



WESDOME GOLD MINES LTD.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2019

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

(Unaudited, expressed in thousands of Canadian dollars)

	Notes	As of September 30, 2019	As of December 31, 2018
Assets			
Current			
Cash and cash equivalents		\$ 38,611	\$ 27,378
Receivables and prepaids	4	2,282	548
Sales tax receivable		2,648	2,342
Inventories	5	14,582	8,302
Total current assets		<u>58,123</u>	<u>38,570</u>
Restricted cash	6	657	-
Deferred financing cost	10	1,054	-
Mineral properties and fixed assets	7	106,899	89,643
Exploration properties	8	98,332	81,424
Total assets		<u>\$ 265,065</u>	<u>\$ 209,637</u>
Liabilities			
Current			
Payables and accruals	9	\$ 22,073	\$ 22,526
Income and mining tax payable		1,379	180
Borrowings	10	4,358	-
Current portion of lease liabilities	10	2,995	4,552
Total current liabilities		<u>30,805</u>	<u>27,258</u>
Lease liabilities	10	5,144	5,248
Deferred income and mining tax liabilities		19,782	8,259
Decommissioning provisions	11	16,971	11,663
Total liabilities		<u>72,702</u>	<u>52,428</u>
Equity			
Equity attributable to owners of the Company			
Capital stock	12	172,184	166,387
Contributed surplus		6,133	5,777
Retained Earnings (Deficit)		14,046	(14,955)
Total equity attributable to owners of the Company		<u>192,363</u>	<u>157,209</u>
		<u>\$ 265,065</u>	<u>\$ 209,637</u>

Commitment and contingencies (Notes 11 and 20)

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)

	Notes	Three Months Ended September 30		Nine Months Ended September 30	
		2019	2018	2019	2018
Revenues from sales	15	\$ 45,940	\$ 28,920	\$ 120,751	\$ 86,580
Cost of sales	16	25,246	20,599	72,002	59,768
Gross profit		<u>20,694</u>	<u>8,321</u>	<u>48,749</u>	<u>26,812</u>
Other expenses					
Corporate and general		1,417	1,429	4,923	3,922
Stock-based compensation	13	486	434	2,641	2,265
Kiena care & maintenance		-	353	-	1,130
Write-off of mining equipment	7	-	-	-	290
		<u>1,903</u>	<u>2,216</u>	<u>7,564</u>	<u>7,607</u>
Operating income		<u>18,791</u>	<u>6,105</u>	<u>41,185</u>	<u>19,205</u>
Quebec exploration credits refund	20	-	-	2,867	-
Interest on long-term debt	17	(138)	(68)	(364)	(191)
Accretion of decommissioning provisions	11	(64)	(105)	(301)	(313)
Interest and other	17	157	79	482	1,228
Income before income and mining taxes		<u>18,746</u>	<u>6,011</u>	<u>43,869</u>	<u>19,929</u>
Income and mining tax expense					
Current		1,335	663	3,478	1,871
Deferred		4,962	1,717	11,523	5,843
		<u>6,297</u>	<u>2,380</u>	<u>15,001</u>	<u>7,714</u>
Net income and total comprehensive income		<u>\$ 12,449</u>	<u>\$ 3,631</u>	<u>\$ 28,868</u>	<u>\$ 12,215</u>
Earnings per share					
Basic	14	<u>\$ 0.09</u>	<u>\$ 0.03</u>	<u>\$ 0.21</u>	<u>\$ 0.09</u>
Diluted	14	<u>\$ 0.09</u>	<u>\$ 0.03</u>	<u>\$ 0.21</u>	<u>\$ 0.09</u>



Wesdome Gold Mines Ltd.

