



WESDOME GOLD MINES LTD.
CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2016

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WESDOME GOLD MINES LTD.

Management's Comments on Unaudited Condensed Interim Consolidated Financial Statements

NOTICE OF NO AUDIT OR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Financial Position

(Unaudited, expressed in thousands of Canadian dollars)

	<u>Note</u>	<u>As of September 30 2016</u>	<u>As of December 31 2015</u>
Assets			
Current			
Cash and cash equivalents		\$ 28,991	\$ 15,424
Receivables	3	5,096	3,354
Inventory	4	<u>5,920</u>	<u>4,924</u>
Total current assets		<u>40,007</u>	23,702
Restricted funds	5	6,920	2,535
Deferred income taxes		7,668	10,393
Mining properties, plant and equipment	6	68,069	57,348
Exploration properties	7	<u>33,696</u>	<u>34,409</u>
Total assets		<u>\$ 156,360</u>	<u>\$ 128,387</u>
Liabilities			
Current			
Payables and accruals		\$ 12,111	\$ 8,994
Share premium liability	11(ii)	12	673
Current portion of obligations under finance leases	8	1,887	1,528
Convertible debentures	9	<u>6,812</u>	<u>-</u>
Total current liabilities		<u>20,822</u>	11,195
Obligations under finance leases	8	3,441	3,174
Convertible debentures	9	-	6,562
Decommissioning provisions	10	<u>8,016</u>	<u>7,958</u>
Total liabilities		<u>32,279</u>	<u>28,889</u>
Equity			
Equity attributable to owners of the Company			
Capital stock	11	156,077	137,126
Contributed surplus		1,530	1,729
Equity component of convertible debentures	9	932	932
Deficit		<u>(34,458)</u>	<u>(40,289)</u>
Total equity attributable to owners of the Company		<u>124,081</u>	<u>99,498</u>
Total liabilities and equity		<u>\$ 156,360</u>	<u>\$ 128,387</u>

On behalf of the Board:

/s/ Duncan Middlemiss
Director

/s/ Bill Washington
Director

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Income (Loss) and
Comprehensive Income (Loss)

(Unaudited, expressed in thousands of Canadian dollars except for per share amounts)

	<u>Note</u>	<u>Three Months Ended</u> <u>September 30</u>		<u>Nine Months Ended</u> <u>September 30</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue					
Gold from mining operations		\$ 27,534	\$ 18,199	\$ 59,265	\$ 49,843
Gold from Kiena mill cleanup		<u>2,600</u>	<u>-</u>	<u>2,600</u>	<u>-</u>
		<u>30,134</u>	<u>18,199</u>	<u>61,865</u>	<u>49,843</u>
Operating expenses					
Mining and processing		14,619	12,946	42,962	39,930
Depletion of mining properties		2,330	1,728	5,269	4,778
Production royalties	6(i)	482	305	964	853
Corporate and general		1,799	689	4,185	2,105
Share based payments	12	463	154	953	399
Kiena care and maintenance costs		<u>489</u>	<u>935</u>	<u>1,550</u>	<u>2,086</u>
Total operating expenses		<u>20,182</u>	<u>16,757</u>	<u>55,883</u>	<u>50,151</u>
Income (loss) from operations		9,952	1,442	5,982	(308)
Quebec exploration credits refund	17	-	-	2,620	-
Interest on long-term debt	16	(260)	(244)	(766)	(711)
Accretion of decommissioning provisions	10	(54)	(144)	(58)	(186)
Interest and other income		105	10	51	34
Write-down of Kiena plant decommissioning asset	10	-	(4,934)	-	(4,934)
Income (loss) before income tax		<u>9,743</u>	<u>(3,870)</u>	<u>7,829</u>	<u>(6,105)</u>
Income tax expense (recovery)					
Current		-	-	-	-
Deferred		<u>2,846</u>	<u>424</u>	<u>2,395</u>	<u>(294)</u>
Income tax expense (recovery)		<u>2,846</u>	<u>424</u>	<u>2,395</u>	<u>(294)</u>
Net income (loss) and total comprehensive income (loss)		<u>\$ 6,897</u>	<u>\$ (4,294)</u>	<u>\$ 5,434</u>	<u>\$ (5,811)</u>
Earnings (loss) per share					
Basic	13	\$ 0.05	\$ (0.04)	\$ 0.04	\$ (0.05)
Diluted	13	<u>\$ 0.05</u>	<u>\$ (0.04)</u>	<u>\$ 0.04</u>	<u>\$ (0.05)</u>
Weighted average number of common shares (000s)					
Basic	13	129,936	111,186	124,799	111,104
Diluted	13	<u>132,252</u>	<u>111,186</u>	<u>126,547</u>	<u>111,104</u>

