WESDOME GOLD MINES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

SEPTEMBER 30, 2012

MESSAGE TO SHAREHOLDERS

We see progress continuing at all three of our operating gold mines. The new Mishi mine is generating good grade in its first year – early success in this new producer. At Eagle River, development of a new haulage drift will enable production in the high grade 811 Zone to come onstream late in the year. At Kiena, a close eye on costs and aggressive development of new zones like the South Zone and the Martin Zone should reward patience. We have substantial resources and potential here which we are formulating into a longer term plan.

We are very encouraged to see positive results from our cost control efforts in light of industry-wide inflation. We continue to invest in our infrastructure in a measured and phased approach. Our assets continue to demonstrate potential for optimization and growth given prudent investment.

Thank you to our miners, patient shareholders and supporters.

On behalf of the Board,

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

November 7, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter Report
September 30, 2012

This Management's Discussion and Analysis ("MD & A") dated November7, 2012, should be read in conjunction with Wesdome Gold Mines Ltd.'s ("Wesdome" or "the Company") unaudited interim consolidated financial statements for the nine months ended September 30, 2012, and their related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

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

OVERALL PERFORMANCE

The Company owns and operates the Eagle River mine complex in Wawa, Ontario and the Kiena mine complex in Val-d'Or, Quebec. On January 1, 2012, the Mishi mine in Wawa commenced commercial production. The Eagle River and Mishi mines feed a common mill and are referred to as the Eagle River complex. The Eagle River mine has been in continuous production since commercial production commenced January 1, 1996. It has produced over 900,000 ounces to date. The Kiena mine was purchased by the Company in 2003. It restarted commercial production on August 1, 2006. It was previously in production from 1982 – 2002. To date the Kiena mine has produced over 1.7 million ounces of gold.

At September 30, 2012, the Company had $15.9 million in working capital including7,722 ounces of gold bullion in inventory. For the first nine months of the year, revenue exceeded mining and processing costs by $13.0 million, $7.6 million in capital costs were incurred and $4.1 million of debt was retired. Cash flow from operations totalled $10.5 million and net earnings were$0.01 per share.

During the third quarter, the new Mishi mine produced a recovered grade of 3.0 g Au / tonne. The stockpile of ore at the mill grew 10% to 40,000 tonnes since June 30, 2012. The Eagle River mine continued its steady performance and the Kiena mine showed steady, modest production while aggressively developing new mining areas.

In general, the mining industry has been stretched due to unprecedented activity. Experienced and competent manpower remain in short supply. We see contractor and materials availability starting to ease at this point. Large international capital projects have been suspended and tight risk capital markets have inhibited competing exploration and development projects.

RESULTS OF OPERATIONS

	Three Months Ended Sept30		Nine Months Ended Sept 30	
	2012	2011	**2012**	2011
EAGLE RIVER COMPLEX				
Eagle River Mine				
Tonnes milled	**39,479**	46,867	**118,080**	133,810
Recovered grade (g/t)	**6.14**	4.6	**6.30**	4.7
Production (oz)	**7,797**	6,861	**23,909**	20,127
Mishi Mine *(commercial production commenced January 1, 2012)*				
Tonnes milled	**18,284**	-	**52,996**	-
Recovered grade (g/t)	**3.0**	-	**2.5**	-
Production (oz)	**1,747**	-	**4,214**	-
Surface stockpile (tonnes)	**40,000**	-	**40,000**	-
Total Eagle River Complex				
Production (oz)	**9,544**	6,861	**28,123**	20,127
Sales (oz)	**8,400**	8,000	**28,900**	24,000
Bullion revenue ($000)†	**13,851**	13,184	**47,836**	36,015
Mining and processing costs ($000)	**10,244**	10,470	**33,299**	23,844
Mine operating profit ($000) *	**3,607**	2,714	**14,537**	12,171
Gold price realized ($Cdn/oz)	**1,643**	1,668	**1,653**	1,499
KIENA MINE COMPLEX				
Tonnes milled	**68,400**	57,395	**195,593**	198,897
Recovered grade (g/t)	**2.3**	1.9	**2.2**	2.3
Production (oz)	**4,962**	3,476	**13,945**	14,898
Sales (oz)	**5,600**	4,000	**14,100**	18,000
Bullion revenue ($000) †	**9,257**	6,439	**23,265**	26,422
Mining and processing costs ($000)	**8,126**	8,356	**24,810**	26,892
Mine operating profit (loss) ($000) *	**1,131**	(1,917)	**(1,545)**	(470)
Gold price realized ($Cdn/oz)	**1,643**	1,606	**1,653**	1,464
TOTAL MINE OPERATIONS				
Production (oz)	**14,506**	10,337	**42,068**	35,025
Sales (oz)	**14,000**	12,000	**43,000**	42,000
Bullion inventory (oz)	**7,722**	5,931	**7,722**	5,931
Bullion revenue ($000) †	**23,108**	19,623	**71,101**	62,437
Mining and processing costs ($000)	**18,370**	18,826	**58,109**	50,736
Mine operating profit ($000) *	**4,738**	797	**12,992**	11,701
Gold price realized ($Cdn/oz)	**1,643**	1,646	**1,653**	1,484

† Bullion revenue includes minor by product silver sales

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

Mine operating profit excludes the following specific items included as operating expenses on the Consolidated Statements of Income: Depletion, Production royalties, Corporate and general, Share-based compensation and Amortization of capital assets.

