WESCAN GOLDFIELDS INC.

Consolidated Financial Statements
December 31, 2011

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 International Financial Reporting Standards. The consolidated financial statements include some amounts that are based on best estimates and judgments.

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

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

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

Kenneth E. MacNeill
Chairman and Chief Executive Officer
Saskatoon, Canada
April 26, 2012

Harvey J. Bay
Chief Financial Officer
Saskatoon, Canada
April 26, 2012

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wescan Goldfields Inc.

We have audited the accompanying consolidated financial statements of Wescan Goldfields Inc., which comprise the consolidated statements of financial position as at December 31, 2011, at December 31, 2010 and January 1, 2010, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended December 31, 2011 and 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wescan Goldfields Inc. as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 3 in the consolidated financial statements, which indicates that Wescan Goldfields Inc. requires additional funding to finance its exploration and operating activities through its 2012 fiscal year. These conditions, along with other matters set forth in note 3 and note 18, indicate the existence of a material uncertainty that may cast significant doubt about Wescan Goldfields Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Accountants

April 26, 2012
Saskatoon, Canada

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Wescan Goldfields Inc.

Consolidated Statements of Financial Position

	(In Canadian dollars)		
	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	$ 1,094,924	$ 499,115	$ 289,605
Receivables	15,552	4,173	92,948
Prepaids and deposits	26,563	14,311	34,246
	1,137,039	517,599	416,799
Property and equipment (note 7)	78,768	188,813	270,371
Exploration and evaluation assets (note 8)	1,434,562	1,434,562	1,434,562
	$ 2,650,369	$ 2,140,974	$ 2,121,732
Liabilities and Shareholders' Equity			
Current liabilities:			
Payables and accrued liabilities	$ 150,018	$ 145,786	$ 738,725
Premium on flow-through shares (note 11)	299,860	-	-
Environmental rehabilitation provision (note 12)	75,520	75,520	75,520
Shareholders' equity:			
Share capital (note 14)	19,573,114	17,680,107	16,362,971
Warrants and broker warrants (note 14)	37,574	119,288	71,386
Contributed surplus (note 14)	2,110,267	1,895,195	1,665,334
Deficit	(19,595,984)	(17,774,922)	(16,792,204)
	2,124,971	1,919,668	1,307,487
	$ 2,650,369	$ 2,140,974	$ 2,121,732

Going concern (note 3)

On behalf of the Board:

Kenneth E. MacNeill
Chairman and Chief Executive Officer

Arnie E. Hillier
Chairman of the Audit Committee

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31

	(In Canadian dollars)	
	2011	2010
Income		
Interest and other	$ 41,591	$ 39,544
Expenses		
Exploration and evaluation (note 9)	1,362,600	64,099
Administration	570,988	734,848
Corporate development	23,874	23,315
	1,957,462	822,262
Loss before the undernoted items	(1,915,871)	(782,718)
Flow-through share premium recovery (note 11)	87,105	-
Gain on sale of equipment	7,704	-
Settlement with Alto Ventures (note 10)	-	(200,000)
Net loss and comprehensive loss	$ (1,821,062)	$ (982,718)
Net loss and comprehensive loss per share		
Basic and diluted (note 15)	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding	111,184,150	84,522,227

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Consolidated Statements of Cash Flows
For the years ended December 31

	(In Canadian dollars)	
	2011	2010
Cash provided by (used in):		
Operations:		
Net loss and comprehensive loss	$ (1,821,062)	$ (982,718)
Non-cash items:		
Amortization	74,214	81,637
Fair value of stock options vested	95,784	158,475
Gain on sale of equipment	(7,704)	-
Flow-through share premium recovery	(87,105)	-
Settlement with Alto Ventures	-	150,000
Net change in non-cash operating working capital items:		
Receivables	(11,379)	88,775
Prepaids and deposits	(12,252)	19,935
Payables and accrued liabilities	4,232	(592,939)
	(1,765,272)	(1,076,835)
Investing:		
Property and equipment	43,535	(79)
	43,535	(79)
Financing:		
Issue of share capital (net of issue costs)	2,317,546	1,286,424
	2,317,546	1,286,424
Increase in cash position	595,809	209,510
Cash and cash equivalents, beginning of year	499,115	289,605
Cash and cash equivalents, end of year	$ 1,094,924	$ 499,115
Cash and cash equivalents consists of:		
Cash	$ 1,094,924	$ 499,115
	$ 1,094,924	$ 499,115

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.

Consolidated Statements of Changes in Equity

For the years ended December 31

	(In Canadian dollars)	
	2011	2010
Share capital (note 14)		
Balance, beginning of year	$ 17,680,107	$ 16,362,971
Private placements	2,162,285	1,203,427
Shares issued for settlement with Alto Ventures Ltd.	-	150,000
Share issue costs	(269,278)	(36,291)
Balance, end of year	$ 19,573,114	$ 17,680,107
Warrants (note 14)		
Balance, beginning of year	$ 116,573	$ 61,649
Issued	4,514	116,573
Expired	(116,573)	(61,649)
Balance, end of year	$ 4,514	$ 116,573
Broker warrants (note 14)		
Balance, beginning of year	$ 2,715	$ 9,737
Issued	33,060	2,715
Expired	(2,715)	(9,737)
Balance, end of year	$ 33,060	$ 2,715
Contributed surplus (note 14)		
Balance, beginning of year	$ 1,895,195	$ 1,665,334
Stock based compensation	95,784	158,475
Warrants expired	116,573	61,649
Broker warrants expired	2,715	9,737
Balance, end of year	$ 2,110,267	$ 1,895,195
Deficit		
Balance, beginning of year	$ (17,774,922)	$ (16,792,204)
Net and comprehensive loss	(1,821,062)	(982,718)
Balance, end of year	$ (19,595,984)	$ (17,774,922)
Total Shareholders' Equity	$ 2,124,971	$ 1,919,668

See accompanying notes to consolidated financial statements

WESCAN GOLDFIELDS INC.

