

WESCAN GOLDFIELDS INC.



2006 Annual Report

Introduction

Wescan Goldfields Inc. is a Canadian based exploration and development company with its head office in the city of Saskatoon, Saskatchewan, Canada. The Company's mineral properties portfolio consists of gold, uranium and base metals.

The Company continues to focus its financial and technical resources on exploration programs on the Jojay and Fork Lake gold properties and the Athabasca Basin uranium property. The Company will continue to evaluate potential acquisitions in Canada and internationally.

The common shares of Wescan Goldfields Inc. trade on the TSX Venture Exchange (TSX-V) under the trading symbol "WGF".

The Annual General and Special Meeting of the Shareholders of Wescan Goldfields Inc. will be held in Saskatoon at the Radisson Hotel in the Picasso Room at 10:00 am on Wednesday June 13, 2007. Shareholders are encouraged to attend. Those unable to do so should complete the form of Proxy included with the Shareholder Information Circular and forward it to Valiant Trust Company no later than 24 hours before the meeting.

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Message to Shareholders

Dear Fellow Shareholders

The year 2006 has proven to be a solid year of development for Wescan Goldfields Inc. In line with our strategic plan, the Company has continued to explore and expand its existing portfolio of properties as well as to grow the Company and organization.

During 2006, exploration expenditures and property acquisitions valued at \$4.3 million equivalent was spent as compared to \$1.1 million for the previous year. At Fork Lake, over 8,000 meters of diamond drilling was completed to confirm and further define the Jasper DJ Zone discovered in 2005 as well to identify additional exploration targets. At Jojay, Wescan acquired a further 75% interest in the property to bring the holdings to 100% which will allow the Company to move this advanced stage exploration project forward to the development stage. Airborne geophysical surveys of our joint venture uranium properties in and around the Athabasca basin have identified significant anomalies as potential exploration targets. We continue to seek new acquisition opportunities to externally grow the Company and we incorporated a subsidiary company in Mexico where we hope to add new prospective properties. The latter initiative is aimed at diversifying the Company's land holdings outside of western Canada and establishing a foothold in one of the world's most prolific precious and base metal producing areas.

This has also been a transitional year for the organization. During the year, the Company appointed a new President, Mr. M. F. (Moe) Lindsay, and a new Chief Financial Officer, Mr. Lorne Green both of whom bring a wealth of experience to the organization. We have also made a move to strengthen our link to shareholders and to the investment community with the appointment of personnel responsible for investor relations. It is the intent to build a strong management team in anticipation of future growth.

The resource industry has had a banner year in 2006 and it is an exciting time to be exploring for minerals. With metal prices at or near all time highs, the reward for successful exploration is significant. We believe we have developed an exploration program for 2007 to advance our projects significantly to capitalize on the current market. For 2007 we have a plan to advance the Jojay project towards a development stage and to carry out the next stage of exploration of our uranium properties as well as exploration programs on our other gold projects. In line with our corporate objectives, we will continue to look for opportunities to expand and diversify the Company's holdings in both precious and base metal exploration and development properties.



A handwritten signature in black ink, appearing to read 'K. MacNeill'. The signature is stylized and somewhat cursive.

Kenneth E. MacNeill
Chairman and Chief Executive Officer

Property Discussion

JoJay – Gold Exploration

The JoJay project is located 150 kilometers north-east of La Ronge within the Greenstone Belt of Northern Saskatchewan and consists of 5 claim blocks covering 1,496 hectares. The property has a long history of exploration dating back to the 1980s with considerable work being carried out by Cominco Ltd. and subsequent to that by Saskatchewan Mining and Development Corporation (one of Cameco Corporation's predecessors). Claude Resources Inc. (Claude) obtained the property in 1986 and ultimately entered into a 75:25 joint venture agreement with Shore Gold Inc. as operator. Shore's interest was subsequently transferred to Wescan and during 2006, Wescan acquired Claude's 75% to now hold 100% of the advanced stage exploration project.

The previous exploration work culminated in a 1987 Kilborn "preliminary economic analysis" of the project that reported a probable mining reserve of 313,174 tons at a grade of 0.26oz/ton gold which met the National Policy 2A guideline. (The reported reserve is not 43-101 compliant and Wescan has not relied on it but rather has used the Kilborn Report as a guide for evaluation). Wescan carried out a 7 hole drill program in 2005 to confirm continuity and possible extensions to the mineralized zones. The program successfully confirmed the continuity and increased the confidence level of the various mineralized zones. The project is approximately 11 kilometers of an existing gold processing plant and can be accessed to within that distance via an all weather road.

During 2006, in addition to acquiring the outstanding interest from Claude, Wescan staked some additional ground on the western boundary and developed a 3 dimensional model as an important tool to be used in planning the next phase of exploration for the project.

The next phases of work for this advanced stage exploration project will include additional surface exploration drilling, upgrading the last 11 kilometers of the access road to all weather status, carrying out a study to evaluate the merits of an underground exploration program, and carrying out the necessary environmental baseline work required to permit an underground program.

Fork Lake/Jasper Mine – Gold Exploration

The Fork Lake property is located in the "Greenstone Belt" of Northern Saskatchewan in the vicinity of a number of former gold producers and the property encompasses the high grade Jasper Gold Mine which produced 155,000 tons at 0.54 oz/ton in 1990-1991. The property covers an area of 6,513 hectares and is accessible by road some 135 kilometers north-east of La Ronge, Saskatchewan and is approximately 12 kilometers from an existing licensed gold processing plant. The Fork Lake property is 100% owned by Wescan.

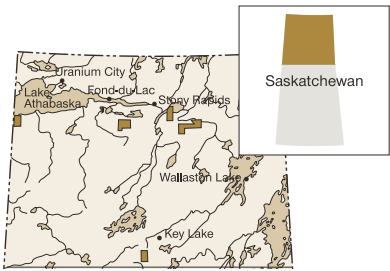
Historical exploration from the early 1960s to the 1990s identified and investigated numerous mineralized showings and structural lineaments on the property, including the highly auriferous Jasper, Muskeg, and Roxy structures as well as the DMZ.X, Boulder, CP and DMZ.W zones.

