WESDOME GOLD MINES LTD.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

SEPTEMBER 30, 2017

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

| | Notes | As of September 30, 2017 | As of December 31, 2016 |
|---|---|---|---|
| **Assets** | | | |
| Current | | | |
| Cash and cash equivalents | | **$ 16,614** | $ 26,760 |
| Receivables and prepaids | 3 | **3,117** | 2,782 |
| Mining tax receivable | | **-** | 900 |
| Inventories | 4 | **10,257** | 5,929 |
| Total current assets | | **29,988** | 36,371 |
| Restricted funds | 9(b) | **-** | 6,920 |
| Deferred income tax assets | | **4,489** | 7,009 |
| Mining properties, plant and equipment | 5 | **80,506** | 74,241 |
| Exploration properties | 6 | **55,331** | 38,373 |
| Total assets | | **$ 170,314** | $ 162,914 |
| **Liabilities** | | | |
| Current | | | |
| Payables and accruals | | **$ 14,551** | $ 11,831 |
| Current portion of obligations under finance leases | 7 | **2,503** | 2,079 |
| Convertible debentures | 8 | **-** | 6,900 |
| Total current liabilities | | **17,054** | 20,810 |
| Obligations under finance leases | 7 | **4,365** | 4,223 |
| Decommissioning provisions | 9 | **10,555** | 10,480 |
| Total liabilities | | **31,974** | 35,513 |
| **Equity** | | | |
| Equity attributable to owners of the Company | | | |
| Capital stock | 10 | **164,161** | 156,402 |
| Contributed surplus | | **3,459** | 2,173 |
| Equity component of convertible debentures | 8 | **-** | 932 |
| Deficit | | **(29,280)** | (32,106) |
| Total equity attributable to owners of the Company | | **138,340** | 127,401 |
| Total liabilities and equity | | **$ 170,314** | $ 162,914 |

*On behalf of the Board:*

*/s/* Duncan Middlemiss, *Director*

*/s/ Charles Main*, *Director*



*See accompanying notes to the condensed interim consolidated financial statements.*

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

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

| | Notes | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | **2017** | 2016 (restated) Note 2(c) | **2017** | 2016 (restated) Note 2(c) |
| **Revenues from gold sales** | 13 | **$ 21,165** | $ 30,134 | **$ 64,513** | $ 61,865 |
| **Cost of sales** | 14 | **15,594** | 16,408 | **50,448** | 48,172 |
| **Gross profit** | | **5,571** | 13,726 | **14,065** | 13,693 |
| **Other expenses** | | | | | |
| Corporate and general | | **909** | 1,799 | **3,695** | 4,185 |
| Share based payments | 11 | **572** | 463 | **2,258** | 953 |
| Kiena care and maintenance | | **200** | 489 | **767** | 1,550 |
| Restructuring costs | 18 | **2,159** | - | **2,159** | - |
| | | **3,840** | 2,751 | **8,879** | 6,688 |
| **Operating income** | | **1,731** | 10,975 | **5,186** | 7,005 |
| Interest on long-term debt | 15 | **(58)** | (260) | **(402)** | (766) |
| Accretion of decommissioning provisions | 9 | **54** | (54) | **(196)** | (58) |
| Interest and other | | **(30)** | 105 | **(63)** | 51 |
| Exploration credits refund | 19 | **-** | - | **-** | 2,620 |
| **Income before income tax** | | **1,697** | 10,766 | **4,525** | 8,852 |
| Mining and income tax expense | | | | | |
| Current | | **100** | - | **151** | - |
| Deferred | | **1,301** | 3,117 | **2,520** | 2,666 |
| | | **1,401** | 3,117 | **2,671** | 2,666 |
| **Net income and total comprehensive income** | | **$ 296** | $ 7,649 | **$ 1,854** | $ 6,186 |
| **Net earnings per share** | | | | | |
| Basic | 12 | **$ 0.00** | $ 0.06 | **$ 0.01** | $ 0.05 |
| Diluted | 12 | **$ 0.00** | $ 0.06 | **$ 0.01** | $ 0.05 |
| **Weighted average number of common shares (000s)** | | | | | |
| Basic | 12 | **133,888** | 129,936 | **132,527** | 124,799 |
| Diluted | 12 | **135,481** | 132,252 | **134,830** | 126,547 |



