WESDOME GOLD MINES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

JUNE 30, 2013

MESSAGE TO SHAREHOLDERS

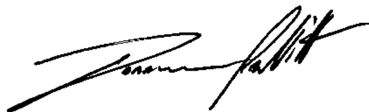
By the end of the second quarter, we had streamlined our operations, built large stockpiles and secured strong grades in the pipeline. Milling efficiencies are now incrementally improving towards our goal of doubling throughput at our Eagle River Complex. We have beefed up our operating expertise and are focused on our best grade, lowest cost operations. This should translate into improved financial performance in the second half of the year.

We are defensively positioned with good upside and expect to meet or exceed our 2013 production guidance of 55,000 ounces. Furthermore, we forecast cost reductions and improving cash flows in the second half of 2013, due to suspended mining at Kiena and deferral of mining activities at Mishi for the remainder of the year.

At Eagle River, drilling of the 811 Zone at depth has started and will continue through the second half of the year. We are excited about our prospects here. The 811 Zone is our richest and lowest cost zone, with production year to date averaging 15.4 gAu/tonne.

Thank you to our miners, patient shareholders and supporters.

On behalf of the Board,



Donovan Pollitt, P.Eng., CFA
President and CEO

August 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter Report
June 30, 2013

This Management's Discussion and Analysis ("MD&A") dated August 1, 2013, should be read in conjunction with Wesdome Gold Mines Ltd.'s ("Wesdome" or "the Company") unaudited condensed interim consolidated financial statements for the six months ended June 30, 2013, and their related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A contains "forward-looking statements" that are subject to risk factors set out in the cautionary statement below. All figures are in Canadian dollars unless otherwise stated. Additional information on Wesdome, including current and previous years' Annual Information Forms ("AIF") and other corporate information, can be found at www.wesdome.com or www.sedar.com. Wesdome trades on the Toronto Stock Exchange under the symbol "WDO". The Company's head office is at 8 King Street East, Suite 1305, Toronto, Ontario, Canada.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, constitute "forward-looking statements" and are based on expectations, estimates and projections as at the date of this MD&A. The words "believe", "expect", "anticipate", "plan", "intend", "continue", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Wesdome to be materially different from the Company's estimated future results, performance or achievements expressed or implied by the forward-looking statements and the forward-looking statements are not guarantees of future performance. Factors that could cause results or events to differ materially from current expectations expressed or implied are inherent to the gold mining industry and include, but are not limited to, those discussed in the section entitled "Risks and Uncertainties". The Company does not intend, and does not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by applicable laws.

OVERALL PERFORMANCE

The Company owns and operates the Eagle River Mine Complex in Wawa, Ontario and the Kiena Mine Complex in Val-d'Or, Quebec. On January 1, 2012, the Mishi mine in Wawa commenced commercial production. The Eagle River and Mishi mines feed a common mill and are referred to as the Eagle River Complex. The Eagle River mine has been in continuous production since commercial production commenced January 1, 1996. It has produced 937,602 ounces to date. The Kiena mine was purchased by the Company in 2003. It restarted commercial production on August 1, 2006. It was previously in production from 1982 – 2002. To date the Kiena mine has produced 1,757,318 ounces of gold.

On March 7, 2013, the Company announced the suspension of mining at Kiena. On June 30, 2013, mining activities ceased. Focusing efforts on our best grade mine will increase margins and reduce overall costs and risks for the second half of 2013 and production in future years.

At June 30, 2013, the Company had $12.2 million in working capital, and 9,233 ounces of gold in inventory. The inventory is carried at cost and is recorded as mining and processing costs in the fiscal period in which it is sold. For the first half of the year, revenue exceeded mining and processing costs attributable to sales by $7.3 million, $5.6 million in capital costs were incurred and cash flow from operations totalled $5.6.

In the second quarter, gold production totalled 13,739 ounces. For the first half of the year production was 28,268 ounces, slightly ahead of last year. Production costs averaged $1,246 per ounce for the six month period, including 7,613 ounces from Kiena at a cost of $1,735 per ounce and 20,655 ounces at $1,066 per ounce from the Eagle River Complex. With 100% focus on the Eagle River complex in the second half of the year and improving mill throughput, we expect improved financial performance.

Market confidence in gold mining continues to decrease. Recent declines of 25% in the gold price have been partially offset by declines in the $Cdn/$US exchange rate. We are confident our high grades at Eagle River offer the best protection from this price weakness. We are defensively positioned with rationalized mining operations, large stockpiles and strong grades.

RESULTS OF OPERATIONS

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
EAGLE RIVER COMPLEX				
Eagle River Mine				
Tonnes milled	**23,068**	39,515	**51,029**	78,601
Recovered grade (g/t)	**11.0**	6.81	**11.3**	6.38
Production (oz)	**8,194**	8,658	**18,516**	16,112
Mishi Mine				
Tonnes milled	**8,338**	15,609	**19,748**	34,712
Recovered grade (g/t)	**3.5**	2.2	**3.4**	2.2
Production (oz)	**935**	1,085	**2,139**	2,467
Surface stockpile (tonnes)	**84,232**	32,790	**84,232**	32,790
Total Eagle River Complex				
Production (oz)	**9,129**	9,743	**20,655**	18,579
Sales (oz)	**14,400**	11,500	**24,400**	20,500
Bullion revenue ($000) †	**20,863**	18,647	**37,332**	33,985
Mining and processing costs (cost of sales) ($000) *	**18,079**	9,588	**27,525**	23,055
Mine operating profit ($000) *	**2,784**	9,059	**9,807**	10,930
KIENA MINE COMPLEX				
Tonnes milled	**37,045**	67,226	**97,158**	127,193
Recovered grade (g/t)	**3.9**	2.5	**2.4**	2.2
Production (oz)	**4,610**	5,330	**7,613**	8,983
Sales (oz)	**600**	4,500	**3,600**	8,500
Bullion revenue ($000) †	**846**	7,301	**5,797**	14,008
Mining and processing costs (cost of sales) ($000) *	**29**	11,128	**8,286**	16,684
Mine operating profit (loss) ($000) *	**817**	(3,827)	**(2,489)**	(2,676)

RESULTS OF OPERATIONS (continued)

TOTAL MINE OPERATIONS

Production (oz)	**13,739**	15,073	**28,268**	27,562
Sales (oz)	**15,000**	16,000	**28,000**	29,000
Gold inventory (oz)	**9,233**	7,214	**9,233**	7,214
Bullion revenue ($000) †	**21,709**	25,948	**43,129**	47,993
Mining & processing costs (cost of sales) ($000) *	**18,108**	20,716	**35,809**	39,739
Mine operating profit ($000) *	**3,601**	5,232	**7,320**	8,254
Gold price realized ($Cdn/oz)	**1,447**	1,620	**1,540**	1,653

RECONCILIATION OF PRODUCTION COSTS TO MINING & PROCESSING COSTS (Cost of Sales)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Eagle River Complex				
Mining & processing costs ($000)	**18,079**	9,588	**27,524**	23,053
Inventory-related adjustments ($000) ††	**(6,958)**	1,564	**(5,497)**	(2,282)
Production costs ($000) *	**11,121**	11,152	**22,027**	20,771
Production costs per ounce	**1,218**	1,145	**1,066**	1,118
Kiena Complex				
Mining & processing costs ($000)	**29**	11,128	**8,285**	16,683
Inventory-related adjustments ($000) ††	**4,971**	(2,487)	**4,925**	307
Production costs ($000) *	**5,000**	8,641	**13,210**	16,990
Production costs per ounce	**1,085**	1,621	**1,735**	1,891
TOTAL MINE PRODUCTION COSTS				
Production costs ($000) *	**16,121**	19,793	**35,237**	37,761
Production costs per ounce	**1,173**	1,314	**1,246**	1,370

† Bullion revenue includes minor by-product silver sales

* The Company has included in this report certain non-IFRS performance measures, including mine operating profit, mining & processing costs to applicable sales, and production costs. Production costs per ounce reflect actual mine operating costs incurred during the fiscal period divided by the number of ounces produced. These measures are not defined under IFRS and therefore should not be considered in isolation or as an alternative to or more meaningful than, net income(loss) or cash flow from operating activities as determined in accordance with IFRS as an indicator of our financial performance or liquidity. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow.

