WESDOME

WESDOME GOLD MINES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

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Management's Responsibility for Financial Statements

The accompanying consolidated financial statements have been prepared by and are the responsibility of the management of Wesdome Gold Mines Ltd. ("the Company"). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect management's best estimate and judgement based on currently available information.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded, liabilities are recognized and that the accounting systems provide timely and accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities in respect of financial reporting and internal control. The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee reviews the annual consolidated financial statements before they are presented to the Board of Directors for approval.

The Company's independent auditors, Grant Thornton LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

March 21, 2018	*/s/ Ben Au*
Toronto, Canada	Chief Financial Officer

Grant Thornton

Independent auditor's report

To the Shareholders of Wesdome Gold Mines Ltd.

We have audited the accompanying consolidated financial statements of Wesdome Gold Mines Ltd., which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income and comprehensive income, consolidated statements of total equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Wesdome Gold Mines Ltd. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016, in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

Grant Thornton LLP

Toronto, Ontario
March 21, 2018

Chartered Professional Accountants
Licensed Public Accountants

Wesdome Gold Mines Ltd.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian dollars)

	Notes	As of December 31, 2017	As of December 31, 2016
Assets			
Current			
Cash and cash equivalents		**$ 22,092**	$ 26,760
Receivables and prepaids	6	**3,821**	776
Tax receivable	16(i)	**1,932**	2,906
Inventories	7	**5,314**	5,929
Total current assets		**33,159**	36,371
Restricted funds	13(b)	**-**	6,920
Deferred income tax assets	16	**5,450**	7,009
Mining properties, plant and equipment	8	**81,375**	74,241
Exploration properties	9	**59,929**	38,373
Total assets		**$ 179,913**	$ 162,914
Liabilities			
Current			
Payables and accruals	10	**$ 17,003**	$ 11,831
Mining and income taxes payable		**671**	-
Current portion of obligations under finance leases	11	**2,541**	2,079
Convertible debentures	12	**-**	6,900
Total current liabilities		**20,215**	20,810
Obligations under finance leases	11	**3,983**	4,223
Deferred mining tax liability	16	**6,300**	-
Decommissioning provisions	13	**11,192**	10,480
Total liabilities		**41,690**	35,513
Equity			
Equity attributable to owners of the Company			
Capital stock	14	**164,161**	156,402
Contributed surplus		**3,967**	2,173
Equity component of convertible debentures	12	**-**	932
Deficit		**(29,905)**	(32,106)
Total equity		**138,223**	127,401
Total liabilities and equity		**$ 179,913**	$ 162,914

On behalf of the Board:

/s/ Duncan Middlemiss
Director

/s/ Charles Main
Director

See accompanying notes to the consolidated financial statements.

Wesdome Gold Mines Ltd.
Consolidated Statements of Income and Comprehensive Income
(Expressed in thousands of Canadian dollars except for per share amounts)

	Notes	Years Ended December 31, 2017	2016
Revenues	18	**$ 96,057**	$ 84,031
Cost of sales	19	**74,228**	66,360
Gross profit		**21,829**	17,671
Other expenses			
Corporate and general		**4,943**	4,777
Share based payments	15	**2,778**	1,734
Kiena care and maintenance		**1,096**	2,245
Restructuring costs	25	**2,159**	686
Write-down of mining equipment	8	**316**	-
		11,292	9,442
Operating income		**10,537**	8,229
Interest on long-term debt	20	**(462)**	(1,030)
Accretion of decommissioning provisions	13	**(210)**	20
Interest and other		**(67)**	17
Exploration credits refund	26	**-**	2,620
Income before income tax		**9,798**	9,856
Mining and income tax (expense) recovery			
Current	16	**(722)**	900
Deferred	16	**(7,789)**	(2,970)
		(8,511)	(2,070)
Net income and total comprehensive income		**$ 1,287**	$ 7,786
Earnings per share			
Basic	17	**$ 0.01**	$ 0.06
Diluted	17	**$ 0.01**	$ 0.06
Weighted average number of common shares (000s)			
Basic	17	**132,871**	126,158
Diluted	17	**134,927**	128,086

See accompanying notes to the consolidated financial statements.

Wesdome Gold Mines Ltd.
Consolidated Statements of Total Equity

(Expressed in thousands of Canadian dollars)

	Notes	Capital Stock	Contributed Surplus	Equity Component of Convertible Debentures	Deficit	Total Equity
Balance,December 31,2015		$ 137,126	$ 1,729	$ 932	$ (40,289)	$ 99,498
Net income for the year ended December 31, 2016		-	-	-	7,786	7,786
Exercise of options		1,356	-	-	-	1,356
Value attributed to options exercised		893	(893)	-	-	-
Value attributed to options expired		-	(397)	-	397	-
Share based payments	15	-	1,734	-	-	1,734
Shares issued to acquire Moss Lake area properties	9(i)	750	-	-	-	750
Shares issued under prospectus	14(i)	17,267	-	-	-	17,267
Share issue cost, net of tax	14(i)	(990)	-	-	-	(990)
Balance, December 31, 2016		$ 156,402	$ 2,173	$ 932	$ (32,106)	$ 127,401
Net income for the year ended December 31, 2017		**-**	**-**	**-**	**1,287**	**1,287**
Conversion/maturity of convertible debentures	12	**4,912**	**-**	**(932)**	**932**	**4,912**
Exercise of options	15	**1,915**	**-**	**-**	**-**	**1,915**
Value attributed to options exercised		**932**	**(932)**	**-**	**-**	**-**
Value attributed to options expired		**-**	**(52)**	**-**	**52**	**-**
Tax related to share issue cost	16	**-**	**-**	**-**	**(70)**	**(70)**
Share based payments	15	**-**	**2,778**	**-**	**-**	**2,778**
Balance, December 31, 2017		**$ 164,161**	**$ 3,967**	**$ -**	**$ (29,905)**	**$ 138,223**

See accompanying notes to the consolidated financial statements.

