WESDOME GOLD MINES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

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.

February 21, 2019
Toronto, Canada

/s/ Ben Au
Chief Financial Officer

Grant Thornton LLP
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Wesdome Gold Mines Ltd.:

Opinion

We have audited the consolidated financial statements of Wesdome Gold Mines Ltd. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018, and December 31, 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing these consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we

are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin.

Grant Thornton LLP

Toronto, Ontario
February 21, 2019

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, 2018	As of December 31, 2017
Assets			
Current			
Cash and cash equivalents		**$ 27,378**	$ 22,092
Receivables and prepaids	6	**548**	3,821
Tax receivable	16(i)	**2,342**	1,932
Inventories	7	**8,302**	5,314
Total current assets		**38,570**	33,159
Deferred income tax assets	16	**-**	5,450
Mining properties, plant and equipment	8	**89,643**	81,375
Exploration properties	9	**81,424**	59,929
Total assets		**$ 209,637**	$ 179,913
Liabilities			
Current			
Payables and accruals	10	**$ 22,526**	$ 17,003
Income and mining tax payable		**180**	671
Current portion of obligations under finance leases	11	**4,552**	2,541
Total current liabilities		**27,258**	20,215
Obligations under finance leases	11	**5,248**	3,983
Deferred income and mining tax liability	16	**8,259**	6,300
Decommissioning provisions	13	**11,663**	11,192
Total liabilities		**52,428**	41,690
Equity			
Equity attributable to owners of the Company			
Capital stock	14	**166,387**	164,161
Contributed surplus		**5,777**	3,967
Deficit		**(14,955)**	(29,905)
Total equity attributable to owners of the Company		**157,209**	138,223
Total liabilities and equity		**$ 209,637**	$ 179,913

Commitment and contingencies (notes 13 and 26)

On behalf of the Board:

/s/ Duncan Middlemiss
Director

/s/ Charles Main
Director

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, 2018	2017
Revenues	18	**$ 116,042**	$ 96,057
Cost of sales	19	**81,930**	74,228
Gross profit		**34,112**	21,829
Other expenses			
Corporate and general		**5,259**	4,943
Share based payments	15	**2,614**	2,778
Kiena care and maintenance		**1,695**	1,096
Restructuring costs	25	**-**	2,159
Write-down of mining equipment	8	**290**	316
		9,858	11,292
Operating income		**24,254**	10,537
Interest on long-term debt	20	**(274)**	(462)
Accretion of decommissioning provisions	13	**(412)**	(210)
Interest and other	20	**1,412**	(67)
Income before income and mining taxes		**24,980**	9,798
Income and mining tax expense			
Current	16	**(2,713)**	(722)
Deferred	16	**(7,409)**	(7,789)
		(10,122)	(8,511)
Net income and total comprehensive income		**$ 14,858**	$ 1,287
Earnings per share			
Basic	17	**$ 0.11**	$ 0.01
Diluted	17	**$ 0.11**	$ 0.01
Weighted average number of common shares (000s)			
Basic	17	**134,577**	132,871
Diluted	17	**136,451**	134,927

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, 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
Net income for the year ended December 31, 2018		**-**	**-**	**-**	**14,858**	**14,858**
Exercise of options	15	**1,514**	**-**	**-**	**-**	**1,514**
Value attributed to options exercised		**712**	**(712)**	**-**	**-**	**-**
Value attributed to options expired		**-**	**(92)**	**-**	**92**	**-**
Share based payments	15	**-**	**2,614**	**-**	**-**	**2,614**
Balance, December 31, 2018		**$ 166,387**	**$ 5,777**	**$ -**	**$ (14,955)**	**$ 157,209**

