

# WESCAN GOLDFIELDS INC.



## **Consolidated Financial Statements** **June 30, 2007**

(A Development Stage Entity)

**WESCAN GOLDFIELDS INC.**  
**Unaudited Interim Consolidated Financial Statements**

**For the Six -Month Period Ended  
June 30, 2007**

Notice to Reader

Management has compiled the unaudited consolidated financial statements of Wescan Goldfields Inc. for the six-month period ended June 30, 2007 (along with the comparative interim period in 2006). The Corporation's external auditors have not reviewed these statements.

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

	<u>June 30,</u> 2007	<u>December 31,</u> 2006
<b>Assets</b>		
Current assets:		
Cash	\$ 190,370	\$ 208,857
Short-term investments	3,731,248	5,015,417
Receivables	58,334	95,017
Prepays	<u>21,750</u>	<u>14,024</u>
	4,001,702	5,333,315
Mineral properties (note 3)	6,310,141	5,754,069
Property and Equipment	<u>386,484</u>	<u>173,828</u>
	<u><u>\$ 10,698,327</u></u>	<u><u>\$ 11,261,212</u></u>
<b>Liabilities &amp; Shareholders' Equity</b>		
Current liabilities:		
Payables and accrued liabilities	\$ 284,708	\$ 155,034
Future income tax liability	182,000	402,000
Shareholders' equity:		
Share capital (note 4)	11,222,312	11,205,312
Contributed surplus (note 4)	673,147	496,427
Deficit	<u>(1,663,840)</u>	<u>(997,561)</u>
	<u>10,231,619</u>	<u>10,704,178</u>
Subsequent event (note 7)	<u><u>\$ 10,698,327</u></u>	<u><u>\$ 11,261,212</u></u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Income</b>				
Interest	\$ 36,086	\$ 53,417	\$ 88,819	\$ 105,892
<b>Expenses</b>				
Administration	\$ 382,463	\$ 203,062	\$ 766,138	\$ 296,717
Consulting fees	21,818	45,293	47,318	85,375
Professional fees	56,703	167,632	119,509	178,748
Amortization	24,666	11,102	42,133	19,008
	<u>\$ 485,650</u>	<u>\$ 427,089</u>	<u>\$ 975,098</u>	<u>\$ 579,848</u>
<b>Loss before the undernoted item</b>	\$ (449,564)	\$ (373,672)	\$ (886,279)	\$ (473,956)
Future income tax recovery	<u>(124,000)</u>	<u>(101,000)</u>	<u>(220,000)</u>	<u>(348,000)</u>
<b>Net loss</b>	\$ (325,564)	\$ (272,672)	\$ (666,279)	\$ (125,956)
<b>Deficit, beginning of period</b>	<u>(1,338,276)</u>	<u>(275,328)</u>	<u>(997,561)</u>	<u>(422,044)</u>
<b>Deficit, end of period</b>	<u><u>\$ (1,663,840)</u></u>	<u><u>\$ (548,000)</u></u>	<u><u>\$ (1,663,840)</u></u>	<u><u>\$ (548,000)</u></u>
<b>Net loss per share</b>				
Basic and diluted	(0.01)	(0.01)	(0.01)	(0.00)
<b>Weighted average number of shares outstanding</b>	59,051,620	49,487,925	59,048,706	48,609,982

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
<b>Cash provided by (used in):</b>				
<b>Operations:</b>				
Net loss	\$ (325,564)	\$ (272,672)	\$ (666,279)	\$ (125,956)
Non-cash item:				
Amortization	24,666	11,102	42,133	19,008
Fair value of stock options vested	56,262	71,323	176,720	71,323
Future income tax recovery	(124,000)	(101,000)	(220,000)	(348,000)
Net change in non-cash operating working capital items:				
Receivables	(9,190)	(64,410)	14,673	(34,658)
Prepays	15,552	12,752	(7,726)	(2,978)
Payables and accrued liabilities	(878)	77,091	25,935	21,923
	<u>\$ (363,152)</u>	<u>\$ (265,814)</u>	<u>\$ (634,544)</u>	<u>\$ (399,338)</u>
<b>Investing:</b>				
Additions to mineral properties	\$ (201,606)	\$ (738,022)	\$ (539,072)	\$ (1,951,836)
Additions to property and equipment	(45,394)	(43,566)	(254,789)	(54,924)
Net change in non-cash investing working capital items:				
Receivables	(13,783)	102,640	22,010	(23,106)
Payables and accrued liabilities	(219)	(71,426)	103,739	14,747
	<u>\$ (261,002)</u>	<u>\$ (750,374)</u>	<u>\$ (668,112)</u>	<u>\$ (2,015,119)</u>
<b>Financing:</b>				
Issue of common shares (net of issue costs)	\$ -	\$ 199,415	\$ -	\$ 1,024,643
	<u>\$ -</u>	<u>\$ 199,415</u>	<u>\$ -</u>	<u>\$ 1,024,643</u>
<b>Decrease in cash position</b>	\$ (624,154)	\$ (816,773)	\$ (1,302,656)	\$ (1,389,814)
<b>Cash position, beginning of period</b>	<u>4,545,772</u>	<u>5,658,418</u>	<u>5,224,274</u>	<u>6,231,459</u>
<b>Cash position, end of period</b>	<u>\$ 3,921,618</u>	<u>\$ 4,841,645</u>	<u>\$ 3,921,618</u>	<u>\$ 4,841,645</u>
<b>Cash position consists of:</b>				
Cash	\$ 190,370	\$ 350,144	\$ 190,370	\$ 350,144
Short-term investments	3,731,248	4,491,501	3,731,248	4,491,501
	<u>\$ 3,921,618</u>	<u>\$ 4,841,645</u>	<u>\$ 3,921,618</u>	<u>\$ 4,841,645</u>

**WESCAN GOLDFIELDS INC.**

(A Development Stage Entity)

**Notes to Interim Consolidated Financial Statements**

(Unaudited)

**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”). Substantially all of the Company’s efforts are directed to the exploration and development of its mineral properties. The Company has not earned significant revenue and is therefore considered to be in the development stage with respect to its current mineral property holdings.

