WESDOME GOLD MINES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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Management's Responsibility for Financial Statements

The accompanying consolidated financial statements have been prepared by and are the responsibility of the management of Wesdome Gold Mines Ltd. ("the Company"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimate and judgement based on currently available information.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded, liabilities are recognized and that the accounting systems provide timely and accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities in respect of financial reporting and internal control. The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee reviews the annual consolidated financial statements before they are presented to the Board of Directors for approval.

The Company's independent auditors, Grant Thornton LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

February 22, 2017
Toronto, Canada

/s/ Hemdat Sawh
Chief Financial Officer

Grant Thornton

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Independent auditor's report

To the Shareholders of Wesdome Gold Mines Ltd.

We have audited the accompanying consolidated financial statements of Wesdome Gold Mines Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of total equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wesdome Gold Mines Ltd. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Grant Thornton LLP

Toronto, Ontario
February 22, 2017

Chartered Professional Accountants
Licensed Public Accountants

Wesdome Gold Mines Ltd.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Notes	As of December 31, 2016	As of December 31, 2015
Assets			
Current			
Cash and cash equivalents		**$ 26,760**	$ 15,424
Receivables and prepaids	6	**2,782**	3,354
Mining tax receivable	15(i)	**900**	-
Inventories	7	**5,929**	4,924
Total current assets		**36,371**	23,702
Restricted funds	12(b)	**6,920**	2,535
Deferred income tax assets	15	**7,009**	10,393
Mining properties, plant and equipment	8	**74,241**	57,348
Exploration properties	9	**38,373**	34,409
Total assets		**$ 162,914**	$ 128,387
Liabilities			
Current			
Payables and accruals		**$ 11,831**	$ 8,994
Share premium liability	13(ii)	**-**	673
Current portion of obligations under finance leases	10	**2,079**	1,528
Convertible debentures	11	**6,900**	-
Total current liabilities		**20,810**	11,195
Obligations under finance leases	10	**4,223**	3,174
Convertible debentures	11	**-**	6,562
Decommissioning provisions	12	**10,480**	7,958
Total liabilities		**35,513**	28,889
Equity			
Equity attributable to owners of the Company			
Capital stock	13	**156,402**	137,126
Contributed surplus		**2,173**	1,729
Equity component of convertible debentures	11	**932**	932
Deficit		**(32,106)**	(40,289)
Total equity attributable to owners of the Company		**127,401**	99,498
Total liabilities and equity		**$ 162,914**	$ 128,387

On behalf of the Board:

/s/ Duncan Middlemiss — *Director*

/s/ Bill Washington — *Director*

See accompanying notes to the consolidated financial statements.

Wesdome Gold Mines Ltd.

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Expressed in thousands of Canadian dollars except for per share amounts)

	Notes	Years Ended December 31, 2016	2015
Revenue			
Gold from mining operations		**$ 81,586**	$ 73,465
Gold from Kiena mill cleanup		**2,445**	-
		84,031	73,465
Operating expenses			
Mining and processing		**57,995**	55,785
Depletion and depreciation		**7,067**	6,817
Production royalties	8(i)	**1,298**	1,189
Corporate and general		**5,463**	3,793
Share based payments	14	**1,734**	811
Kiena care and maintenance		**2,245**	2,716
Total operating expenses		**75,802**	71,111
Income from operations		**8,229**	2,354
Quebec exploration credits refund	22	**2,620**	-
Interest on long-term debt	21	**(1,030)**	(960)
Accretion of decommissioning provisions	12	**(224)**	(286)
Change in decommissioning provisions	12	**244**	(5,171)
Write-down of assets	8,9	**-**	(503)
Interest and other		**17**	(25)
Income (loss) before income tax		**9,856**	(4,591)
Income tax (expense) recovery			
Current	15(i)	**900**	-
Deferred	15	**(2,970)**	(110)
		(2,070)	(110)
Net income (loss) and total comprehensive income (loss)		**$ 7,786**	$ (4,701)
Earnings (loss) per share			
Basic	16	**$ 0.06**	$ (0.04)
Diluted	16	**$ 0.06**	$ (0.04)
Weighted average number of common shares (000s)			
Basic	16	**126,158**	112,189
Diluted	16	**128,086**	112,189

See accompanying notes to the consolidated financial statements.

Wesdome Gold Mines Ltd.
Consolidated Statements of Total Equity

(Expressed in thousands of Canadian dollars)

	Notes	Capital Stock	Contributed Surplus	Equity Component of Convertible Debentures	Retained Earnings (Deficit)	Total Equity
Balance,December 31,2014		$ 129,270	$ 2,088	$ 932	$ (36,227)	$ 96,063
Net loss for the year ended December 31, 2015		-	-	-	(4,701)	(4,701)
Transfer of prior years' dilution gains to retained earnings		-	(513)	-	513	-
Exercise of options		271	-	-	-	271
Value attributed to options exercised		531	(531)	-	-	-
Value attributed to options expired		-	(126)	-	126	-
Share based payments	14	-	811	-	-	811
Shares purchased under normal course issuer bid	13(iv)	(114)	-	-	-	(114)
Private placement shares	13(i)	4,971	-	-	-	4,971
Flow-through shares	13(ii)	2,870	-	-	-	2,870
Share premium liability on flow-through	13(ii)	(673)	-	-	-	(673)
Balance, December 31, 2015		137,126	1,729	932	(40,289)	99,498
Net income for the year ended December 31, 2016		**-**	**-**	**-**	**7,786**	**7,786**
Exercise of options		**1,356**	**-**	**-**	**-**	**1,356**
Value attributed to options exercised		**893**	**(893)**	**-**	**-**	**-**
Value attributed to options expired		**-**	**(397)**	**-**	**397**	**-**
Share based payments	14	**-**	**1,734**	**-**	**-**	**1,734**
Shares issued to acquire Moss Lake area properties	9(i)	**750**	**-**	**-**	**-**	**750**
Shares issued under prospectus	13(iii)	**17,267**	**-**	**-**	**-**	**17,267**
Share issue cost, net of tax	13(iii)	**(990)**	**-**	**-**	**-**	**(990)**
Balance, December 31, 2016		**$ 156,402**	**$ 2,173**	**$ 932**	**$ (32,106)**	**$ 127,401**

See accompanying notes to the consolidated financial statements.

