WESDOME

WESDOME GOLD MINES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED

JUNE 30, 2017

# TABLE OF CONTENTS

# 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 six months ended June 30, 2017, 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 August 2, 2017.

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

For further information and detailed reconciliations, refer to the 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:

| *Abbreviation* | *Period* | *Abbreviation* | *Period* |
|---|---|---|---|
| **Q2 2017** | *April 1, 2017 – June 30, 2017* | **Q2 2016** | *April 1, 2016 – June 30, 2016* |
| **Q1 2017** | *January 1, 2017 – March 31, 2017* | **Q1 2016** | *January 1, 2016 – March 31, 2016* |
| **Q4 2016** | *October 1, 2016 – December 31, 2016* | **Q4 2015** | *October 1, 2015 – December 31, 2015* |
| **Q3 2016** | *July 1, 2016 – September 30, 2016* | **Q3 2015** | *July 1, 2015 – September 30, 2015* |

## 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 30th year of continuous gold mining operations in Canada. The Company is 100% Canadian focused with a pipeline of projects in various stages of development. The Eagle River Complex located close to Wawa, Ontario is currently producing gold from two mines, the Eagle River Underground Mine and the Mishi Open pit, from a central mill. Wesdome is actively exploring its brownfields asset, the Kiena Complex in Val d'Or, Quebec. The Kiena Complex is a fully permitted former mine with a 930 metre shaft and 2,000 tonne per day mill. The Company has further upside at its Moss Lake gold deposit, located 100 kilometres west of Thunder Bay, Ontario, which is 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, or on the SEDAR website, www.sedar.com.

| *Financial Results – Three and Six Months 2017 and 2016* | | | | | |
|---|---|---|---|---|---|
| | Three Months ended June 30 | | | Six Months ended June 30 | |
| | **2017** | 2016 | | **2017** | 2016 |
| *(in $000, except per share amounts)* | | | | | |
| Revenue | **23,248** | 18,447 | | **43,348** | 31,731 |
| Mine operating profit [1] | **7,132** | 4,493 | | **13,687** | 3,388 |
| Net income (loss) | **863** | 1,837 | | **1,558** | (1,463) |
| Net income (loss) adjusted[1] | **1,313** | 409 | | **2,229** | (2,445) |
| Basic net income (loss) per share | **0.01** | 0.01 | | **0.01** | (0.01) |
| Basic net income (loss) per share adjusted [1] | **0.01** | 0.00 | | **0.02** | (0.02) |
| Cash flows from operating activities | **5,250** | 4,885 | | **10,642** | 2,099 |
| Cash flows from operating activities adjusted [1] | **5,700** | 3,457 | | **11,313** | 1,117 |
| Free cash flow [1] | **(4,685)** | (2,147) | | **(8,884)** | (9,337) |
| Cash and cash equivalents | **22,681** | 26,802 | | **22,681** | 26,802 |
| Working capital | **17,815** | 16,598 | | **17,815** | 16,598 |

| *Operational Results – Three and Six Months 2017 and 2016* | | | | | |
|---|---|---|---|---|---|
| | Three Months ended June 30 | | | Six Months ended June 30 | |
| | **2017** | 2016 | | **2017** | 2016 |
| Eagle tonnes milled | **34,960** | 45,305 | | **73,538** | 85,144 |
| Mishi tonnes milled | **39,117** | 34,006 | | **75,758** | 70,293 |
| Total tonnes milled | **74,077** | 79,311 | | **149,296** | 155,437 |
| Eagle grade (g/t) | **9.8** | 7.5 | | **10.7** | 6.6 |
| Mishi grade (g/t) | **1.8** | 2.1 | | **1.8** | 2.0 |
| Eagle River Mine mill recovery (%) | **96.3** | 93.4 | | **95.7** | 91.2 |
| Mishi Mine mill recovery (%) | **83.1** | 85.5 | | **82.1** | 84.6 |
| Eagle recovered grade (g/t) | **9.4** | 7.0 | | **10.2** | 6.0 |
| Mishi recovered grade (g/t) | **1.5** | 1.8 | | **1.4** | 1.7 |
| Eagle ounces produced | **10,597** | 10,210 | | **24,185** | 16,464 |
| Mishi ounces produced | **1,932** | 1,937 | | **3,506** | 3,719 |
| Total ounces produced | **12,529** | 12,147 | | **27,691** | 20,183 |
| Ounces sold | **13,030** | 11,265 | | **25,350** | 19,365 |
| Average realized price (CAD$/oz) * | **1,715** | 1,637 | | **1,674** | 1,639 |
| Average realized price (US$/oz) * | **1,274** | 1,271 | | **1,254** | 1,231 |
| Production cash costs (CAD$/oz) * | **1,270** | 1,188 | | **1,153** | 1,419 |
| Production cash costs/oz (US$/oz) | **945** | 922 | | **864** | 1,066 |
| All-in-sustaining costs (CAD$/oz)* | **1,770** | 1,687 | | **1,608** | 1,982 |
| All-in-sustaining costs (US$/oz) * | **1,316** | 1,309 | | **1,204** | 1,489 |
| Average 1 USD to CAD exchange rate | **1.3449** | 1.2886 | | **1.3351** | 1.3307 |

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

## 2017 SECOND QUARTER HIGHLIGHTS

- Gold production of 12,529 ounces (Q2 2016: 12,147) increased slightly due to higher grades at the Eagle River Mine with lower tonnes milled
  - Eagle River Mine underground production of 10,597 ounces (Q2 2016: 10,210) at a head grade of 9.8 grams per tonne ("g/t") (Q2 2016: 7.5) with a mill recovery of 96.3% (Q2 2016: 93.4%) from 34,960 tonnes milled (Q2 2016: 45,305)
  - Mishi Open Pit mine production of 1,932 ounces (Q2 2016: 1,937) at a head grade of 1.8 g/t (Q2 2016: 2.1) with a mill recovery of 83.1% (Q2 2016: 85.5%) from 39,117 tonnes milled (2016: 34,006)
- 2017 Guidance remains at 52,000 – 58,000 ounces
- Total mill throughput of 74,077 tonnes (Q2 2016: 79,311) averaging 814 tonnes per calendar day ("tpd") (Q2 2016: 872) was lower due partly to scheduled Hydro One system maintenance and upgrades

- Revenue of $23.2 million (Q2 2016: $18.4 million) on gold sales of 13,030 ounces (Q2 2016: 11,265) at an average realized price of $1,715 or US$1,274 per ounce (Q2 2016: $1,637 or US $1,271)
- Mine operating profit[1] of $7.1 million (Q2 2016: $4.5 million) increased compared to the comparative quarter due to higher sales and slightly higher production
- Net income of $0.9 million (Q2 2016: $1.8 million), or $0.01 per share (Q2 2016: $0.01)
- Operating cash flow of $5.3 million (Q2 2016: $4.9 million), or $0.04[1] per share (Q2 2016: $0.04 increased due to higher sales
- Free cash flow[1] of $(4.7) million compared to Q2 2016 of $(2.1) million. The increased negative outflow in Q2 2017 is due to the heightened combined exploration activities at Eagle River, Kiena and Moss Lake. Q2 2017 exploration was $5.9 million compared to only $1.6 million in Q2 2016
- Production cash costs per ounce[1] were $1,270 or US$945 (Q2 2016: $1,188 or US$922)
- All-in sustaining costs per ounce ("AISC")[1] on a production basis of $1,770 or US$1,316 (Q2 2016: $1,687 or US$1,309), an increase of 5% over Q2 2016 due to higher production costs relating to additional stope development, and higher corporate and general expenses. Increased stope development in Q2 2017 has led to an additional 20,000 tonnes of developed reserves inventory as at June 30, 2017
- Convertible debentures of $7.0 million were fully retired at maturity through $4.9 million conversion into common shares of the Company and $2.1 million cash repayment
- Cash and cash equivalents of $22.7 million; 3,557 ounces gold in process at market price of $5.7 million; working capital of $17.8 million as at June 30, 2017

**2017 Second Quarter Exploration and Corporate Development Highlights**

- At the Eagle River Underground mine, initial development completed on the 844 metre level of the 300E Zones. The combined strike length of the subzones is 173.70 m with a weighted average width of 2.85 m and cut and uncut gold grades of 22.62 g Au/tonne and 34.79 g Au/tonne, respectively.
- Drilling at Mishi Open Pit extends deposit 700 m westwards
- Significant progress made on the Kiena exploration ramp. CMAC-Thyssen Mining has been selected as the contractor, and equipment has been mobilized in preparation for ramp development commencing in early August
- Board of Directors strengthened with the appointment of two experienced mining industry professionals, Charles (Chuck) Main and Warwick Morley-Jepson