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Total Equity

(Unaudited, expressed in thousands of Canadian dollars)

	Note	Capital Stock	Contributed Surplus	Equity Component of Convertible Debentures	Retained Earnings (Deficit)	Total Equity
Balance, December 31, 2014		\$ 129,270	\$ 1,575	\$ 932	\$ (35,714)	\$ 96,063
Net loss for the nine months ended September 30, 2015		-	-	-	(5,811)	(5,811)
Exercise of options		261	-	-	-	261
Value attributed to options exercised		463	(463)	-	-	-
Value attributed to options expired		-	(57)	-	57	-
Share based payments	12	-	399	-	-	399
Shares purchased under normal course issuer bid	11	(114)	-	-	-	(114)
Change in deferred liability of equity component of convertible debentures		-	-	57	-	57
Balance, September 30, 2015		129,880	1,454	989	(41,468)	90,855
Net income for the three months ended December 31, 2015		-	-	-	1,110	1,110
Exercise of options		10	-	-	-	10
Value attributed to options exercised		68	(68)	-	-	-
Value attributed to options expired		-	(69)	-	69	-
Share based payments	12	-	412	-	-	412
Private placement shares	11(i)	5,000	-	-	-	5,000
Share issue costs		(159)	-	-	-	(159)
Flow-through shares	11(ii)	3,000	-	-	-	3,000
Share premium liability on flow-through	11(ii)	(673)	-	-	-	(673)
Change in deferred liability of equity component of convertible debentures		-	-	(57)	-	(57)
Balance, December 31, 2015		137,126	1,729	932	(40,289)	99,498
Net income for the nine months ended September 30, 2016		-	-	-	5,434	5,434
Exercise of options		1,099	-	-	-	1,099
Value attributed to options exercised		755	(755)	-	-	-
Value attributed to options expired		-	(397)	-	397	-
Share based payments	12	-	953	-	-	953
Shares issued to acquire Moss Lake area properties	7	750	-	-	-	750
Shares issued under prospectus	11(iii)	17,267	-	-	-	17,267
Share issue cost, net of tax	11(iii)	(920)	-	-	-	(920)
Balance, September 30, 2016		<u>\$ 156,077</u>	<u>\$ 1,530</u>	<u>\$ 932</u>	<u>\$ (34,458)</u>	<u>\$ 124,081</u>

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, expressed in thousands of Canadian dollars)

	<u>Note</u>	<u>Three Months Ended</u> <u>September 30</u>		<u>Nine Months Ended</u> <u>September 30</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Operating activities					
Net income (loss)		\$ 6,897	\$ (4,294)	\$ 5,434	\$ (5,811)
Depletion of mining properties		2,330	1,728	5,269	4,778
Accretion of decommissioning provisions	10	54	144	58	186
Write-down of Kiena plant decommissioning asset	10	-	4,934	-	4,934
Loss on sale of equipment		2	-	76	-
Share based payments	12	463	154	953	399
Deferred income taxes		2,846	424	2,395	(294)
Interest paid		173	167	516	490
Accretion of discount on convertible debentures	16	87	76	250	220
		<u>12,852</u>	<u>3,333</u>	<u>14,951</u>	<u>4,902</u>
Net changes in non-cash working capital	15	<u>113</u>	<u>381</u>	<u>(190)</u>	<u>(1,832)</u>
Funds provided by operating activities		<u>12,965</u>	<u>3,714</u>	<u>14,761</u>	<u>3,070</u>
Financing activities					
Shares issued under prospectus, net of issue cost		-	-	16,017	-
Exercise of options		236	122	1,099	261
Repayment of obligations under finance leases		(486)	(392)	(1,360)	(1,009)
Interest paid		(50)	(167)	(393)	(490)
Funds paid to repurchase common shares under NCIB	11(iv)	-	-	-	(114)
Funds provided (used) by financing activities		<u>(300)</u>	<u>(437)</u>	<u>15,363</u>	<u>(1,352)</u>
Investing activities					
Additions to mining properties		(4,715)	(3,953)	(14,116)	(12,736)
Additions to exploration properties		(3,502)	(6)	(5,537)	(621)
Proceeds on sale of exploration properties	7(ii)	-	-	7,000	-
Proceeds on sale of equipment		-	-	43	-
Funds held against standby letters of credit		(1,790)	531	(4,385)	2
Net changes in non-cash working capital	15	<u>(469)</u>	<u>(211)</u>	<u>438</u>	<u>(66)</u>
Funds used by investing activities		<u>(10,476)</u>	<u>(3,639)</u>	<u>(16,557)</u>	<u>(13,421)</u>
Increase (decrease) in cash and cash equivalents		2,189	(362)	13,567	(11,703)
Cash and cash equivalents, beginning of period		<u>26,802</u>	<u>4,067</u>	<u>15,424</u>	<u>15,408</u>
Cash and cash equivalents, end of period		<u>\$ 28,991</u>	<u>\$ 3,705</u>	<u>\$ 28,991</u>	<u>\$ 3,705</u>

