



WESDOME GOLD MINES LTD.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2010

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MESSAGE TO SHAREHOLDERS

We consider the first quarter 2010 results to be very constructive. We believe our weakest budgeted quarter is behind us and results will improve sequentially over the remainder of the year. As we speak, the gold price is trading about \$100Cdn above our average sales price for the first quarter.

Having worked our way through a lower grade sequence in the mining cycle, we are encouraged to see grades improving, as expected, particularly at Kiena. Satisfactory earnings through this low grade cycle are very encouraging and a testament to diligent cost control and flexibility of our mine management.

Our project pipeline is advancing and exploration activity will pick up over the remainder of the year. We are working hard towards demonstrating the growth potential of our assets.

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'Donovan Pollitt', written in a cursive style.

Donovan Pollitt, P.Eng.
President and CEO

May 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

First Quarter Report

March 31, 2010

This Management's Discussion and Analysis dated May 13, 2010 should be read in conjunction with Wesdome Gold Mines Ltd.'s ("Wesdome" or "the Company") unaudited interim consolidated financial statements for the three months ended March 31, 2010, and their related notes which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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, 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.

On June 30, 2007, the Company completed the merger of Wesdome Gold Mines Ltd. and Western Québec Mines Inc. ("Western Québec"). The shareholders of Western Québec became shareholders of Wesdome and Western Québec became a wholly-owned subsidiary of Wesdome.

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 and operates 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.

At March 31, 2010, the Company had working capital of \$37.0 million. From an operating viewpoint, revenue exceeded operating costs by \$6.8 million and \$4.5 million in capital costs including exploration, development and equipment was incurred. Cash flow from operations totalled \$5.7 million and net income was \$2.9 million or \$0.03 per share.

Both mining operations were producing from lower grade areas in their mining sequences during the first quarter and, therefore, cash cost per ounce rose to \$753Cdn per ounce from \$619Cdn per ounce in the fourth quarter of 2009. Considering this slow start to the year, we are happy with the financial results.

External factors which influenced results were a 20% increase in the \$Cdn/\$US exchange rate and a mild winter resulting in more favourable energy costs and consumption levels.

RESULTS OF OPERATIONS

Three months ended March 31	2010	2009
<i>Eagle River Mine</i>		
Tonnes milled	34,116	32,287
Recovered grade (g/t)	9.0	16.3
Production (oz)	9,899	16,885
Sales (oz)	12,000	11,300
Bullion inventory (oz)	9,980	13,212
Bullion revenue (\$thousands)	13,857	12,840
Operating costs (\$thousands)	7,571	5,763
Mine operating profit (\$thousands) *	6,286	7,077
Gold price realized (\$Cdn/oz)	1,155	1,136
<i>Kiena Mine Complex</i>		
Tonnes milled	65,660	58,018
Recovered grade (g/t)	3.1	5.7
Production (oz)	6,460	10,549
Sales (oz)	5,000	9,400
Bullion inventory (oz)	3,411	4,101
Bullion revenue (\$thousands)	5,720	10,711
Operating costs (\$thousands)	5,225	6,503
Mine operating profit (\$thousands) *	495	4,208
Gold price realized (\$Cdn/oz)	1,144	1,139
<i>Total</i>		
Production (oz)	16,359	27,434
Sales (oz)	17,000	20,700
Bullion inventory (oz)	13,391	17,313
Bullion revenue (\$thousands)	19,577	23,551
Operating costs (\$thousands)	12,796	12,266
Mine operating profit (\$thousands) *	6,781	11,285
Gold price realized (\$Cdn/oz)	1,152	1,138

* The Company has included in this report certain non-GAAP performance measures, including mine operating profit and operating 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 first quarter, combined operations produced 16,359 ounces of gold and 17,000 ounces were sold at an average price of \$1,152 per ounce. Bullion inventory at March 31, 2010, stood at 13,391 ounces which is carried at cost. The costs and revenues for this inventory will be recognized in the financial statements in the fiscal period in which it is sold.

Gold sales exceeded operating costs resulting in a mine operating profit, or gross margin, of \$6.8 million. In addition to these direct operating costs, other costs, including royalty payments, corporate and general costs and interest costs, totalled \$1.3 million. Tight management of discretionary expenditures continues.

At the Eagle River mine, mining occurred in lower grade areas. We are currently developing the high grade 811 Zone and expect a greater contribution from this area towards the end of the second quarter. The mine produced 9,899 ounces of gold from 34,116 tonnes milled at an average recovered grade of 9.0 gAu/tonne

At the Kiena mining complex we worked our way through a very low grade sequence and are happy to see grades finally improving. In April 2010, millheads averaged over 5.0 gAu/tonne. For the first quarter, Kiena produced 6,460 ounces of gold from 65,660 tonnes milled at an average recovered grade of 3.1 gAu/tonne.

The Company is undertaking an aggressive exploration, development and evaluation program this year with the goal of increasing reserves and growing production. At the Kiena mining complex we announced the decision to develop the Dubuisson discovery via a drift on the 330 metre level as well as some very encouraging drilling results which suggest the S50 Zone may be opening up at depth. Although drilling remains widely-spaced at this point, results, including 20.66 gAu/tonne over 10.3 metres and 12.31 gAu/tonne over 12.8 metres, are very impressive. (see press release dated March 29, 2010).

In Ontario, drilling concentrated on definition work on the 811 Zone with results confirming expectations to date. A key development ramp to access the 811 Zone at depth progressed putting us in position to start drilling the central portion of the mine. This area has never been drilled and holds considerable promise. It is situated below 500 metres depth and along projections of previously mined areas.

Evaluation of the Mishi project continues and with current gold prices we see potential for renewed open pit mining to provide significant, low cost production growth. A 43-101 resource estimate and preliminary feasibility study is advancing.