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, 2018	2017
Operating activities			
Net income		**$ 14,858**	$ 1,287
Depletion and depreciation		**18,012**	10,608
Share based payments	15	**2,614**	2,778
Accretion of decommissioning provisions	13	**412**	210
Deferred income and mining tax expense	16	**7,409**	7,789
Interest on long-term debt	20	**274**	359
Accretion of discount on convertible debentures	20	**-**	103
Loss on disposal of equipment		**24**	214
Write-down of mining equipment	8	**290**	316
		43,893	23,664
Net changes in non-cash working capital	23	**5,611**	2,712
Mining tax received (recovery)		**(3,204)**	849
Net cash from operating activities		**46,300**	27,225
Financing activities			
Repayment of convertible debentures	12	**-**	(2,091)
Exercise of options	15	**1,514**	1,915
Finance lease payments		**(3,632)**	(2,753)
Interest paid		**(274)**	(469)
Net cash used in financing activities		**(2,392)**	(3,398)
Investing activities			
Additions to mining properties		**(18,349)**	(15,020)
Additions to exploration properties		**(21,495)**	(21,556)
Funds released from (held against) standby letters of credit	13(b)	**-**	6,920
Proceeds on sale of equipment		**-**	90
Net changes in non-cash working capital	23	**1,222**	1,071
Net cash used in investing activities		**(38,622)**	(28,495)
Increase (decrease) in cash and cash equivalents		**5,286**	(4,668)
Cash and cash equivalents, beginning of year		**22,092**	26,760
Cash and cash equivalents, end of year		**$ 27,378**	$ 22,092
Cash and cash equivalents consist of:			
Cash		**$ 13,378**	$ 13,092
Term deposits		**14,000**	9,000
		$ 27,378	$ 22,092

See accompanying notes to the consolidated financial statements.

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 220 Bay Street, Suite 1200, Toronto, Ontario, Canada, M5J 2W4.

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 February 21, 2019.

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

The Company's primary product is gold; other metals produced as part of the extraction process are considered to be by-products arising from production of gold. Revenue relating to the sale of metals is recognized when control of the metal is transferred to the customer in an amount that reflects the consideration the Company expects to receive in exchange for those products. In determining whether the Company has satisfied the performance obligation, it considered the indicators of the transfer of control, which include, but are not limited to, whether the Company has a present right of payment; the customer has legal title to the asset; the Company has transferred physical possession of the asset to the customer; and the customer has the significant risks and rewards of ownership of the products.

(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 and Mining Taxes

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

Deferred income and mining 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 and mining taxes relating to the initial recognition of an asset or liability in a transaction that, at the time of the transaction, neither affects the 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 sharebased payments, net of the value of expired and exercised grants.

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

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as at fair value through profit or loss ('FVTPL'). The directly attributable transactions costs of financial assets and liabilities as at FVTPL are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and liabilities depends on the classification of such assets and liabilities.

Classification of financial assets

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of financial asset is the amount at which the financial asset is measured at initial recognition minus the principal payments, plus the cumulative amortization using effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

All of the Company's financial assets are measured at amortized cost. The Company's financial assets at amortized costs primarily include cash and cash equivalents and other receivables included in current assets.

Classification of financial liabilities

Financial liabilities are measured at amortized cost using effective interest method.

Impairment

The Company recognizes loss allowance for expected credit losses on its financial assets. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments.

(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 omnibus equity incentive plan (the "2017 Omnibus 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. 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 ("DERs") (collectively, "Awards"). The 2017 Omnibus Plan was established in May 2017 to replace the equity settled common share purchase plan (the "Stock Option Plan") Stock Option Plan, which was in existence since April 2014.

Stock options

Stock options granted vest either immediately or over a period of three 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 share-based compensation 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.

Restrictive Share Units (“RSUs”) and performance share units (“PSUs”)

The RSUs and PSUs are awarded to executives and are measured at fair value, which is determined based on the closing stock price of the Company at the grant date. The fair value of the estimated number of RSUs and PSUs awarded expected to vest is recognized as share-based compensation expense over the vesting period of the RSUs and PSUs with a corresponding amount recorded in contributed surplus until the respective shares are issued in settlement of the RSUs and PSUs. The costs are recognized over the vesting period of the RSUs or PSUs. The total amount recognized as an expense is adjusted to reflect the number of RSUs or PSUs expected to vest at each reporting date. The corresponding credit for these costs is recognized in contributed surplus.

Deferred Share Units Deferred share units (“DSUs”)

DSUs awarded to non-executive directors will be settled in equity and are measured on the fair value which is determined based on the closing stock price of the Company at the grant date. The total amount recognized as an expense is adjusted to reflect the number of DSUs 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

From time to time, the Company issue Flow-through shares to finance its exploration programs. 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.

(t) Comparative figures

Certain figures for the year ended and as at December 2017 have been reclassified to be consistent with the current year's presentation.