Note:

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

## OUTLOOK

The Company is maintaining its previously announced guidance for 2017 which are summarized as follows:

- Combined gold production from the Eagle River Underground Mine and the Mishi Open Pit Mine to range between 52,000 and 58,000 ounces
  - Eagle River Underground Mine 45,000 – 49,000 ounces @ 8.8 – 9.2 g/t
  - Mishi Open Pit Mine 7,000 – 9,000 ounces @ 1.8 – 2.2 g/t
- Combined Operating Cost per ounce $1,030 - $1,130 per ounce (US$765 – $835 per ounce)
- Combined All-In Sustaining Costs per ounce sold $1,450 - $1,550 per ounce (US$1,075 - $1,150)
- Sustaining Capex rates to remain similar to 2016 rate of $13 – $17 million per year
- Growth/Project Capex of approximately $3 million
- Exploration spend of approximately $13 million at Eagle River, Mishi, Kiena Complex, and Moss Lake

The Company plans to make some modest investments at the Eagle River Complex to further optimize operations and lower unit costs. The estimated $3 million project capital investment will focus on primary infrastructure (ventilation and electrical upgrades) which will allow us to open more working areas and enhance production flexibility, systematic parallel zones exploration, and overall consistency of mine plan execution. The Company continues its planned development and production from multiple higher grade areas of the Eagle River Underground Mine during 2017. These areas include the 8 Zone, 7 Zone, 300 East and 300 West areas.

At Mishi, we are very focused on improving the head grades and reducing mining costs.

The Company is continuing with its exploration program at the Eagle River Complex located close to Wawa, Ontario, the Kiena Complex in Val d'Or, Quebec, and finally the Moss Lake Property near Shebandowan, Ontario.

We are encouraged by early results at Mishi surface, and Eagle River underground. The purpose is to increase resources.

Based on the favourable results to date at the high grade Kiena gold system ("Kiena Deep"), the Company has decided to drive an exploration ramp which will provide an enhanced drilling platform for exploration. Previously, drill access was limited by existing mine infrastructure making conditions very difficult to reach the intended targets. Completion of the exploration ramp will provide ability to drill shorter holes at better angles, and accelerate access to the Upper Quartz Vein Zone. This project is expected to take 9 – 10 months at a cost of approximately $6.9 M. This confirms the Company's commitment to advancing Kiena Deep to the next level. The Company will continue exploring with two drills testing upper targets.

We are compiling our first phase of drilling at Moss Lake which commenced on the Coldstream target and continued subsequently on the northeast and southwest extensions of this deposit.

Wesdome is continuing with its community engagement and permitting activities with respect to its tailings management. Engineering is ongoing and the Company is confident that adequate tailings capacity can be created for the future production requirements of the Eagle River Complex.

## QUARTERLY FINANCIAL AND OPERATIONAL RESULTS

| *(in $000 except per share and per ounce amounts and unless otherwise stated)* | **Q2/17** | **Q1/17** | **Q4/16** | **Q3/16** | **Q2/16** | **Q1/16** | **Q4/15** | **Q3/15** |
|---|---|---|---|---|---|---|---|---|
| **Financial results** | | | | | | | | |
| Gold revenue | **23,248** | 20,100 | 22,166 | 30,134 | 18,447 | 13,284 | 23,622 | 18,199 |
| Mine operating profit (loss)[1] | **7,132** | 6,555 | 7,133 | 15,515 | 4,493 | (1,105) | 7,767 | 5,253 |
| Net income (loss) | **863** | 695 | 2,352 | 6,897 | 1,837 | (3,300) | 1,110 | (4,294) |
| Net income (loss) adjusted[1] | **1,313** | 916 | 3,047 | 7,386 | 409 | (2,854) | 1,977 | 1,575 |
| Operating cash flow | **5,250** | 5,392 | 4,976 | 12,852 | 4,885 | (2,786) | 5,153 | 3,333 |
| Free cash flow[1] | **(4,685)** | (4,199) | (3,735) | 4,635 | (2,147) | (7,190) | 2,736 | (626) |
| Free cash flow adjusted[1] | **(4,235)** | (3,978) | (3,040) | 5,124 | (3,575) | (6,744) | 3,366 | 309 |
| Per share information: | | | | | | | | |
| Basic income (loss) | **0.01** | 0.01 | 0.02 | 0.05 | 0.01 | (0.03) | 0.01 | (0.04) |
| Operating cash flow[1] | **0.04** | 0.04 | 0.04 | 0.10 | 0.04 | (0.02) | 0.04 | 0.03 |
| Free cash flow[1] | **(0.04)** | (0.03) | (0.03) | 0.04 | (0.02) | (0.06) | 0.02 | (0.01) |
| Free cash flow adjusted[1] | **(0.03)** | (0.03) | (0.02) | 0.04 | (0.03) | (0.06) | 0.03 | 0.00 |
| Cash and cash equivalents | **22,681** | 29,593 | 26,760 | 28,991 | 26,802 | 8,100 | 15,424 | 3,705 |
| Working capital | **17,815** | 20,530 | 15,561 | 19,185 | 16,598 | 3,972 | 12,507 | 2,977 |
| Total assets | **168,434** | 168,671 | 162,914 | 156,360 | 149,195 | 127,113 | 128,387 | 117,704 |
| Total non-current financial liabilities | **15,389** | 15,047 | 14,703 | 11,457 | 11,554 | 18,196 | 17,694 | 17,055 |
| **Operational results** | | | | | | | | |
| **Milling (tonnes)** | | | | | | | | |
| Eagle River Mine | **34,960** | 38,578 | 42,607 | 42,617 | 45,305 | 39,839 | 42,185 | 44,849 |
| Mishi Mine | **39,117** | 36,641 | 30,714 | 37,660 | 34,006 | 36,287 | 33,100 | 43,336 |
| Total milled | **74,077** | 75,219 | 73,321 | 80,277 | 79,311 | 76,126 | 75,285 | 88,185 |
| Total tonnes/calendar day | **814** | 836 | 797 | 873 | 872 | 837 | 818 | 959 |
| **Head grades (g/t)** | | | | | | | | |
| Eagle River Underground Mine | **9.8** | 11.5 | 8.2 | 10.1 | 7.5 | 5.6 | 9.2 | 7.7 |
| Mishi Open Pit Mine | **1.8** | 1.7 | 1.6 | 2.3 | 2.1 | 1.8 | 2.3 | 3.0 |
| **Recovery (%)** | | | | | | | | |
| Eagle River Mine | **96.3** | 95.3 | 94.6 | 95.6 | 93.4 | 88.0 | 94.2 | 96.1 |
| Mishi Open Pit Mine | **83.1** | 80.9 | 81.6 | 87.7 | 85.5 | 85.0 | 79.6 | 88.2 |
| **Recovered grades (g/t)** | | | | | | | | |
| Eagle River Mine | **9.4** | 11.0 | 7.7 | 9.6 | 7.0 | 4.9 | 8.7 | 7.4 |
| Mishi Mine | **1.5** | 1.4 | 1.3 | 2.0 | 1.8 | 1.5 | 1.9 | 2.6 |
| **Production (ounces)** | | | | | | | | |
| Eagle River Mine | **10,597** | 13,588 | 10,595 | 13,193 | 10,210 | 6,254 | 11,625 | 10,637 |
| Mishi Mine | **1,932** | 1,574 | 1,292 | 2,474 | 1,937 | 1,782 | 1,945 | 3,647 |
| Total gold produced | **12,529** | 15,162 | 11,887 | 15,667 | 12,147 | 8,036 | 13,570 | 14,284 |
| **Gold sales (ounces)** | **13,030** | 12,320 | 13,490 | 15,825 | 11,265 | 8,100 | 16,023 | 12,408 |
| **Mishi Mine** | | | | | | | | |
| Ore mined (tonnes) | **50,682** | 40,237 | 45,311 | 43,674 | 37,808 | 67,960 | 32,531 | 46,338 |
| Waste mined (tonnes) | **154,423** | 186,692 | 144,692 | 81,191 | 183,003 | 124,867 | 197,727 | 99,969 |
| Strip ratio | **3.0** | 4.6 | 3.2 | 1.9 | 4.8 | 1.7 | 6.1 | 2.2 |
| Stockpile balance (tonnes) | **13,587** | 6,355 | 9,979 | 14,736 | 27,621 | 43,919 | 13,641 | 13,500 |
| **Eagle River Complex (per oz performance)** | | | | | | | | |
| **Per ounce data, sales basis [1]** | | | | | | | | |
| Average realized price | **1,715** | 1,631 | 1,655 | 1,740 | 1,637 | 1,640 | 1,474 | 1,467 |
| Cash costs | **1,237** | 1,099 | 1,114 | 924 | 1,239 | 1,776 | 990 | 1,043 |
| Cash margin | **478** | 532 | 541 | 816 | 398 | (136) | 484 | 424 |
| AISC | **1,718** | 1,613 | 1,568 | 1,367 | 1,777 | 2,433 | 1,293 | 1,474 |
| AISC (US$) | **1,277** | 1,219 | 1,175 | 1,048 | 1,379 | 1,770 | 969 | 1,126 |
| **Per ounce data, production basis [1]** | | | | | | | | |
| Mine cash costs | **1,270** | 1,056 | 1,185 | 911 | 1,188 | 1,766 | 1,029 | 994 |
| Mine cash costs (US$) | **945** | 798 | 888 | 698 | 922 | 1,285 | 770 | 760 |
| AISC | **1,770** | 1,474 | 1,702 | 1,359 | 1,687 | 2,428 | 1,388 | 1,368 |
| AISC (US$) | **1,316** | 1,113 | 1,275 | 1,042 | 1,309 | 1,767 | 1,039 | 1,045 |
| **Mine cash costs/tonne milled [1]** | **215** | 213 | 192 | 178 | 182 | 186 | 185 | 161 |
| **Average 1 USD → CAD exchange rates** | **1.3449** | 1.3236 | 1.3344 | 1.3047 | 1.2886 | 1.3742 | 1.3353 | 1.3089 |