Wesdome Gold Mines Ltd.
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	Notes	Years Ended December 31, 2016	2015
Operating activities			
Net income (loss)		**$ 7,786**	$ (4,701)
Depletion and depreciation		**7,067**	6,817
Change in decommissioning provisions	12(a)(ii)	**(244)**	5,171
Accretion of decommissioning provisions	12	**224**	286
Write-down of assets	8,9	**-**	503
Loss on disposal of equipment		**260**	98
Share based payments	14	**1,734**	811
Income tax expense	15	**2,070**	110
Interest on long-term debt	21	**692**	660
Accretion of discount on convertible debentures	11,21	**338**	300
		19,927	10,055
Net changes in non-cash working capital	20	**2,497**	(642)
Funds provided by operating activities		**22,424**	9,413
Financing activities			
Prospectus issuance, net of issue cost	13(iii)	**16,017**	-
Private placement, net of issue cost	13(i)	**-**	4,971
Flow through shares, net of issue cost	13(ii)	**-**	2,870
Exercise of options	14	**1,356**	271
Repayment of obligations under finance leases		**(1,914)**	(1,390)
Interest paid	21	**(692)**	(660)
Funds paid to repurchase common shares under NCIB	13(iv)	**-**	(114)
Funds provided by financing activities		**14,767**	5,948
Investing activities			
Additions to mining properties		**(18,150)**	(15,203)
Additions to exploration properties		**(10,214)**	(571)
Proceeds on sale of exploration properties	9(ii)	**7,000**	-
Proceeds on sale of equipment		**69**	4
Funds held against standby letters of credit	12(b)	**(4,385)**	571
Net changes in non-cash working capital	20	**(175)**	(146)
Funds used by investing activities		**(25,855)**	(15,345)
Increase in cash and cash equivalents		**11,336**	16
Cash and cash equivalents, beginning of year		**15,424**	15,408
Cash and cash equivalents, end of year		**$ 26,760**	$ 15,424
Cash and cash equivalents consist of:			
Cash		**$ 8,999**	$ 15,161
Term deposits		**17,761**	263
		$ 26,760	$ 15,424

See accompanying notes to the consolidated financial statements.

Wesdome Gold Mines Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2016 and 2015

(Tabular currency amounts expressed in thousands of Canadian dollars except for per share amounts)

1. DESCRIPTION OF BUSINESS

Wesdome Gold Mines Ltd. ("Wesdome" 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, together called the "Eagle River Mine Complex", the Moss Lake property in Thunder Bay, Ontario, and the Kiena Mining and Milling Complex ("Kiena Mine 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 811, Toronto, Ontario, Canada, M5C 1B5.

2. BASIS OF PRESENTATION

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

These consolidated financial statements are presented in Canadian dollars ("Cdn $"), which is also the functional currency of the Company and its subsidiaries as detailed below.

	Subsidiary	Ownership
0976408 B.C. Ltd.	("Windarra Minerals Ltd." "Windarra")	100%
2404027 Ontario Inc.	("Moss Lake Gold Mines Ltd." "MLGM")	100%

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on February 22, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All transactions and balances between the Company and its subsidiaries are eliminated on consolidation.

(b) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of bullion and is recognized when an arrangement exists, risks pass to the buyer, the price is fixed, it is probable that the economic benefits will be realized, and collection is reasonably assured.

Interest is reported on an accrual basis using the effective interest rate method.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid investments with maturities of less than three months.

(d) Inventories

Inventories consisting of gold bullion, gold in process and ore stockpiles are recorded at the lower of production costs on a first-in, first-out basis and net realizable value ("NRV"). Production costs include costs related to mining, crushing, and mill processing, as well as applicable overhead, and depletion.

Ore stockpiles consist of coarse ore that has been extracted from the mine and is available for further processing. Costs are added to stockpiles based on the current mining cost per tonne and removed at an average cost per tonne.

Supplies are valued at the lower of average cost and replacement cost, which approximates NRV.

(e) Mining Properties, Plant and Equipment

(i) *Cost and valuation*

Mining properties, plant and equipment are carried at cost less accumulated depletion and any impairment in value. When an asset is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is recognized as a gain or loss in profit or loss.

(ii) Mining properties, plant and equipment

Mining properties, plant and equipment include expenditures incurred on properties under development, payments related to the acquisition of land and mineral rights and property, plant and equipment which are recorded at cost on initial acquisition. Cost includes the purchase price and the directly attributable costs of acquisition or construction required to bring an asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production are capitalized. Mine development costs related to current period production are allocated to inventory as appropriate.

(iii) Depletion and depreciation

Mine development costs, property, and other mining assets whose estimated useful life is the same as the remaining life of the mine are depleted over the mine's estimated life using the units-of-production method ("UOP") calculated based on proven and probable reserves. Equipment and other non-mining assets are depreciated on a straight-line basis over their estimated useful lives, or the remaining life of the mine if shorter, to their residual values:

Vehicles	1 to 5 years
Mobile mining fleet	1 to 5 years
Machinery and equipment	1 to 6 years
Bunkhouses	10 years
Furniture and fixtures	5 years

Where components of an item of property, plant and equipment have a different useful life and cost that is significant to the total cost of the item, depreciation and depletion is calculated on each separate component.

Depreciation and depletion methods, useful lives and residual values are reviewed at a minimum at the end of each year.

(iv) Subsequent costs

Repairs and maintenance costs are expensed as incurred. However, expenditures on major maintenance rebuilds or overhauls are capitalized when it is probable that the expenditures will extend the productive capacity or useful life of an asset. Any remaining costs of previous overhauls relating to the same asset are derecognized. All other expenditures are expensed as incurred.

(v) Deferred stripping costs

Stripping costs incurred to prepare the ore body for extraction are capitalized as mine development costs (pre-stripping). Stripping costs incurred during the production phase of a mine are considered production costs and are included in the cost of inventory produced during the period in which stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping cost would be deferred. Capitalized stripping costs are amortized on a UOP basis over the economically recoverable proven and probable to which they relate.

