

# WESCAN GOLDFIELDS INC.



## **Management's Discussion & Analysis June 30, 2008**

(A Development Stage Entity)

## MANAGEMENT'S DISCUSSION & ANALYSIS

The following Management's Discussion and Analysis is prepared as of August 22, 2008 and should be read in conjunction with the unaudited financial statements for the quarter ended June 30, 2008. 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 second quarter of 2008, Wescan announced the application for an extensive package of coal dispositions in east central Saskatchewan and soon after the Company received "Letters of Comfort" from the Saskatchewan Ministry of Energy and Resources regarding these dispositions. Subsequent to the end of the period, Wescan announced it had received an initial package of coal permit certificates. In addition to the coal activity, the Company and Alto Ventures Ltd. ("Alto") approved a \$300,000 exploration program and budget for the Wescan-Alto Mud Lake project in the Beardmore-Geraldton Gold Belt of northern Ontario.

### Applications for Coal Dispositions

In the second quarter of 2008, Wescan applied for an extensive package of coal dispositions in the east central area of Saskatchewan. Coal permit applications covering approximately 253,000 hectares were submitted in accordance with the *Coal Disposition Act* of Saskatchewan, immediately following the announcement of a significant coal discovery in that region by Goldsource Mines Inc. ("Goldsource") (see Goldsource news release dated April 22, 2008). The near surface intersections discovered by Goldsource were made in two holes spaced 1.64 kilometres apart in an area 50 kilometres north of Hudson Bay, Saskatchewan.

In May of 2008, Wescan announced receipt of "Letters of Comfort" from the Saskatchewan Ministry of Energy and Resources stating that the majority of all coal permit applications made on behalf of the Company are "first in line" and would be given priority sequence. At that time, Wescan's priority sequenced coal permit applications totaled 253,000 hectares (2,530 square kilometres) located adjacent to and partially surrounding the coal discovered by Goldsource. The criteria for targeting the coal permit applications were: proximity to the recent coal discovery made by Goldsource; regional extent of the Cretaceous Mannville Group; and glacial overburden thickness.

Subsequent to the end of the period, Wescan announced it had received an initial package of 83 coal permit certificates from the Saskatchewan Ministry of Energy and Resources. The area covered by these initial permits is approximately 60,080 hectares (601 square kilometres) and is located west of the major coal discovery previously announced by Goldsource (see Goldsource news releases dated April 22 and April 28, 2008). These permits allow Wescan to explore the area for coal and cover a period of one year with two possible six-month extensions and convertible to a 15-year lease. The Company has a balance of 268 priority sequenced ("first in line") coal applications listed in Letters of Comfort in the Hudson Bay, Saskatchewan area from



The Saskatchewan Ministry of Energy and Resources, comprising 192,640 hectares (1,936 square kilometres) remaining to be issued. Exploration permitting with Saskatchewan Environment is in progress with an initial program proposal submitted to that department. This primary drilling will focus on Wescan's southeasterly permits, located adjacent to Goldsource and proximal to their recent drilling activity.

### **Mud Lake Option Agreement**

In the second quarter of 2008, Wescan and Alto announced that a \$300,000 exploration program and budget was approved for the Wescan-Alto Mud Lake project in the Beardmore-Geraldton Gold Belt of northern Ontario. The program includes an airborne high-resolution magnetometer and XDS/VLF electromagnetic surveys as well as surface work consisting of prospecting, mechanical stripping and sampling. The geophysical work was completed in late June and the survey report is still pending. The surface work commenced in early July and will be followed by diamond drilling scheduled to start in late September.

Under the terms of the agreement, Wescan has an exclusive and irrevocable option to acquire an undivided 50% interest in Alto's Mud Lake Project by making \$600,000 in exploration expenditures and issuing 150,000 Wescan shares to Alto over a two year period. Upon exercising the option by Wescan at the completion of the two year term, the parties will enter into a 50:50 joint venture agreement to carry out on-going exploration and or development. Alto will remain the project operator until the completion of a positive pre-feasibility study, at which time Wescan will have the option to assume the role of operator.

### **Financial Highlights**

Selected financial information of the Company for the quarters ended June 30, 2008 and 2007 as well as for the six-month periods ended June 30, 2008 and 2007 is as follows:

	Three Months Ended June 30, 2008 \$	Three Months Ended June 30, 2007 \$	Six Months Ended June 30, 2008 \$	Six Months Ended June 30, 2007 \$
<b>Revenues</b>	16,280	36,086	47,400	88,819
<b>Net (loss)</b>	(545,313)	(325,564)	(805,025)	(666,279)
<b>Net (loss) per share <sup>(1)</sup></b>	(0.01)	(0.01)	(0.01)	(0.01)
<b>Cash used in operations</b>	(413,115)	(363,152)	(533,130)	(634,544)
<b>Working capital</b>	217,088	3,716,994	217,088	3,716,994

(1) Basic and diluted.

