



WESDOME GOLD MINES LTD.

2019 ANNUAL
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**") audited consolidated financial statements for the years ended December 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 March 10, 2020.

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
Q4 2019	<i>October 1, 2019 – December 31, 2019</i>	Q4 2018	<i>October 1, 2018 – December 31, 2018</i>
Q3 2019	<i>July 1, 2019 – September 30, 2019</i>	Q3 2018	<i>July 1, 2018 – September 30, 2018</i>
Q2 2019	<i>April 1, 2019 – June 30, 2019</i>	Q2 2018	<i>April 1, 2018 – June 30, 2018</i>
Q1 2019	<i>January 1, 2019 – March 31, 2019</i>	Q1 2018	<i>January 1, 2018 – March 31, 2018</i>
FY 2019	<i>January 1, 2019 – December 31, 2019</i>	FY 2018	<i>January 1, 2018 – December 31, 2018</i>

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 income per share and earnings before interest, taxes and depreciation and amortization ("**EBITDA**").

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

FY 2019 HIGHLIGHTS AND ACHIEVEMENTS

Operations and Financial Highlights	Comparison to FY 2018
Gold production of 91,688 ounces from the Eagle River Complex.	Gold production increased by 28% from 2018 as a result of a 91% improvement in ore head grade, which was offset partially by a 34% decrease in ore feed from the Eagle River Complex.
Cash costs ¹ of \$825 (US\$621) per ounce of gold sold ¹.	As a function of higher sales volume, cash costs ¹ in Canadian dollars reduced by 9% from 2018 of \$905 (US\$699) per ounce.
AISC ¹ of \$1,293 (US\$975) per ounce.	AISC ¹ in Canadian dollars increased by 1% from 2018 of \$1,276 (US\$985) per ounce, due to \$8.3 million or \$94 (US\$71) per ounce capital spent on the tailings management area (“TMA”) at Eagle River.
Earned mine profit ¹ of \$90.9 million.	Mine profit ¹ increased by 74% or \$52.1 million from 2018 due to higher gold production and higher realized price.
Operating cash flow of \$71.1 million or \$0.52 per share ¹.	Increased by 54% from 2018 cash flow from operations of \$46.3 million or \$0.34 per share ¹ .
Free cash flow ¹ of \$6.6 million or \$0.05 per share ¹.	Free cash flow ¹ increased by almost 2.5 times from 2018 free cash flow ¹ of \$2.8 million or \$0.02 per share.
Net income attributable to shareholders of \$40.9 million or \$0.30 per share. After giving effect to one-time gains totaled \$3.1 million in 2019, Adjusted net income ¹ for 2019 was \$38.6 million or \$0.28 per share	Net income and adjusted net income ¹ flow increased by almost 2.8 times and 2.5 times, respectively from 2018 net income and adjusted net income ¹ of \$14.9 million or \$0.11 per share.

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

Production and Exploration Highlights	Achievements
Eagle River	<ul style="list-style-type: none"> • Ongoing extension and definition drilling of the 300 East Zones, has continued to return high grade gold intersections over increased widths. This zone has now been extended an additional 300 m down plunge to the 1,300 m-level. • Surface drilling continues to extend and better define the Falcon Zones, located in volcanic rocks approximately 200 m west of the mine diorite. Surface drilling has continued to expand the zone of mineralization to a depth of 4400 m elevation (i.e. 600 vertical m below surface) and over a strike of 200 m. • In order to better test the down plunge extension of the Falcon Zones, a drill rig has been positioned underground on the 772 m elevation. Initial drilling returned 160.5 g/t Au over 3.9 m. Given the steep easterly plunge defined by the recent drilling, it is interpreted that the Falcon 7 Zone now extends an additional 500 m down plunge and is the up plunge extension of the 7 Zone currently being mined near the 1,000 m elevation. This down plunge extension of the Falcon Zones is located proximal to existing mine infrastructure, and as such, remains one of the priorities for surface and underground drilling in the first half of 2020. The Falcon Zones have the potential to provide additional workplaces required to increase the throughput rate from Eagle River underground. • The 2020 exploration program at Eagle River consists of approximately 119,000 m of underground ("UG") definition and exploration drilling (72,000 m exploration and 47,000 m of definition drilling) using 5 underground drill rigs, and 33,500 m of surface drilling using 2 drills. • Due to a multiyear exploration focus at and around the Eagle River Mine, the Company was able to materially replace the 2019 mining depletion and add 36% more mineral reserves. Current mineral reserves at Eagle River as of December 31, 2019 are 550,000 ounces of gold from 1.2 million tonnes ("Mt") at an overall grade of 14.4 g/t Au. • In addition, indicated mineral resources at Eagle River increased 250% and now total 380,000 tonnes grading 9.0 g/t Au for 111,000 ounces of gold.
Kiena	<ul style="list-style-type: none"> • Seven underground drills are now in operation completing the infill and up and down plunge extension drilling of the Kiena Deep A Zone. This drilling has continued to confirm the overall continuity of the geometry and the high grade gold mineralization of the Kiena Deep A Zone and identify additional mineralization outside of the most recent resource estimate. Recent drilling has extended the gold mineralization of the A Zone an additional 100 m down plunge and now extends a total in excess of 830 m. • The 79 Level Ramp has been completed in early 2020. It provides optimal drill platforms for testing the up plunge

	<p>extension of the Kiena Deep A Zone between the 670 m-level and the 1050 m-level, and will serve as a haulage drift for any future production from this area as it accesses the main shaft level dump pocket. Initial drilling on 79 Level intersected a new zone of gold mineralization in a previously untested area along strike from the S50 Zone.</p> <ul style="list-style-type: none"> • The 2020 exploration program at Kiena consists of 75,000 m of underground drilling and 10,000 m of surface drilling. The underground exploration drilling program will utilize 7 drill rigs to better define the Kiena Deep A zone and convert inferred resources to indicated resources in advance of an updated resource estimate, and also test the up plunge potential of the A Zone and down dip extensions of the VC Zones between the 67 and 105 m levels that will be completed from the recently developed 79 m level. • Increased Kiena Deep A Zone Indicated resources from 99,300 ounces to 405,100 ounces and resource grade from 9.95 g/t Au to 18.55 g/t Au. Increased Kiena Deep A Zone inferred resources from 241,100 ounces to 332,000 ounces and resource grade from 11.43 g/t Au to 15.27 g/t Au. • Additional underground exploration will be completed to test the down plunge potential of the A Zone below 1,500 vertical metres where recent drilling has returned high grade results. • The Preliminary Economic Assessment (“PEA”) study is ongoing and is expected to be completed in Q2 2020. The Company plans to update the Kiena Deep resources later on this year, which will lead into a more detailed Pre-Feasibility Study (“PFS”) based upon positive results and exploration success.
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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 industry and macroeconomic factors.