Wescan's on-going exploration of the Fork Lake property during 2006 included completion of two phases of drilling, and a prospecting and geochemical soil sampling program over the south-west portion of the property.

The drilling confirmed a high grade, down plunge-down dip extension of the Jasper Mine structure and indicates a mineralized zone of a similar size and grade as that mined previously at Jasper. The soil sampling program identified 11 new targets that are deemed to warrant follow-up drilling.



Property Discussion



During 2007, exploration will focus on a follow-up drill program of the identified targets as well as evaluation of the Jasper Deep Zone to determine the appropriate next steps for the exploration of this potential resource.

Athabasca Basin – Uranium Exploration

Wescan acquired a 50% working interest in several mineral properties in March 2005 that are prospective for uranium mineralization. The properties are made up of 6 blocks covering approximately 160,000 hectares over diverse geological settings within the Athabasca Basin and the Wollaston Ford belt of

Northern Saskatchewan. The Athabasca Basin hosts several of the world's largest and highest grade uranium deposits and with current uranium prices at all time highs current exploration activity in the region is intense.

The properties are held in a 50:50 joint venture with Santoy Resources Ltd. with Santoy acting as operator. The various properties were selected on the basis of regional geology, structural setting, regional magnetic coverage, and proximity to known uranium mineralization. Two of the properties are in the north-east sector of the basin, south of the Fond du Lac River. Also in the north-east sector is a permit on Fir Island on Black Lake, just west of known significant uranium mineralization including the historic Nisto mine. Another permit sits immediately south of Lake Athabasca just east of the Alberta border. The remaining property in the portfolio is located south of the Key Lake mine and covers an area of known uranium mineralization and is transected by the Key Lake Road.

During 2006, the joint venture's initial year of exploration on the blocks, the five areas which are within the Athabasca Basin were flown with high resolution electromagnetic and magnetic surveys. The interpretive results have provided the basis for a follow-up program planned for 2007. Part of the blocks that had been held under prospecting permits have come to their two year term and the favorable areas, based on geophysical surveys and historical exploration results, have been protected by staking of claims. The total property package has been reduced by a net 24,746 hectares.

The anticipated exploration program for 2007 includes drilling on targets identified on two of the blocks. Surface sampling programs on all of the blocks focused on geophysical targets and structural features and ground geophysical procedures will be reviewed for suitability to these projects. Line cutting and ground geophysics will be undertaken at the earliest convenience to assist in prioritizing additional drill targets.



Munro Lake Joint Venture – Gold Exploration

The Munro Lake gold project is located 7 kilometers from Claude Resources Inc.'s Seabee Mine in North Eastern Saskatchewan. Munro Lake is a joint venture between Wescan with a 51% interest and operator, and Shane Resources Ltd. with the remaining 49%. The Munro Project is an early stage gold exploration play which encompasses the north-east projection of the Laonil Lake Shear Zone which is the main ore control structure for the Seabee Mine gold mineralization. Munro Lake was part of the Shore Gold Inc. portfolio of properties transferred to Wescan at the company's formation. The property covers 2,489 hectares and is in good standing, with no outstanding fees, environmental liabilities, royalties or other encumbrances.

Prior exploration on the property has resulted in anomalous gold showings in a number of areas and a review of the property by an independent consultant has recommended a phased exploration program including, further

Property Discussion

prospecting, soil geochemical sampling, ground based geophysics, and follow-up trenching and shallow drill testing. The first phase of the program is anticipated to be completed during 2007.

Limestone Lake/Hanson Lake - Base Metal Exploration

During 2005 and 2006 Wescan staked ground in the Limestone Lake region of North Eastern Saskatchewan in an area that is adjacent to the previous base metal producer - Hanson Lake Mine and just west of the McIlvenna Bay polymetallic deposit. The property lies in the same geologic regime as the world class base metal mines in and around Flin Flon, Manitoba some 80 kilometers to the east.

The property staked covers 8 claims totaling 22,136 hectares in an area highly prospective for base metal occurrences. An airborne geophysics survey previously undertaken in the area indicates a significant magnetic anomaly is underlying the property.

At time of writing Wescan has added to the holdings in the area with the staking of an additional claim covering 3,087 hectares to the north-west of the old Hanson Lake mine.

Wescan plans an evaluation of the properties with the objective of developing an exploration program for the properties during 2007.

Other

Mexican Subsidiary

In line with the Company's long term growth strategy, Wescan created a subsidiary company in the state of Chihuahua, Mexico, a well established mining area. The intent is to utilize this base to identify potential exploration properties, and development opportunities to grow the Company. An alliance with a local geological consultant has been established with the objective of identifying prospective targets within Mexico. During 2006, several opportunities were brought to the Company for evaluation however no transactions have been completed to date. Wescan will continue to evaluate this area as a potential target for expansion of the Company.

New Acquisitions

Wescan's strategy to add shareholder value through growth is a significant initiative for the Company. During 2006, Wescan evaluated a number of opportunities however no transactions were completed. It will remain one of our key priorities to seek new opportunities to grow the Company.

Management's Discussion & Analysis

The following Management Discussion and Analysis is prepared as of April 17, 2007 and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006 and December 31, 2005. Wescan Goldfields Inc. ("Wescan" or "the Company") prepares its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are reported in Canadian dollars unless otherwise indicated.

Overview

In 2006 Wescan continued to acquire and consolidate prospective mining properties. Exploration activities included an active drilling program at the Jasper site on the Fork Lake property and an extensive airborne geophysical survey of the uranium properties in the Athabasca region of Saskatchewan.

Jojay Property

The Jojay gold property was first discovered by Cominco Ltd. in the 1960's and then explored by Saskatchewan Mining and Development Corporation and Claude in the 1980's. Little exploration has been done since then and the property eventually came to be owned jointly by Wescan (25%) and Claude Resources (75%). In the fourth quarter of this year Wescan acquired Claude's 75% interest to bring the Company's position to 100% of the property. Under the terms of the transaction, Wescan acquired Claude's interest by the issuance of 3.5 million Wescan shares valued at \$1,365,000 on the transaction close date of October 24, 2006. This acquisition further enhances the Company's stated strategy to consolidate and develop its gold holdings in northern Saskatchewan. Jojay is an advanced stage exploration project located in the Greenstone Belt of northern Saskatchewan and approximately 11 road kilometers from an existing licensed gold processing plant. The acquisition allows the Company to aggressively progress to the next phase of exploration to commence in 2007, conceptually including; upgrading the existing access road to permit all weather access, additional surface drilling, a scoping study to evaluate an underground exploration program and commencing environmental baseline work leading to permitting an underground exploration program.

