

2005

Annual Report



Directors

Marc Blais*
St-Lambert, Québec

Paul Cregheur
Harricana Ouest, Québec

Roger W. Jolicoeur*
Dubuisson, Québec

Jean Martineau*
Blainville, Québec

Murray H. Pollitt
Toronto, Ontario

Barry G. Smith
Oakville, Ontario

**Audit committee member*

Officers

Murray H. Pollitt, P. Eng.
Chairman

Paul Cregheur
President

Donald D. Orr
Secretary-Treasurer

Senior Staff

Pierre H. Terreault, P. Eng.
Mine Manager

Paul Arscott
Chief Mine Geologist

Roger Toussaint
General Superintendent

Daniel Bouchard
Office Manager

Head Office

950, chemin Kienawisik
C.P. 268
Val-d'Or, Québec J9P 4P3
Telephone: (819) 738-4031
Fax: (819) 738-5452

Administration Office

8 King Street East
Suite 1305
Toronto, Ontario M5C 1B5
Telephone: (416) 360-3743
Fax: (416) 360-7620
e-mail: info@wesdomegoldmines.com

Listing

Canadian Venture Exchange (WDG)

Transfer Agent and Registrar

Computershare Investor Services Inc.
Montréal, Québec
Telephone: (514) 982-7591
Website: www.computershare.com

Auditors

Grant Thornton LLP
Toronto, Ontario

Legal Counsel

Pothier Valiquette
Montréal, Québec

Annual Meeting

The Annual Meeting of Shareholders will be held at
The Gallery, Toronto Stock Exchange, 130 King Street W., Toronto, Ontario M5X 1J2
on Friday, June 16th, 2006 at 4:00 p.m.

Message to **shareholders**

2005 was an evolutionary year for Wesdome. Highlights included continued underground development at the Kiena Mine Complex, successful exploration drilling of new zones and the exploration development towards both the Wesdome and Shawkey properties. Further to assembling an enviable combination of infrastructure, experienced personnel and a large, 3200 hectare contiguous land package in the Val d'Or mining camp, ongoing drilling and exploration at the Kiena mine proved up about 230,000 oz of resources, or over 4 years' production at our initial production rate.

In February 2006, Wesdome Gold Mines Inc. merged with River Gold Mines Ltd, creating Wesdome Gold Mines Ltd. Following the merger, the company successfully raised \$19.8 million to ensure the Company's vision of commencing commercial gold production at the Kiena Mine Complex. Upon recommencing commercial production in the third quarter 2006, the Company will pursue a strategy of growth through continued exploration and development of known resources within reach of both the Kiena Mine Complex and the Eagle River Mine.

At the Kiena Complex, the North Drift (at 520 metres) has enabled us to conduct serious exploration on the VC Zone approximately 500 metres north of the shaft. As has been disclosed in press releases over the past year, this work has indicated significant resources of good grade and substantial widths which remain open at depth. Further work has been completed on the North Zone and the 388 Zone from the 330 metre level, and resources are growing.

Progress has also been made at Kiena on the East Drift (at 330 metres). Development crews recently drifted into the Martin Zone (from which Shawkey produced ore in the 1930s) and will eventually drift out to the 22 zone, which was discovered by a previous operator in about 1980. Initial results from the Martin Zone look encouraging and ongoing exploration will establish the overall grade and width of the structure.

We remind shareholders that the mining, milling and tailings complex at Kiena is fully equipped and permitted. Our company has assembled a package of land and assets with dozens of known targets with the objective of adding value through new discoveries. The game plan is to put the mine into operation, generate profits and use cash flow to develop more and more zones.

2005 was a very tough year for River Gold (now Wesdome Gold) and its Eagle River mine. Ten years of pretty flat \$Cdn gold prices in the face of much higher costs did a lot of damage to Eagle River as well as the Canadian gold mining industry as a whole. Blocs of ore reserves were rendered uneconomic by events and in September we cut both production and reserves roughly in half.

The \$100 (Cdn) per ounce improvement in the gold price since then has given Eagle River some breathing room and the task of rebuilding both reserves and production has begun. The Eagle River remains a new, wide open and relatively unexplored camp with many targets – and it's all Wesdome's.

Wesdome has been encouraged by recent improvements in the gold market and believes that the gold market will improve appreciably, with Wesdome providing investors exposure to a growing production profile in a strengthening gold market. Wesdome also provides shareholders a management team that has extensive experience in mining and mine development. We are in the right place, we know how to raise capital and we know how to build mines.

As mentioned, the recent financing has put us in position to capitalize on our vision. We are well on our way to being a sizeable junior gold miner, and recognition of this is permeating the investment community. We would also like to thank all of our shareholders, staff and miners for sharing our vision and putting us in a great position in a great gold market.

On behalf of the Board of Directors,



Paul Cregheur
President
March 23, 2006

GENERAL

In 2003, the Company consolidated its land position in the Val d'Or mining camp. The Kiena acquisition, with its strategic central location and mining and milling infrastructure, was the catalyst for renewed development of this promising tract which had been hampered for decades by a fragmented ownership structure. In 2004, a major new era of underground exploration and development got underway on a land package covering some 100 square kilometres and including eight former underground operations. In 2005, exploration succeeded in delineating 230,000 oz of resources, and ongoing development paved the way for production in 2006.

The Val d'Or-Malartic gold camp has produced over 20 million ounces in its 70 year history and we plan to add to this starting in the second half of 2006.

KIENA MINE COMPLEX

Having acquired the property, mining infrastructure, mining equipment, mill and tailings pond in December, 2003, the Company rapidly assembled a mining team and commenced two drifts. One is headed north towards the Wesdome A zone on the 520 metre level and will progressively drill off and develop the VC zone, North zone and 388 zone along the way. The second is heading east towards the Shawkey property on the 330 metre level to provide primary development and an underground evaluation of the Martin and 22 zones.

Early drill results from the VC zone exceeded expectations, prompting management to focus on defining and developing mining blocks for early production in the VC, North and 388 zone areas. A cross-cut on the 520 metre level provided access to open up the VC Zone on this level and it demonstrates a strikelength of 60 metres, average true width of 16.2 metres and a weighted average grade of 8.26 grams of gold per tonne. These stellar results give us confidence in the potential to improve on current 43-101 resource estimates as of April, 2005. Where measured and indicated resources stood at 1,429,000 tonnes grading 4.5 grams of gold per tonne. Resource estimates will be updated upon completion of ongoing work.

When mining operations were suspended in 2003, measured and indicated resources stood at 3,010,000 tonnes grading 4.25 gAu/tonne or 410,000 ounces of contained gold. Independently audited and updated resource estimates will be published as they become available.

WESDOME PROJECT

Previous work at Wesdome includes over 460 drill holes which have identified at least 12 gold bearing vein systems. The most advanced of these is the Wesdome A zone which hosts indicated and inferred resources of 760,000 tonnes grading 5.2 grams of gold per tonne. Indicated resources stand at 145,000 tonnes grading 5.4 grams of gold per tonne and inferred resources at 615,000 tonnes grading 5.1 grams of gold per tonne. Resources are located primarily above a depth of 300 metres. More widely spaced drilling has encountered encouraging results both below and to the east of existing resources. Furthermore, numerous good drill intersections have been identified

in other structures in proximity to the A zone and elsewhere on the property. Underground exploration and development are required to unravel the geometry of this large mineralized system. Initial work will target the A zone and progressively examine the grade and continuity of peripheral structures.