In 2019, Wesdome realized an average gold price of \$1,853 (**US\$1,396**) per ounce as compared to \$1,645 (**US\$1,270**) per ounce realized in 2018. The market price for gold in 2019 averaged **US\$1,392** per ounce (Canadian dollar equivalent of \$1,847 per ounce (2018 - **US\$1,268** or \$1,644 per ounce in Canadian dollars)). The future gold price volatility is expected to be impacted by the uncertainty surrounding the US dollar’s direction in 2020 deriving from U.S. interest rates fluctuations, the outbreak of possible pandemic viruses around the globe, together with the geopolitical uncertainty persisted with the continuing 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 2019 and as at December 31, 2019. Please see note 24 of the Company’s financial statements for an analysis of Wesdome’s exposure to the Canadian and US dollar exchange rate.



OUTLOOK

In Q4 2019, the Company revised its full-year 2019 production guidance from 72,000 – 80,000 to 88,000 – 93,000 ounces of gold. The following table shows the tracking of Wesdome's performances to these revised guidelines:

	2019 Guidance	2019 Achieved	2020 Guidance
Gold production			
Eagle River	85,000 – 89,000 ounces	88,617 ounces	87,000 – 96,000 ounces
Mishi	3,000 – 4,000 ounces	3,072 ounces	3,000 – 4,000 ounces
	88,000 – 93,000 ounces	91,688 ounces	90,000 – 100,000 ounces
Head grade (g/t Au)			
Eagle River	20.0 – 22.0	23.1	15.0 – 16.7
Mishi	2.0 – 2.4	2.5	2.0 – 2.4
Cash cost per ounce ¹	\$830 - \$900 (US\$640 – US\$690)	\$825 (US\$621)	\$800 - \$875 (US\$615 – US\$670)
AISC per ounce ¹	\$1,280 - \$1,350 (US\$985 – US\$1,040)	\$1,293 (US\$975)	\$1,280 - \$1,350 (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.

QUARTERLY FINANCIAL AND OPERATIONAL RESULTS

In 000s, except per units and per share amounts								
	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Financial results								
Revenues ^{3, 4}	43,223	45,940	42,276	32,535	29,462	28,920	31,443	26,217
Mine operating profit ¹	25,816	26,770	22,055	16,259	12,495	13,898	14,957	10,774
Net income	12,077	12,449	8,327	8,092	2,643	3,631	5,725	2,859
Net income adjusted ¹	12,077	12,449	8,327	5,723	2,643	3,631	5,725	2,859
Earnings before interest, taxes, depreciation and amortization ¹	23,276	24,960	19,410	13,076	10,329	11,656	13,248	8,033
Operating cash flow	15,821	27,275	15,400	12,581	8,632	12,823	12,422	12,423
Free cash flow ¹	(3,297)	9,199	1,155	(429)	(4,491)	2,137	1,962	3,216
Per share information:								
Net income	0.09	0.09	0.06	0.06	0.02	0.03	0.04	0.02
Adjusted net income ¹	0.09	0.09	0.06	0.04	0.02	0.03	0.04	0.02
Operating cash flow ¹	0.11	0.20	0.11	0.09	0.06	0.10	0.09	0.09
Free cash flow ¹	(0.02)	0.07	0.01	0.00	(0.03)	0.02	0.01	0.02
Selected Financial Statement data:								
Cash and cash equivalents	35,657	38,611	27,395	27,847	27,378	30,714	26,719	26,460
Working capital	32,609	27,318	20,546	16,756	11,312	14,982	14,521	12,742
Total assets	285,718	265,065	238,599	225,740	209,637	203,388	193,019	189,072
Total non-current liabilities	51,161	41,897	31,680	28,961	25,170	23,040	23,056	21,112
Operational results								
Milling (tonnes)								
Eagle River	23,257	39,453	28,754	30,941	50,536	46,777	43,378	44,480
Mishi	9,108	204	18,623	18,470	8,478	4,076	25,233	32,846
Throughput ²	32,365	39,657	47,377	49,411	59,014	50,854	68,610	77,326
Total tonnes/calendar day	352	431	521	549	641	553	753	859
Head grades (g/t Au)								
Eagle River	28.6	23.4	23.4	18.5	10.6	13.3	11.0	12.0
Mishi	1.9	2.8	3.0	2.2	2.4	3.4	2.7	1.8
Recovery (%)								
Eagle River	97.6	97.6	96.4	97.6	97.0	96.9	96.2	95.4
Mishi	77.1	85.5	85.2	80.6	81.9	80.9	83.6	81.6
Production (ounces) ²								
Eagle River	20,894	28,894	20,873	17,955	16,712	19,437	14,767	16,398
Mishi	438	15	1,564	1,055	542	358	1,860	1,550
Total gold produced	21,332	28,910	22,437	19,010	17,254	19,795	16,628	17,948
Gold sales (ounces)	22,100	23,450	24,113	18,760	18,077	18,401	18,573	15,430

In 000s, except per units and per share amounts	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Per ounce of gold sold ¹								
Average realized price	1,954	1,957	1,752	1,733	1,628	1,571	1,692	1,698
Cash costs	786	815	837	866	937	815	886	999
Cash margin	1,168	1,142	915	867	691	756	806	699
AISC ¹	1,305	1,344	1,220	1,311	1,371	1,160	1,242	1,342
Production costs/tonne milled ¹	470	583	390	301	306	283	225	208
Average 1 USD → CAD exchange rates	1.3200	1.3204	1.3377	1.3295	1.3204	1.3070	1.2911	1.2647
Cost Metrics (in USD)								
Cash costs ¹	595	618	626	651	710	624	686	790
AISC ¹	988	1,018	912	986	1,038	888	962	1,061

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 Revenues include insignificant amounts from the sale of by-product silver.

⁴ 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.