(f) Leased Assets

When the economic ownership of a leased asset is transferred to the lessee, the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the lower of the present value of minimum lease payments and the fair value of the leased asset and a corresponding amount is recognized as a finance lease liability.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The interest portion of lease payments is charged to profit or loss over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

(g) Exploration and Evaluation Costs

Exploration expenditures reflect the costs related to the initial search for mineral deposits with economic potential or obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with sampling, mapping, diamond drilling and other work involved in searching for ore. All expenditures relating to exploration activities are capitalized as incurred from the point at which the Company receives the legal right to explore.

Evaluation expenditures reflect costs incurred at exploration projects related to establishing the technical and commercial viability of developing mineral deposits identified through exploration or asset acquisition.

Evaluation expenditures include the cost of:

(i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve,

(ii) determining the optimal methods of extraction and metallurgical and treatment processes,

(iii) studies related to surveying, transportation and infrastructure requirements,

(iv) permitting activities, and

(v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Costs in relation to these activities are capitalized as incurred under exploration properties until such time as the Company expects that mineral resources will be converted to mineral reserves within a reasonable period and mine development commences. Thereafter, accumulated exploration and evaluation costs for the project are tested for impairment and are reclassified to mining properties. Exploration and evaluation costs of abandoned properties are expensed in the period in which the project is abandoned.

(h) Impairment of Non-Financial Assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units ("CGUs")). The Company's CGUs are its individual operating mine sites and exploration properties. At the end of each reporting period, the Company reviews and evaluates its mining and exploration properties either individually orat the CGU level to determine whether the carrying amount of the asset exceeds their recoverable amounts.. If any such indication exists, the excess is fully provided for, in the financial period of determination.

The recoverable amount of a mine site or exploration property is the greater of its fair value less costs of disposal ("FVLCD") and its value-in-use ("VIU"). The FVLCD is estimated as the recoverable amount resulting from the sale of an asset or CGU, less the costs of disposal. The VIU is estimated as the discounted future pre-tax cash flows expected to be derived from a mine site or exploration property. If the recoverable amount of a mine site is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are recognized as operating expenses in the period they are incurred. When an impairment loss reverses in a subsequent period, the carrying amount of the related asset is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset previously. Reversals of impairment losses are recognized in profit or loss in the period the reversals occur.

(i) Income Taxes

Income taxes are calculated using the liability method where current income taxes are recognized as an expense for the estimated income taxes payable for the current period.

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward, to the extent that it is probable that deductions, credits and tax losses can be utilized, and are measured using the enacted or substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred income taxes relating to the initial recognition of an asset or liability in a transaction that, at the time of the transaction, neither affects accounting nor taxable income or is the result of a business acquisition, are not recognized. The deferred tax relating to items recorded in other comprehensive income is linked to these items for reporting purposes.

On a consolidated basis the Company does not offset asset and liability amounts with those of the subsidiary and with amounts owing to different taxation authorities. Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off deferred tax assets and liabilities from the same taxation authority.

(j) Equity and Reserves

Capital stock represents the consideration received for shares that have been issued, net of related issuance costs.

Contributed surplus includes the value of share based payments, net of the value of expired grants; discounts and net of premiums on shares repurchased.

Deficit represents accumulated retained losses from all current and prior periods. Amounts related to expired stock options are reclassified from contributed surplus to deficit upon expiry of the stock options.

(k) Employee Benefits

Salaries and short-term employee benefits

Salaries and short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

Post-employment benefits include a defined contribution plan under which the Company pays fixed contributions through a separate entity. Under this plan, the Company will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense when due.

(l) Provisions

(i) General

Provisions are recognized when present obligations, as a result of a past event, is expected to result in an outflow of economic resources from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are not recognized for future operating losses.

Provisions are based on the most reliable information available at the reporting date, including the risks and uncertainties associated with the current best estimate.

(ii) Decommissioning Provisions
The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company has made, and will continue to make expenditures to comply with such laws and regulations. Decommissioning costs expected to be incurred in the future are estimated by the Company's management based on the information available to them.

The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, and changes in estimates to the timing and amounts of cash flows. Management considers the Bank of Canada bond rate related to the life of mine when determining the discount rate. The rate is subsequently adjusted for risk to allow for the indeterminate nature of the mine life.

Estimated decommissioning costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs with an offsetting amount being recognized as an increase in the carrying amount of the corresponding mining asset. This asset is amortized on a UOP basis over the estimated life of the mine while the corresponding provisions accretes to its undiscounted value by the end of the mine's life.

(m) Financial Instrument Classification and Measurement
Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as ''fair value through profit and loss" ("FVTPL"), directly attributable transaction costs.

Recognition and Measurement
Measurement of financial assets in subsequent periods depends on whether the financial instrument has been classified as FVTPL, available-for-sale, held-to-maturity, or loans and receivables as defined by IAS 39 – "*Financial Instruments*".

Cash and cash equivalents, restricted funds and receivables, are classified as loans and receivables.

Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as FVTPL or other financial liabilities. Obligations under finance leases, the liability portion of convertible debentures, and payables and accruals are classified as other financial liailities.

(n) Convertible Debentures
The holder has the right to demand that the Company pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with a conversion feature. The liability component is recognized initially at its fair value. The equity component representing the conversion feature is recognized as the difference between the face value of the convertible notes as a whole and the value of the liability component, as a separate component of equity. The liability component is subsequently measured at amortized cost using the effective interest method.

Interest, gains and losses related to the liability component are recognized in profit or loss.

(o) Share-based Payments
The Company's share-based stock option plan is designed to advance the interests of the Company by encouraging employees, officers and directors to have equity participation in the Company through the acquisition of common shares. Stock options granted vest either immediately or over a period of two years. Stock options have an exercise price of no less than the closing price of the common shares on the Toronto Stock Exchange on the trading day immediately preceding the date on which the options

are granted and are exercisable for a period not to exceed five years. The cost of these stock options is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model.

The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Annually, the estimated forfeiture rate is adjusted for actual forfeitures in the period.

Expected volatility is estimated with reference to the historical volatility of the share price of the Company. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in the share-based payment reserve in equity.

(p) Operating Segments

The Company operates in one industry segment, the gold mining and related activities industry including exploration, extraction, processing and decommissioning. All of the Company's operations are located within one geographical area.

