



WESDOME GOLD MINES LTD.

2017 ANNUAL
MANAGEMENT'S DISCUSSION AND ANALYSIS

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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**”) audited consolidated financial statements for the years ended December 31, 2017 and 2016, and their related notes (“**financial statements**”) 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 thousands of Canadian dollars, except per share data and unless otherwise indicated. The discussion and analysis within this MD&A are effective as of March 21, 2018.

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

Abbreviation	Period	Abbreviation	Period
Q4 2017	<i>October 1, 2017 – December 31, 2017</i>	Q4 2016	<i>October 1, 2016 – December 31, 2016</i>
Q3 2017	<i>July 1, 2017 – September 30, 2017</i>	Q3 2016	<i>July 1, 2016 – September 30, 2016</i>
Q2 2017	<i>April 1, 2017 – June 30, 2017</i>	Q2 2016	<i>April 1, 2016 – June 30, 2016</i>
Q1 2017	<i>January 1, 2017 – March 31, 2017</i>	Q1 2016	<i>January 1, 2016 – March 31, 2016</i>

NON-IFRS PERFORMANCE MEASURES

Wesdome uses non-IFRS performance measures throughout this MD&A as it believes that these generally accepted industry performance measures provide a useful indication of the Company’s operational performance. These non-IFRS performance measures do not have standardized meanings defined by IFRS and may not be comparable to information in other gold producers’ reports and filings. 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 - average realized price of gold sold; cash costs per ounce of gold sold; production costs per tonne milled; mine profit (loss); all-in sustaining costs (“**AISC**”) per ounce of gold sold; free cash flow and operating and free cash flow per share; and net income (adjusted) and adjusted net earnings per share.

In Q4 2017, the Company made the following changes to its non-IFRS performance measures:

Non-IFRS performance measures	Changes
Free Cash flows	The inclusion of finance lease payments in the determination of free cash flows. Management believes the inclusion of this item reflects an accurate reflection of cash available for Wesdome business.
Cash costs and Mine profits	The inclusion of royalty costs in the determination of mine operating costs and mine profits. The inclusion of this item reflects the cash margin earned on gold sales.

For further information and detailed reconciliations, refer to the section entitled “Non-IFRS Performance Measures” on pages 26 – 31 in this MD&A.

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 31st 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 (“**Eagle River**”) and the Mishi Open Pit (“**Mishi**”), from a central mill, with a milling capacity of approximately 1,000 tonnes per day (“**tpd**”). Wesdome is actively exploring its brownfields asset, the Kiena Mine (“**Kiena**”) in Val d’Or, Québec. Kiena is a fully permitted former producing mine with a 930-metre (“**m**”) shaft and 2,000-tpd mill. The Company has further upside at its Moss Lake gold deposit, located 100 kilometres west of Thunder Bay, Ontario.

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

ANNUAL 2017 HIGHLIGHTS AND ACHIEVEMENTS

Operations and Financial Highlights	Comparison to 2016	Achievements
Gold production of 58,980 ounces from the Eagle River Complex.	47,737 ounces.	Exceeded the top end of the Company’s 2017 Guidance of 52,000 – 58,000 ounces by 2%. Full year 2017 gold production increased by 24% from 2016.
Cash costs per ounce of gold sold ¹ of \$1,097 (US\$845).	\$1,218 (US\$919) per ounce.	Operating costs falls in the midrange of the Company’s 2017 Guidance of between \$1,030 (US\$765) and \$1,130 (US\$835) per ounce. Cash costs improved by \$121 per ounce as a result of the increase in production.
AISC ¹ per ounce of gold sold of \$1,489 (US\$1,146).	\$1,681 (US\$1,268) per ounce.	AISC per ounce of gold sold falls in the midrange of the Company’s 2017 Guidance of \$1,450 - \$1,550 (US\$1,075 - \$1,150) per ounce.
Earned mine profit ¹ of \$31.5 million.	\$22.3 million	Cash margin from mine operations in 2017 increased by 41% from a year ago.
Operating cash flow of \$27.2 million or \$0.20 per share ¹.	\$22.4 million or \$0.18 per share.	A \$4.8 million increase from 2016 despite incurring a one-time restructuring cost of \$2.2 million.
Free cash outflow of \$9.3 million or \$0.07 per share ¹.	Outflow of \$4.2 million or \$0.03 per share.	In 2017, Wesdome invested \$36.6 million in its mining assets as opposed to \$28.4 million in 2016.

Net income attributable to shareholders of \$1.3 million or \$0.01 per share.	Net income of \$7.8 million or \$0.06 per share.	Net income for 2017 was negatively impacted by the one-time recognition of \$3.9 million in deferred mining taxes and \$2.2 million in restructuring costs. Net income (adjusted) ¹ , after removing these one-time items that impacted the 2017 net earnings, was \$6.8 million or \$0.05 per share as compared to \$6.8 million or \$0.05 per share in 2016.
Mineral Reserves at Eagle of 416,000 contained gold ounces (1.1 million tonnes (“t”) at 12.2 grams per tonne (“g/t Au”).	344,000 contained gold ounces (1.2 million t at 9.2 g/t Au).	An increase of 21% for contained gold ounces and an increase of 32% in ore grade.

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

Exploration & Corporate Development Highlights	Achievements
Eagle River	<ul style="list-style-type: none"> At Eagle River, continued drilling has now traced the 300E structure from 750 m depth to 1,000 m depth and remains open up and down plunge. Drilling highlights include 51.93 g/t Au (23.18 g/t Au cut) over 11.96 m true width. Development to date on the 300E Zone has identified seven subzones on the 844-metre level (“m-level”). The combined ore strike length of the subzones are 173.7 m with a weighted average width of 2.85 m and cut and uncut gold grades of 22.62 g/t Au and 34.79 g/t Au, respectively. Continued drilling to explore the 300W Zone has now traced the mineralization 300 m up-plunge and remains open to the west and up-plunge. Highlights include 41.99 g/t Au cut over 2.72 m true width. Resource definition drilling at Mishi completed in 2017 returned positive results from two areas located 600 m and 1,700 m west of the existing open pit mining operations. Wesdome is currently assessing these occurrences and building them into a long-term growth scenario for mining at Mishi.
Kiena	<ul style="list-style-type: none"> Development of the Kiena Deep exploration ramp continued with 677 linear metres completed to date and is expected to be completed by the end of March 2018. Early results from Kiena Deep B zone indicate moderate to locally higher gold grades obtained with occasional visible gold observed. Results include 34.37 g/t Au uncut (24.16 g/t cut) over 4.5 m core length (1.6 m true width) in hole 6186. As the ramp development is continuing, one drill has been actively drilling several auxiliary targets near existing underground development including the S-50 and VC zone sectors and has returned encouraging results, including 6.68 g/t Au uncut (6.02 g/t Au cut) over 37.6 m core length and 17.89 g/t Au uncut (16.3 g/t Au cut) over 6.0 m core length from S-50 Zone.

Moss Lake	<ul style="list-style-type: none"> Drilling at Moss Lake was completed along strike of the Moss Lake gold deposit to significantly extend mineralization to over a strike length of 4.5 kilometres. The project has been kept on care and maintenance since the fall of 2017 to allow the geological team to focus its attention on the Eagle River Complex and the Kiena gold deposits.
Corporate	<ul style="list-style-type: none"> The appointment of two former mining executives as directors and a new management team in mid-year to steer the Company to increase production and profitability.

GOLD MARKET OVERVIEW

The market price of gold is the primary driver of the Company's profitability. The market price of gold is affected by a number of macroeconomic factors including: the sale or purchase of gold by central banks and financial institutions, interest rates, exchange rates, inflation or deflation, global and regional supply and demand and the political and economic conditions of major gold-producing and gold consuming nations throughout the world.

During 2017, Wesdome realized an average gold price of \$1,643 (US\$1,265) per ounce as compared to \$1,676 (US\$1,265) per ounce realized in 2016. The market price for gold in 2017 averaged at US\$1,257 per ounce and represented a 1% increase from a year ago. The future gold price volatility is expected to be impacted by the uncertainty surrounding the US dollar's direction in 2018 deriving from a change in leadership in the US Federal Reserve Bank and the market expectation of their recent balance sheet normalization process and an anticipated three or four additional interest rate hikes in 2018.

FOREIGN CURRENCY EXCHANGE RATE OVERVIEW

The Company's reporting and functional currencies are Canadian dollars ("CAD") as all its assets and operations are based in Canada. However, the Company's revenues, profitability and cash flows are exposed to the changes in the United States dollar ("USD") to Canadian dollar exchange rates as the Company's primary product, gold, is predominately traded in the US dollar. The Company had no forward exchange rate contracts in place and no significant foreign currency holdings as at or during the years ended December 31, 2017 and 2016. Please reference page 36 of this MD&A for an analysis of the Company's exposure to the Canadian and US dollar exchange rate.

2018 GUIDANCE

	2018 Guidance
Gold production (Eagle River Complex)	
Eagle River	55,000 – 59,000 ounces
Mishi	7,000 - 9,000 ounces
	62,000 – 68,000 ounces
Head grade (g/t)	
Eagle River	10.1 – 10.5
Mishi	2.4 – 2.8
Cash cost per ounce ¹	\$950 - \$1,025 (US\$750 – US\$800)
AISC per ounce ¹	\$1,400 - \$1,475 (US\$1,100 – US\$1,160)

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

2018 Exploration programs

The Company will continue its ongoing aggressive and focused exploration program during 2018 to follow up on the exploration successes in 2017 at both Eagle River and Kiena.

At Eagle River, the Company is continuing to develop and explore two parallel zones, the No. 7 and 300 zones that during 2017 returned strong grades, longer strike lengths with greater continuity, and greater than average ore widths. Continued drilling of 303 East Zone has now traced the structure from 750 m depth to a 1,000 m depth; and remains open up and down plunge and a focus for 2018 drilling. Additionally, a limited surface drilling program will be completed to explore for additional zones along these structures within the relatively untested areas within the eastern portion of the mine diorite that will be better targeted with an updated 3D geologic model.

At Kiena, the Company is continuing to develop a ramp to the 1,100 m-level in order to provide enhanced drill coverage of the Kiena Deep discovery, which remains open at depth and along strike. The ramp is expected to be fully completed by the end of March 2018, and drilling to be completed in the fourth quarter of 2018, and a resource estimate to follow.

Previous results support the presence of at least two multi zone centers of mineralization that remain open to depth and along strike, including: (1) High-grade quartz veins in basalt centered at 1,100 m depth (Upper Quartz Vein Zone), and (2) High-grade albitized stockwork vein-breccia systems centered at 1,200 m – 1,300 m depths (Lower Stockwork Zone).

Additionally, limited underground drilling at Kiena will focus on drilling other prospective targets including the VC and S50 zones, which are located close to existing workings, open at depth, and demonstrate near-term development potential. A limited surface exploration program will be completed on surface to better define known zones of mineralization and follow-up on any targets defined from an updated airborne magnetic survey.