See accompanying notes to the condensed interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited, expressed in thousands of Canadian dollars)

	Notes	Capital Stock	Contributed Surplus	Retained Earnings/ (Deficit)	Total Equity
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	13	999	-	-	999
Value attributed to options exercised		500	(500)	-	-
Value attributed to options expired		-	(59)	59	-
Stock-based compensation	13	-	2,265	-	2,265
Balance, September 30, 2018		<u>\$ 165,660</u>	<u>\$ 5,673</u>	<u>\$ (17,631)</u>	<u>\$ 153,702</u>
Balance, December 31, 2018		\$ 166,387	\$ 5,777	\$ (14,955)	\$ 157,209
Net income for the nine months ended September, 30, 2019		-	-	28,868	28,868
Exercise of options	13	3,645	-	-	3,645
Value attributed to options exercised		1,724	(1,724)	-	-
Value attributed to options expired		-	(133)	133	-
Stock-based compensation	13	-	2,641	-	2,641
Value attributed to DSUs redeemed	13	175	(175)	-	-
Value attributed to RSUs exercised	13	253	(253)	-	-
Balance, September 30, 2019		<u>\$ 172,184</u>	<u>\$ 6,133</u>	<u>\$ 14,046</u>	<u>\$ 192,363</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)

	Notes	Three Months Ended		Nine Months Ended	
		September 30		September 30	
		2019	2018	2019	2018
Operating Activities					
Net income		\$ 12,449	\$ 3,631	\$ 28,868	\$ 12,215
Depreciation and depletion		6,076	5,577	16,335	12,817
Stock-based compensation	13	486	434	2,641	2,265
Accretion of decommissioning provisions	11	64	105	301	313
Deferred income and mining tax expense		4,962	1,717	11,523	5,843
Interest on long-term debt and other	17	143	68	378	191
Write-down of mining equipment	7	-	-	-	290
		<u>24,180</u>	<u>11,532</u>	<u>60,046</u>	<u>33,934</u>
Net changes in non-cash working capital	18	4,225	1,291	(2,580)	4,427
Mining tax paid		(1,130)	-	(2,210)	(693)
Net cash from operating activities		<u>27,275</u>	<u>12,823</u>	<u>55,256</u>	<u>37,668</u>
Financing Activities					
Exercise of options	13	954	690	3,645	999
Debt issue less deferred cost		3,304	-	3,304	-
Repayment of lease liabilities		(1,558)	(931)	(4,129)	(2,546)
Termination of lease arrangements		(3,952)	-	(3,952)	-
Interest paid		(138)	(68)	(364)	(191)
Net cash used in financing activities		<u>(1,390)</u>	<u>(309)</u>	<u>(1,496)</u>	<u>(1,738)</u>
Investing Activities					
Additions to mining properties		(10,616)	(4,022)	(23,637)	(12,011)
Additions to exploration properties		(5,872)	(5,733)	(16,908)	(15,796)
Funds held against standby letter of credit and cash deposit	6	(30)	-	(657)	-
Net changes in non-cash working capital	18	1,849	1,236	(1,325)	499
Net cash used in investing activities		<u>(14,669)</u>	<u>(8,519)</u>	<u>(42,527)</u>	<u>(27,308)</u>
Increase in cash and cash equivalents		11,216	3,995	11,233	8,622
Cash and cash equivalents - beginning of period		27,395	26,719	27,378	22,092
Cash and cash equivalents - end of period		<u>\$ 38,611</u>	<u>\$ 30,714</u>	<u>\$ 38,611</u>	<u>\$ 30,714</u>
Cash and cash equivalents consist of:					
Cash		\$ 38,611	\$ 21,633	\$ 38,611	\$ 21,633
Term deposits		-	9,081	-	9,081
		<u>\$ 38,611</u>	<u>\$ 30,714</u>	<u>\$ 38,611</u>	<u>\$ 30,714</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
Three and Nine Months Ended September 30, 2019

(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, development, 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 Kiena Mining and Milling Complex (“Kiena Mine Complex”)”, and exploration properties located in Val D’Or, Quebec and the Moss Lake property in Thunder Bay, Ontario. 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, 2018.

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, 2018 with the exception of the adoption of new lease accounting policy resulting from the adoption of new accounting standard IFRS 16 in January, 2019 (see Note 3).

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 to the Company’s consolidated financial statements for the year ended December 31, 2018.

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 6, 2019.

