

WESCAN GOLDFIELDS INC.



2nd Quarter Report

2011

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A")

The following discussion and analysis is prepared by Management as of August 18, 2011 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended June 30, 2011 ("financial statements for the period ended June 30, 2011") available on SEDAR at www.sedar.com. Wescan Goldfields Inc. ("Wescan" or "the Company") prepared its financial statements for the period ended June 30, 2011 in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Prior to 2011, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). In this MD&A, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. In accordance with the standard related to the first time adoption of IFRS, the Company's transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been prepared in accordance with the Company's IFRS accounting policies. The 2009 financial information contained within this MD&A has been prepared following Canadian GAAP and has not been re-presented on an IFRS basis. The disclosures concerning the transition from Canadian GAAP to IFRS are included in Note 10 of the financial statements for the period ended June 30, 2011.

Overview

During the first half of 2011, Wescan focused on reviewing historical drill, geological and geotechnical data in order to plan the 2011 exploration activities on its portfolio of gold and coal properties. Based on this review, the Company undertook the raising of sufficient capital during the first quarter in order to finance a significant portion of the planned 2011 exploration programs. Following the completion of a \$1.6 million financing on February 24, 2011, Wescan announced certain exploration programs for the year. The programs commenced in June of 2011 on the Company's portfolio of gold properties in the La Ronge Gold Belt in northern Saskatchewan. The Company's large parcel of coal permits has also been reviewed and the Company intends to focus future coal exploration programs on certain areas of high potential.

Jojay Gold Project

On June 17, 2011, Wescan announced the commencement of a 2,500 metre drill program based on recommendations from a review of historical drilling data completed in February 2011 by an internal technical team and external consultants. This program follows the recommendations contained within the technical report that accompanied the National Instrument 43-101 compliant resource estimate completed by ACA Howe International Limited ("ACA Howe") in 2010 (see Wescan News Release February 4,

2010). The objective of the program is to expand upon the resource estimate completed last year.

Jasper Gold Project

ACA Howe has conducted a desktop review of the Jasper Gold Project which has assisted with the commencement of a separate 2,500 metre drill program, to further assess the future potential of this past producing mine. The intent of this program will be to expand and further delineate the known mineralized areas which are still open at depth and along strike, as was determined from Wescan's previous drill programs. Drilling will also focus on mineralized areas around the old mine workings that may contain additional resources.

Munro Lake Gold Project

During the second quarter the Company also announced it will conduct a Magnetic and Electromagnetic airborne geophysical survey on the Company's Munro Lake property located north of La Ronge Saskatchewan (see Wescan news release June 22, 2011). This airborne geophysical survey is being conducted to assist in the interpretation of historic soil sampling and prospecting programs which identified anomalous gold targets throughout the property. The survey will aid in identifying potential mineralized zones which could be associated with surface geochemical anomalies. The results of the survey are expected sometime during the third quarter of 2011.

Hudson Bay and Pinehouse Lake Coal Projects

A review has been conducted of all regional geophysical and geological data relating to the Company's coal exploration properties for the purpose of identifying the most prospective areas following the Company's 2009 drill program. Based on this review, Wescan is in the process of identifying which coal permits to renew as well as planning an exploration program to target the highest priority areas. This program may include drill testing and further delineation using airborne geophysical surveys.

Financial Highlights

Selected financial information of the Company for the three and six months ended June 30, 2011 and 2010 is summarized as follows:

	Three Months Ended June 30, 2011 \$	Three Months Ended June 30, 2010 \$	Six Months Ended June 30, 2011 \$	Six Months Ended June 30, 2010 \$
Interest and other income	13,699	9,934	24,233	19,821
Net and comprehensive loss	734,615	303,910	837,136	477,414
Net and comprehensive loss per share ⁽¹⁾	0.01	0.00	0.01	0.01
Total assets	8,115,085	7,317,059	8,115,085	7,317,059
Working capital (deficiency)	1,350,689	(234,575)	1,350,689	(234,575)

(1) Basic and diluted.

Results of Operations for the Quarter

For the quarter ended June 30, 2011 the Company recorded a net loss of \$734,615 (\$0.01 per share) compared to a net loss of \$303,910 (\$0.00 per share) for the same period in 2010. The difference between the quarter ended June 30, 2011 and 2010 is primarily the result of the impairment of certain coal evaluation and exploration assets.

Revenues

The Company reported interest and other income of \$13,699 for the quarter ended June 30, 2011 as compared to \$9,934 for the quarter ended June 30, 2010. The majority of the interest and other income is from rental fees for certain of the Company's equipment. The increase in interest and other income is the result of earning interest on additional cash on hand while the Company prepared for its summer exploration programs.

Expenses

Total operating expenses for the quarter ended June 30, 2011 were \$166,054 compared to \$313,844 for the same period of 2010. The decrease of \$147,790 is primarily related to a reduction in administration expenses due to lower share-based payment expenses which were \$321 in the second quarter of 2011 compared to \$149,172 during the second quarter of 2010.

Impairment of exploration and evaluation assets

As a result of the Company's review of its coal properties during the quarter ended June 30, 2011, the Company determined that certain permits will be allowed to lapse. Accordingly, previously capitalized costs of \$700,265 related to these permits were considered impaired. The impairment also resulted in a deferred income tax recovery due to a reduction in temporary differences related to the Company's exploration and evaluation expenditures.

Investing

Additions to exploration and evaluation assets totaled \$179,353 for the quarter ended June 30, 2011 compared to \$14,985 for the same period in 2010. The expenditures for the quarter ended June 30, 2011 related to the completion of a review of historical data on the Company's gold properties as well as the costs associated with the commencement of drilling on the Jojay and Jasper properties. In addition, the Company completed a review of all regional geophysical and geological data on the Company's coal exploration properties for the purpose of planning follow up exploration programs on the highest priority targets. Expenditures during the quarter ended June 30, 2010 related to planning and consulting on the Company's 100% owned property near Hudson Bay, Saskatchewan.

