WESCAN GOLDFIELDS INC.

Management's Discussion and Analysis
December 31, 2012

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

The following discussion and analysis is prepared by Management as of April 25, 2013 and should be read in conjunction with the audited consolidated financial statements for the period ended December 31, 2012 ("financial statements for the period ended December 31, 2012") available on SEDAR at www.sedar.com. Wescan Goldfields Inc. ("Wescan" or "the Company") prepared its financial statements for the period ended December 31, 2012 in accordance with 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

During the year ended December 31, 2012 Wescan has continued the exploration of its portfolio of gold properties in the La Ronge Gold Belt in northern Saskatchewan, with the primary focus being the Jojay and Munro Lake properties. Following the successful drill programs on its Jojay and Jasper properties in 2011 (see Wescan News Releases dated November 18, 2011 and December 8, 2011, respectively), the Company raised an additional $1.0 million in late December 2011 to continue exploring the Company's highly prospective properties. During the second quarter of 2012, the Company announced the results of a 1,903 metre drill program ("Phase II") on its Jojay property which included significant intercepts of gold in and outside the current Mineral Resource shell (see Wescan News Release dated May 22, 2012). In the fourth quarter of 2012 the Company announced the commencement of a winter drill program on the Munro Lake gold property (see Wescan News Release dated December 7, 2012).

Jojay Gold Project

Background

The Company holds a 100% interest in the Jojay gold property, consisting of five claim blocks covering 1,496 hectares located approximately 150 kilometers northeast of La Ronge, Saskatchewan. The Company's initial 25% interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company. The remaining 75% was acquired from Claude Resources Inc. in 2006 in exchange for shares. The Company has an Indicated Mineral Resource and Inferred Mineral Resource, as defined under National Instrument ("NI") 43-101, on the Jojay gold deposit which was completed on February 4, 2010. The NI 43-101 compliant Mineral Resource Estimate completed by ACA Howe International Limited ("ACA Howe") includes 21 Wescan diamond drill holes completed in 2005 and 2007-2008 and 79 historic drill holes (see Wescan News Release dated February 4, 2010). At a block cut-off grade of 2.0 grams per tonne Au, non-diluted Indicated Mineral Resources, located entirely in the Red Zone, amount to 420,000 tonnes with an average grade of 3.7 grams per tonne Au, for 50,000 ounces gold. Non-diluted Inferred Mineral Resources, approximately half of which were located in the Red Zone, amount to 630,000 tonnes with an average grade of 4.3 grams per tonne Au, for 87,000 ounces gold. No Measured Mineral Resources or Mineral Reserves of any category were identified. Mineral resources are not mineral reserves and by NI 43-101 definition do not demonstrate economic viability. There is no certainty that all or any part of the Mineral Resource will be converted into a Mineral Reserve. The Jojay gold property is located 11 kilometers from an operating gold mill.

Based on recommendations from a review of historical drilling data that was completed in February 2011 and the recommendations contained in the Technical Report that accompanied the NI 43-101 compliant Resource Estimate, Wescan commenced a 2,678.5 metre drill program (10 holes) in June 2011. The program successfully identified significant mineralized zones outside the existing drill-defined area of mineralization and successfully confirmed, as well as infilled, historical drilling results.

Current year and future activities

To follow up the success of the 2011 program, the Company announced the commencement of the Phase II drilling program during the first quarter of 2012. The program was designed to infill areas of the Mineral Resource base within the known mineralized zones as well as to test for further mineralization in areas of the Jojay Gold property considered "highly prospective". The 1,903 metre (8 holes) diamond drill program confirmed significant mineralization to the North of the current Mineral Resource shell as well as significant gold intersections from all five infill holes drilled (see Wescan News Release dated May 22, 2012). The Company also recently announced the results of its VTEM ("Versatile Time Domain Electromagnetic") and Magnetic Gradiometer airborne geophysical survey on the Jojay Gold Property (see Wescan News Release dated January 21, 2013). This survey traced the Jojay Structural Zone for approximately 3 kilometers to the south of the Jojay gold deposit and 0.5 kilometers to the north which extends the original 1 km zone by more than triple in length. The survey also identified two prospective target zones for gold which should be followed up by surface exploration.

Munro Lake Gold Project

Background

The Company holds a 100% interest in the Munro Lake gold property in a joint venture with Shane Resources Ltd. (Shane Resources Ltd. retains a 10% net profit interest). The Munro Lake property consists of mineral dispositions covering 2,489 hectares located approximately 128 kilometers northeast of La Ronge, Saskatchewan. The Company's initial 51% interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company and has increased based on Shane Resources non-participation in past exploration programs. The Munro gold property is located 7 kilometers from a producing gold mine and is on trend with other known gold mineralized zones in the area.

During 2011 the Company conducted a magnetic and electromagnetic airborne geophysical survey on the Munro Lake property (see Wescan News Release dated June 22, 2011). The intent of the airborne geophysical survey was to assist in the interpretation of historic soil sampling and prospecting programs that had identified anomalous gold targets throughout the property.

Current year and future activities

The prospecting program carried out during the third quarter of 2012 was designed to follow-up the geophysical survey on the ground and further investigate gold showings from past prospecting programs. During the fourth quarter the Company announced the commencement of a winter drill program on the Munro Lake gold property (see Wescan News Release dated December 7, 2012). Areas of interest selected for diamond drilling include geophysical anomalies and prospecting structural gold anomalies.

Jasper Gold Project

Background

The Company holds a 100% interest in the Fork Lake/Jasper/Tamar ("Jasper") gold property, consisting of certain mineral dispositions covering 6,513 hectares located approximately 150 kilometers northeast of La Ronge, Saskatchewan. The property contains the high grade Jasper Gold Mine which produced 140,127 tonnes at an average grade of 18.9 grams per tonne gold in the early 1990s. The Company's initial interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company. The Company performed drilling in 2005, 2006, and 2007 of certain deeper zones and during 2011 the Company completed a 2,313.5 metre drill program (9 holes) to further assess the future potential of this past producing gold mine.

Current year and future activities

Minimal activity occurred on the Jasper property during the year ended December 31, 2012. During the third quarter of 2012 the Company reviewed historical drill and geological data to help plan future exploration activities. Further exploration work will not likely occur on this property during 2013 given the Company's current focus on its other properties. The Company intends to continue exploration efforts on the Jasper Gold deposit before an NI 43-101 Resource Estimate is completed to maximize any potential mineral resources.

Financial Highlights

Selected Annual Information

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

	2012 (1) $	2011 (1) $	2010 (1) $
Interest and other income	767	41,591	39,544
Net loss	2,693,620	1,821,062	982,718
Net loss per share (2)	0.21	0.16	0.10
Total assets	493,554	2,650,369	2,140,974
Total non-current liabilities (3)	159,520	375,380	75,520
Working capital (deficiency)	(181,559)	987,021	371,813

(1) The Company adopted IFRS on January 1, 2011, effective January 1, 2010 and therefore comparative figures for 2010 are presented under IFRS.
(2) Basic and diluted, adjusted for share consolidation as discussed in this MD&A.
(3) Non-current liabilities are comprised of flow-through share premiums and environmental rehabilitation provision.

Year Ended December 31, 2012

Results of Operations

For the year ended December 31, 2012 the Company recorded a net loss of $2,693,620 ($0.21 per share) compared to a net loss of $1,821,062 ($0.16 per share) for 2011. The loss during 2012 was primarily due to the impairment of certain previously capitalized exploration and evaluation assets ($1,434,562) as well as ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest and other income. The loss in 2011 primarily related to ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest and other income.

