WESDOME GOLD MINES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED

DECEMBER 31, 2014

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This Management's Discussion and Analysis ("MD&A") dated February 25, 2015, should be read in conjunction with Wesdome Gold Mines Ltd.'s ("Wesdome" or "the Company") audited consolidated financial statements for the years ended December 31, 2014 and 2013, 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 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 811, Toronto, Ontario, Canada.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS AND NON-IFRS PERFORMANCE MEASURES

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

The Company has included in this report certain non-IFRS performance measures, including, but not limited to, free cash flow, mining and processing costs, production cash costs, and all-in sustaining costs, as well as their related per unit measures. 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.

SELECTED ANNUAL INFORMATION

(in thousands except income per common share)	**2014**	2013
Total revenue	**$ 82,441**	$ 79,726
Net earnings (loss)	**11,876**	(3,868)
Earnings (loss) per common share	**0.11**	(0.04)
Diluted earnings (loss) per common share	**0.11**	(0.04)
Total assets	**116,607**	103,049
Long term financial liabilities	**11,264**	8,810

Revenue for the year ended December 31, 2014 was CAD$82.4 million compared to CAD$79.7 million for the year ended December 31, 2013, due to higher mined grades, despite lower gold prices.

Increased overall production resulting from higher mined and recovered grades generated earnings of CAD$11.9 million or $0.11 per share in 2014, compared to a loss of CAD$3.9 million in 2013 or ($0.04) per share.

Total assets increased to CAD$116.6 million in 2014 compared to CAD$103.0 million in 2013 as a result of continued increased investment at the Eagle River Complex.

At December 31, 2014, the Company had CAD$15.4 million in cash, compared to CAD$10.7 million in the previous quarter and CAD$5.7 million as at December 31, 2013.

OVERALL PERFORMANCE HIGHLIGHTS

	Three Months Ended Dec 31		**Twelve Months Ended Dec 31**	
	2014	2013	**2014**	2013
Production (oz)	**12,981**	15,947	**52,757**	45,210
Sales (oz) – Eagle River Complex	**15,188**	13,400	**58,230**	46,800
Operating cash flow ($CAD million)	**8.4**	7.5	**28.1**	13.3
Net income (loss) ($CAD million)	**2.6**	(1.8)	**11.9**	(3.9)
Free cash flow ($CAD million) *	**4.3**	4.4	**11.8**	2.4
Earnings (loss) per share	**0.02**	(0.02)	**0.11**	(0.04)
Operating cash cost ($USD/oz) **	**871**	861	**832**	1,046
All-in sustaining cost ($USD/oz) **	**1,178**	1,175	**1,150**	1,360

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

Highlights of the Fiscal Year 2014

- In 2014, the Company revised guidance upwards to 52,000 ounces from 50,000 in the second quarter and exceeded this guidance, producing 52,757 ounces.

- For the year ended December 31, 2014, the Eagle River underground mine's annual production totalled 123,375 tonnes at a head grade of 12.7 grams per tonne ("g/t") and a 96% recovery rate to produce 48,190 ounces (12.1 g/t recovered grade), a 12.5% increase from 2013 (42,850 ounces). The Mishi mine produced 67,149 tonnes at a head grade of 2.5 g/t and a recovery rate of 85% to produce 4,567 ounces (2.1 g/t recovered grade), a 93% increase over 2013 (2,360 ounces).

- Total 2014 production was 52,757 ounces which exceeded the Company's upwards revised guidance of 52,000 ounces. This is an increase of 17% compared to 2013 (45,210 ounces).

- All-in sustaining costs ("AISC") for 2014 totalled CAD$1,278 per ounce (USD$1,150), a decrease of 8.8% compared to 2013 (CAD$1,401, USD$1,360 per ounce). Operating cost per ounce for 2014 was CAD$924 per ounce (USD$832) a decrease of 2.9% compared to the same period in 2013 (CAD$1,078, USD$1,046 per ounce).

- 2014 free cash flow totalled CAD$11.8 million, or $0.11 per share, a 391% increase compared to 2013 ($2.4 million or $0.02 per share).

- During the year ended December 31, 2014, revenue exceeded mining and processing costs by CAD$28.6 million and CAD$16.3 million in capital investments were made. Cash flow from operations totalled CAD$28.1 million and net income of CAD$11.9 million was recorded

- As at December 31, 2014, the Company had 1,562 ounces of gold inventory, compared to 7,034 ounces as at December 31, 2013.