†† Inventory-related adjustments are adjustments made to production costs in order for the Company's gold inventory to be valued at the lower of production cost on a first-in, first-out basis and at net realizable value, in accordance with its accounting policy under IFRS.

During the second quarter, bullion sales exceeded mining and processing costs attributable to sales by $3.6 million. In addition to these direct operating costs, additional cash costs, including royalty payments, corporate and general costs and interest payments amounted to $1.1 million.

At the Eagle River Complex, we lost about a month of milling due to severe regional and local flooding during the spring thaw. Despite the floods, recovered grades at Eagle River were about double those experienced last year and recovered grades at Mishi were up more than 50%. As

previously disclosed, we are in a high grade mining sequence in the 811 Zone, expected to be a significant contributor through 2015.

Mill stockpiles grew to about 100,000 tonnes, including about 85,000 tonnes of Mishi ore at about 2.5 gAu/tonne and about 15,000 tonnes of Eagle River ore at about 7.0 gAu/tonne. We decided to curtail contract mining activities at Mishi until perhaps next spring in order to work through the stockpile. This will save about $0.5 million per month in production costs throughout the remainder of the year.

With no shortage of good grade millfeed available and improving reliability in our milling operation, we expect to meet or exceed our 2013 production guidance of 55,000 ounces. We are proceeding with an aggressive permitting timeline for our new tailings management area and are evaluating options to double mill capacity.

At Kiena, costs declined and grades improved as operations wound down. On March 7, 2013, the Company announced its intention to suspend mining operations at the Kiena Mine. We are placing Kiena on care and maintenance status. Active mining ceased June 30, 2013. Equipment is available to help our other operations and a care and maintenance schedule and budget is being developed.

Subsequent to the end of the quarter, two important events were announced. First, we announced the appointment of Philip Ng, P.Eng., as Chief Operating Officer of the Company. This bolsters our management's operating experience and with recent Board additions brings direct mining operating experience to the table.

Secondly, we announced an amalgamation with Windarra Minerals Ltd. This amalgamation is a win-win for both companies and Windarra is expected to hold a special meeting to approve the transaction in the fall.

At Eagle River, underground drilling will accelerate in the second half of the year. We will be drilling the 811 Zone which is open at depth. Production year-to-date in the 811 Zone has averaged 15.4 gAu/tonne. We are excited about our prospects.

Summary of Quarterly Results

(in thousands except per share data)	2013		2012	
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter
Total revenue	$ 21,709	$ 21,420	$ 21,207	$ 23,108
Net income (loss)	43	(34)	(46,464)	819
Earnings (loss) per share basic and diluted	0.00	0.00	(0.46	0.01

	2012		2011	
	2nd Quarter	1st Quarter	4th Quarter	3rd Quarter
Total revenue	$ 25,948	$ 22,045	$ 17,206	$ 19,623
Net income (loss)	700	(308)	496	(1,616)
Earnings (loss) per share basic and diluted	0.01	(0.00)	0.00	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2013, the Company had working capital of $12.2 million compared to $13.9 million at December 31, 2012. During the first half of 2013, capital expenditures totalled $5.6 million compared to $3.0 million in 2012. Capital expenditures were concentrated in minesite development, mine and mill infrastructure. Cash balances have declined since the beginning of the year, but we had gold on hand and have reduced our accounts payable by about $5 million since March 31, 2013.

The Company traditionally maintains an inventory of gold. At June 30, 2013, this liquid asset consisted of 9,233 ounces of gold with a market value of $12.0 million at $1,300 Cdn/ounce. The gold inventory is carried at the lower of cost or market, in this case at $11.6 million or about $1,251 per ounce. The costs of this inventory are recognized in the fiscal period in which the gold is sold based on a first-in, first-out inventory basis. Accordingly, recognized costs presented in quarterly and annual financial statements include a component of costs incurred in previous periods.

Additionally, the Mishi ore stockpile at the mill, which totals 84,232 tonnes, is carried in inventory at a cost of $4.5 million or $52.93 per tonne.

On May 24, 2012, the Company completed a $7,021,000 placement of unsubordinated convertible debentures. The term is 5-years bearing interest at 7% per annum payable semi-annually and convertible into common shares at $2.50 per common share. The net proceeds of $6,821,000, along with cash at hand, were used to redeem existing convertible debentures in the amount of $10,931,000 that matured on May 31, 2012. This resulted in the Company paying down $4.1 million in debt.

The result of this financing is that interest costs have declined and working capital has improved by moving the liability component to long term liabilities from short term liabilities.

Management believes we have sufficient liquidity to carry out our mining, development and exploration programs and prefers not to dilute shareholders' interest with equity issues. The Kiena mining suspension will improve our financial position and improve return on capital.

With current gold prices, operations are capable of generating good operating cash flow, as they have in the past.

The following table shows the timing of cash outflows relating to contractual obligations going forward.

	Payments Due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 2 years**	**3 – 5 years**	**After 5 years**
Equipment leases	$ 1,121	$ 761	$ 360	-	-
Convertible debentures	8,805	491	883	$ 7,431	-
	$ 9,926	$ 1,252	$ 1,243	$ 7,431	-

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel and director compensation comprised of the following:

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Salaries and short-term employee benefits	**$ 313**	$ 302	**$ 678**	$ 623
Post employment benefits	**12**	10	**24**	22
Fair value of share-based compensation	**50**	209	**131**	335
	$ 375	$ 521	**$ 833**	$ 980

In fiscal 2013, the Company paid $33,542 in directors' fees (2012: $55,500) to companies whose managing partners are directors of the Company.

OUTLOOK

We have streamlined our mining operations, built large stockpiles and have strong grades in the pipeline. We are defensively positioned with good upside. We expect to meet or exceed our 2013 production guidance of 55,000 ounces. Furthermore, we forecast cost reductions and improving cash flows in the second half of 2013, due to suspended mining at Kiena and deferral of mining activities at Mishi for the remainder of the year.

At Eagle River, drilling of the 811 Zone at depth has started and will continue through the second half of the year. We are excited about our prospects here. The 811 Zone is our richest and lowest cost zone, with production year to date averaging 15.4 gAu/tonne.

SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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 and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(i) Reserves

Proven and probable reserves are the economically mineable parts of the Company's measured and indicated mineral resources that have been incorporated into the mine plan. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates 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 proven and probable reserves or measured, indicated and inferred mineral resources estimates may impact the carrying value of mining properties and equipment, depletion, impairment assessments and the timing of decommissioning and remediation obligations.

(ii) Depletion

Mining properties are depleted using the unit-of-production method ("UOP") over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves and measured and indicated resources.

Mobile and other equipment is depreciated, net of residual value over the useful life of the equipment but does not exceed the related estimated life of the mine based on proven and probable reserves and measured and indicated resources.

The calculation of the UOP rate, and therefore the annual depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(iii) Provision for decommissioning obligations

The Company assesses its provision for decommissioning on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning obligations requires management to make estimates of the future costs the Company will incur to complete the decommissioning work required to comply with existing

laws and regulations at each mining operation. Also, future changes to environmental laws and regulations could increase the extent of decommissioning work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for decommissioning. The provision represents management's best estimate of the present value of the future decommissioning obligation. The actual future expenditures may differ from the amounts currently provided.

(iv) Share-based payments

The determination of the fair value of share-based compensation is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Stock-based compensation incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates, and is adjusted if the actual forfeiture rate differs from the expected rate.

