

# WESCAN GOLDFIELDS INC.



## **Consolidated Financial Statements December 31, 2007**

(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.

A handwritten signature in black ink, appearing to read 'Todd M. Grychowski', with a long horizontal line extending to the right.

Todd M. Grychowski  
Chief Financial Officer  
Saskatoon, Canada  
April 23, 2008



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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, 2007 and 2006 and the consolidated statements of loss and comprehensive loss and deficit and cash flows 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, 2007 and 2006 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 23, 2008

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

	December 31, 2007	December 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,413,275	\$ 5,224,274
Receivables	100,432	95,017
Prepays	12,653	14,024
	3,526,360	5,333,315
Mineral properties (note 3)	7,948,522	5,754,069
Property and equipment (note 4)	491,560	173,828
	\$ 11,966,442	\$ 11,261,212
<b>Liabilities &amp; Shareholders' Equity</b>		
Current liabilities:		
Payables and accrued liabilities	\$ 528,085	\$ 155,034
Future income tax liability (note 8)	25,500	402,000
Shareholders' equity:		
Share capital (note 5)	12,698,522	11,205,312
Contributed surplus (note 5)	758,698	496,427
Deficit	(2,044,363)	(997,561)
	11,412,857	10,704,178
Commitments (note 9)	\$ 11,966,442	\$ 11,261,212

See accompanying notes to the consolidated financial statements.

On behalf of the Board



Kenneth E. MacNeill  
Director



Arnie E. Hillier  
Director

**Wescan Goldfields Inc.**  
**(A Development Stage Entity)**  
**Consolidated Statements of Loss and Comprehensive Loss and Deficit**

	Year Ended December 31,	
	2007	2006
<b>Income</b>		
Interest	\$ 199,248	\$ 201,800
<b>Expenses</b>		
Administration	1,309,803	956,101
Consulting fees	46,575	128,280
Professional fees	164,396	260,263
Amortization	68,276	46,223
	<u>1,589,050</u>	<u>1,390,867</u>
<b>Loss before the undernoted item</b>	(1,389,802)	(1,189,067)
Future income tax recovery (note 8)	343,000	613,550
	<u>(1,046,802)</u>	<u>(575,517)</u>
<b>Net loss and comprehensive loss</b>	(1,046,802)	(575,517)
<b>Deficit, beginning of year</b>	<u>(997,561)</u>	<u>(422,044)</u>
<b>Deficit, end of year</b>	<u>\$ (2,044,363)</u>	<u>\$ (997,561)</u>
 <b>Net loss per share</b>		
Basic and diluted (note 6)	(0.02)	(0.01)
 <b>Weighted average number of shares outstanding</b>	60,840,598	49,968,075

See accompanying notes to the consolidated financial statements.

**Wescan Goldfields Inc.**  
**(A Development Stage Entity)**  
**Consolidated Statements of Cash Flows**

	Year Ended December 31,	
	2007	2006
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net loss and comprehensive loss	\$ (1,046,802)	\$ (575,517)
Non-cash items:		
Amortization	68,276	46,223
Fair value of stock options vested	256,958	308,447
Future income tax recovery	(343,000)	(613,550)
<b>Net change in non-cash operating working capital items:</b>		
Receivables	(3,250)	38,521
Prepays	1,371	(3,794)
Payables and accrued liabilities	223,831	22,592
	(842,616)	(777,078)
<b>Investing:</b>		
Additions to mineral properties	(2,157,067)	(2,957,180)
Additions to property and equipment	(406,394)	(159,552)
<b>Net change in non-cash investing working capital items:</b>		
Receivables	(2,165)	(5,991)
Payables and accrued liabilities	149,220	(144,274)
	(2,416,406)	(3,266,997)
<b>Financing:</b>		
Issue of common shares (net of issue costs)	1,448,023	3,036,890
<b>Decrease in cash and cash equivalents,</b>	(1,810,999)	(1,007,185)
<b>Cash and cash equivalents, beginning of year</b>	5,224,274	6,231,459
<b>Cash and cash equivalents, end of year</b>	\$ 3,413,275	\$ 5,224,274
<b>Cash and cash equivalents, consists of:</b>		
Cash	\$ 228,408	\$ 208,857
Guaranteed investment certificates	3,184,867	5,015,417
	\$ 3,413,275	\$ 5,224,274

See accompanying notes to the consolidated financial statements.