3. ACCOUNTING PRONOUNCEMENTS

The Company has adopted the following new accounting pronouncement on January 1, 2019:

IFRS 16 Leases

This new accounting pronouncement, which supersedes IAS 17 – Leases and is in effect for periods beginning on or after January 1, 2019, and eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short-term leases and leases of low value assets. In addition, the new accounting standard sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. The Company prospectively adopted IFRS 16 at the beginning of 2019 with no restatement of prior year comparatives using the modified retrospective approach. The adoption of this accounting pronouncement resulted in an increase of \$0.94 million in Right-of-use-assets and a corresponding \$0.94 million increase in lease liabilities.

The Company recognizes a right-of-use asset and a corresponding lease liability for all leases except for leases to explore for minerals, leases where the underlying assets are of low value and short-term leases with a contractual term of 12 months or less. Lease liability at the initial date of the lease represents the net present value of the lease payments including any exercise price of a purchase option if it is reasonably certain of being exercised, discounted by using the interest rate implicit in the lease or if this cannot be readily determined the incremental borrowing rate of the Company at the date of the lease. The interest calculated on the lease liability is expensed as interest expense. The right-of-use asset is equal to the lease liability. The right-of-use asset is depreciated on a straight-line basis over the term of the lease or the useful life of an asset.

Prior to January 1, 2019, payments relating to operating leases were expensed.

4. RECEIVABLES AND PREPAIDS

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Vendor deposits	\$ 953	\$ 162
Prepays and other receivables	1,329	386
	<u>\$ 2,282</u>	<u>\$ 548</u>

5. INVENTORIES

	<u>Note</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Gold in process	5(i), (ii)	\$ 8,577	\$ 4,182
Supplies		2,453	2,185
Ore stockpiles	5(iii)	3,552	1,935
		<u>\$ 14,582</u>	<u>\$ 8,302</u>

- (i) Gold in process inventory consists of both gold doré and gold in process that is 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 Eagle and Mishi inventory carried at cost of \$8,526,000 and \$51,000 respectively. At December 31, 2018, Mishi gold in process inventory was carried at net realizable value of \$196,000 after a write down of \$67,000 and Eagle River inventory was carried at cost of \$3,986,000.
- (iii) Ore stockpile inventories for Eagle River and Mishi are carried at cost of \$3,209,000 and \$343,000 respectively. December 31, 2018 inventory balance includes Mishi inventory carried at net

realizable value of \$822,000 after a write down of \$176,000 and Eagle River carried at cost of \$1,113,000.

The amount of inventory recognized as an expense for the period ended September 30, 2019 is \$57,836,000 (September 30, 2018: \$48,360,000) and is included in cost of sales. See Note 16 to the financial statements.

6. RESTRICTED CASH

	September 30	December 31
	2019	2018
Cash deposit related to a mine closure plan (Note 11)	\$ 27	\$ -
Cash pledged to a bank related to a letter of credit	630	-
	\$ 657	\$ -

In Q2 2019, the Company pledged cash of \$630,000 to a Canadian chartered bank to secure a letter of credit issued in favour of a supplier.

