



**WESDOME GOLD MINES LTD.  
Suite 1305, 8 King Street East  
Toronto, Ontario  
M5C 1B5**

**ANNUAL INFORMATION FORM  
For the year ended December 31, 2008**

March 31, 2009

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## WESDOME GOLD MINES LTD.

### 1. CORPORATE STRUCTURE

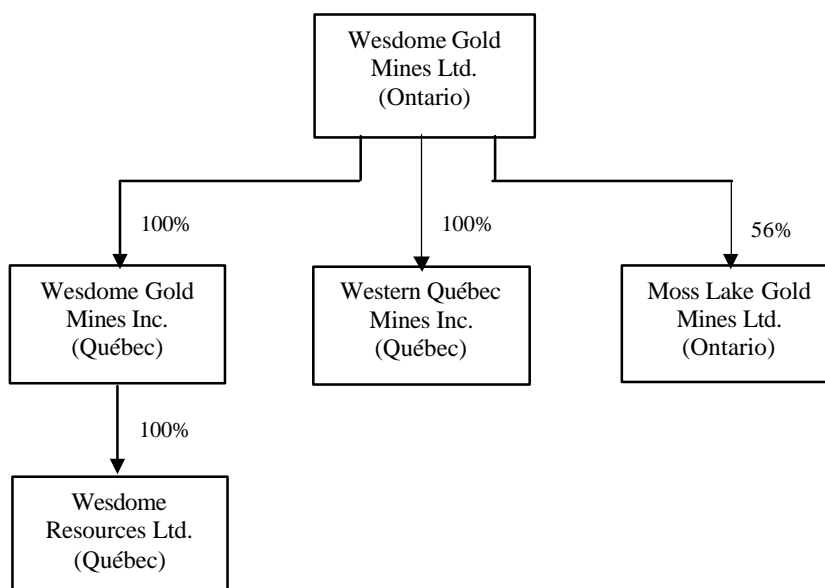
#### 1.1 Name, Address and Incorporation

Wesdome Gold Mines Ltd. (“the Company”) was incorporated under the laws of the Province of British Columbia on October 21, 1980 under the name “Central Crude Ltd.” By Articles of Amendment effective January 8, 1991, the original articles of the Company were deleted in their entirety and replaced and its authorized capital was increased. Effective July 2, 1991, Articles of Continuance were filed in the Province of Ontario such that the Company is presently governed by the *Business Corporations Act* (Ontario). By Articles of Amendment effective July 27, 1994, the Company changed its name to “River Gold Mines Ltd.” and by Articles of Amendment effective February 1, 2006, the Company changed its name to “Wesdome Gold Mines Ltd.” (“Wesdome”).

The Company’s registered and principal office is at 8 King St. East, Suite 1305, Toronto, Ontario M5C 1B5. Telephone: (416) 360-3743, Facsimile: (416) 360-7620, e-mail: info@wesdome.com, website: www.wesdome.com.

#### 1.2 Inter-Corporate Relationships

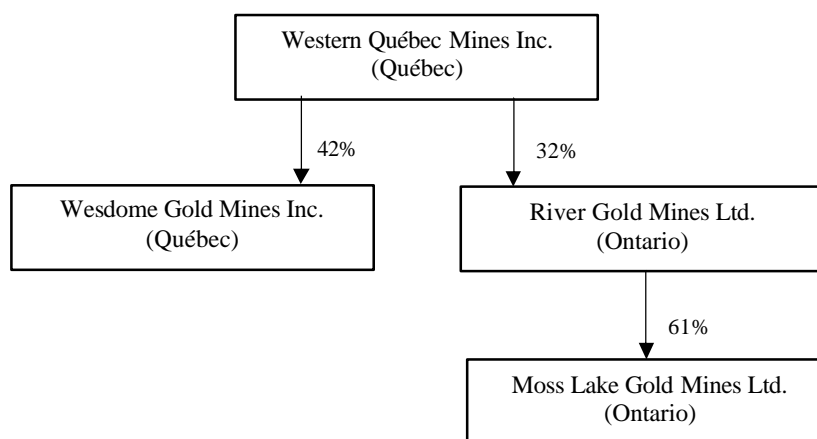
The Company owns approximately 56% of the outstanding shares of Moss Lake Gold Mines Ltd. (“Moss Lake”). Moss Lake trades on the TSX-V Exchange and is active in mineral exploration and development in Ontario. The three other wholly-owned subsidiaries, as shown below, are essentially inactive.



## 2. GENERAL DEVELOPMENT OF THE BUSINESS

The origin of the Company's business is traced to Western Québec Mines Inc. ("Western Québec"), incorporated in 1945. In 1994, Western Québec purchased interests in Ontario properties and restructured them to create River Gold Mines Ltd. ("River Gold") and Moss Lake Gold Mines Ltd. In 1999, Western Québec created Wesdome Gold Mines Inc. to hold and develop a portfolio of exploration properties in Val d'Or, Québec.

Western Québec became essentially a holding company with the following corporate structure as of December 31, 2005:



A series of transactions followed to rationalize the corporate structure so that the exploration and mining assets were under one corporate entity. River Gold operated the Eagle River and Mishishiki mines in Ontario while Wesdome Gold Mines Inc. held the Kiena mine in Québec.

On February 1, 2006, River Gold Mines Ltd. and Wesdome Gold Mines Inc. completed a merger to form a new company called Wesdome Gold Mines Ltd. on the basis of 0.65 shares of River Gold for each share of Wesdome.

On July 10, 2007, a merger was completed with parent company Western Québec Mines Inc. on the basis of 1.45 shares of Wesdome for each share of Western Québec. Wesdome Gold Mines Ltd. and its 56% owned subsidiary Moss Lake Gold Mines Ltd. are the surviving operating entities. A Form 51-102F4 was filed in respect to the merger.

During the past three years (2006-2008) the Company produced gold from three properties (Eagle River, Mishishiki and Kiena). Commercial production commenced at Kiena on August 1, 2006.

### Production (ounces of gold per year)

Property	2006	2007	2008	Total
Eagle River	43,700	32,300	49,700	125,700
Kiena	9,200	35,400	40,300	84,900
Mishishiki	-	4,400	-	4,400
<b>Total (oz)</b>	<b>52,900</b>	<b>72,100</b>	<b>90,000</b>	<b>215,000</b>

### **3. DESCRIPTION OF THE BUSINESS**

#### **3.1 General**

The Company is a mining, exploration and development business and has been producing gold and generating revenues of over \$30 million annually for thirteen years. The principal product of the Company is gold in the form of doré bars. The gold is further refined at the Royal Canadian Mint to produce gold that meets international delivery standards. The gold is refined under commercially competitive terms common to the industry. About one ounce of by-product silver is recovered for each ten ounces of gold. Gold is sold on numerous markets worldwide and, at any time, it is not difficult to ascertain the current market price. The Company is not dependent upon any one customer.

As of March 31, 2009, the Company's principal properties were the Eagle River property, including the Eagle River mine and the Wesdome properties, including the Kiena mine. These properties are described in detail below.

#### **3.2 The Eagle River Property**

The information in this section is summarized or extracted from the "Technical Report on the Eagle River Mine for River Gold Mines Ltd.", dated December 22, 2005 (the "Eagle River Technical Report"), prepared by George Mannard, P. Geo, of the Company, and Henrik Thalenhorst, P. Geo, Strathcona Mineral Services Limited ("Strathcona"), each of whom is a "Qualified Person" in accordance with National Instrument 43-101 ("NI 43-101").

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Eagle River Technical Report which was filed on SEDAR ([www.sedar.com](http://www.sedar.com)) January 3, 2006.

##### **Eagle River Mine**

The Eagle River mine is located 50 kilometres west of Wawa, Ontario, Canada and is owned 100% by the Company. It has been in continuous commercial production since 1996. Due to increasing costs for energy and consumables, the reduced availability of skilled manpower and unfavourable currency exchange rates, the Company's management completed a comprehensive review of operations in the summer of 2005, which resulted in the decision to reduce the production rate of the mine from 700 tonnes per day (tpd) to 300 tpd and to reduce the number of employees by one-half. Descriptions have been updated to reflect the results of work in 2008. As per section 4.2(I)10(ii) of National Instrument 43-101, it is management's opinion that the updated mineral reserves and resources estimates do not constitute a material change in respect to the affairs of the Company.

##### **Sources of Information**

The Eagle River mine mineral resource and reserve estimates are based on data acquired by exploration and development conducted on the property from 1987 to present.

##### **Property Description and Location**

The Eagle River mine property is located at 48° N latitude and 85° 30' W longitude, 50 kilometres due west of Wawa, Ontario near the northeast coast of Lake Superior.

The mineral properties of the Company are in two groups that reflect the project history. The northern group covers the former Magnacon (75% to 77.8% owned by the Company) and Mishi properties (100% owned by

the Company) and includes the mill and tailings site for the current operation. The southern group encompasses the Eagle River mine property (100% owned by the Company) and consists of three 21-year renewable mining leases and 431 staked claims covering a combined area of 7782 hectares. The southern property is broadly rectangular in geometry, stretching for a length of 18 kilometres east-west and averaging about three kilometres in width, with the Eagle River mine located in its west-central portion. The Eagle River property is subject to a 2% Net Smelter Royalty payable to the original property vendors.

All permits and licences required for the conduct of mining operations at Eagle River are in good standing.

### **Accessibility, Climate, Local Resources, Infrastructure and Physiography**

Access to the Eagle River mine site is via road – travelling northwest on Highway 117 for 50 kilometres from Wawa then southward 70 kilometres along the Paint Lake Road. The access road is a secondary gravel road and the trip from Wawa takes about 1.5 hours.

The mill site is at the former Magnacon mine located 17 kilometres by road north of the Eagle River mine site.

The climate is temperate continental with some marine influence from Lake Superior involving extended fall seasons and late spring arrivals.

Mean annual rainfall is 669 millimetres and mean annual snowfall is 278 centimetres. Over the last 10 years interruptions to Eagle River operations have totalled about 6 weeks due to flooding and lightning strikes affecting infrastructure.

The property is situated in the Algoma Highlands, a rugged plateau steeply incised by north-south drainages fed by SE and SW flowing tributaries. The mine site is situated approximately 320 metres above Lake Superior, near the headwaters of the Eagle River.

The Eagle River area is in the transition area between the Great Lakes-St. Lawrence Mixed Forest Zone and the Southern Boreal Forest Zone. More specifically, it has been identified as the Superior Section of the Boreal Forest Region with forest cover varying from mixed hardwoods and softwoods to pure stands of black spruce and jack pine.

The property is glacially scoured supporting only rare occurrences of primary morainal till and dominated by thin immature regasols and humus.

The local power supply is provided from the provincial grid via a 70-kilometer line owned by the Company. Standby diesel generators provide a backup source at the mine site and mill site. A 100-man camp with kitchen and recreation facilities houses workers and is located at Cameron Lake, 3.5 kilometres north of the mine. A smaller camp with kitchen facilities is located at the mill site.

Regionally, mining supplies and services as well as skilled labour are sourced from the mining centres of Timmins and Sudbury. Foundry and office equipment services come from Sault-St. Marie, and the mine and mill sites have high-speed internet and telephone communications via microwave relay provided by Bell Canada.

## **Exploration and Development History**

Prior to 1986, the area only had limited exploration involving airborne surveys and ground reconnaissance work seeking base metals. Following the Hemlo discovery in 1982, Peter Ferderber and Don McKinnon staked the entire Mishibishu greenstone belt (8,000 claims) and parcelled out properties to junior companies in a grand scale area play.

Central Crude Ltd. ("Central Crude") acquired the Eagle River property in 1983, flew an airborne magnetic survey and conducted limited ground reconnaissance and geological mapping. This work resulted in the discovery of a showing that yielded a grab sample grading 7.0 grams of gold per tonne in the No Name Lake area 400 metres south of current mine workings.

