WESDOME

WESDOME GOLD MINES LTD.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED

DECEMBER 31, 2016 AND 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with Wesdome Gold Mines Ltd.'s ("Wesdome" or "the Company") audited consolidated financial statements for the years ended December 31, 2016 and 2015, and their related notes which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All dollar amounts stated in this MD&A are denominated in Canadian dollars unless otherwise indicated. The discussion and analysis within this MD&A are effective as of February 22, 2017.

This document contains forward-looking statements and forward looking information. Refer to the cautionary language under the section entitled "Cautionary Statement on Forward-looking Statements" in this MD&A.

The Company uses non-IFRS performance measures which do not have standardized meanings defined by IFRS and may not be comparable to information in other gold producers' reports and filings. The Company has included these non-IFRS performance measures throughout this document as the Company believes that these generally accepted industry performance measures provide useful indication of the Company's operational performance. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The non-IFRS performance measures include:

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

For further information and detailed reconciliations, refer to the section in this MD&A entitled "Non-IFRS Performance Measures".

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

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

BUSINESS OVERVIEW

Wesdome is a public company existing under the laws of Ontario. The common shares of the Company are listed on the Toronto Stock Exchange ("TSX") under the symbol "WDO". The registered and principal office of the Company is located at 8 King Street East, Suite 811, Toronto, Ontario, M5C 1B5.

Wesdome is in its 29th year of continuous gold mining operations in Canada. The Company is 100% Canadian focused with a pipeline of projects in various stages of development. The Eagle River Complex in Wawa, Ontario is currently producing gold from two mines, the Eagle River Underground Mine and the Mishi Open pit, from a central mill. Wesdome is actively exploring its brownfields asset, the Kiena Complex in Val d'Or, Quebec. The Kiena Complex is a fully permitted former mine with a 930 metre shaft and 2,000 tonne per day mill. The Company has further upside at its Moss Lake gold deposit, located 100 kilometres west of Thunder Bay, Ontario, which is being explored and evaluated to be developed in the appropriate gold price environment.

Additional financial information relating to Wesdome, including the Company's Annual Information Form, can be found on the Company's website, www.wesdome.com, or on the SEDAR website, www.sedar.com.

Financial Results – 4th Quarter and Annual					
	Quarter ended December 31			**Year ended December 31**	
	2016	2015		**2016**	2015
(in $000, except per share amounts)					
Revenue[2]	**22,166**	23,622		**84,031**	73,465
Mine operating profit[1]	**7,133**	7,767		**26,036**	17,680
Net income (loss)	**2,352**	1,110		**7,786**	(4,701)
Net income adjusted[1]	**3,047**	1,977		**7,988**	3,186
Basic income (loss) per share	**0.02**	0.01		**0.06**	(0.04)
Basic income per share adjusted[1]	**0.02**	0.02		**0.06**	0.03
Cash flows from operating activities	**4,976**	5,153		**19,927**	10,055
Cash flows from operating activities adjusted[1]	**5,671**	5,783		**20,129**	12,771
Free cash flow[1]	**(3,735)**	2,736		**(8,437)**	(5,719)
Cash and cash equivalents	**26,760**	15,424		**26,760**	15,424
Working capital	**15,561**	12,507		**15,561**	12,507

Operational results – 4th Quarter and Annual					
	Quarter ended December 31			**Year ended December 31**	
	2016	2015		**2015**	2015
Eagle tonnes milled	**42,607**	42,185		**170,369**	173,189
Mishi tonnes milled	**30,714**	33,100		**138,688**	132,038
Total tonnes milled	**73,321**	75,285		**309,037**	305,227
Eagle River head grade (g/t)	**8.2**	9.2		**7.9**	7.8
Mishi head grade (g/t)	**1.6**	2.3		**2.0**	2.6
Eagle River underground mill recovery (%)	**94.6**	94.2		**93.5**	94.9
Mishi Open Pit mill recovery (%)	**81.6**	79.6		**85.4**	87.3
Eagle recovered grade (g/t)	**7.7**	8.7		**7.4**	7.4
Mishi recovered grade (g/t)	**1.3**	1.9		**1.7**	2.2
Eagle ounces produced	**10,595**	11,625		**40,252**	41,013
Mishi ounces produced	**1,292**	1,945		**7,485**	9,457
Total ounces produced	**11,887**	13,570		**47,737**	50,470
Ounces sold	**13,490**	16,023		**48,680**	49,804
Average realized price (CAD$/oz)	**1,655**	1,474		**1,676**	1,475
Average realized price (US$/oz)	**1,240**	1,104		**1,265**	1,153
Production cash costs (CAD$/oz)	**1,185**	1,029		**1,194**	1,115
Production cash costs/oz (US$/oz)	**888**	770		**901**	872
All-in-sustaining costs (CAD$/oz)	**1,702**	1,388		**1,707**	1,542
All-in-sustaining costs (US$/oz)	**1,275**	1,039		**1,289**	1,206
Average 1 USD to CAD exchange rate	**1.3344**	1.3353		**1.3253**	1.2790

Note:
1 Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the Financial Statements.
2 Revenue for the year ended December 31, 2016 includes $2.4 M gold sales from the Kiena Complex mill cleanup in Q3 2016.

2016 HIGHLIGHTS

- Gold production of 47,737 ounces (2015: 50,470), in line with the Company's revised guidance of 45,000 – 50,000 ounces
  - Eagle River Mine underground production of 40,252 ounces (2015: 41,013) at a head grade of 7.9 grams per tonne ("g/t") (2015: 7.8) with a mill recovery of 93.5% (2015: 94.9%)
  - Mishi Open Pit mine production of 7,485 ounces (2015: 9,457) at a head grade of 2.0 g/t (2015: 2.6) with a mill recovery of 85.4% (2015: 87.3%)
- Total mill throughput of 309,035 tonnes averaging 844 tonnes per calendar day comparable to the previous year of 836 tonnes per calendar day
- The Eagle River Complex rebounded from an unusually poor Q1 2016 to post respectable 2016 results. The mine sequence is better balanced to avoid a recurrence going forward

- Eagle River Complex revenue of $81.6 million (2015: $73.5 million) on gold sales of 48,680 ounces (2015: 49,804) at an average realized price of $1,676 or US$1,265 per ounce (2015: $1,475 or US $1,153)
- Mine operating profit[1] of $26 million (2015: $17.7 million) increased compared to the previous year due to higher realized gold price despite slight reduction in production and sales
- Net income of $7.8 million (2015: loss of $(4.7) million), or $0.06 per share (2015: $(0.04)). The 2015 year includes $5.2 million Kiena Complex decommissioning costs which were recorded directly on the income statement
- Operating cash flow of $19.9 million (2015: $10.0 million) , or $0.16[1] per share (2015: $0.09) increased due to higher realized gold price, $2.5 million revenue from gold derived from the Kiena Complex mill cleanup and $2.6 million refund of prior years' exploration credits
- Free cash flow[1] of $(8.4) million (2015: $(5.7) million), or $(0.07) per share (2015: $(0.05)). The increased outflow in 2016 is due to increased exploration and capital expenditures as the Company increased its exploration efforts and invested in equipment and infrastructure at the Eagle River Complex.
- Production cash costs per ounce[1] were $1,194 or US$901 (2015: $1,115 or US$872). The 7% increase in unit cost is due to 5% decrease in gold production, stockpiling of low grade Mishi ore which was written down to net realizable value; increases in underground equipment maintenance costs, utility costs, and development metres.
- All-in sustaining costs per ounce ("AISC")[1] on a production basis of $1,707 or US$1,289 (2015: $1,542 or US$1,206), an increase of 11% over 2015 due to necessary expenditures on underground drilling, development and equipment
- Cash and cash equivalents of $26.8 million, 1,234 ounces gold in inventory at market price of $1.9 million and working capital of $15.6 million as at December 31, 2016

2016 Exploration and Corporate Development Highlights

- Eagle River surface drilling of north portion of the mine diorite target returns promising results of the 7 Zone along strike
- Eagle River underground drilling extends No. 7 Zone up plunge and enhances potential of the 300E Zone, now 200 metres up plunge
- Surface drilling discovers new zone 1.7 km west of Mishi open pit mining operations
- Kiena Deep drilling launched in Q2 2016 strikes high grades which are substantially higher than the historic production grade profile of 4.5 g/t. Drilling results support the presence of multiple zones of mineralization that remain open to depth and along strike
- In 2016, the Company spent $10 million on exploration for 104,000 metres of drilling (2015: $1 million, 21,000 metres)
- Equity financing for net proceeds of $16 million in Q2 2016
- Mineral reserves net of depletion increased for the fourth consecutive year. Proven and probable reserves at Eagle River was 344,000 ounces as at December 31, 2016 – a 15% increase from the prior year. Mishi pit reserves were lowered to 102,000 ounces (2015: 131,000) after mining and reconfiguring of the west pit. Total reserves for the Eagle River Complex was 446,000 ounces as at December 31, 2016 (2015: 431,000).
- Sale of non-core Kiena Complex assets for proceeds of $7 million in Q2 2016
- Acquisition of Coldstream properties in Q2 2016 followed by Moss Lake/Coldstream Fall/Winter exploration program launched with goal of demonstrating potential to double the footprint of mineralization
- Duncan Middlemiss appointed President and CEO on August 15, 2016