Revenues

During 2012, the Company reported interest and other income of $767 as compared to $41,591 for 2011. The decrease in interest and other income was the result of the Company no longer renting certain equipment due to the sale of these assets at the end of 2011.

Expenses

Total expenses for the year ended December 31, 2012 were $1,313,656 compared to $1,949,758 for the same period of 2011. The $636,102 decrease in expenditures was primarily due to lower exploration and evaluation expenditures incurred by the Company during 2012 ($870,936) compared to 2011 ($1,362,600) as well as lower administration expenses in 2012 ($424,793) compared to 2011 ($563,284).

Exploration and evaluation expenses

During 2012, the Company completed the Phase II drill program on the Jojay property ($757,595), performed a prospecting program and commenced a winter drill program on the Munro Lake gold property ($85,956) and reviewed historical drill and geological data of the Jasper property ($25,681). In addition, the Company allowed all coal exploration properties ($1,704) to lapse during 2012. The expenditures for 2011 related to drill programs on the Company's Jojay gold property ($679,811), Jasper gold property ($539,373) as well as the costs associated with the Magnetic and Electromagnetic airborne geophysical survey on the Company's Munro Lake property ($94,510). In 2011 the Company also completed a review of all regional geophysical and geological data on the Company's coal exploration properties for the purpose of making its decision to allow the properties to lapse ($48,906).

Administration

The Company remained focused on minimizing its operating expenses during 2012. Administration expense decreased $138,491 to $424,793 in 2012 from $563,284 for the same period in 2011. This decrease is predominately related to a $95,784 reduction in share-based payment expenses which were $0 in 2012 compared to $95,784 during 2011. Amortization expense included in administration also decreased in 2012 to $17,496 from $74,214 in 2011 due to the Company's past leasehold improvements being fully depreciated at the end of 2011. Also contributing to the decrease in administration expense was a reduction to corporate reporting costs incurred by the Company.

Professional fees included in administration increased by $41,946 to $84,792 from $42,846 in 2011 due to certain corporate initiatives during 2012 such as the share consolidation completed during the third quarter (see Wescan News Release dated August 3, 2012). Contract fees for management and consulting services decreased by $25,669 to $77,615 in 2012 compared to $103,284 primarily as a result of the decision by the Chief Executive Officer and Chief Financial Officer during the year to discontinue charging management and consulting fees to the Company. The remaining costs in the administration category relate to insurance, office and equipment rent, office supplies, regulatory requirements and other office related expenses, which have not significantly changed from period to period.

Approximately 46 percent, or $195,433 (2011 - $317,524), of the administration expenses for 2012 were made up of contract fees for management services, wages and benefits of personnel, and share-based payments. This $122,091 decrease is attributed to the reduction in share-based payments incurred during the year as well as lower contract fees for management services.

Corporate development
Corporate development expenses decreased by $5,947 during 2012 to $17,927, from $23,874 in 2011, as a result of a concerted effort to reduce costs.

Impairment of exploration and evaluation assets
The decline in the Company's share price during the year resulted in the Company's market capitalization being substantially less than the carrying value of the Company's net assets. Due to the existence of this indicator of impairment, the Company was required to assess the exploration and evaluation assets for impairment by comparing the carrying value of these assets to estimated discounted future cash flows. Due to the current stage of the Company's portfolio of exploration and evaluation properties, the Company was unable to perform this assessment. As a result, the Company wrote down the carrying value of the exploration and evaluation properties to nil at December 31, 2012.

Indemnification of flow-through shares
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. 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. The Company recorded a liability of $210,000, representing the estimated amount payable to indemnify the subscribers for the reduced renunciations. Companies must pay Part XII.6 tax in respect of each month in the year of renunciation equal to the balance of funds in respect of the renunciation that have not been spent on qualifying expenditures times the current prescribed interest rate. If funds remain unspent at the end of the year, there is an extra tax levy on the unspent balance. As a result, the Company recorded a liability of $36,029, representing the estimated amount payable. These amounts were offset by a reduction of $97,986 to the flow-through premium liability previously recorded.

Financing
During the fourth quarter of 2012, the Company completed a private placement financing for gross proceeds of $380,000 (net - $371,750). This financing included an aggregate of 6,900,000 common shares in the capital of the Company consisting of 3,500,000 common shares (each a "FT Unit") issued on a flow-through basis pursuant to the *Income Tax Act* (Canada) at a price of $0.06 per share for gross proceeds of $210,000 and 3,400,000 common shares (each a "Unit") at a price of $0.05 per share for gross proceeds of $170,000. Each FT Unit consists of one common share and one-half of one common share purchase warrant and each Unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share on a non flow-through basis at a price of $0.10 for a period of 24 months from the date of issuance.

During 2011, the Company completed two private placement financings for gross proceeds of $2,553,764 (net - $2,317,546). The February 2011 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 (See Wescan News Releases dated February 24, 2011). 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. The December 2011 financing included an aggregate of 14,285,714 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 $0.07 per share for gross proceeds of approximately $1,000,000 (See Wescan News Releases dated December 22, 2011). As part of the private placement the Company paid certain finders (each a "Finder") cash fees equal to up to 6% of the gross proceeds raised by such Finder pursuant to the Offering, and issued 999,999 warrants to such Finder pursuant to the Offering (the "Finder's Warrants"). Each Finder's Warrant entitles the holder to acquire one Common Share on a non flow-through basis at an exercise price of $0.15 for a period of 24 months from the date of issuance.

Use of proceeds
During 2011, the Company raised approximately $2.5 million from flow-through financing activities to be used on exploration and evaluation activities before the end of 2012. As of December 31, 2012, approximately $2.2 million of these proceeds had been used in the following manner:

Flow-through expenditures:	
Jojay drill programs	$ 1,431,276
Jasper drill program and review of historical drill and geological data	565,054
Munro Lake drill program , airborne geophysical survey and prospecting program	179,469
Total flow-through expenditures incurred (February 24, 2011 to December 31, 2012)	**$ 2,175,799**

Based on the amount of qualifying exploration expenditures incurred by the Company during the year ended December 31, 2012, the Company recognized a flow-through share premium recovery of $201,874 (2011 – $87,105) in the statements of loss and comprehensive loss. At December 31, 2012, the Company had not spent all amounts related to the December 2011 flow-through offering and as such the premium was reduced by $97,986.

During 2012, the Company raised approximately $0.2 million from flow-through financing activities to be used on exploration and evaluation activities before the end of 2013. The Company expects that the exploration and evaluation expenditures incurred in 2013 will approximate the $0.2 million flow-through financing raised during 2012. The majority of this commitment is expected to be incurred on work relating to the Jojay and Munro Lake gold properties.

Summary of Quarterly Results

	2012(1)				2011(1)			
	Qtr 4 $	Qtr 3 $	Qtr 2 $	Qtr 1 $	Qtr 4 $	Qtr 3 $	Qtr 2 $	Qtr 1 $
Revenues (1)	46	58	142	521	6,679	10,679	13,699	10,534
Net loss(2)	(1,752,686)	(144,920)	(269,384)	(526,630)	(291,080)	(1,073,685)	(318,793)	(137,504)
Net loss/share (3)	(0.14)	(0.01)	(0.02)	(0.04)	(0.02)	(0.10)	(0.03)	(0.01)
Shares outstanding (4)	19,573,796	12,673,796	12,673,796	12,673,796	12,673,796	11,245,212	11,245,212	11,245,212

(1) The Company's revenues are comprised of interest earned on cash balances. The Company also generated other income by leasing certain equipment during 2011 until the fourth quarter of 2011.
(2) The net loss during the fourth quarter of 2012 was primarily related to impairments of exploration and evaluation assets of the Company. The net losses in the first quarter of 2012 and the second and third quarters of 2011 were higher due to exploration and evaluation expenditures incurred. The net loss in the fourth quarter of 2011 was higher due to the fair value of share-based payments expensed during this timeframe. The remaining quarters reflect normal operations of the Company.
(3) Basic and diluted adjusted retrospectively of share consolidation.
(4) During the third quarter of 2012 the Company proceeded with the consolidation of the outstanding shares of the Company. The consolidation was on the basis of one post-consolidation share for every ten pre-consolidation common shares. The Company's post-consolidation issued and outstanding common shares were 12,673,796 (126,737,835 pre-consolidation). Shares outstanding for all previous quarters are presented on an adjusted post-share consolidation basis. The increase in shares during the fourth quarter of 2012, and the fourth quarter of 2011 were the result of the Company completing private placements during these timeframes.