1. Corporate Information

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 future development of its current exploration permits. Wescan is located at 300 – 224 4th Avenue South, Saskatoon, Saskatchewan, Canada.

2. Basis of preparation

The consolidated financial statements of Wescan for the year ended December 31, 2011 were authorized for issue by the Company's Board on April 26, 2012. The financial statements of Wescan have been prepared in accordance with International Accounting Standard ("IAS") 1 *Presentation of Financial Statements* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The Company's financial statements have been prepared on a historical cost basis, except as otherwise disclosed, using the Company's functional currency of Canadian dollars.

Prior to 2011, the Company prepared its consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP"). In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. The disclosures concerning the transition from Canadian GAAP to IFRS are included in note 20. The accounting policies set out below have been applied consistently to all periods presented as if these policies had always been in effect, except for first-time exemptions applied which are described in note 20.

3. Going Concern

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. At December 31, 2011, the Company had working capital of $987,021, and as discussed in note 18, currently does not have sufficient resources to finance operating and exploration activities through its 2012 fiscal year, conditions which raise significant doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern and fund operating and exploration activities in an orderly manner will require further equity issues or other forms of financings in 2012. There is no assurance that the Company 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 exploration plans, forfeit rights in its properties or reduce or terminate its operations.

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

4. Summary of significant accounting policies

The Company's principal accounting policies are outlined below:

a. Basis of Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Interests in jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by Wescan and other venturers of assets contributed to or acquired for the purpose of a joint venture, without the formation of a corporation, partnership or other entity.

Where Wescan's activities are conducted through jointly controlled assets those operations are accounted for using the proportionate consolidation method. Wescan recognizes its share of the jointly controlled assets, and liabilities it has incurred, related revenue and operating costs in the financial statements and a share of their production, if any.

When Wescan, acting as an operator, receives reimbursement of direct and indirect costs recharged to the joint venturers such recharges represent reimbursement of costs that the operator incurred as an agent for the joint venturers and therefore have no effect on the statement of loss and comprehensive loss.

b. Financial instruments

i. Non-derivative financial assets

The Company classifies its non-derivative financial assets into the following categories: held-to-maturity financial assets and loans and receivables.

Held-to-maturity financial assets

If the Company has the intent and ability to hold securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets are comprised of the Company's cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables are comprised of the Company's accounts receivable.

ii. Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using the effective interest method.

Other financial liabilities are comprised of the Company's accounts payable.

iii. Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it has been impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of loss and comprehensive loss.

c. Cash and cash equivalents

Cash and cash equivalents include cash, and short-term investments that, upon acquisition, have a term to maturity of three months or less.

d. Property and equipment

Property and equipment are tangible costs that are stated at cost less accumulated depreciation and any impairment in value. Such cost includes costs of replacing parts that are eligible for capitalization when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement only if it is eligible for capitalization. All other repairs and maintenance are expensed as incurred.

Depreciation is calculated using the declining balance method except for leasehold improvements, which are amortized on a straight-line basis over a term equal to the remaining life of the current lease agreement. Annual amortization rates are as follows:

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

The carrying value of items of property and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values of an asset exceed its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of loss and comprehensive loss in the year the item is derecognized.

e. Exploration and evaluation

i. Pre-permit costs

Pre-permit costs are expensed in the period in which they are incurred. These costs are intangible.

ii. Exploration and evaluation costs

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 intangible assets and classified as exploration and evaluation assets for financial statement purposes.

Once the legal right to explore has been established, exploration and evaluation expenditures are expensed as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized.

Exploration and evaluation expenditures incurred on permits where a National Instrument ("NI") 43-101 compliant reserve and a final feasibility study have not yet been completed are expensed during this phase and included in "exploration and evaluation" expense in the statements of loss and comprehensive loss.

Upon the establishment of a NI 43-101 compliant reserve and the completion of a final feasibility study (at which point, the Company considers it probable that economic benefits will be realized), the Company capitalizes any further costs incurred for the particular permit to exploration and evaluation assets up to the point when a development decision is made.

Once NI 43-101 compliant reserves are established and development is approved by the Company, previously capitalized exploration and evaluation assets that will be transferred to "mine development costs" are tested for impairment on a cash generating unit basis ("CGU"). If facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the

capitalized expenditure which is not expected to be recovered is charged to the statements of loss and comprehensive loss. No amortization of exploration and evaluation assets is charged during the exploration and evaluation phase nor while it is under construction.

Exploration and evaluation assets acquired in a business combination or through purchase of an asset are initially recognized at fair value. These costs are intangible. The Company assesses each CGU annually to determine whether an indication of impairment exists. Where an indicator of impairment exists a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assets are subsequently stated at cost less accumulated impairment.

When options to acquire exploration and evaluation assets are granted or exploration and evaluation assets are sold, proceeds are credited to the cost of the property. If proceeds exceed costs, the excess proceeds are reported as a gain.

f. Employee Benefits

i. Wages and salaries, and annual leave
The liability for employee entitlements to wages and salaries represents the amount which the Company has a present obligation to pay resulting from services provided up to the reporting date. A provision exists for annual leave as it is earned and is measured at the amount expected to be paid when it is settled and includes all related costs.

ii. Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

iii. Termination benefits
Termination benefits are recognized as an expense when the Company is committed to provide termination benefits in accordance with certain contracts provided to officers of the Company. If benefits are payable for more than 12 months after the reporting date, then those benefits are discounted to their present value.

iv. Share-based payment transactions
The grant-date fair value of share-based payment awards granted to employees, officers or directors is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met.

g. Provisions
A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount, if material, is recognized as a finance cost.