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

## SECOND QUARTER FINANCIAL RESULTS

| *(in $000 except per share and per ounce amounts)* | **Three months ended June 30** **2017** | 2016 | **Variance** |
|---|---|---|---|
| Gold revenue | **23,248** | 18,447 | 4,801 |
| Cost of sales | **18,736** | 15,925 | (2,811) |
| Administration | **2,073** | 1,114 | (959) |
| Annual general meeting | **104** | 577 | 473 |
| Kiena Mine care and maintenance costs | **346** | 615 | 269 |
| Interest and other items | **218** | 231 | 13 |
| Decommissioning provisions | **78** | 54 | (24) |
| Tax expense | **830** | 714 | (116) |
| Exploration credits refund | **-** | (2,620) | (2,620) |
| | **22,385** | 16,610 | (5,775) |
| Net income | **863** | 1,837 | (974) |
| Net income per share | **0.01** | 0.01 | - |
| Operating cash flow | **5,250** | 4,885 | 365 |
| Free cash flow[1] | **(4,685)** | (2,147) | (2,538) |
| Gold produced (ounces) | **12,529** | 12,147 | 382 |
| Gold sold (ounces) | **13,030** | 11,265 | 1,765 |
| Average realized price per ounce[1] ($) | **1,715** | 1,637 | 78 |
| Total production cash costs[1] ($) | **15,916** | 14,435 | (1,481) |
| Production cash costs/ounce[1] ($) | **1,270** | 1,188 | (82) |
| AISC/ounce on a production basis[1] ($) | **1,770** | 1,687 | (83) |
| Eagle River | | | |
| Ore milled (tonnes) | **34,960** | 45,305 | (10,345) |
| Gold produced (ounces) | **10,597** | 10,210 | 387 |
| Head grade (g/t) | **9.8** | 7.5 | 2.3 |
| Recovered grade (g/t) | **9.4** | 7.0 | 2.4 |
| Mishi | | | |
| Ore milled (tonnes) | **39,117** | 34,006 | 5,111 |
| Gold produced (ounces) | **1,932** | 1,937 | (5) |
| Head grade (g/t) | **1.8** | 2.1 | (0.3) |
| Recovered grade (g/t) | **1.5** | 1.8 | (0.3) |
| Total ore milled (tonnes) | **74,077** | 79,311 | (5,234) |

Note:

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

### Revenue

Gold revenue increased 26% in Q2 2017 compared to Q2 2016 due to a 16% increase in gold sales, 5% increase in realized gold price per ounce and $0.9 million revenue from additional cleanup of the Kiena mill. The increase in sales is due to a 3% increase in gold production and reduction of inventory by 502 ounces from 4,059 in Q2 2016 to 3,557 in Q2 2017.

## Cost of Sales

Cost of sales, which include costs associated with mining, processing, depletion and royalties, increased to $18.7 million in Q2 2017 from $15.9 million in Q2 2016. This $2.8 million increase is due to an increase in sales, and depletion and depreciation expense. Sales increased by 1,765 ounces (13,030 ounces in Q2 2017 compared to 11,265 in Q2 2016) at comparable cost per ounce sold of $1,237 (2016: $1,239) accounting for a $2.2 million increase in mining and processing costs. Depletion and depreciation increased by $0.6 million ($2.3 million in Q2 2017 compared to $1.7 million in Q2 2016) due to increases in capital equipment and underground improvements to the ventilation raise and electrical system.

All-in sustaining costs on a production basis were $1,770 (US$1,316) per ounce compared to Q2 2016 of $1,687 (US$1,309) per ounce. The 5% increase is due to increased production costs relating to additional stope development, and corporate and general expenses. Increased stope development in Q2 2017 has led to an additional 20,000 tonnes of developed reserves inventory as at June 30, 2017.

## Administration

Administration costs which include corporate and general expenses plus share-based expenses increased by $1.0 million or 86% in Q2 2017 compared to Q2 2016. Corporate and general expenses increased from $0.9 million in Q2 2016 to $1.3 million in Q2 2017 due to increases in executive compensation and bonus accruals. Stock based compensation increased from $0.2 million in Q2 2016 to $0.8 million in Q2 2017 due to an increase in stock option grants in the the latter half of 2016.

## Annual General Meeting

In Q2 2017 the Company incurred $0.1 million in additional costs related to the Company's annual and special meeting of shareholders. These costs were incurred for proxy solicitation assistance.

In Q2 2016 the Company incurred an additional $0.6 million for proxy solicitation and expert advice in advance of the annual general meeting of shareholders in order to address the concerns of Resolute Performance Fund ("Resolute") a significant shareholder of the Company. Prior to the annual general meeting Resolute had expressed concerns with respect to the operations and management of the Company and the proposed slate of directors. At the annual general meeting, the Company's then proposed six director nominees were ultimately elected by a majority of shareholders.

## Kiena Care and Maintenance Costs

Kiena care and maintenance costs for Q2 2017 decreased from Q2 2016 due to the capitalization of costs attributable to exploration activities which commenced in Q2 2016.

## Tax Expense

The Company recorded a tax expense of $0.8 million in Q2 2017 on pre-tax net income of $1.7 million compared to $0.7 million in Q2 2016 on pre-tax income of $2.5 million.

## Net Income

The Company recorded net income of $0.9 million in Q2 2017 compared to $1.8 million in Q2 2016. The $0.9 million decrease was due mostly to increases in production costs, depletion and depreciation and corporate and general expenses. In addition, Q2 2016 net income included $2.6 million of exploration credits refund resulting from a successful challenge against the Quebec government relating to prior years' claims.

**Six months ended June 30, 2017**

| *(in $000 except per ounce amount)* | **2017** | 2016 | **Variance** |
|---|---|---|---|
| | **Six months ended June 30** | | |
| Gold revenue ($) | **43,348** | 31,731 | 11,617 |
| Mine operating profit* ($) | **13,687** | 3,388 | 10,299 |
| Net income (loss) ($) | **1,558** | (1,463) | 3,021 |
| Operating cash flow ($) | **10,642** | 2,099 | 8,543 |
| Free cash flow ($) | **(8,884)** | (9,337) | 453 |
| Eagle River | | | |
| Ore milled (tonnes) | **73,538** | 85,144 | (11,606) |
| Gold produced (ounces) | **24,185** | 16,464 | 7,721 |
| Head grade (g/t) | **10.7** | 6.6 | 4.1 |
| Recovered grade (g/t) | **10.2** | 6.0 | 4.2 |
| Mishi | | | |
| Ore milled (tonnes) | **75,758** | 70,293 | 5,465 |
| Gold produced (ounces) | **3,506** | 3,719 | (213) |
| Head grade (g/t) | **1.8** | 2.0 | (0.2) |
| Recovered grade (g/t) | **1.4** | 1.7 | (0.3) |
| Total ore milled (tonnes) | **149,296** | 155,437 | (6,141) |
| Total gold production (ounces) | **27,691** | 20,183 | 7,508 |
| Total gold sales (ounces) | **25,350** | 19,365 | 5,985 |
| Average realized price per ounce[1] ($) | **1,674** | 1,638 | 36 |
| Total production cash costs* ($) | **31,931** | 28,630 | (3,301) |
| Unit production cash costs/ounce* ($) | **1,153** | 1,419 | 266 |

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

*Discussion of six months' results*

Eagle River revenue increased by 34% in 2017 (excluding gold sale of $0.9 million from Kiena mill cleanup) due to 31% more gold sold and 2% increase in realized gold price.

