



WESDOME GOLD MINES LTD.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30,
2018

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

(Unaudited, expressed in thousands of Canadian dollars)

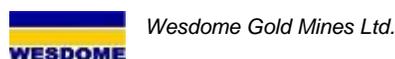
	<u>Notes</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Assets			
Current			
Cash and cash equivalents		\$ 30,714	\$ 22,092
Receivables and prepaids	4	1,472	3,821
Tax receivable		1,944	1,932
Inventories	5	<u>7,498</u>	<u>5,314</u>
Total current assets		41,628	33,159
Deferred income tax assets		308	5,450
Mining properties, plant and equipment	6	85,727	81,375
Exploration properties	7	<u>75,725</u>	<u>59,929</u>
Total assets		<u>\$ 203,388</u>	<u>\$ 179,913</u>
Liabilities			
Current			
Payables and accruals	8	\$ 18,533	\$ 17,003
Deferred revenue	8	2,329	-
Mining and income tax payable		1,849	671
Current portion of obligations under finance leases	9	<u>3,935</u>	<u>2,541</u>
Total current liabilities		26,646	20,215
Obligations under finance leases	9	4,534	3,983
Deferred tax liability		7,001	6,300
Decommissioning provisions	10	<u>11,505</u>	<u>11,192</u>
Total liabilities		<u>49,686</u>	<u>41,690</u>
Equity			
Equity attributable to owners of the Company			
Capital stock	11	165,660	164,161
Contributed surplus		5,673	3,967
Deficit		<u>(17,631)</u>	<u>(29,905)</u>
Total equity attributable to owners of the Company		<u>153,702</u>	<u>138,223</u>
Total liabilities and equity		<u>\$ 203,388</u>	<u>\$ 179,913</u>

Commitments and subsequent event (notes 18 and 9)

On behalf of the Board:

*/s/ Duncan Middlemiss
Director*

*/s/ Charles Main
Director*



Wesdome Gold Mines Ltd.

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
**Condensed Interim Consolidated Statements of Income and
Comprehensive Income**

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

	<u>Notes</u>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues from gold sales	14	\$ 28,920	\$ 21,165	\$ 86,580	\$ 64,513
Cost of sales	15	20,599	15,594	59,768	50,448
Gross profit		8,321	5,571	26,812	14,065
Other expenses					
Corporate and general		1,429	909	3,922	3,695
Share based payments	12	434	572	2,265	2,258
Kiena care and maintenance		353	200	1,130	767
Restructuring costs		-	2,159	-	2,159
Write-off of mining equipment		-	-	290	-
		2,216	3,840	7,607	8,879
Operating income		6,105	1,731	19,205	5,186
Interest on long-term debt	16 (a)	(68)	(58)	(191)	(402)
Accretion of decommissioning provisions	10	(105)	54	(313)	(196)
Interest and other	16 (b)	79	(30)	1,228	(63)
Income before income tax		6,011	1,697	19,929	4,525
Mining and income tax expense					
Current		663	100	1,871	151
Deferred		1,717	1,301	5,843	2,520
		2,380	1,401	7,714	2,671
Net income and total comprehensive income		\$ 3,631	\$ 296	\$ 12,215	\$ 1,854
Net earnings per share					
Basic	13	\$ 0.03	\$ 0.00	\$ 0.09	\$ 0.01
Diluted	13	\$ 0.03	\$ 0.00	\$ 0.09	\$ 0.01
Weighted average number of common shares (000s)					
Basic	13	134,754	133,888	134,390	132,527
Diluted	13	137,836	135,481	135,827	134,830



Wesdome Gold Mines Ltd.

See accompanying notes to the condensed interim consolidated financial statements.

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

(Unaudited, expressed in thousands of Canadian dollars)