- This year, the Company has been expanding its milling capacity and reliability with the goal of internally generating growth via incremental production from the Mishi Mine. Accordingly, average daily throughput rates doubled, increasing from an average of 400 tonnes per day ("tpd") in 2013 to ending 2014 at 800 tpd. Currently the mill is running at 900 tpd, which is expected to continue throughout 2015, an approximately 40% improvement over 2014.

Highlights of the Fourth Quarter 2014

- During the fourth quarter the Eagle River mine produced 27,798 tonnes at a head grade of 13.0 g/t and a recovery rate of 96% to produce 11,183 ounces (12.5 g/t recovered grade). The Mishi mine produced 31,859 tonnes at a head grade of 2.1 g/t and a recovery rate of 85% to produce 1,798 ounces (1.8 g/t recovered grade), a slight increase of 4.2% compared to the previous quarter (12,456 ounces). Sold ounces were 15,188 at an average sales price of CAD$1,408 per ounce.

- All-in sustaining costs for the fourth quarter were CAD$1,370 per ounce (USD$1,178), and operating costs were CAD$1,012 per ounce (USD$871 per ounce), relatively flat compared to the previous quarter (AISC CAD$1,234, USD$1,175 per ounce, operating costs CAD$904, USD$861 per ounce).

- The Company generated CAD$4.3 million in free cash flow during the fourth quarter, or $0.04 per share.

- During the quarter ended December 31, 2014, revenue exceeded mining and processing costs by CAD$5.5 million and CAD$4.1 million in capital investments were made. Cash flow from operations totalled CAD$8.4 million and net income of CAD$2.6 million was recorded.

- The Company was active with its Normal Course Issuer Bid during the fourth quarter, buying back 51,500 shares at an average price of $0.73 and retiring them. As of February 25, 2015, 74,448 employee stock options were exercised bringing current shares outstanding stand at 111,077,987.

- During the fourth quarter the gold price declined from USD$1,215 to USD$1,200 per ounce. However, the $CAD/$USD exchange rate declined even further, offsetting the decline and resulting in an increase during the quarter from CAD$1,350 to CAD$1,390 per ounce. The Company's sales averaged CAD$1,375 per ounce for the quarter. At 50,000 ounces of production a year at USD$1,200/oz a $0.10 change in the USD/CAD exchange rate would influence revenue by CAD $6.0 million.

- At the Eagle River Mill, average daily throughput rates further increased 10% in the fourth quarter to 648 tpd, exiting the quarter at 800 tpd, compared to 583 tpd in the third quarter.

RESULTS OF OPERATIONS

	Three Months Ended Dec 31		**Twelve Months Ended Dec 31**	
	2014	2013	**2014**	2013
Eagle River Mine				
Tonnes milled	**27,798**	39,766	**123,375**	124,861
Recovered grade (g/t)	**12.5**	12.3	**12.1**	10.7
Production (oz)	**11,183**	15,726	**48,190**	42,850
Mishi Mine				
Tonnes milled	**31,859**	2,788	**67,149**	22,536
Recovered grade (g/t)	**1.8**	2.5	**2.1**	3.3
Production (oz)	**1,798**	221	**4,567**	2,360
Surface stockpile (tonnes)	**25,513**	81,443	**25,513**	81,443

Detailed Operating Results and Quarterly Variances

	Q4 2014	**Q3 2014**	**Positive / (Negative) Variance**	**Q4 2013**	**Positive / (Negative) Variance**
Milling					
Total tonnes	**59,657**	53,626	6,031	42,554	17,103
Total tonnes/calendar day	**648**	582	66	463	185
Eagle River tonnes	**27,798**	33,377	(5,579)	39,766	(11,968)
Mishi tonnes	**31,859**	20,249	11,610	2,788	29,071
Production					
Total ounces	**12,981**	12,456	525	15,947	(2,966)
Eagle River ounces	**11,183**	10,873	310	15,726	(4,540)
Mishi ounces	**1,798**	1,583	215	221	1,577
Eagle River grade (g/t)	**12.5**	10.1	2.4	12.3	0.2
Mishi grade (g/t)	**1.8**	2.4	(0.6)	2.5	(0.7)
Eagle River					
Operating development (metres)	**394**	360	34	582	(188)
Capital development (metres)	**762**	743	19	493	269
Driling (metres)	**14,299**	14,421	(122)	13,352	947
Mishi Mine					
Stockpile balance (tonnes)	**25,513**	46,153	(20,640)	81,443	(54,930)

Operating metrics demonstrate our progress on several important fronts:

1) Expanding mill throughput with planned maitenance and equipment upgrades
2) Increasing capital development and ore development to access more stoping complexes to facilitate higher mine production in the future
3) Proven and probable reserves increased by 57% at the Eagle River mine and 8% at Mishi Open Pit Mine in 2014, extending mine lives.

