# WESDOME GOLD MINES LTD.

First Quarter 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with Wesdome Gold Mines Ltd.'s ("**Wesdome**" or the "**Company**") interim condensed consolidated financial statements for the three months ended March 31, 2019 and 2018, and their related notes ("**financial statements**") which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

All dollar amounts stated in this MD&A are denominated in thousands of Canadian dollars, except per share data and unless otherwise indicated. The discussion and analysis within this MD&A are effective as of May 8, 2019.

This document contains forward-looking statements and forward-looking information. Refer to the cautionary language under the section entitled "**Cautionary Statement on Forward-looking Statements**" in this MD&A.

The following abbreviations are used to describe the periods under review throughout this MD&A:

| *Abbreviation* | *Period* | *Abbreviation* | *Period* |
|---|---|---|---|
| **Q1 2019** | *January 1, 2019 – March 31, 2019* | **Q1 2018** | *January 1, 2018 – March 31, 2018* |
| **Q4 2018** | *October 1, 2018 – December 31, 2018* | **Q4 2017** | *October 1, 2017 – December 31, 2017* |
| **Q3 2018** | *July 1, 2018 – September 30, 2018* | **Q3 2017** | *July 1, 2017 – September 30, 2017* |
| **Q2 2018** | *April 1, 2018 – June 30, 2018* | **Q2 2017** | *April 1, 2017 – June 30, 2017* |

## NON-IFRS PERFORMANCE MEASURES

Wesdome uses non-IFRS performance measures throughout this MD&A as it believes that these generally accepted industry performance measures provide a useful indication of the Company's operational performance. These non-IFRS performance measures do not have standardized meanings defined by IFRS and may not be comparable to information in other gold producers' reports and filings. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The non-IFRS performance measures include - average realized price of gold sold; cash costs per ounce of gold sold; production costs per tonne milled; mine profit; all-in sustaining costs ("**AISC**"); free cash flow and operating and free cash flow per share; and net income (adjusted) and adjusted net earnings per share.

For further information and detailed reconciliations, refer to the section entitled "**Non-IFRS Performance Measures**" in this MD&A.

## BUSINESS OVERVIEW

Wesdome is a public company existing under the laws of Ontario. The common shares of the Company are listed on the Toronto Stock Exchange ("**TSX**") under the symbol "**WDO**". The registered and principal office of the Company is located at 220 Bay Street, Suite 1200, Toronto, Ontario, M5J 2W4.

Wesdome has had over 30 years of continuous gold mining operations in Canada. The Company is 100% Canadian focused, with a pipeline of projects in various stages of development. The Eagle River Complex located close to Wawa, Ontario is currently producing gold from two mines, the Eagle River Underground Mine ("**Eagle River**") and the Mishi Open Pit ("**Mishi**"), from a central mill, with a milling capacity of approximately 1,000 tonnes per day ("**tpd**"). Wesdome is actively exploring its brownfields asset, the Kiena Mine ("**Kiena**") in Val d'Or, Québec. Kiena is a fully permitted former producing mine with a 930-metre ("**m**") shaft and 2,000-tpd mill. The Company has further upside at its Moss Lake gold deposit, located 100 kilometres ("**kms**") west of Thunder Bay, Ontario.

Additional financial information relating to Wesdome, including the Company's Annual Information Form, can be found on the Company's website, www.wesdome.com, or on the SEDAR website, www.sedar.com

## Q1 2019 HIGHLIGHTS AND ACHIEVEMENTS

| Operations and Financial Highlights | Comparison to Q1 2018 |
|---|---|
| **Gold production of 19,010 ounces from the Eagle River Complex.** | Gold production increased by 6% (Q1 2018 - 17,949 ounces). |
| **Cash costs of $866 (US$651) per ounce of gold sold [1].** | Cash cost in Canadian dollar reduced by 13% (Q1 2018 - $999 (US$790) per ounce). |
| **AISC [1] of $1,311 (US$986) per ounce.** | AISC reduced by 2% (Q1 2018 - $1,342 (US$1,061) per ounce). |
| **Earned mine profit [1] of $16.2 million.** | An increase of $5.5 million or 51% higher (Q1 2018 - $10.8 million). |
| **Operating cash flow of $12.6 million or $0.09 per share [1].** | Operating cash flow at a strong level at $12.6 million for the quarter (Q1 2018 - $12.4 million or $0.09 per share). |
| **Free cash outflow of $0.4 million or nil, on a per share basis [1].** | Invested $6.6 million in exploration and evaluation expenditures at Eagle River and Kiena in the quarter as compared to $5.0 million in Q1 2018.<br><br>Free cash flow in Q1 2018 was $3.2 million or $0.02 per share. |
| **Net income attributable to shareholders of $8.1 million or $0.06 per share.**<br><br>**Adjusted net income[1] of $5.7 million or $0.04 per share** | Net income and Adjusted net income[1] for Q1 2018 was $2.9 million or $0.02 per share. |

1 Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the Financial Statements.

| Exploration Highlights | Achievements |
| --- | --- |
| **Eagle River** | • The mining of the 303 Zone between the 844 metre level ("**m-level**") and the first sub-level above continued to confirm the continuity of the strong grades and the geometry of the mineralized zone. Exploration drilling continued on the 925 m-level to prepare the 300E zone for mining and will continue to be the focus of mining development in 2019.<br><br>• Ongoing development on 1,038 m-level has now extended 7 Zone over 146 m in strike length and grading 30.5 g/t Au over an average true thickness of 2.61 m and recent drilling has now confirmed that this longer strike length extends to depth over an addition 100 m to the 1,250 m-level and remains open down dip. Recent drilling has now confirmed that the 7 Zone extends along strike to the southeast side of a northeast transecting diabase dyke that offsets the eastern extension approximately 20 m. This extension is a substantial addition of potential resources compared to previous interpretations, and thus will be the focus of 2019 drilling.<br><br>• Ongoing drilling and initial drift development along the 300W Zone has confirmed the continuity and strike length of 145 m grading 28.8 g/t Au with a 1.8 m average width and has extended the mineralized zone to west in excess of 50 m further west than the previously interpreted diorite contact and remains open to the west and remains a focus for 2019 drilling.<br><br>• Exploration drilling from the 758 m-level in the eastern half of the mine diorite has continued during the quarter to better define the new intersected Zones that is interpreted to be parallel zones north of the past producing 6 and 8 zones and could be the possible extensions of the parallel 7 Zone and 300 Zone structures being mined further to the west. Surface drilling in the volcanics to the west of the mine diorite encountered two sub-parallel structures, namely Falcon 7 and Falcon 300 zones, that returned 18.5 g/t Au over 5.8 m core length. These zones are interpreted to be extensions of the 300 and 7 zone structures which lie approximately 200 m to the east within the mine diorite. |
| **Kiena** | • Since the October 12th cut-off date for drill data used in the recent resource estimate released on December 12, 2018, exploration and definition drilling has been ongoing with 5 drills at the Kiena Deep A Zone. Four drills are in operation on the 1,050 m-level exploration ramp completing the infill and plunge extension drilling, and a 5th drill is operating on the 670 m elevation to test the interpreted up plunge extension of the A Zone towards the VC zone area. Since October 12th, approximately 16,910 m in 64 holes have been added to the Kiena Deep A Zone, in addition to a number of additional exploration holes within the immediate vicinity.<br><br>• The ongoing definition/infill drilling has continued to confirm the overall continuity of the geometry and the high grade gold mineralization of the Kiena Deep A Zone. Drilling to date has identified a well-defined, moderate plunge of approximately 45 degrees to the SE to the gold mineralization that occurs predominantly along the basalt – chlorite- |

| | |
|---|---|
| | carbonate schist boundary.<br><br>• Additionally, the ongoing drilling has continued to expand the Kiena Deep A Zone up and down plunge. Down plunge, the zone has been extended 60 – 100 m and shows good continuity. Up plunge, drilling has now extended the A zone over 70 – 100 m since the December 12th resource estimate extending zone above the 1050 level.<br><br>• Also, drilling is now only starting to test the more vertical, eastern structure/fold limb that is interpreted to be the previously named Upper Quartz Zone that extends the entire plunge length of the A Zone. Recent drilling along this structure returned 7.1 g/t Au over 25.5 m in Hole 6438A. This hole intersected VG in quartz veins hosted by a unit of mafic flow breccia near the vertical contact with a komatiite, named A Zone Extension.<br><br>• Drilling from 67 level is continuing to test the potential up plunge of the A Zone in the vicinity of the VC zone area. Limited drilling to date confirms that the basalt – schist contact associated with the A zone mineralization continues to the area of the VC zone. The hosting schist is interpreted to split into 2 subparallel shears on either side of a thicker portion of basalt. The recent drilling on the northeastern flank intersected VG mineralization in quartz veining at the 980 metre level. Historic hole 6146 that returned 6.7 g/t Au over 11.0 m. One adjacent recent hole, 6437, returned 6.9 g/t Au over 7.0 m. Other holes have intersected VG in quartz veins similar to the style of gold mineralization of the A Zone at the 980 m-level and given this potential, is now the focus for the drilling from 67 and 105 levels.<br><br>• Our 2019 underground exploration program calls for 50,000 m of drilling with 5 drills in preparation for an updated resource estimate at the Kiena gold deposit in the second half of this year. This information will then lead into a Preliminary Economic Assessment. |

## GOLD MARKET OVERVIEW

The market price of gold is the primary driver of the Company's profitability. The market price of gold is affected by numerous macroeconomic factors including: the sale or purchase of gold by central banks and financial institutions, interest rates, exchange rates, inflation or deflation, global and regional supply and demand and the political and economic conditions of major gold-producing and gold consuming nations throughout the world.

In Q1 2019, Wesdome realized an average gold price of $1,733 (US$1,303) per ounce as compared to $1,698 (US$1,342) per ounce realized in Q1 2018. The market price for gold in the quarter averaged at US$1,304 per ounce (Canadian dollar equivalent of $1,734 per ounce (Q1 2018 - US$1,329 or Canadian dollar $1,681 per ounce)). The future gold price volatility is expected to be impacted by the uncertainty surrounding the US dollar's direction in 2019 deriving from rising U.S. interest rates, together with the geopolitical uncertainty persisted with increased tension over trade wars.

## FOREIGN CURRENCY EXCHANGE RATE OVERVIEW

The Company's reporting and functional currency is the Canadian dollar ("**CAD**") as all its assets and operations are based in Canada. However, the Company's revenues, profitability and cash flows are exposed to the changes in the United States dollar ("**USD**") to Canadian dollar exchange rates as the Company's primary product, gold, is predominately traded in the US dollar. Wesdome had no forward exchange rate contracts in place and no significant foreign currency holdings during Q1 2019 and as at March 31, 2019. Please see note 18 of the Company's financial statements for an analysis of Wesdome's exposure to the Canadian and US dollar exchange rate.

## OUTLOOK

In the beginning of the year, the Company sets its full-year 2019 production guidance at 72,000 – 80,000 ounces of gold, primarily from the Eagle River underground mine with a lower cash cost than the prior years. The Company expects a production profile of 31,000 – 35,000 ounces in the first half of 2019; and 41,000 – 45,000 for the later part of the year. The Company is on track to meets these targets.

| | **2019 Guidance** |
|---|---|
| Gold production [2] | |
| Eagle River | **69,000 – 76,000 ounces** |
| Mishi | **3,000 – 4,000 ounces** |
| | **72,000 – 80,000 ounces** |
| Head grade (g/t Au) | |
| Eagle River | **15.5 – 16.5** |
| Mishi | **2.0 – 2.4** |
| Cash cost per ounce [1] | **$830 - $900**<br>**(US$640 – US$690)** |
| AISC per ounce [1] | **$1,280 - $1,350**<br>**(US$985 – US$1,040)** |

1 Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the Financial Statements.
2 Production profile of 31,000 – 35,000 ounces of gold in the first half of the year, with the second half production profile of 41,000 -45,000 ounces of gold.