**2. General**

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as the most recent annual audited consolidated financial statements. These unaudited consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements filed on SEDAR.

On January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants (“CICA”) handbook sections relating to Financial Instruments – Recognition and Measurement and Comprehensive Income. The adoption of these sections had no impact on the Company’s financial statements. The fair market value of the Company’s financial assets and liabilities approximates the carrying amount as a result of the short-term nature of the instruments. The Company has not entered into any hedging relationships and does not hold any available for sale securities that would result in the recognition of other comprehensive income or loss.

**3. Mineral Properties**

Mineral properties for the six-month period ended June 30, 2007 is made up of the following:

	Gold/Other				Uranium	Total
	Fork Lake/ Jasper/ Tamar	Munro	Jojay	Limestone Lake/Other	Athabasca Basin Properties	
Balance, December 31, 2006	\$3,691,971	\$ 69,841	\$1,448,644	\$ 49,699	\$ 493,914	\$5,754,069
Acquisition & staking	-	-	-	6,000	165,423	171,423
Consulting/Personnel	12,221	-	-	-	-	12,221
Drilling	103,258	-	-	-	-	103,258
Surveying	-	-	-	-	-	-
Other	44,624	-	-	-	5,940	50,564
Balance, March 31, 2007	\$3,852,074	\$ 69,841	\$1,448,644	\$ 55,699	\$ 665,277	\$6,091,535
Acquisition & staking	-	-	22,005	17,000	-	39,005
Consulting/Personnel	18,843	-	-	-	-	18,843
Drilling	106,868	-	-	-	-	106,868
Surveying	-	-	-	-	-	-
Other	53,800	-	-	90	-	53,890
Balance, June 30, 2007	\$4,031,585	\$ 69,841	\$1,470,649	\$ 72,789	\$ 665,277	\$6,310,141

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.

## **WESCAN GOLDFIELDS INC.**

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### **Notes to Interim Consolidated Financial Statements**

(Unaudited)

#### a) Fork Lake/Jasper/Tamar Property

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

#### b) Munro Property

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

#### d) Limestone Lake/Other Properties

The Company staked claims on the Limestone Lake gold property located 157 kilometers southeast of La Ronge, Saskatchewan. In the second quarter of 2007, Wescan entered into an option agreement with Alto Ventures Ltd (Alto). Under the terms of the agreement, Wescan has an exclusive and irrevocable option to acquire an undivided 50% interest in Alto's Mud Lake Project by making \$600,000 in exploration expenditures and issuing 150,000 Wescan shares to Alto over a two year period.

#### 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. Share Capital**

- a) The authorized share capital of the Company consists of an unlimited number of common shares. At June 30, 2007, there were 59,095,166 common shares outstanding.
- b) In June of 2007, the Company issued 50,000 shares valued at \$17,000 as part of the Alto Ventures Ltd. Mud Lake Option Agreement.
- c) 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. At June 30, 2007, there were 2,958,214 warrants outstanding at a average price of \$0.45 with an expiration date of December 19, 2007.
- d) 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. At June 30, 2007, there were 66,194 broker warrants at a average price of \$0.45 all with a expiration date of December 19, 2007.
- e) The fair-value of stock options and broker warrants has 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.

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A summary of the contributed surplus activity is as follows:

	Amount
Balance – December 31, 2006	\$ 496,427
Fair value of options vested	120,458
Balance – March 31, 2007	\$ 616,885
Fair value of options vested	56,262
Balance – June 30, 2007	\$ 673,147

**5. Stock-Based Compensation**

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. Certain options vest immediately while others vest six to twelve months after grant date and expire 5 years from the date of the grant of the options.

A summary of the outstanding options at June 30, 2007 is as follows:

	Options	Average Price
Balance - December 31, 2006	3,150,000	\$ 0.54
Granted	50,000	0.38
Exercised	-	-
Forfeited	100,000	0.65
Balance - March 31, 2007	3,100,000	\$ 0.53
Granted	1,085,000	0.34
Exercised	-	-
Expired	400,000	0.58
Balance – June 30, 2007	3,785,000	\$ 0.47

**6. Related Party Transactions**

During the six-month period ended June 30, 2007, management and consulting fees of 40,000 (2006 - \$114,125) were paid to directors, officers and companies controlled by common directors; \$4,000 (2006 - \$114,125) of these fees was included as consulting fees and \$36,000 (2006 - \$0) was included as administration expense. The fair-value of stock-based compensation related to directors and officers of the Company for the six-month period ended June 30, 2007 was \$118,563 (2006 - \$274,450).

During the six-month period the Company was charged \$225,793 (2006 - \$210,043) from Shore Gold Inc. for administration services, office space and equipment leases. Accounts payable includes \$29,100 (2006 - \$167,338) to Shore Gold Inc.

As at June 30, 2007 Shore Gold Inc. holds 11,474,086 common shares of the Company representing a 19.4% (2006 – 17.1%) interest in the Company.

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



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**7. Subsequent event**

On July 18, 2007, The Company completed a non-brokered private placement of 3,888,750 flow-through shares at price of \$0.40 per share for gross proceeds of \$1,555,500. The Company paid finders fees equal to 5% of the gross proceeds raised by the finder under the offering and issued finder warrants equal to 5% of the gross proceeds sold by such finder pursuant to the offering.