A total of 117,000 m of drilling has been planned for 2018, with 55,000 m (including 25,000 m of definition drilling) at Eagle River and 62,000 m at Kiena.

ANNUAL FINANCIAL AND OPERATIONAL RESULTS

Financial Results

<i>(in \$000, except per share amounts)</i>	Years ended December 31	
	2017	2016
Revenues	96,057	84,031
Mine profit ¹	31,537	22,293
Net income	1,287	7,786
Net income adjusted ¹	6,798	6,789
Operating cash flow	27,225	22,424
Free cash flow ¹	(9,344)	(4,211)
Per share data:		
Net earnings	0.01	0.06
Adjusted net earnings ¹	0.05	0.05
Operating cash flow	0.20	0.18
Free cash flow ¹	(0.07)	(0.03)

<i>(in \$000, except per share amounts)</i>	Years ended December 31	
	2017	2016
Balance sheet data:		
Cash and cash equivalents	22,092	26,760
Working capital	12,944	15,561

Operational Results

	Years ended December 31	
	2017	2016
Tonnes milled		
Eagle River	157,250	170,369
Mishi	152,591	138,668
Throughput	309,841	309,037
Eagle River grade (g/t)	10.6	7.9
Mishi grade (g/t)	2.0	2.0
Eagle River mill recovery (%)	95.0	93.5
Mishi mill recovery (%)	83.0	85.4
Production (ounces) ²		
Eagle River	50,996	40,252
Mishi	7,985	7,485
Total gold produced	58,980	47,737
Ounces sold	57,770	48,680
Per ounce of gold sold:		
Average realized price ¹	1,643	1,676
Cash costs ¹	1,097	1,218
All-in-sustaining costs ¹	1,489	1,681
Average 1 USD to CAD exchange rate	1.2986	1.3253
USD equivalents:		
Average realized price ¹	1,265	1,265
Cash costs ¹	845	919
All-in-sustaining costs ¹	1,146	1,268

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

2 Totals for tonnage and gold ounces information may not add due to rounding.

Annual 2017 Financial Review

(in \$000s)	Years ended December 31,		Increase /decrease
	2017	2016	
Revenues ²	\$ 96,057	\$ 84,031	14%
Expenses			
Cost of sales	74,228	66,360	12%
Corporate and general	4,943	4,777	3%
Share based payments	2,778	1,734	60%
Kiena care and maintenance	1,096	2,245	(51%)
Restructuring costs and other one-time expenses	2,159	686	215%
Write-down of fixed assets	316	-	
	85,520	75,802	
Operating income	10,537	8,229	
Other income (expenses) ³	(739)	1,627	(145%)
Income before income and mining taxes	9,798	9,856	
Mining and income tax expense	8,511	2,070	311%
Net income	\$ 1,287	\$ 7,786	
Operating cash flow	\$ 27,225	\$ 22,424	21%
Free cash flow ¹	\$ (9,344)	\$ (4,211)	122%

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

² Gold revenue for the years ended December 31, 2017 and 2016 include \$0.9 million and \$2.4 million, respectively, of gold recovery realized from the Kiena mill clean up.

³ Other income (expenses) for 2016 includes a one-time receipt of \$2.6 million exploration credit refund.

Net income attributable to shareholders for 2017 was \$1.3 million or \$0.01 per share basis as compared to net income of \$7.8 million or \$0.06 per share for 2016. Net income for 2017 was been significantly affected by: (i) a one-time adjustment on deferred mining taxes of \$3.9 million and (ii) an one-time restructuring costs of \$2.2 million resulted from the change in the Company's leadership team. Adjusted net income ¹ for 2017 was \$6.8 million or \$0.05 per share as compared to \$6.8 million or \$0.05 per share in 2016. For a reconciliation of adjusted net income to net income as presented in the financial statements in accordance with IFRS, see *Non-IFRS Financial Performance Measures* in this MD&A.

Revenues

Revenue from gold sales in 2017 increased 16% from the previous year as the direct result of a 19% increase in ounces sold; offset slightly by a \$33 per ounce lower in average realized price. Revenues in 2017 were also negatively impacted by a \$1.5 million decline in gold recovery from the cleanup of the Kiena mill completed in 2017 versus the cleanup performed in 2016. In Q4 2017, the Company realized \$0.2 million in revenue from the sale of 10,716 ounces of by-product silver (produced in 2017 and 2016) as compared to none in 2016. In the aggregate, these events and conditions resulted in a net increase of 14% in revenues from 2016 to 2017.

Cost of Sales

Cost of sales increased by 12% from \$66.4 million in 2016 to \$74.2 million in 2017. The breakdown of cost of sales for the three months and full year ended December 31, 2017 and 2016 are as follows:

In 000s	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Mining costs	\$ 8,481	\$ 7,975	\$ 35,429	\$ 29,368
Processing costs	3,840	3,799	14,706	14,178
Site administration and camp costs	3,663	3,388	12,928	13,446
	15,984	15,112	63,063	56,992
Inventory adjustments	3,530	944	(1,056)	1,003
Mining and processing costs	19,514	16,056	62,005	57,995
Royalties	424	334	1,615	1,298
Depletion and depreciation	3,842	1,798	10,608	7,067
	\$ 23,780	\$ 18,188	\$ 74,228	\$ 66,360

The \$7.9 million increase in cost of sales in 2017 from 2016 is mainly due to: (i) a \$3.5 million increase in depletion and depreciation expense as a result of the increase in depreciable asset base in the year (a net increase of \$17.6 million in depreciable assets); and (ii) a 7% increase or \$4.0 million in mining and processing costs, due to a lower level of ore stockpiled at the end of 2017 as compared to the the end of 2016. The change in the carrying value of the ore stockpile inventory between December 31, 2017 and 2016 amounted to \$2.1 million.

Cash costs and AISC per ounce gold sold in 2017 were \$1,097 (US\$845) and \$1,489 (US\$1,146), respectively, which compared favourably to the cost metrics achieved in 2016 (2016 cash costs and AISC per ounce of gold sold were \$1,218 (US\$919) and \$1,681 (US\$1,268), respectively (refer to the section entitled “non-IFRS Performance Measures” for the reconciliation of these non-IFRS measurements to the financial statements)

Corporate general and other

Corporate general and other expenses in 2017 increased slightly by \$0.2 million when compared to the expenditure level a year ago. The Company anticipates this expenditure level is at \$1.0 - \$1.2 million per quarter going forward.

Share based payments

Stock based compensation increased by \$1.0 million between 2017 and 2016 due to the timing of stock option grants being vested.

Kiena Care and Maintenance Costs

Care and maintenance costs at Kiena for 2017 decreased by \$1.1 million compared to 2016 as the costs for operating the Kiena asset are now included in capitalized exploration expenditures. Only ongoing costs of upkeeping the property in good condition are charged to operations as care and maintenance expenditures.

Restructuring costs

The Company incurred one-time severance payments to four executives who were transitioned out of the corporation in the amount of \$2.2 million (see Human Capital Restructure below). In 2016, the Company incurred restructuring costs of \$0.7 million for the change of Chief Executive Officer for the Company.

Tax Expense

In Q4 2017, the Company recorded a \$3.9 million one-time adjustment of deferred mining taxes as the tax pools associated with mining taxes are substantively depleted. As a result, Wesdome is currently exposed to mining



tax liability for any resource profits earned in Ontario or Québec. As at December 31, 2017, the Company recorded a current mining and income tax liability of \$0.7 million.

HUMAN CAPITAL RESTRUCTURE

Directors Nominations

Wesdome added two new directors with in-depth mining experience to the board in Q2 2017: (i) Charles Main – a former mining executive at a major gold producer with 30 years of experience in the finance and mining industries and (ii) Warwick Morley-Jepson, a mining executive with 35 years' experience in the industry with operations, project and business development in the precious metal sector.

Management Changes

At the end of Q3 2017, the Company had also changed its leadership team as follows:

	Outgoing	Incoming
Chief Financial Officer	Hemdat Sawh	Ben Au
Chief Operating Officer	Philip Ng	Marc-André Pelletier
Vice President, Exploration	George Mannard	Michael Michaud
Vice President, Corporate Development ¹	Benoit Laplante	-

¹ Position eliminated

As part of the management changeover, Marc-André Pelletier, previously Vice President, Québec Operations, has been appointed Chief Operating Officer and is overseeing all the Company's operations. Messrs. Ben Au and Michael Michaud, each with more than 25 years of experience in the mining industry, joined the Wesdome leadership team.

The Company believes the new leadership team will steer Wesdome through its continued efforts to reduce cost profiles, increase production, and improve profitability. The board of directors would like to thank the outgoing executives whose combined efforts, accomplishments and dedication have positioned Wesdome for growth with an attractive portfolio of Canadian assets.

QUARTERLY FINANCIAL AND OPERATIONAL RESULTS

<i>(in \$000 except per share and per ounce amounts and unless otherwise stated)</i>	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Financial results								
Revenues ^{3,4}	31,544	21,165	23,248	20,100	22,166	30,134	18,447	13,284
Mine operating profit (loss) ¹	11,606	7,921	5,883	6,127	5,931	13,456	4,210	(1,304)
Net income (loss)	(567)	296	863	695	1,600	7,649	1,837	(3,300)
Net income (loss) adjusted ¹	3,357	1,883	863	695	1,600	8,153	336	(3,300)
Operating cash flow	13,468	3,541	5,898	4,318	7,663	12,965	3,857	(2,061)
Free cash flow ¹	5,655	(5,755)	(3,947)	(5,297)	(2,169)	6,708	(2,248)	(6,502)
Per share information:								
Net earnings (loss)	0.00	0.00	0.01	0.01	0.01	0.06	0.01	(0.03)
Adjusted net earnings (loss) ¹	0.03	0.01	0.01	0.01	0.01	0.06	0.00	(0.03)
Operating cash flow ¹	0.10	0.03	0.04	0.03	0.06	0.10	0.03	(0.02)
Free cash flow ¹	0.04	(0.04)	(0.03)	(0.04)	(0.02)	0.05	(0.02)	(0.05)
Cash and cash equivalents	22,092	16,614	22,681	29,593	26,760	28,991	26,802	8,100
Working capital	12,944	12,934	17,815	20,514	15,561	20,208	16,598	3,972
Total assets	179,913	170,314	168,434	168,671	162,914	157,112	149,195	127,113
Total non-current liabilities	21,475	14,920	15,389	15,047	14,703	11,457	11,554	18,196



(in \$000 except per share and per ounce amounts and unless otherwise stated)