ANNUAL FINANCIAL AND OPERATIONAL RESULTS

In thousands of Canadian dollars, except
per share amounts and otherwise indicated

	FY 2019	FY 2018	FY 2017
Financial Results			
Revenues	163,974	116,042	96,057
Mine operating profit ¹	90,900	52,124	31,537
Net income	40,945	14,858	1,287
Net income adjusted ¹	38,576	14,858	6,798
Operating cash flow	71,077	46,300	27,225
Free cash flow ¹	6,628	2,824	(12,097)
Per share information:			
Net income	0.30	0.11	0.01
Adjusted net income ¹	0.28	0.11	0.05
Operating cash flow ¹	0.52	0.34	0.20
Free cash flow ¹	0.05	0.02	(0.09)
Selected Financial Statement data:			
Cash and cash equivalents	35,657	27,378	22,092
Working capital	32,609	11,312	12,944
Total assets	285,718	209,637	179,913
Total non-current liabilities	51,161	25,170	21,475
Operating Results and Cost Metrics			
Gold produced (ounces)	91,688	71,625	58,980
Gold sold (ounces)	88,423	70,480	57,770
Cash cost per ounce of gold sold ¹			
Canadian dollar	825	905	1,097
US dollar	621	699	845
All-in sustaining cost per ounce of gold sold ¹			
Canadian dollar	1,293	1,276	1,490
US dollar	975	985	1,148

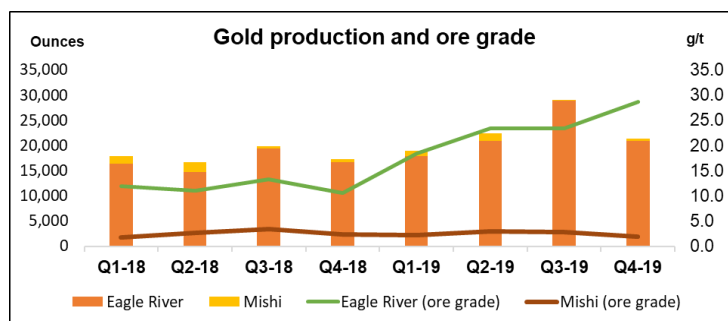
¹ Refer to the section entitled "Non-IFRS Performance Measures" for the reconciliation of these non-IFRS measurements to the Financial Statements.

Annual Operational Results

In \$000s				
	FY 2019	FY 2018	Change	
Ore milled (tonnes)				
Eagle River	122,405	185,171	(62,766)	(34)%
Mishi	46,405	70,633	(24,228)	(34)%
Throughput	168,809	255,804	(86,994)	(34)%
Head Grade (g/t Au)				
Eagle River	23.1	11.7	11.4	98%
Mishi	2.5	2.3	0.2	9%
Recoveries (percent)				
Eagle River	97.3	96.4	0.9	1%
Mishi	82.4	82.4	0.0	0%
Gold production (ounces)				
Eagle River	88,617	67,315	21,302	32%
Mishi	3,072	4,310	(1,238)	(29)%
	91,688	71,625	20,064	28%
Gold Sold (ounces)	88,423	70,480	17,943	25%

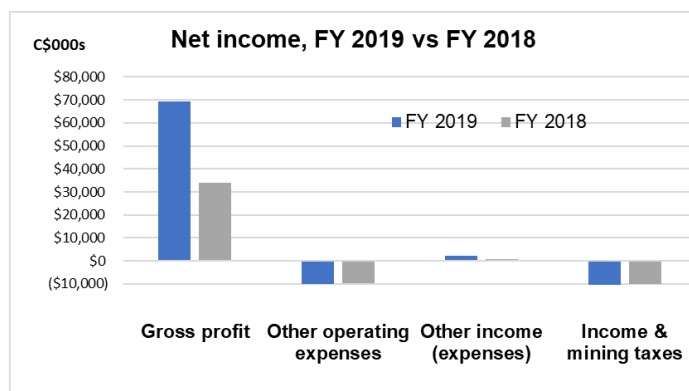
¹ Totals for tonnage and gold ounces information may not add due to rounding.

Production at Eagle River increased by 32% from 2018 to 88,617 ounces of gold, due to a 98% improvement in head grade; offset partially by a 34% decrease in total throughput when compared to 2018. Head grade at Eagle River in 2019 averaged 23.1 g/t. The improvements in ore grade from 2018 are largely a function of stopes in the 303 Zone contributing more tonnes at higher grades than anticipated due to better mining practices such as dilution control.



The contribution of ore feed from Mishi in 2019 reduced by 34% to 46,405 t when compared to 70,633 t processed in 2018. Mishi operations were temporarily suspended during the spring freshet to allow the transfer of water from the tailing management area to the pit. In 2019, the Mishi pit achieved a head grade of 2.5 g/t producing 3,072 ounces of gold as compared to a grade of 2.3 g/t achieved in 2018, producing 4,310 ounces of gold. As a result of the above, combined throughput in 2019 decreased by 34% from 2018 as 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. The underground exploration and definition program at Eagle River are progressing as planned, with five underground drills fully manned, thereby providing encouragement to the addition of underground workplaces, which will ultimately result in increased production.

Annual 2019 Financial Review



Net income attributable to shareholders for 2019 was \$40.9 million or \$0.30 per share as compared to net income of \$14.9 million or \$0.11 per share for 2018. After recognizing one-time gains totaled \$3.1 million, Adjusted net income¹ for 2019 was \$38.6 million or \$0.28 per share.

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				
	FY 2019	FY 2018	Change	
Revenues	163,974	116,042	47,932	41%
Costs and expenses				
Cost of sales	94,806	81,930	12,876	16%
Corporate and general	6,668	5,259	1,409	27%
Stock-based compensation	2,987	2,614	373	14%
Kiena care and maintenance	-	1,695	(1,695)	
Write-off of mining equipment	247	290	(43)	
	104,708	91,788	12,920	
Operating income	59,266	24,254	35,012	144%
Interest and other income (expenses) ²	2,167	726	1,441	
Income before taxes	61,433	24,980	36,453	
Mining and income tax expense	20,488	10,122	10,366	
Net income	40,945	14,858	26,087	176%
Operating cash flows	71,077	46,300	24,777	54%
Free cash flows ¹	6,628	2,824	3,804	

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

² Interest and other income (expenses) for FY 2019 substantively includes the recognition in income of the receipt of \$2.9 million from Revenue Québec in respect of exploration tax credit.

Revenues

In \$000s							
	Q4 2019	Q4 2018	Change		FY 2019	FY 2018	Change
Revenues from operations							
Gold	43,183	29,432	13,751	47%	163,819	115,934	47,885
Silver	40	30	10		155	108	47
	43,223	29,462	13,761	47%	163,974	116,042	47,932



Wesdome generated \$163.8 million in gold sales revenue from the sale of 88,423 ounces of gold at an average realized price of \$1,853 (**US\$1,396**) per ounce; as compared to the sale of 70,480 ounces of gold at \$1,645 (**US\$1,270**) per ounce for revenue of \$115.9 million in 2018. The 41% increase in sales revenues is the result of the increase in gold production, combined with a strong gold price.