The plan is to drift to the Wesdome property from the Kiena mine, a distance of three to four kilometres. Once the drift is in place we will complete the shaft on Island 3 (where a hoist is already installed), build a one kilometre causeway (subject to permitting) and arrange to place waste on the north shore (already permitted) and send ore south to the Kiena mill.

Drifting north to Wesdome will resume in 2006 on the 520 metre level. This drift will cross cut the stratigraphy opening up considerable new exploration potential.

SISCOE MINE PROPERTY

The Siscoe mine was Val d'Or's first and richest gold mine producing 883,000 ounces of gold from ore grading 9.0 grams of gold per tonne between 1929 and 1949. Production came from above 600 metres depth.

In 1997, deep drilling cut high-grade quartz veins at a depth of 800 metres. Grading up to 21.4 grams of gold per tonne along a core-length of 3.6 metres, these results demonstrate a potential repetition of the veins at depth. When Wesdome becomes functional, it will only be a matter of time before we drift east to explore Siscoe.

SHAWKEY PROPERTIES

The Shawkey property is located on a peninsula of the south part of the De Montigny Lake approximately 1.5 kilometres east of the Kiena mineshaft. The Shawkey property hosts extensive mineralization in the 22 zone which has been traced for 700 metres and to depths of 300 metres. The property also has several interesting targets such as the Martin zone which has produced 149,000 tonnes grading 8 gAu/tonne decades ago when Shawkey was a producing mine. In 2006, we will establish access to the 22 zone on the 330 metre level in order to determine its continuity and grade and estimate resources and establish a drilling drift to systematically test the Martin Zone structure along a 1.5 kilometre strikelength.

MCKENZIE BREAK PROPERTY

The McKenzie Break property consists of ten mining claims in the Townships of Fiedmont and Courville, Québec. The property is located 30 kilometres north of Val d'Or. The property has indicated resources of 186,000 tonnes grading 10 gAu/tonne at shallow depths. Infill and stepout drilling completed in 2004 essentially confirmed the discrete nature of this resource. Although road access was established and permitting work is well advanced, we have decided to put this project on hold due to encouraging results obtained at Kiena.

FOR THE YEAR ENDED DECEMBER 31, 2005

The following discussion and analysis of the operations, results, and financial position of Wesdome Gold Mines Inc. (the "Company") for the year ended December 31, 2005 should be read in conjunction with the December 31, 2005 audited financial statements and their related notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The effective date of this report is March 24, 2006.

All amounts are expressed in Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

Except for historical information, this Management's Discussion and Analysis ("MD&A") may contain forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievement expressed or implied in such forward looking statements.

BUSINESS OVERVIEW

Wesdome Gold Mines Inc. was created in 1999 by consolidating certain property interests of Western Québec Mines Inc. ("Western Québec") and Dynacor Mines Inc. in the Val d'Or mining camp. In December 2003, the Company acquired the Kienna Mine Complex, the Shawkey and McKenzie Break properties from Western Québec and in 2004 purchased various underlying royalties on the Kienna Mine Complex from McWatters Mining Inc. The resulting land position includes mining and milling infrastructure and several promising zones of gold mineralization which may be explored and developed from existing infrastructure.

The Company's vision is to commence commercial gold production as soon as possible and pursue a strategy of growth through continued exploration and development of known resources within reach of the Kienna Mine Complex. The Company believes the gold market will continue to improve appreciably and its short and longterm vision is to provide investors exposure to a growing production profile in a strengthening gold market. The Company has extensive in-house experience in mining and mine financing. It has the expertise to raise capital and build gold mines.

The Company is a 42% owned affiliate of Western Québec Mines Inc.

SELECTED ANNUAL INFORMATION

(in thousands except loss per common share)	2005	2004	2003
Interest income	\$ 87	\$ 92	\$ 0.5
Net loss	1,278	772	115
Loss per common share	0.03	0.02	0.01
Total assets	47,490	43,379	31,496
Shareholders' equity	41,107	38,700	30,971

ANALYSIS OF EXPLORATION PROPERTIES

(in thousands)	The Wesdome Group	McKenzie Break	Total
Balance, Dec 31, 2004	\$ 29,023	\$ 2,810	\$ 31,833
Additions to property	76	(65)	11
Developing & stoping	1,855	-	1,855
Drifting	2,480	-	2,480
Underground services	522	-	522
Underground equipment	94	-	94
Technical services	1,596	-	1,596
Diamond drilling	1,324	45	1,369
Surface equipment	282	1	283
Maintenance	455	-	455
Surface buildings	33	21	54
Utilities	722	-	722
Shaft	586	-	586
Environmental	295	-	295
Project supervision	680	-	680
Amortization of exploration & mining equipment	270	-	270
Advance royalty payments	-	30	30
Bulk sample	533	-	533
Net proceeds from bullion produced	(365)	-	(365)
Mining duties credits	(2,668)	(40)	(2,708)
Administration fees	328	5	333
Balance, Dec 31, 2005	\$ 38,121	\$ 2,807	\$ 40,928

The exploration expenditures of the Wesdome Group by property are as follows:

(in thousands)	Kienna	Wesdome	Shawkey	Siscoe	Autre	Total groupe Wesdome
Balance, Dec 31, 2004	\$ 11,756	\$ 10,053	\$ 4,893	\$ 2,170	\$ 151	\$ 29,023
Additions to property	-	-	76	-	-	76
Developing & stoping	1,855	-	-	-	-	1,855
Drifting	2,480	-	-	-	-	2,480
Underground services	522	-	-	-	-	522
Underground equipment	94	-	-	-	-	94
Technical services	1,596	-	-	-	-	1,596
Diamond drilling	1,303	-	-	21	-	1,324
Surface equipment	282	-	-	-	-	282
Maintenance	455	-	-	-	-	455
Surface buildings	32	-	-	1	-	33
Utilities	722	-	-	-	-	722
Shaft	586	-	-	-	-	586
Environmental	295	-	-	-	-	295
Project supervision	680	-	-	-	-	680
Amortization of exploration & mining equipment	270	-	-	-	-	270
Advance royalty payments	-	-	-	-	-	-
Bulk sample	533	-	-	-	-	533
Net proceeds from bullion produced	(365)	-	-	-	-	(365)
Mining duties credits	(2,668)	-	-	-	-	(2,668)
Administration fees	326	-	-	2	-	328
Balance, Dec 31, 2005	\$ 20,754	\$ 10,053	\$ 4,969	\$ 2,194	\$ 151	\$ 38,121

The Wesdome Group of properties are contiguous and integrated in terms of infrastructure, development and the Company's long term strategy of progressive exploration and development from a central infrastructure. They are therefore being treated as one exploration/development/mining project and carried as such since 2004. This is a logical and pragmatic approach. These are not stand-alone properties. The origin of the various property names comprising the Wesdome Group is due to progressive property acquisitions of a previously fragmented ownership during the period 1945 to 2003. The Company believes that together the properties form a viable venture within the relatively high risk gold mining sector of the economy.