	Q4/17	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Operational results								
Milling (tonnes)								
Eagle River	39,291	44,421	34,960	38,578	42,607	42,617	45,305	39,839
Mishi	38,197	38,638	39,117	36,641	30,714	37,660	34,006	36,287
Throughput ²	77,488	83,058	74,077	75,219	73,321	80,277	79,311	76,126
Total tonnes/calendar day	842	903	814	836	797	873	872	837
Head grades (g/t)								
Eagle River	11.3	9.7	9.8	11.5	8.2	10.1	7.5	5.6
Mishi	2.3	2.0	1.8	1.7	1.6	2.3	2.1	1.8
Recovery (%)								
Eagle River	94.3	96.1	96.3	95.3	94.6	95.6	93.4	88.0
Mishi	81.4	87.2	83.1	80.9	81.6	87.7	85.5	85.0
Production (ounces) ²								
Eagle River	13,499	13,313	10,597	13,588	10,595	13,193	10,210	6,254
Mishi	2,298	2,181	1,932	1,574	1,292	2,474	1,937	1,782
Total gold produced	15,797	15,493	12,529	15,162	11,887	15,667	12,147	8,036
Gold sales (ounces)	19,351	13,069	13,030	12,320	13,490	15,825	11,265	8,100
Mishi								
Ore mined (tonnes)	42,447	36,916	50,634	40,237	45,311	43,674	37,808	67,960
Waste mined (tonnes)	70,273	95,978	136,719	159,854	144,692	81,191	183,003	124,867
Strip ratio	1.7	2.6	2.7	4.0	3.2	1.9	4.8	1.7
Stockpile balance (tonnes)	16,956	9,938	13,587	6,355	9,979	14,736	27,621	43,919
Per ounce of gold sold ¹								
Average realized price	1,618	1,619	1,715	1,631	1,655	1,740	1,637	1,640
Cash costs	1,019	1,013	1,264	1,134	1,215	890	1,264	1,801
Cash margin	599	606	451	497	440	850	371	(161)
AISC ¹	1,284	1,446	1,718	1,613	1,631	1,252	1,787	2,455
Production costs/tonne milled ¹	206	182	215	213	206	165	182	186
Average 1 USD → CAD exchange rates	1.2712	1.2528	1.3449	1.3236	1.3344	1.3047	1.2886	1.3742
Cost Metrics (in USD)								
Cash costs ¹	801	809	940	857	911	682	981	1,311
AISC ¹	1,010	1,154	1,277	1,219	1,222	959	1,387	1,786

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

² Totals for tonnage and gold ounces information may not add due to rounding.

³ Revenues in Q4 2017 includes \$0.2 million revenue generated from the sale of by-product silver (nil for other periods).

⁴ Revenues in Q2 2017 and Q3/Q4 2016 include \$0.9 million and \$2.4 million in revenue generated from gold recovery from the clean up of the Kinea mill (nil for other periods).

FOURTH QUARTER REVIEW

Q4 2017 Production

	Three months ended December 31,		Increase /decrease
	2017	2016	
Ore milled (tonnes)			
Eagle River	39,291	42,607	(8%)
Mishi	38,197	30,714	24%
	77,488	73,321	6%
Head grade (g/t)			
Eagle River	11.3	8.2	38%
Mishi	2.3	1.6	44%
Gold production (ounces)			
Eagle River	13,499	10,595	27%
Mishi	2,298	1,292	78%
Total	15,797	11,887	33%
Gold sold (ounces)	19,351	13,490	43%

Gold production in Q4 2017 increased by 3,910 ounces compared to Q4 2016 as a result of the increased ore grade at both Eagle River and Mishi, in conjunction with a 6% increase in throughput.

Ounces of gold sold increased by 43% in Q4 2017 when compared to Q4 2016 due to the sale in the period of approximately 6,000 ounces of gold inventory carried over from Q3 2017. The bullion and gold in circuit inventory at the end of 2017 was about 2,400 ounces of gold.

Financial Review, Q4 2017 as compared to Q4 2016

in \$000s	Three months ended December 31,		Increase /decrease
	2017	2016	
Revenues ²	\$ 31,544	\$ 22,166	42%
Expenses			
Cost of sales	23,780	18,188	31%
Corporate and general	1,248	1,278	(2%)
Share based payments	520	781	(33%)
Kiena care and maintenance	329	695	(53%)
Write-down of fixed assets	316	-	
	26,193	20,942	
Operating income	5,351	1,224	
Other expenses	(78)	(220)	(65%)
Income before income and mining taxes	5,273	1,004	
Mining and income tax expense (recovery)	5,840	(596)	1080%
Net income (loss)	\$ (567)	\$ 1,600	
Operating cash flows	\$ 13,468	\$ 7,663	76%
Free cash flows ¹	\$ 5,655	\$ (2,169)	361%

Notes:

- Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the financial statements.
- Includes \$0.2 million in revenue the sale of by-product silver (Q4 2016 – nil).



Net loss for Q4 2017 was \$0.6 million or nil, on a per share basis as compared to a net income of \$1.6 million or \$0.01 per share for Q4 2016. Net income for Q4 2017 was been significantly affected by the one-time adjustment of deferred mining taxes of 3.9 million. Adjusted net income ¹ for Q4 2017 was \$3.4 million or \$0.03 per share as compared to \$1.6 million or \$0.01 per share in Q4 2016. For a reconciliation of adjusted net income to net income as presented in the financial statements in accordance with IFRS, see *Non-IFRS Financial Performance Measures* in this MD&A.

Revenue

in \$000s	Three months ended December 31,			Increase /decrease
	2017	2016		
Gold revenue from operations	\$ 31,319	\$ 22,321		40%
By-product silver revenue	225	-		
Gold revenue from Kiena clean up	-	(155)		
Revenues	\$ 31,544	\$ 22,166		42%

Wesdome generated \$31.3 million in revenue in Q4 2017 from the sale of 19,351 ounces of gold at an average realized price of \$1,618 (US\$1,273) per ounce; as compared to the sale of 13,490 ounces of gold at \$1,655 (US\$1,240) per ounce for revenue of \$22.3 million in Q4 2016. In addition, the Company received \$0.2 million in revenue from the sale of 10,716 ounces of silver in Q4 2017. By-product silver production from Eagle River Complex is approximately 5,000 ounces annually.

Cost of Sales

Cost of sales increased by \$5.6 million from \$18.2 million in Q4 2016 to \$23.8 million in Q4 2017. The increase in cost of sales is mainly due to: (i) a \$2.0 million increase in depreciation expense in 2017 due to the increase in depreciable asset base; (ii) a \$2.6 million decrease in gold inventory adjustments due to the the timing of gold sales; and (iii) a \$1.0 million increase in the depletion of stockpile inventory between December 31, 2017 and 2016.

Cash cost and AISC per ounce of gold sold in Q4 2017 were \$1,019 (US\$801) and \$1,284 (US\$1,010) per ounce; as compared to operating cost and AISC per ounce of gold sold in Q4 2016 of \$1,215 (US\$911) and \$1,631 (US\$1,222), respectively. The improvements in these cost metrics is a function of the increase in the number of ounces sold in 2017; and the inclusion of the by-product silver revenue in their calculations (refer to the section entitled “non-IFRS Performance Measures” for the reconciliation of these non-IFRS measurements to the financial statements).

Corporate and general

There were no significant variances in corporate and general expenses between Q4 2017 and Q4 2016.

Share based payments

The non-cash stock based expenses for Q4 2017 reduced by \$0.3 million when compared to Q4 2016 as stock options in the previous were fully vested in the quarter.

Kiena Care and Maintenance Costs

Care and maintenance costs at Kiena for Q4 2017 decreased by 53% from Q4 2016 as the costs for operating the Kiena asset are now included in capitalized exploration expenditures. The Company anticipates the annual care and maintenance expenditures in 2018 to be less than \$1.0 million.



EAGLE RIVER COMPLEX

The combined Eagle River and Mishi production for the year ended December 31, 2017 was 58,980 ounces, a 24% increase compared to 47,737 ounces in 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. The mill availability was 95% in 2017 as compared to 90% in 2016.

The mill processed 77,488 tonnes or 842 tpd during Q4 2017 compared to 73,321 tonnes or 797 tpd in Q4 2016. For the full year, the mill processed 309,841 t of ore from Eagle and Mishi as compared to 309,037 t in 2016. The target for the mill is to process an average of 850 tpd with targeted recoveries of 95% for Eagle ore and 85% for Mishi ore.

Eagle River Mine

Eagle River 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 1,022 m. The mine is located 17 km by road to the south of the mill. Commercial production commenced on January 1, 1996.

To date, the mine has produced over 3.9 million tonnes at a grade of approximately 9.1 g/t Au, or 1.15 million ounces of gold since 1990, with the bulk of production coming from the No. 6 and No. 8 vein structures. 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. The development of a ramp to access the No. 300 structure on 864 m-level was completed in Q4 2017 and the sill development is currently underway.

Underground development and drilling

In 2016, the No. 7 Zone was traced by drilling 200 m up-plunge. Drifts established on the 890 m-level and the 945 m-level confirmed strong grades and continuity enabling the Company to bring this new area into production almost two years earlier than previously anticipated.

Ongoing No. 7 Zone exploration and development on the 975 m-level that returned a combined 20.66 g/t Au uncut (19.23 g/t Au cut) over an average width of 2.1 m over a total strike length of 99.0 m, and the 991 m-level that returned a combined 23.28 g/t Au uncut (20.53 g/t Au) over an average width of 2.2 m over a total strike length of 104.0 m (see press release dated November 30, 2017). The No. 7 Zone, which has now been traced with drilling and development over 350 m, remains open up and down plunge and will be the focus of the 2018 drilling programs.

The development of the No. 7 Zone provided a drilling platform to explore the 300W Zone up-plunge. To date it has been traced 30 m up-plunge with recent results including (see press release dated August 23, 2017):

- Hole 890-E-72 48.14 g/t Au cut over 1.82 m true width
- Hole 890-E-80 23.39 g/t Au cut over 1.52 m true width
- Hole 890-E-96 23.50 g/t Au cut over 1.49 m true width
- Hole 890-E-97 35.38 g/t Au cut over 1.52 m true width
- Hole 890-E-102 18.20 g/t Au cut over 1.52 m true width
- Hole 890-E-103 30.81 g/t Au cut over 1.51 m true width
- Hole 890-E-104 41.99 g/t Au cut over 2.72 m true width
- Hole 890-E-107 30.58 g/t Au cut over 1.51 m true width

* Assays cut (capped) at 140 g/t Au

The 300W Zone remains open to the west and up-plunge and drilling is ongoing. Additionally, on January 26, 2017, the Company announced very positive drilling results from the 300E Zone.



Drilling has identified at least three steeply plunging zones between depths of 800 m and 1,000 m and 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 m-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 m-level.

844* Metre Level Development Highlights

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

*grades cut to 140 g/t Au

The combined ore strike length of the subzones is 173.7 m with a weighted average width of 2.85 m and cut and uncut gold grades of 22.62 g/t Au and 34.79 g/t Au, respectively.

