



WESDOME GOLD MINES LTD.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE THREE AND NINE MONTHS ENDED  
SEPTEMBER 30, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with Wesdome Gold Mines Ltd.'s ("Wesdome" or "the Company") unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016, and their related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All dollar amounts stated in this MD&A are denominated in Canadian dollars unless otherwise indicated. The discussion and analysis within this MD&A are effective as of November 2, 2016.

This document contains forward-looking statements and forward looking information. Refer to the cautionary language under the section entitled "Cautionary Statement on Forward-looking Statements" in this MD&A.

The Company uses non-IFRS performance measures which do not have standardized meanings defined by IFRS and may not be comparable to information in other gold producers' reports and filings. The Company has included these non-IFRS performance measures throughout this document as the Company believes that these generally accepted industry performance measures provide useful indication of the Company's operational performance. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The non-IFRS performance measures include:

Mine operating profit, cash costs per ounce of gold sold, cash margin per ounce of gold sold, production costs per ounce and per tonne milled, all-in sustaining costs ("AISC") per ounce of gold, adjusted cash flow, operating cash flow per share, free cash flow, free cash flow per share, adjusted net income/loss and adjusted net income/loss per share.

For further information and detailed reconciliations, refer to section in this MD&A entitled "Non-IFRS Performance Measures".

The following abbreviations are used to describe the periods under review throughout this MD&A:

<i>Abbreviation</i>	<i>Period</i>	<i>Abbreviation</i>	<i>Period</i>
<b>Q3 2016</b>	<i>July 1, 2016 – September 30, 2016</i>	<b>Q3 2015</b>	<i>July 1, 2015 – September 30, 2015</i>
<b>Q2 2016</b>	<i>April 1, 2016 – June 30, 2016</i>	<b>Q2 2015</b>	<i>April 1, 2015 – June 30, 2015</i>
<b>Q1 2016</b>	<i>January 1, 2016 – March 31, 2016</i>	<b>Q1 2015</b>	<i>January 1, 2015 – March 31, 2015</i>
<b>Q4 2015</b>	<i>October 1, 2015 – December 31, 2015</i>	<b>Q4 2014</b>	<i>October 1, 2014 – December 31, 2014</i>

## BUSINESS OVERVIEW

Wesdome is a public company existing under the laws of Ontario. The common shares of the Company are listed on the Toronto Stock Exchange ("TSX") under the symbol "WDO". The registered and principal office of the Company is located at 8 King Street East, Suite 811, Toronto, Ontario, M5C 1B5.

Wesdome is in its 29<sup>th</sup> year of continuous gold mining operations in Canada. The Company is currently producing gold at the Eagle River Complex located near Wawa, Ontario from the underground Eagle River and open pit Mishi gold mines. Wesdome's goal is to expand current operations at both mines. Wesdome maintains organic growth prospects through ownership of its two other gold properties, the Kiena Mine Complex and exploration properties ("Kiena") in Val d'Or, Quebec and the Moss Lake gold deposit located 100 kilometres ("km") west of Thunder Bay, Ontario. These assets are being explored and evaluated to be developed in the appropriate gold price environment.

Additional financial information relating to Wesdome, including the Company's Annual Information Form, can be found on the Company's website, [www.wesdome.com](http://www.wesdome.com), or on the SEDAR website, [www.sedar.com](http://www.sedar.com).

<b>Financial Results</b>					
	Q3 2016	Q2 2016	Q3 2015	Nine Months ended September 30	
				2016	2015
<i>(in \$000, except per share amounts)</i>					
Revenue **	30,134	18,447	18,199	61,865	49,843
Mine operating profit*	12,915	4,493	5,253	16,303	9,913
Net income (loss)	6,897	1,837	(4,294)	5,434	(5,811)
Net income adjusted*	7,386	409	1,575	4,941	1,209
Basic net income (loss) per share	0.05	0.01	(0.04)	0.04	(0.05)
Basic net income (loss) per share adjusted*	0.06	0.00	0.01	0.06	0.01
Cash flows from operating activities	12,852	4,885	3,333	14,951	4,902
Cash flows from operating activities adjusted*	13,341	3,457	4,268	14,458	6,988
Free cash flow*	4,635	(2,147)	(626)	(4,702)	(8,455)
Cash and cash equivalents	28,991	26,802	3,705	28,991	3,705
Working capital	19,185	16,598	2,977	19,185	2,977

<b>Operational Results</b>					
	Q3 2016	Q2 2016	Q3 2015	Nine Months ended September 30	
				2016	2015
Eagle River tonnes milled	42,617	45,305	44,849	127,761	131,004
Mishi tonnes milled	37,660	33,546	43,336	107,493	98,937
Total tonnes milled	80,277	78,851	88,185	235,254	229,941
Eagle River head grade (g/t)	10.1	7.5	7.7	7.8	7.3
Mishi head grade (g/t)	2.3	2.1	3.0	2.1	2.7
Eagle River underground mill recovery (%)	95.6	93.4	96.1	93.1	95.1
Mishi Open Pit mill recovery (%)	87.7	85.6	88.2	86.3	88.9
Eagle recovered grade (g/t)	9.6	7.0	7.4	7.2	7.0
Mishi recovered grade (g/t)	2.0	1.8	2.6	1.8	2.4
Eagle ounces produced	13,193	10,210	10,637	29,657	29,388
Mishi ounces produced	2,474	1,937	3,647	6,193	7,512
Total ounces produced	15,667	12,147	14,284	35,850	36,900
Ounces sold	15,825	11,265	12,408	35,190	33,781
Average realized price(CAD\$/oz)	1,740	1,637	1,467	1,684	1,475
Average realized price (US\$/oz)	1,334	1,271	1,121	1,274	1,173
Production cash costs (CAD\$/oz) *	911	1,188	994	1,197	1,147
Production cash costs/oz (US\$/oz)	698	922	760	905	912
All-in-sustaining costs (CAD\$/oz)*	1,359	1,687	1,368	1,710	1,599
All-in-sustaining costs (US\$/oz) *	1,042	1,309	1,045	1,294	1,271

Note:

\* Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the Financial Statements.

\*\* Revenue includes \$2.6 M from sale of gold from Kiena mill cleanup

## 2016 THIRD QUARTER HIGHLIGHTS

- Production of 15,667 ounces a 29% improvement over the second quarter (12,147 ounces)
- Eagle River Underground Mine head grades of 10.1 grams per tonne (g/t) improved 35% (7.5 g/t in Q2)
- Net income of \$6.9 M a 275% improvement over the second quarter figure of \$1.8 M
- Cash costs per ounce\* decreased 23% to \$911 (\$1,188 in Q2)
- All-in sustaining costs per ounce\* decreased 19% to \$1,359 (\$1,687 in Q2)
- New high grade gold discovery "Kiena Deep" in Val d'Or, Quebec at permitted, developed project with a 2,000 tonne per day mill on site
- Surface drilling at Eagle River Mine confirms structure between surface and 500 metres at depth

- Surface drilling cuts strong grades and widths 1.7 km west of the Mishi Mine
- Exploration program at Moss Lake and Coldstream properties to commence in Q4
- New President and CEO with extensive mine operating experience joined the Company on August 15, 2016

