

# WESCAN GOLDFIELDS INC.



## **Management Discussion & Analysis** **September 30, 2007**

(A Development Stage Entity)

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

The following Management's Discussion and Analysis is prepared as of November 22<sup>nd</sup>, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the quarter ended September 30, 2007. 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 the third quarter of 2007, Wescan announced commencement of drilling programs on its 100% owned Jojay and Fork Lake gold projects in Northern Saskatchewan. The Company and its joint venture partner and operator, Santoy Resources Ltd. (Santoy) approved an exploration plan and budget for the current year. Wescan and Alto Ventures Ltd. (Alto) approved a \$300,000 fall exploration program and announced that a contract has been executed for diamond drilling on the Wescan – Alto Mud Lake Project and in July, the Company successfully completed a non-brokered private placement for gross proceeds of \$1,555,500.

### **Athabasca Basin Properties**

During the quarter, Wescan and its 50:50 joint venture partner Santoy, reported on their uranium exploration joint venture in the Athabasca Basin, in Northern Saskatchewan. The joint venture is comprised of six projects totaling 134,217 hectares (ha). A significant exploration plan and budget was approved by the joint venture for the current year, to ensure that the current land package was maintained in good standing. The planned field work program was initiated during the quarter including boulder, soil and lake sediment sampling on the properties and additional analysis of previous geophysics airborne surveys; the results of these surveys are still pending.

### **Fork Lake and Jojay Projects**

The Company announced the commencement of drilling programs on its 100% owned Jojay and Fork Lake projects in Northern Saskatchewan's Greenstone Belt. Wescan awarded contracts to carry out drill programs valued at \$900,000 for the two projects with possible extensions to the contract based on the results of the initial phases of the drilling programs.

Drilling on the Fork Lake project will include the follow-up of targets identified from soil sampling and prospecting programs carried out during the summer of 2006 and 2007. An initial drill program of an estimated 2,500 meters will be carried out and additional holes may be added depending on the results of the initial program.

Drilling on Wescan's advanced stage Jojay project is planned for the fourth quarter of 2007, following completion of the drill program on the Company's Fork Lake project.



An initial drill program of approximately 3,500 meters is planned for phase I with a possible extension to a phase II and phase III; it is anticipated that the drill program will extend into the first quarter of 2008. Wescan previously announced (Wescan News Release June 13, 2007) the award of a contract to a Saskatoon based consulting engineering firm (AMEC) to carry out a scoping study of the Jojay project to evaluate the economics of the project in anticipation of moving to an underground bulk sample phase and with the intention of completing a NI 43-101 compliant technical report and resource estimate. The initial drill program will be targeted as an infill program to assist in the completion of the resource estimate. The additional phases of the program will be focused on extending the resource to depth and testing for new areas of parallel zones of mineralization.

### **Mud Lake Option Agreement**

Wescan and Alto, announced the approval of a \$300,000 surface exploration program and budget for the Mud Lake property in the Beardmore-Geraldton Gold Belt. The program included mechanical stripping and trenching which was scheduled to start in mid September followed by diamond drilling in October or early November.

In addition to the surface exploration program, Wescan and Alto also announced that a contract had been executed for diamond drilling on the Wescan-Alto Mud Lake property. The drill contract stipulates a minimum of 1,200 meters of drilling in 18 to 20 holes and the drilling is scheduled to start in November 2007. The Mud Lake property lies adjacent to the Hercules property where Kodiak Exploration Ltd. recently reported drilling results confirming significant gold mineralization, including 38.47 g/t gold across 1.6 m in drill core and 32.96 g/t gold across 11.6 m in surface channel samples (see Kodiak Exploration news release dated October 1, 2007).

Surface trenching, washing and sampling programs were completed in September in two areas along the main Mud Lake Shear (MLS) to fill gaps along strike between previously discovered gold showings. Samples from the trenched areas were delivered for analyses and results are expected within the next four to six weeks.

The November 2007 drilling will, in part follow-up on gold mineralization intersected at two of the three occurrences drilled previously and test for the first time, another three occurrences along the MLS which have yet to be drill tested. This work is part of a longer term strategy to evaluate each of the surface occurrences with diamond drilling and start to delineate in detail those that display continuity of mineralization and grade and show potential for the concentration of economic mineralization.

Wescan and Alto entered into an Option Agreement on the above Mud Lake property late in the second quarter of 2007. Under the terms of the Option Agreement, Wescan can earn 50% in the property by funding \$600,000 in exploration and issuing a total of 150,000 Wescan shares to Alto over two years. The surface trenching, washing and sampling and upcoming diamond drilling programs are funded by Wescan in accordance with the terms of the Option Agreement.