The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

(v) Deferred taxes

Preparation of the consolidated financial statements requires an estimate of income taxes in each of the jurisdictions in which the Company operates. The process involves an estimate of the Company's current tax exposure and an assessment of temporary differences resulting from differing treatment of items, such as depreciation and depletion, for tax and accounting purposes. These differences result in deferred tax assets and liabilities that are included in the Company's consolidated statements of financial position.

An assessment is also made to determine the likelihood that the Company's deferred tax assets will be recovered from future taxable income.

Judgment is required to continually assess changing tax interpretations, regulations and legislation, to ensure liabilities are complete and to ensure assets are realizable. The impact of different interpretations and applications could be material.

(vi) Recoverability of mining properties

The Company's management reviews the carrying values of its mining properties on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining properties depends on confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on life-of-mine ("LOM") plans in its assessments of economic recoverability and probability of future economic benefit. LOM plans provide an economic model to support the economic extraction of reserves and resources. A long-term LOM plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body.

(vii) Exploration and evaluation expenditures

Judgment is required in determining whether the respective costs are eligible for capitalization where applicable, and whether they are likely to be recoverable by future exploration, which may be based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available.

(viii) Equity component of convertible debentures
The convertible debentures are classified as liabilities, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the liability being less than its face value. The discount is being accreted over the term of the debentures, utilizing the effective interest method which approximates the market rate at the date the debentures were issued. Management uses its judgment to determine an interest rate that would have been applicable to non-convertible debt at the time the debentures were issued.

(ix) Inventory – ore stockpile
Expenditures incurred and depletion of assets used in mining and processing activities are deferred and accumulated as the cost of ore maintained in stockpiles. These deferred amounts are carried at the lower of cost or NRV. Impairments of ore in stockpiles resulting from NRV impairments are reported as a component of current period costs.

The allocation of costs to ore in stockpiles and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future milling costs, future milling levels, prevailing and long-term gold and silver prices, and the ultimate estimated recovery for ore.

FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

Financial instruments disclosures requires the Company to provide information about: a) the significance of financial instruments for the Company's financial position and performance and, b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the statement of financial position date, and how the Company manages those risks.

Financial Instruments – Fair Values

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

(in thousands)	**June 30, 2013**		December 31, 2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Convertible 7% debentures – new issue	**$ 7,021**	**$ 5,968**	$ 7,021	$ 7,021

Determination of Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the consolidated balance sheets as follows:

Cash and cash equivalents and restricted funds – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Receivables – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Other financial liabilities – Payables and accruals and the convertible 7% debentures are carried at amortized cost. The carrying amount of payables and accruals approximates fair value due to the short maturity of these financial instruments. The fair value of the convertible 7% debentures is based on the quoted market price.

The fair value hierarchy for financial instruments measured at fair value is Level 1 for marketable securities. The Company does not have Level 2 or Level 3 inputs.

Financial Risk Management

The Company is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include: (1) market risks relating to commodity prices, foreign currency risk and interest rate risk; (2) liquidity risk; and, (3) credit risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and establishes and monitors risk management policies to: identify and analyze the risks faced by the Company; to set appropriate risk limits and controls; and to monitor risks and adherence to market conditions and the Company's activities.

1) Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Company's financial assets and liabilities include commodity price risk, foreign currency exchange risk and interest rate risk.

(a) Commodity price risk

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the six months ended June 30, 2013.

(b) Foreign currency exchange risk

The Company's revenue is exposed to changes in foreign exchange rates as the Company's primary product, gold, is priced in U.S. dollars. The Company had no forward exchange rate contracts in place and no foreign currency holdings as at or during the six months ended June 30, 2013.

(c) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include highly liquid investments that earn interest at market rates and interest paid on the Company's convertible debentures is based on a fixed interest rate. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

2) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company believes it has access to sufficient capital through internally generated cash flows and equity and debt capital markets. Senior management is also actively involved in the review and approval of planned expenditures.

The following table shows the timing of cash outflows relating to payables and accruals, mining taxes, capital leases and convertible debentures:

June 30, 2013

(in thousands)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables & accruals	**$10,622**	**-**	**-**	**-**
Finance leases	**$ 761**	**$ 340**	**-**	**-**
Convertible debentures	**$ 491**	**$ 883**	**$ 7,431**	**-**

December 31, 2012 (in thousands)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables & accruals	$13,996	-	-	-
Finance leases	$ 991	$ 695	-	-
Convertible debentures	$ 491	983	$ 7,675	-

3) ***Credit Risk***

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company minimizes its credit risk by selling its gold exclusively to financial institutions with forty-eight hour terms of settlement. The Company's accounts receivable consist primarily of government refunds and credits. The Company estimates its maximum exposure to be the carrying value of cash and cash equivalents, accounts receivable and funds held against standby letters of credit.

The Company manages credit risk by maintaining bank accounts with Schedule 1 Canadian banks and investing only in Guaranteed Investment Certificates. The Company's cash is not subject to any external limitations.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high risk nature of its business which is the operation, exploration and development of mineral properties. In addition to risks described elsewhere herein, shareholders should note the following:

Nature of Mineral Exploration

The exploration for and development of mineral deposits involves significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a site. It is impossible to ensure that the exploration programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mining Risks and Insurance

The business of mining is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability. Insurance against environmental risks (including potential for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to the Company or to other companies within the industry.

Government Regulations and Environmental Matters

The Company's activities are subject to extensive federal, provincial and local laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in

the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. It is possible that the costs and delays associated with compliance with such laws, regulations and permits could become such that the Company would not proceed with the development or operation of a mine.

In Ontario, the Company has obtained approval for its closure plan for the Eagle River Mill, Eagle River Mine and the Mishi-Magnacon Complex and has provided security of approximately $0.9 million to cover estimated rehabilitation and closure costs. In Quebec, the Company has obtained approval for its closure plan for the Kiena Mine and Milling Complex and has provided security of approximately $1.0 million to cover estimated rehabilitation and closure costs. In the event of any future expansion or alteration of a mine on the Eagle River property or the Kiena Mine, the Company would likely be required to amend its closure plans and could also be required to provide further security.

Reliance on Management

The Company is heavily reliant on the experience and expertise of its executive officers. If any of these individuals should cease to be available to manage the affairs of the Company, its activities and operations could be adversely affected.

Economic Conditions

General levels of economic activity and recessionary conditions may have an adverse impact on the Company's business.

Mineral Resource and Mineral Reserve Estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company’s control. Such estimation is a subjective process, and the accuracy of any mineral resources and mineral reserves estimate is a function of the quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management’s assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company’s financial position and results of operations.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities in its search for, and the acquisition of, mineral properties as well as the recruitment and retention of qualified employees with technical skills and experience in the mining industry. There can be no assurance that the Company will be able to compete successfully with others in acquiring mineral properties, obtaining adequate financing and continuing to attract and retain skilled and experienced employees.

Conflicts of Interest

Certain officers and directors of the Company are, or may be, associated with other companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. Not every officer or director devotes all of their time and attention to the affairs of the Company.

Insurance

The Company carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution, mine flooding or other hazards against which such companies cannot insure or against which they may elect not to insure.

Additional Funding Requirements

Further exploration on, and development of, the Company's mineral resource properties, will require additional capital. In addition, a positive production decision on any of the Company's development projects would require significant capital for project engineering and construction. Accordingly, the continuing development of the Company's properties will depend upon the Company's ability to either generate sufficient funds internally or to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Although the Company has been successful in the past in obtaining financing through the sale of equity securities and the issuance of debt instruments, there can be no assurance that it will obtain adequate financing in the future.

SUMMARY OF SHARES ISSUED

As of August 1, 2013, the Company's share information is as follows:

Common shares issued	101,788,459
Common share purchase options	1,693,000

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*." the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that as at June 30, 2013, the Company's disclosure controls and procedures to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

Internal Control over Financial Reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial instruments

The Company's management, with the participation of the CEO and CFO, assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at June 30, 2013, the Company's internal control over financial reporting was effective.

Limitations of Controls and Procedures

The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also,

projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

WESDOME GOLD MINES LTD.