### **Results of Operations for the Quarter**

For the quarter ended June 30, 2008, the Company recorded a net loss of \$545,313 (\$0.01 per share) compared to a net loss of \$325,564 (\$0.01 per share) for the same period in 2007.



## ***Revenues***

The Company's major source of income is the result of investing excess cash reserves in short-term deposits. For the quarter ending June 30, 2008, the Company reported interest revenue and other income of \$16,280 as compared to \$36,086 for the quarter ending June 30, 2007. The reduction in interest revenue from the same period in 2007 is the result of having a smaller surplus of cash for investing.

## ***Expenses***

Total operating costs for the quarter ended June 30, 2008 equaled \$670,593 compared to \$485,650 for the quarter ended June 30, 2007. This represents an increase of \$184,943 and is the result of increases in administration expenses and amortization and decreases in consulting and professional fees. Administration expense increased from \$382,463 in the second quarter of 2007 to \$615,762 for the quarter ended June 30, 2008. The \$233,299 increase is predominately related to increases in personnel costs and stock based compensation during the second quarter of 2008 compared to 2007. Consulting fees were \$6,027 during the second quarter of 2008 compared to \$21,818 for the same period in 2007. The higher amount in 2007 was a result of costs incurred from an executive search company. Finally, professional fees decreased from \$56,703 for the second quarter of 2007 to \$18,569 for the corresponding quarter in 2008. The decrease in expense was primarily related to professional fees associated with due diligence on a certain mineral property opportunity.

## ***Investing***

Mineral properties cash additions totaled \$346,919 this quarter compared to \$201,606 for the quarter ended June 30, 2007. The majority of these costs relates to a summer line-cutting and a soil geochemistry program on the Munroe Lake joint-venture project (Wescan 51%) and continued advancement of the Wescan-Alto Mud Lake project in the Beardmore-Geraldton Gold Belt of northern Ontario.

## ***Financing***

The exercise of 11,976 broker warrants during the quarter resulted in additional cash flow from financing activities of \$4,790.

## **Year to Date**

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

For the six-month period ended June 30, 2008, the Company recorded a net loss of \$805,025 (\$0.01 per share) compared to a net loss of \$666,279 (\$0.01 per share) for the same period in 2007. The loss for the period ended June 30, 2008 was reduced by non-cash income tax recoveries of \$134,500 (2007 - \$220,000). 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 six-month period would have been \$939,525 (2007 - \$886,279). The primary difference from 2007 to 2008 relates to increased administration costs over the same period of 2007 predominately resulting from the fair-value of stock options expensed during the period and increased personnel costs.

### ***Revenues***

For the six-month period ended June 30, 2008 the Company reported interest and other income of \$47,400 as compared to \$88,819 for the six-month period ended June 30, 2007. The reduction in interest revenue from the same period in 2007 is the result of having a smaller surplus of cash for investing.

### ***Expenses***

Total operating costs for the six-month period ended June 30, 2008 equaled \$986,925 compared to \$975,098 for the same period of 2007. Administration expense increased \$134,889 from \$766,138 in the first six months of 2007 to \$901,027 for the first six months of 2008. The increase is predominately related to an increase in personnel costs and stock based compensation. Consulting fees decreased by \$23,328 over the same period last year and the decrease is the result of costs incurred to an executive search company in 2007 that did not exist in 2008. Finally, professional fees decreased from \$119,509 for the period ended June 30, 2007 to \$20,436 for the corresponding period in 2008. The higher expense in the first two quarters of 2007 versus 2008 was primarily related to professional fees associated with due diligence on a certain mineral property opportunity.

### ***Investing***

Mineral properties cash additions totaled \$2,083,750 for the first two quarters of 2008 compared to \$539,072 for the first two quarters of 2007. The majority of these costs relate 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 Munroe Lake joint venture project (Wescan 51%) and continued advancement of the Company's 50% interest of its uranium claims in northern Saskatchewan.

### ***Financing***

For the six-month period ended June 30, 2008 the Company issued an additional 61,976 common shares for net proceeds of \$4,790 compared to 50,000 common shares for net proceeds of \$0 over the same period in 2007. For both six-month periods of 2008 and 2007 Wescan issued 50,000 shares to Alto in accordance with terms of Wescan-Alto Mud Lake option agreement.



