

WESCAN GOLDFIELDS INC.



**Unaudited Condensed Interim
Consolidated Financial Statements
June 30, 2017**

WESCAN GOLDFIELDS INC.
Unaudited Condensed Interim Consolidated Financial Statements

**For the three and six months ended
June 30, 2017**

Notice to Reader

Management has compiled the unaudited condensed interim consolidated financial statements of Wescan Goldfields Inc. for the three and six months ended June 30, 2017 (along with the comparative interim period in 2016). The Company's external auditors have not reviewed these statements.

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

	(In Canadian dollars)	
	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 292,175	\$ 382,801
Receivables	634	451
Prepays	4,369	534
	297,178	383,786
Property and equipment (note 7)	4,314	4,796
	\$ 301,492	\$ 388,582
Liabilities and Shareholders' Equity		
Current liabilities:		
Payables and accrued liabilities (note 8)	\$ 247,247	\$ 255,992
Environmental rehabilitation provision	75,520	75,520
Shareholders' equity:		
Share capital	20,638,794	20,638,794
Contributed surplus	2,443,997	2,360,216
Deficit	(23,104,066)	(22,941,940)
	(21,275)	57,070
	\$ 301,492	\$ 388,582
Going concern (note 3)		

See accompanying notes to consolidated financial statements

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

	(In Canadian dollars)		(In Canadian dollars)	
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Income				
Interest and other	\$ 209	\$ -	\$ 497	\$ -
Expenses				
Exploration and evaluation (note 9)	-	750	43,502	750
Administration	102,169	63,158	118,687	76,037
Corporate development	434	1,625	434	2,125
	<u>102,603</u>	<u>65,533</u>	<u>162,623</u>	<u>78,912</u>
Net loss and comprehensive loss	<u>\$ (102,394)</u>	<u>\$ (65,533)</u>	<u>\$ (162,126)</u>	<u>\$ (78,912)</u>
Net loss and comprehensive loss per share				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	44,459,320	37,259,320	44,459,320	37,259,320

See accompanying notes to consolidated financial statements

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

	(In Canadian dollars)	
	Six Months Ended	
	June 30,	
	2017	2016
Cash provided by (used in):		
Operations:		
Net loss and comprehensive loss	\$ (162,126)	\$ (78,912)
Non-cash items:		
Amortization	482	603
Fair value of stock options vested	83,781	43,500
Net change in non-cash operating working capital items:		
Receivables	(183)	239
Prepays	(3,835)	(3,955)
Payables and accrued liabilities	(8,745)	(5,375)
	(90,626)	(43,900)
Decrease in cash position	(90,626)	(43,900)
Cash and cash equivalents, beginning of period	382,801	80,302
Cash and cash equivalents, end of period	\$ 292,175	\$ 36,402
Cash and cash equivalents consists of:		
Cash	\$ 292,175	\$ 36,402
	\$ 292,175	\$ 36,402

See accompanying notes to consolidated financial statements

Wescan Goldfields Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(unaudited)

(In Canadian dollars)

	Six Months Ended		Year Ended
	June 30,		December 31,
	2017	2016	2016
Share capital (note 10)			
Balance, beginning of period	\$ 20,638,794	\$ 20,281,344	\$ 20,281,344
Shares issued for cash	-	-	360,000
Share issue costs	-	-	(2,550)
Balance, end of period	<u>\$ 20,638,794</u>	<u>\$ 20,281,344</u>	<u>\$ 20,638,794</u>
Contributed surplus (note 10)			
Balance, beginning of period	\$ 2,360,216	\$ 2,316,716	\$ 2,316,716
Share-based payments	83,781	43,500	43,500
Balance, end of period	<u>\$ 2,443,997</u>	<u>\$ 2,360,216</u>	<u>\$ 2,360,216</u>
Deficit			
Balance, beginning of period	\$ (22,941,940)	\$ (22,838,244)	\$ (22,838,244)
Net and comprehensive loss	(162,126)	(78,912)	(103,696)
Balance, end of period	<u>\$ (23,104,066)</u>	<u>\$ (22,917,156)</u>	<u>\$ (22,941,940)</u>
Total Shareholders' Equity	<u>\$ (21,275)</u>	<u>\$ (275,596)</u>	<u>\$ 57,070</u>

See accompanying notes to consolidated financial statements

WESCAN GOLDFIELDS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2017

(In Canadian dollars)

1. Corporate information

Wescan Goldfields Inc. was originally incorporated as Shore Resources Inc. under the *Business Corporations Act of Alberta* on January 17, 2003 and by amended articles dated April 2, 2004 changed its name to Wescan Goldfields Inc. (“Wescan” or the “Company”). Substantially all of the Company’s efforts are directed to the exploration and future development of its current exploration properties. Wescan is located at 300 – 224 4th Avenue South, Saskatoon, Saskatchewan, Canada, S7K 5M5.