Note:

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

2016 FOURTH QUARTER SUMMARY

- Gold production of 11,887 ounces (Q4 2015: 13,570)
  - Eagle River Mine underground production of 10,595 ounces (Q4 2015: 11,625) at a head grade of 8.2 g/t (Q4 2015: 9.2) with mill recovery of 94.6% (Q4 2015: 94.2%)
  - Mishi Open Pit mine production of 1,292 ounces (Q4 2015: 1,945) at a head grade of 1.6 g/t (Q4 2105: 2.3 g/t) with mill recovery of 81.6% (Q4 2015: 79.6%)
- Total mill throughput of 73,321 tonnes (Q4 2015: 75,285) averaging 797 tonnes (Q4 2015: 818) per calendar day declined slightly from Q4 2015 due to maintenance requirements on conveyors and dry stacker
- Eagle River revenue of $22.2 million (Q4 2015: $23.6 million) on gold sales of 13,490 ounces (Q4 2015: 16,023) at an average realized price of $1,655 or US$1,240 per ounce (Q4 2015: $1,474 or US$1,104)
- Mine operating profit[1] of $7.1 million (Q4 2015: $7.8 million)
- Net income of $2.4 million (Q4 2015: $1.1 million), or $0.02 per share (Q4 2015: $0.01)
- Operating cash flow of $5.0 million (Q4 2015: $5.2 million), or $0.04[1] per share (Q4 2015: $0.04)
- Free cash flow[1] of $(3.7) million (Q4 2015: $2.7 million), or $(0.03) per share (Q4 2015: $0.02)
- Production cash costs per ounce[1] were $1,185 or US$888 (Q4 2015: $1,029 or US$770)
- All-in sustaining costs per ounce (“AISC”)[1] on a production basis were $1,702 or US$1,275 (Q4 2015: $1,388 or US$1,039)
- Cash and cash equivalents of $26.8 million, 1,234 ounces gold in inventory at market price of $1.9 million and working capital of $15.6 million as at December 31, 2016; are lower compared to the previous quarter of $29 million, $5 million and $19.2 million, respectively. The decrease in cash and cash equivalents in Q4 2016 compared to Q3 2016 was due to lower production and sales.

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

OUTLOOK

The Company’s summarized guidance for 2017 are as follows:

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

The Company plans to make some modest investments at the Eagle River Complex to further optimize the Wawa operations and lower costs. Of the estimated $3 million project capital spend, approximately $1.2 million will be spent on the road at Mishi, which will lower trucking costs, and $1.7 million will be spent on an underground ventilation raise which will allow us to open more working faces and provide additional production flexibility at Eagle River. Further cost saving initiatives include upgrading underground equipment, which will reduce maintenance costs and downtime, and assist with dilution control.

The Company will continue its focus on development into higher grade areas of the Eagle River Underground Mine with initial stope production from the 7 Zone which commenced in Q4 2016, well ahead of schedule. This will enable stope production from multiple high grade areas within the Eagle River Mine earlier than expected. The strategy to re-sequence underground development to ensure a better production grade profile going forward at the Eagle River Mine, will enhance flexibility and improve production consistency.

At Mishi, we will be conducting scoping studies to determine expansion scenarios that could enhance profitability and maximize shareholder value. Wesdome does not expect to spend any significant expansion capex at the mill this year. We are very focused on improving the head grades and reducing mining costs at Mishi.

During 2017, the Company will remain aggressive on the exploration front, with continued exploration at the Eagle River Complex in Wawa, Ontario, the Kiena Complex in Val d'Or, Quebec, and finally the Moss Lake Property near Shebandowan, Ontario.

At the Eagle River Complex, drilling will continue on surface and underground within the Eagle River Mine and along the Mishi mineralized trend. At Eagle we plan to spend $1.5 million on underground exploration and $1.5 million on 15,000 metres of surface exploration. Mishi surface exploration budget is expected to be the same as Eagle.

We are continuing with our accelerated drilling program using four drills with the goal of determining the extent, continuity and geometry of the Kiena Deep gold system. Our drilling budget at the Kiena Complex is approximately 45,000 metres at an estimated cost of $3.6 million. As a result of the continuing favourable results, the Company is evaluating ramp development at this project in order to establish new drilling platforms and provide eventual access. This will allow the Company to drill shorter and more effective holes.

Finally Wesdome is conducting a full-year drilling program at Moss Lake in order to evaluate our new land position with the goal of delineating potential untested extensions of known zones. The exploration budget is for 40,000 metres with an estimated budget of $5 million.

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

QUARTERLY FINANCIAL AND OPERATIONAL RESULTS

(in $000 except per share and per ounce amounts and unless otherwise stated)	Q4/16	Q3/16	Q2/16	Q1/16	Q4/15	Q3/15	Q2/15	Q1/15
Financial results								
Gold revenue	**22,166**	30,134	18,447	13,284	23,622	18,199	17,202	14,442
Mine operating total profit (loss)[1]	**7,133**	15,515	4,493	(1,105)	7,767	5,253	3,103	1,557
Net income (loss)	**2,352**	6,897	1,837	(3,300)	1,110	(4,294)	(746)	(771)
Net income (loss) adjusted[1]	**3,047**	7,386	409	(2,854)	1,977	1,575	(88)	(278)
Operating cash flow	**4,976**	12,852	4,885	(2,786)	5,153	3,333	1,436	133
Free cash flow[1]	**(3,735)**	4,635	(2,147)	(7,190)	2,736	(626)	(2,547)	(5,282)
Free cash flow adjusted[1]	**(3,040)**	5,124	(3,575)	(6,744)	3,366	309	(1,889)	(4,789)
Per share information:								
Basic income (loss)	**0.02**	0.05	0.01	(0.03)	0.01	(0.04)	(0.01)	(0.01)
Operating cash flow[1]	**0.04**	0.10	0.04	(0.02)	0.04	0.03	0.01	0.00
Free cash flow[1]	**(0.03)**	0.04	(0.02)	(0.06)	0.02	(0.01)	(0.02)	(0.05)
Free cash flow adjusted[1]	**(0.02)**	0.04	(0.03)	(0.06)	0.03	0.00	(0.02)	(0.04)
Cash and cash equivalents	**26,760**	28,991	26,802	8,100	15,424	3,705	4,067	9,929
Working capital	**15,561**	19,185	16,598	3,972	12,507	2,977	3,287	6,605
Total assets	**162,914**	156,360	149,195	127,113	128,387	117,704	117,219	117,914
Total non-current financial liabilities	**14,703**	11,457	11,554	18,196	17,694	17,055	12,131	11,102
Operational results								
Milling (tonnes)								
Eagle River Mine	**42,607**	42,617	45,305	39,839	42,185	44,849	46,340	39,815
Mishi Mine	**30,714**	37,660	34,006	36,287	33,100	43,336	36,313	19,288
Total milled	**73,321**	80,277	79,311	76,126	75,285	88,185	82,653	59,103
Total tonnes/calendar day	**797**	873	872	837	818	959	908	657
Head grades (g/t)								
Eagle RiverUnderground Mine	**8.2**	10.1	7.5	5.6	9.2	7.7	7.0	7.4
Mishi Open Pit Mine	**1.6**	2.3	2.1	1.8	2.3	3.0	2.5	2.2
Recovery (%)								
Eagle River Mine	**94.6**	95.6	93.4	88.0	94.2	96.1	94.9	94.3
Mishi Open Pit Mine	**81.6**	87.7	85.6	85.0	79.6	88.2	89.9	89.0
Recovered grades (g/t)								
Eagle River Mine	**7.7**	9.6	7.0	4.9	8.7	7.4	6.6	7.0
Mishi Mine	**1.3**	2.0	1.8	1.5	1.9	2.6	2.3	2.0
Production (ounces)								
Eagle River Mine	**10,595**	13,193	10,210	6,254	11,625	10,637	9,848	8,903
Mishi Mine	**1,292**	2,474	1,937	1,782	1,945	3,647	2,628	1,237
Total gold produced	**11,887**	15,667	12,147	8,036	13,570	14,284	12,476	10,140
Gold sales (ounces)	**13,490**	15,825	11,265	8,100	16,023	12,408	11,740	9,633
Mishi Mine								
Ore mined (tonnes)	**45,311**	43,674	37,808	67,960	32,531	46,338	28,685	17,613
Waste mined (tonnes)	**144,692**	81,191	183,003	124,867	197,727	99,969	156,615	189,085
Strip ratio	**3.2**	1.9	4.8	1.7	6.1	2.2	5.5	10.7
Stockpile balance (tonnes)	**68,075**	52,138	46,381	43,919	13,641	13,500	23,838	10,499
Eagle River Complex (per oz performance)								
Per ounce data, sales basis [1]								
Average realized price	**1,655**	1,740	1,637	1,640	1,474	1,467	1,465	1,499
Cash costs	**1,114**	924	1,239	1,776	990	1,043	1,201	1,338
Cash margin	**541**	816	398	(136)	484	424	264	161
AISC	**1,568**	1,367	1,777	2,433	1,293	1,474	1,648	1,971
AISC (US$)	**1,175**	1,048	1,379	1,770	969	1,126	1,340	1,588
Per ounce data, production basis [1]								
Mine cash costs	**1,185**	911	1,188	1,766	1,029	994	1,161	1,345
Mine cash costs (US$)	**888**	698	922	1,285	770	760	945	1,084
AISC	**1,702**	1,359	1,687	2,428	1,388	1,368	1,582	1,946
AISC (US$)	**1,275**	1,042	1,309	1,767	1,039	1,045	1,287	1,569
Mine cash costs/tonne milled [1]	**192**	178	183	186	185	161	175	231
Average 1 USD → CAD exchange rates	**1.3344**	1.3047	1.2886	1.3742	1.3353	1.3089	1.2293	1.2409

