

# WESCAN GOLDFIELDS INC.



*Management's Discussion and Analysis*  
*March 31, 2011*

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

The following discussion and analysis is prepared by Management as of June 15, 2011 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the period ended March 31, 2011 ("financial statements for the period ended March 31, 2011") available on SEDAR at [www.sedar.com](http://www.sedar.com). Wescan Goldfields Inc. ("Wescan" or "the Company") prepared its financial statements for the period ended March 31, 2011 in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements for the period ended March 31, 2011 are the Company's first interim IFRS condensed consolidated interim financial statements. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). In this MD&A, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS. In accordance with the standard related to the first time adoption of IFRS, the Company's transition date to IFRS was January 1, 2010 and therefore the comparative information for 2010 has been prepared in accordance with the Company's IFRS accounting policies. The 2009 financial information contained within this MD&A has been prepared following Canadian GAAP and has not been re-presented on an IFRS basis. The disclosures concerning the transition from Canadian GAAP to IFRS are included in Note 10 of the financial statements for the period ended March 31, 2011.

### **Overview**

During the first quarter of 2011, Wescan focused on reviewing historical drill, geological and geotechnical data in order to plan the 2011 exploration activities on its portfolio of gold and coal properties. Based on this review, the Company undertook the raising of sufficient capital during the first quarter in order to finance a significant portion of the planned 2011 exploration programs.

Following the completion of a \$1.6 million financing on February 24, 2011, Wescan announced certain exploration programs for the year. The programs will commence in June of 2011 on the Company's portfolio of gold properties in the La Ronge Gold Belt in northern Saskatchewan followed by review and planning of a program related to the Company's large parcel of coal permits.

### **Jojay Gold Project**

Wescan intends to conduct a 2,500 metre drill program based on recommendations from a review of historical drilling data that was completed in February 2011 by an internal technical team and external consultants. This program is intended to expand upon the National Instrument 43-101 compliant resource estimate that was completed by ACA Howe International Limited ("ACA Howe") in 2010 (see Wescan News Release February 4, 2010).

## Jasper Gold Project

ACA Howe has also been engaged to conduct a desktop review of the Jasper Gold Project to assist in identifying drilling targets. The aim of this drill program, which is also planned to be 2,500 metres, is to expand and further delineate the known mineralized areas. Drilling will also occur on mineralized areas near the historical mine which ceased production when gold prices fell below \$250 per ounce.

## Munro Lake Gold Project

Recent exploration drilling success by others holding claims adjacent to the Munro Lake property and the high price of gold has caused the Company to allocate more exploration resources to this area. The Company plans to obtain magnetic and electromagnetic airborne geophysical data to allow for the identification of future exploration targets.

## Hudson Bay and Pinehouse Lake Coal Projects

Currently, a review is being conducted of all regional geophysical and geological data relating to the Company's coal exploration properties, for the purpose of identifying the most prospective areas following the Company's 2009 drill program. Dependant on the recommendations of this review, Wescan will explore the highest priority targets. This may include drill testing and possibly further delineation using airborne geophysical surveys.

## Financial Highlights

Selected financial information of the Company for the quarters ended March 31, 2011 and 2010 is summarized as follows:

	Three Months Ended March 31, 2011 \$	Three Months Ended March 31, 2010 \$
Interest and other income	10,534	9,887
Net and comprehensive loss	102,520	173,504
Net and comprehensive loss per share <sup>(1)</sup>	0.00	0.00
Total assets	8,900,704	7,337,427
Working capital (deficiency)	1,668,500	(527,823)

(1) Basic and diluted.

## Results of Operations

For the quarter ended March 31, 2011 the Company recorded a net loss of \$102,520 (\$0.00 per share) compared to a net loss of \$173,504 (\$0.00 per share) for the same period in 2010. The Company's net losses for the first three months of 2011 and 2010 were the result of on-going general and administration expenditures and corporate development expenditures exceeding revenue earned. The Company has continued to minimize its administrative expenses where possible.

## **Revenues**

The Company reported interest and other income of \$10,534 for the quarter ended March 31, 2011 as compared to \$9,887 for the quarter ended March 31, 2010. The interest and other income is predominately the result of receiving rental fees for certain of the Company's assets.

## **Expenses**

Total operating expenses for the quarter ended March 31, 2011 were \$113,054 compared to \$183,391 for the same period of 2010. The decrease of \$70,337 or 38 percent primarily related to a decrease in administration expenses due to reduced personnel as a result of the significant efforts by the Company to minimize administrative expenditures since the beginning of 2010.