2. Basis of preparation

The condensed interim consolidated financial statements of Wescan for the three and six months ended June 30, 2017 were authorized for issue by the Company’s Audit Committee on August 29, 2017. These financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements. The Company’s financial statements have been prepared on a historical cost basis, except as disclosed, using the Company’s functional currency of Canadian dollars.

3. Going concern

These financial statements are prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities and commitments in the normal course of business. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that cast significant doubt upon the Company’s ability to continue as a going concern. As at June 30, 2017, the Company had working capital of \$49,931 which is net of a \$233,730 provision relating to the 2011 flow-through financing as discussed in note 8. Management believes that, while this liquidity is sufficient to meet the company’s minimum cash requirements for the year ending December 31, 2017, it will not be sufficient to meet the Company’s requirements beyond 2017. Management has suspended all activity at the mineral properties and, as such, does not believe there is opportunity to further reduce cash outflows. As such, there is material uncertainty that casts significant doubt upon the Company’s ability to continue as a going concern

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

4. Summary of significant accounting policies

The accounting policies applied by the Company in these condensed interim consolidated financial statements are the same as those disclosed in Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2016. Accordingly, the condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2016.

5. Use of estimates and judgment

In preparing these condensed interim consolidated financial statements, the significant judgments made by management applying the Company’s accounting policies and the key sources of estimation uncertainty are the same as those disclosed in note 5 of the Company’s consolidated financial statements for the year ended December 31, 2016. In particular, the significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are: reserve and resource estimation, impairment of exploration and evaluation assets, environmental rehabilitation provisions, recovery of deferred tax assets and share-based payment transactions.

6. International financial reporting standards (“IFRS”), amendments and interpretations

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

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

i. IFRS 9 – Financial Instruments

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

ii. IFRS 15 – Revenue from contracts with customers

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

iii. IFRS 16 – Leases

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

iv. IFRS 2 – Share Based Payments

In June 2016, the IASB issued amendments to IFRS 2. These amendments clarify how to account for certain share-based payment transactions, including accounting for cash-settled share-based payment transactions; accounting for share-based payment transactions with net settlement features; and accounting for modifications of share-based payment transactions from cash-settled to equity. IFRS 2 amendments are effective for annual periods beginning on or after January 1, 2018. The Company does not intend to early adopt the amendments to IFRS 2 and has not yet fully evaluated the impact of the amendments however the impact is not expected to be material.

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

7. Property and equipment

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

	Computer Software	Computer Equipment	Furniture and Equipment	Total
Cost				
Balance – December 31, 2016	\$ 2,234	\$ 348	\$ 36,925	\$ 39,507
Acquisitions and disposals	-	-	-	-
Balance – June 30, 2017	\$ 2,234	\$ 348	\$ 36,925	\$ 39,507
Accumulated depreciation				
Balance – December 31, 2016	\$ (2,234)	\$ (309)	\$ (32,168)	\$ (34,711)
Charge for the six month period	-	(6)	(476)	(482)
Balance – June 30, 2017	\$ (2,234)	\$ (315)	\$ (32,644)	\$ (35,193)
Net book value				
Balance – December 31, 2016	\$ -	\$ 39	\$ 4,757	\$ 4,796
Balance – June 30, 2017	\$ -	\$ 33	\$ 4,281	\$ 4,314

8. Payables and accrued liabilities

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

	June 30, 2017	December 31, 2016
Trade payables and accrued liabilities	\$ 13,517	\$ 22,262
Accrued liabilities relating to 2011 flow-through financing (a)	233,730	233,730
Balance	\$ 247,247	\$ 255,992

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

9. Exploration and evaluation expenses

The Company is assessing future options for its portfolio of gold properties. During the six months ended June 30, 2017, the Company incurred expenditures of \$43,502 (2016 - \$750) relating to the maintenance of certain mineral claims.