Fourth Quarter Results

For the quarter ended December 31, 2012, the Company recorded a net loss of $1,752,686 ($0.14 per share) compared to a net loss of $291,080 ($0.02 per share) for the same period in 2011. The loss during the fourth quarter of 2012 was primarily due to the $1.4 million impairment of previously capitalized exploration and evaluation assets. The losses during the same period in the prior year were primarily due to ongoing operating costs and exploration and evaluation expenditures incurred by the Company exceeding interest revenue earned on cash and cash equivalents and short-term investments. Also contributing to the loss during the quarter ended December 31, 2012 were costs incurred relating to the commencement of the winter drill program on its Munro Lake property as well as accrued costs as a result of not incurring certain qualifying flow-through expenditures by December 31, 2012.

The Company reported interest and other income of $46 for the quarter ended December 31, 2012 as compared to $6,679 for the quarter ended December 31, 2011. The majority of the interest and other income during the quarter ended December 31, 2011 was from rental fees for certain of the Company's equipment which ended during that quarter.

Total operating expenses for the quarter ended December 31, 2012 were $202,834 compared to $302,293 for the same period of 2011. The exploration and evaluation expenditures incurred during the quarter ended December 31, 2011 related to the exploration program on its Munro Lake property. The exploration and evaluation expenditures incurred during the quarter ended December 31, 2011 related to drill programs on the Company's Jojay and Jasper gold properties. Administration expense decreased by $112,922 during the fourth quarter of 2012 primarily due to a decrease in share-based payments, going from $94,500 in 2011 to $0 in the same period in 2012.

Approximately thirty-four percent, or $28,107 (2011 - $148,909), of the administration expenses for the quarter ended December 31, 2012 are made up of contract fees for management services, wages and benefits of personnel, and share-based payments. This decrease was primarily due to the decrease in share-based payments costs incurred during the quarter ended December 31, 2012 as well as lower contract fees from management and consulting services and lower amortization expense. The remaining costs in the administration category relate to insurance, office and equipment rent, office supplies, regulatory requirements and other office related expenses, but have stayed relatively constant from period to period.

During the quarter ended December 31, 2012, the Company issued 3,400,000 common shares and 3,500,000 common shares on a flow-through basis pursuant to the *Income Tax Act* (Canada) for gross proceeds of approximately $380,000. During the quarter ended December 31, 2011, the Company issued 14,285,714 common shares on a flow-through basis pursuant to the *Income Tax Act* (Canada) for gross proceeds of approximately $1,000,000.

Related Party Transactions

During the year ended December 31, 2012, 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 $54,000 (2011 - $72,000) and $22,500 (2011 - $25,000), respectively which were recorded as administrative expenses. At December 31, 2012, $68,000 (2011 - nil) of management and consulting fees were included in the Company's payables.

During the year ended December 31, 2012 total compensation paid or payable to these officers (through companies controlled by Messrs. MacNeill and Bay) and to key management and directors of the Company was $183,621 (2011 - $288,511) 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 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 anticipates it will have sufficient access to financial markets to fund its exploration plans through future equity contributions.

As at December 31, 2012, the Company had a working capital deficiency of $181,559 as compared to working capital of $987,021 at December 31, 2011. As well, at December 31, 2012, the Company is required to spend $210,000 on qualifying exploration expenditures by the end of 2013 to fulfill its obligations under its flow-through commitments. The Company currently does not have sufficient resources to finance operating and exploration activities through its 2013 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 and anticipates financing options will be sufficient to fund its obligations, exploration plans and general and administrative expenses.

Capital Resources and Outstanding Share Data

Effective August 7, 2012 Wescan proceeded with the consolidation of the outstanding shares of the Company. The consolidation, which was authorized by shareholders of the Company at the June 20, 2012 Annual General and Special Meeting, was on the basis of one post-consolidation share for every ten pre-consolidation common shares. The Company's outstanding stock options and share purchase warrants were adjusted on the same basis with proportionate adjustments being made to the exercise prices. After factoring in adjustments for this share consolidation, the Company's post-consolidation issued and outstanding common shares were 12,673,796 (126,737,835 pre-consolidation). As at December 31, 2012 the Company had 19,573,796 shares outstanding. In addition, at December 31, 2012 the Company had 5,150,000 warrants, 100,000 broker warrants and 625,000 options with weighted average exercise post-consolidation prices of $0.10, $1.50 and $1.68, respectively. As at April 25, 2013, the Company's issued and outstanding shares and broker warrants remained unchanged from December 31, 2012 while options outstanding have increased by 705,000 to 1,330,000 (weighted average price of $0.84) due to option grants. In the event all warrants, broker warrants and options at April 25, 2013 were exercised, the Company would be required to issue a further 6,580,000 common shares for gross cash proceeds of $1.8 million.

Financial Instruments

As at December 31, 2012, 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. 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 to meet budgetary requirements. The Company has gross credit exposure at December 31, 2012 relating to cash and cash equivalents of $333,352 (December 31, 2011 - $1,094,924).

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's approach is to forecast future cash flows to ensure that it will have sufficient liquidity to meet its obligations when due.

As at December 31, 2012, the Company is committed to trade payables and accrued liabilities of $614,933.

The Company's obligations are as follows:

	Up to 3 months	**Between 3 months and 12 months**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Trade payables and accrued liabilities	$ 614,933	$ -	$ -	$ -	$ -	**$ 614,933**
Total	**$ 614,933**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 614,933**

The Company's payables increased $464,915 over December 31, 2011 due to exploration and evaluation activities initiated during the fourth quarter, accrued costs as a result of not incurring certain qualifying flow-through expenditures by December 31, 2012, amounts owing to certain related parties for consulting and management fees as well as general corporate activities that occurred during 2012.

As at December 31, 2012, the Company had a working capital deficiency of $181,559 and a commitment to incur $210,000 in qualifying exploration expenses related to flow-through shares before December 31, 2013. As a result, working capital is not sufficient to meet financial obligations as they fall 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 include joint venture arrangements, debt financing, equity financing or other means. 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 exploration plans, forfeit rights in its properties or reduce or terminate its operations. The Company anticipates financing options will be sufficient to fund its obligations, exploration plans and general and administrative expenses.

Market risk
Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of four types of risk: foreign currency risk, commodity price risk, interest rate risk and equity risk.

Foreign currency risk:
Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuation since it is currently not producing.

Commodity price risk:
Commodity price risk is the risk that a variation in commodity price will affect the Company's operations and financial results. The Company does not have significant exposure to commodity price fluctuations since it is currently not producing.

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 borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity risk:
The Company does not have any equity investments and is not exposed to equity risk.

Future Accounting Changes

At the date of authorization of financial statements for the year ended December 31, 2012, the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") have issued certain new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

<u>IFRS 9 – Financial Instruments</u>
IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company does not intend to early adopt IFRS 9 and is in the process of evaluating the impact of the new standard.

