WESCAN GOLDFIELDS INC.

# 1st Quarter Report
# March 31, 2016

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

The following discussion and analysis is prepared by Management as of May 26, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the quarter ended March 31, 2016 ("financial statements for the quarter ended March 31, 2016"), as well as the audited consolidated financial statements and annual MD&A for the year ended December 31, 2015 available on SEDAR at www.sedar.com. Wescan Goldfields Inc. ("Wescan" or "the Company") prepared its financial statements for the period ended March 31, 2016 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"). All currency amounts are quoted in Canadian Dollars, unless otherwise stated.

## Overview

The Company is assessing future options for its portfolio of gold properties in the La Ronge Gold Belt in northern Saskatchewan. No exploration and evaluation expenditures have been incurred during the quarters ended March 31, 2016 and 2015.

## Financial Highlights

Selected financial information of the Company for the three months ended March 31, 2016 and 2015 is summarized as follows:

| | **Three Months Ended March 31, 2016 $** | **Three Months Ended March 31, 2015 $** |
|---|---|---|
| **Net and comprehensive loss** | 13,379 | 16,789 |
| **Net loss per share** (1) | 0.00 | 0.00 |
| **Total assets** | 64,576 | 217,483 |
| **Working capital (deficiency)** | (183,744) | (335,789) |

**(1) Basic and diluted.**

## Results of Operations

For the quarter ended March 31, 2016 the Company recorded a net loss of $13,379 ($0.00 per share) compared to $16,789 ($0.00 per share) for the same period in 2015.

***Expenses***

Total operating expenses for the quarter ended March 31, 2016 were $13,379 compared to $16,789 for the same period of 2015. Exploration expenditures during the quarter ended March 31, 2016 and 2015 were $0. The Company is assessing future options for its portfolio of gold properties and as such no exploration and evaluation expenditures were incurred. Administration expenses incurred for the quarter ended March 31, 2016 were $12,879 compared to $16,749 for the same period in 2015. This $3,870 decrease was primarily due to lower costs incurred as a result of a concerted effort to reduce costs. Costs in the administration category relate to professional fees, amortization, insurance, office and equipment rent, office supplies, regulatory requirements and other general expenses. Corporate development costs were $500 for the quarter ended March 31, 2016 compared to $0 for the quarter ended March 31, 2015.

## Summary of Quarterly Results

| | 2016 | 2015 | | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|
| | Qtr 1<br>$ | Qtr 4<br>$ | Qtr 3<br>$ | Qtr 2<br>$ | Qtr 1<br>$ | Qtr 4<br>$ | Qtr 3<br>$ | Qtr 2<br>$ |
| **Net loss(1)** | **(13,379)** | (4,873) | (12,280) | (26,681) | (16,789) | (18,508) | (14,016) | (36,268) |
| **Net loss/share (2)** | **(0.00)** | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |
| **Shares outstanding (3)** | **37,259,320** | 37,259,320 | 26,759,320 | 26,759,320 | 26,759,320 | 26,759,320 | 19,573,796 | 19,573,796 |

*(1) The net losses reflect normal operations of the Company.*
*(2) Basic and diluted.*
*(3) During the fourth quarter of 2015, the Company issued 10,500,000 common shares pursuant to private placement. During the fourth quarter of 2014, the Company issued 7,185,524 common shares pursuant to shares-for-debt settlement agreements with certain service providers.*

## Related Party Transactions

During the quarter ended March 31, 2016, Mr. Kenneth E. MacNeill (Chief Executive Officer), through his consulting company, waived his management fees. Total compensation paid to officers and to key management and directors of the Company during the quarter ended March 31, 2016 was $0 (2015 - $0).

On May 5, 2016 the Company granted 1,850,000 options to directors and officers of the Company (see Wescan News Release dated May 5, 2016). The options are exercisable into common shares of Wescan at a price of $0.05 per share for a period of five years from the date of grant.

During the year ended December 31, 2014 the Company entered into a demand loan agreement for $10,000 from MacNeill Brothers Oil and Gas Ltd, a company controlled by a related party, for general administrative expenses and payment of certain outstanding payables. Annual interest rate on this demand loan was 3.0%. During the quarter ended March 31, 2015 the Company entered into additional demand loans of $50,000 from MacNeill Brothers Oil and Gas Ltd. for general administrative expenses and payment of certain outstanding payables, with interest rates ranging from 2.9% - 3.0%. All demand loans and accrued interest was paid back in full during November 2015.