During the third quarter, 2012, combined operations produced 14,506 ounces of gold and 14,000 ounces were sold at an average realized price of $1,643 per ounce. This represents a 40% increase in production compared to the third quarter, 2011, while realized gold prices were essentially the same.

For the first nine months of 2012, our mines produced 42,068 ounces of gold and 43,000 ounces were sold at an average price of $1,653 per ounce representing a 20% increase in production and an 11% increase in gold prices compared to the first nine months of 2011.

In the third quarter, 2012, mining and processing costs related to sales declined 2% compared to those in the third quarter, 2011. For the year to date, 2012, mining and processing costs are up 15% compared to last year. This increase is due primarily to Kiena's first quarter performance in 2012. As previously disclosed, Kiena's first quarter was a catch-up development period with weak production following the insolvency of a key development contractor in late 2011. We are very encouraged to see third quarter costs declining in light of industry-wide inflation, the location of our current production areas and the fact that we have a third mine in production this year.

In the third quarter, 2012, bullion revenue exceeded mining and processing costs resulting in a mine operating profit, or gross margin, of $4.7 million. In addition to these direct operating costs, other direct costs, including royalties, corporate and general costs and net interest costs for the third quarter amounted to $1.0 million. Capital costs were reduced to $1.8 million in the third quarter compared to $5.4 million in the third quarter, 2011.

The combined Eagle River and Mishi operations produced 9,544 ounces in the third quarter and 28,123 ounces year to date. Grades increased 22% quarterly compared to last year and 17% for the nine month period compared to last year. We are in the process of developing a haulage drift on the 740 metre level at Eagle River. This will enable production to start in an area of the 811 Zone where rich grades have been confirmed by sublevel development. We expect initial production from this area near the end of the year.

The Mishi mine produced 1,747 ounces of gold from 18,284 tonnes at a recovered grade of 3.0 gAu/tonne during the third quarter. Throughput was about half what was initially planned due to availability of higher grade Eagle River millfeed. We are very encouraged by the results of rigorous grade control efforts at this early stage in the life of mine. The ore stockpile at the mill has grown to 40,000 tonnes. We are investing to increase efficiencies and capacity at the mill. Favourable drilling results both east and west of existing and planned operations give us confidence in potential to increase mine life or expand operations.

At Kiena, both grade and throughput increased compared to the third quarter, 2011. We continue to aggressively develop new production areas. Although gross margins are thin, they are positive and hopefully will continue to buy us time as we develop some areas with better grades. The mine's performance remains extremely sensitive to gold prices. Work will continue to ensure tight cost control and optimize development and production sequences.

Summary of Quarterly Results

(in thousands except per share data)	2012			2011
	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter
Total revenue	$ 23,108	$ 25,948	$ 22,045	$ 17,206
Net income (loss)	819	700	(308)	496
Earnings (loss) per share basic and diluted	0.01	0.01	(0.00)	0.00

	2011			2010
	3rd Quarter	2nd Quarter	1st Quarter	4th Quarter
Total revenue	$ 19,623	$ 19,220	$ 23,594	$ 26,634
Net income (loss)	(1,616)	(1,094)	2,454	3,380
Earnings (loss) per share basic and diluted	(0.01)	(0.01)	0.02	0.03

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2012, the Company had working capital of $15.9 million compared to $7.2 million at December 31, 2011. During the first nine months of 2012, capital expenditures totalled $7.6 million compared to $14.1 million in the first nine months of 2011. Capital expenditures were concentrated in minesite development, mine and mill infrastructure.

On May 24, 2012, the Company completed a $7,021,000 placement of unsubordinated convertible debentures. The term is 5-years bearing interest at 7% per annum payable semi-annually and convertible into common shares at $2.50 per common share. The net proceeds of $6,821,000, along with cash at hand, were used to redeem existing convertible debentures in the amount of $11,539,000 that matured on May 31, 2012, of which $10,931,000 were still outstanding on the maturity date. This resulted in the Company paying down $4.1 million in debt.

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

The Company traditionally maintains an inventory of refined gold bullion. At September 30, 2012, this liquid asset consisted of 7,722 ounces of gold with a market value of $13.5 million. The bullion inventory is carried at the lower of cost or market, in this case at a cost of $11.1 million.

Additionally, the Mishi ore stockpile at the mill, which totals 40,000 tonnes is carried in inventory at a cost of $3.2 million.

Management believes we have sufficient liquidity to carry out our mining, development and exploration programs and prefers not to dilute shareholders' interest with equity issues.

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

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

	Payments Due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 2 years**	**3 – 5 years**	**After 5 years**
Equipment leases	$1,037	$681	$ 356	-	-
Convertible debentures	$ 9,270	$ 487	$ 983	$7,800	-
	$10,307	$1,168	$1,339	$7,800	-

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel and director compensation comprised of the following:

	Three months ended Sept 30		Nine months ended Sept 30	
	2012	2011	**2012**	2011
Salaries and short-term employee benefits	**$ 277**	$ 287	**$ 901**	$ 911
Post employment benefits	**13**	11	**35**	29
Fair value of share-based compensation	**121**	144	**339**	433
	$ 411	$ 442	**$ 1,275**	$ 1,373

In fiscal 2012, the Company paid $40,625 in directors' fees (2011: $21,875) to companies whose managing partners are directors of the Company.