## QUARTERLY FINANCIAL AND OPERATIONAL RESULTS

| In 000s, except per units and per share amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| **Financial results** | | | | | | | | |
| Revenues [3,4] | **32,535** | 29,462 | 28,920 | 31,443 | 26,217 | 31,544 | 21,165 | 23,248 |
| Mine operating profit [1] | **16,259** | 12,495 | 13,898 | 14,957 | 10,774 | 11,606 | 7,921 | 5,883 |
| Net income (loss) | **8,092** | 2,643 | 3,631 | 5,725 | 2,859 | (567) | 296 | 863 |
| Net income adjusted [1] | **5,723** | 2,643 | 3,631 | 5,725 | 2,859 | 3,357 | 1,883 | 863 |
| Operating cash flow | **12,581** | 8,632 | 12,823 | 12,422 | 12,423 | 13,468 | 3,541 | 5,898 |
| Free cash flow [1] | **(429)** | (4,491) | 2,137 | 1,962 | 3,216 | 4,981 | (6,517) | (4,619) |
| Per share information: | | | | | | | | |
| Net earnings | **0.06** | 0.02 | 0.03 | 0.04 | 0.02 | 0.00 | 0.00 | 0.01 |
| Adjusted net earnings | **0.04** | 0.02 | 0.03 | 0.04 | 0.02 | 0.03 | 0.01 | 0.01 |
| Operating cash flow [1] | **0.09** | 0.06 | 0.10 | 0.09 | 0.09 | 0.10 | 0.03 | 0.04 |
| Free cash flow [1] | **0.00** | (0.03) | 0.02 | 0.01 | 0.02 | 0.04 | (0.04) | (0.03) |
| **Selected Financial Statement data:** | | | | | | | | |
| Cash and cash equivalents | **27,847** | 27,378 | 30,714 | 26,719 | 26,460 | 22,092 | 16,614 | 22,681 |
| Working capital | **16,756** | 11,312 | 14,982 | 14,521 | 12,742 | 12,944 | 12,934 | 17,815 |
| Total assets | **225,740** | 209,637 | 203,388 | 193,019 | 189,072 | 179,913 | 170,314 | 168,434 |
| Total non-current liabilities | **28,961** | 25,170 | 23,040 | 23,056 | 21,112 | 21,475 | 14,920 | 15,389 |
| **Operational results** | | | | | | | | |
| **Milling** (tonnes) | | | | | | | | |
| Eagle River | **30,941** | 50,536 | 46,777 | 43,378 | 44,480 | 39,291 | 44,421 | 34,960 |
| Mishi | **18,470** | 8,478 | 4,076 | 25,233 | 32,846 | 38,197 | 38,638 | 39,117 |
| Throughput [2] | **49,411** | 59,014 | 50,854 | 68,610 | 77,326 | 77,488 | 83,058 | 74,077 |
| Total tonnes/calendar day | **549** | 641 | 553 | 753 | 859 | 842 | 903 | 814 |
| **Head grades** (g/t Au) | | | | | | | | |
| Eagle River | **18.5** | 10.6 | 13.3 | 11.0 | 12.0 | 11.3 | 9.7 | 9.8 |
| Mishi | **2.2** | 2.4 | 3.4 | 2.7 | 1.8 | 2.3 | 2.0 | 1.8 |
| **Recovery** (%) | | | | | | | | |
| Eagle River | **97.6** | 97.0 | 96.9 | 96.2 | 95.4 | 94.3 | 96.1 | 96.3 |
| Mishi | **80.6** | 81.9 | 80.9 | 83.6 | 81.6 | 81.4 | 87.2 | 83.1 |
| **Production** (ounces) [2] | | | | | | | | |
| Eagle River | **17,955** | 16,712 | 19,437 | 14,767 | 16,398 | 13,499 | 13,313 | 10,597 |
| Mishi | **1,055** | 542 | 358 | 1,860 | 1,550 | 2,298 | 2,181 | 1,932 |
| Total gold produced | **19,010** | 17,254 | 19,795 | 16,628 | 17,948 | 15,797 | 15,494 | 12,529 |
| **Gold sales** (ounces) | **18,760** | 18,077 | 18,401 | 18,573 | 15,430 | 19,351 | 13,069 | 13,030 |

| In 000s, except per units and per share amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| Per ounce of gold sold [1] | | | | | | | | |
| Average realized price | **1,733** | 1,628 | 1,571 | 1,692 | 1,698 | 1,618 | 1,619 | 1,715 |
| Cash costs | **866** | 937 | 815 | 886 | 999 | 1,019 | 1,013 | 1,264 |
| Cash margin | **867** | 691 | 756 | 806 | 699 | 599 | 606 | 451 |
| AISC [1] | **1,311** | 1,371 | 1,160 | 1,242 | 1,342 | 1,284 | 1,446 | 1,718 |
| Production costs/tonne milled [1] | **301** | 306 | 283 | 225 | 208 | 206 | 182 | 215 |
| Average 1 USD → CAD exchange rates | **1.3295** | 1.3204 | 1.3070 | 1.2911 | 1.2647 | 1.2712 | 1.2528 | 1.3449 |
| Cost Metrics (in USD) | | | | | | | | |
| Cash costs [1] | **651** | 710 | 624 | 686 | 790 | 801 | 809 | 940 |
| AISC [1] | **986** | 1,038 | 888 | 962 | 1,061 | 1,010 | 1,154 | 1,277 |

1 Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the financial statements.
2 Totals for tonnage and gold ounces information may not add due to rounding.
3 Except for Q3 2017 and Q2 2017, revenues include insignificant amounts from the sale of by-product silver (nil for Q2 3 2017 and Q2 2017).
4 Revenues in Q2 2017 includes $0.9 million in revenue generated from gold recovery from the clean up of the Kinea mill (nil for other periods).
5 Wesdome's strategy is to increase the amount of underground tonnes mined, thereby displacing the open pit tonnes in order to substantially increase gold production.

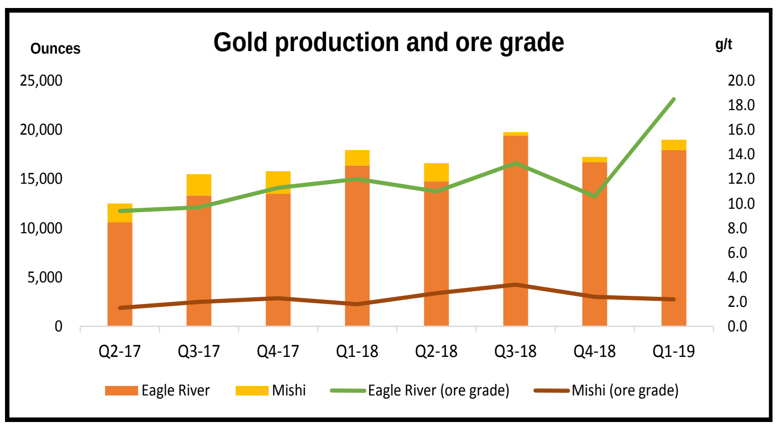
## Q1 2019 FINANCIAL AND OPERATIONAL RESULTS

### *Operational Results*

| In $000s | Q1 2019 | Q1 2018 | Change | |
|---|---|---|---|---|
| Ore milled (tonnes) | | | | |
| Eagle River | **30,941** | 44,480 | (13,539) | (30)% |
| Mishi | **18,470** | 32,846 | (14,376) | (44)% |
| Throughput | **49,411** | 77,326 | (27,916) | (36)% |
| Head Grade (g/t Au) | | | | |
| Eagle River | **18.5** | 12.0 | 6.5 | 54% |
| Mishi | **2.2** | 1.8 | 0.4 | 22% |
| Recoveries (percent) | | | | |
| Eagle River | **97.6** | 95.4 | 2.2 | 2% |
| Mishi | **80.6** | 81.6 | (1.0) | (1)% |
| Gold production (ounces) | | | | |
| Eagle River | **17,955** | 16,398 | 1,557 | 9% |
| Mishi | **1,055** | 1,550 | (495) | (32)% |
| | **19,010** | 17,948 | 1,061 | 6% |
| Gold Sold (ounces) | **18,760** | 15,430 | 3,330 | 22% |

1 Totals for tonnage and gold ounces information may not add due to rounding.

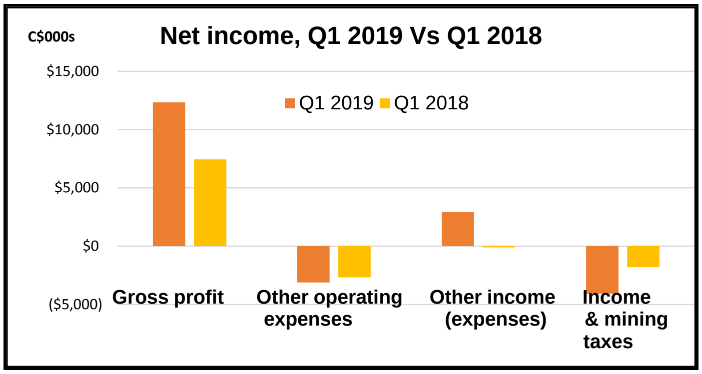
Production at Eagle River Complex increased by 6% from Q1 2018 to 19,010 ounces of gold, due to a 54% improvement in head grade at Eagle River; offset partially by a 36% decrease in throughput when compared to Q1 2018. The Eagle River Mill ("**mill**") was on planned shut down for 24 days in the quarter, including a 19 days shutdown in March, thereby impacting mill availability (79% in Q1 2019). The Company decided to advance the maintenance shutdown that was scheduled in Q2 2019 into Q1 2019 instead.




At Eagle River, the improvements in ore grade during Q1 2019 are largely a function of stopes in the 300 Zone contributing more tonnes at higher grades than anticipated. Note there was an Eagle ore surface stockpile of approximately 15,000 t as of the end of Q1 2019.

The contribution of ore feed from Mishi in Q1 2019 reduced by 44% to 18,470 t when compared to 32,846 t processed in Q1 2018, mainly due to lower mill availability. In Q1 2019, the Mishi pit achieved a head grade of 2.2 g/t producing 1,055 ounces of gold as compared to a grade of 1.8 g/t in achieved in Q1 2018, producing 1,550 ounces of gold. Note there was a Mishi ore surface stockpile of approximately 31,000 t as of the end of Q1 2019.

## Financial Review – Q1 2019 vs Q1 2018




Net income attributable to shareholders for Q1 2019 was $8.1 million or $0.06 per share as compared to net income of $2.9 million or $0.02 per share for Q1 2018. After giving effect to the non-recurring recognition in income of the Québec exploration credit of $2.9 million, Adjusted net income[1] for Q1 2019 was $5.7 million or $0.04 per share, as compared to an adjusted net income[1] of $2.9 million or $0.02 per share for Q1 2018.