Wesdome Gold Mines Ltd.
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

	Notes	Years Ended December 31, 2017	2016
Operating activities			
Net income		**$ 1,287**	$ 7,786
Depletion and depreciation		**10,608**	7,067
Mining tax received (recovery)		**900**	(900)
Share based payments	15	**2,778**	1,734
Accretion of decommissioning provisions	13	**210**	(20)
Deferred mining and income tax expense	16	**7,789**	2,970
Interest on long-term debt	20	**359**	692
Accretion of discount on convertible debentures	20	**103**	338
Loss on disposal of equipment		**214**	260
Write-down of mining equipment	8	**316**	-
		24,564	19,927
Net changes in non-cash working capital	23	**2,661**	2,497
Funds provided by operating activities		**27,225**	22,424
Financing activities			
Repayment of convertible debentures	12	**(2,091)**	-
Exercise of options	15	**1,915**	1,356
Finance lease payments		**(2,753)**	(1,914)
Interest paid		**(469)**	(692)
Shares issued under prospectus, net of issue cost		**-**	16,017
Funds (used by) provided by financing activities		**(3,398)**	14,767
Investing activities			
Additions to mining properties		**(15,020)**	(18,150)
Additions to exploration properties		**(21,556)**	(10,214)
Funds released from (held against) standby letters of credit	13(b)	**6,920**	(4,385)
Proceeds on sale of exploration properties	9(ii)	**-**	7,000
Proceeds on sale of equipment		**90**	69
Net changes in non-cash working capital	23	**1,071**	(175)
Funds used by investing activities		**(28,495)**	(25,855)
Increase (decrease) in cash and cash equivalents		**(4,668)**	11,336
Cash and cash equivalents, beginning of year		**26,760**	15,424
Cash and cash equivalents, end of year		**$ 22,092**	$ 26,760
Cash and cash equivalents consist of:			
Cash		**$ 13,092**	$ 8,999
Term deposits		**9,000**	17,761
		$ 22,092	$ 26,760

See accompanying notes to the consolidated financial statements.

Wesdome Gold Mines Ltd.
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2017 and 2016
(Tabular currency amounts expressed in thousands of Canadian dollars except for per share amounts)

1. DESCRIPTION OF BUSINESS

Wesdome Gold Mines Ltd. ("Wesdome" or the "Company") is a gold producer engaged in mining and related activities including exploration, extraction, processing and reclamation. The Company's principal assets include the Eagle River Mine, the Mishi Mine and the Eagle River Mill located near Wawa, Ontario, together called the "Eagle River Complex", the Moss Lake property in Thunder Bay, Ontario, and the Kiena Mining and Milling Complex ("Kiena Complex") and exploration properties located in Val D'Or, Quebec. The Company is a publicly traded company, continued under Part 1A of the Companies Act (Quebec) and its common shares are listed on the Toronto Stock Exchange (TSX: WDO). Wesdome's head office is located at 8 King Street East, Suite 811, Toronto, Ontario, Canada, M5C 1B5.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements are presented in Canadian dollars ("Cdn $"), which is also the functional currency of the Company and its subsidiaries as detailed below.

	Subsidiary	Ownership
0976408 B.C. Ltd.	("Windarra Minerals Ltd." "Windarra")	100%
2404027 Ontario Inc.	("Moss Lake Gold Mines Ltd." "MLGM")	100%

These consolidated financial statements were authorized for issuance by the Board of Directors of the Company on March 21, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. All transactions and balances between the Company and its subsidiaries are eliminated on consolidation.

(b) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of bullion and is recognized when an arrangement exists, risks pass to the buyer, the price is fixed, it is probable that the economic benefits will be realized, and collection is reasonably assured.

Interest is reported on an accrual basis using the effective interest rate method.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid investments with maturities of less than three months.

(d) Inventories

Inventories consisting of gold bullion, gold in process and ore stockpiles are recorded at the lower of production costs on a first-in, first-out basis and net realizable value ("NRV"). Production costs include costs related to mining, crushing, and mill processing, as well as applicable overhead, and depletion.

Ore stockpiles consist of coarse ore that has been extracted from the mine and is available for further processing. Costs are added to stockpiles based on the current mining cost per tonne and removed at an average cost per tonne.

Supplies are valued at the lower of average cost and replacement cost, which approximates NRV.

(e) Mining Properties, Plant and Equipment

(i) *Cost and valuation*

Mining properties, plant and equipment are carried at cost less accumulated depletion and any impairment in value. When an asset is disposed of, it is derecognized and the difference between its carrying value and net sales proceeds is recognized as a gain or loss in profit or loss.

(ii) Mining properties, plant and equipment

Mining properties, plant and equipment include expenditures incurred on properties under development, payments related to the acquisition of land and mineral rights and property, plant and equipment which are recorded at cost on initial acquisition. Cost includes the purchase price and the directly attributable costs of acquisition or construction required to bring an asset to the location and condition necessary for the asset to be capable of operating in the manner intended by management.

Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production are capitalized. Mine development costs related to current period production are allocated to inventory as appropriate.

(iii) Depletion and depreciation

Mine development costs, property, and other mining assets whose estimated useful life is the same as the remaining life of the mine are depleted over the mine's estimated life using the units-of-production method ("UOP") calculated based on proven and probable reserves. Equipment and other non-mining assets are depreciated on a straight-line basis over their estimated useful lives, or the remaining life of the mine if shorter, to their residual values:

Vehicles	1 to 5 years
Mobile mining fleet	1 to 5 years
Machinery and equipment	1 to 6 years
Bunkhouses	10 years
Furniture and fixtures	5 years

Where components of an item of property, plant and equipment have a different useful life and cost that is significant to the total cost of the item, depreciation and depletion is calculated on each separate component.

Depreciation and depletion methods, useful lives and residual values are reviewed at a minimum at the end of each year.

(iv) Subsequent costs

Repairs and maintenance costs are expensed as incurred. However, expenditures on major maintenance rebuilds or overhauls are capitalized when it is probable that the expenditures will extend the productive capacity or useful life of an asset. Any remaining costs of previous overhauls relating to the same asset are derecognized. All other expenditures are expensed as incurred.

(v) Deferred stripping costs

Stripping costs incurred to prepare the ore body for extraction are capitalized as mine development costs (pre-stripping). Stripping costs incurred during the production phase of a mine are considered production costs and are included in the cost of inventory produced during the period in which stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral property, in which case the stripping cost would be deferred. Capitalized stripping costs are amortized on a UOP basis over the economically recoverable proven and probable to which they relate.

(f) Leased Assets

When the economic ownership of a leased asset is transferred to the lessee, the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is then recognized at the inception of the lease at the lower of the present value of minimum lease payments and the fair value of the leased asset and a corresponding amount is recognized as a finance lease liability.

Depreciation methods and useful lives for assets held under finance lease agreements correspond to those applied to comparable assets which are legally owned by the Company. The corresponding finance lease liability is reduced by lease payments less finance charges, which are expensed as part of finance costs.

The interest portion of lease payments is charged to profit or loss over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

(g) Exploration and Evaluation Costs

Exploration expenditures reflect the costs related to the initial search for mineral deposits with economic potential or obtaining more information about existing mineral deposits. Exploration expenditures typically include costs associated with sampling, mapping, diamond drilling and other work involved in searching for ore. All expenditures relating to exploration activities are capitalized as incurred from the point at which the Company receives the legal right to explore.

Evaluation expenditures reflect costs incurred at exploration projects related to establishing the technical and commercial viability of developing mineral deposits identified through exploration or asset acquisition.