Note:

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

ANNUAL FINANCIAL RESULTS

(in $000 except per share and per ounce amounts)	Twelve months ended December 31 **2016**	2015	**Variance**
Gold revenue	**84,031**	73,465	10,566
Mining operations	**66,360**	63,791	(2,569)
Administration	**6,620**	4,604	(2,016)
Annual general meeting	**577**	-	(577)
Kiena Mine care and maintenance costs	**2,245**	2,716	471
Interest and other items	**1,013**	985	(28)
Quebec exploration credits refund	**(2,620)**	-	2,620
Decommissioning provisions	**(20)**	5,960	5,980
Tax expense	**2,070**	110	(1,960)
	76,245	78,166	1,921
Net income (loss)	**7,786**	(4,701)	12,487
Net income (loss) per share	**0.06**	(0.04)	0.10
Operating cash flow	**19,927**	10,055	9,872
Free cash flow[1]	**(8,437)**	(5,719)	(2,718)
Gold produced (ounces)	**47,737**	50,470	(2,733)
Gold sold (ounces)	**48,680**	49,804	(1,124)
Average realized price per ounce[1] ($)	**1,676**	1,475	201
Total production cash costs[1] ($)	**56,992**	56,288	(704)
Production cash costs/ounce[1] ($)	**1,194**	1,115	(79)
AISC/ounce on a production basis[1] ($)	**1,707**	1,542	(165)
Eagle River			
Ore milled (tonnes)	**170,369**	173,189	(2,821)
Gold produced (ounces)	**40,252**	41,013	(761)
Head grade (g/t)	**7.9**	7.8	0.1
Recovered grade (g/t)	**7.4**	7.4	-
Mishi			
Ore milled (tonnes)	**138,668**	132,038	6,629
Gold produced (ounces)	**7,485**	9,457	(1,972)
Head grade (g/t)	**2.0**	2.6	(0.6)
Recovered grade (g/t)	**1.7**	2.2	(0.5)
Total ore milled (tonnes)	**309,037**	305,227	3,810

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

Revenue

Total revenue of $84 million include $81.6 million from the Eagle River Complex and $2.5 million from gold recovered from the cleanup of the mill at the Kiena Complex. Total gold production and gold sales at Eagle River for the year ended December 31, 2016 declined 5% and 2%, respectively, from the year ended December 31, 2015. This decrease was offset by a 14% higher realized gold price, resulting in an 11% increase in Eagle River gold revenue in 2016 compared to 2015. The 2016 annual production was fairly respectable after having rebounded from an unusual Q1 2016 when production was 8,036 ounces compared to a production range of 10,140 to 11,887 ounces over the past eight quarters. The mine sequence is now better balanced to avoid this recurrence.

Mining Operations

Mining operations; which include costs associated with mining, processing, depletion and royalties; increased to $66.4 million in 2016 from $63.8 million in 2015. The 2016 increase was due mostly to stockpiling of low grade increased Mishi ore which was written down to net realizable value; increases in underground equipment maintenance costs, utility costs, and development metres. Production cash costs per ounce increased in 2016 compared to 2015 due to lower ounces produced. Eagle River mill throughput was 170,369 tonnes in 2016 which is slightly lower than the 173,189 tonnes milled in 2015 which resulted in 2% lower production in Eagle River gold. Mishi mill throughput in 2016 increased by 5% to 138,667 in 2016 from 132,038 tonnes milled in 2015 with reduced grade resulting in a 21% decrease in Mishi ounces produced from 9,457 in 2015 to 7,485 in 2016.

All-in sustaining costs on the production basis were $1,707 (US$1,289) per ounce compared to 2015 ($1,542; US$1,206 per ounce). This increase was due to increased operating costs combined with elevated levels of sustaining capital and exploration expenditures.

Administration

Administration costs increased 44% compared to 2015 due to increases in salary and bonuses plus retirement payout to the former CEO of the Company.

Annual General Meeting

On May 16, 2016, one day prior to the regularly scheduled annual general meeting of shareholders, the Board of Directors of Wesdome received a letter from Resolute Performance Fund (“Resolute) detailing concerns with operations and management of the Company and the proposed slate of directors.

In response to Resolute’s concerns, the Board created a Special Committee for the purpose of reporting and making recommendations to the Board. The Company cooperated with Resolute by postponing the annual meeting to June 14, 2016 and the slate of nominees was reduced to seven due to one nominee who subsequently declined to stand for election. The Company engaged a proxy solicitation firm and hired expert advisors to assist in communicating the Company’s message and strategy of enhancing its board with additional nominees having extensive mining operations and management, and capital markets experience, who will oversee the Company’s organic, internal growth strategy at its flagship property, the Eagle River Mine Complex and its two other assets, the Kiena Complex and Moss Lake. The end result was that the Company’s proposed six nominees were ultimately elected and the Company incurred $0.6 million in one-time administrative costs related to this action. Resolute has reduced its holdings in the Company from approximately 25% at the time of its action to 17.52% as at December 31, 2016.

Québec 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 Québec, however it was obligated to repay at least 50% of the reassessed amount which was received in early July, 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 in Q2 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.

Decommissioning Provisions

Decommissioning provisions were higher in 2015 compared with 2016 due to a revision related to the Kiena Complex. In early October 2015, the Company received approval of a revised closure plan for the Kiena Mine 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 was discounted over four years using a risk-adjusted rate of 2.7%. The Company recorded discounted obligation of $5.2 million and a corresponding asset which was written down simultaneously in 2015 as the Kiena Complex is under care and maintenance.

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 totaling $4.6 million in place of the previous estimated total of $1.5 million. The additional $3.1 million decommissioning costs have been discounted to $2.5 million with a corresponding increase in mining assets as at December 31, 2016 using a risk-adjusted rate of 3.2% over 5 years. Unlike the revision to the Kiena Complex, the Eagle River Complex revision has been capitalized due to ongoing operations.

Tax Expense

The 2016 expense of $2.1 million (2015: $0.1 million) consists of deferred tax expense of $3 million and net of mining tax recovery of $0.9 million.

The deferred tax expense of $3 million includes $3.7 million deferred tax expense on net income of $9.9 million; and net of $0.7 million tax recovery as a result of the share premium liability recorded in December 2015 related to flow through financing.

The mining tax recovery of $0.9 million resulted from the Company's filing of 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 of an aggregate refund of approximately $0.9 million overpayment previously made for both years of which $0.6 million was received subsequent to the year end.

Kiena Care and Maintenance Costs

Kiena care and maintenance costs for 2016 are consistent with 2015 and as budgeted.

Net Income

The Company recorded a net income of $7.8 million in 2016 compared to a loss of $(4.7) million in 2015. This increase in net income in 2016 was mostly due to $10.6 million increase in revenue including $8.1 million from Eagle and $2.5 million from the Kiena mill cleanup and $2.6 million Quebec exploration credits refund. This aggregate increase in revenue of $13.2 million was offset by increases in mining operations by $2.6 million, administration by $2.6 million and tax expense by $2.0 million. The 2015 loss included $5.2 million decommissioning costs related to the one-time adjustment for additional future mine closure costs as required by the Quebec government.

FOURTH QUARTER FINANCIAL RESULTS

(in $000 except per ounce amount)	**Q4 2016**	Q4 2015	**% Variance**
Gold revenue	**22,166**	23,622	(6)
Mining operations	**17,165**	18,230	6
Administration	**2,059**	2,100	2
Kiena Mine care and maintenance costs	**695**	630	(10)
Interest and other items	**298**	408	27
Decommissioning provisions	**(78)**	740	111
Tax (recovery) expense	**(325)**	404	180
	19,814	22,512	12
Net income	**2,352**	1,110	112
Net income per share	**0.02**	0.01	100
Operating cash flow	**4,976**	5,153	(3)
Free cash flow[1]	**(3,735)**	2,736	(237)
Gold produced (ounces)	**11,887**	13,570	(12)
Total gold sales (ounces)	**13,490**	16,023	(16)
Average realized price per ounce[1] ($)	**1,655**	1,474	12
Total production cash costs[1] ($)	**14,089**	13,959	(1)
Unit production cash costs/ounce[1] ($)	**1,185**	1,029	(15)
AISC/ounce on a production basis[1] ($)	**1,702**	1,388	(23)
Eagle River			
Ore milled (tonnes)	**42,607**	42,185	1
Gold produced (ounces)	**10,595**	11,625	(9)
Head grade (g/t)	**8.2**	9.2	(11)
Recovered grade (g/t)	**7.7**	8.7	(11)
Mishi			
Ore milled (tonnes)	**30,714**	33,100	(7)
Gold produced (ounces)	**1,292**	1,945	(34)
Head grade (g/t)	**1.6**	2.3	(30)
Recovered grade (g/t)	**1.3**	1.9	(32)
Total ore milled (tonnes)	**73,321**	75,285	(3)
Total gold production (ounces)	**11,887**	13,570	(12)

Note:

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

Revenue

Total gold production and gold sales at Eagle River for Q4 2016 declined 12% and 16%, respectively, from Q4 2015 due to lower grades. This decrease was offset by a 12% higher realized gold price, resulting in a 6% decrease in Eagle River gold revenue in Q4 2016 compared to Q4 2015.