For a reconciliation of adjusted net income to net income as presented in the financial statements in accordance with IFRS, see *Non-IFRS Financial Performance Measures* in this MD&A.

| In $000s | Q1 2019 | Q1 2018 | Change | |
|---|---|---|---|---|
| Revenues | **32,535** | 26,217 | 6,318 | 24% |
| Costs and expenses | | | | |
| Cost of sales | **20,185** | 18,764 | 1,421 | 8% |
| Corporate and general | **2,008** | 1,077 | 931 | 86% |
| Share-based payments | **1,099** | 867 | 232 | |
| Kiena care and maintenance | **-** | 456 | (456) | |
| Write-off of mining equipment | **-** | 281 | (281) | |
| | **23,292** | 21,445 | 1,847 | |
| Operating income | **9,243** | 4,772 | 4,471 | 94% |
| Other income (expenses) [2] | **2,934** | (111) | 3,045 | |
| Income before income and mining taxes | **12,177** | 4,661 | 7,516 | |
| Mining and income tax expense | **4,085** | 1,802 | 2,283 | |
| Net income | **8,092** | 2,859 | 5,233 | 183% |
| Operating cash flows | **12,581** | 12,423 | 158 | 1% |
| Free cash flows [1] | **(429)** | 3,216 | (3,645) | |

1 Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the financial statements.

2 Other income (expenses) for Q1 2019 includes the recognition in income the receipt of $2.9 million from Revenue Quebec in respect of exploration tax credit (see Litigation below).

### Revenues

| In $000s | Q1 2019 | Q1 2018 | Change | |
|---|---|---|---|---|
| Revenues from operations | | | | |
| Gold | **32,507** | 26,193 | 6,314 | 24% |
| Silver | **28** | 24 | 4 | |
| | **32,535** | 26,217 | 6,318 | 24% |

In Q1 2019, Wesdome generated $32.5 million in gold sales revenue in from the sale of 18,760 ounces of gold at an average realized price of $1,733 (US$1,303) per ounce; as compared to the sale of 15,430 ounces of gold at $1,698 (US$1,342) per ounce for revenue of $26.2 million in Q1 2018. The 24% increase in sales revenues is the result of the increase in gold production, combined with a favourable Canadian dollar realized price.

### Cost of Sales

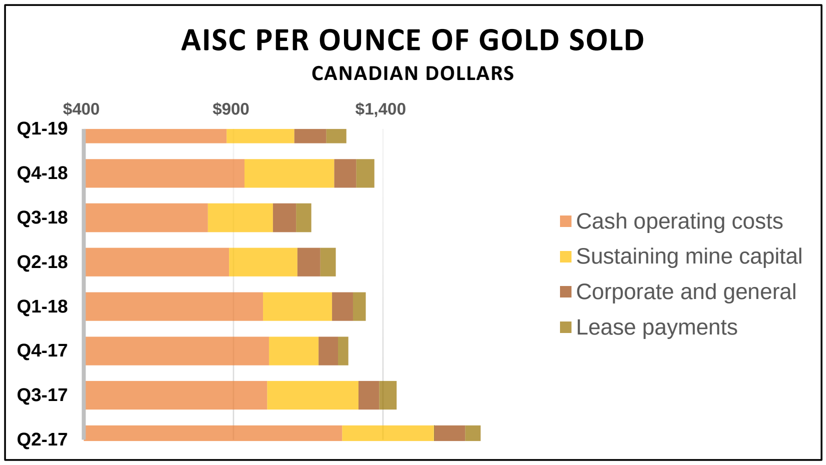
| In $000s | Q1 2019 | Q1 2018 | Change | |
|---|---|---|---|---|
| Cost of Sales | | | | |
| Mining and processing costs | | | | |
| Mining | **9,688** | 8,886 | 802 | |
| Processing | **3,878** | 3,756 | 122 | |
| Site administration and camp costs | **4,857** | 4,161 | 696 | |
| Change in inventories [1] | **(2,755)** | (1,899) | (856) | |
| | **15,668** | 14,904 | 764 | |
| Royalties | **608** | 539 | 69 | |
| Depletion and depreciation | **3,909** | 3,321 | 588 | |
| | **20,185** | 18,764 | 1,421 | 8% |

[1] See Note 15 of the Company's financial statements for a breakdown of stockpile and in-circuit inventory adjustments for the three-month period ended March 31, 2019 and 2018.

Cost of sales of $20.2 million in Q1 2019 increased by $1.4 million when compared to Q1 2018 mainly due to the increase in: (i) non-cash depletion and depreciation expense resulting from a larger depreciable asset base; (ii) an increase of $1.6 million in site operating costs due to additional expenditures incurred for mine services and at the mill and related tailings improvements; offset by (iii) a $0.9 million increase in ore stockpile and bullion inventory adjustment resulting from inventory level changes.

Cash cost and AISC per ounce of gold sold in Q1 2019 were $866 (US$651) and $1,311 (US$986) per ounce; as compared to cash cost and AISC per ounce of gold sold in Q1 2018 of $999 (US$790) and $1,342 (US$1,061), respectively.

The improvements in these cost metrics is a function of the increase in the number of ounces sold in the quarter (refer to the section entitled "non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the financial statements).




**Corporate and general**

Corporate and general expenditures in Q1 2019 increased by 86% primarily due to an accrual adjustment on employees and officers' short-term incentive plans and the increase in technical and administrative staffs at the corporate level. The corporate and general expenditure level is expected to be between $1.5 and $1.7 million on a quarterly basis in 2019.

**Share-based payments**

In Q1 2019, the Company granted 984,923 stock options and 186,083 Restricted Share Units ("**RSUs**") to its employees and officers under its 2017 Omnibus Equity Plan ("**Plan**"). Of the 984,923 stock options granted, 694,923 stock options have a three-year vesting term, with the first tranche vesting on February 26, 2020; and the remaining 290,000 stock options vested immediately. The RSUs have also a three-year vesting term with the first tranche vesting on February 26, 2020.

**Litigation**

In 2011, the Company paid $5.3 million in tax reassessments and interest made by Revenu Québec for exploration credits claimed in 2005 and 2006 relating to the Kiena exploration properties. The Company was successful in appealing the assessments for both years.

In April 2016, Revenu Québec appealed the decisions of the Court of Québec (the "**April 2016 Appeal**"), however it refunded $2.6 million of the reassessed amounts in that year. The Kiena mining assets were written off after being placed on care and maintenance in 2013 and accordingly, the Company recorded as income in 2016 the $2.6 million refund it received during the year.

On March 28, 2018, the Company was successful in defending the April 2016 Appeal and received the refund of the remaining tax assessment payment plus interest accrued amounted to $2.9 million in June 2018. However, on May 28, 2018, Revenue Québec submitted an application for leave to appeal to the Supreme Court of Canada (the "**Supreme Court**"), the decision made by the Québec Court of Appeal (the "**Supreme Court Appeal**"). In 2018, the Company recorded in payable and accruals, the amount of $2.9 million it received pending for the successful outcome of the Supreme Court Appeal.

On February 28, 2019, the Supreme Court dismissed the Supreme Court Appeal and accordingly, the Company recorded this amount as income in Q1 2019.

### Tax Expense

| In $000s | Q1 2019 | Q1 2018 | Change | |
|---|---|---|---|---|
| Mining and income tax expense | | | | |
| Current | **968** | 481 | 487 | |
| Deferred | **3,117** | 1,321 | 1,796 | |
| | **4,085** | 1,802 | 2,283 | 127% |

The effective tax rate for Q1 2019 was 33.5% as compared to 38.6% for Q1 2018. The Company anticipates the effective tax rate approximates between 38.0% and 41% for 2019. Wesdome is currently exposed to mining tax liability for any resource profits earned in Ontario.

## EAGLE RIVER COMPLEX

The Eagle River Complex produced 19,010 ounces of gold in Q1 2019 as compared to 17,948 ounces in Q1 2018.

### *Eagle River Mill*

The Eagle River mill is located in close proximity to both the Eagle River and Mishi mines. It has a permitted capacity of 1,200 tpd. Availability at the mill in Q1 2019 was 79% as compared to 89% in Q1 2018.

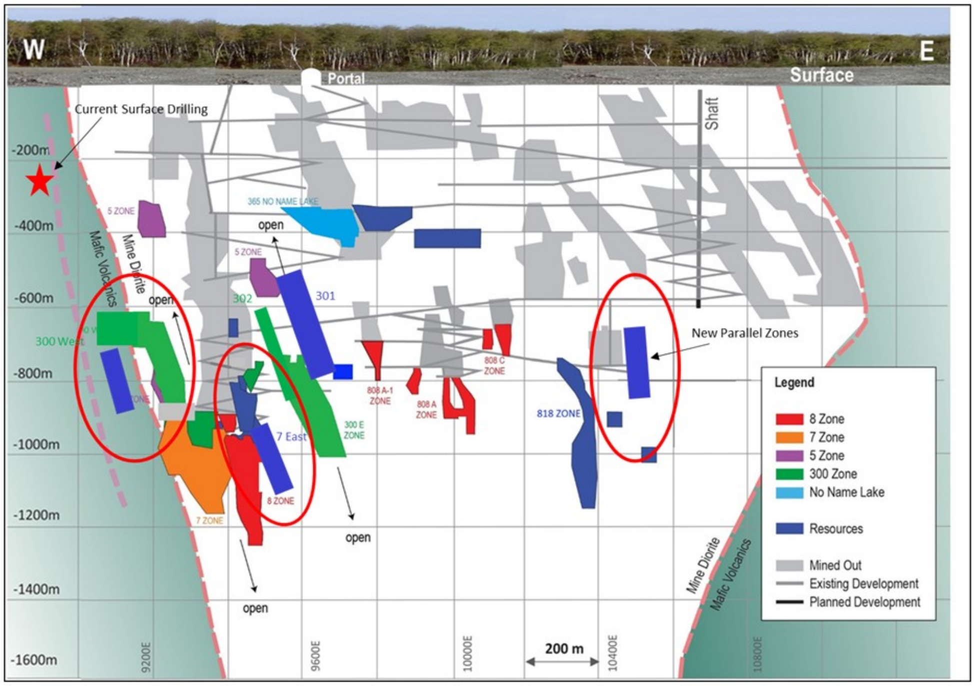
In Q1 2019, the mill processed 49,411 t or 549 tpd of Eagle River and Mishi ore as compared to 77,326 t or 859 tpd in Q1 2018. The lower throughput is mainly due a scheduled plant shutdown of 24 days in Q1 2019 and the higher retention time required for the higher-grade Eagle ore. The mill was shut down in March for 19 days for repairs on the cone crusher, electrical work on the jaw crusher and regrind mill motors and other work related to different piping system.

The mill recovery in Q1 2019 for Eagle ore was 97.6% and 80.6% for Mishi ore as compared to 96.2% for the Eagle ore and 83.6% for the Mishi ore in Q1 2018. The higher mill recovery for Eagle was mainly due to lower throughput resulting of higher retention time. The target for the mill is to process an average of 850 tpd with targeted recoveries of 96% for Eagle ore and 83% for Mishi ore.

### Eagle River Underground Mine

### Development and drilling

In 2019, initial confirmation of the existence of parallel zones of mineralization in the eastern portion of the Eagle River Underground Mine diorite with additional drilling could add to the resource base and provide additional work places for enhanced mining flexibility and ultimately augmented production rates in the short to medium term. As Wesdome's goal is to fill the mill entirely from high grade ore from Eagle River. The Company is committed to aggressive exploration utilizing four underground drills and one to two surface drills in order to identify additional resources and workplaces for increased future production profiles.




### 7 Zone

Wesdome is continuing to develop and explore two parallel zones, the No. 7 and 300, located 200 m and 400 m north, respectively, of the main 8 Zone structure that has supported production of greater than one million ounces of gold over the last twenty years.

The 7 Zone was discovered in 2013 and accounts for 31% of the mine's reserve base at an average grade of 13.1 g/t Au. Ongoing development on 1,038 m-level has now confirmed that mineralization east of the western core of the 7 zone, have merged to form one zone now defined over 146 m in strike length and grading 30.5 g/t Au over an average true thickness of 2.61 m.