Cost of Sales

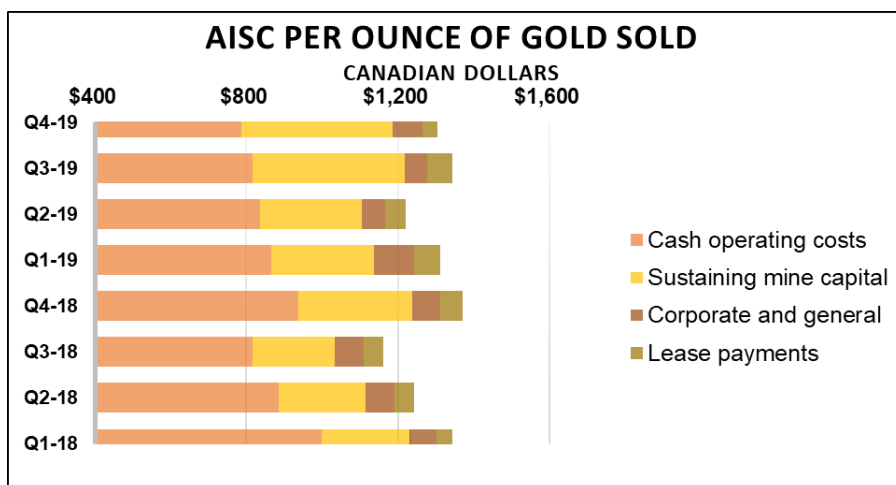
In \$000s	Q4 2019	Q4 2018	Change		FY 2019	FY 2018	Change	
Cost of Sales								
Mining and processing costs								
Mining	9,355	8,484	871		36,993	33,914	3,079	
Processing	4,887	3,689	1,198		18,325	14,243	4,082	
Site administration and camp costs	6,230	5,325	905		22,990	17,701	5,289	
Change in inventories ¹	(3,862)	(1,060)	(2,802)		(8,414)	(4,089)	(4,325)	
	16,610	16,438	172		69,894	61,769	8,125	
Royalties	797	529	268		3,180	2,149	1,031	
Depletion and depreciation	5,397	5,195	202		21,732	18,012	3,720	
	22,804	22,162	642	3%	94,806	81,930	12,876	16%

¹ See Note 19 of the Company's financial statements for a breakdown of stockpile and in-circuit inventory adjustments for the years ended December 31, 2019 and 2018.

Cost of sales of \$94.8 million in 2019 increased by 16% or \$12.9 million mainly due to: (i) an increase of \$12.4 million in operating costs due to higher costs incurred on development, general surface, mill and equipment fleet maintenance improvements and additional expenditures for mine services in the improvements in health and safety at the mines together with improvements in TMA water management and tailings deposition; (ii) an increase of \$3.7 million in non-cash depletion and depreciation as a result of the increase in the asset base and; offset by (iii) a \$4.3 million increase in ore stockpile and bullion inventory, resulting from inventory level changes.

Cash cost and AISC per ounce of gold sold in 2019 were \$825 (**US\$621**) and \$1,293 (**US\$975**) per ounce; as compared to cash cost and AISC per ounce of gold sold in 2018 of \$905 (**US\$699**) and \$1,276 (**US\$985**), respectively.

While cash cost per ounce decreased because of the increase in the number of ounces sold, the AISC increased because of additional development and the \$8.3 million spent on the TMA capital project (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 2019 increased by 27% primarily due to increased corporate activities and the increase in technical staff at the corporate level. The corporate and general expenditure level is expected to be between \$1.6 and \$1.8 million on a quarterly basis in 2020.

Stock-based payments

During 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.

On May 26, 2019, the Company granted 125,776 Deferred Share Units (“**DSUs**”) to its non-executive directors (“**Participants**”) under the Plan valued at approximately \$0.6 million. Under the Plan, as approved by the Company’s shareholders on June 21, 2017, 75% of the directors’ annual retainers are to be paid in share-based awards. Each DSU has the same value as one Wesdome common share. The DSUs may not be redeemed until the Participant has ceased to hold all offices, employment and directorships with Wesdome and all its affiliates. For the three months and year ended December 31, 2019, the compensation expense recognized under the plan was \$0.3 million and \$3.0 million, respectively.

Québec exploration credits refund

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 Quebec (the “April 2016 Appeal”), however it refunded \$2.6 million of the reassessed amounts in July 2016. On March 28, 2018, the Company was successful in defending the April 2016 Appeal. On May 28, 2018, Revenue Québec has submitted an application for leave to appeal to the Supreme Court of Canada, the decision made by the Québec Court of Appeal (the “Supreme Court Appeal”). On June 18, 2018, the Company received the refund of the remaining tax assessment payment plus interest accrued amounting to \$2.9 million.

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 that year. The Company recorded the amount of \$2.9 million that was received in 2018 in payable and accruals.

On February 28, 2019, the Supreme Court dismissed the Supreme Court Appeal and accordingly, the Company recorded this amount as income in the year ended December 31, 2019.

Decommissioning Provisions

In 2019, the Company has revised the closure cost estimates for the Eagle River Complex from \$6.0 million to \$17.2 million, which results in an increase in mining properties and decommission provisions by \$9.4 million (determined using a risk-adjusted interest rate of 3.63%). The Company has submitted the amended closure plans for the Eagle River Mine, the mill and the Magnacon-Mishi mine in Q4 2019.

Tax Expense

In \$000s								
	Q4 2019	Q4 2018	Change		FY 2019	FY 2018	Change	
Mining and income tax expense								
Current	1,440	842	598		4,918	2,713	2,205	
Deferred	4,047	1,566	2,481		15,570	7,409	8,161	
	5,487	2,408	3,079	128%	20,488	10,122	10,366	102%

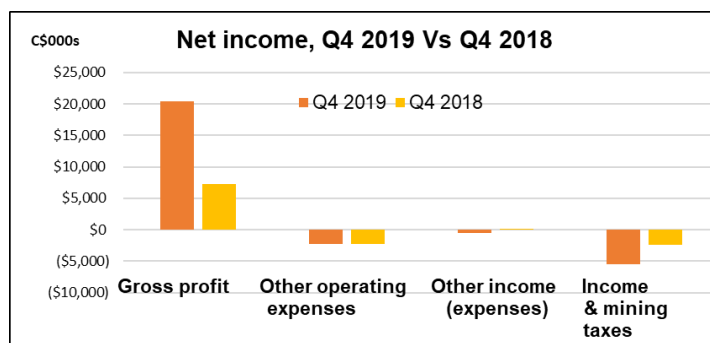
The effective tax rate for 2019 was 33.4% as compared to 40.5% for 2018. Wesdome is currently exposed to mining tax liability for any resource profits earned in Ontario. As at December 31, 2019, the Company recorded a current mining and income tax liability of \$1.4 million.

