

WESCAN GOLDFIELDS INC.



Consolidated Financial Statements December 31, 2008

(A Development Stage Entity)

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Wescan Goldfields Inc. are the responsibility of management and have been approved by the Board of Directors.

Management has prepared the consolidated financial statements in conformity with Canadian generally accepted accounting principles. The consolidated financial statements include some amounts that are based on best estimates and judgments.

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

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

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

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

Todd M. Grychowski
Chief Financial Officer
Saskatoon, Canada
April 24, 2009



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Chartered Accountants
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AUDITORS' REPORT

To the Shareholders of Wescan Goldfields Inc.

We have audited the consolidated balance sheets of Wescan Goldfields Inc. as at December 31, 2008 and 2007 and the consolidated statements of loss and comprehensive loss, cash flows and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Canada
April 24, 2009

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

	December 31, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,549,435	\$ 3,413,275
Receivables	152,141	100,432
Prepays and deposits	22,943	12,653
	2,724,519	3,526,360
Mineral properties (note 4)	8,990,066	7,948,522
Property and equipment (note 5)	462,964	491,560
	\$ 12,177,549	\$ 11,966,442
Liabilities & Shareholders' Equity		
Current liabilities:		
Payables and accrued liabilities	\$ 381,548	\$ 528,085
Future income tax liability (note 6)	-	25,500
Shareholders' equity:		
Share capital (note 7)	14,781,186	12,308,919
Warrants (note 7)	18,143	-
Contributed surplus (note 7)	1,444,117	1,148,301
Deficit	(4,447,445)	(2,044,363)
	11,796,001	11,412,857
	\$ 12,177,549	\$ 11,966,442

Nature of operations (note 1)

Commitments (note 12)

Contingency (note 13)

On behalf of the Board



Kenneth E. MacNeill
Chairman & CEO



Arnie E. Hillier
Chairman of the Audit Committee

See accompanying notes to consolidated financial statements

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

	Year Ended December 31,	
	2008	2007
Income		
Interest	\$ 40,323	\$ 199,248
Other	63,506	-
	103,829	199,248
Expenses		
Administration	1,469,454	1,309,803
Consulting fees	24,490	46,575
Professional fees	78,763	164,396
Amortization	105,997	68,276
	1,678,704	1,589,050
Loss before the undernoted items	(1,574,875)	(1,389,802)
Write down of mineral properties (note 4)	(1,215,707)	-
Future income tax reduction	387,500	343,000
	\$ (2,403,082)	\$ (1,046,802)
Net loss and comprehensive loss	\$ (2,403,082)	\$ (1,046,802)
Net loss per share		
Basic and diluted (note 8)	(0.04)	(0.02)
Weighted average number of shares outstanding	65,107,834	60,840,598

See accompanying notes to consolidated financial statements

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

	Year Ended December 31,	
	2008	2007
Cash provided by (used in):		
Operations:		
Net loss and comprehensive loss	\$ (2,403,082)	\$ (1,046,802)
Non-cash items:		
Amortization	105,997	68,276
Fair value of stock options vested	309,763	256,958
Write-down of mineral properties	1,215,707	-
Future income tax reduction	(387,500)	(343,000)
Net change in non-cash operating working capital items:		
Receivables	(51,709)	(5,415)
Prepays and deposits	(10,290)	1,371
Payables and accrued liabilities	(146,537)	373,051
	<u>(1,367,651)</u>	<u>(695,561)</u>
Investing:		
Additions to mineral properties	(2,202,754)	(2,157,067)
Additions to equipment	(94,898)	(406,394)
	<u>(2,297,652)</u>	<u>(2,563,461)</u>
Financing:		
Issue of common shares (net of issue costs)	2,801,463	1,448,023
	<u>2,801,463</u>	<u>1,448,023</u>
Decrease in cash position	(863,840)	(1,810,999)
Cash and cash equivalents, beginning of year	<u>3,413,275</u>	<u>5,224,274</u>
Cash and cash equivalents, end of year	<u>\$ 2,549,435</u>	<u>\$ 3,413,275</u>
Cash and cash equivalents consists of:		
Cash	\$ 316,821	\$ 228,408
Guaranteed investment certificates and treasury bills	2,232,614	3,184,867
	<u>\$ 2,549,435</u>	<u>\$ 3,413,275</u>