Net income increased $3.0 million compared to the previous comparable period mostly due to $11.6 million increase in revenue; offset by an increase of $3.1 million in cost of sales as a result of increased sales and increased production costs; $1.6 million in administration costs due to increased executive compensation, bonus accruals and stock option grants, $1.7 million increase in deferred tax expense and $2.6 million in exploration credits refunded in 2016.

## DIRECTOR APPOINTMENTS

At the Company's annual general meeting held on June 21, 2017, seven individuals were elected as directors of the Company, until the next annual meeting of shareholders. They include Charles Page, Rowland Uloth, Nadine Miller, Duncan Middlemiss, Bill Washington, Charles Main and Warwick Morley-Jepson the latter two being new directors to Wesdome.

Mr. Main was previously Executive Vice President, Finance and Chief Financial Officer of Yamana Gold Inc. from August 2003 to March 2017. He has 30 years of experience in the finance and mining industries. Prior to joining Yamana, Mr. Main held the principal positions of Director of Corporate Development of Newmont Capital Corporation and Vice President of Normandy Mining Limited and Outokumpu Mines Ltd, Vice President, Finance of TVX Gold, and was with PriceWaterhouseCoopers for 10 years. Mr. Main is a Chartered Professional Accountant and a member of the Ontario and Canadian Institutes of Chartered Professional Accountants. Mr. Main holds a Bachelor of Commerce degree from McGill University.

Mr. Morley-Jepson has more than 35 years' experience in the mining industry, within operations, project and business development in the precious metal sector. He served as Executive Vice President and Chief Operating Officer of Kinross Gold Corporation from October 2014 to December 2016, and as Senior Vice President, Operations, and Vice President and Regional Vice President – Russia, between October 2009 and October 2014. Prior to joining Kinross, Mr. Morley-Jepson served as Chief Executive Officer of SUN Gold, a privately-held gold mining company with interests in Russia and Kazakhstan. Prior to that he was Managing Director of Barrick Africa, Barrick Platinum South Africa and three Russian-based companies in the Barrick group, and spent several years with Placer Dome leading their South African project and business development efforts. Mr. Morley-Jepson graduated in the faculty of Mechanical Engineering (HND) at the Technicon Witwatersrand now part of the University of Johannesburg. He has undertaken a number of technical, managerial and financial programs during his career, including the 'Management Development Program' at Graduate School of Business, Cape Town University and 'Management in the Mining Industry' at Witwatersrand School of Business, University of the Witwatersrand, and Finance for Senior Executives at Harvard Business School.

## EAGLE RIVER COMPLEX

The combined Eagle River and Mishi production for Q2 2017 was 12,529 ounces, a 3% increase compared to 12,147 ounces in Q2 2016.

### *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.

Through investments in mill infrastructure and human resources, mill throughput has increased since 2013 with current mill availability between 90% and 95%. The mill processed 74,077 tonnes or 814 tpd during Q2 2017 compared to 79,311 tonnes or 872 tpd in Q2 2016. Our target for the existing mill, is to process an average of 850 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 3,836,000 tonnes at a recovered grade of 9.1 Au g/t, or 1,116,000 ounces of gold, over a 23 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 are now in production and are being actively explored.

Recent development and drilling results have demonstrated significant extensions up-plunge to shallower depths. Both zones remain open at depth and have been traced to 1,200 metres depth.

The Company continued its focus on development into higher grade areas of the mine with initial stope production from the 7 Zone in Q4 2016, well ahead of schedule. This enabled production from multiple high grade areas within the Eagle River Mine earlier than expected, and will ease potential future development/production sequencing issues.

### *Underground development and drilling*

In 2016, the No. 7 Zone was traced by drilling 200 metres up-plunge. Drifts established on the 890 metre level and the 945 metre level confirmed strong grades and continuity enabling us to bring this new area into production almost two years earlier than previously anticipated. Accordingly, Q1 2017 resulted in higher production and lower unit costs.

The development of the 7 Zone provided a drilling platform to explore the 300W Zone up-plunge. To date it has been traced 250 metres up-plunge with recent results including (Press Release – April 27, 2017):

- Hole 350-E-09 18.56 gAu/t over 3.29 m true width
- Hole 890-E-58 23.49 gAu/t over 2.04 m true width
- Hole 890-E-63 21.20 gAu/t over 2.17 m true width
- Hole 890-E-65 28.59 gAu/t over 2.11 m true width
- Hole 890-E-66 18.09 gAu/t over 2.26 m true width
- Hole 890-E-82 12.57 gAu/t over 5.75 m true width

* high assays are cut to 140 gAu/t

On January 26, 2017, the Company announced very positive drilling results from the 300E Zone.

Highlights include:

- Hole 844-E-26 7.08 gAu/t uncut (5.86 gAu/t cut) over 8.88 m true width
- Hole 844-E-27 28.72 gAu/t uncut (19.03 gAu/t cut) over 20.67 m true width
- Hole 844-E-28 20.75 gAu/t uncut (13.36 gAu/t cut) over 17.94 m true width
- Hole 844-E-29 89.61 gAu/t uncut (24.60 gAu/t cut) over 3.93 m true width
- Hole 670-131 10.35 gAu/t uncut (10.35 gAu/t cut) over 4.32 m true width

To date, drilling has identified at least three steeply plunging zones between depths of 800 and 1,000 metres. The current proximity of these wide intercepts to mine infrastructure coupled with the sheer volume of high grade mineralization will potentially have near to mid-term positive production implications. Furthermore, the presence of these structures give rise to the possibility of additional zones of similar size and grade, as well as bulk mining opportunities at Eagle River.

On May 31, 2017, the Company announced initial favourable development results for 300E area on the 844 metre level. The 300E area consists of a series of tabular to pipe-like quartz vein systems with strong folding leading to impressive localized widths and high grades. Development to date has identified the following subzones on the 844 metre level.

**844mL Drift Highlights**

| Lens | Strike Length | Average Width | Uncut Grade | Cut Grade* |
|---|---|---|---|---|
| 300A | 9.70 m | 1.50 m | 5.97 g Au/tonne | 5.97 g Au/tonne |
| 300B | 20.30 m | 2.07 m | 15.20 g Au/tonne | 13.36 g Au/tonne |
| 300C | 20.90 m | 1.58 m | 4.74 g Au/tonne | 4.74 g Au/tonne |
| 301N | 33.00 m | 2.65 m | 15.87 g Au/tonne | 15.87 g Au/tonne |
| 301 | 54.80 m | 1.98 m | 52.02 g Au/tonne | 31.88 g Au/tonne |
| 302 | 13.50 m | 2.58 m | 12.81 g Au/tonne | 10.29 g Au/tonne |
| 303 | 21.50 m | 8.15 m | 50.68 g Au/tonne | 29.67 g Au/tonne |

*grades cut to 140g Au/tonne

The combined ore strike length of the subzones is 173.7m with a weighted average width of 2.85 m and cut and uncut gold grades of 22.62 g Au/tonne and 34.79 g Au/tonne. Production from this new area is expected to commence Q4 2017.

### *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 637,000 tonnes at a recovered grade of 2.3 g/t producing 48,000 ounces of gold.

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 2.3 tonnes of waste per tonne of ore.

### *Mishi surface drilling*

In 2016, we completed 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 completed 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 |

Resource definition drilling is underway to follow up on the positive 2016 results located 600 metres and 1,700 metres west of existing open pit mining operations. We plan to rapidly assess these occurrences and build them into a long term growth scenario for mining at Mishi.

To date, drilling has extended mineralization a further 300 metres west at 25 metre intervals.