Mining Operations

Mining operations; which include costs associated with mining, processing, depletion and royalties; decreased to $17.2 million in Q4 2016 from $18.2 million in Q4 2015. Production cash costs per ounce increased in Q4 2016 compared to Q4 2015 due to lower ounces produced and sold. Eagle River mill throughput was 42,607 tonnes in Q4 2016 which is slightly higher than the 42,185 tonnes milled in Q4 2015, however, with the lower head grade this resulted in 9% lower production in Eagle gold. Mishi mill throughput in Q4 2016 decreased by 7% from 33,100 in Q4 2015 to 30,714 tonnes milled in Q4 2016 and with reduced grade resulted in a 34% decrease in Mishi ounces produced from 1,945 in Q4 2015 to 1,292 in Q4 2016.

All-in sustaining costs on the production basis were $1,702 (US$1,275) per ounce compared to Q4 2015 of $1,388 (US$1,039) per ounce. The 23% increase is due to decrease in production ounces combined with increases in sustaining capital and exploration expenditures.

Administration

Administration costs decreased 2% compared to Q4 2015. The Q4 2015 included $350,000 accrued for environmental liability plus $114,000 write-down of old accounts receivables.

Kiena Care and Maintenance Costs

Kiena care and maintenance costs for Q4 2016 are consistent with Q4 2015 and as budgeted.

Decommissioning Provisions

The Company recorded decommissioning recovery in Q4 2016 mostly relating to the Kiena Complex as a result of changes in the variables used to discount the estimated closure costs.

Tax Recovery

The Company recorded a net tax recovery of $0.3 million in Q4 2016 which was mostly due to the $0.9 million mining tax receivable described earlier.

Net Income

The Company recorded a net income of $2.4 million in Q4 2016 compared to a net income of $1.1 million in Q4 2015. The $1.3 million increase was due to mostly to a decrease in both decommissioning provisions of $0.8 million and tax expense of $0.7 million.

DIRECTOR AND MANAGEMENT APPOINTMENTS

At the Company's postponed annual general meeting held on June 14, 2016, six individuals were elected as directors of the Company, until the next annual meeting of shareholders. They include Charles Page, Rowland Uloth, Barry Smith, Nadine Miller, Duncan Middlemiss and Bill Washington the latter two being new directors to Wesdome.

Bill Washington was the Head of Global Mining & Metals at National Bank Financial Markets from July 2011 until his retirement from the firm at the end of 2015. He joined National Bank as part of the acquisition of Wellington West Capital Markets where he had served as the Head of Investment Banking since August 2004. Prior to joining Wellington, and always focused exclusively on the mining sector, Bill worked as an investment banker at National Bank Financial/First Marathon, Gordon Capital and Lancaster Financial/TD Securities from 1994. Prior to entering investment banking he worked as a civil engineer on major infrastructure projects in the U.K., Spain and Hong Kong for six years. Bill holds a Bachelor of Applied Science (Civil Engineering) from the University of British Columbia and has an MBA from the University of Western Ontario (Ivey).

In addition to his role as a new director to Wesdome, on July 27, 2016, the Company announced the appointment of Mr. Duncan Middlemiss as President and Chief Executive Officer effective August 15, 2016. Mr. Rolly Uloth, who held the position for the past three years, continues as a director of the Company as part of a planned succession.

Mr. Middlemiss was most recently the President and Chief Executive Officer and a director of St. Andrew Goldfields Ltd. ("SAS") until its acquisition by Kirkland Lake Gold Inc. in January, 2016. Mr. Middlemiss joined SAS in July, 2008, as General Manager and Vice President Operations, later assuming the role of

Chief Operating Officer. He was appointed as President and Chief Executive Officer in October, 2013. He earned a B. Sc. in mining engineering at Queen's University in 1989 and worked for Inco Limited (now Vale Canada Limited) as Mine Design Engineer until 1995. At that time he joined Barrick Gold Inc. at their Holt-McDermott Mine, where he held the position of Chief Mine Engineer. In 2002 he joined Foxpoint Resources (now Kirkland Lake Gold Inc.) where he was instrumental in overseeing the rehabilitation, development, and commencement of production at the Macassa Mine beginning as Engineering & Production Manager, and later as Mine Manager. Mr. Middlemiss is a native of Kirkland Lake, Ontario and has extensive experience in the mining of gold deposits in the Abitibi Greenstone Belt.

Following the positive drilling results and the Company's efforts to accelerate its advanced exploration at the Kiena Complex, in early February 2017 the Company appointed Marc-André Pelletier as Vice President of Quebec Operations, who will be based full time at the Kiena Complex. Marc-André has over 20 years' experience in underground gold mining in Canada, and will be working closely with our geologic team to evaluate ramp development.

EAGLE RIVER COMPLEX

The combined Eagle River and Mishi production for the year ended December 31, 2016 was 47,737 ounces, a 5% decrease compared to 50,470 ounces in 2015.

Eagle River Mill

The Eagle River Mill is located close to both the Eagle River and Mishi mines with a permitted capacity of 1,200 tpd.

Through better direction and management and prudent investments in mill infrastructure and human resources, mill throughput has steadily increased over the last three years with mill availability near 90%. The mill processed 73,321 tonnes or 797 tpd during Q4 2016 compared to 75,285 tonnes or 818 tpd in Q4 2015. Our target for the existing mill, is to process an average of 900 tpd with targeted recoveries of 94% for Eagle River ore and 80% for Mishi ore.

Eagle River Mine

The Eagle River underground mine is hosted by a 2.0 km by 0.5 km elliptical quartz diorite stock. Mineralization is hosted by east-west, steeply north dipping laminated quartz veins. The mine is serviced by a shaft and ramp system with the deepest mining level at 970 m. The mine is located 17 road km to the south of the mill. Commercial production commenced January 1, 1996.

To date, the mine has produced 3,763,000 tonnes at a head grade of 9.0 g/t, or 1,092,000 ounces of gold, over a 20 year mine life with the bulk of production coming from the main No. 8 vein structure.

In the summer of 2013, two new parallel structures were identified, the No.7 and No. 300 structures located approximately 200 m and 400 m north of the No. 8 structure, respectively. These have been aggressively explored and developed.

Underground exploration and development work to date is proving up continuity and expanding the footprint of recently recognized parallel structures (No. 7 and 300 Zones) in the western portion of the mine north of the main 8 Zone structure. Recent development and drilling results have demonstrated significant extensions up-plunge to shallower depths. Both zones remain open at depth and have been traced to 1,200 metres depth.

Surface drilling has provided a first pass evaluation of the potential of the previously untested north portion of the mine diorite at 200 metre intervals over a 1.6 km strike length. The positive results will be followed up in 2017.

The Company continued its focus on development into higher grade areas of the mine with initial stope production from the 7 Zone in Q4 2016, well ahead of schedule. This will enable stope production from multiple high grade areas within the Eagle River Mine earlier than expected, and will ease potential future development/production sequencing issues as experienced in Q1 2016.

Underground development and drilling

During 2016, the No. 7 zone was developed on the 945 metre level with strong grades and increasing widths (compared to the 890 metre level which averaged 42.0 metres; grading 33.15 g/t or 11.26 g/t, cut to 60 g/t; with an average width of 1.50 metres).

945 m Level Drift (No. 7 Zone)

- Length: 63.0 metres
- Grade: 22.63 g/t (grams per tonne) or 12.37 g/t (cut to 60 g/t)
- Average Width: 3.32 metres

Following this successful extension of the No. 7 structure to shallower depths, (Press Release February 23, 2016) an examination of a similar up-plunge extension of the 300 Zone structure is underway. Initial results are encouraging. Both zones are open to the west and our development provides an opportunity to drill these targets.

Also during 2016, drifting on the 942 metre level, had encountered the 300 Zone with encouraging lengths and grades. The structure remains open to the west.

942 m Level Drift (300 Zone)

- Length: 141.0 metres
- Grade: 19.34 g/t or 16.54 g/t (cut to 140 g/t)
- Average Width: 1.61 metres

Drilling is planned up-plunge towards the recent hole 350-E-09 which intersected 18.56 g/t (18.56 g/t cut to 140 g/t) over 3.29 metres true width. This bodes well for the future and suggests potential to duplicate the successful No. 7 Zone up-plunge drilling strategy.

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

Highlights include:

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

To date, drilling has identified at least three steeply plunging pipe-like bodies between depths of 800 and 1,000 metres. The current proximity of these extraordinary intercepts to mine infrastructure coupled with the sheer volume of high grade mineralization will potentially have near to mid-term positive production implications. Furthermore, the presence of these structures give rise to the possibility of additional zones of similar size and grade, as well as bulk mining opportunities at Eagle River. We are in position to develop into these zones; confirm their dimensions, geometry and grades; and drill their extensions.