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
(A Development Stage Entity)
Consolidated Statements of Shareholders' Equity

	Year Ended	
	December 31,	
	2008	2007
Share Capital (note 7)		
Balance, beginning of year	\$ 12,308,919	\$ 10,815,709
Shares issued for mineral property	37,000	17,000
Private placements	2,859,407	1,555,500
Shares issued on exercise of broker warrants	97,193	-
Shares issued on exercise of stock options	56,000	-
Share issue costs	(157,333)	(79,290)
Tax effect of renunciation of flow-through shares	(420,000)	-
	\$ 14,781,186	\$ 12,308,919
Warrants (note 7)		
Balance, beginning of year	\$ -	\$ 101,467
Issued	18,143	-
Exercised	-	-
Expired	-	(101,467)
	\$ 18,143	\$ -
Contributed Surplus (note 7)		
Balance, beginning of year	\$ 1,148,301	\$ 784,563
Stock based compensation	309,763	262,926
Broker warrants issued	11,221	5,313
Options exercised	(19,910)	-
Options forfeited	-	(5,968)
Broker warrants exercised	(5,258)	-
Warrants expired	-	101,467
	\$ 1,444,117	\$ 1,148,301
Deficit		
Balance, beginning of year	\$ (2,044,363)	\$ (997,561)
Net loss and comprehensive loss	(2,403,082)	(1,046,802)
	\$ (4,447,445)	\$ (2,044,363)

See accompanying notes to consolidated financial statements

WESCAN GOLDFIELDS INC.

(A Development Stage Entity)

Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)

1. Nature of operations

Wescan Goldfields Inc. was originally incorporated as Shore Resources Inc. under the Business Corporations Act of Alberta on January 17, 2003 and by amended articles dated April 2, 2004 changed its name to Wescan Goldfields Inc. (“Wescan” or the “Company”). Substantially all of the Company’s efforts are directed to the exploration and development of its mineral properties and the Company is considered to be in the development stage with respect to its current mineral property holdings.

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. The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain economically recoverable mineral reserves. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain the financing necessary to complete exploration and development and the success of future operations. The ability of the Company to continue as a going concern, fund exploration expenditures to satisfy flow-through commitments in an orderly manner and provide funds for ongoing general and administrative costs is anticipated to require further equity issues in 2009.

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

2. Significant accounting policies

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year.

Areas of significance requiring the use of management estimates relate to the determination of the recoverability of capitalized mineral exploration costs and the determination of future income tax valuation allowances. Actual recovered amounts could differ from those estimates.

The following accounting policies are considered to be significant:

Consolidation principles

The consolidated financial statements include the accounts of the Company and its subsidiary. Interests in joint operations are accounted for by the proportionate consolidation method.

Cash and cash equivalents

Cash and cash equivalents includes cash and investments that, upon acquisition, have an initial term to maturity of three months or less. Cash and cash equivalents are designated as held-for-trading and are carried at fair value.

WESCAN GOLDFIELDS INC.

(A Development Stage Entity)

Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)

Mineral properties

Subject to compliance with provincial mineral regulations, the Company holds the right to explore for and develop mineral resources on various Crown property dispositions within the Province of Saskatchewan. These rights are classified as mineral properties for financial statement purposes.

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production from a property, the related accumulated costs are amortized against future income of the project using the unit-of-production method over estimated recoverable reserves. Interest on debt associated with the acquisition and development of mineral properties is capitalized until commencement of commercial production. There have been no interest costs capitalized to date. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed.

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. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options to acquire mineral properties are granted or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

Property and equipment

Property and equipment purchases are recorded at cost and amortized using the declining balance method except for leasehold improvements, which are amortized on a straight-line basis over a term equal to the remaining life of the current lease agreement plus one renewal term. Annual amortization rates are as follows:

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

Future income taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted and substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in earnings in the period which includes the enactment date. Future income tax assets and liabilities are recorded in the financial statements if realization is considered more likely than not. The valuation of future income taxes is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated recoverable amount.