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2016 and 2015
(Unaudited, tabular 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, the Moss Lake property in Thunder Bay, Ontario, and the Kiena Mining and Milling 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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – “*Interim Financial Reporting*” (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2015.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2015.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company’s condensed interim consolidated financial statements are consistent with those applied and disclosed in Note 4 to the Company’s consolidated financial statements for the year ended December 31, 2015.

These condensed interim consolidated financial statements are presented in Canadian dollars (“Cdn \$”), which is also the functional currency of the Company.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 2, 2016.

3. RECEIVABLES

	<u>Note</u>	<u>September 30</u> <u>2016</u>	<u>December 31</u> <u>2015</u>
Sales tax		\$ 2,970	\$ 2,726
Prepays, deposits and other		578	628
Gold from Kiena mill cleanup	3(i)	<u>1,548</u>	-
		<u>\$ 5,096</u>	<u>\$ 3,354</u>

- (i) The Company embarked on the cleanup of the Kiena mill and recovered approximately 1,600 ounces of gold which were processed by a third party. The net proceeds after deductions, treatment and refining charges were \$2,600,000. The Company received \$1,052,000 as at September 30, 2016, and the remaining balance was received subsequently.

4. INVENTORY

	<u>Note</u>	<u>September 30 2016</u>	<u>December 31 2015</u>
Gold in process	4(i)	\$ 2,728	\$ 2,797
Supplies		1,739	1,645
Ore stockpiles		<u>1,453</u>	<u>482</u>
		<u>\$ 5,920</u>	<u>\$ 4,924</u>

- (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.

5. RESTRICTED FUNDS

	<u>Note</u>	<u>September 30 2016</u>	<u>December 31 2015</u>
Relating to mine closure plans	10	<u>\$ 6,920</u>	<u>\$ 2,535</u>

Funds are being held in cash and guaranteed investment certificates at interest rates ranging from 1.16% to 1.55% (2015: 1.04% to 1.40%) maturing at various times until April 2017.

6. MINING PROPERTIES, PLANT AND EQUIPMENT

Gross Carrying Amount	<u>Note</u>	<u>Eagle River Mine Complex</u>	<u>Kiena Mine Complex</u>	<u>Total</u>
Balance, December 31, 2014		\$ 80,563	\$ 31,550	\$ 112,113
Additions		17,545	22	17,567
Write-down of Kiena equipment		-	(219)	(219)
Plant decommissioning asset	10	-	5,171	5,171
Disposals		<u>(349)</u>	<u>(118)</u>	<u>(467)</u>
Balance, December 31, 2015		97,759	36,406	134,165
Additions		16,085	15	16,100
Disposals		<u>-</u>	<u>(309)</u>	<u>(309)</u>
Balance, September 30, 2016		<u>\$ 113,844</u>	<u>\$ 36,112</u>	<u>\$ 149,956</u>

