

# WESCAN GOLDFIELDS INC.



## *Management's Discussion and Analysis* *December 31, 2009*

*(A Development Stage Entity)*

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

The following Management's Discussion and Analysis is prepared as of April 27, 2010 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2009. Wescan Goldfields Inc. ("Wescan" or "the Company") prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.

### **Overview**

During 2009, Wescan completed Phase 1 drilling on its Hudson Bay and Pinehouse Lake coal properties in east central Saskatchewan (see Wescan News Release dated January 18, 2010) and most recently announced the completion of a National Instrument 43-101 ("NI 43-101") compliant gold resource for the Company's Jojay Gold Project in northern Saskatchewan (see Wescan News Release dated February 4, 2010). During the year, the Company also successfully completed three private placements for gross proceeds of \$998,870 (See Wescan's News Releases dated July 29, September 4 and December 14, 2009).

### **Hudson Bay Coal Project**

In the first quarter of 2009, Wescan was pleased to announce that it had received the final 52 coal permit certificates from the Ministry of Energy and Resources. The receipt of these permits completed the coal permit applications made by Wescan for the Hudson Bay region.

In the third quarter, Wescan announced the commencement of drilling on the Company's Hudson Bay Coal Project. Results from this drilling found intersections of coal in 21 of 40 drill holes, with the largest carbonaceous zone intersected being 12.9 metres in thickness. Eight holes contained coal zones greater than 5 metres thick. Several drill holes also contained more than one intersection of coal, suggesting the presence of multiple coal horizons. These discoveries establish a new high priority focus for Wescan on four main areas of interest moving forward: The Red Deer Property, Bonus Property, Rice Property and Man River Property (see Wescan News Release January 18, 2010 for a map of the property).

### **Pinehouse Lake Coal Project**

In the second quarter of 2009, Wescan initiated a coal exploration program on its property near Pinehouse Lake, Saskatchewan. From the 8 holes completed, coal was intersected in 6 drill holes; with the largest carbonaceous zone intersected being 14.8 metres in thickness. Four holes contained coal zones greater than 5 metres thick. This initial drill program at the Pinehouse Lake Coal Project aimed to confirm the historical coal intersections on the property and obtain geological stratigraphic data that will be used in developing a stratigraphic and structural model for targeting a second phase of

drilling on thicker, near-surface coal seams (see Wescan News Release January 18, 2010 for a map of the property).

## Jojoy Gold Project

Wescan undertook to advance the Jojoy Gold Project in 2009 by commissioning an independent 43-101 Mineral Resource Estimate based on all available data collected to date. The Company announced the completion of the Mineral Resource Estimate for the Jojoy Gold Project in early 2010. The Mineral Resource Estimate was completed by A.C.A. Howe International Limited (“Howe”) in accordance with NI 43-101 and Canadian Institute of Mining, Metallurgy and Petroleum (“CIM”) Standards on Mineral Resources and Reserves.

The Mineral Resource Estimate of the Jojoy Gold Project includes a non-diluted Indicated Mineral Resource of 420,000 tonnes with an average grade of 3.7 g/tonne Au, for 50,000 ounces of gold and a non-diluted Inferred Mineral Resource, amounting to 630,000 tonnes with an average grade of 4.3 g/tonne Au, for 87,000 ounces of gold. No Measured Resources or Reserves of any category were identified. The Technical Report that documents the Mineral Resource Estimate on the Jojoy Gold Project can be viewed on the Company’s website ([www.wescangoldfields.com](http://www.wescangoldfields.com)) or on SEDAR ([www.sedar.com](http://www.sedar.com)).

The completion of the Mineral Resource Estimate is a major milestone for the Jojoy Gold Project. The Jojoy Deposit, as defined by the newly completed Mineral Resource Estimate, represents only a small portion of the greater than 2.5 kilometre long prospective volcanic-sedimentary contact and coincident Jojoy structural zone in the Jojoy Gold Project area. The Jojoy structural zone is highly prospective and the model completed by Howe indicates mineralization is open down plunge to the north-northeast and there is potential for additional mineralization along strike. The Jojoy Deposit is situated in the LaRonge Gold Belt which hosts numerous gold discoveries, four past producing mines and is located near a licensed gold mill.