## Liquidity

The Company currently has no ongoing source of revenue and, as such, is dependent upon the issuance of new equity to finance its ongoing obligations and 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 could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

The Company provided an indemnification to subscribers of flow-through shares in an amount equal to the income tax that would be payable by subscribers in the event, and as a consequence, of the Company not incurring and renouncing qualifying expenditures as required under the subscription agreement. The Company is liable for any tax that will be payable by subscribers as a result of not incurring certain qualifying expenditures by December 31, 2012. A provision of $233,730 has been accrued at March 31, 2016 (December 31, 2015 - $233,730).

As at March 31, 2016, the Company had a working capital deficiency of $183,744 as compared to a working capital deficiency of $170,666 at December 31, 2015. Included in the working capital deficiency at March 31, 2016 are $8,889 of payables and accrued liabilities from operating activities, as well as the $233,730 provision representing estimated amounts to indemnify certain flow-through subscribers as a result of the Company not incurring certain qualifying expenditures by December 31, 2012. Based on the working capital deficiency at March 31, 2016 (which includes the indemnification provision), the Company currently does not have sufficient resources to finance operating and exploration activities through its 2016 fiscal year, conditions which raise significant doubt about the Company's ability to continue as a going concern. The Company is assessing opportunities to address the issue of liquidity.

## Capital Resources and Outstanding Share Data

As at March 31, 2016 the Company had 37,259,320 shares outstanding and 730,000 options with a weighted average exercise price of $0.32. As at May 26, 2016, the Company's issued and outstanding shares remained unchanged from March 31, 2016 while options increased by 2,100,000 to 2,830,000 due to option grants. In the event all options at May 26, 2016 were exercised, the Company would be required to issue a further 2,830,000 common shares for gross cash proceeds of $0.3 million.

## Financial Instruments

As at March 31, 2016, 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 customer or third-party to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that may have credit risk consist primarily of cash and cash equivalents and receivables. The Company's cash and cash equivalents are held by financial institutions with an A (low) credit rating. The Company may invest excess cash, if any, in guaranteed investment certificates until it is required. The Company's receivables are mainly comprised of GST receivable and therefore credit risk is minimal. The Company has gross credit exposure at March 31, 2016 relating to cash and cash equivalents and receivables of $53,533 (December 31, 2015 – $81,207).

***Liquidity risk***

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

As at March 31, 2016, the Company is committed to current liabilities of $242,619. As at March 31, 2016, the Company had a working capital deficiency of $183,744. Based on the above obligations, the Company does not have sufficient resources to meet these obligations as they become due.

The Company is pursuing options to meet these obligations, to finance the future exploration of its properties as well as for general and administrative expenses of the Company. Financing options may include joint venture arrangements, debt financing, equity financing or other means. There is no assurance that Wescan will be successful in obtaining required financing when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration plans, forfeit rights in its properties or reduce or terminate its operations. As at March 31, 2016 all of the Company's mineral property claims are in good standing with no requirements to incur further exploration and evaluation costs until 2017.

***Market risk***

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of four types: foreign currency risk, interest rate risk, commodity price risk and equity risk. The Company currently does not have significant exposure to any market risks.

## Accounting Changes

***Future Accounting Changes***

At the date of authorization of these consolidated financial statements, the IASB has issued the following new Standards which are not yet effective for the relevant reporting periods.

IFRS 9 – Financial Instruments

On July 24, 2014 the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not intend to early adopt IFRS 9 and has not yet fully evaluated the impact of this new standard.

IFRS 15 – Revenue from contracts with customers

On July 22, 2015, the IASB unanimously affirmed its proposal to defer the effective date of IFRS 15, "Revenue from Contracts with Customers" to January 1, 2018. IFRS 15 will replace IAS 11, "Construction Contracts" and IAS 18, "Revenue" and related interpretations effective for annual periods commencing on or after January 1, 2018. IFRS 15 introduces a new single revenue recognition model for contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The Company does not intend to early adopt IFRS 15 and has not yet fully evaluated the impact of this new standard.