7. MINING PROPERTIES, PLANT AND EQUIPMENT

	Company Own Assets							Right-of-use assets					Grand total	
	Mining properties			Plant & equipment				Plan & equipment						
	Eagle River Complex	Kiena Complex	Sub-total	Eagle River Complex	Kiena Complex	Corporate	Sub-total	Total	Eagle River Complex	Kiena Complex	Corporate	Total		
Gross Carrying Amount														
Balance, December 31, 2017	\$ 118,675	\$ 35,201	\$ 153,876	\$ 19,566	\$ 582	\$ -	\$ 20,148	\$ 174,024	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,024
Additions	16,086	-	16,086	9,111	-	120	9,231	25,317	-	-	-	-	-	25,317
Write down of fixed assets	-	-	-	(307)	(35)	(9)	(351)	(351)	-	-	-	-	-	(351)
Disposals	-	-	-	(94)	(17)	-	(111)	(111)	-	-	-	-	-	(111)
Balance, December 31, 2018	\$ 134,761	\$ 35,201	\$ 169,962	\$ 28,276	\$ 530	\$ 111	\$ 28,917	\$ 198,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,879
Additions under adoption of IFRS 16	-	-	-	(16,752)	-	-	(16,752)	(16,752)	16,752	152	787	17,691	-	939
Additions	28,131	-	28,131	512	-	-	512	28,643	5,467	-	-	5,467	-	34,110
Balance, September 30, 2019	\$ 162,892	\$ 35,201	\$ 198,093	\$ 12,036	\$ 530	\$ 111	\$ 12,677	\$ 210,770	\$ 22,219	\$ 152	\$ 787	\$ 23,158	\$ -	\$ 233,928
Accumulated Depletion and write-downs														
Balance, December 31, 2017	\$ 48,439	\$ 35,201	\$ 83,640	\$ 8,569	\$ 440	\$ -	\$ 9,009	\$ 92,649	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,649
Depletion	11,859	-	11,859	4,835	17	24	4,876	16,735	-	-	-	-	-	16,735
Write down of fixed assets	-	-	-	(61)	-	-	(61)	(61)	-	-	-	-	-	(61)
Accumulated depletion on disposals	-	-	-	(70)	(17)	-	(87)	(87)	-	-	-	-	-	(87)
Balance, December 31, 2018	\$ 60,298	\$ 35,201	\$ 95,499	\$ 13,273	\$ 440	\$ 24	\$ 13,737	\$ 109,236	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,236
Depletion under adoption of IFRS 16	-	-	-	(4,823)	-	-	(4,823)	(4,823)	4,823	-	-	4,823	-	-
Depletion	14,453	-	14,453	666	8	21	695	15,148	2,496	30	119	2,645	-	17,793
Balance, September 30, 2019	\$ 74,751	\$ 35,201	\$ 109,952	\$ 9,116	\$ 448	\$ 45	\$ 9,609	\$ 119,561	\$ 7,319	\$ 30	\$ 119	\$ 7,468	\$ -	\$ 127,029
Net carrying amount,														
December 31, 2018	\$ 74,463	\$ -	\$ 74,463	\$ 15,003	\$ 90	\$ 87	\$ 15,180	\$ 89,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 89,643
September 30, 2019	\$ 88,141	\$ -	\$ 88,141	\$ 2,920	\$ 82	\$ 66	\$ 3,068	\$ 91,209	\$ 14,900	\$ 122	\$ 668	\$ 15,690	\$ -	\$ 106,899

(i) Eagle River Complex

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

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

(ii) Kiena Mine Complex

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

The Kiena Mine is not subject to any underlying royalties.

8. EXPLORATION PROPERTIES

	<u>Kiena Group</u>	<u>Moss Lake Group</u>	<u>Mishi/Eagle Group</u>	<u>Total</u>
Balance, December 31, 2017	\$ 37,757	\$ 10,083	\$ 12,089	\$ 59,929
Exploration expenditures	<u>21,429</u>	<u>66</u>	<u>-</u>	<u>21,495</u>
Balance, December 31, 2018	59,186	10,149	12,089	81,424
Exploration expenditures	<u>16,881</u>	<u>27</u>	<u>-</u>	<u>16,908</u>
Balance, September 30, 2019	<u>\$ 76,067</u>	<u>\$ 10,176</u>	<u>\$ 12,089</u>	<u>\$ 98,332</u>

9. PAYABLES AND ACCRUALS

	<u>Notes</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Trades payable and accrued liabilities		\$ 17,368	\$ 15,157
Employee related payables		3,737	4,036
Royalty payables		968	466
Revenue Quebec receipt	20	<u>-</u>	<u>2,867</u>
		<u>\$ 22,073</u>	<u>\$ 22,526</u>

10. LEASE LIABILITIES

Future minimum payments under lease obligations are as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
No later than one year	\$ 3,339	\$ 4,866
Later than one year and no later than five years	<u>5,404</u>	<u>5,479</u>
Total minimum lease payments	8,743	10,345
Less: Interest portion at the weighted average interest rate of 5.18% (2018: 3.38%)	<u>604</u>	<u>545</u>
Total lease liabilities, secured by equipment	8,139	9,800
Less: Current portion	<u>2,995</u>	<u>4,552</u>
Long-term portion	<u>\$ 5,144</u>	<u>\$ 5,248</u>

The Company terminated Scotia's lease arrangement and paid \$4.0 million to settle the outstanding liability in September 2019.

