



WESDOME GOLD MINES LTD.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2014

MESSAGE TO SHAREHOLDERS

Good grades and strong cash flow continued in the second quarter, 2014, despite a one month milling suspension. This really highlights the strength of our assets and our operating team.

For the first half of the year cash flow from operations totalled \$13.5 million and net income of \$7.1 million was recorded. We expect to continue building our cash position through the rest of the year. We are also aggressively investing in underground development, diamond drilling and mill infrastructure with the goal of expanding mine life and optimizing future production rates and costs.

Year to date, working capital has grown from \$8.5 million to \$13.6 million solely due to profitable mine operations. This is a satisfying response to a gold price that declined 30% last year, an extremely harsh winter and a water-logged spring. A very good start to the year under challenging conditions and the team's demonstrated ability to adapt rapidly to changing gold prices and market conditions gives one a lot of confidence and pride.

We are increasing our annual production forecast to 52,000 ounces.

On behalf of the Board,

Rolly Uloth
President and CEO

July 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter Report June 30, 2014

The following Management's Discussion and Analysis ("MD&A") dated July 31, 2014 should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the six months ended June 30, 2014, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2013, and the related annual MD&A.

The unaudited condensed interim consolidated financial statements and the accompany notes are prepared in accordance with International Accounting Standard ("IAS") 34 – "*Interim Financial Reporting*" as issued by the International Accounting Standards Board ("IASB").

The information contained in this MD&A is current to July 31, 2014, unless otherwise noted. There have been no material changes to disclosures as contained in the "Significant Judgment and Sources of Estimation Uncertainty", "Financial Instruments – Disclosure and Presentation" or "Risks and Uncertainties" sections of the Company's MD&A for the year ended December 31, 2013.

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 financial information relating to Wesdome, including the Company's Annual Information Form, can be found on the Company's website www.wesdome.com or on the SEDAR website for Canadian regulatory filings at 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 AND NON-IFRS PERFORMANCE MEASURES

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.

The Company has included in this report certain non-IFRS performance measures, including, but not limited to, mine operating profit, mining and processing costs and cash costs. Cash 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.

OVERALL PERFORMANCE HIGHLIGHTS

At June 30, 2014, the Company had \$13.6 million in working capital, compared to \$8.5 million as at December 31, 2013. During the first half of 2014, revenue exceeded operating costs by \$16.1 million and \$7.8 million in capital investments were made. Cash flow from operations totalled \$13.5 million and net income of \$7.1 million was recorded.

In the second quarter, 13,590 ounces of gold were produced and 11,179 ounces were sold. Overall, the Eagle River Complex produced 49% more gold in the current quarter than the same period in 2013. Total cash costs per ounce decreased 30% to average \$859 (\$788USD) per ounce for the period, compared to \$1,218 (\$1,190USD) during the same period last year. As at June 30, 2014, the Company had 7,190 ounces of gold inventory, compared to 7,034 ounces as at December 31, 2013.

With our goals of expanding mine life while optimizing future production rates and costs, we are investing aggressively in diamond drilling, underground development, and mill refurbishment and upgrades. In addition, a new tailings management area is being designed, permitted and constructed to improve our costs, gold processing and environmental performances over the next two decades under current production rates.

During the second quarter, 2014, milling operations were suspended in May to control spring run-off. This resulted in only limited production from Mishi during the quarter, all sourced from the Mishi ore stockpile. Also, during the second quarter, the Canadian dollar gold price declined by about \$50 per ounce compared to the first quarter, 2014, resulting in a \$0.6 million reduction in bullion revenue.

RESULTS OF OPERATIONS

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
<i>Eagle River Mine</i>				
Tonnes mined and milled	31,713	23,068	62,199	51,029
Recovered grade (g/t)	13.1	11.0	13.1	11.3
Production (oz)	13,386	8,194	26,134	18,516
<i>Mishi Mine</i>				
Tonnes milled	3,014	8,338	15,041	19,748
Recovered grade (g/t)	2.1	3.5	2.5	3.4
Production (oz)	204	935	1,186	2,139
Surface stockpile (tonnes)	66,402	84,232	66,402	84,232
<i>Total Eagle River Complex</i>				
Tonnes milled	34,727	31,406	77,240	70,777
Production (oz)	13,590	9,129	27,320	20,655
Sales (oz)	11,179	14,400	27,164	24,400
Gold price realized (\$CAD/oz)	1,398	1,447	1,427	1,546
Bullion revenue (\$000) †	16,044	20,863	39,177	37,332
Mining and processing costs (cost of sales) (\$000)	(9,681)	(18,079)	(23,092)	(27,525)
Mine operating profit (\$000)	6,363	2,784	16,085	9,807

† Bullion revenue includes by-product silver sales and carbon smelter returns.