## Financing

In the third quarter of 2007, the Company completed a non-brokered private placement for 3,888,750 flow-through shares at a price of \$0.40 per share for gross proceeds of \$1,555,500. The Company paid finders' fees equal to 5% of the gross proceeds raised by the finder under the offering and issued finders' warrants equal to 5% of the gross proceeds sold by such a finder pursuant to the offering.

## Financial Highlights

Selected financial information of the Company for the quarters ended September 30, 2007 and 2006 as well as for the nine-month periods ended September 30, 2007 and 2006 is as follows:

	Three Months Ended September 30, 2007 \$	Three Months Ended September 30, 2006 \$	Nine Months Ended September 30, 2007 \$	Nine Months Ended September 30, 2006 \$
Revenues	51,023	51,228	139,842	157,120
Net income (loss)	(197,915)	(176,017)	(864,195)	(301,973)
Net loss per share <sup>(1)</sup>	(0.00)	(0.00)	(0.01)	(0.01)
Cash (used in) from operations	(115,499)	158,644	(709,290)	(247,870)
Working capital	4,385,878	3,869,635	4,385,878	3,869,635

(1) Basic and diluted.

## Third Quarter

### *Results of Operations*

For the quarter ended September 30, 2007, the Company recorded a net loss of \$197,915 (\$0.00 per share) compared to a net loss of \$176,017 (\$0.00 per share) for the same period in 2006. The difference between the quarter ended September 30, 2007 and 2006 is result of reduction in almost all expense categories and a substantially smaller future tax recovery.

### *Revenues*

The Company's sole source of income is the result of investing excess cash reserves in short-term deposits. For the quarter ending September 30, 2007, the Company reported interest revenue of \$51,023 as compared to \$51,228 for the quarter ending September 30, 2006.

### *Expenses*

Total operating costs for the quarter ended September 30, 2007 equaled \$266,438 compared to \$413,245 for the quarter ended September 30, 2006. This represents a decrease of \$146,807 and is the result of decreases in administration expense and



consulting and professional fees. Administration expense decreased from \$323,167 in the third quarter of 2006 to \$238,759 for the quarter ended September 30, 2007. The \$84,408 decrease is predominately related to decreases in personnel and stock based compensation costs during the third quarter of 2007 compared to 2006. There were no consulting fees incurred during the third quarter of 2007 compared to \$28,765 for the same period in 2006. The higher amount for the same period last year was a result of additional due diligence procedures incurred on certain mineral property opportunities. Finally, professional fees decreased from \$49,511 for the third quarter of 2006 to \$9,600 for the corresponding quarter in 2007. The decrease in expense was primarily related to professional fees associated with due diligence procedures on a certain mineral property opportunity that was not present in 2007.

### ***Investing***

Mineral properties additions totaled \$589,036 this quarter compared to \$1,128,108 for the quarter ended September 30, 2006. The majority of the 2007 third quarter costs relate to field exploration cost as well as consulting costs for engineering work incurred on the Company's 100% owned Jojay Project and Fork Lake Projects in Northern Saskatchewan's Greenstone Belt. Also contributing to the third quarter additions were Wescan's share of field survey costs associated with the joint venture uranium properties in northern Saskatchewan as well as trenching and prospecting costs incurred on the Mud Lake project in the Beardmore-Geraldton Gold Belt.

### ***Financing***

During the third quarter of 2007, the Company completed a non-brokered private placement for 3,888,750 flow-through shares at a price of \$0.40 per share for gross proceeds of \$1,555,500. The Company paid finders' fees equal to 5% of the gross proceeds raised by the finder under the offering and issued finders' warrants equal to 5% of the gross proceeds sold by such a finder pursuant to the offering. Proceeds from this placement will be applied to further exploration including drilling on Wescan's 100% owned Jojay and Fork Lake properties, for further exploration of the Company's 50% owned uranium prospecting permits in the Athabasca Basin, for exploration on the Company's other properties in Northern Saskatchewan and Ontario, and for general working capital purposes.