Evaluation expenditures include the cost of:

(i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body that is classified as either a mineral resource or a proven and probable reserve,

(ii) determining the optimal methods of extraction and metallurgical and treatment processes,

(iii) studies related to surveying, transportation and infrastructure requirements,

(iv) permitting activities, and

(v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

Costs in relation to these activities are capitalized as incurred under exploration properties until such time as the Company expects that mineral resources will be converted to mineral reserves within a reasonable period and mine development commences. Thereafter, accumulated exploration and evaluation costs for the project are tested for impairment and are reclassified to mining properties. Exploration and evaluation costs of abandoned properties are expensed in the period in which the project is abandoned.

(h) Impairment of Non-Financial Assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units ("CGUs")). The Company's CGUs are its individual operating mine sites and exploration properties. At the end of each reporting period, the Company reviews and evaluates its mining and exploration properties either individually or at the CGU level to determine whether the carrying amount of the asset exceeds their recoverable amount. If any such indication exists, the excess is fully provided for, in the financial period of determination.

The recoverable amount of a mine site or exploration property is the greater of its fair value less costs of disposal ("FVLCD") and its value-in-use ("VIU"). The FVLCD is estimated as the recoverable amount resulting from the sale of an asset or CGU, less the costs of disposal. The VIU is estimated as the discounted future pre-tax cash flows expected to be derived from a mine site or exploration property. If the recoverable amount of a mine site is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment losses are recognized as operating expenses in the period they are incurred. When an impairment loss reverses in a subsequent period, the carrying amount of the related asset is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset previously. Reversals of impairment losses are recognized in profit or loss in the period the reversals occur.

(i) Income Taxes

Income taxes are calculated using the liability method where current income taxes are recognized as an expense for the estimated income taxes payable for the current period.

Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward, to the extent that it is probable that deductions, credits and tax losses can be utilized, and are measured using the enacted or substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. Deferred income taxes relating to the initial recognition of an asset or liability in a transaction that, at the time of the transaction, neither affects accounting nor taxable income or is the result of a business acquisition, are not recognized. The deferred tax relating to items recorded in other comprehensive income is linked to these items for reporting purposes.

On a consolidated basis the Company does not offset asset and liability amounts with those of the subsidiary and with amounts owing to different taxation authorities. Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off deferred tax assets and liabilities from the same taxation authority.

(j) Equity and Reserves

Capital stock represents the consideration received for shares that have been issued, net of related issuance costs.

Contributed surplus includes the value of share based payments, net of the value of expired grants; discounts and net of premiums on shares repurchased.

Deficit represents accumulated retained losses from all current and prior periods. Amounts related to expired stock options are reclassified from contributed surplus to deficit upon expiry of the stock options.

(k) Employee Benefits

Salaries and short-term employee benefits

Salaries and short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Pension plan

The Company has a defined contribution plan under which the Company pays fixed contributions through a separate entity. Under this plan, the Company will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense when due.

(l) Provisions

(i) General

Provisions are recognized when present obligations, as a result of a past event, is expected to result in an outflow of economic resources from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are not recognized for future operating losses.

Provisions are based on the most reliable information available at the reporting date, including the risks and uncertainties associated with the current best estimate.

(ii) Decommissioning Provisions
The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company has made, and will continue to make expenditures to comply with such laws and regulations. Decommissioning costs expected to be incurred in the future are estimated by the Company's management based on the information available to them.

The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, and changes in estimates to the timing and amounts of cash flows. Management considers the Bank of Canada bond rate related to the life of mine when determining the discount rate. The rate is subsequently adjusted for risk to allow for the indeterminate nature of the mine life.

Estimated decommissioning costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs with an offsetting amount being recognized as an increase in the carrying amount of the corresponding mining asset. This asset is amortized on a UOP basis over the estimated life of the mine while the corresponding provisions accretes to its undiscounted value by the end of the mine's life.

(m) Financial Instrument Classification and Measurement
Financial instruments are measured on initial recognition at fair value, and, in the case of financial instruments other than those classified as ‘‘fair value through profit and loss” (“FVTPL”), directly attributable transaction costs.

Recognition and Measurement
Measurement of financial assets in subsequent periods depends on whether the financial instrument has been classified as FVTPL, available-for-sale, held-to-maturity, or loans and receivables as defined by IAS 39 – “*Financial Instruments*”.

Cash and cash equivalents, restricted funds and receivables, are classified as loans and receivables.

Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as FVTPL or other financial liabilities. Obligations under finance leases, the liability portion of convertible debentures, and payables and accruals are classified as other financial liailities.

(n) Convertible Debentures
The holder has the right to demand that the Company pay all or part of the liability associated with the Company's outstanding convertible notes in cash on the conversion date. Accordingly, the Company classifies the convertible notes as a financial liability with a conversion feature. The liability component is recognized initially at its fair value. The equity component representing the conversion feature is recognized as the difference between the face value of the convertible notes as a whole and the value of the liability component, as a separate component of equity. The liability component is subsequently measured at amortized cost using the effective interest method.

Interest, gains and losses related to the liability component are recognized in profit or loss.

(o) Share based Payments
The Company's share based stock option plan is designed to advance the interests of the Company by encouraging employees, officers and directors to have equity participation in the Company through the

acquisition of common shares. Stock options granted vest either immediately or over a period of two years. Stock options have an exercise price of no less than the closing price of the common shares on the Toronto Stock Exchange on the trading day immediately preceding the date on which the options are granted and are exercisable for a period not to exceed five years. The cost of these stock options is measured using the estimated fair value at the date of the grant determined using the Black-Scholes option pricing model.

The Black-Scholes option pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on historical data on the average hold period before exercise, expiry or cancellation. Annually, the estimated forfeiture rate is adjusted for actual forfeitures in the period.

Expected volatility is estimated with reference to the historical volatility of the share price of the Company. The costs are recognized over the vesting period of the option. The total amount recognized as an expense is adjusted to reflect the number of options expected to vest at each reporting date. The corresponding credit for these costs is recognized in contributed surplus.

(p) Operating Segments

The Company operates in one industry segment, the gold mining and related activities industry including exploration, extraction, processing and decommissioning. All of the Company's operations are located within one geographical area.

(q) Earnings per Share

Basic earnings per share ("EPS") is calculated by dividing the net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury method of calculating the weighted average number of common shares outstanding, except the if-converted method is used in assessing the dilution impact of convertible notes. The treasury method assumes that outstanding stock options with an average exercise price below the market price of the underlying shares are exercised and the assumed proceeds are used to repurchase common shares of the Company at the average price of the common shares for the period. The if-converted method assumes that all convertible notes have been converted in determining diluted EPS if they are in-the-money except where such conversion would be anti-dilutive.

(r) Foreign Currency Translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and all subsidiaries. The functional currency has remained unchanged during the reporting periods for all entities of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items using year-end exchange rates are recognized in the income statement.