IFRS 16 – Leases

IFRS 16 will replace IAS 17, "Leases" and related interpretations effective for annual periods commencing on or after January 1, 2019. Early application is permitted for companies that also apply IFRS 15. IFRS 16 follows a 'right-of-use' model which will require leases of more than twelve months to be reported on a company's financial statements as assets and liabilities, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The Company does not intend to early adopt IFRS 16 and has not yet fully evaluated the impact of this new standard.

There are no other IFRSs or IFRIC interpretations that have been issued and are not yet effective that are expected to have a material impact on the Company.

## Outlook

The Company has focused previous exploration efforts on its northern Saskatchewan properties with known gold mineralization located in the La Ronge Gold Belt. The Company successfully closed a private placement financing in 2015. The Company's past success in raising flow-through financing during 2011 and 2012 allowed it to perform further exploration work in 2013 on the Company's Jojay, Munro Lake and Jasper gold properties. The Company is assessing future options for these properties. The Company will also continue to evaluate the potential for the acquisition of other mineral properties that fit the Company's strategic direction. The Company will be required to raise additional funds to meet its current commitments as well as for ongoing working capital requirements. There is no assurance that the Company will be successful in obtaining required financing when needed or at all.

## 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 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 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 Mark Shimell, P.Geo, Vice President of Exploration, 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 ability to raise funds to meet commitments and pursue exploration activities, the use of such funds, future plans for the Jojay, Jasper and Munro Lake properties 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 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 months ended**
**March 31, 2016**

## Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Wescan Goldfields Inc. for the three months ended March 31, 2016 (along with the comparative interim period in 2015). The Company's external auditors have not reviewed these statements.

**Wescan Goldfields Inc.**

**Condensed Interim Consolidated Statements of Financial Position**

(unaudited)

| | (In Canadian dollars) | |
|---|---|---|
| | March 31, 2016 | December 31, 2015 |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 52,541 | $ 80,302 |
| Receivables | 992 | 905 |
| Prepaids | 5,342 | 534 |
| | 58,875 | 81,741 |
| Property and equipment (note 7) | 5,701 | 6,002 |
| | $ 64,576 | $ 87,743 |
| **Liabilities and Shareholders' Equity (Deficiency)** | | |
| Current liabilities: | | |
| Payables and accrued liabilities (note 8) | $ 242,619 | $ 252,407 |
| | 242,619 | 252,407 |
| Environmental rehabilitation provision | 75,520 | 75,520 |
| Shareholders' equity (deficiency): | | |
| Share capital | 20,281,344 | 20,281,344 |
| Contributed surplus | 2,316,716 | 2,316,716 |
| Deficit | (22,851,623) | (22,838,244) |
| | (253,563) | (240,184) |
| | $ 64,576 | $ 87,743 |

Going concern (note 3)

See accompanying notes to consolidated financial statements

**Wescan Goldfields Inc.**

**Condensed Interim Consolidated Statements of Financial Position**

(unaudited)

| | (In Canadian dollars) | |
|---|---|---|
| | Three Months Ended March 31, | |
| | 2016 | 2015 |
| **Expenses** | | |
| Exploration and evaluation (note 9) | - | - |
| Administration | 12,879 | 16,749 |
| Interest expense | - | 40 |
| Corporate development | 500 | - |
| | 13,379 | 16,789 |
| **Net loss and comprehensive loss** | $ (13,379) | $ (16,789) |
| **Net loss and comprehensive loss per share** | | |
| Basic and diluted | $ (0.00) | $ (0.00) |
| **Weighted average number of shares outstanding** | 37,259,320 | 26,759,320 |

See accompanying notes to consolidated financial statements

**Wescan Goldfields Inc.**

**Condensed Interim Consolidated Statements of Cash Flows**

(unaudited)

| | (In Canadian dollars) | |
|---|---|---|
| | Three Months Ended March 31, | |
| | 2016 | 2015 |
| **Cash provided by (used in):** | | |
| **Operations:** | | |
| Net loss and comprehensive loss | $ (13,379) | $ (16,789) |
| Non-cash items: | | |
| Amortization | 301 | 378 |
| Net change in non-cash operating working capital items: | | |
| Receivables | (87) | (161) |
| Prepaids | (4,808) | (4,758) |
| Payables and accrued liabilities | (9,788) | (30,613) |
| | (27,761) | (51,943) |
| **Financing:** | | |
| Demand loans from related party (note 12) | - | 50,000 |
| | - | 50,000 |
| **Decrease in cash position** | (27,761) | (1,943) |
| **Cash and cash equivalents, beginning of period** | 80,302 | 5,146 |
| **Cash and cash equivalents, end of period** | $ 52,541 | $ 3,203 |
| **Cash and cash equivalents consists of:** | | |
| Cash | $ 52,541 | $ 3,203 |
| | $ 52,541 | $ 3,203 |