WESCAN GOLDFIELDS INC.

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Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)

Flow-through shares

The Company finances a portion of its exploration activities through the issue of flow-through shares. The Company renounces the deductions to investors and accordingly records share issue costs related to the future tax liability of the temporary difference arising from the renunciation. As a result, share capital is reduced and future income tax liabilities are increased by the estimated tax benefits when renounced by the Company to the investors, except to the extent that the Company has unused tax benefits on loss carryforwards and tax pools in excess of book values available for deduction that are more likely than not to be realized against which a valuation allowance has been provided. In these circumstances, the future tax liability reduces the valuation allowance, if any, and the reduction is recognized in earnings.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on the treasury-stock method, which assumes that any proceeds received on the exercise of options and warrants would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

Stock-based compensation

The Company has a share option plan that is described in note 7 (g).

Options granted under the share option plan are accounted for using the fair value method. Under this method, the fair value of stock options granted is measured at the estimated fair value at the grant date and recognized over the vesting period. When forfeitures occur during the period in which a stock option vests no further amounts are recognized. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

Financial instruments presentation and disclosure

i) Financial assets

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Due to the short-term maturity of accounts receivable, the carrying amounts approximate fair value.

The Company has not entered into any hedging relationships and does not hold any other available-for-sale securities that would result in the recognition of other comprehensive income or loss.

ii) Financial liabilities

Accounts payable are classified as other financial liabilities, which are measured at amortized cost.

Due to the short-term nature of accounts payable, the carrying amounts approximate fair value.

WESCAN GOLDFIELDS INC.

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Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)

3. Changes in accounting policies

a) Recently adopted accounting standards

Effective January 1, 2008, the Company adopted the following accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”). These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Going concern

Effective January 1, 2008, the Company adopted the amended CICA handbook section on General Standards of Financial Statement Presentation, which includes requirements to assess and disclose an entity’s ability to continue as a going concern. The amendment requires management to assess an entity’s ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity’s ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date.

Capital disclosure

On January 1, 2008, the Company adopted CICA handbook sections relating to capital disclosure. This additional disclosure includes information regarding an entity’s objectives, policies and processes for managing capital. This information is disclosed in note 9.

Financial Instruments – disclosures and presentation

Effective January 1, 2008, the Company adopted 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. This information is disclosed in note 11.

b) New accounting pronouncements

International financial reporting standards

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that Canadian GAAP for publicly accountable enterprises will be converged with International Financial Reporting Standards (“IFRS”) effective in calendar year 2011. The Company’s first financial statements presented in accordance with IFRS will therefore be the three-month period ended March 31, 2011. Though IFRS uses a conceptual framework similar to Canadian GAAP, there are some significant differences on recognition, measurement and disclosure requirements. In the period leading up to the changeover, the AcSB will continue to issue accounting standards that are converged with IFRS, thus mitigating some of the impact of adopting IFRS at the changeover date. The International Accounting Standard Board (“IASB”) will, however, also continue to issue new accounting standards during the conversion period. As a result, the final impact of IFRS on the Company’s financial statements will only be measurable once all IFRS applicable at the conversion date are known.

As a result of this convergence, the Company has developed a plan to convert its financial statements to IFRS. Management has not yet completed its quantification of the effects of adopting IFRS. The consolidated financial performance and financial position as presented in the Company’s Canadian GAAP financial statements may be significantly different when presented in accordance with IFRS.

WESCAN GOLDFIELDS INC.

(A Development Stage Entity)

Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)Goodwill and other intangible assets

Effective January 1, 2009, the Company will adopt a CICA handbook section relating to goodwill and intangible assets, which replaces existing standards relating to goodwill and intangible assets and research and development costs. The standard introduces guidance for the recognition, measurement and disclosure of goodwill and intangible assets, including internally generated intangible assets. The standard also harmonizes Canadian standards with IFRS and applies to annual and interim financial statements for fiscal years beginning on or after October 1, 2008. The Company does not expect the adoption of this standard will have a material impact on its consolidated financial statements.