Secured Credit Facility and Lease Facilities

In Q3 2019, Wesdome closed a three-year \$45.0 million senior secured revolving credit facility ("NBF Facility"), with National Bank Financial Inc. ("NBF") acting as the sole arranger. The NBF Facility is secured by all of the Company's present and future real and personal property. The NBF Facility is available by way of (i) Canadian dollar Prime Rate or U.S. dollar Base Rate. With interest rates ranging from 2.5% to 3.5% over NBF's Prime Rate or Base Rate, as applicable, (ii) Canadian dollar Bankers' Acceptances at acceptance fees ranging from 3.5% to 4.5%, and (iii) U.S. dollar LIBOR with interest rates ranging from 3.5% to 4.5% over LIBOR. The actual spread or rate will be determined based on the Company's net leverage ratio. The NBF Facility is also available for letters of credit.

On closing, the Company drew down \$4.4 million under the NBF Facility, of which \$4.0 million was used to repay in full the amounts owed under the Company's \$36.0 million credit facility. As at September 30, 2019, the Company paid \$1,054,000 in fees and expenses related to the NBF Facility.

At September 30, 2019, the Company is in compliance with the financial covenants stipulated under its existing secured credit facilities.

In 2018, the Company established a \$3.4 million lease facility with a Canadian bank. At July 3, 2019, the facility was increased to \$9.9 million, of which \$7.5 million were drawn to date. The Company also established a US\$4.5 million equipment leasing facility with a U.S. based leasing company, of which US\$1.1 million were drawn to date and are included in Lease Liabilities as at September 30, 2019.

11. DECOMMISSIONING PROVISIONS

The Company is committed to a program of environmental protection at its mines, development projects and exploration sites which are subject to various federal and provincial laws and regulations. The Magnacon Mine, which is located next to the Eagle River Mill, and the Kiena Complex are both under care and maintenance.

The Company has recorded the decommissioning costs at its active and dormant mine sites on the basis of management's best estimates of future costs to settle the obligations on the closing date, based on information available on the reporting date. Although the ultimate amount of decommissioning costs is uncertain, the Company estimated its future decommissioning costs for the Eagle River Mine, Mishi Mine, Magnacon Mine and the Eagle River Mill (the "Eagle River Complex") to be about \$12,158,000 which has been discounted over a period of 5.25 years using a discount rate of 3.93%; and the Kiena Mine Complex is \$7,027,000 as of September 30, 2019. The Company has provided in aggregate \$8,574,000 in financial assurances (see note 11(b) and 11 (c) below) for these future environmental obligations.

a) Change in decommissioning provisions

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

	<u>Notes</u>	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Balance, beginning of year		\$ 11,663	\$ 11,192
Accretion expense for the year		301	436
Change in provisions - Kiena		-	(24)
Changes to estimates, Eagle River Complex	11(a)(i)	<u>5,007</u>	<u>59</u>
		<u>\$ 16,971</u>	<u>\$ 11,663</u>

- (i) In late 2016, the Company commissioned a third-party consultant to revise the closure plans for the Eagle River Complex. These revised plans, when completed, will be submitted to the Ontario Ministry of Energy, Northern Development and Mines for their review and approval at which time additional financial assurance may be required. The Company has received preliminary revised estimates totalling \$12,158,000 in place of the previous estimated total of \$7,769,000. Decommissioning costs have been discounted to \$9,944,000 with a corresponding increase in mining assets as at September 30, 2019, using a risk-adjusted rate of 3.93% over 5.25 years.

b) Standby letters of credit

In Q1, 2019, the Company has replaced letters of credit to the government of Ontario as financial assurance for the settlement of the decommissioning provisions under the closure plans submitted for the Eagle River Complex with reclamation bond.