As planned, Mishi Open Pit operations recommenced during the fourth quarter with the drawdown of the Mishi stockpile as mill throughput increased. Mill throughput during the fourth quarter averaged 648 tpd, up 11% over the third quarter (582 tpd) and up 70% over the second quarter (382 tpd). Our target for 2015 is to average approximately 900 tpd with mill feed split evenly between Mishi Open Pit and the underground Eagle River Mine.

Detailed Financial Results ($CAD) and Quarterly Variances

	Q4 2014	Q3 2014	Positive / (Negative) Variance	Q4 2013	Positive / (Negative) Variance
Gold sales (oz)	**15,188**	15,878	(690)	13,400	1,788
Realized price ($/oz)	**1,375**	1,407	(32)	1,336	39
Revenue ($000)	**20,922**	22,342	(1,420)	19,928	994
Operating cash cost ($/oz) **	**1,012**	967	(45)	904	(108)
All-in sustaining cost ($/oz) **	**1,370**	1,290	(80)	1,234	(136)
Cash flow from operations ($million)	**8.4**	7.9	0.5	7.5	0.9

** Costs/oz are on a sales basis
NOTE: This table includes non-IFRS performance measures. Please refer to the cautionary note on page 1.

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

	Q4 2014	Q3 2014	Positive / (Negative) Variance	Q4 2013	Positive / (Negative) Variance
Mining and processing costs	**15,377**	15,358	(19)	12,114	(3,170)
Inventory related adjustments †	**(2,256)**	(3,213)	(957)	(217)	2,039
Production cash cost	**13,121**	12,145	(976)	11,897	(1,224)
Royalties expense	**331**	345	14	397	66
General and administrative expenses	**766**	625	(141)	652	(114)
Exploration expenditure	**540**	365	(175)	957	417
Sustaining capital expenditure	**3,786**	3,789	3	2,416	(1,370)
All-in sustaining cost					
Production basis	**18,544**	17,269	(1,275)	16,319	(2,094)
Inventory related adjustments †	**2,256**	3,213	957	217	(2,039)
Sales basis	**20,800**	20,482	(323)	16,536	(4,264)

† Inventory related adjustments are adjustments made to mining and processing costs (cost of sales) in order for them to reflect the actual cash cost of production during the period.
NOTE: This table includes non-IFRS performance measures. Please refer to the cautionary note on page 1.

		Q4 2014	Q3 2014	Positive / (Negative) Variance	Q4 2013	Positive / (Negative) Variance
Production (oz)		**12,981**	12,456	525	15,947	(2,966)
Gold sales (oz)		**15,188**	15,878	(690)	13,400	1,788
Tonnes milled		**59,657**	53,626	6,031	42,554	17,103
Production basis unit costs						
Production cash cost	($/oz CAD)	**1,011**	975	(36)	746	(265)
	($/oz USD) ***	**869**	895	26	711	(158)
	($/tonne CAD)	**220**	226	6	280	60
	($/tonne USD) ***	**189**	208	19	266	77
All-in sustaining cost	($/oz CAD)	**1,429**	1,386	(43)	1,023	(406)
	($/oz USD) ***	**1,229**	1,273	44	975	(254)
	($/tonne CAD)	**311**	322	11	383	72
	($/tonne USD) ***	**267**	296	29	365	98
Sales basis unit costs						
Operating cash cost	($/oz CAD)	**1,012**	967	(45)	904	(108)
	($/oz USD) ***	**871**	888	17	861	(10)
	($/tonne CAD)	**258**	286	28	285	27
	($/tonne USD) ***	**222**	263	41	271	49
All-in sustaining cost	($/oz CAD)	**1,370**	1,290	(80)	1,234	(136)
	($/oz USD) ***	**1,178**	1,184	6	1,175	(3)
	($/tonne CAD)	**349**	382	33	389	40
	($/tonne USD) ***	**300**	351	51	370	70

*** USD figures have been translated at the average exchange rate as quoted by the Bank of Canada over the given period. The following USD/CAD rates have been used for the translation: Q4 2014 – 1.16, Q4 2014 Annual – 1.11, Q3 2014 – 1.09, Q4 2013 – 1.05, Q4 2013 Annual – 1.03

NOTE: This table includes non-IFRS performance measures. Please refer to the cautionary note on page 1.