<u>IFRS 10 – Consolidated Financial Statements</u>
IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard, which is effective for accounting periods beginning January 1, 2013, provides additional guidance to assist in

the determination of control. Under IFRS 10, an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Company is in the process of evaluating the impact of the new standard, however adoption of this standard is not expected to have a material impact on its financial statements.

<u>IFRS 11 – Joint Arrangements</u>
IFRS 11, which is effective for accounting periods beginning January 1, 2013, describes the accounting for arrangements in which there is joint control. IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The application of IFRS 11 will require judgment in determining the classification of its joint arrangements. The Company is in the process of evaluating the impact of the new standard.

<u>IFRS 12 – Disclosures of Interests in Other Entities</u>
IFRS 12, which is effective for accounting periods beginning January 1, 2013, includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is in the process of evaluating the impact of the new standard.

<u>IFRS 13 – Fair Value Measurement</u>
IFRS 13, which is effective for accounting period beginning January 1, 2013, provides additional guidance where IFRS requires fair value to be used. This IFRS defines fair value, sets out in a single standard a framework for measuring fair value and establishes the required disclosures about fair value measurement. The Company is in the process of evaluating the impact of the new standard.

<u>IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine</u>
In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation, effective for accounting periods beginning on January 1, 2013, recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

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

Outlook

The Company has focused exploration efforts on its northern Saskatchewan properties with known gold mineralization located in the La Ronge Gold Belt. The Company’s success in raising flow-through financing during 2011 has allowed it to perform further exploration work on the Company's Jojay gold property, commence a preliminary economic assessment on this property, perform further exploration work on the Munro Lake gold property and complete additional work on the Jasper Gold property. Management 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 and ongoing working capital requirements. Management anticipates that financing options will be sufficient to fund its obligations, exploration plans and general and administrative expenses for 2013.

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 Daniel Leroux, P.Geo, of A.C.A. Howe International Limited, 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.

Consolidated Financial Statements
December 31, 2012

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Wescan Goldfields Inc. are the responsibility of management and have been approved by the Board of Directors.

Management has prepared the consolidated financial statements in conformity with International Financial Reporting Standards. The consolidated financial statements include some amounts that are based on best estimates and judgments.

The management of the Company, in furtherance of the integrity and objectivity of data in the consolidated financial statements, has developed and maintains a system of internal accounting controls. Management believes the internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of consolidated financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements through its audit committee, the majority of which are outside directors. The audit committee reviewed the Company's annual consolidated financial statements and recommended their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

The shareholders' auditors, KPMG LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards, have examined these consolidated financial statements and their independent professional opinion on the fairness of the consolidated financial statements is attached.

Kenneth E. MacNeill
Chairman and Chief Executive Officer
Saskatoon, Canada
April 25, 2013

Harvey J. Bay
Chief Financial Officer
Saskatoon, Canada
April 25, 2013

KPMG LLP
Chartered Accountants
500 – 475 Second Avenue South
Saskatoon Saskatchewan S7K 1P4
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wescan Goldfields Inc.

We have audited the accompanying consolidated financial statements of Wescan Goldfields Inc., which comprise the consolidated statements of financial position as at December 31, 2012, and December 31, 2011, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wescan Goldfields Inc. as at December 31, 2012 and December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 3 in the consolidated financial statements, which indicates that Wescan Goldfields Inc. requires additional funding to finance its exploration and operating activities through its 2013 fiscal year. These conditions, along with other matters as set forth in note 3 and note 17 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Wescan Goldfields Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Accountants

April 25, 2013
Saskatoon, Canada

Wescan Goldfields Inc.
Consolidated Statements of Financial Position

	(In Canadian dollars)	
	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 333,352	$ 1,094,924
Receivables	90,989	15,552
Prepaids	9,033	26,563
	433,374	1,137,039
Property and equipment (note 7)	60,180	78,768
Exploration and evaluation assets (note 8)	-	1,434,562
	$ 493,554	$ 2,650,369
Liabilities and Shareholders' Equity		
Current liabilities:		
Payables and accrued liabilities	$ 614,933	$ 150,018
Premium on flow-through shares (note 10)	84,000	299,860
Environmental rehabilitation provision (note 11)	75,520	75,520
Shareholders' equity:		
Share capital (note 13)	19,716,664	19,573,114
Warrants and broker warrants (note 13)	152,200	37,574
Contributed surplus (note 13)	2,139,841	2,110,267
Deficit	(22,289,604)	(19,595,984)
	(280,899)	2,124,971
	$ 493,554	$ 2,650,369

Going concern (note 3)

On behalf of the Board:

Kenneth E. MacNeill
Chairman and Chief Executive Officer

Arnie E. Hillier
Chairman of the Audit Committee

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31

	(In Canadian dollars)	
	2012	2011
Income		
Interest and other	$ 767	$ 41,591
Expenses		
Exploration and evaluation (note 9)	870,936	1,362,600
Administration	424,793	563,284
Corporate development	17,927	23,874
	1,313,656	1,949,758
Loss before the undernoted items	(1,312,889)	(1,908,167)
Impairment of exploration and evaluation assets (note 8)	(1,434,562)	-
Flow-through share premium (note 10)	201,874	87,105
Indemnification of flow-through shares (note 10)	(148,043)	-
Net loss and comprehensive loss	$ (2,693,620)	$ (1,821,062)
Net loss and comprehensive loss per share		
Basic and diluted (note 14)	$ (0.21)	$ (0.16)
Weighted average number of shares outstanding	12,673,796	11,118,415

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Consolidated Statements of Cash Flows
For the years ended December 31

	(In Canadian dollars)	
	2012	2011
Cash provided by (used in):		
Operations:		
Net loss and comprehensive loss	$ (2,693,620)	$ (1,821,062)
Non-cash items:		
Amortization	17,496	74,214
Loss (gain) on disposal of property and equipment	1,004	(7,704)
Fair value of stock options vested	-	95,784
Impairment of exploration and evaluation assets	1,434,562	-
Flow-through share premium	(201,874)	(87,105)
Reduction to flow-through share premium	(97,986)	-
Net change in non-cash operating working capital items:		
Receivables	(75,437)	(11,379)
Prepaids	17,530	(12,252)
Payables and accrued liabilities	464,915	4,232
	(1,133,410)	(1,765,272)
Investing:		
Property and equipment	88	43,535
	88	43,535
Financing:		
Issue of share capital (net of issue costs)	371,750	2,317,546
	371,750	2,317,546
Increase (decrease) in cash position	(761,572)	595,809
Cash and cash equivalents, beginning of period	1,094,924	499,115
Cash and cash equivalents, end of period	$ 333,352	$ 1,094,924
Cash and cash equivalents consists of:		
Cash	$ 333,352	$ 1,094,924
	$ 333,352	$ 1,094,924

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Consolidated Statements of Changes in Equity
For the years ended December 31

	(In Canadian dollars)	
	2012	2011
Share capital (note 13)		
Balance, beginning of period	$ 19,573,114	$ 17,680,107
Private placements	151,800	2,162,285
Share issue costs	(8,250)	(269,278)
Balance, end of period	$ 19,716,664	$ 19,573,114
Warrants (note 13)		
Balance, beginning of period	$ 4,514	$ 116,573
Issued	144,200	4,514
Expired	(4,514)	(116,573)
Balance, end of period	$ 144,200	$ 4,514
Broker warrants (note 13)		
Balance, beginning of period	$ 33,060	$ 2,715
Issued	-	33,060
Expired	(25,060)	(2,715)
Balance, end of period	$ 8,000	$ 33,060
Contributed surplus (note 13)		
Balance, beginning of period	$ 2,110,267	$ 1,895,195
Share-based payments	-	95,784
Warrants expired	4,514	116,573
Broker warrants expired	25,060	2,715
Balance, end of period	$ 2,139,841	$ 2,110,267
Deficit		
Balance, beginning of period	$ (19,595,984)	$ (17,774,922)
Net and comprehensive loss	(2,693,620)	(1,821,062)
Balance, end of period	$ (22,289,604)	$ (19,595,984)
Total Shareholders' Equity	$ (280,899)	$ 2,124,971

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 permits. Wescan is located at 300 – 224 4th Avenue South, Saskatoon, Saskatchewan, Canada.