In 1986, Hemlo Gold Mines Ltd. ("Hemlo Gold"), a Noranda affiliate, entered into an option agreement to earn a 60% stake in the property. Field work commenced in the fall of 1986 and consisted of line cutting, geological mapping and soil/humus geochemical surveys over portions of the property. This work continued in 1987 and was complemented by ground geophysical surveying (magnetic susceptibility, VLF-EM and induced polarization) over selected portions of the property and led to the discovery of Zones 6, 7 and 8 in October 1987. Delineation drilling of these zones at 50 metre centres ensued with 76,000 metres of drilling in 266 holes from 1987-1989. A further 48 holes were drilled in 1990 to delineate the Zone 2 and provide some definition of the Zones 6 and 8, and a bulk sample of 60,000 tonnes grading 4.9 grams per tonne (g/t) was extracted and test milled at the Hemlo mill.

In 1990-1991, Noranda Minerals undertook a feasibility evaluation on behalf of the Eagle River joint venture. Although the study indicated economically viable options for development and production, no further development was undertaken.

On March 1, 1994, Western Québec purchased from Hemlo Gold its 60% interest in the property, a control block of Central Crude stock and certain debts Central Crude owed Hemlo Gold. Western Québec then restructured its interest by vending its property interest to Central Crude for stock and settling debt via a gold loan payable from future production. Central Crude changed its name to "River Gold Mines Ltd." and raised \$17.3 million in equity financing to bring the property into commercial production.

In the fall of 1994, the Company conducted a drilling program consisting of 118 shallow surface holes to provide stope-scale definition above 120 metres depth. In 1995, the workings were dewatered, development mining commenced and the existing Magnacon mill was leased, refurbished and later purchased. The first gold bar was poured in October, 1995, with full-scale commercial production commencing January 1, 1996.

## **Production History**

The Eagle River mill started processing ore in October, 1995. To December 31, 2008, a total of 2.5 million tonnes of ore averaging 9.4 grams of gold per tonne from the Eagle River mine had been milled yielding 761,000 ounces of refined gold. This includes bulk sampling by the Eagle River joint venture in 1990 which yielded 9,600 ounces of gold.

Additional mill feed has been supplied from two satellite operations. The Edwards Mine produced 140,000 ounces of gold from 390,000 tonnes at a grade of 11.5 grams of gold per tonne from 1997-2002. The Mishi open pit yielded 15,000 ounces from 133,000 tonnes at a grade of 3.6 grams of gold per tonne from 2002-2007. This brought total production from regional operations to 916,000 ounces.

## **Regional Geology**

The Mishibishu Lake greenstone belt is a broad arcuate syncline 55 kilometres long east-west and 16 kilometres wide north-south. This belt is part of the Wawa Subprovince of the Archean age Superior Province.

Supracrustal rocks in the belt are dominated by greenschist facies mafic to intermediate volcanic rocks with lesser sedimentary rocks including iron formation and intermediate to felsic volcanic rocks. Minor intrusions include synvolcanic stocks and sills of intermediate to felsic composition and an array of northeast and northwest striking late Precambrian diabase dykes.

The northern limb of the belt is dominated by an assemblage of clastic sedimentary rocks, felsic tuffs and mafic flows. The southern limb, where the Eagle River property is located, is dominated by tholeiitic basalts and calc-alkaline andesites with minor interflow clastic sedimentary rocks and lean chert-magnetite iron formation. In this area, the supracrustal rocks form a steeply north-dipping and north-facing sequence displaying moderate to steep eastward plunges defined by minor fold axes and mineral lineations.

Gold occurrences in the Mishibishu Lake greenstone belt occur primarily as quartz-vein-hosted deposits located within regional zones of deformation. The Mishibishu Deformation Zone follows a volcanic-sedimentary contact in the north limb of the belt hosting the Magnacon and Mishi deposits while the Eagle River Deformation Zone hosts the Eagle River deposit along the south limb of the belt.

## **Eagle Geology and Mineralization**

Gold bearing quartz veins at Eagle River are predominantly hosted by sub-vertically dipping, east-west striking shear zones that constitute a structural corridor within an elliptical quartz diorite stock with dimensions of 1.8 kilometres east-west and 0.5 kilometres north-south.

A number of different ore zones have been distinguished that constitute different segments of the overall shear zone corridor and each has its own gold grade characteristic. Mineable portions of the individual zones form ore shoots that plunge steeply to the east. The bulk of the historic production has come from Zone 8 and Zone 6, which are entirely within the intrusive quartz diorite, while Zone 2 mineralization is hosted in sheared mafic volcanic rocks just east of the stock.

Zone 8 is characterized by a series of thick, white laminated quartz vein lenses. The veins vary in thickness from one metre to 15 metres, averaging about 2.5 metres. Commonly portions of the vein system can be selectively mined with mining widths varying between 1.2 and 7.5 metres. Gold is concentrated in highly strained quartz of grey colour and in sericite-chlorite lamellae with accessory sulphide minerals including pyrite, pyrrhotite, galena, sphalerite, and chalcopyrite. The gold grade in Zone 8 has averaged about 8.0 grams of gold per tonne with individual stopping blocks ranging from 5.0 to 12.0 grams of gold per tonne.

Zone 6 is a distinct and discrete shear zone that forms a splay off the shear hosting Zone 8 mineralization. The vein varies in thickness from 0.5 metres to 2.0 metres. Locally the vein is folded back on itself forming tight S-folds or "ballrooms" which form plunging, pipe-like bodies 12 to 15 metres in diameter. Zone 6 is high-grade averaging 12 to 18 grams of gold per tonne and has very competent wall rocks. Because of its high-grade character, Zone 6 has traditionally provided the economic backbone of the mine.

The 650 Zone is in a subparallel southern splay from the shear hosting Zone 6, which continues eastward into volcanic rocks and hosts Zone 2. Both the 650 and 2 Zones are characterized by sheeted vein complexes of laminated white quartz ranging in thickness from 1.5 to 6.5 metres. These zones have good grades of 10 to 15 grams of gold per tonne but have been subject to high dilution in long-hole mining due to incompetent wallrock slabbing and sliding block failure.

## **Sampling Method and Approach**

The Company's sampling approach was set up based on a selective mining strategy and in an effort to pragmatically cope with the often narrow vein mineralization. It involves taking many small samples to determine exactly where the gold was and minimize the cumulative effects of the sub sampling variance.

Whole core from underground drill holes is sampled in systematic 30-centimetre sample lengths across the entire mineralized interval, observing obvious breaks in the geology or intensity of mineralization. For exploration drilling outside the immediate mine area, drill core is split and stored for future reference, but the sample length is the same as for the routine underground drilling.

Chip samples are taken every round (every 3 to 4 metres) in ore development headings including sill drifts and long-hole sub drifts, covering the full width of the face. Shrinkage stopes are breasted with sample densities every 2.5 to 3.5 metres on every 2.5-metre lift, or on every second lift. An average chip sample is about 2.5 kilograms and taken to best represent the face in the judgement of the sampler. Sample lengths are generally between 0.3 to 0.5 metres and observe geological contacts and obvious changes in the intensity or character of the mineralization.

Raises are sometimes chip sampled and always muck sampled round per round depending on safety issues and available sampling personnel.

Muck samples consist of a handful of muck per scoop bucket when loading the truck. One muck sample composites all of the individual bucket samples and represents 25-30 tonnes. The samples are collected by the muckers at the draw-points, and one composite muck sample has an average weight of about three kilograms.

## **Sample Preparation, Analysis and Security**

Since January 1995, drill core, mill samples, underground samples and doré bars have been assayed at the company-owned Wawa laboratory. The laboratory is not certified. After crushing to three millimetres, a 250-gram sub sample is riffled out and pulverized to 75 microns from which a 25-gram aliquot is subjected to a conventional fire assay with a gravimetric finish.

Since January 1995, greater than 450,000 assays have been performed with 80,000 duplicates and replicates and 2-3% sample standards and blanks.

The Eagle River geology department relies on the results of the internal QA/QC measures for their assessment of the assay results with respect to daily grade control and to resource and reserve estimation. The QA/QC information is therefore routinely reported to the mine geology department.

Very limited external QA/QC work has been done in the past. This consisted of a round-robin series of assays completed between the neighbouring assay laboratories at the Williams, Battle Mountain, David Bell and Eagle River mines in 1997, 1998 and 2000.

Sealed samples are transported to the assay office daily with results reported by Email to the minesite.

In fourteen years of operation, the assays have proved reliable in estimating the grade of ore delivered to the mill.

## **Mineral Resource and Mineral Reserve Estimates**

### *General*

Both mineral resources and reserves at Eagle River are estimated with the inclusion of a provision for mining dilution. This allows the ready evaluation of mineral resource blocks during mine planning. Given the tabular geometry of the vein mineralization at Eagle River, the resource estimation process employs conventional polygonal methods on a set of 1:100 scale cross sections, level plans and stope plans, and on a set of longitudinal projections at a scale of 1:500.

Subsequent to resource estimation, the engineering department splits out reserves that can be mined according to current economic conditions and development requirements.

### *Geological Modelling*

Drill-hole information is interpreted from cross sections and level plans to assign individual intersections to the various ore zones and to ensure reasonable continuity of individual zones. Individual composite intersections are then compiled onto longitudinal projections, separately for each of the major vein structures. A minimum horizontal width of 1.2 metres is observed for drilling information. Drift or sub level development in mineralization is compiled on assay level plans with a minimum horizontal width expanded to 1.5 metres, and this information is also entered onto the longitudinal section for each zone.

### *Grade Modelling*

High grade individual assays are cut at two different levels: 60 grams per tonne for all veins except Zones 6 and 650, which are cut to 140 grams per tonne, because of their higher average gold grade. These factors were determined based on the 95th percentile on grade-frequency histograms for large sample populations (greater than 15,000 samples) from historic stope chip sampling data. The cutting levels for drill core and chip sample assays are identical.

Resource block limits are outlined on longitudinal section based on a nominal cut off grade of three grams of gold per tonne over the applicable minimum mining width, and are projected halfway between data points within interpreted resource limits, or to a maximum of 20 metres beyond data points. The cut off grade is below economic requirements but provides for geological continuity during ore blocking, taking into account the practical application of the shrinkage and long-hole mining methods.

Individual block areas are measured on longitudinal section, their volumes determined by multiplying with the horizontal width, and converted to tonnage using a bulk density of 2.7 tonnes per cubic metre. Polygon tonnages and grades are averaged for a stoping unit, creating undiluted resource tonnages and grades that respect the minimum horizontal width requirement.

For the current mineral resources dilution is applied at 25% for shrinkage mining and 35% for long-hole mining as determined by the mine engineering department. The dilution figures were increased for the year-end 2004 resource estimate from previously 20% for shrinkage mining and from 25% for long-hole mining. Dilution is assigned an arbitrary 0.5 grams of per tonne grade which is based on an average observed grade in the immediate wall rock intervals. Internal polygons below cut-off grade are included for continuity within mining blocks. Likewise, external dilution is added to preserve muck flow lines at 50° or steeper. Primary development of indicated blocks is now done to achieve mining widths similar to those experienced during actual stope operation, and thus no additional development waste dilution is applied to parts of these blocks.

Where available, grades and diluted widths are assigned from adjacent stoping blocks above or below, based on detailed production chip sample data and experienced mining widths.

### **Mineral Resource Classification**

Measured mineral resources are projected 20 metres above and below or halfway between sill drifts and sub-drifts in mineralized zones and are based on chip sample grades.

Indicated mineral resources are based on drilling information beyond 20 metres from existing development in zones that have previously been mined.

Inferred mineral resources are drill indicated in zones that have not previously been developed or mined and therefore continuity has not been proven by development.