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited, expressed in thousands of Canadian dollars)

	June 30 2013	December 31 2012
Assets		
Current		
Cash and cash equivalents	**$ 1,481**	$ 4,633
Restricted funds – short-term (Note 8)	**200**	200
Receivables (Note 6)	**2,968**	4,298
Inventory (Note 7)	**18,970**	19,633
	23,619	28,764
Restricted funds (Note 8)	**2,390**	2,381
Deferred income taxes	**14,812**	14,870
Mining properties, plant and equipment (Note 9)	**34,145**	32,681
Exploration properties (Note 11)	**30,397**	30,154
	$ 105,363	$ 108,850
Liabilities		
Current		
Payables and accruals	**$ 10,622**	$ 13,996
Current portion of obligations under finance leases	**761**	898
	11,383	14,894
Income taxes payable	**22**	22
Obligations under finance leases (Note 12)	**340**	641
Convertible 7% debentures (Note 13)	**5,874**	5,760
Provisions (Note 14)	**2,588**	2,545
	20,207	23,862
Equity		
Equity attributable to owners of the Company		
Capital stock (Note 15)	**122,541**	122,651
Contributed surplus	**2,202**	2,059
Equity component of convertible debentures (Note 13)	**870**	870
Deficit	**(40,828)**	(41,009)
	84,785	84,571
Non-controlling interest	**371**	417
Total equity	**85,156**	84,988
	$ 105,363	$ 108,850

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Income and Comprehensive Income

(Unaudited, expressed in thousands of Canadian dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Revenue				
Gold and silver bullion	**$ 21,709**	$ 25,948	**$ 43,129**	$ 47,993
Operating expenses				
Mining and processing	**18,108**	20,716	**35,809**	39,739
Depletion of mining properties	**2,862**	2,570	**4,220**	4,449
Production royalties	**212**	245	**531**	475
Corporate and general	**688**	577	**1,336**	1,259
Share based compensation	**56**	179	**202**	352
Impairment charges (Note 10)	**-**	-	**633**	-
	21,926	24,287	**42,731**	46,274
(Loss) income from operations	**(217)**	1,661	**398**	1,719
Interest and other income	**90**	18	**110**	107
Interest on long-term debt	**(196)**	(279)	**(393)**	(655)
Other interest	**(2)**	(3)	**(5)**	(18)
Accretion of decommissioning liability	**(22)**	(13)	**(43)**	(27)
Write-down of exploration property	**-**	(950)	**-**	(950)
(Loss) income before income tax	**(347)**	434	**67**	176
Income tax expense (recovery)				
Current	**-**	29	**-**	29
Deferred	**(390)**	(295)	**58**	(245)
	(390)	(266)	**58**	(216)
Net and total comprehensive income	**$ 43**	$ 700	**$ 9**	$ 392
Net (loss) income and total comprehensive (loss) income attributable to:				
Non-controlling interest	**$ (11)**	$ (37)	**$ (53)**	$ (76)
Owners of the Company	**54**	737	**62**	468
	$ 43	$ 700	**$ 9**	$ 392
Earnings and comprehensive earnings per share				
Basic (Note 17)	**$ 0.00**	$ 0.01	**$ 0.00**	$ 0.00
Diluted (Note 17)	**$ 0.00**	$ 0.01	**$ 0.00**	$ 0.00

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Total Equity
(Unaudited, expressed in thousands of Canadian dollars)

	Capital Stock	Contributed Surplus: Share Based Payments	Contributed Surplus: Share Repurchases	Contributed Surplus: Dilution Gains	Equity Component Convertible Debentures	Retained Earnings (Deficit)	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
Balance, December 31, 2011	$ 122,685	$ 1,064	$ 383	$ 513	$ 1,970	$ 1,585	$ 128,200	$ 607	$ 128,807
Net income (loss) for the six months ended June 30, 2012	-	-	-	-	-	468	468	(76)	392
Value attribtued to options expired	-	(109)	-	-	-	109	-	-	-
Share based payments	-	352	-	-	-	-	352	-	352
Shares purchased under normal course issuer bid	(34)	-	(8)	-	-	-	(42)	-	(42)
Issuance of convertible debentures	-	-	-	-	1,204	-	1,204	-	1,204
Redemption of convertible debentures	-	-	-	-	(1,970)	1,970	-	-	-
Balance, June 30, 2012	122,651	1,307	375	513	1,204	4,132	130,182	531	130,713
Net loss for the six months ended December 31, 2012	-	-	-	-	-	(45,526)	(45,526)	(119)	(45,645)
Value attributed to options expired	-	(385)	-	-	-	385	-	-	-
Share based payments	-	249	-	-	-	-	249	-	249
Subsidiary capital transactions	-	-	-	-	-	-	-	5	5
Equity component of convertible debentures	-	-	-	-	(334)	-	(334)	-	(334)
Balance, December 31, 2012	122,651	1,171	375	513	870	(41,009)	84,571	417	84,988
Net (loss) income for the six months ended June 30, 2013	**-**	**-**	**-**	**-**	**-**	**62**	**62**	**(53)**	**9**
Value attributed to options expired	**-**	**(119)**	**-**	**-**	**-**	**119**	**-**	**-**	**-**
Share based payments	**-**	**202**	**-**	**-**	**-**	**-**	**202**	**-**	**202**
Shares purchased under normal course issuer bid	**(110)**	**-**	**60**	**-**	**-**	**-**	**(50)**	**-**	**(50)**
Subsidiary capital transactions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7**	**7**
Balance,June 30, 2013	**$ 122,541**	**$ 1,254**	**$ 435**	**$ 513**	**$ 870**	**$ (40,828)**	**$ 84,785**	**$ 371**	**$ 85,156**

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, expressed in thousands of Canadian dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	**2013**	2012
Operating activities				
Net income	**$ 43**	$ 700	**$ 9**	$ 392
Depletion of mining properties	**2,862**	2,570	**4,220**	4,449
Accretion of discount on convertible debentures	**58**	76	**114**	230
Impairment charges	**-**	950	**633**	950
Gain on sale of equipment	**-**	23	**2**	23
Share based compensation	**56**	179	**202**	352
Deferred income taxes	**(390)**	(295)	**58**	(245)
Interest expensed	**138**	204	**279**	426
Accretion of decommissioning liability	**22**	13	**43**	27
	2,789	4,420	**5,560**	6,604
Net changes in non-cash working capital (Note 21)	**(957)**	2,101	**(2,153)**	1,688
	1,832	6,521	**3,407**	8,292
Financing activities				
Funds paid to repurchase common shares under NCIB	**(51)**	(21)	**(51)**	(42)
Redemptions of convertible debentures	**-**	(10,931)	**-**	(10,931)
Issuance of convertible debentures, net of financing	**-**	6,821	**-**	6,821
Repayment of obligations under finance leases	**(221)**	(303)	**(438)**	(558)
Interest paid	**(138)**	(204)	**(279)**	(426)
	(410)	(4,638)	**(768)**	(5,136)
Investing activities				
Additions to mining and exploration properties	**(1,644)**	(2,829)	**(5,644)**	(5,794)
Proceeds on sale of equipment	**-**	3	**16**	3
Funds held against standby letters of credit	**(5)**	(5)	**(9)**	325
	(1,649)	(2,831)	**(5,637)**	(5,466)
Net changes in non-cash working capital (Note 21)	**(389)**	665	**(154)**	658
	(2,038)	(2,166)	**(5,791)**	(4,808)
Decrease in cash and cash equivalents	**(616)**	(283)	**(3,152)**	(1,652)
Cash and cash equivalents, beginning of period	**2,097**	3,846	**4,633**	5,215
Cash and cash equivalents, end of period	**$ 1,481**	$ 3,563	**$ 1,481**	$ 3,563
Cash and cash equivalents consist of:				
Cash	**$ 1,481**	$ 2,761	**$ 1,481**	$ 2,761
Term deposit (2012: 0.93%)	**-**	802	**-**	802
	$ 1,481	$ 3,563	**$ 1,481**	$ 3,563