Eagle River Cash Cost Analysis (Production Basis)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Sales (oz)	11,179	14,400	27,164	24,400
Production (oz)	13,590	9,129	27,320	20,655
Cost of sales (\$000)	9,681	18,079	23,092	27,525
Inventory-related adjustments (\$000) ^{††}	1,992	(6,958)	2,005	(5,497)
Cash cost (\$000)	11,673	11,121	25,097	22,028
Cash cost (\$/oz CAD)	859	1,218	919	1,066
(\$/oz USD) ^{†††}	788	1,190	838	1,049

^{††} Inventory-related adjustments are adjustments made to cash costs in order for them to reflect the actual cash cost of production during the period.

^{†††} US\$ figures have been translated at the average exchange rate as quoted by the Bank of Canada over the given period.

Eagle River All-In Sustaining Costs

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Cash cost (\$/oz)	859	1,218	919	1,066
Royalties (\$/oz)	21	24	23	26
Corporate G&A (\$/oz)	46	75	48	65
Exploration, development and sustaining capital (\$/oz)	316	189	297	252
All-in sustaining cost (\$/oz CAD)	1,242	1,506	1,287	1,409
(\$/oz USD) ^{†††}	1,139	1,472	1,174	1,387

^{†††}US\$ figures have been translated at the average exchange rate as quoted by the Bank of Canada over the given period.

In the second quarter of 2014, bullion revenue exceeded costs of gold sales resulting in a mine operating profit of \$6.4 million, compared to \$2.8 million during the same period in 2013 at the Eagle River Complex. In addition to these direct operating costs, additional cash costs, including royalty payments, corporate and general costs, and interest payments amounted to \$1.5 million, which includes \$0.4 million of ongoing care and maintenance costs at the Kiena Mine Complex. Additionally, capital investments during the quarter totaled \$4.1 million.

The Eagle River Mine provided the bulk of millfeed producing 13,329 ounces of gold from 31,713 tonnes milled at an average recovered grade of 13.1 gAu/tonne. Mishi provided limited millfeed because the mill was down for one month to manage spring run-off.

This provided an opportunity to accelerate the mill refurbishment and expansion project. Significant upgrades include the installation of new drum filters and high density pumps. We expect significant increases in throughput and reliability in the second half of 2014.

Our goal is to progressively increase capacity and reliability of the mill and related infrastructure with low cost Mishi ore providing incremental increases in production. The key element over the medium term is construction of a new tailings management area. The permitting process is progressing, however, it is very difficult to predict precise timelines due to the complexity of regulatory oversight and process.

On June 27, 2014, we released results of shallow definition and stepout drilling at Mishi. Mineralization of potential economic merit has now been traced over a length of 1.75 kilometres and remains open in both directions. We have initiated scoping studies to assess the longer term potential of expanding resources, infrastructure and operations.

Overall, the second quarter, 2014, was satisfactory and generated free cash flow (cash flow from operations less capital investments) of \$1.1 million despite milling operations being suspended for one month. Year to date mining operations have generated \$5.7 million in free cash flow.

Summary of Quarterly Results

(in thousands except per share data)

	2014		2013	
	2 nd Quarter	1 st Quarter	4 th Quarter	3 rd Quarter
Total revenue	\$ 16,044	\$ 23,133	\$ 19,928	\$ 16,669
Net income (loss)	2,878	4,171	(1,782)	(2,095)
Earnings (loss) per share basic and diluted	0.03	0.04	(0.02)	(0.02)

	2013		2012	
	2 nd Quarter	1 st Quarter	4 th Quarter	3 rd 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

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2014, the Company had working capital of \$13.6 million compared to \$8.5 million at December 31, 2013. During the first half of 2014, capital expenditures totalled \$7.8 million compared to \$5.6 million in 2013. Capital expenditures were concentrated in underground development, mine and mill infrastructure. An additional \$1.6 million of equipment leasing contracts were signed.

