WESDOME

WESDOME GOLD MINES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2014

MESSAGE TO SHAREHOLDERS

The third quarter, 2014, demonstrated continuing profitability and strong cash flow in the face of declining gold prices.

For the first nine months of 2014, net income of $9.3 million and cash flow from operations of $19.7 million were recorded.

We are now seeing the results of the extensive rebuild of our mill with increased throughput and efficiency. This will give us the flexibility for low cost organic growth, once current mill capacity supports initial 2015 production guidance of 55,000 ounces.

The Company is well positioned to execute a realistic and profitable growth plan. Despite a challenging gold market, Wesdome has a quality, high grade asset and an experienced team to deliver profitability at current gold prices.

On behalf of the Board,

Rolly Uloth
President and CEO

October 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter Report
September 30, 2014

The following Management's Discussion and Analysis ("MD&A") dated October 30, 2014, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the nine months ended September 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 October 30, 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, free cash flow, mining and processing costs, production cash costs, and all-in sustaining costs. Production 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

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2014	2013	**2014**	2013
Production (oz)	**12,456**	8,608	**39,776**	29,263
Sales (oz)	**15,878**	9,000	**43,042**	33,400
Operating cash flow ($CAD million)	**7.9**	2.3	**19.7**	5.7
Net income (loss) ($CAD million)	**2.2**	(2.1)	**9.3**	(2.1)
Free cash flow ($CAD million) *	**3.4**	0.2	**7.6**	(1.4)
Earnings (loss) per share	**0.02**	(0.02)	**0.09**	(0.02)
Production cash cost ($USD/oz) **	**895**	1,164	**856**	1,076
All-in sustaining cost ($USD/oz) **	**1,275**	1,570	**1,246**	1,498

* Cash flows from operations less capital investments
** Costs/oz are on a production weighted basis

- During the third quarter, 12,456 ounces of gold were produced at a recovered grade of 10.1 grams per tonne. Sold ounces were 15,878. Overall, the Eagle River Complex produced 45% more gold in the current quarter than the same period in 2013. Total year to date production is 39,776 ounces. The Company is on track to meet or exceed its upward revised guidance of 52,000 ounces.

- Total production cash costs per ounce decreased 19% to average CAD$975 (USD$895) per ounce for the period, compared to CAD$1,208 (USD$1,164) during the same period last year. Total all-in sustaining costs (which include total cash costs, exploration, development and sustaining capital, project capital, corporate G & A and corporate taxes) on ounces produced were CAD$1,389 (USD$1,275) compared to CAD$1,242 (USD$1,139) in the previous quarter due to lower mined grades. This is still a significant improvement of 15% over all-in sustaining cost in the same period last year of CAD$1,631 (USD$1,576). Operating costs on ounces sold were CAD$967 (USD$887) and all-in sustaining costs on ounces sold were CAD$1,292 (USD$1,185).

- The Company generated CAD$3.4 million in free cash flow during the third quarter in 2014. Year to date free cash flow totalled CAD$7.6 million.

- During the first nine months of 2014, revenue exceeded mining and processing costs by CAD$23.1 million and CAD$12.2 million in capital investments were made. Cash flow from operations totalled CAD$19.7 million and net income of CAD$9.3 million was recorded.

- The Company was active with its Normal Course Issuer Bid during the third quarter, buying back 203,500 shares at an average price of $0.78 and retiring them. Current shares outstanding stand at 110,881,591.

- As at September 30, 2014, the Company had 3,768 ounces of gold inventory, compared to 7,034 ounces as at December 31, 2013.

- During the third quarter the gold price declined from USD$1,340 to USD$1,200 per ounce. Concurrently, the $CAD/$USD exchange rate declined buffering this decline to CAD$1,430 to CAD$1,360 per ounce. Fortunately, the Company's sales were weighted to the early portion of the quarter and averaged CAD$1,407 per ounce.