Mishi Mine

The Mishi Mine is an open pit mining operation located 2 km west of the Eagle River Mill. It consists of a series of tabular sericite-ankerite alteration zones which contain 10% smoky quartz veinlets and lenses. It strikes east-west, dipping 40 degrees north and follows a regional volcanic-sedimentary rock contact.

To date, the mine has produced 561,000 tonnes at a recovered grade of 2.5 g/t producing 44,200 ounces of gold.

The current open pit has a length of 400 m and a planned depth of 70 m. In 2015, definition drilling at 25 m centres extended mineralization over a total length of 1,300 m.

Current proven and probable Mineral Reserves have a life-of-mine stripping ratio of 2.3 tonnes of waste per tonne of ore.

Mishi surface drilling

In 2016, we completed an aggressive drilling program with two drills to stepout beyond known information to test the size of the system. In addition, geotechnical studies were initiated in Q3 2016 to examine the merits of deepening the pit to incorporate substantial Indicated Resources identified to a depth of 110 m.

The 2016 surface drilling program updates were released on September 15, 2016. Two drills completed a systematic evaluation of the Mishibishu Deformation Zone with 200 metre spaced drill fences across the 3.0 km strike length west of open pit mining operations.

Widespread pyrite-ankerite-sericite zones have been traced to date which carry strongly anomalous gold values.

The highlight to date is hole BC16-80, located 1.7 kilometres west of the open pit.

Hole No.	From (m)	To (m)	Core length (m)	True Width (m)	Grade (g/t)
BC16-80	316.0	330.0	14.0	13.5	4.28
including	320.5	326.5	6.0	5.8	7.65

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

Mineral Reserve and Resource Estimates at Eagle River and Mishi

The following is a summary of the reserve and resource estimates as at December 31, 2016.

- 446,000 ounces Mineral Reserves at Eagle River and Mishi as follows:
  - 344,000 ounces Eagle River Mineral Reserves
  - 102,000 ounces Mishi Open Pit Mineral Reserves
- 85,000 ounces Eagle River Inferred Mineral Resources
- 248,000 ounces Mishi Open Pit Indicated Mineral Resources and 59,000 ounces Inferred Mineral Resources

MINERAL RESERVES[1]

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

MINERAL RESOURCES (excluding Reserves)[1]

Mine	Category	Tonnes	Grade (g/t)	Contained Ounces			
				Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Eagle River	Inferred	327,000	8.1	85,000	170,000	80,000	105,000
Mishi Open Pit	Indicated	3,679,000	2.1	248,000	248,000	248,000	248,000
	Inferred	764,000	2.4	59,000	59,000	59,000	59,000
Mishi Underground	Indicated	567,000	4.5	82,000	82,000	82,000	82,000
	Inferred	437,000	5.8	81,000	81,000	81,000	81,000
TOTAL	**Indicated**			**330,000**	**330,000**	**330,000**	**330,000**
	Inferred			**225,000**	**310,000**	**220,000**	**245,000**

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

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

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

[1] Mineral Reserves and Mineral Resources estimates have been made in accordance with the Standards of the Canadian Institute of Mining, Metallurgy and Petroleum and National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”).

All Mineral Resources are in addition to Mineral Reserves.

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

Assumed gold price of CAD$1550 per ounce.

All Mineral Reserves at Eagle River employ a 1.5 m minimum width, a 3.0 g/t minimum grade for continuity and include 1.0 m of external dilution. Mineral Resources are reported in-situ with no dilution provision.

All Mineral Reserves at Mishi employ a 1.0 g/t cut-off grade and a 3.0 m minimum width. Estimates provide for 10% dilution, 11% lost ore and metallurgical recoveries of 86%. Open pit Mineral Reserves extend to an average depth of 70 m.

Mishi Mineral Reserves currently have a life of mine stripping ratio of 2.3 tonnes of waste per tonne of ore.

Mishi Open Pit Mineral Resources extend to a depth of 110 m, employ a 1.0 g/t cut-off grade, a 3.0 m minimum width and are reported in-situ with no dilution or lost ore provisions.

Mishi Underground Mineral Resources are reported in-situ employing a 3.0 g/t cut-off grade and a 1.5 m minimum mining width.

At Eagle River all high assays are cut to either 60 g/t or 140 g/t for individual zones. This is based on grade-frequency histograms at 95 percentile.

At Mishi all high drill core assays are cut to 45 g/t. All high blasthole assays are cut to 25 g/t. These are based on where a ragged tail on grade-frequency histograms commence.

A density or tonnage factor of 2.7 tonnes per cubic metre is applied at Eagle River and 2.8 at Mishi.

KIENA MINE COMPLEX AND EXPLORATION PROPERTIES

The Company's wholly-owned, contiguous Val d'Or properties cover approximately 7,000 hectares and encompass four former producers, eight shafts and significant mineral resources. Prior to the current drilling program which commenced in 2016, the exploration program for 2015 on the nearby properties involved two drills on surface and their results have been incorporated in a revised NI 43-101 Technical Report. This study dated December 16, 2015 and entitled "Technical Report for the Quebec Wesdome Project" was prepared by Bruno Turcotte, P. Geo., Denis Gourde, Eng., and Pierre-Luc Richard, P. Geo. of InnovExplo Inc. and filed on SEDAR on March 10, 2016. This was the first time that the Company's contiguous Val d'Or properties have been compiled in a NI43-101 Technical Report. Based on economic parameters, InnovExplo established that Wesdome's Quebec Properties contain:

- Measured Resources of:
  63,700 tonnes grading 4.05 g/t gold (8,300 ounces)

- Indicated Resources of:
  2,439,000 tonnes grading 5.62 g/t gold (441,000 ounces)

- Total Measured and Indicated Resources of:
  2,500,600 tonnes grading 5.59 g/t gold (449,300 ounces)

- Inferred Resources of:
  1,563,300 tonnes grading 7.97 g/t gold (400,400 ounces)

The Kiena Mine Complex is a fully permitted, integrated mining and milling infrastructure, which includes a 930 metre production shaft and a 2,000 tonne per day mill. From 1981 – 2013, the mine produced 1.75 million ounces of gold from 12.5 million tonnes at a head grade of 4.5 g/t. The bulk of this production came from the S-50 Zone between depths of 100 and 1,000 metres. In 2013, operations were suspended due to a combination of the declining gold price and lack of developed reserves. The infrastructure has been preserved on care and maintenance status.

Kiena Deep High Grade Discovery

The Company launched an underground drilling program at Kiena in Q3 2016. The purpose of the program was to examine the depth potential of the S-50 Zone and test potential for a Z-fold geometry to open up at depth. On August 24 and September 15, 2016, the Company announced exciting early underground drill results from this exploration program.

Highlights:

- 94.35 g/t gold over 17.40 m uncut (18.03 g/t cut) in hole U-6124
- 192.95 g/t gold over 14.25 m uncut (18.80 g/t cut) in hole U-6125
- 238.81 g/t gold over 5.00 m uncut (15.71 g/t cut) in hole U-6125
- 8.43 g/t gold over 8.2 m uncut (3.82 g/t cut) in hole U-6130

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

At that time, two drills were used to test for a repetition of the S-50 Zone along a Z-fold interpretation 200 – 300 metres below existing mine infrastructure at a depth of approximately 1,200 metres. The nominal drill spacing to test this target is 100 metres. These early results exceeded expectations, and these rich veins are unlike anything previously encountered at this property.

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

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

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

Geological Context

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

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

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

Drilling Progress

Four drills are operating on levels 670m, 770m, 910m and 960m. Challenging drilling conditions in the deformed and altered contact area have been addressed with a combination of bits, drill assemblies and specialized drilling reagents. The experience obtained in these conditions and the additional drill added to the 960m level has resulted in improved success in attaining the desired targets. Shorter holes with better attack angles will continue to accelerate results.

Scope and Purpose

The accelerated drilling is designed to delineate the potential size of the Kiena Deep gold system and define its internal geometry as quickly and efficiently as possible.

Confidence in internal grade and continuity will de-risk a decision to initiate ramp development to provide definition drilling and access to Kiena Deep as soon as possible.

The Company intends to continue the drilling campaign with four underground drills. Ongoing evaluation for the requirement of enhanced drill platforms will determine the timing of underground ramp development, as the location of this infrastructure is dependent upon drilling results currently being generated.

Sale of Claims

In June, 2016, the Company sold certain strategically located mineral claims adjacent to the producing Goldex Mines Limited ("Goldex") and included 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 has granted Wesdome a 2% Net Smelter Royalty ("NSR") on the Mine École property and a 3% NSR on the Joubi property. The claims cover potential extensions of the Goldex sill which can be most efficiently explored and potentially developed from Agnico Eagle's existing Goldex Mine infrastructure.

MOSS LAKE PROPERTY

The Company views Moss Lake as an attractive asset at gold prices above CAD$1,600/oz, and it remains our most significant gold resource and our most significant option on future gold prices and exchange rates. All of the mining claims are kept up to date as the Company continuously monitors the external environment and its internal resources for optimizing this asset.

A NI 43-101 Preliminary Economic Assessment report (the "PEA Report") of the Moss Lake project highlighted its potential to support a bulk mining operation under more favourable gold prices. This PEA Report, dated May 31, 2013 and entitled "Technical report and preliminary economic assessment for the Moss Lake Project", was prepared by Sylvie Poirier, Eng., Gary Anthony Patrick, Consulting Metallurgist, Julie Palich, P. Geo., and Pierre-Luc Richard, P. Geo. of InnovExplo Inc. and filed on SEDAR (www.sedar.com, Moss Lake Gold Mines Ltd, May 23, 2013).