The Company carries an inventory of gold. At June 30, 2014, this liquid asset consisted of 7,190 ounces of gold with a market value of approximately \$10.1 million. The gold inventory is carried at the lower of cost or market, in this case at a cost of \$8.4 million. Furthermore, the Mishi ore stockpile at the mill is estimated to contain about 5,400 ounces of recoverable gold, or approximately \$4.3 million, net of milling costs. Including these non-IFRS working capital adjustments, working capital would increase to approximately \$19.6 million.

<i>Calculation of adjusted working capital</i>	<i>(in millions)</i>
IFRS working capital	\$ 13.6
Adjustment of gold inventory to market value	1.7
<u>Gold in Mishi stockpile, net of milling costs</u>	<u>4.3</u>
<u>Adjusted working capital</u>	<u>\$ 19.6</u>

The Company believes it has sufficient liquidity to carry out its mining, development and exploration programs. With current gold prices, operations are capable of generating strong cash flow as evidenced by the recent quarterly results.

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

Contractual Obligations	Payments Due by Period (in thousands)				
	Total	Less than 1 year	1 – 2 years	3 – 5 years	After 5 years
Equipment leases	\$ 2,167	\$ 830	\$ 667	\$ 670	-
Convertible debentures	8,414	491	7,923	-	-
	<u>\$ 10,581</u>	<u>\$ 1,321</u>	<u>\$ 8,590</u>	<u>\$ 670</u>	<u>-</u>

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel and director compensation are comprised of the following:

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Salaries and short-term				
employee benefits	\$ 358	\$ 313	\$ 698	\$ 678
Post employment benefits	10	12	19	24
Share based payments	61	50	32	131
	\$ 429	\$ 375	\$ 749	\$ 833

In fiscal 2014, the Company paid a total of \$14,691 in director's fees and \$61,665 in consulting fees to the following companies, whose managing partners or presidents are directors of the Company. These services were incurred in the normal course of operations for attendance at committee and board meetings as well as general corporate matters. All services were made on terms equivalent to those that prevail with arm's length transactions.

Director's Fee

- Capital Inter A World Inc.: \$14,691 – Marc Blais, President

Consulting Fee

- The Rosedale Group: \$61,665 – Rolly Uloth, President

OUTLOOK

With production of more than 27,000 ounces of gold in the first half of 2014, our production guidance of 50,000 ounces for 2014 is revised upwards to 52,000 ounces. We expect greater volumes of lower grade ore in the second half of 2014 and more Mishi ore to be processed.

We are having a closer look at potential future expansion at Mishi given recent favourable drilling results.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical accounting estimates used by the Company are discussed in detail in the 2013 annual MD&A for the year ended December 31, 2013, under the heading “Significant Judgments and Sources of Estimation Uncertainty”, as well as the 2013 annual audited financial statements for the year ended December 31, 2013, in Note 4.

There have been no material changes to these estimates and judgments from December 31, 2013 up to the date of this MD&A.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company uses a mixture of cash, obligations under finance leases, convertible debentures, and equity to maintain an efficient capital structure and to ensure adequate liquidity exists to meet the cash needs of the business. The Company has classified its obligations under finance leases and convertible debentures as other financial liabilities measured at amortized cost.

The fair value of the obligations under finance leases are determined by calculating the discounted cash flows using market interest rates for financial instruments with similar characteristics. This fair value approximates the book value.

The fair value of the convertible debentures is determined with the quoted market price of the debentures, which are publicly traded.

The Company’s approach to managing its financial risks are discussed in detail in the 2013 annual MD&A for the year ended December 31, 2013. The Company continues not to hold any gold hedging or currency exchange contracts as at or during the six months ended June 30, 2014.

RISKS AND UNCERTAINTIES

Risks and uncertainties related to economic and industry factors and the Company’s approach to the management of these risks are discussed in detail in the 2013 annual MD&A for the year ended December 31, 2013.