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. INITIAL ADOPTION AND UPCOMING CHANGES IN ACCOUNTING STANDARDS

Adoption of New Accounting Standards

IFRS 9 – Financial instruments: Classification and measurement

This new accounting pronouncement, which is 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.

There was no significant impact on the consolidated financial statements upon the adoption of this new standard in the beginning of 2018.

IFRS 15 – Revenue from contract with customers

This new accounting pronouncement, which is 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.

There was no significant impact on the consolidated financial statements upon the adoption of this new standard in the beginning of 2018.

Upcoming Changes in Accounting Standards

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.

6. RECEIVABLES AND PREPAIDS

	December 31, 2018	December 31, 2017
Vendor deposits	**$ 162**	$ 1,649
Prepaids, deposits and other	**386**	556
Accounts receivable (trade)	**-**	1,616
	$ 548	$ 3,821

7. INVENTORIES

	Note	December 31, 2018	December 31, 2017
Gold in process	7(i), (ii)	**$ 4,182**	$ 2,900
Supplies		**2,185**	2,007
Ore stockpiles	7(iii)	**1,935**	407
		$ 8,302	$ 5,314

(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) Gold in process inventory includes Mishi inventory carried at net realizable value of $196,000 after a write-down of $67,000,.and Eagle River inventory carried at cost of$3,986,000. Eagle and Mishi gold in process inventories as at December 31, 2017 were carried at cost of $2,500,000, and $400,000, respectively.

(iii) Ore stockpile includes inventories of Mishi carried at net realizable value of $822,000 after a write-down of $176,000 and Eagle River carried at of $1,113,000 as at December 31, 2018., Ore stockpile for Mishi was carried at cost of $407,000 as at December 31, 2017.

The amount of inventory recognized as an expense for the year ended December 31, 2018 is $65,858,000 (December 31, 2017: $60,960,000) and is included in cost of sales. See Note 19 to the financial statements.

8. MINING PROPERTIES, PLANT AND EQUIPMENT

		Eagle River Complex			Kiena Mine Complex			
	Note	Mining Properties	Plant and Equipment	Subtotal	Mining Properties	Plant and Equipment	Subtotal	Total
Gross Carrying Amount								
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
Additions		**16,086**	**9,111**	**25,197**	**-**	**120**	**120**	**25,317**
Inter-company transfer		**-**	**35**	**35**	**-**	**(35)**	**(35)**	**-**
Write down of fixed assets		**-**	**(342)**	**(342)**	**-**	**(9)**	**(9)**	**(351)**
Disposals		**-**	**(94)**	**(94)**	**-**	**(17)**	**(17)**	**(111)**
Balance, December 31, 2018		**$134,761**	**$ 28,276**	**$163,037**	**$ 35,201**	**$ 641**	**$ 35,842**	**$198,879**

	Note	Eagle River Complex Mining Properties	Eagle River Complex Plant and Equipment	Eagle River Complex Subtotal	Kiena Mine Complex Mining Properties	Kiena Mine Complex Plant and Equipment	Kiena Mine Complex Subtotal	Total
Accumulated Depletion and Write-downs								
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)
Depletion		**(11,859)**	**(4,835)**	**(16,694)**	**-**	**(41)**	**(41)**	**(16,735)**
Write down of fixed assets		**-**	**61**	**61**	**-**	**-**	**-**	**61**
Accumulated depletion on disposals		**-**	**70**	**70**	**-**	**17**	**17**	**87**
Balance, December 31, 2018		**$ (60,298)**	**$ (13,273)**	**$ (73,571)**	**$ (35,201)**	**$ (464)**	**$ (35,665)**	**$(109,236)**
Net carrying amount,								
December 31, 2017		$ 70,236	$ 10,997	$ 81,233	$ -	$ 142	$ 142	$ 81,375
December 31, 2018		**$ 74,463**	**$ 15,003**	**$ 89,466**	**$ -**	**$ 177**	**$ 177**	**$ 89,643**

(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 Mine Complex

The Kiena Mine 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

	Kiena Group	Moss Lake Group	Mishi/Eagle Group	Total
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
Exploration expenditures	**21,429**	**66**	**-**	**21,495**
Balance, December 31, 2018	**$ 59,186**	**$ 10,149**	**$ 12,089**	**$ 81,424**