- At September 30, 2014, the Company had CAD$10.7 million in cash, compared to CAD$8.3 million in the previous quarter and CAD$5.7 as at December 31, 2013. This year, the Company has been expanding its milling capacity and reliability with the goal of internally funding growth via incremental production from the Mishi Mine. In the third quarter we are seeing this effort beginning to demonstrate results. Average daily throughput rates increased 53% in the third quarter to 583 tonnes per day, compared to

382 tonnes per day in the second quarter. The Company exited the third quarter at a rate of 700 tonnes per day and expects to exit the fourth quarter at a rate of 1,000 tonnes per day.

RESULTS OF OPERATIONS

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2014	2013	**2014**	2013
Eagle River Mine				
Tonnes milled	**33,377**	34,066	**95,576**	85,095
Recovered grade (g/t)	**10.1**	7.9	**12.0**	9.9
Production (oz)	**10,873**	8,608	**37,007**	27,124
Mishi Mine				
Tonnes milled	**20,249**	-	**35,290**	19,748
Recovered grade (g/t)	**2.4**	-	**2.4**	3.4
Production (oz)	**1,583**	-	**2,769**	2,139
Surface stockpile (tonnes)	**46,154**	84,232	**46,154**	84,232

Eagle River Mine was operating and Mishi was feeding off substantial stockpiles. Eagle River recovered grades averaged 10.1 g/t in Q3, 2014 and 12.0 g/t YTD. The cost per ounce in underground mining operations is most heavily influenced by grades.

Detailed Operating Results and Quarterly Variances

	Q3 2014	Q2 2014	Positive / (Negative) Variance	Q3 2013	Positive (Negative) Variance
Milling					
Total tonnes	**53,626**	34,727	18,299	34,066	19,560
Total tonnes/calendar day	**582**	382	200	370	212
Eagle River tonnes	**33,377**	31,713	1,664	34,066	(689)
Mishi tonnes	**20,249**	3,014	17,235	0	20,249
Production					
Total ounces	**12,456**	13,590	(1,134)	8,608	3,848
Eagle River ounces	**10,873**	13,386	(2,513)	8,608	2,265
Mishi ounces	**1,583**	204	1,379	0	1,583
Eagle River grade (g/t)	**10.1**	13.1	(3.0)	7.9	2.2
Mishi grade (g/t)	**2.4**	2.1	0.3	-	2.4
Eagle River					
Operating development (metres)	**360**	474	(114)	329	31
Capital development (metres)	**743**	674	69	402	341
Driling (metres)	**14,421**	16,494	(2,073)	7,729	6,692
Mishi Mine					
Stockpile balance (tonnes)	**46,153**	66,402	20,249	84,232	38,079

Detailed operating metrics demonstrate our progress on two important fronts;

1) Expanding mill capacity, reliability and efficiency, and
2) Increasing capital development, drilling and ore development to extend mine life and operational flexibility.

We see results of our mill investment starting to pay off with Mishi throughput up 135% in the third quarter, 2014, compared to total throughput in the first half of 2014, and average daily ore tonnage rates up to 583 tonnes per day at quarter end compared to 382 in the previous quarter. We expect to attain initial throughput levels of 1,000 tonnes/day during the fourth quarter and also expect to resume surface mining operations at Mishi during the fourth quarter, 2014.

Detailed Financial Results ($CAD) and Quarterly Variances

	Q3 2014	Q2 2014	Positive / (Negative) Variance	Q3 2013	Positive / (Negative) Variance
Gold sales (oz)	**15,878**	11,179	4,699	12,000	6,878
Realized price ($/oz)	**1,407**	1,398	9	1,389	18
Revenue ($000)	**22,342**	16,044	6,298	16,669	5,673
Production cash cost ($/oz) **	**975**	859	(116)	1,208	233
All-in sustaining cost ($/oz) **	**1,389**	1,242	(147)	1,631	242
Cash flow from operations ($million)	**7.9**	4.7	3.2	2.3	5.6

** Costs/oz are on a production weighted basis

Results have improved and demonstrate potential to self-fund growth over the short to medium term. Further growth and efficiency are being pursued and involve a new tailings management area, and potential future shaft deepening analysis. The Company is currently conducting a scoping study at Mishi to determine further mining and milling expansion scenarios. The determination of the scale and timing of these projects is necessary to assess likely requirements for external funding.

