



WESDOME GOLD MINES LTD.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2008

MESSAGE TO SHAREHOLDERS

We are happy to present our third quarter results, which continue to improve. This is the third successive quarter of increasing production, profits, cash flow and revenue.

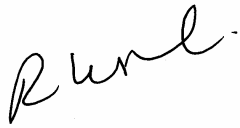
It is encouraging to see the combined effects of cost control and higher gold prices follow through in the financial performance.

We are fortunate to have an improving balance sheet and no need to tap capital markets during these volatile and uncertain times.

We are discouraged, in light of these improvements, with our recent share price performance. We feel the markets will recognize our achievements as confidence returns. We also feel that over the longer term conditions are more supportive than ever for higher future gold prices.

Thanks go out to the operating team for their diligence and to you, the shareholder, for your continued support.

On behalf of the Board,

A handwritten signature in black ink, appearing to read "Rowland Uloth". The signature is written in a cursive style with a small flourish at the end.

Rowland Uloth
President

November 11, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Third Quarter Report September 30, 2008

This Management's Discussion and Analysis dated November 11, 2008 should be read in conjunction with Wesdome Gold Mines Ltd's ("Wesdome" or the "Company") unaudited interim consolidated financial statements for the three and nine months ended September 30, 2008, and related notes thereto which have been prepared in accordance with Canadian generally accepted accounting principles. This Management's Discussion and Analysis contains "forward-looking statements" that are subject to risk factors set out in the cautionary statement below. All figures are in Canadian dollars unless otherwise stated. Additional information on Wesdome Gold Mines Ltd., including current and previous years' Annual Information Forms (AIF) and other corporate information, can be found at www.wesdome.com or www.sedar.com. Wesdome trades on the Toronto Stock Exchange under the symbol "WDO".

Background

Wesdome Gold Mines Ltd. was created by the merger of River Gold Mines Ltd. and Wesdome Gold Mines Inc. ("Wesdome Inc.") on February 1, 2006. The merger has been accounted for as a reverse takeover with Wesdome Inc. as the accounting acquirer

On June 30, 2007, the Company merged with Western Québec Mines Inc. ("Western Québec"). The merger was carried out by way of a Plan of Arrangement under s. 49 of the Companies Act (Québec), pursuant to which each common share of Western Québec was exchanged for 1.45 common shares of Wesdome; the shareholders of Western Québec became shareholders of Wesdome and Western Québec became a wholly-owned subsidiary of Wesdome. The results of operations of Western Québec have been consolidated from July 1, 2007, onwards.

In connection with the merger, approximately 36.8 million Wesdome shares were approved for listing by the TSX Exchange, including approximately 36.5 million Wesdome shares issued to the Western Québec shareholders and approximately 0.3 million Wesdome shares set aside for issuance to holders of Western Québec options. Of the 36.5 million shares issued, 30.1 million replaced the Wesdome shares held by Western Québec which were cancelled, resulting in approximately 6.3 million additional shares outstanding. As at September 30, 2008, the total number of issued and outstanding Wesdome shares is 99.7 million.

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.

OVERALL PERFORMANCE

The Company owns the Eagle River gold mining operations in Wawa, Ontario and the Kiena Mine Complex in Val d'Or, Quebec. The Eagle River mine commenced commercial production January 1, 1996 and the Kiena mine August 1, 2006.

During the third quarter, 2008, revenue, cash flow from operations and earnings increased dramatically due to higher gold prices. Net income rose to \$2.2 million in the third quarter, 2008, compared to a net loss of \$3.0 million in the third quarter, 2007. Likewise, cash flow from operations increased to \$5.6 million for the quarter compared to \$0.5 million in 2007. Revenue rose to \$22.2 million compared to \$16.4 million in 2007 primarily due to higher gold prices. Gold sales averaged \$902 per ounce in the third quarter, 2008 compared to \$712 per ounce in the third quarter, 2007.

Net income for the nine month period was \$3.1 million compared to a net loss of \$8.7 million in 2007. Cash flow from operations totalled \$12.1 million and \$11.2 million was invested in mining and exploration properties.

Costs in the third quarter remained relatively stable year over year in the face of general cost inflation experienced in the mining industry. In fact, on a unit basis, costs applicable to sales, or cash costs, decreased to \$649 Cdn per ounce in the third quarter and \$694 Cdn per ounce year to date. Subsequent to the end of the quarter, tight labour markets and input costs such as diesel and steel have eased considerably in international markets. These trends, if sustained, will help reduce costs further but there may be a time-lag in realizing these reductions at the mine level.

RESULTS OF OPERATIONS

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2008	2007*	2008	2007*
<i>Eagle River Mine</i>				
Tonnes milled	31,935	35,381	86,892	89,281
Recovered grade (g/t)	11.8	8.7	13.7	11.4
Ounces produced	12,139	9,893	38,359	32,821
Ounces sold	12,063	11,900	34,500	27,800
Bullion inventory (oz)	7,326	9,886	7,326	9,886
Bullion revenue	10,811	8,468	31,495	20,549
- Operating + development costs (thousands)	8,147	6,382	22,182	17,813
Mine operating profit (loss) (\$m) **	2,664	2,086	9,313	2,736
Gold price realized (\$Cdn/oz)	895	710	913	739

* Includes Mishi pit production of 21,568 tonnes at 3.5 gAu/tonne for 2,402 ounces.

Kiena Mine Complex

Tonnes milled	62,587	63,281	191,735	221,744
Recovered grade (g/t)	5.8	3.5	4.6	3.7
Ounces produced	11,582	7,145	28,556	26,595
Ounces sold	12,400	11,100	29,900	27,200
Bullion inventory (oz)	1,865	2,100	1,865	2,100
Bullion revenue	11,244	7,911	27,337	20,161
- Operating + development costs (thousands)	7,740	8,801	22,530	21,514
Mine operating profit (loss) (\$m) **	3,504	(890)	4,807	(1,353)
Gold price realized (\$Cdn/oz)	905	712	914	741

Total

Production (oz)	23,721	17,038	66,915	59,416
Sales (oz)	24,463	23,000	64,400	55,000
Bullion inventory (oz)	9,191	11,986	9,191	11,986
Bullion revenue	22,055	16,379	58,832	40,710
- Operating + development costs (thousands)	15,887	15,183	44,712	39,327
Mine operating profit (\$m) **	6,168	1,196	14,120	1,383
Gold price realized (\$Cdn/oz)	902	712	913	740

** The Company has included in this report certain non-GAAP performance measures, including mine operating profit (loss) and operating and development costs to applicable sales. These measures are not defined under GAAP and therefore should not be considered in isolation or as an alternative to or more meaningful than, net income(loss) or cash flow from operating activities as determined in accordance with GAAP as an indicator of our financial performance or liquidity. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow.

During the third quarter 2008, combined operations produced 23,721 ounces of gold. Bullion revenues climbed to \$22 million on sales of 24,433 ounces at an average price of \$902 Cdn per ounce. At September 30, 2008, gold inventory stood at 9,191 ounces. This is carried on the balance sheet at cost. The costs and revenue for this inventory will be recognized in the fiscal period in which it is sold.

Revenue exceeded operating and development costs resulting in a mine operating profit* of \$6.2 million for the third quarter and \$14.1 million for the first nine months of 2008. In addition to direct operating costs, other costs, including royalty payments, corporate and general and interest costs, amounted to \$0.8 million in the third quarter and \$2.5 million for the first nine months.

The highlight of the quarter was continued improvement at the Kiena operations. The recovered grade increased 40% compared to the first half of 2008 and tight cost control measures contained costs at last year's levels. Subsequent to quarter end, a potentially significant new find located 3 kilometres east of the shaft was announced on October 14, 2008. Preliminary drilling results included intersections of 4.45 gAu/tonne over 5.1 metres and 6.82 gAu/tonne over 7.7 metres. Drilling is continuing on this exciting prospect with the purpose of defining its geometry and dimensions.

SUMMARY OF QUARTERLY RESULTS

(in thousands except per share data)	2008			2007
	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter
Total revenue	\$ 22,180	\$ 20,714	\$ 16,237	\$ 14,349
Net income (loss)	2,152	763	156	(4,411)
Net income (loss) per share – basic and diluted	0.02	0.01	0.00	(0.05)

	2007			2006
	3 rd Quarter	2 nd Quarter	1 st Quarter	4 th Quarter
Total revenue	\$ 16,450	\$ 11,504	\$ 12,907	\$ 10,765
Net income (loss)	(3,021)	(1,312)	(4,401)	(3,885)
Net income (loss) per share – basic and diluted	(0.03)	(0.01)	(0.05)	(0.04)

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2008, the Company had working capital of \$8.3 million. During the third quarter, capital expenditures totalled \$4.9 million. Gold inventories of 9,191 ounces were carried at \$6.5 million at September 30, 2008. Their market value at September 30, 2008, was \$8.6 million.

The Company believes it has sufficient resources to cover its operating and capital cost requirements. The Company's aggressive exploration program is partially funded by a December, 2007, flow-through offering which netted \$3.7 million.