(q) Earnings per Share

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

(r) Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and all subsidiaries. The functional currency has remained unchanged during the reporting periods for all entities of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items using year-end exchange rates are recognized in the income statement.

Non-monetary items, if any, measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

(s) Flow-through Shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through share premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recognized as a deferred tax recovery. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

4. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical Judgment in Applying Accounting Policies

Exploration and evaluation expenditures

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

Key Sources of Estimation Uncertainty

(i) Reserves and resources

Proven and probable reserves are the economically mineable parts of the Company's measured and indicated mineral resources that have been incorporated into the mine plan. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body.

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

(ii) Depletion

Mining properties are depleted using the UOP method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves.

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

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

(iii) Provision for decommissioning obligations

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

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

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

(v) *Income taxes and deferred taxes*
The Company is subject to income tax laws in various jurisdictions. Tax laws are complex and potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for income taxes and deferred tax represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the period. The Company may be required to change its provision for income taxes or deferred tax balances when the ultimate deductibility of certain items is successfully challenged by taxing authorities or if estimates used in determining the amount of deferred tax asset to be recognized changes significantly, or when receipt of new information indicates the need for adjustment in the amount of deferred tax to be recognized. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax, deferred tax balances and the effective tax rate. Any such changes could materially affect the amounts reported in the consolidated financial statements in the year these changes occur.

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

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

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

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

(viii) *Equity component of convertible debentures*
The convertible debentures are classified as liabilities, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the liability being less than its face value. The

discount is being accreted over the term of the debentures, utilizing the effective interest method which approximates the market rate at the date the debentures were issued. Management uses its judgment to determine an interest rate that would have been applicable to non-convertible debt at the time the debentures were issued.

(iv) *Provisions and contingent liabilities*
Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

5. UPCOMING CHANGES IN ACCOUNTING STANDARDS

IFRS 9 – Financial Instruments: Classification and Measurement
In July, 2014, the IASB reissued IFRS 9 which replaced IAS 39. The replacement standard has the following significant components: establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories.

This standard will be effective for periods beginning on or after January 1, 2018. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 which replaces IAS 18 for the accounting of revenue. The standard establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

This standard will be effective for periods beginning on or after January 1, 2018. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 which replaces IAS 17 for the accounting of leases. IFRS 16 eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all lease with exemptions permitted for short-term leases and leases of low value assets. In addition, IFRS 16: changes the definition of a lease; sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019 with early application permitted in certain circumstances. The Company has yet to assess the impact of this new standard on its consolidated financial statements.

Amendments to IAS 7 – Statements of Cash Flows
The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Company intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. The Company is in the process of determining the impact of the amendments to IAS 7 on its consolidated financial statements.

Amendments to IAS 12 – Income Taxes
On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or

expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The Company intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Company is in the process of determining the impact of the amendments to IAS 12 on its consolidated financial statements.

6. RECEIVABLES AND PREPAIDS

	December 31, 2016	December 31, 2015
Sales tax	**$ 2,006**	$ 2,726
Prepaids, deposits and other	**776**	628
	$ 2,782	$ 3,354

7. INVENTORIES

	Note	**December 31, 2016**	December 31, 2015
Gold in process	7(i)	**$ 1,708**	$ 2,797
Supplies		**1,712**	1,645
Ore stockpiles	7(ii)	**2,509**	482
		$ 5,929	$ 4,924

(i) Gold in process inventory consists of both gold doré and gold in process that are awaiting the completion of the final refining process into saleable gold, expected within one month of the financial statement date.

(ii) Ore stockpiles include Mishi stockpile carried at net realizable value of $393,000 after a writedown of $1,585,000.

Mine operating costs are comprised of mining and processing costs plus depletion and depreciation, and represent the cost of inventories recognized for the years ended December 31, 2016 and 2015.

8. MINING PROPERTIES, PLANT AND EQUIPMENT

		Eagle River Mine Complex			**Kiena Mine Complex**			
	Note	**Mining Properties**	**Plant and Equipment**	**Subtotal**	**Mining Properties**	**Plant and Equipment**	**Subtotal**	**Total**
Gross Carrying Amount								
Balance, December 31, 2014		$ 68,209	$ 12,354	$ 80,563	$ 30,030	$ 1,520	$ 31,550	$112,113
Additions		15,341	2,204	17,545	-	22	22	17,567
Decommissioning asset	12	-	-	-	5,171	-	5,171	5,171
Disposals		-	(349)	(349)	-	(337)	(337)	(686)
Balance, December 31, 2015		83,550	14,209	97,759	35,201	1,205	36,406	134,165
Additions		**17,500**	**4,149**	**21,649**	**-**	**45**	**45**	**21,694**
Decommissioning asset	12	**2,542**	**-**	**2,542**	**-**	**-**	**-**	**2,542**
Disposals		**-**	**(953)**	**(953)**	**-**	**(561)**	**(561)**	**(1,514)**
Balance, December 31, 2016		**$103,592**	**$ 17,405**	**$120,997**	**$ 35,201**	**$ 689**	**$ 35,890**	**$156,887**
Accumulated Depletion and Write-downs								
Balance, December 31, 2014		$ (29,244)	$ (4,990)	$ (34,234)	$ (30,030)	$ (807)	$ (30,837)	$ (65,071)
Write-down of decommissioning asset	12	-	-	-	(5,171)	-	(5,171)	(5,171)
Depletion		(5,140)	(1,783)	(6,923)	-	(15)	(15)	(6,938)
Accumulated depletion on disposals		-	312	312	-	51	51	363
Balance, December 31, 2015		(34,384)	(6,461)	(40,845)	(35,201)	(771)	(35,972)	(76,817)
Depletion		**(5,408)**	**(1,557)**	**(6,965)**	**-**	**(19)**	**(19)**	**(6,984)**
Accumulated depletion on disposals		**-**	**860**	**860**	**-**	**295**	**295**	**1,155**
Balance, December 31, 2016		**$ (39,792)**	**$ (7,158)**	**$ (46,950)**	**(35,201)**	**$ (495)**	**$ (35,696)**	**$ (82,646)**

Net carrying amount,							
December 31, 2015	$ 49,166	$ 7,748	$ 56,914	$ -	$ 434	$ 434	$ 57,348
December 31, 2016	**$ 63,800**	**$ 10,247**	**$ 74,047**	**$ -**	**$ 194**	**$ 194**	**$ 74,241**

(i) Eagle River Mine Complex

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

The Eagle River Mine is subject to a 2% net smelter return royalty.