SUMMARY OF SHARES ISSUED

As of July 31, 2014, the Company’s share information is as follows:

Common shares issued	<u>111,135,091</u>
Common share purchase options	<u>3,268,116</u>

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, 2014, 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, 2014, 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 except for per share amounts)

	June 30 2014	December 31 2013
Assets		
Current		
Cash and cash equivalents	\$ 8,253	\$ 5,651
Receivables (Note 5)	1,956	1,982
Inventory (Note 6)	12,365	10,757
	22,574	18,390
Restricted funds (Note 7)	3,005	2,994
Deferred income taxes	10,484	13,025
Mining properties, plant and equipment (Note 8)	40,221	35,118
Exploration properties (Note 10)	33,595	33,522
	\$ 109,879	\$ 103,049
Liabilities		
Current		
Payables and accruals	\$ 8,234	\$ 9,393
Current portion of obligations under finance leases (Note 11)	761	526
	8,995	9,919
Income taxes payable	22	22
Obligations under finance leases (Note 11)	1,278	380
Convertible debentures (Note 12)	6,124	5,996
Decommissioning provisions (Note 13)	2,481	2,434
	18,900	18,751
Equity		
Equity attributable to owners of the Company		
Capital stock (Note 14)	129,495	125,352
Contributed surplus	1,738	2,150
Equity component of convertible debentures (Note 12)	932	932
Deficit	(41,186)	(44,400)
	90,979	84,034
Non-controlling interest	-	264
Total equity	90,979	84,298
	\$ 109,879	\$ 103,049

Commitments (Note 19)

See accompanying notes to the condensed interim consolidated financial statements.

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

(Unaudited, expressed in thousands of Canadian dollars except for per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Revenue				
Gold and silver bullion	\$ 16,044	\$ 21,709	\$ 39,177	\$ 43,129
Operating expenses				
Mining and processing	9,681	18,108	23,092	35,809
Depletion of mining properties	1,263	2,862	3,296	4,220
Production royalties	289	212	635	531
Corporate and general	630	688	1,320	1,336
Share based payments (Note 15)	78	56	105	202
Kiena care and maintenance costs	377	-	844	-
Impairment charges (Note 9)	-	-	-	633
	12,318	21,926	29,292	42,731
Income (loss) from operations	3,726	(217)	9,885	398
Interest and other income	163	90	149	110
Interest on long-term debt	(204)	(196)	(396)	(393)
Other interest	-	(2)	(1)	(5)
Accretion of decommissioning provisions (Note 13)	(23)	(22)	(47)	(43)
Income (loss) before income tax	3,662	(347)	9,590	67
Income tax expense (recovery)				
Current	-	-	-	-
Deferred	784	(390)	2,541	58
	784	(390)	2,541	58
Net income and total comprehensive income	\$ 2,878	\$ 43	\$ 7,049	\$ 9
Net income (loss) and total comprehensive income (loss) attributable to:				
Non-controlling interest	\$ -	\$ (11)	\$ (26)	\$ (53)
Owners of the Company	2,878	54	7,075	62
	\$ 2,878	\$ 43	\$ 7,049	\$ 9
Basic and diluted earnings per share				
Basic (Note 16)	\$ 0.03	\$ 0.00	\$ 0.07	\$ 0.00
Diluted (Note 16)	\$ 0.03	\$ 0.00	\$ 0.06	\$ 0.00
Basic and diluted weighted average number of common shares (000)				
Basic (Note 16)	111,141	101,880	108,577	101,863
Diluted (Note 16)	111,515	101,920	108,914	101,870

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 except for per share amounts)