## 2016 THIRD QUARTER SUMMARY

- Gold production of 15,667 ounces compared to 12,147 ounces in the previous quarter
  - Eagle River Mine underground production of 13,193 ounces at a head grade of 10.1 grams per tonne (“g/t”) with a mill recovery of 95.6%
  - Mishi Open Pit mine production of 2,474 ounces at a head grade of 2.3 g/t with a mill recovery of 87.7%
- Total mill throughput of 80,277 tonnes averaging 873 tonnes per calendar day comparable to the previous quarter of 866 tonnes per calendar day
- Increased Eagle River revenue of \$27.5 million on gold sales of 15,825 ounces at an average realized price of \$1,740 (US\$1,334) per ounce compared to \$18.4 million on gold sales of 11,265 ounces at an average realized price \$1,637 (US\$1,271) per ounce in the previous quarter due to higher recovered grades resulting in increased gold production along with higher average realized gold price
- Mine operating profit\* of \$12.9 million compared to a profit\* of \$4.5 million in the previous quarter due to production increase, grade and realized price mentioned previously
- Net income of \$6.9 million, or \$0.05 per share; compared to a net income of \$1.8 million, or \$0.01 per share, in the previous quarter
- Operating cash flow of \$12.9 million, or \$0.10\* per share, compared to cash flow of \$4.9 million, or \$0.04\* per share, in the previous quarter
- Free cash flow\* of \$4.6 million, or \$0.04 per share, compared to \$(2.1) million, or \$(0.02) per share, in the previous quarter
- Production cash costs per ounce\* were \$911 (US\$698) a 23% decrease from \$1,188 (US\$922) per ounce in the previous quarter due to increased production in the current quarter
- All-in sustaining costs per ounce (“AISC”)\* on a production basis were \$1,359 (US\$1,042) a 19% decrease from \$1,687 (US\$1,309) per ounce in the previous quarter again due to increased production in the current quarter
- Cash and cash equivalents of \$29 million, 2,845 ounces gold in inventory at market price of \$5 million and working capital of \$19.2 million as at September 30, 2016; are all fairly comparable to the previous quarter of \$26.8 million, \$5.1 million and \$16.6 million, respectively
- Eagle River surface drilling of north mine diorite returns promising results
  - ERM-2016-10: 14.56 g/t over 2.0 m
  - ERM-2016-20: 33.92 g/t over 2.1 m
  - ERM-2016-27: 32.39 g/t over 4.8 m
- Mishi surface drilling discovers new zone 1.7 km west of open pit mining operations
  - BC16-80: 4.28 g/t over 14.0 m including . 7.65 g/t over 5.8 m
- Kiena Deep drilling strikes rich grades
  - U-6124: 94.35 g/t over 17.4 m
  - U-6125: 192.95 g/t over 16.95 m and 238.81 g/t over 5.0 m
  - U-6130: 8.43 g/t over 8.2 m
  - 3 drills currently operating with a 4<sup>th</sup> to be added. Challenging drilling conditions and deep holes require patience
- Moss Lake/Coldstream – Fall/Winter exploration program launched with goal of demonstrating potential to double resources

Note:

\* Refer to the section entitled “Non-IFRS Performance Measures” for the reconciliation of these non-IFRS measurements to the Financial Statements.

### **Third Quarter 2016 Production Results**

Q3 2016 combined production was 15,667 ounces, a 29% increase over 12,147 ounces produced in Q2 2016. During Q3 2016, the mill processed 42,617 tonnes (Q2: 45,305 tonnes) of Eagle River ore at a head grade of 10.1 g/t (Q2: 7.5 g/t) to produce 13,193 ounces (Q2: 10,210 ounces); and 37,660 tonnes (Q2: 33,546 tonnes) of Mishi ore at a head grade of 2.3 g/t (Q2: 2.1 g/t) to produce 2,474 ounces (Q2: 1,937 ounces).

Mining of the 811 Zone was re-established in Q3 2016 along with the 311 Zone leading to higher mine head grades and improved underground flexibility at the Eagle River Mine. Wesdome is pleased to deliver these better results in a responsible manner and have now operated over three years since our last lost time incident.

### **OUTLOOK**

As a result of the operations review conducted by newly appointed President and CEO Duncan Middlemiss, the Company has revised its 2016 production guidance to range between 45,000 – 50,000 ounces (previously 54,000 – 60,000 ounces). This reduction has been cushioned by higher realized gold prices year to date.

The Company will continue its focus on development into higher grade areas of the Eagle River Underground Mine with initial stope production from the 7 Zone expected in the 4th quarter of 2016, well ahead of schedule. This will enable stope production from multiple high grade areas within the Eagle River Mine earlier than expected. The strategy to re-sequence underground development to ensure a better production grade profile going forward at the Eagle River Mine is yielding positive results, demonstrated by improved grades and ounces produced during Q3 2016. The 811, 7, and 300 Zones are all in the development or production cycle.

Significant improvements were achieved at the Mishi Open Pit Mine, with head grades improving to 3.93 g/t in September, from 1.37 g/t in July and August.

We will continue to conduct targeted exploration close to existing mine infrastructure at Mishi and Eagle.

Wesdome is continuing with its community engagement and permitting activities with respect to the proposed New Tailings Management Facility. As well, we are in the process of completing engineering studies to extend the existing Tailings Management Area which has projected capacity into the first quarter of 2018 under the previously approved design.

**QUARTERLY FINANCIAL AND OPERATIONAL RESULTS***(in \$000 except per share and per ounce amounts and unless otherwise stated)*

	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
<b>Financial results</b>								
Gold revenue	<b>30,134</b>	18,447	13,284	23,622	18,199	17,202	14,442	20,922
Mine operating total profit (loss) *	<b>12,915</b>	4,493	(1,105)	7,767	5,253	3,103	1,557	5,545
Net income (loss)	<b>6,897</b>	1,837	(3,300)	1,110	(4,294)	(746)	(771)	2,589
Net income (loss) adjusted *	<b>7,386</b>	409	(2,854)	1,977	1,575	(88)	(278)	2,889
Operating cash flow	<b>12,852</b>	4,885	(2,786)	5,153	3,333	1,436	133	4,192
Free cash flow *	<b>4,635</b>	(2,147)	(7,190)	2,736	(626)	(2,547)	(5,282)	88
Free cash flow adjusted *	<b>5,124</b>	(3,575)	(6,744)	3,366	309	(1,889)	(4,789)	388
Per share information:								
Basic income (loss)	<b>0.05</b>	0.01	(0.03)	0.01	(0.04)	(0.01)	(0.01)	0.02
Operating cash flow *	<b>0.10</b>	0.04	(0.02)	0.04	0.03	0.01	0.00	0.04
Free cash flow *	<b>0.04</b>	(0.02)	(0.06)	0.02	(0.01)	(0.02)	(0.05)	0.00
Free cash flow adjusted *	<b>0.04</b>	(0.03)	(0.06)	0.03	0.00	(0.02)	(0.04)	0.00
Cash and cash equivalents	<b>28,991</b>	26,802	8,100	15,424	3,705	4,067	9,929	15,408
Working capital	<b>19,185</b>	16,598	3,972	12,507	2,977	3,287	6,605	12,565
Total assets	<b>156,360</b>	149,195	127,113	128,387	117,704	117,219	117,914	116,607
Total non-current financial liabilities	<b>11,457</b>	11,554	18,196	17,694	17,055	12,131	11,102	11,264
<b>Operational results</b>								
<b>Milling (tonnes)</b>								
Eagle River Mine	<b>42,617</b>	45,305	39,839	42,185	44,849	46,340	39,815	27,798
Mishi Mine	<b>37,660</b>	33,546	36,287	33,100	43,336	36,313	19,288	31,859
Total milled	<b>80,277</b>	78,851	76,126	75,285	88,185	82,653	59,103	59,657
Total tonnes/calendar day	<b>873</b>	866	837	818	959	908	657	648
<b>Head grades (g/t)</b>								
Eagle River Underground Mine	<b>10.1</b>	7.5	5.6	9.2	7.7	7.0	7.4	13.0
Mishi Open Pit Mine	<b>2.3</b>	2.1	1.8	2.3	3.0	2.5	2.2	2.1
<b>Recovery (%)</b>								
Eagle River Mine	<b>95.6</b>	93.4	88.0	94.2	96.1	94.9	94.3	96.0
Mishi Open Pit Mine	<b>87.7</b>	85.6	85.0	79.6	88.2	89.9	89.0	84.8
<b>Recovered grades (g/t)</b>								
Eagle River Mine	<b>9.6</b>	7.0	4.9	8.7	7.4	6.6	7.0	12.5
Mishi Mine	<b>2.0</b>	1.8	1.5	1.9	2.6	2.3	2.0	1.8
<b>Production (ounces)</b>								
Eagle River Mine	<b>13,193</b>	10,210	6,254	11,625	10,637	9,848	8,903	11,183
Mishi Mine	<b>2,474</b>	1,937	1,782	1,945	3,647	2,628	1,237	1,798
Total gold produced	<b>15,667</b>	12,147	8,036	13,570	14,284	12,476	10,140	12,981
<b>Gold sales (ounces)</b>								
Mishi Mine	<b>15,825</b>	11,265	8,100	16,023	12,408	11,740	9,633	15,188
<b>Mishi Mine</b>								
Ore mined (tonnes)	<b>43,674</b>	37,808	67,960	32,531	46,338	28,685	17,613	23,449
Waste mined (tonnes)	<b>81,191</b>	183,003	124,867	197,727	99,969	156,615	189,085	84,250
Strip ratio	<b>1.9</b>	4.8	1.7	6.1	2.2	5.5	10.7	3.6
Stockpile balance (tonnes)	<b>52,138</b>	46,381	43,919	13,641	13,500	23,838	10,499	25,513
<b>Eagle River Complex (per oz performance)</b>								
<b>Per ounce data, sales basis *</b>								
Average realized price	<b>1,740</b>	1,637	1,640	1,474	1,467	1,465	1,499	1,378
Production cash costs	<b>924</b>	1,239	1,776	990	1,043	1,201	1,338	1,012
Cash margin	<b>816</b>	398	(136)	484	424	264	161	366
AISC	<b>1,367</b>	1,777	2,433	1,293	1,474	1,648	1,971	1,369
AISC (US\$)	<b>1,048</b>	1,379	1,770	969	1,126	1,340	1,588	1,178
<b>Per ounce data, production basis *</b>								
Mine cash costs	<b>911</b>	1,188	1,766	1,029	994	1,161	1,345	1,011
Mine cash costs (US\$)	<b>698</b>	922	1,285	770	760	945	1,084	869
AISC	<b>1,359</b>	1,687	2,428	1,388	1,368	1,582	1,946	1,428
AISC (US\$)	<b>1,042</b>	1,309	1,767	1,039	1,045	1,287	1,569	1,229
Mine cash costs/tonne milled *	<b>178</b>	183	186	185	161	175	231	220