All-in Sustaining Cost Analysis and Quarterly Variances, Eagle River Complex

	Q3 2014	Q2 2014	Positive / (Negative) Variance	Q3 2013	Positive / (Negative) Variance
Mining and processing costs	**15,358**	9,681	(5,677)	10,806	(4,552)
Inventory related adjustments †	**(3,213)**	1,992	5,205	(405)	2,808
Production cash cost	**12,145**	11,673	(472)	10,401	(1,744)
Royalties expense	**345**	289	(56)	230	(115)
General and administrative expenses	**625**	630	5	1,448	823
Exploration expenditure	**365**	92	273	273	92
Sustaining capital expenditure	**3,817**	4,199	(382)	1,689	2,128
All-in sustaining cost					
Production basis	**17,297**	16,883	414	14,041	3,256
Inventory related adjustments †	**3,213**	(1,992)	(5,205)	405	(2,808)
Sales basis	**20,510**	14,891	(5,619)	14,446	(6,064)

† Inventory related adjustments are adjustments made to mining and processing costs (cost of sales) in order for them to reflect the actual cash cost of production during the period.

		Q3 2014	Q2 2014	Positive / (Negative) Variance	Q3 2013	Positive / (Negative) Variance
Production (oz)		**12,456**	13,590	(1,134)	8,608	3,848
Gold sales (oz)		**15,878**	11,179	4,699	12,000	6,878
Tonnes milled		**53,626**	34,727	18,899	34,066	19,560
Production basis unit costs						
Production cash cost	($/oz CAD)	**975**	859	(116)	1,208	233
	($/oz USD) ***	**895**	788	(107)	1,164	269
	($/tonne CAD)	**226**	336	110	305	79
	($/tonne USD) ***	**208**	308	100	294	86
All-in sustaining cost	($/oz CAD)	**1,389**	1,242	(147)	1,631	242
	($/oz USD) ***	**1,275**	1,139	(136)	1,571	296
	($/tonne CAD)	**323**	486	163	412	89
	($/tonne USD) ***	**297**	446	149	397	100
Sales basis unit costs						
Operating cash cost	($/oz CAD)	**967**	866	(101)	901	(66)
	($/oz USD) ***	**887**	794	(93)	827	(61)
	($/tonne CAD)	**286**	279	(7)	317	31
	($/tonne USD) ***	**262**	256	(6)	291	28
All-in sustaining cost	($/oz CAD)	**1,292**	1,332	40	1,204	(88)
	($/oz USD) ***	**1,185**	1,222	37	1,105	(81)
	($/tonne CAD)	**382**	429	(47)	424	(78)
	($/tonne USD) ***	**350**	394	(43)	389	(72)

*** USD figures have been translated at the average exchange rate as quoted by the Bank of Canada over the given period.

Driven by investor demand, the gold mining industry is adopting non-GAAP/non-IFRS defined benchmarks for analyzing the cost structure of gold mining. We observe variations in reporting currently as the industry adapts.

Production cash costs increased during the quarter due to one-time expenditures. These expenditures were related to improving the operating condition of equipment at the Eagle River Mill, as well as improvements to camp accomodations.

Exploration / Drilling Results

We are aggressively drilling to delineate and define new parallel zones initially recognized in 2013 at the Eagle River Mine. This drilling demonstrates the No 7 Zone is opening up at depth (Press Release dated September 15, 2014 available at www.wesdome.com). To date, this zone has demonstrated strong continuity, grades and widths over a 200 metre by 100 metre longitudinal area. It remains open to the west and at depth. The following highlights emphasize the significance of this new find.