Continued drilling has now traced the structure from 750 m depth to 1,000 m depth, and remains open up and down plunge (see press release dated November 1, 2017).

Highlights include:

- Hole 844-E-73 37.55 g/t Au uncut (21.82g/t Au cut) over 10.15 m true width
- Hole 844-E-74 53.06 g/t Au uncut (43.57 g/t Au cut) over 7.71 m true width
- Hole 844-E-109 34.23 g/t Au uncut (27.01 g/t Au cut) over 10.42 m true width
- Hole 844-E-110 51.93 g/t Au uncut (23.18 g/t Au cut) over 11.96 m true width
- Hole 844-E-111 60.90 g/t Au uncut (47.29 g/t Au cut) over 5.51 m true width

* Assays cut to 140 g/t Au

Drilling is continuing and production from this new area is expected to continue throughout 2018.

Generally, exploration is focused on drilling the parallel zones both up and down plunge and to the east, testing the theory that the parallel zones may continue across the mine similar to the No. 8 Zone. A total of 380 m of new development is underway to provide drill platforms for the planned 25,000 m of exploration drilling and 25,000 m of definition drilling to better define and expand the current resource base at the high grade 303 East Zone up and down plunge, the 711 and 300 West Zones down plunge, and at various locations along the No. 8 Zone.

The Company is planning an additional 5,000 m surface drilling program to explore for additional zones along these structures within the relatively untested areas of the eastern 2.0 km portion of the mine diorite. Exploration targeting is being aided with the creation of a comprehensive 3D geologic model that incorporates all recent and historic information to identify potential gold bearing structures and possible traps for gold along these structures.

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 714,300 tonnes at a grade of approximately 2.28 g/t Au, or 52,300 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.

Proven and Probable Mineral Reserves at December 31, 2016 have a life-of-mine stripping ratio of 2.3 tonnes of waste per tonne of ore. The Company will update the Mineral Reserves and Mineral Resources at Mishi in 2018 following the 30,000 m diamond drill campaign completed in 2017.

Mishi surface drilling

In 2016, we completed an aggressive drilling program with two drills to step out 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.

Continued drilling was completed in the second half of 2017 to follow up on the positive 2016 results located 600 m and 1,700 m west of existing open pit mining operations.

Highlights from area 600 m west of pit include (press release dated April 27, 2017):

Section

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

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

Highlights include (press release dated April 27, 2017):

Section

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

The 2017 drilling is now complete and data compilation from approximately 30,000 m of drilling conducted in 2017 to the west of the Mishi open pit is ongoing and will be used to update reserves and resources later in the year and incorporated into a long-term growth scenario for mining at Mishi.

Mineral Reserve and Resource Estimates at Eagle River and Mishi

The following tables summarizes the Mineral Reserve and Mineral Resource estimates as at December 31, 2017. Mineral Reserves at Eagle River increased by 21% to 416,000 ounces of gold; grade increased by 32% compared to December 2016 (9.2 g/t Au) to 12.2 g/t Au in 1.059 million tonnes for 416,000 ounces (2016: 344,000 ounces).

At Mishi, an update reserves and resources for both will be compiled in 2018, and as such, reported below are the December 2016 resources and reserves for Mishi.

MINERAL RESERVES – EAGLE RIVER (see notes)		December 31, 2017			December 31, 2016		
		Tonnes	Grade (g/t Au)	Contained ounces	Tonnes	Grade (g/t Au)	Contained ounces
Eagle River	Proven	212,000	12.2	83,000	208,000	10.2	68,000
	Probable	847,000	12.2	333,000	949,000	9.0	276,000
	Proven + Probable	1,059,000	12.2	416,000	1,157,000	9.2	344,000

MINERAL RESERVES - MISHI (see notes)		December 31, 2016		
		Tonnes	Grade (g/t Au)	Contained ounces
Mishi ¹	Proven	259,000	1.8	15,000
	Probable	1,361,000	2.0	87,000
	Proven + Probable	1,620,000	9.2	102,000

MINERAL RESOURCES (Exclusive of Mineral Reserves) <small>(see notes)</small>		December 31, 2017			December 31, 2016		
		Tonnes	Grade (g/t Au)	Contained ounces	Tonnes	Grade (g/t Au)	Contained ounces
EAGLE RIVER TOTAL	Indicated	50,700	7.3	12,000	-	-	-
	Inferred	334,000	8.0	85,000	327,000	8.1	85,000
Mishi¹							
Open pit	Indicated				3,679,000	2.1	248,000
	Inferred				764,000	2.4	59,000
Underground	Indicated				567,000	4.5	82,000
	Inferred				437,000	5.8	81,000
MISHI TOTAL	Indicated						330,000
	Inferred						225,000

EAGLE RIVER PROVEN AND PROBABLE RESERVE BREAKDOWN BY ZONE¹

The following table provides a breakdown of Mineral Reserves and Resources at Eagle River by structure to illustrate the growing significance of these recent developments.

Structure	December 31, 2017				December 31, 2016			
	Tonnes	Grade (g/t Au)	Contained Ounces	Percent	Tonnes	Grade (g/t Au)	Contained Ounces	Percent
No.8	205,000	10.5	69,000	17	255,000	10.6	87,000	25
No. 300	514,000	13.4	222,000	53	456,000	9.0	132,000	38
No. 7	228,000	13.2	97,000	23	310,000	9.2	91,000	27
Other	112,000	7.8	28,000	7	136,000	7.8	34,000	10
TOTAL	1,059,000	12.2	416,000	100	1,157,000	9.2	344,000	100

¹ Mishi Mineral Reserves and Mineral Resources are as at December 31, 2016 before the depletion of 152,591 t of ore at a grade of 1.96 g/t Au mined in 2017.

² Numbers reflect rounding to nearest 1,000 tonnes and ounces.

³ Mineral Resources are not in the current mine plan and therefore do not have demonstrated economic viability.

⁴ All Mineral Reserves and Mineral Resources estimates have been made in accordance with the Standards of the Canadian Institute of Mining, Metallurgy and Petroleum (May 2014) and National Instrument 43-101 ("NI 43-101") and assume a gold price of \$1,550 (US\$1,240) per ounce for the reserves and a gold price of \$1,700 (US\$1,360) per ounce for the resources, with

a \$1 USD → CAD exchange rate of 1.25).

- 5 All Mineral Reserves at Eagle River employ a 1.5 m minimum width, a 3.0 g/t Au minimum grade for continuity and include 1.0 m of external dilution. Mineral Resources are reported in-situ with no dilution provision.
- 6 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.
- 7 Mishi Mineral Reserves currently have a life of mine stripping ratio of 2.3 tonnes of waste per tonne of ore.
- 8 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.
- 9 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.
- 10 At Eagle River all high assays are cut from 60 – 140 g/t Au for individual zones. This is based on grade-frequency histograms at 95th percentile.
- 11 At Mishi all high drill core assays are cut to 45 g/t Au. All high blasthole assays are cut to 25 g/t Au. These are based on where a ragged tail on grade-frequency histograms commence.
- 12 A density or tonnage factor of 2.7 tonnes per cubic metre (t/m³) is applied at Eagle River and 2.8 t/m³ at Mishi.
- 13 Qualified Persons for the Mineral Reserves and Mineral Resources estimates as per 43-101 include Marc-André Pelletier P. Eng, COO, and Michael Michaud, P.Geo., VP Exploration of Wesdome.

NIER Program

On January 19, 2018, Wesdome has been approved by the Ontario Ministry of Northern Development and Mines (“MNDM”) for an entry into the Northern Industrial Electricity Rate (“NIER”) program. Upon acceptance by MNDM, the Company is qualify for a retroactive electricity cost rebate to the extent of approximately \$1.0 million for the period of April 1, 2017 and up to December 31, 2017.

KIENA MINE 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 Québec 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 NI 43-101 Technical Report. Based on economic parameters, InnovExplo established that Wesdome’s Québec properties contain:

MINERAL RESOURCES ¹			
	Tonnes	December 16, 2015 Grade (g/t Au)	Contained ounces
Measured	63,700	4.06	8,300
Indicated	2,439,000	5.62	441,000
Measured and indicated	2,502,700	5.59	449,300
Inferred	1,536,300	7.97	440,400

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

The Kiena Mine is a fully permitted, integrated mining and milling infrastructure, which includes a 930 m production shaft and a 2,000 tpd 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 Au. The bulk of this production came from the S-50 Zone between



depths of 100 m and 1,000 m. 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

Wesdome launched an underground drilling program at Kiena in Q3 2016 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 Au over 17.40 m uncut (18.03 g/t cut) in hole U-6124
- 192.95 g/t Au over 14.25 m uncut (18.80 g/t cut) in hole U-6125
- 238.81 g/t Au over 5.00 m uncut (15.71 g/t cut) in hole U-6125
- 8.43 g/t Au 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 m – 300 m below existing mine infrastructure at a depth of approximately 1,200 m. 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. Drilling continued 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 m NNW along trend and over a depth range of 400 m (1,000 m – 1,400 m).

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 m and 1,400 m and remains open down dip and along strike. Step out holes 6146 and 6147 are of significant interest as these holes have intersected quality grade over wide widths some 150 m north, and 250 m south along trend of the known mineralized system.

Drilling Progress

During Q1 2017, four drills operated on levels 670 m, 770 m, 910 m and 960 m. Challenging drilling conditions continued and the Company has decided to drive an exploration ramp which will provide an enhanced drilling platform for exploration. 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 be completed in the first quarter of 2018, at a cost of approximately \$6.9 million. This confirms the Company’s commitment to advancing Kiena Deep to the next level.

CMAC-Thyssen Mining has been selected as the contractor, and a total of 365 m of ramp development was achieved in Q4 2017 for a total of 509 m advanced in 2017. The development activities were temporarily suspended during the quarter following a fatality of a contract worker that occurred on September 9, 2017. The site investigation has concluded and the development resumed early in October 2017. The first drill bay was completed in October 2017 and drilling of Kiena Deep has begun. A second drill moved in the exploration ramp in December 2017. The diamond drilling activities are going well and the holes drilled from the exploration ramp so far have reached the planned length.

Development of the Kiena Deep exploration ramp with 677 linear metres completed to date and is expected to be completed by the end of March 2018. In sequence with the ongoing ramp development, drilling of the Kiena



Deep resumed on Zone B and the untested gap between Zone B and Zone A. Comparatively, Zone B is a lower grade, wider zone of quartz stockwork and gold mineralization compared to Zone A and the Upper Quartz zone, that consist of predominantly quartz veins and breccias. Drilling of the Zone A and Upper Quartz of the Kiena Deep is expected to commence in March and April 2018, respectively.

