, the Company wrote down the carrying value of the properties to nil in 2009.

b) Munro Property

The Company holds an 86.5% interest in the Munro property, consisting of certain mineral dispositions located approximately 128 kilometers northeast of La Ronge, Saskatchewan.

c) Jojay Property

The Company holds a 100% interest in the Jojay property, consisting of certain mineral dispositions located approximately 150 kilometers northeast of La Ronge, Saskatchewan.

d) Hudson Bay/Pinehouse Lake

The Company holds a 100% interest in 331 coal permits that comprise a total area of 229,280 hectares (2,292 square kilometres) and are in close proximity to Hudson Bay, and Pinehouse Lake, Saskatchewan.

e) Limestone Lake/Hanson Lake Properties

The Company held a 100% interest in 8 claims in the Limestone and Hanson Lake area located 85 kilometers west of Creighton, Saskatchewan.

5. Property and equipment

Property and equipment is made up of the following:

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Automotive equipment	$ 12,658	$ 12,658	$ -	$ 61,849
Computer equipment	46,137	27,864	18,273	26,300
Computer software	66,949	66,637	312	5,573
Furniture and equipment	296,622	129,028	167,594	254,146
Leasehold improvements	156,862	72,670	84,192	115,096
	$ 579,228	$ 308,857	$ 270,371	$ 462,964

Amortization of property and equipment during the year ended December 31, 2009 was $105,047 (2008 – $123,494) of which nil (2008 – $17,497) was capitalized to mineral properties.

6. Income taxes

The significant components of future income tax assets and liabilities at December 31, 2009 and 2008 are as follows:

	2009	2008
Future income tax assets		
Non-capital loss carry forwards	$ 1,373,092	$ 1,152,000
Share issue costs	61,276	88,000
Future income tax assets before valuation allowance	1,434,368	1,240,000
Future income tax liabilities – mineral properties	(167,940)	(959,000)
Valuation allowance	(1,266,428)	(281,000)
Net future income tax liabilities	$ -	$ -

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

	2009	2008
Loss before income taxes	$ 6,132,006	$ 2,790,582
Combined federal and provincial tax rate	31.0%	32.0%
Expected tax recovery	(1,900,922)	(892,986)
Increase in taxes resulting from:		
Non-deductible stock option expenses	53,276	99,124
Other non-deductible amounts	2,995	2,762
Effect of change in effective tax rates	238,275	122,600
Change in valuation allowance	985,428	281,000
Future income tax recovery	$ (620,948)	$ (387,500)

As at December 31, 2009, the Company has operating losses for income tax purposes of $5,085,526 that are available to reduce taxes in future years. The losses expire as follows: 2010 – $108,153; 2014 – $246,217; 2015 – $435,501; 2026 – $746,142; thereafter – $3,549,513.

7. Share capital

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

The common shares of the Company are entitled to dividends prorated and when declared by the Board of Directors and to one vote per share at meetings of the shareholders of the Company. Upon dissolution or any other distribution of assets, the shareholders are entitled to receive a pro-rata share of such distribution.

Issued and outstanding

	2009		2008	
	Common Shares	Amount	Common Shares	Amount
Balance, Beginning of year	75,121,390	$ 14,781,186	62,983,916	$ 12,308,919
Flow-through shares issued (a)	2,749,756	604,946	1,859,666	557,899
Flow-through shares issued (a)			7,840,000	1,803,200
Common shares issued (b)	1,741,499	251,821	1,641,481	427,345
			366,264	70,963
Common shares issued (c)	502,838	80,454		
Common shares issued (d)			50,000	37,000
Broker warrants exercised (e)			180,063	97,193
Options exercised (f)			200,000	56,000
Issue costs (net of tax)		(54,481)		(157,333)
Future income taxes on renunciation of flow-through shares		(637,497)		(420,000)
Balance, End of year	80,115,483	$ 15,026,429	75,121,390	$ 14,781,186

a) Flow-through shares

In July 2009, the Company issued 2,749,756 flow-through shares for gross proceeds of $604,946. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2010; the deduction of which flows through to the shareholder. At December 31, 2009, all expenditure commitments had been met.

In October 2008, the Company issued 1,859,666 flow-through shares for gross proceeds of $557,899. The shares issued required that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2009. At December 31, 2009, all expenditure commitments had been met.

