WESDOME

WESDOME GOLD MINES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE SIX MONTHS ENDED

JUNE 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Second Quarter Report
June 30, 2015

The following Management's Discussion and Analysis ("MD&A") dated August 6, 2015, should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the six months ended June 30, 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 accompanying 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 August 6, 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 June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Production (oz)	**12,476**	13,590	**22,616**	27,320
Sales (oz)	**11,740**	11,179	**21,373**	27,164
Operating cash flow ($CAD million)	**(1.3)**	4.7	**(0.6)**	11.9
Net (loss) income ($CAD million)	**(0.7)**	2.9	**(1.5)**	7.0
Free cash flow ($CAD million) *	**(2.8)**	0.5	**(7.7)**	4.1
(Loss) earnings per share	**(0.01)**	0.03	**(0.01)**	0.06
Operating cash cost ($USD/oz) **	**977**	794	**1,022**	765
All-in sustaining cost ($USD/oz) **	**1,340**	1,222	**1,452**	1,174

* Cash flows from operations after working capital adjustments less capital investments plus proceeds receivable from gold sales

** Costs/oz are on a sales basis

Summary of the second quarter 2015

Eagle River Mine

- During Q2 2015 the Eagle River mine produced 46,340 tonnes at a head grade of 7.0 g/t and a recovery rate of 94.4% to produce 9,848 ounces (6.6 g/t recovered grade).
- In the previous quarter, Q1 2015, 39,815 tonnes at a head grade of 7.4 g/t and a recovery rate of 94.3% resulted in production of 8,903 ounces.
- This compares to 31,713 tonnes at a head grade of 13.6 g/t and a recovery rate of 96.3% to produce 13,386 ounces in Q2 2014.

Mishi Mine

- 36,313 tonnes at a head grade of 2.6 g/t of Mishi ore was also processed during the quarter with a recovery rate of 86.6% to produce 2,628 ounces (2.3 g/t recovered grade).
- In the previous quarter, Q1 2015, 19,288 tonnes of Mishi ore was processed at a head grade of 2.2 g/t and a recovery rate of 89.0% to produce 1,237 ounces.
- This compares to 3,014 tonnes processed at a head grade of 2.9 g/t and a recovery rate of 71.5% to produce 204 ounces in Q2 2014.

Combined production of 12,476 ounces of gold

- 11,740 ounces sold during the quarter at an average price of $1,465 CAD, 5% higher than Q2 2014.

Eagle River Mill throughput increases for fourth consecutive quarter

- Total tonnes processed during the quarter was 82,653 tonnes or 908 tonnes per day for the quarter. This represents a 38% increase from Q1 2015 when an average of 657 tonnes per day were processed. Q2 2015 throughput improved 138% from Q2 2014 (381 tpd).
- Mill recoveries are expected to improve the balance of the year as we continue to add leach time in the mill circuit.

Initial development confirms 300 Zone potential

- At Eagle River, two levels, 750m and 872m, opened up, confirming high grades and continuity.
- Initial development ore at the 300 West Zone on the 872 metre level is higher grade than the development ore on the 750 metre level (57.22 gpt) with an average width of 1.60 metres over a drift length of 82 metres or 20.76 gpt, with high assays cut to 60.0 gpt.

Detailed Financial Results ($CAD) and Quarterly Variances

	Q2 2015	Q1 2015	Positive / (Negative) Variance	Q2 2014	Positive / (Negative) Variance
Gold sales (oz)	**11,740**	9,633	2,107	11,179	561
Realized price ($/oz)	**1,465**	1,499	(34)	1,398	67
Revenue ($000)	**17,202**	14,442	2,760	16,044	1,158
Operating cash cost ($/oz) **	**1,201**	1,338	137	866	(335)
All-in sustaining cost ($/oz) **	**1,648**	1,971	323	1,332	(316)
Operating cash flow ($million)	**(1.3)**	0.6	(1.9)	4.7	6.0
Free cash flow ($million) *	**(2.8)**	(4.8)	2.0	0.5	(3.3)
Net income ($million)	**(0.7)**	(0.8)	0.1	2.9	(3.6)

* Cash flows from operations after working capital adjustments less capital investments plus proceeds receivable from gold sales
** 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