Athabasca Basin Properties

In early 2006, Wescan acquired an additional 50% interest in five claims in the same area as the Company's previously acquired uranium interests in the Athabasca Basin region. These additions brought the total land package in the area to 159,965 hectares. During the second quarter of 2006, the Wescan-Santoy joint venture completed a helicopter-borne time domain electromagnetic survey of the Black Lake block (Fir Island project) and an airborne magnetic and MEGATEM survey of the Hozempa Lake, Pattyson Lake-Umpherville Lake, Dowler Lake and Richards Lake blocks. Late in the third quarter of 2006, interpretation and evaluation of the geophysical results were carried out by Santoy Resources Ltd. (the Operator) and formed the basis for developing a 2007 follow-up exploration program. The program is expected to include staking the exploration permits to convert to claims, carrying out line-cutting and follow-up ground based geophysical surveys and some drilling of identified anomalies.

Fork Lake Property

During the first quarter of 2006, Wescan spent approximately \$1.0 million advancing a drill program at the Jasper site on the Fork Lake Property. The results showed that the previously discovered Deep Jasper Zone (DJ) had a strike length of over 250 meters and a vertical extent of approximately 250 meters. The Company was encouraged by the drilling and as a result planned an additional 9,500 meter drill program. The focus of this phase of program was to continue to outline the Deep Jasper ("DJ") Zone to the north-east and to further



Management's Discussion & Analysis

evaluate the JN Footwall, the JN East Zone (footwall zones of the DJ Zone), the Roxy Zone and certain targets of the Transect Zone. During the third quarter of 2006, Wescan drill-tested the continuation of the Boulder Zone, intersected earlier this year by drill hole DL-06-03 which contained encouraging results of 12.07 grams/tonne over 1 meter down hole. Extensive soil sampling programs were conducted over 1.4 x 3.4 km and 0.8 x 1.3 km grids in areas south-west of the Boulder and Jasper Zones to identify continuity of these zones and the potential for new zones. The preliminary results from this soil sampling program were very encouraging and indicated there were at least eleven new areas that require drilling. The focus of the 2007 exploration program will be the follow-up of the drill targets identified and further soil sampling to identify additional anomalies.

Establishment of Subsidiary Company

In 2006 the Company created a wholly-owned Mexican subsidiary, Minera Abundancia, which has been registered in the Mexican state of Chihuahua. Establishment of this subsidiary is a step in achieving Wescan's strategic plan of establishing itself in the international mining community. The creation of the Mexican subsidiary allows Wescan to pursue and potentially acquire advanced exploration projects in Mexico. In 2006 Wescan reviewed several opportunities to acquire properties in Mexico but to date a suitable acquisition target has not been found.

Selected Annual Information

Selected financial information of the Company by year is summarized as follows:

	2006 \$	2005 \$	2004 \$
Revenues	201,800	95,085	7,629
Net loss	575,517	85,491	228,400
Net loss per share ⁽¹⁾	0.01	0.00	0.02
Total assets	11,261,212	7,848,941	2,445,633
Working capital	5,178,281	6,092,520	2,120,391

(1) Basic and diluted.

Year to Date

Results of Operations

For the year ended December 31, 2006, the Company had a net loss of \$575,517 (\$0.01 per share) compared to a net loss of \$85,491 (\$0.00 per share) for the same period in 2005. For the period ended December 31, 2006 the Company generated increased interest income from investing surplus cash, however, this increase was offset by additional administration, professional and consulting fees incurred. The Company had an income tax recovery as a result of federal and provincial governments corporate tax rate reductions and renunciation of flow-through share expenditures. The Company has recorded a future income tax recovery of \$613,550 for the year-ended December 31, 2006. The Company's loss before income taxes was \$1,189,067 which is \$764,576 over the 2005 loss before income taxes. The increase in loss can be explained by increased professional fees incurred reviewing potential exploration projects and increased personnel and executive compensation costs.

Revenues

For the year ended December 31, 2006 the Company reported interest revenue of \$201,800 as compared to \$95,085 for the year ended December 31, 2005. The \$201,800 in interest revenue in 2006 is the result of having surplus cash for investing after the completion of equity financings during late in the fourth quarter of 2006 as well as the third and fourth quarters of 2005.

Expenses

Total operating expenses for the year ended December 31, 2006 were \$1,390,867 compared to \$519,576 for the same period of 2005. This represents an increase of \$871,291 or 167%. Administration expense increased \$615,634 from \$340,467 in 2005 to \$956,101 in 2006. The increase in expenditures predominately related to an increase in personnel costs, an increase in executive compensation, an increase in the fair-value of stock based compensation and additional office space requirements. Consulting fees remained relatively stable

Management's Discussion & Analysis

from period to period, increasing by \$13,855 or 12.2% over the same period last year. Finally, professional fees increased from \$39,966 in 2005 to \$260,263 in 2006. The large increase in 2006 was primarily related to professional fees associated with reviewing potential exploration projects in Canada and Mexico.

Investing

Mineral properties cash additions totaled \$3.0 million for 2006 compared to \$1.1 million for 2005. The additions for year ended December 31, 2006 predominately relate to the on-going drill program for the Fork Lake property and airborne geophysics surveys on the Company's uranium properties located in the Athabasca Basin region of Northern Saskatchewan. Approximately \$2.5 million out of the \$3.0 million was incurred on the Fork Lake property and this is where the Company has been focusing their efforts for the short-term. In addition, the Company issued 3.5 million common shares valued at \$1.365 million to acquire Claude Resource's 75% interest in the Jojay gold property which is a few kilometers to the north-west of the Jasper gold property.

