



WESDOME GOLD MINES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED
MARCH 31, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter Report March 31, 2015

The following Management's Discussion and Analysis ("MD&A") dated May 7, 2015, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three months ended March 31, 2015, the audited annual consolidated financial statements and the accompanying notes for the year ended December 31, 2014, 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 May 7, 2015, 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, 2014.

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 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. 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 SUMMARY

Three months ended March 31	2015	2014
Production (oz)	10,140	13,730
Sales (oz)	9,633	15,985
Operating cash flow (\$CAD million)	0.6	7.2
Net (loss) income (\$CAD million)	(0.8)	4.2
Free cash flow (\$CAD million) *	(4.8)	3.6
(Loss) earnings per share	(0.01)	0.04
Operating cash cost (\$USD/oz) **	1,078	760
All-in sustaining cost (\$USD/oz) **	1,588	1,035

* Cash flows from operations less capital investments

** Costs/oz are on a sales basis

Summary of the First Quarter 2015

Combined production of 10,140 ounces of gold

- Eagle River Mine
 - During Q1 2015 the Eagle River mine produced 39,815 tonnes at a head grade of 7.4 g/t and a recovery rate of 94.3% to produce 8,903 ounces (7.0 g/t recovered grade).
 - In the previous quarter, Q4 2014, 27,798 tonnes at a head grade of 13.0 g/t and a recovery rate of 96.1% resulted in production of 11,183 ounces.
 - This compares to 30,486 tonnes at a head grade of 13.5 g/t and a recovery rate of 96.3% to produce 12,748 ounces in Q1 2014.
- Mishi Mine
 - 19,288 tonnes at a head grade of 2.2g/t of Mishi ore was also processed during the quarter with a recovery rate of 89.0% to produce 1,237 ounces (2.0 g/t recovered grade).
 - In the previous quarter, Q4 2014, 31,859 tonnes of Mishi ore was processed at a head grade of 2.1 g/t and a recovery rate of 85.9% to produce 1,799 ounces.
 - This compares to 12,027 tonnes processed at a head grade of 2.9 g/t and a recovery rate of 86.9% to produce 982 ounces in Q1 2014.

Throughput at the Eagle River Mill continues to increase for 3rd consecutive quarter

- Total tonnes processed during the quarter was 59,103 tonnes or 657 tonnes per day for the quarter.
- This represents a 26% improvement from YE 2014 when an average of 522 tonnes per day were processed.
- Q1 2015 throughput improved 39% from Q1 2014 (472 tpd).
- Throughput has averaged over 900 tpd during the second quarter in 2015 to date.

Exploration results signal bright future

- 300 Zone highlights include drilling results of 121.33 gAu/t over 2.00 m and 115.66 gAu/t over 2.35 m over consecutive holes.
- 300 Zone remains open to the west, east, and at depth.
- We expect to begin mining the 300 Zone in Q3 2015.

Currencies – exchange rates benefit Canadian miners

- USD gold prices remained flat compared to Q4 2014, however CAD gold price increased by 10%, due to the weakening Canadian dollar
- Average price realized per ounce sold during the quarter was \$1,499 CAD

Detailed Financial Results (\$CAD) and Quarterly Variances

	Q1 2015	Q4 2014	Positive / (Negative) Variance	Q1 2014	Positive / (Negative) Variance
Gold sales (oz)	9,633	15,188	(5,555)	15,985	(6,352)
Realized price (\$/oz)	1,499	1,375	124	1,447	52
Revenue (\$000)	14,442	20,922	(6,480)	23,133	1,001
Operating cash cost (\$/oz) **	1,338	1,012	(326)	839	(499)
All-in sustaining cost (\$/oz) **	1,971	1,370	(601)	1,143	(828)
Cash flow from operations (\$million)	0.6	8.4	(7.8)	7.2	(6.6)
Free cash flow (\$million)	(4.8)	4.3	(9.1)	3.6	(8.4)
Net income (\$million)	(0.8)	2.6	(3.4)	4.2	(5.0)