The Ontario Government, in its throne speech, approved a reduction in taxes to 10% for mines and a reduction in electricity rates for northern residents and businesses of \$0.02 per kilowatt hour. We believe these rates are effective July 1, 2010 and should reduce electricity costs about 25%.

SUMMARY OF QUARTERLY RESULTS

(in thousands except per share data)

	2010		2009	
	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter
Total revenue	\$ 19,713	\$ 28,218	\$ 21,489	\$ 30,209
Net income	2,284	13,162	3,610	7,817
Net income per share basic and diluted	0.02	0.12	0.04	0.08
	2009		2008	
	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter
Total revenue	\$ 23,620	\$ 21,830	\$ 22,180	\$ 20,714
Net income	7,576	6,291	2,151	763
Net income per share basic and diluted	0.08	0.06	0.02	0.01

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2010 the Company had working capital of \$37.0 million, compared to \$35.2 million at December 31, 2009. During the first quarter, 2010, capital expenditures totalled \$4.5 million compared to \$2.6 million in the first quarter, 2009.

The Company's inventory includes 13,391 ounces of gold bullion, a decrease from 14,032 ounces at year-end, a liquid asset with a market value of \$15.1 million on March 31, 2010.

The Company believes that it has sufficient capital resources to cover its obligations, capital and operating costs going forward. On April 5, 2010, subsequent to the end of the first quarter, the Company declared a dividend of \$0.02 per share payable April 30, 2010.

Production planned in 2010 should generate operating cash flow, even at gold prices well below those currently being realized.

The following table shows the timing of cash outflows relating to contractual obligations.

Contractual Obligations	Payments Due by Period (in thousands)				
	Total	Less than 1 year	1 – 2 years	3 – 5 years	Over 5 years
Equipment leases	\$ 2,227	\$ 1,382	\$ 833	\$ 12	-
Convertible debentures	12,844	765	12,079	-	-
	\$ 15,071	\$ 2,147	\$ 12,912	\$ 12	-

TRANSACTIONS WITH RELATED PARTIES

In fiscal 2010, the Company paid \$1,500 (2009: \$5,000) to a company whose managing partner is a Director of the Company and \$NIL (2009: \$98,500) to a company whose president is a former Officer and Director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amounts.

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 units-of-production method over the expected economic life of the mine. Depreciation is calculated once the asset is placed in service, using units-of-production 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 \$0.8 million with an additional \$0.7 million for the Kiena complex.

(iii) *Future income tax assets*

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 estimated to reverse or losses are estimated 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. The Company has future tax assets associated with its deductible temporary differences and non-capital loss carryforwards, which are available to reduce taxable income in the future.

The Company evaluates the likelihood of using all or a portion of the deductible temporary differences and loss carryforwards based on expected future earnings, the utilization of the deductible temporary differences and the expiry of its loss carryforwards.

Based on this information, the Company determines the appropriate amount of income tax valuation allowance that is required to reduce the value of its total deductible temporary differences and loss carryforwards to an amount which it estimates it can more likely than not utilize. As of the end of the current year, the Company determined that it could more likely than not utilize a substantial portion of its tax loss carryforwards and deductible temporary differences based on expected future earnings and the expiry date of its loss carryforwards and, therefore, an income tax valuation allowance was not required. Any changes in estimates would affect the income tax expense on the consolidated statement of income and future tax assets on the consolidated balance sheets. If the actual amount differs from the current estimates, the future tax value of these deductible temporary differences and loss carryforwards may change significantly and the Company may incur a non-cash tax expense.

- (iv) 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

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

Financial Instruments – Fair Values

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

(in thousands)	March 2010		December 2009	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
Financial Assets				
Held-for-trading:				
Cash and cash equivalents	22,976	22,976	23,702	23,702
Restricted funds	2,540	2,540	2,588	2,588
Loans and receivables:				
Receivables	4,528	4,528	4,022	4,022
Available-for-sale:				
Marketable securities	171	171	211	211
Financial Liabilities				
Other financial liabilities				
Payables and accruals	8,772	8,772	7,322	7,322
Convertible 7% debentures	9,622	11,478	9,483	11,104

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 and restricted cash – The carrying amounts approximate fair values due to the short maturity and/or terms 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 with mark-to-market gains and losses excluded from net income and included in other comprehensive income until such gains or losses are realized. At March 31, 2010, marketable securities have been valued using the quoted market price to reflect an unrealized loss of \$40,000 (2009 unrealized gain: \$68,000).

Other financial liabilities – Payables and accruals, obligations under capital leases and the convertible 7% debentures are carried at amortized cost. The carrying amount of payables and accruals approximates fair value due to the short maturity of these financial instruments. The carrying amount of the obligations under capital leases approximates fair value based on an initial fair value of the obligation. The fair value of the convertible 7% debentures is based on the quoted market price.

The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash and cash equivalents, restricted cash and marketable securities. The Company does not have Level 2 or Level 3 inputs.

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 and liabilities include commodity price risk, foreign currency exchange risk and interest rate risk.

(a) Commodity price risk

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the three months ended March 31, 2010.

(b) Foreign currency exchange risk

The Company's revenue is exposed to changes in foreign exchange rates as the Company's primary product, gold, is priced in U.S. dollars. The Company had no forward exchange rate contracts in place as at or during the three months ended March 31, 2010.

(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)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Accounts payable & accrued liabilities	\$ 8,772			
Capital leases	\$ 1,382	\$ 833	\$ 12	
Convertible debentures	\$ 765	\$ 12,079		

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 estimates its maximum exposure to be the carrying value of cash and cash equivalents, accounts receivable and funds held against standby letters of credit.

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

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.

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 \$0.8 million to cover estimated rehabilitation and closure costs. In Quebec, the Company has obtained approval for its closure plan for the Kiena mining and milling complex 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 either generate sufficient funds internally or 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.