**WESCAN GOLDFIELDS INC.**

(A Development Stage Entity)

**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)**

**1. Nature of operations**

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.

**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 and the determination of future income tax assets and liabilities. 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. Interests in joint ventures are accounted for by the proportionate consolidation method.

**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. Cash and cash equivalents are designated as held-for-trading (“HFT”) and are carried at fair value.

**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 ore 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 periodically assesses carrying values of non-producing properties 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.

**WESCAN GOLDFIELDS INC.**

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**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)**

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves; the ability to obtain the necessary financing to establish the existence of ore reserves and to complete the development of such ore 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.

**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 plus one renewal term. 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 bases. 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 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.

**Flow-through shares**

The Company finances a portion of its exploration activities through the issue 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 on loss carryforwards and tax pools in excess of book values available for deduction that are more likely than not to be realized 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.

**WESCAN GOLDFIELDS INC.**

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**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)**

**Stock-based compensation**

The Company has a share option plan that is described in note 5 (g).

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.

**Recently adopted accounting standards**

**Financial instruments**

On January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants (“CICA”) handbook sections relating to financial instruments and comprehensive income. These adoptions had no impact on the Company’s opening deficit. The Company had no “other comprehensive income or loss” transactions during the year ended December 31, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company’s designation of such instruments. The standards require that all financial assets be classified either as held-for-trading, available-for-sale, held-to-maturity, or loans and receivables. The standards require that all financial assets, including all derivatives, be measured at fair value

**New accounting pronouncements**

**Financial instruments and comprehensive income**

Effective January 1, 2008, the Company will adopt new CICA handbook sections relating to financial instrument presentation and disclosure. These sections are intended to enhance the users’ ability to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. The implementation of this guidance is not expected to have a material impact on the Company’s financial position and results of operations.

**Capital disclosures**

During 2007, the CICA issued new accounting standards relating to capital disclosures. This additional disclosure will include quantitative and qualitative information regarding an entity’s objectives, policies and processes for managing capital. This Section is applicable for the Company’s fiscal year beginning January 1, 2008 and is not expected to have a material impact on the Company’s financial disclosures.

**WESCAN GOLDFIELDS INC.**

(A Development Stage Entity)

**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)****3. Mineral properties**

Mineral properties are made up of the following:

	Gold/Other					Uranium	Total
	Fork Lake/ Jasper/ Tamar	Mud Lake	Munro	Jojay	Limestone Lake/ Hanson Lake/Other	Athabasca Basin Properties	
Balance, December 31, 2005	\$1,227,045	\$ -	\$ 69,561	\$ 45,704	\$ 11,547	\$ 65,349	\$1,419,206
Acquisition & Staking	-	-	-	1,402,940	37,921	20,880	1,461,741
Consulting/Personnel	204,033	-	-	-	-	-	204,033
Drilling	1,978,906	-	-	-	-	-	1,978,906
Surveying	-	-	-	-	-	407,685	407,685
Other	281,987	-	280	-	231	-	282,498
Balance, December 31, 2006	\$3,691,971	\$ -	\$ 69,841	\$ 1,448,644	\$ 49,699	\$ 493,914	\$5,754,069
Acquisition & Staking	-	17,000	-	-	6,000	172,602	195,602
Consulting/Personnel	72,798	-	-	-	-	-	72,798
Exploration/Drilling	952,572	242,071	-	417,621	-	-	1,612,264
Surveying	-	-	-	-	-	49,927	49,927
Other	192,860	-	8,246	55,297	90	7,369	263,862
Balance, December 31, 2007	\$4,910,201	\$259,071	\$78,087	\$1,921,562	\$ 55,789	\$723,812	\$7,948,522

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 recoveries, and does not necessarily reflect present or future 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.

