

# WESCAN GOLDFIELDS INC.



## **Management Discussion & Analysis** **June 30, 2007**

(A Development Stage Entity)

## **MANAGEMENT'S DISCUSSION & ANALYSIS**

The following Management's Discussion and Analysis is prepared as of August 23, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the quarter ended June 30, 2007. 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**

During the second quarter of 2007, an airborne geophysical survey was conducted over the claims of the Wescan – Santoy joint venture in the Athabasca Basin region. Exploration resumed on the Fork Lake (Jasper) property with the re-establishment of the soil grid, continuation of soil sampling and grid prospecting. Contracts were awarded to AMEC (an engineering consulting firm) and Can North (a Saskatoon based environmental consulting firm) to conduct scoping, and baseline studies respectively on the Jojay property. Wescan concluded an option agreement with Alto Ventures Inc. to earn a 50% interest in the Mud Lake property located in the Beardmore-Geraldton gold district of north-central Ontario. (Wescan News Release June 13, 2007)

### **Athabasca Basin Properties**

Fugro Airborne Surveys Ltd. was contracted in the second quarter of 2007, to fly the geophysical survey over the Fir Island uranium claims that were acquired in 2006. These claims are part of the Wescan – Santoy joint venture, of which Santoy Resources Ltd. is the operator. Approximately 650 line-kilometers were flown using a standard magnetometer and electromagnetic system. The results of the survey established that the expression of the Black Lake Fault was well defined by both the magnetic and electromagnetic data, as well as the terrain itself. Conductive response was noted along the Black Lake Fault and along other magnetic lineaments.

### **Fork Lake Property**

In the second quarter of 2007, Wescan's exploration program on this property focused on the soil sampling program that commenced last year as well as the completion of the grid. The areas that were identified in 2006 for follow-up study were re-sampled at much more detailed spacing. Approximately 40 line-kilometers have been reworked with about 800 soil and 40 rock samples submitted for analyses. Preliminary results have indicated several new target areas.

### **Jojay Lake Property**

During the quarter, the Company hired an independent contractor to perform a scoping study on the Jojay Lake property. This study is intended to bring the Jojay Lake property reporting in compliance with National Instrument 43-101 standards. The initial work on the Jojay Lake property in the quarter re-established ground locations of drill-holes, trenches, grid-lines and roads. To date, 4 trenches and 37 drill-holes have been located and marked and this information will be used in the up-coming scoping study. A contract has been awarded to Can North to carry

out an environmental baseline study on the project area which is necessary to permit a future underground exploration program.

### **Mud Lake Option Agreement**

In the second quarter of 2007, Wescan entered into an option agreement with Alto Ventures Ltd. (Alto), (ATV: TSX-V). 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. Upon exercising the option by Wescan at the completion of the two year term, the parties will enter into a 50:50 joint venture agreement to carry out on-going exploration and or development. Alto will remain the project operator until the completion of a positive pre-feasibility study, at which time Wescan will have the option to assume the role of operator. On June 18, 2007 Wescan issued 50,000 shares valued at \$17,000 as part of the agreement.

### **Financial Highlights**

Selected financial information of the Company for the quarters ended June 30, 2007 and 2006 as well as for the six-month periods ended June 30, 2007 and 2006 is as follows:

	Three Months Ended June 30, 2007 \$	Three Months Ended June 30, 2006 \$	Six Months Ended June 30, 2007 \$	Six Months Ended June 30, 2006 \$
<b>Revenues</b>	36,086	53,417	88,819	105,892
<b>Net income (loss)</b>	(325,564)	(272,672)	(666,279)	(125,956)
<b>Net loss per share <sup>(1)</sup></b>	(0.01)	(0.01)	(0.01)	(0.00)
<b>Cash used in operations</b>	(363,152)	(265,814)	(634,544)	(399,338)
<b>Working capital</b>	3,716,994	4,726,778	3,716,994	4,726,778

(1) Basic and diluted.

### **Results of Operations for the quarter**

For the quarter ended June 30, 2007, the Company recorded a net loss of \$325,564 (\$0.01 per share) compared to a net loss of \$272,672 (\$0.01 per share) for the same period in 2006.

#### ***Revenues***

The Company's sole source of income is the result of investing excess cash reserves in short-term deposits. For the quarter ending June 30, 2007, the Company reported interest revenue of \$36,086 as compared to \$53,417 for the quarter ending June 30, 2006. The reduction in revenue from the same period in 2006 is the result of having a smaller surplus of cash for investing.