Environmental rehabilitation
The Company may be required to decommission and rehabilitate exploration sites to a condition acceptable to the relevant authorities.

The expected cost of any decommissioning or rehabilitation program is recognized as a liability when the related environmental disturbance occurs. The offsetting cost is treated as an "exploration and

evaluation" expense until a NI 43-101 reserve has been established and a final feasibility report completed. Once a NI 43-101 reserve has been established and a final feasibility study completed, the estimated cost (on a discounted basis, if material) of any new environmental disturbances are capitalized. Where there is a change in the expected decommissioning and rehabilitation costs, the value of the provision and any related asset are adjusted and the effect is recognized in the statements of loss and comprehensive loss on a prospective basis over the remaining life of the operation.

h. Income tax

Income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary difference between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

i. Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares. Upon the sale of flow-through shares, the Company recognizes a liability for the excess purchase price paid by the investors over the fair value of common shares without the flow-through feature (the "premium") and records the fair value of the shares in equity. As the Company incurs qualifying expenditures, the liability is reversed and a deferred tax liability is recorded for the amount of the benefits renounced to the investors. To the extent the Company has unrecognized tax benefits from loss carry forwards or other tax pools in excess of book value that are not expected to expire the Company will offset the future income tax liability resulting in the premium being recognized in the statement of loss and comprehensive loss.

5. Use of estimates and judgment

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in the statement of loss and comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The areas of estimation uncertainty considered by management that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

a. **<u>Reserve and resource estimates</u>**
Reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mineral properties. The Company currently only has mineral resources and does not have a basis to determine if any of its resources will be converted to reserves. The estimation of recoverable reserves is based upon factors such as estimations of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the Company's resource estimates may impact upon the carrying value of exploration and evaluation assets, property and equipment, environmental rehabilitation provision, recognition of deferred tax assets, and depreciation and amortization charges.

b. **<u>Impairment of exploration and evaluation assets</u>**
Should the Company have an indicator of impairment, the Company is required to perform an impairment assessment. The impairment assessments for exploration and evaluation assets require the use of estimates and assumptions such as discount rates, future commodity prices, future foreign exchange rates, future royalty rates, recoverable grades, and future capital and operating expenditures. Fair value for exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Management assesses its CGU's as being an individual mine site that may include multiple ore bodies. This is the lowest level for which cash inflows are largely independent of those of other assets.

c. **<u>Environmental rehabilitation provision</u>**
Environmental rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. Estimates are reviewed annually and are based on management's understanding of the current regulatory requirements. Significant changes in estimates of restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provision may be higher or lower than currently provided for.

d. **<u>Recovery of deferred tax assets</u>**
Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded, if any, could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

e. **<u>Share-based payment transactions</u>**
The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 16.

6. IFRS standards issued but not yet effective

At the date of authorization of these consolidated financial statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

a. IFRS 9 – Financial Instruments
IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

b. IFRS 10 – Consolidated Financial Statements
IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

c. IFRS 11 – Joint Arrangements
IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

d. IFRS 12 – Disclosures of Interests in Other Entities
IFRS 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

e. IFRS 13 – Fair Value Measurement
IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

f. IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the statement of financial position. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

There are no other IFRSs or IFRIC interpretations that have been issued and are not yet effective that would be expected to have a material impact on the Company.

7. Property and equipment

The Company's property and equipment are comprised of the following:

	Leasehold Improvements	Computer Software	Computer Equipment	Furniture and Equipment	Total
Cost					
Balance – January 1, 2010	$ 156,863	$ 66,949	$ 46,137	$ 309,280	$ 579,229
Acquisitions	-	-	-	79	79
Disposals	-	-	-	-	-
Balance – December 31, 2010	156,863	66,949	46,137	309,359	579,308
Acquisitions	-	2,119	-	4,345	6,464
Disposals	(156,863)	-	-	(111,535)	(268,398)
Balance – December 31, 2011	$ -	$ 69,068	$ 46,137	$ 202,169	$ 317,374

	Leasehold Improvements	Computer Software	Computer Equipment	Furniture and Equipment	Total
Accumulated depreciation					
Balance – January 1, 2010	$ (72,670)	$ (66,638)	$ (27,864)	$ (141,686)	$(308,858)
Charge for the year	(42,096)	(311)	(5,482)	(33,748)	(81,637)
Eliminated on disposals	-	-	-	-	-
Balance – December 31, 2010	(114,766)	(66,949)	(33,346)	(175,434)	(390,495)
Charge for the year	(42,097)	(1,059)	(3,837)	(27,221)	(74,214)
Eliminated on disposals	156,863	-	-	69,240	226,103
Balance – December 31, 2011	$ -	$ (68,008)	$ (37,183)	$ (133,415)	$(238,606)

	Leasehold Improvements	Computer Software	Computer Equipment	Furniture and Equipment	Total
Net book value					
Balance – January 1, 2010	$ 84,193	$ 311	$ 18,273	$ 167,594	$ 270,371
Balance – December 31, 2010	$ 42,097	$ -	$ 12,791	$ 133,925	$ 188,813
Balance – December 31, 2011	$ -	$ 1,060	$ 8,954	$ 68,754	$ 78,768

8. Exploration and evaluation assets

The Company's exploration and evaluation assets arising from acquisitions are comprised of the following:

	Jojay (a)	Munro (b)	Fork Lake/ Jasper/ Tamar (c)	Total
Exploration and evaluation assets	$ 1,365,001	$ 69,561	$ 201,501	$ 1,636,063
Less: previous impairments	-	-	(201,501)	(201,501)
Total Exploration and evaluation assets	$ 1,365,001	$ 69,561	$ -	$ 1,434,562

The Company has not yet determined whether any of its exploration and evaluation assets contain economically recoverable reserves.