The Kiena 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

	Notes	December 31, 2018	December 31, 2017
Trades payable		**$ 15,623**	$ 11,668
Employees related payable		**4,036**	3,685
Revenue Quebec receipt	26	**2,867**	-
Advances under finance lease		**-**	1,650
		$ 22,526	$ 17,003

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, 2018	December 31, 2017
Not later than one year	**$ 4,866**	$ 2,715
Later than one year and not later than five years	**5,479**	4,107
Total minimum lease payments	**10,345**	6,822
Less: Interest portion at the weighted average interest rate of 4.04% (2017: 3.31%)	**545**	298
Total obligations under finance leases, secured by equipment	**9,800**	6,524
Less: Current portion	**4,552**	2,541
Long-term portion	**$ 5,248**	$ 3,983

The cost of equipment under finance leases at December 31, 2018 is $16,751,000 (2017: $11,252,000) with related accumulated depreciation of $4,816,000 (2017: $2,988,000). These assets are included in plant and equipment.

Secured Credit Facility and Lease Facilities

At December 31, 2018, the Company had credit facilities of a maximum of $36.0 million comprised of a $1.0 million commercial card program, a $20.0 million revolving equipment financing facility and a $15.0 million standby letters of credit facility. 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, 2018.

At December 31, 2018, $6,810,000 was drawn under the equipment financing facility; and $2,122,000 was drawn under the standby letters of credit facility, of which $1,547,000 of the letters of credit issued were related to the financial assurance for the closure plans for the Eagle River Complex (Note 13). The letters of credit facility have an annual fee of 1% on issued amounts.

On October 4, 2018, the Company established a $3,350,000 leasing facility with another chartered Canadian bank, which amount was fully drawn prior to the end of the year.

12. CONVERTIBLE DEBENTURES

The Company retired the $7,021,000 convertible debentures in 2017, of which $4,930,000 of the 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 (note 14). 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 $6,012,000 which has been discounted over a period of six years using a discount rate of 3.93%; and the Kiena Mine Complex complex to be about $7,027,000 which has been discounted over a period of one half year using a discount rate of 3.91%. The Company has provided in aggregate $8,574,000 in financial assurnances (see note 13(b) and 13 (c) below) for 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, 2018**	December 31, 2017
Balance, beginning of year		**$ 11,192**	$ 10,480
Accretion expense for the year		**436**	368
Change in provisions - Kiena		**(24)**	(158)
Changes to estimates, Eagle River Complex	13(a)(i)	**59**	502
		$ 11,663	$ 11,192

(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 $6,012,000 in place of the previous estimated total of $5,897,000. Decommissioning costs have been discounted to $3,245,000 with a corresponding increase in mining assets as at December 31, 2016, using a risk-adjusted rate of 3.93% over 6 years. The Eagle River Mine estimates have been adjusted and an increase in risk-adjusted rate resulting in $59,000 increase to the reclamation provision and corresponding decommissioning asset.

b) Standby letters of credit

As at December 31, 2018, the Company has issued letters of credit to the government of Ontario as financial assurance for the settlement of the decommissioning provisions under the closure plans submitted for the Eagle River Complex.

	December 31, 2018	December 31, 2017
Standby letters of credit:		
Eagle River Complex	$ 1,547	$ 1,547
Kiena Complex	-	7,027
	$ 1,547	$ 8,574

c) Reclamation bond

During 2018, the Company replaced the $7.0 million letter of credit issued to the government of Quebec as financial assurance for the settlement of the decommissioning provisions under the closure plan submitted for the Kiena Mine Complex to an unsecured reclamation bond. The reclamation bond is subject to an annual fee of nominal amount.

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, 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
Exercise of options		**1,133,966**	**2,226**
Balance, December 31, 2018		**135,023,764**	**$ 166,387**

15. SHARE-BASED COMPENSATION PLAN

Up until May 3, 2017, the Company had 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 shareholders of the Company approved 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.

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 Stock Option Plan).

As at December 31, 2018, Awards to purchase 6,231,256 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, 2018 and 2017.