We continue to internally track costs in terms of the original property names due to subtle differences in underlying royalty structures, etc. but want to treat the Wesdome Group as a single mining venture. The carrying value of the Wesdome Group at year end 2005 was \$38 million which included a total of \$0.2 million for the combined Lamothe, Lamothe-Extension, Callahan and Yankee Clipper properties. Their carrying values are not material to our overall investment. This is primarily infrastructure investments that will be used in our proposed future mining ventures and were therefore not written down despite the apparent lack of activity.

ANALYSIS OF CORPORATE AND GENERAL EXPENSES

Year ended December 31	2005	2004
Stock transfer fees	\$ 17,345	\$ 36,058
Information technology	55,545	-
Shareholders' information	25,686	28,281
Promotion	77,841	32,662
Insurance	18,675	13,250
Filing fees	14,839	9,041
Office	257,867	148,815
Stock exchange fees	6,950	3,150
Professional fees	325,421	67,723
Directors fees	-	16,400
Miscellaneous	60,228	12,621
	\$ 860,397	\$ 368,001

As a result of the re-activation and the increased activity on the properties of Wesdome, corporate and general expenses have increased from \$368,001 for fiscal 2004 to \$860,397 for 2005. This reflects a full year of drilling and development work in 2005 compared to about a half a year in 2004.

SUMMARY OF QUARTERLY RESULTS

	2005			
	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
	As Amended			
Total revenue	\$ 25,110	\$ 10,228	\$ 25,332	\$ 26,033
Net loss	453,839	267,713	309,150	246,817
Loss per share – basic and diluted	0.01	0.01	0.01	0.00
Total assets (in thousands)	47,490	47,128	42,318	43,009
Shareholders' Equity (in thousands)	41,107	40,824	38,299	38,559
	2004			
Total revenue	\$ 23,648	\$ 12,852	\$ 23,176.1	\$ 32,109
Net loss	343,259	124,104	66,470	138,018
Loss per share – basic and diluted	0.02	0.00	0.00	0.00
Total assets (in thousands)	43,379	34,860	34,265	31,959
Shareholders' Equity (in thousands)	38,700	32,514	32,601	30,863

RESULTS OF OPERATIONS

In the fourth quarter of 2005, the Company recorded a net loss of \$453,839 or \$0.01 per share compared to a net loss of \$343,259 or \$0.02 per share in the fourth quarter of 2004. For fiscal 2005, the Company recorded a net loss of \$1,277,519 compared to a net loss of \$771,851 for 2004. As a result of the increased activity on the properties of Wesdome, corporate and general expenses have increased from \$368,001 for fiscal 2004 to \$860,397 for 2005. More specifically, the results of 2005 reflect a full year of increasing underground development and exploration compared to a half year's work in 2004 where the first half of the year involved putting an operating team together and the required rehabilitation work to commence underground development. For the fourth quarter of 2005, corporate and general expenses were \$220,613 compared to \$25,320 in 2004. The major expenditures for corporate and general in the fourth quarter of 2005 consisted of professional fees of \$158,000 for legal, financial, accounting and tax services. In 2004, the Company adopted the recognition of compensation expense for grants of stock options based on the estimated fair value at the grant date prospectively for new stock-based compensation awards. The result was an expense of \$53,898 for the fourth quarter of 2005 and \$269,987 for fiscal 2005 compared to \$348,139 for the fourth quarter of 2004 and \$453,216 for fiscal 2004 as a result of 210,000 and 1,220,000 stock options granted in 2005 and 2004, respectively.

At Wesdome's Kiena project, underground exploration and development work proceeded with the purpose of delineating known zones and providing development required for future production. Drilling drifts which will provide the dual purpose of future haulage ways were established to be in position to drill the VC, 388 and North zones and drilling is ongoing. The drift to the Shawkey property is three-quarters complete but is currently on hold awaiting the results of the development and exploration of known zones. A bulk sampling program is currently underway.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2005, current assets were \$4.2 million compared to \$8.8 million at year-end 2004. Current liabilities were \$2.8 million compared to \$2.6 million at year-end 2004. The current liabilities at year-end 2005 included \$2.7 million relating to exploration expenditures compared to \$2.5 million at year-end 2004. Working capital declined from \$6.3 million at year-end 2004 to \$1.3 million at year-end 2005 due to the timing in the raising of capital and the incurrence of the

exploration expenditures. In the fourth quarter of 2004, the Company raised over \$8.0 million of capital versus \$0.7 million of capital in the fourth quarter of 2005. During the first quarter of 2004, the Company was required to provide letters of guarantee in the amount of \$671,215 in respect of the future closure costs of the Kiena mine complex.

Year end balances of receivables at December 31, 2005, include a \$370,000 Mining Duties Refund claimed for fiscal 2004 which is presently being verified by the Ministry of Natural Resources. We anticipate a favourable outcome. Also included in receivables are accruals for a Mining Duties Refund and Quebec tax credit for fiscal 2005 in the amounts of \$725,000 and \$1,775,000 respectively.

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The foregone tax benefit is recognized at the time of the renouncement provided there is reasonable assurance that the expenditures will be incurred. The Company recorded \$1,450,000 and \$1,770,000 future income tax liability related to flow-through shares issued in 2005 and 2004, respectively, and reduced share capital accordingly.

During fiscal 2005, the Company:

- sold on a private placement basis 3,122,200 units at a price of \$1.50 per unit for gross proceeds of \$4,683,300. Each unit consisted of one flow-through common share and one-half of one common share purchase warrant with each warrant entitling the holder to purchase one non flow-through common share at a price of \$1.70 per share until August 10, 2006. Each unit has been apportioned \$1.26 to flow-through common share and \$0.24 to one-half of one common share purchase warrant.
- received gross proceeds of \$680,000 from the exercise of warrants.

In 2005 and 2004 the Company spent approximately \$9.0 million each year on its properties and for capital assets. In addition, in 2004, the Company re-purchased from McWatters Mining Inc. ("MMI") all of the royalty and production entitlements for cash consideration of \$2.2 million and the payment of approximately \$725,000 for certain obligations of MMI.

Looking forward, the Company completed its merger with River Gold Mines Ltd. and the newly formed company completed \$19.8 million equity financing on March 23, 2006. This financing will provide the funds necessary to advance the Kiena project to commercial production.

MERGER WITH RIVER GOLD MINES LTD. SUBSEQUENT TO THE YEAR END

On February 1, 2006, Wesdome Gold Mines Ltd. ("New Wesdome") completed the merger of Wesdome Gold Mines Inc. ("Old Wesdome") and River Gold Mines Ltd. ("River Gold") to form New Wesdome. New Wesdome's common shares commenced trading over the facilities of the Toronto Stock Exchange on February 6, 2006 under the symbol "WDO". This followed the de-listing of the common shares of Old Wesdome from the TSX Venture Exchange, which occurred at the close of business on February 3, 2006.