4. Mineral properties

Mineral properties are made up of the following:

	December 31, 2007	Acquisition Costs	Exploration Costs	Write-down of Mineral Properties	December 31, 2008
Fork Lake/Jasper/Tamar (a)	\$4,910,201	\$ -	\$ 211,806	\$ -	\$5,122,007
Mud Lake (b)	259,071	37,000	131,103	(427,174)	-
Munro (c)	78,087	-	246,627	-	324,714
Jojay (d)	1,921,562	-	1,139,783	-	3,061,345
Limestone Lake/Hanson Lake (e)	55,789	-	-	-	55,789
Athabasca Basin Properties (f)	723,812	-	64,721	(788,533)	-
Hudson Bay/Pinehouse Lake (g)	-	256,400	169,811	-	426,211
Total	\$7,948,522	\$ 293,400	\$1,963,851	(\$1,215,707)	\$8,990,066

	December 31, 2006	Acquisition Costs	Exploration Costs	Write-down of Mineral Properties	December 31, 2007
Fork Lake/Jasper/Tamar (a)	\$3,691,971	\$ -	\$ 1,218,230	\$ -	\$4,910,201
Mud Lake (b)	-	17,000	242,071	-	259,071
Munro (c)	69,841	-	8,246	-	78,087
Jojay (d)	1,448,644	-	472,918	-	1,921,562
Limestone Lake/Hanson Lake (e)	49,699	6,000	90	-	55,789
Athabasca Basin Properties (f)	493,914	172,602	57,296	-	723,812
Total	\$5,754,069	\$ 195,602	\$ 1,998,851	\$ -	\$7,948,522

The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date and cost of properties acquired, less write-downs and does not necessarily reflect fair values.

a) Fork Lake/Jasper/Tamar Property

The Company holds a 100% interest in the Fork Lake/Jasper/Tamar property, consisting of certain mineral dispositions located approximately 150 kilometers northeast of La Ronge, Saskatchewan.

WESCAN GOLDFIELDS INC.

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Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)

b) Mud Lake Property

In 2007, Wescan entered into an option agreement with Alto Ventures Ltd (“Alto”). Under the terms of the agreement, Wescan had an option to acquire an undivided 50% interest in Alto’s Mud Lake property by incurring \$600,000 in exploration expenditures and issuing 150,000 Wescan shares to Alto over a two year period. During 2008, the Company issued 50,000 shares (2007 – 50,000) with a value of \$37,000 (2007 - \$17,000) to Alto in accordance with the terms of the option agreement. In January of 2009, the Company exercised its right to terminate its obligations. As a result, Wescan forfeited its interest in the property and has written off all costs, in the amount of \$427,174, associated with the property.

c) Munro Property

The Company holds an 86.5% interest in the Munro property, consisting of certain mineral dispositions located approximately 128 kilometers northeast of La Ronge, Saskatchewan. In 2008, the Company’s joint venture partner chose not to fund their portion of the 2008 exploration program and as a result their participating ownership interest was reduced from 49% to 13.5% in accordance with the terms of the joint venture agreement.

d) Jojay Property

The Company holds a 100% interest in the Jojay property, consisting of certain mineral dispositions located approximately 150 kilometers northeast of La Ronge, Saskatchewan.

e) Limestone Lake/Hanson Lake Properties

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

f) Athabasca Basin Properties

In 2005, the Company acquired a 50% interest in six uranium properties in or around the Athabasca basin in northern Saskatchewan. A 50% interest in five additional claims in the same area was added during 2006. An additional claim was added in 2007. In October of 2008 the Company elected not to fund its share of the current year exploration program and as a result had its interest diluted in the properties in accordance with the joint venture agreement. As at December 31, 2008, the Company’s interest in the properties has been reduced to a non-participating, non-voting Net Smelter Return royalty of 0.5% and has written off all costs, in the amount of \$788,533, associated with the property.

g) Hudson Bay/Pinehouse Lake

A total of 324 coal permits have been issued to the Company from the Saskatchewan Ministry of Energy and Resources as at December 31, 2008. These permits comprise a total area of 224,000 hectares (2,240 square kilometres) and are in close proximity to Hudson Bay, and La Ronge, Saskatchewan. These permits will allow the Company to explore the area for coal and cover a period of one year with two possible six-month extensions and are convertible to a 15-year lease.