Financing

No financing activities occurred during the second quarter of 2011. During the second quarter of 2010, the Company issued 3,461,539 units for \$0.13 per unit for gross proceeds of \$450,000 (net - \$442,619). Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitled the holder to acquire one common share at an exercise price of \$0.22. The warrants expired in May 2011.

Year to Date

Results of Operations

For the six months ended June 30, 2011, the Company recorded a net loss of \$837,136 (\$0.01 per share) compared to a net loss of \$477,414 (\$0.01 per share) for the same period in 2010. The difference from 2011 to 2010 is primarily the result of the impairment of certain coal exploration and evaluation assets.

Revenues

During the first half of 2011 the Company reported interest and other income of \$24,233 as compared to \$19,821 for the six months ended June 30, 2010. The majority of the interest and other income is from rental fees for certain of the Company's equipment. The increase in interest and other income is the result of earning interest on the additional cash on hand while the Company prepared for its summer exploration programs.

Expenses

Total operating costs for the six months ended June 30, 2011 were \$279,109 compared to \$497,235 for the same period of 2010. Administration expense decreased \$217,879 from \$479,503 in the first six months of 2010 to \$261,624 for the same period in 2011. The decrease is predominately related to a reduction in administration expenses due to lower share-based payment expenses which were \$1,284 in the second half of 2011 compared to \$143,647 during the first two quarters of 2010. The remaining decrease in administration expense over 2010 levels is the result of a reduction in personnel during this timeframe. Corporate development expenses remained relatively unchanged during the first two quarters of 2011 compared to 2010 at \$17,485 and \$17,732, respectively.

Impairment of exploration and evaluation assets

As a result of the Company's review of its coal properties during the first half of 2011, the Company determined that certain permits would be allowed to lapse. Accordingly, previously capitalized costs of \$700,265 related to these permits were considered impaired. The impairment also resulted in a deferred income tax recovery due to a reduction in temporary differences related to the Company's exploration and evaluation expenditures.

Investing

Mineral properties additions totaled \$214,337 for the first two quarters of 2010 compared to \$62,205 for the first two quarters of 2011. The expenditures for the six months ended June 30, 2011 were the result of a review of historical data on the Company's gold properties as well as the costs associated with the commencement of drilling on the Jojay and Jasper properties. In addition, the Company undertook a review of all regional geophysical and geological data on the Company's coal exploration properties for the purpose of planning follow up exploration programs on the highest priority targets. The additions for the period ended June 30, 2010 related to the completion of Phase 1 drilling and the planning of further exploration programs on the Company's coal properties.

Financing

During the first half of 2011, the Company completed a private placement financing for gross proceeds of \$1,553,764 (net - \$1,416,293). The financing included an aggregate of 10,125,000 common shares in the capital of the Company issued on a flow-through basis pursuant to the *Income Tax Act* (Canada) at a price of \$0.15 per share for gross proceeds of \$1,518,750. The Company, as part of the same financing, issued 250,100 units of the Company ("Units") at a price of \$0.14 per Unit, for gross proceeds of \$35,014. Each Unit consisted of one Common Share issued on a non flow-through basis, and one half of one Common Share purchase warrant (each a half "Unit Warrant"). Each whole Unit Warrant entitles the holder thereof to purchase one Common Share on a non flow-through basis at a price of \$0.24 for a period of twelve months from the date of issuance.

As part of the private placement the Company issued 694,173 broker warrants at an exercise price of \$0.24 for a period of twelve months from the date of issuance.

For the six months ended June 30, 2010 the Company issued 3,461,539 units for \$0.13 per unit for gross proceeds of \$450,000 (net - \$442,619). Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitled the holder to acquire one common share at an exercise price of \$0.22. The warrants expired in May 2011.

Summary of Quarterly Results

	2011 ⁽¹⁾		2010 ⁽¹⁾				2009 ⁽¹⁾	
	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$
Revenues ⁽²⁾	13,699	10,534	9,914	9,809	9,934	9,887	10,493	9,677
Comprehensive loss ⁽³⁾	(734,615)	(102,521)	(336,124)	(105,081)	(303,910)	(173,504)	(5,008,653)	(131,846)
Comprehensive loss/share ⁽⁴⁾	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.07)	(0.00)
Shares outstanding ⁽⁵⁾	112,452,121	112,452,121	102,077,021	83,577,022	83,577,022	80,115,483	80,115,483	79,612,645

- (1) The Company adopted IFRS on January 1, 2011 (effective January 1, 2010) and therefore comparative figures for 2010 are presented under IFRS, and figures for 2009 are presented under Canadian GAAP.
- (2) The Company's revenues are comprised of interest earned on cash balances as well as equipment leasing. The Company began leasing certain equipment in the second quarter of 2009 which is expected to continue until the end of 2011.
- (3) The net losses in the second quarter of 2011 and the fourth quarter of 2009 primarily related to impairments of certain of the Company's exploration and evaluation assets as a result of the Company either electing not to renew certain exploration permits or changing its strategic focus. The net loss in the second quarter of 2010 was higher due to the fair value of share-based payments expensed during this timeframe. The higher net loss in the fourth quarter of 2010 is mostly attributed to a \$200,000 settlement with a former joint venture partner regarding certain exploration expenditures. The remaining quarters reflect normal operations of the Company.
- (4) Basic and diluted.
- (5) The increase in shares during the first quarter of 2011 and the second and fourth quarters of 2010 were the result of the Company completing private placements during these timeframes. The fourth quarter of 2010 also required the issuance of shares for the settlement with a former joint venture partner regarding certain exploration expenditures. The increase in shares outstanding in the fourth quarter of 2009 was the result of the Company issuing shares pursuant to a shares-for-debt settlement agreement with a service provider.

Related Party Transactions

During the six months ended June 30, 2011, Mr. Kenneth E. MacNeill (Chief Executive Officer) and Mr. Harvey J. Bay (Chief Financial Officer), through their respective consulting companies, charged management and consulting fees of \$36,000 (2010 – \$36,000) and \$15,000 (2010 – \$10,000), respectively which were recorded as an administrative expense.