Financing

During the year ended December 31, 2006, the Company completed one private placement for 5,916,428 units at a price of \$0.35 per unit for gross proceeds of \$2,070,749. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share in the capital of Company for a period of 12 months from closing at a price of \$0.45 per share. The Company paid finders' fees equal to 5% of the gross proceeds and issued 66,194 finders' warrants equal to 5% of the gross proceeds sold by such a finder pursuant to the offering. The finders' warrants have the same rights attached to them as the other warrants in this placement. Proceeds from this placement will be applied to further exploration including drilling on Wescan's 100% owned Jojay and Fork Lake properties, for further exploration of the Company's 50% owned uranium prospecting permits in the Athabasca Basin, for exploration on the Company's other properties in Northern Saskatchewan, and for general working capital purposes.

Summary of Quarterly Results

	2006				2005			
	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$
Revenues ⁽¹⁾	44,680	51,228	53,417	52,475	44,979	21,765	15,474	12,867
Net income (loss) ⁽²⁾	(273,544)	(176,017)	(272,672)	146,716	(85,843)	(69,568)	(179,834)	249,754
Net income (loss)/share ⁽³⁾	(0.00)	(0.00)	(0.01)	0.00	(0.00)	(0.00)	(0.01)	0.01
Capital expenditures ⁽⁴⁾	482,901	627,071	781,588	1,225,172	523,911	378,637	232,967	81,163
Shares outstanding ⁽⁵⁾	59,045,166	49,628,738	49,620,338	49,101,638	46,802,464	44,663,357	34,524,493	34,324,493

(1) The Company's revenues come from interest earned on cash balances as well as administration fees for acting as operator on certain joint ventures. The overall increasing and stable trend related to revenue is due to interest from the cash proceeds from equity offerings during the first, third and fourth quarters of 2005 as well as the last quarter of 2006; the proceeds of which have been invested in short-term instruments intended to maximize return while being readily available for ongoing operational and exploration activities. Even though the company continues to advance its mineral properties through expending resources, the expected negative impact on interest revenues is mitigated due to an increase in interest rates.

(2) Basic and diluted.

(3) The additions in the first quarter of 2005 related to the acquisition of a 50% interest in 7 uranium properties located in the Athabasca Basin region of northern Saskatchewan. The additions in the last three quarters of 2005 and the first quarter of 2006 are primarily due to exploratory drill programs at the Fork Lake property. The first quarter of 2006 also had expenditures related to the acquisition of a 50% interest in 5 additional uranium properties located in the same proximity of the properties acquired during 2005 as well as airborne geophysics survey costs related to the uranium claims. The additions in the second, third and fourth quarters of 2006 relate to continued drilling on the Fork Lake property, surveying costs related to the Company's 50% interest of its uranium claims in northern Saskatchewan, additional staking done in the Limestone Lake area and the acquisition costs related to the purchase of the remaining 75% interest in the Jojay gold deposit from the Company's joint venture partner which closed on October 24, 2006.

Management's Discussion & Analysis

(4) Private placements in the first, third and fourth quarters of 2005 and also in late 2006, in addition to exercise of warrants, broker warrants and options combined with the purchase of the remaining 75% interest in the Jojay gold deposit from the Company's joint venture partner in exchange for shares resulted in the remaining changes to the common shares issued and outstanding.

Liquidity

The Company does not currently operate any producing properties and; as such, is dependent upon the issuance of new equity to finance its ongoing obligations and advance its exploration properties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company's working capital at December 31, 2006 is \$5.2 million and is sufficient to cover all currently contemplated exploration programs for the Company's properties. Until the Company's surplus cash is required to fund exploration or development activities it is being invested in relatively risk-free, short-term instruments with maturities not exceeding 3 months.

The Company's contractual obligations are as follows:

	Payment due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Operating lease obligations	\$405,900	\$81,180	\$243,540	\$81,180	\$ -

Capital Resources

As at December 31, 2006, the Company has working capital of \$5.2 million as compared to \$6.1 million at December 31, 2005. As at April 17, 2007, the Company had a total of 59,045,166 common shares issued and outstanding as well as 2,958,214 warrants, 66,194 broker warrants and 3,100,000 options. In the event all warrants, broker warrants and options were exercised, the Company would be required to issue a further 6,175,128 common shares for gross cash proceeds of \$3.1million.

Related Party Transactions

During 2006 Shore Gold Inc. purchased an additional 3,000,000 common shares in the Company for cash consideration of \$1,050,000. As at December 31, 2006 Shore Gold Inc. holds 11,474,086 common shares of the Company representing a 19.4% (2005 - 18.1%) interest in the Company.

During the year management and consulting fees of \$157,024 (2005 - \$114,500) were paid to directors, officers and companies controlled by common directors; \$85,024 (2005 - \$114,500) of these fees were included as consulting fees and \$72,000 (2005 - \$0) was included as administration expense.

During the year, the Company paid \$473,944 (2004 - \$61,587) to Shore Gold Inc. for rent of office space, administration services, and rental of equipment.

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties. The fair-value of stock-based compensation was determined using the Black-Scholes model.

Fourth Quarter Results

For the quarter ended December 31, 2006, the Company recorded a net loss of \$273,544 or \$0.00 per share compared to a net loss of \$85,843, or \$0.00 per share for the same period in 2005. The major difference between the quarter ended December 31, 2006 and 2005 is predominately related to an increase in personnel costs, an increase in executive compensation, an increase in the fair-value of stock based compensation and additional office space requirements.

The Company generated \$44,680 in interest revenue during the fourth quarter compared to \$44,979 for the corresponding period in 2005. The balance remains relatively unchanged due to the Company having more cash on hand after the completion of three financings during 2005 and one in late in the fourth quarter of 2006.

During the fourth quarter the Company incurred \$405,915 in mineral property additions the majority of which related to the Company's uranium properties and to Fork Lake.

Management's Discussion & Analysis

In December 2006, the Company completed a private placement for 5,916,428 units at a price of \$0.35 per unit for gross proceeds of \$2,070,749. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire an additional common share in the capital of Company for a period of 12 months from closing at a price of \$0.45 per share. The financing raised will be spent on advancing the Company's exploration properties.

Critical Accounting Estimates

Wescan's consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles ("GAAP"). The Company's accounting policies are described in note 2 to the annual consolidated financial statements. Certain of these policies involve critical accounting estimates because they require Management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The uncertainties related to these areas could significantly impact the Company's results of operations, financial condition and cash flows.