FUTURE ACCOUNTING CHANGES

In January 2009, the CICA issued Handbook Section 1582, "*Business Combinations*" which requires all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs are expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

In January 2009, the CICA issued Handbook Section 1601, "*Consolidations*" and Section 1602, "*Non-controlling Interests*". Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that ("IFRS") will replace Canadian generally accepted ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, the Company will be required to present its financial statements in accordance with IFRS for its fiscal year beginning January 1, 2011. As the comparative period ending December 31, 2010 will also require presentation in accordance with IFRS, the Company's transition date for converting to IFRS is January 1, 2010 (the "transition date").

The Company has commenced the process to transition from current Canadian GAAP to IFRS. The transition process consists of three primary phases: scoping and diagnostic phase; impact analysis, evaluation and design phase; and implementation and review phase.

- Scoping and diagnostic phase – A preliminary diagnostic review was completed at a high level which determined the financial reporting differences under IFRS and the key areas that may be impacted. The areas with the highest potential impact were identified to include the basis of consolidation, impairment of assets, financial instruments and initial adoption of IFRS under the provisions of IFRS 1.
- Analysis, quantification and evaluation phase – In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The Company anticipates that there will be changes in accounting policies and that these changes may materially impact the financial statements. The full impact on future financial reporting is not reasonably determinable or estimable at this time.
- Implementation and review phase – This phase includes execution of any changes to information systems and business processes and completing formal authorization processes to approve recommended accounting policy changes. It will also include the

collection of financial information necessary to compile IFRS-compliant financial statements and audit committee approval of IFRS financial statements.

Having completed the scoping and diagnostic phase and commenced the analysis phase, the Company expects that the areas that will be significantly affected by the transition to IFRS will be as follows:

First Time adoption (IFRS 1)

IFRS 1 provides guidance to entities on the general approach to be taken when first adopting IFRS. The underlying principle of IFRS 1 is retrospective application of IFRS standards in force at the date an entity first reports using IFRS. IFRS 1 acknowledges that full retrospective application may not be practical or appropriate in all situations and prescribes:

- Optional exemptions from specific aspects of certain IFRS standards in the preparation of the Company's opening balance sheet; and
- Mandatory exceptions to retrospective application of certain IFRS standards.

Additionally, to ensure financial statements contain high-quality information that is transparent to users, IFRS 1 contains disclosure requirements to highlight changes made to financial statement items due to the transition to IFRS.

The Company has identified the following optional exemptions that it expects to apply in its preparation of an opening IFRS statement of consolidated financial position as at the transition date:

- To apply IFRS 2 Share-Based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the transition date; and
- To apply IFRS 3 Business Combinations prospectively from the transition date, therefore not restating business combinations that took place prior to the transition date.

Prior to reporting interim consolidated financial statements in accordance with IFRS for the quarter ended March 31, 2011, the Company may decide to apply other optional exemptions contained in IFRS 1.

Property, Plant and Equipment (IAS 6)

Under IFRS, the Company can elect to measure property, plant and equipment ("PP&E") using either the cost model or the revaluation model. Canadian GAAP only accepts the cost model. The Company will not select the revaluation model due to the difficulty and effort needed to determine the fair value.

Under IFRS, each part of a PPE with a cost that is significant in relation to the total cost of the asset shall be depreciated separately. On transition to IFRS, IFRS 1 allows the Company to take an exemption on applying IAS 15 retrospectively by adopting a recent GAAP revaluation as deemed cost at the date of transition and provided the revaluation is comparable to fair value. The Company is currently in the process of determining the impact of adopting this exemption.

Asset Retirement Obligation (IAS37)

Unlike Canadian GAAP, IFRS uses the term decommissioning in place of asset retirement obligation ("ARO") for legal or constructive obligations to dismantle, remove and restore items of PP&E. Under Canadian GAAP, the discount rate used to estimate the liability is not updated to current market discount rates, while under IFRS, the rate is updated at each reporting period. The Company does not anticipate any significant impact on the consolidated financial statements resulting from this difference.

Impairment (IAS36)

IFRS requires the use of a one-step impairment test (impairment testing is performed using discounted cash flows) rather than the two-step under Canadian GAAP (using undiscounted cash flow as a trigger to identify potential impairment loss). IFRS requires reversal of impairment

losses (excluding goodwill) where previous adverse circumstances have changed; this is prohibited under Canadian GAAP. Impairment testing should be performed at the asset level for long-lived assets and intangible assets. Where the recoverable amount cannot be estimated for individual assets, it should be estimated as part of a Cash Generating Unit ("CGU"). The Company is currently in the process of determining the impact to the consolidated financial statements of accounting for impairment under IFRS.

Share-based payments (IFRS 2)

Per IFRS, the forfeiture rate, with respect to share options, needs to be estimated by the Company at the grant date instead of recognizing the entire compensation expense and only record actual forfeitures as they occur. For graded-vesting features, IFRS requires each instalment to be treated as a separate share option grant, because each instalment has a different vesting period and hence the fair value of each instalment will differ. The Company has hired a third party to determine the impact of the IFRS 2 change on the consolidated financial statements.

Mineral property interest, exploration and evaluation costs (IFRS 6, IAS38)

Under IFRS, the Company would be required to develop an accounting policy to specifically and consistently identify which expenditures on exploration and evaluation activities will be recorded as assets. Unlike IFRS, Canadian GAAP indicates that exploration costs may initially be capitalized if the Company considers that such costs have the characteristics of property, plant and equipment. Exploration and evaluation assets shall be classified as either tangible or intangible according to the nature of the assets acquired. The Company is currently in the process of determining the impact on the consolidated financial statements of a change to its accounting policies.

Income Taxes (IAS 12)

Both Canadian GAAP and IFRS follow the liability method of accounting for income taxes, where tax liabilities and assets are recognized on temporary differences. However, there are certain exceptions to the treatment of temporary differences under IFRS that may result in an adjustment to Wesdome future tax liabilities and assets under IFRS. In addition the Company's future tax liabilities and assets may be impacted by the tax effects of any other changes noted in the above areas. The Company is in the process of analyzing the impact of IAS 12 on the consolidated financial statements.