Production for the remainder of 2008 should continue to generate cash flow, even at gold prices below those currently being realized.

Contractual Obligations	Payments Due by Period (in thousands)				
	Total	Less than 1 year	1 – 2 years	3 – 5 years	After 5 years
Equipment leases	\$ 4,247	\$ 1,436	\$ 580	\$ 2,201	\$ 30
Total contractual obligations	\$ 4,247	\$ 1,436	\$ 580	\$ 2,201	\$ 30

TRANSACTIONS WITH RELATED PARTIES

Effective June 30, 2007, through a business combination, Western Québec became a wholly owned subsidiary of Wesdome. As at September 30, 2008, there were no inter-company payables, accruals or loans outstanding.

Prior to June 29, 2007, Western Québec charged the Company \$418,230 for professional services which was charged to corporate and general expense. These transactions were in the normal course of operations, were measured at the exchange amounts and ceased upon amalgamation.

In fiscal 2007, the Company paid \$85,280 for the supervision of the Kiena mill to a company owned by a Director. No funds were paid during the current year.

CRITICAL ACCOUNTING ESTIMATES

(i) *Mining properties, plant and equipment*

In accordance with the Company's accounting policies, amortization commences when a property is put into commercial production and is calculated on the unit of production method over the expected economic life of the mine. Depreciation is calculated once the asset is placed in service, using straight-line method over its estimated useful life.

Mineral reserve and mineral resource estimates are not precise and also depend on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ radically from mineral reserve estimates for the following reasons:

- (a) Mineralization or formation could be different from those predicted by drilling, sampling and similar tests;
- (b) The grade of mineral reserves may vary significantly from time to time and there can be no assurance that any particular level of gold may be recovered from the mineral reserves;

- (c) Declines in the market price of gold may render the mining of some or all of the Company's mineral reserves uneconomic: and
- (d) Increase in costs may render the mining of some, or all, of the Company's mineral reserves uneconomic.

Any of these factors may require the Company to reduce its mineral reserve and mineral resource estimates, change its production estimates or increase its costs. Changes in reserve quantities would cause corresponding changes in amortization expense in periods subsequent to the reserve revision, and could result in impairment of the carrying amount of property, plant and equipment. Management conducts periodic reviews of its mineral properties to determine if write-downs are required. In 2006, the Company wrote-down the McKenzie Break property to reflect the sale agreement entered into with Britannica Resources Inc. Since 2006, no write-downs were required.

(ii) *Reclamation and closure costs obligations*

Environmental laws and regulations relating to the protection of the environment are continually changing and generally becoming more restrictive. Wesdome has made, and intends to make in the future, expenditures to comply with such laws and regulations. The Company has recorded a liability and corresponding asset for the fair value of obligations for reclamation and closure costs. The Company estimates its future closure costs for the Eagle River mine, Mishi mine and the mill to be \$0.7 million with an additional \$0.7 million for the Kiena complex.

- (iii) Significant estimates and assumptions, also those related to the recoverability of mining and exploration properties, include estimated useful lives of equipment, valuation assumptions, determination as to whether costs are capitalized or expensed and stock compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

On January 1, 2008, the Company adopted the recommendations of new CICA Handbook sections 3862 "*Financial Instruments – Disclosures*" and 3863 "*Financial Instruments – Presentation*". These new sections replace section 3861, "*Financial Instruments – Disclosures and Presentation*". Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity's financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861.

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	December 31
	<u>2008</u>	<u>2007</u>
<u>Financial assets</u>		
Held for trading:		
Cash and cash equivalents	\$ 6,540	\$ 7,341
Term deposits	83	68
Restricted cash	2,291	2,541
Loans and receivables:		
Receivables	3,383	4,243
Available for sale:		
Marketable securities	44	68
<u>Financial liabilities</u>		
Other financial liabilities		
Payables and accruals	\$ 9,278	\$ 9,708
Convertible 7% debentures	9,293	9,038

Determination of Fair Value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the Consolidated Balance Sheet as follows:

Cash and cash equivalents, term deposits and restricted cash – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Receivables – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Marketable securities – The carrying amounts are measured at fair value using the quoted market price. At September 30, 2008, marketable securities have been re-measured to reflect unrealized losses of \$289,646, which has been charged to other comprehensive income.

Payables and accruals - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Obligations under capital leases – The carrying amounts approximate the amortized cost based on an initial fair value of the obligation.

Convertible 7% debentures – The carrying amount is calculated at the present value of the principal and interest discounted at a rate approximately the interest rate that would have been applicable to non-convertible debt at the time the loan was issued. Management considers this interest rate to reflect current rate. The equity element and the financing costs are being amortized using the effective interest method. Financing costs are capitalized within the related debt.

Financial 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, liabilities and expected future cash flows 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, 2008. Changes in world bullion prices would have the following impact on our net earnings:

Sensitivity Analysis (in thousands)

	<u>Change</u>	<u>Net Earnings</u>	<u>Comprehensive Income</u>
Gold Price			
Price increase	US\$ 10.00/oz	US\$ 245	US\$ 245
Price decrease	US\$ 10.00/oz	US\$ (245)	US\$ (245)

(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. Fluctuations in US\$/Cdn\$ exchange rates may have a significant impact on revenues. The Company had no forward exchange rate contracts in place as at or during the three months ended September 30, 2008.

Sensitivity Analysis (in thousands)

	<u>Change</u>	<u>Net Earnings</u>	<u>Comprehensive Income</u>
US\$/Cdn\$ Exchange Rate			
Rate increase	\$ 0.01	\$ 221	\$ 221
Rate decrease	\$ 0.01	\$ (221)	\$ (221)

(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 and cash equivalents include 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 trade payables and accruals, capital leases and convertible debentures:

(in thousands)	<u><1 Year</u>	<u>1-2 Years</u>	<u>3-5 Years</u>	<u>Over 5 Years</u>
Accounts payable & accrued liabilities	\$ 9,278			
Capital leases	1,436	\$ 580	\$ 2,201	\$ 30
Convertible debentures	801	801	12,640	

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 accounts receivable consist primarily of government refunds and credits.

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 restrictions.

Comprehensive Income

Section 1530, "*Comprehensive Income*", introduces a new financial statement "*Statement of Comprehensive Income*" and provides guidance for the reporting and display of other comprehensive income and accumulated other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

Hedges

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income remains until the forecasted transaction is eventually recognized in net income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to net income.

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. In addition to risks described elsewhere herein, shareholders should note the following:

Nature of Mineral Exploration

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. It is impossible to ensure that the exploration programs planned by the Company will result in a profitable commercial mining operation.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices which are highly cyclical and government regulations. The

exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

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. 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. 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.

Government Regulations and Environmental Matters

The Company's activities are subject to extensive federal, provincial and local laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards, existing laws and regulations which may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. While it is possible that the costs and delays associated with compliance with such laws, regulations and permits could become such that the Company would not proceed with the development or operation of a mine, the Company is not aware of any material environmental constraint affecting its properties that would preclude the economic development or operation of any specific property.

In Ontario, the Company has obtained approval for its closure plan for the Eagle River mill, Eagle River mine and the Mishi-Magnacon complex and has provided security of approximately \$0.7 million to cover estimated rehabilitation and closure costs. In Quebec, the Company has obtained approval for its closure plan for the Kiena mine and mill and has provided security of approximately \$0.7 million 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 and could also be required to provide further security. The Company believes it is currently in compliance in all material respects with the legislation described above.

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.

Economic Conditions

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

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 resources and mineral reserves 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.

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.

Conflicts of Interest

Certain officers and directors of the Company are, or may be, associated with other companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. Not every officer or director devotes all of their time and attention to the affairs of the Company.

Insurance

The Company carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution, mine flooding or other hazards against which such companies cannot insure or against which they may elect not to insure.

Additional Funding Requirements

Further exploration on, and development of, the Company's mineral resource 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 obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Although the Company has been successful in the past in obtaining financing through the sale of equity securities and the issuance of debt instruments, there can be no assurance that it will obtain adequate financing in the future.

CHANGES IN ACCOUNTING POLICIES

The CICA issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008. The adoption of these new accounting standards did not impact the classification and valuation reported in the Company's financial statements, however, it did result in expanded disclosure.

Financial Instruments

Section 3862, "*Disclosures*" and Section 3863 "*Presentation*" replace Section 3861 "*Disclosure and Presentation*", revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements (see Note 19).

Capital Disclosures

Section 1535, "*Capital Disclosures*" requires the Company to provide disclosures about the Company's capital and how it is managed (see Note 24).

Section 3251, "*Equity*" establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to Section 1530 (see "*Statements of Shareholders' Equity*").

Section 1400, “*General Standards of Financial Statement Presentation*” was amended so as to include the criteria for determining and presenting the Company’s ability to continue as a going concern (going concern assumption). These requirements are satisfied by Note 1.