Note:

\* Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the Financial Statements.

**THIRD QUARTER FINANCIAL RESULTS**

<i>(in \$000 except per share and per ounce amounts)</i>	<b>Q3 2016</b>	Q3 2015	<b>Variance</b>
Gold revenue	<b>30,134</b>	18,199	11,935
Mining operations	<b>17,431</b>	14,979	(2,452)
Administration	<b>2,262</b>	843	(1,419)
Kiena Mine care and maintenance costs	<b>489</b>	935	446
Interest and other items	<b>209</b>	378	169
Decommissioning provisions	<b>-</b>	4,934	4,934
Deferred tax expense	<b>2,846</b>	424	(2,422)
	<b>23,237</b>	22,493	(744)
Net income (loss)	<b>6,897</b>	(4,294)	11,191
Net income (loss) per share	<b>0.05</b>	(0.04)	(0.09)
Operating cash flow	<b>12,852</b>	3,333	9,519
Free cash flow*	<b>4,635</b>	(2,147)	6,782
Gold produced (ounces)	<b>15,667</b>	14,284	1,383
Gold sold (ounces)	<b>15,825</b>	12,408	3,417
Average realized price per ounce* (\$)	<b>1,740</b>	1,467	273
Total production cash costs* (\$)	<b>14,273</b>	14,203	(70)
Unit production cash costs/ounce* (\$)	<b>911</b>	994	83
AISC/ounce on a production basis* (\$)	<b>1,359</b>	1,368	9
Eagle River			
Ore milled (tonnes)	<b>42,617</b>	44,849	(2,232)
Gold produced (ounces)	<b>13,193</b>	10,637	2,556
Head grade (g/t)	<b>10.1</b>	7.7	2.4
Recovered grade (g/t)	<b>9.6</b>	7.4	2.2
Mishi			
Ore milled (tonnes)	<b>37,660</b>	43,336	(5,676)
Gold produced (ounces)	<b>2,474</b>	3,647	(1,173)
Head grade (g/t)	<b>2.3</b>	3.0	(0.7)
Recovered grade (g/t)	<b>2.0</b>	2.6	(0.6)
Total ore milled (tonnes)	<b>80,277</b>	88,185	(7,908)

Note:

\* Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the Financial Statements.

**Revenue**

Total gold production and gold sales at Eagle River for Q3 2016 were up 10% and 28%, respectively, from Q3 2015. This increase, along with a 19% higher realized gold price, resulted in a 51% increase in Eagle River gold revenue in Q3 2016 compared to Q3 2015. Revenue also includes the sale of gold recovered from the cleanup of the Kiena mill during Q3 2016. The Company embarked on the cleanup of the Kiena mill and recovered approximately 1,582 ounces of gold which was processed by a third party. The net proceeds after deductions, treatment and refining charges were \$2.6 million. The Company received \$1.1 million as at September 30, 2016, and the remaining balance was received subsequently.

**Mining operations**

Mining operations; which include costs associated with mining, processing, depletion and royalties; increased to \$17,431 in Q3 2016 from \$14,979 in Q3 2015. Unit production cash costs per ounce sold decreased in Q3 2016 compared to Q3 2015 due to higher ounces produced. Eagle River mill throughput



was 42,617 tonnes in Q3 2016 which is lower than the 44,849 tonnes milled in Q3 2015, however, with the increased head grade this resulted in a 24% improvement in Eagle gold production. Mishi mill throughput in Q3 2016 decreased by 13% from 43,336 in Q3 2015 to 37,660 tonnes milled in Q3 2016 and with reduced grade resulted in a 32% decrease in Mishi ounces produced from 3,647 in Q3 2015 to 2,474 in Q3 2016.

All-in sustaining costs on the production basis were \$1,359 (US\$1,042) per ounce compared to Q3 2015 (\$1,368; US\$1,045 per ounce). Despite a 10% increase in production ounces in the current quarter compared to Q3 2015, the AISC did not realize a similar decrease due to increased administration costs, and increase in sustaining capital and exploration expenditures.

### Administration

Administration costs increased 168% compared to Q3 2015 due to the retirement payout to the former CEO of the Company and increased salaries.

### Kiena care and maintenance costs

Kiena care and maintenance costs are as budgeted for 2016 and less than Q3 2015 when additional legal costs were incurred.

### Net income

The Company recorded a net income of \$6.9 million in Q3 2016 compared to a net loss of \$(4.3) million in Q3 2015. This was mostly due to \$11.9 million increase in revenue including \$9.3 million from Eagle and \$2.6 million from the Kiena mill cleanup. This increase in revenue was partially offset by increases in mining operations by \$2.5 million, administration by \$1.4 million and deferred tax expense by \$2.2 million. The Q3 2015 loss included \$4.9 million decommissioning costs related to the one-time adjustment for additional future mine closure costs as required by the Quebec government.

### Nine months ended September 30, 2016

<i>(in \$000 except per ounce amount)</i>	Nine months ended September 30		
	2016	2015	% Variance
Gold revenue (Eagle only) (\$)	59,265	49,843	9,422
Mine operating profit* (\$)	16,303	9,913	6,390
Net income (loss) (\$)	5,434	(5,811)	11,245
Operating cash flow (\$)	14,951	4,902	10,049
Free cash flow (\$)	(4,702)	(8,455)	3,753
Eagle River			
Ore milled (tonnes)	127,761	131,004	(3,243)
Gold produced (ounces)	29,657	29,388	269
Head grade (g/t)	7.8	7.3	0.5
Recovered grade (g/t)	7.2	7.0	(0.2)
Mishi			
Ore milled (tonnes)	107,493	98,937	8,555
Gold produced (ounces)	6,193	7,512	(1,319)
Head grade (g/t)	2.1	2.7	(0.6)
Recovered grade (g/t)	1.8	2.4	(0.6)
Total ore milled (tonnes)	235,254	229,942	5,312
Total gold production (ounces)	35,850	36,900	(1,050)
Total gold sales (ounces)	35,190	33,781	1,409
Total production cash costs* (\$)	42,903	42,329	(574)
Unit production cash costs/ounce* (\$)	1,197	1,147	(50)

Note:

\* Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the Financial Statements.