** Costs/oz are on a sales basis

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

Detailed Operating Results and Quarterly Variances

	Q1 2015	Q4 2014	Positive / (Negative) Variance	Q1 2014	Positive / (Negative) Variance
Milling					
Total tonnes	59,103	59,657	(555)	42,513	16,590
Total tonnes/calendar day	657	648	9	389	268
Eagle River tonnes	39,815	27,798	12,017	30,486	9,329
Mishi tonnes	19,288	31,859	(12,571)	12,027	7,261
Production					
Total ounces	10,140	12,981	(2,841)	13,730	(3,590)
Eagle River ounces	8,903	11,183	(2,280)	12,748	(3,845)
Mishi ounces	1,237	1,798	(561)	982	255
Eagle River recovered grade (g/t)	7.0	12.5	(5.5)	13.0	(6.0)
Mishi recovered grade (g/t)	2.0	1.8	0.2	2.5	(0.5)
Eagle River					
Operating development (metres)	525	394	131	582	(57)
Capital development (metres)	852	762	90	493	359
Drilling (metres)	12,322	14,299	(1,977)	13,352	(1,030)
Mishi Mine					
Ore mined (tonnes)	17,613	11,219	7,301	-	17,613
Waste mined (tonnes)	189,085	84,251	104,834	-	189,085
Strip ratio	10.7	7.5	(3.2)	-	10.7
Stockpile balance (tonnes)	23,838	25,513	(1,675)	69,416	(45,578)

Our mill processed 59,103 tonnes or 657 tonnes per day during the first quarter of 2015. This continues to be a 26% improvement from YE 2014 when an average of 522 tonnes per day was processed, and an increase of 39% over the first quarter of 2014. This represents the 3rd consecutive quarter of improvement in the throughput rate at the Eagle River Mill.

Total gold production for the quarter was 10,140 ounces, which was down 22% from the previous quarter (12,981 ounces), and down 26% from the same period in 2014 (13,730 ounces).

Recovered grades at Eagle River were at 7.0 g/t, which was down 44% from the previous quarter (12.5 g/t), and down 46% from the same period in 2014 (13.0 g/t). This led to the following observed variances below for Revenue, Net Income and Free Cash Flow:

- Revenue for the quarter was \$14.4 million, a decrease of 31% compared to the previous quarter of \$20.9 million, and a decrease of 37% compared to the same period in 2014 of \$23.1 million. This decrease was due to 37% and 39% fewer ounces being sold compared to Q4 2014 and Q1 2014, respectively, which were offset by increases in the gold price realized of 9% and 7%, respectively.
- Net income for the quarter was (\$0.8 million) or (\$0.01) per share, a decrease of 130% compared to the previous quarter of \$2.6 million and \$0.02 per share and a decrease of 118% compared to the same period in 2014 of \$4.2 million or \$0.04 per share.
- Free cash flow for the quarter was (\$4.8 million) or (\$0.04) per share, a decrease of 212% compared to the previous quarter of \$4.3 million or \$0.04 per share, and a decrease of 234% compared to the same period in 2014 of \$3.6 million or \$0.03 per share.

Of the total production of 10,140 ounces during the quarter, 8,903 ounces were produced from Eagle River ore, and 1,237 were produced from Mishi ore.

- 39,815 tonnes of Eagle River ore was processed at a recovered grade of 7.0 g/t to produce 8,903 ounces of gold. As anticipated, recovered grade from the Eagle River Mine decreased 44% from the previous quarter as we have less high grade ore to extract in 2015. This decreased in grade was partially offset by a 46% increase in mine tonnage over the previous quarter (27,798 tonnes).
- 19,288 tonnes of Mishi ore was processed at a recovered grade of 2.0 g/t to produced 1,237 ounces of gold. Mining operations resumed at Mishi in the first quarter and therefore Mishi feed during the quarter consisted of newly run mine ore, as well as stockpile ore.

We continued to invest aggressively and a total of \$4.8 million was spent on our tailings management area, Eagle River exploration & development to access the 300 zone high grade lenses, and Mishi exploration in the first quarter. This amount includes \$0.6 million invested at the Mishi property to remove waste in order to improve access to future benches.