OUTLOOK

We continue to aim for a 60,000 ounce annual production target. We plan to be in position to have some of the high grade 811 Zone ore we have been developing at Eagle River into the production sequence near year-end and to be ready for a strong start in 2013.

SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

(i) Reserves

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

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

(ii) Depletion

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

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

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

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

(iii) Provision for decommissioning obligations

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

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

(iv) Share-based payments

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

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

(v) Deferred taxes

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

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

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

(vi) Recoverability of mining properties

The Company's management reviews the carrying values of its mining properties on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining properties depends on confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(vii) Exploration and evaluation expenditures

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

(viii) Equity component of convertible debentures

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

FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

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

Financial Instruments – Fair Values

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

	September 30, 2012		December 31,2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Convertible 7% debentures	**$ -**	**$ -**	$ 10,726	$ 11,040
Convertible 7% debentures – new issue	**$ 7,021**	**$ 7,021**	$ -	$ -

Determination of Fair Value

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

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

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

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

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

Financial Risk Management

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

1) Market Risk

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

(a) Commodity price risk

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the nine months ended September 30, 2012.

(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 nine months ended September 30, 2012.

(c) Interest rate risk

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

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

2) Liquidity Risk

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

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

September 30, 2012

	<1 Year	**1-2 Years**	**3-5 Years**	**Over 5 Years**
Payables & accruals	**$12,238**	**-**	**-**	**-**
Finance leases	**$ 681**	**$ 356**	**-**	**-**
Convertible debentures	**$ 487**	**$ 983**	**$ 7,800**	**-**

December 31, 2011

	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables & accruals	$ 8,944	-	-	-
Finance leases	$ 997	$ 854	-	-
Convertible debentures	$11,377	-	-	-

3) Credit Risk

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

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

RISKS AND UNCERTAINTIES

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

Nature of Mineral Exploration

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

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

Mining Risks and Insurance

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

Government Regulations and Environmental Matters

The Company's activities are subject to extensive federal, provincial and local laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. It is possible that the

costs and delays associated with compliance with such laws, regulations and permits could become such that the Company would not proceed with the development or operation of a mine.

In Ontario, the Company has obtained approval for its closure plan for the Eagle River mill, Eagle River mine and the Mishi-Magnacon complex and has provided security of approximately $0.9 million to cover estimated rehabilitation and closure costs. In Quebec, the Company has obtained approval for its closure plan for the Kiena mine and milling complex and has provided security of approximately $0.7 million to cover estimated rehabilitation and closure costs. In the event of any future expansion or alteration of a mine on the Eagle River property or the Kiena mine, the Company would likely be required to amend its closure plans and could also be required to provide further security.

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

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

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

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

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

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

Additional Funding Requirements
Further exploration on, and development of, the Company's mineral resource properties, will require additional capital. In addition, a positive production decision on any of the Company's development projects would require significant capital for project engineering and construction.

Accordingly, the continuing development of the Company's properties will depend upon the Company's ability to either generate sufficient funds internally or to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Although the Company has been successful in the past in obtaining financing through the sale of equity securities and the issuance of debt instruments, there can be no assurance that it will obtain adequate financing in the future.

SUMMARY OF SHARES ISSUED

As of November 7, 2012, the Company's share information is as follows:

Common shares issued	101,879,659
Common share purchase options	1,643,000

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*." the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that as at September 30, 2012, the Company's disclosure controls and procedures to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

Internal Control over Financial Reporting

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

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

The Company's management, with the participation of the CEO and CFO, assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at September 30, 2012, the Company's internal control over financial reporting was effective.

Limitations of Controls and Procedures

The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

WESDOME GOLD MINES LTD.

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

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

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Financial Position

(Unaudited, expressed in thousands of Canadian dollars)

	September 30 2012	December 31 2011
Assets		
Current		
Cash and cash equivalents	**$ 3,253**	$ 5,215
Receivables (Note 5)	**8,081**	7,337
Inventory (Note 6)	**17,451**	15,271
	28,785	27,823
Restricted funds (Note 7)	**2,065**	2,385
Deferred income taxes	**445**	615
Mining properties and equipment (Note 8)	**90,981**	90,114
Exploration properties (Note 9)	**30,008**	30,886
	$ 152,284	$ 151,823
Liabilities		
Current		
Payables and accruals	**$ 12,238**	$ 8,944
Current portion of obligations under finance leases	**662**	913
Convertible 7% debentures (Note 11)	**-**	10,726
	12,900	20,583
Income taxes payable	**33**	22
Obligations under finance leases (Note10)	**324**	818
Convertible 7% debentures (Note 11)	**5,702**	-
Provisions (Note 12)	**1,633**	1,593
	20,592	23,016
Equity		
Equity attributable to owners of the Company		
Capital stock (Note 13)	**122,651**	122,685
Contributed surplus	**2,251**	1,960
Equity component of convertible debentures (Note 11)	**1,204**	1,970
Retained earnings	**5,133**	1,585
	131,239	128,200
Non-controlling interest	**453**	607
Total equity	**131,692**	128,807
	$ 152,284	$ 151,823

See accompanying notes to the condensed interim consolidated financial statements.