Mineral Resources are not Mineral Reserves and by definition do not demonstrate economic viability. There is no certainty that all or any part of the Mineral Resource will be converted into a Mineral Reserve.

## Selected Annual Information

Selected financial information of the Company by year is summarized as follows:

	2009 \$	2008 \$	2007 \$
Interest and other income	29,545	103,829	199,248
Net loss	5,511,058	2,403,082	1,046,802
Net loss per share <sup>(1)</sup>	0.07	0.04	0.02
Total assets	7,512,155	12,177,549	11,966,442
Working capital (deficiency)	(321,926)	2,342,971	2,998,275

(1) Basic and diluted.

## **Year to Date**

### **Results of Operations**

For the year ended December 31, 2009 the Company recorded a net loss of \$5,511,058 (\$0.07 per share) compared to a net loss of \$2,403,082 (\$0.04 per share) for the 2008 year. The Company's net loss for 2009 was approximately \$3.1 million higher than 2008. The increase was primarily due to the \$5.2 million write-down of mineral properties that occurred during 2009 compared to the \$1.2 million write-down of mineral properties that occurred in 2008. The write-down of mineral properties in 2009 was offset by lower personnel costs, including a decrease in fair value of stock based compensation.

### **Revenues**

The Company reported interest and other income of \$29,545 for the year ended December 31, 2009 as compared to \$103,829 for the year ended December 31, 2008. The reduction in interest and other income is the result of having a smaller surplus of cash for investing as well as declining interest rates during the year. Other income for the year ended December 31, 2009 relates to rental fees charged for certain of the Company's assets.

### **Expenses**

Total operating expenses for the year ended December 31, 2009 were \$1,012,353 compared to \$1,678,704 for the same period of 2008. This represents a decrease of \$666,351 or 40%. The decrease in administration expenses of \$630,617 from 2008 is the primary reason for the overall decrease in operating expenses. The decrease in administration expenditures in 2009 related to a decrease in personnel costs, rent and stock based compensation, as a significant effort to minimize administrative costs was made to allow for the majority of the Company's financial resources to be used for its exploration efforts.

### **Income taxes**

The future income tax recovery in 2009 was \$620,948 compared to a recovery of \$387,500 in 2008. The 2009 recovery was due to changes in the valuation allowance on net future income tax assets resulting from the write-down of mineral properties and the renunciation of flow-through expenditures.

### **Write-down of mineral properties**

During the year ended December 31, 2009 the Company wrote down \$5,186,102 of its mineral properties related to the Company's interest in its Fork Lake/Jasper/Tamar properties and eight mineral claims in the Limestone and Hanson Lake area of the province of 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 these properties to nil. The Limestone and Hanson Lake mineral claims were allowed to lapse and as a consequence were written off. For the year ended December 31, 2008, the Company wrote down \$1,225,707 of its mineral properties. This write-down was the result of the decision to no longer fund the Athabasca Basin and Mud Lake Properties. By making this decision the Company's interest in the Athabasca Basin properties diluted in accordance with the joint venture agreement. As a result, the Company maintains a non-participating, non-voting Net Smelter Return royalty of 0.5% in this property. With regards to the Mud Lake property, the Company exercised its right to terminate its obligations pursuant to the option agreement. As a result, Wescan forfeited its interest in the mineral dispositions of the property and wrote down all costs associated with the property.

### **Investing**

Mineral properties cash additions totaled \$3,021,020 for 2009 compared to \$2,202,754 for 2008. The majority of the expenditures for the year ended December 31, 2009 related to coal exploration programs on the Company's 100% owned properties near Pinehouse Lake and Hudson Bay, Saskatchewan. The additions for the year ended December 31, 2008 related to the completion of the winter drill program on the Company's 100% owned Jojay gold project, a summer line-cutting and a soil geochemistry program on the Munro Lake joint venture project, staking fees and field reconnaissance work associated with coal permits received by the Company.