Management considers the following policies to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows.

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.

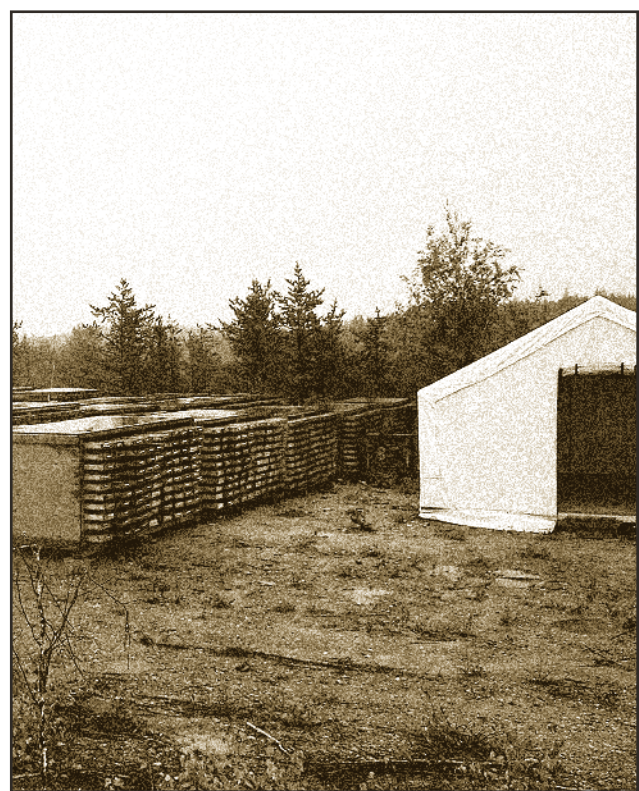
All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable reserves. 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 reserves, the ability to obtain the necessary financing 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 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.

Stock-based compensation plans

Options granted under the share option plan are accounted for using the fair-value of the options on the date of grant, which is determined by using an option-pricing model. The fair value estimate of the options is dependent on the assumptions of the expected term, volatility, risk-free rate of return and expected dividend yield which may be imprecise and depend partly on statistical inferences drawn from past experience. The estimated value of options can vary dramatically depending on the assumptions used and the actual value of the options may be



Management's Discussion & Analysis

materially different from the estimated value. Regardless of the actual value of the options or changes that may occur in any of the factors used in estimating the fair value, the expense recorded for stock compensation will not be adjusted.

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 basis. Future income tax assets and liabilities are measured using enacted or 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.

New accounting pronouncements

Financial Instruments – Recognition and Measurement

In January 2005, the CICA released new Handbook Section 3855, "Financial Instruments – Recognition and Measurement", effective for annual and interim periods beginning on or after October 1, 2006. This new section establishes standards for the recognition and measurement of all financial instruments, provides a characteristics-based definition of a derivative financial instrument, provides criteria to be used to determine when a financial instrument should be recognized, and provides criteria to be used when a financial instrument is to be extinguished. The Company is reviewing the guidance to determine the potential impact these new standards will have on its financial position and results of operations.

Comprehensive Income and Equity

In January 2005, the CICA released new Handbook Section 1530, "Comprehensive Income", and section 3251, "Equity", effective for annual and interim periods beginning on or after October 1, 2006. Section 1530 established standards for reporting comprehensive income. These standards require that an enterprise present comprehensive income and its components, in a separate financial statement that is displayed with the same prominence as other financial statements. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in Section 3251 are in addition to Section 1530. The Company is reviewing the guidance to determine the potential impact these new standards will have on its financial position and results of operations.

Stock-based compensation for employees eligible to retire before the vesting date

In July 2006, the CICA's Emerging Issues Committee issued guidance on how to account for the compensation cost attributable to a stock-based award for a compensation plan containing provision which allow an employee's award to continue vesting after the employee has retired. The implementation of this guidance is effective January 1, 2007, and is not expected to have a material impact on the Company's financial position and results of operations.

Disclosure Controls and Procedures

The Company evaluated the effectiveness and design of its disclosure controls and procedures for the period ended December 31, 2006, and based on this evaluation (which included testing of the key controls by examining evidence demonstrating their existence on a test basis) have determined these controls to be effective.

The Corporation's financial reporting procedures and practices have enabled the certification of the Company's annual filings in compliance with Multilateral Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". Management has designed such internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements and other annual filings in accordance with Canadian Generally Accepted Accounting Principles.

Management is aware that given the limited number of employees involved in the design of internal controls over financial reporting that in-house expertise to deal with complex taxation, accounting and reporting issues may not always be sufficient. The Company obtains outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of a similar size.

Management's Discussion & Analysis

There have been no significant changes to the Company's internal control over financial reporting during the most recent period that would have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

As at April 19, 2007, the Company has \$4.7 million in cash and cash equivalents that will partially be used to continue exploration programs on the Jojay and Fork Lake gold properties, fund its 50% share of future exploration programs on the Company's uranium property interests, and evaluate the potential for acquisition of more mineral properties in Canada and internationally.

Caution Regarding Forward-looking Information

From time to time, Wescan makes written or oral forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of the Ontario Securities Act. Wescan may make such statements in this MD&A, in other filings with Canadian regulators, in reports to shareholders or in other communications. These forward-looking statements include, among others, statements with respect to Wescan's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding Wescan's future operations, future exploration and development activities or other development plans contain forward-looking statements.

All forward-looking statements and information are based on Wescan's current beliefs as well as assumptions made by and information currently available to Wescan concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration, development and mining activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements. These factors include, but are not limited to, developments in world gold markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of Wescan or its joint venture partners; the effects of competition in the markets in which Wescan operates; the impact of changes in the laws and regulations regulating mining exploration and development; judicial or regulatory judgments and legal proceedings; operational and infrastructure risks and the additional risks described in Wescan's most recently filed annual and interim MD&A and Wescan's anticipation of and success in managing the foregoing risks.

Wescan cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to Wescan, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Wescan does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by Wescan or on our behalf.

Further information relating to the Company has been filed on SEDAR and may be viewed at www.sedar.com

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 in conformity with Canadian generally accepted accounting principles has prepared the consolidated financial statements. 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 reviews the Company's annual consolidated 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 consolidated financial statements and their independent professional opinion on the fairness of the consolidated financial statements is attached.