Highlights include (Press Release – April 27, 2017):

**Section**

- 3000E 1.95 g/t over 29.8 m true width BC17-191
- 2975E 3.42 g/t over 7.3 m true width BC17-188
- 2950E 1.49 g/t over 21.0 m true width BC17-128
- 2925E 3.08 g/t over 15.5 m true width BC17-119
- 2925E 2.73 g/t over 10.5 m true width BC16-02
- 2900E 3.48 g/t over 17.7 m true width BC17-113
- 2875E 2.14 g/t over 22.1 m true width BC16-10
- 2850E 1.54 g/t over 27.6 m true width BC17-147
- 2825E 1.91 g/t over 12.3 m true width BC17-139
- 2800E 1.22 g/t over 18.9 m true width BC16-13
- 2775E 2.52 g/t over 18.8 m true width BC17-172
- 2750E 2.38 g/t over 11.9 m true width BC17-178
- 2725E 1.92 g/t over 8.6 m true width BC17-199

Drilling 1,700 metres west of the pit is designed to delineate mineralization at 50 metre centres peripheral to hole BC16-80 which was drilled in 2016 and encountered 4.28 g/t over 13.5 m true width on section 1700E. Drilling results here are at an early stage. Initial results indicate wide, near-surface, low grade, disseminated mineralization.

Highlights include (Press Release – April 27, 2017):

**Section**

- 1650E 0.60 g/t over 31.3 m true width BC17-164
- 1700E 1.89 g/t over 32.9 m true width BC17-151
- 1750E 1.10 g/t over 31.6 m true width BC17-157

Drilling results here are at an early stage. We believe it is potentially continuous with the westernmost traced extension of Mishi mineralization to date (Section 2750E). The 2017 drilling is now complete and a resource estimate will be completed in H2 2017.

***Mineral Reserve and Resource Estimates at Eagle River and Mishi***

The following tables summarizes the reserve and resource estimates as at December 31, 2016.

**MINERAL RESERVES[1]**

| Mine | Category | Tonnes | Grade (g/t) | Contained Ounces Dec 31, 2016 | Dec 31, 2015 | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|---|---|---|---|---|
| Eagle River | Proven | 208,000 | 10.2 | 68,000 | 53,000 | 39,000 | 41,000 |
| | Probable | 949,000 | 9.0 | 276,000 | 247,000 | 226,000 | 128,000 |
| | **Proven + Probable** | **1,157,000** | **9.2** | **344,000** | **300,000** | **265,000** | **169,000** |
| Mishi | Proven | 259,000 | 1.8 | 15,000 | 11,000 | 12,000 | 16,000 |
| | Probable | 1,361,000 | 2.0 | 87,000 | 120,000 | 109,000 | 96,000 |
| | **Proven + Probable** | **1,620,000** | **2.0** | **102,000** | **131,000** | **121,000** | **112,000** |
| **TOTAL** | | | | **446,000** | **431,000** | **386,000** | **281,000** |

**MINERAL RESOURCES (excluding Reserves)[1]**

| Mine | Category | Tonnes | Grade (g/t) | Contained Ounces Dec 31, 2016 | Dec 31, 2015 | Dec 31, 2014 | Dec 31, 2013 |
|---|---|---|---|---|---|---|---|
| Eagle River | Inferred | 327,000 | 8.1 | 85,000 | 170,000 | 80,000 | 105,000 |
| Mishi Open Pit | Indicated | 3,679,000 | 2.1 | 248,000 | 248,000 | 248,000 | 248,000 |
| | 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 |
| **TOTAL** | **Indicated** | | | **330,000** | **330,000** | **330,000** | **330,000** |
| | **Inferred** | | | **225,000** | **310,000** | **220,000** | **245,000** |

**EAGLE RIVER PROVEN AND PROBABLE RESERVE BREAKDOWN BY ZONE[1]**

| Structure | Tonnes | Grade (g/t) | Contained Ounces | Percent (oz) |
|---|---|---|---|---|
| No. 8 | 255,000 | 10.6 | 87,000 | 25 |
| No. 300 | 456,000 | 9.0 | 132,000 | 38 |
| No. 7 | 310,000 | 9.2 | 91,000 | 27 |
| Other | 136,000 | 7.8 | 34,000 | 10 |
| **TOTAL** | **1,157,000** | **9.2** | **344,000** | **100** |

1 Numbers reflect rounding to nearest 1,000 tonnes and ounces.

1 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”).

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$1550 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, 11% lost ore and metallurgical recoveries of 86%. Open pit Mineral Reserves extend to an average depth of 70 m.

Mishi Mineral Reserves currently have a life of mine stripping ratio of 2.3 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 density or tonnage factor of 2.7 tonnes per cubic metre is applied at Eagle River and 2.8 at Mishi.

## 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 the current drilling program which commenced in 2016, 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. Based on economic parameters, InnovExplo established that Wesdome’s Quebec Properties contain:

- Measured Resources of:
  63,700 tonnes grading 4.06 g/t gold (8,300 ounces)
- Indicated Resources of:
  2,439,000 tonnes grading 5.62 g/t gold (441,000 ounces)
- Total Measured and Indicated Resources of:
  2,500,600 tonnes grading 5.59 g/t gold (449,300 ounces)
- Inferred Resources of:
  1,563,300 tonnes grading 7.97 g/t gold (400,400 ounces)

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 to 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 Deep High Grade Discovery**

The Company launched an underground drilling program at Kiena in Q3 2016. The purpose of the program was 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 encouraging early underground drill results from this exploration program.

Highlights:

- 94.35 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

  Multiple occurrences of coarse native gold were observed in all four intervals.

At that time, two drills were used to test 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. These early results exceeded expectations, and these rich veins are unlike anything previously encountered at this property.

Based on these encouraging results, the Company subsequently added two more drills to accelerate the exploration with the goal of determining the extent, continuity and geometry of the Kiena Deep gold system.

The new drilling continues to trace the Kiena Deep mineralized system along an altered and deformed north northwest trending ("NNW") basalt-komatiite contact zone. Step out holes have confirmed mineralization 550 metres NNW along trend and over a depth range of 400 metres.

In order to accelerate our advanced exploration at Kiena, the Company appointed Marc-André Pelletier as Vice President of Quebec Operations in Q1 of 2017, who is based full time at the Kiena Complex. Marc-André has over 20 years' experience in underground gold mining in Canada, and has been working closely with the geologic team to evaluate ramp development.

**Geological Context**

Drilling continues to identify two styles of mineralization spatially related to a basalt-komatiite (ultramafic) contact zone that trends NNW.

1) High grade extensional quartz veins in basalt (Upper Quartz Vein Zone), and
2) Albitized stockwork and vein breccia systems in sheared and altered zones (Lower Stockwork Zone)

There are likely multiple zones which remain only partially defined and are open. The full extent of the mineralized system has not been delineated. It has been traced 550 m along the contact area trend between depths 1,000 and 1,400 m and remains open. Step out holes 6146 and 6147 are of significant interest as these holes have intersected quality grade over wide widths some 150 metres north, and 250 metres south along trend of the known mineralized system, which remains open.

**Drilling Progress**

During Q1 2017, four drills operated on levels 670m, 770m, 910m and 960m. Challenging drilling conditions in the deformed and altered contact area were addressed with a combination of bits, drill assemblies and specialized drilling reagents.

As a result of the favourable results to date, the Company has decided to drive an exploration ramp which will provide an enhanced drilling platform for exploration. Previously, drill access was limited by existing mine infrastructure making conditions very difficult to reach the intended targets. Completion of the exploration ramp will provide ability to drill shorter holes at better angles, and accelerate access to the Upper Quartz Vein Zone. This project is expected to take 9 – 10 months at a cost of approximately $6.9 M. This confirms the Company's commitment to advancing Kiena Deep to the next level.

CMAC-Thyssen Mining has been selected as the contractor, and equipment is being mobilized in preparation for ramp development to commence in early August. As it currently stands, the Kiena Deep target cannot be traced further efficiently from existing workings. The Company expects to have initial new drill stations available to restart Kiena Deep drilling as early as September – October, 2017, concurrent with ramp development activities.

The present drill program encompasses 2 drills tracing auxiliary targets, which are close to existing workings, open at depth, and demonstrate near-term development potential.

The two drills currently underground at Kiena will focus on drilling other prospective targets including the VC and S50 Zones, which are located close to existing infrastructure. The current pause on the Kiena Deep exploration gives the Company ample opportunity to further delineate existing resources which could potentially aid in a recommencement of production in the short to mid-term. Kiena has a strong resource base from which to work, with measured and indicated resources of 2.5M tonnes @ 5.59 g/t Au for 449,300 ounces contained and inferred resources of 1.6M tonnes @ 7.97 g/t Au for 400,400 ounces contained. It is a large property with three former producing mines and eight shafts. We believe the Kiena Deep Zone may be the anchor which establishes future production and allows for a thorough examination of this high potential property.