During the six months ended June 30, 2011 total compensation paid to these officers (through companies controlled by Messrs. MacNeill and Bay) and to key management and directors of the Company was \$107,239 (June 30, 2010 – \$214,947) which is included in administration expense. Included in these amounts are share-based payment transactions.

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 share-based payments was determined using the Black-Scholes model.

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 anticipates it will have sufficient access to financial markets to fund its exploration plans through future equity contributions.

As at June 30, 2011, the Company had working capital of \$1,350,689 as compared to working capital of \$371,813 at December 31, 2010. Management is confident the Company will have sufficient access to financial markets to fund its planned activities in 2011.

As at June 30, 2011, the Company was required to spend \$1,324,989 on qualifying exploration expenditures by the end of 2012 to fulfill its obligations under its flow-through commitments.

Capital Resources and Outstanding Share Data

At June 30, 2011, the Company had 112,452,121 common shares issued and outstanding. As at August 18, 2011, the Company's issued and outstanding common shares remain unchanged at 112,452,121 and the Company's cash and cash equivalents balance was \$1.0 million. In addition, at August 18, 2011, the Company had 7,875,050 warrants, 920,389 broker warrants and 5,400,000 options with weighted average exercise prices of \$0.10, \$0.21 and \$0.22, respectively. In the event all warrants, broker warrants and

options were exercised, the Company would be required to issue a further 14,195,439 common shares for gross cash proceeds of \$2.2 million.

Financial Instruments

As at June 30, 2011, the fair value of all of the Company's financial instruments approximates their carrying value. Certain financial instruments are exposed to the following financial risks:

Credit risk

Credit risk is the risk of an unexpected loss by the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company does not have any significant exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

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

The ability of the Company to continue as a going concern, fund exploration expenditures and provide funds for on-going general and administrative costs is anticipated to require further equity issues in 2011. The Company anticipates it will have continued success with future equity financings to fund its planned 2011 exploration activities and administrative expenses.

Interest rate risk

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

Critical Accounting Estimates

The financial statements for the period ended June 30, 2011 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, using accounting policies consistent with IFRS issued by the IASB and interpretations of IFRIC. The Company's accounting policies are described in note 3 to the financial statements for the period ended June 30, 2011. Certain of these policies involve critical accounting estimates as 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.

In preparing the financial statements for the period ended June 30, 2011, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements. In particular, the significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are: resource estimation, asset valuations, plant and equipment useful lives, environmental rehabilitation provisions, and other accrued liabilities.

Accounting Changes

Adoption of International Financial Reporting Standards ("IFRS")

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will converge with IFRS effective in calendar year 2011. As a result, the Company prepared its financial statements for the period ended June 30, 2011 in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, and with IAS 34 *Interim Financial Reporting*, as issued by the IASB. Prior to 2011, the Company prepared its financial statements in accordance with Canadian GAAP. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010.

The consolidated financial statements for the year ending December 31, 2011 must be prepared using IFRS standards that are in effect on December 31, 2011, and therefore the Company has prepared the financial statements for the period ended June 30, 2011 using the standards that are expected to be effective at the end of 2011. The Company's significant accounting policies under IFRS are provided in Note 3 to the financial statements for the period ended June 30, 2011. The Company's IFRS accounting policies will, however, only be finalized when the first annual IFRS financial statements are prepared for the year ending December 31, 2011. Therefore, certain accounting policies that the Company expects to follow under IFRS may be modified. As a result, the Company's financial statements for the period ended June 30, 2011 may be subject to change.

The Company has provided a detailed explanation of the impacts of this transition in Note 10 of the Company's financial statements for the period ended June 30, 2011, including the Company's elections under IFRS 1. In addition, Note 10 presents reconciliations between the Company's 2010 Canadian GAAP results and the 2010 IFRS results. The reconciliations also include the changes to equity as at January 1, 2010, June 30, 2010 and December 31, 2010.

Transitional Financial Impact

As a result of the policy choices the Company selected and the changes that were required under IFRS, a reduction in the Company's equity of approximately \$238,856 as at January 1, 2010 was recorded. The Company's net and comprehensive loss for the second quarter of 2010 and the six months ended June 30, 2010 was reduced by \$2,108

and \$14,165, respectively when compared to Canadian GAAP. The Company's net and comprehensive loss for the year ended December 31, 2010 was reduced by \$17,761 as a result of adopting IFRS.

The major differences that resulted in these changes to equity and loss were the accounting for provisions, flow-through shares and share-based payments. The full effects of these changes are explained and quantified in Note 10 of the financial statements for the period ended June 30, 2011.

IFRS 1 Exemptions and Exceptions

IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions to the general requirement for full retrospective application of IFRS. IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at January 1, 2010 were consistent with those made under Canadian GAAP. A summary of the exemptions elected by Company to simplify adopting IFRS is as follows:

- Share-based payments

The Company has elected to not apply IFRS 2 *Share-based Payments* retrospectively to share-based payments that have fully vested at the transition date and therefore no transitional adjustment is required. The Company had a minimal number of equity-settled share-based payments that had not vested and as such at transition an insignificant amount was recognized.

Future Accounting Changes

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC have issued certain new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods. The changes to the Standards include IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement*, IAS 1 *Presentation of Financial Statements*, IAS 12 *Income Taxes*, IAS 19 *Employee Benefits*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. These standards are not effective for 2011 and the Company has not completely evaluated the effects of these pronouncements.

Outlook

With the significant escalation in the price of gold, the Company believes the timing is right to focus exploration efforts on the properties with known gold mineralization. This focus on gold properties will include exploration work on the Jojay, Jasper and Munro Lake properties. The Company's success in raising additional flow-through financing during the first quarter of 2011 has allowed it to begin exploration programs on this portfolio of gold properties in the La Ronge Gold Belt in northern Saskatchewan. The Company also remains committed to its coal holdings near Hudson Bay, Saskatchewan

and has determined additional exploration and evaluation work is warranted based on the review conducted. The Company will also continue to evaluate the potential for the acquisition of other mineral properties that fit its strategic direction. Management is confident the Company will have sufficient access to financial markets to continue its planned exploration activities in 2011.