Indicated Resources were independently estimated at 39,700,000 tonnes grading 1.1 g/t (1,377,300 ounces of gold), with additional Inferred Resources of 50,364,000 tonnes grading 1.1 g/t (1,751,600 ounces of gold).

New Acquisition Consolidates Strategic Land Position

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

The Company paid or issued (as applicable) to Canoe Mining total consideration of $1.3 million as follows:

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

- (i) an aggregate of $0.4 million 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 $0.8 million non-cash consideration; and

(b) with respect to the purchase of the Hamlin portion of the properties, an aggregate of $0.1 million cash.

With this acquisition, Wesdome continues to consolidate its land position in the Shebandowan Greenstone Belt. The acquired properties include the former producing Coldstream Mine and East Coldstream gold deposit and their potential untested extensions. This acquisition eliminated a historically inconvenient property boundary immediately along strike of the 3 million ounce Moss Lake gold deposit. This property boundary area has never been drilled and with this acquisition the Company intends to rapidly assess potential to double the existing resources base as defined in its PEA Report. Additionally, there is similar potential to expand previous NI 43-101 resources (Foundation Resources, www.sedar.com) in the East Coldstream area.

The Company has secured all necessary exploration permits and commenced drilling in November 2016. The Company's strategy is to complete IP (induced polarization) orientation surveys over existing resources and extend wing lines outwards covering the newly consolidated, and previously untested, land position.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, the Company had working capital of $15.6 million compared to $19.2 million at September 30, 2016 and $12.5 million at December 31, 2015. During 2016, capital expenditures totalled $18.2 million compared to $15.2 million in 2015. Capital expenditures were concentrated on underground development, diamond drilling and infrastructure, and mobile equipment. We continued with our enhanced exploration plans spending $10.2 million in 2016 compared to $0.6 million in 2015. Exploration included $3 million flow through funds raised in December 2015 and spent outside of the Eagle River Complex, and $5.1 million in previously unplanned exploration at Kiena as a result of the spectacular results obtained from the preliminary drilling.

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 $17.3 million including the exercise in full of the over-allotment option by the underwriters. The Company paid underwriting commissions of approximately $0.9 million and legal and regulatory costs of $0.4 million for net proceeds of $16 million.

Our cash position increased to $26.8 million as at December 31, 2016 from $15.4 million as at December 31, 2015 for a net increase of $11.4 million. Sources of cash totaling $46.8 million included $22.4 million generated from operations, $16 million from prospectus equity financing, $1.4 million from the exercises of stock options, and $7 million from the sale of certain Kiena properties. The Company spent approximately $35.4 million including $28.4 million on exploration and mining properties, $4.4 million restricted cash to satisfy the Kiena Complex closure obligation, $1.9 million to repay capital lease obligations and $0.7 million interest payments on both the convertible debentures and capital leases.

The $7.0 million convertible debentures mature on May 24, 2017. The conversion price is $2.50 per common share of the Company, and based on the recent share price of the Company at well above this conversion price, the Company expects that all or substantially all of these debentures will be converted prior to maturity. In the event that conversion does not occur, the Company believes it will have sufficient internal cash to retire the debentures.

The Company carried an inventory of 1,234 ounces of gold at December 31, 2016, with a market value of approximately $1.9 million and a carrying value of $1.7 million (gold inventory is carried at the lower of cost and market). Accordingly, the adjusted working capital at December 31, 2016, would have been $13.7 million.

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

SUMMARY OF SHARES ISSUED

Subsequent to the year ended December 31, 2016, 238,000 share purchase options were exercised, and 40,000 shares were issued upon conversion of $0.1 million of convertible debentures.

As of February 22, 2017, the Company had securities outstanding as follows:

Common shares issued	130,588,276
Common share purchase options	6,323,688
Common shares issuable on conversion of debentures	2,768,400

CONTRACTUAL OBLIGATIONS

The following table shows the timing of cash outflows relating to contractual obligations as at December 31, 2016:

	Payments Due by Period (in $000)				
Contractual Obligations	**Total**	**Less than 1 year**	**1 – 2 years**	**3 – 5 years**	**After 5 years**
Equipment leases	**$ 6,696**	$ 2,269	$ 1,780	$ 2,647	-
Convertible debentures	**7,216**	7,216	-	-	-
Kiena reclamation deposit	**1,791**	-	1,791	-	-
	$ 15,703	$ 9,485	$ 3,571	$ 2,647	-

NON-IFRS PERFORMANCE MEASURES

The Company uses non-IFRS performance measures which do not have standardized meanings defined by IFRS and may not be comparable to information in other gold producers' reports and filings. These performance measures include mine operating profit, cash costs per ounce of gold sold, cash margin per ounce of gold sold, production costs per ounce, all-in sustaining costs per ounce of gold, operating cash flow per share, free cash flow, free cash flow per share and net income (loss) adjusted. The Company has included these non-IFRS performance measures throughout this document as the Company believes that these generally accepted industry performance measures are useful indicators of the Company's operational performance. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Mine operating profit

	2016					2015				
(in $000)	**YTD**	**Q4**	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
Gold revenue from operations	**81,586**	**22,321**	27,534	18,447	13,284	73,465	23,622	18,199	17,202	14,442
Gold from Kiena mill cleanup	**2,445**	**(155)**	2,600	-	-	-	-	-	-	-
Total revenue	**84,031**	**22,166**	30,134	18,447	13,284	73,465	23,622	18,199	17,202	14,442
Mining and processing costs	**57,995**	**15,033**	14,619	13,954	14,389	55,785	15,855	12,946	14,099	12,885
Mine operating profit	**26,036**	**7,133**	15,515	4,493	(1,105)	17,680	7,767	5,253	3,103	1,557

Cash costs per ounce of gold sold

	2016					2015				
(in $000 except per ounce amount)	**YTD**	**Q4**	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
Mine site operating costs per financial statements	**57,995**	**15,033**	14,619	13,954	14,389	55,785	15,855	12,946	14,099	12,885
Ounces of gold sold	**48,680**	**13,490**	15,825	11,265	8,100	49,804	16,023	12,408	11,740	9,633
Total cash costs per ounce of gold sold	**1,191**	**1,114**	924	1,239	1,776	1,120	990	1,043	1,201	1,338
Average 1 USD → CAD exchange rate	**1.3253**	**1.3344**	1.3047	1.2886	1.3742	1.2790	1.3353	1.3089	1.2293	1,2409
Total cash costs per ounce of gold sold (US$)	**899**	835	708	961	1,292	876	741	797	977	1,078

Cash margin per ounce of gold sold

(amounts in Canadian dollars)	**2016 YTD**	**2016 Q4**	2016 Q3	2016 Q2	2016 Q1	2015 YTD	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Gold price per ounce sold (see next table)	**1,676**	**1,655**	1,740	1,637	1,640	1,475	1,474	1,467	1,465	1,499
Cash costs of gold sold	**1,191**	**1,114**	924	1,239	1,776	1,120	990	1,043	1,201	1,338
Cash margin per ounce of gold sold (CAD$)	**485**	**541**	816	398	(136)	355	484	424	264	161
Average 1 USD → CAD exchange rates	**1.3253**	**1.3344**	1.3047	1.2886	1.3742	1.2790	1.3353	1.3089	1.2293	1.2409

(amounts in United States dollars)	**2016 YTD**	**2016 Q4**	2016 Q3	2016 Q2	2016 Q1	2015 YTD	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Gold price per ounce sold	**1,265**	**1,240**	1,334	1,271	1,193	1,153	1,104	1,121	1,192	1,208
Cash costs per ounce of gold sold	**899**	**835**	708	961	1,292	876	741	797	977	1,078
Cash margin per ounce of gold sold (US$)	**336**	**405**	626	310	(99)	277	363	324	215	130

Average realized price per ounce of gold sold

(in $000 except per ounce amount)	**2016 YTD**	**2016 Q4**	2016 Q3	2016 Q2	2016 Q1	2015 YTD	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Gold produced (ounces)	**47,737**	**11,887**	15,667	12,147	8,036	50,470	13,570	14,284	12,476	10,140
Gold sales (ounces)	**48,680**	**13,490**	15,825	11,265	8,100	49,804	16,023	12,408	11,740	9,633
Gold sales ($)	**81,586**	**22,321**	27,534	18,447	13,284	73,465	23,622	18,199	17,202	14,442
Average realized price per ounce of gold sold ($)	**1,676**	**1,655**	1,740	1,637	1,640	1,475	1,474	1,467	1,465	1,499
Average gold price per ounce ($)[1]	**1,634**	**1,626**	1,742	1,622	1,623	1,472	1,475	1,471	1,465	1,509

[1] Calculated based on the daily gold price per ounce in Canadian dollars, obtained using the daily London PM fix in US dollars, translated at the daily exchange noon rate published by the Bank of Canada

Production costs per ounce of gold and per tonne milled

(in $000 except per ounce amount)	**2016 YTD**	**2016 Q4**	2016 Q3	2016 Q2	2016 Q1	2015 YTD	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Production costs, per financial statements	**57,995**	**15,033**	14,619	13,954	14,389	55,785	15,855	12,946	14,099	12,885
Inventory adjustment [1]	**(1,003)**	**(944)**	(346)	481	(194)	503	(1,896)	1,257	387	755
Production costs	**56,992**	**14,089**	14,273	14,435	14,195	56,288	13,959	14,203	14,486	13,640
Gold production (ounces)	**47,737**	**11,887**	15,667	12,147	8,036	50,470	13,570	14,284	12,476	10,140
Production costs per ounce	**1,194**	**1,185**	911	1,188	1,766	1,115	1,029	994	1,161	1,345
Tonnes milled	**309,035**	**73,321**	80,277	79,311	76,126	305,227	75,285	88,185	82,653	59,104
Production costs/tonne milled	**184**	**192**	178	182	186	184	185	161	175	231

[1] Inventory related adjustments are adjustments made to mining and processing costs (cost of sales) in order for them to reflect the actual cash cost of production during the period.