Strathcona believes that, given the extensive mining history of the Eagle River mine and the reasonable resource-mine-mill reconciliation, this classification approach is in accordance with the requirements of the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Resource and Reserve Definitions as required by NI 43-101.

### **Mineral Reserve Estimation**

Mineral reserves at Eagle River are derived from the diluted mineral resources by the process of mine planning.

In transforming mineral resources into mineral reserves, the mine engineering department has applied a set of technical and economic parameters including gold price (in Canadian dollar terms), mining methods, mining loss experiences, pillar allowances, geotechnical constraints, operating costs and metallurgical recoveries. The mineral reserves have been scheduled into a practical development and production schedule which is the basis of the mine plan and which takes into account productivity experiences and equipment availabilities.

Proven mineral reserves include stockpiles and broken ore inventories in stopes.

### **Eagle River Mineral Resource and Reserve Estimates**

The Eagle River mineral reserves and additional mineral resources as of December 31, 2008 are summarized in the two following tables:

**Eagle River Mineral Reserves at December 31, 2008**  
(at \$900 Cdn per ounce gold price)

<u>Mine</u>	<u>Category</u>	<u>Tonnes</u>	<u>Grade</u> <u>(gAu/tonne)</u>	<u>Ounces</u>
Eagle River	Proven	152,000	10.9	53,200
	Probable	79,000	7.8	19,800
	Proven + Probable	231,000	9.8	73,000

**Eagle River Additional Mineral Resources as of December 31, 2008  
(at \$900 Cdn per ounce gold price)**

<u>Mine</u>	<u>Category</u>	<u>Tonnes</u>	<u>Grade</u> <u>(gAu/tonne)</u>	<u>Ounces</u>
Eagle River	Measured	27,000	8.1	7,000
	Indicated	27,000	10.1	9,000
	Measured + Indicated	54,000	9.1	16,000
	Inferred	302,000	7.7	75,000

**Mineral resources have no demonstrated economic viability.**

*Accuracy of Eagle River Mineral Resource and Reserve Estimates*

No detailed reconciliation records have been compiled at the Eagle River mine that would compare tonnages and grades produced by reserve estimates, with those determined by grade control data and with the actual mill production data.

From 1995 to present reserve grades have averaged 10.6 grams of gold per tonne while production grades at the mill have averaged 9.4 grams of gold per tonne. It is therefore reasonable to expect grades delivered to the mill may be 10%, or one gram per tonne, lower than estimated reserve grades.

**Mining Operations**

The mining department works on ten days in – ten days out rotation, the mill works on an eight in – six out schedule and administration, maintenance and staff work on a variety of schedules.

*Mining and Grade Control*

The Eagle River mine is accessed via a ramp system and a 500 metre shaft with a loading pocket at 460 metres. There is a partial ore-pass system in the upper part of the mine, but the ore from the lower levels is trucked to the loading pocket at the 425-metre level. Ore is hoisted and live loaded to 40 ton haul trucks from chutes under an underground ore bin for direct haulage to the mill. All waste rock is currently used to backfill old stopes. The deepest mining level is 640 metres with ramp.

From 1996 to 2000, the main primary mining method was shrinkage mining. From 2001 to 2008, the primary method was sublevel long-hole blasting.

The ventilation system involves downcasting the shaft and exhausting stopes, ramps and raises upwards. Mine air is heated with propane during winter months. Total installed capacity is 275,000 cubic feet per minute (cfm). Since ventilation is a major energy cost factor, a program of bulk head construction is underway to optimize the energy consumption for this purpose.

Primary development historically has been trackless with electric-hydraulic jumbos, diesel load-haul-dump or LHD units (scoop trams) and 30-tonne trucks.

Grade control procedures involve detailed chip and muck sampling as previously described. Stopping blocks currently employ a cut-off grade of 8.0 g/t with development muck and incremental stope rounds employing a cut-off grade of 5.0 g/t.

Historically, the Eagle River mine has averaged 210,000 tonnes per annum or 600 tonnes per day. Since the scale of mining was cut back in 2005, mining has averaged about 400 tonnes per day or about 135,000 tonnes per year.

#### *Mineral Processing*

The Company initially leased, and then subsequently acquired the former Magnacon mill and tailings facilities in 1996. The mill is 17 kilometres by road from the mine. The mill capacity was increased from 600 to 1,000 tonnes per day in 1999. Potential exists to further expand capacity to 1,200 tonnes per day through the addition of a cone crusher.

The mill employs the Merrill-Crowe process for the recovery of gold with about 40% of the gold recovered into a gravity concentrate using a Knelson concentrator. The Merrill-Crowe process involves cyanide solution and subsequent zinc precipitation. Precipitate is refined on site to produce doré bars containing approximately 80% gold. By-product silver is recovered at a rate of one part for every ten parts of gold. The doré bars are shipped to the Royal Canadian Mint in Ottawa for refining. The mill is equipped with an activated carbon plant to treat solution tails. Loaded carbon is stripped at Kiena on a batch basis. With the carbon treatment, overall mill recoveries for Eagle River ore average 96% to 97%.

The mill tailings with an average grade of 0.25 g/t are deposited in the tailings pond. Process water is reclaimed to be used in the mill process as required to minimize the necessity to discharge effluent. An expansion/raise of the tailings dam was completed by Trow Construction Engineering Ltd. in 2002. In 2005, a belt filter was purchased to dewater and dry stack tailings around the perimeter of the pond. This will increase water capacity and settling time prolonging the life of the tailings pond well beyond the current reserves. To December 31, 2008, 3,060,521 tonnes of tailings have been deposited in the tailings basin.

The mill has historically operated 24 hours per day, 7 days per week working 12 hour shifts on a rotation of 7 days on, 7 days off. Under the revised schedule, crews operate on an 8 days on, 6 days off schedule at a rate of 700-850 tonnes per day using only one crew.

#### *Human Resources*

At December 31, 2008, the Eagle River operation employed a total of 179 permanent employees, distributed by department as follows:

#### **Summary of Eagle River Personnel, December 31, 2008**

<b>Department</b>	<b>Employees</b>
Mining	129
Milling including Wawa Laboratory	32
Maintenance	15
Technical Services & Site Administration	3
<b>Total</b>	<b>179</b>

In addition, there were 26 contractors performing diamond drilling, security services, road maintenance, ore haulage and mining development.

## **Permitting, Environmental Management and Closure Plan**

### *Permits and Licences*

The key mining permits for operations at the Eagle River mine are “Certificates of Approval” of industrial sewage issued by the Ontario Ministry of the Environment for both the mill and mine site and “Closure Plan” approvals for both the mill and mine sites issued by the Ontario Ministry of Mines and Northern Development.

#### Eagle River Mine

- (1) Certificate of Approval No. 4-0106-94-956 dated Feb 10, 1995
- (2) Closure Plan issued June 21, 1995

#### Mill Complex

- (1) Certificate of Approval No. 4-0169-88-896 dated May 10, 1989 with 6 subsequent amendments, notices No. 1 through No. 6
- (2) Closure Plan issued September, 1995

The Certificates of Approval stipulate specific conditions for monitoring mine and mill water discharges and set limits on water pH, suspended solids and various deleterious compounds.

The Closure Plans specify remedial site work at closure with a budget for costs and require posting of a reclamation bond as financial assurance.

In addition to these main permits, an array of minor permits and approvals are maintained which cover all aspects of the operation and are administered by agencies ranging in this example, from the Municipal Department of Health to the Canadian Coast Guard.

### *Environmental Management System*

The environmental management system at the Eagle River mine is based on required effluent sampling at the mill and mine sites based on the detailed requirements of “Certificates of Approval” issued by the Ministry of the Environment of Ontario.

Since operations began, results have conformed to strict effluent limits and standards set out in the “Certificate of Approval”. Remedial actions have been implemented to reverse patterns recognized in effluent sampling involving zero discharge periods and closed system recirculation. In 2005, total suspended solids exceeded allowable limits in mine water discharge in February, March and April. The Company with its consultants implemented a three-stage flocculent-coagulant treatment program which has remedied the high readings.

The Tailings Management Area (TMA), located 500 metres southeast of the mill, consists of two tailings lines, a tailings dam and berm system, a concrete spillway, pump house, appropriate seepage and collection ponds and diversion ditches. The main rockfill dam located at the southeast corner of the TMA is founded on bedrock, has a crest length of 180 metres and a maximum height of 13 metres. Rockfill berms and access roads encircle the TMA on the north and south perimeters. Upstream slopes are covered by a layer of sand for filtration and a synthetic impermeable liner.

At December 31, 2008, the TMA held 3.0 million dry tonnes of tailings. A total of 331,000 cubic metres of unprocessed water must be retained in the facility to allow settling of suspended solids and natural degradation of cyanide. Tailings water is reclaimed for use in the mill and, therefore, discharge into the environment is minimal consisting mainly of seasonal snowmelt and rainfall.

Trow Construction Engineering Ltd. designed and upgraded the TMA and performs annual inspections which to date have not detected any movement of the tailings dam. In 2006, under Trow's recommendation, the tailings dam was upgraded to extend capacity well beyond the current mine plan.

#### *Closure Plan*

In Ontario, closure plans must be accepted by the Ministry of Northern Development and Mines, must conform to the *Mining Act* (Ontario) and provide a detailed budget and financial assurance for the work. The Company has four closure plans covering the Eagle River mine, Mishi mine, Magnacon mine and the Mill Complex. Closure costs total \$570,000 for these projects and the Company maintains \$700,000 invested in GICs and held under letters of guarantee by a major Canadian bank.

Details of the closure plans include removal of all buildings and equipment, sealing underground openings, breaking and burying all concrete with waste rock, contouring waste rock to slopes safe to wildlife and re-vegetating the tailings. All non-salvageable or contaminated material will be removed and disposed of at a certified landfill. Mine site roads will be scarified with a grader, allowed to re-vegetate naturally and trenched to restrict access.

Realizable value from the sale of plant and equipment is difficult to assess. The value of the mining equipment fleet, compressors and generators is estimated at \$3.0 million under current market conditions.

#### *Gold Sales*

All gold produced by the Eagle River mine is refined (processed) by the Royal Canadian Mint in Ottawa. It is then sold to International Assets Holding Corp., Florida. Gold is sold at spot prices. The Company does not hedge its gold production.

#### *Royalties*

The Company is obligated to pay an aggregate Net Smelter Royalty of 2% to Don McKinnon (0.5%), Peter Ferderber (0.5%) and Bert Applegath (1.0%).

#### *Production Forecast, Exploration and Development*

The 2009 production forecast is 40,000 ounces of gold from 125,000 tonnes of ore. Current reserves are sufficient for two years of production.

In 2009, exploration spending will be increased with the goal of providing longer term clarity on resource potential. This will involve starting the 725 metre level ramp and 21,000 metres of diamond drilling at a budgeted cost of \$1.9 million.

Beyond 2010, ongoing production is dependent on progressive drilling in the west end of the mine from development workings currently in progress. Additionally, tonnage may be added to reserves as resource blocks are developed and if minesite exploration efforts continue to be successful as they have in the past.

### **3.3 The Wesdome Properties**

The information in this section regarding the Wesdome Properties is summarized or extracted from the report entitled the "NI 43-101 Technical Report of the Wesdome Properties Kiena Mine, Shawkey No. 22 Structure and Wesdome "A" Zone", dated April 15, 2005 as amended November 28, 2005 (the "Wesdome Technical Report"), prepared by Alain Jean Beaugard, President of Geologica Groupe-Conseil Inc. ("Geologica") and Daniel Gaudreault, Geological Engineer with Geologica, each of whom is a "Qualified Person" in accordance

with National Instrument 43-101 (“NI 43-101”). Descriptions have been updated to reflect the results of the work since. As per section 4.2(I)10(ii) of National Instrument 43-101, it is management’s opinion that the updated mineral reserves and resources estimates do not constitute a material change in respect to the affairs of the Company.

Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Wesdome Technical Report which was filed on SEDAR ([www.sedar.com](http://www.sedar.com)) January 4, 2006.

### **Property Description and Location**

The Wesdome Properties are located 10 kilometres west of Val-d’Or in Dubuisson Township, northwestern Québec, Canada.

The properties are a contiguous group of 332 mining claims and 4 mining concessions covering 7,400 hectares. The Kiena mine complex is located in the centre of the land package.

### **Accessibility, Climate, Infrastructure and Physiography**

The Wesdome Properties are readily accessible by road from Val-d’Or using Highway 117, which crosses the southern portion of the properties. An all season gravel road accesses the Kiena mine complex.

Val-d’Or and surrounding region was founded and established with the development of the mining industry. There are various resources and infrastructure available to facilitate the continued development and expansion of mine operations.

The Val-d’Or region is typical shield-type terrain that is characteristically very flat with local low knolls and hummocks. Topographic elevation at Val-d’Or is 300 metres above sea level. Large areas are dominated by swamp, numerous small, shallow lakes and ponds. Lac De Montigny covers approximately 55% of the surface area of the Wesdome properties. The remaining areas are forested with spruce and low bush vegetation.

The temperate continental climate does not pose problems for mine operations.

### **History**

#### *Kiena Mine*

The first discovery of native gold-bearing quartz veins in the Lac De Montigny area was made during the period from 1911 to 1914 on Parker Island on which the present Kiena mine site has been constructed. Exploration during the period from 1922 to 1927 uncovered the Wisik vein on an island to the east of Parker Island. Activities heightened in the area with the commencement of mine operations at Siscoe, Sullivan and Shawkey Mines during the period from 1929 to 1936. Kiena Gold Mines Limited was established in 1936 under Ventures Limited Management, and a shaft with four levels for exploration was developed on Parker Island. The Parker vein system had limited extensions; however the underground exploration was successful in identifying the North and VC Zones prior to the shut-down of the program in 1940 due to wartime issues.

The main S-50 Zone was discovered in 1961. At this stage, Falconbridge Copper Ltd. (“Falconbridge”) had assumed management of this project and exploration had outlined a reserve of 4.5 million tonnes averaging 6.34 g/t Au for the S-50 Zone. Shaft No. 1 was collared in 1963 to advance the project, but with the gold price at US\$35.00 per ounce in 1965, the property was not developed. Falconbridge re-evaluated the project in 1979 and successfully commenced mine production in October 1981. Ore was initially transported to the

Lamaque Mill for three years until Kiena mines constructed its own mill in September 1984. Most of this zone has been mined out.

Falconbridge sold its Kiena mine interest to Campbell Red Lake Mines in January 1986. Subsequently, with the merger of Placer Development Limited, Dome Mines Limited and Campbell Red Lake Mines; Placer Dome Inc. assumed operatorship of Kiena mine from 1987 to 1997. Les Mines McWatters Inc. purchased Kiena mine from Placer Dome Canada Ltd. to become the operator of the mine on September 12, 1997.

The Kiena mine's production rate was 2,000 tons per day. To date, total mine production was 10.7 M tons at 4.77 g/t Au for a total of 1.56 million ounces of gold (1981-2002). Wesdome Gold Mines Ltd. bought the property in 2003 and recommenced commercial production on August 1, 2006.

#### *Shawkey*

Early exploration work at Shawkey dates back to the early 1910's with the discovery of gold mineralization by prospector Fred Lapalme in 1911 in the vicinity of Vein No. 1 in the central part of the property. A shaft was sunk (Shaft No. 1) and Martin Gold Mining Company Ltd. developed three levels on Vein No. 1 between 1932 and 1945. Shawkey Gold Mines Ltd. was created and work was completed on Shaft No. 1 to the fifth level. In February 1936, production began and a total of 139,050 tons were extracted at an average grade of 6.17 g/t Au before work was stopped in August 1938. Between 1945 and 1989, a second shaft was sunk on the No. 10 Zone approximately 750 metres south of the original underground workings. Four levels were developed. A bulk sample of 51.3 tons was sent to the Ministry pilot plant and an average of 7.89 g/t Au was obtained from 53 samples. Another bulk sample of 1,039 tons was sent to the Malartic Goldfield mill, where an average grade of 1.81 g/t Au was obtained. Surface drilling outlined narrow auriferous veins in the "West" Zone. In 1979, Les Mines Sigma Ltée. started work to acquire a 65% interest in the property from Valmag Inc. Magnetic surveys (69 kilometres) and diamond drilling (21,521 metres) were completed in the "22" structure. Recently, in mid-March 2002 and March 2003, Western Québec launched a drill program of eleven (11) holes totalling 1,248 meters and ten (10) holes totalling 1,657 meters, respectively, on the "22" structure in order to evaluate the possibility of finding gold bearing veins in tension fractures at an angle to the contacts of the SE-NW trending host Quartz-Feldspar Porphyry (QFP) a sill-like body carrying gold bearing veins and veinlets containing erratic gold values.

#### *Wesdome*

The first exploration work at Wesdome dates back to the 1930s. Several mineralized zones were encountered in drill holes (450 diamond drill holes). These are fractures or shear zones (defined as alteration zones) a few metres thick, with a variable quantity of quartz veins containing pyrite and gold. Depending on the location, the fractures or shear zones contain either one quartz vein alone, parallel veins, up to a few metres in thickness, or a group of small quartz veins and veinlets. In 1999, Western Québec estimated inferred resources of 452,400 tonnes @ 5.10 g/t Au and indicated resources of 145,500 tonnes @ 5.36 g/t Au with a cut-off of 3.5 g/t Au. The authors of the Wesdome Technical Report have verified the methodology of this resource calculation, and confirmed that it conforms to the criteria of NI 43-101. The authors of the Wesdome Technical Report have estimated additional inferred resources by taking into account the continuity of the structure for the Zone "A" at 162,664 tonnes @ 5.35 g/t Au (cut-off at 3.5 g/t Au), using the same methodology as Western Québec. According to the authors, total inferred resources for the Zone "A" are estimated at 615,064 tonnes @ 5.17 g/t Au and total indicated resources at 145,500 tonnes @ 5.36 g/t Au with a cut-off grade set at 3.5 g/t Au. In the past, mineralization was estimated by previous operators at 2.7 million tonnes at 4.6 g/t gold for several mineralized zones (A, B, C, D, E and E3). This historical estimate does not conform to NI 43-101 and should not be relied upon.

## **Geology**

The Wesdome Properties are in the southeastern area of the Abitibi greenstone belt in the Superior Province of the Canadian Shield. They are hosted within northeast dipping and overturned sequence of mafic and ultramafic rocks of the Malartic Group in the Val-d'Or-Malartic area. The volcanic assemblage is intruded by dioritic granodioritic and younger feldspar porphyry dykes. The main style of mineralization for the deposits are related with carbonate-quartz sulphide stockworks, veins, breccia-filling and disseminated sulphides with associated carbonatization and albitization in diorite and surrounding volcanic rocks.

The Kiena mine was developed on the main S-50 Zone that has been the cornerstone of the mine. Other satellite deposits in and around the S-50 Zone have provided supplementary production and resources.

The regional geology of the Val-d'Or – Malartic area consists of a supracrustal assemblage of ultramafic to felsic volcanic rocks and narrow belts of clastic sedimentary rocks. Plutonic rocks of diorite to tonalite composition intrude these belts. The regional, easterly-trending Cadillac Break separates the above assemblage of rocks from younger sedimentary rocks of the Pontiac Group to the south.

Many of the gold deposits in the Val-d'Or and Malartic district occur within a 5 kilometre wide corridor along the north side of the Cadillac Break. Two main styles of gold deposits are recognized in the area. The more abundant structurally controlled gold quartz-vein type deposits are more closely associated with discrete shear zone systems that are subsidiary and proximal to the main Cadillac Break. These quartz vein gold deposits are dominantly hosted by mafic volcanic rocks, of the Malartic Group and they commonly show a marked spatial association with felsic intrusions that are typically felsic porphyritic plugs, sills and dykes. There are also a number of quartz vein gold deposits that are developed within intrusive rocks such as the Bourlamaque batholith. The second type are the disseminated deposits in which mineralized zones of disseminated sulphide occur in massive, fractured and brecciated wallrocks commonly with small quartz veinlets in the form of a stockwork. The Kiena and the Shawkey deposits would classify with this second type of deposits.

## **Deposit Geology**

The Kiena mine was developed on the major S-50 Zone, which to the end of 1999 had produced 8.7 million tonnes averaging 5.04 g/t Au. This represents 98.9% of the total production from the mine. The S-50 Zone at the surface is 200 metres east of Parker Island on Lac De Montigny and occurs as an irregular-shaped body roughly in a north-south trending corridor of structurally deformed and hydrothermally altered komatiitic basalt. The deposit extends over a maximum strike length of 500 metres on level 33. In cross section, the deposit dips 30 to 40° W, steepens rapidly and then rolls to a 50 to 60° easterly dip. The configuration of the deposit and the mineralogical characteristics change with depth. There are a number of satellite deposits and by comparison, these are significantly smaller than the S-50 Zone. These include the North, VC, South, Northwest, 388, Wisik and Martin Zones. Geological studies to date have been concentrated on the main S-50 ore deposit, but they have also recognized that the mineralization for many of the satellite deposits is quite similar to the S-50 Zone characteristics.

The Main S-50 ore deposit and several smaller satellite deposits North, 388 and Martin Zones occur as unique style of mineralization where the gold is intimately associated with carbonate, quartz, pyrite and minor pyrrhotite and chalcopyrite. These occur as veins and veinlets in the form of sheeted veins and stockworks, breccia filling and disseminations in carbonatized and albitized diorite dykes and mafic volcanic rocks. Veins and veinlets in the S-50 Zone are primarily calcite and other carbonates with minor quartz whereas most other deposits have quartz veins and veinlets with minor carbonate. On the Kiena property, most mineralized zones are hosted within and near the upper contact of the komatiitic basalt with the older komatiitic units. In and around the main deposit, the komatiitic basalt on a more finite scale has been deformed and hydrothermally altered to locally be defined as brecciated basalt, massive to pillowed basaltic flow and a light greyish-green carbonate talc-chlorite schist. Gold mineralization is mainly developed in the basaltic rocks in association

with sodium-rich diorite dyke intrusion; the schistose unit is weakly mineralized and commonly forms the uneconomic boundary around the ore deposit.

At Shawkey, the No. 22 structure was initially intersected in hole 141-2 in 1980. The structure consists of quartz-tourmaline veinlets in poorly pyritized porphyry dyke, which is emplaced in a sheared komatiitic unit of NW-SE trend and vertical dip. The "22 Deformation Zone" may correspond with the U-1778 target on the Kiena property. In some areas, two narrow dykes separated by a few metres of host komatiite comprise the structure. Most of the quartz-chlorite-carbonate-tourmaline veins and veinlets intersected carried pyrite often in related narrow bleached zones and several returned gold values over narrow intervals. In 1991, Placer Dome Inc. calculated a mineral inventory of 883,132 tons at 4.04 g/t Au over 5.24 metres (J. Lebel and J. Lafleur, 1991 internal report). This data is historical in nature and was compiled before the implementation of NI 43-101 reporting standards. It is presented for historical purposes only. This classification is not in compliance with the current definitions as stated by the CIM and should not be relied upon.