WESCAN GOLDFIELDS INC.

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Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)**5. Property and equipment**

Property and equipment is made up of the following:

	Cost	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Automotive equipment	\$ 120,622	\$ 58,773	\$ 61,849	\$ 46,970
Computer equipment	46,368	20,068	26,300	30,392
Computer software	66,325	60,752	5,573	7,577
Furniture and equipment	359,002	104,856	254,146	270,822
Leasehold improvements	153,741	38,645	115,096	135,799
	<u>\$ 746,058</u>	<u>\$ 283,094</u>	<u>\$ 462,964</u>	<u>\$ 491,560</u>

Amortization of property and equipment during the year ended December 31, 2008 was \$123,494 (2007 - \$88,662) of which \$17,497 (2007 - 20,386) was capitalized to mineral properties.

6. Income taxes

The significant components of future income tax assets and liabilities at December 31, 2008 and 2007 are as follows:

	2008	2007
Future income tax assets		
Non-capital loss carry forwards	\$ 1,152,000	\$ 748,100
Share issue costs	88,000	88,800
Future income tax assets before valuation allowance	1,240,000	836,900
Future income tax liabilities – mineral properties	(959,000)	(862,400)
Valuation allowance	(281,000)	-
Net future income tax liabilities	<u>\$ -</u>	<u>\$ 25,500</u>

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

	2008	2007
Loss before income taxes	\$ 2,790,582	\$ 1,389,802
Combined federal and provincial tax rate	32.0%	35.62%
Expected tax reduction	(892,986)	(495,047)
Increase in taxes resulting from:		
Non-deductible stock option expenses	99,124	91,528
Other non-deductible amounts	2,762	3,500
Effect of change in effective tax rates	122,600	57,019
Change in valuation allowance	281,000	-
Future income tax reduction	<u>\$ (387,500)</u>	<u>\$ (343,000)</u>

As at December 31, 2008, the Company has operating losses for income tax purposes approximating \$4,267,265 that are available to reduce taxes in future years and expire over the period to the year 2028.

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Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)**7. Share capital**Authorized

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

The common shares of the Company are entitled to dividends 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

	2008		2007	
	Common Shares	Amount	Common Shares	Amount
Balance, Beginning of year	62,983,916	\$12,308,919	59,045,166	\$10,815,709
Common shares issued (a)	50,000	37,000	50,000	17,000
Common shares issued (b)	1,641,481	427,345		
Flow-through shares issued (c)	1,859,666	557,899	3,888,750	1,555,500
Flow-through shares issued (d)	7,840,000	1,803,200		
Common shares issued (e)	366,264	70,963		
Broker warrants exercised (f)	180,063	97,193		
Options exercised (g)	200,000	56,000		
Issue costs		(157,333)		(79,290)
Future income taxes on renunciation of flow-through shares		(420,000)		
Balance, End of year	75,121,390	\$14,781,186	62,983,916	\$12,308,919

(a) Common shares

In June 2008 and June 2007, the Company issued 50,000 shares fair valued at \$37,000 and \$17,000 respectively as part of the Wescan - Alto Ventures Ltd. Mud Lake Option Agreement (see note 4b).

(b) Common shares

In October 2008, the Company issued 1,641,481 units for gross proceeds of \$443,199. The value of common shares was recorded as \$427,345 and the estimated fair value of the warrants was recorded as \$15,854. 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 \$0.35. The warrants expire in October 2009.

(c) Flow-through shares

In October 2008, the Company issued 1,859,666 flow-through shares for gross proceeds of \$557,899. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2009; the deduction of which flows through to the shareholder.

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

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Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)(d) Flow-through shares

In October and November of 2008, the Company issued 7,840,000 flow-through shares for gross proceeds of \$1,803,200. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2009; the deduction of which flows through to the shareholder.