	Q2 2015	Q1 2015	Positive / (Negative) Variance	Q2 2014	Positive / (Negative) Variance
Milling					
Total tonnes	**82,653**	59,103	23,550	34,727	47,926
Total tonnes/calendar day	**908**	657	251	381	527
Eagle River tonnes	**46,340**	39,815	6,525	31,713	14,627
Mishi tonnes	**36,313**	19,288	17,025	3,014	33,299
Production					
Total ounces	**12,476**	10,140	2,336	13,590	(1,114)
Eagle River ounces	**9,848**	8,903	945	13,386	(3,538)
Mishi ounces	**2,628**	1,237	1,391	204	2,424
Eagle River recovered grade (g/t)	**6.6**	7.0	(0.4)	13.1	(6.5)
Mishi recovered grade (g/t)	**2.3**	2.0	0.3	2.1	0.2
Eagle River					
Operating development (metres)	**688**	525	163	473	215
Capital development (metres)	**845**	852	(7)	674	171
Diamond Driling (metres)	**12,871**	12,322	549	16,494	(3,623)
Mishi Mine					
Ore mined (tonnes)	**46,299**	17,613	28,686	0	46,299
Waste mined (tonnes)	**345,100**	189,085	156,015	0	345,100
Strip ratio	**7.4**	10.7	3.3	-	7.4
Stockpile balance (tonnes)	**10,499**	23,838	(13,339)	66,402	(55,903)

Our mill processed 82,653 tonnes or 908 tonnes per day during the second quarter of 2015. This is a 38% increase from Q1 2015 when an average of 657 tonnes per day was processed, and an increase of 138% over the second quarter of 2014. Continuous investment in the mill has delivered the 4th consecutive quarter of improvement in the throughput rate at the Eagle River Mill.

Total gold production for the quarter was 12,476 ounces, which was up 23% from the previous quarter (10,140 ounces), and down 8% from the same period in 2014 (13,590 ounces). Recovered grades at Eagle River were at 6.6 g/t, which was down 7% from the previous quarter (7.0 g/t), and down 50% from the same period in 2014 (13.1 g/t). This led to the following observed variances below for Revenue, Net Income and Free Cash Flow:

- Revenue for the quarter was $17.2 million, an increase of 19% compared to the previous quarter of $14.4 million, and a decrease of 7% compared to the same period in 2014 of $16.0 million. This increase was due to 22% and 5% higher ounces being sold compared to Q1 2015 and Q2 2014, respectively, which were offset by decreases in 2015 in the gold price realized of 2% and 2%, respectively.
- Net income for the quarter was ($0.7) million or ($0.01) per share, a decrease of 12% compared to the previous quarter of ($0.8) million and ($0.01) per share and a decrease of 124% compared to the same period in 2014 of $2.9 million or $0.03 per share.
    - Improved production over the previous quarter has enabled the Company to remain in a tax-neutral position with the use of its existing tax attributes. During the previous quarter, the Company was in a taxable loss position, resulting in an increase in its deferred tax asset and a tax recovery that dampened the effect of a ($2.2) million pre-tax loss.
    - During the current quarter, the pre-tax loss was ($0.7) million, compared to ($2.3) million in the previous quarter.
- Free cash flow for the quarter was ($2.8) million or ($0.03) per share, an improvement of $2.0 million compared to the previous quarter of ($4.8) million or ($0.04) per share, and a decrease of $3.3 million compared to the same period in 2014 of $0.5 million or $0.00 per share.
    - If working capital adjustments are excluded from operating cash flows, adjusted free cash flow for the quarter would have been ($0.2) million or ($0.00) per share, an improvement of $5.1 million compared to the previous quarter of ($5.3) million or ($0.05) per share, and a decrease of $1.3 million compared to the same period in 2014 of $1.1 million or $0.01 per share.

Of the total production of 12,476 ounces during the quarter, 9,848 ounces were produced from Eagle River ore, and 2,628 were produced from Mishi ore.

- 46,340 tonnes of Eagle River ore was processed at a recovered grade of 6.6 g/t to produce 9,848 ounces of gold. Recovered grade from the Eagle River Mine decreased 8% from the previous quarter; high grade zones developed in Q2 2015 will improve the overall grade profile in the 2nd half of 2015. However, the decrease in grade during the quarter was offset by a 16% increase in mine tonnage over the previous quarter (39,815 tonnes). Investments at the Eagle River Mill have enabled us to increase throughput significantly with Mishi ore during a lower grade mining sequence at Eagle River Mine.
- 36,313 tonnes of Mishi ore was processed at a recovered grade of 2.3 g/t to produce 2,628 ounces of gold. The increase in production compared to the prior quarter of 1,237 ounces can be attributed to an 88% increase in mine tonnage over the previous quarter (19,288) tonnes, as well as a 15% increase in recovered grades (2.3 g/t). Mining operations had resumed at Mishi during the first quarter and, therefore, Mishi feed during the quarter continued to consist of newly run mine ore, as well as stockpile ore.