	Capital Stock	Contributed Surplus			Equity Component Convertible Debentures	Retained Earnings (Deficit)	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
		Share Based Payments	Share Repurchases	Dilution Gains					
Balance, December 31, 2012	\$ 122,651	\$ 1,171	\$ 375	\$ 513	\$ 870	\$ (41,009)	\$ 84,571	\$ 417	\$ 84,988
Net (loss) income for the period 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
Net loss for the six months ended December 31, 2013	-	-	-	-	-	(3,770)	(3,770)	(107)	(3,877)
Shares issued to acquire Windarra Minerals Ltd. (Note 14)	2,811	-	-	-	-	-	2,811	-	2,811
Value attributed to options expired	-	(198)	-	-	-	198	-	-	-
Share-based payments (Note 15)	-	147	-	-	-	-	147	-	147
Shares purchased under normal course issuer bid (Note 14)	-	-	(1)	-	-	-	(1)	-	(1)
Change in deferred liability of equity component of convertible debentures (Note 12)	-	-	-	-	62	-	62	-	62
Balance, December 31, 2013	125,352	1,203	434	513	932	(44,400)	84,034	264	84,298
Net income (loss) for the six months ended June 30, 2014	-	-	-	-	-	7,075	7,075	(26)	7,049
Shares issued to amalgamate Moss Lake Gold Mines Ltd. (Note 4)	4,117	-	-	-	-	-	4,117	-	4,117
Exercise of options	59	-	-	-	-	-	59	-	59
Value attributed to options exercised	21	(21)	-	-	-	-	-	-	-
Value attributed to options expired	-	(512)	-	-	-	512	-	-	-
Share based payments	-	105	-	-	-	-	105	-	105
Shares purchased under normal course issuer bid	(54)	-	16	-	-	-	(38)	-	(38)
Transfer of non-controlling interest (Note 4)	-	-	-	-	-	238	238	(238)	-
Change in equity due to Moss Lake amalgamation (Note 4)	-	-	-	-	-	(4,611)	(4,611)	-	(4,611)
Balance, June 30, 2014	\$ 129,495	\$ 775	\$ 450	\$ 513	\$ 932	\$ (41,186)	\$ 90,979	\$ -	\$ 90,979

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 except for per share amounts)

	Three Months Ended June 30		Six Months Ended June 30	
	2014	2013	2014	2013
Operating activities				
Net income	\$ 2,878	\$ 43	\$ 7,049	\$ 9
Depletion of mining properties	1,263	2,862	3,296	4,220
Accretion of discount on convertible debentures (Note 12)	65	58	128	114
Impairment charges (Note 9)	-	-	-	633
Loss on sale of equipment	34	-	58	2
Share based payments (Note 15)	78	56	105	202
Deferred income taxes	784	(390)	2,541	58
Interest paid	139	138	268	279
Accretion of decommissioning provisions	23	22	47	43
	5,264	2,789	13,492	5,560
Net changes in non-cash working capital (Note 18)	(612)	(957)	(1,625)	(2,153)
	4,652	1,832	11,867	3,407
Financing activities				
Funds paid to repurchase common shares under NCIB	(38)	(51)	(38)	(51)
Exercise of options	45	-	59	-
Share issue cost to acquire Moss Lake Gold Mines Ltd. minority shareholders	-	-	(494)	-
Repayment of obligations under finance leases	(226)	(221)	(450)	(438)
Interest paid	(139)	(138)	(268)	(279)
	(358)	(410)	(1,191)	(768)
Investing activities				
Additions to mining and exploration properties	(4,134)	(1,644)	(7,751)	(5,644)
Proceeds on sale of equipment	10	-	44	16
Funds held against standby letters of credit	(6)	(5)	(11)	(9)
	(4,130)	(1,649)	(7,718)	(5,637)
Net changes in non-cash working capital (Note 18)	208	(389)	(356)	(154)
	(3,922)	(2,038)	(8,074)	(5,791)
Increase (decrease) in cash	372	(616)	2,602	(3,152)
Cash, beginning of period	7,881	2,097	5,651	4,633
Cash, end of period	\$ 8,253	\$ 1,481	\$ 8,253	\$ 1,481

Supplemental disclosure (Note 18)

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, tabular amounts expressed in thousands of Canadian dollars except for per share amounts)
Six months ended June 30, 2014

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 Accounting Standard 34 – “*Interim Financial Reporting*” (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2013 and the Company’s unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2013, with the exception of the adoption of a new accounting standard, which was applicable from January 1, 2014 (Note 3). This amendment did not result in any change in the financial statements.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company’s condensed interim consolidated financial statements are consistent with those applied and disclosed in Note 4 to the Company’s consolidated financial statements for the year ended December 31, 2013.

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 July 31, 2014.

Wesdome Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited, tabular amounts expressed in thousands of Canadian dollars except for per share amounts)
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3. IMPACT OF CHANGES IN ACCOUNTING STANDARDS

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

IAS 32 – Financial Instruments: Presentation

In December, 2011, the IASB issued “*Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)*”. The standard amends IAS 32, “*Financial Instruments: Presentation*” to provide clarifications on the application of the offsetting rules. The Company determined that the adoption of the amendments to IAS 32 did not result in any change in the financial statements.