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

(Unaudited, expressed in thousands of Canadian dollars)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2012	2011	**2012**	2011
Revenue				
Gold and silver bullion	**$ 23,108**	$ 19,623	**$ 71,101**	$ 62,437
Operating expenses				
Mining and processing	**18,370**	18,826	**58,109**	50,736
Depletion of mining properties	**2,321**	1,518	**6,770**	4,990
Production royalties	**238**	223	**713**	592
Corporate and general	**524**	536	**1,783**	2,084
Share based compensation	**159**	237	**511**	803
	21,612	21,340	**67,886**	59,205
Income (loss) from operations	**1,496**	(1,717)	**3,215**	3,232
Interest and other income	**(47)**	45	**60**	256
Interest on long term debt	**(220)**	(401)	**(875)**	(1,191)
Other interest (Note 21)	**-**	-	**(18)**	(1,190)
Accretion of decommissioning liability	**(13)**	(16)	**(40)**	(48)
Write-down of exploration property	**-**	-	**(950)**	-
Income (loss) before income tax	**1,216**	(2,089)	**1,392**	1,059
Income tax expense (recovery)				
Current	**(18)**	28	**11**	403
Deferred	**415**	(501)	**170**	912
	397	(473)	**181**	1,315
Net income (loss)	**819**	(1,616)	**1,211**	(256)
Total comprehensive income (loss)	**$ 819**	$ (1,616)	**$ 1,211**	$ (256)
Net income (loss) and total comprehensive income attributable to:				
Non-controlling interest	**$ (78)**	$ (51)	**$ (154)**	$ (174)
Owners of the Company	**897**	(1,565)	**1,365**	(82)
	$ 819	$ (1,616)	**$ 1,211**	$ (256)
Earnings (loss) and comprehensive earnings (loss) per share				
Basic (Note 15)	**$ 0.01**	$ (0.02)	**$ 0.01**	$ (0.00)
Diluted (Note 15)	**$ 0.01**	$ (0.02)	**$ 0.01**	$ (0.00)

See accompanying notes to the condensed interim consolidated financial statements.

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

		Contributed Surplus							
	Capital Stock	Share Based Payments	Share Repurchases	Dilution Gains	Equity Component Convertible Debentures	Retained Earnings (Deficit)	Total Attributable to Owners of the Company	Non-controlling Interest	Total Equity
Balance, December 31, 2010	$ 120,496	$ 1,016	$ 423	$ 428	$ 1,970	$ 2,945	$ 127,278	$ 740	$ 128,018
Net income (loss) for the period ended September 30, 2011	-	-	-	-	-	(82)	(82)	(174)	(256)
Exercise of options	1,595	-	-	-	-	-	1,595	160	1,755
Value attributed to options exercised	664	(664)	-	-	-	-	-	-	-
Value attribtued to options expired	-	(197)	-	-	-	197	-	-	-
Share based payments	-	803	-	-	-	-	803	-	803
Shares purchased under normal course issuer bid	(9)	-	(9)	-	-	-	(18)	-	(18)
Dilution of non-controlling interest	-	-	-	84	-	-	84	(89)	(5)
Subsidiary capital transaction	-	-	-	-	-	-	-	2	2
Dividends	-	-	-	-	-	(2,028)	(2,028)	-	(2,028)
Balance, September 30, 2011	122,746	958	414	512	1,970	1,032	127,632	639	128,271
Net income (loss) for the period ended December 31, 2011	-	-	-	-	-	530	530	(34)	496
Exercise of options	5	-	-	-	-	-	5	-	5
Value attributed to options exercised	3	(3)	-	-	-	-	-	-	-
Value attributed to options expired	-	(23)	-	-	-	23	-	-	-
Share based payments	-	132	-	-	-	-	132	-	132
Shares purchased under normal course issuer bid	(69)	-	(31)	-	-	-	(100)	-	(100)
Dilution of non-controlling interest	-	-	-	1	-	-	1	-	1
Subsidiary capital transactions	-	-	-	-	-	-	-	2	2
Balance, December 31, 2011	122,685	1,064	383	513	1,970	1,585	128,200	607	128,807
Net income (loss) for the period ended September 30, 2012	**-**	**-**	**-**	**-**	**-**	**1,365**	**1,365**	**(154)**	**1,211**
Value attributed to options expired	**-**	**(213)**	**-**	**-**	**-**	**213**	**-**	**-**	**-**
Share based payments	**-**	**512**	**-**	**-**	**-**	**-**	**512**	**-**	**512**
Shares purchased under normal course issuer bid	**(34)**	**-**	**(8)**	**-**	**-**	**-**	**(42)**	**-**	**(42)**
Equity component of convertiible debentures	**-**	**-**	**-**	**-**	**(766)**	**1,970**	**1,204**	**-**	**1,204**
Balance, September 30, 2012	**$ 122,651**	**$ 1,363**	**$ 375**	**$ 513**	**$ 1,204**	**$ 5,133**	**$ 131,239**	**$ 453**	**$ 131,692**

See accompanying notes to the condensed interim consolidated financial statements.