In October and November of 2008, the Company issued 7,840,000 flow-through shares for gross proceeds of $1,803,200. The shares issued required that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2009. At December 31, 2009, all expenditure commitments had been met.

b) Common shares

In September 2009, the Company issued 1,741,499 units for gross proceeds of $313,470. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.30. The value of common shares was recorded as $251,821 and the estimated fair value of the warrants was recorded as $61,649. The warrants expire in September 2010.

In October 2008, the Company issued 1,641,481 units for gross proceeds of $443,199. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.35. The value of common shares was recorded as $427,345 and the estimated fair value of the warrants was recorded as $15,854. The warrants expire in October 2009.

In November 2008, the Company issued 366,264 units for gross proceeds of $73,252. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.35. The value of the common shares was recorded as $70,963 and the estimated fair value of the warrants was recorded as $2,289. The warrants expired in November 2009.

c) Common shares

In December 2009, the Company issued 502,838 common shares of Wescan pursuant to a shares-for-debt settlement agreement with a service provider. The shares-for-debt settlement extinguished $80,454 of the Company's debt for the issuance of 502,838 common shares at a price of $0.16 per share.

d) Common shares

In June 2008, the Company issued 50,000 shares fair valued at $37,000 as part of the Wescan - Alto Ventures Ltd. Mud Lake Option Agreement.

e) Broker warrants

On certain issues of common shares, the Company issued broker warrants as partial consideration to the agent for services associated with the share issuance. Each broker warrant entitles the agent to acquire one common share of the Company for a period of 12 months from closing. A summary of the outstanding broker warrants is as follows:

	Warrants	Average Price
Balance - December 31, 2007	181,938	$ 0.40
Issued	537,833	0.35
Exercised	(180,063)	0.40
Expired	(1,875)	0.40
Balance - December 31, 2008	537,833	0.35
Issued	170,826	0.30
Exercised	-	-
Expired	(537,833)	0.35
Balance - December 31, 2009	170,826	$ 0.30

As at December 31, 2009 the broker warrants outstanding expire in July 2010.

The broker warrants issued in 2009 were fair valued at $9,737 (2008 – $11,221). The fair value of the broker warrants was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor of 120.2% (2008 65.9% – 68.4%), risk-free rate of return of 0.59% (2008 2.48% – 2.86%), expected dividend of 0% (2008 – 0%), and expected term of 1 year (2008 – 1 year).

f) <u>Share option plan</u>

The Company has established a share option plan whereby options may be granted to directors, officers, consultants and employees to purchase up to an aggregate of 10% of the issued and outstanding shares of the Company. Options granted have an exercise price of not less than the closing price of the common shares on the stock exchange on which the shares are traded prior to the date on which the options were granted. Certain options vest immediately while others vest six to twenty-four months after grant date and expire five years from the date of the grant of the options.

During 2009, the Company granted 1,520,000 (2008 – 1,217,500) options to officers, directors, consultants and employees. The fair value of these options was determined using the Black-Scholes option-pricing model with the following assumptions:

	2009	2008
Number of options granted	1,520,000	1,217,500
Average strike price	$ 0.16	$ 0.48
Expected dividend	-	-
Expected volatility	95.19%	54.73%
Risk-free interest rate	1.60%	3.23%
Expected life of options (in years)	5.00	5.00
Grant date fair values	$ 176,168	$ 291,235

The fair value of the options granted during 2009, using the Black-Scholes option-pricing model was $176,168 (2008 – $291,235). The fair value of options vested and expensed from options granted this year and previous years was $171,858 (2008 – $309,763).

For options outstanding at December 31, 2009 and 2008, weighted average exercise prices are as follows:

	Options	Average Price
Balance - December 31, 2007	4,010,000	$ 0.45
Granted	1,217,500	0.48
Exercised	(200,000)	0.28
Expired/Forfeited	(50,000)	0.36
Balance - December 31, 2008	4,977,500	0.46
Granted	1,520,000	0.16
Exercised	-	-
Expired/Forfeited	(1,057,500)	0.25
Balance - December 31, 2009	5,440,000	$ 0.42

For options outstanding at December 31, 2009, the range of exercise prices; weighted average exercise price and the weighted average remaining contractual life is as follows:

	Outstanding			Exercisable	
Option Price Per Share	Options December 31, 2009	Weighted Average Exercise Price	Weighted Average Remaining Life	Options December 31, 2009	Weighted Average Exercise Price
$0.16 – 0.22	1,820,000	$ 0.17	4.08 years	1,430,000	$ 0.17
$0.34 – 0.39	1,370,000	0.36	2.32 years	1,305,000	0.35
$0.50 – 0.91	2,250,000	0.66	1.76 years	2,250,000	0.66
	5,440,000	$ 0.42	2.68 years	4,985,000	$ 0.42

g) Warrants

On certain issues of common shares, the Company has issued warrants with the common shares entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Warrants	Amount	Average Price
Balance - December 31, 2007	-	$ -	$ -
Issued	1,003,873	18,143	0.35
Exercised	-	-	-
Expired	-	-	-
Balance - December 31, 2008	1,003,873	18,143	0.35
Issued	870,750	61,649	0.30
Exercised	-	-	-
Expired	(1,003,873)	(18,143)	0.35
Balance - December 31, 2009	870,750	$ 61,649	$ 0.30

As at December 31, 2009 the warrants outstanding expire in July 2010.

The warrants issued in 2009 were fair valued at $61,649 (2008 – $18,143). The fair value of the warrants issued in 2009 was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor of 132.0% (2008 – 65.9% - 68.4%), risk-free rate of return of 0.57% (2008 – 2.48% - 2.86%), expected dividend of 0% (2008 – 0%), and expected term of 1 year (2008 – 1 year).

h) Contributed surplus

A summary of the contributed surplus activity is as follows:

	2009	2008
Balance - beginning of year	$ 1,444,117	$ 1,148,301
Fair value of options vested	171,858	309,763
Fair value of broker warrants granted	9,737	11,221
Contributed surplus related to warrants expired	18,143	-
Less: contributed surplus related to options exercised	-	(19,910)
Less: contributed surplus related to broker warrants exercised	-	(5,258)
Balance - end of year	$ 1,643,855	$ 1,444,117

8. Per share amounts

The calculation of loss per share amounts is based on the following:

	2009	2008
Numerator:		
Loss applicable to common shares	$ 5,511,058	$ 2,403,082
Denominator:		
Weighted average common shares outstanding	79,875,520	65,107,834
Basic and diluted loss per common share	$ 0.07	$ 0.04

Excluded from the calculation of diluted loss per common share were the effects of outstanding options, warrants and broker warrants as the effect on basic loss per share would be anti-dilutive.

9. Capital disclosures

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital and has primarily financed its explorations efforts through the issuance of shares.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board of Directors.

To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's investment policy is to invest its cash in highly rated, liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements.

10. Related party transactions

During the year management and consulting fees of $72,000 (2008 – $72,000) were paid to companies controlled by certain officers of the Company; $72,000 (2008 – $72,000) of these fees were included as administration expense. Accounts payable includes $21,800 (2008 – nil) due to these companies.

As at December 31, 2009 Shore Gold Inc. holds 12,955,567 (2008 – 12,955,567) common shares of the Company representing a 16.2% (2008 – 17.2%) interest in the Company.

During the year, the Company was charged $40,648 (2008 – $70,543) by Shore Gold Inc. for administration services and rent. Accounts payable includes $5,569 (2008 – $9,136) due to Shore Gold Inc.

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties.

11. Financial instruments

As at December 31, 2009, the fair value of all the Company's financial instruments approximates their carrying value. Certain financial instruments are exposed to the following risks:

a) Credit risk

Credit risk is the risk of an unexpected loss by the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk primarily relates to accounts receivables and investments in guaranteed investment certificates and treasury bills and is not considered significant.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2009 the Company believes it will have sufficient access to financial markets to continue to fund its financial liabilities through future equity issues.

The Company does not currently operate any producing properties and as such, is dependent upon the issuance of new equity to advance its exploration properties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or joint operations or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Wescan's future cash flows, earnings, results of operations and financial position.

c) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any significant exposure to interest rate risk, except for limited exposure to interest rate changes on interest bearing assets.

12. Commitments

As at December 31, 2009, the Company is committed to an operating lease for office space and equipment, as follows:

Year	
2010	$ 89,277
2011	91,640
2012 and thereafter	1,034
Total	$ 181,951

13. Contingency

A statement of claim has been filed against the Company for unpaid expenditures of $278,946 related to an exploration program. A response to the claim has been made. At this time, the likelihood of the claim is not determinable.

14. Comparative figures

Certain prior year balances have been reclassified to conform to the current financial statement presentation.