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

	Q1 2015	Q4 2014	Positive / (Negative) Variance	Q1 2014	Positive / (Negative) Variance
Mining and processing costs	12,885	15,377	2,492	13,411	526
Inventory related adjustments †	755	(2,256)	(3,011)	13	(742)
Production cash cost	13,640	13,121	(519)	13,424	(216)
Royalties expense	262	331	69	346	84
General and administrative expenses	687	766	79	690	3
Exploration expenditure	601	540	(139)	531	224
Sustaining capital expenditure	4,547	3,786	(683)	3,285	1,556
All-in sustaining cost					
Production basis	19,737	18,544	(1,193)	18,276	(1,651)
Inventory related adjustments †	(755)	2,256	3,011	(13)	932
Sales basis	18,982	20,800	1,818	18,263	(719)
Production (oz)	10,140	12,981	(2,841)	13,730	(3,590)
Gold sales (oz)	9,633	15,188	(5,555)	15,985	(6,352)
Tonnes milled	59,103	59,657	(554)	42,513	16,590
<i>Production basis unit costs</i>					
Production cash cost (\$/oz CAD)	1,345	1,011	(334)	977	(368)
(\$/oz USD) ***	1,084	869	(215)	886	(198)
(\$/tonne CAD)	231	220	(11)	316	85
(\$/tonne USD) ***	186	189	3	286	100
All-in sustaining cost (\$/oz CAD)	1,947	1,429	(518)	1,330	(617)
(\$/oz USD) ***	1,568	1,229	(339)	1,205	(363)
(\$/tonne CAD)	334	311	(23)	430	96
(\$/tonne USD) ***	269	267	(2)	389	120
<i>Sales basis unit costs</i>					
Operating cash cost (\$/oz CAD)	1,338	1,012	(326)	839	(499)
(\$/oz USD) ***	1,078	871	(207)	760	(318)
(\$/tonne CAD)	218	258	40	315	97
(\$/tonne USD) ***	176	222	46	286	110
All-in sustaining cost (\$/oz CAD)	1,971	1,370	(601)	1,143	(828)
(\$/oz USD) ***	1,588	1,178	(410)	1,035	(553)
(\$/tonne CAD)	321	349	28	430	109
(\$/tonne USD) ***	259	300	41	389	130

† 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.

*** 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: Q1 2015 – 1.24, Q4 2014 – 1.16, Q4 2014 Annual – 1.11, Q3 2014 – 1.09, Q4 2013 – 1.05

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

Mining costs were \$12.9 million for the quarter, which was down 16% from the previous quarter figure of \$15.4 million, and down 4% from the figure in the same quarter last year of \$13.4 million. These decreases were due to the drop in the number of gold ounces sold during the current quarter compared to the previous quarter (37% decrease) and the same quarter last year (39% decrease). Lower gold production during the current quarter had an adverse impact on costs per ounce:

- Mine cash costs were \$1,338 per ounce, an increase of 32% compared with the prior quarter (\$1,012 per ounce), and a 56% increase compared with the same period in 2014 (\$839 per ounce).
- All-in Sustaining Costs were \$1,971 per ounce, an increase of 44% compared to the previous quarter's figure of \$1,370 per ounce, and an increase of 56% compared to the same period in 2014 (\$1,143 per ounce).

This indicates that mining costs on a dollar figure basis period to period remain consistent, with fluctuations in grade and produced ounces driving fluctuations in costs per ounce.

Eagle River Complex

In the first quarter, 2015, we continued to invest in our future to enhance the economics of operations. Despite lower production and consequently lower gold sales, operations essentially broke even and about \$4.8 million was invested at the Eagle River Complex to ensure future growth and profitability. Production out of the 300 Zone is expected to be milled in the second half of 2015.

Progress and improvements continue to be made on the Health and Safety front. Our investment in training continues to deliver as our operations have had six consecutive quarters of no lost time incident.

Eagle River Mill

The results of significant investment in mill infrastructure are starting to be realized through increased mill throughput. This will enhance the economics at our operations as Mishi Pit returns to full operations to maximize its economic potential.