### *Discussion of nine months' results*

Eagle River revenue increased by 19% in 2016 (excluding gold sale of \$2.6 million from Kiena mill cleanup) due to 4% more gold sold and 14% increase in realized gold price. Gold production decreased slightly by 3%.

Net income increased \$11.2 million compared to the previous comparable period due to \$12 million increase in revenue, \$2.6 million Quebec exploration refund recorded in Q2 2016 partially offset by an increase of \$3.6 million in mining, depreciation and royalty expenses, \$2.6 million in administration costs and \$2 million increase in deferred tax expense. The previous comparable period included a one-time \$4.9 million decommissioning expense related to future Kiena reclamation obligations. The increase in administration costs is due to retirement payout and increased salaries described earlier in addition to costs related to the contested annual general meeting held in Q2 2016.

### **EAGLE RIVER COMPLEX**

The combined Eagle River and Mishi production for the nine months ended September 30, 2016 was 35,850 ounces, a 3% decrease compared to 36,900 ounces in the first nine months of 2015.

#### ***Eagle River Mill***

The Eagle River Mill is located close to both the Eagle River and Mishi mines with a permitted capacity of 1,200 tpd. The Company is conducting engineering studies to examine the feasibility to expand the mill.

Through better direction and management and prudent investments in mill infrastructure and human resources, mill throughput has steadily increased over the last three years with mill availability near 90%. The mill processed 80,277 tonnes or 873 tpd during Q3 2016 compared to 88,185 tonnes or 959 tpd in Q3 2015. Our target for the existing mill, is to process an average of 900 tpd with targeted recoveries of 95% for Eagle River ore and 85% for Mishi ore.

#### ***Eagle River Mine***

The Eagle River underground mine is hosted by a 2.0 km by 0.5 km elliptical quartz diorite stock. Mineralization is hosted by east-west, steeply north dipping laminated quartz veins. The mine is serviced by a shaft and ramp system with the deepest mining level at 970 m. The mine is located 17 road km to the south of the mill. Commercial production commenced January 1, 1996.

To date, the mine has produced 3,720,000 tonnes at a head grade of 9.5 g/t, or 1,081,000 ounces of gold, over a 20 year mine life with the bulk of production coming from the main No. 8 vein structure.

In the summer of 2013, two new parallel structures were identified, the No.7 and No. 300 structures located approximately 200 m and 400 m north of the No. 8 structure, respectively. These have been aggressively explored and developed. Approximately 49% of the Mineral Reserves and 55% of the Mineral Resources are from these two Zones.

Underground exploration and development work to date is proving up continuity and expanding the footprint of recently recognized parallel structures (No. 7 and 300 Zones) in the western portion of the mine north of the main 8 Zone structure. Recent development and drilling results suggest potential for significant extensions up-plunge to shallower depths. Both zones remain open at depth and have been traced to 1,200 metres depth.

Surface drilling is providing a first pass evaluation of the potential of the previously untested north portion of the mine diorite at 200 metre intervals over a 1.6 km strike length.

The Company will continue its focus on development into higher grade areas of the mine with initial stope production from the 7 Zone expected in the 4th quarter of 2016, well ahead of schedule. This will enable stope production from multiple high grade areas within the Eagle River Mine earlier than expected.

### **Underground development and drilling**

The No. 7 zone was recently undercut on the 945 metre level with strong grades and increasing widths (890 metre level was 42.0 metres; Grade: 33.15 g/t or 11.26 g/t, cut to 60 g/t; Average Width of 1.50 metres).

#### 945 m Level Drift (No. 7 Zone)

- Length: 63.0 metres
- Grade: 22.63 g/t (grams per tonne) or 12.37 g/t (cut to 60 g/t)
- Average Width: 3.32 metres

Following this successful extension of the No. 7 structure to shallower depths, (Press Release February 23, 2016) an examination of a similar up-plunge extension of the 300 Zone structure is underway. Initial results are encouraging. Both zones are open to the west and our development provides an opportunity to drill these targets.

A recently completed drift on the 942 metre level, had encountered the 300 Zone with encouraging lengths and grades. The structure remains open to the west.

#### 942 m Level Drift (300 Zone)

- Length: 141.0 metres
- Grade: 19.34 g/t or 16.54 g/t (cut to 140 g/t)
- Average Width: 1.61 metres

Drilling is planned up-plunge towards the recent hole 350-E-09 which intersected 18.56 g/t (18.56 g/t cut to 140 g/t) over 3.29 metres true width. This bodes well for the future and suggests potential to duplicate the successful No. 7 Zone up-plunge drilling strategy.

### **Mishi Mine**

The Mishi Mine is an open pit mining operation located 2 km west of the Eagle River Mill. It consists of a series of tabular sericite-ankerite alteration zones which contain 10% smoky quartz veinlets and lenses. It strikes east-west, dipping 40 degrees north and follows a regional volcanic-sedimentary rock contact.

To date, the mine has produced 569,000 tonnes at a head grade of 2.8 g/t producing 43,000 ounces of gold. In Q3 2016, Mishi feed continued to consist of new run of mine ore amounting to 37,660 tonnes with an average head grade of 2.3 g/t, and we ended the quarter with 52,138 tonnes of stockpiled ore. We expect to process around 400 tpd from Mishi in 2016.

The current open pit has a length of 400 m and a planned depth of 70 m. In 2015, definition drilling at 25 m centres extended mineralization over a total length of 1,300 m.

Current proven and probable Mineral Reserves have a life-of-mine stripping ratio of 2.5 tonnes of waste per tonne of ore.

### **Mishi surface drilling**

In 2016, we commenced an aggressive drilling program with two drills to stepout beyond known information to test the size of the system. In addition, geotechnical studies were initiated in Q3 2016 to examine the merits of deepening the pit to incorporate substantial Indicated Resources identified to a depth of 110 m.

The 2016 surface drilling program updates were released on September 15, 2016. Two drills are nearing completion of a systematic evaluation of the Mishibishu Deformation Zone with 200 metre spaced drill fences across the 3.0 km strike length west of open pit mining operations.

Widespread pyrite-ankerite-sericite zones have been traced to date which carry strongly anomalous gold values.

The highlight to date is hole BC16-80, located 1.7 kilometres west of the open pit.

Hole No.	From (m)	To (m)	Core length (m)	True Width (m)	Grade (g/t)
BC16-80	316.0	330.0	14.0	13.5	4.28
including	320.5	326.5	6.0	5.8	7.65

The drills are completing the systematic coverage and moving in to follow-up on the more interesting results at 100 metre centres.

**Mineral reserve and resource estimates at Eagle River and Mishi**

The following is a summary of the reserve and resource estimates as at December 31, 2015.

- 431,000 ounces Mineral Reserves at Eagle River and Mishi
- 300,000 ounces Eagle River Mineral Reserves
- 131,000 ounces Mishi surface mineable Mineral Reserves
- 170,000 ounces Eagle River Inferred Mineral Resources reflecting drilling successes of new parallel zones
- 248,000 ounces Mishi Indicated Mineral Resources and 59,000 ounces Inferred Mineral Resources

<b>MINERAL RESERVES *</b>							
Mine	Category	Tonnes	Grade (g/t)	Contained Ounces			
				Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Eagle River	Proven	165,000	10.0	53,000	39,000	41,000	35,000
	Probable	846,000	9.1	247,000	226,000	128,000	105,000
	<b>Proven + Probable</b>	<b>1,011,000</b>	<b>9.2</b>	<b>300,000</b>	<b>265,000</b>	<b>169,000</b>	<b>140,000</b>
Mishi	Proven	157,000	2.2	11,000	12,000	16,000	9,000
	Probable	1,728,000	2.2	120,000	109,000	96,000	70,000
	<b>Proven + Probable</b>	<b>1,885,000</b>	<b>2.2</b>	<b>131,000</b>	<b>121,000</b>	<b>112,000</b>	<b>79,000</b>
<b>TOTAL</b>				<b>431,000</b>	<b>386,000</b>	<b>281,000</b>	<b>219,000</b>

<b>ADDITIONAL MINERAL RESOURCES *</b>							
Mine	Category	Tonnes	Grade (g/t)	Contained Ounces			
				Dec 31, 2015	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012
Eagle River	Inferred	555,000	9.5	170,000	80,000	105,000	46,000
Mishi Open Pit	Indicated	3,679,000	2.1	248,000	248,000	248,000	333,000
	Inferred	764,000	2.4	59,000	59,000	59,000	59,000
Mishi Underground	Indicated	567,000	4.5	82,000	82,000	82,000	82,000
	Inferred	437,000	5.8	81,000	81,000	81,000	81,000
<b>TOTAL</b>	<b>Indicated</b>			<b>330,000</b>	<b>330,000</b>	<b>330,000</b>	<b>415,000</b>
	<b>Inferred</b>			<b>310,000</b>	<b>220,000</b>	<b>245,000</b>	<b>186,000</b>

- \* Numbers reflect rounding to nearest 1,000 tonnes and ounces.
- \* Mineral Reserves and Mineral Resources estimates have been made in accordance with the Standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101").