FOURTH QUARTER REVIEW

Q4 2019 Operating Results

In \$000s				
	Q4 2019	Q4 2018	Change	
Ore milled (tonnes)				
Eagle River	23,257	50,536	(27,279)	(54)%
Mishi	9,108	8,478	630	7%
Throughput	32,365	59,015	(26,650)	(45)%
Head Grade (g/t Au)				
Eagle River	28.6	10.6	18.0	170%
Mishi	1.9	2.4	(0.5)	(19)%
Recoveries (percent)				
Eagle River	97.6	97.0	0.6	1%
Mishi	77.1	81.9	(4.8)	(6)%
Gold production (ounces)				
Eagle River	20,894	16,712	4,182	25%
Mishi	438	542	(104)	(19)%
	21,332	17,254	4,077	24%
Gold Sold (ounces)	22,100	18,077	4,023	22%

Financial Review, Q4 2019 as compared to Q4 2018



Net income and adjusted net income for the three months ended December 31, 2019 was \$12.1 million or \$0.09 per share as compared to net income and adjusted net income of \$2.6 million or \$0.02 per share for the same period in 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				
	Q4 2019	Q4 2018	Change	
Revenues	43,223	29,462	13,761	47%
Costs and expenses				
Cost of sales	22,804	22,162	642	3%
Corporate and general	1,745	1,337	408	31%
Stock-based compensation	346	349	(3)	(1)%
Kiena care and maintenance	-	565	(565)	
Write-off of mining equipment	247	-	247	
	25,142	24,413	729	
Operating income	18,081	5,049	13,032	258%
Interest and other income (expenses)	(517)	2	(519)	
Income before taxes	17,564	5,051	12,513	
Mining and income tax expense	5,487	2,408	3,079	
Net income	12,077	2,643	9,434	357%
Operating cash flows	15,821	8,632	7,189	83%
Free cash flows ¹	(3,297)	(4,491)	1,194	

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

Revenues

Wesdome generated \$43.2 million in revenue in Q4 2019 from the sale of 22,100 ounces of gold at an average realized price of \$1,954 (US\$1,480) per ounce; as compared to the sale of 18,077 ounces of gold at \$1,628 (US\$1,233) per ounce for revenue of \$29.5 million in Q4 2018.

Cost of Sales

Cost of sales increased by \$0.6 million from \$22.2 million in Q4 2018. The increase in cost of sales was mainly due to: (i) an increase of \$3.0 million in site operating costs due to more development work with higher costs, general maintenance improvements for the tailings facility, surface infrastructure, and equipment fleet, and additional expenditures for mine services; offset by (iii) a \$2.8 million increase in ore stockpile and bullion inventory adjustment resulting from inventory level changes.

Corporate and General

Corporate and general expenditures increased by \$0.4 million from \$1.3 million in Q4 2018 primarily due to increased corporate activities.

EAGLE RIVER COMPLEX

The Eagle River Complex produced 91,688 ounces of gold in 2019 as compared to 71,625 ounces in 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.

In 2019, the mill processed 168,810 t or 462 tpd of Eagle River and Mishi ore as compared to 225,804 t or 619 tpd in 2018. The lower throughput is mainly due to numerous plant shutdowns experienced in 2019, changes in the mining sequence and higher focus on development work. The shutdown in the Q4 2019 was for 24 days to repair the cone crusher, electrical work on the jaw crusher and regrind mill motors and other work related to different piping systems.

The mill availability was 47% in Q4 19 and 61% in 2019.

The mill recovery for Eagle ore was 97.3% and 82.4% for Mishi ore as compared to 96.4% for the Eagle ore and 82.4% for the Mishi ore in 2018. The higher mill recovery for Eagle was mainly due to lower throughput resulting in higher retention time and improvement in the gravity circuit recovery with the installation of a new Flacon gravity system recovery in late Q3 2019. The target for the mill is to process an average of 800 tpd with targeted recoveries of 96% for Eagle ore and 83% for Mishi ore.

The \$8.3 million capital investment into the tailings management facility will provide for an additional 4 years capacity at current mill feed. The vertical extension will be completed in 2020 and will well position the operation for the future.

Eagle River Underground Mine

Development and Drilling

During Q4 2019, Wesdome has continued to develop and explore two parallel zones, the No. 7 and 300 zones, 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. Drilling is being completed with five underground drill rigs to extend the known 7 East, 300 East and 311 West zones up and down dip and also along the western margin of the mine diorite. In addition, drilling is ongoing to test for additional parallel structures in the eastern portion of the mine diorite. Surface drilling with one drill rig continues to test the recently discovered Falcon zones where there exists good potential to define higher grade and wider zones of gold mineralization that would be near mine infrastructure. Wesdome's goal is to fill the mill entirely from high grade ore from Eagle River and to identify additional resources and workplaces for increased future production profiles.

300 East Zones - 303 Lens

Ongoing extension and definition drilling of the 300 East Zones, and in particular the 303 Lens, has continued to return high grade gold intersections (see October 29, 2019 and February 12, 2020 press release). The 303 Lens defines a zone that is interpreted to be the intersection between two conjugate structures, namely the 301 and 300 East zones, where increased widths and grades have been returned. Initially defined from the 750 m-level to 1,000 m-level, this zone has now been extended an additional 300 m down plunge to the 1,300 m-level. The down plunge extension is a relatively more tabular zone that now measures in excess of 100 m along strike with above average widths and grades. The down plunge extension is more similar to the adjacent 300 East Zones and the gold mineralization remains open down plunge.

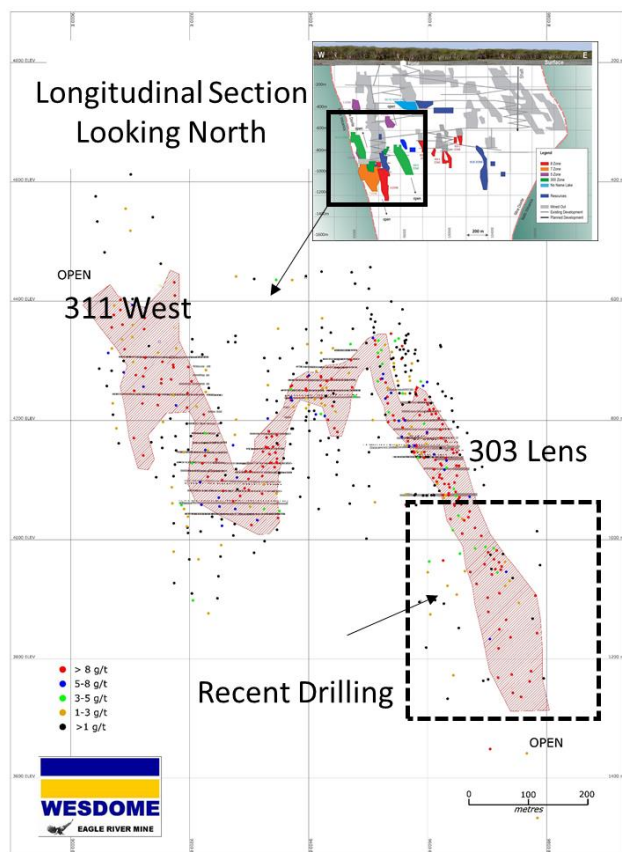
Highlights of the recent drilling are listed below.