Supplemental disclosure (Note 21)

See accompanying notes to the condensed interim consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Wesdome Gold Mines Ltd. ("Wesdome Ltd." or "the Company") is a gold producer engaged in mining and related activities including exploration, extraction, processing and reclamation. The Company's principal assets include the Eagle River Mine, the Mishi Mine and the Eagle River Mill located near Wawa, Ontario and the Kiena mining and milling complex and exploration properties located in Val D'Or, Quebec. The Company is a publicly traded company, continued under Part 1A of the Companies Act (Quebec) and its common shares are listed on the Toronto Stock Exchange (TSX: WDO). Wesdome's head office is located at 8 King Street East, Suite 1305, Toronto, ON, M5C 1B5.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements are presented in Canadian dollars ("Cdn $"), which is also the functional currency of the Company.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on August 1, 2013.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

(i) Reserves

Proven and probable reserves are the economically mineable parts of the Company's measured and indicated mineral resources that have been incorporated into the mine plan. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates 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.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Changes in the proven and probable reserves or measured, indicated and inferred mineral resources estimates may impact the carrying value of mining properties and equipment, depletion, impairment assessments and the timing of decommissioning and remediation obligations.

(ii) Depletion

Mining properties are depleted using the unit-of-production method ("UOP") over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves and measured and indicated resources.

Mobile and other equipment is depreciated, net of residual value over the useful life of the equipment but does not exceed the related estimated life of the mine based on proven and probable reserves and measured and indicated resources.

The calculation of the UOP rate, and therefore the annual depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

(iii) Provision for decommissioning obligations

The Company assesses its provision for decommissioning on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning obligations requires management to make estimates of the future costs the Company will incur to complete the decommissioning work required to comply with existing laws and regulations at each mining operation. Also, future changes to environmental laws and regulations could increase the extent of decommissioning work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for decommissioning. The provision represents management's best estimate of the present value of the future decommissioning obligation. The actual future expenditures may differ from the amounts currently provided.

(iv) Share-based payments

The determination of the fair value of share-based compensation is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Stock-based compensation incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates, and is adjusted if the actual forfeiture rate differs from the expected rate.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

(v) Deferred taxes
Preparation of the condensed interim consolidated financial statements requires an estimate of income taxes in each of the jurisdictions in which the Company operates. The process involves an estimate of the Company's current tax exposure and an assessment of temporary differences resulting from differing treatment of items, such as depreciation and depletion, for tax and accounting purposes. These differences result in deferred tax assets and liabilities that are included in the Company's condensed interim consolidated statements of financial position.

An assessment is also made to determine the likelihood that the Company's deferred tax assets will be recovered from future taxable income.

Judgment is required to continually assess changing tax interpretations, regulations and legislation, to ensure liabilities are complete and to ensure assets are realizable. The impact of different interpretations and applications could be material.

(vi) Recoverability of mining properties
The Company's management reviews the carrying values of its mining properties on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining properties depends on confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on life-of-mine ("LOM") plans in its assessments of economic recoverability and probability of future economic benefit. LOM plans provide an economic model to support the economic extraction of reserves and resources. A long-term LOM plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body.

(vii) Exploration and evaluation expenditures
Judgment is required in determining whether the respective costs are eligible for capitalization where applicable, and whether they are likely to be recoverable by future exploration, which may be based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available.

(viii) Equity component of convertible debentures
The convertible debentures are classified as liabilities, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the liability being less than its face value. The discount is being accreted over the term of the debentures, utilizing the effective interest method which approximates the market rate at the date the debentures were issued. Management uses its judgment to determine an interest rate that would have been applicable to non-convertible debt at the time the debentures were issued.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(ix) Inventory – ore stockpile

Expenditures incurred and depletion of assets used in mining and processing activities are deferred and accumulated as the cost of ore maintained in stockpiles. These deferred amounts are carried at the lower of cost or NRV. Impairments of ore in stockpiles resulting from NRV impairments are reported as a component of current period costs.

The allocation of costs to ore in stockpiles and the determination of NRV involve the use of estimates. There is a high degree of judgment in estimating future milling costs, future milling levels, prevailing and long-term gold and silver prices, and the ultimate estimated recovery for ore.

4. CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2013. These changes were made in accordance with the applicable transitional provisions.

IFRS 10 – Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, *"Consolidated Financial Statements*", to replace IAS 27, *"Consolidated and Separate Financial Statements",* and SIC 12, *"Consolidation – Special Purpose Entities"*. The new consolidation standard changes the definition of control so that the same criteria apply to all entities, both operating and special purpose entities, to determine control. The revised definition focuses on the need to have both power and variable returns before control is present. The Company determined that the adoption of IFRS 10 did not result in any change in the financial statements.

IFRS 11 – Joint Arrangements

In May 2011, the IASB issued IFRS 11, *"Joint Arrangements*", to replace IAS 31, *"Interests in Joint Ventures".* The new standard defines two types of arrangements: Joint Operations and Joint Ventures. The focus of the standard is to reflect the rights and obligations of the parties involved in the joint arrangement, regardless of whether the joint arrangement operates through a separate legal entity. Joint arrangements that are classified as joint ventures are accounted for using the equity method of accounting. Joint arrangements that are classified as joint operations require the venturers to recognize the individual assets, liabilities, revenues and expenses to which they have legal rights or are responsible. The Company determined that the adoption of IFRS 11 did not result in any change in the financial statements.

IFRS 12 – Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 *"Disclosure of Interests in Other Entities",* to create a comprehensive disclosure standard to address the requirements for subsidiaries, joint arrangements and associates including the reporting entity's involvement with other entities. It also includes the requirements for unconsolidated structured entities (i.e. special purpose entities). The adoption of IFRS 12 did not result in any change in disclosure in the financial statements.

4. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 13 – Fair Value Measurement
In May 2011, the IASB issued IFRS 13 *"Fair Value Measurement*", as a single source of guidance for all fair value measurements required by IFRS to reduce the complexity and improve consistency across its application. The standard provides a definition of fair value and guidance on how to measure fair value as well as a requirement for enhanced disclosures. The adoption of IFRS 13 did not result in any change in disclosure in the financial statements.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
In October 2011, the IASB issued IFRIC 20 *"Stripping Costs in the Production Phase of a Surface Mine"*. IFRIC 20 provides guidance on the accounting for the costs of stripping activities during the production phase of surface mining when two benefits accrue to the entity as a result of the stripping: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. We have adopted IFRIC 20, effective January 1, 2013. As there was no stripping-related asset on the statement of financial position as at January 1, 2012, no adjustment was required as a result of the adoption of IFRIC 20.

5. UPCOMING CHANGES IN ACCOUNTING STANDARDS

IFRS 9 – Financial Instruments: Classification and Measurement
In November, 2009, the IASB issued IFRS 9 which proposes to replace IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories.

This standard is effective for the Company's annual year end beginning January 1, 2015. The Company will evaluate the impact of the change to its consolidated financial statements based on the characteristics of its financial instruments at the time of adoption.

Amendments to Other Standards
In addition, there have been amendments to existing standards, including IAS 27, "*Separate Financial Statements*" (IAS 27), and IAS 28, "*Investments in Associates and Joint Ventures*" (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. The Company is currently in the process of analyzing the impact of these amendments on the consolidated financial statements.