	<u>Notes</u>	<u>Capital Stock</u>	<u>Contributed Surplus</u>	<u>Equity Component of Convertible Debentures</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Equity</u>
Balance, December 31, 2016		\$ 156,402	\$ 2,173	\$ 932	\$ (32,106)	\$ 127,401
Net income for the nine months ended September 30, 2017		-	-	-	1,854	1,854
Conversion of convertible debentures		4,912	-	(932)	932	4,912
Exercise of options		1,915	-	-	-	1,915
Value attributed to options exercised		932	(932)	-	-	-
Value attributed to options expired		-	(40)	-	40	-
Share-based payments	12	-	2,258	-	-	2,258
Balance, September 30, 2017		<u>\$ 164,161</u>	<u>\$ 3,459</u>	<u>\$ -</u>	<u>\$ (29,280)</u>	<u>\$ 138,340</u>
Balance, December 31, 2017		\$ 164,161	\$ 3,967	\$ -	\$ (29,905)	\$ 138,223
Net income for the nine months ended September 30, 2018		-	-	-	12,215	12,215
Exercise of options	12	999	-	-	-	999
Value attributed to options exercised		500	(500)	-	-	-
Value attributed to options expired		-	(59)	-	59	-
Share based payments	12	-	2,265	-	-	2,265
Balance, September 30, 2018		<u>\$ 165,660</u>	<u>\$ 5,673</u>	<u>\$ -</u>	<u>\$ (17,631)</u>	<u>\$ 153,702</u>



Wesdome Gold Mines Ltd.

See accompanying notes to the condensed interim consolidated financial statements.

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

(Unaudited, expressed in thousands of Canadian dollars)

	<u>Notes</u>	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Operating activities					
Net income		\$ 3,631	\$ 296	\$ 12,215	\$ 1,854
Depletion and depreciation		5,577	2,350	12,817	6,766
Share based payments	12	434	572	2,265	2,258
Decommissioning provisions	10	105	(54)	313	196
Deferred mining and income tax expense		1,717	1,301	5,843	2,520
Interest on long-term debt		68	58	191	409
Accretion of discount on convertible debentures	16 (a)	-	-	-	103
Write-off of mineral properties and fixed assets		-	-	290	-
Loss on disposal of equipment		-	-	-	159
		<u>11,532</u>	<u>4,523</u>	<u>33,934</u>	<u>14,265</u>
Net changes in non-cash working capital	17	1,291	(982)	4,427	(1,357)
Mining taxes paid		-	-	(693)	849
Net cash from operating activities		<u>12,823</u>	<u>3,541</u>	<u>37,668</u>	<u>13,757</u>
Financing activities					
Repayment of convertible debentures		-	-	-	(2,091)
Exercise of options	12	690	55	999	1,915
Repayment of obligations under finance leases		(931)	(762)	(2,546)	(2,079)
Interest paid		(68)	(58)	(191)	(409)
Net cash used in financing activities		<u>(309)</u>	<u>(765)</u>	<u>(1,738)</u>	<u>(2,664)</u>
Investing activities					
Additions to mining properties		(4,022)	(3,894)	(12,011)	(11,779)
Additions to exploration properties		(5,733)	(5,317)	(15,796)	(16,958)
Funds released from restricted cash		-	-	-	6,920
Proceeds on sale of equipment		-	-	-	90
Net changes in non-cash working capital	17	1,236	368	499	488
Net cash used in investing activities		<u>(8,519)</u>	<u>(8,843)</u>	<u>(27,308)</u>	<u>(21,239)</u>
Increase (decrease) in cash and cash equivalents		3,995	(6,067)	8,622	(10,146)
Cash and cash equivalents, beginning of period		<u>26,719</u>	<u>22,681</u>	<u>22,092</u>	<u>26,760</u>
Cash and cash equivalents, end of period		<u>\$ 30,714</u>	<u>\$ 16,614</u>	<u>\$ 30,714</u>	<u>\$ 16,614</u>
Cash and cash equivalents consist of:					
Cash		\$ 21,633	\$ 3,095	\$ 21,633	\$ 3,095
Term deposits		9,081	13,519	9,081	13,519
		<u>\$ 30,714</u>	<u>\$ 16,614</u>	<u>\$ 30,714</u>	<u>\$ 16,614</u>



Wesdome Gold Mines Ltd.

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Notes to the Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2018 and 2017

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

1. DESCRIPTION OF BUSINESS

Wesdome Gold Mines Ltd. (“Wesdome” or the “Company”) is a gold producer engaged in mining and related activities including exploration, extraction, processing and reclamation. The Company’s principal assets include the Eagle River Mine, the Mishi Mine and the Eagle River Mill located near Wawa, Ontario, together called the “Eagle River Mine Complex”, the Moss Lake property in Thunder Bay, Ontario, and the Kiena Mining and Milling Complex (“Kiena Mine Complex”) and exploration properties located in Val D’Or, Quebec. The Company is a publicly traded company, continued under Part 1A of the Companies Act (Quebec) and its common shares are listed on the Toronto Stock Exchange (TSX: WDO). Wesdome’s head office is located at 220 Bay Street, Suite 1200, Toronto, Ontario, Canada, M5J 2W4.

2. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – “*Interim Financial Reporting*” (“IAS 34”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2017.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company’s consolidated financial statements for the year ended December 31, 2017.

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company’s condensed interim consolidated financial statements are consistent with those applied and disclosed in Note 3 to the Company’s consolidated financial statements for the year ended December 31, 2017.

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

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on November 7, 2018.

Certain of the comparative figures for the three months and nine months period ended September 30, 2017 have been reclassified to be consistent with the current period’s presentation.

3. ACCOUNTING PRONOUNCEMENTS

A. Adoption of New Accounting Pronouncements

The Company has adopted the following new accounting pronouncement in the beginning 2018:

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

The pronouncement establishes two primary measurement categories for financial assets – amortized cost and fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics, including a new expected credit loss impairment model; and eliminates existing held to maturity, available for sale and loans and receivable categories. The adoption of this new pronouncement does not have a significant impact on these consolidated financial statements.

(i) IFRS 15 – Revenue from contract with customers

This new accounting pronouncement establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The adoption of this accounting pronouncement does not have a significant impact on these consolidated financial statements.

B. Upcoming Changes in Accounting Standards

IFRS 16 – Leases

This new accounting pronouncement, which supersedes IAS 17 – Leases and will be effective for periods beginning on or after January 1, 2019, eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, the new accounting standard sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. The Company plans to apply IFRS 16 at the date it becomes effective. The adoption of this accounting pronouncement will not have a significant impact on these consolidated financial statements.

4. RECEIVABLES AND PREPAIDS

	September 30, 2018	December 31, 2017
Vendor deposits	\$ 1,186	\$ 1,649
Prepays, deposits and other	286	556
Accounts receivable (trade)	-	1,616
	<u>\$ 1,472</u>	<u>\$ 3,821</u>

5. INVENTORIES

	<u>Note</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Gold in process	5(i), (ii)	\$ 2,508	\$ 2,900
Supplies		2,121	2,007
Ore stockpiles	5(iii)	<u>2,869</u>	<u>407</u>
		<u>\$ 7,498</u>	<u>\$ 5,314</u>

- (i) Gold in process inventory consists of both gold doré and gold in process that are awaiting the completion of the final refining process into saleable gold, expected within one month of the financial statement date.
- (ii) Gold in process inventory includes Mishi inventory carried at net realizable value of \$107,000 after a write-down of \$206,000 (Mishi gold in process inventory as at December 31, 2017 was carried at cost).
- (iii) Ore stockpiles include Mishi stockpile carried at net realizable value of \$414,000 after a write-down of \$186,000 (ore stockpiles as at December 31, 2017 were carried at cost). (For the nine months ended September 30, 2017, the Mishi ore stockpile was carried at a cost of \$373,000.)