Hole No.	Grade (g/t)	True Width (m)
EU-753	**30.54**	**1.42**
EU-754	**28.33**	**3.13**
EU-755	**16.48**	**2.19**
EU-756	**89.94**	**2.32**
EU-757	**7.93**	**1.41**
EU-758	**5.13**	**3.10**
EU-759	**16.53**	**2.02**
EU-765	**21.07**	**1.44**
EU-767	**14.12**	**1.75**
EU-768	**5.68**	**2.02**
EU-769	**11.23**	**6.80**
EU-693	**29.02**	**2.61**
EU-694	**27.93**	**2.24**

The No 7 Zone is located 200 metres north and parallel to the main 8 Zone structure. Encouraging results also continue from the 300 Zone (located 400 metres north and parallel to the main structure). Results have prompted a decision to access and develop this zone from a crosscut currently being driven on the 750 metre level.

Additionally, a crosscut is being driven to the south of the main structure to examine the continuity and grade of the No Name Lake Zone. The development of these three parallel structures has implications to potentially increase significantly our tonnage per vertical metre, mining flexibility and possibly production rates in the future.

In Val d'Or, Quebec, a summer surface drilling program totalling 6,000 metres focused on definition and delineation drilling of the Dubuisson North Zone. Results will be released shortly.

SUMMARY OF QUARTERLY RESULTS

(in $000 except per share data)	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13	Q1/13	Q4/12
Total revenue	**22,342**	16,044	23,133	19,928	16,669	21,709	21,420	21,207
Operating cash flow	**7,856**	4,651	7,215	7,532	2,313	1,832	1,575	3,712
Free cash flow	**3,422**	1,130	3,598	4,366	249	188	(2,425)	(487)
Net income (loss)	**2,238**	2,878	4,171	(1,782)	(2,095)	43	(34)	(46,464)
Earnings (loss) per share basic and diluted	**0.02**	0.03	0.04	(0.02)	(0.02)	0.00	(0.00)	(0.46)

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2014, the Company had working capital of $13.6 million compared to $8.5 million at December 31, 2013. During the first nine months of 2014, capital expenditures totalled $12.2 million compared to $7.7 million in 2013. Capital expenditures were concentrated in underground development, mill improvements/upgrades and mine equipment which resulted in $1.9 million of equipment leasing contracts being signed.

The Company carries an inventory of gold. At September 30, 2014, this asset consisted of 3,768 ounces of gold with a market value of approximately $5.1 million. The gold inventory is carried at the lower of cost or market, in this case at a cost of $4.7 million. Furthermore, the Mishi ore stockpile at the mill is estimated to contain about 3,700 ounces of recoverable gold, or approximately $5.1 million, net of milling costs. Including these non-IFRS working capital adjustments, working capital would increase by approximately $1.7 million.

Calculation of adjusted working capital	*(in millions)*
IFRS working capital	$ 13.5
Adjustment of gold inventory to market value	0.4
Gold in Mishi stockpile, net of milling costs	1.3
Adjusted working capital	$ 15.2

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 our results over the last four quarters.

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	$ 2,240	$ 927	$ 698	$ 615	-
Convertible debentures	8,291	491	7,799	-	-
	$ 10,531	$ 1,418	$ 8,497	$ 615	-

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 Sept 30		Nine Months Ended Sept 30	
	2014	2013	**2014**	2013
Salaries and short-term employee benefits	**$ 305**	$ 687	**$ 1,001**	$ 1,365
Post employment benefits	**11**	28	**30**	52
Share based payments	**81**	17	**113**	148
	$ 397	$ 732	**$ 1,144**	$ 1,565

In fiscal 2014, the Company paid a total of $14,692 in director's fees and $99,165 in consulting fees to the undernoted companies, whose 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: $99,166 – Rolly Uloth, President

OUTLOOK

With year to date production of 39,776 ounces of gold in the first nine months of 2014, milling performance increasing and higher grades in the pipeline, Wesdome is on-track to meet or exceed annual production guidance of 52,000 ounces. The Company's initial 2015 production forecast is set out at 55,000 ounces, primarily driven by higher tonnage rates from re-starting operations at the Mishi open pit mine. Current mill capacity of 1,000 – 1,200 tonnes per day supports this initial forecast, and increased mining rates at Mishi will be funded through cash flow.