Risks and Uncertainties

The Company attempts to mitigate risks by identifying, assessing, reporting and managing risks of significance. The following are risks relating to the business of the Company. This information is only a summary of risks currently facing the Company based on its stage of development. Additional risks and uncertainties not presently known may also impact the Company's operations. Management's view on risks facing the Company will evolve as the Company's stage of development progresses.

Risks Associated With a Non-Producing Company

The principal risks faced by the Company during the exploration stage involve: Wescan's ability to obtain financing to further the exploration and development of exploration and evaluation properties in which Wescan holds interests; obtaining the required permits from various federal, provincial and local governmental authorities; and the ultimate economic feasibility of any future development projects.

The further development and exploration of exploration and evaluation properties in which Wescan holds interests or which Wescan acquires may depend upon Wescan's ability to obtain financing through debt financing, equity financing or other means. The Company does not have sufficient funds to put any of its property interests into production from its own financial resources. There is no assurance that Wescan will be successful in obtaining required financing as and when needed. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Wescan's future cash flows, earnings, results of operations and financial condition. The relative prices of applicable commodities and future expectations for such prices have a significant impact on the market sentiment for investment in mining and exploration companies.

The future operations of the Company, including exploration activities and potential development of its properties, require permits from various federal, provincial and local governmental authorities. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. To the best of the Company's knowledge, it is operating in compliance with all applicable rules and regulations. The Company utilizes qualified individuals, service providers and external consultants and maintains communications with governmental authorities to ensure that the Company is in compliance with all applicable rules and regulations.

All of Wescan's exploration and evaluation property interests are currently in the exploration stage and are without a known body of commercial ore. The exploration, development and production of coal and precious metals are capital-intensive, subject to the normal risks and capital expenditure requirements associated with mining operations. While the rewards can be substantial if commercial quantities of coal and precious metals are found, there can be no assurance that Wescan's past or future exploration efforts will be successful, that any production therefrom will be obtained or continued, or that any such production which is attempted will be profitable. To ensure that exploration procedures are being performed effectively and those results are interpreted and reported in a proper manner, management ensures that qualified individuals, service providers and external consultants are utilized in the verification and quality assurance of analytical results.

Technical Information

All technical information in this report has been prepared under the supervision of Tabetha Stirrett, P.Geo, of North Rim Exploration Ltd., Professional Geoscientist in the Province of Saskatchewan, and is the Company's "Qualified Person" under the definition of National Instrument 43-101.

Caution Regarding Forward-looking Information

This MD&A contains forward-looking statements within the meaning of certain securities laws, including the "safe harbour" provisions of Canadian Securities legislation and the United States Private Securities Litigation Reform Act of 1995. 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, and, in particular, statements regarding Wescan's future operations, future exploration and development activities or other development plans contain forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, the timing of the announcement of results, the ability to raise funds to pursue exploration activities, the use of such funds, and the acquisition and exploration of additional properties.

These forward-looking statements are based on Wescan's current beliefs as well as assumptions made by and information currently available to it and involve inherent risks and uncertainties, both general and specific. Risks exist that forward-looking statements will not be achieved due to a number of factors including, but not limited to, developments in world gold and coal 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, 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 and operational risks and the additional risks described in Wescan's most recently filed annual and interim MD&A, news releases and technical reports. Wescan's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

Although management considers the assumptions contained in forward-looking statements to be reasonable based on information currently available to it, those assumptions may prove to be incorrect. When making decisions with respect to Wescan, investors and others should not place undue reliance on these statements and should carefully consider the foregoing factors and other uncertainties and potential events. Unless required by applicable securities law, Wescan does not undertake to update any forward-looking statement that may be made.

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

WESCAN GOLDFIELDS INC.
Unaudited Condensed Interim Consolidated Financial Statements

**For the Three and Six Months Ended
June 30, 2011**

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Wescan Goldfields Inc. for the three and six months ended June 30, 2011 (along with the comparative interim period in 2010). The Corporation's external auditors have not reviewed these statements.

Wescan Goldfields Inc.
Condensed Consolidated Statements of Financial Position
(Unaudited)

(In Canadian dollars)

	June 30, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,474,620	\$ 499,115	\$ 289,605
Receivables	19,663	4,173	92,948
Prepays and deposits	59,345	14,311	34,246
	<u>1,553,628</u>	<u>517,599</u>	<u>416,799</u>
Property and equipment	158,301	188,813	270,371
Exploration and evaluation assets (note 5)	6,403,156	6,889,084	6,824,985
	<u>\$ 8,115,085</u>	<u>\$ 7,595,496</u>	<u>\$ 7,512,155</u>
Liabilities and Shareholders' Equity			
Current liabilities:			
Payables and accrued liabilities	\$ 202,939	\$ 145,786	\$ 738,725
Premium on flow-through shares (note 6)	88,333	-	-
Environmental rehabilitation provision	75,520	75,520	75,520
Deferred income tax liability	58,248	163,336	163,336
Shareholders' equity:			
Share capital	18,488,325	17,202,856	15,885,720
Warrants and Broker Warrants	144,189	119,288	71,386
Contributed surplus	1,901,152	1,895,195	1,665,334
Deficit	(12,843,621)	(12,006,485)	(11,087,866)
	<u>7,690,045</u>	<u>7,210,854</u>	<u>6,534,574</u>
	<u>\$ 8,115,085</u>	<u>\$ 7,595,496</u>	<u>\$ 7,512,155</u>

Going concern assumption (note 2)

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Condensed Consolidated Statements of Loss and Comprehensive Loss
(Unaudited)