The Merger involved the amalgamation of Old Wesdome with a wholly-owned subsidiary of River Gold (the "Amalgamation"). Immediately prior to the Amalgamation, River Gold filed articles of amendment (i) changing its name to "Wesdome Gold Mines Ltd." and (ii) consolidating the outstanding River Gold common shares on the basis that 1.538461538 of a common share of River Gold (each a "Pre-Consolidation River Share") became one post-consolidation River Gold common share (each a "New Wesdome Share"); i.e. each Pre-Consolidation River Gold Share became 0.65 of a New Wesdome Share. Upon the Amalgamation, each common share in the capital of Wesdome was exchanged for a New Wesdome Share and the shareholders of Old Wesdome became shareholders of the combined entity.

On March 3, 2006, New Wesdome filed a preliminary short form prospectus in connection with a market offering of common shares (the "Offering") by a syndicate of underwriters led by CIBC World Markets Inc.

On March 23, 2006, New Wesdome completed a public offering of 9,000,000 common shares at a price of \$2.20 per share for gross proceeds of \$19,800,000. The Offering was completed by way of a short form prospectus through a syndicate of underwriters led by CIBC World Markets Inc. (the "Underwriters"). The Underwriters also have an option to purchase up to an additional 1,350,000 common shares for a period of 30 days after the Closing.

The net proceeds of the Offering will be used by New Wesdome toward completion of Phase I of the underground exploration and development plan for the Kienna mine property (as noted in the joint management circular of River Gold Mines Ltd. and Wesdome Gold Mines Inc. dated December 29, 2005 under the heading "Summary of Wesdome Technical Report") and, if warranted, toward the completion of Phase II, for continued resource drilling and for general working capital purposes.

TRANSACTIONS WITH RELATED PARTIES

Under the terms of the management agreement which expired May 31, 2005, Western Québec, as manager, provided technical and administrative support and carried out annual exploration programs on the Company's exploration properties. Western Québec was entitled to an administrative fee, expressed as a percentage of allowable costs (as defined and including capital expenditures) of 7.5% during the exploration phase, 5% during the development and preproduction phase and 2.5% after commencement of commercial production. Administrative fees charged in 2005 and 2004 amounted to \$333,293 and \$427,530, respectively, all of which were charged to exploration expenditures.

In fiscal 2005, Western Québec charged the Company \$241,570 (2004: nil) for professional services which was charged to corporate and general expense. These transactions were in the normal course of operations and were measured at the exchange amounts.

Payables and accruals at December 31, 2005 and 2004, include \$437,174 and \$396,146, respectively, due to Western Québec.

Payables and accruals at December 31, 2005, include \$38,609 due to River Gold Mines Ltd. ("River Gold") for reimbursement of expenses and at December 31, 2004, include \$169,861 for the purchase of equipment for \$130,000 and reimbursement of expenses. These transactions were in the normal course of operations and were measured at market value. The Company is related to River Gold through common management.

Capital stock share issue costs include \$60,883 (2004: nil) of agency fees paid to a company controlled by a Director. This company also received broker warrants to purchase 40,589 non flow-through common shares at a price of \$1.50 per share at any time until August 10, 2006.

RESOURCES

Various resource estimates have been made by previous operators. In 2005, the Company engaged Geologica Groupe-Conseil to provide an independent 43-101 Technical Report on the Wesdome group of properties. This report was filed on SEDAR in April, 2005 and discusses in detail historic estimates and the history and geology of the properties. Resource estimates were compiled that comply with requirements defined by the Canadian Securities Administrators in National Instrument 43-101.

Kienna:

Measured Resources	679,000 tonnes at 4.4 gAu/tonne
Indicated Resources	750,000 tonnes at 4.5 gAu/tonne
<u>Total</u>	<u>1,429,000 tonnes at 4.5 gAu/tonne</u>

Measured resources have been drilled at 15 metre spacings and indicated resources have been drilled at 30 metre centres. Block modelling methods employing Datamine software were applied using cut off grades of 2.4 gAu/tonne for longhole mining blocks and 3.0 gAu/tonne for cut and fill mining blocks. High grades have been cut to 34.28 gAu/tonne and a dilution factor of 15 percent at zero grade has been applied.

Wesdome A Zone:

Indicated Resources	145,000 tonnes at 5.4 gAu/tonne
Inferred Resources	615,000 tonnes at 5.1 gAu/tonne

These estimates employed longitudinal polygonal methods, 25 metre sphere of influence and a cut off grade of 3.5 gAu/tonne. They reflect in-situ or undiluted grades and tonnages.

The above listed results have been audited and compiled by Independent Qualified Persons Alain-Jean Beaugard, Geol. and Daniel Gaudreault, P.Eng. of Geologica Groupe-Conseil.

CRITICAL ACCOUNTING ESTIMATES

The Company has not yet determined whether its exploration properties contain reserves that are economically recoverable. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production there from or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. Management conducts periodic reviews of its mineral properties to determine if write-downs are required. Management estimated that no write-downs were required in 2005.

The Company estimates its future closure costs for the Kienna mine and mill to be about \$1.0 million. The Company has provided \$0.7 million letters of credit to be held against these environmental obligations. In the first quarter of 2004, the Company recorded \$304,000 as a retirement asset and a respective increase in site reclamation obligations and at year-end the obligations were \$354,000.

Significant estimates and assumptions include also those related to the estimated useful lives of capital assets and the variables used in the determination of stock compensation expense. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

The Black Scholes option valuation model used by the Company to determine fair value of options and warrants, was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants granted during the year.

ENVIRONMENT

Wesdome is committed to a program of environmental protection at their exploration sites. The Company was in compliance with government regulations in 2005. Although the ultimate amount of reclamation and closure costs is uncertain, the Company estimates its future closure costs for the Kienna mine, mill and tailings pond to be about \$1.0 million. The Company has provided \$0.7 million letters of credit to be held against these future environmental obligations.

RISKS AND UNCERTAINTIES

The profitability of Wesdome is affected by business risks including the gold price and foreign exchange rates. Since gold is quoted in U.S. dollars and operating costs are in Canadian dollars, changes in the U.S. - Cdn. currency rates will have an impact on future earnings.

The Company's development and exploration projects are affected by various laws and regulations, including those which cover environmental, health and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Company to maintain safe working conditions at all of its work sites, comply with health and safety legislation, maintain equipment and premises in safe condition and ensure that all employees are trained and comply with safety procedures.

SUMMARY OF SHARES ISSUED

As of February 1, 2006, and immediately prior to the Amalgamation, the Company's share information is as follows:

Common shares issued	46,455,982
Common share purchase options	1,300,000
Common share purchase warrants	1,764,043

ANNUAL INFORMATION FORM

The Company's current and previous years' Annual Information Forms (AIF) and other corporate information can be found on our web site www.wesdome.com and on Sedar www.sedar.com.

OUTLOOK

Work progresses on Wesdome's Kienna project in preparation for production. The recently completed financing will permit production to commence in the second half of 2006 for forecast production of 20,000 ounces in 2006 and 50,000 in 2007.

The gold price has risen \$100 CDN per ounce since December 1, 2005 and it looks like our timing to bring new production on-stream will be very opportune.

The accompanying consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the management of the Company. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimate and judgement based on currently available information.

Management is also responsible for a system of internal control which is designed to provide reasonable assurance that assets are safeguarded, liabilities are recognized and that the accounting systems provide timely and accurate financial reports.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities in respect of financial reporting and internal control. The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee reviews the annual consolidated financial statements before they are presented to the Board of Directors for approval.