We continued to invest prudently with a total of $4.2 million spent on Eagle River exploration & development to access multiple stopes including the 300 zone high grade lenses. Capital development metres in the first half of 2015 were accelerated to an average of 848 metres per quarter versus 2014's average rate of 714 metres per quarter. Investment also included improvements to our mill facility, tailings management, underground equipment and Mishi exploration in the period to position the Company for steady growth in 2016 and beyond. These investments will lead to higher grades being extracted from Eagle River Mine, improve mill recoveries and better environmental performance.

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

($000)		Q2 2015	Q1 2015	Positive / (Negative) Variance	Q2 2014	Positive / (Negative) Variance
Mining and processing costs		**$ 14,099**	$ 12,885	$ (1,214)	$ 9,681	$ (4,418)
Inventory related adjustments †		**387**	755	368	1,992	1,605
Production cash cost		**14,486**	13,640	(846)	11,673	(2,813)
Royalties expense		**286**	262	(24)	289	3
General and administrative expenses		**729**	687	(42)	630	(99)
Exploration expenditure		**764**	601	(163)	92	(672)
Sustaining capital expenditure		**3,467**	4,547	1,080	4,199	732
All-in sustaining cost						
Production basis		**$ 19,732**	$ 19,737	$ 5	$ 16,883	$ (2,849)
Inventory related adjustments †		**(387)**	(755)	(368)	(1,992)	(1,605)
Sales basis		**$ 19,345**	$ 18,982	$ (363)	$ 14,891	$ (4,454)
Production (oz)		**12,476**	10,140	2,336	13,590	(1,114)
Gold sales (oz)		**11,740**	9,633	2,107	11,179	561
Tonnes milled		**82,653**	59,103	23,550	34,727	47,926
Production basis unit costs						
Production cash cost	($/oz CAD)	**1,161**	1,345	184	859	(302)
	($/oz USD) ***	**945**	1,084	139	788	(157)
	($/tonne CAD)	**175**	231	56	336	161
	($/tonne USD) ***	**143**	186	43	308	166
All-in sustaining cost	($/oz CAD)	**1,582**	1,947	365	1,242	(339)
	($/oz USD) ***	**1,287**	1,568	282	1,139	(147)
	($/tonne CAD)	**239**	334	95	486	247
	($/tonne USD) ***	**194**	269	75	446	252
Sales basis unit costs						
Operating cash cost	($/oz CAD)	**1,201**	1,338	137	866	(335)
	($/oz USD) ***	**977**	1,078	101	794	(182)
	($/tonne CAD)	**171**	218	47	279	108
	($/tonne USD) ***	**139**	176	37	256	117
All-in sustaining cost	($/oz CAD)	**1,648**	1,971	323	1,332	(316)
	($/oz USD) ***	**1,340**	1,588	248	1,222	(118)
	($/tonne CAD)	**234**	321	87	429	195
	($/tonne USD) ***	**190**	259	69	392	203

† 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: Q2 2015 – 1.23, Q1 2015 – 1.24, Q4 2014 – 1.16, Q4 2014 Annual – 1.11, Q3 2014 – 1.09, Q2 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 $14.1 million for the quarter, which was up 9% from the previous quarter figure of $12.9 million, and up 46% from the figure in the same quarter last year of $9.7 million. These increases were due to recommencement of full mining operations at Mishi Pit.

- Mine cash costs were $1,201CAD per ounce, a decrease of 16% compared with the prior quarter ($1,338CAD per ounce), and a 39% increase compared with the same period in 2014 ($866CAD per ounce).
- All-in Sustaining Costs were $1,648CAD per ounce, a decrease of 26% compared to the previous quarter's figure of $1,971CAD per ounce, and an increase of 24% compared to the same period in 2014 ($1,332CAD per ounce).

However, as a result of increased throughput, costs per tonne have significantly decreased during the quarter:

- Mine cash costs were $171CAD per tonne, a decrease of 22% compared with the prior quarter ($218CAD per tonne), and a 39% decrease compared with the same period in 2014 ($279CAD per tonne).
- All-in Sustaining Costs were $234CAD per tonne, a decrease of 27% compared with the prior quarter ($321CAD per tonne), and a 46% decrease compared with the same period in 2014 ($429CAD per tonne).