2. Basis of preparation

The consolidated financial statements of Wescan for the year ended December 31, 2012 were authorized for issue by the Company's Board on April 25, 2013. The financial statements of Wescan have been prepared in accordance with International Accounting Standard ("IAS") 1 *Presentation of Financial Statements* 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"). The Company's financial statements have been prepared on a historical cost basis, except as otherwise 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 in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company's ability to continue as a going concern. At December 31, 2012, the Company had a working capital deficiency of $181,559 and a commitment to incur $210,000 in qualifying exploration expenses related to flow-through shares before December 31, 2013. As discussed in note 17, the Company currently does not have sufficient resources to finance operating and exploration activities through its 2013 fiscal year. The ability of the Company to continue as a going concern and fund operating and exploration activities in an orderly manner will require further equity issues or other forms of financings in 2013. There is no assurance that the Company 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 exploration plans, forfeit rights in its properties or reduce or terminate its operations.

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.

4. Summary of significant accounting policies

The Company's principal accounting policies are outlined below:

a. Basis of Consolidation

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.

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.

b. Financial instruments

i. Non-derivative financial assets

The Company classifies its non-derivative financial assets into the following categories: held-to-maturity financial assets and 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 any 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 net of 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 statements of loss and comprehensive loss.

c. 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.

d. Property and equipment

Property and equipment are tangible costs that are stated at cost less accumulated depreciation and any impairment in value. Such cost includes costs 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 expensed 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.

e. Exploration and evaluation

i. Pre-permit costs

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

ii. Exploration and evaluation costs

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 intangible assets and classified as exploration and evaluation assets for financial statement purposes.

Once the legal right to explore has been established, exploration and evaluation expenditures are expensed as incurred, unless the Company concludes that a future economic benefit is more likely than not to be realized.

Exploration and evaluation expenditures incurred on permits where a National Instrument (“NI”) 43-101 compliant reserve and a final feasibility study have not yet been completed are expensed during this phase and included in “exploration and evaluation” expense in the statements of loss and comprehensive loss.

Upon the establishment of a NI 43-101 compliant reserve and the completion of a final feasibility study (at which point, the Company considers it probable that economic benefits will be realized), the Company capitalizes any further costs incurred for the particular permit to exploration and evaluation assets up to the point when a development decision is made.

Once NI 43-101 compliant reserves are established and development is approved by the Company, previously capitalized exploration and evaluation assets that will be transferred to “mine development costs” are 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 statements of loss and comprehensive loss. No amortization of exploration and evaluation assets is charged during the exploration and evaluation phase nor while it is under construction.

Exploration and evaluation assets acquired in a business combination or through purchase of an asset are initially recognized at fair value. These costs are intangible. The Company assesses each CGU annually to determine whether an indication of impairment exists. Where an indicator of impairment exists a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assets are subsequently stated at cost less accumulated impairment.

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 proceeds exceed costs, the excess proceeds are reported as a gain.

f. 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.

g. 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, if material, is recognized as a finance cost.

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 recognized as a liability when the related environmental disturbance occurs. The offsetting cost is treated as an “exploration and evaluation” expense until a NI 43-101 reserve has been established and a final feasibility report completed. Once a NI 43-101 reserve has been established and a final feasibility study completed, the estimated cost (on a discounted basis, if material) of any new environmental disturbances are capitalized. 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 statements of loss and comprehensive loss on a prospective basis over the remaining life of the operation.

h. <u>Income tax</u>

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 substantively 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.

i. <u>Flow-through shares</u>

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. As the Company incurs qualifying expenditures, 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.

5. Use of estimates and judgment

The preparation of the Company's 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.

The effect of a change in an accounting estimate is recognized prospectively by including it in the statement of loss and comprehensive loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

The areas of estimation uncertainty considered by management that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

a. <u>Reserve and resource estimates</u>

Reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mineral properties. The Company currently only has mineral resources and does not have a basis to determine if any of its resources will be converted to reserves. The estimation of recoverable reserves is based upon factors such as estimations of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the Company's resource estimates may impact upon the carrying value of exploration and evaluation assets, property and equipment, environmental rehabilitation provision, recognition of deferred tax assets, and depreciation and amortization charges.

b. **Impairment of exploration and evaluation assets**

Should the Company have an indicator of impairment, the Company is required to perform an impairment assessment. The impairment assessments for exploration and evaluation assets require the use of estimates and assumptions such as discount rates, future commodity prices, future foreign exchange rates, future royalty rates, recoverable grades, and future capital and operating expenditures. Fair value for exploration and evaluation assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Management assesses its CGU's as being an individual mine site that may include multiple ore bodies. This is the lowest level for which cash inflows are largely independent of those of other assets.

c. **Environmental rehabilitation provision**

Environmental rehabilitation provisions have been created based on the Company's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. Estimates are reviewed annually and are based on management's understanding of the current regulatory requirements. Significant changes in estimates of restoration standards and techniques will result in changes to provisions from year to year. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provision may be higher or lower than currently provided for.

d. **Recovery of deferred tax assets**

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded, if any, could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

e. **Share-based payment transactions**

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 15.

6. IFRS standards issued but not yet effective

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

a. <u>IFRS 9 – Financial Instruments</u>

IFRS 9 is part of the IASB's wider project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 retains, but simplifies, the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. The Company does not intend to early adopt IFRS 9 and is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

b. <u>IFRS 10 – Consolidated Financial Statements</u>

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard, which is effective for accounting periods beginning January 1, 2013, provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is in the process of evaluating the impact of the new standard, however adoption of this standard is not expected to have a material impact on its financial statements.

c. <u>IFRS 11 – Joint Arrangements</u>

IFRS 11, which is effective for accounting periods beginning January 1, 2013, describes the accounting for arrangements in which there is joint control. IFRS 11 replaces IAS 31 *Interest in Joint Ventures* and SIC 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. The Company is in the process of evaluating the impact of the new standard.

d. <u>IFRS 12 – Disclosures of Interests in Other Entities</u>

IFRS 12, which is effective for accounting periods beginning January 1, 2013, includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is in the process of evaluating the impact of the new standard, however adoption of this standard is not expected to have a material impact on its financial statements.

e. <u>IFRS 13 – Fair Value Measurement</u>

IFRS 13, which is effective for accounting periods beginning January 1, 2013, provides additional guidance where IFRS requires fair value to be used. This IFRS defines fair value, sets out in a single standard a framework for measuring fair value and establishes the required disclosures about fair value measurement. The Company is in the process of evaluating the impact of the new standard, however adoption of this standard is not expected to have a material impact on its financial statements.

f. <u>IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine</u>

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation, effective for accounting periods beginning on January 1, 2013, recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