### **Financing**

During the year ended December 31, 2009, the Company issued a total 4,994,093 common shares of the Company for gross proceeds of \$998,870 from three separate financings.

In July 2009, the Company completed a private placement financing consisting of 2,749,756 common shares issued on a flow-through basis at a price of \$0.22 per flow-through share for gross proceeds of \$604,946. The proceeds were used by Wescan to incur Canadian exploration expenses prior to December 31, 2010 (See Wescan News Releases dated July 29, 2009).

In September of 2009, the Company completed a non-brokered private placement for 1,741,499 units of the Corporation at a price of \$0.18 per unit, for gross proceeds of \$313,470. Each unit consisted of one common share and one half of one common share purchase warrant. The proceeds will be used by Wescan to incur exploration expenses and general working capital purposes (See Wescan News Releases dated September 4, 2009).

In December of 2009, the Company issued 502,838 common shares pursuant to a shares-for-debt agreement which extinguished \$80,454 of a liability owed to a service provider. The shares were issued on December 14, 2009 when the Company's shares were trading at \$0.16 per share (See Wescan News Release dated December 14, 2009).

During 2008, the Company completed two private placement financings consisting of an aggregate of 9,699,666 common shares issued on a flow-through basis at a price ranging from \$0.23 to \$0.30 per flow-through share and 2,007,745 units of the Corporation at a price ranging from \$0.20 to \$0.27 per unit, for aggregate gross proceeds of \$2,877,550. Each unit consisted of one common share and one half of one common share purchase warrant. The proceeds were used by Wescan to incur Canadian exploration expenses prior to December 31, 2009 and general working capital purposes (See Wescan News Releases dated October 20 and 27 and November 5 and 24, 2008).

## Summary of Quarterly Results

	2009				2008			
	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$
Revenues <sup>(1)</sup>	10,493	9,677	6,840	2,535	27,839	28,590	16,280	31,120
Net loss <sup>(2)</sup>	(5,008,653)	(131,846)	(215,244)	(155,315)	(1,363,768)	(234,289)	(545,313)	(259,712)
Net loss/share <sup>(3)</sup>	0.07	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)	(0.00)
Shares outstanding <sup>(4)</sup>	80,115,483	79,612,645	75,121,390	75,121,390	75,121,390	63,413,979	63,045,892	62,983,916

- (1) *The Company's revenues come from interest earned on cash balances, camp rental fees as well as leasing equipment. The decrease in revenues in the second quarter of 2008 is the result of the Company not earning as much interest as ongoing exploration had reduced the amount of cash remaining to invest. Third and fourth quarter revenues of 2008 would have continued to decrease if not for the fees earned on the rental of the Fork Lake camp. Revenues continued to decline in the first quarter of 2009 due to declining interest rates and the ceasing of the rental of the Fork Lake camp. A slight increase in revenues in the remainder of 2009 was the result of the Company leasing certain equipment.*
- (2) *The significant net losses in the fourth quarter of 2009 and 2008 primarily related to write-downs in the Company's mineral properties as a result of the Company either electing not to fund exploration programs or changing its strategic focus. The net losses in the second quarter of 2009 and 2008 were also higher than normal due to the fair value of stock-based compensation being expensed during these quarters. The remaining quarters reflect normal operations of the Company and illustrate that operating costs have been decreasing since the beginning of 2008 as a result of the Company's focus on reducing administration costs.*
- (3) *Basic and diluted.*
- (4) *The exercise of broker warrants and options in the second and third quarter of 2008, combined with the issue of shares in the second quarter of 2008 as part of the Mud Lake Option Agreement, account for the changes during this period. The increase in shares during the fourth quarter of 2008 was the result of the Company completing a series of private placements in October and November of 2008. Two private placements were completed by the Company in the third quarter of 2009. The increase in shares outstanding from the third to fourth quarter of 2009 was the result of the Company issuing shares pursuant to a shares-for-debt settlement agreement with a service provider.*