The Company's independent auditors, Grant Thornton LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada, and their report follows.

Toronto, Canada
April 7, 2006



Donald D. Orr
Secretary-Treasurer

AUDITORS' REPORT

To the Shareholders of Wesdome Gold Mines Inc.

We have audited the consolidated balance sheets of Wesdome Gold Mines Inc. as at December 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
April 7, 2006



Grant Thornton LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEETS



December 31	2005	2004
Assets		
Current		
Cash	\$ 127,767	\$ 6,787,440
Term deposits	32,448	14,482
Receivables (Note 3)	3,991,343	2,040,635
	4,151,558	8,842,557
Funds held against letters of guarantee (Note 5)	671,215	671,215
Capital assets (Note 4)	1,738,704	2,032,249
Exploration properties (Note 5)	40,928,196	31,832,767
	\$ 47,489,673	\$ 43,378,788
Liabilities		
Current		
Payables and accruals	\$ 2,808,720	\$ 2,580,602
Reclamation obligation	354,000	328,000
Future income taxes (Note 11)	3,220,000	1,770,000
	6,382,720	4,678,602
Shareholders' Equity		
Capital stock (Note 6)	42,204,970	39,652,023
Common share purchase warrants (Note 9)	749,328	-
Contributed surplus (Note 10)	920,549	538,538
Deficit	(2,767,894)	(1,490,375)
	41,106,953	38,700,186
	\$ 47,489,673	\$ 43,378,788

Subsequent events (Note 19)

On behalf of the Board

Murray H. Pollitt
Director

Paul Cregheur
Director

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

WESDOME

Years Ended December 31	2005	2004
Interest income	\$ 86,703	\$ 91,785
Expenses		
Corporate and general	860,397	368,001
Stock compensation expense	269,987	453,216
Interest	189,717	3,971
Amortization of office equipment	18,121	14,448
Accretion of reclamation obligation	26,000	24,000
	1,364,222	863,636
Net loss	(1,277,519)	(771,851)
Deficit, beginning of year	(1,490,375)	(718,524)
Deficit, end of year	\$ (2,767,894)	\$ (1,490,375)
Loss per common share (Note 12)		
Basic and diluted	\$ (0.03)	\$ (0.02)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31	2005	2004
Increase (decrease) in cash and cash equivalents		
Operating activities		
Net loss	\$ (1,277,519)	\$ (771,851)
Stock compensation expense	269,987	453,216
Amortization of office equipment	18,121	14,448
Accretion of reclamation obligation	26,000	24,000
	(963,411)	(280,187)
Net changes in non-cash working capital (Note 16)	30,055	(98,495)
	(933,356)	(378,682)
Financing activities		
Common shares and warrants issued	4,864,299	9,817,911
Net changes in non-cash working capital (Note 16)	28,030	1,400,500
	4,892,329	11,218,411
Investing activities		
Exploration properties	(8,825,429)	(9,624,778)
Capital assets	5,424	(1,367,711)
Funds held against letters of guarantee	-	(671,215)
Net changes in non-cash working capital (Note 16)	(1,780,675)	419,553
	(10,600,680)	(11,244,151)
Net decrease in cash and cash equivalents	(6,641,707)	(404,422)
Cash and cash equivalents, beginning of year	6,801,922	7,206,344
Cash and cash equivalents, end of year	\$ 160,215	\$ 6,801,922

Supplemental disclosure (Note 16)

See accompanying notes to the consolidated financial statements.

1. THE COMPANY AND NATURE OF OPERATIONS

Wesdome Gold Mines Inc. (the "Company") is a publicly traded company, continued under Part 1A of the Companies Act (Québec) and its common shares are listed on the TSX Venture Exchange. On December 31, 2005 and 2004, approximately 42% and 45%, respectively, of the Company's common shares were owned by Western Québec Mines Inc. ("Western Québec"), a publicly traded company listed on The Toronto Stock Exchange.

The Company has not yet determined whether its exploration properties contain reserves that are economically recoverable. The recoverability of the carrying values of exploration properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production there from or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Wesdome Resources Limited.

Estimates, risks and uncertainties

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the year. Significant estimates and assumptions include those related to the recoverability of mineral properties and deferred exploration expenditures, estimated useful lives of capital assets, asset retirement obligations and stock compensation expense. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

The Black Scholes option valuation model used by the Company to determine the fair value of options and warrants, was developed for use in estimating the fair value of freely traded options. This model requires the input of highly subjective assumptions including future stock price volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants granted during the year.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid term deposits with original maturities of three months or less.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets used for exploration is capitalized to exploration properties. Amortization of the mill will commence when the property is put into commercial production.

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

Exploration and mining equipment	- 30% declining balance
Office equipment	- 20% straight line
Mill	- based on commercial production

Exploration and development properties

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

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

Impairment of long-lived assets

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

Asset retirement and reclamation obligation

Future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site have been recognized and recorded as a liability at fair value, assuming a credit adjusted risk-free discount rate of 8% and the expected timing of payment of the cash flows to settle the obligation was 15 years. The liability is accreted over time through periodic charges to operations. In addition, the asset retirement cost of \$304,000 was capitalized as part of the asset's carrying value and will be amortized over the asset's useful life. Subsequent to the initial recognition of the asset retirement obligation and associated asset retirement cost any changes resulting from a revision to either timing or amount of estimated cash flows are prospectively reflected in the year those estimates change.

During the year ended December 31, 2005, the accretion expense in relation to the liability was \$26,000 (2004 - \$24,000).

Stock-based compensation plan

The Company has adopted the recognition of compensation expense for grants of stock options to qualifying directors, officers, employees and consultants providing ongoing services to the Company or any subsidiary of the Company, based on the estimated fair value at the grant date prospectively for new stock-based compensation awards granted after January 1, 2003.

Flow-through shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The foregone tax benefit is recognized at the time of the renouncement provided there is reasonable assurance that the expenditures will be incurred. The Company recorded \$1,450,000 and \$1,770,000 future income tax liability related to flow-through shares issued in 2005 and 2004, respectively, and reduced the share capital accordingly.

Income taxes

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

Loss per common share

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

3. RECEIVABLES

	2005	2004
Mining duties refund and tax credits	\$ 2,870,000	\$ 1,320,000
Goods and services tax	650,361	287,297
Deposits	190,000	90,000
Prepaid	105,678	14,094
Other	175,304	-
Receivable from issue of common shares	-	126,000
Receivable from sale of equipment	-	172,538
Large corporation tax refund	-	30,706
	\$ 3,991,343	\$ 2,040,635

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 and 2004



4. CAPITAL ASSETS

	2005	2004
Cost		
Exploration and mining equipment	\$ 1,196,680	\$ 1,215,051
Office equipment	90,607	77,660
Mill	1,075,000	1,075,000
	2,362,287	2,367,711
Accumulated amortization		
Exploration and mining equipment	591,014	321,014
Office equipment	32,569	14,448
Mill	-	-
	623,583	335,462
Net book value		
Exploration and mining equipment	605,666	894,037
Office equipment	58,038	63,212
Mill	1,075,000	1,075,000
	\$ 1,738,704	\$ 2,032,249