*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)

| | Notes | Capital Stock | Contributed Surplus | Equity Component of Convertible Debentures | Deficit | Total Equity |
|---|---|---|---|---|---|---|
| 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 | 11 | - | 1,734 | - | - | 1,734 |
| Shares issued to acquire Moss Lake area properties | 6(i) | 750 | - | - | - | 750 |
| Shares issued under prospectus | 10(i) | 17,267 | - | - | - | 17,267 |
| Share issue cost, net of tax | 10(i) | (990) | - | - | - | (990) |
| Balance, December 31, 2016 | | $ 156,402 | $ 2,173 | $ 932 | $ (32,106) | $ 127,401 |
| Net income for the nine months ended September 30, 2017 | | **-** | **-** | **-** | **1,854** | **1,854** |
| Conversion/maturity of convertible debentures | 8 | **4,912** | **-** | **(932)** | **932** | **4,912** |
| Exercise of options | 11 | **1,915** | **-** | **-** | **-** | **1,915** |
| Value attributed to options exercised | | **932** | **(932)** | **-** | **-** | **-** |
| Value attributed to options expired | | **-** | **(40)** | **-** | **40** | **-** |
| Share based payments | 11 | **-** | **2,258** | **-** | **-** | **2,258** |
| **Balance, September 30, 2017** | | **$ 164,161** | **$ 3,459** | **$ -** | **$ (29,280)** | **$ 138,340** |



*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)

| | Notes | Three Months Ended September 30, 2017 | Three Months Ended September 30, 2016 (restated) Note 2(c) | Nine Months Ended September 30, 2017 | Nine Months Ended September 30, 2016 (restated) Note 2(c) |
|---|---|---|---|---|---|
| **Operating activities** | | | | | |
| Net income | | **$ 296** | $ 7,649 | **$ 1,854** | $ 6,186 |
| Depletion and depreciation | | **2,350** | 2,330 | **6,766** | 5,269 |
| Mining tax received | | **-** | - | **900** | - |
| Share based payments | 11 | **572** | 463 | **2,258** | 953 |
| Decommissioning provisions | 9 | **(54)** | 54 | **196** | 58 |
| Mining and income tax expense (recovery) | | **1,301** | 3,117 | **2,520** | 2,666 |
| Interest on long-term debt | | **58** | 173 | **409** | 516 |
| Accretion of discount on convertible debentures | 15 | **-** | 87 | **103** | 250 |
| Loss on disposal of equipment | | **-** | 2 | **159** | 76 |
| | | **4,523** | 13,875 | **15,165** | 15,974 |
| Net changes in non-cash working capital | 16 | **(982)** | (910) | **(1,408)** | (1,213) |
| Funds provided by operating activities | | **3,541** | 12,965 | **13,757** | 14,761 |
| **Financing activities** | | | | | |
| Repayment of convertible debentures | 8 | **-** | - | **(2,091)** | - |
| Exercise of options | 11 | **55** | 236 | **1,915** | 1,099 |
| Finance lease payments | | **(820)** | (536) | **(2,251)** | (1,508) |
| Interest paid | | **-** | - | **(237)** | (245) |
| Shares issued under prospectus, net of issue cost | | **-** | - | **-** | 16,017 |
| Funds (used) provided by financing activities | | **(765)** | (300) | **(2,664)** | 15,363 |
| **Investing activities** | | | | | |
| Additions to mining properties | | **(3,894)** | (4,715) | **(11,779)** | (14,116) |
| Additions to exploration properties | | **(5,317)** | (3,502) | **(16,958)** | (5,537) |
| Funds released from (held against) standby letters of credit | 9(b) | **-** | (1,790) | **6,920** | (4,385) |
| Proceeds on sale of exploration properties | | **-** | - | **-** | 7,000 |
| Proceeds on sale of equipment | | **-** | - | **90** | 43 |
| Net changes in non-cash working capital | 16 | **368** | (469) | **488** | 438 |
| Funds used by investing activities | | **(8,843)** | (10,476) | **(21,239)** | (16,557) |
| (Decrease) increase in cash and cash equivalents | | **(6,067)** | 2,189 | **(10,146)** | 13,567 |
| Cash and cash equivalents, beginning of period | | **22,681** | 26,802 | **26,760** | 15,424 |
| Cash and cash equivalents, end of period | | **$ 16,614** | $ 28,991 | **$ 16,614** | $ 28,991 |
| Cash and cash equivalents consist of: | | | | | |
| Cash | | **$ 3,095** | $ 5,968 | **$ 3,095** | $ 5,968 |
| Term deposits | | **13,519** | 23,023 | **13,519** | 23,023 |
| | | **$ 16,614** | $ 28,991 | **$ 16,614** | $ 28,991 |



*See accompanying notes to the condensed interim consolidated financial statements.*

### 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 AND NEW ACCOUNTING STANDARDS

a) 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, 2016.