**Recent Kiena Deep Drilling Results (Press Release June 21, 2017)**

Recently received results support a north extension of the Kiena Deep A Zone proximal to the basalt-komatiite contact. Highlights include:

Kiena Deep – Open to North

- 12.81 g/t uncut over 8.8 m core length (8.38 g/t cut) in hole 6166
- 5.19 g/t uncut over 14.3 m core length (5.19 g/t cut) in hole 6179,
  Including 11.38 g/t over 5.2 m uncut (11.38 g/t cut)
  *Assays are cut to an arbitrary 34.28 g/t and true widths are currently undetermined*

**Auxiliary Targets**

The Company is currently drilling the VC Zone at depth and the S50 Zone where it is immediately accessible from the 960 m level and the 980 m level. At shallower depths there is potential for the S50 southeast lens and the South Zone, which remain open below 330 m level.

**1) VC Zone – 670 m to 1100 m levels**

This zone remains open at depth. Previous results include the following highlights (see press release dated June 13, 2012):

- 5.41 g/t uncut over 10.6 m true width (5.41 g/t cut) in hole U4539
- 7.18 g/t uncut over 10.3 m true width (7.13 g/t cut) in hole U5813

Partial assay results have been received from our first hole drilled in 2017.

- 8.23 g/t over 5.3 m uncut (8.23 g/t cut) in hole 6192

**2) S50 Zone – immediately accessible target 960 m – 1100 m level**

Preliminary results include:

- 5.00 g/t over 11.7 m uncut (5.00 g/t cut) in hole 6145A
- 3.89 g/t over 8.0 m uncut (3.89 g/t cut) in hole 6147
- 4.12 g/t over 14.8 m uncut (3.50 g/t cut) in hole 6165
- 5.92 g/t over 7.0 m uncut (5.92 g/t cut) in hole 6168
- 10.34 g/t over 9.2 m uncut (8.13 g/t cut) in hole 6188

**3) S50 Southeast Lens – open below 330 m level**

Highlights include:

- 6.80 g/t uncut over 18.5 m core length (6.80 g/t cut) in hole U4115
- 4.91 g/t uncut over 16.6 m core length (4.91 g/t cut) in hole U4117

**4) South Zone – open below 330 m level**

Previous limited drilling returned the following highlights (press-release dated January 2, 2013)

- 21.07 g/t uncut over 7.5 m core length (8.60 g/t cut) in hole U5454
- 10.59 g/t uncut over 5.1 m core length (8.86 g/t cut) in hole U5445
- 11.40 g/t uncut over 3.5 m core length (11.40 g/t cut) in hole U5411

## MOSS LAKE PROPERTY

The Company views Moss Lake as an attractive asset at gold prices above CAD$1,600/oz. This property hosts a large tonnage, low grade, open pit opportunity with room for expansion.

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, 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).

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.

With this acquisition, Wesdome consolidated 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) in the East Coldstream area.

The Company commenced a drilling program in 2017 on the Coldstream target and subsequently continued on the northeast and southwest extensions of this deposit. The Company is currently compiling assay results from this drilling program.

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Company had working capital of $17.8 million compared to $15.6 million at December 31, 2016 and $16.6 million at June 30, 2016. Working capital as at June 30, 2017 included an inventory of 3,557 ounces of gold in process with a market value of approximately $5.7 million and a carrying value of $4.5 million.

In H1 2017, capital and exploration expenditures totalled $19.5 million compared to $11.4 million in H1 2016. Capital expenditures of $7.9 million in 2017 were concentrated on underground development, diamond drilling, infrastructure, and mobile equipment. We continued with our enhanced exploration plans spending $11.6 million in H1 2017 compared to $2.0 million in H1 2016. Exploration included $2.6 million spent outside of the Eagle River Complex, $6.3 million at Kiena and $2.7 million at Moss Lake.

Our cash position decreased to $22.7 million as at June 30, 2017, from $26.8 million as at December 31, 2016. Cash inflows of $19.1 million consisted mainly of $10.2 million generated from operations, $6.9 million from the release of restricted cash due to the standby letters of credit facility instituted during Q1 2017 and $1.9 million from the exercises of stock options. Cash outflows of $23.2 million consisted mainly of $19.4 million spent on exploration and mining properties, $1.3 million to repay capital lease obligations, $0.4 million interest payments on both the convertible debentures and capital leases, and $2.1 million to repay convertible debenture holders who did not convert at maturity.

At the beginning of 2017 there were $7.0 million convertible debentures maturing on May 24, 2017. The conversion price was $2.50 per common share of the Company, and based on the share price of the Company at well above this conversion price prior to maturity, $4.9 million were converted into common shares of the Company and $2.1 million were repaid.

At this time, the Company believes it has sufficient liquidity to carry out its current mining, development and exploration programs. The Company may have to access alternative sources of financing to finance additional exploration and development at both Moss Lake and especially at Kiena depending on the results of its current activities on these two properties.

## SUMMARY OF SHARES ISSUED

As of August 2, 2017, the Company had securities outstanding as follows:

| | |
|---|---|
| Common shares issued | 133,889,798 |
| Common share purchase options | 5,812,388 |

## CONTRACTUAL OBLIGATIONS

The following table shows the timing of cash outflows relating to contractual obligations as at June 30, 2017:

| | Payments Due by Period (in $000) | | | | |
|---|---|---|---|---|---|
| **Contractual Obligations** | **Total** | **Less than 1 year** | **1 – 2 years** | **3 – 5 years** | **After 5 years** |
| Equipment leases | **$ 7,686** | $ 2,726 | $ 2,449 | $ 2,511 | - |
| | **$ 7,686** | $ 2,726 | $ 2,449 | $ 2,511 | - |

## 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)* | **Q2/17** | **Q1/17** | **Q4/16** | **Q3/16** | **Q2/16** | **Q1/16** | **Q4/15** | **Q3/15** |
|---|---|---|---|---|---|---|---|---|
| Gold revenue from operations | **22,348** | 20,100 | 22,321 | 27,534 | 18,447 | 13,284 | 23,622 | 18,199 |
| Gold from Kiena mill cleanup | **900** | - | (155) | 2,600 | - | - | - | - |
| Total revenue | **23,248** | 20,100 | 22,166 | 30,134 | 18,447 | 13,284 | 23,622 | 18,199 |
| Mining and processing costs | **16,116** | 13,545 | 15,033 | 14,619 | 13,954 | 14,389 | 15,855 | 12,946 |
| Mine operating profit (loss) | **7,132** | 6,555 | 7,133 | 15,515 | 4,493 | (1,105) | 7,767 | 5,253 |

### Cash costs per ounce of gold sold

| *(in $000 except per ounce amount)* | **Q2/17** | **Q1/17** | **Q4/16** | **Q3/16** | **Q2/16** | **Q1/16** | **Q4/15** | **Q3/15** |
|---|---|---|---|---|---|---|---|---|
| Mine site operating costs per financial statements | **16,116** | 13,545 | 15,033 | 14,619 | 13,954 | 14,389 | 15,855 | 12,946 |
| Ounces of gold sold | **13,030** | 12,320 | 13,490 | 15,825 | 11,265 | 8,100 | 16,023 | 12,408 |
| Total cash costs per ounce of gold sold | **1,237** | 1,099 | 1,114 | 924 | 1,239 | 1,776 | 990 | 1,043 |
| Average 1 USD → CAD exchange rate | **1.3449** | 1.3236 | 1.3344 | 1.3047 | 1.2886 | 1.3742 | 1.3353 | 1.3089 |
| Total cash cost per ounce of gold sold (US$) | **920** | 830 | 835 | 708 | 961 | 1,292 | 741 | 797 |

### Cash margin per ounce of gold sold

| *(amounts in Canadian dollars)* | **Q2/17** | **Q1/17** | **Q4/16** | **Q3/16** | **Q2/16** | **Q1/16** | **Q4/15** | **Q3/15** |
|---|---|---|---|---|---|---|---|---|
| Gold price per ounce sold (see next table) | **1,715** | 1,631 | 1,655 | 1,740 | 1,637 | 1,640 | 1,474 | 1,467 |
| Cash costs of gold sold | **1,237** | 1,099 | 1,114 | 924 | 1,239 | 1,776 | 990 | 1,043 |
| Cash margin per ounce of gold sold (CAD$) | **478** | 532 | 541 | 816 | 398 | (136) | 484 | 424 |
| Average 1 USD → CAD exchange rates | **1.3449** | 1.3236 | 1.3344 | 1.3047 | 1.2886 | 1.3742 | 1.3353 | 1.3089 |

| *(amounts in United States dollars)* | **Q2/17** | **Q1/17** | **Q4/16** | **Q3/16** | **Q2/16** | **Q1/16** | **Q4/15** | **Q3/15** |
|---|---|---|---|---|---|---|---|---|
| Gold price per ounce sold | **1,275** | 1,232 | 1,240 | 1,334 | 1,271 | 1,193 | 1,104 | 1,121 |
| Cash costs of gold sold | **920** | 830 | 835 | 708 | 961 | 1,292 | 741 | 797 |
| Cash margin per ounce of gold sold (US$) | **355** | 402 | 405 | 626 | 310 | (99) | 363 | 324 |