## Summary of Quarterly Results

	2008		2007				2006	
	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$
<b>Revenues</b> <sup>(1)</sup>	16,280	31,120	59,406	51,023	36,086	52,733	44,680	51,228
<b>Net income (loss)</b> <sup>(2)</sup>	(545,313)	(259,712)	(184,624)	(197,915)	(325,564)	(340,715)	(273,544)	(176,017)
<b>Net income (loss)/share</b> <sup>(2)</sup>	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.00)
<b>Capital expenditures</b> <sup>(3)</sup>	407,498	1,768,721	1,141,850	625,734	247,000	546,861	482,901	627,071
<b>Shares outstanding</b> <sup>(4)</sup>	63,045,892	62,983,916	62,983,916	62,983,916	59,095,166	59,045,166	59,045,166	49,628,738

- (1) *The Company's revenues come from interest earned on cash balances, camp rental fees as well as administration fees for acting as operator on certain joint ventures. The overall increasing and stable trend in revenues; prior to 2008 and the second quarter of 2007, is due to interest from the cash proceeds from equity offerings during the third quarter of 2007 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.*
- (2) *Basic and diluted.*
- (3) *The additions in the 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 project from the Company's joint venture partner which closed on October 24, 2006. The additions in the first and second quarters 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 and fourth quarter of 2007 had expenditures primarily related to advancement of exploration programs on its 100% owned Fork Lake and Jojay gold properties as well as exploration costs related to the Company's 50% interest of its uranium claims in northern Saskatchewan. The additions in the first and second quarters of 2008 primarily relate to completion of the Company's 2007/2008 winter drill program on the Jojay gold project, continued advancement on the Company's 50% interest of its uranium claims in northern Saskatchewan and a summer line-cutting and a soil geochemistry program on the Company's 51% owned Munroe project.*
- (4) *Private placements in the fourth quarter of 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 project through the issuance of shares, and the issue of shares in the second quarters of 2007 and 2008 as part of Mud Lake Option Agreement resulted in the remaining changes to the common shares issued and outstanding.*

## Related Party Transactions

Mr. Kenneth E. MacNeill (Chief Executive Officer) and Mrs. Judy Stoeterau (President) through their respective consulting companies, hold management and consulting contracts with Company. As of March 31, 2008, Mr. MacNeill and Mrs. Stoeterau's monthly contracted fee is \$6,000 and \$7,750 respectively. During the six-month period ended, management and consulting fees of \$59,250 (2007 - \$40,000) were paid to directors, officers and companies controlled by common directors; \$59,250 (2007 - \$36,000) was included as administration expense and nil (2007 - \$4,000) of these fees was included as consulting fees. The fair-value of stock based compensation related to directors and officers of the Company for the six-month period ended June 30, 2008 was \$285,394 (2007 - \$118,563).



During the six-month period ended June 30, 2008, the Company was charged \$34,158 (2007 - \$225,793) from Shore Gold Inc. for administration services. Accounts payable includes \$3,000 (2007 - \$29,000) due to Shore Gold Inc.

As at June 30, 2008 Shore Gold Inc. holds 11,474,086 common shares of the Company representing an 18.2% (2007 - 19.4%) 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 believes it will have sufficient access to financial markets to continue to meet its obligations as they become due.

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

As at June 30, 2008, the Company has working capital of \$217,088 as compared to \$3.0 million at December 31, 2007 and \$3.7 million at June 30, 2007. As at August 22, 2008, the Company had a total of 63,045,892 common shares issued and outstanding as well as 5,177,500 options. In the event all options were exercised, the Company would be required to issue a further 5,177,500 common shares for gross cash proceeds of \$2.4 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 June 30, 2008, the Company has not yet determined whether any of its mineral properties contain economically recoverable reserves.

## **Accounting Changes**

### ***Financial Instruments – Presentation and Disclosure***

On January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants (“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.

#### 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’s approach to managing this risk is to ensure that it is invested in highly liquid assets to meet its obligations when due. As at June 30, 2008 the Company believes it will have sufficient access to financial markets to continue to meet its obligations as they become due.

### ***Capital Disclosures***

On January 1, 2008, the Company adopted CICA accounting standards relating to capital disclosure. This additional disclosure includes information regarding an entity’s objectives, policies and processes for managing capital.

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

The Company considers the items included in shareholder’s equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

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

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



As at June 30, 2008 the Company believes it will have sufficient access to financial markets to continue to meet its obligations as they become due. The Company is not subject to externally imposed capital requirements, except as disclosed in the financial statements.

### **Future Accounting Changes**

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

In February 2008, the Canadian Accounting Standards Board (“AcSB”) announced that 2011 is the changeover date for public accountable companies to convert from Canadian GAAP to IFRS. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Accordingly, this new standard will apply to the Company effective for the fiscal year commencing January 1, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

### **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 August 22, 2008, the Company has \$ 116,500 in cash and cash equivalents that will partially be used to continue exploration programs on the Jojay, Fork Lake and Mud Lake properties as well as the potential coal dispositions, 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. Management has determined that the Company will require additional financing and believes it will have sufficient access to financial markets to continue its planned objectives.

### **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 progresses in its stage of development.

#### ***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; maintaining title to its property claims; obtaining the required permits from various federal, provincial and local governmental authorities; and the ultimate economic feasibility of any future development projects.



## 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. Unless otherwise required by applicable securities laws, Wescan does not undertake to update any written forward-looking statement, 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).