6. MINING PROPERTIES, PLANT AND EQUIPMENT

	<u>Eagle River Mine Complex</u>			<u>Kiena Mine Complex</u>			<u>Total</u>	
	<u>Note</u>	<u>Mining Properties</u>	<u>Plant and Equipment</u>	<u>Subtotal</u>	<u>Mining Properties</u>	<u>Plant and Equipment</u>		<u>Subtotal</u>
Gross Carrying Amount								
Balance, December 31, 2016		\$ 103,592	\$ 17,405	\$ 120,997	\$ 35,201	\$ 689	\$ 35,890	\$ 156,887
Additions		14,581	3,405	17,986	-	7	7	17,993
Decommissioning adjustment	10	502	-	502	-	-	-	502
Write-down of mining equipment		-	(316)	(316)	-	-	-	(316)
Disposals		-	(928)	(928)	-	(114)	(114)	(1,042)
Balance, December 31, 2017		\$ 118,675	\$ 19,566	\$ 138,241	\$ 35,201	\$ 582	\$ 35,783	\$ 174,024
Additions		10,996	5,412	16,408	-	93	93	16,501
Inter-company transfer		-	35	35	-	(35)	(35)	-
Disposals		-	-	-	-	(17)	(17)	(17)
Write-off of mining equipment		-	(342)	(342)	-	(9)	(9)	(351)
Balance, September 30, 2018		<u>\$ 129,671</u>	<u>\$ 24,671</u>	<u>\$ 154,342</u>	<u>\$ 35,201</u>	<u>\$ 614</u>	<u>\$ 35,815</u>	<u>\$ 190,157</u>
Accumulated Depletion and Write-downs								
Balance, December 31, 2016		\$ (39,792)	\$ (7,158)	\$ (46,950)	\$ (35,201)	\$ (495)	\$ (35,696)	\$ (82,646)
Depletion		(8,647)	(2,069)	(10,716)	-	(25)	(25)	(10,741)
Accumulated depletion on disposals		-	658	658	-	80	80	738
Balance, December 31, 2017		\$ (48,439)	\$ (8,569)	\$ (57,008)	\$ (35,201)	\$ (440)	\$ (35,641)	\$ (92,649)
Depletion		(8,507)	(3,338)	(11,845)	-	(14)	(14)	(11,859)
Accumulated depletion on disposals		-	-	-	-	17	17	17
Write-off of mining equipment		-	61	61	-	-	-	61
Balance, September 30, 2018		<u>\$ (56,946)</u>	<u>\$ (11,846)</u>	<u>\$ (68,792)</u>	<u>\$ (35,201)</u>	<u>\$ (437)</u>	<u>\$ (35,638)</u>	<u>\$ (104,430)</u>
Net carrying amount,								
December 31, 2017		<u>\$ 70,236</u>	<u>\$ 10,997</u>	<u>\$ 81,233</u>	<u>\$ -</u>	<u>\$ 142</u>	<u>\$ 142</u>	<u>\$ 81,375</u>
September 30, 2018		<u>\$ 72,725</u>	<u>\$ 12,825</u>	<u>\$ 85,550</u>	<u>\$ -</u>	<u>\$ 177</u>	<u>\$ 177</u>	<u>\$ 85,727</u>

(i) Eagle River Mine Complex

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

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

(ii) Kiena Mine Complex

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

The Kiena Mine Complex is not subject to royalties.

7. EXPLORATION PROPERTIES

	<u>Kiena Group</u>	<u>Moss Lake Group</u>	<u>Mishi/Eagle Group</u>	<u>Total</u>
Balance, December 31, 2016	\$ 23,717	\$ 5,704	\$ 8,952	\$ 38,373
Exploration expenditures	<u>14,040</u>	<u>4,379</u>	<u>3,137</u>	<u>21,556</u>
Balance, December 31, 2017	37,757	10,083	12,089	59,929
Exploration expenditures	<u>15,744</u>	<u>52</u>	<u>-</u>	<u>15,796</u>
Balance, September 30, 2018	<u>\$ 53,501</u>	<u>\$ 10,135</u>	<u>\$ 12,089</u>	<u>\$ 75,725</u>

8. PAYABLE AND ACCRUALS

	<u>Notes</u>	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Trades payable		\$ 12,547	\$ 11,668
Employees related payable		3,119	3,685
Revenue Quebec receipt	19	2,867	-
Advances under finance lease		-	1,650
		<u>\$ 18,533</u>	<u>\$ 17,003</u>

At the end of the quarter, the Company received \$2.3 million from a counterparty in respect of 1,500 ounces of gold sold and to be delivered in October 2018. This amount has been recorded as deferred revenue on the balance sheet.

9. OBLIGATIONS UNDER FINANCE LEASES

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
Not later than one year	\$ 4,174	\$ 2,715
Later than one year and not later than five years	<u>4,670</u>	<u>4,107</u>
Total minimum lease payments	8,844	6,822
Less: Interest portion at the weighted average interest rate of 3.60% (2017: 3.30%)	<u>375</u>	<u>298</u>
Total obligations under finance leases, secured by equipment	8,469	6,524
Less: Current portion	<u>3,935</u>	<u>2,541</u>
Long-term portion	<u>\$ 4,534</u>	<u>\$ 3,983</u>

The cost of equipment under finance leases at September 30, 2018 is \$14,490,000 (December 31, 2017: \$11,252,000) with related accumulated depreciation of \$4,248,000 (December 31, 2017: \$2,988,000). These assets are included in plant and equipment.

Secured Credit Facility and Lease Facilities

At December 31, 2017, the Company had credit facilities of a maximum of \$36.0 million comprised of a \$1.0 million commercial card program, a \$20.0 million revolving equipment financing facility and a \$15.0 million standby letters of credit facility. These facilities are secured by a fixed charge over all property together with a floating charge over all other assets, and together contain certain financial covenants.