Accumulated Depletion	<u>Note</u>	<u>Eagle River Mine Complex</u>	<u>Kiena Mine Complex</u>	<u>Total</u>
Balance, December 31, 2014		\$ (35,234)	\$ (30,837)	\$ (66,071)
Write-down of plant decommissioning	10	-	(5,171)	(5,171)
Depletion		(6,923)	(15)	(6,938)
Accumulated depletion on disposals		<u>312</u>	<u>51</u>	<u>363</u>
Balance, December 31, 2015		(40,845)	(35,972)	(76,817)
Depletion		(5,251)	(9)	(5,260)
Accumulated depletion on disposals		<u>-</u>	<u>190</u>	<u>190</u>
Balance, September 30, 2016		<u>\$ (46,096)</u>	<u>\$ (35,791)</u>	<u>\$ (81,887)</u>

Net carrying amount, December 31, 2014	<u>\$ 46,239</u>	<u>\$ 713</u>	<u>\$ 47,042</u>
Net carrying amount, December 31, 2015	<u>\$ 56,914</u>	<u>\$ 434</u>	<u>\$ 57,348</u>
Net carrying amount, September 30, 2016	<u>\$ 67,748</u>	<u>\$ 321</u>	<u>\$ 68,069</u>

(i) Eagle River Mine Complex

The Eagle River Mine 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 165 mining claims in the Township of Dubuisson, Quebec.

7. EXPLORATION PROPERTIES

	<u>Note</u>	<u>Wesdome Group</u>	<u>Moss Lake</u>	<u>Mishi/Eagle Group</u>	<u>Total</u>
Balance, December 31, 2014		\$ 25,371	\$ 3,603	\$ 5,148	\$ 34,122
Write-down of Mine École		(284)	-	-	(284)
Exploration expenditures		<u>548</u>	<u>23</u>	<u>-</u>	<u>571</u>
Balance, December 31, 2015		25,635	3,626	5,148	34,409
Exploration expenditures		<u>-</u>	<u>6</u>	<u>446</u>	<u>452</u>
Balance, March 31, 2016		25,635	3,632	5,594	34,861
Acquisition	7(i)	-	1,302	-	1,302
Disposal	7(ii)	(7,000)	-	-	(7,000)
Exploration expenditures		<u>63</u>	<u>31</u>	<u>937</u>	<u>1,031</u>
Balance, June 30, 2016		18,698	4,965	6,531	30,194
Acquisition	7(i)	-	2	-	2
Exploration expenditures		<u>1,861</u>	<u>77</u>	<u>1,562</u>	<u>3,500</u>
Balance, September 30, 2016		<u>\$ 20,559</u>	<u>\$ 5,044</u>	<u>\$ 8,093</u>	<u>\$ 33,696</u>

(i) Acquisition

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 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.

(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 million. 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.

8. OBLIGATIONS UNDER FINANCE LEASES

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

	September 30 2016	December 31 2015
Not later than one year	\$ 2,050	\$ 1,688
Later than one year and not later than five years	<u>3,595</u>	<u>3,353</u>
Total minimum lease payments	5,645	5,041
Less: Interest portion at the weighted average of 4.17% (2015: 4.01%)	<u>317</u>	<u>339</u>
Total obligations under finance leases, secured by equipment	5,328	4,702
Less: Current portion	<u>1,887</u>	<u>1,528</u>
Long-term portion	<u>\$ 3,441</u>	<u>\$ 3,174</u>

The cost of equipment under finance leases at September 30, 2016 is \$8,355,000 (2015: \$6,369,000) with related accumulated depreciation of \$1,611,000 (2015: \$830,000). These assets are included in mining properties and equipment.

9. CONVERTIBLE DEBENTURES

	September 30 2016	December 31 2015
Liability component		
Balance, beginning of period/year	\$ 6,562	\$ 6,262
Accretion for the period/year	<u>250</u>	<u>300</u>
Total convertible debentures	6,812	6,562
Less: Current portion	<u>6,812</u>	<u>-</u>
Long-term portion	<u>\$ -</u>	<u>\$ 6,562</u>
Equity component	<u>\$ 932</u>	<u>\$ 932</u>

The convertible debentures have a face value of \$7,021,000, bearing interest at 7% and maturing on May 31, 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 carrying value of the conversion option of \$932,000, which is net of issuance costs (\$57,000) and deferred income tax (\$122,000) has been recorded as a separate component in total equity.