(e) Common shares

In November 2008, the Company issued 366,264 units for gross proceeds of \$73,252. The value of the common shares was recorded as \$70,963 and the estimated fair value of the warrants was recorded as \$2,289. 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 \$0.35. The warrants expire in November 2009.

(f) Broker warrants

On certain issues of common shares, the Company issued broker warrants as partial consideration to the agent for services associated with the share issuance. Each broker warrant entitles the agent to acquire one common share of the Company for a period of 12 months from closing. A summary of the outstanding broker warrants is as follows:

	Warrants	Average Price
Balance - December 31, 2006	66,194	\$0.45
Issued	181,938	0.40
Exercised	-	-
Expired	(66,194)	0.45
Balance - December 31, 2007	181,938	\$0.40
Issued	537,833	0.35
Exercised	(180,063)	0.40
Expired	(1,875)	0.40
Balance - December 31, 2008	537,833	\$0.35

As at December 31, 2008 the broker warrants outstanding expire between October 17 and November 21, 2009.

The broker warrants issued in 2008 were fair valued at \$11,221 (2007 - \$5,313). The fair value of the broker warrants was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor of 65.9% - 68.4% (2007 - 46.0%), risk-free rate of return of 2.48% - 2.86% (2007 - 4.64%), expected dividend of 0% (2006 - 0%), and expected term of 1 year (2007 - 1 year).

(g) Share option plan

The Company has established a share option plan whereby options may be granted to directors, officers, consultants and employees to purchase up to an aggregate of 10% of the issued and outstanding shares of the Company. As at December 31, 2008, the number of shares remaining under the plan is 2,534,639. Options granted have an exercise price of not less than the closing price of the common shares 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 expire five years from the date of the grant of the options.

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During 2008, the Company granted 1,217,500 (2007 – 1,535,000) options to officers, directors, consultants and employees. The fair value of these options was determined using the Black-Scholes option-pricing model with the following assumptions:

	2008	2007
Number of options granted	1,217,500	1,535,000
Average strike price	\$ 0.48	\$ 0.32
Expected dividend	-	-
Expected volatility	54.73%	44.67%
Risk-free interest rate	3.23%	4.40%
Expected life of options (in years)	5.00	5.00
Grant date fair values	\$ 291,235	\$ 189,342

The fair value of the options granted during 2008, using the Black-Scholes option-pricing model was \$291,235 (2007 - \$189,342). The fair value of options vested and expensed from options granted this year and previous years was \$309,763 (2007 - \$256,958).

For options outstanding at December 31, 2008 and 2007, weighted average exercise prices are as follows:

	Options	Average Price
Balance - December 31, 2006	3,150,000	\$ 0.54
Granted	1,535,000	0.31
Exercised	-	-
Forfeited	(225,000)	0.51
Expired	(450,000)	0.55
Balance - December 31, 2007	4,010,000	\$ 0.45
Granted	1,217,500	0.48
Exercised	(200,000)	0.28
Forfeited	-	-
Expired	(50,000)	0.36
Balance - December 31, 2008	4,977,500	\$ 0.46

For options outstanding at December 31, 2008, the range of exercise prices; weighted average exercise price and the weighted average remaining contractual life is as follows:

Option Price Per Share	Outstanding			Exercisable	
	Options December 31, 2008	Weighted Average Exercise Price	Weighted Average Remaining Life	Options December 31, 2008	Weighted Average Exercise Price
\$0.20 – 0.39	2,720,000	\$ 0.30	2.26 years	1,912,500	\$ 0.32
\$0.40 – 0.59	500,000	0.50	2.57 years	500,000	0.50
\$0.60 – 0.79	1,350,000	0.65	2.32 years	1,350,000	0.65
\$0.80 – 0.99	407,500	0.91	4.47 years	401,875	0.91
	4,977,500	\$ 0.46	2.96 years	4,164,375	\$ 0.51

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Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)(h) Warrants

On certain issues of common shares, the Company has issued warrants with the common shares entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Warrants	Amount	Average Price
Balance - December 31, 2006	2,958,214	\$ 101,467	\$ 0.45
Issued	-	-	-
Exercised	-	-	-
Expired	(2,958,214)	(101,467)	0.45
Balance - December 31, 2007	-	\$ -	-
Issued	1,003,873	18,143	0.35
Exercised	-	-	-
Expired	-	-	-
Balance - December 31, 2008	1,003,873	\$ 18,143	\$ 0.35

As at December 31, 2008 the warrants outstanding expire between October 17 and November 21, 2009.

