

## **Management's Responsibility for Financial Statements**

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

Management in conformity with Canadian generally accepted accounting principles has prepared the financial statements. The financial statements include some amounts that are based on best estimates and judgments. Financial information used elsewhere in the annual report is consistent with that in the financial statements.

The management of the Company, in furtherance of the integrity and objectivity of data in the 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 financial statements and that assets are properly accounted for and safeguarded. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements in this annual report principally through its audit committee, consisting entirely of outside directors. The audit committee reviews the Company's annual financial statements and recommends 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 financial statements and their independent professional opinion on the fairness of the consolidated financial statements is attached.



Harvey J. Bay, CMA  
Chief Financial Officer  
Saskatoon, Canada  
February 28, 2005

## Auditors' Report

We have audited the financial statements of Wescan Goldfields Inc. as at December 31, 2004 and 2003 and the statements of loss and deficit and cash flows for the year ended December 31, 2004 and for the period from Incorporation dated January 17, 2003 to December 31, 2003. 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 audit.

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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the year ended December 31, 2004 and for the period from Incorporation dated January 17, 2003 to December 31, 2003 in accordance with Canadian generally accepted accounting principles.

*KPMG LWP*

Chartered Accountants

Saskatoon, Canada

February 28, 2005

(except as to note 9 which is at March 2, 2005)

## Balance Sheets

	<b>December 31</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current assets:		
Cash	\$31,873	\$ -
Cash-in-trust	209,200	-
Short-term investments	1,905,048	-
Receivables	11,767	535
	<hr/>	<hr/>
	2,157,888	535
Mineral properties (notes 2 & 3)	287,745	-
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	<b>\$2,445,633</b>	<b>\$535</b>
<b>Liabilities &amp; Shareholders Equity (Deficiency)</b>		
Current liabilities:		
Payables and accrued liabilities (note 4)	\$37,497	\$108,688
Shareholders equity (deficiency):		
Share capital (note 5)	2,685,399	-
Contributed surplus	59,290	-
Deficit	(336,553)	(108,153)
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	2,408,136	(108,153)
Commitments (note 7)		
Subsequent events (note 9)		
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	<b>\$2,445,633</b>	<b>\$535</b>

See accompanying notes to financial statements.

On behalf of the Board:

Kenneth E. MacNeill  
Chairman & Chief Executive Officer

Harvey J. Bay  
Chief Financial Officer

## Statements of Loss and Deficit

**Periods Ended December 31**

<b>2004</b>	<b>2003</b>
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### **Income**

Interest	\$7,629	\$ -
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### **Expenses**

Administration	92,361	8,840
Consulting fees	103,543	67,500
Professional fees	40,125	31,813
	<b>236,029</b>	<b>108,153</b>

<b>Net loss</b>	<b>(228,400)</b>	<b>(108,153)</b>
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Deficit, beginning of year	(108,153)	-
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<b>Deficit, end of year</b>	<b>\$ (336,553)</b>	<b>\$ (108,153)</b>
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### **Net loss per share**

Basic and diluted	(\$0.02)	(\$1,081.53)
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<b>Weighted average number of shares outstanding</b>	<b>10,471,650</b>	<b>100</b>
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## Statements of Cash Flows

	<b>Periods Ended December 31</b>	
	<b>2004</b>	<b>2003</b>
<b>Cash provided by (used in):</b>		
<b>Operations:</b>		
Net loss	\$(228,400)	\$(108,153)
Non cash item:		
Fair value of stock options granted	59,290	-
<b>Net change in non-cash operating working capital items:</b>		
Receivables	(11,232)	(535)
Payables and accrued liabilities	<u>(71,191)</u>	<u>108,688</u>
	(251,533)	-
<b>Investing:</b>		
Additions to mineral properties	(16,682)	-
<b>Financing:</b>		
Issue of common shares (net of issue costs)	<u>2,414,336</u>	-
<b>Increase (decrease) in cash position</b>	<b>2,146,121</b>	-
<b>Cash position, beginning of year</b>	-	-
<b>Cash position, end of year</b>	<b>\$2,146,121</b>	<b>\$ -</b>
 <b>Cash position consists of:</b>		
Cash	\$31,873	\$ -
Cash-in-trust	209,200	-
Short-term investments	<u>1,905,048</u>	-
	<b>\$2,146,121</b>	<b>\$ -</b>

## **Notes to the Financial Statements**

(Periods Ended December 31, 2004 and 2003)

### **WESCAN GOLDFIELDS INC.**

(A Development Stage Entity)

#### **1. Wescan Goldfields Inc.**

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"). Substantially all of the Company's efforts are directed to the exploration and development of its mineral properties and is therefore, considered to be in the development stage with respect to its current mineral property holdings.