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

7. Property and equipment

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

	Leasehold Improvements	Computer Software	Computer Equipment	Furniture and Equipment	Total
Cost					
Balance – December 31, 2010	$ 156,863	$ 66,949	$ 46,137	$ 309,359	$579,308
Acquisitions	-	2,119	-	4,345	6,464
Disposals	(156,863)	-	-	(111,535)	(268,398)
Balance – December 31, 2011	-	69,068	46,137	202,169	317,374
Acquisitions	-	-	-	-	-
Disposals	-	-	(2,285)	(6,051)	(8,336)
Balance – December 31, 2012	$ -	$ 69,068	$ 43,852	$ 196,118	$ 309,038

	Leasehold Improvements	Computer Software	Computer Equipment	Furniture and Equipment	Total
Accumulated depreciation					
Balance – December 31, 2010	$ (114,766)	$ (66,949)	$ (33,346)	$ (175,434)	$ (390,495)
Charge for the year	(42,097)	(1,059)	(3,837)	(27,221)	(74,214)
Eliminated on disposals	156,863	-	-	69,240	226,103
Balance – December 31, 2011	-	(68,008)	(37,183)	(133,415)	(238,606)
Charge for the year	-	(1,060)	(2,686)	(13,750)	(17,496)
Eliminated on disposals	-	-	1,891	5,353	7,244
Balance – December 31, 2012	$ -	$ (69,068)	$ (37,978)	$ (141,812)	$ (248,858)

	Leasehold Improvements	Computer Software	Computer Equipment	Furniture and Equipment	Total
Net book value					
Balance – December 31, 2011	$ -	$ 1,060	$ 8,954	$ 68,754	$ 78,768
Balance – December 31, 2012	$ -	$ -	$ 5,874	$ 54,306	$ 60,180

8. Exploration and evaluation assets

The Company's exploration and evaluation assets arising from acquisitions are comprised of the following:

	Jojay (a)	Munro (b)	Fork Lake/ Jasper/ Tamar (c)	Total
Exploration and evaluation assets	$ 1,365,001	$ 69,561	$ 201,501	$ 1,636,063
Less: previous impairments	-	-	(201,501)	(201,501)
Exploration and evaluation assets – December 31, 2011	$ 1,365,001	$ 69,561	$ -	$ 1,434,562
Impairments	(1,365,001)	(69,561)	-	(1,434,562)
Exploration and evaluation assets – December 31, 2012	$ -	$ -	$ -	$ -

The Company has not yet determined whether any of its exploration and evaluation assets contain economically recoverable reserves.

In 2009, the Company's focus shifted away from the Fork Lake/Jasper/Tamar gold property to pursue other opportunities which resulted in this previous impairment.

The decline in the Company's share price during the year resulted in the Company's market capitalization being substantially less than the carrying value of the Company's net assets. Due to the existence of this indicator of impairment, the Company was required to assess the exploration and evaluation assets for impairment by comparing the carrying value of these assets to estimated discounted future cash flows. Due to the current stage of the Company's portfolio of exploration and evaluation properties, the Company was unable to perform this assessment. As a result, the Company wrote down the carrying value of the exploration and evaluation properties to nil at December 31, 2012.

a. <u>Jojay</u>

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's initial 25% interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company. The remaining 75% was acquired from Claude Resources Inc. in 2006 in exchange for shares. 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 an operating gold mill.

b. <u>Munro</u>

The Company holds a 100% interest in the Munro gold property in a joint venture with Shane Resources Ltd. (Shane Resources Ltd. retains a 10% net profit interest), consisting of certain mineral dispositions located approximately 128 kilometers northeast of La Ronge, Saskatchewan. The Company's initial 51% interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company and has increased based on Shane Resources Ltd. non-participation in past exploration programs. The Munro gold property is located 7 kilometers from a producing gold mine.

c. <u>Fork Lake/Jasper/Tamar</u>

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. The Company's initial interest in the property was acquired from Shore Gold Inc. in 2004 in exchange for shares of the Company.

9. Exploration and evaluation expenditures

Exploration and evaluation expenses - 2011	Jojay (a)	Munro (b)	Fork Lake/ Jasper/ Tamar (c)	Hudson Bay/ Pinehouse Lake (d)	Total
Drill programs	$ 503,564	$ -	$ 442,486	$ -	$ 946,050
Assays	21,949	-	22,556	-	44,505
Airborne surveys	-	89,700	-	-	89,700
Consulting and personnel	154,298	4,810	74,331	48,906	282,345
Total	$ 679,811	$ 94,510	$ 539,373	$ 48,906	$1,362,600

Exploration and evaluation expenses - 2012	Jojay (a)	Munro (b)	Fork Lake/ Jasper/ Tamar (c)	Hudson Bay/ Pinehouse Lake (d)	Total
Drill programs	$ 497,969	$ 85,956	$ 7,997	$ -	$ 591,922
Assays	23,900	-	964	-	24,864
Consulting and personnel	235,726	-	16,720	1,704	254,150
Total	$ 757,595	$ 85,956	$ 25,681	$ 1,704	$ 870,936

a. <u>Jojay</u>

During 2012, the Company completed a drill program ("Phase II") on this property. The costs incurred during 2012 primarily relate to the Phase II drill program. During 2011, the Company completed a drill program ("Phase I").

b. <u>Munro</u>

During 2012, the Company performed a prospecting program and commenced a winter drill program on this property. During 2011, the Company performed a magnetic and electromagnetic airborne geophysical survey on this property.

c. **Fork Lake/Jasper/Tamar**

During 2011, the Company performed a drill program on this property which did not commence until the third quarter. Expenditures during 2012 relate to this program as well as a review of historical drill and geological data.

d. **Hudson Bay/Pinehouse Lake**

The Company performed certain assessments on its coal properties during 2011 and as a result allowed all permits in these areas to lapse by March 17, 2012.

10. Premium on flow-through shares

The Company, when issuing flow-through shares, will receive a premium over the market value of the shares as the Company is allowing the investor the deduction on its expenses incurred on qualifying exploration expenditures. As the Company incurs the qualifying expenditures, the liability to the investor is satisfied and accordingly the premium received on the initial issue of share capital is recognized in income. A summary of the activity related to the premium on flow-through shares is as follows:

	Issued February 2011(a)	Issued December 2011(b)	Issued December 2012 (c)	Total
Balance - December 31, 2010	$ -	$ -	$ -	$ -
Liability incurred on issuance of flow-through shares	101,250	285,715	-	386,965
Settlement of flow-through share liability on incurring expenditures	(87,105)	-	-	(87,105)
Balance - December 31, 2011	$ 14,145	$ 285,715	$ -	$ 299,860
Liability incurred on issuance of flow-through shares	-	-	84,000	84,000
Settlement of flow-through share liability on incurring expenditures	(14,145)	(187,729)	-	(201,874)
Adjustment to premium for expenditures not incurred by December 31, 2012	-	(97,986)	-	(97,986)
Balance - December 31, 2012	$ -	$ -	$ 84,000	$ 84,000

a. In February 2011, the Company issued flow-through shares for gross proceeds of $1,518,750. The premium was determined to be $101,250, of which $87,105 was recognized in the statement of loss and comprehensive loss during 2011. At March 31, 2012, the Company had spent all amounts related to this flow-through offering.

b. In December 2011, the Company issued flow-through shares for gross proceeds of $1,000,000. The premium was determined to be $285,715. At December 31, 2012, the Company had not spent all amounts related to this flow-through offering and as such the premium was reduced by $97,986. The premium of $187,729 relating to amounts spent on this flow-through offering was recognized in the statement of loss and comprehensive loss during 2012.

c. In December 2012, the Company issued flow-through shares for gross proceeds of $210,000. The premium was determined to be $84,000. At December 31, 2012, the Company is required to spend $210,000 related to this flow-through offering by December 31, 2013.

d. 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. 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. The Company recorded a liability of $210,000, representing the estimated amount payable to indemnify the subscribers for the reduced renunciations. Companies must pay Part XII.6 tax in respect of each month in the year of renunciation equal to the balance of funds in respect of the renunciation that have not been spent on qualifying expenditures times the current prescribed interest rate. If funds remain unspent at the end of the year, there is an extra tax levy on the unspent balance. As a result, the Company recorded a liability of $36,029, representing the estimated amount payable. These amounts were offset by a reduction of $97,986 to the flow-through premium liability previously recorded.