Non-monetary items, if any, measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

(s) Flow-through Shares

Under Canadian income tax legislation, a company is permitted to issue flow through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow through share premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recognized as a deferred tax recovery. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

4. SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Critical Judgment in Applying Accounting Policies

Exploration and evaluation expenditures

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

Key Sources of Estimation Uncertainty

(i) Reserves and resources

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

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

(ii) Depletion

Mining properties are depleted using the 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 applicable to each mining operation. Also, future changes to environmental laws and regulations could increase the extent of decommissioning work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for decommissioning. The provision represents management's best estimate of the present value of the future decommissioning obligation. Actual future expenditures may differ from the amounts currently provided.

(iv) Share based payments

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

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

(v) Income taxes and deferred taxes

The Company is subject to income tax laws in various jurisdictions. Tax laws are complex and potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for income taxes and deferred tax represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the period. The Company may be required to change its provision for income taxes or deferred tax balances when the ultimate deductibility of certain items is successfully challenged by taxing authorities or if estimates used in determining the amount of deferred tax asset to be recognized changes 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 NRV. Impairments of ore in stockpiles resulting from NRV impairments are reported as a component of current period costs.

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

(viii) Equity component of convertible debentures

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

(iv) Provisions and contingent liabilities

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

5. UPCOMING CHANGES IN ACCOUNTING STANDARDS

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.

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.

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.

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.

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 lease 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.

6. RECEIVABLES AND PREPAIDS

	December 31, 2017	December 31, 2016
Vendor deposit	**$ 1,649**	$ -
Prepaids, deposits and other	**556**	776
Receivable from gold sale	**1,616**	-
	$ 3,821	$ 776

7. INVENTORIES

	Note	December 31, 2017	December 31, 2016
Gold in process	7(i)	**$ 2,900**	$ 1,708
Supplies		**2,007**	1,712
Ore stockpiles	7(ii)	**407**	2,509
		$ 5,314	$ 5,929

(i) Gold in process inventory consists of both gold doré and gold in process that are awaiting the completion of the final refining process into saleable gold, expected within one month of the financial statement date.

(ii) Ore stockpiles include Mishi stockpile carried at cost of $407 as at December 31, 2017compared to a net realizable value at December 30, 2016, after a write-down of $1,585.

8. MINING PROPERTIES, PLANT AND EQUIPMENT

		Eagle River Complex			Kiena Complex			
	Note	Mining Properties	Plant and Equipment	Subtotal	Mining Properties	Plant and Equipment	Subtotal	Total
Gross Carrying Amount								
Balance, December 31, 2015		83,550	14,209	97,759	35,201	1,205	36,406	134,165
Additions		17,500	4,149	21,649	-	45	45	21,694
Decommissioning asset	13	2,542	-	2,542	-	-	-	2,542
Disposals		-	(953)	(953)	-	(561)	(561)	(1,514)
Balance, December 31, 2016		103,592	17,405	120,997	35,201	689	35,890	156,887
Additions		**14,581**	**3,405**	**17,986**	**-**	**7**	**7**	**17,993**
Decommissioning adjustment	13	**502**	**-**	**502**	**-**	**-**	**-**	**502**
Write down of fixed assets			**(316)**	**(316)**	**-**	**-**	**-**	**(316)**
Disposals		**-**	**(928)**	**(928)**	**-**	**(114)**	**(114)**	**(1,042)**
Balance, December 31, 2017		**$118,675**	**$ 19,566**	**$138,241**	**$ 35,201**	**$ 582**	**$ 35,783**	**$174,024**
Accumulated Depletion and Write-downs								
Balance, December 31, 2015		(34,384)	(6,461)	(40,845)	(35,201)	(771)	(35,972)	(76,817)
Depletion		(5,408)	(1,557)	(6,965)	-	(19)	(19)	(6,984)
Accumulated depletion on disposals		-	860	860	-	295	295	1,155
Balance, December 31, 2016		(39,792)	(7,158)	(46,950)	(35,201)	(495)	(35,696)	(82,646)
Depletion		**(8,647)**	**(2,069)**	**(10,716)**	**-**	**(25)**	**(25)**	**(10,741)**
Accumulated depletion on disposals		**-**	**658**	**658**	**-**	**80**	**80**	**738**
Balance, December 31, 2017		**$ (48,439)**	**$ (8,569)**	**$ (57,008)**	**(35,201)**	**$ (440)**	**$ (35,641)**	**$ (92,649)**

Net carrying amount,							
December 31, 2016	$ 63,800	$ 10,247	$ 74,047	$ -	$ 194	$ 194	$ 74,241
December 31, 2017	**$ 70,236**	**$ 10,997**	**$ 81,233**	**$ -**	**$ 142**	**$ 142**	**$ 81,375**

(i) Eagle River Complex

The Eagle River Complex consists of the Eagle River Mine, the Mishi Mine and the Eagle River Mill and all related infrastructure and equipment.

The Eagle River Mine is subject to a 2% net smelter return royalty.

(ii) Kiena Complex

The Kiena Complex consists of the Kiena Mine concession, Kiena Mill, related infrastructure and equipment and land position in the Township of Dubuisson, Quebec.

The Kiena Mine is not subject to any underlying royalties.

9. EXPLORATION PROPERTIES

	Notes	Kiena Group	Moss Lake Group	Mishi/Eagle Group	Total
Balance, December 31, 2015		25,635	3,626	5,148	34,409
Acquisition	9(i)	-	1,314	-	1,314
Disposal	9(ii)	(7,000)	-	-	(7,000)
Exploration expenditures		5,082	764	3,804	9,650
Balance, December 31, 2016		23,717	5,704	8,952	38,373
Exploration expenditures		**14,040**	**4,379**	**3,137**	**21,556**
Balance, December 31, 2017		**$ 37,757**	**$ 10,083**	**$ 12,089**	**$ 59,929**

(i) Acquisition

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

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

(a) with respect to the purchase of the Coldstream portion of the properties:

- (i) an aggregate of $400,000 cash, and
- (ii) 454,545 fully paid and non-assessable common shares valued at $1.65 per common share in the capital of Wesdome for a total of $750,000 non-cash consideration; and

(b) with respect to the purchase of the Hamlin portion of the properties, an aggregate of $100,000 cash.

The Company incurred legal and other costs of $64,000 related to this acquisition.

(ii) Disposal

In June, 2016, the Company sold certain mining claims, including the Joubi and Dubuisson Ouest properties and a portion of the Mine École property, in Val d'Or, Quebec, to Agnico Eagle Mines Limited ("Agnico Eagle") for $7,000,000. The transaction includes surface rights, drill core, resource and intellectual data, infrastructure and equipment, where applicable. As part of the transaction, Agnico Eagle granted Wesdome a 2% Net Smelter Royalty ("NSR") on the Mine École property and a 3% NSR on the Joubi property.