	Years ended December 31,			
	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Outstanding, beginning of year	**6,082,388**	**1.92**	6,561,688	1.52
Granted	**1,847,327**	**1.96**	1,188,422	3.14
Exercised	**(1,133,966)**	**1.34**	(1,607,722)	1.19
Expired/Forfeited	**(107,500)**	**2.16**	(60,000)	1.85
Outstanding, end of year	**6,688,249**	**2.02**	6,082,388	1.92

The weighted average share price at the date of exercise for stock options exercised during the year ended December 31, 2018 was $2.84 (2017: $2.72).

During 2018, the Company granted 1,847,327 stock options and 387,399 RSUs (first grant). Of the 1,847,327 stock options granted, 1,317,327 stock options have a three-year vesting term commencing on the anniversary date of the issue; and the remaining 530,000 stock options vest immediately. The RSUs granted have also a three-year vesting period.

During 2018, the Company also granted 195,472 DSUs (first grant) to its non-management board members, under its 2017 Omnibus Plan. All of the DSUs are fully vested at the grant date and become payable upon retirement of the directors. There were no PSUs and DRRs authorized for grants during 2018 and 2017.

For the years ended December 31, 2018 and 2017, grant date fair value estimates were based on the following variables:

	Years ended December 31,	
	2018	2017
Weighted average fair value, per option ($)	**0.80**	1.64
Weighted average risk-free interest rate (%)	**1.74**	0.97
Weighted average volatility (%)	**59**	68
Expected life (years)	**3.0**	4.4
Forfeiture rate (%)	**-**	-

The fair value compensation and contributed surplus relating to stock options, DSUs and RSUs for the year ended December 31, 2018 was $2,614,000 (2017: $2,778,000).

The following table outlines share options outstanding at December 31, 2018:

	Outstanding Options			Exercisable Options	
Range of exercise prices	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price $	Number exercisable	Weighted average exercise price $
less than $1.00	305,000	0.61	0.80	305,000	0.80
$1.00 - $1.50	1,155,000	1.66	1.21	1,155,000	1.21
$1.51 - $2.00	2,796,827	3.51	1.84	1,529,500	1.74
$2.01 - $2.50	1,580,000	3.12	2.46	1,380,000	2.46
$3.01 - $4.00	851,422	3.36	3.37	529,580	3.41
	6,688,249	2.94	2.02	4,899,080	1.94

16. INCOME TAXES

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

	January 1, 2018	**Opening balance adjustment**	**Recognized in profit and loss**	**December 31, 2018**
Unclaimed non-capital losses	**$ 2,318**	**$ -**	**$ (129)**	**$ 2,189**
Investment tax credit	**70**	**-**	**1**	**71**
Unclaimed SR&ED expense	**126**	**-**	**(7)**	**119**
Deductible reclamation costs	**2,967**	**-**	**(46)**	**2,921**
Unclaimed financing costs	**216**	**-**	**(83)**	**133**
Ontario resource profit tax credit	**1,032**	**-**	**19**	**1,051**
Inventory	**(4)**	**-**	**(332)**	**(336)**
Mining properties, plant, and eqipment	**(2,945)**	**(24)**	**(6,462)**	**(9,431)**
Mining tax	**(4,630)**	**20**	**(366)**	**(4,976)**
Net deferred tax liability	**$ (850)**	**$ (4)**	**$ (7,405)**	**$ (8,259)**
Deferred income tax assets	**$ 5,450**			$ **(1,674)**
Deferred mining tax liability	**(6,300)**			**(6,585)**
Net deferred tax asset (liability)	**$ (850)**			**$ (8,259)**

	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:

Deferred income tax assets	$ 7,009	$ 5,450
Deferred mining tax liability	-	(6,300)
Net deferred tax asset (liability)	$ 7,009	$ (850)

The following table reconciles the expected income tax (expense)/recovery at the combined Federal and Ontario statutory income tax rate 25.04% (2017: 26.5%) to the amounts recognized in the consolidated statements of income.

	Years Ended December 31, 2018	2017
Income before mining and income taxes as reflected in consolidated statements of income	**$ 24,980**	$ 9,798
Expected income tax expense	**$ 6,257**	$ 2,450
Non-deductible expense	**(654)**	11
Stock compensation expense	**655**	736
Derecognition of deferred tax asset	**-**	33
Mining taxes	**3,010**	5,122
Rate change	**215**	85
Flow-through renunciation	**-**	52
Other	**639**	22
Mining and income tax expense	**$ 10,122**	$ 8,511

(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, 2018	December 31, 2017
Sales tax	**$ 2,342**	$ 1,932
Mining tax	**-**	-
	$ 2,342	$ 1,932

(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 $4,232,423 and $6,572,290, of MLGM and Windarra, respectively. Losses of $2,565,801 will expire between 2025 and 2037.