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

(Unaudited, expressed in thousands of Canadian dollars)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2012	2011	**2012**	2011
Operating activities				
Net income (loss)	**$ 819**	$ (1,616)	**$ 1,211**	$ (256)
Depletion of mining properties	**2,321**	1,637	**6,770**	5,109
Accretion of discount on convertible debentures	**60**	170	**290**	495
Write-down of exploration property	**-**	-	**950**	-
Gain on sale of equipment	**-**	23	**23**	(22)
Share-based compensation	**159**	237	**511**	803
Deferred income taxes	**415**	(501)	**170**	912
Interest paid	**159**	231	**585**	1,885
Accretion of decommissioning liability	**13**	17	**40**	49
	3,946	198	**10,550**	8,975
Net changes in non-cash working capital (Note 19)	**(1,779)**	(1,565)	**(91)**	(4,491)
	2,167	(1,367)	**10,459**	4,484
Financing activities				
Exercise of options	**-**	148	**-**	1,595
Shares issued by a subsidiary of the Company to third parties	**-**	-	**-**	160
Funds paid to repurchase common shares under NCIB	**-**	(14)	**(42)**	(18)
Redemptions of convertible debentures	**-**	-	**(10,931)**	-
Issuance of convertible debentures, net of financing	**-**	-	**6,821**	-
Repayment of obligations under finance leases	**(187)**	(272)	**(745)**	(1,004)
Interest paid	**(159)**	(231)	**(585)**	(1,885)
Dividends paid	**-**	-	**-**	(2,028)
	(346)	(369)	**(5,482)**	(3,180)
Investing activities				
Additions to mining and exploration properties	**(1,771)**	(5,406)	**(7,565)**	(14,122)
Proceeds on sale of equipment	**-**	30	**3**	141
Funds held against standby letters of credit	**(5)**	40	**320**	(5)
	(1,776)	(5,336)	**(7,242)**	(13,986)
Net changes in non-cash working capital (Note 19)	**(355)**	675	**303**	(585)
	(2,131)	(4,661)	**(6,939)**	(14,571)
Decrease in cash and cash equivalents	**(310)**	(6,397)	**(1,962)**	(13,267)
Cash and cash equivalents, beginning of period	**3,563**	15,936	**5,215**	22,806
Cash and cash equivalents, end of period	**$ 3,253**	$ 9,539	**$ 3,253**	$ 9,539
Cash and cash equivalents consist of:				
Cash	**$ 2,448**	$ 4,475	**$ 2,448**	$ 4,475
Term deposit (1.46%, 2011: 1.00%)	**805**	5,064	**805**	5,064
	$ 3,253	$ 9,539	**$ 3,253**	$ 9,539

Supplemental disclosure (Note 19)

See accompanying notes to the condensed interim consolidated financial statements.

1. DESCRIPTION OF BUSINESS

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

2. BASIS OF PRESENTATION

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

These condensed interim consolidated financial statements have been prepared on a historical cost basis and in compliance with IAS 34 – "*Interim Financial Reporting*". Certain information and disclosure normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2011 and the notes thereto.

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 7, 2012.

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(i) Reserves

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

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

(ii) Depletion

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

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

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

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

(iii) Provision for decommissioning obligations

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

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(iv) Share-based payments

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

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

(v) Deferred taxes

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

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

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

(vi) Recoverability of mining properties

The Company's management reviews the carrying values of its mining properties on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining properties depends on confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(vii) Exploration and evaluation expenditures

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

3. SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(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.

4. UPCOMING CHANGES IN ACCOUNTING STANDARDS

IFRS 9 – Financial Instruments: Classification and Measurement

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

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

IFRS 10 – Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. IFRS 10 is required to be applied for annual periods beginning January 1, 2013.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. IFRS 11 is required to be applied for annual periods beginning January 1, 2013.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is required to be applied for annual periods beginning January 1, 2013.

4. UPCOMING CHANGES IN ACCOUNTING STANDARDS (continued)

IFRS 13 – Fair Value Measurement
IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is required to be applied for annual periods beginning January 1, 2013.

Management has yet to assess the impact that IFRS 10, IFRS 11, IFRS 12 and IFRS 13 would have on the financial statements of the Company.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine
In October, 2011, the IASB issued IFRIC 20 "*Stripping Costs in the Production Phase of a Surface Mine*". IFRIC 20 provides guidance on the accounting for costs of stripping activity in the production phase of surface mining when two benefits accrue to the entity from the stripping activity: useable ore that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. IFRIC 20 is required to be applied starting January 1, 2013 with early adoption permitted. The Company is currently assessing the impact of adopting IFRIC 20 on our consolidated financial statements.

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

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

- IAS 17 Leases
- IAS 18 Revenue Recognition

5. RECEIVABLES

	September 30 2012	December 31 2011
Mining duties refunds and tax credits	**$ 881**	$ 1,012
Goods and services tax	**6,205**	4,365
Prepaids	**240**	550
Refund due from Commission de la Santé et de la Securitie du Travail	**-**	794
Deposits	**214**	158
Other	**541**	458
	$ 8,081	$ 7,337

6. INVENTORY

	September 30 2012	December 31 2011
Gold bullion	**$ 11,148**	$ 12,469
Supplies	**3,114**	2,802
Ore stockpiles	**3,189**	-
	$ 17,451	$ 15,271

7. RESTRICTED FUNDS

	September 30 2012	December 31 2011
Relating to mine closure plans (see Note 12)	**$ 1,650**	$ 1,635
Relating to hydro deposit	**415**	415
Relating to finance leases	**-**	335
	$ 2,065	$ 2,385

Funds are being held in Guaranteed Investment Certificates at interest rates ranging from 0.89% to 0.95%(2011: 0.70% to 0.95%)maturing to August 2013.