The Kiena Group Properties (previously termed "The Wesdome Group Properties")
The Kiena Group Properties include the Wesdome, Shawkey, Siscoe and Siscoe-Extension, Mine École, Lamothe, Lamothe-Extension, Yankee Clipper and Callahan properties. These properties, in conjunction with the Kiena Complex, are contiguous and are integrated into the Company's long term strategy of progressive exploration and development from a central infrastructure.

Wesdome property
The Company has a 100% interest in this property which is located under de Montigny Lake in Vassan and Dubuisson Townships, Quebec and is contiguous to the Kiena Complex. The property is subject to a 1% net smelter royalty.

Shawkey properties
The Company has a 100% interest in the Shawkey and the Shawkey South properties, which are contiguous to the Kiena Complex, in Dubuisson Township, Quebec. The Shawkey South property is subject to a 1% net smelter royalty.

Siscoe and Siscoe-Extension properties
The Siscoe property is located in Dubuisson and Vassan Townships, Quebec which are contiguous to the Kiena Complex.

The Company owns a 100% interest in the Siscoe property and a 75% interest in the Siscoe-Extension property. The original vendor of these properties retains a 3% net smelter return royalty of which 1% can be purchased for $500,000.

Mine École property
The Mine École property is located in Dubuisson Township and is located southeast and contiguous to the Shawkey property.

Other properties
Other properties consist of interests in the Lamothe, Lamothe-Extension, Yankee Clipper and Callahan properties which are contiguous to the Wesdome property.

The Lamothe and Callahan properties are subject to a 1% net smelter royalty, and the Yankee Clipper property which is subject to a 2% net profits royalty.

Moss Lake Group Properties
The Moss Lake Group Properties include Moss Lake, Coldstream and Hamlin properties which are located 100 kilometres due west of Thunder Bay, Ontario.

Moss Lake
The Moss Lake property is owned by Moss Lake Gold Mines Ltd. ("MLGM") which is obligated to pay underlying advance royalties of $5,469 per quarter to the vendors of the Moss Lake property until commercial production is achieved. Upon commencement of commercial production, the property is subject to an 8.75% net profits royalty, as defined, to these underlying vendors in lieu of the underlying advance royalty.

MLGM owns a 100% interest in the Fountain Lake property which is contiguous to the Moss Lake property to the east, west and south. This property is subject to a 2.5% net smelter return royalty payable to certain original vendors of the property. This royalty is subject to a buyback clause whereby the royalty may be reduced to a 1.5% net smelter return for consideration of $1,000,000.

Coldstream and Hamlin
The Coldstream and Hamlin properties flank the Moss Lake property and include the former producing Coldstream Mine and East Coldstream gold deposit and their potential untested extensions. This acquisition also eliminates a historically inconvenient property boundary immediately along strike of the Moss Lake gold deposit. Some of these properties are subject to NSR's of up to 3%.

The Mishi/Eagle Group Properties
The Mishi/Eagle Group Properties include the Magnacon, Magnacon East, Mishi West and Pukaskwa properties. With the exception of the Pukaskwa property, these properties are contiguous with the Mishi Mine property, Eagle River Complex.

Magnacon properties
The eastern portion of the land package includes the 100% owned Magnacon and Magnacon East properties which are subject to underlying net smelter return royalties of 1.5% and 2.0%, respectively. They host the current mill and tailings infrastructure, significant historic underground workings and numerous gold prospects.

Pukaskwa properties
The 100% owned Pukaskwa exploration property is located 20 kilometres west of the Eagle River Mill and hosts several promising gold occurrences.

10. PAYABLES AND ACCRUALS

	December 31, 2017	December 31, 2016
Trades payable	**$ 11,668**	$ 9,893
Payroll related payable	**3,685**	1,826
Interest payable on convertible debentures	**-**	112
Advances under finance lease	**1,650**	-
	$ 17,003	$ 11,831

11. OBLIGATIONS UNDER FINANCE LEASES

The Company leases, with options to purchase, certain mining equipment. Future minimum payments under finance leases are as follows:

	December 31, 2017	December 31, 2016
Not later than one year	**$ 2,715**	$ 2,268
Later than one year and not later than five years	**4,107**	4,428
Total minimum lease payments	**6,822**	6,696
Less: Interest portion at the weighted average interest rate of 3.31% (2016: 3.62%)	**298**	394
Total obligations under finance leases, secured by equipment	**6,524**	6,302
Less: Current portion	**2,541**	2,079
Long-term portion	**$ 3,983**	$ 4,223

The cost of equipment under finance leases at December 31, 2017 is $11,252,000 (2016: $9,883,000) with related accumulated depreciation of $2,988,000 (2016: $1,944,000). These assets are included in plant and equipment.

Credit Facilities
At December 31, 2017, the Company had credit facilities of a maximum of $36.0 million comprised of a $1.0 million in commercial card program, a $20.0 million revolving equipment financing facility and a $15.0 million standby letters of credit facility as disclosed in Note 13(b). These facilities are secured by a fixed charge over all property together with a floating charge over all other assets, and together contain certain financial covenants, which the Company was in compliance at December 31, 2017.

At December 31, 2017, $8,196,000 was drawn under the equipment financing facility (including approximately $1,700,000 of cash advanced to suppliers for progress payments) and $8,574,000 and $575,000, standby letters of credit have been issued for closure plans for the Eagle River Complex and the

Kiena Complex (note 13(b)) and for Quebec Hydro and IESO guarantees, respectively. The Company does not pay a standby rate on any undrawn amount. Amounts drawn under the equipment financing facility are subject to separate lease agreements with a maximum term of 5 years and interest rates which are variable depending on when the finance leases are entered into. The letters of credit facility has an annual fee of 1% on issued amounts.

12. CONVERTIBLE DEBENTURES

Liability component	**December 31, 2017**	December 31, 2016
Balance, beginning of year	**$ 6,900**	$ 6,562
Accretion for the year	**103**	338
Conversion in the year	**(4,912)**	-
Repayment at maturity for the year	**(2,091)**	-
Balance, end of year	**$ -**	$ 6,900
Equity component		
Balance, beginning of year	**$ 932**	$ 932
Conversion/maturity in the year	**(932)**	-
Balance, end of year	**$ -**	$ 932

The convertible debentures with a face value of $7,021,000 bearing interest at 7% matured on May 24, 2017, with conversion at $2.50 per common share of the Company. The liability component of these debentures was calculated, at the date of issuance, as the present value of the principal and interest, at a rate approximating the interest rate that would have been applicable to non-convertible debt at the date the debentures were issued. The liability component was recorded at amortized cost and is accreted to the principal amount over the term of the convertible debentures by charges to interest expense using an effective interest rate of 12.50%. The initial carrying value of the conversion option of $932,000, which is net of issue costs ($57,000) and deferred income tax ($122,000) had been recorded as a separate component in total equity.