17. NET EARNINGS PER SHARE

	Years Ended December 31, 2018	2017
Earnings available to common shareholders	**$ 14,858**	$ 1,287
Weighted average number of shares, basic (000s)	**134,577**	132,871
Dilutive securites – options (000s)	**1,874**	2,056
Weighted average number of shares, diluted (000s)	**136,451**	134,927
Basic earnings per share	**$ 0.11**	$ 0.01
Diluted earnings per share	**$ 0.11**	$ 0.01
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect: Share base payments (000s)	**1,251**	878

18. REVENUES

	Years Ended December 31, 2018	2017
Revenues from mining operations		
Gold	**$ 115,934**	$ 94,932
Silver	**108**	225
Gold from Kiena mill cleanup	**-**	900
	$ 116,042	$ 96,057

19. COST OF SALES

	Years Ended December 31, 2018	2017
Mining and processing		
Mining	**$ 33,914**	$ 32,130
Processing	**14,243**	14,089
Site administration and camp costs	**17,701**	14,741
Change in inventories [(i)]	**(4,089)**	1,045
	61,769	62,005
Royalties	**2,149**	1,615
Depletion and depreciation	**18,012**	10,608
	$ 81,930	$ 74,228

	2018	2017
[(i)] Change in inventories		
Ore Stock pile inventory	**$ (1,907)**	$ 2,101
Bullion and in-circuit inventory	**(2,182)**	(1,056)
	$ (4,089)	$ 1,045

20. INTEREST AND OTHER

(a) Interest on long-term debt

	Notes	Years Ended December 31, 2018	2017
Interest on convertible debentures	12	**$ -**	$ 127
Accretion of discount on convertible debentures	12	-	103
Interest on obligations under finance leases	11	**274**	232
		$ 274	$ 462

(b) Interest and other

Interest and other for the year ended December 31, 2018 includes the rebate in electricity costs incurred in 2017 under the Northern Industrial Electricity Rate (“NIER”) program in the amount of $1,032,750 (2017 – nil).

21. EMPLOYEE BENEFITS

	Years Ended December 31, 2018	2017
Salaries and short-term employee benefits	**$ 28,973**	$ 27,182
Restructuring payable expense	**-**	930
Restructuring expense paid	**-**	1,229
Long-term benefits	**566**	456
Share-based payments	**2,614**	2,778
	$ 32,153	$ 32,575

Allocation of employee benfits

	2018	2017
Salaries and employee benefits expensed to mining and processing expenses	**$ 28,360**	$ 28,588
Salaries and employee benefits capitalized	**3,793**	3,987
	$ 32,153	$ 32,575

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, 2018	2017
Restructuring costs, termination benefits [1]	**$ -**	$ 2,159
Salaries and short-term employee benefits	**3,148**	2,367
Share-based payments	**1,907**	2,343
Long-term benefits	**71**	66
	$ 5,126	$ 6,935

(1) Included amounts payable of $930,000 as at December 31, 2017.

23. SUPPLEMENTAL CASH FLOW INFORMATION

	Notes	Years Ended December 31, 2018	2017
Net changes in non-cash working capital			
Operating activities			
Receivables and prepaids		**$ 3,069**	$ (2,994)
Payables and accruals		**4,095**	4,226
Mining and income tax payable		**2,714**	671
Gold in process and ore stockpiles		**(4,089)**	1,045
Supplies and other		**(178)**	(236)
		$ 5,611	$ 2,712
Investing activities			
Receivables and prepaids		**$ (206)**	$ 74
Payables and accruals		**1,428**	1,056
Supplies and other		**-**	(59)
		$ 1,222	$ 1,071
Non-cash transactions:			
Advance under finance lease		**$ -**	$ 1,649
Conversion of debt into capital stock		**-**	4,912
Change to decommissioning provisions	13	**59**	502
Mining property assets acquired under finance leases		**6,910**	2,975
Shares issued to acquire properties	9(i)	**-**	-
		$ 6,969	$ 10,038