## Fourth Quarter Results

For the quarter ended December 31, 2009, the Company recorded a net loss of \$5,008,653 or \$0.07 per share compared to a net loss of \$1,363,768 or \$0.02 per share for the same period in 2008. The difference between the quarters ended December 31, 2009 and 2008 is predominately related to the \$5,168,102 write-down of mineral properties which occurred in 2009 compared to the \$1,215,707 write-down of mineral properties that occurred in 2008. The write-down in 2009 is predominately the result of a change in priorities of the Company towards its coal properties and away from its gold properties in

the short term. The write-down in 2008 was due to the Company's decision to no longer fund the Athabasca Basin and Mud Lake properties.

The Company generated \$10,493 in interest and other revenue during the fourth quarter compared to \$27,839 for the corresponding period in 2008. The decrease is primarily a result of the Company no longer renting the Fork Lake camp as it did in 2008.

Total operating costs for the quarter ended December 31, 2009 were \$280,923 compared to \$347,000 during the quarter ended December 31, 2008. The decrease of \$66,077 is the result of the Company's significant effort to minimize administrative costs during the period.

During the fourth quarter of 2009, the Company incurred \$1,518,074 (2008 - \$156,744) in mineral property cash additions, the majority of which related to coal exploration programs on the Company's 100% owned properties near Pinehouse Lake and Hudson Bay, Saskatchewan.

During the quarter ended December 31, 2009, the Company issued 502,838 common shares pursuant to a shares-for-debt agreement which extinguished \$80,454 of a liability owed to a service provider.

### **Related Party Transactions**

During 2009, Mr. Kenneth E. MacNeill (Chief Executive Officer) through his consulting company was paid management and consulting fees of \$72,000 (2008 - \$72,000) which were recorded as an administrative expense. Accounts payable includes \$21,800 (2008 - nil) due to Mr. MacNeill's consulting company.

During the year, the Company paid \$40,648 (2008 - \$70,543) to Shore Gold Inc. for administration service and rent. Accounts payable includes \$5,569 (2008 - \$9,136) due to Shore Gold Inc.

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.

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

### **Liquidity**

The Company does not currently operate any producing properties and, as such, is dependent upon the issuance of new equity to finance its ongoing obligations and 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 could result in delay or indefinite

postponement of further exploration and development of its projects with the possible loss of such properties. The Company anticipates it will have sufficient access to financial markets to fund its financial liabilities through future equity contributions.

As at December 31, 2009, the Company had a working capital deficiency of \$321,926 as compared to working capital of \$2.3 million at December 31, 2008. The Company is currently in the process of resolving this issue by arranging additional financing. Management is confident the Company will have sufficient access to financial markets to continue its planned activities in 2010.

The Company's contractual obligations are as follows:

	Payment due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Operating lease obligations	\$ 181,951	\$ 89,277	\$ 92,674	\$ -	\$ -
Total	\$ 181,951	\$ 89,277	\$ 92,674	\$ -	\$ -

As at December 31, 2009, the Company had incurred all necessary exploration expenditures required to fulfill its obligations under its flow-through commitments.

### Capital Resources and Outstanding Share Data

As at December 31, 2009, the Company had a working capital deficiency of \$321,926 as compared to working capital of \$2.3 million at December 31, 2008. The Company anticipates it will have access to financial markets to fulfill its working capital commitments in 2010.

At December 31, 2009 the Company had 80,115,483 shares issued and outstanding compared to 75,121,390 at December 31, 2008. As at April 27, 2010, the Company had a total of 80,115,483 common shares issued and outstanding as well as 870,750 warrants, 170,826 broker warrants and 5,440,000 options with weighted average exercise prices of \$0.30, \$0.30 and \$0.42, respectively. In the event all warrants, broker warrants and options were exercised, the Company would be required to issue a further 6,481,576 common shares for gross cash proceeds of \$2.6 million.