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, 2016.

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 3 to the Company's consolidated financial statements for the year ended December 31, 2016.

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 November 9, 2017.

b) **(i) Amendments to IAS 7 – Statement of cash flows**

The Company has prospectively adopted these amendments effective January 1, 2017. These new 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 adoption of these amendments does not have a significant impact on the Company's consolidated financial statements.

**(ii) Amendments to IAS 12 – Deferred taxes**

The Company has retrospectively adopted these amendments effective January 1, 2017. These 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 adoption of these amendments does not have a significant impact on the Company's consolidated financial statements.

**(iii) IFRS 9 – Financial instruments: Classification and measurement**

This new accounting pronouncement, which will be effective for periods beginning on or after January 1, 2018, 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.

The Company has determined that this new pronouncement does not have a significant impact on its consolidated financial statements.

**(iv) IFRS 15 – Revenue from contract with customers**

This new accounting pronouncement, which will be effective periods beginning on or after January 1, 2018, establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Company has determined that this new pronouncement does not have a significant impact on its consolidated financial statements.

**(v) IFRS 16 – Leases**

This new accounting pronouncement, which will be effective for periods beginning on or after January 1, 2019, 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, the new accounting standard 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.

The Company has determined that this new pronouncement does not have a significant impact on its consolidated financial statements.

c) **Restatement of Comparative Figures**

Comparative figures for the three months and nine months ended September 30, 2016 have been restated for an error in calculating the ore stockpile inventory in the third and the fourth quarters of 2016, detected by the Company in the preparation of its annual financial statements for the year ended December 31, 2016. As a result of this error, ore stockpile inventories as at September 30, 2016 had increased by $1,023,000 and cost of sales for the three months and nine months ended September 30, 2016 decreased by the same amount. The tax effect of this adjustment has resulted in an increase in deferred tax expense for the three months and nine months ended September 30, 2016 of $271,000 and the deferred income tax asset as at September 30, 2016 had decreased by the same amount. The following table reflects the effect of the adjustments on the reported net income and basic and diluted earnings per share for the three months and nine months ended September 30, 2016:

| For the three months September 30, 2016: | Reported | Adjustments | Restated |
|---|---|---|---|
| Net income | $ 6,897 | $ 752 | $ 7,649 |
| Earnings per share (Basic) | $ 0.05 | $ 0.01 | $ 0.06 |
| Earnings per share (Diluted) | $ 0.05 | $ 0.01 | $ 0.06 |

| For the nine months September 30, 2016: | Reported | Adjustments | Restated |
|---|---|---|---|
| Net income | $ 5,434 | $ 752 | $ 6,186 |
| Earnings per share (Basic) | $ 0.04 | $ 0.02 | $ 0.06 |
| Earnings per share (Diluted) | $ 0.04 | $ 0.02 | $ 0.06 |

Reported net income and earnings per share for the year ended December 31, 2016 are not impacted by these adjustments.

## 3. RECEIVABLES AND PREPAIDS

| | **September 30, 2017** | December 31, 2016 |
|---|---|---|
| Sales tax | **$ 2,422** | $ 2,006 |
| Prepaids, deposits and other | **695** | 776 |
| | **$ 3,117** | $ 2,782 |

## 4. INVENTORIES

| | Note | **September 30, 2017** | December 31, 2016 |
|---|---|---|---|
| Gold in process | 4(i) | **$ 7,317** | $ 1,708 |
| Supplies | | **1,872** | 1,712 |
| Ore stockpiles | 4(ii) | **1,068** | 2,509 |
| | | **$ 10,257** | $ 5,929 |

(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 cost of $373,000 at September 30, 2017, (2016: $393,000) compared to a net realizable value at December 30, 2016, after a write-down of $1,585,000.