The IASB is expected to publish new IFRSs on the following topics in the near future. The Company will assess the impact of these new standards on the Company's operations as they are published:

- IAS 18 "*Revenue Recognition"*

6. RECEIVABLES

	June 30 2013	December 31 2012
Mining duties refunds and tax credits	**$ 411**	$ 412
Goods and services tax	**939**	3,340
Prepaids	**86**	91
Deposits	**150**	150
Proceeds from bullion sales	**1,265**	-
Other	**117**	305
	$ 2,968	$ 4,298

7. INVENTORY

	June 30 2013	December 31 2012
Gold bullion	**$ 11,550**	$ 13,287
Supplies	**2,962**	3,166
Ore stockpiles	**4,458**	3,180
	$ 18,970	$ 19,633

8. RESTRICTED FUNDS

	June 30 2013	December 31 2012
Relating to mine closure plans (Note 14)	**$ 1,975**	$ 1,966
Relating to hydro deposit	**415**	415
Relating to finance leases/equipment rental	**200**	200
	2,590	2,581
Less current portion	**200**	200
	$ 2,390	$ 2,381

Funds are being held in Guaranteed Investment Certificates at interest rates ranging from 0.89% to 0.90% (2012: 0.89% to 0.95%) maturing to November, 2013.

9. MINING PROPERTIES, PLANT AND EQUIPMENT

Gross Carrying Amount	Eagle River Complex	Kiena Mine Complex	Total
Balance, December 31, 2011	$ 44,941	$ 88,822	$ 133,763
Additions	6,294	4,728	11,022
Disposals	(38)	-	(38)
Impairment charges (Note 10)	-	(60,948)	(60,948)
Change in decommissioning provision	521	377	898
Balance, December 31, 2012	51,718	32,979	84,697
Additions	**4,776**	**633**	**5,409**
Disposals	**(29)**	**-**	**(29)**
Impairment charges (Note 10)	**-**	**(633)**	**(633)**
Balance, June 30, 2013	**$ 56,465**	**$ 32,979**	**$ 89,444**

9. MINING PROPERTIES, PLANT AND EQUIPMENT (continued)

Accumulated Depletion	Eagle River Complex	Kiena Mine Complex	Total
Balance, December 31, 2011	$ (15,926)	$ (27,723)	$ (43,649)
Depletion	(4,582)	(3,785)	(8,367)
Balance, December 31, 2012	(20,508)	(31,508)	(52,016)
Depletion	**(3,278)**	**(5)**	**(3,283)**
Balance, June 30, 2013	**$ (23,786)**	**$ (31,513)**	**$ (55,299)**
Carrying Amount, December 31, 2011	$ 29,015	$ 34,633	$ 90,114
Carrying Amount, December 31, 2012	$ 31,210	$ 1,471	$ 32,681
Carrying Amount, June 30, 2013	**$ 32,679**	**$ 1,466**	**$ 34,145**

Eagle River Complex
The Eagle River Mine complex consists of the Eagle River Mine, the Mishi Mine and the Eagle River Mill and all related infrastructure and equipment.

The Eagle River Mine is subject to a 2% net smelter return royalty payable to the original vendors of the property.

The Mishi Mine is subject to royalty payments of $1 per tonne for open pit mining and $2 per tonne for underground mining in respect of ore mined and milled from the underlying claims in excess of 700,000 tonnes. Ore milled to date totals 208,748 tonnes.

Kiena Mine Complex
The Kiena Mine complex consists of the Kiena Mine concession, Kiena Mill, related infrastructure and equipment and 165 mining claims in the Township of Dubuisson, Quebec.

10. IMPAIRMENT

During the year ended December 31, 2012, the Company recorded impairment charges aggregating $61.9 million, comprised of $60.9 million at the Kiena Mine Complex and $1.0 million at Pukaskwa (Note 11).

The fact that the Company's market capitalization was below the book value of the net assets on the balance sheet was considered an indicator of impairment.

As a result of the amount of uncertainty in estimating the value of the Kiena Mine Complex, the Company determined that the FVLCTS of the property is equal to its residual value which consists of the salvage value of its equipment. This was determined to be appropriate as there are currently no bids for the property, and no comparable transactions in the market. Furthermore, the current best estimate of the fair value to an acquirer would be the salvage value of the equipment.

Subsequent to year-end, 2012, the Company received a report based on a preliminary LOM study which confirmed the estimated FVLCS and cast doubt on the current economic viability of the Kiena Mine Complex. As a result of the report, the Company decided on March 7, 2013, that it would suspend mining operations at the Kiena Mine Complex by June 30, 2013. Consequently, the Company incurred an additional impairment charge of $0.6 million relating to development costs incurred between December 31, 2012 and March 7, 2013.

11. EXPLORATION PROPERTIES

	Wesdome Group	Moss Lake	Magnacon	Pukaskwa	Total
Balance, December 31, 2011	$ 24,793	$ 3,109	$ 2,034	$ 950	$ 30,886
Exploration expenditures	-	218	-	-	218
Impairment charge (Note 10)	-	-	-	(950)	(950)
Balance, December 31, 2012	$ 24,793	$ 3,327	$ 2,034	$ -	$ 30,154
Exploration expenditures	**-**	**243**	**-**	**-**	**243**
Balance, June 30, 2013	**$ 24,793**	**$ 3,570**	**$ 2,034**	**$ -**	**$ 30,397**

The Wesdome Group Properties

The Wesdome Group Properties include the Wesdome, Shawkey, Siscoe and Siscoe-Extension, Mine École, Lamothe, Lamothe-Extension, Yankee Clipper and Callahan properties. These properties, in conjunction with the mining property Kiena Mine complex, are contiguous and are integrated into the Company's long-term strategy of progressive exploration and development from a central infrastructure.

Wesdome property

The Company has a 100% interest in this property which consists of 51 claims totalling 2,003 acres and is located under de Montigny Lake in Vassan and Dubuisson Townships, Quebec and is contiguous to the Kiena Mine complex. The property is subject to a 1% net smelter royalty.

Shawkey properties

The Company has a 100% interest in the Shawkey and the Shawkey South properties, which are contiguous to the Kiena Mine complex and consist of four mining concessions and three mining claims, respectively, in Dubuisson Township, Quebec.

Siscoe and Siscoe-Extension properties

The Siscoe property is located in Dubuisson and Vassan Townships, Quebec and consists of two mining concessions. The Siscoe-Extension property consists of 13 contiguous claims. These properties are contiguous to the Kiena Mine complex.

The Company owns a 100% interest in the Siscoe property and a 75% interest in the Siscoe-Extension property. The original vendor of these properties retains a 3% net smelter return royalty of which 1% can be purchased for $500,000.

Mine École property

The Mine École property is located in Dubuisson Township and consists of 23 claims located southeast and contiguous to the Shawkey property.

Other properties

Other properties consist of interests in the Lamothe, Lamothe-Extension, Yankee Clipper and Callahan properties which are contiguous to the Wesdome property.

The Lamothe and Callahan properties are subject to a 1% net smelter royalty and 8 of the 10 claims comprising the Yankee Clipper property are subject to a 2% net profits royalty.

11. EXPLORATION PROPERTIES (continued)

Moss Lake Properties
The Moss Lake property is owned by Moss Lake Gold Mines Ltd. ("MLGM") which is obligated to pay underlying advance royalties of $5,469 per quarter to the vendors of the Moss Lake property until commercial production is achieved. Upon commencement of commercial production, the property is subject to an 8.75% net profits royalty, as defined, to these underlying vendors in lieu of the underlying advance royalty.

MLGM owns a 100% interest in the Fountain Lake property which consists of 149 mining claims contiguous to the Moss Lake property to the east, west and south. This property is subject to a 2.5% net smelter return royalty payable to certain original vendors of the property. This royalty is subject to a buyback clause whereby the royalty may be reduced to a 1.5% net smelter return for consideration of $1.0 million.

Magnacon Properties
In 2000, the Company acquired a 75% joint venture interest in the Magnacon properties located adjacent to the Eagle River Mill and entered into a joint venture agreement with the two companies holding the remaining 25% interest. Subsequently, the joint venture partners' interest was reduced to approximately 22.72%. In June 2009, the Company purchased the joint venture partners' interest for $750,000 and an additional 1% net smelter royalty. The Company owns 100% of the Magnacon properties which are subject to net smelter royalties of 1.5% on the Magnacon property and 2% on the adjacent property.