A second drill was mobilized early December to delineate the deeper part of the Kiena Deep Zone B sector. To date, 24 holes at the 1002 m-level have been completed. Drilling confirms the existence of a multi-vein quartz stockwork/breccia system occurring near altered and deformed komatiite-tholeiitic basalt contacts. Early results from Kiena Deep B zone indicate moderate to locally higher gold grades obtained with occasional visible gold observed (see below highlights from press release dated February 8, 2018). Additionally, the new platforms on the ramp have enabled shorter, more accurate holes, significantly improving drilling performance.

Results Highlights:

- 34.37 g/t Au uncut (24.16 g/t cut) over 4.5 m core length (1.6 m true width) in hole 6186* Kiena Deep Sector
- 5.25 g/t Au uncut (5.25 g/t cut) over 4.1 m core length (2.6 m true width) in hole 6241A Kiena Deep B Zone
- 23.07 g/t Au uncut (23.07 g/t cut) over 0.9 m core length (0.7 m true width) in hole 6243 Kiena Deep B Zone
- 4.17 g/t Au uncut (4.17 g/t cut) over 13.0 m core length (12.7 m true width) in hole 6250 Kiena Deep B Zone
- Including 17.4 g/t Au over 2.0 m core length (17.4 g/t cut) Kiena Deep B Zone

Drilling is continuing throughout 2018 and an updated resource estimate is expected in the fourth quarter of 2018.

Auxiliary Targets

The diamond drilling activity in the VC Zone and the S50 Zone continued during Q4 2017 with the aim to further delineate existing resources, which could potentially aid in a recommencement of production in the short to mid-term. As such, recent drilling was focused with 2 drills on several auxiliary targets, which are close to existing workings, open at depth, and demonstrate near-term development potential. The second drill moved from the 67m level (VC Zone) in the exploration ramp in December 2017 in order to accelerate the diamond drill program targeting the Kiena Deep Zone. The drilling in the S50 Zone continued in December 2017 with one drill.

The Company is currently drilling the VC Zone at depth where it is immediately accessible from the 960 m level and the 980 m level. At shallower depths there is potential for the S-50 southeast lens and the South Zone, which remain open below the 330 metre level. A 120 m long exploration drift will be developed in the second quarter this year on the 67 m-level to provide a better diamond drilling access to the VC1 and VC6 zones.

1) VC Zone – 670 - 1100 metre levels

Recent results (see press release dated February 8, 2018) include:

- 6.68 g/t Au uncut (6.02 g/t cut) over 37.6 m core length (6.1 m true width) in hole 6187 VC6
- Including 10.01 g/t Au over 20.5 m core length (8.8 g/t cut) VC6
- 6.61 g/t Au uncut (5.15 g/t cut) over 17.0 m core length (6.0 m true width) in hole 6191 VC6
- Including 34.83 g/t Au over 2.3 m core length (24.0 g/t cut) VC6
- 98.51 g/t Au uncut (19.63 g/t cut) over 3.0 m core length (2.2 m true width) in hole 6228 VC1
- 8.07 g/t Au uncut (8.07 g/t cut) over 6.8 m core length (4.7 m true width) in hole 6231 VC6

The VC Zone is not included in the most recent mineral resource estimates. These encouraging results demonstrate the VC Zone continues at depth and offers potential to increase resources in close proximity to existing mine infrastructure.

2) S-50 Zone

Recent results (see press release dated February 8, 2018) include:



- 17.89 g/t Au uncut (16.3 g/t cut) over 6.0 m core length (5.0 m true width) in hole 6190 S-50
- 4.68 g/t Au uncut (4.68 g/t cut) over 13.2 m core length (1.1 m true width) in hole 6211 S-50
- 18.5 g/t Au uncut (18.5 g/t cut) over 0.7 m core length (0.3 m true width) in hole 6222A S-50

3) South Zone – open below 330 metre level

Highlights of the historical drilling results include:

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

Drilling is continuing and expected to be part of a 2018 year end resource update.

Kiena Mine hourly workforce status changes

The Tribunal Administratif du Québec has approved the decertification of the union agreement at Kiena and the workforce at Kiena is non-unionized as of February 5, 2018.

MOSS LAKE PROPERTY

The Moss Lake 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 Au (1,377,300 contained ounces of gold), with additional Inferred Resources of 50,364,000 tonnes grading 1.1 g/t Au (1,751,600 contained 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 limited drilling program in 2017 on the Coldstream and East Coldstream target and subsequently continued on the northeast and southwest extensions of this deposit. Drilling was also completed along strike of the Moss Lake gold deposit to significantly extend mineralization beyond the 2.5 kilometre known strike length. Drilling has been completed on 200 m spacing, to rapidly delineate the potential scale of the Moss Lake gold deposit. The initial drill results have now extended known mineralization over a strike length of 4.5 kilometres. The corresponding geophysical expression (IP) extends over a strike length of 8.0 kms.

Highlights of the drilling program include (see press release dated September 13, 2017):

- Hole MLS-17-01 that returned 5.6 m grading 1.079 g/t Au, 9.3 m of 1.344 g/t Au, 9.0 m of 1.189 g/t Au and 30.3 m of 1.136 g/t Au;



- Hole MLS-17-04 that returned 7.0 m of 0.938 g/t, 5.0 m of 1.638 g/t, 4.0 m of 1.201 g/t and 8.0 m of 2.071 g/t Au.

The project remains on care and maintenance since the fall of 2017 to allow the geological team to focus its attention on the Eagle River Complex and Kiena gold deposits.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, Wesdome had working capital of \$12.9 million compared to \$15.6 million at December 31, 2016. The decrease in working capital by \$2.7 million, is primarily due to a one-time recognition of \$2.2 million in restructuring costs resulting from the change in the Company's executive team and the recognition of \$0.7 million of mining tax liability. Working capital as at December 31, 2017 included \$22.1 million in cash and cash equivalent as compared to \$26.8 million at the beginning of the year. The decrease of \$4.7 million in cash is primarily due to the increased exploration activities at all the Company's mining assets in 2017, as discussed below. This has also led to the free cash out flow ¹ of \$9.3 million as compared with \$4.2 million in the same period last year.

The following table identifies the significant movements in operating cash flow for the three months and the full year ended December 31, 2017:

In 000s	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Operating cash flow, beginning of period	\$ 7,663	\$ 6,343	\$ 22,424	\$ 9,413
Increase (decrease) in cash margin from mine operations	5,675	(1,500)	9,244	5,802
Gold revenue from Kiena mill clean up	155	(155)	(1,545)	2,445
Decrease (increase) in operating expenditures	396	345	(490)	(1,199)
Exploration credit refund	-	-	(2,620)	2,620
Mining and income taxes	(571)	-	178	-
Net change in working capital	359	2,519	164	3,139
Other	(209)	111	(130)	204
Net increase in operating cash flows	5,805	1,320	4,801	13,011
Operating cash flow, end of period	\$ 13,468	\$ 7,663	\$ 27,225	\$ 22,424

Capital and exploration and evaluation expenditures totalled \$36.6 million for 2017 compared to \$28.4 million for the comparable period in 2016. The increase of \$8.2 million reflects the Company's aggressive exploration and project evaluation plan for the Eagle River, Kiena and the Moss Lake assets.

A breakdown of the capital expenditures for the three months and the full year ended December 31, 2017 and 2016 are as follows:

In 000s	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Mining properties and plant and equipment				
Eagle River				
Capitalized development costs	\$ 3,053	\$ 3,692	\$ 14,161	\$ 15,553
Mining equipment and infrastructure upgrades	162	86	851	868
Sustaining capital	3,215	3,778	15,012	16,421
Project capital and other	26	256	8	1,729
Additions to Mining properties	3,241	4,034	15,020	18,150
Exploration and evaluation expenditures				
Eagle River	124	865	3,136	3,804
Kiena	4,236	3,157	14,040	5,082
Moss Lake	238	655	4,379	1,328
Additions to Exploration properties	4,598	4,677	21,556	10,214
	\$ 7,839	\$ 8,711	\$ 36,575	\$ 28,364

Capital expenditures incurred at Eagle River Complex for the three months ended December 31, 2017 of \$3.2 million were concentrated on underground development, diamond drilling, infrastructure, and mobile equipment. This expenditure level has decreased by \$0.6 million when compared to the same period in 2016.

Exploration and evaluation expenditures incurred for the three months ended December 31, 2017 of \$4.6 million were comparable to the expenditure level incurred in the same period in 2016.

Sustaining and other capital expenditures and capitalized exploration and evaluation expenditures for 2017 increased by \$8.2 million from 2016, reflecting the increased exploration activities at Kiena and Moss Lake in 2017.

In 2017, the Company settled the outstanding convertible debt in full by a payment of \$2.1 million in cash and by the issuance of 1,972,000 treasury common shares valued at \$4.9 million, based upon the strike price of \$2.50 per share.

Liquidity in 2017 was also provided by the release of \$6.9 million in restricted cash with the financing provided by a draw-down of the Company's letter of credit facility. The Company has established a \$36.0 million secured revolving credit facility provided by a major Canadian bank, which comprised of a \$1.0 million in commercial card program, \$20.0 million in equipment leasing facility and a \$15.0 million in letter of credit facility. Of the equipment and letter of credit facilities, \$8.2 million were drawn under the equipment leasing facility and \$9.1 million were drawn under the letter of credit facility as at December 31, 2017.

At the end of December 31, 2017, Wesdome has \$22.1 million in cash and at this time, the Company believes it has sufficient liquidity to carry out its current mining, development and exploration programs planned for 2018.

¹ Free cash flow is a non-IFRS performance measure. Please reference to page 26 – 31 of this MD&A for non-IFRS disclosures.

SUMMARY OF SHARES ISSUED

As of March 1, 2018, the Company had securities outstanding as follows:

Common shares issued (In 000s)	134,202
Common share purchase options (in 000s)	5,765

CONTRACTUAL OBLIGATIONS

The following table shows the timing of cash outflows relating to contractual obligations as at December 31, 2017:

In 000s	Total	Within 1 year	2 - 3 Years	4 - 5 years	Beyond 5 years
Accounts payable and accruals	\$ 17,003	\$ 17,003	\$ -	\$ -	\$ -
Mining and income tax payable	671	671	-	-	-
Finance leases	6,822	2,715	2,583	1,524	-
Operating leases	1,800	360	720	360	-
Decommissioning liabilities	12,924	-	7,027	-	5,897
Permitting fees	155	155	-	-	-
	\$ 39,375	\$ 20,904	\$ 10,330	\$ 1,884	\$ 5,897

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NON-IFRS PERFORMANCE MEASURES

Average realized price per ounce of gold sold

Average realized price per ounce of gold sold is a non-IFRS measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS. Average realized price per ounce of gold sold is calculated by dividing gold sales proceeds received by the Company for the relevant period by the ounces of gold sold. It may not be comparable to information in other gold producers' reports and filings.