During the year, $4,930,000 of the $7,021,000 convertible debentures, with an accreted value of $4,912,000, were converted at the option of the debenture holders into 1,972,000 common shares of the Company. The remaining balance of $2,091,000 was repaid at maturity. Accordingly, all of the $932,000 equity component was transferred to retained earnings.

13. DECOMMISSIONING PROVISIONS

The Company is committed to a program of environmental protection at its mines, development projects and exploration sites which are subject to various federal and provincial laws and regulations. The Eagle River and Mishi ores and waste rocks are not acid generating which minimizes the environmental risks of mining. The Magnacon Mine, which is located next to the Eagle River Mill, and the Kiena Complex are both under care and maintenance.

The Company has recorded the decommissioning costs at its active and dormant mine sites on the basis of management's best estimates of future costs to settle the obligations on the closing date, based on information available on the reporting date. Although the ultimate amount of decommissioning costs is uncertain, the Company estimated its future decommissioning costs for the Eagle River Mine, Mishi Mine, Magnacon Mine and the Eagle River Mill (the "Eagle River Complex") to be about $4,600,000 which has been discounted over a period of six years using a discount rate of 3.82%; and the Kiena Mine Complex complex to be about $7,027,000 which has been discounted over a period of one and one half years using a discount rate of 3.6%. The Company has provided $8,574,000 (2016: nil, see note 13(b) below) standby letters of credit to be held against these future environmental obligations.

a) Change in decommissioning provisions

The following table presents the reconciliation of the aggregate carrying amount of the obligation associated with the retirement of mining properties:

	Note	**December 31, 2017**	December 31, 2016
Balance, beginning of year		**$ 10,480**	$ 7,958
Accretion expense for the year		**368**	224
Change in provisions - Kiena		**(158)**	(244)
Changes to estimates, Eagle River Complex	13(a)(i)	**502**	2,542
		$ 11,192	$ 10,480

(i) In late 2016, the Company commissioned a third party consultant to revise the closure plans for the Eagle River Complex. These revised plans, when completed, will be submitted to the Ontario Ministry of Northern Development and Mines for their review and approval at which time additional standby letters of credit may be required. The Company has received preliminary revised estimates totalling $5,897,000 in place of the previous estimated total of $4,554,000. Decommissioning costs have been discounted to $3,236,000 with a corresponding increase in mining assets as at December 31, 2016, using a risk-adjusted rate of 3.82% over 7 years. The Eagle River Mine estimates have been adjusted for an additional year due to an increase in reserves and an increase in risk-adjusted rate resulting in $502,000 increase to the reclamation provision and corresponding decommissioning asset. The Kiena Complex estimate has been reduced by $158,000, an adjustment from Government of Québec.

b) Standby letters of credit and restricted funds

The Company has issued letters of credit to the Ontario and Québec governments as guarantees for the settlement of the decommissioning provisions underlying closure plans submitted for the Eagle River and Kiena Mine Complexes, respectively. These letters of credit were secured by cash as at December 31, 2016. The requirement to restrict cash for the issued letters of credit was removed in 2017 with the closing of the credit facilities as referred to in note 11.

	December 31, 2017	December 31, 2016
Standby letters of credit:		
Eagle River Complex	**$ 1,547**	$ -
Kiena Complex	**7,027**	-
	$ 8,574	$ -
Restricted funds:		
Eagle River Complex	**$ -**	$ 1,546
Kiena Complex	**-**	5,374
	$ -	$ 6,920

14. CAPITAL STOCK

Authorized:
The authorized capital of the Company consists of an unlimited number of common shares without par value.

	Notes	Shares	Amount
Issued:			
Balance, December 31, 2015		118,053,015	$ 137,126
Prospectus issuance, net of issue cost and tax	14(i)	10,465,000	16,277
Acquisition of Coldstream and Hamlin properties	9(i)	454,545	750
Exercise of options		1,337,516	2,249
Balance, December 31, 2016		130,310,076	$ 156,402
Conversion of convertible debentures	12	**1,972,000**	**4,912**
Exercise of options		**1,607,722**	**2,847**
Balance, December 31, 2017		**133,889,798**	**$ 164,161**

Prospectus

On April 29, 2016, the Company closed a public offering of 10,465,000 common shares at a price of $1.65 per common share, for total gross proceeds of approximately $17,267,000, including the exercise in full of the over-allotment option by the underwriters. The Company paid underwriting commissions of approximately $863,000 and legal and regulatory costs of $387,000 for net proceeds of $16,017,000. The deferred tax recovery of $260,000 on total issue costs of $1,250,000 was included in deferred tax assets.

15. COMMON SHARE PURCHASE PLAN

The Company had, until May 3, 2017, an equity settled common share purchase plan (the “Stock Option Plan”) under which the Board of Directors may grant options to purchase common shares to directors, officers, employees and independent contractors of Wesdome and/or its affiliates (collectively, the “Service Providers”). The maximum aggregate number of common shares under option at any time pursuant to the Stock Option Plan was 10% of the issued and outstanding common shares at the time of the grant.

On May 3, 2017, the Board of Directors approved the 2017 omnibus equity incentive plan of Wesdome (the “2017 Omnibus Plan”) pursuant to which it is able to issue share-based long term incentives. All Service Providers are eligible to receive Awards, as defined below, under the 2017 Omnibus Plan.

The 2017 Omnibus Plan replaced the Company’s existing Stock Option Plan which remains in effect but no further options will be issued thereunder.

The types of awards available under the 2017 Omnibus Plan include options, restricted share units, performance share units, deferred share units and dividend-equivalent rights (collectively, "Awards"). Under the 2017 Omnibus Plan, the maximum number of Common Shares issuable from treasury pursuant to Awards shall not exceed 10% of the total outstanding Common Shares from time to time less the number of Common Shares issuable pursuant to all other security-based compensation arrangements of Wesdome (being the existing Stock Option Plan).

As at December 31, 2017, Awards to purchase 7,296,592 common shares of Wesdome were available for grant under the Omnibus Plan.

The following table reflects the continuity of options granted for the years ended December 31, 2017 and 2016.