Pukaskwa Properties
In June 2009, the Company entered into an exploration and option agreement to earn up to a 60% interest in the Pukaskwa claims located 15 kilometres west of the Eagle River Mill. By spending or causing to be spent $1.5 million before June 30, 2012, the Company would have earned a 30% undivided working interest in the claims. The Company paid $25,000 to the owner upon closing and has written-off the carrying amount of the property as it did not spend the required $1.5 million by June 30, 2012.

12. OBLIGATIONS UNDER FINANCE LEASES

The Company leases, with options to purchase, certain mining equipment. Future minimum payments under finance leases, together with the balance of the obligations under finance leases are as follows:

	June 30 2013	December 31 2012
Not later than one year	**$ 778**	$ 921
Later than one year and not later than five years	**365**	694
Total minimum lease payments	**1,143**	1,615
Less: Interest portion at the weighted average of 5.20% (2012: 5.33%)	**42**	76
Total obligations under capital leases, secured by equipment	**1,101**	1,539
Less:Current portion	**761**	898
Long-term portion	**$ 340**	$ 641

12. OBLIGATIONS UNDER FINANCE LEASES (continued)

The cost of equipment under finance leases at June 30, 2013 is $3,085,000 (2012: $3,573,000) with related accumulated depreciation of $1,071,000 (2012: $1,002,000). These assets are included in mining properties and equipment.

13. CONVERTIBLE 7% DEBENTURES

The following table summarizes the changes in the liability and equity components of the convertible debentures during the six months ended June 30, 2013, and year ended December 31, 2012.

Liability component	June 30 2013	December 31 2012
Balance, beginning of period	**$ 5,760**	$ 10,726
Accretion	**114**	205
Redemption of convertible debentures	**-**	(10,931)
	5,874	-
Issuance of convertible debentures	**-**	5,617
Accretion	**-**	143
Balance, end of period	**$ 5,874**	$ 5,760

Equity component	June 30 2013	December 31 2012
Balance, beginning of period	**$ 870**	$ 1,970
Redemption of convertible debentures	-	(1,970)
	870	-
Issuance of convertible debentures	**-**	870
Balance, end of period	**$ 870**	$ 870

On May 30, 2007, the Company completed a private placement of senior unsubordinated convertible debentures in the amount of $11,539,000. The debentures were convertible into common shares of the Company at $3.25 per common share until the maturity date of May 31, 2012, at which point they were redeemed by the Company.

On May 24, 2012, the Company completed a $7,021,000 non-brokered private placement of unsubordinated convertible debentures. The debentures mature on May 31, 2017, bearing interest at 7% per annum payable semi-annually, convertible into common shares of the Company at $2.50 per common share. The net proceeds of $6,821,000 of the new convertible debentures were used towards the redemption of the existing convertible debentures that matured on May 31, 2012.

The liability components of these debentures were calculated, at the dates of issuance, as the present value of the principal and interest, at a rate approximating the interest rate that would have been applicable to non-convertible debt at the dates the debentures were issued. The liability components were recorded at amortized cost and accreted to the principal amounts over the term of the convertible debentures by charges to interest expense using an effective interest rate of 12.50% and 13.92%, respectively, for the debentures maturing on May 31, 2017 and May 31, 2012.

13. CONVERTIBLE 7% DEBENTURES (continued)

The carrying value of the conversion option, $870,000, which is net of issuance costs ($57,000) and deferred income tax ($334,000) has been recorded as a separate component in shareholders' equity.

At June 30, 2013, the face value of debentures available for conversion at $2.50 totalled $7,021,000.

14. PROVISIONS

The Company is committed to a program of environmental protection at its operating mines, development projects and exploration sites. The Eagle River ore and waste rocks are not acid generating which minimizes the environmental risks of mining. Although the ultimate amount of decommissioning costs is uncertain, the Company estimates its future decommissioning costs for the Eagle River Mine, Mishi Mine and the mill to be about $1.5 million and the Kiena mining and milling complex to be about $1.4 million. The Company has provided $2.0 million standby letters of credit to be held against these future environmental obligations.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of mining properties:

Balance, December 31, 2011	$ 1,593
Accretion expense	54
Change in decommissioning provision	898
Balance, December 31, 2012	2,545
Accretion expense	**43**
Balance, June 30, 2013	**$ 2,588**

As a result of increased activity at the Eagle River Mishi Mine, the Company was required to increase its decommissioning provision. The decommissioning provision is based on current reserve estimates, forecasted production and estimated future cash flows underlying the obligation. The risk adjusted interest rate employed was 3.36%. The obligation will be accreted to $3.0 million over the next 4 to 5 years.

15. CAPITAL STOCK

Authorized:
The authorized capital of the Company consists of an unlimited number of common shares without par value.

	Shares	Amount
Issued:		
Balance, December 31, 2011	101,908,159	$ 122,685
Shares purchased under NCIB	(28,500)	(34)
Balance, December 31, 2012	101,879,659	122,651
Shares purchased under NCIB	**(91,200)**	**110**
Balance, June 30, 2013	**101,788,459**	**$ 122,541**

On August 5, 2011, the Company received approval from the TSX for another NCIB. The bid allowed the Company to purchase, on the open market, up to 9,999,409 of its common shares for cancellation over a period of one year to end on August 7, 2012. The Company purchased for cancellation a total of 85,700 common shares under this NCIB with a carrying value of $103,000 for total cash consideration of $141,000. When the cash cost is less than the carrying amount the difference is charged to contributed surplus; when it is greater it is charged to contributed surplus to the extent there is a balance related to share repurchases, with any remainder charged to retained earnings.

On March 4, 2013, the Company received approval from the TSX for an NCIB. The bid will allow the Company to purchase on the open market, up to 9,983,346 of its common shares and $351,000 principal amount of its convertible debentures (Note 13) for cancellation over a period of one year to end on March 5, 2014. As at June 30, 2013, the Company purchased for cancellation a total of 91,200 common shares under this NCIB with a carrying value of $109,794 for total cash consideration of $50,517.

16. COMMON SHARE PURCHASE PLAN

The Company has an equity settled common share purchase plan under which the Board of Directors may grant options to purchase common shares to qualified directors, officers, employees and consultants providing on-going services to the Company or any subsidiary of the Company. All options granted have a five year life with vesting periods based on the size of the option grant and at prices equal to the closing price for the day immediately preceding the date the options were granted. The maximum aggregate number of common shares under option at any time pursuant to the Plan is set at 5,000,000 of which 3,247,000 are available to be issued.

The following table reflects the continuity for the three and six months ended June 30, 2013 and 2012, of options granted under the plan.

16. COMMON SHARE PURCHASE PLAN (continued)

	Three Months Ended June 30, 2013		**Six Months Ended June 30, 2013**	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Stock options outstanding, beginning of period	**1,773,000**	**2.03**	**1,608,000**	**2.17**
Granted	**50,000**	**0.56**	**235,000**	**0.82**
Expired/forfeited	**(70,000)**	**2.35**	**(90,000)**	**2.33**
Stock options outstanding, end of period	**1,753,000**	**1.98**	**1,753,000**	**1.98**

	Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Stock options outstanding, beginning of period	1,828,000	2.19	1,730,500	2.25
Granted	50,000	1.33	185,000	1.48
Expired/forfeited	-	-	(37,500)	2.24
Stock options outstanding, end of period	1,878,000	2.17	1,878,000	2.17

	Outstanding Options			Exercisable Options	
Range of exercise prices	Number outstanding	Weighted average remaining life	Weighted average exercise price	Number exercisable	Weighted average exercise price
		(years)	$		$
less than $1.00	493,000	4.20	0.83	293,000	0.83
$1.00 - $1.50	170,000	3.27	1.40	80,000	1.36
$1.51 - $2.00	125,000	2.47	1.80	95,000	1.78
$2.01 - $2.50	240,000	2.52	2.40	174,000	2.40
$2.51 - $3.00	725,000	2.71	2.78	485,000	2.77
	1,753,000	3.14	1.98	1,127,000	2.03

16. COMMON SHARE PURCHASE PLAN (continued)

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. For the three and six months ended June 30, 2013 and June 30, 2012, grant date fair value indicated was based on the following factors:

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Weighted average fair value, per option ($)	**0.32**	0.79	**0.46**	0.86
Weighted average risk-free interest rate (%)	**1.21**	1.62	**1.30**	1.30
Weighted average volatility (%)	**69.2**	66.8	**67.8**	66.2
Expected life (years)	**5.0**	5.0	**5.0**	5.0

The estimated fair value of the options granted is expensed over the vesting period. The fair value compensation and contributed surplus relating to stock options for the six months ended June 30, 2013 was $202,000 (2012: $352,000). The average fair value of the common shares during the six month period was $0.64 (2012: $1.48).