Inventories

Section 3031, “*Inventories*”, was adopted by the Company effective January 1, 2008. This section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Inventories of gold doré are recorded at the lower of production costs on a weighted average basis, and net realizable value. Work-in-process inventories (gold in circuit) are valued at the lower of average production costs or net realizable value. Production costs include costs related to mining, crushing, mill processing, as well as depreciation on production assets and certain allocations of mine-site overhead expenses attributable to the production process, as applicable.

FUTURE ACCOUNTING CHANGES

Conversion to International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the conversion on the consolidated financial statements and disclosures and will develop a conversion implementation plan.

SUMMARY OF SHARES ISSUED

As of November 11, 2008, the Company’s share information is as follows:

Common shares issued	<u>99,706,159</u>
Common share purchase options	<u>3,059,250</u>
Common share purchase warrants	<u>Nil</u>

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Financial Reporting

Management is responsible for certifying the design of the Company’s internal control over financial reporting (“ICFR”) as required by Multilateral Instrument 52-109 – “*Certification of Disclosure in Issuers’ Annual and Interim Filings*.”

ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable Canadian GAAP. ICFR should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Canadian GAAP
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors

- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial instruments.

Because of its inherent limitations, ICFR may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the Company's internal controls over financial reporting and concluded that the following disclosable weakness existed as at September 30, 2008.

Segregation of Duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business.

Due to limited resources adequate segregation of duties within the accounting group was not achieved. This creates a risk that inaccurate journal entries could be made and not corrected on a timely basis. The result is that the Company is highly reliant on the performance of mitigating procedures during its financial close processes in order to ensure the financial statements are presented fairly in all material respects.

Management will review the current assignment of responsibilities and where possible improve on segregation. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to ICFR whereby more effective mitigating controls will be adopted.

Disclosure Controls

The CEO and CFO are responsible for establishing and maintaining the disclosure controls and procedures and have so certified, as required by Multilateral Instrument 52-109. These officers have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the disclosure controls and procedures at the Company provide management a reasonable level of assurance information required to be disclosed by the Company on a continuous basis and in annual and interim filings or other reports is recorded, processed, summarized and reported or disclosed on a timely basis as required.

It should be noted that while the CEO and CFO believe that the Company's disclosure controls and internal control procedures provide a reasonable level of assurance that they are effective, they do not expect disclosure controls and internal control procedures over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

OUTLOOK

We forecast steady production in the upcoming quarter and expect to comfortably exceed our 2008 production forecast of 80,000 ounces.

To date, gold sales have averaged \$913 Cdn per ounce, \$173 Cdn per ounce higher than last year's average of \$740 Cdn per ounce. By controlling costs, Wesdome has demonstrated its leverage to the gold price.

Our surface exploration program has identified a brand new gold occurrence in a previously untested part of the Val d'Or mining camp and we are hopeful that ongoing drilling will continue to excite.

Since September, extremely volatile markets and economic conditions have made future planning and forecasts very difficult. We believe fundamentally that the evolving conditions are strongly supportive of much higher future gold prices and possibly shorter term relief from the escalating cost pressures that the industry has faced since 2004.

The recent volatility in the gold price has been buffered by equally volatile \$US/\$Cdn exchange rates resulting in relative stability in the \$900 Cdn per ounce range. We anticipate a strong fall/winter rally. Operations are generating strong cash flow and we intend to proceed prudently and do not have a current need to access very tight capital markets.

Wesdome Gold Mines Ltd. Consolidated Balance Sheets

	Sept 30 2008	Dec 31 2007
	(Unaudited)	(Audited)
Assets		
Current		
Cash and cash equivalents	\$ 6,539,983	\$ 7,341,064
Term deposits	83,436	67,651
Inventory (Note 20)	6,471,762	5,529,454
Receivables (Note 5)	3,382,994	4,243,107
Supplies and other	2,519,908	1,735,736
Marketable securities (Note 10)	<u>43,688</u>	<u>68,085</u>
	<u>19,041,771</u>	<u>18,985,097</u>
Funds held against standby letters of credit (Note 6)	2,291,443	2,541,132
Capital assets (Note 7)	11,182	13,155
Mining properties (Note 8)	60,604,374	57,790,155
Exploration properties (Note 9)	28,796,166	27,677,643
Property held for sale (Note 10)	<u>378,105</u>	<u>1,078,105</u>
	<u>\$ 111,123,041</u>	<u>\$ 108,085,287</u>
Liabilities		
Current		
Payables and accruals	\$ 9,277,658	\$ 9,708,130
Current portion of obligations under capital leases	<u>1,435,984</u>	<u>1,368,749</u>
	<u>10,713,642</u>	<u>11,076,879</u>
Obligations under capital leases (Note 11)	2,329,212	2,248,355
Convertible 7% debentures (Note 12)	9,293,403	9,038,002
Reclamation obligation	1,121,500	1,072,000
Future income taxes	<u>2,710,000</u>	<u>1,506,000</u>
	<u>26,167,757</u>	<u>24,941,236</u>
Minority interest in Moss Lake Gold Mines Ltd.	<u>932,745</u>	<u>980,867</u>
Shareholders' Equity		
Capital stock (Note 13)	113,946,066	115,276,928
Contributed surplus (Note 16)	3,066,737	2,789,117
Accumulated other comprehensive income	(289,646)	(131,915)
Equity component of convertible debentures (Note 12)	2,079,776	2,079,776
Deficit	<u>(34,780,394)</u>	<u>(37,850,722)</u>
	<u>84,022,539</u>	<u>82,163,184</u>
	<u>\$ 111,123,041</u>	<u>\$ 108,085,287</u>

Nature and continuation of operations (Note 1)
Environmental risks (Note 20)

See accompanying notes to the interim consolidated financial statements.

Wesdome Gold Mines Ltd.**Interim Consolidated Statements of Operations and Deficit**

(Unaudited)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2008	2007	2008	2007
Revenue				
Gold and silver bullion	\$ 22,054,509	\$ 16,379,930	\$ 58,831,770	\$ 40,710,301
Interest and other	<u>125,858</u>	<u>70,162</u>	<u>299,474</u>	<u>151,368</u>
	<u>22,180,367</u>	<u>16,450,092</u>	<u>59,131,244</u>	<u>40,861,669</u>
Costs and expenses				
Operating costs	12,650,665	11,864,559	34,939,696	31,095,149
Development costs	3,156,147	3,325,964	9,793,946	8,238,294
Amortization of mining properties	3,316,651	3,212,218	8,553,807	8,058,417
Production royalties	176,247	69,574	589,114	359,549
Corporate and general	243,084	333,332	790,002	1,184,798
Stock compensation expense	77,522	58,382	264,640	465,138
Debenture issuance costs	-	44,960	-	44,960
Interest on long-term debt (Note 12)	391,975	543,209	1,148,452	823,286
Other interest	5,871	7,425	7,489	28,686
Amortization of office equipment	657	748	1,973	2,244
Accretion of reclamation obligation	16,500	21,750	49,500	47,250
	<u>20,035,319</u>	<u>19,482,121</u>	<u>56,138,619</u>	<u>50,347,771</u>
Net income (loss) before the following	2,145,048	(3,032,029)	2,992,625	(9,486,102)
Dilution gain on Moss Lake Gold Mines Ltd.	-	-	-	17,504
	<u>2,145,048</u>	<u>(3,032,029)</u>	<u>2,992,625</u>	<u>(9,468,598)</u>
Recovery of future income taxes	-	-	-	700,000
Minority interest	<u>6,383</u>	<u>11,024</u>	<u>78,259</u>	<u>34,607</u>
Net income (loss)	\$ <u>2,151,431</u>	\$ <u>(3,021,005)</u>	\$ <u>3,070,884</u>	\$ <u>(8,733,991)</u>
Net income (loss) per common share (Note 17)				
Basic and diluted	\$ <u>0.02</u>	\$ <u>(0.03)</u>	\$ <u>0.03</u>	\$ <u>(0.09)</u>
Deficit, beginning of period	\$ (36,931,269)	\$ (17,963,304)	\$ (37,850,722)	\$ (12,250,318)
Repurchase of shares	(556)	-	(556)	-
Net income (loss)	<u>2,151,431</u>	<u>(3,021,005)</u>	<u>3,070,884</u>	<u>(8,733,991)</u>
Deficit, end of period	<u>\$ (34,780,394)</u>	<u>\$ (20,984,309)</u>	<u>\$ (34,780,394)</u>	<u>\$ (20,984,309)</u>

See accompanying notes to the interim consolidated financial statements.