303 Lens

- Hole 925-E-113: 49.1 g/t Au over 6.4 m core length (13.7 g/t Au cut, 4.1 m true width)
- Hole 925-E-132: 128.8 g/t Au over 5.0 m core length (51.6 g/t Au cut, 2.5 m true width)
- Hole 925-E-134: 23.8 g/t Au over 13.2 m core length (18.4 g/t Au cut, 6.6 m true width)

All assays cut to 140.0 g/t Au. True widths are estimated.





Falcon Zones

Surface drilling continues to extend and better define the Falcon Zones, located in volcanic rocks approximately 200 m west of the mine diorite (see press release dated February 12, 2020). The Falcon Zones occur near the contact between tholeiitic mafic volcanic and calc-alkaline felsic to intermediate volcanics, which are commonly sheared with biotite-sericite altered and laminated quartz veins with visible gold. Surface drilling has continued to expand the zone of mineralization to a depth of 4400 m elevation (i.e. 600 vertical m below surface) and over a strike of 200 m.

In order to better test the down plunge extension of the Falcon Zones, a drill rig has been positioned underground on the 772 m elevation. Initial drilling from underground has intersected visible gold mineralization in quartz veining approximately 70 m down plunge of the Falcon Zones. Assaying of this hole returned 160.5 g/t Au over 3.9 metres. Given the steep easterly plunge defined by the recent drilling, it is interpreted that the Falcon 7 Zone now extends an additional 500 m down plunge and is the up plunge extension of the 7 Zone currently being mined near the 1,000 m elevation. This down plunge extension of the Falcon Zones is located proximal to existing mine infrastructure, and as such, remains one of the priorities for surface and underground drilling in the first half of 2020. The Falcon Zones have the potential to provide additional workplaces required to increase the tonnage milled from Eagle River underground.

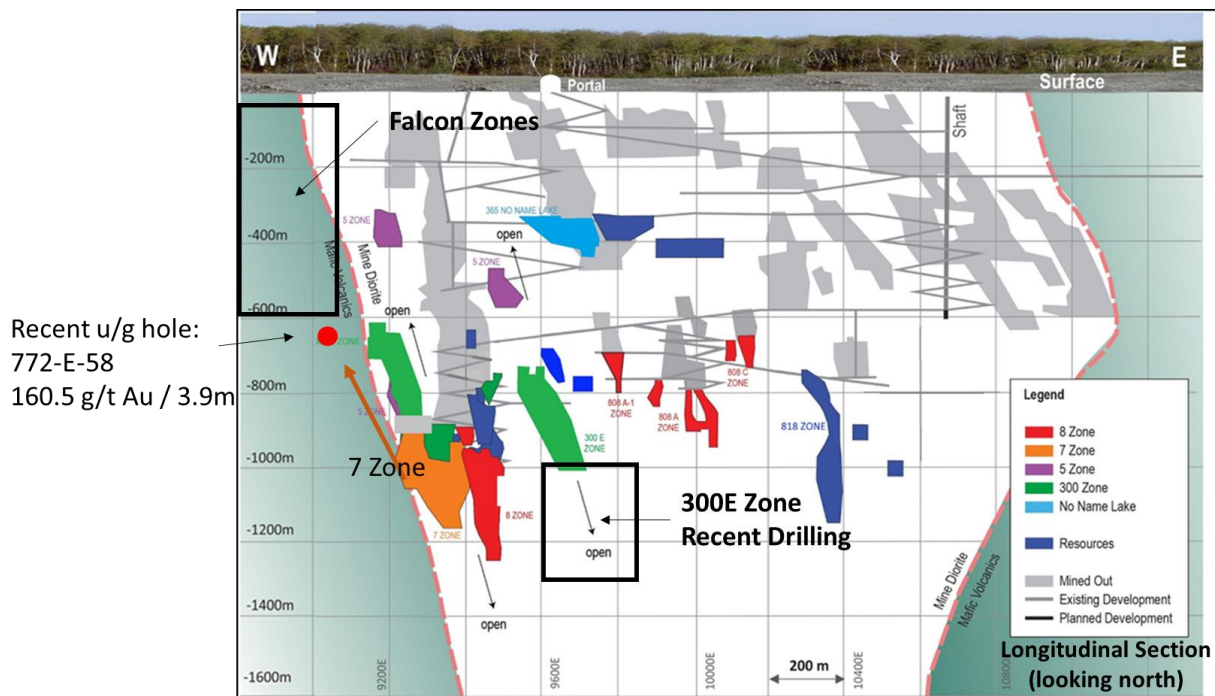
Highlights of the recent drilling are listed below.

- Hole ERM-2019-60: 2,690.0 g/t over 0.5 m core length (60.0 g/t Au cut, 0.4 m true width)
- Hole ERM-2019-63: 49.4 g/t Au over 3.0 m core length (23.2 g/t Au cut, 2.2 m width)
- Hole ERM-2019-02: 16.0 g/t Au over 6.4 m core length (9.5 g/t Au cut, 4.7 m true width)
- Hole 772-E-58: 160.5 g/t Au over 3.9 m core length (73.4 g/t Au cut*, 2.2 m true width) – underground drill hole

Assays capped at 60 g/t Au. *Assays capped at 125 g/t Au. True widths are estimated.



Wesdome Gold Mines Ltd.



Given the recent success defining gold mineralization in the volcanic rocks surrounding the mine diorite, surface mapping and prospecting, with potential follow-up trenching and drilling, is planned for this summer. There are many historic gold showings in the volcanic rocks that remain underexplored along a 20 km trend.

Mineral Reserve and Resource Estimates at Eagle River and Mishi

Due to a multiyear exploration focus at and around the Eagle River Mine, the Company was able to materially replace the 2019 mining depletion and add 36% more mineral reserves. Current mineral reserves at Eagle River as of December 31, 2019 are 550,000 ounces of gold from 1.2 Mt at an overall grade of 14.4 g/t Au; as compared to the mineral reserves as of December 31, 2018 of 1.1 Mt at a grade of 12.0 g/t Au containing 404,000 ounces of gold.