	(In Canadian dollars)		(In Canadian dollars)	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Income				
Interest and other	\$ 13,699	\$ 9,934	\$ 24,233	\$ 19,821
Expenses				
Administration	155,393	307,821	261,624	479,503
Corporate development	10,661	6,023	17,485	17,732
	<u>166,054</u>	<u>313,844</u>	<u>279,109</u>	<u>497,235</u>
Loss before the undernoted items	(152,355)	(303,910)	(254,876)	(477,414)
Flow-through share premium recovery	12,917	-	12,917	-
Impairment of exploration and evaluation assets (note 5)	(700,265)	-	(700,265)	-
Loss before income taxes	(839,703)	(303,910)	(942,224)	(477,414)
Deferred income tax recovery	105,088	-	105,088	-
Net and comprehensive loss	<u>\$ (734,615)</u>	<u>\$ (303,910)</u>	<u>\$ (837,136)</u>	<u>\$ (477,414)</u>
Net and comprehensive loss per share				
Basic and diluted	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	112,452,121	82,055,466	108,412,051	81,090,834

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	(In Canadian dollars)	
	Six Months	
	June 30,	
	2011	2010
Cash provided by (used in):		
Operations:		
Net and comprehensive loss	\$ (837,136)	\$ (477,414)
Non-cash items:		
Amortization	36,976	40,970
Fair value of stock options vested	1,284	143,647
Impairment of exploration and evaluation assets	700,265	-
Future income tax recovery	(105,088)	-
Flow-through share premium recovery	(12,917)	-
Net change in non-cash operating working capital items:		
Receivables	(15,490)	59,693
Prepays and deposits	(45,034)	14,491
Payables and accrued liabilities	57,153	(303,948)
	(219,987)	(522,561)
Investing:		
Additions to exploration and evaluation assets	(214,337)	(62,205)
Property and equipment	(6,464)	(266)
	(220,801)	(62,471)
Financing:		
Issue of share capital (net of issue costs)	1,416,293	442,619
	1,416,293	442,619
Increase (decrease) in cash position	975,505	(142,413)
Cash and cash equivalents, beginning of period	499,115	289,605
Cash and cash equivalents, end of period	\$ 1,474,620	\$ 147,192
Cash and cash equivalents consists of:		
Cash	\$ 774,620	\$ 147,192
Guaranteed investment certificates and treasury bills	700,000	-
	\$ 1,474,620	\$ 147,192

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

(In Canadian dollars)

	Six Months Ended		Year Ended
	June 30,		December 31,
	2011	2010	2010
Share Capital			
Balance, beginning of period	\$ 17,202,856	\$ 15,885,720	\$ 15,885,720
Private placements	1,448,000	445,327	1,203,427
Shares issued for settlement with Alto Ventures Ltd.	-	-	150,000
Share issue costs	(162,531)	(7,381)	(36,291)
Balance, end of period	<u>\$ 18,488,325</u>	<u>\$ 16,323,666</u>	<u>\$ 17,202,856</u>
Warrants			
Balance, beginning of period	\$ 116,573	\$ 61,649	\$ 61,649
Issued	4,514	4,673	116,573
Expired	(4,673)	-	(61,649)
Balance, end of period	<u>\$ 116,414</u>	<u>\$ 66,322</u>	<u>\$ 116,573</u>
Broker Warrants			
Balance, beginning of period	\$ 2,715	\$ 9,737	\$ 9,737
Issued	25,060	-	2,715
Expired	-	-	(9,737)
Balance, end of period	<u>\$ 27,775</u>	<u>\$ 9,737</u>	<u>\$ 2,715</u>
Contributed Surplus			
Balance, beginning of period	\$ 1,895,195	\$ 1,665,334	\$ 1,665,334
Stock based compensation	1,284	143,647	158,475
Warrants expired	4,673	-	61,649
Broker warrants expired	-	-	9,737
Balance, end of period	<u>\$ 1,901,152</u>	<u>\$ 1,808,981</u>	<u>\$ 1,895,195</u>
Deficit			
Balance, beginning of period	\$ (12,006,485)	\$ (11,087,866)	\$ (11,087,866)
Net and comprehensive loss	(837,136)	(477,414)	(918,619)
Balance, end of period	<u>\$ (12,843,621)</u>	<u>\$ (11,565,280)</u>	<u>\$ (12,006,485)</u>
Total Shareholders' Equity	<u>\$ 7,690,045</u>	<u>\$ 6,643,426</u>	<u>\$ 7,210,854</u>

See accompanying notes to consolidated financial statements

WESCAN GOLDFIELDS INC.

Notes to the Condensed Interim Consolidated Financial Statements (for the six months ended June 30, 2011)
(In Canadian dollars)

1. Corporate Information

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 future development of its current exploration permits.

2. Basis of preparation and going concern assumption

The condensed interim consolidated financial statements of Wescan for the period ended June 30, 2011 were authorized for issue by the Company’s Audit Committee on August 25, 2011. The condensed interim consolidated financial statements of Wescan and its subsidiary have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Prior to 2011, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). In these financial statements, the term “Canadian GAAP” refers to Canadian GAAP before the adoption of IFRS. The condensed interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010. The disclosures concerning the transition from Canadian GAAP to IFRS are included in Note 10. The accounting policies set out below have been applied consistently to all periods presented as if these policies had always been in effect; except for first-time exemptions applied which are described in Note 10. The consolidated financial statements for the year ending December 31, 2011 must be prepared using IFRS standards that are in effect on December 31, 2011, and therefore the Company has prepared the financial statements for the period ended June 30, 2011 using the standards that are expected to be effective at the end of 2011. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements ending December 31, 2011 could result in restatement of these condensed interim consolidated financial statements.

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. At June 30, 2011, the Company had working capital of \$1,350,689 and did not have sufficient resources to finance operation and exploration activities through its 2011 fiscal year, conditions which raise substantial doubt about the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern and fund exploration expenditures in an orderly manner will require further equity issues in 2011.

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

3. Summary of significant accounting policies

The Company’s principal accounting policies are outlined below:

Basis of consolidation

i. Subsidiaries

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary. All intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

ii. Interests in jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by Wescan and other venturers of assets contributed to or acquired for the purpose of a joint venture, without the formation of a corporation, partnership or other entity.