These mineral reserves and resources have been excerpted from the report entitled "Technical Report for the Eagle River Complex including the Eagle River Gold Mine, the Mishi Gold Mine and related infrastructure" with an effective date of March 17, 2016 and filed on SEDAR on March 17, 2016. The Qualified Persons for this report are George Mannard, P. Geo., Vice President Exploration, and Philip Ng, P. Eng., Chief Operating Officer, both of Wesdome.

All Mineral Resources are in addition to Mineral Reserves.

Mineral Resources are not in the current mine plan and therefore do not have demonstrated economic viability.

Assumed gold price of CAD\$1450 per ounce.

All Mineral Reserves at Eagle River employ a 1.5 m minimum width, a 3.0 g/t minimum grade for continuity and include 1.0 m of external dilution. Mineral Resources are reported in-situ with no dilution provision.

All Mineral Reserves at Mishi employ a 1.0 g/t cut-off grade and a 3.0 m minimum width. Estimates provide for 10% dilution, 10% lost ore and metallurgical recoveries of 90%. Open pit Mineral Reserves extend to an average depth of 70 m.

Mishi Mineral Reserves currently have a life of mine stripping ratio of 2.5 tonnes of waste per tonne of ore.

Mishi Open Pit Mineral Resources extend to a depth of 110 m, employ a 1.0 g/t cut-off grade, a 3.0 m minimum width and are reported in-situ with no dilution or lost ore provisions.

Mishi Underground Mineral Resources are reported in-situ employing a 3.0 g/t cut-off grade and a 1.5 m minimum mining width.

At Eagle River all high assays are cut to either 60 g/t or 140 g/t for individual zones. This is based on grade-frequency histograms at 95 percentile.

At Mishi all high drill core assays are cut to 45 g/t. All high blasthole assays are cut to 25 g/t. These are based on where a ragged tail on grade-frequency histograms commence.

A fixed density or tonnage factor of 2.7 tonnes per cubic metre is applied at both Eagle River and Mishi based on metallurgical testing.

## **KIENA MINE COMPLEX AND EXPLORATION PROPERTIES**

The Company's wholly-owned, contiguous Val d'Or properties cover approximately 7,000 hectares and encompass four former producers, eight shafts and significant mineral resources. Prior to its current Q3 2016 drill program, the exploration program for 2015 on the nearby properties involved two drills on surface and their results have been incorporated in a revised NI 43-101 Technical Report. This study dated December 16, 2015 and entitled "Technical Report for the Quebec Wesdome Project" was prepared by Bruno Turcotte, P. Geo., Denis Gourde, Eng., and Pierre-Luc Richard, P. Geo. of InnovExplo Inc. and filed on SEDAR on March 10, 2016. This was the first time that the Company's contiguous Val d'Or properties have been compiled in a NI43-101 Technical Report.

The Kiena Mine Complex is a fully permitted, integrated mining and milling infrastructure, which includes a 930 metre production shaft and a 2,000 tonne per day mill. From 1981 – 2013, the mine produced 1.75 million ounces of gold from 12.5 million tonnes at a head grade of 4.5 g/t. The bulk of this production came from the S-50 Zone between depths of 100 and 1,000 metres. In 2013, operations were suspended due to a combination of the declining gold price and lack of developed reserves. The infrastructure has been preserved on care and maintenance status.

### **Kiena High Grade Discovery**

The Company launched an underground drilling program at Kiena in Q3 2016. The purpose of the program is to examine the depth potential of the S-50 Zone and test potential for a Z-fold geometry to open up at depth. On August 24 and September 15, 2016, the Company announced exciting early underground drill results from this exploration program.

Highlights:

- 94.35 grams per tonne (g/t) gold over 17.40 m uncut (18.03 g/t cut) in hole U-6124
- 192.95 g/t gold over 14.25 m uncut (18.80 g/t cut) in hole U-6125
- 238.81 g/t gold over 5.00 m uncut (15.71 g/t cut) in hole U-6125
- 8.43 g/t gold over 8.2 m uncut (3.82 g/t cut) in hole U-6130

Two drills are testing for a repetition of the S-50 Zone along a Z-fold interpretation 200 – 300 metres below existing mine infrastructure at a depth of approximately 1,200 metres. The nominal drill spacing to test this target is 100 metres. Early results exceeded expectations, and these rich veins are unlike anything previously encountered at this property. Three holes have been completed to date, hitting four high grade intersections. More drilling is underway and is required to define the geometry, true widths and extent of this extraordinarily rich mineralized system.

At least two quartz veins and quartz vein breccia systems have been observed to date. They occur near altered and deformed komatiite-tholeiitic basalt contacts. Drilling continues with one drill on the 670 metre level drilling eastward to test the north trending arm of the projected Z-fold. The second is drilling south-westward from the 910 metre level testing the southeast trending arm of the projected Z-fold. Multiple occurrences of coarse native gold have been observed in all four intervals. Drilling results are summarized in Table 1.

**Table 1: Significant drill results**

Hole No.	From (m)	To (m)	Corelength (m)	Assay (g/t Au)	Cut Grade* (g/t Au)
U-6124	491.50	508.90	17.40	94.35	18.03
U-6125	695.05	709.30	16.95	192.95	18.80
Incl. (late porphyry dike)	695.80	699.90	4.10	0.33	0.33
	740.00	745.00	5.00	238.81	15.71
U-6130A	469.00	477.20	8.20	8.43	3.82

Notes: \* high assays arbitrarily cut to 34.28 g/t Au (1.0 oz/ton)  
True widths: not known at this time (see below)

**Drill hole details**

**U-6124 (94.35 g/t Au over 17.4 m):** Drilled from 670 m level. New vein system intersected with core angles varying from 10 to 30 degrees to core axis. Hole failed to intersect projected S-50 target. Assays for drill hole U-6124 are tabulated below (Table 2).

**Table 2: Individual fire assays for drill hole U-6124**

From (m)	To (m)	Core Length (m)	Assay g/t Au	Cut Grade* g/t Au
491.50	492.60	1.10	37.10	34.28
492.50	493.60	1.00	15.31	15.31
493.60	494.60	1.00	0.16	0.16
494.60	495.60	1.00	20.48	20.48
495.60	496.60	1.00	0.28	0.28
496.60	497.60	1.00	27.91	27.91
497.60	498.60	1.00	0.52	0.52
498.60	499.60	1.00	0.63	0.63
499.60	500.60	1.00	1.98	1.98
500.60	501.50	0.90	95.18	34.28
501.50	502.50	1.00	328.82	34.28
502.50	503.00	0.50	274.74	34.28
503.00	503.50	0.50	1364.20	34.28
503.50	504.50	1.00	0.75	0.75
504.50	505.50	1.00	0.85	0.85
505.50	506.30	0.80	58.44	34.28
506.30	507.20	0.90	35.14	34.28
507.20	508.30	1.10	188.96	34.28
508.30	508.90	0.60	19.61	19.61
<b>TOTAL</b>		<b>17.40</b>	<b>94.35</b>	<b>18.03</b>

**U-6125 (192.95 g/t Au over 16.95 m and 238.81 g/t Au over 5.00 m):** Drilled from 670 m level. S-50 breccia vein with core angles between 45 and 90 degrees to core axis. High assays arbitrarily cut to 1.0 oz/ton (34.28 g/t) over a core length of 16.95 metres. Assays for drill hole U-6125 are tabulated below (Table 3).