10. DECOMMISSIONING PROVISIONS

The Company is committed to a program of environmental protection at its mines, development projects and exploration sites. The Eagle River ore and waste rocks are not acid generating which minimizes the environmental risks of mining. Although the ultimate amount of decommissioning costs is uncertain, the Company estimated its future decommissioning costs for the Eagle River Mine, Mishi Mine and the Eagle River Mill to be about \$1.6 million and the Kiena Mining complex to be about \$7.2 million which have been discounted from four to five years using a discount rate of 2.7%. The Company has provided \$6.9 million (2015: \$2.5 million) standby letters of credit (Note 5) to be held against these future environmental obligations.

In early October 2015, the Company received approval of a revised closure plan for the Kiena Mining Complex. This revision was conducted as a result of new legislation enacted by the Quebec government which required mining operations to submit restoration plans for inactive mills and post any additional security as a result of this revision. On January 4, 2016 the Company commenced with the requirement to post an additional \$6.2 million security (\$4.4 million in several tranches until September 30, 2016 and \$1.8 million on September 30, 2017) mostly relating to decommissioning of the mill and restoration of the mill site. The addition of \$6.2 million has been discounted over the next four years using a risk-adjusted rate of 2.7%. As at September 30, 2015, the company recorded an obligation of \$4,934,000 (December 31, 2015: \$5,171,000) and a corresponding asset which was written down simultaneously as the Kiena Complex is under care and maintenance.

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

	September 30	December 31
	2016	2015
Balance, beginning of period/year	\$ 7,958	\$ 2,501
Accretion expense for the period/year	162	286
Change in decommissioning provision for the period/year	<u>(104)</u>	<u>5,171</u>
Balance, end of period/year	<u>\$ 8,016</u>	<u>\$ 7,958</u>

11. CAPITAL STOCK

Authorized:

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

	<u>Note</u>	<u>Shares</u>	<u>Amount</u>
Issued:			
Balance, December 31, 2014		110,956,039	\$ 129,270
Exercise of options		377,094	802
Private placement, net of issue cost	11(i)	5,000,000	4,971
Flow-through, net of issue cost	11(ii)	1,818,182	2,870
Share premium liability on flow through shares	11(ii)	-	(673)
Shares purchased under Normal Course Issuer Bid	11(iv)	<u>(98,300)</u>	<u>(114)</u>
Balance, December 31, 2015		118,053,015	137,126
Prospectus issuance, net of issue cost and tax	11(iii)	10,465,000	16,347
Acquisition of Coldstream and Hamlin properties	7	454,545	750
Exercise of options		<u>1,116,542</u>	<u>1,854</u>
Balance, September 30, 2016		<u>130,089,102</u>	<u>\$ 156,077</u>

(i) Private placement

On October 20, 2015, the Company completed a non-brokered private placement of 5,000,000 common shares at \$1.00 per common share for gross proceeds of \$5 million. The placement was to three directors and a significant shareholder of the Company.

(ii) Flow-through

On December 18, 2015, the Company completed a private placement of 1,818,182 flow-through common shares (the "Flow-Through Shares") at a price of \$1.65 per Flow-Through Share for gross proceeds of \$3,000,000 (the "Offering"). In connection with the Offering, the Company paid a cash finders' fee in the aggregate amount of \$105,000 equivalent to 3.5% of the gross proceeds from the Offering. The Company recorded a share premium liability of \$673,000 representing the aggregate premium between the \$1.28 quoted price of the Company's non-flow through shares and the \$1.65 paid for the Flow-Through Shares. The Company has until December 31, 2016 to spend the flow through funds raised in this Offering on eligible Canadian exploration expenditures. The Company spent \$2,945,000 during the nine months ended September

30, 2016, and accordingly the share premium liability was reduced by \$661,000 as at September 30, 2016, with a corresponding deferred income tax recovery.

(iii) 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 tax recovery of \$330,000 on total issue costs of \$1,250,000 was included in deferred tax assets.

(iv) Normal Course Issuer Bid

On June 2, 2014, the Company received approval from the TSX for a Normal Course Issuer Bid (“NCIB”), which allowed the Company to purchase on the open market, up to 8,601,626 of its common shares and \$351,050 principal amount of its convertible debentures (Note 9) for cancellation over a period of one year ended on June 3, 2015. The Company purchased for cancellation a total of 98,300 common shares under this NCIB with a carrying value of \$114,000 for total cash consideration of \$114,000. When the cash cost is less than the carrying amount the difference is charged to contributed surplus; when it is greater it is charged to contributed surplus to the extent there is a balance related to share repurchases, with any remainder charged to retained earnings.