In addition, indicated mineral resources at Eagle River increased 250% and now total 380,000 tonnes grading 9.0 g/t Au for 111,000 ounces of gold.

At Mishi, the mineral reserves remained almost the same as the previous year due to additions of mineralization found on the mined levels of the open pit mine. Current reserves total 116 kt grading 2.8 g/t Au for 10,500 ounces of gold. Exploration was not conducted during 2019 at Mishi. The Company focus is to maximize the throughput of the high-grade underground ore from Eagle River. Current strategy for the corporation is to have production from the Eagle River operations to be in the 100,000 ounces per annum range by focused exploration and development of the Eagle River Mine thereby generating higher margin tonnes.

The following tables summarize the mineral reserve and mineral resource estimates as at December 31, 2019.

MINERAL RESERVES – EAGLE RIVER <small>(see notes)</small>		December 31, 2019			December 31, 2018		
		Tonnes (000s)	Grade (g/t Au)	Contained ounces	Tonnes (000s)	Grade (g/t Au)	Contained ounces
Eagle River	Proven	331	15.5	165,000	188	14.7	89,000
	Probable	855	14.0	385,000	860	11.4	315,000
	Proven + Probable	1,186	14.4	550,000	1,048	12.0	404,000

MINERAL RESERVES – MISHI		December 31, 2019			December 31, 2018		
		Tonnes (000s)	Grade (g/t Au)	Contained ounces	Tonnes (000s)	Grade (g/t Au)	Contained ounces
MISHI	Proven	8	1.9	500	14	2.2	1,000
	Probable	108	2.9	10,000	110	2.9	10,000
	Proven + Probable	116	2.8	10,500	124	2.8	11,000

MINERAL RESOURCES (Exclusive of Mineral Reserves) (see notes)		December 31, 2019			December 31, 2018		
		Tonnes (000s)	Grade (g/t Au)	Contained ounces	Tonnes (000s)	Grade (g/t Au)	Contained ounces
EAGLE RIVER	Measured	25	10.1	8,000	11	10.4	4,000
	Indicated	355	9.0	103,000	97	8.8	28,000
	Measured + Indicated	380	9.0	111,000	109	9.0	31,000
	Inferred	403	12.3	159,000	433	11.4	159,000

MINERAL RESOURCES (Exclusive of Mineral Reserves) (see notes)		December 31, 2019			December 31, 2018		
		Tonnes (000s)	Grade (g/t Au)	Contained ounces	Tonnes (000s)	Grade (g/t Au)	Contained ounces
MISHI							
Open pit	Indicated	-	-	-	-	-	-
	Inferred	2,808	1.6	147,000	2,808	1.6	147,000
Underground	Indicated	-	-	-	-	-	-
	Inferred	373	5.4	65,000	373	5.4	65,000
MISHI TOTAL	Indicated	-	-	-	-	-	-
	Inferred	3,182	2.1	212,000	3,182	2.1	212,000

EAGLE RIVER PROVEN AND PROBABLE RESERVE BREAKDOWN BY ZONE ¹

The following table provides a breakdown of mineral reserves and mineral resources by structure to illustrate the growing significance of these recent developments.

Zone	December 31, 2019				December 31, 2018			
	Tonnes (000s)	Grade (g/t Au)	Contained Ounces	Percent	Tonnes (000s)	Grade (g/t Au)	Contained Ounces	Percent
No. 300	798	15.5	397,000	72	503	12.4	201,000	50
No. 7	267	12.9	110,500	20	300	13.1	126,000	31
No. 8	103	11.6	38,500	7	135	11.1	48,000	12
Other	18	6.9	4,000	1	110	8.2	29,000	7
TOTAL	1,186	14.4	550,000	100	1,048	12.0	404,000	100

1. Numbers reflect rounding to nearest 1,000 tonnes and ounces.
2. Mineral Resources are exclusive of reserves.
3. Mineral Resources are not in the current mine plan and therefore do not have demonstrated economic viability.
4. All Mineral Reserves and Mineral Resources estimates have been made in accordance with the Standards of the Canadian Institute of Mining, Metallurgy and Petroleum and NI 43-101 and assume a gold price of \$1,750 (US\$1,363) per ounce for the reserves and a gold price of \$1,900 (US\$1,474) per ounce for the resources, with a \$1 USD → CAD exchange rate of 1.39.
5. Mineral Resources are reported in-situ with no dilution provision.
6. A density or tonnage factor of 2.7 tonnes per cubic m (t/m³) is applied at both Eagle River Mine and Mishi Mine.
7. At Eagle River Mine, all high assays are cut to either 60.0 – 140.0 g/t Au for individual zones.
8. All Mineral Reserves at Eagle River employ a 1.5 m minimum width, a 3.0 g/t Au minimum grade for continuity and include 1.0 m of external dilution and 10% lost ore and metallurgical recoveries of 96.5%.
9. Falcon Zone mineral resources are included as part of Eagle River resources.
10. At Mishi the 7 lenses considered in the Mineral Resource calculations are cut between 6.0 to 45.0 g/t Au. All high blasthole assays are cut to 10 g/t Au.
11. All In-Pit Mineral Reserves at Mishi employ a 1.0 g/t cut-off grade and a 3.0 m minimum width. Estimates provide for 10% dilution, 10% lost ore and metallurgical recoveries of 83%.
12. Mishi Mineral Reserves currently have a life of mine stripping ratio of 2.2 tonnes of waste per tonne of ore.
13. Mishi In-Pit Mineral Resources extend to a depth of 110.0 m, employing a 0.5 g/t cut-off grade, a 3.0 m minimum width and are reported in-situ with no dilution or lost ore provisions.
14. Mishi Underground Mineral Resources are reported in-situ employing a 3.0 g/t cut-off grade and a 1.5 m minimum mining width.
15. Qualified Persons for the Mineral Reserves and Mineral Resources estimates as per NI 43-101 include Marc-André Pelletier P. Eng, COO, and Michael Michaud, P.Geo., VP Exploration of Wesdome.

Plans for 2020

- The 2020 exploration program at Eagle River consists of approximately 119,000 metres (“m”) of underground (“UG”) definition and exploration drilling (72,000 m exploration and 47,000 m of definition drilling) using 5 underground drill rigs, and 33,500 m of surface drilling using 2 drills.
- Definition drilling will be focused at 300W, 300E, and down dip on the 711 and 811 zones.
- Underground exploration drilling will be completed down plunge at the 300E zone, as well as west of 7 Zone along the diorite contact and up plunge from the 311 Zone towards the Falcon zones. Additional underground exploration will also be completed further to the east of the current mining areas, in the east-central area of the mine at the 200 and 825 m-levels to test for parallel zones north of the historic 8 and 6 zones.
- The 33,500 m surface drilling program will initially concentrate on better defining and expanding the Falcon zones and later in the year focus on regional targets west of the mine diorite where recent surface sampling has returned a number of anomalous gold values.