IFRIC 21 – Levies

In May, 2013, IASB issued IFRIC 21, “*Levies*”, an interpretation on the accounting for levies imposed by governments. IFRIC 21 is an interpretation of IAS 37, “*Provisions, Contingent Liabilities and Contingent Assets*”. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company determined that the adoption of IFRIC 21 did not result in any change in the financial statements.

4. AMALGAMATION OF MOSS LAKE GOLD MINES LTD.

On March 28, 2014, the Company acquired the remaining 43.2% of the outstanding minority held common shares of its subsidiary Moss Lake Gold Mines Ltd. (“MLGM”) in order to consolidate and clarify the ownership of the Company’s properties under one corporate entity. The shareholders of MLGM received 1 common share of Wesdome for every 3.85 common shares of MLGM. A total of 5,279,400 common shares were issued and valued at \$4,117,000.

The acquisition was accounted for as an equity transaction, which was recorded at a total amount of \$4,611,000.

The value of the equity issued to MLGM shareholders was calculated as follows:

Issuance of 5,279,400 shares	\$ 4,117
Accrued transaction costs	494
Total consideration	4,611
Transfer of non-controlling interest to deficit	(238)
Amount recognized in deficit, March 28, 2014	\$ 4,373

Pursuant to the amalgamation agreement, 883,116 stock options were issued by the Company to the former directors and officers of MLGM, representing the stock options of MLGM outstanding as at March 28, 2014, with figures adjusted accordingly for the exchange ratio between the Company and MLGM. These options were issued at a weighted average price of \$0.80, with a weighted average remaining life of 2.90 years. All the options were exercisable upon grant.

Wesdome Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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Six months ended June 30, 2014

5. RECEIVABLES

	June 30 2014	December 31 2013
Mining duties refunds and tax credits	\$ 412	\$ 412
Value added taxes	1,017	856
Prepays, deposits and receivables	527	714
	\$ 1,956	\$ 1,982

6. INVENTORY

	June 30 2014	December 31 2013
Gold in process	\$ 8,409	\$ 5,685
Supplies	1,568	1,401
Ore stockpiles	2,388	3,671
	\$ 12,365	\$ 10,757

Gold in process inventory consists of both gold doré and gold in process that is awaiting the completion of the final refining process, with the completion of the refining process into saleable gold conforming to London Bullion Market Association standard expected within one month of the financial statement date.

7. RESTRICTED FUNDS

	June 30 2014	December 31 2013
Relating to mine closure plans (Note 13)	\$ 2,590	\$ 2,579
Relating to hydro deposit	415	415
	\$ 3,005	\$ 2,994

Funds are being held in Guaranteed Investment Certificates at interest rates ranging from 0.9% to 1.1% (2013: 0.80% to 1.16%) maturing to February, 2015.

8. MINING PROPERTIES, PLANT AND EQUIPMENT

	Eagle River Mine Complex	Kiena Mine Complex	Total
Gross Carrying Amount			
Balance, December 31, 2012	\$ 51,718	\$ 32,979	\$ 84,697
Additions	9,917	633	10,550
Disposals	(256)	(1,051)	(1,307)
Impairment charge (Note 9)	-	(633)	(633)
Transfers	279	(279)	-
Balance, December 31, 2013	61,658	31,649	93,307
Additions	9,240	20	9,260
Disposals	(195)	(85)	(280)
Transfers	55	(55)	-
Balance, June 30, 2014	\$ 70,758	\$ 31,529	\$ 102,287

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8. MINING PROPERTIES, PLANT AND EQUIPMENT (continued)

Accumulated Depletion	Eagle River Mine Complex	Kiena Mine Complex	Total
Balance, December 31, 2012	\$ (20,508)	\$ (31,508)	\$ (52,016)
Depletion	(6,862)	(7)	(6,869)
Accumulated depletion on disposal	111	586	697
Balance, December 31, 2013	(27,259)	(30,929)	(58,188)
Depletion	(4,054)	(2)	(4,056)
Accumulated depletion on disposals	93	85	178
Balance, June 30, 2014	\$ (31,220)	\$ (30,846)	\$ (62,066)
Carrying Amount, December 31, 2012	\$ 31,210	\$ 1,471	\$ 32,681
Carrying Amount, December 31, 2013	\$ 34,398	\$ 720	\$ 35,118
Carrying Amount, June 30, 2014	\$ 39,538	\$ 683	\$ 40,221

9. IMPAIRMENT CHARGES

In the first quarter of 2013, the Company received a report based on a preliminary LOM study which confirmed the estimated FVLCS and cast doubt on the 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 recorded an impairment charge of \$0.6 million relating to development costs incurred between December 31, 2012 and March 7, 2013, and no further non-equipment costs related to the Kiena Mine Complex have been capitalized subsequent to March 7, 2013.