Wesdome Gold Mines Ltd.
Interim Consolidated Statements of Comprehensive Income
and Accumulated Other Comprehensive Income

(Unaudited)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2008	2007	2008	2007
Net income (loss)	\$ 2,151,431	\$ (3,021,005)	\$ 3,070,884	\$ (8,733,991)
Other comprehensive income (loss)				
Change in fair value of available-for-sale marketable securities	<u>(54,610)</u>	<u>(46,809)</u>	<u>(157,731)</u>	<u>(100,000)</u>
Comprehensive income (loss)	\$ <u>2,096,821</u>	\$ <u>(3,067,814)</u>	\$ <u>2,913,153</u>	\$ <u>(8,833,991)</u>

Accumulated other comprehensive loss, beginning of period	\$ (235,036)	\$ (53,191)	\$ (131,915)	\$ -
Other comprehensive income (loss)	\$ <u>(54,610)</u>	\$ <u>(46,809)</u>	\$ <u>(157,731)</u>	\$ <u>(100,000)</u>
Accumulated other comprehensive loss, end of period	\$ <u>(289,646)</u>	\$ <u>(100,000)</u>	\$ <u>(289,646)</u>	\$ <u>(100,000)</u>

Interim Consolidated Statements of Shareholders' Equity

(Unaudited)

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Income (loss)	Equity Component of Convertible Debenture	Deficit	Total Shareholders' Equity
Balance, December 31, 2007	\$ 115,276,928	\$ 2,789,117	\$ (131,915)	\$ 2,079,776	\$ (37,850,722)	\$ 82,163,184
Net income for nine months ended Sept 30, 2008	-	-	-	-	3,070,884	3,070,884
Tax effect of flow-through share renunciation	(1,204,000)	-	-	-	-	(1,204,000)
Exercise of options	27,000	-	-	-	-	27,000
Value attributed to options exercised	10,080	(10,080)	-	-	-	-
Additional costs of 2007 flow-through shares	(6,256)	-	-	-	-	(6,256)
Shares purchased under NCIB	(157,686)	23,061	-	-	(556)	(135,181)
Stock based compensation	-	264,639	-	-	-	264,639
Revaluation to fair value of marketable securities	-	-	(157,731)	-	-	(157,731)
Balance, September 30, 2008	\$ <u>113,946,066</u>	\$ <u>3,066,737</u>	\$ <u>(289,646)</u>	\$ <u>2,079,776</u>	\$ <u>(34,780,394)</u>	\$ <u>84,022,539</u>

See accompanying notes to the interim consolidated financial statements.

Wesdome Gold Mines Ltd.

Interim Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2008	2007	2008	2007
Increase (decrease) in cash and cash equivalents				
Operating activities				
Net income (loss)	\$ 2,151,431	\$ (3,021,005)	\$ 3,070,884	\$ (8,733,991)
Amortization of mining properties	3,316,651	3,212,218	8,553,807	8,058,417
Accretion of discount on convertible debentures	117,504	259,971	342,964	346,628
Gain on sale of Moss Lake shares	-	-	(14,261)	(17,504)
Minority interest	(6,383)	(11,024)	(78,259)	(34,607)
Stock compensation expense	77,522	58,382	264,640	465,138
Amortization of office equipment	657	748	1,973	2,244
Future income taxes	-	-	-	(700,000)
Gain on sale of equipment	(95,178)	-	(95,178)	-
Gain on redemption of 7% convertible debenture	(814)	-	(814)	-
Accretion of reclamation obligation	16,500	21,750	49,500	47,250
	5,577,890	521,040	12,095,256	(566,425)
Net changes in non-cash working capital (Note 21)	4,511,059	1,151,585	(1,791,587)	(3,538,956)
	10,088,949	1,672,625	10,303,669	(4,105,381)
Financing activities				
Convertible 7% debenture (Note 12)	-	-	-	11,539,000
Common shares and warrants issued, net of costs	-	(44,099)	-	(44,099)
Loan from Western Québec Mines Inc.	-	-	-	759,447
Senior Secured notes repayment	-	(1,374,450)	-	(1,374,450)
Exercise of options	-	186,421	27,000	350,835
Funds paid to repurchase common shares under NCIB	(131,222)	-	(135,181)	-
Funds paid to repurchase debenture	(86,750)	-	(86,750)	-
Flow-through shares issued	-	-	(6,256)	-
Shares issued by a subsidiary of the company to third parties	-	-	(3,813)	40,000
Repayment of obligations under capital leases	(352,840)	(864,635)	(1,216,883)	(1,583,515)
	(570,812)	(2,096,763)	(1,421,883)	9,687,218
Net changes in non-cash working capital (Note 21)	-	117,106	276,035	117,106
	(570,812)	(1,979,657)	(1,145,848)	9,804,324
Investing activities				
Additions to mining and exploration properties	(4,893,943)	(2,762,266)	(11,205,056)	(10,278,359)
Cash acquired upon amalgamation (Note 4)	-	1,188,401	-	1,188,401
Deferred financing costs	-	44,960	-	(629,438)
Additions to capital assets	-	-	-	(3,719)
Proceeds on sale of Moss Lake shares to minority interests	-	-	25,921	-
Proceeds on option to sell property (Note 10)	-	-	566,666	550,000
Proceeds on sale of equipment	200,950	-	200,950	-
Funds held against standby letters of credit	286,460	(17,474)	249,689	(45,525)
	(4,406,533)	(1,546,379)	(10,161,830)	(9,218,640)
Net changes in non-cash working capital (Note 21)	(210,709)	2,357,687	218,713	2,357,687
	(4,617,242)	811,308	(9,943,117)	(6,860,953)
Increase (decrease) in cash and cash equivalents	4,900,895	504,276	(785,296)	(1,162,010)
Cash and cash equivalents, beginning of period	1,722,524	3,643,965	7,408,715	5,310,251
Cash and cash equivalents, end of period (Note 21)	\$ 6,623,419	\$ 4,148,241	\$ 6,623,419	\$ 4,148,241

Supplemental disclosure (Note 21)

See accompanying notes to the interim consolidated financial statements.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

1. Nature and continuation of operations

The Company

Wesdome Gold Mines Ltd. ("Wesdome Ltd." or the "Company") is a publicly traded company, continued under Part 1A of the Companies Act (Quebec) and its common shares are listed on the TSX Exchange.

On February 1, 2006, the Company completed the merger of Wesdome Gold Mines Inc. ("Wesdome Inc.") and River Gold Mines Ltd. ("River Gold"). The merger has been accounted for as an acquisition of River Gold by Wesdome Inc.

On June 30, 2007, the Company completed the merger of Wesdome Gold Mines Ltd and Western Québec Mines Inc. ("Western Québec"). The merger was carried out by way of a Plan of Arrangement under s. 49 of the Companies Act (Québec), pursuant to which each common share of Western Québec was exchanged for 1.45 common shares of Wesdome; the shareholders of Western Québec became shareholders of Wesdome and Western Québec became a wholly-owned subsidiary of Wesdome. The results of operations of Western Québec have been consolidated from July 1, 2007, onwards.

In connection with the merger, approximately 36.8 million Wesdome shares were approved for listing by the TSX Exchange, including approximately 36.5 million Wesdome shares issued to the Western Québec shareholders and approximately 0.3 million Wesdome shares set aside for issuance to holders of Western Québec options. Of the 36.5 million shares issued, 30.1 million shares replaced the Wesdome shares held by Western Québec which were cancelled resulting in approximately 6.3 million additional shares outstanding. As at September 30, 2008, the total number of issued and outstanding Wesdome shares is approximately 99.7 million.

Continuation of operations

The Company is engaged in the mining, exploration and development of resource properties in Canada. In the past, the Company has not generated sustainable operating capital from its business activities and has relied on equity and debt financing to meet its obligations. Management is of the opinion that future operating, exploration and development costs, beyond those financed through continuing operations, can continue to be financed through debt, equity or sale of exploration properties. While the Company has been successful in the past, there can be no assurance it will be able to raise sufficient funds in the future. As required under Section 1400, these financial statements have been prepared on a going concern basis which assumes the Company will be successful in generating sustainable operating cash flow from its ongoing mining activities and accessing sufficient financing to carry out its ongoing mine development and exploration plans.

The Company's principal assets are the Kiena complex, Eagle River mine, Mishi mine, the Eagle River mill and the Mine École property.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

2. Significant accounting policies

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and reflect the following significant accounting policies:

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, Wesdome Resources Limited, Wesdome Gold Mines Inc., Western Québec and Moss Lake Gold Mines Ltd. ("MLGM").

Wesdome Resources Limited, Wesdome Gold Mines Inc. and Western Québec are wholly-owned subsidiaries. At September 30, 2008, the Company owned 56% of the issued shares of MLGM.

Estimates, risks and uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the period. Significant estimates and assumptions include those related to the recoverability of mineral properties and deferred exploration expenditures, estimated useful lives of capital assets and mineral properties, asset retirement obligations, determination of future income tax assets and liabilities and stock compensation expense. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly. The carrying value of the Company's principal assets could be subject to material adjustment in the event that the Company is not successful in generating operating cash flow and financing for its development and exploration activities.

Future accounting changes

The adoption of Section 1506 has resulted in disclosure of future accounting changes that have not yet been adopted (Note 3).

Financial instruments – recognition and measurement

Section 3855, "*Financial Instruments – Recognition and Measurement*" prescribes the criteria for recognition of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading, available for sale, held to maturity, loans and receivables, and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost using the effective interest method.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

2. Significant accounting policies (continued)

All derivative financial instruments, including derivative features embedded in financial instruments or other contracts but which are not considered closely related to the host financial instrument or contract, are generally classified as held for trading and, therefore, must be measured at fair value with changes in fair value recorded in net earnings. However, if a derivative financial instrument is designated as a hedging item in a qualifying cash flow hedging relationship, the effective portion of changes in fair value is recorded in other comprehensive income. Any change in fair value relating to the ineffective portion is recorded immediately in net earnings.