#### ***Expenses***

Total operating costs for the quarter ended June 30, 2007 equaled \$485,650 compared to \$427,089 for the quarter ended June 30, 2006. This represents an increase of \$58,561 and is the result of increases in administration expenses and amortization. Administration expense increased from \$203,062 in the second quarter of 2006 to \$382,463 for the quarter ended June 30, 2007. The \$179,401 increase is predominately related to increases in personnel costs during the second quarter of 2007 compared to 2006. Consulting fees were \$21,818 during the second

quarter of 2007 compared to \$45,293 for the same period in 2006. The higher amount for the same period last year was a result of additional due diligence procedures incurred on certain mineral property opportunities. Finally, professional fees decreased from \$167,632 for the second quarter of 2006 to \$56,703 for the corresponding quarter in 2007. The decrease in expense was primarily related to professional fees associated with due diligence procedures on a certain mineral property opportunity that did not warrant further investigation and accordingly was expensed in 2006.

### ***Investing***

Mineral properties additions totaled \$201,606 this quarter compared to \$738,022 for the quarter ended June 30, 2006. The majority of these costs relate to staking costs incurred with the Company's joint venture partner on uranium properties in northern Saskatchewan as well as on maintenance of the Company's remaining properties.

### **Financing**

Subsequent to quarter-end, the Company completed a non-brokered private placement for 3,888,750 flow-through shares at a 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 finders' warrants equal to 5% of the gross proceeds sold by such a finder pursuant to the offering. 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**

	2007		2006				2005	
	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$
<b>Revenues</b> <sup>(1)</sup>	36,086	52,733	44,680	51,228	53,417	52,475	44,979	21,765
<b>Net income (loss)</b> <sup>(2)</sup>	(325,564)	(340,715)	(273,544)	(176,017)	(272,672)	146,716	(85,843)	(69,568)
<b>Net income (loss)/share</b> <sup>(2)</sup>	(0.01)	(0.01)	(0.00)	(0.00)	(0.01)	0.00	(0.00)	(0.00)
<b>Capital expenditures</b> <sup>(3)</sup>	249,016	546,861	482,901	627,071	781,588	1,225,172	523,911	378,637
<b>Shares outstanding</b> <sup>(4)</sup>	59,095,166	59,045,166	59,045,166	49,628,738	49,620,338	49,101,638	46,802,464	44,663,357

(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 in revenues; prior to the second quarter of 2007, 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. There was a decrease in revenues in the second quarter of 2007 due to a smaller excess cash balance for investing.*

(2) *Basic and diluted.*

(3) *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, airborne survey 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. The additions in the first and second quarter of 2007 relate to staking costs incurred with the Company's joint venture partner on uranium properties in northern Saskatchewan as well as on maintenance of the Company's remaining properties.*

- (4) *Changes to common shares issued and outstanding was the result of exercises of private placements warrants, broker warrants and options. In addition in the fourth quarter of 2006 the Company issued shares for the purchase of the remaining 75% interest in the Jojay gold deposit from the Company's joint venture partner.*

## **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 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 three months. Wescan Goldfields Inc. has no exposure to asset-backed commercial paper, including sub prime mortgages.

## **Capital Resources and Outstanding Share Data**

As at June 30, 2007, the Company has working capital of \$3.7 million as compared to \$5.2 million at December 31, 2006 and \$4.7 million at June 30, 2006. As at August 23, 2007, the Company had a total of 62.9 million common shares issued and outstanding as well as 2.9 million warrants, 248,000 broker warrants and 3.8 million options. In the event all warrants, broker warrants and options were exercised, the Company would be required to issue a further 6.9 million common shares for gross cash proceeds of \$3.21 million.

## **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 audited consolidated financial statements. Certain 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.

A critical accounting estimate in determining the Company's financial results relates to the recoverability of the carried amounts of mineral properties. Management assesses carrying values of non-producing properties each time it issues financial statements and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed. The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to establish the existence of

reserves and to complete the development of such reserves and the success of future operations. As at June 30, 2007, the Company has not yet determined whether any of its mineral properties contain economically recoverable reserves.

### **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 ended, the Company was charged \$225,793 (2006 - \$210,043) from Shore Gold Inc. for administration services, office space and equipment leases.

As at June 30, 2007 Shore Gold Inc. holds 11,474,086 common shares of the Company representing a 19.4% (2006 - 18.1%) 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.

### **Disclosure Controls and Procedures**

There have been no significant changes to the Company's internal controls 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 August 24, 2007, the Company has \$4.5 million in cash and cash equivalents that will partially be used to continue exploration programs on the Jojay, Fork Lake and other 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](http://www.sedar.com).