11. Environmental rehabilitation provision

The Company estimates its present obligation of decommissioning and reclamation costs to be $75,520 (December 31, 2011 - $75,520). The provision has not been discounted as the effect of the time value of money is not material.

12. Deferred tax assets and liabilities

Reconciliation between expected tax recovery for accounting purposes and actual recovery

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes for the following reasons:

	December 31, 2012	December 31, 2011
Net loss before income taxes	$ (2,693,620)	$ (1,821,062)
Combined federal and provincial tax rate (a)	27.0%	28.5%
Expected tax recovery	(727,277)	(519,003)
Increase in taxes resulting from:		
Effect of change in effective tax rates	-	27,147
Non-deductible amounts	-	28,028
Flow-through premium	(54,138)	(24,825)
Indemnification of flow-through shares	30,243	-
Renounced resource pools	234,693	367,902
Unrecognized non-capital loss carry-forwards and other changes	516,479	120,751
Deferred income tax recovery	$ -	$ -

(a) The federal income tax rate was legislatively enacted to decrease from 16.5% in 2011 to 15% in 2012.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	January 1, 2011	Through net income	Through share capital	December 31, 2011
Unrecognized Deferred tax assets				
Exploration and evaluation	$ 1,130,490	$ 15,129	$ -	$ 1,145,619
Property and equipment	78,206	17,958	-	96,164
Non-capital loss carried forward	1,508,555	141,703	-	1,650,258
Share issue costs	47,661	(38,036)	73,678	83,303
Decommissioning and rehabilitation provision	20,390	-	-	20,390
Unrecognized deferred tax assets	$ 2,785,302	$ 136,754	$ 73,678	$ 2,995,734

	December 31, 2011	Through net income	Through share capital	December 31, 2012
Unrecognized Deferred tax assets				
Exploration and evaluation	$ 1,145,619	$ 387,793	$ -	$ 1,533,412
Property and equipment	96,164	(24,717)	-	71,447
Non-capital loss carried forward	1,650,258	185,793	-	1,836,051
Share issue costs	83,303	(32,390)	2,227	53,140
Decommissioning and rehabilitation provision	20,390	-	-	20,390
Unrecognized deferred tax assets	$ 2,995,734	$ 516,479	$ 2,227	$ 3,514,440

The potential benefits of these carry-forward non-capital losses and deductible temporary differences has not been recognized in these financial statements as it is not considered probable that sufficient future taxable profit will allow the deferred tax assets to be recovered.

Tax losses

As at December 31, 2012, the Company's has estimated non-capital losses for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. A summary of these tax losses is provided below. These tax losses will expire as follows:

Year of Expiry	Taxable losses
2014	$ 246,217
2015	435,501
2026	746,142
2027	1,363,135
2028	1,368,116
2029	850,020
2030	581,344
2031	631,632
2032	578,083
Total	$ 6,800,190

The Company also had unrecorded investment tax credits totaling $311,242 (December 31, 2011 - $311,072) relating to pre-production mining expenditures. These investment tax credits expire starting in 2026.

13. Share capital and reserves

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares. Effective August 7, 2012 Wescan proceeded with the consolidation of the outstanding shares of the Company. The consolidation, which was authorized by shareholders of the Company at the June 20, 2012 Annual General and Special Meeting, was on the basis of one post-consolidation share for every ten pre-consolidation common shares. The Company's outstanding stock options and share purchase warrants were adjusted on the same basis with proportionate adjustments being made to the exercise prices

The common shares of the Company are entitled to dividends prorated and when declared by the Board of Directors and to one vote per share at meetings of the shareholders of the Company. Upon dissolution or any other distribution of assets, the shareholders are entitled to receive a pro-rata share of such distribution.

Issued and outstanding

	2012		2011	
	Common Shares	Amount	Common Shares	Amount
Balance - beginning of year	126,737,835	$19,573,114	102,077,021	$17,680,107
Impact of share consolidation (a)	(114,064,039)	-	-	-
Common shares issued (b)	3,400,000	74,800	-	-
Flow-through shares issued (c)	3,500,000	77,000	-	-
Common shares issued (d)	-	-	250,100	30,500
Flow-through shares issued (e)	-	-	10,125,000	1,417,500
Flow-through shares issued (f)	-	-	14,285,714	714,285
Issue costs	-	(8,250)	-	(269,278)
Balance - end of year	19,573,796	$19,716,664	126,737,835	$19,573,114

a) Consolidation of the outstanding shares

Effective August 7, 2012 Wescan proceeded with the consolidation of the outstanding shares of the Company. The consolidation, which was authorized by shareholders of the Company at the June 20, 2012

Annual General and Special Meeting, was on the basis of one post-consolidation share for every ten pre-consolidation common shares. The Company's outstanding stock options and share purchase warrants were adjusted on the same basis with proportionate adjustments being made to the exercise prices.

b) Common shares

In December 2012, the Company issued 3,400,000 units for gross proceeds of $170,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10. The value of common shares was recorded as $74,800 and the estimated fair value of the warrants was recorded as $95,200. The warrants expire in December 2014.

c) Flow-through shares

In December 2012, the Company issued 3,500,000 flow-through units for gross proceeds of $210,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.10. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2013; the deduction of which flows through to the shareholder. The Company sold the flow-through shares for a premium over the market value of the Company's common shares. Accordingly, $84,000 of the gross proceeds was allocated as a premium on flow-through shares, the estimated fair value of the warrants was recorded at $49,000 and the remaining $77,000 was recorded in share capital.

d) Common shares

In February 2011, the Company issued 250,100 units (pre-consolidation) for gross proceeds of $35,014. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of $0.24. The value of common shares was recorded as $30,500 and the estimated fair value of the warrants was recorded as $4,514. The warrants expired in February 2012.

e) Flow-through shares

In February 2011, the Company issued 10,125,000 flow-through shares (pre-consolidation) for gross proceeds of $1,518,750. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2012; the deduction of which flows through to the shareholder. The Company sold the flow-through shares for a premium over the market value of the Company's common shares. Accordingly, $101,250 of the gross proceeds was allocated as a premium on flow-through shares and the remaining $1,417,500 was recorded in share capital.

f) Flow-through shares

In December 2011, the Company issued 14,285,714 flow-through shares (pre-consolidation) for gross proceeds of $1,000,000. The shares issued required that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2012; the deduction of which flows through to the shareholder. The Company sold the flow-through shares for a premium over the market value of the Company's common shares. Accordingly, $285,715 of the gross proceeds was allocated as a premium on flow-through shares and the remaining $714,285 was recorded in share capital.

g) Share option plan

The Company has established a share option plan whereby options may be granted to directors, officers, employees and service providers to purchase up to an aggregate of 10% of the issued and outstanding shares of the Company. Refer to note 15 for further details of this plan.

h) Nature and purpose of reserves

Warrant reserve

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

	Warrants	Amount	Average Price
Balance - December 31, 2010	9,480,770	$ 116,573	$ 0.12
Issued (February 24, 2011 - 1 year term)	125,050	4,514	0.24
Expired	(9,480,770)	(116,573)	0.12
Balance - December 31, 2011	125,050	$ 4,514	$ 0.24
Expired prior to share consolidation	(125,050)	(4,514)	0.24
Issued (December 31, 2012 - 2 year term)	5,150,000	144,200	0.10
Balance - December 31, 2012	5,150,000	$ 144,200	$ 0.10

At December 31, 2012 the warrants outstanding expire in December 31, 2014.