24. 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:

December 31, 2018

	Financial Assets at amortized cost	Financial Liabilities at amortized cost	Total Carrying Amount	Fair Value
Cash and cash equivalents	**$ 27,378**	**$ -**	**$ 27,378**	**$ 27,378**
Receivable	**548**	**-**	**548**	**548**
Total assets	**$ 30,268**	**$ -**	**$ 30,268**	**$ 30,268**
Payables and accruals	**$ -**	**$ 22,526**	**$ 22,526**	**$ 22,526**
Obligations under finance lease	**-**	**9,800**	**9,800**	**9,800**
Total liabilities	**$ -**	**$ 32,546**	**$ 32,546**	**$ 2,546**

December 31, 2017

	Financial Assets at amortized cost	Financial Liabilities at amortized cost	Total Carrying Amount	Fair Value
Cash and cash equivalents	$ 22,092	-	$ 22,092	$ 22,092
Receivables	3,821	-	3,821	3,821
Total assets	$ 27,845	$ -	$ 27,845	$ 27,845
Payables and accruals	$ -	$ 17,003	$ 17,003	$ 17,003
Lease obligation	-	6,524	6,524	6,524
Total liabilities	$ -	$ 24,198	$ 24,198	$ 24,198

The fair value of cash and cash equivalents, receivables 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 were valued at fair values using Level 1 inputs. The Company does not have any Level 2 or 3 inputs.

Financial instrument and related risks

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, 2018 and 2017.

(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, 2018 and 2017.

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, 2018 (2017: +/- 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
2018	+/- 10%	$ 11,593
2017	+/- 10%	$ 9,493

(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 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. 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.

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, 2018:

	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals [1]	$ 19,659	$ -	$ -	$ -
Mining and income tax liabilities	180	-	-	-
Obligations under finance leases	4,866	3,437	2,042	-
Operating leases [2]	600	458	941	-
Purchase commitments [3]	1,210	-	-	-
Decommissioning liabilities	-	7,027	-	6,012
Total	$ 26,515	$ 10,922	$ 2,983	$ 6,012

[1] Payables and accruals exclude $2,867,140 received from Revenue Québec in connection with the litigation (notes 10 and 26).

[2] Other leases are operating leases that will accounted for as finance leases upon the adoption of IFRS 16 effective, January 1, 2019.

[3] The Company anticipates the outstanding purchase commitments as at December 31, 2018 will be financed by finance leases.

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. The Company's receivables consist primarily of government refunds and credits and advances to vendors on projects at the mine. The Company estimates its maximum exposure to be the carrying value of cash and cash equivalents and receivables.

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, 2018	December 31, 2017
Total equity	**$ 157,209**	$ 138,223
Cash and cash equivalents	**(27,378)**	(22,092)
Capital	**$ 129,831**	$ 116,131

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.

26. QUEBEC EXPLORATION CREDITS CONTINGENCY

In 2011, the Company paid $5,267,828 in tax reassessments and interests made by Revenu Québec for exploration credits claimed in 2005 and 2006 relating to the Kiena exploration properties. The Company was successful in appealing the assessments for both years.

In April 2016, Revenu Québec appealed the decisions of the Court of Quebec (the “April 2016 Appeal”), however it refunded $2,620,000 of the reassessed amounts in July 2016. On March 28, 2018, the Company was successful in defending the April 2016 Appeal. On May 28, 2018, Revenue Québec has submitted an application for leave to appeal to the Supreme Court of Canada, the decision made by the Québec Court of Appeal (the “Supreme Court Appeal”). On June 18, 2018, the Company received the refund of the remaining tax assessment payment plus interest accrued amounted to $2,867,140.

The Kiena mining assets were written off after being placed on care and maintenance in 2013 and accordingly, the Company recorded as income in 2016 the $2,620,000 refund it received during that year. The Company has recorded the amount of $2,867,140 it received in 2018 in payable and accruals. The Company will recognize this amount in income upon a successful outcome in the Supreme Court Appeal. In the event that the Company is unsuccessful in the outcome, it will have to repay the amount of $5,267,828 plus accruing interest starting from the date of the cash receipts to Revenu Québec.