At September 30, 2018, \$7,769,000 was drawn under the equipment financing facility and \$1,547,000 and \$575,000 in standby letters of credit have been issued for closure plans for the Eagle River Complex (Note 10) and for Quebec Hydro and IESO guarantees, respectively (December 31, 2017 \$8,574,000 and \$575,000 for Eagle River and Kiena closure plans, respectively). The letters of credit facility has an annual fee of 1% on issued amounts.

In Q2, 2018, the \$7,027,000 obligation to the Ministry of Natural Resources in Quebec for Kiena closure plan was replaced with reclamation bond. The reclamation bond is subject to an annual fee of nominal amount.

On October 4, 2018, the Company established a \$3,350,000 leasing facility with another chartered Canadian bank, of which \$980,125 was drawn prior to the end of the quarter.

10. DECOMMISSIONING PROVISIONS

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

	<u>September 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Balance, beginning of period / year	\$ 11,192	\$ 10,480
Accretion expense for the period / year	313	368
Change in estimates – Kiena	-	(158)
Changes to estimates - Eagle River Complex	-	502
	<u>\$ 11,505</u>	<u>\$ 11,192</u>

Accretion expense for the three and nine months ended September 30, 2018 were \$105,000 and \$313,000, respectively, ((\$54,000) and \$196,000 for the three and nine months ended September 30, 2017).

11. CAPITAL STOCK

Authorized:

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

	<u>Notes</u>	<u>Shares</u>	<u>Amount</u>
Issued:			
Balance, December 31, 2016		130,310,076	\$ 156,402
Conversion of convertible debentures		1,972,000	4,912
Exercise of options		<u>1,607,722</u>	<u>2,847</u>
Balance, December 31, 2017		133,889,798	164,161
Exercise of options		<u>861,044</u>	<u>1,499</u>
Balance, September 30, 2018		<u>134,750,842</u>	<u>\$ 165,660</u>

12. SHARE-BASED COMPENSATION PLAN

Up until May 3, 2017, the Company had an equity settled common share purchase plan (the "Stock Option Plan") under which the Board of Directors may grant options to purchase common shares to directors, officers, employees and independent contractors of Wesdome and/or its affiliates (collectively, the "Service

Providers”). The maximum aggregate number of common shares under option at any time pursuant to the Stock Option Plan was 10% of the issued and outstanding common shares at the time of the grant.

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

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

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

As at September 30, 2018, Awards to purchase 5,888,542 common shares of Wesdome were available for grant under the Omnibus Plan.

The following table reflects the continuity of options granted for the three and nine months ended September 30, 2018 and 2017.

	Three months ended September 30, 2018		2017		Nine months ended September 30, 2018		2017	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of period	7,483,319	1.99	5,857,388	1.89	6,082,388	1.92	6,561,688	1.52
Granted	-	-	300,000	2.44	1,847,327	1.96	1,188,422	3.14
Exercised	(444,648)	1.55	(35,000)	1.58	(861,044)	1.16	(1,607,722)	1.19
Expired/Forfeited	(35,000)	3.05	(30,000)	1.55	(65,000)	2.95	(50,000)	1.65
Outstanding, end of period	7,003,671	2.02	6,092,388	1.92	7,003,671	2.02	6,092,388	1.92

The weighted average share price at the date of exercise for stock options exercised during the nine months ended September 30, 2018 and 2017 was \$2.80 and \$3.82, respectively.

On March 26, 2018, the Company granted 1,742,327 stock options and 387,399 RSUs (first grant) to its employees and officers, under its 2017 Omnibus Plan. Of the 1,742,327 stock options granted, 1,217,327 stock options have a three-year vesting term commencing on March 26, 2019; and the remaining 525,000 stock options vest immediately. The RSUs granted have also a three-year vesting term commencing on March 26, 2019.

The fair value of the stock options and RSUs awarded to employees and officers that will eventually vest, determined as of the date of grant, is recognized as share-based compensation expense over the vesting period of the stock options and RSUs, with a corresponding increase to contributed surplus. The fair value of stock options is determined using the Black-Scholes option pricing model with market related inputs as of the date of grant and the fair value of RSUs is the market value of the underlying shares as of the date of grant.

On June 11, 2018, the Company granted 195,472 DSUs (first grant) to its non-management board members, under its 2017 Omnibus Plan. All of the DSUs are fully vested at the grant date and become payable upon retirement of the directors.