	2016 YTD	**2016 Q4**	2016 Q3	2016 Q2	2016 Q1	2015 YTD	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Per ounce data, production basis (CAD$)										
Mining costs	**897**	**865**	687	920	1,316	829	753	753	867	990
Milling costs	**297**	**320**	224	268	450	286	276	241	294	355
	1,194	**1,185**	911	1,188	1,766	1,115	1,029	994	1,161	1,345
Average 1 USD → CAD exchange rates	**1.3253**	**1.3344**	1.3047	1.2886	1.3742	1.2790	1.3353	1.3089	1.2293	1.2409

	2016					2015				
	YTD	**Q4**	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
Per ounce data, production basis (US$)										
Mining costs	**677**	**648**	527	714	958	648	563	575	705	798
Milling costs	**224**	**240**	171	208	327	224	207	185	240	286
	901	**888**	698	922	1,285	872	770	760	945	1,084

All-in sustaining costs per ounce of gold

All-in sustaining costs include mine site operating costs and production royalties incurred at the Company's mining operations, sustaining capital expenditures (including equipment leases), corporate administration expense and mine site exploration costs. The Company believes that this measure represents the total costs of producing gold from current operations, and provides the Company and other stakeholders with additional information that illustrates the Company's operational performance and ability to generate cash flow. This cost measure is reported on a consolidated level and on a per ounce of gold basis. As the measure seeks to reflect the full cost of gold production from current operations, new project capital is not included.

Sales basis

	2016					2015				
(in $000 except per ounce amount)	**YTD**	**Q4**	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
Mine site operating costs per financial statements	**57,995**	**15,033**	14,619	13,954	14,389	55,785	15,855	12,946	14,099	12,885
Add:										
Royalties	**1,298**	**334**	482	283	199	1,189	336	305	286	262
Corporate and general	**4,886**	**1,278**	1,799	905	904	3,793	1,688	689	729	687
Sustaining mine capital, equipment leases and exploration	**18,335**	**4,512**	4,738	4,873	4,212	16,569	2,846	4,344	4,231	5,148
All-in costs adjustment	**24,519**	**6,124**	7,019	6,061	5,315	21,551	4,870	5,338	5,246	6,097
All-in sustaining costs	**82,514**	**21,157**	21,638	20,015	19,704	77,336	20,725	18,284	19,345	18,982
Gold sold (ounces)	**48,680**	**13,490**	15,825	11,265	8,100	49,804	16,023	12,408	11,740	9,633
All-in sustaining costs per ounce (CAD$)	**1,695**	**1,568**	1,367	1,777	2,433	1,553	1,293	1,474	1,648	1,971
Average 1 USD → CAD exchange rate	**1.3253**	**1.3344**	1.3047	1.2886	1.3742	1.2790	1.3353	1.3089	1.2293	1.2409
All-in sustaining costs per ounce (US$)	**1,279**	**1,175**	1,048	1,379	1,770	1,214	969	1,126	1,340	1,588

Production basis

	2016					2015				
(in $000 except per ounce amount)	**YTD**	**Q4**	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
Production costs (see table at page 21)	**56,992**	**14,089**	14,273	14,435	14,195	56,288	13,959	14,203	14,486	13,640
All-in costs adjustment (see table above)	**24,519**	**6,124**	7,019	6,061	5,315	21,551	4,870	5,338	5,246	6,097
All-in sustaining costs	**81,511**	**20,213**	21,292	20,496	19,510	77,839	18,829	19,541	19,732	19,737
Gold produced (ounces)	**47,727**	**11,877**	15,667	12,147	8,036	50,470	13,570	14,284	12,476	10,140
All-in sustaining costs per ounce (CAD$)	**1,707**	**1,702**	1,359	1,687	2,428	1,542	1,388	1,368	1,582	1,946
Average 1 USD → CAD exchange rates	**1.3253**	**1.3344**	1.3047	1.2886	1.3742	1.2790	1.3353	1.3089	1.2293	1.2409
All-in sustaining costs per ounce (US$)	**1,289**	**1,275**	1,042	1,309	1,767	1,206	1,039	1,045	1,287	1,569

Operating cash flow per share

Operating cash flow per share is calculated by dividing cash flow from operating activities before working capital adjustments in the Company's financial statements by the weighted average number of shares outstanding for each period. Adjusted cash flow and resulting per share are computed similarly after adjusting for Kiena care and maintenance costs.

	2016					2015			
(in $000 except per share amount)	**YTD**	**Q4**	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
Cash flow from operating activities before working capital adjustments	**19,927**	**4,976**	12,852	4,885	(2,786)	10,055	5,153	3,333	1,436	133
Kiena care and maintenance costs	**2,245**	**695**	489	615	446	2,716	630	935	658	493
Annual general meeting	**577**	**-**	**-**	577	-	-	-	-	-	-
Exploration credit refund	**(2,620)**	**-**	**-**	(2,620)	-	-	-	-	-	-
Operating cash flow (adjusted)	**20,129**	**5,671**	13,341	3,457	(2,340)	12,771	5,783	4,268	2,094	626
Weighted average number of shares (000's)	**126,158**	**130,205**	129,936	126,091	118,313	112,189	115,140	111,186	111,051	111,073
Operating cash flow per share	**0.16**	**0.04**	0.10	0.04	(0.02)	0.09	0.04	0.03	0.01	0.00
Operating cash flow per share (adjusted)	**0.16**	**0.04**	0.10	0.03	(0.02)	0.11	0.05	0.04	0.02	0.01

Free cash flow and free cash flow per share

Free cash flow is calculated by taking cash flow from operating activities before working capital adjustments less cash used in investing activities as reported in the Company's financial statements. Free cash flow per share is calculated by dividing free cash flow by the weighted average number of shares outstanding for the period. Adjusted free cash flow and resulting per share are computed similarly after adjusting for Kiena care and maintenance costs.

	2016					2015			
(in $000 except per share amount)	**YTD**	**Q4**	Q3	Q2	Q1	YTD	Q4	Q3	Q2	Q1
Cash flow from operating activities before working capital adjustments	**19,927**	**4,976**	12,852	4,885	(2,786)	10,055	5,153	3,333	1,436	133
Exploration	**(10,214)**	**(4,677)**	(3,502)	(1,583)	(452)	(571)	50	(6)	(42)	(573)
Sustaining capital	**(18,150)**	**(4,034)**	(4,715)	(5,449)	(3,952)	(15,203)	(2,467)	(3,953)	(3,941)	(4,842)
Free cash flow	**(8,437)**	**(3,735)**	4,635	(2,147)	(7,190)	(5,719)	2,736	(626)	(2,547)	(5,282)
Kiena care and maintenance	**2,245**	**695**	489	615	446	2,716	630	935	658	493
Annual general meeting	**577**	**-**	-	577	-	-	-	-	-	-
Exploration credit refund	**(2,620)**	**-**	-	(2,620)	-	-	-	-	-	-
Free cash flow (adjusted)	**(8,235)**	**(3,040)**	5,124	(3,575)	(6,744)	(3,003)	3,366	309	(1,889)	(4,789)
Weighted average number of shares (000's)	**126,158**	**130,205**	129,936	126,091	118,313	112,189	115,140	111,186	111,051	111,073
Free cash flow per share	**(0.07)**	**(0.03)**	0.04	(0.02)	(0.06)	(0.05)	0.02	(0.01)	(0.02)	(0.05)
Free cash flow per share (adjusted)	**(0.07)**	**(0.02)**	0.04	(0.03)	(0.06)	(0.03)	0.03	0.00	(0.02)	(0.04)

Net income (loss) adjusted

(in $000 except per share amount)	2016 YTD	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 YTD	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Net (loss) income	**7,786**	**2,352**	6,897	1,837	(3,300)	(4,701)	1,110	(4,294)	(746)	(771)
Kiena decommissioning provision	**-**	**-**	-	-	-	5,171	237	4,934	-	-
Kiena care and maintenance	**2,245**	**695**	489	615	446	2,716	630	935	658	493
Annual general meeting	**577**	**-**	-	577	-	-	-	-	-	-
Exploration credit refund	**(2,620)**	**-**	-	(2,620)	-	-	-	-	-	-
Net income (loss) adjusted	**7,988**	**3,047**	7,386	409	(2,854)	3,186	1,977	1,575	(88)	(278)
Weighted average number of shares (000's)	**126,158**	**130,205**	129,936	126,091	118,313	112,189	115,140	111,186	111,051	111,073
Net income (loss) per share (adjusted)	**0.06**	**0.02**	0.06	0.00	(0.02)	0.03	0.02	0.01	(0.00)	(0.00)

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

CRITICAL JUDGMENT IN APPLYING ACCOUNTING POLICIES

Exploration and evaluation expenditures

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

KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Reserves

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

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

(ii) Depletion

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

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

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

(iii) Provision for decommissioning obligations

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

(iv) Share-based payments

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

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

(v) Income taxes and deferred taxes

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

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

(vi) Recoverability of mining properties

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

(vii) Inventory – ore stockpile

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

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

(viii) Equity component of convertible debentures

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

(iv) Provisions and contingent liabilities

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

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

Financial Instruments – Fair Values

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

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

December 31, 2015 (in $000)	Loans and Receivables	Other Financial Liabilities	Total Carrying Amount	Fair Value
Cash	15,424	-	15,424	15,424
Receivables and prepaids	3,354	-	3,354	3,354
Restricted funds	2,535	-	2,535	2,535
Total assets	21,313	-	21,313	21,313
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	-	20,258	20,258	20,226

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

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

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

Financial and Capital Risk Management

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

1) *Market Risk*

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

(a) Commodity price risk

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the years ended December 31, 2016 and 2015.