See accompanying notes to consolidated financial statements

**Wescan Goldfields Inc.**

**Condensed Interim Consolidated Statements of Financial Position**

(unaudited)

| | (In Canadian dollars) | | |
|---|---|---|---|
| | Three Months Ended March 31, | | Year Ended December 31, |
| | 2016 | 2015 | 2015 |
| **Share capital (note 10)** | | | |
| Balance, beginning of period | $ 20,281,344 | $ 20,073,519 | $ 20,073,519 |
| Shares issued for cash | - | - | 210,000 |
| Share issue costs | - | - | (2,175) |
| Balance, end of period | $ 20,281,344 | $ 20,073,519 | $ 20,281,344 |
| **Warrants (note 10)** | | | |
| Balance, beginning of period | $ - | $ 144,200 | $ 144,200 |
| Issued | - | - | - |
| Expired | - | (144,200) | (144,200) |
| Bala Payables and accrued liabilities | $ - | $ - | $ - |
| **Contributed surplus (note 10)** | | | |
| Balance, beginning of period | $ 2,316,716 | $ 2,172,516 | $ 2,172,516 |
| Share-based payments | - | - | - |
| Warrants expired | - | 144,200 | 144,200 |
| Broker warrants expired | - | - | - |
| Balance, end of period | $ 2,316,716 | $ 2,316,716 | $ 2,316,716 |
| **Deficit** | | | |
| Balance, beginning of period | $ (22,838,244) | $ (22,777,621) | $ (22,777,621) |
| Net and comprehensive loss | (13,379) | (16,789) | (60,623) |
| Balance, end of period | $ (22,851,623) | $ (22,794,410) | $ (22,838,244) |
| **Total Shareholders' Equity (Deficiency)** | $ (253,563) | $ (404,175) | $ (240,184) |

See accompanying notes to consolidated financial statements

## 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 properties. Wescan is located at 300 – 224 4$^{th}$ Avenue South, Saskatoon, Saskatchewan, Canada, S7K 5M5.

## 2. Basis of preparation

The condensed interim consolidated financial statements of Wescan for the three months ended March 31, 2016 were authorized for issue by the Company's Audit Committee on, May 26, 2016. These financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The Company's financial statements have been prepared on a historical cost basis, except as disclosed, using the Company's functional currency of Canadian dollars.

## 3. Going concern

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 and commitments in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company's ability to continue as a going concern. At March 31, 2016, the Company had an accumulated deficit of $22,851,623, a shareholders' deficit of $253,563 and a working capital deficiency of $183,744 and, as discussed in note 13, does not have sufficient resources to meet current obligations and finance operating and exploration activities through its 2016 fiscal year. The ability of the Company to continue as a going concern and fund future exploration of its properties, as well as general and administrative expenses, in an orderly manner will require further equity issues or other forms of financings. There is no assurance that the Company will be successful in obtaining required financing at an acceptable cost as and when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration plans, forfeit rights in its properties or reduce or terminate its operations.

These financial statements do not include any adjustments to carrying values and classification of asset amounts and liabilities, reported expense and the statement of financial position classifications used, that would be necessary if the going concern assumption were not appropriate.

## 4. Summary of significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those disclosed in Note 4 of the Company's consolidated financial statements for the year ended December 31, 2015. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

## 5. Use of estimates and judgment

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 the same as those disclosed in note 5 of the Company's consolidated financial statements for the year ended December 31, 2015. In particular, the significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are: reserve and resource estimation, impairment of exploration and evaluation assets, environmental rehabilitation provisions, recovery of deferred tax assets and share-based payment transactions.