### **Year to Date**

#### ***Results of Operations***

For the nine-month period ended September 30, 2007, the Company recorded a net loss of \$864,195 (\$0.01 per share) compared to a net loss of \$301,973 (\$0.01 per share) for the same period in 2006. The loss for the period ended September 30, 2007 was mitigated by non-cash income tax recoveries of \$237,500 (2006 - \$534,000). The income tax recovery is the result of the Company recording certain tax pools to the extent a future income tax liability was created upon the renunciation of flow-through expenditures. Without the income tax recovery the loss for the nine-month period would have been



\$1,101,695 (2006 - \$835,973). The primary difference from 2006 to 2007 relates to increased administration costs over the same period of 2006.

### ***Revenues***

For the nine-month period ended September 30, 2007 the Company reported interest revenue of \$139,842 as compared to \$157,120 for the nine-month period ended September 30, 2006. The \$157,120 in revenue in the first three quarters of 2007 is the result of having surplus cash for investing after the completion of a financing late in the fourth quarter of 2006 as well in the third quarter of 2007.

### ***Expenses***

Total operating costs for the nine-month period ended September 30, 2007 equaled \$1,241,537 compared to \$993,093 for the same period of 2006. This represents an increase of \$248,444 or 25%. Administration expense increased \$385,014 from \$619,884 in the first nine months of 2006 to \$1,004,898 for the first nine months of 2007. The increase is predominately related to an increase in personnel costs, and office space requirement. Consulting fees decreased by \$66,822 over the same period last year and the decrease is the due diligence costs associated with exploration projects in Mexico during 2006 that were not incurred in 2007. Finally, professional fees decreased from \$228,259 for the period ended September 30, 2006 to \$129,109 for the corresponding period in 2007. The higher expense in the first three quarters of 2006 versus 2007 was primarily related to professional fees associated with the establishment of a subsidiary in the second quarter of 2006 and its associated due diligence costs on potential new properties that were not incurred in 2007.

### ***Investing***

Mineral properties additions totaled \$1,128,108 for the first three quarters of 2007 compared to \$2,551,265 for the first three quarters of 2006. The additions for the nine-month period ended September 30, 2007 relate to the Company's advancement of its exploration program on the 100% owned Fork Lake gold property, environmental baseline and scoping studies performed on the 100% owned Jojay property and a geophysical survey over the Fir Island uranium claims that were acquired in 2006. These uranium claims are part of the Wescan – Santoy joint venture of which Santoy is the operator. The additions for the nine-month period ended September 30, 2006 relate to the Company's advancement of its drilling program on the Fork Lake gold property, the acquisition of an additional 50% interest in 5 claims in the same area as the Company's previously acquired uranium interest in the Athabasca Basin region of northern Saskatchewan, and a geophysical survey of the Company's entire uranium interest. Rounding out investing activity for the nine-month period ended September 30, 2006 was additional staking performed in the Limestone Lake area and the preliminary purchase costs of an additional 75% interest in the Jojay gold deposit.



## Financing

For the nine-month period ended September 30, 2007 the Company issued an additional 3,888,750 common shares for net proceeds of \$1,451,189 compared to 2,826,274 common shares from the exercise of warrants, broker warrants and options for net proceeds of \$1,028,423 over the same period in 2006.

## Summary of Quarterly Results

	2007			2006			2005	
	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$
Revenues <sup>(1)</sup>	51,023	36,086	52,733	44,680	51,228	53,417	52,475	44,979
Net income (loss) <sup>(2)</sup>	(197,915)	(325,564)	(340,715)	(273,544)	(176,017)	(272,672)	146,716	(85,843)
Net income (loss)/share <sup>(2)</sup>	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Capital expenditures <sup>(3)</sup>	625,734	247,000	546,861	482,901	627,071	781,588	1,225,172	523,911
Shares outstanding <sup>(4)</sup>	62,983,916	59,095,166	59,045,166	59,045,166	49,628,738	49,620,338	49,101,638	46,802,464