We are excited about the longer term implications of recently recognized parallel structures at Eagle River and have initiated development drives to access and evaluate their potential. These parallel zones offer potential to increase tonnage per vertical metre and thus production rates.

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 nine months ended September 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 October 30, 2014, the Company's share information is as follows:

Common shares issued	110,881,591
Common share purchase options	3,248,116

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 September 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 September 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.

Control Framework

The Company's assessment of the effectiveness of its internal control is based on the framework and criteria established in "*Internal Control – Integrated Framework (1992 version)*" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The Company plans to transition to the *2013 Internal Control – Integrated Framework* issued by COSO during the 2015 fiscal year.

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)

	September 30 2014	December 31 2013
Assets		
Current		
Cash and cash equivalents	**$ 10,740**	$ 5,651
Receivables (Note 5)	**1,972**	1,982
Inventory (Note 6)	**7,720**	10,757
	20,432	18,390
Restricted funds (Note 7)	**3,010**	2,994
Deferred income taxes	**9,762**	13,025
Mining properties, plant and equipment (Note 8)	**42,715**	35,118
Exploration properties (Note 10)	**34,068**	33,522
	$ 109,987	$ 103,049
Liabilities		
Current		
Payables and accruals	**$ 6,021**	$ 9,415
Current portion of obligations under finance leases (Note 11)	**856**	526
	6,877	9,941
Obligations under finance leases (Note 11)	**1,259**	380
Convertible debentures (Note 12)	**6,191**	5,996
Decommissioning provisions (Note 13)	**2,505**	2,434
	16,832	18,751
Equity		
Equity attributable to owners of the Company		
Capital stock (Note 14)	**129,258**	125,352
Contributed surplus	**1,765**	2,150
Equity component of convertible debentures (Note 12)	**932**	932
Deficit	**(38,800)**	(44,400)
	93,155	84,034
Non-controlling interest	**-**	264
Total equity	**93,155**	84,298
	$ 109,987	$ 103,049

Commitment (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 Sept 30		Nine Months Ended Sept 30	
	2014	2013	**2014**	2013
Revenue				
Gold and silver bullion	**$ 22,342**	$ 16,669	**$ 61,519**	$ 59,798
Operating expenses				
Mining and processing	**15,358**	14,389	**38,450**	50,198
Depletion of mining properties	**2,273**	1,390	**5,569**	5,610
Production royalties	**345**	230	**980**	761
Corporate and general	**625**	1,448	**1,945**	2,784
Share based payments (Note 15)	**99**	(2)	**204**	200
Kiena care and maintenance costs	**717**	1,346	**1,561**	1,346
Impairment charges (Note 9)	**-**	-	**-**	633
	19,417	18,801	**48,709**	61,532
Income (loss) from operations	**2,925**	(2,132)	**12,810**	(1,734)
Interest and other income	**289**	5	**438**	115
Interest on long-term debt	**(229)**	(196)	**(625)**	(589)
Other interest	**(1)**	(24)	**(2)**	(29)
Accretion of decommissioning provisions (Note 13)	**(24)**	(21)	**(71)**	(64)
Income (loss) before income tax	**2,960**	(2,368)	**12,550**	(2,301)
Income tax expense (recovery)				
Current	**-**	-	**-**	-
Deferred	**722**	(273)	**3,263**	(215)
	722	(273)	**3,263**	(215)
Net income (loss) and total comprehensive income (loss)	**$ 2,238**	$ (2,095)	**$ 9,287**	$ (2,086)
Net income (loss) and total comprehensive income (loss) attributable to:				
Non-controlling interest	**$ -**	$ (54)	**$ (26)**	$ (107)
Owners of the Company	**2,238**	(2,041)	**9,313**	(1,979)
	$ 2,238	$ (2,095)	**$ 9,287**	$ (2,086)
Basic and diluted earnings per share				
Basic (Note 16)	**$ 0.02**	$ (0.02)	**$ 0.09**	$ (0.02)
Diluted (Note 16)	**$ 0.02**	$ (0.02)	**$ 0.08**	$ (0.02)
Basic and diluted weighted average number of common shares (000)				
Basic (Note 16)	**111,098**	101,887	**109,427**	101,871
Diluted (Note 16)	**111,530**	101,887	**109,795**	101,871