In 000s, except per unit amounts	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Annual 2017	Annual 2016
Revenues per financial statements	31,544	21,165	23,248	20,100	22,166	30,134	18,447	13,284	96,057	84,031
Gold revenue from Kiena mill clean up	-	-	(900)	-	155	(2,600)	-	-	(900)	(2,445)
Silver revenue from mining operations	(225)	-	-	-	-	-	-	-	(225)	-
Gold revenue from mining operations (a)	31,319	21,165	22,348	20,100	22,321	27,534	18,447	13,284	94,932	81,586
Ounces of gold sold (b)	19,351	13,069	13,030	12,320	13,490	15,825	11,265	8,100	57,770	48,680
Average realized price gold sold CAD (c) = (a) ÷ (b)	1,618	1,619	1,715	1,631	1,655	1,740	1,637	1640	1,643	1,676
Average 1 USD → CAD exchange rate (d)	1.2712	1.2528	1.3449	1.3236	1.3344	1.3047	1.2886	1.3742	1.2986	1.3253
Average realized price gold sold USD (c) ÷ (d)	1,273	1,293	1,275	1,232	1,240	1,334	1,270	1,193	1,265	1,265

Cash costs per ounce of gold sold

Cash cost per ounce of gold sold is a non-IFRS performance measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS, as well it may not be comparable to information in other gold producers' reports and filings. The Company has included this non-IFRS performance measure throughout this document as Wesdome believes that this generally accepted industry performance measure provides a useful indication of the Company's operational performance. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. 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 following table provides a reconciliation of total cash costs per ounce of gold sold to cost of sales per the financial statements for each of the quarter in 2017 and 2016:

In 000s, except per unit amounts	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Annual 2017	Annual 2016
Cost of sales per financial statements	23,780	15,594	18,736	16,118	18,188	16,408	15,925	15,839	74,228	66,360
Depletion and depreciation	(3,842)	(2,350)	(2,271)	(2,145)	(1,798)	(2,330)	(1,688)	(1,251)	(10,608)	(7,067)
Silver revenue from mining operations	(225)	-	-	-	-	-	-	-	(225)	-
Cash costs (a)	19,713	13,244	16,465	13,973	16,390	14,078	14,237	14,588	63,395	59,293
Ounces of gold sold (b)	19,351	13,069	13,030	12,320	13,490	15,825	11,265	8,100	57,770	48,680
Cash costs per ounce of gold sold (c) = (a) ÷ (b)	1,019	1,013	1,264	1,134	1,215	890	1,264	1,801	1,097	1,218
Average 1 USD → CAD exchange rate (d)	1.2712	1.2528	1.3449	1.3236	1.3344	1.3047	1.2886	1.3742	1.2986	1.3253
Cash costs per ounce of gold sold USD (c) ÷ (d)	801	809	940	857	911	682	981	1,311	845	919

Production costs per tonne milled

Mine-site cost per tonne milled is a non-IFRS performance measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS, as well it may not be comparable to information in other gold producers' reports and filings. As illustrated in the table below, this measure is calculated by adjusting cost of sales, as shown in the statements of income for non-cash depletion and depreciation, royalties and inventory level changes and then dividing by tonnes processed through the mill. Management believes that mine-site cost per tonne milled provides additional information regarding the performance of mining operations and allows Management to monitor operating costs on a more consistent basis as the per tonne milled measure reduces the cost variability associated with varying production levels. Management also uses this measure to determine the economic viability of mining blocks. As each mining block is evaluated based on the net realizable value of each tonne mined, the estimated revenue on a per tonne basis must be in excess of the production cost per tonne milled in order to be economically viable. Management is aware that this per tonne milled measure is impacted by fluctuations in throughput and thus uses this evaluation tool in conjunction with production costs prepared in accordance with IFRS. This measure supplements production cost information prepared in accordance with IFRS and allows investors to distinguish between changes in production costs resulting from changes in production versus changes in operating performance.

In 000s, except per unit amounts	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Annual 2017	Annual 2016
Operating costs (per above)	19,713	13,244	16,465	13,973	16,390	14,078	14,237	14,588	63,395	59,293
Silver revenue from mining operations	225	-	-	-	-	-	-	-	225	-
Royalties	(424)	(414)	(349)	(428)	(334)	(482)	(283)	(199)	(1,615)	(1,298)
Inventory adjustments	(3,530)	2,316	(200)	2,470	(944)	(346)	481	(194)	1,056	(1,003)

In 000s, except per unit amounts	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Annual 2017	Annual 2016
Mining and processing costs, before inventory adjustments (a)	15,984	15,146	15,916	16,014	15,112	13,250	14,435	14,195	63,061	56,992
Ore milled (tonnes) (b)	77,488	83,059	74,077	75,219	73,321	80,277	79,311	76,126	309,841	309,037
Production costs per tonne milled (a) ÷ (b)	206	182	215	213	206	165	182	186	204	184

Mine profit (loss)

Mine profit (loss) is a non-IFRS measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS, as well it may not be comparable to information in other gold producers' reports and filings. It is calculated as the difference between gold sales revenue from mining operations and cash mine site operating costs (see Cash cost per ounce of gold sold under this Section above) per the Company's Financial Statements. The Company believes it illustrates the performance of the Company's operating mines and enables investors to better understand the Company's performance in comparison to other gold producers who present results on a similar basis.

In 000s, except per unit amounts	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Annual 2017	Annual 2016
Gold revenue from mining operations (per above)	31,319	21,165	22,348	20,100	22,321	27,534	18,447	13,284	94,932	81,586
Cash costs (per above)	19,713	13,244	16,465	13,973	16,390	14,078	14,237	14,588	63,395	59,293
Mine profit (loss)	11,606	7,921	5,883	6,127	5,931	13,456	4,210	(1,304)	31,537	22,293
Per ounce of gold sold										
Average realized price (a)	1,618	1,619	1,715	1,631	1,655	1,740	1,637	1640	1,643	1,676
Cash costs (b)	1,019	1,013	1,264	1,134	1,215	890	1,264	1,801	1,097	1,218
Cash margin (a) – (b)	599	606	451	497	440	850	373	(161)	546	458

All-in sustaining costs per ounce of gold

All-in sustaining costs (AISC) include mine site operating costs incurred at Wesdome mining operations, sustaining mine capital and development expenditures, mine site exploration expenditures and equipment lease payments related to the mine operations and corporate administration expenses. The Company believes that this measure represents the total costs of producing gold from current operations and provides Wesdome and other stakeholders with additional information that illustrates the Company's operational performance and ability to generate cash flow. This cost measure seeks to reflect the full cost of gold production from current operations on a per-ounce of gold sold basis. New project and growth capital are not included.

In 000s, except per unit amounts	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Annual 2017	Annual 2016
Cost of sales, per financial statements	23,780	15,594	18,736	16,118	18,188	16,408	15,925	15,839	74,228	66,360
Depletion and depreciation	(3,842)	(2,350)	(2,271)	(2,145)	(1,798)	(2,330)	(1,688)	(1,251)	(10,608)	(7,067)
Silver revenue from mining operations	(225)	-	-	-	-	-	-	-	(225)	-
Cash costs	19,713	13,244	16,465	13,973	16,390	14,078	14,237	14,588	63,395	59,293
Sustaining mine exploration and development	3,053	3,545	3,779	3,785	3,692	3,934	4,204	3,723	14,162	15,553
Sustaining mine capital equipment	162	434	213	42	86	198	318	266	851	868
Corporate and general	1,248	909	1,251	1,431	1,278	1,113	1,482	904	4,839	4,777
Annual General Meeting	-	-	-	-	-	-	(577)		-	(577)
Lease payments	674	762	672	645	554	486	471	403	2,753	1,914
All-in Sustaining costs (AISC) (a)	24,850	18,894	22,380	19,875	22,000	19,809	20,135	19,884	86,000	81,828
Ounces of gold sold (b)	19,351	13,069	13,030	12,320	13,490	15,825	11,265	8,100	57,770	48,680
AISC per oz(c) = (a) ÷ (b)	1,284	1,446	1,718	1,613	1,631	1,252	1,787	2,455	1,489	1,681
Average 1 USD → CAD exchange rate (d)	1.2712	1.2528	1.3449	1.3236	1.3344	1.3047	1.2886	1.3742	1.2986	1.3253
AISC per oz USD (c) ÷ (d)	1,010	1,154	1,277	1,219	1,222	959	1,387	1,786	1,146	1,268

Free cash flow and operating and free cash flow per share

Free cash flow is calculated by taking cash flow from operating activities less cash used in capital expenditures 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.

Operating cash flow per share is a non-IFRS measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS. Operating cash flow per share is calculated by dividing cash flow from operating activities in the Company's Financial Statements by the weighted average number of shares outstanding for each year. It may not be comparable to information in other gold producers' reports and filings.

In 000s, except per share amounts	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Annual 2017	Annual 2016
Funds provided by operating activities per financial statements (c)	13,468	3,541	5,898	4,318	7,663	12,965	3,857	(2,061)	27,225	22,424
Sustaining mine exploration and development	(3,053)	(3,545)	(3,779)	(3,785)	(3,692)	(3,934)	(4,204)	(3,723)	(14,162)	(15,553)
Sustaining mine capital equipment	(162)	(434)	(213)	(42)	(86)	(198)	(318)	(266)	(851)	(868)
Capitalized exploration and evaluation expenditures	(4,598)	(5,317)	(5,853)	(5,788)	(6,054)	(2,125)	(1,583)	(452)	(21,556)	(10,214)
Free cash flows (a)	5,655	(5,755)	(3,947)	(5,297)	(2,169)	6,708	(2,248)	(6,502)	(9,344)	(4,211)
Weighted number of shares (000s) (b)	133,890	133,888	133,000	133,890	130,205	129,936	126,091	118,313	132,871	126,158
Per Share data										
Operating cash flow (c) ÷ (b)	0.10	0.03	0.04	0.03	0.06	0.10	0.03	(0.02)	0.20	0.18
Free cash flow (a) ÷ (b)	0.04	(0.04)	(0.03)	(0.04)	(0.02)	0.05	(0.02)	(0.05)	(0.07)	(0.03)

Net income (loss) (adjusted) and Adjusted net earnings per share

Adjusted net income (loss) and adjusted net earnings per share are non-IFRS performance measures and do not constitute a measure recognized by IFRS and do not have standardized meanings defined by IFRS, as well both measures may not be comparable to information in other gold producers' reports and filings. Adjusted net income (loss) is calculated by removing the one-time gains and losses resulting from the disposition of non-core assets, non-recurring expenses and significant tax adjustments (mining tax recognition and exploration credit refunds) not related to current period's earnings, as detailed in the table below. Wesdome discloses this measure, which is based on its financial statements, to assist in the understanding of the Company's operating results and financial position.