### Financial Instruments

The Company's financial instruments are initially recorded at fair value. The fair values as at December 31, 2009 of the Company's financial instruments, which include cash and cash equivalents, short-term investments, receivables and payables, approximate their recorded amounts due to their short-term nature. Certain financial instruments are exposed to the following risks:

#### 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 does not have any significant exposure to credit risk.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

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 to its properties 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.

The ability of the Company to continue as a going concern, fund exploration expenditures and provide funds for on-going general and administrative costs is anticipated to require further equity issues in 2010. As at December 31, 2009, the Company had incurred all necessary exploration expenditures required to fulfill its obligations under its flow-through commitments. The Company anticipates it will have sufficient access to financial markets to fund its financial liabilities through future equity contributions.

### 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.

## **Critical Accounting Estimates**

Wescan's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP"). The Company's accounting policies are described in note 2 and note 3 to the annual audited consolidated financial statements. Certain of these policies involve critical accounting estimates because they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The uncertainties related to these areas could significantly impact the Company's results of operations, financial condition and cash flows.

Management considers the following policies to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements.

### ***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, 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 of mineral properties would be 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 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 are granted on mineral properties 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.

### ***Stock-based compensation plans***

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 estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options exercised is transferred to share capital.

### ***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 bases. Future income tax assets and liabilities are measured using enacted or 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 of 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.

## **Accounting Changes**

### ***Goodwill and Other Intangible Assets***

Effective January 1, 2009, the Company adopted a Canadian Institute of Chartered Accountants (“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 International Financial Reporting Standards (“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 Instrument Disclosure***

Effective October 1, 2009, the Company adopted the amendments to 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 in the notes to the consolidated financial statements.

## **Future Accounting Changes**

### ***International Financial Reporting Standards (“IFRS”)***

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with 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.

As a result of this convergence, the Company has developed a plan to convert its financial statements to IFRS. Regular reporting to the Company's Audit Committee on the status of the IFRS implementation project has been established to ensure proper oversight.

The Company's implementation project consists of three primary phases:

- **Phase 1: Initial Scoping and Diagnostic Phase.** This phase included the identification of key differences, important dates, development of milestones, and potential training issues.
- **Phase 2: Detailed Evaluation Phase.** In this phase, further evaluations of the financial statement areas impacted by IFRS were completed. This involved a detailed gap analysis of accounting and disclosure differences between Canadian GAAP and IFRS. This detailed assessment facilitates final decisions around accounting policies and overall conversion strategy. This phase also involved specification of changes required to existing business processes.
- **Phase 3: Implementation and Review Phase.** This phase includes the final policy selection with the culmination of the necessary information systems and data required to prepare IFRS compliant financial statements and disclosures and any necessary adjustments to other business processes that may be impacted. Also included in this phase is the delivery of the necessary training to Wescan's Audit Committee, Board of Directors and staff.

During the initial scoping exercise completed in 2008 and the detailed evaluation phase completed during 2009, the Company identified the accounting related to the carrying value of the Company's mineral properties to be the area of the most significant potential difference. The carrying value of the Company's mineral properties may be impacted by several standards in IFRS, including the treatment of exploration expenditures, and how potential impairments are analyzed. Other areas of less significance that will require minimal adjustments related to share-based payments and property and equipment.

Currently, Canadian GAAP and IFRS both allow a Company to establish an accounting policy that either capitalizes or expenses exploration expenditures incurred. IFRS related to exploration costs, however, are currently under review and are anticipated to change after January 1, 2011. The full extent of the changes are not yet known and, as a result, the Company may change its current policy of capitalizing exploration expenditures retroactively on the date of transition in order to minimize the impact future IFRS changes may have on the Company's financial statements.

Throughout the detailed evaluation phase management confirmed that the conversion to IFRS will have limited impact to its business processes. Members of the conversion team have been provided training regarding IFRS to allow for a successful implementation. The Company's external auditors will be required to validate management's assessments of the differences between Canadian GAAP and 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.