**Table 3: Individual fire assays for drill hole U-6125**

From (m)	To (m)	Core Length (m)	Assay g/t Au	Cut Grade* g/t Au
694.22	695.05	0.83	1.18	1.18
695.05	695.80	0.75	183.23	34.28
695.80	697.00	1.20	0.71	0.71
697.00	698.00	1.00	0.11	0.11
698.00	699.00	1.00	0.11	0.11
699.00	699.90	0.90	0.29	0.29
699.90	700.90	1.00	186.30	34.28
700.90	701.90	1.00	5.79	5.79
701.90	702.90	1.00	28.24	28.24
702.90	703.50	0.60	442.67	34.28
703.50	704.10	0.60	2769.58	34.28
704.10	704.60	0.50	529.60	34.28
704.60	705.60	1.00	32.43	32.43
705.60	706.90	1.30	24.22	24.22
706.90	707.60	0.70	772.81	34.28
707.60	708.60	1.00	11.27	11.27
708.60	709.30	0.70	17.19	17.19
709.30 *	710.10	0.80	80.94	34.28
710.10 *	711.00	0.90	12.57	12.57
711.00 *	712.00	1.00	15.07	15.07
<b>TOTAL</b>	<b>695.05-712.00</b>	<b>16.95</b>	<b>192.95</b>	<b>18.80</b>

<b>From (m)</b>	<b>To (m)</b>	<b>Core Length (m)</b>	<b>Assay g/t Au</b>	<b>Cut Grade* g/t Au</b>
740.00	740.60	0.60	16.76	16.76
740.60	741.50	0.90	620.72	34.28
741.50	742.40	0.90	687.31	34.28
742.40	743.40	1.00	2.75	2.75
743.40	744.40	1.00	2.41	2.41
744.40	745.00	0.60	2.71	2.71
<b>TOTAL</b>		<b>5.00</b>	<b>238.81</b>	<b>15.71</b>

\* New Results, September 15, 2016

The early success indicated above will lead to an extended drilling program, targeting a potential repetition of the S-50 and new zones of gold mineralization. Drilling results have been delayed due to challenging drilling conditions and deep holes. Plans to accelerate the program are underway, with three drills now operating underground at Kiena, and an additional underground rig to be added to the program in the short term.

### **Sale of claims**

In June, 2016, the Company sold certain strategically located mineral claims adjacent the producing Goldex Mines Limited ("Goldex"), including the Joubi and Dubuisson Ouest properties and a portion of the Mine École property, in Val d'Or, Quebec, to Agnico Eagle Mines Limited ("Agnico Eagle") for \$7 million. The transaction includes surface rights, drill core, resource and intellectual data, infrastructure and equipment, where applicable. As part of the transaction, Agnico Eagle has granted Wesdome a 2% Net Smelter Royalty ("NSR") on the Mine École property and a 3% NSR on the Joubi property. The claims cover potential extensions of the Goldex sill which can be most efficiently explored and potentially developed from Agnico Eagle's existing Goldex Mine infrastructure.

### **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. All of the mining claims are kept up to date as the Company continuously monitors the external environment and its internal resources for optimizing this asset.

A NI 43-101 Preliminary Economic Assessment report (the "PEA Report") of the Moss Lake project highlighted its potential to support a bulk mining operation under more favourable gold prices. This PEA Report, dated May 31, 2013 and entitled "Technical report and preliminary economic assessment for the Moss Lake Project", was prepared by Sylvie Poirier, Eng., Gary Anthony Patrick, Consulting Metallurgist, Julie Palich, P. Geo., and Pierre-Luc Richard, P. Geo. of InnovExplo Inc. and filed on SEDAR ([www.sedar.com](http://www.sedar.com), Moss Lake Gold Mines Ltd, May 23, 2013).

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

### **New acquisition consolidates strategic land position**

In May, 2016, the Company acquired from Canoe Mining Ventures Corp. ("Canoe Mining") a 100% interest in the Coldstream Project ("Coldstream") and the Hamlin-Deaty Creek Property ("Hamlin"), which flank the Company's Moss Lake properties located 100 kilometres due west of Thunder Bay, Ontario.

The Company paid or issued (as applicable) to Canoe Mining total consideration of \$1,250,000 as follows:



- (a) with respect to the purchase of the Coldstream portion of the properties:
  - (i) an aggregate of \$400,000 cash, and
  - (ii) 454,545 fully paid and non-assessable common shares valued at \$1.65 per common share in the capital of Wesdome for a total of \$750,000 non-cash consideration; and
- (b) with respect to the purchase of the Hamlin portion of the properties, an aggregate of \$100,000 cash.

With this acquisition, Wesdome continues to consolidate its land position in the Shebandowan Greenstone Belt. The acquired properties include the former producing Coldstream Mine and East Coldstream gold deposit and their potential untested extensions. This acquisition eliminated a historically inconvenient property boundary immediately along strike of the 3 million ounce Moss Lake gold deposit. This property boundary area has never been drilled and with this acquisition the Company intends to rapidly assess potential to double the existing resources base as defined in its PEA Report. Additionally, there is similar potential to expand previous NI 43-101 resources (Foundation Resources, [www.sedar.com](http://www.sedar.com)) in the East Coldstream area.

The Company has secured all necessary exploration permits and commenced line-cutting and geophysical survey work. The Company's strategy is to complete IP (induced polarization) orientation surveys over existing resources and extend wing lines outwards covering the newly consolidated, and previously untested, land position. We expect to start drilling of Coldstream in November 2016, and Moss extensions in January, 2017.

## LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2016, the Company had working capital of \$19.2 million compared to \$16.6 million at June 30, 2016 and \$12.5 million at December 31, 2015. During 2016, capital expenditures totalled \$14.1 million compared to \$12.7 million in 2015. Capital expenditures were concentrated on underground development, diamond drilling and infrastructure, and mobile equipment. We continued with our enhanced exploration plans spending \$5.5 million in 2016 compared to \$0.6 million in 2015. Exploration included \$2.9 million of the \$3 million flow through funds raised in December 2015 and \$1.9 million in previously unplanned exploration at Kiena as a result of the spectacular results obtained from the preliminary drilling. Our cash position increased to \$29 million from \$15.4 million as at December 31, 2015, due to the \$7 million sale of property described earlier and the \$16 million public offering described below.

On April 29, 2016, the Company closed a public offering of 10,465,000 common shares at a price of \$1.65 per common share, for total gross proceeds of approximately \$17,267,000, including the exercise in full of the over-allotment option by the underwriters. The Company paid underwriting commissions of approximately \$863,000 and legal and regulatory costs of \$387,000 for net proceeds of \$16,017,000. Wesdome intends to use the net proceeds of approximately \$16 million from this offering for mill and tailings dam expansion and associated infrastructure at the Company's Eagle River Complex, and for working capital and general corporate purposes.

The Company carried an inventory of 2,845 ounces of gold at September 30, 2016, with a market value of approximately \$5 million and a carrying value of \$2.7 million (gold inventory is carried at the lower of cost and market). Accordingly, the adjusted working capital at September 30, 2016, would have been \$21.5 million.

In early October 2015, the Company received approval of a revised closure plan for the Kiena Mine Complex. This revision was conducted as a result of new legislation enacted by the Quebec government which required mining operations to submit restoration plans for inactive mills and post any additional security as a result of this revision. The Company was required to post an additional \$6.2 million security (\$4.4 million in 2016, and \$1.8 million on September 30, 2017) mostly relating to decommissioning of the mill and restoration of the mill site. The Company commenced with the requirement to post this amount in several tranches starting on January 4, 2016. As at September 30, 2016, \$2.6 million was transferred to restricted funds as security for this obligation.

We are currently evaluating our operations including the need for plant expansion. At this time, the Company believes it has sufficient liquidity to carry out its current mining, development and exploration programs.