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Standby letters of credit: Eagle River Complex	\$ _____ -	\$ _____ 1,547

c) Reclamation bond

In Q1, 2019, the Company entered into an agreement with a financial institution whereby the financial institution has issued a surety bond, on an unsecured basis, to the extent of \$1.5 million to satisfy the Company's reclamation obligation for the Eagle River Complex. As at September 30, 2019, the total reclamation bonds issued to government environmental agencies amounted to \$8.5 million (December 31, 2018 - \$7.0 million).

12. CAPITAL STOCK

Authorized:

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

	<u>Shares</u>	<u>Amount</u>
Issued:		
Balance, December 31, 2017	133,889,798	\$ 164,161
Exercise of options	<u>1,133,966</u>	<u>2,226</u>
Balance, December 31, 2018	135,023,764	166,387
Exercise of options	1,995,083	5,369
Exercise of RSUs	129,133	253
Redemption of DSUs	<u>72,016</u>	<u>175</u>
Balance, September 30, 2019	<u>137,219,996</u>	<u>\$ 172,184</u>

13. STOCK-BASED COMPENSATION PLAN

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

On May 3, 2017, the shareholders of the Company approved the 2017 Omnibus Plan pursuant to which it is able to issue share-based long-term incentives. All Service Providers are eligible to receive Awards, as defined below, under the 2017 Omnibus Plan. The 2017 Omnibus Plan replaced the Company's existing Stock Option Plan which remains in effect, but no further options will be issued thereunder.

Under the 2017 Omnibus Plan, the maximum number of common shares issuable from treasury pursuant to Awards shall not exceed 10% of the total outstanding common shares from time to time less the number of common shares issuable pursuant to all other security-based compensation arrangements of Wesdome (being the Stock Option Plan).

As at September 30, 2019, Awards to purchase 7,585,580 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, 2019 and 2018.

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	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	5,907,839	2.65	7,483,319	1.99	6,688,249	2.02	6,082,388	1.92
Granted	-	-	-	-	984,923	5.28	1,847,327	1.96
Exercised	(430,000)	2.22	(444,648)	1.55	(1,995,083)	1.83	(861,044)	1.16
Expired/Forfeited	(35,000)	2.91	(35,000)	3.05	(235,250)	2.06	(65,000)	2.95
Outstanding, end of period	5,442,839	2.68	7,003,671	2.02	5,442,839	2.68	7,003,671	2.02

The following table reflects the continuity of RSUs granted for the three and nine months ended September 30, 2019 and 2018.

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	Number of RSUs	Weighted average exercise price	Number of RSUs	Weighted average exercise price	Number of RSUs	Weighted average exercise price	Number of RSUs	Weighted average exercise price
		\$		\$		\$		\$
Outstanding, beginning of period	444,349	-	387,399	-	387,399	-	-	-
Granted	-	-	-	-	186,083	-	387,399	-
Exercised	-	-	-	-	(129,133)	3.99	-	-
Outstanding, end of period	444,349	-	387,399	-	444,349	-	387,399	-

The weighted average share price at the date of exercise for stock options exercised during the nine months ended September 30, 2019 and 2018 was \$5.28 and \$2.51, respectively.

On February 26, 2019, the Company granted 984,923 stock options and 186,083 RSUs to its employees and officers, under its 2017 Omnibus Plan. Of the 984,923 stock options granted, 694,923 stock options have a three-year vesting term commencing on the anniversary date of the issue; and the remaining 290,000 stock options vest immediately. The RSUs granted also have a three-year vesting period.

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 May 16, 2019, the Company granted 125,776 DSUs (second 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.

The following table reflects the continuity of DSUs granted for the three and nine months ended September 30, 2019 and 2018.