a. Jojay

The Company holds a 100% interest in the Jojay gold property, consisting of certain mineral dispositions located approximately 150 kilometers northeast of La Ronge, Saskatchewan. The Company's initial 25% interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company. The remaining 75% was acquired from Claude Resources Inc. in 2006 in exchange for shares. The Company has an Indicated Resource and Inferred Resource, as defined under National Instrument 43-101, on the Jojay gold deposit. The Jojay gold property is located 11 kilometers from an operating gold mill.

b. Munro

The Company holds a 98.4% interest in the Munro gold property in a joint venture with Shane Resources Ltd., consisting of certain mineral dispositions located approximately 128 kilometers northeast of La Ronge,

Saskatchewan. The Company's initial 51% interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company and has increased based on Shane Resources non-participation in past exploration programs. The Munro gold property is located 7 kilometers from a producing gold mine.

c. **Fork Lake/Jasper/Tamar**
The Company holds a 100% interest in the Fork Lake/Jasper/Tamar gold property, consisting of certain mineral dispositions located approximately 150 kilometers northeast of La Ronge, Saskatchewan. The Company's initial interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company. In 2009, the Company's focus shifted away from this property to pursue other opportunities which resulted in the impairment.

9. Exploration and evaluation expenditures

The Company's exploration and evaluation expenditures are comprised of the following:

Exploration and evaluation expenses - 2010	Jojay	Munro	Fork Lake/ Jasper/ Tamar	Hudson Bay/ Pinehouse Lake	Total
Consulting and personnel	$ 4,200	$ -	$ -	$ 59,899	$ 64,099
Total	$ 4,200	$ -	$ -	$ 59,899	$ 64,099

Exploration and evaluation expenses - 2011	Jojay (a)	Munro (b)	Fork Lake/ Jasper/ Tamar (c)	Hudson Bay/ Pinehouse Lake (d)	Total
Drill programs	$ 503,564	$ -	$ 442,486	$ -	$ 946,050
Assays	21,949	-	22,556	-	44,505
Airborne surveys	-	89,700	-	-	89,700
Consulting and personnel	154,298	4,810	74,331	48,906	282,345
Total	$ 679,811	$ 94,510	$ 539,373	$ 48,906	$1,362,600

a. **Jojay**
The Company performed a 10 hole, 2,678.5 metre drill program during 2011 on this property. The costs of performing the drill program including personal, contractors and assaying are included in the above amounts.

b. **Munro**
The Company performed a magnetic and electromagnetic airborne geophysical survey on this property during 2011. The cost of the survey is included in the above amounts.

c. **Fork Lake/Jasper/Tamar**
The Company performed a 9 hole, 2,313.5 metre drill program during 2011 on this property. Expenditures also include consulting and personnel costs as well as assaying.

d. **Hudson Bay/Pinehouse Lake**
The Company performed certain assessments on its coal properties during 2011 and as a result allowed all permits in these areas to lapse. The above costs reflect the costs of those assessments.

10. Settlement with Alto Ventures

On October 29, 2010, the Company announced the settlement of a claim for unpaid expenditures related to an exploration program on its previously held Mud Lake property. The settlement required the issuance of 3,000,000 common shares to Alto Ventures Ltd. and $50,000.

11. Premium on flow-through shares

The Company, when issuing flow-through shares, will receive a premium over the market value of the shares as the Company is allowing the investor the deduction on its expenses incurred on qualifying exploration expenditures. As the Company incurs the qualifying expenditures, the liability to the investor is satisfied and

accordingly the premium received on the initial issue of share capital is recognized in income. A summary of the activity related to the premium on flow-through shares is as follows:

	Issued February 2011	Issued December 2011	Total
Balance - January 1, 2010 and December 31, 2010	$ -	$ -	$ -
Liability incurred on issuance of flow-through shares	101,250	285,715	386,965
Settlement of flow-through share liability on incurring expenditures	(87,105)	-	(87,105)
Balance - December 31, 2011	$ 14,145	$ 285,715	$ 299,860

In February 2011, the Company issued 10,125,000 flow-through shares for gross proceeds of $1,518,750. The premium was determined to be $0.01 per share. At December 31, 2011, the Company had spent $1,306,567 related to this flow-through offering.

In December 2011, the Company issued 14,285,714 flow-through shares for gross proceeds of $1,000,000. The premium was determined to be $0.02 per share. At December 31, 2011, the Company was required to spend $1,000,000 related to this flow-through offering.

12. Environmental rehabilitation provision

The Company estimates its present obligation of decommissioning and reclamation costs to be $75,520 (December 31, 2010 - $75,520 and January 1, 2010 - $75,520).

13. Deferred tax assets and liabilities

Reconciliation between expected tax recovery for accounting purposes and actual recovery

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 for the following reasons:

	December 31, 2011	December 31, 2010
Net loss before income taxes	$ (1,821,062)	$ (982,718)
Combined federal and provincial tax rate (a)	28.5%	30.0%
Expected tax recovery	(519,003)	(294,815)
Increase in taxes resulting from:		
Effect of change in effective tax rates	27,147	24,672
Non-deductible amounts	28,028	48,091
Flow-through premium	(24,825)	-
Unrecognized additions to resource pools	367,902	71,307
Unrecognized non-capital loss carry-forwards and other changes	120,751	150,745
Deferred income tax recovery	$ -	$ -

(a) The federal income tax rate was legislatively enacted to decrease from 18% in 2010 to 16.5% in 2011.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	January 1, 2010	Through net income	Through share capital	December 31, 2010
Unrecognized Deferred tax assets				
Exploration and evaluation	$ 1,059,183	$ 71,307	$ -	$ 1,130,490
Property and equipment	56,168	22,038	-	78,206
Non-capital loss carried forward	1,381,666	126,889	-	1,508,555
Share issue costs	65,245	(27,383)	9,799	47,661
Decommissioning and rehabilitation provision	20,390	-	-	20,390
Unrecognized deferred tax assets	$ 2,582,652	$ 192,851	$ 9,799	$ 2,785,302