b) Mud Lake Property

In the second quarter of 2007, Wescan entered into an option agreement with Alto Ventures Ltd ("Alto"). Under the terms of the agreement, Wescan has an exclusive and irrevocable option to acquire an undivided 50% interest in Alto's Mud Lake property by making \$600,000 in exploration expenditures and issuing 150,000 Wescan shares to Alto over a two year period. As at December 31, 2007, Wescan has incurred \$227,449 of exploration expenditures and has issued 50,000 shares to Alto in accordance with the terms of the option agreement.

c) Munro Property

The Company holds a 51% interest in the Munro property, consisting of certain mineral dispositions located approximately 128 kilometers northeast of La Ronge, Saskatchewan.

d) 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. The Company acquired the original 25% property interest in 2004 from its then parent company, Shore Gold Inc. On October 24, 2006, the Company acquired the remaining 75% property interest in a non-cash exchange for 3,500,000 shares valued at \$1,365,000.

**WESCAN GOLDFIELDS INC.**

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**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)**e) Limestone Lake/Hanson Lake Properties

The Company staked seven claims in the Limestone and Hanson Lake area located 85 kilometres west of Creighton, Saskatchewan during 2006. An additional claim was staked in 2007.

f) Athabasca Basin Properties

The Company acquired a 50% interest in six uranium properties in or around the Athabasca basin in northern Saskatchewan. A 50% interest in five additional claims in the same area was added during 2006. An additional claim was added in 2007.

4. **Property and equipment**

Property and equipment is made up of the following:

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Automotive equipment	\$ 86,541	\$ 39,571	\$ 46,970	\$ 67,101
Computer equipment	40,455	10,063	30,392	11,308
Computer software	55,182	47,605	7,577	1,500
Furniture and equipment	317,348	46,526	270,822	55,516
Leasehold improvements	151,636	15,837	135,799	38,403
	\$ 651,162	\$ 159,602	\$ 491,560	\$ 173,828

Amortization of property and equipment during the year ended December 31, 2007 was \$88,662 (2006 - \$46,223) of which \$20,386 (2006 - nil) was capitalized to mineral properties.

5. **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 pro rated and when declared by the Board of Directors, to one vote per share at meetings of the shareholders and, upon dissolution or any other distribution of assets, to receive pro rated such assets of the Company as are distributable to the holders of the common shares.

Issued and outstanding

	2007			2006		
	Common Shares	Warrants	Amount	Common Shares	Warrants	Amount
Balance, Beginning of year	59,045,166	2,958,214	\$11,205,312	46,802,464	4,298,814	\$7,749,253
Common shares issued (a)	50,000	-	17,000	-	-	-
Flow-through shares issued (b)	3,888,750	-	1,555,500	-	-	-
Warrants expired (c)	-	(2,958,214)	-	-	-	-
Common shares issued (d)	-	-	-	5,916,428	2,958,214	2,070,749
Common shares issued (e)	-	-	-	3,500,000	-	1,365,000
Warrants exercised/expired (c)	-	-	-	2,371,509	(4,298,814)	861,779
Broker warrants exercised (f)	-	-	-	154,765	-	100,922
Options exercised (g)	-	-	-	300,000	-	136,929
Issue costs - net of tax	-	-	(79,290)	-	-	(44,320)
Future income taxes on renunciation of flow-through shares	-	-	-	-	-	(1,035,000)
Balance, End of year	62,983,916	-	\$12,698,522	59,045,166	2,958,214	\$11,205,312

**WESCAN GOLDFIELDS INC.**

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**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)**(a) Common shares

In June 2007, the Company issued 50,000 shares fair valued at \$17,000 as part of the Wescan - Alto Ventures Ltd. Mud Lake Option Agreement. (see note 3b)

(b) Common shares

In July 2007 the Company issued 3,888,750 flow-through shares for gross proceeds of \$1,555,500. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2008; the deduction of which flows through to the shareholder.