Sill development over the past two years has returned the following results:

| Level | Strike Length (m) | Width (m) | Grade Uncut (g/t Au) | Grade Cut* (g/t Au) | Release Date |
|---|---|---|---|---|---|
| 890 | 42.0 | 1.5 | 33.2 | 16.8 | May 31, 2016 |
| 945 | 63.0 | 3.3 | 22.6 | 17.1 | September 15, 2016 |
| 975 E | 46.0 | 1.5 | 13.4 | 13.4 | November 30, 2017 |
| 975 W | 53.0 | 2.6 | 24.4 | 22.2 | November 30, 2017 |
| 975 Combined | 99.0 | 2.1 | 20.7 | 19.2 | November 30, 2017 |
| 991 E | 48.0 | 1.6 | 32.6 | 30.0 | November 30, 2017 |
| 991 W | 56.0 | 2.7 | 18.8 | 16.0 | November 30, 2017 |
| 991 Combined | 48.0 | 2.2 | 23.3 | 20.5 | November 30, 2017 |
| 1006 E | 51.7 | 1.7 | 33.8 | 29.7 | March 27, 2018 |
| 1006 W | 41.1 | 3.2 | 22.9 | 15.3 | March 27, 2018 |
| 1006 Combined | 92.8 | 2.3 | 27.4 | 21.2 | March 27, 2018 |
| 1022 E | 75.5 | 1.8 | 34.9 | 28.3 | March 27, 2018 |
| 1022 W | 47.3 | 2.7 | 10.3 | 10.3 | March 27, 2018 |

| Level | Strike Length (m) | Width (m) | Grade Uncut (g/t Au) | Grade Cut* (g/t Au) | Release Date |
|---|---|---|---|---|---|
| 1022 Combined | 122.8 | 2.2 | 23.8 | 20.2 | March 27, 2018 |
| 1038 | 146.7 | 2.6 | 30.5 | 22.1 | December 6, 2018 |

**Assays cut to 125.0 g/t Au (average width rounded to one decimal place)*

Additionally, ongoing drilling has now confirmed that this longer strike length extends to depth over an addition 100 m to the 1,250 m-level and remains open down dip. This extension is a substantial addition of potential resources compared to previous interpretations, and thus will be the focus of future drilling.

Highlights from Drilling:

| | | | |
|---|---|---|---|
| Hole 942-E-59: | 151.4 g/t Au uncut | (61.7 g/t Au cut) | over 2.0 m true width |
| Hole 942-E-63: | 47.3 g/t Au uncut | (18.7 g/t Au cut) | over 3.4 m true width |
| Hole 942-E-64: | 39.0 g/t Au uncut | (23.6 g/t Au cut) | over 2.5 m true width |
| Hole 942-E-65: | 33.2 g/t Au uncut | (26.1 g/t Au cut) | over 1.6 m true width |

*grades cut to 125.0 g/t Au

Additionally, two sill drifts and initial drilling along strike to the east has now confirmed that the eastern extension of the 7 Zone occurs to the southeast side of a northeast transecting diabase dyke that is interpreted to offset the eastern extension approximately 20 m, which remains open down plunge and to the east along strike.

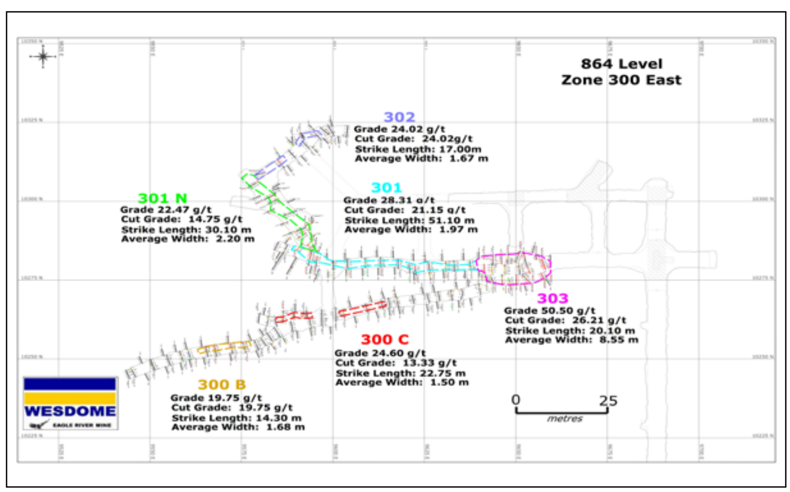
Capped Assay Highlights from Drilling and Development:

Drift 1006 m-level: 9.94 g/t Au over strike length of 52 m and 1.5 m average thickness
Drift 1022 m-level: 19.2 g/t Au over 51 m and 1.9 m average thickness

Hole 844-E-224: 16.0 g/t Au cut over 3.5 m true width
Hole 844-E-227: 29.4 g/t Au cut over 1.5 m true width
Hole 844-E-228: 31.6 g/t Au cut over 1.5 m true width
**Assays cut to 125.0 g/t Au*

**300 East and West Zones**

The 300 Zone accounts for 50% of the mine's reserve base at an average grade of 12.4 g/t Au. Drilling thus far has identified at least three steeply plunging zones between depths of 750 m and 1,000 m. Initial mining of the 300E Zone between the 864 and 844 m-level has continued to confirm the continuity of the strong grades and the geometry of the mineralized zone defined by drifts and the encompassing drill holes.



Results from development on the following subzones on the 864 m-level are highlighted below:

| Lens | Strike Length (m) | Average Width (m) | Grade Uncut (g/t Au) | Grade Cut*(g/t Au) | News Release Date |
|---|---|---|---|---|---|
| 300A | 9.7 | 1.5 | 6.0 | 6.0 | May 31, 2017 |
| 300B | 20.3 | 2.0 | 15.2 | 13.4 | May 31, 2017 |
| 300B | 14.3 | 1.7 | 19.8 | 19.8 | June 11, 2018 |
| 300C | 20.9 | 1.6 | 4.7 | 4.7 | May 31, 2017 |
| 300C | 22.8 | 1.5 | 24.6 | 13.3 | June 11, 2018 |
| 301N | 33.0 | 2.7 | 15.9 | 15.9 | May 31, 2017 |
| 301N | 30.1 | 2.2 | 22.5 | 14.8 | June 11, 2018 |
| 301 | 54.8 | 2.0 | 52.0 | 31.9 | May 31, 2017 |
| 301 | 51.1 | 2.0 | 28.3 | 21.2 | June 11, 2018 |
| 302 | 13.5 | 2.6 | 12.8 | 10.3 | May 31, 2017 |
| 302 | 17.0 | 1.7 | 24.0 | 24.0 | June 11, 2018 |
| 303 | 21.5 | 8.2 | 50.7 | 29.7 | May 31, 2017 |
| 303 | 20.1 | 8.6 | 50.5 | 26.2 | June 11, 2018 |

**grades cut to 140.0 g/t Au (average width rounded to one decimal place)*

The combined strike length of the subzones is 155.4 m with a weighted average width of 2.8 m, and cut and uncut gold grades of 19.6 g/t Au and 28.3 g/t Au, respectively. Production from this area is expected to continue throughout 2019.

In addition, initial exploration drilling completed down plunge of the 300E Zone has returned encouraging results including:

- 844-E-174: 12.5 g/t Au (uncut) (12.5 g/t Au cut) over 1.5 m
- 844-E-172 59.5 g/t Au (uncut) (65.2 g/t Au cut) over 1.5 m
- 844-E-170 9.2 g/t Au (uncut) (9.2 g/t Au cut) over 1.5 m

**grades cut to 140.0 g/t Au*

An exploration drift has been established on the 925 m-level to prepare the 300E Zone for mining and will accounts for approximately 20% of the current mineral reserves. This zone will continue to be the focus of mining development in 2019.

Ongoing drilling and initial drift development along the 300 West zone have confirmed the continuity and strike length of over 140 m and has extended the mineralized zone to west in excess of 50 m further west than the previously interpreted diorite contact and remains open to the west and a focus for 2019 drilling. Surface drilling is also being completed in this area to further test the up-plunge extension.

Capped Assay Highlights from Drilling and Development:

| | |
|---|---|
| 750 m-level drift: | 28.8 g/t Au cut over strike length of 145 m and 1.8 m average thickness |
| Hole 945-E-56: | 37.7 g/t Au cut over 1.5 m true width |
| Hole 945-E-57: | 31.9 g/t Au cut over 1.5 m true width |
| Hole 750-E-57: | 13.9 g/t Au cut over 4.9 m true width |

**Assays cut to 60.0 g/t Au*

**New Parallel Zones along eastern portion of mine diorite**

Initial limited drilling from the 758 m-level in the eastern half of the mine diorite has intersected what is interpreted to be parallel zones north of the past producing 6 and 8 zones and could be the possible extensions of the parallel 7 Zone and 300 Zone structures being mined along the western portion of the mine diorite. The interpreted 7 Zone structure is located approximately 80 m north of Zone 8 as defined by only 6 holes to date with encouraging grades and widths. In addition, one hole completed further to the east has intersected what we currently believe could be a splay from the main 6 zone shear located 21 m north of 6 Zone.

Both of these parallel zones are open up and down plunge and along strike and remain a focus for 2019 underground drilling, and also surface drilling will be completed to further test the up-plunge extension. From a potential additional workplace perspective, these discoveries are significant as the Company looks to generate approximately 800 tpd from the high-grade underground mine with proximal development already in place.

Capped Assay Highlights from Drilling:

| | |
|---|---|
| Zone 7 (interpreted) Hole 758-E-244: | 15.8 g/t Au cut over 3.1 m true width |
| Zone 7 (interpreted) Hole 758-E-246: | 10.0 g/t Au cut over 3.4 m true width |
| Zone 7 (interpreted) Hole 758-E-252: | 24.3 g/t Au cut over 1.5 m true width |
| Zone 6 (interpreted) Hole 758-E-258: | 41.4 g/t Au cut over 4.2 m true width |

**Assays cut to 125.0 g/t Au for Zone 7 10500E and cut to140.0 g/t Au for Zone 6.*

**Other targets**

General exploration is focused on drilling the parallel zones both up and down plunge and to the east, testing the theory that the parallel zones may continue across the mine, similar to the 8 Zone. New development is underway to provide drill platforms for the planned 51,000 m of exploration drilling and 43,000 m of definition drilling to better define and expand the current resource base at the high grade 303 East Zone up and down plunge, the 711 and 300 W Zone down plunge, and at various locations along the 8 Zone.

**Eagle River Surface Drilling**

Since the beginning of 2019, surface drilling has continued with one drill adding 7,000 m to follow up on initial results from the drilling to the west of the mine diorite in late 2018. This 20,000m drill program was designed to test the up-plunge potential of the 300 and 7 zones within a sequence of volcanic rocks.

Surface drilling in the volcanics to the west of the mine diorite encountered two sub-parallel structures that broadly follow the stratigraphy within the mafic/felsic volcanic rocks. Both structures strike approximately 240-250° and dip 70-80° to the north. These could be extensions of the 300 and 7 zone structures which lie approximately 200 m to the east within the mine diorite. Both structures exhibit broad zones of deformed rock (3-20 m wide shear zones) affiliated with strong silicification over 20-50 m width. The two new mineralized zones identified by surface drilling define an area termed the Falcon Zones.