Production cash costs increased during the quarter due to increased maintenance costs at the Eagle River Complex, as well as the increased cost resulting from the restart of operations at the Mishi Open Pit Mine.

Exploration and Drilling Results

Eagle River Complex

In 2014, we modestly increased drilling with the addition of a third underground rig, and dramatically increased mineral reserves. Eagle River proven and probable reserves increased 57% to 265,000 ounces at an average grade of 10.1 g/t and Mishi proven and probable reserves increased 8% to 121,000 ounces at an average grade of 2.1 g/t. Full disclosure of mineral reserves and resources estimates are available in the Company's press release dated January 29, 2015. A summary table demonstrating category quantities and grades is summarized below.

MINERAL RESERVES *

Mine	Category	Tonnes	Grade (gAu/tonne)	Contained Gold (ounces) Dec 31, 2014	Contained Gold (ounces) Dec 31, 2013
Eagle River	Proven	141,000	8.5	39,000	41,000
	Probable	675,000	10.4	226,000	128,000
	Proven + Probable	**816,000**	**10.1**	**265,000**	**169,000**
Mishi	Proven	159,000	2.4	12,000	16,000
	Probable	1,627,000	2.1	109,000	96,000
	Proven + Probable	**1,786,000**	**2.1**	**121,000**	**112,000**
TOTAL				**386,000**	**281,000**

*Eagle River QP: George Mannard, P. Geo, Vice President Exploration

*Mishi QP Daniel Lapointe, P. Geo, Mishi Superindendent

During the fourth quarter, the Company continued to generate exciting results from the recently recognized parallel 300 and 7 zones. These are detailed in the Company's press release dated December 4, 2014.

300 ZONE HIGHLIGHTS

- **EU-765 173.90 gAu/t over 2.15 m**
- **EU-759W 112.99 gAu/t over 2.00 m**
- **EU-780 79.13 gAu/t over 3.50 m**
- **EU-781 65.15 gAu/t over 4.00 m**
- **EU-782 230.19 gAu/t over 2.45 m**
- **EU-783 53.65 gAu/t over 2.35 m**

NEW 7 ZONE STEPOUTS

- **EU-759W 20.41 gAu/t over 5.60 m**
- **EU-781 20.06 gAu/t over 3.70 m**
- **EU-782 29.54 gAu/t over 3.00 m**
- **EU-783 101.02 gAu/t over 2.65 m**

These very ecouraging results contributed significantly to the 2014 reserve increase and stimulated immediate access development in order to incorporate these new zones into the mine plan as soon as possible. We expect initial development and production tonnage from the 300 zone in 2015.

Kiena Mine Complex

In Quebec, the Kiena Mine Complex was kept on care and maintenance while we continued to study restoration requirements imposed by subsequent Mining Act Ammendments.

A summer drilling program confirmed continuity of two parallel zones at the Dubuisson North prospect. Results included intersections of 45.05 gAu/t over 5.0 metres, 5.62 gAu/t over 4.2 metres and 5.41 gAu/t over 4.0 metres as summarized in a Press Release dated November 19, 2014.

While drilling a hole to maintain the status of the Kiena Mining Concession, a broad zone of typical S50-style mineralization, averaging 3.39 gAu/t over a corelength of 25.9 metres was encountered. Although the true width is currently unknown, this occurrence is located 300 metres east of previous mining activity in an area that has never been drilled. During the winter season 2015, we intend to mobilize a drill onto the ice to provide initial confirmation and delineation of this new "S50 EAST" discovery.

Also, planned for 2015, is an updated 43-101 technical disclosure report, including resource estimates for our contiguous, Val d'Or mining properties. This will provide management flexibility to decide the best path forward to realize value for this asset.

Moss Lake Property

The Moss Lake project was inactive in 2014. In 2015, we intend to initiate the communication and consultation procedures required under the new Mining Act in order to obtain a permit to explore our claims. Moss Lake remains our most significant gold resource and our most significant option on future gold prices and exchange rates.