The first half of 2015 was concentrated on rapidly developing the new high grade discoveries at the Eagle River Mine to add to the mine plan in the second half of 2015 and beyond. Development to the 300 Zone was largely completed in the first half of the year, with stope production on the first stope from the zone commencing at the end of Q2. Capex spending on development to the 300 Zone is expected to drop in the second half of the year. In 2017, the Company will focus on development to the higher grade 7 Zone. We expect a return to profitability as the underground mining sequence returns towards life-of-mine grades as development into these areas and deeper levels on the 811 Zone complete.

Eagle River Complex

In the second quarter of 2015, we continued to invest in our future to enhance the economics of operations. $4.2 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 seven consecutive quarters of no lost time incidents.

Eagle River Mill

The results of significant investment in mill infrastructure are being realized through increased mill throughput with mill availability near 90%. This performance enhances the economics at our operations.

The mill processed 82,653 tonnes or 908 tpd during the second quarter of 2015. This was a 38% increase from the previous quarter when an average of 657 tonnes per day were processed and an increase of 138% over the second quarter of 2014. Our continued target for the mill is to process on average of 900 tpd for the balance of 2015 with targeted process recoveries of 96% for Eagle ore and 88% for Mishi ore.

Eagle River Mine

During the quarter the 46,340 tonnes of Eagle River ore was processed at a recovered grade of 6.6 g/t to produce 9,848 ounces of gold. The Eagle River mine is in a lower grade mining sequence. To accommodate this cycle, we have progressively increased processing capacity and accelerated development of the 300 Zone. This strategy will lead to higher grades in the second half of 2015.

We continue to agressively develop the 300 Zone. Recent confirmation of above average grades from the development of two new levels in the zone has given us confidence that overall grades at Eagle River in the second half of 2015 will improve.

Development highlights in the 300 Zone include (Press Releases, April 8, 2015 and July 21, 2015):

- 750m Level – 15.17 ⁱⁱ gAu/tonne, 1.67m average width, 51m length
- 750m Level – 15.40 ⁱⁱ gAu/tonne, 2.21m average width, 36m length
- 872m Level – 20.76 ⁱⁱ gAu/tonne, 1.60m average width, 82m length

ⁱⁱ High assays conservatively cut to 60 gAu/tonne

Mishi Mine

During the quarter, 36,313 tonnes of Mishi ore at a recovered grade of 2.3g/t was processed to produce 2,628 ounces of gold. Mishi feed continued to consist of new run of mine ore and stockpile ore. For the balance of 2015, we are expecting to process 450 TPD of 2.5g/t-3.0g/t from the Mishi Pit.

Our cash expenditures per quarter related to mining at Mishi is anticipated to be $1.8 – 2.0 million. Mishi feed is capable of generating 1,000 ounces of gold per month.

The high strip ratio during the early life of the pit is essentially complete. We look forward to increasing production and decreasing costs.

A winter/spring surface drilling campaign was recently completed. This will provide infill and stepout drilling information required to examine longer or 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.

The 2015 winter drilling program confirmed potential at the S50 East Zone and the Presqu'ile Zone (Press Release, June 25, 2015):

S50 East Highlights

- 5.83 gAu/tonne over 12.6m in hole S771
- 40.55 gAu/tonne over 3.0m in hole S775

Presqu'ile Highlights

- 26.85 gAu/tonne over 5.9m in hole S780
- 89.72 gAu/tonne over 3.1m in hole S783

Work advanced on various potential development scenarios. Additionally, an independent 43-101 technical study on our extensive, contiguous Val d'Or land position is nearing completion. We believe this study will comprehensively summarize our significant resource base, mining and processing infrastructure and outstanding brownfields exploration and development potential.

Moss Lake Property

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.

A 43-101 Preliminary Economic Assessment of the Moss Lake project highlighted its potential to support a bulk mining operation under more favourable gold prices. (www.sedar.com, Moss Lake Gold Mines Ltd, May 23, 2013).

Indicated Resources were independently estimated at 39,700,000 tonnes grading 1.1 gAu/tonne (1,377,300 ounces of gold), with additional Inferred Resources of 50,364,000 tonnes grading 1.1 gAu/tonne (1,751,600 ounces of gold).

MINERAL RESERVES

		MINERAL RESERVES [#]			
				Dec 31, 2014	Dec 31, 2013
Mine	Category	Tonnes	Grade (gAu/tonne)	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.Geo., Vice President Exploration, Wesdome Gold Mines Ltd.
Mishi: Daniel Lapointe, P.Geo., Chief Geologist, and George Mannard, P.Geo., Vice-President Exploration, both Wesdome Gold Mines Ltd.