(ii) Kiena Mine Complex

The Kiena Mine Complex consists of the Kiena Mine concession, Kiena Mill, related infrastructure and equipment and land position in the Township of Dubuisson, Quebec.

9. EXPLORATION PROPERTIES

	Notes	Wesdome Group	Moss Lake Group	Mishi/Eagle Group	Total
Balance, December 31, 2014		$ 25,371	$ 3,603	$ 5,148	$ 34,122
Write-down of Mine École		(284)	-	-	(284)
Exploration expenditures		548	23	-	571
Balance, December 31, 2015		25,635	3,626	5,148	34,409
Acquisition	9(i)	**-**	**1,314**	**-**	**1,314**
Disposal	9(ii)	**(7,000)**	**-**	**-**	**(7,000)**
Exploration expenditures		**5,082**	**764**	**3,804**	**9,650**
Balance, December 31, 2016		**$ 23,717**	**$ 5,704**	**$ 8,952**	**$ 38,373**

(i) Acquisition

In May, 2016, the Company acquired from Canoe Mining Ventures Corp. ("Canoe Mining") a 100% interest in the Coldstream and Coldstream East properties ("Coldstream") and the Hamlin-Deaty Creek Property ("Hamlin"), which are near the Company's Moss Lake properties located 100 kilometres due west of Thunder Bay, Ontario.

The Company paid or issued (as applicable) to Canoe Mining total consideration of $1,250,000 as follows:

(a) with respect to the purchase of the Coldstream portion of the properties:

- (i) an aggregate of $400,000 cash, and
- (ii) 454,545 fully paid and non-assessable common shares valued at $1.65 per common share in the capital of Wesdome for a total of $750,000 non-cash consideration; and

(b) with respect to the purchase of the Hamlin portion of the properties, an aggregate of $100,000 cash.

The Company incurred legal and other costs of $64,000 related to this acquisition.

(ii) Disposal

In June, 2016, the Company sold certain mining claims, including the Joubi and Dubuisson Ouest properties and a portion of the Mine École property, in Val d'Or, Quebec, to Agnico Eagle Mines Limited ("Agnico Eagle") for $7,000,000. The transaction includes surface rights, drill core, resource and intellectual data, infrastructure and equipment, where applicable. As part of the transaction, Agnico Eagle granted Wesdome a 2% Net Smelter Royalty ("NSR") on the Mine École property and a 3% NSR on the Joubi property.

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

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

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

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

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

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

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

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

Moss Lake Group Properties
The Moss Lake Group Properties include Moss Lake, Coldstream and Hamlin properties which are located 100 kilometres due west of Thunder Bay, Ontario.

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

MLGM owns a 100% interest in the Fountain Lake property which consists of 149 mining claims contiguous to the Moss Lake property to the east, west and south. This property is subject to a 2.5% net smelter return royalty payable to certain original vendors of the property. This royalty is subject to a buyback clause whereby the royalty may be reduced to a 1.5% net smelter return for consideration of $1,000,000.

Coldstream and Hamlin
The Coldstream and Hamlin properties flank the Moss Lake property and include the former producing Coldstream Mine and East Coldstream gold deposit and their potential untested extensions. This acquisition also eliminates a historically inconvenient property boundary immediately along strike of the Moss Lake gold deposit. Some of these properties are subject to NSR's of up to 3%.

The Mishi/Eagle Group Properties

The Mishi/Eagle Group Properties include the Magnacon, Magnacon East, Mishi West and Pukaskwa properties. With the exception of the Pukaskwa property, these properties are contiguous with the Mishi Mine property, Eagle River Mine Complex (Note 8).

Magnacon properties

The eastern portion of the land package includes the 100% owned Magnacon and Magnacon East properties which are subject to underlying net smelter return royalties of 1.5% and 2.0%, respectively. They host the current mill and tailings infrastructure, significant historic underground workings and numerous gold prospects.

Pukaskwa properties

The 100% owned Pukaskwa exploration property is located 20 kilometres west of the Eagle River Mill and hosts several promising gold occurrences.

10. 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:

	December 31, 2016	December 31, 2015
Not later than one year	**$ 2,268**	$ 1,688
Later than one year and not later than five years	**4,428**	3,353
Total minimum lease payments	**6,696**	5,041
Less: Interest portion at the weighted average interest rate of 2.69% (2015: 4.01%)	**394**	339
Total obligations under finance leases, secured by equipment	**6,302**	4,702
Less: Current portion	**2,079**	1,528
Long-term portion	**$ 4,223**	$ 3,174

The cost of equipment under finance leases at December 31, 2016 is $9,883,000 (2015: $6,369,000) with related accumulated depreciation of $1,944,000 (2015: $830,000). These assets are included in plant and equipment.

11. CONVERTIBLE DEBENTURES

Liability component	**December 31, 2016**	December 31, 2015
Balance, beginning of year	**$ 6,562**	$ 6,262
Accretion for the year	**338**	300
Total convertible debentures	**6,900**	6,562
Less: Current portion	**6,900**	-
Long-term portion	**$ -**	$ 6,562
Equity component	**$ 932**	$ 932

The convertible debentures have a face value of $7,021,000, bearing interest at 7% and maturing on May 24, 2017, with conversion at $2.50 per common share of the Company. The liability component of these debentures was calculated, at the date of issuance, as the present value of the principal and interest, at a rate approximating the interest rate that would have been applicable to non-convertible debt at the date the debentures were issued. The liability component was recorded at amortized cost and is accreted to the principal amount over the term of the convertible debentures by charges to interest expense using an effective interest rate of 12.50%. The carrying value of the conversion option of $932,000, which is net of issue costs ($57,000) and deferred income tax ($122,000) has been recorded as a separate component in total equity.

12. DECOMMISSIONING PROVISIONS

The Company is committed to a program of environmental protection at its mines, development projects and exploration sites which are subject to various federal and provincial laws and regulations. The Eagle River and Mishi ores and waste rocks are not acid generating which minimizes the environmental risks of mining. The Magnacon Mine, which is located next to the Eagle River Mill, and the Kiena Mine Complex are both under care and maintenance.