8. MINING PROPERTIES AND EQUIPMENT

Gross Carrying Amount	Eagle River Complex	Kiena Mine Complex	Total
Balance, December 31, 2010	$ 35,206	$ 79,675	$ 114,881
Additions	10,288	9,326	19,614
Disposals	(575)	(110)	(685)
Change in decommissioning provision	22	(69)	(47)
Balance, December 31, 2011	44,941	88,822	133,763
Additions	**4,028**	**3,465**	**7,493**
Disposals	**(38)**	**-**	**(38)**
Balance, September 30, 2012	**$ 48,931**	**$ 92,287**	**$ 141,218**

Accumulated Depletion	Eagle River Complex	Kiena Mine Complex	Total
Balance, December 31, 2010	$ (13,269)	$ (23,925)	$ (37,194)
Depletion	(2,657)	(3,798)	(6,455)
Balance, December 31, 2011	(15,926)	(27,723)	(43,649)
Depletion	**(3,473)**	**(3,115)**	**(6,588)**
Balance, September 30, 2012	**$ (19,399)**	**$ (30,838)**	**$ (50,237)**
Carrying Amount, December 31, 2010	$ 21,937	$ 55,750	$ 77,687
Carrying Amount, December 31, 2011	$ 29,015	$ 61,099	$ 90,114
Carrying Amount, September 30, 2012	**$ 29,532**	**$ 61,449**	**$ 90,981**

8. MINING PROPERTIES AND EQUIPMENT (continued)

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

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

The Mishi mine is subject to royalty payments of $1 per tonne for open pit mining and $2 per tonne for underground mining in respect of ore mined and milled from the underlying claims in excess of 700,000 tonnes. Ore milled to date totals 188,491 tonnes.

Kiena Mine Complex – Wesdome Group
The Kiena mine complex consists of the Kiena mine concession, Kiena mill, related infrastructure and equipment and 165 mining claims in the Township of Dubuisson, Quebec.

9. EXPLORATION PROPERTIES

	Wesdome Group	Moss Lake	Magnacon	Other	Total
Balance, December 31, 2010	$ 24,790	$ 2,989	$ 2,033	$ 950	$ 30,762
Exploration expenditures	3	120	1	-	124
Balance, December 31, 2011	24,793	3,109	2,034	950	30,886
Exploration expenditures	**-**	**72**	**-**	**-**	**72**
Write-down of exploration property	**-**	**-**	**-**	**(950)**	**(950)**
Balance, September 30, 2012	**$ 24,793**	**$ 3,181**	**$ 2,034**	**$ -**	**$ 30,008**

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

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

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

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

9. EXPLORATION PROPERTIES (continued)

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

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

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

Other Properties
In June 2009, the Company entered into an exploration and option agreement to earn up to a 60% interest in the Pukaskwa claims. By spending or causing to be spent $1.5 million before June 30, 2012, the Company shall have earned a 30% undivided working interest in the claims. By spending or causing to be spent another $1.5 million before June 30, 2014, the Company shall have earned a further 30% undivided working interest in the claims. The Company paid $25,000 to the owner upon closing. The Pukaskwa property is located 15 kilometres west of the Eagle River Mill. The Company has written-down the carrying amount of the property as it did not spent the required $1.5 million by June 30, 2012.

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:

	September 30 2012	December 31 2011
Not later than one year	**$ 680**	$ 997
Later than one year and not later than five years	**352**	854
Total minimum lease payments	**1,032**	1,851
Less: Interest portion at the weighted average of 6.63% (2011: 6.68%)	**46**	120
Total obligations under capital leases, secured by equipment	**986**	1,731
Less:Current portion	**662**	913
Long term portion	**$ 324**	$ 818

The cost of equipment under finance leases at September 30, 2012 is $3,348,000(2011: $3,800,900) with related accumulated depreciation of $1,110,098 (2011: $934,000). These assets are included in mining properties.

11. CONVERTIBLE 7% DEBENTURES

The following table summarizes the changes in the liability and equity components of the convertible debentures during the nine months ended September 30, 2012, and year ended December 31, 2011.

Liability component	**September 30 2012**	December 31 2011
Balance, beginning of period	**$ 10,726**	$ 10,072
Accretion	**205**	654
Redemption of convertible debentures	**(10,931)**	-
	-	10,726
Issuance of convertible debentures	**5,617**	-
Accretion	**85**	-
Balance, end of period	**$ 5,702**	$ 10,726

Equity component	**September 30 2012**	December 31 2011
Balance, beginning of period	**$ 1,970**	$ 1,970
Redemption of convertible debentures	**(1,970)**	-
	-	1,970
Issuance of convertible debentures	**1,204**	-
Balance, end of period	**$ 1,204**	$ 1,970

11. CONVERTIBLE 7% DEBENTURES (continued)

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

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

The liability components of these debentures were calculated, at the dates of issuance, as the present value of the principal and interest, discounted at 12%, a rate approximating the interest rate that would have been applicable to non-convertible debt at the dates the debentures were issued. The liability components were recorded at amortized cost and accreted to the principal amounts over the term of the convertible debentures by charges to interest expense using an effective interest rate of 12.50% and 13.92%, respectively, for the debentures maturing on May 31, 2017 and May 31, 2012.

At September 30, 2012, the face value of debentures available for conversion at $2.50 totalled $7,021,000.