12. COMMON SHARE PURCHASE PLAN

The Company has 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 qualified directors, officers, employees and consultants providing on-going services to the Company or any subsidiary of the Company.

Under the terms of the Stock Option Plan, all options will continue to have a five year life, with vesting periods based on the size of the option grant and at prices equal to the closing price on the day immediately preceding the date the options were granted. The maximum aggregate number of common shares under option at any time pursuant to the Stock Option Plan is 10% of the issued and outstanding common shares at the time of the grant. As at September 30, 2016, 7,961,248 options to purchase common shares were available for grant under the Stock Option Plan.

The following table reflects the continuity of options granted for the three and nine months ended September 30, 2016 and 2015.

	<u>Three Months Ended September 30, 2016</u>		<u>Nine Months Ended September 30, 2016</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u> \$	<u>Number of options</u>	<u>Weighted average exercise price</u> \$
Stock options outstanding, beginning of period/year	4,592,662	1.11	4,980,178	1.07
Granted	725,000	1.64	1,500,000	1.64
Exercised	(225,000)	1.05	(1,116,542)	0.98
Expired	(45,000)	2.18	(275,974)	2.52
Forfeited	-	-	(40,000)	1.03
Stock options outstanding, end of period	<u>5,047,662</u>	1.18	<u>5,047,662</u>	1.18

	<u>Three Months Ended September 30, 2015</u>		<u>Nine Months Ended September 30, 2015</u>	
	<u>Number of options</u>	<u>Weighted average exercise price</u> \$	<u>Number of options</u>	<u>Weighted average exercise price</u> \$
Stock options outstanding, beginning of period/year	3,877,272	1.03	3,868,668	1.01
Granted	355,000	0.96	605,000	1.02
Exercised	(161,948)	0.76	(360,844)	0.73
Expired/forfeited	<u>(13,896)</u>	2.21	<u>(56,396)</u>	1.81
Stock options outstanding, end of period	<u>4,056,428</u>	1.03	<u>4,056,428</u>	1.03

Range of <u>exercise prices</u>	Number <u>outstanding</u>	<u>Outstanding Options</u>		<u>Exercisable Options</u>	
		<u>Weighted average remaining life (years)</u>	<u>Weighted average exercise price</u> \$	<u>Number exercisable</u>	<u>Weighted average exercise price</u> \$
less than \$1.00	1,707,662	2.24	0.72	1,547,662	0.70
\$1.00 - \$1.50	1,995,000	3.76	1.22	1,208,750	1.22
\$1.51 - \$2.00	1,340,000	4.74	1.70	140,000	1.96
\$2.01 - \$2.50	<u>5,000</u>	0.38	2.05	<u>5,000</u>	2.05
	<u>5,047,662</u>	3.50		<u>2,901,412</u>	0.98

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. For the three and nine months ended September 30, 2016 and September 30, 2015, grant date fair value estimates were based on the following variables:

	<u>Three Months Ended September 30</u>		<u>Nine Months Ended September 30</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Weighted average fair value, per option (\$)	1.65	0.96	1.65	1.02
Weighted average risk-free interest rate (%)	0.61	0.65	0.64	0.70
Weighted average volatility (%)	68.28	66.28	68.48	65.94
Expected life (years)	4.66	5.00	4.67	5.00

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 for the three and nine months ended September 30, 2016 was \$463,000 and \$953,000 (2015: \$154,000 and \$399,000), respectively. The average fair value of the common shares during the nine month period was \$1.79 (2015: \$1.11).