	January 1, 2011	Through net income	Through share capital	December 31, 2011
Unrecognized Deferred tax assets				
Exploration and evaluation	$ 1,130,490	$ 15,129	$ -	$ 1,145,619
Property and equipment	78,206	17,958	-	96,164
Non-capital loss carried forward	1,508,555	141,703	-	1,650,258
Share issue costs	47,661	(38,036)	73,678	83,303
Decommissioning and rehabilitation provision	20,390	-	-	20,390
Unrecognized deferred tax assets	$ 2,785,302	$ 136,754	$ 73,678	$ 2,995,734

The potential benefits of these carry-forward non-capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

Tax losses

As at December 31, 2011, the Company's has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses is provided below. These tax losses will expire as follows:

Year of Expiry	Taxable losses
2014	$ 246,217
2015	435,501
2026	746,142
2027	1,363,135
2028	1,368,116
2029	850,020
2030	581,344
2031	521,587
Total	$ 6,112,062

The Company also had unrecorded investment tax credits totaling $311,072 (December 31, 2010 - $305,493) relating to pre-production mining expenditures. These investment tax credits expire starting in 2026.

14. Share capital and reserves

Authorized

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

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

Issued and outstanding

	2011		2010	
	Common Shares	Amount	Common Shares	Amount
Balance - beginning of year	102,077,021	$17,680,107	80,115,483	$16,362,971
Common shares issued (a)	250,100	30,500	-	-
Flow-through shares issued (b)	10,125,000	1,417,500	-	-
Flow-through shares issued (c)	14,285,714	714,285	-	-
Common shares issued (d)	-	-	3,461,539	445,327
Common shares issued (e)	-	-	6,000,000	245,100
Common shares issued (f)	-	-	9,499,999	513,000
Common shares issued (g)	-	-	3,000,000	150,000
Issue costs	-	(269,278)	-	(36,291)
Balance - end of year	126,737,835	$19,573,114	102,077,021	$17,680,107

a) Common shares

In February 2011, the Company issued 250,100 units for gross proceeds of $35,014. 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 $0.24. The value of common shares was recorded as $30,500 and the estimated fair value of the warrants was recorded as $4,514. The warrants expire in February 2012.

b) Flow-through shares

In February 2011, the Company issued 10,125,000 flow-through shares for gross proceeds of $1,518,750. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2012; the deduction of which flows through to the shareholder. The Company sold the flow-through shares for a $0.01 premium per share over the market value of the Company's common shares. Accordingly, $101,250 of the gross proceeds was allocated as a premium on flow-through shares and the remaining $1,417,500 was recorded in share capital.

c) Flow-through shares

In December 2011, the Company issued 14,285,714 flow-through shares for gross proceeds of $1,000,000. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2012; the deduction of which flows through to the shareholder. The Company sold the flow-through shares for a $0.02 premium per share over the market value of the Company's common shares. Accordingly, $285,715 of the gross proceeds was allocated as a premium on flow-through shares and the remaining $714,285 was recorded in share capital.

d) Common shares

In May 2010, the Company issued 3,461,539 units for gross proceeds of $450,000. 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 $0.22. The value of common shares was recorded as $445,327 and the estimated fair value of the warrants was recorded as $4,673. The warrants expired in May 2011.

e) Common shares

In October 2010, the Company issued 6,000,000 units for gross proceeds of $300,000. 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 $0.10. The value of common shares was recorded as $245,100 and the estimated fair value of the warrants was recorded as $54,900. The warrants expired in October 2011.

f) Common shares

In December 2010, the Company issued 9,499,999 units for gross proceeds of $570,000. 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 $0.10. The value of common shares was recorded as $513,000 and the estimated fair value of the warrants was recorded as $57,000. The warrants expired in December 2011.

g) Common shares

In October 2010, the Company issued 3,000,000 common shares valued at $150,000 for the settlement of a claim for unpaid expenditures related to an exploration program on its previously held Mud Lake property (see Note 10).

h) Share option plan

The Company has established a share option plan whereby options may be granted to directors, officers, employees and service providers to purchase up to an aggregate of 10% of the issued and outstanding shares of the Company. Refer to note 16 for further details of this plan.

i) Nature and purpose of reserves

Warrant reserve

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. The warrant reserve is used to recognize the fair value of outstanding warrants. If the warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively. A summary of the outstanding warrants is as follows:

	Warrants	Amount	Average Price
Balance - December 31, 2009	870,750	$ 61,649	$ 0.30
Issued (May 10, 2010 - 1 year term)	1,730,770	4,673	0.22
Issued (October 29, 2010 - 1 year term)	3,000,000	54,900	0.10
Issued (December 7, 2010 - 1 year term)	4,750,000	57,000	0.10
Expired	(870,750)	(61,649)	0.30
Balance - December 31, 2010	9,480,770	116,573	0.12
Issued (February 24, 2011 - 1 year term)	125,050	4,514	0.24
Expired	(9,480,770)	(116,573)	0.12
Balance - December 31, 2011	125,050	$ 4,514	$ 0.24

At December 31, 2011 the warrants outstanding expire in February 2012.

The warrants issued in 2011 were fair valued at $4,514 (2010 - $116,573). The fair value of the warrants issued in 2011 was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor of 94.9% (2010 - 60.6% to 90.2%), risk-free rate of return of 1.35% (2010 - 1.15% to 1.33%), expected dividend of 0% (2010 - 0%), and expected term of 1 year (2010 - 1 year).