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	Number of DSUs	Weighted average exercise price	Number of DSUs	Weighted average exercise price	Number of DSUs	Weighted average exercise price	Number of DSUs	Weighted average exercise price
		\$		\$		\$		\$
Outstanding, beginning of period	249,232	-	195,472	-	195,472	-	-	-
Granted	-	-	-	-	125,776	-	195,472	-
Redeemed	-	-	-	-	(72,016)	2.43	-	-
Outstanding, end of period	249,232	-	195,472	-	249,232	-	195,472	-

For the three and nine months ended September 30, 2019 and 2018, grant date fair value estimates were based on the following variables:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Weighted average fair value, per option (\$)	-	-	5.15	0.80
Weighted average risk-free interest rate (%)	-	-	1.81	1.74
Weighted average volatility (%)	-	-	58	59
Expected life (years)	-	-	3.0	3.0
Forfeiture rate (%)	-	-	6.3	5.9

The fair value compensation and contributed surplus relating to stock options, DSUs and RSUs for the three and nine months ended September 30, 2019 was \$486,000 and \$2,641,000, respectively (2018: \$434,000 and \$2,265,000, respectively).

The following table outlines share options outstanding at September 30, 2019:

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 \$
\$1.00 - \$1.50	495,000	0.83	1.21	495,000	1.21
\$1.51 - \$2.00	2,171,494	2.68	1.81	1,446,610	1.74
\$2.01 - \$2.50	1,140,000	2.42	2.45	1,040,000	2.46
\$3.01 - \$6.00	<u>1,636,345</u>	3.64	4.44	<u>816,160</u>	3.90
	<u>5,442,839</u>	2.74	2.68	<u>3,797,770</u>	2.33

14. EARNINGS PER SHARE

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Earnings available to common shareholders	\$ 12,449	\$ 3,631	\$ 28,868	\$ 12,215
Weighted average number of shares, basic (000s)	137,302	134,754	136,615	134,390
Dilutive securities – options and RSU (000s)	3,687	3,082	3,504	1,437
Weighted average number of shares, diluted (000s)	140,989	137,836	140,119	135,827
Basic earnings per share	\$ 0.09	\$ 0.03	\$ 0.21	\$ 0.09
Diluted earnings per share	\$ 0.09	\$ 0.03	\$ 0.21	\$ 0.09
Number of shares excluded from diluted earnings per share calculation due to anti-dilutive effect:				
Options (000s)	695	763	985	4,324

15. REVENUES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenues from mining operations				
Gold	\$ 45,891	\$ 28,898	\$ 120,636	\$ 86,502
Silver	49	22	115	78
	\$ 45,940	\$ 28,920	\$ 120,751	\$ 86,580

16. COST OF SALES

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Mining and processing				
Mining	\$ 8,368	\$ 8,361	\$ 27,638	\$ 25,430
Processing	4,398	3,528	13,438	10,554
Site administration and camp costs	6,041	4,249	16,760	12,375
Change in inventories ⁽¹⁾	(711)	(1,713)	(4,552)	(3,028)
	18,096	14,425	53,284	45,331
Royalties	1,074	597	2,383	1,620
Depletion and depreciation	6,076	5,577	16,335	12,817
	\$ 25,246	\$ 20,599	\$ 72,002	\$ 59,768
⁽¹⁾ Change in inventories				
Ore stock pile inventory	\$ 4,312	\$ (1,760)	\$ (1,381)	\$ (2,461)
Bullion and in-circuit inventory	(5,023)	47	(3,171)	(567)
	\$ (711)	\$ (1,713)	\$ (4,552)	\$ (3,028)

17. INTEREST AND OTHER

a) Interest on long-term debt

	<u>Notes</u>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Interest on lease liabilities	10	\$ <u>138</u>	\$ <u>68</u>	\$ <u>364</u>	\$ <u>191</u>

b) Interest and other

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Insurance proceeds	\$ -	\$ -	\$ 255	\$ -
Electricity rebate under "NIER" program	-	-	-	1,033
Interest income	<u>157</u>	<u>79</u>	<u>227</u>	<u>195</u>
	\$ <u>157</u>	\$ <u>79</u>	\$ <u>482</u>	\$ <u>1,228</u>