**Falcon Zones**

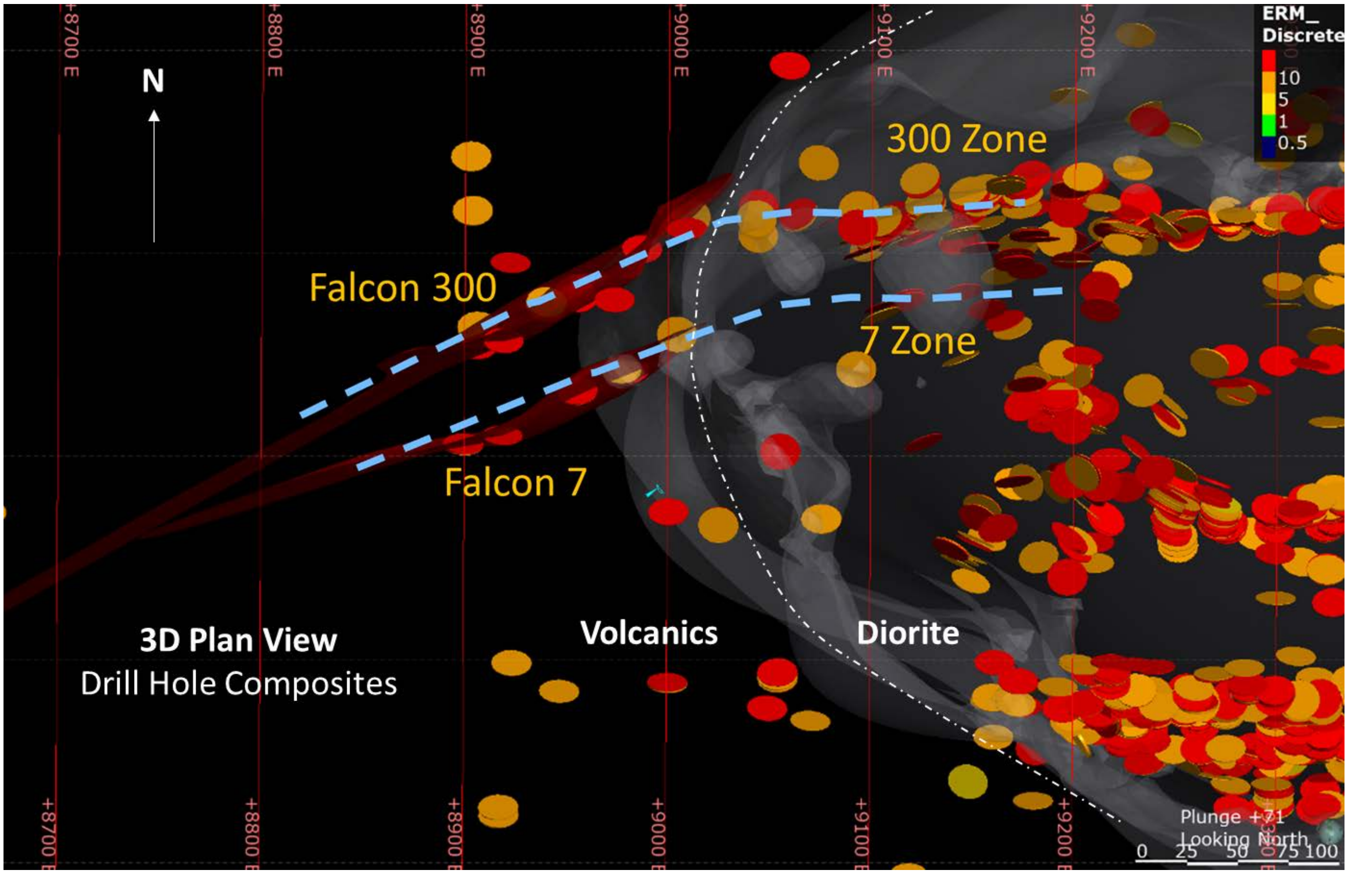
The "**Falcon 300**" has been traced over 100 m strike length and 150 m down dip. Gold mineralization is associated with narrow quartz veins (30 cm to 1 m) with visible gold, galena, sphalerite and pyrrhotite. Mineralization has been traced west to section 8900E, and east toward section 9000E. While the zone appears to diminish along strike to the west, it remains open to the east and at depth. Its direct relation to the 300 Zone structure (at depth 200 m east) remains untested.

The "**Falcon 7**" has been traced over 130 m in strike and 180 m down dip. Gold mineralization is hosted in narrow veins (30 cm to 1 m) akin to those described above. Mineralization has been traced between sections 8850E and 8980E. The zone is open to the west and at depth. Within the mine diorite to the east, the 7 Zone structure exists 200 m away. Highlights of the recent drilling are listed below and summarized as follows:

**Falcon Zones Highlights:**

| | | |
|---|---|---|
| Hole ERM-2019-22: | 18.5 g/t over 5.8 m core length | (11.5 g/t Au cut, 3.3 m true width) |
| Hole ERM-2019-36: | 3,389.0 g/t Au over 0.3 m core length | (60.0 g/t Au cut, 0.21 m width) |
| Hole ERM-2019-15: | 73.5 g/t Au over 1.3 m core length | (34.7 g/t Au cut, 1.1 m true width) |
| Hole ERM-2019-35: | 51.1 g/t Au over 0.6 m core length | (32.1 g/t Au cut, 0.4m true width) |

*Assays capped at 60 g/t Au. True widths are estimated.*




Surface drilling will be suspended in the beginning of the second quarter to allow time to receive remaining assays and to allow for spring break-up. Drilling is expected to resume during the summer months to continue to better define and extend the Falcon zones that remain open down plunge and along strike. Additionally, surface mapping and prospecting, with potentially follow-up trenching and drilling, is planned for this summer proximal to the mine diorite and more regionally along strike as follow-up to numerous historic showings that remain underexplored. This Falcon Zone style of mineralization provides new targets for the surface exploration elsewhere on the property.

## KIENA COMPLEX

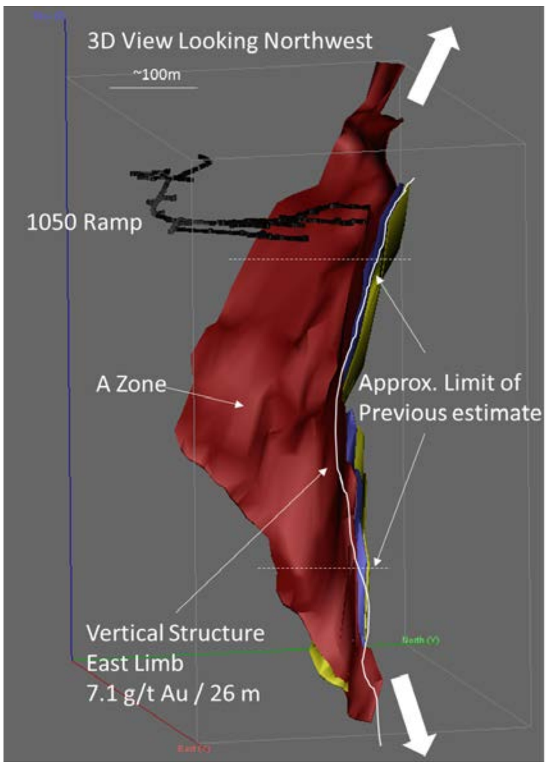
The Kiena Mine Complex is a fully permitted, integrated mining and milling infrastructure which includes a 930 m production shaft and 2,000 tpd capacity mill. From 1981 to 2013 the mine produced 1.75 million ounces of gold from 12.5 million tonnes at a grade of 4.5 g/t Au. The bulk of this production came from the S-50 Zone between depths of 100 and 1,000 m. In 2013, operations were suspended due to a combination of declining gold prices and lack of developed reserves. The infrastructure has been well preserved on care and maintenance status.

In December 2018, the Company updated the exploration potential and known resources for the entire property on an interim basis and has filed an independent NI 43-101 report. The mineral resource estimate includes drill data as of October 12, 2018, includes 3.1 million tonnes of Measured and Indicated Mineral Resources at an average grade of 5.81 g/t Au containing approximately 583,000 ounces of gold and an Inferred Mineral Resource of 4.1 million tonnes at a grade of 7.57 g/t Au containing 1.0 million ounces of gold. Drilling of the A Zone was originally budgeted for 40,000 m for 2018; however, only 23,000 m were completed prior to the data cut off for the resource estimate on October 12, 2018. This delay in drilling was required to develop additional drill platforms in order to provide better angles for greater drill efficiency and be able to intersect the up and down plunge extension of the Kiena Deep A Zone.

InnovExplo (see Qualified Persons and Technical Information in this MD&A) concluded that in the region of the down plunge extent of the Kiena Deep A Zone encompassing hole 6299 (see the Company's news release dated May 17, 2018 filed on SEDAR and on its website) that is parallel to and alongside, but excluded from the A Zone current mineral resource estimate, that could add ounces to the mineral resource estimate with positive drill results and is estimated that the exploration target for the A Zone consists **of 300,000-450,000 tonnes grading 8.0 to 11.0 g/t Au for 80,000 - 160,000 ounces Au.** This area is not currently in the mineral resource estimate and not based on drilling completed after the October 12, 2018 cutoff date for data. The reader should be cautioned that this exploration target is not a mineral resource estimate and is conceptual in nature. There has been insufficient exploration to define this as a mineral resource, and it is uncertain if further exploration will result in the exploration target being delineated as a mineral resource.

## CONTINUING EXPLORATION DRILLING

Since the October 12th cutoff date for drill data used in the recent resource estimate released on December 12, 2018, exploration and definition drilling has been ongoing with 5 drills at the Kiena Deep A Zone. Four drills are in operation on the 1050 m-level exploration ramp completing the infill and plunge extension drilling, and a 5th drill is operating on the 670 m elevation to test the interpreted up plunge extension of the A Zone towards the VC zone area. Since October 12th, approximately 16,910 m in 64 holes have been added to the Kiena Deep A Zone, in addition to a number of additional exploration holes within the immediate vicinity.




The ongoing definition/infill drilling has continued to confirm the overall continuity of the geometry and the high-grade gold mineralization of the Kiena Deep A Zone. Drilling to date has identified a well-defined, moderate plunge of approximately 45 degrees to the SE to the gold mineralization that occurs predominantly along the basalt – chlorite-carbonate schist boundary. The objective of this definition drilling to better define the high-grade mineralization between the previous wide spaced drilling and along the margins of the zone not included in the previous resource estimate, and also to improve our confidence for improved resource estimation categorization.

Additionally, the ongoing drilling has continued to expand the Kiena Deep A Zone up and down plunge. Down plunge, the zone has been extended 60 - 100 m and shows good continuity. Up plunge, drilling has now extended the A zone over 70 – 100 m since the December 12th resource estimate extending zone above the 1,050 m-level. Hole 6398 was the first hole drilled from the new development to intersect the up-plunge extension of the A Zone and returned 19.2 g/t Au, or 9.2 g/t Au cut over 5.4 m true width. In this area, it appears that the A, A1 and A2 zones all have good continuity from hole to hole.