Broker warrants reserve

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 to 24 months after closing. The broker warrant reserve is used to recognize the fair value of outstanding warrants. If the broker warrant is exercised or expires the fair

value is transferred to share capital or contributed surplus, respectively. A summary of the outstanding broker warrants is as follows:

	Broker Warrants	Amount	Average Price
Balance - December 31, 2009	170,826	$ 9,737	$ 0.30
Issued (December 7, 2010 - 1 year term)	226,216	2,715	0.10
Expired	(170,826)	(9,737)	0.30
Balance - December 31, 2010	226,216	2,715	0.10
Issued (February 24, 2011 - 1 year term)	694,173	25,060	0.24
Issued (December 22, 2011 - 2 year term)	999,999	8,000	0.15
Expired	(226,216)	(2,715)	0.10
Balance - December 31, 2011	1,694,172	$ 33,060	$ 0.19

The broker warrants issued in 2011 were fair valued at $33,060 (2010 - $2,715). The fair value of the broker warrants was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor ranging from 80.9% to 94.9% (2010 - 90.2%), risk-free rate of return ranging from 0.90% to 1.35% (2010 - 1.33%), expected dividend of 0% (2010 - 0%), and expected term of 1 or 2 years (2010 - 1 year).

Contributed Surplus
Contributed surplus is used to recognize the fair value of equity-settled share-based payment transactions. The fair value of these securities is added to contributed surplus over the vesting period of the securities. Upon exercise, the corresponding fair value related to the security is removed from contributed surplus and added to share capital. Should the security go unexercised, the fair value will remain in contributed surplus. The fair value of warrants and broker warrants related to securities that go unexercised is transferred out of the respective reserves into contributed surplus.

A summary of the contributed surplus activity is as follows:

	2011	2010
Balance - beginning of year	$ 1,895,195	$ 1,665,334
Fair value of options vested	95,784	158,475
Contributed surplus related to broker warrants expired	2,715	9,737
Contributed surplus related to warrants expired	116,573	61,649
Balance - end of year	$ 2,110,267	$ 1,895,195

The fair value of the options has been determined based on the method and assumptions as disclosed in note 16.

15. Loss per share

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

	December 31, 2011	December 31, 2010
Numerator:		
Net loss applicable to common shares	$ (1,821,062)	$ (982,718)
Denominator:		
Common shares outstanding at January 1	102,077,021	80,115,483
Weighted average effect of share issued	9,107,129	4,406,744
Weighted average common shares outstanding at December 31 – basic and diluted	111,184,150	84,522,227
Basic and diluted loss per common share (a)	$ (0.02)	$ (0.01)

(a) Excluded from the calculation of diluted loss per common share are the effects of outstanding options, as the effect on basic loss per share would be anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

16. Share-based payments

The Company has established a share option plan, as approved by the shareholders, whereby options may be granted to directors, officers, employees and service providers to purchase common shares of the Company. Options granted have an exercise price of not less than the closing price quoted on the stock exchange on which the shares are traded prior to the date on which the options were granted. Certain options vest immediately while others vest six to twenty-four months after grant date and all options granted under the plan expire five years from the date of the grant of the options. All options are to be settled by physical delivery of shares.

The expense related to the Company's share-based payment is recognized in the comprehensive statement of loss for the year ended December 31 in administration expense in the amount of $95,784 (2010 - $158,475).

Option movements during the years ended December 31 including weighted average exercise prices are as follows:

	2011		2010	
	Options	Average Price	Options	Average Price
Outstanding – January 1	7,200,000	$ 0.30	5,440,000	$ 0.42
Granted during the period	2,700,000	0.10	2,800,000	0.07
Exercised during the period	-	-	-	-
Expired during the period	(1,800,000)	0.61	(1,040,000)	0.29
Forfeited during the period	-	-	-	-
Outstanding – December 31	8,100,000	$ 0.18	7,200,000	$ 0.30
Exercisable – December 31	8,100,000	$ 0.18	7,158,333	$ 0.30

The options outstanding at December 31, 2011 have an exercise price that range from $0.10 to $0.91 (2010 - $0.07 to $0.91) and a weighted average contractual life of 3.4 years (2010 - 2.8 years). The options expire between the dates of January 2012 to December 2016. On June 17, 2011, the Company amended the strike price on 2.8 million options from $0.07 to $0.10. The weighted averaged exercise price of options outstanding and exercisable at December 31, 2011 reflects this change.

For options outstanding and exercisable at December 31, 2011, the range of exercise prices; weighted average exercise price and the weighted average remaining contractual life is as follows:

	Outstanding and Exercisable		
Option Price Per Share	Options December 31, 2011	Weighted Average Exercise Price	Weighted Average Remaining Life
$0.10	5,500,000	$ 0.10	4.24 years
$0.16	1,250,000	0.16	2.32 years
$0.34	800,000	0.34	0.45 years
$0.38	50,000	0.38	0.01 years
$0.39	100,000	0.39	1.33 years
$0.91	400,000	0.91	1.47 years
	8,100,000	$ 0.18	3.37 years

The grant date fair value of stock options issued under the plan is estimated using the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The option life is estimated based on the expected life of the options based on the individual receiving them. The inputs used in the measurement of the fair values at grant date of the share-based payments during the year are as follows:

	December 31, 2011	December 31, 2010
Exercise price	$ 0.10	$ 0.07
Expected volatility	110.2%	111.5%
Option life	5 years	5 years
Expected dividends	0 %	0 %
Risk-free interest rate	1.27%	2.20%
Fair value at grant date per share	$ 0.035	$ 0.056

On June 17, 2011, the Company amended the strike price on 2.8 million options from $0.07 to $0.10. Based on IFRS-2, the decrease in fair value as a result of this modification has not been adjusted and the original fair values as determined at grant date have continued to be applied.