Under Section 3855, embedded derivatives are required to be separated from the host contract and accounted for as a derivative financial instrument if the embedded derivative and host contract are not closely related, and the combined contract is not held for trading or designated at fair value.

The adoption of the financial instruments standard has been made in accordance with its transitional provisions. Accordingly on issuance of the related debt, financing costs are reclassified to debt to reflect the adopted policy of capitalizing debt transaction costs within the related debt. The costs capitalized within debt are amortized using the effective interest method. The adoption of the effective interest method of amortization had no impact on the opening balance sheet.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid term deposits with original maturities of three months or less. Term deposits bear interest at a rate of 2.84%

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets used for exploration is capitalized to exploration properties.

Amortization is provided over the expected useful lives using the following methods and annual rates:

Exploration and mining equipment	- 30% declining balance
Office equipment	- 20% straight line

Upon commencement of production, related capital assets are reclassified to mining properties.

Mining properties

Mining properties are carried at cost less accumulated amortization.

All costs associated with preproduction and development activities, including the cost of construction or acquisition of mine buildings, power lines and equipment, are capitalized as incurred. Capitalized costs also include costs incurred during the exploration stage transferred from exploration properties.

Amortization of mine buildings and mills, equipment and preproduction and development costs commences when a property is put into commercial production, and is calculated on the unit of production method over the expected economic life of the mine.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

2. Significant accounting policies (continued)

The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the particular properties.

Development costs incurred to expand the capacity of an operating mine, develop new ore bodies or develop mine areas substantially in advance of current production are capitalized and charged to operations calculated on the unit of production method over the expected economic life of the mine.

Development costs related to current production are expensed as incurred.

Exploration and development properties

Each property is accounted for as a separate project. All direct costs related to the acquisition and exploration of a property are capitalized as incurred. If a property proceeds to development, these costs become part of the preproduction and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related costs and expenditures are written off.

The amounts expended meet the criteria of an asset and are capitalized. When operations commence in the future, when impairment is demonstrated or when the properties are disposed of, these capitalized expenditures will be charged to operations as depletion or gain/loss on disposal or loss on impairment. These capitalized costs do not necessarily reflect the present or future values of particular properties.

Impairment of long-lived assets

The Company monitors events and changes in circumstances which may require an assessment of the recoverability of its long-lived assets. If required, the Company would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

Asset retirement and reclamation obligation

Future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site have been recognized and recorded as a liability at fair value, assuming a credit adjusted risk-free discount rate of 5% and the expected timing of payment of the cash flows to settle the obligation was 5 years. The liability is accreted over time through periodic charges to operations. In addition, the asset retirement cost was capitalized as part of the asset's carrying value and is amortized over the asset's useful life. Subsequent to the initial recognition of the asset retirement obligation and associated asset retirement cost any changes resulting from a revision to either timing or amount of estimated cash flows are prospectively reflected in the year those estimates change.

During the period ended September 30, 2008, the accretion expense in relation to the liability was \$49,500 (2007 - \$47,250).

Stock-based compensation plan

The Company recognizes compensation expense for grants of stock options to qualifying directors, officers, employees and consultants providing on-going services to the Company or any subsidiary of the Company, based on the estimated fair value at the grant date.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

2. Significant accounting policies (continued)

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the tax benefits foregone by the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The liability relating to the foregone tax benefit is recognized at the time of the renunciation provided there is reasonable assurance that the expenditures will be incurred. In 2008 the Company recorded \$1,204,000 future income tax liability related to flow-through shares and reduced share capital accordingly.

Income taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered more likely than not.

Loss per common share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted earnings per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants.

Comprehensive income

Section 1530, "*Comprehensive Income*", introduces a new financial statement "*Statement of Comprehensive Income*" and provides guidance for the reporting and display of other comprehensive income and accumulated other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments.

Hedges

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income remains until the forecasted transaction is eventually recognized in net income. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to net income.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

2. Significant accounting policies (continued)

Changes in accounting policies

The CICA issued the following accounting standards effective for fiscal years beginning on or after January 1, 2008. The adoption of these new accounting standards did not impact the classification and valuation reported in the Company's financial statements, however, it did result in expanded disclosure.

Financial instruments

Section 3862, "*Disclosures*" and Section 3863 "*Presentation*" replace Section 3861 "*Disclosure and Presentation*", revising disclosures related to financial instruments, including hedging instruments, and carrying forward unchanged presentation requirements (see Note 19).

Capital disclosures

Section 1535, "*Capital Disclosures*" requires the Company to provide disclosures about the Company's capital and how it is managed (see Note 24).

Section 3251, "*Equity*" establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to Section 1530 (see "Statements of Shareholders' Equity").

Section 1400, "*General Standards of Financial Statement Presentation*" was amended so as to include the criteria for determining and presenting the Company's ability to continue as a going concern (going concern assumption). These requirements are satisfied by Note 1.

Inventories

Section 3031, "*Inventories*", was adopted by the Company effective January 1, 2008. This section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Inventories of gold doré are recorded at the lower of production costs on a weighted average basis, and net realizable value. Work-in-process inventories (gold in circuit) are valued at the lower of average production costs or net realizable value. Production costs include costs related to mining, crushing, mill processing, as well as depreciation on production assets and certain allocations of mine-site overhead expenses attributable to the production process, as applicable.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

3. Future accounting changes

Conversion to international financial reporting standards

On February 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards (IFRS) for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the conversion on the consolidated financial statements and disclosures and will develop a conversion implementation plan.

4. Business combinations

Western Québec Mines Inc.

Effective June 30, 2007, the Company acquired 100% of the outstanding shares of Western Québec. In connection with the merger, approximately 36.8 million Wesdome shares were approved for listing by the TSX Exchange, including approximately 36.5 million shares issued to the Western Québec shareholders and approximately 0.3 million shares set aside for issuance to holders of Western Québec options. Of the 36.5 million shares issued, 30.1 million shares replaced the Wesdome shares held by Western Québec which were cancelled. The value assigned to the shares issued on acquisition was determined based on the trading value of the Company's shares for the period around the date on which the terms of the acquisition were announced.

The merger has been accounted for as an acquisition in which the Company issued shares in exchange for the shares of Western Québec such that, for accounting purposes, the Company was deemed to be the acquirer.

On August 7, 2007, the Company redeemed the \$1.3 million aggregate principal amount of 6.5% senior exchangeable notes of Western Québec (the "WQM Notes") outstanding and issued pursuant to an indenture dated as of November 8, 2002 between Western Québec and Computershare Trust Company of Canada (the "Indenture"). In accordance with the terms of the Indenture, the WQM Notes were redeemed at a price equal to 105% of the principal amount thereof plus accrued and unpaid interest.

	(in thousands)
Value of 36.5 million Western Québec common shares	\$ 56,933
Value of 292,900 fully vested stock options	114
Transaction costs	<u>442</u>
	<u>\$ 57,489</u>

In accordance with the purchase method of accounting, the purchase cost has been allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition, except for future income tax liabilities which are based on the standards prescribed by Section 3465 of the CICA Handbook.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

4. Business combinations (continued)

The following table sets forth an allocation of the purchase cost to assets and liabilities acquired, based on estimates of fair value.

	<u>Purchase Price Allocation</u> (in thousands)
Cash	\$ 1,188
Receivables	327
Mining equipment held for sale	36
Exploration properties	10,323
Loan to Wesdome Gold Mines Ltd	759
Investment in Wesdome	<u>47,002</u>
Total assets	<u>59,635</u>
Payables and accruals	186
Senior secured notes	<u>1,374</u>
	1,560
Future income taxes	<u>586</u>
Total liabilities	<u>2,146</u>
Net assets acquired	\$ <u>57,489</u>

Immediately subsequent to the acquisition the fair value of Western Quebec's investment in Wesdome was eliminated through a charge to capital stock of \$34,546,903, representing the paid up capital amount of 30,129,500 shares owned by Western Quebec, and a charge to the deficit of \$12,455,117.

5. Receivables

	Sept 30 <u>2008</u>	Dec 31 <u>2007</u>
Mining duties refunds and tax credits	\$ 1,072,262	\$ 1,517,851
Goods and services tax	1,192,332	1,359,050
Prepays	232,951	146,496
CSST	225,777	462,052
Deposits	281,101	275,878
Receivable from issue of flow-through shares	-	276,035
Other	<u>378,571</u>	<u>205,745</u>
	\$ <u>3,382,994</u>	\$ <u>4,243,107</u>

Wesdome Gold Mines Ltd.
Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

6. Funds held against standby letters of credit

	Sept 30 2008	Dec 31 2007
Relating to mine closure plans (see Note 20)	\$ 1,356,569	\$ 1,586,711
Relating to hydro deposit	370,110	370,110
Relating to capital leases	<u>564,764</u>	<u>584,311</u>
	\$ 2,291,443	\$ 2,541,132

Funds are being held in Guaranteed Investment Certificates at interest rates ranging from 2.05% to 3.45% (2007: 2.90% to 4.75%) and maturing to July, 2009 (2007: July, 2008).