SUMMARY OF QUARTERLY RESULTS

(in $000 except per share data)	**Q4/14**	**Q3/14**	**Q2/14**	**Q1/14**	**Q4/13**	**Q3/13**	**Q2/13**	**Q1/13**
Total revenue	**20,922**	22,342	16,044	23,133	19,928	16,669	21,709	21,420
Operating cash flow	**8,379**	7,856	4,652	7,215	7,532	2,313	1,832	1,575
Free cash flow	**4,292**	3,427	520	3,598	4,366	249	188	(2,425)
Net income (loss)	**2,589**	2,238	2,878	4,171	(1,782)	(2,095)	43	(34)
Earnings (loss) per share basic and diluted	**0.02**	0.02	0.03	0.04	(0.02)	(0.02)	0.00	(0.00)

NOTE: This table includes non-IFRS performance measures. Please refer to the cautionary note on page 1.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2014, the Company had working capital of $12.6 million compared to $8.5 million at December 31, 2013. During the 2014, capital expenditures totalled $16.3 million compared to $10.9 million in 2013. Capital expenditures were concentrated in underground development, mill improvements/upgrades and mine equipment which resulted in $3.8 million of equipment leasing contracts being signed. Of the $16.3 million, $2.7 million were non-recurring costs spent on mill upgrades and improvements. The Company expects sustaining capital to remain consistent in 2015 at a rate of about $14.0 million annually. Our cash position increased to $15.4 million from 10.7 million in the previous quarter.

The Company carries an inventory of gold. At December 31, 2014, this asset consisted of 1,562 ounces of gold with a market value of approximately $2.2 million. Furthermore, the Mishi ore stockpile at the mill is estimated to contain about 1,900 ounces of recoverable gold, or approximately $0.5 million, net of milling costs. Including these non-IFRS working capital adjustments, working capital would increase by approximately $0.5 million.

Calculation of adjusted working capital	*(in millions)*
IFRS working capital	$ 12.6
Gold in Mishi stockpile, net of milling costs	0.5
Adjusted working capital	$ 13.1

The Company believes it has sufficient liquidity to carry out its mining, development and exploration programs. With current gold prices, and a favourable USD/CAD exchange rate, operations are capable of generating strong cash flow as evidenced by our results over the last five quarters.

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

	Payments Due by Period (in thousands)				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 2 years**	**3 – 5 years**	**After 5 years**
Equipment leases	$ 3,720	$ 1,219	$ 1,035	$ 1,466	-
Convertible debentures	8,291	491	7,800	-	-
	$ 12,011	$ 1,710	$ 8,835	$ 1,466	-

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

	Three Months Ended Dec 31		Twelve Months Ended Dec 31	
	2014	2013	**2014**	2013
Salaries and short-term employee benefits	**$ 589**	$ 287	**$ 1,594**	$ 1,704
Post employment benefits	**11**	8	**41**	62
Share-based payments	**85**	83	**197**	231
	$ 685	$ 732	**$ 1,832**	$ 1,997

In fiscal 2014, the Company paid a total of $14,690 in director's fees and $159,000 in consulting fees to the undernoted companies, whose presidents were directors or former directors of the Company. These services were incurred in the normal course of operations for attendance at committee and board meetings as well as general corporate matters. All services were made on terms equivalent to those that prevail with arm's length transactions.

Director's Fee

Capital Inter A World Inc.: $14,690 – Marc Blais, President (former director of the Company)

Consulting Fee

The Rosedale Group: $137,000 – Rolly Uloth, President, fees for services as CEO of the Company
$ 22,000 – Information Technology support

OUTLOOK

In 2015, production from the underground Eagle River Mine and Mishi Open Pit is forecasted between 55,000 – 57,000 ounces of gold. Mill throughput for the year is expected to average 900 tonnes per day, an increase of 72% over the 2014 average of 522 tonnes per day.

The Eagle River Mine will be going through a lower grade production cycle at its 811 zone in 2015 as we develop our high grade parallel zones to position for organic growth and a higher grade production cycle in 2016 and beyond. The 311 zone is being developed in the first half of 2015, and the 711 zone will be developed in the first half of 2017. Accordingly, 2016 will have two high grade zones in production and 2017 and beyond will have three. In the recent past, there has only been one high grade zone in production in one given year. These zones can be developed without material increases to current sustaining capital rates as they are located close to existing infrastructure. The Eagle River Underground Complex is expected to produce approximately 45,000 ounces in 2015.

With the resumption of mining activities at Mishi Open Pit, gold production is expected to increase to 11,000 ounces from 4,545 ounces in 2014.