The mill processed 59,103 tonnes or 657 tpd during the first quarter of 2015. This was a 1% increase from the fourth quarter of 2014 when an average of 648 tonnes per day was processed and an increase of 39% over the first quarter of 2014. Mill processing rate was below planned as we undertook eight days of unscheduled mill maintenance at the end of the quarter. Our target for the central mill is to process on average 900 tpd for the balance of 2015 with targeted process recoveries of 96% for Eagle ore and 88% for Mishi ore. To date, in the second quarter, we have been on target, with mill throughput averaging over 900 tpd through April and the first two weeks of May, 2015.

Eagle River Mine

During the quarter the 39,815 tonnes of Eagle River ore was processed at a recovered grade of 6.95 g/t to produce 8,903 ounces of gold. As anticipated, recovered grade from the Eagle River decreased 44.4% from the previous quarter as we have less high grade 811 lens ore to extract in 2015. This decrease in grade was partially offset by a 46% increase in mine tonnage over the previous quarter. For the balance of 2015, we are targeting an average of 450 TPD at a recovered grade of 8.5g/t-9.0g/t.

We continue to aggressively develop and drill the 300 Zone. Production from this higher grade area will come in the second half of the year. We continue to mine and process greater volumes of lower grade ore in the current mining sequence.

During the first quarter, 2015, initial drifting results on the new 300 Zone on the 750 metre level confirmed grades and continuity – 15.20 gAu/tonne, average width of 1.90 metres over a combined length of 87 metres (Press Release dated April 8, 2015). This is being prepared for production in the second half 2015.

Continued infill and stepout drilling provided the following highlights (Press Release, April 8, 2015):

- EU-777 12.61 gAu/t over 1.95 m
- EU-778 121.33 gAu/t over 2.00 m
- EU-779 115.66 gAu/t over 2.35 m
- EU-795A 10.08 gAu/t over 2.10 m
- EU-796 16.64 gAu/t over 3.60 m
- EU-799 86.50 gAu/t over 2.10 m

This exceptionally high grade zone remains open to the west and at depth. We expect to break into this zone on the 875 metre level in Q3 2015.

Mishi Mine

Mining operations resumed at Mishi in the first quarter and 19,288 tonnes at a recovered grade of 2.0g/t of Mishi ore was processed to produce 1,237 ounces of gold. Mishi feed consisted of new run of mine ore and stockpile ore. We did not perform as well as planned in the Mishi Pit but operations have normalized in Q2 2015. For the balance of 2015, we are expecting to process 450 TPD of 2.5g/t-3.0g/t from the Mishi Pit.

As we resumed mining at Mishi for the full calendar year, our cash expenditures per quarter related to mining at Mishi is anticipated to be \$1.8-2.0 million. In 2014, Mishi ore was processed off the mill stockpile.

We are completing mining of bench 2995 which is largely waste and anticipate delivering better grades and lower strip ratios on benches 2990 and below.

A winter surface drilling campaign was launched. This will provide infill and stepout drilling information required to examine larger scale mining scenarios with greater confidence.

Kiena and Wesdome Mine Complex

In Val d'Or, the Kiena Mine remains on care and maintenance, the planned exploration program for 2015 involved two drills on surface and results will be announced in the near term. In Q1 2015, \$0.6 million was invested by the Company into the property.

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. 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.

MINERAL RESERVES

		MINERAL RESERVES *			
Mine	Category	Tonnes	Grade (gAu/tonne)	Dec 31, 2014	Dec 31, 2013
				Contained Gold (ounces)	
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

* All Mineral Reserves estimates have been made in accordance with the Standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 and assume a gold price of \$1,400CDN per ounce.

Qualified Persons for the Mineral Reserves estimates as per 43-101 are as follows:

Eagle River: George N. Mannard, P.Geol., Vice President Exploration, Wesdome Gold Mines Ltd.

Mishi: Daniel Lapointe, P.Geol., Chief Geologist, and George Mannard, P.Geol., Vice-President Exploration, both Wesdome Gold Mines Ltd.

