



WESDOME GOLD MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter Report September 30, 2014

The following Management's Discussion and Analysis ("MD&A") dated October 30, 2014, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the nine months ended September 30, 2014, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2013, and the related annual MD&A.

The unaudited condensed interim consolidated financial statements and the accompany notes are prepared in accordance with International Accounting Standard ("IAS") 34 – "*Interim Financial Reporting*" as issued by the International Accounting Standards Board ("IASB").

The information contained in this MD&A is current to October 30, 2014, unless otherwise noted. There have been no material changes to disclosures as contained in the "Significant Judgment and Sources of Estimation Uncertainty", "Financial Instruments – Disclosure and Presentation" or "Risks and Uncertainties" sections of the Company's MD&A for the year ended December 31, 2013.

This MD&A contains "forward-looking statements" that are subject to risk factors set out in the cautionary statement below. All figures are in Canadian dollars unless otherwise stated. Additional financial information relating to Wesdome, including the Company's Annual Information Form, can be found on the Company's website www.wesdome.com or on the SEDAR website for Canadian regulatory filings at www.sedar.com. Wesdome trades on the Toronto Stock Exchange under the symbol "WDO". The Company's head office is at 8 King Street East, Suite 1305, Toronto, Ontario, Canada.

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

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

The Company has included in this report certain non-IFRS performance measures, including, but not limited to, free cash flow, mining and processing costs, production cash costs, and all-in sustaining costs. Production cash costs per ounce reflect actual mine operating costs incurred during the fiscal period divided by the number of ounces produced. These measures are not defined under IFRS and therefore should not be considered in isolation or as an alternative to or more meaningful than, net income (loss) or cash flow from operating activities as determined in accordance with IFRS as an indicator of our financial performance or liquidity. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow.

OVERALL PERFORMANCE HIGHLIGHTS

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

* Cash flows from operations less capital investments

** Costs/oz are on a production weighted basis

- During the third quarter, 12,456 ounces of gold were produced at a recovered grade of 10.1 grams per tonne. Sold ounces were 15,878. Overall, the Eagle River Complex produced 45% more gold in the current quarter than the same period in 2013. Total year to date production is 39,776 ounces. The Company is on track to meet or exceed its upward revised guidance of 52,000 ounces.
- Total production cash costs per ounce decreased 19% to average CAD\$975 (USD\$895) per ounce for the period, compared to CAD\$1,208 (USD\$1,164) during the same period last year. Total all-in sustaining costs (which include total cash costs, exploration, development and sustaining capital, project capital, corporate G & A and corporate taxes) on ounces produced were CAD\$1,389 (USD\$1,275) compared to CAD\$1,242 (USD\$1,139) in the previous quarter due to lower mined grades. This is still a significant improvement of 15% over all-in sustaining cost in the same period last year of CAD\$1,631 (USD\$1,576). Operating costs on ounces sold were CAD\$967 (USD\$887) and all-in sustaining costs on ounces sold were CAD\$1,292 (USD\$1,185).
- The Company generated CAD\$3.4 million in free cash flow during the third quarter in 2014. Year to date free cash flow totalled CAD\$7.6 million.
- During the first nine months of 2014, revenue exceeded mining and processing costs by CAD\$23.1 million and CAD\$12.2 million in capital investments were made. Cash flow from operations totalled CAD\$19.7 million and net income of CAD\$9.3 million was recorded.
- The Company was active with its Normal Course Issuer Bid during the third quarter, buying back 203,500 shares at an average price of \$0.78 and retiring them. Current shares outstanding stand at 110,881,591.
- As at September 30, 2014, the Company had 3,768 ounces of gold inventory, compared to 7,034 ounces as at December 31, 2013.
- During the third quarter the gold price declined from USD\$1,340 to USD\$1,200 per ounce. Concurrently, the \$CAD/\$USD exchange rate declined buffering this decline to CAD\$1,430 to CAD\$1,360 per ounce. Fortunately, the Company's sales were weighted to the early portion of the quarter and averaged CAD\$1,407 per ounce.
- At September 30, 2014, the Company had CAD\$10.7 million in cash, compared to CAD\$8.3 million in the previous quarter and CAD\$5.7 as at December 31, 2013. This year, the Company has been expanding its milling capacity and reliability with the goal of internally funding growth via incremental production from the Mishi Mine. In the third quarter we are seeing this effort beginning to demonstrate results. Average daily throughput rates increased 53% in the third quarter to 583 tonnes per day, compared to