Subsequent Disclosures

Further disclosures of the IFRS transition process are expected as follows:

- The Company's Management Discussion and Analysis for the 2010 interim periods and the year ended December 31, 2010 will include updates on the progress of the transition plan, and to the extent known, further information regarding the impact of adopting IFRS on key line items in the annual statements.
- The Company's first consolidated financial statements prepared in accordance with IFRS will be the interim consolidated financial statements for the three months ending March 31, 2011, which will include notes disclosing transitional information and disclosure of new accounting policies under IFRS. These statements will also include 2010 consolidated financial statements for the comparative period, adjusted to comply with the IFRS and the Company's transition date IFRS statement of financial position.

Information systems

No significant challenges are expected at this point to operate the accounting system under IFRS. The Company has yet to establish if historical data will have to be regenerated to comply with some of the choices to be made under IFRS 1. Once the extent of the adjustments needed to convert to IFRS will be established, processes will be put in place to generate the dual accounting needed for 2010.

Internal controls

Management is responsible for ensuring that processes are in place to provide them with sufficient knowledge to support their certification of the financial statements and MD&A, more specifically assessing that the SEDAR filings are presenting fairly the results of the Company. Management will make sure that once the convergence process is completed, it can still certify its filings.

Impact on the business

The business processes of the Company are not expected to be effected significantly to operate under IFRS. The Company has no foreign currency transactions, no hedging activities, no debt or capital covenants. The Company doesn't expect that IFRS will have an impact on the requirements or business processes when it enters into flow-through financing. The Company has no compensation arrangements that will be affected by the IFRS implementation. The Company's Stock Option Plan is not affected by ratios or financial targets.

The International Accounting Standard Board currently has projects underway that are expected to result in new pronouncements and as a result, IFRS as at the transition date is expected to differ from its current form. The final impact of IFRS on the financial statements will only be determined once all applicable standards at the conversion date are known.

SUMMARY OF SHARES ISSUED

As of May 13, 2010, the Company's share information is as follows:

Common shares issued	<u>100,734,909</u>
Common share purchase options	<u>2,126,500</u>

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

In accordance with the requirements of National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Company's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), have evaluated the effectiveness of the Company's disclosure controls and procedures. Based upon the results of that evaluation, the Company's CEO and CFO have concluded that as at March 31, 2010, the Company's disclosure controls and procedures to provide reasonable assurance that the information required to be disclosed by the Company in reports it files is recorded, processed, summarized and reported within the appropriate time periods and forms were effective.

Internal Control over Financial Reporting

Internal control over financial reporting ("ICFR") is a process designed 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. Internal control over financial reporting 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

The Company's management, with the participation of the CEO and CFO, assessed the effectiveness of the Company's internal controls over financial reporting and concluded that there has been no change in the Company's internal control over financial reporting during the three months ended March 31, 2010, that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting. In making its assessment, management and the CEO and the CFO have determined that as at March 31, 2010, the Company's internal control over financial reporting was effective except for the disclosable weakness in the lack of segregation of duties.

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 the small size of the company and its relatively few accounting staff, segregation of duties within the accounting group was not achieved. 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 thought appropriate, implement changes to ICFR whereby more effective mitigating controls will be adopted.

Limitations of Controls and Procedures

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

OUTLOOK

We continue to forecast 70,000 ounces production in 2010. We feel that results will improve sequentially as our weakest budgeted quarter is behind us.

Exploration activity will increase as the summer field season comes and we are hopeful continued success on this front, coupled with results from Mishi studies and Dubuisson development, will demonstrate the potential of our assets to the marketplace.

Fundamental conditions have never been more favourable for the gold market. We feel that our leverage to gold prices has been clearly demonstrated over the last few years and are working towards demonstrating the growth potential of our assets.

Wesdome Gold Mines Ltd.

Consolidated Balance Sheets

(Unaudited)

	March 31	December 31
	2010	2009
<hr/>		
(in thousands)		
Assets		
Current		
Cash and cash equivalents	\$ 22,976	\$ 23,702
Receivables (Note 3)	4,528	4,022
Inventory (Note 4)	18,166	14,624
Marketable securities (Note 9)	171	211
Future income taxes	1,199	1,199
	<hr/>	<hr/>
	47,040	43,758
Restricted funds (Note 5)	2,540	2,588
Future income taxes	1,645	2,245
Capital assets (Note 6)	8	9
Mining properties (Note 7)	65,515	64,637
Exploration properties (Note 8)	30,433	30,018
	<hr/>	<hr/>
	\$ 147,181	\$ 143,255
<hr/>		
Liabilities		
Current		
Payables and accruals	\$ 8,772	\$ 7,322
Current portion of obligations under capital leases	1,246	1,240
	<hr/>	<hr/>
	10,018	8,562
Income taxes payable	82	82
Obligations under capital leases (Note 10)	794	1,108
Convertible 7% debentures (Note 11)	9,622	9,483
Asset retirement obligation (Note 12)	1,333	1,324
	<hr/>	<hr/>
	21,849	20,559
Minority interest in Moss Lake Gold Mines Ltd.	<hr/>	<hr/>
	842	857
Shareholders' Equity		
Capital stock (Note 13)	114,999	114,567
Contributed surplus	3,745	3,770
Accumulated other comprehensive loss	(262)	(222)
Equity component of convertible debentures (Note 11)	1,970	1,970
Retained earnings	4,038	1,754
	<hr/>	<hr/>
	124,490	121,839
	<hr/>	<hr/>
	\$ 147,181	\$ 143,255
<hr/>		

Subsequent event (Note 20)

See accompanying notes to the interim consolidated financial statements.