## 5. 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, 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 | 9 | 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 |
| Additions | | **11,760** | **2,656** | **14,416** | **-** | **7** | **7** | **14,423** |
| Decommissioning adjustment | 9 | **(121)** | **-** | **(121)** | **-** | **-** | **-** | **(121)** |
| Disposals | | **-** | **(729)** | **(729)** | **-** | **-** | **-** | **(729)** |
| **Balance, September 30, 2017** | | **$115,231** | **$ 19,332** | **$134,563** | **$ 35,201** | **$ 696** | **$ 35,897** | **$170,460** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Accumulated Depletion and Write-downs** | | | | | | | |
| 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) |
| Depletion | **(6,245)** | **(1,528)** | **(7,773)** | **-** | **(15)** | **(15)** | **(7,788)** |
| Accumulated depletion on disposals | **-** | **480** | **480** | **-** | **-** | **-** | **480** |
| **Balance, September 30, 2017** | **$ (46,037)** | **$ (8,206)** | **$ (54,243)** | **(35,201)** | **$ (510)** | **$ (35,711)** | **$ (89,954)** |
| **Net carrying amount**, | | | | | | | |
| December 31, 2016 | $ 63,800 | $ 10,247 | $ 74,047 | $ - | $ 194 | $ 194 | $ 74,241 |
| **September 30, 2017** | **$ 69,194** | **$ 11,126** | **$ 80,320** | **$ -** | **$ 186** | **$ 186** | **$ 80,506** |

### (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.

## 6. EXPLORATION PROPERTIES

| | Notes | Kiena Group | Moss Lake Group | Mishi/Eagle Group | Total |
|---|---|---|---|---|---|
| Balance, December 31, 2015 | | 25,635 | 3,626 | 5,148 | 34,409 |
| Acquisition | 6(i) | - | 1,314 | - | 1,314 |
| Disposal | 6(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 |
| Exploration expenditures | | **9,805** | **4,141** | **3,012** | **16,958** |
| **Balance, September 30, 2017** | | **$ 33,522** | **$ 9,845** | **$ 11,964** | **$ 55,331** |

### (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 Kiena Group Properties (previously termed "The Wesdome Group Properties")**
The Kiena 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 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, in Dubuisson Township, Quebec.

*Siscoe and Siscoe-Extension properties*
The Siscoe property is located in Dubuisson and Vassan Townships, Quebec which 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 is 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 the Yankee Clipper property which is 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 is 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.

## 7. 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, 2017** | December 31, 2016 |
|---|---|---|
| Not later than one year | **$ 2,687** | $ 2,268 |
| Later than one year and not later than five years | **4,522** | 4,428 |
| Total minimum lease payments | **7,209** | 6,696 |
| Less: Interest portion at the weighted average interest rate of 3.33% (2016: 3.62%) | **341** | 394 |
| Total obligations under finance leases, secured by equipment | **6,868** | 6,302 |
| Less: Current portion | **2,503** | 2,079 |
| Long-term portion | **$ 4,365** | $ 4,223 |

The cost of equipment under finance leases at September 30, 2017 is $11,625,000 (2016: $9,883,000) with related accumulated depreciation of $3,204,000 (2016: $1,944,000). These assets are included in plant and equipment.

**Credit Facilities**
At September 30, 2017, the Company had credit facilities of a maximum of $35.0 million comprised of a revolving equipment financing facility of $20.0 million and standby letters of credit facility of $15.0 million as disclosed in Note 9(b). These facilities are secured by a fixed charge over all property together with a floating charge over all other assets, and together contain certain financial covenants, which the Company was in compliance at September 30, 2017.

At September 30, 2017, $7,923,000 was drawn under the equipment financing facility, and $7,027,000 standby letters of credit have been issued. The Company does not pay a standby rate on any undrawn amount. Amounts drawn under the equipment financing facility are subject to separate lease agreements with a maximum term of 5 years and interest rates which are variable depending on when the finance leases are entered into.

## 8. CONVERTIBLE DEBENTURES

| Liability component | Nine Months Ended September 30, 2017 | Year Ended December 31, 2016 |
|---|---|---|
| Balance, beginning of period/year | **$ 6,900** | $ 6,562 |
| Accretion for the period/year | **103** | 338 |
| Conversion in the period/year | **(4,912)** | - |
| Repayment at maturity for the period/year | **(2,091)** | - |
| Balance, end of period/year | **$ -** | $ 6,900 |
| **Equity component** | | |
| Balance, beginning of period/year | **$ 932** | $ 932 |
| Conversion/maturity in the period/year | **(932)** | - |
| Balance, end of period/year | **$ -** | $ 932 |

The convertible debentures with a face value of $7,021,000 bearing interest at 7% matured 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 initial carrying value of the conversion option of $932,000, which is net of issue costs ($57,000) and deferred income tax ($122,000) had been recorded as a separate component in total equity.