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

RESULTS OF OPERATIONS

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

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

Detailed Operating Results and Quarterly Variances

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

Detailed operating metrics demonstrate our progress on two important fronts;

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

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

Detailed Financial Results (\$CAD) and Quarterly Variances

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

** Costs/oz are on a production weighted basis

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

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

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

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

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

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

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

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

Exploration / Drilling Results

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

Contractual Obligations	Payments Due by Period (in thousands)				
	Total	Less than 1 year	1 – 2 years	3 – 5 years	After 5 years
Equipment leases	\$ 2,240	\$ 927	\$ 698	\$ 615	-
Convertible debentures	8,291	491	7,799	-	-
	\$ 10,531	\$ 1,418	\$ 8,497	\$ 615	-

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

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

In fiscal 2014, the Company paid a total of \$14,692 in director's fees and \$99,165 in consulting fees to the undernoted companies, whose presidents are directors of the Company. These services were incurred in the normal course of operations for attendance at committee and board meetings as well as general corporate matters. All services were made on terms equivalent to those that prevail with arm's length transactions.

Director's Fee

- Capital Inter A World Inc.: \$14,691 – Marc Blais, President

Consulting Fee

- The Rosedale Group: \$99,166 – Rolly Uloth, President

OUTLOOK

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical accounting estimates used by the Company are discussed in detail in the 2013 annual MD&A for the year ended December 31, 2013, under the heading “Significant Judgments and Sources of Estimation Uncertainty”, as well as the 2013 annual audited financial statements for the year ended December 31, 2013, in Note 4.

There have been no material changes to these estimates and judgments from December 31, 2013 up to the date of this MD&A.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company uses a mixture of cash, obligations under finance leases, convertible debentures, and equity to maintain an efficient capital structure and to ensure adequate liquidity exists to meet the cash needs of the business. The Company has classified its obligations under finance leases and convertible debentures as other financial liabilities measured at amortized cost.

The fair value of the obligations under finance leases are determined by calculating the discounted cash flows using market interest rates for financial instruments with similar characteristics. This fair value approximates the book value.

The fair value of the convertible debentures is determined with the quoted market price of the debentures, which are publicly traded.

The Company’s approach to managing its financial risks are discussed in detail in the 2013 annual MD&A for the year ended December 31, 2013. The Company continues not to hold any gold hedging or currency exchange contracts as at or during the nine months ended September 30, 2014.

RISKS AND UNCERTAINTIES

Risks and uncertainties related to economic and industry factors and the Company’s approach to the management of these risks are discussed in detail in the 2013 annual MD&A for the year ended December 31, 2013.

SUMMARY OF SHARES ISSUED

As of October 30, 2014, the Company’s share information is as follows:

Common shares issued	<u>110,881,591</u>
Common share purchase options	<u>3,248,116</u>

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 “*Certification of Disclosure in Issuers’ Annual and Interim Filings.*” the Company’s management, including the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), have evaluated the effectiveness of the Company’s disclosure controls and procedures. Based upon the results of that evaluation, the Company’s CEO and CFO have concluded that as at September 30, 2014, the Company’s disclosure controls and procedures to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

Internal Control over Financial Reporting

Internal control over financial reporting (“ICFR”) is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements

for external purposes in accordance with applicable Canadian GAAP. Internal control over financial reporting should include those policies and procedures that establish the following:

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

The Company's management, with the participation of the CEO and CFO, assessed the effectiveness of the Company's internal controls over financial reporting and concluded that as at September 30, 2014, the Company's internal control over financial reporting was effective.

Limitations of Controls and Procedures

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

Control Framework

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

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