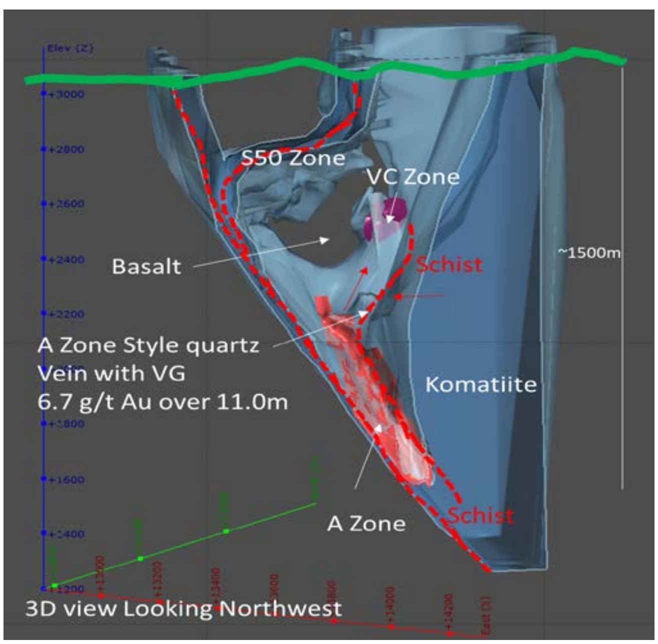
Highlights of recent drilling includes:

| | Uncut Grade (g/t Au) | Core length (m) | Cut Grade (g/t Au) | True width (m) | News Release Date |
|---|---|---|---|---|---|
| Hole 6376 | 21.1 | 6.1 | 5.1 | 5.4 | October 31, 2018 |
| Hole 6367 | 13.5 | 9.1 | 10.3 | 9.1 | October 31, 2018 |
| Hole 6366 | 43.7 | 2.4 | 12.1 | 1.9 | October 31, 2018 |
| Hole 6380 | 17.9 | 10.3 | 8.9 | 8.6 | October 31, 2018 |
| Hole 6383 | 28.0 | 24.0 | 14.1 | 16.5 | December 12, 2018 |
| Hole 6375 | 82.4 | 11.1 | 17.8 | 8.5 | December 12, 2018 |
| Hole 6370 | 120.6 | 8.9 | 44.6 | 8.0 | December 12, 2018 |
| Hole 6384 | 26.4 | 13.2 | 17.8 | 9.3 | December 12, 2018 |

| | Uncut Grade (g/t Au) | Core length (m) | Cut Grade (g/t Au) | True width (m) | News Release Date |
|---|---|---|---|---|---|
| Hole 6398 | 19.2 | 5.9 | 9.2 | 5.4 | December 12, 2018 |
| Hole 6384A | 33.7 | 30.6 | 28.4 | 15.0 | January 28, 2019 |
| Hole 6378 | 36.5 | 7.0 | 18.4 | 5.0 | January 28, 2019 |
| Hole 6392 | 153.4 | 1.4 | 35.4 | 1.3 | January 28, 2019 |
| Hole 6402 | 51.9 | 7.6 | 17.9 | 7.6 | January 28, 2019 |
| Hole 6409 | 39.8 | 4.7 | 20.0 | 3.6 | January 28, 2019 |
| Hole 6404 | 18.2 | 11.0 | 18.2 | 6.0 | April 25, 2019 |
| Hole 6406 | 66.4 | 10.4 | 23.4 | 5.2 | April 25, 2019 |
| Hole 6419 | 16.8 | 9.1 | 16.8 | 8.5 | April 25, 2019 |
| Hole 6421 | 51.3 | 10.3 | 25.0 | 3.1 | April 25, 2019 |
| Hole 6427 | 18.3 | 12.9 | 18.3 | 4.8 | April 25, 2019 |
| Hole 6446 | 81.3 | 3.1 | 24.8 | 3.0 | April 25, 2019 |

1. The assays for drill holes up to December 12, 2018 are cut to 34.3 g/t Au. True widths are estimated.
2. The assays of later drill holes are cut to 90.0 g/t Au. True widths are estimated.
3. See the Company's news releases for details.

Drilling from 670 level is continuing to test the potential up plunge of the A Zone in the vicinity of the VC zone area. Limited drilling to date confirms that the basalt – schist contact associated with the A zone mineralization continues to the area of the VC zone. The schist is interpreted to split into 2 zones on either side of a thicker portion of basalt. Drilling on the eastern splay of the schist was initially completed as follow-up to historic hole 6146 that returned 6.7 g/t Au over 11.0 m at the 980 m level from VG in a quartz vein similar to that of the A Zone. One adjacent recent hole, 6437, returned 6.9 g/t Au over 7.0 m. Other recent holes have also intersected VG in quartz veins similar to the A Zone and are currently being assayed. Given the potential, this area is now the focus for the drilling from the 670 and 1,050 m-levels.



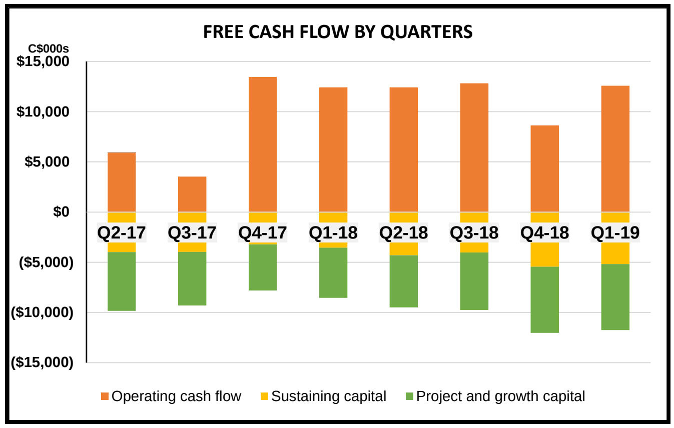

Our 2019 underground exploration program calls for 50,000 m of drilling with 5 drills in preparation for an updated resource estimate at the Kiena gold deposit in the second half of this year. This information will then lead into a Preliminary Economic Assessment.

## LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2019, Wesdome had working capital of $16.8 million compared to $11.3 million at December 31, 2018. Cash and cash equivalents at the end of the quarter was $27.8 million as compared to $27.4 million at the beginning of the year.

The following table summarizes the significant movements in cash during the quarter:

| In Millions (Canadian dollar) | | |
|---|---|---|
| **Eagle River** | | |
| Mine profits | $16.3 | |
| Sustaining capital and mine exploration | (5.1) | |
| Capitalized exploration | (1.0) | |
| Lease payments and other | (1.3) | |
| | | 8.9 |
| **Kiena** | | |
| Investment in exploration & evaluation | | (5.5) |
| Corporate | | (2.1) |
| Stock options exercised | | 1.9 |
| Net change in working capital and other | | (2.8) |
| **Net increase in cash** | | $0.4 |




[1] Free cash flow and mine profits are non-IFRS performance measures. Please refer to the disclosures of non- IFRS measures in this MD&A

Mine profits[1] for Q1 2019 were $16.3 million as compared to $10.8 million in Q1 2018. The increase in mine profits has led to the use of cash flow from operations to invest $6.6 million in the Eagle River surface exploration and Kiena asset in the quarter.

Free cash outflow[1] in Q1 2019 was $0.4 million as opposed to a free cash outflow of $3.2 million in Q1 2018. The following table identifies the significant movements in operating cash flow for the three months ended March 31, 2019:

| In $000s | Q1 2019 | Q1 2018 | Change | |
|---|---|---|---|---|
| Operating cash flow, previous period | **8,632** | 13,468 | (4,836) | (36)% |
| Increase (decrease) in cash margin from mine operations | **3,764** | (834) | 4,598 | |
| Decrease (increase) in other operating expenditures | **(106)** | 44 | (150) | |
| Mining and income tax payments (recovery) | **-** | 90 | (90) | |
| Net change in working capital balances | **205** | (450) | 655 | |
| Other | **86** | 105 | (19) | |
| Net increase (decrease) in operating cash flows | **3,949** | (1,045) | 4,994 | |
| Operating cash flow, current period | **12,581** | 12,423 | 158 | 1% |

Capital and exploration and evaluation expenditures incurred in Q1 2019 totaled $11.8 million as compared to $8.5 million in Q1 2018. A breakdown of the capital expenditures for the three months ended March 31, 2019 and 2018 are as follows:

| In $000s | Q1 2019 | Q1 2018 | Change | |
|---|---|---|---|---|
| Mining properties and plant and equipment | | | | |
| Eagle River | | | | |
| Capitalized exploration costs | **1,747** | 801 | 946 | |
| Sustaining mine development costs | **4,024** | 2,649 | 1,375 | |
| Mining equipment and infrastructure upgrades | **336** | 106 | 230 | |
| | **6,107** | 3,556 | 2,551 | |
| Corporate Office | **110** | - | 110 | |
| Additions to Mining properties | **6,217** | 3,556 | 2,661 | 75% |
| Exploration and evaluation expenditures | | | | |
| Eagle River | **-** | 13 | (13) | |
| Kiena | **5,526** | 4,962 | 564 | |
| Moss Lake | **12** | 17 | (5) | |
| Additions to Exploration properties | **5,538** | 4,992 | 546 | 11% |
| Total capital investments | **11,755** | 8,548 | 3,207 | 38% |

*Secured Credit Facility and Lease Facilities*

In Q1 2019, the Company established a $7.0 million lease facility with a Canadian bank, of which $1.4 million were drawn during the quarter. Subsequent to Q1 2019, the Company established a US$4.5 million equipment leasing facility with a U.S. based leasing company.

During Q1 2019, the Company is in compliance with the financial covenants stipulated under its secured credit facilities with a major Canadian bank, which comprise of a $1.0 million commercial card program, $20.0 million in revolving equipment finance facility and $15.0 million in a letter of credit facility. At March 31, 2019, these facilities are secured by a fixed charge over all property together with a floating charge over all other assets of the Company.

*Reclamation Bond*

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

## SUMMARY OF SHARES ISSUED

As of May 8, 2019, the Company had securities outstanding as follows:

| Shares outstanding | 000s |
|---|---|
| Common shares issued | 136,423 |
| Common share purchase options | 6,408 |
| Deferred Share Units | 454 |
| Restricted Share Units | 186 |

### CONTRACTUAL OBLIGATIONS

The following table shows the timing of cash outflows relating to contractual obligations as at March 31, 2019:

| In $000s | Total | Within 1 year | 1 - 2 Years | 3 – 5 Years | Beyond 5 years |
|---|---|---|---|---|---|
| Payables and accruals | $22,175 | $22,175 | | | |
| Mining and income liabilities | 1,149 | 1,149 | | | |
| Leases related to mining operations | 10,699 | 5,270 | 3,596 | 1,833 | |
| Other leases [1] | 833 | 259 | 172 | 402 | |
| Purchase commitments [2] | 4,761 | 4,761 | | | |
| Decommissioning liabilities | 13,148 | | 7,027 | | 6,121 |
| | **$52,765** | **$33,614** | **$10,795** | **$2,235** | **$6,121** |

[1] Other leases are leases substantively relates to the lease of the office premise.
[2] The Company anticipates 85% of the outstanding purchase commitments as at March 31, 2019 will be finance by finance leases.