## **Outlook**

The Company is currently evaluating financing options to allow it to pursue exploration programs of its highly prospective coal properties as well as to continue exploration on its portfolio of gold properties. Wescan's focus over the next twelve months will be the continued exploration on the Hudson Bay and Pinehouse Lake coal projects. The Company will continue to evaluate the potential for the acquisition of other mineral properties that fit its strategic direction. Management is confident the Company will have sufficient access to financial markets to continue its planned activities in 2010.

## **Risks and Uncertainties**

The Company attempts to mitigate risks by identifying, assessing, reporting and managing risks of significance. The following are risks relating to the business of the Company. This information is a summary only of risks currently facing the Company based on its stage of development. Additional risks and uncertainties not presently known may also impact the Company's operations. Management's view on risks facing the Company will evolve as the Company's stage of development progresses.

### ***Risks Associated With an Exploration Stage Company***

The principal risks faced by the Company during the exploration stage involve: Wescan's ability to obtain financing to further the exploration and development of mineral properties in which Wescan holds interests; obtaining the required permits from various federal, provincial and local governmental authorities; and the ultimate economic feasibility of any future development projects.

The further development and exploration of mineral properties in which Wescan holds interests or which Wescan acquires may depend upon Wescan's ability to obtain financing through debt financing, equity financing or other means. The Company does not have sufficient funds to put any of its property interests into production from its own financial resources. There is no assurance that Wescan will be successful in obtaining required financing as and when needed. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties 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 condition. The relative prices of applicable commodities and future expectations for such prices have a significant impact on the market sentiment for investment in mining and exploration companies.

The future operations of the Company, including development activities and commencement of production on its properties, require permits from various federal, provincial and local governmental authorities. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations. The Company utilizes qualified individuals, service providers and external consultants and maintains communications with governmental authorities to ensure that the Company is in compliance with all applicable rules and regulations.

All of Wescan's property interests are currently in the exploration stage and are without a known body of commercial ore. The exploration, development and production of base and precious metals are capital-intensive, subject to the normal risks and capital expenditure requirements associated with mining operations. While the rewards can be substantial if commercial quantities of base and precious metals are found, there can be no assurance that Wescan's past or future exploration efforts will be successful, that any production there from will be obtained or continued, or that any such production which is attempted will be profitable. To ensure that exploration procedures are being performed effectively and those results are interpreted and reported in a proper manner, management ensures that qualified individuals, service providers and external consultants are utilized in the verification and quality assurance of analytical results.

### **Technical Information**

All technical information in this report has been prepared under the supervision of Kirsten Marcia, Professional Geoscientist in the Province of Saskatchewan, and is the Company's "Qualified Person" under the definition of National Instrument 43-101.

### **Caution Regarding Forward-looking Information**

This MD&A contains forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of Canadian Securities legislation and the United States Private Securities Litigation Reform Act of 1995. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements, and, in particular, statements regarding Wescan's future operations, future exploration and development activities or other development plans contain forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, the ability to raise funds to pursue exploration activities, the use of such funds, and the acquisition and exploration of additional properties.

These forward-looking statements are based on Wescan's current beliefs as well as assumptions made by and information currently available to it and involve inherent risks and uncertainties, both general and specific. Risks exist that forward-looking statements will not be achieved due to a number of factors including, but not limited to, developments in world coal and gold markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of Wescan, the effects of competition in the markets in which Wescan operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings and operational risks and the additional risks described in Wescan's most recently filed annual and interim MD&A, news releases and technical reports. Wescan's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

Although management considers the assumptions contained in forward-looking statements to be reasonable based on information currently available to it, those assumptions may prove to be incorrect. When making decisions with respect to Wescan, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless required by applicable securities law, Wescan does not undertake to update any forward-looking statement that may be made.

Further information relating to the Company has been filed on SEDAR and may be viewed at [www.sedar.com](http://www.sedar.com).