The Company has recorded the decommissioning costs at its active and dormant mine sites on the basis of management's best estimates of future costs to settle the obligations on the closing date, based on information available on the reporting date. Although the ultimate amount of decommissioning costs is uncertain, the Company estimated its future decommissioning costs for the Eagle River Mine, Mishi Mine, Magnacon Mine and the Eagle River Mill (the "Eagle River Complex") to be about $4,600,000 which has been discounted over a period of five years using a discount rate of 3.2%; and the Kiena Mine Complex complex to be about $7,200,000 which has been discounted over a period of three years using a discount rate of 2.9%. The Company has provided $6,900,000 (2015: $2,500,000) standby letters of credit to be held against these future environmental obligations.

a) Change in decommissioning provisions

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

	Notes	**December 31, 2016**	December 31, 2015
Balance, beginning of year		**$ 7,958**	$ 2,501
Accretion expense for the year		**224**	286
Change in provisions		**(244)**	-
Changes to estimates			
Eagle River Complex	12(a)(i)	**2,542**	-
Kiena Mine Complex	12(a)(ii)	**-**	5,171
		$ 10,480	$ 7,958

(i) In late 2016, the Company commissioned a third party consultant to revise the closure plans for the Eagle River Complex. These revised plans, when completed, will be submitted to the Ontario Ministry of Northern Development and Mines for their review and approval at which time additional standby letters of credit may be required. The Company has received preliminary revised estimates totaling $4,554,000 in place of the previous estimated total of $1,547,000. The additional $3,007,000 decommissioning costs have been discounted to $2,542,000 with a corresponding increase in mining assets as at December 31, 2016 using a risk-adjusted rate of 3.2% over 5 years.

(ii) In early October 2015, the Company received approval of a revised closure plan for the Kiena Mine Complex. This revision was conducted as a result of new legislation enacted by the Quebec government which required mining operations to submit restoration plans for inactive mills and post any additional security as a result of this revision. On January 4, 2016 the Company commenced with the requirement to post an additional $6,200,000 security ($4,400,000 in several tranches until September 30, 2016 and $1,800,000 on September 30, 2017) mostly relating to decommissioning of the mill and restoration of the mill site. The addition of $6,200,000 was discounted over four years using a risk-adjusted rate of 2.7%. The Company recorded discounted obligation of $5,171,000 and a corresponding asset which was written down simultaneously in 2015 as the Kiena Complex is under care and maintenance.

b) Restricted funds

	December 31, 2016	December 31, 2015
Relating to closure plans:		
Eagle River Complex	**$ 1,546**	$ 1,546
Kiena Mine Complex	**5,374**	989
	$ 6,920	$ 2,535

The Company has issued letters of credit to the Ontario and Québec governments as guarantees for the settlement of the decommissioning provisions underlying closure plans submitted for the Eagle River and Kiena Mine Complexes, respectively. These letters of credit are secured by guaranteed investment certificates which have been invested at interest rates ranging from 1.16% to 1.26% (2015: 1.04% to 1.40%) maturing at various times until September 2017.

13. CAPITAL STOCK

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

	Notes	Shares	Amount
Issued:			
Balance, December 31, 2014		110,956,039	$ 129,270
Exercise of options		377,094	802
Private placement, net of issue cost	13(i)	5,000,000	4,971
Flow-through, net of issue cost	13(ii)	1,818,182	2,870
Share premium liability on flow through shares	13(ii)	-	(673)
Shares purchased under Normal Course Issuer Bid	13(iv)	(98,300)	(114)
Balance, December 31, 2015		118,053,015	137,126
Prospectus issuance, net of issue cost and tax	13(iii)	**10,465,000**	**16,277**
Acquisition of Coldstream and Hamlin properties	9	**454,545**	**750**
Exercise of options		**1,337,516**	**2,249**
Balance, December 31, 2016		**130,310,076**	**$ 156,402**

(i) Private placement

On October 20, 2015, the Company completed a non-brokered private placement of 5,000,000 common shares at $1.00 per common share for gross proceeds of $5,000,000. The placement was to three directors and a significant shareholder of the Company.

(ii) Flow-through

On December 18, 2015, the Company completed a private placement of 1,818,182 flow-through common shares (the "Flow-Through Shares") at a price of $1.65 per Flow-Through Share for gross proceeds of $3,000,000 (the "Offering"). In connection with the Offering, the Company paid a cash finders' fee in the aggregate amount of $105,000 equivalent to 3.5% of the gross proceeds from the Offering. The Company recorded a share premium liability of $673,000 representing the aggregate premium between the $1.28 quoted price of the Company's non-flow through shares and the $1.65 paid for the Flow-Through Shares. The Company had until December 31, 2016 to spend the flow through funds raised in this Offering on eligible Canadian exploration expenditures. The Company spent $3,000,000 during the year ended December 31, 2016, and accordingly the share premium liability was eliminated with a corresponding deferred tax recovery.

(iii) Prospectus

On April 29, 2016, the Company closed a public offering of 10,465,000 common shares at a price of $1.65 per common share, for total gross proceeds of approximately $17,267,000, including the exercise in full of the over-allotment option by the underwriters. The Company paid underwriting commissions of approximately $863,000 and legal and regulatory costs of $387,000 for net proceeds of $16,017,000. The deferred tax recovery of $260,000 on total issue costs of $1,250,000 was included in deferred tax assets.

(iv) Normal Course Issuer Bid

On June 2, 2014, the Company received approval from the TSX for a Normal Course Issuer Bid ("NCIB"), which allowed the Company to purchase on the open market, up to 8,601,626 of its common shares and $351,050 principal amount of its convertible debentures (Note 9) for cancellation over a period of one year ended on June 3, 2015. During 2015, the Company purchased for cancellation a total of 98,300 common shares under this NCIB with a carrying value of $114,000 for total cash consideration of $114,000. When the cash cost is less than the carrying amount the difference is charged to contributed surplus; when it is greater it is charged to contributed surplus to the extent there is a balance related to share repurchases, with any remainder charged to retained earnings.

14. COMMON SHARE PURCHASE PLAN

The Company has an equity settled common share purchase plan (the "Stock Option 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.