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

(Unaudited)

Three Months Ended March 31 2010 2009

(in thousands, except net income per common share)

Revenue

Gold and silver bullion	\$ 19,577	\$ 23,587
Interest and other	136	33
	<u>19,713</u>	<u>23,620</u>

Costs and expenses

Operating costs	12,796	12,266
Amortization of mining properties	2,639	2,367
Production royalties	223	340
Corporate and general	698	437
Stock based compensation expense	107	55
Interest on long term debt	371	392
Amortization of capital assets	1	1
Accretion of asset retirement obligation	9	21
	<u>16,844</u>	<u>15,879</u>

Net income before the following	2,869	7,741
Gain on property held for sale (Note 9)	-	122
Net income before income tax and minority interest	2,869	7,863
Income tax		
Future	600	273
Net income before minority interest	2,269	7,590
Minority interest	15	(14)
Net income	\$ 2,284	\$ 7,576
Other comprehensive loss:		
Change in fair value of available-for-sale marketable securities	(40)	-
Comprehensive income	\$ 2,244	\$ 7,576
Net income per common share (Note 15)		
Basic and diluted	\$ 0.02	\$ 0.08

See accompanying notes to the interim consolidated financial statements.

Wesdome Gold Mines Ltd.

Interim Consolidated Statements of Shareholders' Equity

	Capital Stock	Contributed Surplus	Accumulated Other Comprehensive Loss	Equity Component Convertible Debentures	Retained Earnings (Deficit)	Total Shareholders' Equity
<i>(in thousands)</i>						
Balance, December 31, 2008	\$ 113,872	\$ 3,648	\$ (290)	\$ 2,062	\$ (28,470)	\$ 90,822
Net income for year ended December 31, 2009	-	-	-	-	32,165	32,165
Tax effect of flow-through share renunciation	(526)	-	-	-	-	(526)
Share issuance costs flow-through shares issued	(105)	-	-	-	-	(105)
Exercise of options	984	-	-	-	-	984
Value attributed to options exercised	376	(376)	-	-	-	-
Shares purchased under NCIB	(34)	3	-	-	(7)	(38)
Gain on equity component of early repurchase of convertible debentures	-	-	-	(92)	61	(31)
Stock based compensation	-	495	-	-	-	495
Revaluation to fair value of marketable securities	-	-	68	-	-	68
Dividends paid	-	-	-	-	(1,995)	(1,995)
Balance, December 31, 2009	114,567	3,770	(222)	1,970	1,754	121,839
Net income for period ended March 31, 2010	-	-	-	-	2,284	2,284
Share issuance costs flow-through shares issued	(27)	-	-	-	-	(27)
Exercise of options	327	-	-	-	-	327
Value attributed to options exercised	132	(132)	-	-	-	-
Stock based compensation	-	107	-	-	-	107
Revaluation to fair value of marketable securities	-	-	(40)	-	-	(40)
Balance, March 31, 2010	\$ 114,999	\$ 3,745	\$ (262)	\$ 1,970	\$ 4,038	\$ 124,490

See accompanying notes to the interim consolidated financial statements.

Wesdome Gold Mines Ltd.

Interim Consolidated Statements of Cash Flows

(Unaudited)

Three Months Ended March 31 2010 2009

(in thousands)

Operating activities

Net income	\$	2,284	\$	7,576
Amortization of mining properties		2,639		2,367
Accretion of discount on convertible debentures		139		126
Gain on sale of equipment		(102)		-
Minority interest		(15)		14
Stock based compensation expense		107		55
Amortization of capital assets		1		-
Future income taxes		600		273
Gain on property held for sale		-		(122)
Gain on redemption of convertible debentures		-		(24)
Accretion of reclamation asset obligation		9		22
		5,662		10,287
Net changes in non-cash working capital (Note 18)		(2,127)		(9,079)
		3,535		1,208

Financing activities

Exercise of options		327		49
Funds paid to repurchase common shares under NCIB		-		(14)
Funds paid to repurchase debentures		-		(446)
Share issuance costs		(27)		(5)
Repayment of obligations under capital leases		(308)		(396)
		(8)		(812)

Investing activities

Additions to mining and exploration properties		(3,966)		(2,278)
Proceeds on sale of equipment		136		-
Proceeds on property held for sale (Note 9)		-		400
Funds held against standby letters of credit		48		(506)
		(3,782)		(2,384)
Net changes in non-cash working capital (Note 18)		(471)		(91)
		(4,253)		(2,475)

Decrease in cash and cash equivalents		(726)		(2,079)
Cash and cash equivalents, beginning of period		23,702		8,029
Cash and cash equivalents, end of period (Note 18)	\$	22,976	\$	5,950

Supplemental disclosure (Note 18)

See accompanying notes to the interim consolidated financial statements.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three months ended March 31, 2010

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Wesdome Gold Mines Ltd. (“Wesdome Ltd.” or “the Company”) is a gold producer engaged in gold mining and related activities including exploration, extraction, processing and reclamation. The Company’s principal assets include the Eagle River mine, the Mishishiki mine and the Eagle River mill located near Wawa, Ontario and the Kiena mining and milling complex and exploration properties located in Val D’Or, Quebec. The Company is a publicly traded company, continued under Part 1A of the Companies Act (Quebec) and its common shares are listed on the Toronto Stock Exchange (TSX : WDO).

These consolidated interim financial statements of the Company have been prepared by management in accordance with Canadian accounting principles generally accepted in Canada. Certain information and disclosure normally required to be included in notes to annual consolidated financial statements have been condensed or omitted. The consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto in the Company’s annual report for the year ended December 31, 2009. The consolidated interim financial statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the year ended December 31, 2009.

2. FUTURE ACCOUNTING CHANGES

In January 2009, the CICA issued Handbook Section 1582, “*Business Combinations*” which requires all assets and liabilities of an acquired business be recorded at fair value at acquisition. Obligations for contingent consideration and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition related costs are expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after January 1, 2011.