SUMMARY OF QUARTERLY RESULTS

(in \$000 except per share data)	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13	Q2/13
Total revenue	14,442	20,922	22,342	16,044	23,133	19,928	16,669	21,709
Operating cash flow	608	8,379	7,856	4,652	7,215	7,532	2,313	1,832
Free cash flow	(4,807)	4,292	3,427	520	3,598	4,366	249	188
Net (loss) income	(771)	2,589	2,238	2,878	4,171	(1,782)	(2,095)	43
(Loss) earnings per share basic and diluted	(0.01)	0.02	0.03	0.03	0.04	(0.02)	(0.02)	0.00

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

OUTLOOK

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

The Eagle River Mine will be going through a lower grade production cycle (8.5g/t) in 2015 as we develop our high grade parallel zones to position for growth via higher grade and higher tonnage production cycle in 2016 and beyond.

Two 300 Zone lenses will be in the mining cycle in 2015, and the 711 Zone will be developed in the first half of 2017. Accordingly, 2016 will have two high grade zones in production (811 and 300 Zones) and 2017 and beyond will have three. In the recent past there has only been one high grade zone in production in any given year. These high grade parallel zones are being 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. The Company is also drilling at Mishi to determine potential production expansion scenarios. As well, a new tailings management area is being planned with commissioning expected at the end of 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.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2015, the Company had working capital of \$6.6 million compared to \$12.6 million at December 31, 2014. During the first three months of 2015, capital expenditures totalled \$5.4 million compared to \$3.6 million in 2014. Capital expenditures were concentrated in underground development and infrastructure, mill improvements/upgrades, surface preparation and permitting for a new tailings management area. The Company expects sustaining capital to remain consistent in 2015 at a rate of about \$14.0 million annually. Our cash position decreased to \$9.9 million from \$15.4 million in the previous quarter, reflecting breakeven mining plus capital investments.

The Company carries an inventory of gold. At March 31, 2015, this asset consisted of 1,562 ounces of gold with a market value of approximately \$2.1 million. Furthermore, the Mishi ore stockpile at the mill is estimated to contain about 1,383 ounces of recoverable gold, or approximately \$0.4 million, net of milling costs. Including these non-IFRS working capital adjustments, working capital would increase by approximately \$0.4 million.

<i>Calculation of adjusted working capital</i>	<i>(in millions)</i>
IFRS working capital	\$ 6.6
Gold in Mishi stockpile, net of milling costs	0.4
<u>Adjusted working capital</u>	<u>\$ 7.0</u>

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 positive cash flow as evidenced by our results over the last six 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	\$ 3,413	\$ 1,166	\$ 1,036	\$ 1,212	-
Convertible debentures	8,044	491	7,553	-	-
	<u>\$ 11,457</u>	<u>\$ 1,657</u>	<u>\$ 8,589</u>	<u>\$ 1,212</u>	<u>-</u>

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical accounting estimates used by the Company are discussed in detail in the 2014 annual MD&A for the year ended December 31, 2014, under the heading “Critical Accounting Estimates and Judgments”, as well as the 2014 annual audited financial statements for the year ended December 31, 2014, 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

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:

March 31, 2015	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	9,929	-	9,929	9,929
Trade and other receivables	2,444	-	2,444	2,444
Restricted cash	3,629	-	3,629	3,629
Total assets	16,002	-	16,002	16,002

Accounts payable and accrued liabilities	-	10,138	10,138	10,138
Obligations under capital lease	-	3,413	3,413	3,413
Long-term debt	-	6,333	6,333	6,740
Total liabilities	-	19,884	19,884	20,291

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

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 and Capital Risk Management

As at and during the period ended March 31, 2015, the Company's financial risk exposure and its financial risk management practices were consistent with those disclosed and applied in Note 24 to the Company's consolidated financial statements for the year ended December 31, 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 2014 annual MD&A for the year ended December 31, 2014.

SUMMARY OF SHARES ISSUED

As of May 7, 2015, the Company's share information is as follows:

Common shares issued	<u>111,031,635</u>
Common share purchase options	<u>3,682,272</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 March 31, 2015, 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 March 31, 2015, 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.