10. EXPLORATION PROPERTIES

	Wesdome Group	Moss Lake	Mishi Group	Total
Balance, December 31, 2012	\$ 24,793	\$ 3,327	\$ 2,034	\$ 30,154
Exploration expenditures	-	254	-	254
Windarra acquisition	-	-	3,114	3,114
Balance, December 31, 2013	24,793	3,581	5,148	33,522
Exploration expenditures	62	11	-	73
Balance, June 30, 2014	\$ 24,855	\$ 3,592	\$ 5,148	\$ 33,595

On March 28, 2014, the Company completed an amalgamation with Moss Lake Gold Mines Ltd. resulting in the Company having full 100% ownership of all its exploration properties. The transaction was accounted for as an equity transaction. Refer to Note 4 for additional details.

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11. 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 2014	December 31 2013
Not later than one year	\$ 830	\$ 524
Later than one year and not later than five years	1,337	405
Total minimum lease payments	2,167	929
Less: Interest portion at the weighted average of 4.32% (2013: 4.48%)	128	23
Total obligations under finance leases, secured by equipment	2,039	906
Less: Current portion	761	526
Long-term portion	\$ 1,278	\$ 380

The cost of equipment under finance leases at June 30, 2014 is \$2,560,000 (2013: \$3,315,000) with related accumulated depreciation of \$306,000 (2013: \$1,320,000). These assets are included in mining properties and equipment.

12. CONVERTIBLE DEBENTURES

The following table summarizes the changes in the liability and equity components of the convertible debentures bearing interest at 7% and maturing on May 31, 2017, during the six months ended June 30, 2014, and year ended December 31, 2013.

	June 30 2014	December 31 2013
Liability component		
Balance, beginning of period	\$ 5,996	\$ 5,760
Accretion	128	236
Balance, end of period	\$ 6,124	\$ 5,996
Equity component		
Balance, beginning of period	\$ 932	\$ 870
Change in deferred income tax liability	-	62
Balance, end of period	\$ 932	\$ 932

At June 30, 2014, the face value of debentures available for conversion at \$2.50 totalled \$7,021,000.

Wesdome Gold Mines Ltd.

Notes to the Condensed Interim Consolidated Financial Statements

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13. DECOMMISSIONING PROVISIONS

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, 2012	\$ 2,545
Accretion expense	(111)
Change in decommissioning provision	-
Balance, December 31, 2013	2,434
Accretion expense	47
Balance, June 31, 2014	\$ 2,481

14. 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, 2012	101,879,659	\$ 122,651
Shares purchased under Normal Course Issuer Bid	(91,200)	(110)
Shares issued to acquire Windarra Minerals Ltd.	4,014,732	2,811
Balance, December 31, 2013	105,803,191	125,352
Exercise of options	100,000	80
Shares purchased under Normal Course Issuer Bid	(46,000)	(54)
Shares issued to acquire Moss Lake Gold Mines Ltd. (Note 4)	5,279,400	4,117
Balance, June 30, 2014	111,136,591	\$ 129,495

15. 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. Prior to January 13, 2014, all options granted had 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.

On January 13, 2014, the Board of Directors approved a New Stock Option Plan. Under the terms of the New Stock Option Plan, all options will continue to 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 New Stock Option Plan will be 10% of the issued and outstanding common shares at the time of the grant.

No options were granted under the previous stock option plan between December 31, 2013, and January 13, 2014. As at June 30, 2014, 7,860,543 options to purchase common shares were available for grant under the New Stock Option plan.

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15. COMMON SHARE PURCHASE PLAN (continued)

The following table reflects the continuity for the three and six months ended June 30, 2014 and 2013, of options granted under the plans.