During the six month period ended June 30, 2017, $4,930,000 of the $7,021,000 convertible debentures, with an accreted value of $4,912,000, were converted at the option of the debenture holders into 1,972,000 common shares of the Company. The remaining balance of $2,091,000 was repaid at maturity. Accordingly, all of the $932,000 equity component was transferred to retained earnings.

## 9. 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 $7,027,000 which has been discounted over a period of three years using a discount rate of 2.9%. The Company has provided $7,027,000 (2016: nil, see note 9(b) below) 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:

| | Note | Nine Months Ended September 30, 2017 | Year Ended December 31, 2016 |
|---|---|---|---|
| Balance, beginning of period/year | | **$ 10,480** | $ 7,958 |
| Accretion expense for the period/year | | **230** | 224 |
| Change in provisions | | **(34)** | (244) |
| Changes to estimates, Eagle River Complex | 9(a)(i) | **(121)** | 2,542 |
| | | **$ 10,555** | $ 10,480 |

(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 totalling $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 $2,495,000 with a corresponding increase in mining assets as at December 31, 2016, using a risk-adjusted rate of 3.2% over 5 years. The Eagle River estimates have been adjusted for an additional year due to an increase in reserves resulting in $121,000 decrease to the reclamation provision and corresponding decommissioning asset. The Kiena estimate has been reduced by $138,000, an adjustment from Government of Québec.

### b) Standby letters of credit and restricted funds

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 were secured by cash as at December 31, 2016. In March 2017, the Company obtained a credit facility of up to $15.0 million for the issuance of letters of credit as guarantees for the settlement of decommissioning provisions. This credit facility has an annual fee of 1% on issued amounts and eliminates the requirement to provide cash security for the letters of credit.

| | September 30, 2017 | December 31, 2016 |
|---|---|---|
| Standby letters of credit: | | |
| Eagle River Complex | **$ 1,546** | $ - |
| Kiena Mine Complex | **7,027** | - |
| | **$ 8,573** | $ - |
| Restricted funds: | | |
| Eagle River Complex | **$ -** | $ 1,546 |
| Kiena Mine Complex | **-** | 5,374 |
| | **$ -** | $ 6,920 |

## 10. 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, 2015 | | 118,053,015 | 137,126 |
| Prospectus issuance, net of issue cost and tax | 10(i) | 10,465,000 | 16,277 |
| Acquisition of Coldstream and Hamlin properties | 6(i) | 454,545 | 750 |
| Exercise of options | | 1,337,516 | 2,249 |
| Balance, December 31, 2016 | | 130,310,076 | $ 156,402 |
| Conversion of convertible debentures | 8 | **1,972,000** | **4,912** |
| Exercise of options | | **1,607,722** | **2,847** |
| **Balance, September 30, 2017** | | **133,889,798** | **$ 164,161** |

### (i) 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.

## 11. COMMON SHARE PURCHASE PLAN

The Company had, until May 3, 2017, 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 directors, officers, employees and independent contractors of Wesdome and/or its affiliates (collectively, the "Service Providers"). The maximum aggregate number of common shares under option at any time pursuant to the Stock Option Plan was 10% of the issued and outstanding common shares at the time of the grant.

On May 3, 2017, the Board of Directors approved the 2017 omnibus equity incentive plan of Wesdome (the "2017 Omnibus Plan") pursuant to which it is able to issue share-based long term incentives. All Service Providers are eligible to receive Awards, as defined below, under the 2017 Omnibus Plan.

The 2017 Omnibus Plan replaced the Company's existing Stock Option Plan which remains in effect but no further options will be issued thereunder.

The types of awards available under the 2017 Omnibus Plan include options, restricted share units, performance share units, deferred share units and dividend-equivalent rights (collectively, "Awards"). Under the 2017 Omnibus Plan, the maximum number of Common Shares issuable from treasury pursuant to Awards shall not exceed 10% of the total outstanding Common Shares from time to time less the number of Common Shares issuable pursuant to all other security-based compensation arrangements of Wesdome (being the existing Stock Option Plan).

As at September 30, 2017, Awards to purchase 7,296,592 common shares of Wesdome were available for grant under the Omnibus Plan.