5. EXPLORATION PROPERTIES

	The Wesdome Group	McKenzie Break	Total
Balance, December 31, 2003	\$ 19,344,413	\$ 2,238,562	\$ 21,582,975
Cost of property	1,954,985	-	1,954,985
Exploration expenditures	8,393,084	591,612	8,984,696
Asset retirement cost	304,000	-	304,000
Amortization of exploration and mining equipment	321,014	-	321,014
Mining duties refund and tax credits	(1,294,903)	(50,000)	(1,344,903)
Advance royalty payments	-	30,000	30,000
Balance, December 31, 2004	29,022,593	2,810,174	31,832,767
Exploration expenditures	11,860,603	7,773	11,868,376
Amortization of exploration and mining equipment	270,000	-	270,000
Mining duties refund and tax credits	(2,667,599)	(40,471)	(2,708,070)
Advance royalty payments	-	30,000	30,000
Net proceeds from bullion produced	(364,877)	-	(364,877)
Balance, December 31, 2005	\$ 38,120,720	\$ 2,807,476	\$ 40,928,196

THE WESDOME GROUP PROPERTIES

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

Kiena Mine Complex

The Kiena Mine Complex consists of the Kiena Mine concession, Kiena Mill, other mining assets and 165 mining claims in the Township of Dubuisson, Québec.

In December 2003, the Company acquired from Western Québec its right to purchase the Kiena Mine Complex from McWatters Mining Inc. ("MMI"). The value ascribed to Western Québec's right to acquire the Kiena Mine Complex was \$385,000 and the Company issued to Western Québec 350,000 shares at \$1.10 per share. Under the terms of the agreement with MMI, the Company paid the remaining \$2,800,000 to MMI. The Company also agreed to pay to MMI a 4% net smelter returns royalty ("NSR") in respect of ore processed at the Kiena Mill from certain defined resources within the Kiena complex properties and a 2% NSR in respect of other ore processed at the Kiena Mill from the Kiena complex properties. In addition, the Company agreed to make a cash payment of \$1,000,000 in the event that the Kiena Mill resumes commercial production and to make production payments of \$1.50 per tonne on the first 5 million tonnes of ore processed at the Kiena Mill and \$1.00 per tonne thereafter.

In 2004, the Company re-purchased from MMI all of the royalty and production entitlements for cash consideration of \$2.2 million and the payment of approximately \$725,000 for certain obligations of MMI.

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

Wesdome property

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

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

Shawkey properties

In December 2003, the Company acquired from Western Québec, the Shawkey and the Shawkey South properties which are contiguous to the Kiena Mine Complex and consist of four mining concessions and three mining claims, respectively, in Dubuisson Township, Québec. The acquisition price was determined by an independent valuator, which was settled by issuance of 4,300,000 shares of the Company at \$1.10 per share for a total consideration of \$4,730,000.

Siscoe and Siscoe-Extension properties

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

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

Other properties

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

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

MCKENZIE BREAK PROPERTY

In December 2003, the Company acquired from Western Québec, the McKenzie Break property consisting of ten mining claims in the Townships of Fiedmont and Courville, Québec. The acquisition price was determined by an independent valuator, which was settled by the issuance of 2,000,000 shares of the Company at \$1.10 per share for a total consideration of \$2,200,000.

6. CAPITAL STOCK

Authorized:

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

Issued:	Shares	Amount
Balance, December 31, 2003	36,159,617	\$ 31,604,112
Common shares, net of costs of \$40,944	1,110,000	1,846,056
Exercise of warrants, net of costs of \$24,041	4,664,165	6,505,790
Flow-through shares, net of costs of \$33,935	1,000,000	1,466,065
Tax benefits on renounced flow-through expenditures	-	(1,770,000)
Balance, December 31, 2004	42,933,782	39,652,023
Flow-through shares, net of costs of \$611,025	3,122,200	4,072,275
Value attributed to warrants on private placement	-	(749,328)
Exercise of warrants	400,000	680,000
Tax benefits on renounced flow-through expenditures	-	(1,450,000)
Balance, December 31, 2005	46,455,982	\$ 42,204,970

On April 23, 2004, Wesdome sold 1,110,000 units at a price of \$1.70 per unit for gross proceeds of \$1,887,000. Each unit consisted of one common share and one common share purchase warrant with each warrant entitling the holder to purchase one common share at a price of \$2.20 per share until April 23, 2005. These warrants were outstanding at December 31, 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 and 2004



On November 25, 2004, the Company sold on a private placement basis 800,000 units at a price of \$1.50 per unit for gross proceeds of \$1,200,000. Each unit consisted of one flow-through common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to purchase one common share at a price of \$1.70 per share until November 25, 2005. The 400,000 warrants were exercised during fiscal 2005.

On December 22, 2004, the Company sold on a private placement basis 200,000 flow-through common shares at a price of \$1.50 per flow-through share for gross proceeds of \$300,000.

On August 10, 2005, the Company completed a private placement for the sale of 3,122,200 Units at a price of \$1.50 for aggregate gross proceeds of \$4,683,300. Each Unit consists of one flow-through common share and one-half of one common share purchase warrant with each Warrant entitling the holder to purchase one non-flow-through common share upon payment of \$1.70 per common share at any time until August 10, 2006. Each unit has been apportioned \$1.26 to flow-through common share and \$0.24 to one-half of one common share purchase warrant.

In connection with the August 10, 2005 flow-through private placement, Wesdome issued 202,943 broker warrants to purchase 202,943 non flow-through common shares at a price of \$1.50 per share at any time until August 10, 2006. The broker warrants with a fair value of \$112,024, were charged to capital stock.

7. COMMON SHARE PURCHASE PLAN

The Company has a common share purchase plan under which the Board of Directors may grant options to purchase common shares to qualified directors, officers, employees and consultants providing on-going services to the Company or any subsidiary of the Company. The maximum aggregate number of common shares under option at any time pursuant to the Plan is set at 4,000,000 of which 2,700,000 are available to be issued.

8. WARRANTS

The following table reflects the continuity of warrants for the year ended December 31, 2005.

Expiry Date	Exercise Price	Number of common shares				Closing Balance
		Opening Balance	Issued	Exercised	Expired	
April 23, 2005	\$2.20	1,110,000	-	-	(1,110,000)	-
November 25, 2005	\$1.70	400,000	-	(400,000)	-	-
August 10, 2006	\$1.70	-	1,561,100	-	-	1,561,100
August 10, 2006	\$1.50	-	202,943	-	-	202,943
		1,510,000	1,764,043	(400,000)	(1,110,000)	1,764,043

The following table reflects the continuity of warrants for the year ended December 31, 2004.

Expiry Date	Exercise Price	Number of common shares				Closing Balance
		Opening Balance	Issued	Exercised	Expired	
December 29, 2004	\$1.40	3,500,000	-	(3,175,000)	(325,000)	-
December 30, 2004	\$1.40	1,751,667	-	(1,489,165)	(262,502)	-
December 30, 2004	\$1.40	175,166	-	-	(175,166)	-
April 23, 2005	\$2.20	-	1,110,000	-	-	1,110,000
November 25, 2005	\$1.70	-	400,000	-	-	400,000
		5,426,833	1,510,000	(4,664,165)	(762,668)	1,510,000

9. COMMON SHARE PURCHASE WARRANTS

	Number of warrants	Total
Value attributed to warrants on private placement	1,561,100	\$ 749,328

The fair value of the 1,561,100 common share purchase warrants issued in 2005, have been estimated at \$749,328 using the Black Scholes model for pricing options. The following weighted average fair value per warrant of \$0.48 with an exercise price of \$1.70 per share was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 70%, risk-free interest rate of 4.5% and expected life of 1 year.