In 000s, except per share amounts	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Annual 2017	Annual 2016
Net income (loss) per financial statements	(567)	296	863	695	1,600	7,649	1,837	(3,300)	1,287	7,786
Adjustments:										
Annual General Meeting	-	-	-	-	-	-	577	-	-	577
Restructuring costs	-	2,159	-	-	-	686	-	-	2,159	686
Exploration credit refund	-	-	-	-	-	-	(2,620)	-	-	(2,620)
Total adjustments	-	2,159	-	-	-	686	(2,043)	-	2,159	(1,357)
Related income tax effect	-	(572)	-	-	-	(182)	542	-	(572)	360
Recognition of mining taxes	3,924	-	-	-	-	-	-	-	3,924	-
Net income (loss) adjusted (a)	3,924	1,587	-	-	-	504	(1,501)	-	5,511	(997)
Weighted number of shares (000s) (b)	133,890	133,888	133,000	133,890	130,205	129,936	126,091	118,313	132,871	126,158
Net adjusted earnings (loss) per share (a) ÷ (b)	0.03	0.01	0.01	0.01	0.01	0.06	0.00	(0.03)	0.05	0.05

Notes: In 2017, the Company classified executive termination payments as restructuring costs and according, adjusted income for the Q3 2016 has been adjusted to include this one-time expenditure as an adjustment to arrive at net income (adjusted), in conformity with the presentation in 2017.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's 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 and Resources

Mineral 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 Mineral Reserves and 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 Mineral Reserves 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 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) 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 advisement, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Pronouncements

(i) Amendments to IAS 7 – Statement of cash flows

The Company has prospectively adopted these amendments effective January 1, 2017. These new amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The adoption of these amendments does not have a significant impact on the Company’s consolidated financial statements.

(ii) Amendments to IAS 12 – Deferred taxes

The Company has retrospectively adopted these amendments effective January 1, 2017. These amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. The adoption of these amendments does not have a significant impact on the Company’s consolidated financial statements.

Changes in Accounting Pronouncements Not Yet Effective

(i) IFRS 9 – Financial instruments: Classification and measurement

This new accounting pronouncement, which will be effective for periods beginning on or after January 1, 2018, establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held to maturity, available for sale and loans and receivable categories.

The Company has determined that this new pronouncement does not have a significant impact on its consolidated financial statements.

(ii) IFRS 15 – Revenue from contract with customers

This new accounting pronouncement, which will be effective periods beginning on or after January 1, 2018, establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Company has determined that this new pronouncement does not have a significant impact on its consolidated financial statements.

(iii) IFRS 16 – Leases

This new accounting pronouncement, which will be effective for periods beginning on or after January 1, 2019, eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, the new accounting standard sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements.

The Company has determined that this new pronouncement does not have a significant impact on its consolidated financial statements.

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:

	Loans and receivable	Other financial liabilities	Total Carrying Amount	Fair Value
December 31, 2017				
Cash and cash equivalents	\$ 22,092	\$ -	\$ 22,092	\$ 22,092
Receivables and prepaids	3,821	-	3,821	3,821
Tax receivables	1,932	-	1,932	1,932
Total assets	\$ 27,845	\$ -	\$ 27,845	\$ 27,845
Payables and accruals	\$ -	\$ 17,003	\$ 17,003	\$ 17,003
Mining and income taxes payable	-	671	671	671
Obligation under finance leases	-	6,524	6,524	6,524
Total liabilities	\$ -	\$ 24,198	\$ 24,198	\$ 24,198
December 31, 2016				
Cash and cash equivalents	\$ 26,760	\$ -	\$ 26,760	\$ 26,760
Receivables and prepaids	776	-	776	776
Tax receivables	2,906	-	2,906	2,906
Restricted funds	6,920	-	6,920	6,920
Total assets	\$ 37,362	\$ -	\$ 37,362	\$ 37,362

Payables and accruals	\$	-	\$	11,831	\$	11,831	\$	11,831
Obligation under finance leases		-		6,302		6,302		6,302
Convertible debentures		-		6,900		6,900		6,900
Total liabilities	\$	-	\$	25,033	\$	25,033	\$	25,033

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

The Company is exposed to a number of different risks arising from normal course business exposures, as well as the Company's use of financial instruments. These risk factors include: (1) market risks relating to commodity prices, foreign currency risk and interest rate risk; (2) liquidity risk; and, (3) credit risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and establishes and monitors risk management policies to: identify and analyze the risks faced by the Company; to set appropriate risk limits and controls; and to monitor risks and adherence to market conditions and the Company's activities.

(1) Market Risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Company's financial assets and liabilities include commodity price risk, foreign currency exchange risk and interest rate risk.

(a) Commodity price risk

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the year and as at December 31, 2017 and 2016.

(b) Foreign currency exchange risk

The Company's revenue is exposed to changes in foreign exchange rates as the Company's primary product, gold, is priced in U.S. dollars. The Company had no forward exchange rate contracts in place and no foreign currency holdings as at or during the years ended December 31, 2017 and 2016.

The following table illustrates the sensitivity of pre-tax earnings and equity in relation to fluctuations in the US dollar denominated gold price for the year ended December 31, 2017 (2016: +/- 10%), with all other variables being constant. These percentages have been determined based on the average market volatility in gold price as quoted by the London Market Bullion Association in the preceding twelve months.

Sensitivity analysis	Change	Impact on pre-tax earnings (in \$000s)
2017	+/- 10%	\$ 9,493
2016	+/- 10%	\$ 8,159

(c) *Interest rate risk*

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash has in the past included highly liquid investments that earn interest at market rates and interest paid on the Company's convertible debentures is based on a fixed interest rate. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held, if any.

2) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company believes it has access to sufficient capital through internally generated cash flows and equity and debt capital markets. Senior management is also actively involved in the review and approval of planned expenditures.

In 2017, Wesdome generated \$27.2 million in operating cash flow which is the main source of the Company's liquidity. At December 31, 2017, the Company held cash and cash equivalent of \$22.1 million and in conjunction with accounts receivable from gold sales of \$1.6 million, representing a total liquidity of \$23.7 million (December 31, 2016 - \$26.8 million). At December 31, 2017, the Company's working capital, defined as current assets less current liabilities, was \$11.9 million (December 31, 2016 - \$15.6 million). Wesdome believes that it has sufficient liquidity to meet its short-term obligations.

At December 31, 2017, the Company has long-term finance lease obligations in the amount of \$4.0 million (December 2016 - \$4.2 million), of which \$2.6 million falls due between 1 -2 years and \$1.5 million falls due between 3 – 5 years. These financial obligations will be met from cash flows generated from operations when the payments fall due.

At December 31, 2017, the Company had letters of credit outstanding of \$9.1 million (December 31, 2016 - \$7.5 million, secured by restricted cash of \$6.9 million) which substantially represented guarantees for reclamation obligations, of which \$1.6 million is designated for Eagle River complex in 2013 and beyond and \$7.0 million for Kiena. Wesdome believes it is able to meet these financial commitments from cash flow from the continuing mining operations at Eagle River.

3) Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company minimizes its credit risk by selling its gold exclusively to financial institutions with forty-eight hour terms of settlement. The Company's receivables consist primarily of government refunds and credits. The Company estimates its maximum exposure to be the carrying value of cash and cash equivalents, receivables and funds held against standby letters of credit.

The Company manages credit risk by maintaining bank accounts with Schedule 1 Canadian banks and investing only in Guaranteed Investment Certificates. The Company's cash is not subject to any external limitations.

The Company's maximum exposure to credit risk as at December 31, 2017 and 2016 were as follows:

In 000s	December 31, 2017	December 31, 2016
Cash and cash equivalent	\$ 22,092	\$ 26,760
Receivables and prepaids	\$ 3,821	\$ 776
Tax receivable	\$ 1,932	\$ 2,906

RELATED PARTY TRANSACTIONS

Key management of the Company are its Board of Directors and members of executive management. Key management personnel remuneration includes the following payments for the three months and the full year ended December 31, 2017 and 2016:

In 000s	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	2017	2016
Salary and short-term employee benefits	\$ 1,357	\$ 1,214	\$ 2,367	\$ 2,566
Long-term benefits	10	21	66	77
Share based payments	528	474	2,343	1,195
Termination payments	-	-	2,159	686
	\$ 1,895	\$ 1,709	\$ 6,935	\$ 4,524

OTHER RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high risk nature of its business which is the operation, exploration and development of mineral properties. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking information relating to the Company. Investors and prospective investors should give careful consideration to all of the information contained in this MD&A, including the risk factors set forth below. It should be noted that this list is not exhaustive and that other risk factors may apply, including risks described elsewhere herein, risks not currently known to the Company and risks that the Company currently deems immaterial. Any one or more of these risk factors could have a material adverse effect on the Company's business, results of operations, financial condition and the value of its securities.

Nature of Mineral Exploration

Subject to any future expansion or other development, production from existing operations at the Company's mines will typically decline over the life of the mine. As a result, the Company's ability to maintain its current production or increase its annual production and generate revenues therefrom will depend significantly upon the Company's ability to discover or acquire and to successfully bring new mines into production and to expand reserves at existing mines. The exploration for and development of mineral deposits involves significant financial risks which even with a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a site. As a result, the Company cannot provide assurance that its exploration or development efforts will result in any new commercial mining operations or yield new mineral reserves to replace or expand current mineral reserves.

Mineral Resource and Mineral Reserve Estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve estimate is a function of the quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operations.

The Company's gold production may fall below estimated levels as a result of mining accidents, adverse ground conditions, or as a result of other operational difficulties. In addition, production may be unexpectedly reduced if, during the course of mining, mineral grades are lower than expected, the physical or metallurgical characteristics of the minerals are less amenable than expected to mining or treatment, or dilution increases.

Safety, Health and Environmental Regulations

Safety, health and environmental legislation affects nearly all aspects of the Company's operations including exploration, mine development, working conditions, waste disposal, emission controls and protection of endangered and protected species. Compliance with safety, health and environmental legislation can require significant expenditures and failure to comply with such safety, health and environmental legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from the Company's existing operations, but from operations that have been closed. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurances that the Company will at all times be in compliance with all safety, health and environmental regulations or that steps to achieve compliance would not materially adversely affect the Company's business.

Safety, health and environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on its operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental regulation. For example, emissions standards are poised to become increasingly stringent. Further changes in safety, health and environmental laws, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits, may require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company. Environmental and regulatory review is a long and complex process that can delay the opening, modification or expansion of a mine, extend decommissioning at a closed mine, or restrict areas where exploration activities may take place.

Wesdome intends to implement a "Fit For Duty Policy" in mid 2018 at its properties to better control drug and alcohol abuse. This policy will apply to both the Company and the contractors employees.

Economic Conditions

General levels of economic activity and recessionary conditions may have an adverse impact on the Company's business.