Lorne Green, CA
Chief Financial Officer
Saskatoon, Canada
April 19, 2007


Auditors' Report

To the Shareholders of Wescan Goldfields Inc.

We have audited the consolidated balance sheets of Wescan Goldfields Inc. as at December 31, 2006 and 2005 and the consolidated statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The letters are stylized and slanted to the right.

Chartered Accountants
Saskatoon, Canada
April 19, 2007

Consolidated Balance Sheets

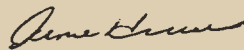
	December 31,	
	2006	2005
Assets		
Current assets:		
Cash	\$208,857	\$338,449
Short-term investments	5,015,417	5,893,010
Receivables	95,017	127,547
Prepays	14,024	10,230
	5,333,315	6,369,236
Mineral properties (note 3)	5,754,069	1,419,206
Equipment (note 4)	173,828	60,499
	\$11,261,212	\$7,848,941
Liabilities & Shareholders Equity		
Current liabilities:		
Payables and accrued liabilities	\$155,034	\$276,716
Future income tax liability (note 8)	402,000	-
Shareholders equity:		
Share capital (note 5)	11,205,312	7,749,253
Contributed surplus (note 5)	496,427	245,016
Deficit	(997,561)	(422,044)
	10,704,178	7,572,225
	\$11,261,212	\$7,848,941

See accompanying notes to financial statements.

On behalf of the Board:



Kenneth E. MacNeill
Chairman & CEO



Arnie E. Hillier
Director

Consolidated Statements of Loss and Deficit

	Year Ended December 31,	
	2006	2005
Income		
Interest and other income	\$201,800	\$95,085
Expenses		
Administration	956,101	340,467
Consulting fees	128,280	114,425
Professional fees	260,263	39,966
Amortization	46,223	24,718
	<u>1,390,867</u>	<u>519,576</u>
Loss before the undernoted item	(1,189,067)	(424,491)
Future income tax recovery (note 8)	<u>613,550</u>	<u>339,000</u>
Net loss	(575,517)	(85,491)
Deficit, beginning of year	<u>(422,044)</u>	<u>336,553</u>
Deficit, end of year	<u><u>\$(997,561)</u></u>	<u><u>\$(422,044)</u></u>
Net loss per share		
Basic and diluted (note 6)	(0.01)	(0.00)
Weighted average number of shares outstanding	49,968,075	36,813,933

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2006	2005
Cash provided by (used in):		
Operations:		
Net loss	\$(575,517)	\$(85,491)
Non-cash items:		
Amortization	46,223	24,718
Fair value of stock options vested	308,447	102,450
Future income tax recovery	(613,550)	(339,000)
Net change in non-cash operating working capital items:		
Receivables	38,521	(16,722)
Prepays	(3,794)	(10,230)
Payables and accrued liabilities	22,592	91,637
	(777,078)	(232,638)
Investing:		
Additions to mineral properties	(2,957,180)	(1,131,461)
Additions to equipment	(159,552)	(85,217)
Net change in non-cash investing working capital items:		
Receivables	(5,991)	(99,058)
Payables and accrued liabilities	(144,274)	147,582
	(3,266,997)	(1,168,154)
Financing:		
Issue of common shares (net of issue costs)	3,036,890	5,486,130
Increase in cash and cash equivalents	(1,007,185)	4,085,338
Cash and cash equivalents, beginning of year	6,231,459	2,146,121
Cash and cash equivalents, end of year	\$5,224,274	\$6,231,459
Cash and cash equivalents consists of:		
Cash	\$208,857	\$338,449
Short-term investments	5,015,417	5,893,010
	\$5,224,274	\$6,231,459

Notes to the Consolidated Financial Statements

(years ended December 31, 2006 and 2005)

WESCAN GOLDFIELDS INC.

(A Development Stage Entity)

1. Nature of operations

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

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Areas of significance requiring the use of management estimates relate to the determination of the recoverability of capitalized mineral exploration costs and the determination of future income tax assets and liabilities. Actual recovered amounts could differ from those estimates.

A summary of significant accounting policies are as follows:

Consolidation principles

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

Cash and cash equivalents

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

Mineral properties

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

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

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves; the ability to obtain the necessary financing to establish the existence of ore reserves and to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

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

Equipment

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 substantially 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

Notes to the Consolidated Financial Statements

(years ended December 31, 2006 and 2005)

is recognized in earnings in the period which includes the enactment date. Future income tax assets and liabilities are recorded in the financial statements if realization is considered more likely than not. The valuation of future income taxes is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated recoverable amount.

Flow-through shares

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

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on 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 (i).

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. 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

Mineral properties are made up of the following:

	Gold				Uranium	Total
	Fork Lake/ Jasper/ Tamar	Munro	Jojay	Limestone Lake	Athabasca Basin Properties	
Balance, December 31, 2004	\$204,731	\$69,561	\$13,453	\$ -	\$ -	\$287,745
Acquisition & staking	3,135	-	942	8,590	64,329	76,996
Consulting/Personnel	93,742	-	4,663	2,957	1,020	102,382
Drilling	735,961	-	26,323	-	-	762,284
Other	189,476	-	323	-	-	189,799
Balance, December 31, 2005	\$1,227,045	\$69,561	\$45,704	\$11,547	\$65,349	\$1,419,206
Acquisition & staking	-	-	1,402,940	37,921	20,880	1,461,741
Consulting/Personnel	204,033	-	-	-	-	204,033
Drilling	1,978,906	-	-	-	-	1,978,906
Surveying	-	-	-	-	407,685	407,685
Other	281,987	280	-	231	-	282,498
Balance, December 31, 2006	\$3,691,971	\$69,841	\$1,448,644	\$49,699	\$493,914	\$5,754,069

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 calculated fair-values of properties acquired, less write-downs and recoveries, and does not necessarily reflect present or future values.

a) Fork Lake/Jasper/Tamar Property

The Company holds a 100% interest in the Fork/Jasper/Tamar property, consisting of certain mineral dispositions located approximately 130 kilometers north-east of La Ronge, Saskatchewan.