10. Share capital and reserves

The authorized share capital of the Company consists of an unlimited number of common shares. As at June 30, 2017 the Company had 44,459,320 shares outstanding. No common shares were issued during the six months ended June 30, 2017.

Nature and purpose of reserves

Warrant reserve

On certain issues of common shares, the Company has issued warrants entitling the holder to acquire additional common shares of the Company. The warrant reserve is used to recognize the fair value of outstanding warrants. If the warrant is exercised or expires the fair value is transferred to share capital or contributed surplus, respectively. During the six months ended June 30, 2017, no warrants were issued or expired.

Contributed Surplus

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

11. Share-based payments

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

At June 30, 2017, total options outstanding were 3,720,000 (2016 – 2,830,000) at a weighted average exercise price of \$0.07 (2016 – \$0.12). Options outstanding at June 30, 2017 have exercise prices that range from \$0.05 to \$0.10 (2016 – \$0.05 to \$1.00) and a weighted average contractual life of 2.3 years (2016 – 4.0 years). The options expire between the dates of March 2018 and May 2022.

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

	2017		2016	
	Options	Average Price	Options	Average Price
Outstanding – January 1	2,650	\$ 0.06	730	\$ 0.32
Granted	1,070	0.08	2,100	0.05
Expired	-	-	-	-
Outstanding – June 30,	3,720	\$ 0.07	2,830	\$ 0.12

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 weighted average historical life of options that have been granted by the Company. The inputs used in the measurement of the fair values at grant date of the share-based payments during the six months ended June 30 are as follows:

	June 30, 2017	June 30, 2016
Share price at grant date	\$ 0.08	\$ 0.02 – 0.04
Exercise price	\$ 0.08	\$ 0.05
Expected volatility	205.9%	202.4 – 206.0%
Option life	5 years	5 years
Expected dividends	0 %	0 %
Expected forfeiture rate	0 %	0 %
Risk-free interest rate	0.99%	0.69 – 0.73%
Fair value at grant date	\$ 0.08	\$ 0.02 – \$ 0.04

The expense related to the Company's share-based payment is recognized in the comprehensive statement of loss for the six months ended June 30, 2017 in administration expense in the amount of \$83,781 (2016 - \$43,500).

12. Related party transactions

Related party transactions with key management personnel

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include executive and non-executive directors. The Company pays or has paid certain of its key management personnel through companies owned by certain executive officers and directors. Those companies are as follows:

MacNeill Brothers Oil and Gas Ltd.

During the six months ended June 30, 2017, certain of its key management personnel waived their management and consulting fees. Total compensation paid to key management personnel, including amounts paid or payable to related parties owned by key management personnel, executive officers and directors, was comprised of share-based payments of \$77,517 (2016 - \$35,705). These 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.

13. Financial instruments

Fair values have been determined for measurement and/or disclosure purposes based on the fair value hierarchy for financial instruments that require fair value measurement after initial recognition. The classification of each financial instrument is described in note 4 of the December 31, 2016 consolidated financial statements.

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

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

Risk management

Certain financial instruments are exposed to the following financial risks:

(a) Credit risk

Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that may have credit risk consist primarily of cash and cash equivalents and receivables. The Company's cash and cash equivalents are held by a financial institution with an A (low) credit rating. The Company may invest excess cash, if any, in guaranteed investment certificates until it is required. The Company's receivables are mainly comprised of GST receivable and therefore credit risk is minimal. The Company has gross credit exposure at June 30, 2017 relating to cash and cash equivalents and receivables of \$292,809 (December 31, 2016 – \$383,252).

(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 June 30, 2017, the Company is committed to current liabilities of \$247,247, which includes a \$233,730 provision relating to the 2011 flow-through financing as discussed in note 8. As a result, at June 30, 2017, the Company had a working capital of \$49,931. Based on the above obligations, the Company does not have sufficient resources to meet these obligations as they become due beyond 2017 which raise material uncertainties and casts significant doubt about the Company's ability to continue as a going concern.

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

timely basis may cause the Company to postpone exploration plans, forfeit rights in its properties or reduce or terminate its operations.

(c) Market risk

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