The "A" Zone at Wesdome is hosted within the NE part of the Snowshoe Stock. The "A" Zone and other mineralized areas (Zones B, C, D, E and F) are found at locations where dykes are particularly numerous, which suggests a relation of cause and effect between intrusives and mineralization. The mineralized zones are hosted within fractures and/or shear zones a few metres thick, with a variable quantity of quartz veins containing pyrite and gold. The "A" Zone has been traced over a length of 900 metres and a depth of 530 metres with an average width of 3.2 metres. Depending on the location, the fractures or shear zones contain either one quartz vein alone, parallel veins, ranging from a few centimetres to a few metres in thickness, or a group of small quartz veins and veinlets. The veins cut basaltic rocks and felsic dykes, trend N120° and dip to the SW towards the Snowshoe Stock.

The veins are mostly composed of quartz with some carbonate. Tourmaline is frequently observed, but remains secondary. Albite, chlorite, muscovite and rutile, which are rare in the middle of the major veins, are frequent in proximity to the walls and inside the veinlets. Certain veinlets are essentially composed of albite. Pyrite is the main sulphide and is present in the auriferous veins. It is generally more abundant in the walls (1-10%) than in the veins (0.5 to 5%). Traces of chalcopyrite are found while sphalerite and hematite are rare. Tellurides are often associated with gold. Gold can be found in fine inclusions (3 to 20 micrometers) within pyrite, or in fine grains at the margins of chalcopyrite or galena, and also as isolated grains within the gangue. The "A" Zone and other veins of the Wesdome property are distinguished from the different vein-types of the Val-d'Or area by a clearly higher content in galena and molybdenite. This zone has inferred mineral resources of 452,400 tonnes at 5.10 g/t Au and total indicated resources of 145,500 tonnes at 5.36 g/t Au using a cut-off grade of 3.5 g/t Au and these resources are NI 43-101 compliant.

## **Exploration**

Since acquiring the Kiena property in 2003, the Company focused on rehabilitating the surface, mill and underground infrastructure. A drift was driven 500 metres to the north on the 520 metre level to explore the VC, North and 388 Zones. Favourable results led to a decision to develop these zones and commercial production commenced August 1, 2006.

During the same time, an exploration drift was driven eastwards to explore the Wisik, Martin and Shawkey 22 Zone occurrences on the 330 metre level. To date only the Martin Zone has demonstrated sufficient continuity to support resource estimates.

In 2006-2007, a comprehensive compilation project on the ultramafic sequence which cuts the central portion of the property (the Jacola Formation) was undertaken. In 2008, a surface drilling program totalling 25,000 metres in 52 holes tested targets defined by this work. The highlight of this drilling was the identification of a broad mineralized system located three kilometres east of the Kiena shaft. The mineralized system, dubbed the Dubuisson Zone, has been traced over 500 metres of strikelength and remains open in all directions.

Highlights include intersections of 6.82 gAu/tonne over 7.7 metres, 6.92 gAu/tonne over 8.0 metres, 8.75 gAu/tonne over 5.8 metres and 4.25 gAu/tonne over 17.0 metres.

Underground drilling continued to trace the VC and North Zones to depth progressively replacing reserves that were mined.

## **Sampling and Analysis**

### *Sample Preparation*

During the previous and recent drill programs, the drill core was partially cut with a splitter along its longitudinal axis and sampled every 0.3, 0.5 and/or 1.5 metres following the typology of the mineralization. Thereafter the following steps were taken:

1. the core boxes were unloaded, washed and tagged;
2. the core was measured and logged by one of Wesdome's geologists;
3. one-half of the core was sampled, placed in a tagged bag for assay lab. The other half was replaced in a box with a corresponding tag, which was placed at the beginning of the split core;
4. the metallic pan and the splitter were washed and cleaned after each sample was taken;
5. each sample bag was then sealed and attached; and
6. the samples were placed in larger shipping bags and delivered by company personnel to the laboratory for the analysis.

At the Kiena mine, samples were divided into PT and RT types for processing at the laboratory. PT refers to total pulverisation or more universally to the metallic screening assaying procedure, which is used for samples containing coarse-gold. RT refers to routine assaying procedures, which are used for presumed low-grade gold samples or those without visible gold mineralization.

Geologica concluded that the sampling approach and assay procedure used appear to conform with mining standards.

### *Diamond Drill Samples*

**RT samples:** Procedures for routine fire assaying are to initially crush the entire sample to – 10 mesh, then a 300 g sub-sample is split and pulverized to 95 % - 150 mesh, and a 30 g sub-sample is fire assayed using standard industry procedures, with the gold content determined by atomic absorption spectrometry.

**PT samples:** Sample is initially crushed to – 10 mesh, and a 250 g sub-sample is riffle split from the crushed material for a standard fire assay as a first step. Then a 1.5 kg sub-sample from the reject material is split and pulverized, screened to  $\pm$  150 mesh to follow standard metallics assaying procedures. There is normally sufficient material remaining for further check assay work. To ensure no cross-contamination between samples, the crushing of each total pulverization sample is followed by processing a barren granite cobble.

For the security and quality control, diamond drill core samples were catalogued on sample shipment memos, which were completed at the time samples were being packed for shipment. Each batch of PT samples shipped to the laboratory for metallics assaying consisted of six samples plus the addition of one standard and one blank. Every third batch contained a duplicate sample as one of the six, which was prepared by the

laboratory. Each batch of RT samples consisted of 17 samples plus the addition of 1 standard and 1 blank. A duplicate, prepared by the laboratory, was included in every batch of RT samples.

The material used for standards comprised certified reference material purchased from commercial facilities specializing in their manufacture (RockLab and CND “Analytical Solution Limited”). All material used for blank samples comprised barren mafic volcanic rock, granite or quartzite. Laboratories also added their own quality control standards. In the case of any doubt regarding the validity of a sample, the entire batch was re-assayed.

The sampling completed by Wesdome was analyzed by Bourlamaque Assay Laboratories Ltd. in Val-d’Or. The check sampling for the actual audit by Geologica was analyzed by ALS Chemex in Val-d’Or with the same approach.

### *Ore Material to the Mill*

Ore from underground is crushed to 10 centimetres or less and skipped to the surface where it is transported directly to the crushing circuit. The circuit is composed of a primary sag mill and a secondary closed circuit ball mill. Calcium cyanide used to dissolve the gold is added to the pulp, which is then processed in two stages of cyclones with the goal of obtaining the desired grain size distribution for the leaching thickener.

The pulp decantation takes place in a 3.6 m x 20 m thickener. A flocculent is used to accelerate the sedimentation. The thickener overflow is pumped into three carbon columns 1.1 m diameter x 3.6 m high each containing 0.7 tonnes of carbon.

The pulp itself passes through a series of three leaching reservoirs 10 m x 10.6 m, each giving a retention time of 40 hours necessary for full gold dissolution before reaching by gravity, the five carbon-in-pulp (C.I.P.) reservoirs.

In the final stage, the carbon from the columns and the C.I.P. is transferred to the desorption reservoir to extract the collected gold. Subsequently, the gold extracted from the carbon at the desorption stage is pumped through two electro-winning cells set in parallel. The cathodes are removed on a daily basis. They are dried, a flux is added, and they are melted into gold bullion in the induction furnace.

### **Data Corroboration**

For all the mineralized zones that were check sampled (235 samples) and then audited by Geologica on the Wesdome Properties (Kiena mine, Shawkey and Wesdome “A” Zone) the measured correlation coefficient varied between 41% and 100%. Zone VC-1 gave the lowest coefficient most probably caused by the presence of coarse and visible gold specks. This is often seen at Kiena and sample representation problems are partly resolved by using Metallic Screen Analysis (total pulverization). This situation is common in the Val-d’Or area and in several other mining districts of the Abitibi Greenstone Belt such as Timmins, Kirkland Lake, Shebandowan, Hemlo and particularly along the Cadillac Tectonic Zone an important gold metallotect.

### **Mineral Resource Estimates**

Geologica’s assignment included reviews and audits of historical and recent mineral resources for the VC, North, 388, Martin, “22 Structure” and “A” Zones. The resource estimates, regardless of who completed them, were done in the same general manner using the same basic parameters. Geologica understands that geological interpretation was done both on cross section and longitudinal section, but the resource estimates were completed on longitudinal sections using the polygonal method. In the case of Kiena the Zones (VC, North, 388 and Martin) were estimated using the Datamine Software.

At the Kiena mine, all resource estimates and audits, whether completed by Placer Dome, McWatters or Wesdome used a specific gravity of 2.8 to calculate the tonnage of the block model and Geologica agrees that this is a reasonable figure for this type of estimate. Estimates by Placer Dome, McWatters and Wesdome used an upper cut-off grade of 26 g/t Au and lower 1.9 g/t Au for resources for VC, North, 388 and Martin Zones at Kiena. For the "A" Zone at the Wesdome property, used a density or specific gravity of 2.7 t/m<sup>3</sup>, a lower cut-off grade of 3.5 g/t Au, minimum horizontal width of 1.5 metres and the high values were capped at 34 g/t Au. Wesdome used the conventional polygonal method for their estimation of resources after performing geological interpretation from drill hole intersections. Geologica concluded that the manner in which resources were estimated appears to follow appropriate standards and conservative procedures that were sound, correctly applied and gave acceptable results.

Geologica's audit included:

1. The independent sampling and assaying of several intercepts from old drill core on which Wesdome estimates were based;
2. General review of the estimation parameters and methods of interpretation of mineralization;
3. Random checks of assays on the cross sections compared to assays reported in the drill hole logs. No checks could be made on some certificates of analysis because they were not available and likely no longer exist (i.e. Shawkey No. 22 Structure);
4. Check calculations on grade composites to confirm that they were averaged correctly;
5. Checks to ensure that capping of individual assays was done as specified; and
6. Check calculations on areas of polygons.

Geologica's audit found reasonable agreement with Wesdome's results and Geologica concluded that Wesdome's estimates were completed in an acceptable manner. Geologica's audit validated Wesdome's mineral resource estimates for the VC-1, VC-2, VC-3, North, 388 and Martin Zones at Kiena mine and the "A" Zone of the Wesdome property. The resources were classified using criteria specified in NI 43-101 and CIM Standards.

#### *Methodology*

1. Each hole is described with the PROLOG Software
2. Data from PROLOG is transferred in DATAMINE Software
3. Generate DDH sections with 15 metres spacing with the DDH date
4. Interpretation of each section with mineralized zones and geological contacts
5. Define and close the envelope of each mineralized zone on each section
6. Generate a block model with an influence area of 5m x 5m around the DDH intersection and by other small block to complete the area defined by the defined mineralized envelope on each sections
7. Define a grade legend, to assign a color at each block and to classify these blocks in categories of reserves and/or resources.

*Parameters*

1. Recuperation of 95.5%
2. Cut-off grade for reserves: 2.5 g/t Au in long hole working place  
3.0 g/t Au in cut and fill  
2.5 g/t Au in the North Zone
3. Cut-off for resources: 1.9 g/t Au (75% of cut-off for reserves)
4. Density: 2.8 t/m<sup>3</sup>
5. Dilution: 85-95% for tonnage in-situ and 10-15% for tonnage at 0 g/t Au
6. Cutting factor: 34.28 g/t Au

The volume, grade and results obtained by Geologica on the VC Zone during this audit corroborated at 95% the results presented on the table of resource calculations completed by the Company in 2003. Geologica considers this result as very reasonable and confirms that it is compliant with National Instrument 43-101. The methodology used by the Company for Wesdome was the one proposed by the CIM Standards (“The Estimation of Mineral Resources and Mineral Reserves Best Practice Guidelines of May 30, 2003”).

*Kiena Mineral Reserve and Resource Estimate*

As at December 31, 2008, Kiena’s mineral reserves and resources estimates are as follows. These take into account the definition drilling, development and mine planning activities conducted in 2008. This resulted in an upgrading of classification yet total resources and reserves are not materially different than those in the 2005 technical report. Identical methodologies and parameters were employed.