7. Capital assets

	Sept 30 2008	Dec 31 2007
Office Equipment		
Cost	\$ 16,147	\$ 16,147
Accumulated amortization	<u>4,965</u>	<u>2,992</u>
Net book value	\$ 11,182	\$ 13,155

8. Mining properties

The Eagle River mining properties consist of the Eagle River mine, the Mishi mine and the Eagle River mill.

The Wesdome Group Properties include the Kiena mine complex, Wesdome, Shawkey, Siscoe and Siscoe-Extension, Lamothe, Lamothe-Extension, Yankee Clipper and Callahan properties.

(in thousands)	Sept 30 2008	Dec 31 2007
Eagle River		
Cost	\$ 31,461	\$ 27,951
Less: Accumulated amortization	<u>14,733</u>	<u>10,823</u>
	\$ 16,728	\$ 17,128
Wesdome Group		
Cost	\$ 55,266	\$ 47,780
Less: Accumulated amortization	<u>11,390</u>	<u>7,118</u>
	\$ 43,876	\$ 40,662
Mining properties		
Cost	\$ 86,727	\$ 75,731
Less: Accumulated amortization	<u>26,123</u>	<u>17,941</u>
	\$ 60,604	\$ 57,790

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

8. Mining properties (continued)

The Eagle River properties

The Eagle River mine is subject to a 2% net smelter return royalty payable to the original vendors of the property.

The Mishi mine is subject to royalty payments of \$1 per tonne for open pit mining and \$2 per tonne for underground mining in respect of ore mined and milled from the underlying claims in excess of 700,000 tonnes.

The Wesdome Group properties

The Wesdome Group Properties include the Kiena mine complex, Wesdome, Shawkey, Siscoe and Siscoe-Extension, Lamothe, Lamothe-Extension, Yankee Clipper and Callahan properties. These properties are contiguous and are integrated into the Company's long term strategy of progressive exploration and development from a central infrastructure.

Wesdome Group classified as mining properties

Kiena Mine Complex

The Kiena mine complex consists of the Kiena mine concession, Kiena mill, other mining assets and 165 mining claims in the Township of Dubuisson, Quebec.

The Kiena mine tailings dam is subject to a mine closure plan as approved by the Quebec Ministry of Natural Resources. In January 2004, the Company posted the required 70% standby letter of credit of \$671,215.

The Kiena Mine commenced commercial production effective August 1, 2006.

Wesdome Group classified as exploration properties

Wesdome property

The Company has a 100% interest in this property which consists of 51 claims totalling 2,003 acres and is located under de Montigny Lake in Vassan and Dubuisson Townships, Quebec and is contiguous to the Kiena mine complex.

The property is subject to a 1% net smelter royalty.

Shawkey properties

The Company has a 100% interest in the Shawkey and the Shawkey South properties, which are contiguous to the Kiena mine complex and consist of four mining concessions and three mining claims, respectively, in Dubuisson Township, Quebec.

Siscoe and Siscoe-Extension properties

The Siscoe property is located in Dubuisson and Vassan Townships, Quebec and consists of two mining concessions. The Siscoe-Extension property is located within the mining camp of Val d'Or, Quebec and consists of 13 contiguous claims. These properties are contiguous to the Kiena mine complex.

The Company owns a 100% interest in the Siscoe property and a 75% interest in the Siscoe-Extension property. The original vendor of these properties retains a 3% net smelter return royalty of which 1% can be purchased for \$500,000.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

8. Mining properties (continued)

Other properties

Other properties consist of interests in the Lamothe, Lamothe-Extension, Yankee Clipper and Callahan properties. These properties are contiguous to the Wesdome property.

The Lamothe and Callahan properties are subject to a 1% net smelter royalty and eight of the ten claims comprising the Yankee Clipper property are subject to a 2% net profits royalty.

9. Exploration properties

(in thousands)	Wesdome Group (Note 8)	Moss Lake	Magnacon	Mine École	Other	Total
Balance, December 31, 2006	\$ 14,575	\$ 1,670	\$ 1,000	\$ -	\$ 15	\$ 17,260
Cost of property (Note 4)	-	-	-	10,323	-	10,323
Exploration expenditures	24	90	-	8	-	122
Mining duties refund and tax credits	-	-	-	(27)	-	(27)
Balance, December 31, 2007	14,599	1,760	1,000	10,304	15	27,678
Exploration expenditures	33	1,094	-	-	-	1,127
Mining duties refund and tax credits	-	-	-	(9)	-	(9)
Balance, September 30, 2008	<u>\$ 14,632</u>	<u>\$ 2,854</u>	<u>\$ 1,000</u>	<u>\$ 10,295</u>	<u>\$ 15</u>	<u>\$ 28,796</u>

Moss Lake Properties

The Moss Lake property is owned by MLGM which is obligated to pay underlying advance royalties of \$5,469 per quarter to the vendors of the Moss Lake property until commercial production is achieved. Upon commencement of commercial production, the property is subject to a 8.75% net profits royalty, as defined, to these underlying vendors in lieu of the underlying advance royalty.

MLGM owns a 100% interest in the Fountain Lake property which consists of 149 mining claims contiguous to the Moss Lake property to the east, west and south. This property is subject to a 2.5% net smelter return royalty payable to certain original vendors of the property. This royalty is subject to a buyback clause whereby the royalty may be reduced to 1.5% net smelter return for consideration of \$1.0 million.

Magnacon Properties

In 2000, the Company acquired a 75% joint venture interest in the Magnacon properties and entered into a joint venture agreement with the two companies holding the remaining 25% interest.

The Company, as operator, is entitled to management fees equal to 7.5% for exploration expenditures, 5% for development expenditures and 2.5% for operating expenditures. The joint venture is committed to pay net smelter royalties of 1.5% to an unrelated party and 0.5% to the Company on the Magnacon property, and 2% to unrelated parties on the adjacent property.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

9. Exploration properties (continued)

As the joint venture partners are in default regarding reimbursement to the Company of their share of expenditures subsequent to December 31, 2003, the Company has reflected 100% of the exploration expenditures on the Magnacon properties. In the third quarter of 2005, River Gold wrote down the properties to \$1,000,000, which was considered to be the liquidation value of the property.

Mine École Property

The Mine École property, acquired through the Western Québec merger, is located in Dubuisson Township and consists of 23 claims located southeast and contiguous to the Shawkey property.

10. Property held for sale

On November 27, 2006, the Company entered into an agreement with Britannica Resources Corporation ("Britannica") to sell 100% of the McKenzie Break property consisting of ten mining claims in the Townships of Fiedmont and Courville, Quebec. Upon signing, Britannica made an initial non-refundable payment of \$50,000 for the exclusive right to carry out a three month due diligence on the property. Britannica was required to make a cash payment of \$550,000 and issue \$200,000 in fully paid and non-assessable common shares of the corporation on February 27, 2007, to keep the option in force for one year. To keep the option in force for a second year, Britannica was required to make a cash payment of \$500,000 and issue \$200,000 in fully paid and non-assessable common shares of the corporation on the first anniversary. To acquire the property, Britannica is required to make a cash payment of \$400,000 and issue \$100,000 in fully paid and non-assessable common shares of the corporation on the second anniversary. The Company retains a royalty of 1,000 ounces of gold payable annually from the project, after the project has produced an initial production of 250,000 ounces of gold. The gold value may be payable in common shares at the time of the payment.

On February 27, 2007, Britannica made the required \$550,000 cash payment and 425,532 common shares valued at \$200,000. On February 27, 2008, Britannica made the required \$500,000 cash payment. In addition, Britannica made a cash payment of \$66,666 and 666,666 common shares valued at \$133,334. As at September 30, 2008, the common shares have been re-valued at \$43,688 based on the trading value of the shares on the TSX Venture Exchange. Cumulative proceeds from payments made by Britannica of \$1,500,000 have been netted against the carrying value of the property at September 30, 2008 (\$800,000 at December 31, 2007).

Based on this payment schedule, management determined that the carrying value of McKenzie Break exceeded expected cash flows. As such, in 2006, the Company determined the fair value of the property using discounted cash flows and recorded a write-down in the amount of \$959,371.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

11. Obligations under capital leases

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

	<u>September 30, 2008</u>
2008	\$ 440,704
2009	1,575,268
2010	1,299,158
2011	646,173
2012	255,187
2013	<u>30,188</u>
Total minimum lease payments	4,246,678
Less: Interest portion at the weighted average of 7.25%	<u>481,482</u>
Total obligations under capital leases, secured by equipment	3,765,196
Less: Current portion	<u>1,435,984</u>
Long-term portion	\$ <u>2,329,212</u>

12. Convertible 7% debentures

On May 30, 2007, the Company completed a private placement of senior unsubordinated convertible debentures in the amount of \$11,539,000. The debentures bear interest at a rate of 7% per annum payable semi-annually. The debentures are convertible into common shares of the Company: (i) during the first two years, at \$2.25 per common share; and (ii) after the first two years until the maturity date of May 31, 2012, at \$3.25 per common share.