13. EARNINGS (LOSS) PER SHARE

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Earnings (loss) available to common shareholders	\$ 7,097	\$ (4,294)	\$ 5,634	\$ (5,811)
Weighted average number of shares, basic (000s)	129,936	111,186	124,799	111,104
Dilutive securities Options (000s)	2,316	-	1,748	-
Weighted average number of shares, diluted (000s)	132,252	111,186	126,547	111,104
Basic earnings (loss) per share	\$ 0.05	\$ (0.04)	\$ 0.05	\$ (0.05)
Diluted earnings (loss) per share	\$ 0.05	\$ (0.04)	\$ 0.04	\$ (0.05)
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect:				
Options (000s)	-	-	130	-
Convertible debentures (000s)	2,808	-	2,808	-

14. FINANCIAL INSTRUMENTS – DISCLOSURES

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:

September 30, 2016	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	\$ 28,991	\$ -	\$ 28,991	\$ 28,991
Receivables	5,096	-	5,096	5,096
Restricted funds	6,920	-	6,920	6,920
Total assets	\$ 41,007	\$ -	\$ 41,007	\$ 41,007
Payables and accruals	\$ -	\$ 12,111	\$ 12,111	\$ 12,111
Obligations under capital lease	-	5,328	5,328	5,328
Convertible debentures	-	6,812	6,812	7,302
Total liabilities	\$ -	\$ 24,251	\$ 24,251	\$ 24,741

December 31, 2015	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	\$ 15,424	\$ -	\$ 15,424	\$ 15,424
Receivables	3,354	-	3,354	3,354
Restricted funds	2,535	-	2,535	2,535
Total assets	<u>\$ 21,313</u>	<u>\$ -</u>	<u>\$ 21,313</u>	<u>\$ 21,313</u>
Payables and accruals	\$ -	\$ 8,994	\$ 8,994	\$ 8,994
Obligations under capital lease	-	4,702	4,702	4,702
Convertible debentures	-	6,562	6,562	6,530
Total liabilities	<u>\$ -</u>	<u>\$ 20,258</u>	<u>\$ 20,258</u>	<u>\$ 20,226</u>

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 as the obligations are entered into at market interest rates. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value:

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

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

Financial and Capital Risk Management

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

15. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Net changes in non-cash working capital				
Operating activities				
Receivables	\$ (67)	\$ 2,124	\$ (1,699)	\$ (95)
Payables and accruals	(62)	(338)	2,494	298
Gold in process and ore in stockpiles	406	(1,382)	(910)	(1,965)
Supplies and other	(164)	(23)	(75)	(70)
	<u>\$ 113</u>	<u>\$ 381</u>	<u>\$ (190)</u>	<u>\$ (1,832)</u>
Investing activities				
Receivables	\$ (289)	\$ (121)	\$ (43)	\$ (123)
Payables and accruals	(139)	(84)	500	75
Supplies and other	(41)	(6)	(19)	(18)
	<u>\$ (469)</u>	<u>\$ (211)</u>	<u>\$ 438</u>	<u>\$ (66)</u>
Non-cash transactions:				
Mining property assets acquired under finance leases	\$ 341	\$ 142	\$ 1,984	\$ 1,599
Shares issued to acquire properties	750	-	750	-
	<u>\$ 1,091</u>	<u>\$ 142</u>	<u>\$ 2,734</u>	<u>\$ 1,599</u>

16. INTEREST ON LONG-TERM DEBT

		Three Months Ended September 30		Nine Months Ended September 30	
	<u>Note</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest on convertible debentures	9	\$ 123	\$ 122	\$ 368	\$ 367
Accretion of discount on convertible debentures	9	87	75	250	220
Interest on obligations under finance leases	8	50	47	148	124
		<u>\$ 260</u>	<u>\$ 244</u>	<u>\$ 766</u>	<u>\$ 711</u>

17. QUEBEC EXPLORATION CREDITS REFUND

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 \$5.2 million 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 was obligated to repay at least 50% of the reassessed amount. Accordingly, \$2.6 million was received in early July, 2016 and recorded as a receivable as at June 30, 2016.

The amount repaid in 2011 was included in the capitalized costs which were subsequently reclassified as mining properties in 2008 when Kiena went into production. The Kiena mining assets were subsequently written off after being placed on care and maintenance in 2013. Accordingly, the Company recorded the \$2.6 million in the statement of income for the period ended June 30, 2016.

The Company will recognize as income the remaining \$2.6 million balance pending an appeal favourable to the Company. In the unlikely event that Revenu Québec is successful upon appeal, then the Company will have to repay the \$2.6 million received in July 2016.

18. INDEMNITIES

The Company has agreed to indemnify its directors and officers, and certain of its employees in accordance with the Company's by-laws. The Company maintains insurance policies that may provide coverage against certain claims.