The following table reflects the continuity of options granted for the three and nine months ended September 30, 2017 and 2016.

| | **Three Months Ended September 30, 2017** | | **Nine Months Ended September 30, 2017** | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price** | **Number of options** | **Weighted average exercise price** |
| | | **$** | | **$** |
| Stock options outstanding, beginning of period/year | **5,857,388** | **1.89** | **6,561,688** | **1.52** |
| Granted | **300,000** | **2.44** | **1,188,422** | **3.14** |
| Exercised | **(35,000)** | **1.58** | **(1,607,722)** | **1.19** |
| Expired | **(30,000)** | **1.55** | **(50,000)** | **1.65** |
| Forfeited | **-** | **-** | **-** | **-** |
| Stock options outstanding, end of period | **6,092,388** | **1.92** | **6,092,388** | **1.92** |

| | Three Months Ended September 30, 2016 | | Nine Months Ended September 30, 2016 | |
|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| | | $ | | $ |
| Stock options outstanding, beginning of period/year | 4,592,662 | 1.11 | 4,980,178 | 1.07 |
| Granted | 725,000 | 1.64 | 1,500,000 | 1.64 |
| Exercised | (225,000) | 1.05 | (1,116,542) | 0.98 |
| Expired | (45,000) | 2.18 | (275,974) | 2.52 |
| Forfeited | - | - | (40,000) | 1.03 |
| Stock options outstanding, end of period | 5,047,662 | 1.18 | 5,047,662 | 1.18 |

| | **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 | 898,766 | 1.22 | 0.71 | 898,766 | 0.71 |
| $1.00 - $1.50 | 1,260,000 | 2.92 | 1.21 | 1,072,500 | 1.20 |
| $1.51 - $2.00 | 1,235,000 | 3.79 | 1.68 | 635,000 | 1.70 |
| $2.01 - $2.50 | 1,815,200 | 4.35 | 2.46 | 476,450 | 2.46 |
| $2.51 - $3.00 | - | - | - | - | - |
| $3.01 - $4.00 | 883,422 | 4.61 | 3.38 | 252,500 | 3.49 |
| | 6,092,388 | 3.52 | 1.92 | 3,335,216 | 1.52 |

The weighted average share price on the date of exercise of options for the nine months ended September 30, 2017 was $3.82 (2016: $1.83). 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, 2017, grant date fair value estimates were based on the following variables:

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Weighted average fair value, per option ($) | **1.40** | 1.65 | **1.64** | 1.65 |
| Weighted average risk-free interest rate (%) | **1.39** | 0.61 | **0.97** | 0.64 |
| Weighted average volatility (%) | **69** | 68 | **68** | 68 |
| Expected life (years) | **5.0** | 4.7 | **4.4** | 4.7 |

The estimated fair value of the options granted is expensed over the vesting period. The fair value compensation and contributed surplus relating to stock options for the three and nine months ended September 30, 2017 was $572,000 and $2,258,000, respectively (2016: $463,000 and $953,000), respectively.

## 12. NET EARNINGS PER SHARE

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | 2016 (restated) Note 2(c) | **2017** | 2016 (restated) Note 2(c) |
| Net earnings available to common shareholders | **$ 296** | $ 7,649 | **$ 1,854** | $ 6,186 |
| Weighted average number of shares, basic (000s) | **133,888** | 129,936 | **132,527** | 124,799 |
| Dilutive securities – options and debentures (000s) | **1,593** | 2,316 | **2,303** | 1,748 |
| Weighted average number of shares, diluted (000s) | **135,481** | 132,252 | **134,830** | 126,547 |
| Basic net earnings per share | **$ 0.00** | $ 0.06 | **$ 0.01** | $ 0.05 |
| Diluted net earnings per share | **$ 0.00** | $ 0.06 | **$ 0.01** | $ 0.05 |
| Number of shares excluded from diluted net earnings per share calculation due to anti-dilutive effect: | | | | |
| Options (000s) | **2,699** | - | **883** | 130 |
| Convertible debentures (000s) | **-** | 2,808 | **-** | 2,808 |

## 13. REVENUES FROM GOLD SALES

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Gold from mining operations | **$ 21,165** | $ 27,534 | **$ 63,613** | $ 59,265 |
| Gold from Kiena mill cleanup | **-** | 2,600 | **900** | 2,600 |
| | **$ 21,165** | $ 30,134 | **$ 64,513** | $ 61,865 |