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: 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, 2012	$ 122,651	$ 1,171	$ 375	$ 513	$ 870	$ (41,009)	$ 84,571	$ 417	$ 84,988
Net loss for the period nine months ended Sept 30, 2013	-	-	-	-	-	(1,979)	(1,979)	(107)	(2,086)
Shares issued to acquire Windarra Minerals Ltd.	2,811	-	-	-	-	-	2,811	-	2,811
Value attribtued to options expired	-	(425)	-	-	-	425	-	-	-
Share-based payments	-	200	-	-	-	-	200	-	200
Shares purchased under normal course issuer bid	(110)	-	60	-	-	-	(50)	-	(50)
Subsidiary capital transactions	-	-	-	-	-	-	-	8	8
Balance, Sept 30, 2013	125,352	946	435	513	870	(42,563)	85,553	318	85,871
Net loss for the three months ended December 31, 2013	-	-	-	-	-	(1,729)	(1,729)	(53)	(1,782)
Value attributed to options expired	-	108	-	-	-	(108)	-	-	-
Share-based payments (Note 15)	-	149	-	-	-	-	149	-	149
Shares purchased under normal course issuer bid (Note 14)	-	-	(1)	-	-	-	(1)	-	(1)
Subsidiary capital transactions	-	-	-	-	-	-	-	(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 nine months ended Sept 30, 2014	**-**	**-**	**-**	**-**	**-**	**9,313**	**9,313**	**(26)**	**9,287**
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	**-**	**(660)**	**-**	**-**	**-**	**660**	**-**	**-**	**-**
Share based payments	**-**	**204**	**-**	**-**	**-**	**-**	**204**	**-**	**204**
Shares purchased under normal course issuer bid	**(291)**	**-**	**92**	**-**	**-**	**-**	**(199)**	**-**	**(199)**
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, Sept 30, 2014	**$ 129,258**	**$ 726**	**$ 526**	**$ 513**	**$ 932**	**$ (38,800)**	**$ 93,155**	**$ -**	**$ 93,155**

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 Sept 30		Nine Months Ended Sept 30	
	2014	2013	**2014**	2013
Operating activities				
Net income (loss)	**$ 2,238**	$ (2,095)	**$ 9,287**	$ (2,086)
Depletion of mining properties	**2,273**	1,390	**5,569**	5,610
Accretion of discount on convertible debentures (Note 12)	**67**	59	**195**	173
Impairment charges (Note 9)	**-**	-	**-**	633
Loss on sale of equipment	**-**	25	**58**	27
Share based payments (Note 15)	**99**	(2)	**204**	200
Deferred income taxes	**722**	(273)	**3,263**	(215)
Interest paid	**162**	137	**430**	416
Accretion of decommissioning provisions	**24**	21	**71**	64
	5,585	(738)	**19,077**	4,822
Net changes in non-cash working capital (Note 18)	**2,271**	3,051	**646**	898
	7,856	2,313	**19,723**	5,720
Financing activities				
Funds paid to repurchase common shares under NCIB	**(161)**	-	**(199)**	(51)
Exercise of options	**-**	-	**59**	-
Share issue cost to acquire Moss Lake Gold Mines Ltd. minority shareholders	**-**	-	**(494)**	-
Repayment of obligations under finance leases	**(198)**	(211)	**(648)**	(649)
Interest paid	**(162)**	(137)	**(430)**	(416)
	(521)	(348)	**(1,712)**	(1,116)
Investing activities				
Additions to mining and exploration properties	**(4,429)**	(2,064)	**(12,180)**	(7,708)
Proceeds on sale of equipment	-	555	**44**	571
Funds held against standby letters of credit	**(5)**	(4)	**(16)**	(13)
Cash received on acquisition of property	**-**	6	**-**	6
	(4,434)	(1,507)	**(12,152)**	(7,144)
Net changes in non-cash working capital (Note 18)	**(414)**	(493)	**(770)**	(647)
	(4,848)	(2,000)	**(12,922)**	(7,791)
Increase (decrease) in cash	**2,487**	(35)	**5,089**	(3,187)
Cash, beginning of period	**8,253**	1,481	**5,651**	4,633
Cash, end of period	**$ 10,740**	$ 1,446	**$ 10,740**	$ 1,446

Supplemental disclosure (Note 18)

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 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 September 30, 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 October 30, 2014.