12. PROVISIONS

The Company is committed to a program of environmental protection at its operating mines, development projects and exploration sites. The Eagle River ore and waste rocks are not acid generating which minimizes the environmental risks of mining. Although the ultimate amount of decommissioning costs is uncertain, the Company estimates its future decommissioning costs for the Eagle River mine, Mishi mine and the mill to be about $0.9 million and the Kiena mining and milling complex to be about $1.0 million. The Company has provided $1.6 million standby letters of credit to be held against these future environmental obligations.

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

Balance, December 31, 2010	$	1,574
Accretion expense		66
Change in decommissioning provision		(47)
Balance, December 31, 2011		1,593
Accretion expense		**40**
Balance, September 30, 2012	**$**	**1,633**

As a result of increased activity at the Eagle River Mishi mine, the Company was required to increase its decommissioning provision. The decommissioning provision is based on current reserve estimates, forecasted production and estimated future cash flows underlying the obligation. The risk adjusted interest rate employed was 3.36% (2011: 3.88%). The obligation will be accreted to $1.9 million (2011: $1.9 million) over the next 5 to 6 years.

13. CAPITAL STOCK

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

	Shares	Amount
Issued:		
Balance, December 31, 2010	101,176,159	$ 120,496
Exercise of options	797,000	1,600
Value attributed to options exercised	-	667
Shares purchased under NCIB	(65,000)	(78)
Balance, December 31, 2011	101,908,159	122,685
Shares purchased under NCIB	**(28,500)**	**(34)**
Balance, September 30, 2012	**101,879,659**	**$ 122,651**

On July 12, 2010, the Company received approval from the TSX for a Normal Course Issuer Bid ("NCIB"). The bid allowed the Company to purchase on the open market up to 6,681,620 of its common shares for cancellation over a period of one year to end on July 13, 2011. During the period July 12, 2010 to July 13, 2011, the Company repurchased for cancellation a total of 37,800 common shares with a carrying value of $43,000 for total cash consideration of $96,100. When the cash cost is less than the carrying amount the difference is charged to contributed surplus; when it is greater it is charged to contributed surplus to the extent there is a balance related to share repurchases, with any remainder charged to retained earnings.

On August 5, 2011, the Company received approval from the TSX for another NCIB. The bid allows the Company to purchase, on the open market, up to 9,999,409 of its common shares for cancellation over a period of one year to end on August 7, 2012. The Company purchased for cancellation a total of 85,700 common shares under this NCIB with a carrying value of $103,000 for total cash consideration of $141,000.

14. COMMON SHARE PURCHASE PLAN

The Company has an equity settled common share purchase plan under which the Board of Directors may grant options to purchase common shares to qualified directors, officers, employees and consultants providing on-going services to the Company or any subsidiary of the Company. All options granted have a five year life with vesting periods based on the size of the option grant and at prices equal to the closing price for the day immediately preceding the date the options were granted. The maximum aggregate number of common shares under option at any time pursuant to the Plan is set at 5,000,000 of which 2,897,000 are available to be issued.

The following table reflects the continuity for the three and nine months ended September 30, 2012 and 2011 of options granted under the plan.

14. COMMON SHARE PURCHASE PLAN (continued)

	Three Months Ended September 30, 2012		**Nine Months Ended September 30, 2012**	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Stock options outstanding, beginning of period	**1,878,000**	**2.17**	**1,730,500**	**2.25**
Granted	**240,000**	**0.84**	**425,000**	**1.12**
Expired/forfeited	**(15,000)**	**1.89**	**(52,500)**	**2.14**
Stock options outstanding, end of period	**2,103,000**	**2.02**	**2,103,000**	**2.02**

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Stock options outstanding, beginning of period	1,645,500	2.25	1,772,000	1.91
Granted	165,000	2.40	890,000	2.71
Exercised	(67,500)	(2.19)	(789,000)	(2.02)
Expired/forfeited	(39,500)	(2.83)	(169,500)	(2.50)
Stock options outstanding, end of period	1,703,500	2.25	1,703,500	2.25

	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	258,000	4.56	0.83	170,000	0.83
$1.00 - $1.50	205,000	3.36	1.39	75,000	1.35
$1.51 - $2.00	605,000	0.78	1.60	565,000	1.58
$2.01 - $2.50	275,000	3.18	2.41	203,000	2.41
$2.51 - $3.00	760,000	3.46	2.79	385,000	2.77
	2,103,000	2.78	2.02	1,398,000	1.92

14. COMMON SHARE PURCHASE PLAN (continued)

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. For the three and nine months ended September 30, 2012, and September 30, 2011, grant date fair value indicated was based on the following factors:

	Three months ended Sept 30		Nine months ended Sept 30	
	2012	2011	**2012**	2011
Weighted average fair value, per option ($)	**0.47**	1.35	**0.64**	1.53
Weighted average risk-free interest rate (%)	**1.14**	2.10	**1.21**	2.19
Weighted average volatility (%)	**67.71**	66.11	**67.07**	71.76
Expected life (years)	**5.00**	5.00	**5.00**	5.00
Dividend yield (%)	**-**	0.70	**-**	0.80

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 nine months ended September 30, 2012 was $511,246 (2011: $802,843). The average fair value of the common shares during the nine month period was $1.32 (2011: $2.67).