**Mineral Reserves (December 31, 2008)**  
**(\$900 Cdn/oz gold)**

	<b>Tonnage (metric tonne)</b>	<b>Grade (g/t Au)</b>	<b>Ounces of gold</b>
<b>Proven Reserves</b>	448,000	4.8	69,000
<b>Probable Reserves</b>	285,000	3.6	33,000
<b>Proven + Probable</b>	<b>733,000</b>	<b>4.3</b>	<b>102,000</b>

**Additional Resources (December 31, 2008)**  
**(\$900 Cdn/oz gold)**

	<b>Tonnage (metric ton)</b>	<b>Grade (g/t Au)</b>	<b>Ounces of gold</b>
<b>Measured Resource</b>	490,000	3.6	57,000
<b>Indicated Resource</b>	629,000	4.0	81,000
<b>Measured + Indicated</b>	<b>1,119,000</b>	<b>3.8</b>	<b>138,000</b>

Mineral reserve and resource estimates were compiled by Paul Arscott, P.Geo and Chief Geologist of Wesdome Gold Mines Ltd., a “producing issuer” as per National Instrument 43-101. Mineral resources have no demonstrated economic viability. Mineral reserves are mineral resources which have undergone mine planning and budgeting work and have been incorporated into a mine plan assuming a gold price of CDN\$900 per ounce.

*Wesdome (“A” Zone)*

In 1999, Wesdome estimated mineral resources (inferred and indicated) for the “A” Zone as set out in the chart below at an assumed gold price of \$280US/ounce. Geologica verified the methodology of the resource calculation and confirmed that it is compliant with NI 43-101.

**Wesdome Gold Mines Inc. (March 31, 1999)**

	Cut-off 3.5 g/t Au			Cut-off 4.5 g/t Au		
	Tonnes	Grade g/t Au	Ounces of gold	Tonnes	Grade g/t Au	Ounces of gold
<b>Indicated Resources</b> <sup>(1)</sup>	145,500	5.36	25,074	124,200	6.02	24,039
<b>Inferred Resources</b> <sup>(1)</sup>	452,400	5.10	-	344,100	5.65	-

(1) 100-metre crown pillars excluded; minimum width set at 1.5 m.

Geologica has estimated additional inferred resources by taking into account the continuity of the structure for the "A" Zone at 162,664 tonnes @ 5.35 g/t Au (cut-off at 3.5 g/t Au), following the methodology required and in accordance with NI 43-101. Geologica calculated total inferred resources of the "A" Zone of the Wesdome property to stand at 615,064 tonnes @ 5.17 g/t Au and total indicated resources at 145,500 tonnes @ 5.36 g/t Au with a cut-off grade set at 3.5 g/t Au at an assumed gold price of US\$408 per ounce.

**Geologica Groupe-Conseil Inc. (December 17, 2003)**

Inferred Resources				
Zone	Tonnes	Grade (g/t Au)	Cut-off	Ounces of gold
"A" (Western Québec)	452,400	5.10	3.5 g/t Au	-
"A" (Geologica)	162,664	5.35	3.5 g/t Au	-
<b>Total</b>	615,064	5.17	3.5 g/t Au	-
Indicated Resources				
"A" (Western Québec)	145,500	5.36	3.5 g/t Au	25,074

**Mining Operations**

Geologica, in collaboration with Wesdome, prepared and recommended a two-phase underground exploration and development program totalling \$21.9 million. This was undertaken resulting in commercial production commencing August 1, 2006.

*Kiena Production*

	2006	2007	2008	Total
Tonnes Milled	94,200	284,757	241,641	620,598
Recovered Grade (g/t)	3.1	3.9	5.2	4.3
Ounces produced	7,300	35,404	40,344	83,048

*Mining Method*

The Kiena mine employs sublevel long hole blasting techniques and cut and fill methods employing hydraulic backfill. Mining is primarily trackless and serviced by a 920 metre deep shaft. Existing ore handling systems would permit ramp development and mining to a depth of approximately 1,100 metres. Wesdome's mining to date has occurred above 540 metres with the 670 metre level currently being developed.

*Metallurgical Process*

Milling operations employ the CIP (carbon-in-pulp) method with gold recoveries averaging about 98 percent. The mill employs SAG (semi-autogenous grinding) and a regular ball mill.

The mill is accompanied by a backfill plant from which tailings are treated for return to underground as backfill. The remaining tailings are pumped to the tailings impoundment area.

The mill has capacity to operate at 2,000 tonnes per day. In 2008, the mill operated at 1,000 tonnes per day, five days per week.

#### *Production Forecast*

In 2008, we forecast production of 245,000 tonnes at an average grade of 4.5 gAu/tonne for a total of 35,000 ounces. Actual production was 241,641 tonnes at 5.2 gAu/tonne for 40,344 ounces.

In 2009, we forecast production of 284,000 tonnes at an average grade of 3.9 gAu/tonne for 35,000 ounces.

#### *Markets*

All gold produced at the Kiena mine is refined at the Royal Canadian Mint in Ottawa. It is then sold to International Assets Holding Corp., Florida. Gold is sold at spot prices. The Company does not hedge its gold production.

#### *Environmental Conditions*

The environmental management systems at Kiena monitors deleterious organic compounds, heavy metals and suspended solids in water under strict federal and provincial guidelines. Sampling is regularly performed from observation wells surrounding the mine at the tailings impoundment area.

Additionally, sampling is conducted in Lac de Montigny and from wells of surrounding citizens.

The ore and waste at Kiena is not acid generating and contains calcium carbonate, which behaves as a natural acid buffer.

Recently a rock wall was constructed around the mill building to reduce noise in response to neighbours' requests.

#### *Mine Life*

The Kiena mine currently has mineral reserves to support a 3-year mine life. Ongoing exploration and development work is designed to replace reserves and upgrade resources as has been the case to date. Ore handling infrastructure is currently sufficient to handle mining to twice current depths without significant capital outlays, such as shaft deepening.

#### *Exploration and Development*

Current activities are focused on progressively drilling and developing the VC, North and 388 Zones to depth where they remain open. A total of 15,000 metres of underground definition drilling is planned for 2009.

Additional underground exploration drilling will total 17,500 metres and is primarily focused on examining the depth and northern projections of the S-50 Zone from a new exploration drift recently established on the 910 metre level.

Surface drilling will focus on delineation and definition of the recently discovered Dubuisson Zone located three kilometres east of the shaft. This promising target will involve at least 16,000 metres of the 21,000 metre planned surface drilling campaign.

### 3.4 Moss Lake Gold Mines Ltd.

The Company owns approximately 56% of the issued and outstanding shares of Moss Lake Gold Mines Ltd., a corporation listed on the TSX-V exchange under the symbol "MOK".

Moss Lake owns a large tonnage – low grade deposit located in the Shebandowan area, 100 kilometres west of Thunder Bay, Ontario. Recent increases in the gold price have made this project more relevant and material to the Company.

In 2006, a NI 43-101 compliant resource estimate was compiled by Watts, Griffis, McOuat ("WGM") of the Moss Lake Deposit. The report defined an inferred resource of 56.1 million tons grading 0.027 ounces gold per ton for the Moss Lake deposit, containing 1.51 million ounces. This includes 39.0 million tons grading 0.035 ounces per ton applying a 0.015 ounce per ton cut-off grade. WGM recommends a Preliminary Assessment to determine the economic conditions necessary to promote the resource classification and advance development options. This area merits further work. The qualified person as per NI 43-101 for the technical report was John Sullivan, P.Geo and Senior Geologist of Watts, Griffis, McOuat.

The following summary is reproduced from the 2006 technical report. More detailed technical disclosure is incorporated by reference to "A Technical Review of the Moss Lake Gold Property Including a Mineral Resource Estimate, November 27, 2006" which was filed on SEDAR (www.sedar.com) December 1, 2006.

#### SUMMARY

**Moss Lake Gold Mines Ltd.** ("MOK") retained **Watts, Griffis and McOuat Limited** ("WGM") to carry out an independent technical review and prepare a Mineral Resource estimate for the Moss Lake project located in northwestern Ontario approximately 100 km west of the city of Thunder Bay.

MOK is Toronto based and listed on the TSX Venture Exchange. Its only significant asset is the 100% owned Moss Lake property, which hosts a large low-grade gold deposit, comprised of the closely-spaced Main and QES Zones.

MOK requires this report to support the initial disclosure of a Mineral Resource estimate. In addition it will be used to assist in determining development options for the property. As part of its assignment, WGM prepared a block model for the deposit and based on this block model prepared a Mineral Resource estimate for the overall Moss Lake deposit. The Mineral Resource estimate was carried out and the report was prepared in compliance with the standards of the Canadian Securities Administrators' National Instrument 43-101 ("NI 43-101") and the Council of **the Canadian Institute of Mining, Metallurgy and Petroleum** definitions ("CIM Standards").

The Moss Lake Inferred Mineral Resource estimate to 840 ft or 256 m vertical as of November 15, 2006 is documented below. Both the Main Zone and QES Zone are open at depth. This estimate was prepared using a WGM-generated block model and excludes all blocks with a grade below 0.001 opt Au.

**Moss Lake Inferred Mineral Resource**  
**Prepared by WGM (using a 0.015 opt Au cutoff and 0.300 opt Au top cut)**

Zone	Tons	opt Au	Contained Ounces Au	Metric Equivalent (tonnes & g AU/t)
Main Zone	27,362,000	0.024	663,000	24,829,000 @ 0.823
QES Zone	28,752,000	0.030	852,000	26,091,000 @ 1.029
<b>Total Inferred</b>	<b>56,114,000</b>	<b>0.027</b>	<b>1,515,000</b>	<b>50,920,000 @ 0.926</b>

The Moss Lake deposit area saw a large amount of detailed geoscientific work, in particular diamond drilling, check assaying and two twinned drill holes, all in addition to an underground exploration

program, between 1983 and 1992. Because of this, it is WGM's opinion that the Inferred Mineral Resource could be upgraded to Indicated and/or Measured with modest effort. Such work would include a comprehensive program of re-sampling and assaying of historic drill core, the drilling of infill holes on the QES Zone to reduce drillhole spacing, twinning several historic holes and carrying out further review of the geologic model. The results of this work would be integrated into the recently prepared block model.

The original Moss Lake or Snodgrass Lake gold showing discovery dates from the 1930s.

The property is underlain by the southwest portion of the Archean Shebandowan greenstone belt, which is comprised of metasedimentary and metavolcanic sequences of the Superior Province, Quetico and Wawa Subprovinces. These sequences are intruded by a variety of sills, dikes and stock-like bodies of gabbro, diorite, quartz diorite and feldspar and quartzfeldspar porphyries. The Moss Lake gold mineralization is largely hosted by sheared and altered diorite with lesser amounts related to intermediate to felsic pyroclastics. Elevated gold values are usually related to one or more of the following: a) brittle structural features such as shearing, fracturing or brecciation; b) calcite, calcite-quartz or quartz veining, or quartz flooding; c) elevated pyrite content with minor concentrations of chalcopyrite; d) rare fuchsite. Hematite alteration is common and widespread sericitization is diagnostic of the QES Zone.

**Tandem Resources Ltd. and Storimin Exploration Limited** ("Tandem/Storimin") acquired the property in 1982 and carried out extensive exploration programs including surface drilling and an underground exploration program via a ramp, between 1983 and 1989. A small deposit was outlined and the more widespread, disseminated sulphide-related gold mineralization, which became the focus of subsequent exploration programs, was recognized as an economic target.