	December 31, 2017		December 31, 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**6,561,688**	**1.52**	4,980,178	1.07
Granted	**1,188,422**	**3.14**	3,235,000	2.08
Exercised	**(1,607,722)**	**1.19**	(1,337,516)	1.02
Expired	**(60,000)**	**1.85**	(275,974)	2.52
Forfeited	**-**	**-**	(40,000)	1.03
Outstanding, end of year	**6,082,388**	**1.92**	6,561,688	1.52

Range of exercise prices	Outstanding Options: Number outstanding	Outstanding Options: Weighted average remaining life (years)	Outstanding Options: Weighted average exercise price $	Exercisable Options: Number exercisable	Exercisable Options: Weighted average exercise price $
less than $1.00	898,766	0.97	0.71	898,766	0.71
$1.00 - $1.50	1,260,000	2.67	1.21	1,247,500	1.21
$1.51 - $2.00	1,230,000	3.54	1.68	780,000	1.71
$2.01 - $2.50	1,815,200	4.10	2.46	822,700	2.46
$2.51 - $3.00	-	-	-	-	-
$3.01 - $4.00	878,422	4.36	3.38	285,000	3.45
	6,082,388	3.26	1.92	4,033,966	1.61

The weighted average share price on the date of exercise of options in 2017 was $2.72 (2016: $1.96). The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. For the years ended December 31, 2017 and 2016, grant date fair value estimates were based on the following variables:

	Years Ended December 31, 2017	2016
Weighted average fair value, per option ($)	**1.64**	1.01
Weighted average risk-free interest rate (%)	**0.97**	0.76
Weighted average volatility (%)	**68**	69
Expected life (years)	**4.4**	4.6
Forfeiture rate	**-**	-

The estimated fair value of the options granted is expensed over the vesting period. The fair value compensation and contributed surplus relating to stock options was $2,778,000 (2016: $1,734,000). The average fair value of the options granted during the year was $2.72 (2016: $1.96).

16. INCOME TAXES

Deferred tax assets/(liabilities) arising from temporary differences and unused tax losses are summarized as follows:

	January 1, 2017	Recognized in equity	Recognized in profit and loss	December 31, 2017
Unclaimed non-capital losses	**$ 2,345**	**$ -**	**$ (27)**	**$ 2,318**
Investment tax credit	**70**	**-**	**-**	**70**
Unclaimed SR&ED expense	**127**	**-**	**(1)**	**126**
Eligible capital property	**139**	**-**	**(139)**	-
Deductible reclamation costs	**2,777**	**-**	**190**	**2,967**
Unclaimed financing costs	**291**	**(75)**	-	**216**
Ontario resource profit tax credit	**1,081**	**-**	**(49)**	**1,032**
Equity portion of convertible debenture	**(32)**	**5**	**27**	**-**
Inventory	**-**	**-**	**(4)**	**(4)**
Mining properties, plant, and eqipment	**211**	**-**	**(3,156)**	**(2,945)**
Mining tax	**-**	**-**	**(4,630)**	**(4,630)**
Net deferred tax asset (liability)	**$ 7,009**	**$ (70)**	**$ (7,789)**	**$ (850)**

Balance Sheet classification:

	January 1, 2017	December 31, 2017
Deferred income tax assets	$ 7,009	**$ 5,450**
Deferred mining tax liability	-	**(6,300)**
Net deferred tax asset (liability)	$ 7,009	**$ (850)**

	January 1, 2016	Recognized in equity	Recognized in profit and loss	December 31, 2016
Unclaimed non-capital losses	$ 2,328	$ -	$ 17	$ 2,345
Investment tax credit	70	-	-	70
Unclaimed SR&ED expense	127	-	-	127
Eligible capital property	149	-	(10)	139
Deductible reclamation costs	2,109	-	668	2,777
Unclaimed financing costs	32	259	-	291
Ontario resource profit tax credit	1,066	-	15	1,081
Equity portion of convertible debenture	(122)	-	90	(32)
Mining properties, plant, and eqipment	4,634	-	(4,423)	211
Net deferred tax asset	$ 10,393	$ 259	$ (3,643)	$ 7,009

The following table reconciles the expected income tax (expense)/recovery at the combined Federal and Ontario statutory income tax rate 26.5% (2016: 26.5%) to the amounts recognized in the consolidated statements of income.

	Years Ended December 31,	
	2017	2016
Income before mining and income taxes as reflected in consolidated statements of income	**$ 9,798**	$ 9,856
Expected income tax expense	**$ 2,597**	$ 2,612
Non-deductible expense	**11**	7
Stock compensation expense	**736**	460
Derecognition of deferred tax asset	**33**	-
Ontario resource allowance tax credit		(123)
Mining taxes	**5,122**	-
Accretion of discount on convertible debentures	**-**	(90)
Flow-through renunciation	**137**	795
Other	**(125)**	(18)
Mining and income tax expense before share premium on flow-through financing	**8,511**	3,643
Share premium on flow-through financing	**-**	(673)
Mining and income tax expense	**$ 8,511**	$ 2,970

(i) Tax receivable

The Company filed amended mining tax returns with Revenu Québec for the 2009 and 2010 taxation years related to operations at its Kiena Complex. The Company received notification in 2016 of an aggregate refund of approximately $900,000 overpayment previously made for both years and the full balance was received in 2017.

	December 31, 2017	December 31, 2016
Sales tax	**$ 1,932**	$ 2,006
Mining tax	**-**	900
	$ 1,932	$ 2,906

(ii) Temporary differences for which no tax benefit is recognized

No tax benefit has been recorded for the deductible temporary differences and non-capital losses, totaling $4,216,369 and $6,571,949, of MLGM and Windarra, respectively. Losses of $2,549,747 will expire between 2025 and 2037.

17. NET EARNINGS PER SHARE

	Years Ended December 31, 2017	2016
Earnings available to common shareholders	**$ 1,287**	$ 7,786
Weighted average number of shares, basic (000s)	**132,871**	126,158
Dilutive securites – options (000s)	**2,056**	1,928
Weighted average number of shares, diluted (000s)	**134,927**	128,086
Basic earnings per share	**$ 0.01**	$ 0.06
Diluted earnings per share	**$ 0.01**	$ 0.06
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect:		
Options (000s)	**878**	1,860
Convertible debentures (000s)	**-**	2,808

18. REVENUES

	Years Ended December 31, 2017	2016
Gold from mining operations	**$ 94,932**	$ 81,586
Gold from Kiena mill cleanup	**900**	2,445
Silver from mining operations	**225**	-
	$ 96,057	$ 84,031

19. COST OF SALES

	Years Ended December 31, 2017	2016
Mining and processing	**$ 62,005**	$ 57,995
Depletion and depreciation	**10,608**	7,067
Royalties	**1,615**	1,298
	$ 74,228	$ 66,360

20. INTEREST ON LONG-TERM DEBT

	Notes	Years Ended December 31, 2017	2016
Interest on convertible debentures	12	**$ 127**	$ 491
Accretion of discount on convertible debentures	12	**103**	338
Interest on obligations under finance leases	11	**232**	201
		$ 462	$ 1,030

21. EMPLOYEE BENEFITS

	Years Ended December 31, 2017	2016
Salaries and short-term employee benefits	**$ 27,182**	$ 26,107
Restructuring payable expense	**930**	-
Restructuring expense paid	**1,229**	686
Long-term benefits	**456**	412
Share-based payments	**2,778**	1,734
	$ 32,575	$ 28,939

Allocation of employee benfits

	2017	2016
Salaries and employee benefits expensed to mining and processing expenses	**$ 28,588**	$ 25,010
Salaries and employee benefits capitalized	**3,987**	3,929
	$ 32,575	$ 28,939

22. RELATED PARTY INFORMATION

Key management of the Company are its Board of Directors and members of executive management. Key management personnel remuneration includes the following payments:

	Years Ended December 31, 2017	2016
Restructuring costs, termination benefits [1]	**$ 2,159**	$ 686
Salaries and short-term employee benefits	**2,367**	2,566
Share-based payments	**2,343**	1,195
Long-term benefits	**66**	77
	$ 6,935	$ 4,524

[1] Included amounts payable of $930,000 as at December 31, 2017.