### Average realized price per ounce of gold sold

| *(in $000 except per ounce amount)* | Q2/17 | Q1/17 | Q4/16 | Q3/16 | Q2/16 | Q1/16 | Q4/15 | Q3/15 |
|---|---|---|---|---|---|---|---|---|
| Eagle River gold produced (ounces) | **12,529** | 15,162 | 11,887 | 15,667 | 12,147 | 8,036 | 13,570 | 14,284 |
| Eagle River gold sales (ounces) | **13,030** | 12,320 | 13,490 | 15,825 | 11,265 | 8,100 | 16,023 | 12,408 |
| Eagle River gold sales ($) | **22,348** | 20,100 | 22,321 | 27,534 | 18,447 | 13,284 | 23,622 | 18,199 |
| Average realized price per ounce of gold sold ($) | **1,715** | 1,631 | 1,655 | 1,740 | 1,637 | 1,640 | 1,474 | 1,467 |
| Average gold price per ounce ($) ⁱ | **1,690** | 1,613 | 1,626 | 1,742 | 1,622 | 1,623 | 1,475 | 1,471 |

ⁱ 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 and per tonne milled

| *(in $000 except per ounce amount)* | Q2/17 | Q1/17 | Q4/16 | Q3/16 | Q2/16 | Q1/16 | Q4/15 | Q3/15 |
|---|---|---|---|---|---|---|---|---|
| Production costs, per financial statements | **16,116** | 13,545 | 15,033 | 14,619 | 13,954 | 14,389 | 15,855 | 12,946 |
| Inventory adjustment ⁱ | **(200)** | 2,470 | (944) | (346) | 481 | (194) | (1,896) | 1,257 |
| Production costs | **15,916** | 16,015 | 14,089 | 14,273 | 14,435 | 14,195 | 13,959 | 14,203 |
| Gold production (ounces) | **12,529** | 15,162 | 11,887 | 15,667 | 12,147 | 8,036 | 13,570 | 14,284 |
| Production costs per ounce | **1,270** | 1,056 | 1,185 | 911 | 1,188 | 1,766 | 1,029 | 994 |
| Tonnes milled | **74,077** | 75,219 | 73,321 | 80,277 | 79,311 | 76,126 | 75,285 | 88,185 |
| Production cost/tonne milled | **215** | 213 | 192 | 178 | 182 | 186 | 185 | 161 |

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

| | Q2/17 | Q1/17 | Q4/16 | Q3/16 | Q2/16 | Q1/16 | Q4/15 | Q3/15 |
|---|---|---|---|---|---|---|---|---|
| Per ounce data, production basis (CAD$) | | | | | | | | |
| Mining costs | **992** | 819 | 865 | 687 | 920 | 1,316 | 753 | 753 |
| Milling costs | **278** | 237 | 320 | 224 | 268 | 450 | 276 | 241 |
| | **1,270** | 1,056 | 1,185 | 911 | 1,188 | 1,766 | 1,029 | 994 |
| Average 1 USD → CAD exchange rates | **1.3449** | 1.3236 | 1.3344 | 1.3047 | 1.2886 | 1.3742 | 1.3353 | 1.3089 |

| | Q2/17 | Q1/17 | Q4/16 | Q3/16 | Q2/16 | Q1/16 | Q4/15 | Q3/15 |
|---|---|---|---|---|---|---|---|---|
| Per ounce data, production basis (US$) | | | | | | | | |
| Mining costs | **737** | 619 | 648 | 527 | 714 | 958 | 563 | 575 |
| Milling costs | **208** | 179 | 240 | 171 | 208 | 327 | 207 | 185 |
| | **945** | 798 | 888 | 698 | 922 | 1,285 | 770 | 760 |

### 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**

| *(in $000 except per ounce amount)* | **Q2/17** | **Q1/17** | **Q4/16** | **Q3/16** | **Q2/16** | **Q1/16** | **Q4/15** | **Q3/15** |
|---|---|---|---|---|---|---|---|---|
| Production costs, per financial statements | **16,116** | 13,545 | 15,033 | 14,619 | 13,954 | 14,389 | 15,855 | 12,946 |
| Add: | | | | | | | | |
| Royalties | **349** | 428 | 334 | 482 | 283 | 199 | 336 | 305 |
| Corporate and general | **1,251** | 1,431 | 1,278 | 1,799 | 905 | 904 | 1,688 | 689 |
| Sustaining mine capital, equipment leases and exploration | **4,664** | 4,472 | 4,512 | 4,738 | 4,873 | 4,212 | 2,846 | 4,344 |
| All-in costs adjustment | **6,264** | 6,331 | 6,124 | 7,019 | 6,061 | 5,315 | 4,870 | 5,338 |
| All-in sustaining costs | **22,380** | 19,876 | 21,157 | 21,638 | 20,015 | 19,704 | 20,725 | 18,284 |
| Gold sold (ounces) | **13,030** | 12,320 | 13,490 | 15,825 | 11,265 | 8,100 | 16,023 | 12,408 |
| All-in sustaining costs per ounce (CAD$) | **1,718** | 1,613 | 1,566 | 1,367 | 1,777 | 2,433 | 1,293 | 1,474 |
| Average 1 USD → CAD exchange rate | **1.3449** | 1.3236 | 1.3344 | 1.3047 | 1.2886 | 1.3742 | 1.3353 | 1.3089 |
| All-in sustaining costs per ounce (US$) | **1,277** | 1,219 | 1,175 | 1,048 | 1,379 | 1,770 | 969 | 1,126 |

**Production basis**

| *(in $000 except per ounce amount)* | **Q2/17** | **Q1/17** | **Q4/16** | **Q3/16** | **Q2/16** | **Q1/16** | **Q4/15** | **Q3/15** |
|---|---|---|---|---|---|---|---|---|
| Production costs (see table at page 19) | **15,916** | 16,015 | 14,089 | 14,273 | 14,435 | 14,195 | 13,959 | 14,203 |
| All-in costs adjustment (see table above) | **6,264** | 6,331 | 6,124 | 7,019 | 6,061 | 5,315 | 4,870 | 5,338 |
| All-in sustaining costs | **22,180** | 22,346 | 20,213 | 21,292 | 20,496 | 19,510 | 18,829 | 19,541 |
| Gold produced (ounces) | **12,529** | 15,162 | 11,877 | 15,667 | 12,147 | 8,036 | 13,570 | 14,284 |
| All-in sustaining costs per ounce (CAD$) | **1,770** | 1,474 | 1,702 | 1,359 | 1,687 | 2,428 | 1,388 | 1,368 |
| Average 1 USD → CAD exchange rates | **1.3449** | 1.3236 | 1.3344 | 1.3047 | 1.2886 | 1.3742 | 1.3353 | 1.3089 |
| All-in sustaining costs per ounce (US$) | **1,316** | 1,113 | 1,275 | 1,042 | 1,309 | 1,767 | 1,039 | 1,045 |

### 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 Kiena care and maintenance costs.

| *(in $000 except per ounce amount)* | **Q2/17** | **Q1/17** | **Q4/16** | **Q3/16** | **Q2/16** | **Q1/16** | **Q4/15** | **Q3/15** |
|---|---|---|---|---|---|---|---|---|
| Cash flow from operating activities before working capital adjustments | **5,250** | 5,392 | 4,976 | 12,852 | 4,885 | (2,786) | 5,153 | 3,333 |
| Kiena care and maintenance costs | **346** | 221 | 695 | 489 | 615 | 446 | 630 | 935 |
| Annual general meeting | **104** | - | - | - | 577 | - | - | - |
| Exploration credit refund | **-** | - | - | - | (2,620) | - | - | - |
| Operating cash flow (adjusted) | **5,700** | 5,613 | 5,671 | 13,341 | 3,457 | (2,340) | 5,783 | 4,268 |
| Weighted average number of shares (000's) | **133,000** | 130,658 | 130,205 | 129,936 | 126,091 | 118,313 | 115,140 | 111,186 |
| Operating cash flow per share | **0.04** | 0.04 | 0.04 | 0.10 | 0.04 | (0.02) | 0.04 | 0.03 |
| Operating cash flow per share (adjusted) | **0.04** | 0.04 | 0.04 | 0.10 | 0.03 | (0.02) | 0.05 | 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 costs.