Notes to the Consolidated Financial Statements

(years ended December 31, 2006 and 2005)

b) Munro Property

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

c) Jojay Property

The Company holds a 100% interest in the Jojay property, consisting of certain mineral dispositions located approximately 150 kilometers north-east of La Ronge, Saskatchewan. The Company acquired the original 25% property interest in 2004 from its then parent company, Shore Gold Inc. On October 24, 2006, the Company acquired the remaining 75% property interest in a non-cash exchange for 3,500,000 shares valued at \$1,365,000.

d) Limestone Lake Property

The Company staked claims on the Limestone Lake gold property located 157 kilometers south-east of La Ronge, Saskatchewan.

e) Athabasca Basin Properties

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

4. Equipment

Equipment is made up of the following:

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Automotive equipment	\$86,541	\$19,440	\$67,101	\$21,533
Computer equipment	14,013	2,705	11,308	2,010
Computer software	40,028	38,528	1,500	18,515
Furniture & equipment	65,783	10,267	55,516	18,441
Leasehold improvements	38,403	-	38,403	-
	\$244,768	\$70,940	\$173,828	\$60,499

5. Share capital

Authorized

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

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

Issued and outstanding

	2006			2005		
	Common Shares	Warrants	Amount	Common Shares	Warrants	Amount
Balance, Beginning of year	46,802,464	4,298,814	\$7,749,253	31,074,493	1,197,000	\$2,682,14
Common shares issued (a)	-	-	-	3,250,000	1,625,000	877,500
Common shares issued (b)	-	-	-	5,437,628	2,718,814	1,903,170
Flow-through shares issued (c)	-	-	-	4,691,236	-	2,017,231
Flow-through shares issued (d)	-	-	-	694,444	-	500,000
Common shares issued (e)	5,916,428	2,958,214	2,070,749	-	-	-
Common shares issued (f)	3,500,000	-	1,365,000	-	-	-
Warrants exercised/expired (g)	2,371,509	(4,298,814)	861,779	1,242,000	(1,242,000)	373,500
Broker warrants exercised (h)	154,765	-	100,922	212,663	-	66,245
Options exercised (i)	300,000	-	136,929	200,000	-	76,780
Issue costs – net of tax	-	-	(44,320)	-	-	(408,787)
Future income taxes on renunciation of flow through shares	-	-	(1,035,000)	-	-	(339,000)
Balance, End of year	59,045,166	2,958,214	\$11,205,312	46,802,464	4,298,814	\$7,749,253

Notes to the Consolidated Financial Statements

(years ended December 31, 2006 and 2005)

(a) Common shares

In February of 2005 the Company issued 3,250,000 units for gross proceeds of \$877,500. 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 \$0.32 for a period of 12 months from the closing date. At December 31, 2006 no warrants remain outstanding.

(b) Common shares

In September of 2005 the Company issued 5,437,628 units for gross proceeds of \$1,903,170. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.45 for a period of 12 months from the closing date. At December 31, 2006 no warrants remain outstanding.

(c) Flow-through shares

In September of 2005 the Company issued 4,691,236 flow-through shares for gross proceeds of \$2,017,231. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2006; the deduction of which flows through to the shareholder.

(d) Flow-through shares

In December of 2005 the Company issued 694,444 flow-through shares for gross proceeds of \$500,000. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2006; the deduction of which flows through to the shareholder.

(e) Common shares

In December of 2006 the Company issued 5,916,428 units for gross proceeds of \$2,070,049. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.45 for a period of 12 months from the closing date.

(f) Common shares

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

(g) Warrants

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

	Warrants	Average Price
Balance - December 31, 2004	1,197,000	\$0.30
Issued	4,343,814	0.40
Exercised	(1,242,000)	0.30
Balance - December 31, 2005	4,298,814	\$0.30
Issued	2,958,214	0.45
Exercised	(2,371,509)	0.36
Expired	(1,927,305)	0.45
Balance - December 31, 2006	2,958,214	\$0.45

The warrants outstanding expire December 19, 2007.

The warrants issued in 2006 were fair-valued at \$101,467 (2005 - \$649,410). The fair value of the warrants was determined using the Black-Scholes option-pricing model with the following assumptions: volatility 52% (2005 - 89%), risk-free rate of return of 3.92% (2005 - 4.25%), expected dividend of 0% (2005 - 0%), and expected term of 1 year (2005 - 1 year).

(h) 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:

Notes to the Consolidated Financial Statements

(years ended December 31, 2006 and 2005)

	Warrants	Average Price
Balance - December 31, 2004	242,183	\$0.30
Issued	493,405	0.45
Exercised	(212,663)	0.30
Expired	(29,520)	0.30
Balance - December 31, 2005	493,405	\$0.45
Issued	66,194	0.45
Exercised	(154,765)	0.45
Expired	(338,640)	0.45
Balance - December 31, 2006	66,194	\$0.45

The broker warrants outstanding expire December 19, 2007.

The broker warrants issued in 2006 were fair-valued at \$1,489 (2005 - \$99,717). The fair value of the broker warrants was determined using the Black-Scholes option-pricing model with the following assumptions: volatility of 43% (2005 - 89%), risk-free rate of return of 3.92% (2005 - 4.25%), expected dividend of 0% (2004 - 0%), and expected term of 1 year (2005 - 1 year).

(i) Share option plan

The Company has established a share option plan whereby options may be granted to directors, officers and key employees to purchase up to an aggregate of 10% of the issued and outstanding shares of the Company. As at December 31, 2006, the number of shares reserved under the plan is 2,754,517. 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 six to twelve months after grant date and expire 5 years from the date of the grant of the options.

During 2006, the Company granted 2,550,000 (2005 - 300,000) 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:

	2006	2005
Number of options granted	2,550,000	300,000
Average strike price	\$0.61	\$0.37
Expected dividend	-	-
Expected volatility	35.8%	72.8%
Risk-free interest rate	4.27%	4.25%
Expected life of options	5.00	5.00
Weighted average grant date fair values	\$524,625	\$102,450

The fair value of the options granted during 2006, using the Black-Scholes option-pricing model was \$524,625 (2005 - \$102,450). The fair value attributable to options granted during the year and vested was \$321,130 (2005 - \$102,450). Of this amount, \$12,683 (2005 - \$0) was capitalized as an addition to mineral properties and \$308,477 (2005 - \$102,540) was expensed with a corresponding increase of \$321,130 (2005- \$102,540) to contributed surplus.