In January 2009, the CICA issued Handbook Section 1601, “*Consolidations*” and Section 1602, “*Non-controlling Interests*”. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in consolidated financial statements subsequent to a business combination. These standards apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

3. RECEIVABLES

(in thousands)	March 31 2010	December 31 2009
Mining duties refunds and tax credits	\$ 1,012	\$ 1,012
Goods and services tax	1,158	1,340
Prepays	418	433
CSST	864	831
Deposits	955	263
Other	121	143
	\$ 4,528	\$ 4,022

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three months ended March 31, 2010

4. INVENTORY

(in thousands)	March 31 2010	December 31 2009
Gold bullion	\$ 15,161	\$ 12,149
Supplies	3,005	2,475
	<u>\$ 18,166</u>	<u>\$ 14,624</u>

5. RESTRICTED FUNDS

(in thousands)	March 31 2010	December 31 2009
Relating to mine closure plans (see Note 12)	\$ 1,531	\$ 1,537
Relating to hydro deposit	370	370
Relating to capital leases	639	681
	<u>\$ 2,540</u>	<u>\$ 2,588</u>

Funds are being held in Guaranteed Investment Certificates at interest rates ranging from 0.33% to 0.75% (2009: 0.33% to 1.40%) maturing to November 2010 and promissory notes at interest rates of 2.75% and 6.50% maturing in 2011 and 2012, respectively.

6. CAPITAL ASSETS

(in thousands)	March 31 2010	December 31 2009
Office Equipment		
Cost	\$ 16	\$ 16
Less: Accumulated amortization	8	7
Net book value	<u>\$ 8</u>	<u>\$ 9</u>

7. MINING PROPERTIES

(in thousands)	March 31 2010	December 31 2009
Eagle River		
Cost	\$ 42,140	\$ 40,663
Less: Accumulated amortization	22,481	21,363
	<u>19,659</u>	<u>19,300</u>
Kiena Mine complex		
Cost	67,226	65,059
Less: Accumulated amortization	21,370	19,722
	<u>45,856</u>	<u>45,337</u>
Mining Properties		
Cost	109,366	105,722
Less: Accumulated amortization	43,851	41,085
	<u>\$ 65,515</u>	<u>\$ 64,637</u>

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three months ended March 31, 2010

7. MINING PROPERTIES (continued)

The Eagle River Properties

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

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.

Kiena Mine Complex – Wesdome Group

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.

8. EXPLORATION PROPERTIES

(in thousands)	Wesdome Group	Moss Lake	Magnacon	Other	Total
Balance, December 31, 2008	\$ 25,065	\$ 2,876	\$ 1,000	\$ 15	\$ 28,956
Acquisitions	(586)	-	750	25	189
Exploration expenditures	313	54	30	494	891
Mining duties refund and tax credits	(18)	-	-	-	(18)
Balance, December 31, 2009	24,774	2,930	1,780	534	30,018
Exploration expenditures	-	6	-	409	415
Balance, March 31, 2010	\$ 24,774	\$ 2,936	\$ 1,780	\$ 943	\$ 30,433

The Wesdome Group Properties

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

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.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three months ended March 31, 2010

8. EXPLORATION PROPERTIES (continued)

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 consists of 13 contiguous claims. These properties are contiguous to the Kiema 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.

Mine École property

The Mine École property is located in Dubuisson Township and consists of 23 claims located southeast and contiguous to the Shawkey property.

Other properties

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

The Lamothe and Callahan properties are subject to a 1% net smelter royalty and 8 of the 10 claims comprising the Yankee Clipper property are subject to a 2% net profits royalty.

Moss Lake Properties

The Moss Lake property is owned by Moss Lake Gold Mines Ltd. ("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. Subsequently, the joint venture partners' interest was reduced to approximately 22.72%. In June 2009, the Company purchased the joint venture partners' interest for \$750,000 and an additional 1% net smelter royalty. The Company currently owns 100% of the Magnacon properties which are subject to net smelter royalties of 1.5% on the Magnacon property and 2% on the adjacent property.

Other Properties

In June 2009, the Company entered into an exploration and option agreement to earn up to a 60% interest in the Pukaskwa claims. By spending or causing to be spent \$1.5 million before June 30, 2012, the Company shall have earned a 30% undivided working interest in the claims. By spending or causing to be spent another \$1.5 million before June 30, 2014, the Company shall have earned a further 30% undivided working interest in the claims. The Company paid \$25,000 to the owner upon closing. The Pukaskwa property is located 15 kilometres west of the Eagle River Mill.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three months ended March 31, 2010

9. MARKETABLE SECURITIES

On November 27, 2006 the Company entered into an agreement with Britannica Resources Corporation ("Britannica") to sell 100% of the McKenzie Break property for \$2.0 million in cash and common shares. The present value of the property was recorded as Property Held For Sale.

On February 23, 2009 Britannica granted Northern Star Mining Corp. ("Northern Star") an option to acquire an undivided 60% interest in the McKenzie Break property in consideration for Northern Star funding Britannica's final option payment. A gain of \$122,000 recognized in 2009 upon completion of the obligations and transfer of title was the difference between the proceeds and the present value of the property held for sale.

As at March 31, 2010 the common shares received for the McKenzie Break property have been marked to market with a value for the Britannica 1.09 million common shares of \$120,000 and a value for the Northern Star .18 million common shares of \$51,000. This adjustment created an unrealized loss of \$40,000 which has been recorded as other comprehensive income.

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.