	Three Months Ended June 30, 2014		Six Months Ended June 30, 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Stock options outstanding, beginning of period	3,328,116	1.09	2,205,000	1.50
Granted	210,000	0.84	750,000	0.72
Options issued resulting from amalgamation with Moss Lake (Note 4)	-	-	883,116	0.80
Exercised	(75,000)	0.60	(100,000)	0.59
Expired/forfeited	(210,000)	2.03	(485,000)	2.37
Stock options outstanding, end of period	<u>3,253,116</u>	<u>1.03</u>	<u>3,253,116</u>	<u>1.03</u>

	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	<u>1,753,000</u>	<u>1.98</u>	<u>1,753,000</u>	<u>1.98</u>

Outstanding Options			Exercisable Options		
Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
less than \$1.00	2,517,272	3.81	0.70	1,341,022	0.69
\$1.00 - \$1.50	255,844	2.25	1.33	215,844	1.31
\$1.51 - \$2.00	25,000	2.54	1.58	25,000	1.58
\$2.01 - \$2.50	120,000	1.05	2.39	120,000	2.39
\$2.51 - \$3.00	335,000	1.33	2.72	295,000	2.73
	<u>3,253,116</u>	<u>3.32</u>	<u>1.03</u>	<u>1,996,866</u>	<u>1.17</u>

Wesdome Gold Mines Ltd.

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15. 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, 2014 and June 30, 2013, grant date fair value indicated was based on the following factors:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Weighted average fair value, per option (\$)	0.84	0.32	0.72	0.46
Weighted average risk-free interest rate (%)	1.44	1.21	1.51	1.30
Weighted average volatility (%)	63.4	69.2	63.8	67.8
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 was \$105,000 (2013: \$202,000). The average fair value of the common shares during the six month period was \$0.79 (2013: \$0.64).

16. EARNINGS PER SHARE AND DIVIDENDS

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Earnings available to common shareholders	\$ 2,878	\$ 54	\$ 7,075	\$ 62
Weighted average number of shares, basic	111,141,190	101,847,168	108,577,064	101,863,324
Dilutive securities				
Options	373,985	-	337,399	6,583
Weighted average number of shares, diluted	111,515,175	101,847,168	108,914,463	101,869,907
Basic earnings per share	\$ 0.03	\$ 0.00	\$ 0.07	\$ 0.00
Diluted earnings per share	\$ 0.03	\$ 0.00	\$ 0.06	\$ 0.00
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect:				
Options	1,561,688	1,753,000	1,616,688	1,703,000
Convertible debentures	2,808,400	2,808,400	2,808,400	2,808,400

Wesdome Gold Mines Ltd.

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17. FINANCIAL INSTRUMENTS – DISCLOSURES

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, 2014		December 31, 2013	
	Input Level	Carrying Value	Fair Value	Carrying Value	Fair Value
Other financial liabilities:					
Convertible debentures	Level 1	\$ 7,021	\$ 6,670	\$ 7,021	\$ 5,968

The fair value of cash and cash equivalents, receivables, and payables approximate their carrying amounts due to their short-term nature. The fair value of obligations under finance leases approximates their carrying values as the obligations are entered into at market interest rates. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The Company does not have any Level 2 or 3 inputs.

Financial Risk Management

As at and during the period ended June 30, 2014, the Company's financial risk exposure and its financial risk management practices were consistent with those disclosed and applied in Note 22 to the Company's consolidated financial statements for the year ended December 31, 2013.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Net changes in non-cash working capital				
Operating activities				
Receivables	\$ 406	\$ 1,248	\$ 117	\$ 850
Payables and accruals	847	(3,946)	(927)	(2,699)
Gold inventory	(1,734)	1,668	(681)	(468)
Supplies and other	(131)	73	(134)	164
	\$ (612)	\$ (957)	\$ (1,625)	\$ (2,153)
Investing activities				
Receivables	\$ 28	\$ 580	\$ (91)	\$ 480
Payables and accruals	212	(987)	(232)	(675)
Supplies and other	(32)	18	(33)	41
	\$ 208	\$ (389)	\$ (356)	\$ (154)

Wesdome Gold Mines Ltd.**Notes to the Condensed Interim Consolidated Financial Statements**

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19. COMMITMENTS

The Company has committed to a repayment of \$1,410,000, to be repaid over the next 4 years, under a financial lease agreement with its commercial bank for equipment that will be acquired in the third quarter of 2014. The terms of the lease have not been finalized.