(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, 2016 and 2015.

The following table illustrates the sensitivity of net earnings and equity in regards to the US dollar/Canadian dollar exchange rate, all other variables being constant. It assumes a +/- 10% change of the US dollar/Canadian dollar exchange rate for the year ended December 31, 2016 (2015: +/- 9%). These percentages have been determined based on the average market volatility in exchange rates in the preceding twelve months. The sensitivity analysis assumes that all of the Company's revenues are U.S. dollars based for the reporting period.

Sensitivity analysis	Change	Impact on net earnings (in $000)	
2016	+/- 10% (US$/CAN$)	$	8,159
2015	+/- 9% (US$/CAN$)	$	6,685

(c) Interest rate risk

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

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

2) *Liquidity Risk*

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

The following table shows the timing of cash outflows relating to payables and accruals, finance leases and convertible debentures:

December 31, 2016 (in $000)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals	**11,831**	**-**	**-**	**-**
Obligations under finance leases	**2,269**	**1,780**	**2,647**	**-**
Convertible debentures	**7,216**	**-**	**-**	**-**

3) Credit Risk

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

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

Capital Risk Management

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

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

(in 000's)	**December 31 2016**	December 31 2015
Total equity	**$ 127,401**	$ 99,498
Cash and cash equivalents	**(26,760)**	(15,4424)
Capital	**$ 100,641**	$ 84,074

RELATED PARTY TRANSACTIONS

In Q4 2015, as part of the $5M private placement financing, the Company issued to three directors of the Company common shares of the Company at $1.00 per common share as follows:

Rowland Uloth	1,000,000
Barry Smith	1,000,000
Charles Page	500,000

RISKS AND UNCERTAINTIES

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

Nature of Mineral Exploration

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

Mineral Resource and Mineral Reserve Estimates

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

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

Safety, Health and Environmental Regulations

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

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

Economic Conditions

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

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

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

Gold Price Volatility

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

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

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

(a) reduce production revenues as a result of cutbacks caused by the cessation of mining operations involving deposits or portions of deposits that have become uneconomic at the prevailing price of gold;

(b) cause the cessation or deferral of new mining projects;

(c) decrease the amount of capital available for exploration activities;

(d) reduce existing reserves by removing ore from reserves that cannot be economically mined at prevailing prices; or

(e) cause the write-off of an asset whose value is impaired by the low price of gold.

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

Currency Fluctuations

Currency fluctuations may affect costs at the Company’s operations. Gold is sold throughout the world based principally on a U.S $ price, but the Company’s operating expenses are in Cdn $. Any appreciation of the Cdn $ against the U.S $ could negatively affect the Company’s profitability, cash flows and financial position.

Title Matters

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

Aboriginal Rights and Duty to Consult

The Company operates and does exploration on properties, which are subject to Aboriginal rights or titles. The Company is committed to consult with the First Nations group about any impact of its activities on such rights, titles or claims, which may cause delays in making decisions or project startups. Further, there is no assurance of favourable outcomes of these consultations.

Mining Risks and Insurance

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

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

The activities of the Company are subject to a number of challenges over which the Company has little or no control, but that may delay production and negatively impact the Company’s financial results, including: increases in energy, fuel and/or other production costs; higher insurance premiums; industrial accidents; labour disputes; shortages of skilled labour; contractor availability; unusual or unexpected geological or operating conditions; slope failures; cave-ins of underground workings; and failure of pit walls or dams. If the Company's total production costs per ounce of gold rise above the market price of gold and remain so for any sustained period, the Company may experience losses and may curtail or suspend some or all of its exploration, development and mining activities.

Reclamation and Mine Closure Costs

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

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

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

Dilution to Common Shares

As of December 31, 2016, there were stock options outstanding to purchase 6,561,688 common shares in the capital of the Company. The common shares issuable under these options, if fully exercised, would constitute approximately 4% of the Company's resulting share capital. The exercise of such options and the subsequent resale of such shares in the public market could affect the prevailing share market price and the Company's ability to raise equity capital in the future at a time and price which it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional common shares and the Company may grant additional share purchase warrants and stock options.

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

Share Price Fluctuations

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

Additional Funding Requirements

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

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company on acceptable terms, or at all, for further exploration or development of its properties or projects, or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding or financing could result in the delay or indefinite postponement of the exploration and development of the Company's properties, with the possible dilution or loss of such interests.

Long Term Debt

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

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

Impairment of Assets

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

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

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

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

Reliance on Management

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

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities in its search for, and the acquisition of, mineral properties as well as the recruitment and retention of qualified employees with technical skills and experience in the mining industry. There can be no assurance that the Company will be able to compete successfully with others in acquiring mineral properties, obtaining adequate financing and continuing to attract and retain skilled and experienced employees. Existing or future competition in the mining industry could materially adversely affect the Company's business and prospects for mineral exploration and success in the future.

Skilled Employees

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

Information Systems

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In compliance with the Canadian Securities Administrators' Regulation we have filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design and effectiveness of disclosure controls and procedures and the design and effectiveness of internal controls over financial reporting.

Disclosure Controls and Procedures

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

- material information relating to the Corporation has been made known to them; and
- information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design and effectiveness of our disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effective.

Internal Control over Financial Reporting

The CEO and the CFO have also designed internal controls over financial reporting ("ICFR"), or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

An evaluation was carried out, under the supervision of the CEO and the CFO and with the help of external consultants, of the design and effectiveness of our ICFR. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting were not effective, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Internal Control – Integrated Framework (2013 Framework).

In the course of completing the audit for the twelve months ended December 31, 2016, a control deficiency was identified that was found to be a material weakness. A material weakness is a deficiency, or combined deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. It was determined that there was an error in calculating the cost of stockpile inventory as well as the omission of stockpile inventory from the financial statements.

The Company has considered a remediation plan for the material weakness in ICFR. Management will implement additional review processes over the calculation of the cost and net realizable value of stockpile inventory. Management will also implement additional review and reconciliation procedures to reconcile production information to sales and inventory including stockpile inventory on a monthly basis to prevent and detect similar errors and omissions in the future. Senior management has discussed the aforementioned material weakness with the Audit Committee, and the Board of Directors will continue to review progress on these remediation activities on a regular and ongoing basis. No assurance can be provided at this time that the actions and remediation efforts to be taken or implemented will effectively remediate the material weakness described above or prevent the incidence of other material weaknesses in the Company's ICFR in the future.

Changes in Internal Controls over Financial Reporting

No changes were made to our internal controls over financial reporting that occurred during the year ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations of Controls and Procedures

The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures or internal control over financial reporting, no matter how well conceived and operated can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

RESPONSIBILITY FOR TECHNICAL INFORMATION

The scientific and technical contents of this MD&A were reviewed, verified and approved by Philip Ng, P. Eng., Chief Operating Officer of Wesdome, and George Mannard, P. Geo., V.P. Exploration of Wesdome, both Qualified Persons as defined by NI 43-101.

INFORMATION CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

The mineral reserve and resource estimates were prepared in accordance with NI 43-101 as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission ("SEC") applies different standards in order to classify mineralization as a reserve. In particular, while the terms "measured," "indicated" and "inferred" mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, "inferred" mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, issuers must not make any disclosure of results of an economic analysis that includes inferred mineral resources, except in rare cases.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, constitute "forward-looking statements" and are based on expectations, estimates and projections as at the date of this MD&A. The words "believe", "expect", "anticipate", "plan", "intend", "continue", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Wesdome to be materially different from the Company's estimated future results, performance or achievements expressed or implied by the forward-looking statements and the forward-looking statements are not guarantees of future performance. Factors that could cause results or events to differ materially from current expectations expressed or implied are inherent to the gold mining industry and include, but are not limited to, those discussed in the section entitled "Risks and Uncertainties". The Company does not intend, and does not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by applicable laws.

RISK FACTORS

Refer to the risk factors described in the Company's 2016 Annual Information Form filed on SEDAR at www.sedar.com.