The warrants issued in 2008 were fair valued at \$18,143; no warrants were issued in 2007. The fair value of the warrants issued in 2008 was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor of 65.9% - 68.4%, risk-free rate of return of 2.48% - 2.86%, expected dividend of 0%, and expected term of 1 year.

(i) Contributed surplus

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

	2008	2007
Balance - beginning of year	\$ 1,148,301	\$ 784,563
Fair value of options vested	309,763	262,926
Fair value of broker warrants granted	11,221	5,313
Contributed surplus related to warrants expired	-	101,467
Less: contributed surplus related to options exercised	(19,910)	-
Less: contributed surplus related to options forfeited	-	(5,968)
Less: contributed surplus related to broker warrants exercised	(5,258)	-
Balance - end of year	\$ 1,444,117	\$ 1,148,301

8. **Per share amounts**

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

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Notes to the Consolidated Financial Statements (years ended December 31, 2008 and 2007)

	2008	2007
Numerator:		
Loss applicable to common shares	\$ 2,403,082	\$ 1,046,802
Denominator:		
Weighted average common shares outstanding	65,107,834	60,840,598
Basic and diluted loss per common share	\$ 0.04	\$ 0.02

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

9. Capital disclosures

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

The Company considers the items included in shareholders' equity as capital and has primarily financed its explorations efforts through the issuance of shares.

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.

To maintain or adjust the capital structure, the Company may issue new equity if available on favorable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

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

The Company is not subject to externally imposed capital requirements.

10. Related party transactions

During the year management and consulting fees of \$72,000 (2007 - \$76,000) were paid to directors, officers and companies controlled by common directors; nil (2007 - \$4,000) of these fees were included as consulting fees and \$72,000 (2007 - \$72,000) was included as administration expense.

As at December 31, 2008 Shore Gold Inc. holds 12,955,568 (2007 - 11,474,086) common shares of the Company representing a 17.2% (2007 - 18.2%) interest in the Company.

During the year, the Company paid \$70,000 (2007 - \$326,915) to Shore Gold Inc. for administration services and rental of equipment. Accounts payable includes \$9,000 (2007 - \$2,000) due to Shore Gold Inc.

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

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11. Financial instruments

As at December 31, 2008, the fair value of all the Company's financial instruments approximates their carrying value. Certain financial instruments are exposed to the following risks:

Credit risk

Credit risk is the risk of an unexpected loss by the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk primarily relates to accounts receivables and investments in guaranteed investment certificates and treasury bills and is not considered significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at December 31, 2008 the Company believes it will have sufficient access to financial markets to continue to fund its financial liabilities through future equity issues.

The Company does not currently operate any producing properties and as such, is dependent upon the issuance of new equity to advance its exploration properties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or joint ventures or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Wescan's future cash flows, earnings, results of operations and financial position.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any significant exposure to interest rate risk, except for limited exposure to interest rate changes on interest bearing assets.

12. Commitments

As at December 31, 2008, the Company is committed to an operating lease for office space, as follows:

Year	
2009	\$ 86,350
2010	86,350
2011	86,350
2012 and thereafter	86,350
Total	\$ 345,400

To satisfy its commitments pursuant to the issuance of flow-through shares, the Company is required to incur \$2,361,099 of qualifying exploration expenditures for tax purposes on or before December 31, 2009.

13. Contingency

A statement of claim has been filed against the Company for unpaid expenditures of \$278,946 related to an exploration program. A response to the claim has been made. At this time, the likelihood of the claim is not determinable.

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14. **Comparative figures**

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