## SUMMARY OF SHARES ISSUED

As of November 2, 2016, the Company's share information is as follows:

Common shares issued	130,150,102
Common share purchase options	4,986,662
Common shares issuable on conversion of debentures	2,808,400

## CONTRACTUAL OBLIGATIONS

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

Contractual Obligations	Payments Due by Period (in \$000)				
	Total	Less than 1 year	1 – 2 years	3 – 5 years	After 5 years
Equipment leases	\$ 5,328	\$ 1,887	\$ 1,443	\$ 1,998	-
Convertible debentures	7,308	7,308	-	-	-
Kiena reclamation deposit	1,791	-	1,791	-	-
	<b>\$ 14,427</b>	<b>\$ 9,195</b>	<b>\$ 3,234</b>	<b>\$ 1,998</b>	<b>-</b>

## NON-IFRS PERFORMANCE MEASURES

The Company uses non-IFRS performance measures which do not have standardized meanings defined by IFRS and may not be comparable to information in other gold producers' reports and filings. These performance measures include mine operating profit, cash costs per ounce of gold sold, cash margin per ounce of gold sold, production costs per ounce, all-in sustaining costs per ounce of gold, operating cash flow per share, free cash flow, free cash flow per share and net income (loss) adjusted. The Company has included these non-IFRS performance measures throughout this document as the Company believes that these generally accepted industry performance measures are useful indicators of the Company's operational performance. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

### Mine operating profit

(in \$000)	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14
Eagle River gold revenue *	27,534	18,447	13,284	23,622	18,199	17,202	14,442	20,922
Mining and processing costs	14,619	13,954	14,389	15,855	12,946	14,099	12,885	15,377
Mine operating profit (loss)	12,915	4,493	(1,105)	7,767	5,253	3,103	1,557	5,545

\* excluding Kiena gold revenue from mill cleanup

### Cash costs per ounce of gold sold

(in \$000 except per ounce amount)	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15	Q4/14
Mining and processing costs	14,619	13,954	14,389	15,855	12,946	14,099	12,885	15,377
Ounces of gold sold	15,825	11,265	8,100	16,023	12,408	11,740	9,633	15,188
Total cash costs per ounce of gold sold	924	1,239	1,776	990	1,043	1,201	1,338	1,012
Average 1 USD → CAD exchange rate	1.3047	1.2886	1.3742	1.3353	1.3089	1.2293	1.2409	1.1626
Total cash cost per ounce of gold sold (US\$)	708	961	1,292	741	797	977	1,078	871

**Cash margin per ounce of gold sold**

<i>(amounts in Canadian dollars)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Gold price per ounce sold	<b>1,740</b>	1,637	1,640	1,474	1,467	1,465	1,499	1,378
Cash costs of gold sold	<b>924</b>	1,239	1,776	990	1,043	1,201	1,338	1,012
Cash margin per ounce of gold sold (CAD\$)	<b>816</b>	398	(136)	484	424	264	161	366
Average 1 USD → CAD exchange rates	<b>1.3047</b>	1.2886	1.3742	1.3353	1.3089	1.2293	1.2409	1.1626
<i>(amounts in United States dollars)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Gold price per ounce sold	<b>1,334</b>	1,271	1,193	1,104	1,121	1,192	1,208	1,185
Cash costs of gold sold	<b>708</b>	961	1,292	741	797	977	1,078	871
Cash margin per ounce of gold sold (US\$)	<b>626</b>	310	(99)	363	324	215	130	314

**Average realized price per ounce of gold sold**

<i>(in \$000 except per ounce amount)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Eagle River gold produced (ounces)	<b>15,667</b>	12,147	8,036	13,570	14,284	12,476	10,140	12,981
Eagle River gold sales (ounces)	<b>15,825</b>	11,265	8,100	16,023	12,408	11,740	9,633	15,188
Eagle River gold sales (\$)	<b>27,534</b>	18,447	13,284	23,622	18,199	17,202	14,442	20,922
Average realized price per ounce of gold sold (\$)	<b>1,740</b>	1,637	1,640	1,474	1,467	1,465	1,499	1,378
Average gold price per ounce (\$) †	<b>1,742</b>	1,622	1,623	1,475	1,471	1,465	1,509	1,400

† Calculated based on the daily gold price per ounce in Canadian dollars, obtained using the daily London PM fix in US dollars, translated at the daily exchange noon rate published by the Bank of Canada

**Production costs per ounce of gold**

<i>(in \$000 except per ounce amount)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Mining and processing costs	<b>14,619</b>	13,954	14,389	15,855	12,946	14,099	12,885	15,377
Inventory adjustment †	<b>(346)</b>	481	(194)	(1,896)	1,257	387	755	(2,256)
Production costs	<b>14,273</b>	14,435	14,195	13,959	14,203	14,486	13,640	13,121
Gold production (ounces)	<b>15,667</b>	12,147	8,036	13,570	14,284	12,476	10,140	12,981
Production costs per ounce	<b>911</b>	1,188	1,766	1,029	994	1,161	1,345	1,011
Tonnes milled	<b>80,277</b>	78,851	76,126	75,285	88,185	82,653	59,104	59,657
Production cost/tonne milled	<b>178</b>	183	186	185	161	175	231	220

† 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.

	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Per ounce data, production basis (CAD\$)								
Mining costs	<b>687</b>	920	1,316	753	753	867	990	751
Milling costs	<b>224</b>	268	450	276	241	294	355	260
	<b>911</b>	1,188	1,766	1,029	994	1,161	1,345	1,011
Average 1 USD → CAD exchange rates	<b>1.3047</b>	1.2886	1.3742	1.3353	1.3089	1.2293	1.2409	1.1626
	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Per ounce data, production basis (US\$)								
Mining costs	<b>527</b>	714	958	563	575	705	798	646
Milling costs	<b>171</b>	208	327	207	185	240	286	223
	<b>698</b>	922	1,285	770	760	945	1,084	869

**All-in sustaining costs per ounce of gold**

All-in sustaining costs include mine site operating costs and production royalties incurred at the Company's mining operations, sustaining capital expenditures (including equipment leases), corporate administration expense and mine site exploration costs. The Company believes that this measure represents the total costs of producing gold from current operations, and provides the Company and other stakeholders with additional information that illustrates the Company's operational performance and ability to generate cash flow. This cost measure is reported on a consolidated level and on a per ounce of gold basis. As the measure seeks to reflect the full cost of gold production from current operations, new project capital is not included.

**Sales basis**

<i>(in \$000 except per ounce amount)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Mining and processing costs	<b>14,619</b>	13,954	14,389	15,855	12,946	14,099	12,885	15,377
Add:								
Royalties	<b>482</b>	283	199	336	305	286	262	331
Corporate and general	<b>1,799</b>	905	904	1,688	689	729	687	766
Sustaining mine capital, equipment leases and exploration	<b>4,738</b>	4,873	4,212	2,846	4,344	4,231	5,148	4,325
<b>All-in costs adjustment</b>	<b>7,019</b>	6,061	5,315	4,870	5,338	5,246	6,097	5,422
All-in sustaining costs	<b>21,638</b>	20,015	19,704	20,725	18,284	19,345	18,982	20,799
Gold sold (ounces)	<b>15,825</b>	11,265	8,100	16,023	12,408	11,740	9,633	15,188
All-in sustaining costs per ounce (CAD\$)	<b>1,367</b>	1,777	2,433	1,293	1,474	1,648	1,971	1,369
Average 1 USD → CAD exchange rate	<b>1.3047</b>	1.2886	1.3742	1.3353	1.3089	1.2293	1.2409	1.1626
All-in sustaining costs per ounce (US\$)	<b>1,048</b>	1,379	1,770	969	1,126	1,340	1,588	1,178

**Production basis**

<i>(in \$000 except per ounce amount)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Production costs (see table at page 16)	<b>14,273</b>	14,435	14,195	13,959	14,203	14,486	13,640	13,121
<b>All-in costs adjustment (see table above)</b>	<b>7,019</b>	6,061	5,315	4,870	5,338	5,246	6,097	5,422
<b>All-in sustaining costs</b>	<b>21,292</b>	20,496	19,510	18,829	19,541	19,732	19,737	18,543
Gold produced (ounces)	<b>15,667</b>	12,147	8,036	13,570	14,284	12,476	10,140	12,981
All-in sustaining costs per ounce (CAD\$)	<b>1,359</b>	1,687	2,428	1,388	1,368	1,582	1,946	1,428
Average 1 USD → CAD exchange rates	<b>1.3047</b>	1.2886	1.3742	1.3353	1.3089	1.2293	1.2409	1.1626
All-in sustaining costs per ounce (US\$)	<b>1,042</b>	1,309	1,767	1,039	1,045	1,287	1,569	1,229

**Operating cash flow per share**

Operating cash flow per share is calculated by dividing cash flow from operating activities before working capital adjustments in the Company's financial statements by the weighted average number of shares outstanding for each period. Adjusted cash flow and resulting per share are computed similarly after adjusting for Kienna care and maintenance cost, annual general meeting cost and exploration credit refund.