10. CONTRIBUTED SURPLUS

	Stock based compensation	Valuation of expired warrants	Fair value of broker warrants	Total
Balance, December 31, 2003	\$ -	\$ 85,322	\$ -	\$ 85,322
Stock based compensation	453,216	-	-	453,216
Balance, December 31, 2004	453,216	85,322	-	538,538
Stock based compensation	269,987	-	-	269,987
Value attributed to broker warrants	-	-	112,024	112,024
	\$ 723,203	\$ 85,322	\$ 112,024	\$ 920,549

The following table reflects the continuity for the years ended December 31, 2005 and 2004 of options granted under the plan.

	Shares		Weighted Average Exercise Price	
	2005	2004	2005	2004
Outstanding, beginning of year	1,220,000	-	\$ 1.40	\$ -
Granted	210,000	1,220,000	1.40	1.40
Exercised	-	-	-	-
Expired	(130,000)	-	(1.70)	-
Outstanding, end of year	1,300,000	1,220,000	\$ 1.37	\$ 1.40

The following information applies to options outstanding and exercisable at December 31, 2005.

Exercise Prices	Number Outstanding	Remaining Contractual Life	Number Exercisable
\$1.20	100,000	3.75 years	40,000
\$1.30	790,000	3.00 years	316,000
\$1.40	50,000	4.00 years	20,000
\$1.40	210,000	4.25 years	42,000
\$1.80	150,000	3.25 years	60,000
	1,300,000		478,000

The fair value of the options granted in fiscal 2005 and 2004 was estimated on the date of grant using the Black-Scholes option pricing model. For fiscal years 2005 and 2004 the weighted average fair value per share price of \$0.69 was calculated using the following weighted average assumptions: dividend yield of 0%, expected volatility of 79%, risk-free interest rate of 3.5% and expected life of 2.5 years.

The estimated fair value of the options is expensed over the vesting period. The fair value compensation and contributed surplus relating to stock options was \$269,987 for 2005 and \$453,216 for 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 and 2004



11. INCOME TAXES

The following table reconciles the expected income tax (expense) recovery at the statutory income tax rate to the amounts recognized in the consolidated statements of operations.

	2005	2004
Net loss reflected in consolidated statements of operations	\$ 1,277,519	\$ 771,851
Expected income tax recovery	396,000	239,000
Stock compensation expense	(85,000)	(141,000)
Accretion of reclamation obligation	(8,000)	(7,000)
Non-deductible expense	(3,000)	(1,000)
Valuation allowance	(300,000)	(90,000)
Income taxes	\$ -	\$ -

The following table reflects future income tax assets (liabilities) at December 31, 2005 and 2004.

	2005	2004
Future income tax assets (liabilities)		
Unclaimed non-capital losses	\$ 765,000	\$ 400,000
Excess of book value over tax base	(3,365,000)	(1,864,000)
Flow-through expenditures to be renounced	-	(93,000)
	(2,600,000)	(1,557,000)
Financing costs	163,000	77,000
Less valuation allowance	(783,000)	(290,000)
	\$ (3,220,000)	\$ (1,770,000)

At December 31, 2005, the Company had unclaimed capital cost, exploration and development expenditures of \$31,300,000, (2004: \$27,470,000) unclaimed financing costs of \$525,000 (2004: \$250,000) and non-capital losses of \$2,468,000 (2004: \$1,290,000) which are available to reduce future taxable income. The non-capital losses will expire as follows: 2006 - \$40,000; 2007 - \$200,000; 2008 - \$175,000; 2009 - \$180,000; 2010 - \$250,000; 2014 - \$445,000 and 2015 - \$1,178,000.

Flow-through shares

During 2005, under the terms of flow-through agreements, the Company issued 3,122,200 flow-through shares and are required to spend \$4,683,300 on qualifying exploration expenditures prior to December 31, 2006. As at December 31, 2005, the required amount has been spent.

During 2004, under the terms of flow-through agreements, the Company issued 1,000,000 flow-through shares and is required to spend \$1,500,000 on qualifying exploration expenditures prior to December 31, 2005. As at December 31, 2005, the required amount has been spent.

12. LOSS PER COMMON SHARE

The basic and diluted loss per common share is based on a weighted average number of shares outstanding of 44,196,452 for 2005 and 37,031,378 for 2004. The effect of common share purchase options and warrants on the net loss in 2005 and 2004 is not reflected as to do so would be anti-dilutive.

13. RELATED PARTY INFORMATION

Under the terms of the management agreement which expired May 31, 2005, Western Québec, as manager, provided technical and administrative support and carried out annual exploration programs on the Company's exploration properties. Western Québec was entitled to an administrative fee, expressed as a percentage of allowable costs (as defined and including capital expenditures) of 7.5% during the exploration phase, 5% during the development and preproduction phase and 2.5% after commencement of commercial production. Administrative fees charged in 2005 and 2004 amounted to \$333,293 and \$427,530, respectively, all of which were charged to exploration expenditures.

In fiscal 2005, Western Québec charged the Company \$241,570 (2004: nil) for professional services which was charged to corporate and general expense. These transactions were in the normal course of operations and were measured at the exchange amounts.

Payables and accruals at December 31, 2005 and 2004, include \$437,174 and \$396,146, respectively, due to Western Québec.

Payables and accruals at December 31, 2005, include \$38,609 due to River Gold Mines Ltd. ("River Gold") for reimbursement of expenses and at December 31, 2004, include \$169,861 for the purchase of equipment for \$130,000 and reimbursement of expenses. These transactions were in the normal course of operations and were measured at market value. The Company is related to River Gold through common management.

Capital stock share issue costs include \$60,883 (2004 - nil) of agency fees paid to a company controlled by a Director. This company also received broker warrants to purchase 40,589 non flow-through common shares at a price of \$1.50 per share at any time until August 10, 2006.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, term deposits, receivables, payables and advances. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Company estimates that the fair value of these financial instruments approximate the carrying values.