For options outstanding at December 31, 2006 and 2005, weighted average exercise prices are as follows:

	Options	Average Price
Balance December 31, 2004	1,100,000	\$0.30
Granted	300,000	0.37
Exercised	(200,000)	0.30
Balance December 31, 2005	1,200,000	\$0.30
Granted	2,550,000	0.61
Exercised	(300,000)	0.32
Forfeited	(200,000)	0.65
Expired	(100,000)	0.30
Balance December 31, 2006	3,150,000	\$0.54

Notes to the Consolidated Financial Statements

(years ended December 31, 2006 and 2005)

For options outstanding at December 31, 2006, all of which are exercisable, 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, 2006	Weighted Average Exercise Price	Weighted Average Remaining Life	Options December 31, 2006	Weighted Average Exercise Price
\$0.30 – 0.39	800,000	\$0.32	3.0 years	800,000	\$0.32
\$0.40 – 0.49	100,000	0.45	4.68 years	-	-
\$0.50 – 0.59	500,000	0.50	4.58 years	250,000	0.50
\$0.60 – 0.69	1,750,000	0.65	4.32 years	875,000	0.65
	3,150,000	\$0.54	4.04 years	1,925,000	\$0.49

(j) Contributed surplus

The fair-value of stock options and broker warrants have been determined using the Black-Scholes option-pricing model. The fair-value on the grant of these securities has been 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:

	2006	2005
Balance – beginning of year	\$245,016	\$62,075
Fair value of options vested	342,337	102,450
Fair value of broker warrants granted	1,489	99,717
Less: contributed surplus related to options exercised	(39,930)	(16,780)
Less: contributed surplus related to options forfeited	(21,207)	-
Less: contributed surplus related to broker warrants exercised	(31,278)	(2,446)
Balance – end of year	\$496,427	\$245,016

6. Per share amounts

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

	2006	2005
Numerator:		
Loss applicable to common shares	\$575,571	\$85,491
Denominator:		
Weighted average common shares outstanding	49,968,075	36,813,933
Basic and diluted loss per common share	\$0.01	\$0.00

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

7. Related party transactions

In 2006 Shore Gold Inc. purchased an additional 3,000,000 common shares in the Company for cash consideration of \$1,050,000. As at December 31, 2006 Shore Gold Inc. holds 11,474,086 common shares of the Company representing a 19.4% (2005 - 18.1%) interest in the Company.

During the year management and consulting fees of \$157,024 (2005 - \$114,500) were paid to directors, officers and companies controlled by common directors; \$85,024 (2005 - \$114,500) of these fees were included as consulting fees and \$72,000 (2005 - \$0) was included as administration expense.

During the year, the Company paid \$473,944 (2005 - \$61,587) to Shore Gold Inc. for rent of office space, administration services, and rental of equipment.

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties. The fair-value of stock-based compensation was determined using the Black-Scholes model.

Notes to the Consolidated Financial Statements

(years ended December 31, 2006 and 2005)

8. Income taxes

The significant components of future income tax assets and liabilities at December 31, 2006 and 2005 are as follows:

	2006	2005
Future income tax assets		
Non-capital loss carry forwards	\$470,000	\$319,000
Share issue costs	119,000	188,000
Future income tax assets before valuation allowance	589,000	507,000
Valuation allowance	-	(192,000)
Future income tax liabilities	(991,000)	(315,000)
Net future income tax liabilities	\$402,000	\$ -

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:

	2006	2005
Loss before income taxes	\$1,189,067	\$424,491
Combined federal and provincial tax rate	39.6%	43.1%
Expected tax recovery	(470,870)	(183,041)
Increase (decrease) in taxes resulting from:		
Non-deductible stock option expenses	122,157	44,176
Other non-deductible amounts	1,172	-
Tax benefits not recognized on share issue costs	-	(120,908)
Effect of change in effective tax rates	101,568	(11,227)
Tax benefit not recognized on foreign exploration	91,753	-
Effect of tax rate change on renunciation of tax deductions	(267,330)	-
Change in valuation allowance	(192,000)	(68,000)
Future income tax recovery	\$(613,550)	\$(339,000)

As at December 31, 2006, the Company has operating losses for income tax purposes approximating \$1,542,000 that are available to reduce taxes in future years and expire over the period to the year 2026.

The Company finances a portion of its exploration activities through the issuance of flow-through shares. During the first quarter of 2006, the Company renounced the deductions to investors and accordingly recorded 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 cost of deductions renounced by the Company to the investors in the amount of \$1,035,000. To the extent the Company has unrecorded tax assets, the future income tax liabilities are reduced with a corresponding credit to income tax recovery.

To satisfy its commitments pursuant to the issuance of flow-through shares, the Company was required to incur and renounce \$2,517,231 of qualifying exploration expenditures for tax purposes on or before December 31, 2006. This amount was incurred and renounced prior to December 31, 2006.

9. Commitments

As at December 31, 2006, the Company is committed to an operating lease for office space, as follows:

Year	
2007	\$81,180
2008	81,180
2009	81,180
2010	81,180
2011	81,180
Total	\$405,900

10. Financial Instruments

The fair values of cash, short-term investments, receivables and payables and accrued liabilities approximate their recorded amounts due to their short-term nature.

Corporate Information

Directors and Officers

Kenneth E. MacNeill Chairman, Chief Executive Officer and Director

Maurice (Moe) Lindsay President

Lorne Green Chief Financial Officer

Harvey J. Bay Director

Arnold E. Hillier Director

Gary L. Billingsley Director

Val L. Michasiw Director

Auditors

KPMG LLP Saskatoon, Saskatchewan

Solicitors

Bennett Jones Calgary, Alberta

Transfer Agent

Valiant Trust Company Calgary, Alberta

Exchange Listing

TSX Venture

Trading Symbol

WGF

Annual General and Special Meeting

Wednesday June 13, 2007 - 10:00 am

Radisson Hotel - Picasso Room

405 - 20th Street East

Saskatoon, Saskatchewan

Wescan Goldfields Inc.

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