10. 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:

(in thousands)	March 31 2010	December 31 2009
2010	\$ 1,049	\$ 1,400
2011	789	789
2012	364	364
2013	25	25
Total minimum lease payments	2,227	2,578
Less: Interest portion at the weighted average of 7.69% in 2010 (2009: 7.59%)	187	230
Total obligations under capital leases, secured by equipment	2,040	2,348
Less: Current portion	1,246	1,240
Long term portion	\$ 794	\$ 1,108

The gross amount of equipment under capital leases at March 31, 2010, is \$6,759,000 (2009: \$6,759,000) with related accumulated amortization of \$1,673,000 (2009: \$1,411,000). These assets are included in mining properties.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three months ended March 31, 2010

11. CONVERTIBLE 7% DEBENTURES

The following table summarizes the changes in the liability and equity components of the convertible debentures during the three months ended March 31, 2010 and year ended December 31, 2009.

<u>Liability component (in thousands)</u>	March 31 2010	December 31 2009
Balance, beginning of period	\$ 9,483	\$ 9,413
Accretion	139	516
Early redemption	-	(446)
Balance, end of period	\$ 9,622	\$ 9,483

<u>Equity component (in thousands)</u>	March 31 2010	December 31 2009
Balance, beginning of period	\$ 1,970	\$ 2,062
Early redemption	-	(92)
Balance, end of period	\$ 1,970	\$ 1,970

On May 30, 2007, the Company completed a private placement of senior unsubordinated convertible debentures in the amount of \$11,539,000. The debentures are convertible into common shares of the Company at \$3.25 per common share until the maturity date of May 31, 2012.

The liability component of the debentures was calculated as the present value of the principal and interest, discounted at 12%, a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the loan was issued. The liability component is recorded at amortized cost and accreted to the principal amount over the term of the convertible debentures by charges to interest expenses using an effective interest rate of 13.92%.

In prior years the purchase of \$608,000 of debentures for \$564,000 inclusive of \$12,000 of interest payable reduced the liability component by \$553,000 and the equity component by \$110,000 creating a gain on the equity component of \$80,000 recorded in deficit.

At March 31, 2010 the debentures available for conversion at \$3.25 totalled \$10,931,000.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three months ended March 31, 2010

12. ASSET RETIREMENT OBLIGATION

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 2010. The Eagle River ore and waste rocks are not acid generating which minimizes 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 \$0.8 million and the Kiena mining and milling complex are estimated to be about \$0.7 million. The Company has provided \$1.5 million standby letters of credit to be held against these future environmental obligations.

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

<u>(in thousands)</u>	March 31 2010	December 31 2009
Asset retirement obligation, beginning of period	\$ 1,324	\$ 1,042
Accretion expense	9	71
Revision of estimate	-	211
Asset retirement obligation, end of period	\$ 1,333	\$ 1,324

The asset retirement obligation is based on current reserve estimates, forecasted production and estimated future cash flows underlying the obligation. As a result of changes to these estimates the Company recorded in 2009 a revision based on a credit adjusted risk free interest rate of 3%. The obligation will be accreted to its present value of \$1.5 million over the next 3 to 5 years. Full value for this obligation has been set aside as restricted funds.

13. CAPITAL STOCK

Authorized:

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

	Shares	Amount
Issued:		(in thousands)
Balance, December 31, 2008	99,676,659	\$ 113,872
Tax effect of 2008 flow-through share renunciations	-	(526)
Share issuance costs	-	(105)
Exercise of options	784,500	984
Value attributed to options exercised	-	376
Shares purchased under NCIB	(30,000)	(34)
Balance, December 31, 2009	100,431,159	114,567
Share issuance costs	-	(27)
Exercise of options	206,500	327
Value attributed to options exercised	-	132
Balance, March 31, 2010	100,637,659	\$ 114,999

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13. CAPITAL STOCK (continued)

On June 19, 2008, the Company received approval from the TSX for a Normal Course Issuer bid ("NCIB"). The bid allowed the Company to purchase on the open market up to 7,439,368 of its common shares for cancellation over a period of one year to end on June 22, 2009. During the period January 1, 2009 to June 22, 2009, the Company repurchased and cancelled a total of 15,000 common shares with a carrying value of \$17,000 for a total cash consideration of \$14,000.

On June 23, 2009, the Company received approval from the TSX for another NCIB. The bid allows the Company to purchase on the open market up to 7,151,772 of its common shares for cancellation over a period of one year to end on June 24, 2010. During the period June 23, 2009 to March 31, 2010, the Company repurchased and cancelled a total of 15,000 common shares with a carrying value of \$17,000 for a total cash consideration of \$24,000. When the cash cost was greater than the carrying value the difference was charged to retained earnings, when it was less it was charged to contributed surplus.

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 2,736,250 are available to be issued.

The following table reflects the continuity for the three months ended March 31, 2010 and year ended December 31, 2009 of options granted under the plan.

	Options		Weighted Average Exercise Price	
	2010	2009	2010	2009
Outstanding, beginning of period	2,535,500	3,459,250	\$ 1.76	\$ 1.73
Granted	55,000	345,000	2.38	2.08
Exercised	(206,500)	(784,500)	1.59	1.25
Expired	(120,250)	(484,250)	1.89	2.64
Outstanding, end of period	2,263,750	2,535,500	1.78	1.76

Wesdome Gold Mines Ltd.

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Three months ended March 31, 2010

14. COMMON SHARE PURCHASE PLAN (continued)

Range of exercise prices	Outstanding Options			Exercisable Options	
	Number outstanding	Weighted average remaining life (years)	Weighted average exercise price \$	Number exercisable	Weighted average exercise price \$
less than \$1.00	164,000	3.68	0.76	110,000	0.75
\$1.00 - \$1.50	310,250	2.35	1.33	221,550	1.36
\$1.51 - \$2.00	841,500	2.56	1.61	569,900	1.63
\$2.01 - \$2.50	948,000	2.10	2.25	843,000	2.25
	2,263,750	2.42	1.78	1,744,450	1.84

The fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. For the three months ended March 31, 2010 and the year ended December 31, 2009 the following factors were used:

	March 31 2010	December 31 2009
Weighted average fair value, per option (\$)	1.42	1.23
Weighted average risk-free interest rate (%)	2.5	2.0
Weighted average volatility (%)	74.5	77.0
Expected life (years)	5.0	5.0
Dividend yield (%)	0.8	1.4

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 \$107,000 (2009: \$495,000).