For the three and nine months ended September 30, 2018 and 2017, grant date fair value estimates were based on the following variables:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Weighted average fair value, per option (\$)	-	1.40	0.80	1.64
Weighted average risk-free interest rate (%)	-	1.39	1.74	0.97
Weighted average volatility (%)	-	69	59	68
Expected life (years)	-	5.0	3.0	4.4
Forfeiture rate (%)	-	-	5.9	-

The fair value compensation and contributed surplus relating to stock options, DSUs and RSUs for the three months and nine months ended September 30, 2018 was \$434,000 and \$2,265,000 respectively (2017: \$572,000 and \$2,258,000, respectively).

The following table outlines share options outstanding at September 30, 2018:

Range of exercise prices	Outstanding Options			Exercisable Options	
	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
less than \$1.00	347,922	0.77	0.78	347,922	0.78
\$1.00 - \$1.50	1,187,500	1.92	1.21	1,187,500	1.21
\$1.51 - \$2.00	2,917,327	3.78	1.84	1,620,000	1.75
\$2.01 - \$2.50	1,692,500	3.36	2.46	1,146,250	2.46
\$3.01 - \$4.00	858,422	3.62	3.37	499,080	3.42
	<u>7,003,671</u>	3.19	2.02	<u>4,800,752</u>	1.89

13. EARNINGS PER SHARE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Earnings available to common shareholders	\$ 3,631	\$ 296	\$ 12,215	\$ 1,854
Weighted average number of shares, basic (000s)	134,754	133,888	134,390	132,527
Dilutive securities – options and debentures (000s)	3,082	1,593	1,437	2,303
Weighted average number of shares, diluted (000s)	137,836	135,481	135,827	134,830
Basic earnings per share	\$ 0.03	\$ 0.00	\$ 0.09	\$ 0.01
Diluted earnings per share	\$ 0.03	\$ 0.00	\$ 0.09	\$ 0.01
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect:				
Options (000s)	763	2,699	4,324	883

14. REVENUES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues from mining operations				
Gold	\$ 28,898	\$ 21,165	\$ 86,502	\$ 63,613
Silver	22	-	78	-
Gold from Kiena mill cleanup	-	-	-	900
	<u>\$ 28,920</u>	<u>\$ 21,165</u>	<u>\$ 86,580</u>	<u>\$ 64,513</u>

15. COST OF SALES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Mining and processing				
Mining	\$ 8,361	\$ 8,118	\$ 25,430	\$ 24,604
Processing	3,528	3,427	10,554	10,508
Site administration and camp costs	4,249	3,724	12,375	10,525
Change in inventories ⁽¹⁾	<u>(1,713)</u>	<u>(2,439)</u>	<u>(3,028)</u>	<u>(3,146)</u>
	14,425	12,830	45,331	42,491
Royalties	597	414	1,620	1,191
Depletion and depreciation	<u>5,577</u>	<u>2,350</u>	<u>12,817</u>	<u>6,766</u>
	<u>\$ 20,599</u>	<u>\$ 15,594</u>	<u>\$ 59,768</u>	<u>\$ 50,448</u>

(1) Changes in inventories includes decrease (increase) in:

Ore stock pile inventory	\$ (1,760)	\$ (123)	\$ (2,461)	\$ 1,440
Bullion and in-circuit inventory	<u>47</u>	<u>(2,316)</u>	<u>(567)</u>	<u>(4,586)</u>
	<u>\$ (1,713)</u>	<u>\$ (2,439)</u>	<u>\$ (3,028)</u>	<u>\$ (3,146)</u>

16. INTEREST AND OTHER

(a) Interest on long-term debt

	Notes	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Interest on convertible debentures		\$ -	\$ -	\$ -	\$ 127
Accretion of discount on convertible debentures		-	-	-	103
Interest on obligations under finance leases	9	<u>68</u>	<u>58</u>	<u>191</u>	<u>172</u>
		<u>\$ 68</u>	<u>\$ 58</u>	<u>\$ 191</u>	<u>\$ 402</u>

(b) Interest and other

Interest and other for the nine months ended September 30, 2018 includes the rebate in electricity costs incurred in 2017 under the Northern Industrial Electricity Rate ("NIER") program in the amount of \$1,032,750 (2017 – nil).