The liability component of the note, in the amount of \$9,459,224, was calculated as the present value of the principal and interest, discounted at 12%, a rate approximately the interest rate that would have been applicable to non-convertible debt at the time the loan was issued. This portion of the note is accreted over its term to the full face value by charges to interest expense. The equity element of the note, in the amount of \$2,079,776, is comprised of the value of the exchange option, being the difference between the face value of the note and the liability component.

Financing costs, related to the debenture, of \$757,524 are reclassified to debt to reflect the adopted policy of capitalizing debt transaction costs within the related debt. The costs capitalized within debt are amortized using the effective interest method.

The net value assigned to the liability component on issuance was \$8,701,700. In September 2008, \$100,000 of debentures were purchased for cancellation for cash of \$86,750. At September 30, 2008, the face value of the debenture is \$11,439,000, however, the debenture is valued at \$9,293,403 using an effective interest rate of 13.92% and includes accretion of the discount during the year totalling \$342,964, which is included in interest expense on long term debt.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

13. 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, 2006	90,494,785	\$ 88,889,627
Flow-through shares, net of costs of \$268,200	2,657,731	3,718,396
Tax effect of flow-through share renunciations	-	(303,000)
Acquisition of Western Quebec (Note 4)	36,495,093	56,932,615
Common shares held by Western Québec and cancelled (Note 4)	(30,129,500)	(34,546,903)
Exercise of options	306,050	397,505
Value attributed to options exercised	<u>-</u>	<u>188,688</u>
Balance, December 31, 2007	99,824,159	\$ 115,276,928
Tax effect of flow-through share renunciations	-	(1,204,000)
Exercise of options	20,000	27,000
Value attributed to options exercised	-	10,080
Additional costs of 2007 flow-through shares	-	(6,256)
Shares purchased under NCIB	<u>(138,000)</u>	<u>(157,686)</u>
Balance, September 30, 2008	<u>99,706,159</u>	<u>\$ 113,946,066</u>

On June 30, 2007, the Company acquired Western Quebec and issued 36,495,093 shares as consideration for the purchase. 30,129,500 shares of the Company owned by Western Quebec were subsequently cancelled resulting in a reduction of the paid-up capital of capital stock of \$34,546,903 and a charge to the deficit of \$12,455,117.

On December 28, 2007, the Company completed a private placement of 2,657,731 flow-through common shares at a price of \$1.50 per share for gross proceeds of \$3,986,596.

On June 19, 2008, the Company received approval from the Toronto Stock Exchange to repurchase up to 7,439,368 of its common shares under a normal course issuer bid ("NCIB"). Purchases may be made over a one year period to end on June 22, 2009. Common shares purchased under the NCIB are cancelled. From June 19, 2008, to September 30, 2008, the Company purchased 138,000 common shares at a cost of \$1.14 which approximated the average weighted book value of the shares cancelled and, as a result, was charged to capital stock.

Wesdome Gold Mines Ltd.**Notes to the Interim Consolidated Financial Statements**

(Unaudited)

Nine months ended September 30, 2008

14. Common share purchase plan

The Company has a common share purchase plan under which the Board of Directors may grant options to purchase common shares to qualified directors, officers, employees and consultants providing on-going services to the Company or any subsidiary of the Company. The maximum aggregate number of common shares under option at any time pursuant to the Plan is set at 5,000,000 of which 1,940,750 are available to be issued.

The following table reflects the continuity for the year ended December 31, 2007 and three months ended September 30, 2008 of options granted under the plan.

	Option		Weighted Average Exercise Price	
	2008	2007	2008	2007
Outstanding, beginning of period	3,129,250	2,479,500	\$ 1.86	\$ 2.12
Granted	20,000	1,590,000	\$ 1.11	\$ 1.63
Assumed on acquisition	-	391,500	\$ -	\$ 1.79
Exercised	-	(306,050)	\$ -	\$ (1.30)
Expired	(90,000)	(650,700)	\$ 1.76	\$ (1.81)
Outstanding, end of period	3,059,250	3,504,250	\$ 1.86	\$ 1.99

Wesdome Gold Mines Ltd.**Notes to the Interim Consolidated Financial Statements**

(Unaudited)

Nine months ended September 30, 2008

14. Common share purchase plan (continued)

The following information applies to options outstanding and exercisable at September 30, 2008.

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Remaining Contractual Life</u>	<u>Number Exercisable</u>
\$ 1.11	20,000	5.00 years	20,000
\$ 1.25	100,000	4.25 years	20,000
\$ 1.30	86,000	0.25 years	86,000
\$ 1.35	20,000	3.75 years	20,000
\$ 1.35	300,000	4.25 years	260,000
\$ 1.38	72,500	1.00 years	72,500
\$ 1.38	3,250	1.75 years	3,250
\$ 1.38	43,500	3.25 years	17,400
\$ 1.39	80,000	4.75 years	40,000
\$ 1.40	50,000	1.25 years	40,000
\$ 1.40	100,000	1.50 years	80,000
\$ 1.46	104,000	2.25 years	104,000
\$ 1.52	3,250	1.75 years	3,250
\$ 1.52	43,500	3.00 years	26,100
\$ 1.54	39,000	2.25 years	39,000
\$ 1.54	700,000	4.25 years	140,000
\$ 1.66	20,000	4.50 years	20,000
\$ 1.69	12,750	2.00 years	12,750
\$ 1.80	75,000	0.50 years	75,000
\$ 1.91	13,000	1.50 years	13,000
\$ 1.92	6,500	2.00 years	6,500
\$ 2.00	58,000	2.75 years	34,800
\$ 2.07	130,500	2.75 years	130,500
\$ 2.14	3,250	1.50 years	3,250
\$ 2.15	48,750	1.50 years	48,750
\$ 2.17	3,250	1.50 years	3,250
\$ 2.20	510,000	2.75 years	390,000
\$ 2.24	215,000	3.25 years	170,000
\$ 3.23	16,250	1.25 years	16,250
\$ 3.54	6,500	1.00 years	6,500
\$ 4.08	117,000	0.75 years	117,000
\$ 4.62	58,500	0.50 years	58,500
	<u>3,059,250</u>		<u>2,077,550</u>

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. For fiscal years 2008 and 2007 the weighted average fair value per share price of \$0.541 (2007: \$0.809) was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 59% (2007: 55%), risk-free interest rate of 4.5% (2007: 4.5%) and expected life of 2.5 years.

The estimated fair value of the options is expensed over the vesting period. The fair value compensation and contributed surplus relating to stock options was \$264,640 for 2008 and \$465,138 for 2007.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

15. Warrants

There were no warrants outstanding at September 30, 2008.

The following table reflects the continuity of warrants for the year ended December 31, 2007.

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of common shares</u>				<u>Closing Balance</u>	<u>\$</u>
		<u>Opening Balance</u>	<u>Issued</u>	<u>Exercised</u>	<u>Expired</u>		
March 23, 2007 ^(a)	\$2.20	450,000	-	-	(450,000)	-	-
December 29, 2007	\$2.60	<u>204,085</u>	-	-	<u>(204,085)</u>	-	-
		<u>654,085</u>	-	-	<u>(654,085)</u>	-	-

^(a) Value of broker warrants included in contributed surplus

Closing balance, December 31, 2006	\$ 81,022
Value of warrants expired during the year	<u>(81,022)</u>
Closing balance, December 31, 2007 and September 30, 2008	\$ <u>-</u>

	<u>Number of warrants</u>	<u>Total</u>
Value attributed to warrants on private placement	<u>204,085</u>	\$ <u>81,022</u>

The fair value of the 204,085 common share purchase warrants issued in 2006, have been estimated at \$81,022 using the Black Scholes model for pricing options. The following weighted average fair value per warrant of \$0.397 with an exercise price of \$2.60 per share was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 55%, risk-free interest rate of 4.5% and expected life of 1 year. These warrants entitled the holder to purchase one common share of the Company at a price of \$2.60 per share until December 29, 2007.

	<u>Number of warrants</u>	<u>Total</u>
Value attributed to warrants on private placement	<u>450,000</u>	\$ <u>225,000</u>

The fair value of the 450,000 common share purchase broker warrants issued in 2006, have been estimated at \$225,000 using the Black Scholes model for pricing options. The following weighted average fair value per warrant of \$0.50 with an exercise price of \$2.20 per share was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 55%, risk-free interest rate of 2.5% and expected life of 1 year. These warrants entitled the holder to purchase one common share of the Company at a price of \$2.20 per share until March 23, 2007.