15. NET INCOME PER COMMON SHARE

The basic net income per common share is based on a weighted average number of shares outstanding of 100,581,606 for 2010 and 100,115,709 for 2009. Diluted net income per share reflects the dilutive effect of the potential exercise of the common share options outstanding as at March 31, 2010. The number of shares for the dilutive earnings per share calculations for 2010 was 101,698,995 (2009: 100,685,174) and excluded 817,500 (2009: 370,000) common share purchase options as anti-dilutive.

16. RELATED PARTY INFORMATION

In fiscal 2010, the Company paid \$1,500 (2009: \$5,000) to a company whose managing partner is a Director of the Company and \$NIL (2009: \$98,500) to a company whose president is a former Officer and Director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amounts.

Wesdome Gold Mines Ltd.

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Three months ended March 31, 2010

17. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION

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

Financial Instruments – Fair Values

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

(in thousands)	March 31 2010		December 31 2009	
	Carrying Value \$	Fair Value \$	Carrying Value \$	Fair Value \$
<u>Financial Assets</u>				
Held-for-trading:				
Cash and cash equivalents	22,976	22,976	23,702	23,702
Restricted funds	2,540	2,540	2,588	2,588
Loans and receivables:				
Receivables	4,528	4,528	4,022	4,022
Available-for-sale:				
Marketable securities	171	171	211	211
<u>Financial Liabilities</u>				
Other financial liabilities				
Payables and accruals	8,772	8,772	7,322	7,322
Convertible 7% debentures	9,622	11,478	9,483	11,122

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 and restricted cash – The carrying amounts approximate fair values due to the short maturity and/or terms 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 with mark-to-market gains and losses excluded from net income and included in other comprehensive income until such gains or losses are realized. At March 31, 2010, marketable securities have been valued using the quoted market price to reflect an unrealized loss of \$40,000 (2009 unrealized gain: \$68,000).

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

(Unaudited)

Three months ended March 31, 2010

17. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

Other financial liabilities – Payables and accruals, obligations under capital leases and the convertible 7% debentures are carried at amortized cost. The carrying amount of payables and accruals approximates fair value due to the short maturity of these financial instruments. The carrying amount of the obligations under capital leases approximates fair value based on an initial fair value of the obligation. The fair value of the convertible 7% debentures is based on the quoted market price.

The fair value hierarchy for financial instruments measured at fair value is Level 1 for cash and cash equivalents and restricted cash and marketable securities. The Company does not have Level 2 or Level 3 inputs.

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 and liabilities include commodity price risk, foreign currency exchange risk and interest rate risk.

(a) *Commodity price risk*

The Company's financial performance is closely linked to the price of gold which is impacted by world economic events that dictate the levels of supply and demand. The Company had no gold price hedge contracts in place as at or during the three months ended March 31, 2010.

(b) *Foreign currency exchange risk*

The Company's revenue is exposed to changes in foreign exchange rates as the Company's primary product, gold, is priced in U.S. dollars. The Company had no forward exchange rate contracts in place as at or during the three months ended March 31, 2010.

(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.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

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Three months ended March 31, 2010

17. FINANCIAL INSTRUMENTS – DISCLOSURES AND PRESENTATION (continued)

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)	<1 Year	1-2 Years	3-5 Years	Over 5 Years
Accounts payable & accrued liabilities	\$ 8,772			
Capital leases	\$ 1,382	\$ 833	\$ 12	
Convertible debentures	\$ 765	\$12,079		

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 estimates its maximum exposure to be the carrying value of cash and cash equivalents, accounts receivable and funds held against standby letters of credit.

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

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

(Unaudited)

Three months ended March 31, 2010

18. SUPPLEMENTAL CASH FLOW INFORMATION

(in thousands)	March 31 2010	March 31 2009
Net changes in non-cash working capital		
Operating activities		
Receivables	\$ 149	\$ (5,473)
Payables and accruals	1,160	133
Gold inventory	(3,012)	(3,432)
Supplies and other	(424)	(307)
	\$ (2,127)	\$ (9,079)
Investing activities		
Receivables	\$ (655)	\$ (48)
Payables and accruals	290	33
Supplies and other	(106)	(76)
	\$ (471)	\$ (91)
Cash and cash equivalents consist of:		
Cash	\$ 17,974	\$ 5,628
Term deposit (0.73%:2009: 2.25%)	5,002	322
	\$ 22,976	\$ 5,950
Non-cash transactions:		
Recognition of fair value of stock options and warrants exercised transferred to share capital (Note 13)	\$ 132	\$ 18
Marketable securities received as consideration for properties held for sale (Note 9)	\$ -	\$ 100
Mining property assets acquired under capital leases	\$ -	\$ 364
Other:		
Interest paid	\$ 232	\$ 266

19. 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.

Wesdome Gold Mines Ltd.

Notes to the Interim Consolidated Financial Statements

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20. SUBSEQUENT EVENT

On April 5, 2010, Wesdome's Board of Directors declared a dividend of \$0.02 per share on the Company's outstanding common shares. The dividend was payable on April 30, 2010, to shareholders of record at the close of business on April 16, 2010.

21. COMPARATIVE FIGURES

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

22. 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.

There is no restriction on the ability of the Company to pay dividends other than cash flow considerations. The Company declared a dividend of \$0.02 per share payable April 30, 2010. As per the Company's dividend policy, the Board of Directors will assess its ability to pay a dividend in 2011 based on the results of operations in 2010, available growth opportunities and overall market conditions.

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 subsidiaries are 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.