## **Investing**

Additions to exploration and evaluation assets totaled \$34,984 for the quarter ended March 31, 2011 compared to \$47,220 for the same period in 2010. The expenditures for the period ended March 31, 2011 related to a review of historical data on the Jojay and Munro gold properties. In addition, the Company commenced a review of all regional geophysical and geological data on the Company's coal exploration properties for the purpose of planning follow up exploration programs and the identification of the highest priority targets. Expenditures during the quarter ended March 31, 2010 related to the completion of Phase 1 drilling on the Company's coal properties near Pinehouse Lake and Hudson Bay, Saskatchewan and preliminary planning of new exploration programs on these properties.

## **Financing**

On February 24, 2011, the Company closed a private placement financing for gross proceeds of \$1,553,764 (net - \$1,416,293). The financing included an aggregate of 10,125,000 common shares in the capital of the Company issued on a flow-through basis pursuant to the *Income Tax Act* (Canada) at a price of \$0.15 per share for gross proceeds of \$1,518,750.

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

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

No financing activities occurred during the three-month period ended March 31, 2010.

## Summary of Quarterly Results

	2011 <sup>(1)</sup>	2010 <sup>(1)</sup>				2009 <sup>(1)</sup>		
	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$	Qtr 1 \$	Qtr 4 \$	Qtr 3 \$	Qtr 2 \$
Revenues <sup>(2)</sup>	10,534	9,914	9,809	9,934	9,887	10,493	9,677	6,840
Net loss <sup>(3)</sup>	(102,520)	(336,124)	(105,081)	(303,910)	(173,504)	(5,008,653)	(131,846)	(215,244)
Net loss/share <sup>(4)</sup>	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.07)	(0.00)	(0.00)
Shares outstanding <sup>(5)</sup>	112,452,121	102,077,021	83,577,022	83,577,022	80,115,483	80,115,483	79,612,645	75,121,390

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

## Related Party Transactions

During the quarter ended March 31, 2011, Mr. Kenneth E. MacNeill (Chief Executive Officer) and Mr. Harvey J. Bay (Chief Financial Officer), through their respective consulting companies, charged management and consulting fees of \$18,000 (2010 – \$18,000) and \$7,500 (2010 – \$2,500), respectively which were recorded as an administrative expense. Accounts payable includes at March 31, 2011 nil (March 31, 2010 – \$43,200) due to Messrs. MacNeill's and Bay's consulting companies.

During the three-month period ended March 31, 2011 total compensation paid to these officers (through companies controlled by Messrs. MacNeill and Bay) and to key management and directors of the Company was \$51,463 (March 31, 2010 – \$51,879) which is included in administration expense. Included in these amounts are share-based payment transactions.

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

## **Liquidity**

The Company does not currently operate any producing properties and, as such, is dependent upon the issuance of new equity to finance its ongoing obligations and advance its exploration properties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company anticipates it will have sufficient access to financial markets to fund its exploration plans through future equity contributions.

As at March 31, 2011, the Company had working capital of \$1,668,500 as compared to working capital of \$371,813 at December 31, 2010. Management is confident the Company will have sufficient access to financial markets to fund its planned activities in 2011.

As at March 31, 2011, the Company was required to spend \$1,504,097 on qualifying exploration expenditures to fulfill its obligations under its flow-through commitments.

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

At March 31, 2011, the Company had 112,452,121 common shares issued and outstanding. As at June 15, 2011, the Company's issued and outstanding common shares remain unchanged at 112,452,121 and the Company's cash and cash equivalents balance was \$1.6 million. In addition, at June 15, 2011, the Company had 9,605,820 warrants, 920,389 broker warrants and 5,900,000 options with weighted average exercise prices of \$0.12, \$0.21 and \$0.23, respectively. In the event all warrants, broker warrants and options were exercised, the Company would be required to issue a further 16,426,209 common shares for gross cash proceeds of \$2.8 million.

## **Financial Instruments**

As at March 31, 2011, the fair value of all of the Company's financial instruments approximates their carrying value. Certain financial instruments are exposed to the following financial risks:

### Credit risk

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

### Liquidity risk

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

The Company does not currently operate any producing properties and as such, is dependent upon the issuance of new equity to advance its exploration properties.

Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights to its properties or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on Wescan's future cash flows, earnings, results of operations and financial position.

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

#### Interest rate risk

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

#### **Critical Accounting Estimates**

The financial statements for the period ended March 31, 2011 have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS issued by the IASB and interpretations of IFRIC. The Company's accounting policies are described in note 3 to the financial statements for the period ended March 31, 2011. Certain of these policies involve critical accounting estimates as they require management to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. The uncertainties related to these areas could significantly impact the Company's results of operations, financial condition and cash flows.

In preparing the financial statements for the period ended March 31, 2011, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements. In particular, the significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are: resource estimation, asset valuations, plant and equipment useful lives, environmental rehabilitation provisions, and other accrued liabilities.

## Accounting Changes

### *Adoption of International Financial Reporting Standards ("IFRS")*

In February 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will converge with IFRS effective in calendar year 2011. As a result, the Company prepared its financial statements for the period ended March 31, 2011 in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, and with IAS 34 *Interim Financial Reporting*, as issued by the IASB. The three months ended March 31, 2011 is the Company's first reporting period under IFRS. Previously, the Company prepared its financial statements in accordance with Canadian GAAP. Due to the requirement to present comparative financial information, the effective transition date is January 1, 2010.

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

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

### *Transitional Financial Impact*

As a result of the policy choices the Company selected and the changes that were required under IFRS, a reduction in the Company's equity of approximately \$238,856 as at January 1, 2010 was recorded. The Company's net and comprehensive loss for the first quarter of 2010 was reduced by \$12,057 and net and comprehensive loss for the year ended December 31, 2010 was reduced by \$17,761 when compared to Canadian GAAP.

The major differences that resulted in these changes to equity and loss were the accounting for provisions, flow-through shares and share-based payments. The full effects of these changes are explained and quantified in Note 10 of the financial statements for the period ended March 31, 2011.

### *IFRS 1 Exemptions and Exceptions*

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

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

### **Future Accounting Changes**

At the date of authorization of the condensed interim consolidated financial statements, the IASB and IFRIC have issued certain new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods. The changes to the Standards include amendments to IAS 12 *Deferred Tax* (recovery of underlying assets) and IFRS 9 *Financial Instruments*. These standards will not be effective for 2011 and the Company has not completely evaluated the effects of these pronouncements.

### **Outlook**

The Company's success in raising additional flow-through financing during the first quarter of 2011 has allowed it to begin exploration programs on its portfolio of gold properties in the La Ronge Gold Belt in northern Saskatchewan. With the significant escalation in the price of gold, the Company believes the timing is right to focus exploration efforts on the properties with known gold mineralization. This focus on gold properties will include exploration work on the Jojay, Jasper and Murno Lake properties. The Company also remains committed to its coal holdings near Hudson Bay and Pinehouse Lake, Saskatchewan and will determine if more immediate work is warranted based on the review currently being conducted. The Company will continue to evaluate the potential for the acquisition of other mineral properties that fit its strategic direction. Management is confident the Company will have sufficient access to financial markets to continue its planned exploration activities in 2011.

### **Risks and Uncertainties**

The Company attempts to mitigate risks by identifying, assessing, reporting and managing risks of significance. The following are risks relating to the business of the Company. This information is only a summary of risks currently facing the Company based on its stage of development. Additional risks and uncertainties not presently known

may also impact the Company's operations. Management's view on risks facing the Company will evolve as the Company's stage of development progresses.

### ***Risks Associated With a Non-Producing Company***

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

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

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

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

external consultants are utilized in the verification and quality assurance of analytical results.

### **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 pursue exploration activities, the use of such funds, and the acquisition and exploration of additional properties.

These forward-looking statements are based on Wescan's current beliefs as well as assumptions made by and information currently available to it and involve inherent risks and uncertainties, both general and specific. Risks exist that forward-looking statements will not be achieved due to a number of factors including, but not limited to, developments in world gold and coal markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration, development or mining plans due to exploration results and changing budget priorities of Wescan, the effects of competition in the markets in which Wescan operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings and operational risks and the additional risks described in Wescan's most recently filed annual and interim MD&A, news releases and technical reports. Wescan's anticipation of and success in managing the foregoing risks could cause actual results to differ materially from what is anticipated in such forward-looking statements.

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

Further information relating to the Company has been filed on SEDAR and may be viewed at [www.sedar.com](http://www.sedar.com).