23. SUPPLEMENTAL CASH FLOW INFORMATION

	Notes	Years Ended December 31, 2017	2016
Net changes in non-cash working capital			
Operating activities			
Receivables and prepaids		**$ (3,045)**	$ 1,301
Payables and accruals		**4,226**	2,270
Mining and income tax payable		**671**	-
Gold in process and ore stockpiles		**1,045**	(1,021)
Supplies and other		**(236)**	(53)
		$ 2,661	$ 2,497
Investing activities			
Receivables and prepaids		**$ 74**	$ (729)
Payables and accruals		**1,056**	567
Supplies and other		**(59)**	(13)
		$ 1,071	$ (175)

Non-cash transactions:

Advance under finance lease		**$ 1,649**	$ -
Conversion of debt into capital stock		**4,912**	-
Change to decommissioning provisions	13	**502**	2,522
Mining property assets acquired under finance leases		**2,975**	3,515
Shares issued to acquire properties	9(i)	**-**	750
		$ 10,038	$ 6,787

24. FINANCIAL INSTRUMENTS

Financial instruments disclosures requires the Company to provide information about: a) the significance of financial instruments for the Company's financial position and performance and, b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the statement of financial position date, and how the Company manages those risks.

Fair Values

Following is a table which sets out the fair values of recognized financial instruments using the valuation methods and assumptions described below:

December 31, 2017	**Loans and Receivables**	**Other Financial Liabilities**	**Total Carrying Amount**	**Fair Value**
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 tax payable	**-**	**671**	**671**	**671**
Obligations under capital leases	**-**	**6,524**	**6,524**	**6,524**
Total liabilities	**$ -**	**$ 24,198**	**$ 24,198**	**$ 24,198**

December 31, 2016	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash and cash equivalents	$ 26,760	$ -	$ 26,760	$ 26,760
Receivables and prepaids	776	-	776	776
Tax	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
Obligations under capital leases	-	6,302	6,302	6,302
Convertible debentures	-	6,900	6,900	7,723
Total liabilities	$ -	$ 25,033	$ 25,033	$ 25,856

The fair value of cash and cash equivalents, receivables, restricted funds payables, and accruals 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 were 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 years ended 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 net earnings
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.

The following table shows the timing of cash outflows relating to payables and accruals, finance leases and other financial obligations as at December 31, 2017:

	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals	$ 17,003	$ -	$ -	$ -
Obligations under finance leases	2,715	2,583	1,524	-
Operating leases	360	360	1,080	-
Decommissioning liabilities	-	7,027	-	5,897
Mining and income taxes	671	-	-	-
Permitting fees	155	-	-	-
Total	$ 20,904	$ 9,970	$ 2,604	$ 5,897

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.

Capital Risk Management

The Company's objectives of capital management are intended to safeguard its ability to support the Company's normal operating requirements on an ongoing basis, continue the development and exploration of its mineral properties and support any expansionary plans.

The capital of the Company consists of items included in equity net of cash and cash equivalents:

	December 31, 2017	December 31, 2016
Total equity	**$ 138,223**	$ 127,401
Cash and cash equivalents	**(22,092)**	(26,760)
Capital	**$ 116,131**	$ 100,641

25. RESTRUCTURING COSTS

The Company incurred one-time severance payments for the four retired executives in the amount of $2,159,000 for the year ended December 31, 2017 (2016: $686,000).

26. QUEBEC EXPLORATION CREDITS CONTINGENCY

The Company was reassessed by Revenu Québec in 2011 for exploration credits claimed in 2005 and 2006 relating to the Kiena exploration properties. The Company repaid $5,220,000 including interest relating to these reassessments in 2011 in order to avoid further interest in the event of an unsuccessful appeal. The Company launched appeals of these reassessments and was successful for both years. In April 2016, Revenu Québec appealed the decisions of the Court of Quebec, however it refunded $2,620,000 of the reassessed amount in July 2016.

The Kiena mining assets were written off after being placed on care and maintenance in 2013 and accordingly, the Company recorded as income the $2,620,000 refund in fiscal year 2016.

The Company will recognize as income the remaining $2,600,000 balance pending an appeal favourable to the Company. In the event that Revenu Québec is successful upon appeal, the likelihood of which is considered low by management, then the Company will have to repay the $2,620,000 it received in July 2016. The appeal hearing was heard on January 18, 2018 and the outcome of the appeal hearing is still pending.

WESDOME GOLD MINES LTD.

2017 ANNUAL
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with Wesdome Gold Mines Ltd.'s ("**Wesdome**" or "the **Company**") 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	*October 1, 2017 – December 31, 2017*	**Q4 2016**	*October 1, 2016 – December 31, 2016*
Q3 2017	*July 1, 2017 – September 30, 2017*	**Q3 2016**	*July 1, 2016 – September 30, 2016*
Q2 2017	*April 1, 2017 – June 30, 2017*	**Q2 2016**	*April 1, 2016 – June 30, 2016*
Q1 2017	*January 1, 2017 – March 31, 2017*	**Q1 2016**	*January 1, 2016 – March 31, 2016*

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	• 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	• 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	• 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	• 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

	Years ended December 31	
(in $000, except per share amounts)	**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)

(in $000, except per share amounts)	**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 maintenace		**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 favourabley 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 (USS$1,268), respectively (refer to the section entitled “non-IFRS Performance Measures” for the reconciliation of thses 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

(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
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 Prouction

	Three months ended December 31, 2017	2016	Increase /decrease
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 $000s	Three months ended December 31, 2017	2016	Increase /decrease
Revenues [2]	**$ 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:

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

2 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 $000s	Three months ended December 31,				
		2017		**2016**	**Increase /decrease**
Gold revenue from operations	**$**	**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 maintenace 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) (see notes)		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
Mishi [1]							
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 ZONE[1]

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/m^3) is applied at Eagle River and 2.8 t/m^3 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]			
		December 16, 2015	
	Tonnes	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				
Captialized development costs	**$ 3,053**	$ 3,692	**$ 14,161**	$ 15,553
Mining equipment and infrastruture 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 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 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 aactivities 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**	-
	3,924	1,587	-	-	-	504	(1,501)		**5,511**	(997)
Net income (loss) adjusted (a)	**3,357**	1,883	863	695	1,600	8,153	336	(3,300)	**6,798**	6,789
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 confirmity 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.