6. **International financial reporting standards ("IFRS"), amendments and interpretations**

(a) IFRS standards, amendments and interpretations issued and effective

At the date of authorization of these consolidated financial statements, the IASB has issued the following new Standards which is not yet effective for the relevant reporting periods.

i. *IFRS 9 – Financial Instruments*
On July 24, 2015 the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement", and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company does not intend to early adopt IFRS 9 and has not yet fully evaluated the impact of this new standard.

ii. *IFRS 15 – Revenue from contracts with customers*
IFRS 15 will replace IAS 11, "Construction Contracts" and IAS 18, "Revenue" and related interpretations effective for annual periods commencing on or after January 1, 2018. IFRS 15 introduces a new single revenue recognition model for contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The Company does not intend to early adopt IFRS 15 and has not yet fully evaluated the impact of this new standard.

iii. *IFRS 16 – Leases*
IFRS 16 will replace IAS 17, "Leases" and related interpretations effective for annual periods commencing on or after January 1, 2019. Early application is permitted for companies that also apply IFRS 15. IFRS 16 follows a 'right-of-use' model which will require leases of more than twelve months to be reported on a company's financial statements as assets and liabilities, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The Company does not intend to early adopt IFRS 16 and has not yet fully evaluated the impact of this new standard.

There are no other IFRSs or IFRIC interpretations that have been issued and are not yet effective that are expected to have a material impact on the Company.

7. **Property and equipment**

The Company's property and equipment are comprised of the following:

| | Computer Software | Computer Equipment | Furniture and Equipment | Total |
|---|---|---|---|---|
| **Cost** | | | | |
| Balance – December 31, 2015 | $ 2,234 | $ 348 | $ 36,925 | $ 39,507 |
| Acquisitions and disposals | - | - | - | - |
| **Balance – March 31, 2016** | $ 2,234 | $ 348 | $ 36,925 | $ 39,507 |

| | Computer Software | Computer Equipment | Furniture and Equipment | Total |
|---|---|---|---|---|
| **Accumulated depreciation** | | | | |
| Balance – December 31, 2015 | $ (2,234) | $ (293) | $ (30,978) | $ (33,505) |
| Charge for the three month period | - | (4) | (297) | (301) |
| **Balance – March 31, 2016** | $ (2,234) | $ (297) | $ (31,275) | $ (33,806) |

| | Computer Software | Computer Equipment | Furniture and Equipment | Total |
|---|---|---|---|---|
| **Net book value** | | | | |
| Balance – December 31, 2015 | $ - | $ 55 | $ 5,947 | $ 6,002 |
| **Balance – March 31, 2016** | $ - | $ 51 | $ 5,650 | $ 5,701 |

## 8. Payables and accrued liabilities

A summary of the payables and accrued liabilities is as follows:

| | March 31, 2016 | December 31, 2015 |
|---|---|---|
| Trade payables and accrued liabilities | $ 8,889 | $ 18,677 |
| Accrued liabilities relating to 2011 flow-through financing (a) | 233,730 | 233,730 |
| **Balance** | $ 242,619 | $ 252,407 |

a. In December 2011, the Company issued flow-through shares for gross proceeds of $1,000,000. At December 31, 2012, the Company had not spent all amounts related to this flow-through offering. The Company has provided an indemnification to subscribers of flow-through shares in an amount equal to the income tax that would be payable by subscribers in the event, and as a consequence, of the Company not incurring and renouncing qualifying expenditures as required under the subscription agreement.

## 9. Exploration and evaluation expenses

The Company is assessing future options for its portfolio of gold properties. No exploration and evaluation expenditures have been incurred during the quarters ended March 31, 2016 and 2015.

## 10. Share capital and reserves

The authorized share capital of the Company consists of an unlimited number of common shares. As at March 31, 2016 the Company had 37,259,320 shares outstanding. No common shares were issued during the three months ended March 31, 2016.

Nature and purpose of reserves

*Warrant reserve*
On certain issues of common shares, the Company has issued warrants entitling the holder to acquire additional common shares of the Company. The warrant reserve is used to recognize the fair value of outstanding warrants. If the warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively. During the three months ended March 31, 2015, 5,150,000 warrants at a weighted average price of $0.10 expired.

*Contributed Surplus*
Contributed surplus is used to recognize the fair value of equity-settled share-based payment transactions. The fair value of these securities is added to contributed surplus over the vesting period of the securities. Upon exercise, the corresponding fair value related to the security is removed from contributed surplus and added to share capital. Should the security go unexercised, the fair value will remain in contributed surplus. The fair value of warrants and broker warrants related to securities that go unexercised is transferred out of the respective reserves into contributed surplus.