2014 results have demonstrated the ability to generate profits and to self-fund growth over the short to medium term. To sustain ongoing operations and facilitate further growth and efficiencies the Company plans to continue its exploration programs at its Eagle River Mine. Also, the Company is commencing a drill program at its open pit Mishi Mine and a scoping study at Mishi to determine further mining and milling expansion scenarios. As well, a new tailings management area is being planned with commissioning in 2016. The Company is also investigating the feasibility of a potential shaft deepening, which could be deferred, pending development and expansion of the new parallel zone discoveries at higher mine elevations.

In Val d'Or, the Kiena Mine remains on care and maintenance with a planned exploration program for 2015 involving up to two drills on surface.

The Moss Lake project was inactive in 2014. In 2015, we intend to initiate the communication and consultation procedures required under the new Mining Act in order to obtain a permit to explore our claims. The Company views Moss Lake as an attractive asset at gold prices above CAD$1,600/oz, and it remains our most significant gold resource and our most significant option on future gold prices and exchange rates.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

(i) 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.

(ii) 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Mobile and other equipment are 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.

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. Actual future expenditures may differ from the amounts currently provided.

(iv) Share-based payments

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

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

(v) Deferred taxes

Preparation of the 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 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. Management relies on life-of-mine ("LOM") plans in its assessments of economic recoverability and probability of future economic benefit. LOM plans provide an economic model to support the economic extraction of reserves and resources. A long-term LOM plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body.

(vii) Inventory – ore stockpile

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

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

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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:

December 31, 2014	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	**15,408**	**-**	**15,408**	**15,408**
Trade and other receivables	**1,834**	**-**	**1,834**	**1,834**
Restricted cash	**3,106**	**-**	**3,106**	**3,106**
Total assets	**20,348**	**-**	**20,348**	**20,348**
Accounts payable and accrued liabilities	**-**	**8,061**	**8,061**	**8,061**
Obligations under capital lease	**-**	**3,720**	**3,720**	**3,720**
Long-term debt	**-**	**6,262**	**6,262**	**6,670**
Total liabilities	**-**	**18,043**	**18,043**	**18,451**

December 31, 2013	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	5,651	-	5,651	5,651
Trade and other receivables	1,982	-	1,982	1,982
Restricted cash	2,994	-	2,994	2,994
Total assets	10,627	-	10,627	10,627
Accounts payable and accrued liabilities	-	9,415	9,415	9,415
Obligations under capital lease	-	906	906	2,720
Long-term debt	-	5,996	5,996	5,968
Total liabilities	-	16,317	16,317	18,103

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, obligations under finance leases, and convertible 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 obligations under finance leases approximate their carrying values as the obligations are entered into at market interest rates. The fair value of the convertible debentures is based on the quoted market price.

The fair value hierarchy for financial instruments measured at fair value is Level 1 for convertible debentures. 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 years ended December 31, 2014 and 2013.

(b) Foreign currency exchange risk
The Company's revenue is exposed to changes in foreign exchange rates as the Company's primary product, gold, is priced in U.S. dollars. The Company had no forward exchange rate contracts in place and no foreign currency holdings as at or during the years ended December 31, 2014 and 2013.

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

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

2) Liquidity Risk

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

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

December 31, 2014

(in thousands)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals	**$ 8,061**	**$ -**	**$ -**	**$ -**
Obligations under finance leases	**$ 1,219**	**$ 1,035**	**$ 1,466**	**$ -**
Convertible debentures	**$ 491**	**$ 7,675**	**$ -**	**$ -**

December 31, 2013

(in thousands)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals	$ 9,415	$ -	$ -	$ -
Obligations under finance leases	$ 524	$ 295	$ 110	$ -
Convertible debentures	$ 491	$ 983	$ 7,185	$ -

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.

Capital Risk Management

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

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

	December 31 2014	December 31 2013
Total equity	**$ 96,063**	$ 84,034
Cash and cash equivalents	**(15,408)**	(5,651)
Capital	**$ 80,655**	$ 78,383

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. 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.

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.

The Company has obtained approval for its closure plan for the Eagle River Mill, Eagle River Mine, the Mishi-Magnacon Complex and the Kiena Mine and has provided security 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 which may require the provision of additional 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 reserve 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 February 25, 2015, the Company's share information is as follows:

Common shares issued	111,077,987
Common share purchase options	3,719,220

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 December 31, 2014, the Company's disclosure controls and procedures to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

Internal Control over Financial Reporting

Internal control over financial reporting ("ICFR") is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. 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 IFRS
- 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 December 31, 2014, the Company's internal control over financial reporting was effective.

Limitations of Controls and Procedures

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

Control Framework

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

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