Where Wescan's activities are conducted through jointly controlled assets those operations are accounted for using the proportionate consolidation method, Wescan recognizes its share of the jointly controlled assets, and liabilities it has incurred, related revenue and operating costs in the financial statements and a share of their production, if any.

When Wescan, acting as an operator, receives reimbursement of direct and indirect costs recharged to the joint venturers such recharges represent reimbursement of costs that the operator incurred as an agent for the joint venturers and therefore have no effect on the statement of loss and comprehensive loss.

Financial instruments

i. Non-derivative financial assets

The Company classifies non-derivative financial assets into either held-to-maturity financial assets or loans and receivables.

Held-to-maturity financial assets

If the Company has the intent and ability to hold securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets are comprised of the Company's cash and cash equivalents.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment losses.

Loans and receivables are comprised of the Company's accounts receivable.

ii. Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized costs using the effective interest method.

Other financial liabilities are comprised of the Company's accounts payable.

iii. Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it has been impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. Interest on the impaired asset continues to be recognized. When a

subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of loss and comprehensive loss.

Cash and cash equivalents

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

Property, plant and equipment

i. *Pre-permit costs*

Pre-permit costs are expensed in the period in which they are incurred.

ii. *Exploration and evaluation assets and expenses*

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 exploration and evaluation assets for financial statement purposes.

All costs related to the acquisition, exploration and evaluation of exploration and evaluation assets are capitalized. Once a National Instrument 43-101 compliant reserve is established on a property and development is approved by the Company, exploration and evaluation assets are transferred to “mine development costs” and tested for impairment on a cash generating unit basis (“CGU”). If facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the capitalized expenditure which is not expected to be recovered is charged to the statement of loss and comprehensive loss. No amortization is charged during the exploration and evaluation phase nor while it is under construction.

When options to acquire exploration and evaluation assets are granted or exploration and evaluation assets 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.

iii. *Property and equipment*

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Such cost includes cost of replacing parts that are eligible for capitalization when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement only if it is eligible for capitalization. All other repairs and maintenance are recognized in the statement of loss and comprehensive loss as incurred.

Depreciation is calculated 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. Annual amortization rates are as follows:

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

The carrying value of items of property and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values of an asset exceed its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of loss and comprehensive loss in the year the item is derecognized.

Employee Benefits

- i. Wages and salaries, and annual leave
The liability for employee entitlements to wages and salaries represents the amount which the Company has a present obligation to pay resulting from services provided up to the reporting date. A provision exists for annual leave as it is earned and is measured at the amount expected to be paid when it is settled and includes all related costs.
- ii. Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.
- iii. Termination benefits
Termination benefits are recognized as an expense when the Company is committed to provide termination benefits in accordance with certain contracts provided to officers of the Company. If benefits are payable for more than 12 months after the reporting date, then those benefits are discounted to their present value.
- iv. Share-based payment transactions
The grant-date fair value of share-based payment awards granted to employees, officers or directors is recognized as an expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

- i. Environmental rehabilitation
The Company may be required to decommission and rehabilitate exploration sites to a condition acceptable to the relevant authorities.

The expected cost of any decommissioning or rehabilitation program is provided for when the related environmental disturbance occurs. The cost is treated as an “exploration and evaluation asset”. Where there is a change in the expected decommissioning and rehabilitation costs, the value of the provision and any related asset are adjusted and the effect is recognized in the statement of loss and comprehensive loss on a prospective basis over the remaining life of the operation.

Income tax

Income tax expense for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate adjusted by temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary difference between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax balances attributable to amounts recognized directly in equity are also recognized directly in equity.

Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares. Upon the sale of flow-through shares, the Company recognizes a liability for the excess purchase price paid by the investors over the fair value of common shares without the flow-through feature (the “premium”) and records the fair value of the shares in equity. When the tax deduction of the expenditures is intended to be renounced to the investor, the liability is reversed and a deferred tax liability is recorded for the amount of the benefits renounced to the investors. To the extent the Company has unrecognized tax benefits from loss carry forwards or other tax pools in excess of book value that are not expected to expire the Company will offset the future income tax liability resulting in the premium being recognized in the statement of loss and comprehensive loss.

Use of estimates and judgment

The preparation of the Company’s condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management applying the Company’s accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements. In particular, the significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are: resource estimation, asset valuations, plant and equipment useful lives, environmental rehabilitation provisions, and other accrued liabilities.

4. IFRS standards issued but not yet effective

At the date of authorization of these condensed interim consolidated financial statements, the IASB and IFRIC have issued certain new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods. The changes to the Standards include IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IFRS 13 *Fair Value Measurement*, IAS 1 *Presentation of Financial Statements*, IAS 12 *Income Taxes*, IAS 19 *Employee Benefits*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. These standards are not effective for 2011 and the Company has not completely evaluated the effects of these pronouncements.

5. Exploration and evaluation assets

The Company’s exploration and evaluation assets are comprised of the following:

	Jojay (a)	Munro (b)	Fork Lake/ Jasper/ Tamar (c)	Hudson Bay/ Pinehouse Lake (d)	Total
Balance – January 1, 2010	\$ 3,057,380	\$ 364,526	\$ -	\$ 3,403,079	\$ 6,824,985
Exploration and evaluation	4,200	-	-	59,899	64,099
Balance – December 31, 2010	3,061,580	364,526	-	\$ 3,462,978	\$ 6,889,084
Exploration and evaluation	118,008	30,700	41,048	24,581	214,337
Asset impairment	-	-	-	(700,265)	(700,265)
Balance – June 30, 2011	\$ 3,179,588	\$ 395,226	\$ 41,048	\$ 2,787,294	\$ 6,403,156

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

a) Jojay

The Company holds a 100% interest in the Jojay gold property, consisting of certain mineral dispositions located approximately 150 kilometers northeast of La Ronge, Saskatchewan. The Company has an Indicated Resource and Inferred Resource as defined under National Instrument 43-101 on the Jojay gold deposit. The Jojay gold property is located 11 kilometers from a producing gold mill.

b) Munro

The Company holds a 98.4% interest in the Munro gold property, consisting of certain mineral dispositions located approximately 128 kilometers northeast of La Ronge, Saskatchewan. The Munro gold property is located 7 kilometers from a producing gold mine.

c) Fork Lake/Jasper/Tamar

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

d) Hudson Bay/Pinehouse Lake

The Company holds a 100% interest in 331 coal permits that comprise a total area of 229,280 hectares (2,292 square kilometers) and are in close proximity to Hudson Bay, and Pinehouse Lake, Saskatchewan. During the quarter ended June 30, 2011, The Company decided to allow certain permits in these areas to lapse. As a result, previously capitalized costs of \$700,265 related to these permits were considered impaired.