(c) 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	Average Price
Balance - December 31, 2005	4,298,814	\$0.30
Issued	2,958,214	0.45
Exercised	(2,371,509)	0.36
Expired	(1,927,305)	0.45
Balance - December 31, 2006	2,958,214	\$0.45
Issued	-	-
Exercised	-	-
Expired	(2,958,214)	0.45
Balance - December 31, 2007	-	\$ -

No warrants were issued in 2007. The warrants issued in 2006 were fair-valued at \$101,467. The fair value of the warrants issued in 2006 was determined using the Black-Scholes option-pricing model with the following assumptions: volatility 52%, risk-free rate of return of 3.92%, expected dividend of 0%, and expected term of 1 year.

(d) Common shares

In December of 2006 the Company issued 5,916,428 units for gross proceeds of \$2,070,049. 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 \$0.45 for a period of 12 months from the closing date.

(e) Common shares

In October of 2006 the Company issued 3,500,000 shares valued at \$1,365,000 for a 75% interest in the Jojay gold deposit. (see note 3d)

(f) 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:

**WESCAN GOLDFIELDS INC.**

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**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)**

	Warrants	Average Price
Balance - December 31, 2005	493,405	\$0.45
Issued	66,194	0.45
Exercised	(154,765)	0.45
Expired	(338,640)	0.45
Balance - December 31, 2006	66,194	\$0.45
Issued	181,938	0.40
Exercised	-	-
Expired	(66,194)	0.45
Balance - December 31, 2007	181,938	\$0.40

The broker warrants outstanding expire July 18, 2008.

The broker warrants issued in 2007 were fair-valued at \$5,313 (2006 - \$1,489). The fair value of the broker warrants was determined using the Black-Scholes option-pricing model with the following assumptions: volatility of 46% (2006 - 43%), risk-free rate of return of 4.64% (2006 - 3.92%), expected dividend of 0% (2006 - 0%), and expected term of 1 year (2006 - 1 year).

**(g) Share option plan**

The Company has established a share option plan whereby options may be granted to directors, officers and key employees to purchase up to an aggregate of 10% of the issued and outstanding shares of the Company. As at December 31, 2007, the number of shares reserved under the plan is 2,288,392. Options granted have an exercise price of not less than the market price (on the date of grant) of the common shares on the stock exchange on which the shares are traded. Options granted vest from date of grant to twenty-four months after grant date and expire 5 years from the date of the grant of the options.

During 2007, the Company granted 1,535,000 (2006 - 2,550,000) 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:

	2007	2006
Number of options granted	1,535,000	2,550,000
Average strike price	\$0.32	\$0.61
Expected dividend	-	-
Expected volatility	44.67%	35.8%
Risk-free interest rate	4.40%	4.27%
Expected life of options	5.00	5.00
Weighted average grant date fair values	\$189,342	\$524,625

The fair value of the options granted during 2007, using the Black-Scholes option-pricing model was \$189,342 (2006 - \$524,625). The fair value attributable to options granted during the year and vested was \$87,237 (2006 - \$321,130). Of this amount, \$ nil (2006 - \$12,683) was capitalized as an addition to mineral properties and \$87,237 (2006 - \$308,477) was expensed with a corresponding increase of \$87,237 (2006 - \$321,130) to contributed surplus. The fair value of options vested and expensed during 2007 was \$256,958 (2006 - \$308,447).

**WESCAN GOLDFIELDS INC.**

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**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)**

For options outstanding at December 31, 2007 and 2006, weighted average exercise prices are as follows:

	Options	Average Price
Balance December 31, 2005	1,200,000	\$ 0.30
Granted	2,550,000	0.61
Exercised	(300,000)	0.32
Forfeited	(200,000)	0.65
Expired	(100,000)	0.30
Balance December 31, 2006	3,150,000	\$ 0.54
Granted	1,535,000	0.31
Exercised	-	-
Forfeited	(225,000)	0.51
Expired	(450,000)	0.55
Balance December 31, 2007	4,010,000	\$0.45

For options outstanding at December 31, 2007, the range of exercise prices; weighted average exercise price and the weighted average remaining contractual life is as follows:

Option Price Per Share	Outstanding			Exercisable	
	Options December 31, 2007	Weighted Average Exercise Price	Weighted Average Remaining Life	Options December 31, 2007	Weighted Average Exercise Price
\$0.20 – 0.39	2,160,000	\$0.31	3.74 years	1,075,000	\$0.32
\$0.40 – 0.59	500,000	0.50	3.58 years	500,000	0.50
\$0.60 – 0.79	1,350,000	0.65	3.33 years	1,350,000	0.65
	4,010,000	\$0.45	3.58 years	2,925,000	\$0.49