#### **2. Significant Accounting Policies**

These 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. Actual recovered amounts could differ from those estimates.

A summary of significant accounting policies is as follows:

##### **Cash**

Cash includes cash, cash-in-trust and short-term investments that, on acquisition, have a term to maturity of three months or less. Cash-in-trust includes amounts in trust with transfer agents or legal firms where there are no restrictions on its use. Short-term investments consist of deposits in money market funds. Cash position consists of cash and cash equivalents less bank indebtedness as it relates to an excess of outstanding cheques over cash on deposit.

##### **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, the related accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable ore reserves. 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 ore reserves; the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contains economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

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

### **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 substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are to be recovered or settled.

### **Flow-through Shares**

The Company finances a portion of its exploration activities through the use of flow-through shares. The Company records the tax cost of expenditures renounced to subscribers on the date the deductions are renounced to the subscribers. Share capital is reduced and future income tax liabilities are increased by the estimated income tax benefits renounced by the Company to the subscribers, except to the extent that the Company has unrecorded loss carryforwards and tax pools in excess of book value available for deduction.

### **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 treasury-stock method, which assumes that any proceeds received on 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 5 (h). The Company has adopted CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". Section 3870 requires that when stock options or other stock-based compensation awards ("Incentives") are granted, a fair value be calculated and assigned to these Incentives and the calculated value be recognized in the financial statements in the period the Incentives vest with the recipient. This effectively requires companies to expense the fair value of stock-based compensation as options are granted and vesting occurs. No subsequent recovery of these expensed amounts is recognized if previously expensed stock-based compensation Incentives expire unexercised.

The fair value of stock-based compensation awards are recorded as contributed surplus at the time of the award. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

### **3. Mineral Properties**

	<b>Fork/Jasper/ Tamar</b>	<b>Munro</b>	<b>JoJay</b>	<b>Total</b>
<b>Balance, December 31, 2003</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Expenditures during 2004				
Acquisition	201,501	69,561	1	271,063
Consulting	3,230	-	-	3,230
Travel	-	-	13,452	13,452
<b>Balance, December 31, 2004</b>	<b>\$204,731</b>	<b>\$69,561</b>	<b>\$13,453</b>	<b>\$287,745</b>

#### **a) Fork/Jasper/Tamar**

The Company holds a 100% interest in the Fork/Jasper/Tamar property, consisting of 8 mineral dispositions covering 6,505 hectares located approximately 115 kilometers northeast of La Ronge, Saskatchewan. During the year, the Company acquired this property from its then parent company, Shore Gold Inc.

#### **b) Munro**

The Company holds a 51% interest in the Munro property, consisting of 1 mineral disposition covering 2,480 hectares located approximately 128 kilometers northeast of La Ronge, Saskatchewan. During the year, the Company acquired this property interest from its then parent company, Shore Gold Inc.

#### **c) Jojay**

The Company holds a 25% interest in the Jojay property, consisting of 11 mineral dispositions covering 198 hectares located approximately 150 kilometers northeast of La Ronge, Saskatchewan. During the year, the Company acquired this property interest from its then parent company, Shore Gold Inc.

### **4. Payables and Accrued Liabilities**

As at December 31, 2004 payables and accrued liabilities in the amount of \$37,497 represent trade payables. As at December 31, 2003 payables and accrued liabilities in the amount of \$108,688 represented amounts owing to Shore Gold Inc., the Company's then parent company.

### **5. Share Capital**

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

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

## **Issued and outstanding**

	2004			2003		
	Common Share	Warrants	Amount	Common Shares	Warrants	Amount
<b>Balance, Beginning of year</b>	<b>100</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>0</b>	<b>\$0</b>
Common shares issued (a)				100	-	-
Common shares issued (b)	12,000,000	-	271,063			
Common shares issued (c)	14,000,000	-	1,400,000			
Common shares issued (d)	2,394,000	1,197,000	598,500			
Flow-through shares issued (e)	2,680,393	-	804,118			
Issue costs			(388,282)			
<b>Balance, End of year</b>	<b>31,074,493</b>	<b>1,197,000</b>	<b>\$2,685,399</b>	<b>100</b>	<b>0</b>	<b>\$0</b>

### **(a) Common shares**

On incorporation Wescan issued 100 common shares to Shore Gold Inc. for total consideration of \$0.10.

### **(b) Common shares**

Pursuant to a transfer agreement Wescan issued 12,000,000 common shares to Shore Gold Inc. in exchange for certain property interests then held by Shore Gold Inc. (see note 3).

### **(c) Common shares**

The Company issued 14,000,000 shares by way of an Initial Public Offering ("IPO") for gross proceeds of \$1,400,000. The IPO closed on October 7, 2004.