The warrants issued in 2012 were fair valued at $144,200 (2011 - $4,514). The fair value of the warrants issued in 2012 was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor of 137.9% (2011 – 94.9%), risk-free rate of return of 1.14% (2011 - 1.35%), expected dividend of 0% (2011 - 0%), and expected term of 2 years (2011 - 1 year).

Broker warrants reserve

On certain issues of common shares, the Company issued broker warrants as partial consideration to the agent for services associated with the share issuance. Each broker warrant entitles the agent to acquire one common share of the Company for a period of 12 to 24 months after closing. The broker warrant reserve is used to recognize the fair value of outstanding warrants. If the broker warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively. A summary of the outstanding broker warrants is as follows:

	Broker Warrants	Amount	Average Price
Balance - December 31, 2010	226,216	$ 2,715	$ 0.10
Issued (February 24, 2011 - 1 year term)	694,173	25,060	0.24
Issued (December 22, 2011 - 2 year term)	999,999	8,000	0.15
Expired	(226,216)	(2,715)	0.10
Balance - December 31, 2011	1,694,172	$ 33,060	$ 0.19
Expired	(694,173)	(25,060)	0.24
Impact of share consolidation	(899,999)	-	-
Balance - December 31, 2012	100,000	$ 8,000	$ 1.50

No broker warrants were issued in 2012. The broker warrants issued in 2011 were fair valued at $33,060. The fair value of these broker warrants was determined using the Black-Scholes option-pricing model with the following assumptions: a volatility factor ranging from 80.9% to 94.9%, risk-free rate of return ranging from 0.90% to 1.35%, expected dividend of 0%, and expected term of 1 or 2 years.

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.

A summary of the contributed surplus activity is as follows:

	2012	2011
Balance - beginning of year	$ 2,110,267	$ 1,895,195
Fair value of options vested	-	95,784
Contributed surplus related to broker warrants expired	25,060	2,715
Contributed surplus related to warrants expired	4,514	116,573
Balance - end of year	$ 2,139,841	$ 2,110,267

The fair value of the options has been determined based on the method and assumptions as disclosed in note 15.

14. Loss per share

The calculation of loss per share amounts is based on the following:

	December 31, 2012	December 31, 2011
Numerator:		
Net loss applicable to common shares	$ (2,693,620)	$ (1,821,065)
Denominator:		
Common shares outstanding at January 1 (a)	12,673,796	10,207,702
Weighted average effect of share issued (a)	-	910,713
Weighted average common shares outstanding at December 31 – basic and diluted (a)	12,673,796	11,118,415
Basic and diluted loss per common share (b)	$ (0.21)	$ (0.16)

(a) Shares have been adjusted for the share consolidation as discussed in Note 13 (one post-consolidation share for every ten pre-consolidation common shares).

(b) Excluded from the calculation of diluted loss per common share are the effects of outstanding options, as the effect on basic loss per share would be anti-dilutive.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

15. 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 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 five years from the date of the grant of the options. All options are to be settled by physical delivery of shares.

The expense related to the Company's share-based payment is recognized in the comprehensive statement of loss for the year ended December 31 in administration expense in the amount of $0 (2011 - $95,784).

Option movements during the years ended December 31 including weighted average exercise prices are as follows:

	2012		2011	
	Options	Average Price	Options	Average Price
Outstanding – January 1	8,100,000	$ 0.18	7,200,000	$ 0.30
Granted during the period	-	-	2,700,000	0.10
Expired during the period	-	-	(1,800,000)	0.61
Expired prior to share consolidation	(950,000)	0.32	-	-
Impact of share consolidation	(6,435,000)	-	-	-
Expired since share consolidation	(90,000)	1.07	-	-
Outstanding – December 31	625,000	$ 1.68	8,100,000	$ 0.18
Exercisable – December 31	625,000	$ 1.68	8,100,000	$ 0.18

The options outstanding at December 31, 2012 have exercise prices that range from $1.00 to $9.10 (2011 - $0.10 to $0.91 pre-consolidation) and a weighted average contractual life of 2.7 years (2011 - 3.4 years). The options expire between the dates of November 2012 to December 2016.

For options outstanding and exercisable at December 31, 2012, the range of exercise prices; weighted average exercise price and the weighted average remaining contractual life is as follows:

Option Price Per Share	Outstanding and Exercisable Options December 31, 2012	Weighted Average Exercise Price	Weighted Average Remaining Life
$1.00	460,000	$ 1.00	3.25 years
$1.60	115,000	1.60	1.31 years
$3.90	10,000	3.90	0.33 years
$9.10	40,000	9.10	0.47 years
	625,000	$ 1.68	2.67 years

The grant date fair value of stock options issued under the plan is estimated using the Black-Scholes option-pricing model. Expected volatility is estimated by considering historic average share price volatility. The option life is estimated based on the expected life of the options based on the individual receiving them. During 2012, the Company did not grant options.

16. 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 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, including amounts paid or payable to related parties owned by executive officers and directors, is as follows:

	December 31, 2012	December 31, 2011
Wages and short-term benefits to officers and directors	$ 107,121	$ 111,727
Consulting and management fees to related companies	76,500	102,000
Share-based payments	-	74,784
Total compensation paid to key management personnel	$ 183,621	$ 288,511

The above amounts have been included in administration expense on the statement of loss and comprehensive loss. 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.

17. 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.

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.

Fair value hierarchy

The Company does not have any financial instruments measured at fair value. If the Company acquires a financial instrument that would be required to be measured at fair value it would be categorized into one of three hierarchy levels as described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability; and

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

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. 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 has gross credit exposure at December 31, 2012 relating to cash and cash equivalents of $333,352 (2011 - $1,094,924).

(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 December 31, 2012, the Company is committed to trade payables and accrued liabilities of $614,933 and is required to incur $210,000 in qualifying exploration expenditures related to flow-through shares before December 31, 2013. As at December 31, 2012, the Company had a working capital deficiency of $181,559. 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 include joint ventures arrangements, debt financing, equity financing or other means. 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 exploration plans, forfeit rights in its properties or reduce or terminate its operations. The Company is assessing opportunities to address the issue of liquidity and anticipates financing options will be sufficient to fund its obligations, exploration plans and general and administrative expenses for 2013.

(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 prices are comprised of four types of risk: foreign currency risk, commodity price risk, interest rate risk and equity risk.

Foreign currency risk:

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and US dollar or other foreign currencies will affect the Company's operations and financial results. The Company does not have significant exposure to foreign exchange rate fluctuations since it is currently not producing.

Commodity price risk:

Commodity price risk is the risk that a variation in commodity price will affect the Company's operations and financial results. The Company does not have significant exposure to commodity price fluctuations since it is currently not producing.

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 borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity risk:

The Company does not have any equity investments and is not exposed to equity risk.

18. Capital management

The Company manages its cash, common shares, warrants, broker warrants and stock options as capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to explore its exploration and evaluation properties, so that it can provide returns to shareholders.

In order to facilitate the management of its capital requirements, the Company monitors capital and operating cash flows which are updated as considered necessary.

In order to maximize ongoing exploration efforts, the Company does not pay dividends.

The Company is not subject to externally imposed capital requirements, except as disclosed.

19. Subsequent events

Subsequent to December 31, 2012, the Company granted 705,000 stock options to purchase common shares, exercisable at a price of $0.10 per common share to directors, officers and employees of the Company.