18. SUPPLEMENTAL CASH FLOW INFORMATION

	<u>Notes</u>	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net changes in non-cash working capital					
Operating activities					
Receivables and prepaids		\$ 2,897	\$ (1,127)	\$ (2,135)	\$ 2,259
Payables and accruals		785	1,216	967	1,109
Deferred revenue		-	2,329	-	2,329
Mining and income tax payable		1,335	664	3,409	1,872
Gold in process and ore stockpiles		(711)	(1,713)	(4,553)	(3,028)
Supplies and other		(81)	(78)	(268)	(114)
		\$ <u>4,225</u>	\$ <u>1,291</u>	\$ <u>(2,580)</u>	\$ <u>4,427</u>
Investing activities					
Receivables and prepaids		\$ 1,165	\$ 155	\$ 95	\$ 78
Payables and accruals		684	1,081	(1,420)	421
		\$ <u>1,849</u>	\$ <u>1,236</u>	\$ <u>(1,325)</u>	\$ <u>499</u>
Non-cash transactions					
Change to decommissioning provisions	11	\$ 3,532	\$ -	\$ 5,007	\$ -
Mining property assets acquired under finance leases		3,482	1,030	5,467	4,490
Assets under adoption of IFRS 16		-	-	939	-
		\$ <u>7,014</u>	\$ <u>1,030</u>	\$ <u>11,413</u>	\$ <u>4,490</u>

19. 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, 2019

	Financial Assets at amortized cost	Financial Liabilities at amortized cost	Total Carrying Amount	Fair Value
Cash and cash equivalents	\$ 38,611	\$ -	\$ 38,611	\$ 38,611
Receivables	955	-	955	955
Total assets	<u>\$ 39,566</u>	<u>\$ -</u>	<u>\$ 39,566</u>	<u>\$ 39,566</u>
Payables and accruals	\$ -	\$ 22,073	\$ 22,073	\$ 22,073
Borrowings	-	4,358	4,358	4,358
Total lease obligations	-	8,139	8,139	8,139
Total liabilities	<u>\$ -</u>	<u>\$ 34,570</u>	<u>\$ 34,570</u>	<u>\$ 34,570</u>

December 31, 2018

	Financial Assets at amortized cost	Financial Liabilities at amortized cost	Total Carrying Amount	Fair Value
Cash and cash equivalents	\$ 27,378	-	\$ 27,378	\$ 27,378
Receivables	548	-	548	548
Total assets	<u>\$ 27,926</u>	<u>\$ -</u>	<u>\$ 27,926</u>	<u>\$ 27,926</u>
Payables and accruals	\$ -	\$ 22,526	\$ 22,526	\$ 22,526
Total lease obligations	-	9,800	9,800	9,800
Total liabilities	<u>\$ -</u>	<u>\$ 32,326</u>	<u>\$ 32,326</u>	<u>\$ 32,326</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).

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, 2019 and 2018.

(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 nine months ended September 30, 2019 and 2018.

(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, 2019:

	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Payables and accruals	\$ 22,073	\$ -	\$ -	\$ -
Mining and income tax liabilities	1,379	-	-	-
Leases related to mining operations	3,127	3,075	1,846	-
Other leases ¹	212	172	311	-
Borrowings	4,358	-	-	-
Purchase commitments ²	5,988	-	-	-
Decommissioning liabilities	7,027	-	-	12,158
Total	\$ 44,164	\$ 3,247	\$ 2,157	\$ 12,128

¹ Other leases are leases substantively related to the lease of the office premise

The Company anticipates of the \$6 million outstanding purchase commitments as at September 30, 2019 to finance \$1.8 million with finance leases.

3) Credit Risk

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

The Company manages credit risk by maintaining bank accounts and term deposits with Schedule 1 Canadian banks. The Company's cash is not subject to any external limitations.

20. 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 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 recorded the amount of \$2,867,140 that was received in 2018 in payable and accruals.

On February 28, 2019, the Supreme Court dismissed the Supreme Court Appeal and accordingly, the Company recorded this amount as income in the first quarter of 2019.