- (1) The Company's revenues come from interest earned on cash balances as well as administration fees for acting as operator on certain joint ventures. The overall increasing and stable trend in revenues; prior to the second quarter of 2007, is due to interest from the cash proceeds from equity offerings during the first, third and fourth quarters of 2005 as well as the last quarter of 2006; the proceeds of which have been invested in short-term instruments intended to maximize return while being readily available for ongoing operational and exploration activities. There was an increase in revenues in the third quarter of 2007 due to the completion of a private placement in July.
- (2) Basic and diluted.
- (3) The additions in the last quarter of 2005 and the first quarter of 2006 are primarily due to exploratory drill programs at the Fork Lake property. The first quarter of 2006 also had expenditures related to the acquisition of a 50% interest in 5 additional uranium properties located in the same proximity of the properties acquired during 2005 as well as airborne geophysics survey costs related to the uranium claims. The additions in the second, third and fourth quarters of 2006 relate to continued drilling on the Fork Lake property, airborne survey costs related to the Company's 50% interest of its uranium claims in northern Saskatchewan, additional staking done in the Limestone Lake area and the acquisition costs related to the purchase of the remaining 75% interest in the Jojay gold deposit from the Company's joint venture partner which closed on October 24, 2006. The additions in the first and second quarter of 2007 relate to staking costs incurred with the Company's joint venture partner on uranium properties in northern Saskatchewan, as well as on maintenance of the Company's remaining properties. The third quarter of 2007 had expenditures primarily related to advancement of exploration programs on 100% owned Fork Lake gold property and airborne survey costs related to the Company's 50% interest of its uranium claims in northern Saskatchewan.
- (4) Private placements in the fourth quarters of 2005, 2006 and in the third quarter of 2007, in addition to exercise of warrants, broker warrants and options, combined with the purchase in the fourth quarter of 2006 of the remaining 75% interest in the Jojay gold deposit, and the issue of shares in the second quarter of 2007 as part of Mud Lake Option Agreement resulted in the remaining changes to the common shares issued and outstanding.

## 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's working capital is sufficient to cover all currently contemplated exploration programs for the Company's properties. Until the Company's surplus cash is required to fund exploration or development activities it is being invested in relatively risk-free, short-term instruments with maturities not exceeding three months. Wescan Goldfields Inc. has no exposure to asset-backed commercial paper, including sub prime mortgages.

### **Capital Resources and Outstanding Share Data**

As at September 30, 2007, the Company has working capital of \$4.4 million as compared to \$5.2 million at December 31, 2006 and \$3.9 million at September 30, 2006. As at November 22, 2007, the Company had a total of 63.0 million common shares issued and outstanding as well as 2.9 million warrants, 248,000 broker warrants and 3.6 million options. In the event all warrants, broker warrants and options were exercised, the Company would be required to issue a further 6.75 million common shares for gross cash proceeds of \$3.12 million.

### **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 to the annual audited consolidated financial statements. Certain 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.

A critical accounting estimate in determining the Company's financial results relates to the recoverability of the carried amounts of mineral properties. Management assesses carrying values of non-producing properties each time it issues financial statements and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed. 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 and to complete the development of such reserves and the success of future operations. As at September 30, 2007, the Company has not yet determined whether any of its mineral properties contain economically recoverable reserves.



## **Related Party Transactions**

During the nine-month period ended September 30, 2007, management and consulting fees of \$58,000 (2006 - \$149,375) were paid to directors, officers and companies controlled by common directors; \$4,000 (2006 - \$95,375) of these fees was included as consulting fees and \$54,000 (2006-\$54,000) was included as administration expense. The fair-value of stock-based compensation related to directors and officers of the Company for the nine-month period ended September 30, 2007 was \$159,377 (2006 - \$130,111).

During the nine-month period ended, the Company was charged \$313,688 (2006 - \$320,000) from Shore Gold Inc. for administration services, office space and equipment leases.

As at September 30, 2007 Shore Gold Inc. holds 11,474,086 common shares of the Company representing an 18.2% (2006 - 17.1%) 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.

## **Disclosure Controls and Procedures**

There have been no significant changes to the Company's internal controls over financial reporting during the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Outlook**

As at November 22, 2007, the Company has \$4.6 million in cash and cash equivalents that will partially be used to continue exploration programs on the Jojay, Fork Lake, Mud Lake and other properties, fund its 50% share of future exploration programs on the Company's uranium property interests, and evaluate the potential for acquisition of more mineral properties in Canada and internationally.

## **Caution regarding Forward-looking Information**

From time to time, Wescan makes written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Ontario Securities Act. Wescan may make such statements in this MD&A, in other filings with Canadian regulators, in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to Wescan's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. 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. In particular, statements regarding Wescan's future operations, future exploration and development activities or other development plans contain forward-looking statements.

All forward-looking statements and information are based on Wescan's current beliefs as well as assumptions made by and information currently available to Wescan concerning anticipated financial performance, business prospects, strategies, regulatory



developments, development plans, exploration, development and mining activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, developments in world 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 or its joint venture partners; 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; operational and infrastructure risks and the additional risks described in Wescan's most recently filed annual and interim MD&A and Wescan's anticipation of and success in managing the foregoing risks.

Wescan cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Wescan, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Wescan does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by Wescan or on our behalf.

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