Wesdome Gold Mines Ltd.
Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

16. Contributed surplus

	Stock based compensation	Valuation of expired warrants	Fair value of broker warrants	NCIB	Total
Balance, December 31, 2006	\$ 1,625,417	\$ 141,556	\$ 171,764	\$ -	\$ 1,938,737
Stock based compensation	843,934	-	-	-	843,934
Value attributed to options exercised	(188,688)	-	-	-	(188,688)
Value attributed to warrants exercised	-	81,022	-	-	81,022
Value attributed to conversion of Western Québec options	<u>114,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>114,112</u>
Balance, December 31, 2007	2,394,775	222,578	171,764	-	2,789,117
Stock based compensation	264,639	-	-	-	264,639
Shares repurchased	-	-	-	23,061	23,061
Value attributed to options exercised	<u>(10,080)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,080)</u>
Balance, September 30, 2008	<u>\$ 2,649,334</u>	<u>\$ 222,578</u>	<u>\$ 171,764</u>	<u>\$ 23,061</u>	<u>\$ 3,066,737</u>

17. Net income (loss) per common share

The basic net income (loss) per common share is based on a weighted average number of shares outstanding of 99,796,999 for the three months ended September 30, 2008 and 95,797,353 for 2007. The weighted average number of common shares outstanding for the first nine months of 2008 and 2007 was 99,830,094 and 92,315,941, respectively. Diluted net income per share reflects the dilutive effect of the potential exercise of the common share options outstanding as at September 30, 2008. The number of shares for the dilutive earnings per share calculations for 2008 was 99,796,999 and excluded 2,077,550 common share purchase options as anti-dilutive. The effect of common share purchase options and warrants on the net loss in 2007 is not reflected as to do so would be anti-dilutive.

18. Related party information

Effective June 30, 2007, through a business combination, Western Québec became a wholly owned subsidiary of Wesdome. As at September 30, 2008, there were no payables, accruals or loans outstanding.

For the period ended June 29, 2007, Western Québec charged the Company \$418,230 for professional services which was charged to corporate and general expense. These transactions were in the normal course of operations, were measured at the exchange amounts and ceased upon amalgamation.

In fiscal 2007, the Company paid \$85,280 for the supervision of the Kiena mill to a company owned by a Director. No funds were paid during the current year.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

19. Financial instruments – Disclosures and presentation

On January 1, 2008, the Company adopted the recommendations of new CICA Handbook sections 3862 “*Financial Instruments – Disclosures*” and 3863 “*Financial Instruments – Presentation*”. These new sections replace section 3861, “*Financial Instruments – Disclosures and Presentation*”. Section 3862 on financial instruments disclosures, requires the disclosure of information about: a) the significance of financial instruments for the entity’s financial position and performance and b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Section 3863 on the presentation of financial instruments is unchanged from the presentation requirements included in Section 3861.

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:

	Sept 30 2008	Dec 31 2007
<u>Financial assets</u>		
Held for trading:		
Cash and cash equivalents	\$ 6,540	\$ 7,341
Term deposits	83	68
Restricted cash	2,291	2,541
Loans and receivables:		
Receivables	3,383	4,243
Available for sale:		
Marketable securities	44	68
<u>Financial liabilities</u>		
Other financial liabilities		
Payables and accruals	\$ 9,278	\$ 9,708
Convertible 7% debentures	9,293	9,038

Determination of fair value

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm’s length transaction between willing parties. The Company uses the following methods and assumptions to estimate fair value of each class of financial instruments for which carrying amounts are included in the Consolidated Balance Sheet as follows:

Cash and cash equivalents, term deposits and restricted cash – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Receivables – The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Marketable securities – The carrying amounts are measured at fair value using the quoted market price. At September 30, 2008, marketable securities have been re-measured to reflect unrealized losses of \$289,646, which has been charged to other comprehensive income.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

19. Financial instruments – Disclosures and presentation (continued)

Payables and accruals - The carrying amounts approximate fair values due to the short maturity of these financial instruments.

Obligations under capital leases – The carrying amounts approximate the amortized cost based on an initial fair value of the obligation.

Convertible 7% debentures – The carrying amount is calculated at the present value of the principal and interest discounted at a rate approximately the interest rate that would have been applicable to non-convertible debt at the time the loan was issued. Management considers this interest rate to reflect current rate. The equity element and the financing costs are being amortized using the effective interest method. Financing costs are capitalized within the related debt.

Financial 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, liabilities and expected future cash flows 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, 2008. Changes in world bullion prices would have the following impact on our net earnings:

Sensitivity Analysis (in thousands)

	<u>Change</u>	<u>Net Earnings</u>	<u>Comprehensive Income</u>
Gold Price			
Price increase	US\$ 10.00/oz	US\$ 245	US\$ 245
Price decrease	US\$ 10.00/oz	US\$ (245)	US\$ (245)

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

19. Financial instruments – Disclosures and presentation (continued)

(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. Fluctuations in US\$/Cdn\$ exchange rates may have a significant impact on revenues. The Company had no forward exchange rate contracts in place as at or during the three months ended September 30, 2008.

Sensitivity Analysis (in thousands)

	<u>Change</u>	<u>Net Earnings</u>	<u>Comprehensive Income</u>
US\$/Cdn\$ Exchange Rate			
Rate increase	\$ 0.01	\$ 221	\$ 221
Rate decrease	\$ 0.01	\$ (221)	\$ (221)

(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 and cash equivalents include 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 trade payables and accruals, capital leases and convertible debentures:

(in thousands)	<u><1 Year</u>	<u>1-2 Years</u>	<u>3-5 Years</u>	<u>Over 5 Years</u>
Accounts payable & accrued liabilities	\$ 9,278			
Capital leases	1,436	\$ 580	\$ 2,201	\$ 30
Convertible debentures	801	801	12,640	

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

19. Financial instruments – Disclosures and presentation (continued)

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 accounts receivable consist primarily of government refunds and credits.

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 restrictions.

20. Risks

Environmental risks

The Company is committed to a program of environmental protection at its operating mines, development projects and exploration sites. Management believes that it was in compliance with government regulations in 2008. The Eagle River ore and waste rocks are not acid generating and help minimize the environmental risks of mining. Although the ultimate amount of reclamation and closure costs is uncertain, the Company estimates its future closure costs for the Eagle River mine, Mishi mine and the mill are estimated to be about \$0.7 million and the Kiena mine and mill are estimated to be about \$0.7 million. The Company has provided \$1.4 million standby letters of credit to be held against these future environmental obligations.

Commodity price risk

The profitability of the Company is directly related to the market price of gold produced. The Company does not engage in hedging of its production. At September 30, 2008, the Company had 9,191 ounces of unsold gold bullion.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

21. Supplemental cash flow information

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2008	2007	2008	2007
Net changes in non-cash working capital				
Operating activities				
Receivables	\$ 3,845,720	\$ 1,031,950	\$ 122,436	\$ 2,343,002
Payables and accruals	(460,148)	(1,983,677)	(344,378)	(2,569,827)
Gold inventory	1,463,464	1,904,522	(946,308)	(3,079,315)
Supplies and other	(337,977)	345,599	(627,337)	(232,816)
	\$ 4,511,059	\$ 1,298,394	\$ (1,791,587)	\$ (3,538,956)
Financing activities				
Receivables	\$ -	\$ 73,006	\$ 276,035	\$ 73,006
Payables and accruals	-	44,100	-	44,100
	\$ -	\$ 117,106	\$ 276,035	\$ 117,106
Investing activities				
Receivables	\$ (11,177)	\$ 3,175,660	\$ 461,642	\$ 3,175,660
Payables and accruals	(115,037)	(817,973)	(86,094)	(817,973)
Supplies and other	(84,495)	-	(156,835)	-
	\$ (210,709)	\$ 2,357,687	\$ 218,713	\$ 2,357,687
Cash and cash equivalents consist of:				
Cash	\$ 6,539,983	\$ 4,085,669	\$ 6,539,983	\$ 4,085,669
Term deposits (interest rate of 3.10% (2007: 2.90%))	83,436	62,572	83,436	62,572
	\$ 6,623,419	\$ 4,148,241	\$ 6,623,419	\$ 4,148,241
Non-cash transactions:				
Recognition of fair value of stock options and warrants exercised transferred to share capital (Note 13)	\$ -	\$ 92,204	\$ 10,080	\$ 162,438
Marketable securities received as consideration for properties held for sale (Note 10)	\$ -	\$ -	\$ 133,334	\$ 200,000
Mining property assets acquired under capital leases	\$ 342,652	\$ 609,487	\$ 1,364,975	\$ 2,609,910
Other:				
Interest paid	\$ 280,341	\$ 290,663	\$ 812,977	\$ 505,344

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Nine months ended September 30, 2008

22. Indemnities

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

23. Comparative figures

Certain comparative figures have been reclassified where necessary, to conform with the current year's presentation.

24. 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 the items included in shareholders' equity and debt obligations net of cash and cash equivalents. The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the Company's assets. In order to maintain or adjust its capital structure, the Company may issue new shares, issue new debt or issue new debt to replace existing debt with different characteristics. The Company does not currently pay a dividend which allows maximum flexibility to finance its objectives.

To effectively manage its capital investments, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

The Company expects its current capital resources and projected free cash flow from continuing operations to support further exploration and development of its mineral properties.

Neither the Company nor its subsidiary is subject to any externally imposed capital requirements such as loan covenants or capital ratios.

There were no changes to the Company's approach to capital management during the current period.