<i>(in \$000 except per ounce amount)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Cash flow from operating activities before working capital adjustments	<b>12,852</b>	4,885	(2,786)	5,153	3,333	1,436	133	4,192
Kienna care and maintenance costs	<b>489</b>	615	446	630	935	658	493	300
Annual general meeting	-	577	-	-	-	-	-	-
Exploration credit refund	-	(2,620)	-	-	-	-	-	-
<b>Operating cash flow (adjusted)</b>	<b>13,341</b>	3,457	(2,340)	5,783	4,268	2,094	626	4,492
Weighted average number of shares (000's)	<b>129,936</b>	126,091	118,313	115,140	111,186	111,051	111,073	110,940
Operating cash flow per share	<b>0.10</b>	0.04	(0.02)	0.04	0.03	0.01	0.00	0.04
Operating cash flow per share (adjusted)	<b>0.10</b>	0.03	(0.02)	0.05	0.04	0.02	0.01	0.04

## Free cash flow and free cash flow per share

Free cash flow is calculated by taking cash flow from operating activities before working capital adjustments less cash used in investing activities as reported in the Company's financial statements. Free cash flow per share is calculated by dividing free cash flow by the weighted average number of shares outstanding for the period. Adjusted free cash flow and resulting per share are computed similarly after adjusting for Kiena care and maintenance cost, annual general meeting cost and exploration credit refund.

<i>(in \$000)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Cash flow from operating activities before working capital adjustments	<b>12,852</b>	4,885	(2,786)	5,153	3,333	1,436	133	4,192
Exploration	<b>(3,502)</b>	(1,583)	(452)	50	(6)	(42)	(573)	(54)
Sustaining capital	<b>(4,715)</b>	(5,449)	(3,952)	(2,467)	(3,953)	(3,941)	(4,842)	(4,050)
Free cash flow	<b>4,635</b>	(2,147)	(7,190)	2,736	(626)	(2,547)	(5,282)	88
Kiena care and maintenance costs	<b>489</b>	615	446	630	935	658	493	300
Annual general meeting	-	577	-	-	-	-	-	-
Exploration credit refund	-	(2,620)	-	-	-	-	-	-
Free cash flow (adjusted)	<b>5,124</b>	(3,575)	(6,744)	3,366	309	(1,889)	(4,789)	388
Weighted average number of shares (000's)	<b>129,936</b>	126,091	118,313	115,140	111,186	111,051	111,073	110,940
Free cash flow per share	<b>0.04</b>	(0.02)	(0.06)	0.02	(0.01)	(0.02)	(0.05)	0.00
Free cash flow per share (adjusted)	<b>0.04</b>	(0.03)	(0.06)	0.03	0.00	(0.02)	(0.04)	0.00

## Net income (loss) adjusted

<i>(in \$000)</i>	<b>Q3/16</b>	<b>Q2/16</b>	<b>Q1/16</b>	<b>Q4/15</b>	<b>Q3/15</b>	<b>Q2/15</b>	<b>Q1/15</b>	<b>Q4/14</b>
Net income (loss)	<b>6,897</b>	1,837	(3,300)	1,110	(4,294)	(746)	(771)	2,589
Kiena decommissioning provision	-	-	-	237	4,934	-	-	-
Kiena care and maintenance	<b>489</b>	615	446	630	935	658	493	300
Annual general meeting	-	577	-	-	-	-	-	-
Exploration credit refund	-	(2,620)	-	-	-	-	-	-
Net income (loss) adjusted	<b>7,386</b>	409	(2,854)	1,977	1,575	(88)	(278)	2,889
Weighted average number of shares (000's)	<b>129,936</b>	126,091	118,313	115,140	111,186	111,051	111,073	110,940
Net income (loss) per share (adjusted)	<b>0.06</b>	0.00	(0.02)	0.02	0.01	(0.00)	(0.00)	0.03

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The critical accounting estimates used by the Company are discussed in detail in the 2015 annual MD&A for the year ended December 31, 2015, under the heading "Critical Accounting Estimates and Judgments", as well as the 2015 annual audited financial statements for the year ended December 31, 2015, in Note 4.

There have been no material changes to these estimates and judgments from December 31, 2015 up to the date of this MD&A.

## FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments disclosures require 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:

<b>September 30, 2016</b> (in \$000)	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	<b>28,991</b>	-	<b>28,991</b>	<b>28,991</b>
Receivables	<b>5,096</b>	-	<b>5,096</b>	<b>5,096</b>
Restricted funds	<b>6,920</b>	-	<b>6,920</b>	<b>6,920</b>
<b>Total assets</b>	<b>41,007</b>	-	<b>41,007</b>	<b>41,007</b>
Payables and accruals	-	<b>12,111</b>	<b>12,111</b>	<b>12,111</b>
Obligations under capital lease	-	<b>5,328</b>	<b>5,328</b>	<b>5,328</b>
Convertible debentures	-	<b>6,812</b>	<b>6,812</b>	<b>7,302</b>
<b>Total liabilities</b>	-	<b>24,251</b>	<b>24,251</b>	<b>24,741</b>
<b>December 31, 2015</b> (in \$000)	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	15,424	-	15,424	15,424
Receivables	3,354	-	3,354	3,354
Restricted funds	2,535	-	2,535	2,535
<b>Total assets</b>	<b>21,313</b>	-	<b>21,313</b>	<b>21,313</b>
Payables and accruals	-	8,994	8,994	8,994
Obligations under capital lease	-	4,702	4,702	4,702
Convertible debentures	-	6,562	6,562	6,530
<b>Total liabilities</b>	-	<b>20,258</b>	<b>20,258</b>	<b>20,226</b>

### 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 September 30, 2016, the Company's financial risk exposure and its financial risk management practices were consistent with those disclosed and applied in Note 21 to the Company's consolidated financial statements for the year ended December 31, 2015.

## **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 2015 annual MD&A for the year ended December 31, 2015.

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In compliance with the Canadian Securities Administrators' Regulation we have filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

### **Disclosure Controls and Procedures**

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

material information relating to the Corporation has been made known to them; and

information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

### **Internal Control over Financial Reporting**

The CEO and the CFO have also designed internal controls over financial reporting, or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

An evaluation was carried out, under the supervision of the CEO and the CFO and with the help of external consultants, of the design and effectiveness of our internal controls over financial reporting. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting are effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework).

### **Changes in internal controls over financial reporting**

No changes were made to our internal controls over financial reporting that occurred during the quarter ended September 30, 2016, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### **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.

## **RESPONSIBILITY FOR TECHNICAL INFORMATION**

The scientific and technical contents of this MD&A were reviewed, verified and approved by Philip Ng, P. Eng., Chief Operating Officer of Wesdome, and George Mannard, P. Geo., V.P. Exploration of Wesdome, both Qualified Persons as defined by NI 43-101.

## **INFORMATION CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES**

The mineral reserve and resource estimates were prepared in accordance with NI 43-101 as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission ("SEC") applies different standards in order to classify mineralization as a reserve. In particular, while the terms "measured," "indicated" and "inferred" mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, "inferred" mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, issuers must not make any disclosure of results of an economic analysis that includes inferred mineral resources, except in rare cases.

## **CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS**

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

## **RISK FACTORS**

Refer to the risk factors described in the Company's 2015 Annual Information Form filed on SEDAR at [www.sedar.com](http://www.sedar.com).