17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net changes in non-cash working capital				
Operating activities				
Receivables and prepaids	\$ (1,127)	\$ 261	\$ 2,259	\$ (311)
Payables and accruals	1,216	1,160	1,109	2,176
Deferred revenue	2,329	-	2,329	-
Income and mining tax payable	664	-	1,872	51
Gold in process and ore stockpiles	(1,713)	(2,439)	(3,028)	(3,145)
Supplies and other	(78)	36	(114)	(128)
	<u>\$ 1,291</u>	<u>\$ (982)</u>	<u>\$ 4,427</u>	<u>\$ (1,357)</u>
Investing activities				
Receivables and prepaids	\$ 155	\$ 69	\$ 78	\$ (24)
Payables and accruals	1,081	290	421	544
Supplies and other	-	9	-	(32)
	<u>\$ 1,236</u>	<u>\$ 368</u>	<u>\$ 499</u>	<u>\$ 488</u>
Non-cash transactions				
Mining property assets acquired under finance leases	\$ 1,030	\$ 239	\$ 4,490	\$ 2,645
Conversion of debt into capital stock	\$ -	\$ -	\$ -	\$ 4,912

18. 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:

September 30, 2018

	Financial Assets at amortized cost	Financial Liabilities at amortized cost	Total Carrying Amount	Fair Value
Cash and cash equivalents	\$ 30,714	\$ -	\$ 30,714	\$ 30,714
Receivable and prepaids	1,472	-	1,472	1,472
Tax receivable	1,944	-	1,944	1,944
Total assets	<u>\$ 34,130</u>	<u>\$ -</u>	<u>\$ 34,130</u>	<u>\$ 34,130</u>
Payables and accruals	\$ -	\$ 18,533	\$ 18,533	\$ 18,533
Mining and income tax payable	-	1,849	1,849	1,849
Obligations under finance lease	-	8,469	8,469	8,469
Total liabilities	<u>\$ -</u>	<u>\$ 28,851</u>	<u>\$ 28,851</u>	<u>\$ 28,851</u>

December 31, 2017

	Financial Assets at amortized cost	Financial Liabilities at amortized cost	Total Carrying Amount	Fair Value
Cash and cash equivalents	\$ 22,092	-	\$ 22,092	\$ 22,092
Receivables and prepaids	3,821	-	3,821	3,821
Tax receivable	1,932	-	1,932	1,932
Total assets	<u>\$ 27,845</u>	<u>\$ -</u>	<u>\$ 27,845</u>	<u>\$ 27,845</u>
Payables and accruals	\$ -	\$ 17,003	\$ 17,003	\$ 17,003
Mining and income tax payable	-	671	671	671
Lease obligation	-	6,524	6,524	6,524
Total liabilities	<u>\$ -</u>	<u>\$ 24,198</u>	<u>\$ 24,198</u>	<u>\$ 24,198</u>

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

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

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

Financial instrument and related risks

1) Market Risk

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

(a) Commodity price risk

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the three months ended September 30, 2018 and 2017.

(b) Foreign currency exchange risk

The Company's revenue is exposed to changes in foreign exchange rates as the Company's primary product, gold, is priced in U.S. dollars. The Company had no forward exchange rate contracts in place and no foreign currency holdings as at or during the three months ended September 30, 2018 and 2017.

(c) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash has in the past included highly liquid investments that earn interest at market rates. Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

2) Liquidity Risk

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

The following table shows the timing of cash outflows relating to payables and accruals, finance leases and other financial obligations as at September 30, 2018:

	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals ¹	\$ 15,666	\$ -	\$ -	\$ -
Mining and income tax liabilities	1,849	-	-	-
Obligations under finance leases	4,174	3,151	1,519	-
Operating leases	550	465	1,036	-
Purchase commitments	3,028	-	-	-
Decommissioning liabilities	-	7,027	-	5,897
Total	\$ 25,267	\$ 10,643	\$ 2,555	\$ 5,897

¹ Payables and accruals exclude \$2,867,140 received from Revenue Québec in connection with the litigation (note 19).

3) Credit Risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company minimizes its credit risk by selling its gold exclusively to financial institutions. The Company's receivables consist primarily of government refunds and credits and advances to vendors on projects at the mine. The Company estimates its maximum exposure to be the carrying value of cash and cash equivalents and receivables.

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

19. QUEBEC EXPLORATION CREDITS CONTINGENCY

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

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

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