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

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.

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

5. RECEIVABLES

	September 30 2014	December 31 2013
Mining duties refunds and tax credits	**$ 412**	$ 412
Value added taxes	**1,088**	856
Prepaids, deposits and receivables	**472**	714
	$ 1,972	$ 1,982

6. INVENTORY

	September 30 2014	December 31 2013
Gold in process	**$ 4,661**	$ 5,685
Supplies	**1,472**	1,401
Ore stockpiles	**1,587**	3,671
	$ 7,720	$ 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

	September 30 2014	December 31 2013
Relating to mine closure plans (Note 13)	**$ 2,595**	$ 2,579
Relating to hydro deposit	**415**	415
	$ 3,010	$ 2,994

Funds are being held in Guaranteed Investment Certificates at interest rates ranging from 0.90% to 1.101% (2013: 0.80% to 1.16%) maturing to September, 2015.

8. MINING PROPERTIES, PLANT AND EQUIPMENT

Gross Carrying Amount	Eagle River Mine Complex	Kiena Mine Complex	Total
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	**13,471**	**20**	**13,491**
Disposals	**(195)**	**(96)**	**(291)**
Transfers	**60**	**(60)**	**-**
Balance, September 30, 2014	**$ 74,994**	**$ 31,513**	**$ 106,507**

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

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	**(5,790)**	**(3)**	**(5,793)**
Accumulated depletion on disposals	**93**	**96**	**189**
Balance, September 30, 2014	**$ (32,956)**	**$ (30,836)**	**$ (63,792)**
Carrying Amount, December 31, 2012	$ 31,210	$ 1,471	$ 32,681
Carrying Amount, December 31, 2013	$ 34,398	$ 720	$ 35,118
Carrying Amount, September 30, 2014	**$ 42,038**	**$ 677**	**$ 42,715**

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	**529**	**17**	**-**	**546**
Balance, September 30, 2014	**$ 25,322**	**$ 3,598**	**$ 5,148**	**$ 34,068**

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.

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

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:

	September 30 2014	December 31 2013
Not later than one year	$ 927	$ 524
Later than one year and not later than five years	1,313	405
Total minimum lease payments	2,240	929
Less: Interest portion at the weighted average of 4.34% (2013: 4.48%)	125	23
Total obligations under finance leases, secured by equipment	2,115	906
Less:Current portion	856	526
Long-term portion	$ 1,259	$ 380

The cost of equipment under finance leases at September 30, 2014 is $2,532,000 (2013: $3,315,000) with related accumulated depreciation of $268,000 (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 nine months ended September 30, 2014, and year ended December 31, 2013.

Liability component	September 30 2014	December 31 2013
Balance, beginning of period	$ 5,996	$ 5,760
Accretion	195	236
Balance, end of period	$ 6,191	$ 5,996

Equity component	September 30 2014	December 31 2013
Balance, beginning of period	$ 932	$ 870
Change in deferred income tax liability	-	62
Balance, end of period	$ 932	$ 932

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

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

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	**71**
Balance, September 30, 2014	**$ 2,505**

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 Litd.	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	**(249,500)**	**(291)**
Shares issued to acquire Moss Lake Gold Mines Ltd. (Note 4)	**5,279,400**	**4,117**
Balance, September 30, 2014	**110,933,091**	**$ 129,258**

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 September 30, 2014, 7,850,193 options to purchase common shares were available for grant under the New Stock Option plan.