**Central Crude Limited** ("CCL") optioned the property from Tandem/Storimin in 1990. Its exploration programs were managed and operated by Noranda Exploration Company, Limited ("Noranda") and further extensive surface drilling was carried out along with geophysical surveys, geochemical surveys and trenching along with metallurgical testwork, mineral resource estimates and preliminary economic studies. Noranda/CCL discovered and outlined the QES Zone located immediately to the east-northeast of the Main Zone where the Tandem/Storimin work had been concentrated. Noranda/CCL manually estimated a "resource" of 66,598,000 tons grading 0.030 opt Au to a depth of 800' for the combined Main and QES Zones (60,434,000 t grading 1.03 g Au/t to 244 m). WGM has neither audited this historic estimate nor made any attempt to classify it according to NI 43-101 standards or the CIM Standards. It is presented because MOK and WGM consider it to be relevant and of historic significance. The estimates should not be relied on. Noranda/CCL focussed on a high-tonnage operating scenario and concluded at the time that the project was uneconomic.

MOK was formed out of a reorganized CCL in 1994, acquired additional claims and the property now covers 3,092.63 ha. Between 1995 and 2004, MOK carried out a number of ground geophysical surveys and several diamond drilling campaigns. Some holes were infill holes on the Main and QES Zones and others tested induced polarization anomalies related to bedrock or soil geochemical gold occurrences elsewhere on the property. No new significant gold occurrences have been found, however, hole ML-04-23, designed to test the area of the north-south fault zone suspected of cutting off the Main Zone to the southwest cut two significant gold intersections, 1.110 g Au/t over 0.30 m and 1.322 g Au/t over 12.95 m including 4.060 g Au/t over 2.20 m. This positive result suggests that more work should be carried out in search of a continuation of the Main Zone to the southwest.

WGM is of the opinion that the Moss Lake property and the Main Zone and QES Zone are ones of merit and worthy of follow-up exploration and development programs. It is recommended that the first step in this process be a Preliminary Assessment of the economic viability of the project. This Preliminary Assessment would build on the detailed historic evaluation work carried out by Noranda/CCL and the recently prepared block model and Mineral Resource estimate. The assessment would take into account the significant increase in the price of gold in Canadian dollars since the historic studies and the general increase in the market value of undeveloped gold projects as they become less numerous.

Contingent on positive results coming out of the Preliminary Assessment, a second phase of work would consist of upgrading the Mineral Resource estimate as discussed above, carrying out additional drilling southwest of the Main Zone and beginning certain pre-development activities.

In consultation with MOK, WGM has prepared a work plan and budget for the property. Phase 1, in the amount of C\$70,000, will consist of a Preliminary Assessment. This largely desk-top study will focus on a high-throughput open pit gold mining and conventional processing operation. Capital and operating costs will be developed and a preliminary open pit design and optimization exercise undertaken. In concert with this process, an economic analysis, including a sensitivity analysis, will be carried out. In addition, permitting, transportation, environmental, power and general infrastructure issues will be reviewed in a preliminary manner to identify any items that require immediate, more detailed study in order to complete a reliable Preliminary Assessment.

Phase 2, in the amount of C\$1,050,000, would consist of the work required to upgrade the Mineral Resource estimate, additional drilling off the southwest end of the Main Zone and more detailed study of pre-development technical issues. Among these would be metallurgical testwork and development of a preliminary flowsheet, refinement of the pit design and optimization, the initiation of environmental baseline studies, a community relations program and a study to identify First Nations issues if any. In addition there would be a continuation in more detail of the transportation, environmental, power and general infrastructure issues studies carried out during the Preliminary Assessment. Permitting requirements will be studied in significant detail particularly as they relate to the possible diversion of Wawiag Creek and draining of Snodgrass Lake. To facilitate this study there is provision in the budget for a seismic survey to accurately determine the depth of overburden in these areas.

Although the Noranda/CCL studies of the early 1990s determined that the project was uneconomic it must be kept in mind that since then, more particularly in the last 12 months, the price of gold in Canadian dollars has increased dramatically. Even using a conservative price of US\$500/oz or C\$565/oz the price is 23% higher than that used in 1991. The Moss Lake property hosts a significant gold resource and merits renewed and continued study.

#### **4. 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, readers 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 plans 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 Québec, 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.

### *Income and Resource Taxes*

The provision for income and resource taxes is based on the liability method. Deferred taxes arise from the recognition of the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statements carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those deferred income tax assets that management believes will, more likely than not, fail to be realized. Wesdome is subject to federal income tax in Canada and is also subject to provincial income tax. The statutory combined corporate tax rate is approximately 33.5%. The Company is also subject to Quebec mining duties at a statutory rate of 12% and Ontario mining duties at a statutory rate of 10%.

### *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 quantity and quality of available data and of the assumptions made and judgments 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.

### *Gold Price Volatility*

The profitability of the Company's operations may be significantly affected by changes in the market price of gold and other mineral commodities. Metal prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of mineral commodities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political systems and developments. The price of mineral commodities has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

### *Currency Fluctuations*

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

### *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, there can be no assurance that it will obtain adequate financing in the future.

#### *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.

#### *Share Price Fluctuations*

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

#### *Title Matters*

The acquisition of title to mining claims and similar property interests is a detailed and time consuming process. Title to and the area of mining claims and similar property interests may be disputed. The Company has investigated title to all of its material mineral properties and obtained title opinions with respect thereto and, based upon such opinions, the Company believes that title to all of its material properties are in good standing; however, the foregoing should not be construed as a guarantee of title to those properties. Title to those properties may be affected by undisclosed and undetected defects.

#### *Dividend Policy*

The Company currently plans to retain all future earnings and other cash resources, if any, for the future operation and development of its business. Payment of any future dividends, if any, will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition, and current and anticipated cash needs.

#### *Operational Challenges*

The activities of the Company are subject to a number of challenges over which the Company has little or no control, but that may delay production and negatively impact the Company's financial results, including: increases in energy and fuel costs; higher insurance premiums; industrial accidents; labour disputes; shortages of skilled labour; contractor availability; unusual or unexpected geological or operating conditions; slope failures; cave-ins of underground workings; failure of pit walls or dams.

#### *Dilution to Common Shares*

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

## 5. DIVIDENDS

There is no restriction on the ability of the Company to pay dividends other than cash flow considerations. Dividend payments in the future will depend on the Company's ability to continue as a going concern and to generate earnings. The Company paid an initial dividend of \$0.05 per share in the fourth quarter of 1996, a dividend of \$0.03 per share in the fourth quarter of 1997 and \$0.04 per share in the fourth quarter of 1998. The Company has not paid a dividend since 1998.

## 6. CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value of which 99,676,659 shares were outstanding as at December 31, 2008.

The Common Shares of the Company rank equally as to dividends, voting rights (one per share) and the distribution of remaining assets of the Company upon liquidation, dissolution or winding-up of the Company. Holders of Common Shares have no pre-emptive rights, nor any right to convert their shares into other securities.

As at December 31, 2008, there were 2,594,250 shares issuable upon exercise of outstanding stock options of the Company.

On May 30, 2007, the Company completed a private placement of convertible debentures in the amount of \$11,539,000. 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. If converted, the minimum number of common shares issuable would be 3,550,461 and the maximum number would be 5,128,444.

## 7. MARKET FOR SECURITIES

The Common Shares are currently listed on the TSX under the symbol "WDO". The Post-Consolidation Shares commenced trading on the TSX on a post-consolidation basis at the opening of trading on February 6, 2006.

The following table summarizes the monthly trading history of Wesdome shares during the financial year ended December 31, 2008.

Month (2008)	High (Cdn \$)	Low (Cdn \$)	Close (Cdn \$)	Average Trading Volume
January	1.75	1.34	1.70	53,200
February	1.69	1.44	1.60	56,200
March	1.69	1.35	1.65	97,800
April	1.61	1.26	1.38	9,400
May	1.50	1.10	1.17	18,000
June	1.42	1.10	1.16	54,400
July	1.20	1.01	1.15	15,000
August	1.10	0.88	0.93	14,800
September	0.93	0.62	.079	143,100
October	0.85	0.40	0.70	40,000
November	0.82	0.43	0.78	68,800
December	1.15	0.70	1.15	148,700

## 8. DIRECTORS AND OFFICERS

### 8.1 Name, Occupation, Security Holding

The names, municipalities of residence, positions, principal occupations and the year they became directors, if applicable, of the directors and officers of the Company are as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Present Principal Occupation or Employment</u></b>	<b><u>Position with Company</u></b>	<b><u>Year became a Director</u></b>
Eldon Bennett <sup>(2)</sup> Toronto, Ontario	Managing Partner, Aird & Berlis LLP	Director	2006
Marc Blais <sup>(1)</sup> St-Lambert, Québec	President, Inter A World Mining	Director	2006
Roger W. Jolicoeur Val d'Or, Québec	Mining Consultant	Director	2006
Benoit Laplante Sherbrooke, Québec	Vice-President of Operations of the Company	Vice-President of Operations	n/a
George Mannard Toronto, Ontario	Vice-President of Exploration of the Company and President of Moss Lake Gold Mines Ltd.	Vice-President of Exploration	n/a
Brian Northgrave <sup>(2) (3)</sup> Ottawa, Ontario	Consultant	Director and Chairman of the Board	2007
Donald D. Orr <sup>(3)</sup> Toronto, Ontario	Secretary-Treasurer of the Company and Moss Lake Gold Mines Ltd.	Director and Secretary- Treasurer	1994
Donovan Pollitt <sup>(3)</sup> Toronto, Ontario	Vice-President of Corporate Development of the Company	Director and Vice-President of Corporate Development	2006
Hemdat Sawh <sup>(1)</sup> Toronto, Ontario	CFO, Crystallex International Corporation	Director	2009
A. William Stein <sup>(1)</sup> Belvedere, California	CFO and CIO, Digital Realty Trust	Director	2007
Rowland Uloth <sup>(2)</sup> Burlington, Ontario	R.W. Uloth, Inc. (consulting company)	Director and President	1999

(1) Audit Committee

(2) Compensation Committee

(3) Governance Committee

Each of the directors are appointed for a one year term expiring at each annual meeting of the shareholders or until their successors are elected or appointed.

Each of the officers and directors of the Company has held the principal occupation or employment referred to above for the preceding five year period except: Eldon Bennett who, prior to becoming Managing Partner of Aird & Berlis LLP, was a senior litigation partner with Aird & Berlis LLP, Marc Blais who, prior to becoming president of Inter A World Mining was president of Dynacor Mines Inc., Benoit Laplante, P.Eng. who, from

May 2004 to March 2007, was assistant mine manager at the Company's Eagle River mine, Donovan Pollitt who, prior to August 2004, was an Engineer In Training (EIT). Hemdat Sawh who, prior to becoming CFO of Crystallex International Corporation, served as CFO for Goldbelt Resources Ltd. and a principal at Grant Thornton LLP and A. William Stein who, prior to July 2004, was an independent consultant.

As at December 31, 2008, the directors and senior officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over, approximately 1,801,584 shares or 1.8% of the outstanding shares. The information as to Common Shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Company, has been furnished by the directors and senior officers directly.

## **8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

No director or executive officer of the Company, or any shareholder holding a sufficient number of common shares of the Company to affect materially control of the Company:

- (a) is, as at the date of this Annual Information Form or has been within the ten years preceding this date, a director or officer of any company that, while the person was acting in this capacity:
  - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (ii) was subject to an event that resulted, after such person ceased to be a director or officer of that company, in that company being the subject of a cease trade or similar order that denied that company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act as a director or officer of that company, that company became bankrupt, made a proposal under any legislation related to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or trustee appointed to hold its assets; or
- (b) has, within the ten years preceding the date of this Annual Information Form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold assets of that person.

## **8.3 Conflicts of Interest**

Certain directors of the Company also serve as directors of other companies involved in resource exploration, development and production (see section 1.2 "Inter-Corporate Relationships"). Consequently there exists the possibility that such directors will be in a position of conflict of interest. Any decision made by such directors involving the Company will be made in accordance with their duties to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare and refrain from voting on any matters in which they may have a material conflict of interest.

## **9. LEGAL PROCEEDINGS**

The Company is not a party to any material legal proceedings, and there are no material legal proceedings to which any of the Company's property is subject, and no such proceedings are known to the Company to be contemplated.