17. Related party transactions

Related party transactions with key management personnel

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. The Company pays certain of its key management personnel through companies owned by certain executive officers and directors. Those companies are as follows:

MacNeill Brothers Oil and Gas Ltd.
Baywatch Industries Ltd.

Compensation of key management personnel, including payments to related parties owned by executive officers and directors, is as follows:

	December 31, 2011	December 31, 2010
Wages and short-term benefits to officers and directors	$ 111,727	$ 107,732
Consulting and management fees to related companies	102,000	97,000
Share-based payments	74,784	128,958
Total compensation paid to key management personnel	$ 288,511	$ 333,690

The above amounts have been included in administration expense on the statement of loss and comprehensive loss. The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The fair value of share-based payments was determined using the Black-Scholes model as described in note 16.

18. Financial instruments

Fair values have been determined for measurement and/or disclosure purposes based on the fair value hierarchy for financial instruments that require fair value measurement after initial recognition. The classification of each financial instrument is described in note 4.

The carrying amounts for cash and cash equivalents, receivables, and trade payables approximate their fair value due to the short-term nature of these instruments. These financial instruments are carried at amortized costs.

Fair value hierarchy

The Company does not have any financial instruments measured at fair value. If the Company acquires a financial instrument that would be required to be measured at fair value it would be categorized into one of three hierarchy levels as described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

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

Risk management
Certain financial instruments are exposed to the following financial risks:

(a) Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that may have credit risk consist primarily of cash and cash equivalents. The Company's cash and cash equivalents are held by financial institutions with an A (low) credit rating. The Company may invest excess cash, if any, in guaranteed investment certificates until it is required to meet budgetary requirements. The Company has gross credit exposure at December 31, 2011, December 31, 2010, and January 1, 2010 relating to cash and cash equivalents of $1,094,924, $499,115 and $289,605, respectively.

(b) 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 is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due.

As at December 31, 2011, the Company is committed to trade payables and other operating leases as set out in the following table on an undiscounted basis:

	Up to 3 months	Between 3 months and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables and accrued liabilities	$ 150,018	$ -	$ -	$ -	$ -	$ 150,018
Operating leases	207	620	-	-	-	827
Total	$ 150,225	$ 620	$ -	$ -	$ -	$ 150,845

In addition to the above commitments, the Company is required to incur $1.2 million in qualifying exploration expenditures related to flow-through shares before December 31, 2012.

To project working capital requirements, the Company prepares annual capital and operating budgets which are regularly monitored and updated as considered necessary. As at December 31, 2011, the Company had working capital of $987,021. Based on the above obligations, management believes this working capital will not be sufficient to meet financial obligations as they fall due.

The Company is pursuing options to finance the further exploration of its properties and general and administrative expenses of the Company. Financing options include joint ventures arrangements, debt financing, equity financing or other means. 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 exploration plans, forfeit rights in its properties or reduce or terminate its operations. The Company anticipates it will have sufficient access to financial markets to fund its exploration plans through future equity contributions.

(c) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, interest rate risk, commodity, price risk and equity risk.

Foreign currency risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuations since it is currently not producing.

Commodity price risk:
Commodity price risk is the risk that a variation in commodity price will affect the Company's operations and financial results. The Company does not have significant exposure to commodity price fluctuations since it is currently not producing.

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 borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity risk:
The Company does not have any equity investments and is not exposed to equity risk.

19. Capital management

The Company manages its cash, common shares, warrants, broker warrants and stock options as capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to explore its exploration and evaluation properties, so that it can provide returns to shareholders.

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 dividends.

The Company is not subject to externally imposed capital requirements, except as disclosed.

20. First time adoption of IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. IFRS employs a conceptual framework that is similar to Canadian GAAP; however, the adoption has resulted in changes to the reported financial position and results of operations of the Company. Under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS is applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings or deficit unless certain exemptions are applied or prohibited. IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at January 1, 2010 were consistent with those made under Canadian GAAP. The exemptions that have been chosen by the Company on the transition to IFRS are as follows:

First time adoption exemptions

1. *Share-based payments*

   The Company has elected to not apply IFRS 2 *Share-Based Payments* retrospectively to share-based payments that have fully vested at the transition date and therefore no transitional adjustment was required. The Company had a minimal number of equity-settled share-based payments that had not vested and as such at transition an immaterial amount was recognized at the date of transition.

2. *Provision for environmental rehabilitation*

   The application of IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities* would require the Company to recalculate, retrospectively, the effect of each change in its reclamation provision prior to the date of transition, along with the impact on the related assets, if any and depreciation. IFRS 1 provides the option to instead measure the liability as at the date of transition to IFRS. The Company has elected to apply this exemption and calculated the impact on the statement of financial position as of January 1, 2010.

The following is a reconciliation of the Company's assets, liabilities and equity at January 1, 2010 from Canadian GAAP to IFRS:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets:				
Cash and cash equivalents		$ 289,605	$ -	$ 289,605
Receivables		92,948	-	92,948
Prepaids		34,246	-	34,246
		416,799		416,799
Property and equipment		270,371	-	270,371
Exploration and evaluation assets	(i)	6,824,985	(5,390,423)	1,434,562
		$ 7,512,155	$ (5,390,423)	$ 2,121,732
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 738,725	$ -	$ 738,725
Environmental rehabilitation provision	(ii)	-	75,520	75,520
Shareholders' equity (deficiency)				
Share capital	(iii)	15,026,429	1,336,542	16,362,971
Warrants and Broker Warrants		71,386		71,386
Contributed surplus	(iv)	1,634,118	31,216	1,665,334
Deficit	(i)	(9,958,503)	(5,390,423)	
	(ii)		(75,520)	
	(iii)		(1,336,542)	
	(iv)		(31,216)	(16,792,204)
		6,773,430	(5,465,943)	1,307,487
		$ 7,512,155	$ (5,390,423)	$ 2,121,732