## 14. COST OF SALES

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | 2016 (restated) Note 2(c) | **2017** | 2016 (restated) Note 2(c) |
| Mining and processing | **$ 12,830** | $ 13,596 | **$ 42,491** | $ 41,939 |
| Depletion and depreciation | **2,350** | 2,330 | **6,766** | 5,269 |
| Royalties | **414** | 482 | **1,191** | 964 |
| | **$ 15,594** | $ 16,408 | **$ 50,448** | $ 48,172 |

## 15. INTEREST ON LONG-TERM DEBT

| | Notes | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| Interest on convertible debentures | 8 | **$ -** | $ 123 | **$ 127** | $ 368 |
| Accretion of discount on convertible debentures | 8 | **-** | 87 | **103** | 250 |
| Interest on obligations under finance leases | 7 | **58** | 50 | **172** | 148 |
| | | **$ 58** | $ 260 | **$ 402** | $ 766 |

## 16. SUPPLEMENTAL CASH FLOW INFORMATION

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2017** | 2016 (restated) Note 2(c) | **2017** | 2016 (restated) Note 2(c) |
| **Net changes in non-cash working capital** | | | | |
| Operating activities | | | | |
| Receivables and prepaids | **$ 261** | $ (67) | **$ (311)** | $ (1,699) |
| Payables and accruals | **1,160** | (62) | **2,176** | 2,494 |
| Gold in process and ore stockpiles | **(2,439)** | (617) | **(3,145)** | (1,933) |
| Supplies and other | **36** | (164) | **(128)** | (75) |
| | **$ (982)** | $ (910) | **$ (1,408)** | $ (1,213) |
| Investing activities | | | | |
| Receivables and prepaids | **$ 69** | $ (289) | **$ (24)** | $ (43) |
| Payables and accruals | **290** | (139) | **544** | 500 |
| Supplies and other | **9** | (41) | **(32)** | (19) |
| | **$ 368** | $ (469) | **$ 488** | $ 438 |
| **Non-cash transactions** | | | | |
| Mining property assets acquired under finance leases | **$ 239** | $ 341 | **$ 2,645** | $ 1,984 |
| Conversion of debt into capital stock | **-** | - | **4,912** | - |
| Shares issued to acquire properties | **-** | 750 | **-** | 750 |
| | **$ 239** | $ 1,091 | **$ 7,557** | $ 2,734 |

## 17. 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:

| **September 30, 2017** | **Loans and Receivables** | **Other Financial Liabilities** | **Total Carrying Amount** | **Fair Value** |
|---|---|---|---|---|
| Cash and cash equivalents | **$ 16,614** | **$ -** | **$ 16,614** | **$ 16,614** |
| Receivables and prepaids | **3,117** | **-** | **3,117** | **3,117** |
| Total assets | **$ 19,731** | **$ -** | **$ 19,731** | **$ 19,731** |
| Payables and accruals | **$ -** | **$ 14,551** | **$ 14,551** | **$ 14,551** |
| Obligations under capital leases | **-** | **6,868** | **6,868** | **6,868** |
| Total liabilities | **$ -** | **$ 21,419** | **$ 21,419** | **$ 21,419** |

| 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 leases | - | 6,302 | 6,302 | 6,302 |
| Convertible debentures | - | 6,900 | 6,900 | 7,723 |
| Total liabilities | $ - | $ 25,033 | $ 25,033 | $ 25,856 |

The fair value of cash and cash equivalents, receivables, restricted funds payables, and accruals 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 were valued at fair values using Level 1 inputs. The Company does not have any Level 2 or 3 inputs.

## 18. RESTRUCTURING COSTS

The Company incurred one-time severance payments for the four retired executives in the amount of $2,159,000 for the three months and the nine months ended September 30, 2017.

## 19. QUEBEC EXPLORATION CREDITS CONTINGENCY

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 refunded $2,620,000 of the reassessed amount in July 2016.

The Kiena mining assets were written off after being placed on care and maintenance in 2013 and accordingly, the Company recorded as income the $2,620,000 refund in fiscal year 2016.

The Company will recognize as income the remaining $2,600,000 balance pending an appeal favourable to the Company. In the event that Revenu Québec is successful upon appeal, the likelihood of which is considered low by management, then the Company will have to repay the $2,620,000 received in July 2016. The date of the appeal hearing is set on January 18, 2018.