Under the terms of the Stock Option Plan, all options will continue to have a five year life, with vesting immediately or over a period of two years, and at prices equal to the closing price on 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 Stock Option Plan is 10% of the issued and outstanding common shares at the time of the grant. As at December 31, 2016, 6,469,320 options to purchase common shares were available for grant under the Stock Option Plan.

The following table reflects the continuity of options granted for the years ended December 31, 2016 and 2015.

	December 31, 2016		December 31, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**4,980,178**	**1.07**	3,868,668	1.01
Granted	**3,235,000**	**2.08**	1,655,000	1.17
Exercised	**(1,337,516)**	**1.02**	(377,094)	0.72
Expired	**(275,974)**	**2.52**	(58,896)	2.48
Forfeited	**(40,000)**	**1.03**	(107,500)	1.17
Outstanding, end of year	**6,561,688**	**1.52**	4,980,178	1.07

	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	1,651,688	2.01	0.72	1,491,688	0.70
$1.00 - $1.50	1,835,000	3.59	1.21	1,366,250	1.21
$1.51 - $2.00	1,335,000	4.49	1.69	285,000	1.85
$2.01 - $2.50	1,740,000	4.96	2.46	355,000	2.45
	6,561,688	3.74		3,497,938	1.17

The weighted average share price on the date of exercise of stock options in 2016 was $1.96 (2015: $1.15). The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. For the years ended December 31, 2016 and 2015, grant date fair value estimates were based on the following variables:

	Years Ended December 31, 2016	2015
Weighted average fair value, per option ($)	**1.01**	0.65
Weighted average risk-free interest rate (%)	**0.76**	0.75
Weighted average volatility (%)	**69**	67
Expected life (years)	**4.6**	5

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 $1,734,000 (2015: $811,000). The average fair value of the options granted during the year was $1.96 (2015: $1.12).

15. INCOME TAXES

Deferred tax assets/(liabilities) arising from temporary differences and unused tax losses are summarized as follows:

	January 1, 2016	**Recognized in equity**	**Recognized in profit and loss**	**December 31, 2016**
Unclaimed non-capital losses	**$ 2,328**	**$ -**	**$ 17**	**$ 2,345**
Investment tax credit	**70**	**-**	**-**	**70**
Unclaimed SR&ED expense	**127**	**-**	**-**	**127**
Eligible capital property	**149**	**-**	**(10)**	**139**
Deductible reclamation costs	**2,109**	**-**	**668**	**2,777**
Unclaimed financing costs	**32**	**259**	**-**	**291**
Ontario resource profit tax credit	**1,066**	**-**	**15**	**1,081**
Equity portion of convertible debenture	**(122)**	**-**	**90**	**(32)**
Tax basis in excess of carrying value	**4,634**	**-**	**(4,423)**	**211**
Net deferred tax asset	**$ 10,393**	**$ 259**	**$ (3,643)**	**$ 7,009**

	January 1, 2015	Recognized in equity	Recognized in profit and loss	December 31, 2015
Unclaimed non-capital losses	$ 1,379	$ -	$ 949	$ 2,328
Investment tax credit	70	-	-	70
Unclaimed SR&ED expense	127	-	-	127
Eligible capital property	156	-	(7)	149
Deductible reclamation costs	663	-	1,446	2,109
Unclaimed financing costs	21	11	-	32
Ontario resource profit tax credit	913	-	153	1,066
Equity portion of convertible debenture	(272)	-	150	(122)
Tax basis in excess of carrying value	7,435	-	(2,801)	4,634
Net deferred tax asset	$ 10,492	$ 11	$ (110)	$ 10,393

The following table reconciles the expected income tax (expense)/recovery at the combined Federal and Ontario statutory income tax rate 26.5% (2015: 26.5%) to the amounts recognized in the consolidated statements of income.

	Years Ended December 31, 2016	2015
Net income (loss) reflected in consolidated statements of income	**$ 9,856**	$ (4,591)
Expected income tax (expense) recovery	**$ (2,612)**	$ 1,217
Non-deductible expense	**(7)**	(11)
Stock compensation expense	**(460)**	(215)
Derecognition of deferred tax asset	**-**	(1,404)
Ontario resource allowance tax credit	**123**	153
Accretion of discount on convertible debentures	**90**	150
Flow-through renunciation	**(795)**	-
Other	**18**	-
Deferred tax expense before share premium on flow-through financing	**(3,643)**	(110)
Share premium on flow-through financing	**673**	-
Deferred tax expense	**$ (2,970)**	$ (110)

(i) Mining tax receivable

The Company filed amended mining tax returns with Revenu Québec for the 2009 and 2010 taxation years related to operations at its Kiena Complex. The Company received notification of an aggregate refund of approximately $900,000 overpayment previously made for both years of which $580,000 was received in January, 2017.

(ii) Income tax pools

Non-capital losses of $8,785,000 available for carry forward to reduce taxable income in future years expire in 2028, 2029 and 2030. In addition, undepreciated capital cost of $16,700,000, Canadian exploration expenditures of $62,260,000, and Canadian development expenditures of $25,710,000 are available as deductions against future taxable income.

No tax benefit has been recorded for the deductible temporary differences and federal and provincial non-capital losses, totaling $4,000,000 and $7,577,000, of MLGM and Windarra, respectively. Losses of $2,513,000 will expire between 2025 and 2036.