15. EARNINGS PER SHARE AND DIVIDENDS

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2012	2011	**2012**	2011
Income (loss) available to common shareholders	**$ 819**	$ (1,565)	**$ 1,211**	$ (82)
Weighted average number of shares, basic	**101,879,659**	101,919,761	**101,889,347**	101,627,221
Dilutive securities				
Options	**40,269**	311,926	**133,401**	304,511
Convertible debentures	**-**	-	**-**	-
Weighted average number of shares, diluted	**101,919,928**	102,231,687	**102,022,748**	101,931,732
Basic earnings per share	**$ 0.01**	$ (0.02)	**$ 0.01**	$ (0.00)
Diluted earnings per share	**$ 0.01**	$ (0.02)	**$ 0.01**	$ (0.00)
Number of shares excluded from diluted earningsper share calculation due to anti-dilutive effect:				
Options	**1,845,000**	655,000	**1,825,000**	330,000
Convertible debentures	**2,808,400**	3,363,385	**2,808,400**	3,363,385

15. EARNINGS PER SHARE AND DIVIDENDS (continued)

Dividends
On April 29, 2011, Wesdome Ltd.'s Board of Directors approved payment of a dividend of $0.02 per share on the Company's outstanding common shares to shareholders of record on the close of business on April 15, 2011 in the amount of $2,028,000.

16. EMPLOYEE BENEFITS

	Three months ended Sept 30		Nine months ended Sept 30	
	2012	2011	**2012**	2011
Salaries and short-term employee benefits	**$ 8,782**	$ 9,538	**$ 27,905**	$ 27,268
Post employment benefits	**177**	171	**552**	532
	8,959	9,709	**28,457**	27,800
Share-based compensation	**235**	237	**511**	686
	$ 9,194	$ 9,946	**$ 28,968**	$ 28,486

	Three months ended Sept 30		Nine months ended Sept 30	
	2012	2011	**2012**	2011
Employee benefits				
Expensed to mining and processing costs	**$ 8,949**	$ 8,925	**$ 26,306**	$ 25,474
Capitalized	**245**	1,021	**2,662**	3,012
	$ 9,194	$ 9,946	**$ 28,968**	$ 28,486

17. RELATED PARTY INFORMATION

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

	Three months ended Sept 30		Nine months ended Sept 30	
	2012	2011	**2012**	2011
Salaries and short-term employee benefits	**$ 277**	$ 287	**$ 901**	$ 911
Post employment benefits	**13**	11	**35**	29
Fair value of share-based compensation	**121**	144	**339**	433
	$ 411	$ 442	**$ 1,275**	$ 1,373

In fiscal 2012, the Company paid $40,625 in directors' fees (2011: $21,875) to companies whose managing partners are directors of the Company.

18. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

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

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

	September 30, 2012		December 31, 2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Convertible 7% debentures	**$ -**	**$ -**	$ 10,726	$ 11,040
Convertible 7% debentures – new issue	**$ 7,021**	**$ 7,021**	-	-

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

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

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

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

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

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

18. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

1) Market Risk

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

(a) Commodity price risk

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the nine months ended September 30, 2012.

(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 nine months ended September 30, 2012.

(c) Interest rate risk

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

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

2) Liquidity Risk

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

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

18. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

September 30, 2012 (in thousands)	**<1 Year**	**1-2 Years**	**3-5 Years**	**Over 5 Years**
Payables & accruals	**$12,238**	**-**	**-**	**-**
Finance leases	**$ 681**	**$ 356**	**-**	**-**
Convertible debentures	**$ 487**	**$ 983**	**$ 7,800**	**-**

December 31, 2011 (in thousands)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables & accruals	$ 8,944	-	-	-
Finance leases	$ 997	$ 854	-	-
Convertible debentures	$11,377	-	-	-

3) Credit Risk

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

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

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended Sept 30		**Nine Months Ended Sept 30**	
	2012	2011	**2012**	2011
(in thousands)				
Net changes in non-cash working capital				
Operating activities				
Receivables	**$ (319)**	$ (1,056)	**$ (451)**	$ 176
Payables and accruals	**(86)**	2,077	**2,635**	480
Income taxes payable	**(18)**	2,419	**11**	-
Gold inventory	**(1,153)**	(4,229)	**(2,037)**	(4,269)
Supplies and other	**(203)**	(776)	**(249)**	(878)
	$ (1,779)	$ (1,565)	**$ (91)**	$ (4,491)
Investing activities				
Receivables	**$ (282)**	$ 80	**$ (293)**	$ (136)
Payables and accruals	**(22)**	(49)	**(62)**	(1,067)
Supplies and other	**(51)**	644	**658**	618
	$ (355)	$ 675	**$ 303**	$ (585)
Non-cash transactions:				
Recognition of fair value of stock options and warrants exercised transferred to share capital (Note 13)	**$ -**	$ 71	**$ -**	$ 664
Revision to asset retirement obligation (Note 12)	**$ -**	$ -	**$ -**	$ 98

20. 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.

21. OTHER INTEREST

During 2011, the Company received reassessments relating to previous periods which resulted in a partial repayment of resource tax credits, including an assessment of interest relating to amounts reassessed. The Company is appealing these reassessments and pursuing a full refund of the amount paid, with respect to both tax credits and interest paid.

22. 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:

	September 30 2012	December 31 2011
Total equity	**$ 131,692**	$ 128,807
Cash and cash equivalents	**(3,253)**	(5,215)
Capital	**$ 128,439**	$ 123,592

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

There is no restriction on the ability of the Company to pay dividends other than cash flow considerations. The Company paid dividends of $0.02 per share on April 29, 2011. Dividend payments in the future will depend on the Company's ability to generate earnings.

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

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

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

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