6. Share capital

On February 24, 2011, the Company closed a private placement financing consisting of an aggregate of 10,125,000 common shares in the capital of the Company ("Common Shares") issued on a flow-through basis pursuant to the *Income Tax Act* (Canada) (each a "FT Share") at a price of \$0.15 per FT Share for gross proceeds of \$1,518,750. The Company is committed to incur qualifying exploration expenditures in this amount before December 31, 2012.

The Company also issued 250,100 units of the Company ("Units") at a price of \$0.14 per Unit, for gross proceeds of \$35,014. Each Unit consists of one Common Share issued on a non flow-through basis, and one half of one Common Share purchase warrant (each a half "Unit Warrant"). Each whole Unit Warrant entitles the holder thereof to purchase one Common Share on a non flow-through basis at a price of \$0.24 for a period of twelve months from the date of issuance.

The gross proceeds of \$1,553,764 from the private placement were recorded as follows: common shares of \$1,448,000, warrants of \$4,514, and the liability associated with the premium on the flow-through shares of \$101,250. The premium on flow-through shares is recognized in the statement of loss and comprehensive loss as the flow-through eligible expenditures are made.

As part of the private placement the Company issued 694,173 broker warrants at an exercise price of \$0.24 for a period of twelve months from the date of issuance. The fair value of the broker warrants was estimated to be \$25,060 and recorded as a share issue cost.

The fair value of the warrants and broker warrants issued as part of the above financing was determined using the Black-Scholes model with the following assumptions: a volatility factor of 94.9%, risk-free rate of return of 1.35%, expected dividend of 0%, and expected term of 1 year.

During the quarter ended June 30, 2011, 1,730,770 warrants with an exercise price of \$0.22 expired.

7. Share-based payments

The Company has established a share option plan whereby options may be granted to directors, officers, employees and service providers to purchase common shares of the Company. Options granted have an exercise price of not less than the closing price quoted on the stock exchange on which the shares are traded prior to the date on which the options were granted. Certain options vest immediately while others vest six to twenty-four months after grant date and all options granted under the plan expire 5 years from the date of the grant of the options. All options are to be settled by physical delivery of shares.

The Company recognized \$1,283 in share-based payment expense in the administration category of the statement of loss and comprehensive loss for the six months ended June 30, 2011 (2010 - \$143,647)

Option movements during the six months ended June 30, including weighted average exercise prices, are as follows:

	2011		2010	
	Options	Average Price	Options	Average Price
Outstanding – January 1	7,200,000	\$ 0.30	5,440,000	\$ 0.42
Granted during the period	-	-	2,800,000	0.07
Exercised during the period	-	-	-	-
Expired during the period	(1,300,000)	0.65	(1,040,000)	0.29
Forfeited during the period	-	-	-	-
Outstanding – June 30	5,900,000	\$ 0.24	7,200,000	\$ 0.30
Exercisable – June 30	5,900,000	\$ 0.24	7,075,000	\$ 0.31

The options outstanding at June 30, 2011 have an exercise price in the range of \$0.10 to \$0.91 (2010 - \$0.07 to \$0.91) and a weighted average contractual life of 2.8 years (2010 – 3.3 years). The options expire between the dates of July 2011 to June 2015. On June 17, 2011, the Company amended the strike price on 2.8 million options from \$0.07 to \$0.10. The weighted averaged exercise price of options outstanding and exercisable at June 30, 2011 reflects this change.

8. Related party transactions

Related party transactions with key management personnel

The Company pays certain of its key management personnel through companies owned by certain executive officers and directors. Those companies are as follows:

MacNeill Brothers Oil and Gas Ltd.
Baywatch Industries Ltd.

Compensation of key management personnel and directors, including payments to companies owned by executive officers and directors, is as follows:

	June 30, 2011	June 30, 2010
Wages and short-term benefits to key management and directors	\$ 54,975	\$ 54,919
Consulting and management fees to related companies	51,000	46,000
Share-based payment transactions	1,264	114,028
Total compensation paid to key management personnel and directors	\$ 107,239	\$ 214,947

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel and directors. The above transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The fair value of share-based payments was determined using the Black-Scholes model.

The compensation paid to key management personnel and directors is included in the Company's statement of loss and comprehensive loss under the administration category. Accounts payable to key management personnel and directors at June 30, 2011 includes nil (December 31, 2010 – \$nil, January 1, 2010 - \$21,800).

9. Financial instruments

As at June 30, 2011, the fair value of all of the Company's financial instruments approximates their carrying value due to the short-term nature of these instruments.

10. First time adoption of IFRS

The Company has adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. IFRS employs a conceptual framework that is similar to Canadian GAAP; however, the adoption has resulted in changes to the reported financial position and results of operations of the Company. Under IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS is applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings or deficit unless certain exemptions are applied or prohibited. IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at January 1, 2010 were consistent with those made under Canadian GAAP. The exemptions that have been chosen by the Company on the transition to IFRS are as follows:

First time adoption exemptions

Share-based payments

The Company has elected to not apply IFRS 2 *Share-Based Payments* retrospectively to share-based payments that have fully vested at the transition date and therefore no transitional adjustment is required. The Company had a minimal number of equity-settled share-based payments that had not vested and as such at transition an insignificant amount was recognized at the date of transition.