Market events and conditions, including the disruptions in the international credit markets and other financial systems, the deterioration of global economic conditions in 2008 and 2009 and, more recently, in Europe, along with political instability in the Middle East and budget deficits and debt levels in the United States, have caused significant volatility to commodity prices. These conditions have also caused a loss of confidence in the broader United States, European and global credit and financial markets and resulted in the collapse of, and government intervention in, major banks, financial institutions and insurers and created a climate of greater volatility, less liquidity, widening credit spreads, less price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments and concerns about the general condition of the capital



markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially in recent years.

The Company is also exposed to liquidity and various counterparty risks, including, but not limited to: (i) financial institutions that hold the Company's cash and cash equivalents; (ii) companies that have payables to the Company; (iii) the Company's insurance providers; (iv) the Company's lenders; (v) the Company's other banking counterparties; and (vi) companies that have received deposits from the Company for the future delivery of equipment and/or other operational inputs. The Company is also exposed to liquidity risks in meeting its capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. Furthermore, repercussions from the 2008-2009 economic crisis continue to be felt, as reflected in increased levels of volatility and market turmoil. As a result of this uncertainty, the Company's planned growth could either be adversely or positively impacted and the trading price of the Company's securities could either be adversely or positively affected.

Gold Price Volatility

The profitability of the Company's operations may be significantly affected by changes in the market price of gold. The economics of developing gold are affected by many factors, including the cost of operations, variations in the grade of ore mined and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to commence or continue commercial production.

The price of gold fluctuates widely and is affected by numerous industry factors beyond the Company's control, such as the demand for precious metals, forward selling by producers and central bank sales and purchases of gold. Gold price is also affected by macro-economic factors, such as expectations for inflation, interest rates, the world supply of mineral commodities, the stability of currency exchange rates and global or regional political and economic situations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political systems and developments. The price of gold has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

Any significant drop in the price of gold adversely impacts the Company's revenues, profitability and cash flows. In addition, sustained low gold price may:

- (a) reduce production revenues as a result of cutbacks caused by the cessation of mining operations involving deposits or portions of deposits that have become uneconomic at the prevailing price of gold;
- (b) cause the cessation or deferral of new mining projects;
- (c) decrease the amount of capital available for exploration activities;
- (d) reduce existing reserves by removing ore from reserves that cannot be economically mined at prevailing prices; or
- (e) cause the write-off of an asset whose value is impaired by the low price of gold.

There can be no assurance that the price of gold will remain stable or that such prices will be at a level that will prove feasible to begin development of its properties, or commence or continue commercial production, as applicable.

Currency Fluctuations

Currency fluctuations may affect costs at the Company's operations. Gold is sold throughout the world based principally on the US dollar, however, the Company's reporting and functional currencies are the Canadian dollars. Any appreciation of the Canadian dollar against the US dollar could negatively affect the Company's profitability, cash flows and financial position.



Title Matters

The acquisition of title to mining claims and similar property interests is a detailed and time-consuming process. Title to and the area of mining claims and similar property interests may be disputed. The Company has investigated title to all of its material mineral properties and the Company believes that title to all of its material properties are in good standing; however, the foregoing should not be construed as a guarantee of title to those properties. Title to those properties may be affected by undisclosed and undetected defects. For example, certain properties may have been acquired in error from parties who did not possess transferable title, may be subject to prior unregistered agreements or transfers.

Community

The Company's goal at each of its operations is to hire as much as possible of its workforce, including management teams, directly from the local region in which the operation is located. In 2017, 47% of the Company's mine workforce is hired locally. Wesdome believes that providing employment is one of the most significant contributions it can make to the communities in which it operates.

The Company works closely with neighbouring communities to develop alternative employment and business opportunities to help diversify local economies.

Aboriginal Rights and Duty to Consult

The Company operates and does exploration on properties, which are subject to Aboriginal rights or titles. The Company is committed to consult with the First Nations group about any impact of its activities on such rights, titles or claims, which may cause delays in making decisions or project start-ups. Further, there is no assurance of favourable outcomes of these consultations. During 2017, the Company entered into a Memorandum of Understanding ("MOU") with the Michipicoten First Nation and the Métis Nation of Ontario on February 8, 2018, whose traditional territory is host to the Eagle River Complex. Wesdome and these First Nations groups are engaged in negotiations and consultations on an ongoing basis.

The Company is advised by MNDM as to the relevant First Nations group which should be included in consultation.

Mining Risks and Insurance

The business of mining is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions at its existing locations in Northern Ontario and Val d'Or, Québec. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company's insurance will not cover all the potential risks associated with its operations. In addition, although certain risks are insurable, the Company may be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance against environmental risks (including potential for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to the Company or to other companies within the industry on acceptable terms. The Company carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include, without limitation, environmental pollution, mine flooding or other hazards against which such companies cannot insure or against which they may elect not to insure. Losses from uninsured events may cause the Company to incur significant costs.

The activities of the Company are subject to a number of challenges over which the Company has little or no control, but that may delay production and negatively impact the Company's financial results, including: increases in energy, fuel and/or other production costs; higher insurance premiums; industrial accidents; labour disputes; shortages of skilled labour; contractor availability; unusual or unexpected geological or operating conditions; slope failures; cave-ins of underground workings; and failure of pit walls or dams. If the Company's

total production costs per ounce of gold rise above the market price of gold and remain so for any sustained period, the Company may experience losses and may curtail or suspend some or all of its exploration, development and mining activities.

Reclamation and Mine Closure Costs

The Company has obtained approval for its closure plans for the Eagle River Mill, Eagle River Mine, the Mishi-Magnacon Complex (collectively, “**Eagle River Complex**”) and the Kiena Mine and surrounding properties and has provided financial security to cover estimated rehabilitation and closure costs. In the event of any future expansion or alteration of a mine on Eagle River Complex property or Kiena, Wesdome would likely be required to amend its closure plans which may require the provision of additional security.

The ultimate timing of, and costs for, future removal and site restoration could differ from current estimates. The Company’s estimates for this future liability are subject to change based on amendments to applicable laws and legislation, the nature of ongoing operations and technological innovations.

In addition, regulatory authorities in various jurisdictions require Wesdome to post financial assurances to secure, in whole or in part, future reclamation and restoration obligations in such jurisdictions. Changes to the amounts required, as well as the nature of the collateral to be provided, could significantly increase the Company’s costs, making the maintenance and development of existing and new mines less economically feasible, and any capital resources Wesdome utilizes for this purpose will reduce the resources available for its other operations and commitments. Although the Company accrues for future closure costs, it does not necessarily fully reserve cash in respect of these obligations or otherwise fund these obligations in advance. As a result, the Company may have significant cash costs when it is required to close and restore mine sites.

Dilution to Common Shares

As of December 31, 2017, there were stock options outstanding to purchase 6,082,388 common shares in the capital of the Company. The common shares issuable under these options, if fully exercised, would constitute approximately 5% of the Company’s resulting share capital. The exercise of such options and the subsequent resale of such shares in the public market could affect the prevailing share market price and the Company’s ability to raise equity capital in the future at a time and price which it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional common shares and the Company may grant additional share purchase warrants and stock options.

The issuance of additional common shares from time to time may have a depressive effect on the price of the common shares of the Company. In addition, as a result of such additional common shares, the voting power of the Company’s existing shareholders will be diluted.

Share Price Fluctuations

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, have experienced wide fluctuations in price that would have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Additional Funding Requirements

Further exploration on, and development of, the Company’s properties, will require additional capital. In addition, a positive production decision on any of the Company’s development projects would require significant capital for project engineering and construction. Accordingly, the continuing development of the Company’s properties will depend upon the Company’s ability to either generate sufficient funds internally or to obtain financing through the joint venturing of projects, debt financing, equity financing or other means.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company on acceptable terms, or at all, for further exploration or



development of its properties or projects, or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding or financing could result in the delay or indefinite postponement of the exploration and development of the Company's properties, with the possible dilution or loss of such interests.

Long Term Debt

The Company's ability to make scheduled payments on, or refinance its finance lease obligations, depends on the Company's financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternatives may not allow the Company to meet its scheduled debt service obligations.

Impairment of Assets

In accordance with IFRS, the Company capitalizes certain expenditures relating to its mineral projects. From time to time, the carrying amounts of mining properties and plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level.

Events that could, in some circumstances, lead to an impairment include, but are not limited to, changes to gold price or cost assumptions, changes to Mineral Reserve or Mineral Resource grades or the Company's market capitalization being less than the carrying amounts of its mining properties and plant and equipment.

The assessment requires the use of estimates and assumptions such as, but not limited to, long-term gold prices, foreign exchange rates, discount rates, future capital requirements, Mineral Reserve and Mineral Resource estimates, operating performance as well as the definition of cash generating units. It is possible that the actual fair value could be significantly different from those assumptions, and changes in the assumptions will affect the recoverable amount. In the absence of any mitigating valuation factors, the Company's failure to achieve its valuation assumptions or a decline in the fair value of its cash generating units or other assets may, over time, result in impairment charges.

If the Company determines that an asset is impaired, the Company will charge against earnings any difference between the carrying amount of the assets and the estimated fair value less cost to sell those assets. Any such charges could have a material adverse effect on the Company's results of operations.

Reliance on Management

The Company is heavily reliant on the experience and expertise of its executive officers. If any of these individuals should cease to be available to manage the affairs of the Company, its activities and operations could be adversely affected.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities in its search for, and the acquisition of, mineral properties as well as the recruitment and retention of qualified employees with technical skills and experience in the mining industry. There can be no assurance that the Company will be able to compete

successfully with others in acquiring mineral properties, obtaining adequate financing, and continuing to attract and retain skilled and experienced employees. Existing or future competition in the mining industry could materially adversely affect the Company's business and prospects for mineral exploration and success in the future.

Skilled Employees

Many of the projects undertaken by the Company rely on the availability of skilled labour and the capital outlays required to employ such labour. The Company employs full and part time employees, contractors and consultants to assist in executing operations and providing technical guidance. In the event of a skilled labour shortage, various projects of the Company may not become operational due to increased capital outlays associated with labour. Further, a skilled labour shortage could result in operational issues such as production shortfalls and higher mining costs.

Information Systems

Although the Company has not experienced any material losses to date relating to cyberattacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

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 operating 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:

- (i) material information relating to the Corporation has been made known to them; and
- (ii) 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 ("**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.

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 operating effectiveness of our ICFR. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting were 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 December 31, 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 technical and scientific information relating to exploration activities disclosed in this document was prepared under the supervision of and verified and reviewed by Marc-Andre Pelletier, P. Eng., Chief Operating Officer of Wesdome, and Michael Michaud, P.Geo., Vice President, Exploration of Wesdome, both and a "Qualified Persons" as defined in 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 of 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 2017 Annual Information Form filed on SEDAR at www.sedar.com.