## 11. Share-based payments

The Company has established a share option plan, as approved by the shareholders, 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 on the day prior to the date on which the options were granted. Certain options vest immediately while others vest up to twenty-four months after grant date and all options granted under the plan expire five years from the date of the grant of the options. All options are to be settled by physical delivery of shares.

At March 31, 2016, total options outstanding were 730,000 (2015 – 910,000) at a weighted average exercise price of $0.32 (2015 – $0.46). Options outstanding at March 31, 2016 have exercise prices that range from $0.10 to $1.00 (2015 – $0.10 to $1.00) and a weighted average contractual life of 1.7 years (2015 – 2.2 years). The options expire between the dates of December 2016 and March 2018.

## 12. Related party transactions

Related party transactions with key management personnel

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. The Company pays or has paid 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.

During the three months ended March 31, 2016, certain of its key management personnel waived their management and consulting fees. Total compensation paid to key management personnel, including amounts paid or payable to related parties owned by key management personnel, executive officers and directors, was $0 (2015 - $0).

During the year ended December 31, 2014 the Company entered into a demand loan agreement for $10,000 from MacNeill Brothers Oil and Gas Ltd, a company controlled by a related party, for general administrative expenses and payment of certain outstanding payables. Annual interest rate on this demand loan was 3.0%. During the quarter ended March 31, 2015 the Company entered into additional demand loans of $50,000 from MacNeill Brothers Oil and Gas Ltd. for general administrative expenses and payment of certain outstanding payables, with interest rates ranging from 2.9% - 3.0%. All demand loans and accrued interest was paid back in full during November 2015.

## 13. Financial instruments

Fair values have been determined for measurement and/or disclosure purposes based on the fair value hierarchy for financial instruments that require fair value measurement after initial recognition. The classification of each financial instrument is described in note 4 of the December 31, 2015 consolidated financial statements.

The carrying amounts for cash and cash equivalents, receivables, and trade payables approximate their fair value due to the short-term nature of these instruments. These financial instruments are carried at amortized costs.

The Company does not have any financial instruments measured at fair value.

Risk management

Certain financial instruments are exposed to the following financial risks:

(a) Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that may have credit risk consist primarily of cash and cash equivalents and receivables. The Company's cash and cash equivalents are held by a financial institution with an A (low) credit rating. The Company may invest excess cash, if any, in guaranteed investment certificates until it is required. The Company's receivables are mainly comprised of GST receivable and therefore credit risk is minimal. The Company has gross credit exposure at March 31, 2016 relating to cash and cash equivalents and receivables of $53,533 (December 31, 2015 – $81,207).

(b) Liquidity risk

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

As at March 31, 2016, the Company is committed to current liabilities of $242,619, which includes a $233,730 provision relating to 2011 flow-through financing as discussed in note 8. As a result, at March 31, 2016, the Company had a working capital deficiency of $183,744. Based on the above obligations, the Company does not have sufficient resources to meet these obligations as they become due.

The Company is pursuing options to meet these obligations, to finance the future exploration of its properties as well as for general and administrative expenses of the Company. Financing options may include joint venture arrangements, debt financing, equity financing or other means. There is no assurance that Wescan will be successful in obtaining required financing when needed or at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone exploration plans, forfeit rights in its properties or reduce or terminate its operations.

(c) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of four types: foreign currency risk, interest rate risk, commodity price risk and equity risk. The Company currently does not have significant exposure to any market risks.

WESCAN GOLDFIELDS INC.

## CORPORATE INFORMATION

**Head Office**
300, 224 – 4th Ave. South
Saskatoon, Saskatchewan
Canada   S7K 5M5
Tel: (306) 664-2202
Fax: (306) 664-7181

**Directors**
Kenneth E. MacNeill
Harvey J. Bay
Val L. Michasiw
Gary L. Billingsley

**Officers**
Kenneth E. MacNeill – Chief Executive Officer
Greg P. Shyluk – 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
37,259,320 common shares issued and outstanding as at May 26, 2016

**Trading Symbol:**
WGF

**Website:**
www.wescangoldfields.com

**Email:**
info@wescangoldfields.com