**(h) Contributed surplus**

The fair-value of stock options and broker warrants has been determined using the Black-Scholes option-pricing model. The fair-value on the vesting of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital. A summary of the contributed surplus activity is as follows:

	2007	2006
Balance – beginning of year	\$ 496,427	\$ 245,016
Fair value of options vested	262,926	342,337
Fair value of broker warrants granted	5,313	1,489
Less: contributed surplus related to options exercised	-	(39,930)
Less: contributed surplus related to options forfeited	(5,968)	( 21,207)
Less: contributed surplus related to broker warrants exercised	-	(31,278)
Balance – end of year	\$ 758,698	\$ 496,427

**WESCAN GOLDFIELDS INC.**

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**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)****6. Per share amounts**

Basic loss per common share is computed by dividing net loss applicable to common shares by the weighted average number of common shares issued and outstanding for the relevant period. Diluted loss per common share is computed by dividing net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued. The calculation of loss per share amounts is based on the following:

	2007	2006
Numerator:		
Loss applicable to common shares	\$1,046,802	\$575,517
Denominator:		
Weighted average common shares outstanding	60,840,598	49,968,075
<b>Basic and diluted loss per common share</b>	<b>\$ 0.02</b>	<b>\$ 0.01</b>

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

**7. Related party transactions**

As at December 31, 2007 Shore Gold Inc. holds 11,474,086 common shares of the Company representing an 18.2% (2006 – 19.4%) interest in the Company.

During the year management and consulting fees of \$76,000 (2006 - \$157,024) were paid to directors, officers and companies controlled by common directors; \$4,000 (2006 - \$85,024) of these fees were included as consulting fees and \$72,000 (2006 - \$72,000) was included as administration expense.

During the year, the Company paid \$326,915 (2006 - \$473,944) to Shore Gold Inc. for rent of office space, administration services, and rental of equipment.

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

**8. Income taxes**

The significant components of future income tax assets and liabilities at December 31, 2007 and 2006 are as follows:

	2007	2006
Future income tax assets		
Non-capital loss carry forwards	\$ 748,100	\$ 470,000
Share issue costs	88,800	119,000
Future income tax assets before valuation allowance	836,900	589,000
Valuation allowance	-	-
Future income tax liabilities – mineral properties	(862,400)	(991,000)
<b>Net future income tax liabilities</b>	<b>\$ 25,500</b>	<b>\$ 402,000</b>

**WESCAN GOLDFIELDS INC.**

(A Development Stage Entity)

**Notes to the Consolidated Financial Statements (years ended December 31, 2007 and 2006)**

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:

	2007	2006
Loss before income taxes	\$ 1,389,802	\$ 1,189,067
Combined federal and provincial tax rate	35.62%	39.59%
Expected tax recovery	(495,047)	(470,870)
Increase (decrease) in taxes resulting from:		
Non-deductible stock option expenses	91,528	122,157
Other non-deductible amounts	3,500	1,172
Effect of change in effective tax rates	57,019	101,568
Tax benefit not recognized on foreign exploration	-	91,753
Effect of tax rate change on renunciation of tax deductions	-	(267,330)
Change in valuation allowance		(192,000)
Future income tax recovery	\$ (343,000)	\$ (613,550)

As at December 31, 2007, the Company has operating losses for income tax purposes approximating \$2,765,000 that are available to reduce taxes in future years and expire over the period to the year 2026.

**9. Commitments**

As at December 31, 2007, the Company is committed to an operating lease for office space, as follows:

Year	
2008	\$ 81,180
2009	81,180
2010	81,180
2011	81,180
Thereafter	-
Total	\$ 324,720

To satisfy its commitments pursuant to the issuance of flow-through shares, the Company is required to incur \$1,555,550 of qualifying exploration expenditures for tax purposes on or before December 31, 2008.

**10. Comparative Figures**

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