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

15. COMMON SHARE PURCHASE PLAN (continued)

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

	Three Months Ended September' 30, 2014		**Nine Months Ended September 30, 2014**	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Stock options outstanding, beginning of period	**3,253,116**	**1.03**	**2,205,000**	**1.50**
Granted	**115,000**	**0.82**	**865,000**	**0.74**
Options issued resulting from amalgamation with Moss Lake (Note 4)	**-**	**-**	**883,116**	**0.80**
Exercised	**-**	**-**	**(100,000)**	**0.59**
Expired/forfeited	**(125,000)**	**2.35**	**(610,000)**	**2.37**
Stock options outstanding, end of period	**3,243,116**	**0.97**	**3,243,116**	**0.97**

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Stock options outstanding, beginning of period	1,753,000	1.98	1,608,000	2.17
Granted	295,000	0.64	530,000	0.72
Expired/forfeited	(273,000)	1.99	(363,000)	2.08
Stock options outstanding, end of period	1,775,000	1.75	1,775,000	1.75

	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	2,607,272	3.64	0.70	1,484,772	0.70
$1.00 - $1.50	255,844	2.00	1.33	215,844	1.31
$1.51 - $2.00	25,000	2.29	1.58	25,000	1.58
$2.01 - $2.50	90,000	1.10	2.38	90,000	2.38
$2.51 - $3.00	265,000	1.39	2.68	225,000	2.68
	3,243,116	3.25	0.97	2,040,616	1.07

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

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 nine months ended September 30, 2014 and September 30, 2013, grant date fair value indicated was based on the following factors:

	Three months ended Sept 30		Nine months ended Sept 30	
	2014	2013	**2014**	2013
Weighted average fair value, per option ($)	**0.37**	0.37	**0.40**	0.40
Weighted average risk-free interest rate (%)	**1.54**	1.59	**1.50**	1.44
Weighted average volatility (%)	**63.96**	70.68	**63.76**	69.55
Expected life (years)	**5.0**	5.0	**5.0**	4.66

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 $204,000 (2013: $200,000). The average fair value of the common shares during the nine month period was $0.81 (2013: $0.60).

16. EARNINGS PER SHARE AND DIVIDENDS

	Three months ended Sept 30		Nine months ended Sept 30	
	2014	2013	**2014**	2013
Earnings available to common shareholders	**$ 2,238**	$ (2,041)	**$ 9,313**	$ (1,979)
Weighted average number of shares, basic	**111,098,015**	101,887,097	**109,426,616**	101,871,335
Dilutive securities				
Options	**432,355**	-	**368,416**	-
Weighted average number of shares, diluted	**111,530,370**	101,887,097	**109,795,032**	101,871,335
Basic earnings per share	**$ 0.02**	$ (0.02)	**$ 0.09**	$ (0.02)
Diluted earnings per share	**$ 0.02**	$ (0.02)	**$ 0.08**	$ (0.02)
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect:				
Options	**1,150,844**	1,775,000	**1,556,688**	1,775,000
Convertible debentures	**2,808,400**	2,808,400	**2,808,400**	2,808,400

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

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:

		September 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 September 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 Sept 30		**Nine months ended Sept 30**	
	2014	2013	**2014**	2013
Net changes in non-cash working capital				
Operating activities				
Receivables	**$ (30)**	$ 768	**$ 87**	$ 1,618
Payables and accruals	**(1,788)**	(1,944)	**(2,715)**	(4,643)
Gold inventory	**4,012**	4,184	**3,331**	3,716
Supplies and other	**77**	43	**(57)**	207
	$ 2,271	$ 3,051	**$ 646**	$ 898
Investing activities				
Receivables	**$ 14**	$ (18)	**$ (77)**	$ 462
Payables and accruals	**(447)**	(486)	**(679)**	(1,161)
Supplies and other	**19**	11	**(14)**	52
	$ (414)	$ (493)	**$ (770)**	$ (647)

19. COMMITMENT

The Company has committed to a repayment of $1,410,000, to be repaid over the next 5 years, under a financial lease agreement with its commercial bank for equipment that will be acquired in the fourth quarter of 2014. The terms of the lease have not been finalized.