17. EARNINGS PER SHARE AND DIVIDENDS

Basic earnings per share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury method of calculating the weighted average number of common shares outstanding, except the if-converted method is used in assessing the dilution impact of convertible notes. The treasury method assumes that outstanding stock options with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period. The if-converted method assumes that all convertible notes have been converted in determining diluted EPS if they are in-the-money except where such conversion would be anti-dilutive.

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Income available to common shareholders	**$ 54**	$ 737	**$ 62**	$ 468
Weighted average number of shares, basic	**101,847,168**	101,881,461	**101,863,324**	101,894,224
Dilutive securities				
Options	**-**	7,380	**6,583**	104,204
Weighted average number of shares, diluted	**101,847,168**	101,888,841	**101,869,907**	101,998,428
Basic earnings per share	**$ 0.00**	$ 0.01	**$ 0.00**	$ 0.00
Diluted earnings per share	**$ 0.00**	$ 0.01	**$ 0.00**	$ 0.00
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect:				
Options	**1,753,000**	1,840,000	**1,703,000**	1,750,000
Convertible debentures	**2,808,400**	2,808,400	**2,808,400**	2,808,400

18. EMPLOYEE BENEFITS

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Salaries and short-term employee benefits	**$ 7,857**	$ 9,183	**$ 17,186**	$ 17,958
Post employment benefits	**161**	201	**339**	375
	8,018	9,384	**17,525**	18,333
Share-based compensation	**56**	103	**202**	277
	$ 8,074	$ 9,487	**$ 17,727**	$ 18,610

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Salaries and employee benefits expensed to mining and processing costs	**$ 7,663**	$ 8,870	**$ 16,382**	$ 16,896
Employee benefits capitalized	**411**	617	**1,345**	1,714
	$ 8,074	$ 9,487	**$ 17,727**	$ 18,610

19. RELATED PARTY INFORMATION

Key management of the Company are its Board of Directors and members of executive management. Key management personnel remuneration includes the following expenses:

	Three months ended June 30		Six months ended June 30	
	2013	2012	**2013**	2012
Salaries and short-term employee benefits	**$ 313**	$ 302	**$ 678**	$ 623
Post employment benefits	**12**	10	**24**	22
Fair value of share-based compensation	**50**	209	**131**	335
	$ 375	$ 521	**$ 833**	$ 980

In fiscal 2013, the Company paid $33,542 in directors' fees (2012: $55,500) to companies whose managing partners are directors of the Company.

20. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

Financial instruments disclosures requires the Company to provide information about: a) the significance of financial instruments for the Company's financial position and performance and, b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the statement of financial position date, and how the Company manages those risks.

Financial Instruments – Fair Values
Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

	June 30, 2013		December 31, 2012	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Convertible 7% debentures – new issue	**$ 7,021**	**$ 5,968**	$ 7,021	$ 7,021

Determination of Fair Value
The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the consolidated statements of financial position as follows:

Cash and restricted funds – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Receivables – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Other financial liabilities – Payables and accruals and the convertible 7% debentures are carried at amortized cost. The carrying amount of payables and accruals approximates fair value due to the short maturity of these financial instruments. The fair value of the convertible 7% debentures is based on the quoted market price.

The fair value hierarchy for financial instruments measured at fair value is Level 1 for marketable securities. The Company does not have Level 2 or Level 3 inputs.

Financial Risk Management
The Company is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include: (1) market risks relating to commodity prices, foreign currency risk and interest rate risk; (2) liquidity risk; and, (3) credit risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and establishes and monitors risk management policies to: identify and analyze the risks faced by the Company; to set appropriate risk limits and controls; and to monitor risks and adherence to market conditions and the Company's activities.

20. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

1) Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Company's financial assets and liabilities include commodity price risk, foreign currency exchange risk and interest rate risk.

(a) Commodity price risk

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the six months ended June 30, 2013.

(b) Foreign currency exchange risk

The Company's revenue is exposed to changes in foreign exchange rates as the Company's primary product, gold, is priced in U.S. dollars. The Company had no forward exchange rate contracts in place and no foreign currency holdings as at or during the six months ended June 30, 2013.

(c) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash includes highly liquid investments that earn interest at market rates and interest paid on the Company's convertible debentures is based on a fixed interest rate. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short-term to maturity of the investments held.

2) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company believes it has access to sufficient capital through internally generated cash flows and equity and debt capital markets. Senior management is also actively involved in the review and approval of planned expenditures.

The following table shows the timing of cash outflows relating to payables and accruals, finance leases and convertible debentures:

June 30, 2013

(in thousands)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables & accruals	**$10,622**	**-**	**-**	**-**
Finance leases	**$ 761**	**$ 340**	**-**	**-**
Convertible debentures	**$ 491**	**$ 883**	**$ 7,431**	**-**

December 31, 2012

(in thousands)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables & accruals	$13,996	-	-	-
Finance leases	$ 921	$ 695	-	-
Convertible debentures	$ 491	$ 983	$ 7,675	-

20. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

3) Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company minimizes its credit risk by selling its gold exclusively to financial institutions with forty-eight hour terms of settlement. The Company's receivables consist primarily of government refunds and credits. The Company estimates its maximum exposure to be the carrying value of cash, receivables and funds held against standby letters of credit.

The Company manages credit risk by maintaining bank accounts with Schedule 1 Canadian banks and investing only in Guaranteed Investment Certificates. The Company's cash is not subject to any external limitations.

21. SUPPLEMENTAL CASH FLOW INFORMATION

Six months ended June 30	**2013**	2012
Net changes in non-cash working capital		
Operating activities		
Receivables	**$ 850**	$ (132)
Payables and accruals	**(2,699)**	2,722
Income taxes payable	**-**	29
Gold inventory	**(468)**	(884)
Supplies and other	**164**	(47)
	$ 2,153	$ 1,688
Investing activities		
Receivables	**$ 480**	$ (11)
Payables and accruals	**(675)**	680
Supplies and other	**41**	(11)
	$ (154)	$ 658

22. INDEMNITIES

The Company has agreed to indemnify its directors and officers, and certain of its employees in accordance with the Company's by-laws. The Company maintains insurance policies that may provide coverage against certain claims.

23. CAPITAL RISK MANAGEMENT

The Company's objectives of capital management are intended to safeguard its ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in equity net of cash and cash equivalents:

	June 30 2013	December 31 2012
Total equity	**$ 85,156**	$ 84,988
Cash and cash equivalents	**(1,481)**	(4,633)
Capital	**$ 83,675**	$ 80,355

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust its capital structure, the Company may issue new shares, issue new debt or issue new debt to replace existing debt with different characteristics.

There is no restriction on the ability of the Company to pay dividends other than cash flow considerations. Dividend payments in the future will depend on the Company's ability to generate earnings.

To effectively manage its capital investments, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has sufficient liquidity to meet its operating and growth objectives.

The Company expects its current capital resources and projected cash flow from continuing operations to support further exploration and development of its mineral properties.

Neither the Company nor its subsidiaries are subject to any externally imposed capital requirements such as loan covenants or capital ratios.

There were no changes to the Company's approach to capital management during the current period.