Presented below are reconciliations prepared by the Company to reconcile to IFRS equity, and net and comprehensive loss of the Company from those reported under Canadian GAAP. Separate cash flow reconciliations were not prepared as those statements did not require material adjustments to reconcile to IFRS.

Reconciliation of equity and net and comprehensive loss

A reconciliation between Canadian GAAP and IFRS equity as at January 1, 2010 (date of transition to IFRS), June 30, 2010, and December 31, 2010 is provided below:

	Note	January 1, 2010	June 30, 2010	December 31, 2010
Equity under Canadian GAAP		\$ 6,773,430	\$ 6,718,946	\$ 7,286,374
Provision for environmental rehabilitation	(i)	(75,520)	(75,520)	(75,520)
Flow-through shares	(ii)	(163,336)	-	-
Total IFRS adjustments to equity		(238,856)	(75,520)	(75,520)
Equity under IFRS		\$ 6,534,574	\$ 6,643,426	\$ 7,210,854

The following is a reconciliation of the Company's Canadian GAAP statement of loss and comprehensive loss to IFRS for the three months and six months ended June 30, 2010 and the twelve months ended December 31, 2010:

Note	Three months ended June 30, 2010	Six months ended June 30, 2010	Year ended December 31, 2010
Net and comprehensive loss for the period under Canadian GAAP	\$ (306,018)	\$ (491,579)	\$ (936,380)
Basic and diluted loss and comprehensive loss per share under Canadian GAAP	\$ (0.00)	\$ (0.01)	\$ (0.01)
Adjustments for differing accounting treatments under IFRS:			
Share-based payments (iii)	2,108	14,165	17,761
Net and comprehensive loss for the period under IFRS	\$ (303,910)	\$ (477,414)	\$ (918,619)
Per Share Amounts:			
Basic and diluted net and comprehensive loss per share under IFRS	\$ (0.00)	\$ (0.01)	\$ (0.01)

Notes:

(i) Provision for environmental rehabilitation

IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, requires a provision to be recognized when there is a present obligation as a result of a past transaction or event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the obligations. IFRS also requires recognition of a liability when a constructive obligation or a legal obligation exists versus only a legal obligation under Canadian GAAP. The Company believes it has a constructive obligation on certain of its exploration properties and as such recorded a provision for environmental rehabilitation related to certain of its exploration sites upon transition to IFRS. The exploration and evaluation asset associated with the environmental rehabilitation provision has been impaired to nil and accordingly any asset associated with the rehabilitation provision has been expensed. Due to the immaterial nature of the time value of money associated with the environmental rehabilitation provision, the Company has not discounted the liability.

(ii) Flow-through shares

Under Canadian GAAP, flow-through share accounting caused share capital to be reduced for share issue costs by an amount recognized for future tax liabilities related to the renunciation of flow-through share expenditures at the time of renunciation. Similar to IFRS, to the extent the Company has unrecognized tax benefits from loss carryforwards and tax pools in excess of book values, the resulting deferred tax liability is offset by the recognition of previously unrecorded tax assets. Under IFRS, the sale of flow-through shares results in a liability being recognized for the excess of the purchase price paid by the investors over the fair value of common shares without the flow-through feature (the "premium") and the fair value of the shares is recorded as equity. The premiums are recognized in earnings when the Company has the ability and intention of renouncing the tax pools. As such, once the Company fulfils its exploration expenditure requirements for the flow-through, the premium and a future income tax liability and expense is recognized. If the Company has unrecognized tax assets that are not expected to expire, the Company would recognize these previously unrecognized assets to eliminate the future income tax expense. The net result of the

difference on the Company's financial statements under IFRS is to reduce share capital by the premium as opposed to the full amount of the future tax liability and recognize the premium and future income tax expense in earnings in the period the Company intended to renounce the expenditures to the investors. Since the Company had the ability to renounce its expenditure in 2009, the future income tax liability and related expense that was recognized in the first quarter of 2010 under Canadian GAAP would have been recognized prior to transition.

(iii) Share-based payments

Under Canadian GAAP the fair value of stock-based awards with graded vesting were calculated as a single grant and the resulting fair value was recognized on a straight-line basis over the vesting periods. Forfeitures of awards were recognized as they occurred.

Under IFRS each tranche of an award with different vesting dates was considered a separate grant for the calculation of fair value, and the resulting fair value was amortized over the vesting period of the respective tranches. Forfeiture estimates were recognized in the period they were estimated, and revised for actual forfeitures in subsequent periods.

Financial statement presentation changes

Under IFRS, the Company is required to present its statement of loss and comprehensive loss by function or nature. The Company has presented its expenses by function and accordingly amortization is no longer presented as a separate line item, but is included in the administration category. The Company has also allocated corporate development expenditures as a separate function on the statement of loss and comprehensive loss which had been previously recorded in the administration category.

WESCAN GOLDFIELDS INC.



CORPORATE INFORMATION

Head Office

300, 224 – 4th Ave. South
Saskatoon, Saskatchewan
Canada S7K 5M5
Tel: (306) 664-2422
Fax: (306) 667-3557

Directors

Kenneth E. MacNeill
M.F. (Moe) Lindsay
Harvey J. Bay
Arnie E. Hillier
Val L. Michasiw
Gary L. Billingsley

Officers

Kenneth E. MacNeill – Chief Executive Officer
Darren S. Anderson – President
Harvey J. Bay – Chief Financial Officer
Mark A. Shimell – Vice President, Exploration

Solicitors

Bennett Jones LLP
Calgary, Alberta

Auditors

KPMG, LLP
Saskatoon, Saskatchewan

Bank

Canadian Western Bank
Saskatoon, Saskatchewan

Exchange Listing

TSX Venture Exchange
112,452,121 common shares issued and outstanding as at August 18, 2011

Trading Symbol:

WGF

Website:

www.wescangoldfields.com

Email:

info@wescangoldfields.com