15. ENVIRONMENTAL RISKS

Wesdome is committed to a program of environmental protection at its exploration sites. Management believes that it was in compliance with government regulations in 2005. Although the ultimate amount of reclamation and closure costs is uncertain, the Company estimates its future closure costs for the Kiena mine and mill are estimated to be about \$1.0 million. The Company has provided \$0.7 million letters of credit to be held against these future environmental obligations.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	2005	2004
Net changes in non-cash working capital		
Operating activities		
Receivables	\$ (63,909)	\$ (38,154)
Payables and accruals	93,964	(60,341)
	\$ 30,055	\$ (98,495)
Financing activities		
Receivables	\$ 28,030	\$ 1,574,000
Payables and accruals	-	(173,500)
	\$ 28,030	\$ 1,400,500
Investing activities		
Receivables	\$ (1,914,829)	\$ (1,869,835)
Payables and accruals	134,154	2,289,388
	\$ (1,780,675)	\$ 419,553
Cash and cash equivalents consist of:		
Cash	\$ 127,767	\$ 6,787,440
Term deposits (interest rate of 2.63% (2004: 2.25%))	32,448	14,482
	\$ 160,215	\$ 6,801,922
Non-cash transactions:		
Asset retirement cost and obligation	\$ -	\$ 304,000
Amortization of exploration and mining equipment capitalized to exploration properties	\$ 270,000	\$ 321,014
Reduction in capital stock values resulting from tax benefits on renounced flow-through expenditures	\$ 1,450,000	\$ 1,770,000
Fair value of broker warrants charged to capital stock	\$ 112,024	\$ -

17. INDEMNITIES

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

18. COMPARATIVE FIGURES

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

19. SUBSEQUENT EVENTS**a. Amalgamation of Wesdome and River Gold**

On February 1, 2006, Wesdome Gold Mines Ltd. ("New Wesdome") completed the merger of Wesdome Gold Mines Inc. ("Old Wesdome") and River Gold Mines Ltd. ("River Gold") to form New Wesdome. New Wesdome's common shares commenced trading over the facilities of the Toronto Stock Exchange on February 6, 2006 under the symbol "WDO". This followed the de-listing of the common shares of Old Wesdome from the TSX Venture Exchange, which occurred at the close of business on February 3, 2006.

The Merger involved the amalgamation of Old Wesdome with a wholly-owned subsidiary of River Gold (the "Amalgamation"). Immediately prior to the Amalgamation, River Gold filed articles of amendment (i) changing its name to "Wesdome Gold Mines Ltd." and (ii) consolidating the outstanding River Gold common shares on the basis that 1.538461538 of a common share of River Gold (each a "Pre-Consolidation River Share") became one post-consolidation River Gold common share (each a "New Wesdome Share"); i.e. each Pre-Consolidation River Gold Share became 0.65 of a New Wesdome Share. Upon the Amalgamation, each common share in the capital of Wesdome was exchanged for a New Wesdome Share and the shareholders of Old Wesdome became shareholders of the combined entity.

b. Loan to Wesdome Gold Mines Ltd.

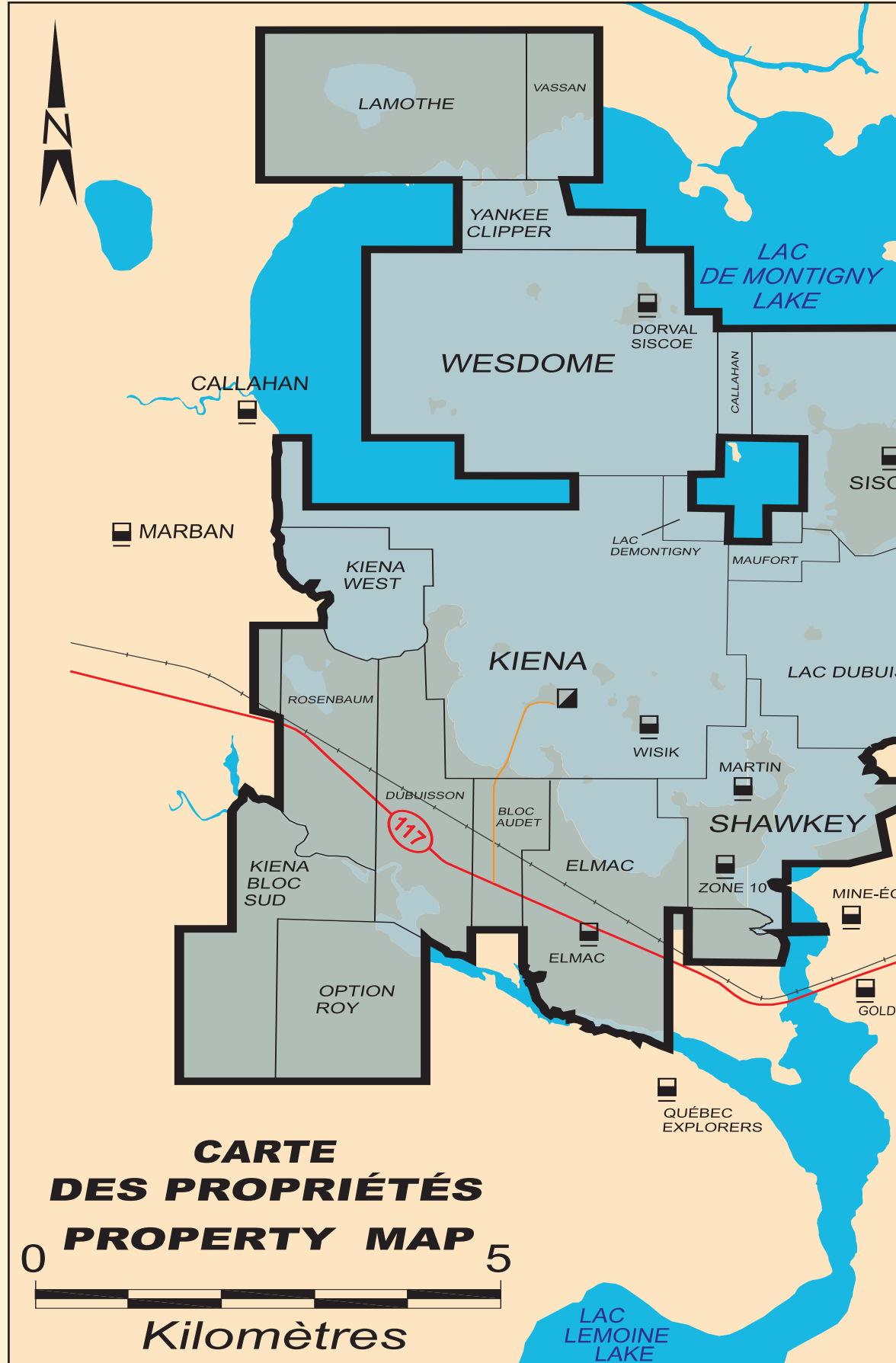
On February 15, 2006, Western Québec loaned to Wesdome Gold Mines Ltd. ("New Wesdome") the sum of \$1,800,000 with interest at the rate of 8% per annum, payable semi-annually on August 15 and February 15 of each year. The capital of the loan, together with the accrued interest thereon, are repayable on demand.

However, if before the loan is repaid, New Wesdome does an equity financing, then, at Western Québec's option, the loan, subject to regulatory approval, may be repayable in fully paid and non-assessable treasury securities of New Wesdome at the same price as the equity financing, provided no commission is payable by New Wesdome for the shares issued to Western Québec.

c. Filing of Preliminary Short Form Prospectus

On March 3, 2006, Wesdome Gold Mines Ltd. ("New Wesdome") filed a preliminary short form prospectus in connection with a market offering of common shares (the "Offering") by a syndicate of underwriters led by CIBC World Markets Inc. Although the size and pricing of the Offering have not been determined, New Wesdome expects to raise gross proceeds of \$20 million. The net proceeds of the Offering will be used by New Wesdome toward completion of the underground development plan for the Kiema mine property, for continued resource drilling and for general working capital.

Property Map



Carte des propriétés