## NON-IFRS PERFORMANCE MEASURES

### Average realized price per ounce of gold sold

Average realized price per ounce of gold sold is a non-IFRS measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS. Average realized price per ounce of gold sold is calculated by dividing gold sales proceeds received by the Company for the relevant period by the ounces of gold sold. It may not be comparable to information in other gold producers' reports and filings.

| In 000s, except per unit amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| Revenues per financial statements | **32,535** | 29,462 | 28,920 | 31,443 | 26,217 | 31,544 | 21,165 | 23,248 |
| Gold revenue from Kiena mill clean up | **-** | - | - | - | - | - | - | (900) |
| Silver revenue from mining operations | **(28)** | (30) | (22) | (32) | (24) | (225) | - | - |
| Gold revenue from mining operations (a) | **32,507** | 29,432 | 28,898 | 31,411 | 26,193 | 31,319 | 21,165 | 22,348 |
| Ounces of gold sold (b) | **18,760** | 18,077 | 18,401 | 18,573 | 15,430 | 19,351 | 13,069 | 13,030 |
| Average realized price gold gold sold CAD (c) = (a) ÷ (b) | **1,733** | 1,628 | 1,571 | 1,692 | 1,698 | 1,618 | 1,619 | 1,715 |
| Average 1 USD → CAD exchange rate (d) | **1.3295** | 1.3204 | 1.3070 | 1.2911 | 1.2647 | 1.2712 | 1.2528 | 1.3449 |
| Average realized price gold sold USD (c) ÷ (d) | **1,303** | 1,233 | 1,202 | 1,311 | 1,342 | 1,273 | 1,293 | 1,275 |

**Cash costs per ounce of gold sold**

Cash cost per ounce of gold sold is a non-IFRS performance measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS, as well it may not be comparable to information in other gold producers' reports and filings. The Company has included this non-IFRS performance measure throughout this document as Wesdome believes that this generally accepted industry performance measure provides a useful indication of the Company's operational performance. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance and ability to generate cash flow. Accordingly, it is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The following table provides a reconciliation of total cash costs per ounce of gold sold to cost of sales per the financial statements for each of the last eight quarters:

| In 000s, except per unit amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| Cost of sales per financial statements | **20,185** | 22,162 | 20,599 | 20,405 | 18,764 | 23,780 | 15,594 | 18,736 |
| Depletion and depreciation | **(3,909)** | (5,195) | (5,577) | (3,919) | (3,321) | (3,842) | (2,350) | (2,271) |
| Silver revenue from mining operations | **(28)** | (30) | (22) | (32) | (24) | (225) | - | - |
| Cash costs (a) | **16,248** | 16,937 | 15,000 | 16,454 | 15,419 | 19,713 | 13,244 | 16,465 |
| Ounces of gold sold (b) | **18,760** | 18,077 | 18,401 | 18,573 | 15,430 | 19,351 | 13,069 | 13,030 |
| Cash costs per ounce of gold sold (c) = (a) ÷ (b) | **866** | 937 | 815 | 886 | 999 | 1,019 | 1,013 | 1,264 |
| Average 1 USD → CAD exchange rate (d) | **1.3295** | 1.3204 | 1.3070 | 1.2911 | 1.2647 | 1.2712 | 1.2528 | 1.3449 |
| Cash costs per ounce of gold sold USD (c) ÷ (d) | **651** | 710 | 624 | 686 | 790 | 801 | 809 | 940 |

**Production costs per tonne milled**

Mine-site cost per tonne milled is a non-IFRS performance measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS, as well it may not be comparable to information in other gold producers' reports and filings. As illustrated in the table below, this measure is calculated by adjusting cost of sales, as shown in the statements of income for non-cash depletion and depreciation, royalties and inventory level changes and then dividing by tonnes processed through the mill. Management believes that mine-site cost per tonne milled provides additional information regarding the performance of mining operations and allows Management to monitor operating costs on a more consistent basis as the per tonne milled measure reduces the cost variability associated with varying production levels. Management also uses this measure to determine the economic viability of mining blocks. As each mining block is evaluated based on the net realizable value of each tonne mined, the estimated revenue on a per tonne basis must be in excess of the production cost per tonne milled in order to be economically viable. Management is aware that this per tonne milled measure is impacted by fluctuations in throughput and thus uses this evaluation tool in conjunction with production costs prepared in accordance with IFRS. This measure supplements production cost information prepared in accordance with IFRS and allows investors to distinguish between changes in production costs resulting from changes in production versus changes in operating performance.

| In 000s, except per unit amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| Cost of sales per financial statements | **20,185** | 22,162 | 20,599 | 20,405 | 18,764 | 23,780 | 15,594 | 18,736 |
| Depletion and depreciation | **(3,909)** | (5,195) | (5,577) | (3,919) | (3,321) | (3,842) | (2,350) | (2,271) |
| Royalties | **(608)** | (529) | (597) | (484) | (539) | (424) | (414) | (349) |
| Inventory adjustments | **(788)** | 1,615 | (47) | (570) | 1,184 | (3,530) | 2,316 | (200) |
| Mining and processing costs, before inventory adjustments | **14,880** | 18,053 | 14,378 | 15,432 | 16,088 | 15,984 | 15,146 | 15,916 |
| Ore milled (tonnes) (b) | **49,411** | 59,014 | 50,854 | 68,610 | 77,326 | 77,488 | 83,059 | 74,077 |
| Production costs per tonne milled (a) ÷ (b) | **301** | 306 | 283 | 225 | 208 | 206 | 182 | 215 |

**Mine profit**

Mine profit is a non-IFRS measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS, as well it may not be comparable to information in other gold producers' reports and filings. It is calculated as the difference between gold sales revenue from mining operations and cash mine site operating costs (see Cash cost per ounce of gold sold under this Section above) per the Company's Financial Statements. The Company believes it illustrates the performance of the Company's operating mines and enables investors to better understand the Company's performance in comparison to other gold producers who present results on a similar basis.

| In 000s, except per unit amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| Gold revenue from mining operations (per above) | **32,507** | 29,432 | 28,898 | 31,411 | 26,193 | 31,319 | 21,165 | 22,348 |
| Cash costs (per above) | **16,248** | 16,937 | 15,000 | 16,454 | 15,419 | 19,713 | 13,244 | 16,465 |
| Mine profit | **16,259** | 12,495 | 13,898 | 14,957 | 10,774 | 11,606 | 7,921 | 5,883 |
| **Per ounce of gold sold** (Canadian dollar): | | | | | | | | |
| Average realized price (a) | **1,733** | 1,628 | 1,571 | 1,692 | 1,698 | 1,618 | 1,619 | 1,715 |
| Cash costs (b) | **866** | 937 | 815 | 886 | 999 | 1,019 | 1,013 | 1,264 |
| **Cash margin (a) – (b)** | **867** | 691 | 756 | 807 | 699 | 599 | 606 | 451 |

## All-in sustaining costs

All-in sustaining costs (AISC) include mine site operating costs incurred at Wesdome mining operations, sustaining mine capital and development expenditures, mine site exploration expenditures and equipment lease payments related to the mine operations and corporate administration expenses. The Company believes that this measure represents the total costs of producing gold from current operations and provides Wesdome and other stakeholders with additional information that illustrates the Company's operational performance and ability to generate cash flow. This cost measure seeks to reflect the full cost of gold production from current operations on a per-ounce of gold sold basis. New project and growth capital are not included.

| In 000s, except per unit amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| Cost of sales, per financial statements | **20,185** | 22,162 | 20,599 | 20,405 | 18,764 | 23,780 | 15,594 | 18,736 |
| Depletion and depreciation | **(3,909)** | (5,195) | (5,577) | (3,919) | (3,321) | (3,842) | (2,350) | (2,271) |
| Silver revenue from mining operations | **(28)** | (30) | (22) | (32) | (24) | (225) | - | - |
| Cash costs | **16,248** | 16,937 | 15,000 | 16,454 | 15,419 | 19,713 | 13,244 | 16,465 |
| Sustaining mine exploration and development | **4,740** | 4,142 | 3,677 | 3,744 | 3,450 | 3,053 | 3,545 | 3,779 |
| Sustaining mine capital equipment | **336** | 1,280 | 317 | 499 | 106 | 162 | 434 | 213 |
| Corporate and general | **2,008** | 1,337 | 1,429 | 1,416 | 1,077 | 1,248 | 909 | 1,355 |
| Payment of lease liabilities | **1,255** | 1,086 | 931 | 956 | 659 | 674 | 762 | 672 |
| **All-in Sustaining costs (AISC) (a)** | **24,587** | 24,782 | 21,354 | 23,069 | 20,711 | 24,850 | 18,894 | 22,484 |
| Ounces of gold sold (b) | **18,760** | 18,077 | 18,401 | 18,573 | 15,430 | 19,351 | 13,069 | 13,030 |
| **AISC** (c) = (a) ÷ (b) | **1,311** | 1,371 | 1,160 | 1,242 | 1,342 | 1,284 | 1,446 | 1,726 |
| Average 1 USD → CAD exchange rate (d) | **1.3295** | 1.3204 | 1.3070 | 1.2911 | 1.2647 | 1.2712 | 1.2528 | 1.3449 |
| **AISC** USD (c) ÷ (d) | **986** | 1,038 | 888 | 962 | 1,061 | 1,010 | 1,154 | 1,283 |

**Free cash flow and operating and free cash flow per share**

Free cash flow is calculated by taking net cash provided by operating activities less cash used in capital expenditures and lease payments as reported in the Company's financial statements. Free cash flow per share is calculated by dividing free cash flow by the weighted average number of shares outstanding for the period.

Operating cash flow per share is a non-IFRS measure and does not constitute a measure recognized by IFRS and does not have a standardized meaning defined by IFRS. Operating cash flow per share is calculated by dividing cash flow from operating activities in the Company's Financial Statements by the weighted average number of shares outstanding for each year. It may not be comparable to information in other gold producers' reports and filings.

| In 000s, except per share amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| Net cash provided by operating activities per financial | **12,581** | 8,632 | 12,823 | 12,422 | 12,423 | 13,468 | 3,541 | 5,898 |
| Sustaining mine exploration and development | **(4,740)** | (4,142) | (3,677) | (3,744) | (3,450) | (3,053) | (3,545) | (3,779) |
| Sustaining mine capital equipment | **(336)** | (1,280) | (317) | (499) | (106) | (162) | (434) | (213) |
| Leasehold improvements and IT fixtures | **(110)** | (27) | (28) | (65) | - | - | - | - |
| Capitalized exploration and evaluation expenditures | **(5,538)** | (5,699) | (5,733) | (5,071) | (4,992) | (4,598) | (5,317) | (5,853) |
| Surface exploration at Eagle River | **(1,031)** | (889) | - | (125) | - | - | - | - |
| Payment of lease liabilities | **(1,255)** | (1,086) | (931) | (956) | (659) | (674) | (762) | (672) |
| **Free cash flows** (a) | **(429)** | (4,491) | 2,137 | 1,962 | 3,216 | 4,981 | (6,517) | (4,619) |
| Weighted number of shares (000s) (b) | **135,788** | 135,132 | 134,754 | 134,276 | 134,132 | 133,890 | 133,888 | 133,000 |
| **Per Share data** | | | | | | | | |
| Operating cash flow (c) ÷ (b) | **0.09** | 0.06 | 0.10 | 0.09 | 0.09 | 0.10 | 0.03 | 0.04 |
| Free cash flow (a) ÷ (b) | **0.00** | (0.03) | 0.02 | 0.01 | 0.02 | 0.04 | (0.05) | (0.03) |

**Net income (adjusted) and Adjusted net earnings per share**

Adjusted net income (loss) and adjusted net earnings per share are non-IFRS performance measures and do not constitute a measure recognized by IFRS and do not have standardized meanings defined by IFRS, as well both measures may not be comparable to information in other gold producers' reports and filings. Adjusted net income (loss) is calculated by removing the one-time gains and losses resulting from the disposition of non-core assets, non-recurring expenses and significant tax adjustments (mining tax recognition and exploration credit refunds) not related to current period's earnings, as detailed in the table below. Wesdome discloses this measure, which is based on its financial statements, to assist in the understanding of the Company's operating results and financial position.

| In 000s, except per share amounts | Q1 2019 | Q4 2018 | Q3 2018 | Q2 2018 | Q1 2018 | Q4 2017 | Q3 2017 | Q2 2017 |
|---|---|---|---|---|---|---|---|---|
| Net income (loss) per financial statements | **8,092** | 2,643 | 3,631 | 5,725 | 2,859 | (567) | 296 | 863 |
| Adjustments for: | | | | | | | | |
| Restructing costs: | **-** | - | - | - | - | **-** | 2,159 | - |
| Exploration credit refund | **(2,867)** | - | - | - | - | - | - | - |
| Other | **(255)** | - | - | - | - | - | - | - |
| Total adjustments | **(3,122)** | - | - | - | - | - | 2,159 | - |
| Related income tax effect | **753** | - | - | - | - | - | (572) | - |
| Recognition of mining taxes | **-** | - | - | - | - | 3,924 | - | - |
| | **(2,369)** | - | - | - | - | 3,924 | 1,587 | - |
| **Net income adjusted (a)** | **5,723** | 2,643 | 3,631 | 5,725 | 2,859 | 3,357 | 1,883 | 863 |
| Weighted number of shares (000s) (b) | **135,788** | 135,132 | 134,754 | 134,276 | 134,132 | 133,890 | 133,888 | 133,000 |
| **Per Share data** | | | | | | | | |
| Net adjusted earnings (a) ÷ (b) | **0.04** | 0.02 | 0.03 | 0.04 | 0.02 | 0.03 | **0.01** | **0.01** |

## ACCOUNTING MATTERS

## BASIS OF PRESENTATION

The condensed interim consolidated financial statements of Wesdome for the three months ended March 31, 2019 have been prepared in accordance with International Accounting Standard 34 – "*Interim Financial Reporting"* ("**IAS 34**") using accounting policies consistent with IFRS. Accordingly, certain disclosures included in annual financial statements prepared in accordance with IFRS have been condensed or omitted and these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's consolidated financial statements for the year ended December 31, 2018, with the exception of the adoption of new lease accounting policy on the new accounting standard IFRS 16 in January, 2019 (see "Accounting Pronouncement" in this MD&A).