## **10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

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.

On February 15, 2006, the Company borrowed from Western Québec the sum of \$1,800,000 with interest at the rate of 8% per annum, payable semi-annually on August 15 and February 15 of each year. In conjunction with the Company's financing in March, 2006, Western Québec exercised its option to accept non-assessable treasury shares as full payment of the loan and interest. As a result, the Company issued 824,637 common shares at a price of \$2.20 per share to Western Québec.

During 2006 and 2007, Western Québec charged the Company fees in the amount of \$615,371 and \$418,230, respectively, for professional services performed in the normal course of operations and measured at exchange amounts. These fees ceased with the merger.

Other than the foregoing, no director or executive officer of the Company, nor any other person or company controlling more than 10% of the outstanding Common Shares, has had any transactions which may be deemed to have materially affected the Company within the last three financial years.

## **11. TRANSFER AGENTS AND REGISTRARS**

Computershare Trust Company of Canada in Toronto, Ontario, is the transfer agent and registrar for the Common Shares.

## **12. MATERIAL CONTRACTS**

During the most recently completed financial year the Company did not enter into any contracts, besides those entered into in the ordinary course of business, that may be considered to be material to the Company.

## **13. INTERESTS OF EXPERTS**

Under the definitions of NI 43-101, the Company is deemed to be a "Producing Issuer" and is therefore exempt from certain independent reporting requirements. As such, all references in this report to geoscientific observations and mineral reserves and resources estimates are the responsibility of George Mannard, P. Geo. a licensed geoscientist in the Province of Ontario and "Qualified Person" as per NI 43-101. Mr. Mannard is an officer of the Company (Vice-President, Exploration) and at the date of this report beneficially owned 46,400 Common Shares or less than one percent.

## 14. AUDIT COMMITTEE INFORMATION

The Audit Committee is comprised of three members of the Board of Directors: Marc Blais, who is also the Chairman of the Audit Committee, Hemdat Sawh and A. William Stein. Each of the members of the Audit Committee is independent as required by National Instrument 52-110 – *Audit Committee* and each is financially literate. The relevant education and experience of each audit committee member is outlined below and the text of the audit committee charter is attached hereto as Schedule “A”.

### *Relevant Education and Experience*

Marc Blais: Mr. Blais is the President of Inter A World Mining, is a certified public accountant and was on the board of Old Wesdome from 1993 until the Merger. From 1988 to 1993 he worked as senior CGA and as a financial planner and consultant. Earlier on in his career he worked as an accountant in various assignments.

Hemdat Sawh: Mr. Sawh is currently the Chief Financial Officer of Crystallex International Corporation (“Crystallex”), a mining company listed on the Toronto Stock Exchange. Mr. Sawh is a Chartered Accountant, and holds an MBA degree in Accounting from York University, a Bachelor of Science degree in Geology from Concordia University and a Graduate Diploma in Geology from McGill University. Mr. Sawh has over 16 years of accounting and auditing experience at Grant Thornton LLP, culminating in the position of Principal, where he acted as lead supervisor for auditing teams of businesses with a concentration in publicly-listed mining companies. Mr. Sawh also served as CFO for Goldbelt Resources Ltd for up to two years prior to joining Crystallex.

A. William Stein: Mr. Stein is the Chief Financial and Investment Officer of Digital Realty Trust. He has more than 30 years of investment, financial and operating management experience in both large company environments and small, rapidly growing companies. Prior to joining Digital Realty, he provided turnaround management advice to both public and private companies. He received a B.A. degree from Princeton University, a J.D. degree from the University of Pittsburgh and an M.S. degree with distinction from the Graduate School of Industrial Administration at Carnegie Mellon University.

### *Reliance on Certain Exemptions*

At no time since the commencement of the Company’s most recently completed financial year has the Company relied on any exemption described in items 4, 5 and 6 of Form 52-110F1 under MI 52-110.

### *Audit Committee Oversight*

At no time since the commencement of the Company’s most recently completed financial year have any recommendations by the Audit Committee respecting the appointment and/or compensation of the Company’s external auditors not been adopted by the Board of Directors of the Company.

### *Pre-Approval Policies and Procedures*

The Company has not adopted any specific policies in relation to the engagement of non-audit services.

### *External Auditor Service Fees (By Category)*

The following table provides the fees charged by Grant Thornton LLP, the Company’s external auditor, relating to fiscal 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Audit Fees	\$ <b>124,980</b>	\$ 155,000
Audit Related Fees	<b>28,829</b>	77,684
Tax Fees	-	-
All Other Fees	<u>-</u>	<u>-</u>
	<u>\$ <b>153,809</b></u>	<u>\$ <b>232,684</b></u>

## 15. ADDITIONAL INFORMATION

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.wesdome.com](http://www.wesdome.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal shareholders and securities reserved for issuance under equity compensation plans is contained in the Company's management proxy information circular, which is mailed to registered shareholders with the Company's 2007 Annual Report. Additional financial information and management's discussion and analysis of financial results is provided in the Company's 2007 Annual Report.

The Company's administrative office is at 8 King Street East, Suite 1305, Toronto, Ontario, M5C 1B5. The telephone number is 416-360-3743.

## **SCHEDULE A**

### **Wesdome Gold Mines Ltd. (the “Company”) Charter for the Audit Committee**

#### **1. Purpose**

The Audit Committee (the “Committee”) is ultimately responsible for the policies and practices relating to integrity of financial and regulatory reporting, as well as internal controls to achieve the objectives of safeguarding of corporate assets, reliability of information, and compliance with applicable policies and laws. The Committee will also be responsible for identifying principal risks of the business and ensuring that appropriate risk management techniques are in place.

The Committee charges management with developing and implementing procedures to:

- (a) ensure internal controls are appropriately designed, implemented and monitored; and
- (b) ensure reporting and disclosure of required information are complete, accurate, and timely.

The Committee will make recommendations to the Board of Directors regarding items relating to financial and regulatory reporting and the system of internal controls in discharging its responsibilities as described in this Charter.

#### **2. Constitution and Membership**

(a) The Board will appoint the Committee. It will be comprised of three Directors, all of whom will be independent and free of any relationship that, in the opinion of the Board, would interfere with their exercise of independent judgment as Committee members. The Board may remove or replace a member at any time. A member will cease to be a member upon ceasing to be a Director.

(b) All members of the Committee will be “financially literate” as defined by applicable guidelines. If, upon appointment, or following adoption of this Charter, a member of the Committee is not financially literate, such member will be provided a three month period in which to achieve the required level of financial literacy.

(c) The Board will appoint the Chairman of the Committee. The Committee will appoint the Corporate Secretary or his designate as Secretary at each meeting. The Secretary will keep minutes of each meeting, which will be distributed to the Board.

(d) The external auditors of the Company (the “Auditors”) will report directly to the Committee.

#### **3. Meetings**

(a) Meetings of the Committee will be held at such times and places as the Chairman or Secretary may determine, but in any event at least four times per year. Each member will be given twenty-four (24) hours advance notice of each meeting, either orally, by telephone or by facsimile, together with an agenda, unless all members are present and waive notice, or unless those absent waive notice before or after a meeting.

(b) A majority of members of the Committee will constitute a quorum. Decisions of the Committee will be made by affirmative vote of the majority. Powers of the Committee may also be exercised by resolution in writing signed by all the members of the Committee.

(c) At the request of the Auditors, the President, the Chief Financial Officer, or a member of the Committee, the Chairman will convene a meeting of the Committee.

(d) The Committee will have access to the Auditors and management of the Company, each in the absence of the other, for purposes of performing its duties.

(e) The Auditors will be notified of all meetings of the Committee and may attend if so requested by a member of the Committee.

#### **4. Specific Responsibilities**

The Committee will have the following specific duties and responsibilities:

##### **Responsibilities in Relation to External Audit**

(a) The Committee will recommend to the Board the Auditors to be retained for purposes of preparing or issuing the auditor's report or performing other audit, review or attest services for the Company, and will further recommend the level of compensation of the Auditors.

(b) The Committee will oversee the work of the Auditors, including the resolution of disagreements between management and the Auditors regarding financial reporting.

(c) The Committee will review the Auditors' management letter and management's response thereto.

(d) The Committee will ensure that the Auditors are in good standing with the Canadian Public Accountability Board ("CPAB") and enquire if there are any sanctions imposed by the CPAB on the Auditors.

(e) The Committee will review and approve the Company's hiring policies regarding partners, principals, employees and former partners and employees of the Auditors.

(f) The Committee will ensure that the Auditors meet the rotation requirements for partners, principals and staff on the Company's audit.

(g) The Committee will pre-approve all non-audit services to be provided to the Company by the Auditors. The Committee may delegate to one or more of its members the authority to pre-approve non-audit services but pre-approval by such member or members so delegated shall be presented to the full Committee at its first scheduled meeting following such pre-approval.

##### **Other Responsibilities**

(h) The Committee will review the Company's quarterly and annual financial statements, management discussion and analysis, as well as annual and interim earnings, press releases and recommend such to the Board, prior to public disclosure of such information.

(i) The Committee will review and discuss with management and the Auditors the annual audited consolidated financial statements, including discussion of material transactions with related parties, accounting policies, as well as the Auditors' written communications to the Committee and to management.

(j) The Committee will ensure that adequate procedures are in place for the review and recommendation to the Board for approval, where appropriate, financial information extracted or derived from the Company's consolidated financial statements, financial information contained in any prospectuses, annual information forms, material change disclosures of a financial nature and similar documents and will periodically assess the adequacy of those procedures.

(k) The Committee will establish procedures for:

(1) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and

(2) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

(l) The Committee will understand the process utilized by the President and the Chief Financial Officer to comply with Multilateral Instrument 52-109, regarding the filing of interim and annual certificates.

(m) The Committee will undertake a process to identify the principal risks of the business and ensure that appropriate risk management techniques are in place. This will involve enquiry of management regarding how risks are managed.

(n) The Committee will review:

(1) the impact of proposed changes and new developments in generally accepted accounting principles and their impact on the consolidated financial statements of the Company;

(2) with management the procedures adopted to ensure compliance with the Company's code of business conduct; and

(3) the role, the activities and the results of the Company's internal business conduct.

(o) The Committee will review with management, the Company's internal accounting and financial systems and controls to ensure that the Company maintains:

(1) the necessary books, records and accounts in reasonable detail to accurately and fairly reflect the Company's transactions;

(2) effective internal control systems; and

(3) adequate processes for assessing the risk of material misstatement of the financial statements and for detecting control weaknesses or fraud.

(p) The Committee will direct and supervise the investigation into any matter brought to its attention within the scope of its duties, including the right to use outside consultants as deemed required.

(q) Perform such other duties as may be assigned to it by the Board of Directors from time to time or as may be required by applicable regulatory authorities or legislation.

(r) Report regularly and on a timely basis to the Board on matters coming before the Committee.

**5. Authority**

The Committee will have the authority:

(a) to engage independent counsel and other advisors as it determines necessary to carry out its duties;

(b) to set and pay the compensation for any advisors employed by the Committee, and

(c) to communicate directly with the Auditors and internal auditors, if employed by the Company.

**6. Oversight**

The responsibilities and powers of the Committee are set forth in this Charter, and it is not the responsibility of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate or are in accordance with the generally accepted accounting principles and applicable rules and regulations. The role of a Committee member who is identified as having accounting or related financial expertise, like the role of all Committee members, is to oversee the process, not to certify or guarantee the internal or external audit of the Company's financial information or public disclosure.

**7. Effective Date**

This Charter will come into effect on the date on which the Board approves it, which approval will be evidenced by the signature of the Secretary-Treasurer of the Company below.

Signed at Toronto, Ontario, on January 11, 2005

"Donald D. Orr"  
Secretary-Treasurer