16. EARNINGS (LOSS) PER SHARE

	Years Ended December 31, 2016	2015
Earnings (loss) available to common shareholders	**$ 7,786**	$ (4,701)
Weighted average number of shares, basic (000s)	**126,158**	112,189
Dilutive securites – options (000s)	**1,928**	-
Weighted average number of shares, diluted (000s)	**128,086**	112,189
Basic earnings (loss) per share	**$ 0.06**	$ (0.04)
Diluted earnings (loss) per share	**$ 0.06**	$ (0.04)
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect:		
Options (000s)	**1,860**	1,983
Convertible debentures (000s)	**2,808**	2,808

17. EMPLOYEE BENEFITS

	Years Ended December 31, 2016	2015
Salaries and short-term employee benefits	**$ 26,143**	$ 23,732
Retirement payment	**650**	-
Post employment benefits	**412**	377
Share-based payments	**1,734**	811
	$ 28,939	$ 24,920

Allocation of employee benfits

	2016	2015
Salaries and employee benefits expensed to mining and processing expenses	**$ 25,010**	$ 22,613
Salaries and employee benefits capitalized	**3,929**	2,307
	$ 28,939	$ 24,920

18. RELATED PARTY INFORMATION

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

	Years Ended December 31, 2016	2015
Salaries and short-term employee benefits	**$ 3,252**	$ 2,003
Share-based payments	**1,195**	490
Post employment benefits	**77**	59
	$ 4,524	$ 2,552

19. FINANCIAL INSTRUMENTS

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

Fair Values

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

December 31, 2016	**Loans and Receivables**	**Other Financial Liabilities**	**Total Carrying Amount**	**Fair Value**
Cash and cash equivalents	**$ 26,760**	**$ -**	**$ 26,760**	**$ 26,760**
Receivables and prepaids	**2,782**	**-**	**2,782**	**2,782**
Restricted funds	**6,920**	**-**	**6,920**	**6,920**
Total assets	**$ 36,462**	**$ -**	**$ 36,462**	**$ 36,462**
Payables and accruals	**$ -**	**$ 11,831**	**$ 11,831**	**$ 11,831**
Obligations under capital lease	**-**	**6,302**	**6,302**	**6,302**
Convertible debentures	**-**	**6,900**	**6,900**	**7,723**
Total liabilities	**$ -**	**$ 25,033**	**$ 25,033**	**$ 25,856**

December 31, 2015	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash and cash equivalents	$ 15,424	$ -	$ 15,424	$ 15,424
Receivables and prepaids	3,354	-	3,354	3,354
Restricted funds	2,535	-	2,535	2,535
Total assets	$ 21,313	$ -	$ 21,313	$ 21,313
Payables and accruals	$ -	$ 8,994	$ 8,994	$ 8,994
Obligations under capital lease	-	4,702	4,702	4,702
Convertible debentures	-	6,562	6,562	6,530
Total liabilities	$ -	$ 20,258	$ 20,258	$ 20,226

The fair value of cash and cash equivalents, receivables, restricted funds and payables approximate their carrying amounts due to their short-term nature. The fair value of obligations under finance leases approximates their carrying values due to current market rates and consistency of credit spread. 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's convertible debentures are valued at fair values using Level 1 inputs. The Company does not have any Level 2 or 3 inputs.

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

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

(a) Commodity price risk
The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the years ended December 31, 2016 and 2015.

(b) Foreign currency exchange risk
The Company's revenue is exposed to changes in foreign exchange rates as the Company's primary product, gold, is priced in U.S. dollars. The Company had no forward exchange rate contracts in place and no foreign currency holdings as at or during the years ended December 31, 2016 and 2015.

The following table illustrates the sensitivity of net earnings and equity in regards to the US dollar/Canadian dollar exchange rate, all other variables being constant. It assumes a +/-10% change of the US dollar/Canadian dollar exchange rate for the year ended December 31, 2016

(2015: +/- 9%). These percentages have been determined based on the average market volatility in exchange rates in the preceding twelve months. The sensitivity analysis assumes that all of the Company's revenues are U.S. dollars based for the reporting period.

Sensitivity analysis	Change	Impact on net earnings
2016	+/- 10% (US$/CAN$)	$ 8,159
2015	+/- 9% (US$/CAN$)	$ 6,685

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

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

2) Liquidity Risk

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

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

December 31, 2016

(in thousands)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals	**$11,831**	**$ -**	**$ -**	**$ -**
Obligations under finance leases	**$ 2,269**	**$ 1,780**	**$ 2,647**	**$ -**
Convertible debentures	**$ 7,216**	**$ -**	**$ -**	**$ -**

3) Credit Risk

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

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

Capital Risk Management

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

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

	December 31, 2016	December 31, 2015
Total equity	**$ 127,401**	$ 99,498
Cash and cash equivalents	**(26,760)**	(15,424)
Capital	**$ 100,641**	$ 84,074

20. SUPPLEMENTAL CASH FLOW INFORMATION

	Notes	Years Ended December 31, 2016	2015
Net changes in non-cash working capital			
Operating activities			
Receivables and prepaids		**$ 1,301**	$ (1,212)
Payables and accruals		**2,270**	746
Gold in process and ore stockpiles		**(1,021)**	(76)
Supplies and other		**(53)**	(100)
		$ 2,497	$ (642)
Investing activities			
Receivables and prepaids		**$ (729)**	$ (308)
Payables and accruals		**567**	187
Supplies and other		**(13)**	(25)
		$ (175)	$ (146)
Non-cash transactions:			
Change to decommissioning provisions	12	**$ 2,522**	5,457
Mining property assets acquired under finance leases		**3,515**	2,361
Shares issued to acquire properties	9(i)	**750**	-
		$ 6,787	$ 7,818

21. INTEREST ON LONG-TERM DEBT

	Notes	Years Ended December 31, 2016	2015
Interest on convertible debentures	11	**$ 491**	$ 491
Accretion of discount on convertible debentures	11	**338**	300
Interest on obligations under finance leases	10	**201**	169
		$ 1,030	$ 960

22. QUEBEC EXPLORATION CREDITS REFUND

The Company was reassessed by Revenu Québec in 2011 for exploration credits claimed in 2005 and 2006 relating to the Kiena exploration properties. The Company repaid $5,220,000 including interest relating to these reassessments in 2011 in order to avoid further interest in the event of an unsuccessful appeal. The Company launched appeals of these reassessments and was successful for both years. In April 2016, Revenu Québec appealed the decisions of the Court of Quebec, however it was obligated to repay 50% of the reassessed amount which was received in July 2016.

The amount repaid in 2011 was included in the capitalized costs which were subsequently reclassified as mining properties in 2008 when Kiena went into production. The Kiena mining assets were subsequently written off after being placed on care and maintenance in 2013. Accordingly, the Company recorded the $2,620,000 in the statement of income for the year ended December 31, 2016.

The Company will recognize as income the remaining $2,600,000 balance pending an appeal favourable to the Company. In the unlikely event that Revenu Québec is successful upon appeal, then the Company will have to repay the $2,600,000 received in July 2016.

23. INDEMNITIES

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