SUMMARY OF QUARTERLY RESULTS

(in $000 except per share data)	Q2/15	Q1/15	Q4/14	Q3/14	Q2/14	Q1/14	Q4/13	Q3/13
Total revenue	17,202	14,442	20,922	22,342	16,044	23,133	19,928	16,669
Operating cash flow	(1,252)	608	8,379	7,856	4,652	7,215	7,532	2,313
Free cash flow *	(2,844)	(4,807)	4,292	3,427	520	3,598	4,366	249
Net (loss) income	(746)	(771)	2,589	2,238	2,878	4,171	(1,782)	(2,095)
(Loss) earnings per share basic and diluted	(0.01)	(0.01)	0.02	0.03	0.03	0.04	(0.02)	(0.02)

* Cash flows from operations less capital investments plus proceeds receivable from gold sales
NOTE: This table includes non-IFRS performance measures. Please refer to the cautionary note on page 1.

OUTLOOK

In 2015, mill production from the underground Eagle River Mine and Mishi Open Pit is forecast to be 55,000 – 57,000 ounces of gold. Mill throughput for the balance of the year is expected to average 900 tpd per day with mill feed split nearly equally between Mishi Open Pit and Eagle River Mine. The Eagle River underground complex and Mishi Open Pit are expected to produce approximately 45,000 and 11,000 ounces of gold in 2015, respectively.

As management anticipated a lower grade cycle at Eagle River in 2015, we increased our development expenditures in 2014 to access additional stopes to lower unit gold production costs as much as possible. Concurrently, we also reconfigured our underground development to allow us to access as well as develop multiple diamond drill platforms to better explore, define and mine the high grade parallel zones to position the mine for long term growth via higher grade and higher tonnage production beyond 2015.

2015 production tonnes and ounces will be aided by two 300 Zone stopes for the balance of the year. For the balance of 2015, management expects production at the Eagle River Underground Mine to average 450-500 tonnes per day at a recovered grade of 8.5-9.0 g/tonne. Based on these projections, unit costs are forecast to trend downward to $900-950CAD per ounce, and all-in sustaining costs to $1,250-1,300CAD per ounce. For 2016, we anticipate continued mining of the 300 Zone as well as the high grade 811 lens. For 2017, management looks forward to the development of the 711 Zone where high grade and large widths have outlined high grade reserves. Accordingly, 2016 will have two high grade zones in production (811 and 300 Zones) and 2017 and beyond will have three. Previously 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.

Eagle River has demonstrated the ability to generate profits and to self-fund growth over its life. 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 June 30, 2015, the Company had working capital of $3.3 million compared to $12.6 million at December 31, 2014. During the first half of 2015, capital expenditures totalled $9.3 million compared to $7.8 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 $4.1 million from $9.9 million in the previous quarter, reflecting breakeven mining plus capital investments, and $2.4 million in receivables for gold which was sold at the end of the quarter.

The Company carries an inventory of gold. At June 30, 2015, this asset consisted of 2,805 ounces of gold with a market value of approximately $4.1 million. The gold inventory is carried at the lower of cost or market, in this case at a cost of $3.5 million. Furthermore, the Mishi ore stockpile at the mill is estimated to contain about 781 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.

Calculation of adjusted working capital		*(in millions)*
IFRS working capital	$	3.2
Adjustment of gold inventory to market value		0.6
Gold in Mishi stockpile, net of milling costs		0.4
Adjusted working capital	$	4.2

The Company believes it has sufficient liquidity to carry out its mining, development and exploration programs.

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	$ 4,558	$ 1,378	$ 1,272	$ 1,908	-
Convertible debentures	8,044	491	7,553	-	-
	$ 12,602	$ 1,869	$ 8,825	$ 1,908	-

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, 2014 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:

June 30, 2015	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	**4,067**	**-**	**4,067**	**4,067**
Trade and other receivables	**4,055**	**-**	**4,055**	**4,055**
Restricted cash	**3,635**	**-**	**3,635**	**3,635**
Total assets	**11,757**	**-**	**11,757**	**11,757**
Accounts payable and accrued liabilities	**-**	**8,856**	**8,856**	**8,856**
Obligations under capital lease	**-**	**4,560**	**4,560**	**4,560**
Long-term debt	**-**	**6,406**	**6,406**	**6,958**
Total liabilities	**-**	**19,822**	**19,822**	**20,374**

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 June 30, 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 August 6, 2015, the Company's share information is as follows:

Common shares issued	111,208,583
Common share purchase options	3,776,428

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 June 30, 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 June 30, 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.