### **(d) Common shares**

The Company issued 2,394,000 units for gross proceeds of \$598,500. Each unit consisted of one common share in the capital of the Company 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 \$0.30 for a period of 12 months from the closing date.

### **(e) Flow-through shares**

The Company issued 2,680,393 units for gross proceeds of \$804,118. The shares issued requires that the Company make certain qualifying expenditures for tax purposes on behalf of investors on or before December 31, 2005; the deduction of which flows through to the shareholder.

### **(f) Warrants**

On certain issues of common shares, the Company has attached warrants to the common shares entitling the holder to acquire additional common shares of the Company. Each whole warrant is exercisable into one common share for a period of 12 months from the closing date at a price of \$0.30. The number of warrants outstanding at December 31, 2004 was 1,197,000 expiring December 16, 2005, the exercise of which would result in the issuance of an additional 1,197,000 common shares. There were no warrants exercised during the year.

**(g) Broker warrants**

On certain issues of common shares, the Company granted 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 at a price of \$0.30. The number of outstanding broker warrants at December 31, 2004 is 242,183 with an expiry date of December 16, 2005. The exercise of the broker warrants would result in the issue of an additional 242,183 common shares of the Company.

**(h) Share option plan**

The Company has established a share option plan whereby options may be granted to directors, officers and key employees to purchase up to an aggregate of 10% of the issued and outstanding shares of the Company. Options granted have an exercise price of not less than the market price (on the date of grant) of the common shares on the stock exchange on which the shares are traded. Options granted vest immediately and expire 5 years from the date of grant of the option. As at December 31, 2004, 1,100,000 options are outstanding exercisable at a price of \$0.30 per common share. The fair value of the options granted during the year has been calculated to be \$59,290. The fair value calculated has been expensed with a corresponding increase to contributed surplus. The fair value of the stock options issued during the year was determined using the Black-Scholes option-pricing model with the following assumptions: risk-free rate of 3.96%; dividend yield of 0.0%; a volatility factor of 21.7%; option life of 5 years. The fair value of these options was determined to be .0539 per share.

**(i) Loss per Share**

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:

	<b>2004</b>	<b>2003</b>
Numerator:		
Loss applicable to common shares	\$228,400	\$108,153
Denominator:		
Weighted average common shares outstanding	10,471,650	100
Basic and diluted loss per common share	\$0.02	\$1,081.53

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

**6. Related Party Transactions**

As described in note 3, during 2004, the Company acquired its mineral property interest in three gold properties from its then parent company, Shore Gold Inc., for non-cash consideration of \$271,063, the carrying value of the properties in Shore Gold Inc. In exchange for the gold properties, the Company issued 12,000,000 common shares.

During 2004 and 2003 Shore Gold Inc. provided management services and use of office space to the Company for no charge.

During the year management and consulting fees of \$143,510 (2003 - \$67,500) were paid to directors, officers and companies controlled by common directors. \$95,000 (2003 - \$67,500) of these fees was included as consulting fees and \$48,510 (2003 - \$0) of the fair value of stock options was included as administration. During the year the Company repaid amounts advanced to it by its parent company – Shore Gold Inc. in the amount of \$404,839 (2003 - \$0). As at December 31, 2004, Shore Gold Inc. holds 8,470,105 common shares of the Company representing a 27.3% interest in the Company.

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.

## **7. Income Taxes**

The significant components of future income tax assets and liabilities at December 31, 2004 and 2003 are as follows:

	<b>2004</b>	<b>2003</b>
Future income tax assets		
Non-capital loss carry forwards	\$139,000	\$49,000
Share issue costs	121,000	-
Future income tax assets before valuation allowance	260,000	49,000
Valuation allowance	(260,000)	(49,000)
Mineral properties	-	-
<b>Future income tax liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>

As at December 31, 2004, the Company has operating losses for income tax purposes approximating \$354,000 that are available to reduce taxes in future years and expire over the period to the year 2012.

To satisfy its commitments pursuant to the issuance of flow-through shares, the Company is required to incur and renounce \$804,118 of qualifying exploration expenditures for tax purposes on or before December 31, 2005.

## **8. Financial Instruments**

Financial instruments are initially recorded at cost. The fair values of cash, cash-in-trust, short-term investments, receivables and payables and accrued liabilities approximate their recorded amounts due to their short-term nature.

## **9. Subsequent Events**

On February 23, 2005 the Company issued 3,250,000 units for gross proceeds of \$877,500. Each unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.32 for a period of 12 months from the closing date.

On March 2, 2005 the Company acquired a 50% working interest in certain mineral dispositions covering 139,000 hectares situated in the Athabasca Basin of northern Saskatchewan. The Athabasca Basin covers a range of geological settings normally prospective for uranium mineralization.