The preparation of condensed interim consolidated financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The interim results are not necessarily indicative of results for a full year. The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements are consistent with those applied and disclosed.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

### CRITICAL JUDGMENT IN APPLYING ACCOUNTING POLICIES

*Exploration and evaluation expenditures*

Judgment is required in determining whether the respective costs are eligible for capitalization where applicable, and whether they are likely to be recoverable by future exploration, which may be based on assumptions about future events and circumstances. Estimates and assumptions made may change if new information becomes available.

### KEY SOURCES OF ESTIMATION UNCERTAINTY

*(i) Reserves and Resources*

Mineral Reserves are the economically mineable parts of the Company's Measured and Indicated Mineral Resources that have been incorporated into the mine plan. The Company estimates Mineral Reserves and Mineral Resources based on information compiled by appropriately qualified persons. The information relating to the geological data on the size, depth and shape of the ore body requires complex geological judgments to interpret the data. The estimation of future cash flows related to Proven and Probable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body.

Changes in the Mineral Reserves estimates may impact the carrying value of mining properties and equipment, depletion, impairment assessments and the timing of decommissioning and remediation obligations.

*(ii) Depletion*

Mining properties are depleted using the units of production ("**UOP**") method over a period not to exceed the estimated life of the ore body based on recoverable ounces to be mined from Proven and Probable reserves.

The calculation of the UOP rate, and therefore the annual depletion expense, could be materially affected by changes in the underlying estimates. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the gold price used in the estimation of mineral reserves.

Significant judgment is involved in the determination of useful life and residual values for the computation of depletion and no assurance can be given that actual useful lives and residual values will not differ significantly from current assumptions.

*(iii) Provision for decommissioning obligations*

The Company assesses its provision for decommissioning on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing, and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning obligations requires management to make estimates of the future costs the Company will incur to complete the decommissioning work required to comply with existing laws and regulations at each mining operation. Also, future changes to environmental laws and regulations could increase the extent of decommissioning work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for decommissioning. The provision represents management's best estimate of the present value of the future decommissioning obligation. Actual future expenditures may differ from the amounts currently provided.

*(iv) Share-based payments*

The determination of the fair value of Share-based payments is based on subjective assumptions input into an option pricing model, instead of based on historical cost. The model requires that management make forecasts as to future events, including estimates of the average future hold period of issued stock options before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Share-based payments incorporate an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates and is adjusted if the actual forfeiture rate differs from the expected rate.

The resulting value calculated is not necessarily the value that the holder of the option could receive in an arm's length transaction, given that there is no market for the options and they are not transferable. It is management's view that the value derived is highly subjective and dependent entirely upon the input assumptions made.

*(v) Income and mining and income taxes*

The Company is subject to income tax laws in various jurisdictions. Tax laws are complex and potentially subject to different interpretations by the taxpayer and the relevant tax authority. The provision for mining and income taxes represents management's interpretation of the relevant tax laws and its estimate of current and future income tax implications of the transactions and events during the period. The Company may be required to change its provision for income taxes or deferred tax balances when the ultimate deductibility of certain items is successfully challenged by taxing authorities or if estimates used in determining the amount of deferred tax asset to recognized change significantly, or when receipt of new information indicates the need for adjustment in the amount of deferred tax to be recognized. Additionally, future events, such as changes in tax laws, tax regulations, or interpretations of such laws or regulations, could have an impact on the provision for income tax, deferred tax balances and the effective tax rate. Any such changes could materially affect the amounts reported in the consolidated financial statements in the year these changes occur.

Judgment is required to continually assess changing tax interpretations, regulations and legislation, to ensure liabilities are complete and to ensure assets are realizable. The impact of different interpretations and applications could be material.

*(vi) Recoverability of mining properties*

The Company's management reviews the carrying values of its mining properties on a regular basis to determine whether any write-downs are necessary. The recovery of amounts recorded for mining properties depends on confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof. Management relies on life-of-mine ("**LOM**") plans in its assessments of economic recoverability and probability of future economic benefit. LOM plans provide an economic model to support the economic extraction of reserves and resources. A long-term LOM plan and supporting geological model identifies the drilling and related development work required to expand or further define the existing ore body.

*(vii) Inventory – ore stockpile*

Expenditures incurred, and depletion of assets used in mining and processing activities are deferred and accumulated as the cost of ore maintained in stockpiles. These deferred amounts are carried at the lower of cost or net realizable value ("**NRV**"). Impairments of ore in stockpiles resulting from NRV impairments are reported as a component of current period costs.

The allocation of costs to ore in stockpiles and the determination of NRV involve the use of estimates. There is a significant degree of uncertainty in estimating future milling costs, future milling levels, prevailing and long-term gold and silver prices, and the ultimate estimated recovery for ore.

*(viii) Provisions and contingent liabilities*

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advisement, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

The Company received $2.9 million in tax reassessments and interests from Revenue Québec in Q2 2018 in connection with the Québec Appeal Court decision rendered in March 2018 (see "**Litigation**" under Operation and Financial Review in this MD&A). The Company recorded in payable and accruals, the $2.9 million it received in 2018 on the basis that the Revenue Québec appealed this decision to the Supreme Court and a decision whether the case will be heard by the Supreme Court was uncertain at that time. In Q1 2019, the Company recorded this amount in income upon the successful outcome in the Supreme Court Appeal.

## ACCOUNTING PRONOUNCEMENTS

### Adoption of New Accounting Pronouncements

### IFRS 16 – Leases

This new accounting pronouncement, which supersedes IAS 17 – Leases and will be effective for periods beginning on or after January 1, 2019, eliminates the classification as an operating lease and requires lessees to recognize a right-of-use asset and a lease liability in the statement of financial position for all leases with exemptions permitted for short- term leases and leases of low value assets. In addition, the new accounting standard sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and options periods; changes the accounting for sale and leaseback arrangements; largely retains IAS 17's approach to lessor accounting and introduces new disclosure requirements. The Company prospectively adopted IFRS 16 at the beginning of 2019 with no restatement of prior year comparatives using the modified retrospective approach. The adoption of this accounting pronouncement resulted in an increase of $.0.9 million in plant and equipment and a corresponding $0.9 million increase in lease liabilities (see note 3 to the Financial Statements).

## FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial instruments disclosures require the Company to provide information about: a) the significance of financial instruments for the Company's financial position and performance and, b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the statement of financial position date, and how the Company manages those risks. Please refer to note 18 of the Company's unaudited condensed consolidated financial statements for the three months ended March 31, 2019 for a discussion of the factors that affects Wesdome.

## RISKS AND UNCERTAINTIES

Risks and uncertainties related to economic and industry factors and the Company's approach to the management of these risks are discussed in detail in the 2018 annual MD&A.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In compliance with the Canadian Securities Administrators' Regulation we have filed certificates signed by the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**") that, among other things, report on the design of disclosure controls and procedures and the design of internal controls over financial reporting.

### Disclosure Controls and Procedures

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

(i) material information relating to the Corporation has been made known to them; and

(ii) information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation

An evaluation was carried out, under the supervision of the CEO and the CFO, of the design of our disclosure controls and procedures. Based on this evaluation, the CEO and the CFO concluded that the disclosure controls and procedures are effectively designed.

### Internal Control over Financial Reporting

The CEO and the CFO have also designed internal controls over financial reporting ("**ICFR**") or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

An evaluation was carried out, under the supervision of the CEO and the CFO and with the help of external consultants, of the design and operating effectiveness of our ICFR. Based on this evaluation, the CEO and the CFO concluded that the internal controls over financial reporting were effectively designed, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**") on Internal Control – Integrated Framework (2013 Framework).

### Changes in Internal Controls over Financial Reporting

No changes were made to our internal controls over financial reporting that occurred in Q1 2019, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

### Limitations of Controls and Procedures

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

## RESPONSIBILITY FOR TECHNICAL INFORMATION

The technical and scientific information relating to exploration activities disclosed in this document was prepared under the supervision of and verified and reviewed by Marc-André Pelletier, P. Eng., Chief Operating Officer of Wesdome, and Michael Michaud, P.Geo., Vice President, Exploration of Wesdome, both and a "**Qualified Persons**" as defined in NI 43-101.

Data verification involves data input and review by senior project geologists at site, scheduled weekly and monthly reporting to senior exploration management and the completion of project site visits by senior exploration management to review the status of ongoing project activities and data underlying reported results. All drilling results for exploration projects or supporting resource and reserve estimates referenced in this MD&A have been previously reported in news releases disclosures by the Company, and have been prepared in accordance with NI 43-101 Standards of Disclosure for Mineral Projects. The sampling and assay data from drilling programs are monitored through the implementation of a quality assurance - quality control ("**QA-QC**") program designed to follow industry best practice.

## INFORMATION CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

The mineral reserve and resource estimates were prepared in accordance with NI 43-101 as required by Canadian securities regulatory authorities. For United States reporting purposes, the United States Securities and Exchange Commission ("**SEC**") applies different standards in order to classify mineralization as a reserve. In particular, while the terms "measured," "indicated" and "inferred" mineral resources are required pursuant to NI 43-101, the SEC does not recognize such terms. Canadian standards differ significantly from the requirements of the SEC. Investors are cautioned not to assume that any part or all of the mineral deposits in these categories constitute or will ever be converted into reserves. In addition, "inferred" mineral resources have a great amount of uncertainty as to their existence and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian securities laws, issuers must not make any disclosure of results of an economic analysis that includes inferred mineral resources, except in rare cases.

## CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

All statements, other than statements of historical fact, constitute "forward-looking statements" and are based on expectations, estimates and projections as of the date of this MD&A. The words – "believe", "expect", "anticipate", "plan", "intend", "continue", "estimate", "may", "will", "schedule" and similar expressions identify forward-looking statements. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of

Wesdome to be materially different from the Company's estimated future results, performance or achievements expressed or implied by the forward-looking statements and the forward-looking statements are not guarantees of future performance. Factors that could cause results or events to differ materially from current expectations expressed or implied are inherent to the gold mining industry and include, but are not limited to, those discussed in the section entitled "Risks and Uncertainties". The Company does not intend and does not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or results or otherwise except as required by applicable laws.

## RISK FACTORS

Refer to the risk factors described in the Company's 2018 Annual Information Form filed on SEDAR at www.sedar.com.