| (in $000) | Q2/17 | Q1/17 | Q4/16 | Q3/16 | Q2/16 | Q1/16 | Q4/15 | Q3/15 |
|---|---|---|---|---|---|---|---|---|
| Cash flow from operating activities before working capital adjustments | **5,250** | 5,392 | 4976 | 12,852 | 4,885 | (2,786) | 5,153 | 3,333 |
| Exploration | **(5,853)** | (5,788) | (4,677) | (3,502) | (1,583) | (452) | 50 | (6) |
| Sustaining capital | **(4,082)** | (3,803) | (4,034) | (4,715) | (5,449) | (3,952) | (2,467) | (3,953) |
| Free cash flow | **(4,685)** | (4,199) | (3,735) | 4,635 | (2,147) | (7,190) | 2,736 | (626) |
| Kiena care and maintenance costs | **346** | 221 | 695 | 489 | 615 | 446 | 630 | 935 |
| Annual general meeting | **104** | - | - | - | 577 | - | - | - |
| Exploration credit refund | **-** | - | - | - | (2,620) | - | - | - |
| Free cash flow (adjusted) | **(4,235)** | (3,978) | (3,040) | 5,124 | (3,575) | (6,744) | 3,366 | 309 |
| Weighted average number of shares (000's) | **133,000** | 130,658 | 130,205 | 129,936 | 126,091 | 118,313 | 115,140 | 111,186 |
| Free cash flow per share | **(0.04)** | (0.03) | (0.03) | 0.04 | (0.02) | (0.06) | 0.02 | (0.01) |
| Free cash flow per share (adjusted) | **(0.03)** | (0.03) | (0.02) | 0.04 | (0.03) | (0.06) | 0.03 | 0.00 |

### Net income (loss) adjusted

| (in $000) | Q2/17 | Q1/17 | Q4/16 | Q3/16 | Q2/16 | Q1/16 | Q4/15 | Q3/15 |
|---|---|---|---|---|---|---|---|---|
| Net income (loss) | **863** | 695 | 2,352 | 6,897 | 1,837 | (3,300) | 1,110 | (4,294) |
| Kiena decommissioning provision | **-** | - | - | - | - | - | 237 | 4,934 |
| Kiena care and maintenance | **346** | 221 | 695 | 489 | 615 | 446 | 630 | 935 |
| Annual general meeting | **104** | - | - | - | 577 | - | - | - |
| Exploration credit refund | **-** | - | - | - | (2,620) | - | - | - |
| Net income (loss) adjusted | **1,313** | 916 | 3,047 | 7,386 | 409 | (2,854) | 1,977 | 1,575 |
| Weighted average number of shares (000's) | **133,000** | 130,658 | 130,205 | 129,936 | 126,091 | 118,313 | 115,140 | 111,186 |
| Net income (loss) per share (adjusted) | **0.01** | 0.01 | 0.02 | 0.06 | 0.00 | (0.02) | 0.02 | 0.01 |

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL JUDGMENT IN APPLYING ACCOUNTING POLICIES

*Exploration and evaluation expenditures*

Judgment is required in determining whether the respective costs are eligible for capitalization where applicable, and whether they are likely to be recoverable by future exploration, which may be based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available.

KEY SOURCES OF ESTIMATION UNCERTAINTY

*(i) Reserves*

Proven and probable reserves are the economically mineable parts of the Company's measured and indicated mineral resources that have been incorporated into the mine plan. The Company estimates its proven and probable reserves and measured and indicated and inferred mineral resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to proven and probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body.

Changes in the proven and probable reserves or measured, indicated and inferred mineral resources estimates may impact the carrying value of mining properties and equipment, depletion, impairment assessments and the timing of decommissioning and remediation obligations.

*(ii) Depletion*

Mining properties are depleted using the units of production ("UOP") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves.

The calculation of the UOP rate, and therefore the annual depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

*(iii) Provision for decommissioning obligations*

The Company assesses its provision for decommissioning on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning obligations requires management to make estimates of the future costs the Company will incur to complete the decommissioning work required to comply with existing laws and regulations at each mining operation. Also, future changes to environmental laws and regulations could increase the extent of decommissioning work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for decommissioning. The provision represents management's best estimate of the present value of the future decommissioning obligation. Actual future expenditures may differ from the amounts currently provided.

*(iv) Share-based payments*

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

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

*(v) Income taxes and deferred taxes*

The Company is subject to income tax laws in various jurisdictions. Tax laws are complex and potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for income taxes and deferred tax represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the period. The Company may be required to change its provision for income taxes or deferred tax balances when the ultimate deductibility of certain items is successfully challenged by taxing authorities or if estimates used in determining the amount of deferred tax asset to recognized change significantly, or when receipt of new information indicates the need for adjustment in the amount of deferred tax to be recognized. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax, deferred tax balances and the effective tax rate. Any such changes could materially affect the amounts reported in the consolidated financial statements in the year these changes occur.

Judgment is required to continually assess changing tax interpretations, regulations and legislation, to ensure liabilities are complete and to ensure assets are realizable. The impact of different interpretations and applications could be material.

*(vi) Recoverability of mining properties*

The Company's management reviews the carrying values of its mining properties on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining properties depends on confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on life-of-mine ("LOM") plans in its assessments of economic recoverability and probability of future economic benefit. LOM plans provide an economic model to support the economic extraction of reserves and resources. A long-term LOM plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body.

*(vii) Inventory – ore stockpile*

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

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

*(viii) Equity component of convertible debentures*

The convertible debentures are classified as liabilities, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the liability being less than its face value. The discount is being accreted over the term of the debentures, utilizing the effective interest method which approximates the market rate at the date the debentures were issued. Management uses its judgment to determine an interest rate that would have been applicable to non-convertible debt at the time the debentures were issued.

*(iv) Provisions and contingent liabilities*

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

**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:

| **June 30, 2017** (in $000) | Loans and Receivables | Other Financial Liabilities | Total Carrying Amount | Fair Value |
|---|---|---|---|---|
| Cash | **22,681** | **-** | **22,681** | **22,681** |
| Receivables and prepaids | **3,447** | **-** | **3,447** | **3,447** |
| Total assets | **26,128** | **-** | **26,128** | **26,128** |
| | | | | |
| Payables and accruals | **-** | **13,101** | **13,101** | **13,101** |
| Obligation under capital lease | **-** | **7,307** | **7,307** | **7,307** |
| Total liabilities | **-** | **20,408** | **20,408** | **20,408** |

| **December 31, 2016** (in $000) | Loans and Receivables | Other Financial Liabilities | Total Carrying Amount | Fair Value |
|---|---|---|---|---|
| Cash | 26,760 | - | 26,760 | 26,760 |
| Receivables and prepaids | 2,782 | - | 2,782 | 2,782 |
| Restricted funds | 6,920 | - | 6,920 | 6,920 |
| Total assets | 36,462 | - | 36,462 | 36,462 |
| | | | | |
| Payables and accruals | - | 11,831 | 11,831 | 11,831 |
| Obligations under capital lease | - | 6,302 | 6,302 | 6,302 |
| Convertible debentures | - | 6,900 | 6,900 | 7,723 |
| Total liabilities | - | 25,033 | 25,033 | 25,856 |

The fair value of cash and cash equivalents, receivables, restricted funds and payables approximate their carrying amounts due to their short-term nature. The fair value of obligations under finance leases approximates their carrying values due to current market rates and consistency of credit spread. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means.
- Level 3 inputs are unobservable (supported by little or no market activity).

The Company's convertible debentures are valued at fair values using Level 1 inputs. The Company does not have any Level 2 or 3 inputs.

### Financial and Capital Risk Management

As at and during the period ended June 30, 2017, the Company's financial risk exposure and its financial risk management practices were consistent with those disclosed and applied in Note 19 to the Company's consolidated financial statements for the year ended December 31, 2016.

## 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 2016 annual MD&A for the year ended December 31, 2016.

## 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 of disclosure controls and procedures and the design 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

### Internal Control over Financial Reporting

The CEO and the CFO have also designed internal controls over financial reporting ("ICFR"), 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.

### Changes in Internal Controls over Financial Reporting

No changes were made to our internal controls over financial reporting that occurred during the quarter ended June 30, 2017, 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 relating to Ontario 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. The scientific and technical contents of this

MD&A relating to Quebec were reviewed, verified and approved by Marc-Andre Pelletier, P. Eng., V.P. Quebec Operations of Wesdome, and Marc Ducharme, Chief Exploration Geologist 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 2016 Annual Information Form filed on SEDAR at www.sedar.com.