The following is a reconciliation of the Company's assets, liabilities and equity at December 31, 2010 from Canadian GAAP to IFRS:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets:				
Cash and cash equivalents		$ 499,115	$ -	$ 499,115
Receivables		4,173	-	4,173
Prepaids		14,311	-	14,311
		517,599		517,599
Property and equipment		188,813	-	188,813
Exploration and evaluation assets	(i)	6,889,084	(5,454,522)	1,434,562
		$ 7,595,496	$ (5,454,522)	$ 2,140,974
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities		$ 145,786	$ -	$ 145,786
Environmental rehabilitation provision	(ii)	-	75,520	75,520
Future income tax liability	(i), (iii)	163,336	(163,336)	-
Shareholders' equity (deficiency)				
Share capital	(iii)	16,180,229	1,499,878	17,680,107
Warrants and Broker Warrants		119,288	-	119,288
Contributed surplus	(iv)	1,881,740	13,455	1,895,195
Deficit	(i)	(10,894,883)	(5,454,522)	
	(ii)		(75,520)	
	(iii)		(1,336,542)	
	(iv)		(13,455)	(17,774,922)
		7,286,374	(5,366,706)	1,919,668
		$ 7,595,496	$ (5,454,522)	$ 2,140,974

The following is a reconciliation of the Company's Canadian GAAP statement of loss and comprehensive loss to IFRS for the year ended December 31, 2010:

	Note	Year ended December 31, 2010
Net and comprehensive loss for the period under Canadian GAAP		$ (936,380)
Adjustments for differing accounting treatments under IFRS:		
Exploration and evaluation expense	(i)	(64,099)
Share-based payments	(iv)	17,761
Net and comprehensive loss for the period under IFRS		$ (982,718)
Per Share Amounts:		
Basic and diluted net and comprehensive loss per share under IFRS		$ (0.01)

Notes:

Differences between Canadian GAAP and IFRS

(i) Exploration costs (exploration and evaluation assets)

Costs associated with geological and geophysical expenditures for exploration and evaluation of mineral properties were capitalized as mineral properties in accordance with previous GAAP. Under the Company's IFRS policies, exploration and evaluation expenditures, other than those acquired, are expensed until the economic recoverability of mineral properties is determined. Accordingly, exploration expenditures that were capitalized under Canadian GAAP have been expensed for IFRS presentation purposes.

(ii) Provision for environmental rehabilitation

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, requires a provision to be recognized when there is a present obligation as a result of a past transaction or event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligations. As a result of differences between the methodology, rates, and assumptions required to be used under IFRS versus previous GAAP, a transitional amount has been recognized for the Company's present obligation of its environmental rehabilitation provision.

(iii) Flow-through shares

Under Canadian GAAP, flow-through share accounting caused share capital to be reduced for share issue costs by an amount recognized for future tax liabilities related to the renunciation of flow-through share expenditures at the time of renunciation. Similar to IFRS, to the extent the Company has unrecognized tax benefits from loss carryforwards and tax pools in excess of book values, the resulting deferred tax liability is offset by the recognition of previously unrecorded tax assets. Under IFRS, the sale of flow-through shares results in a liability being recognized for the excess of the purchase price paid by the investors over the fair value of common shares without the flow-through feature (the "premium") and the fair value of the shares is recorded as equity. The premiums are recognized in earnings when the Company has the ability (incurred qualifying expenses) and intention of renouncing the tax pools. As such, once the Company fulfils its exploration expenditure requirements for the flow-through, the premium and a future income tax liability and expense is recognized. If the Company has unrecognized tax assets that are not expected to expire, the Company would recognize these previously unrecognized assets to eliminate the future income tax expense. The net result of the difference on the Company's financial statements under IFRS is to reduce share capital by the premium as opposed to the full amount of the future tax liability and recognize the premium and future income tax expense in earnings in the period the Company intended to renounce the expenditures to the investors. Since the Company changed its accounting policy to expense exploration expenditures, it

would have had unrecognized tax assets that do not expire to offset the future income tax liability recognized in the first quarter of 2010 under Canadian GAAP.

(iv) Share-based payments

Under Canadian GAAP the fair value of stock-based awards with graded vesting were calculated as a single grant and the resulting fair value was recognized on a straight-line basis over the vesting periods. Forfeitures of awards were recognized as they occurred.

Under IFRS each tranche of an award with different vesting dates was considered a separate grant for the calculation of fair value, and the resulting fair value was amortized over the vesting period of the respective tranches. Forfeiture estimates were recognized in the period they were estimated, and revised for actual forfeitures in subsequent periods.

Other impacts due to conversion of IFRS

Expense category by function

The transition to IFRS has resulted in financial statement presentation changes in the Company's financial statements. Under IFRS, the Company is required to present its statement of income by function or nature. The Company has presented its expenses by function and accordingly amortization and accretion is no longer presented as a separate line item, but is included in the administration category.

Deferred income taxes

As a result of the transition to IFRS the carrying amounts of various assets and liabilities have been adjusted. There has not been a corresponding change to the tax bases of these assets and liabilities. This will not impact the deferred taxes recognized. However, this will impact the disclosure of individual temporary differences. Details of the various deferred tax assets and liabilities at January 1, 2010 and December 31, 2010 and 2011 and the corresponding amounts recorded in loss and other comprehensive loss for the year-ended December 31, 2011 and 2010 are provided in note 13.

Statements of cash flows

Due to the change in the Company's accounting policy to expense all exploration and evaluation expenditures as described above, those activities under IFRS are included in operating activity on the statements of cash flows instead of investing activity.

There is no impact on cash and cash equivalents as a result of these presentation changes.