TAILINGS AND WATER MANAGEMENT

After extensive technical reviews on our tailings and water management and corresponding updates to our risk management program, additional work is being undertaken at our TMA, taking advantage of the summer season in the Wawa region. An updated deposition plan, to optimize tailings placement and water management, has been put in place and work has been ongoing so far this year. Over the past 5 years, with noticeable climate change effects, there has been higher than normal precipitation in the region, with water management becoming increasingly challenging. Snow management, with the purchase of appropriate equipment, was successfully undertaken over the winter months into the spring of 2019, to mitigate the effects of rapid spring thaw. With appropriate permits in place, additional capacity for water management was garnered by temporarily utilizing our Mishi pit, as ore was available for processing from the Mishi stockpile. At the TMA, the Stage 3 vertical raise was completed during year, with the majority of the Stage 3 raise having occurred in 2017. The Company started the vertical raise (Stage 4) of the existing dam structure which will allow additional tailing capacity for the future. Construction of the dam raise will continue in the summer of 2020. The Stage 4 raise will add nearly 4 years of tailings capacity at current production rate. A total of \$10.5 million has been allocated to this project, with \$2.8 million incurred in Q4 2019 and \$8.3 million spent to the end of 2019.

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.

On September 25, 2019, Wesdome announced an updated Mineral Resource Estimate (Technical report filed on SEDAR November 8, 2019).

HIGHLIGHTS OF MINERAL RESOURCE ESTIMATE – September 25, 2019

A Zone Mineral Resource Estimate (Kiena Deep)

As at September 25, 2019				As at December 12, 2018		
	Tonnes	Gold Grade g/t Au	Gold Ounces	Tonnes	Gold Grade g/t Au	Gold Ounces
Indicated	679,200	18.55	405,100	310,300	9.95	99,300
Total M+I	679,200	18.55	405,100	310,300	9.95	99,300
Inferred	676,300	15.27	332,000	656,100	11.43	241,100

Mineral Resources proximal to Kiena Mine Development (A, B, South, VC and S50 zones – includes table above)

As at September 25, 2019				As at December 12, 2018		
	Tonnes	Gold Grade g/t Au	Gold Ounces	Tonnes	Gold Grade g/t Au	Gold Ounces
Indicated	968,900	14.46	450,400	1,028,900	6.38	211,100
Total M+I	968,900	14.46	450,400	1,028,900	6.38	211,100
Inferred	1,121,200	11.02	397,100	968,900	9.23	287,400

Polygonal Resources outside of Kiena Mine Area (Martin, Dubuisson, Northwest, Presqu'île Zones and Wesdome Deposit)

As at September 25, 2019				As at December 12, 2018		
	Tonnes	Gold Grade g/t Au	Gold Ounces	Tonnes	Gold Grade g/t Au	Gold Ounces
Measured	-	-	-	63,700	4.06	8,300
Indicated	1,859,300	5.65	337,700	1,864,800	5.59	335,300
Total M+I	1,859,300	5.65	337,700	1,928,500	5.54	343,600
Inferred	1,796,900	6.94	401,000	2,056,400	7.11	470,200

Kiena Mine Complex Global Resource Estimate (below 100 m thick crown pillar)

As at September 25, 2019				As at December 12, 2018		
	Tonnes	Gold Grade g/t Au	Gold Ounces	Tonnes	Gold Grade g/t Au	Gold Ounces
Measured	-	-	-	63,700	4.06	8,300
Indicated	2,828,200	8.67	788,100	2,893,700	5.87	546,400
Total M+I	2,828,200	8.67	788,100	2,957,400	5.83	554,700
Inferred	2,918,100	8.51	798,100	3,025,300	7.79	757,600

CONTINUING EXPLORATION DRILLING

Seven underground drills are now in operation completing the infill drilling and up and down plunge extension drilling of the Kiena Deep A Zone. This drilling has continued to confirm the overall continuity of the geometry and the high grade gold mineralization of the Kiena Deep A Zone and identify additional mineralization outside of the most recent resource estimate. Recent drilling has continued to extend the gold mineralization of the A Zone down plunge and now extends a total in excess of 830 m. A total of 40,850 m in 136 new drill holes have now been drilled since the latest resource estimate, which is expected to be updated later in 2020.

Kiena Deep A Zone – Down Plunge

Highlights of the down plunge drilling are listed below (See February 19, 2020 news release).

- Hole 6580: 114.8 g/t Au over 10.0 m core length (32.8 g/t Au cut, 5.6 m true width)
- Hole 6580W1: 25.3 g/t Au over 17.2 m core length (21.0 g/t Au cut, 11.6 m true width)
- Hole 6580W2: 86.5 g/t Au over 9.7 m core length (31.7 g/t Au cut, 4.2 m true width)

All assays cut to 90.0 g/t Au. True widths are estimated.

Kiena Deep A Zone – Definition Drilling

Highlights of the definition drilling are listed below (See December 12, 2019 and February 19, 2020 news releases).

- Hole 6592: 66.8 g/t Au over 9.2 m core length (16.8 g/t Au cut, 7.0 m true width)
- Hole 6593: 106.3 g/t Au over 10.5 m core length (37.8 g/t Au cut, 8.5 m true width)
- Hole 6606: 30.5 g/t Au over 10.9 m core length (19.0 g/t Au cut, 8.0 m true width)
- Hole 6486: 141.4 g/t Au over 13.2 m core length (23.0 g/t Au cut, 13.2 m true width)
- Hole 6545: 185.8 g/t Au over 3.1 m core length (29.3 g/t Au cut, 2.4 m true width)
- Hole 6559: 70.9 g/t Au over 6.9 m core length (39.9 g/t Au cut, 4.5 m true width)
- Hole 6568: 33.5 g/t Au over 10.5 m core length (15.5 g/t Au cut, 6.5 m true width)



All assays cut to 90.0 g/t Au. True widths are estimated.

VC Zone

- Hole 6548: 30.4 g/t Au over 2.0 m core length (30.4 g/t Au cut, 1.7 m true width)
- Hole 6556: 17.4 g/t Au over 3.0 m core length (17.4 g/t Au cut, 2.2 m true width)
- Hole 6586: 12.7 g/t Au over 6.0 m core length (12.7 g/t Au cut, 5.0 m true width)

All assays cut to 90.0 g/t Au. True widths are estimated.

79 Level Exploration Ramp

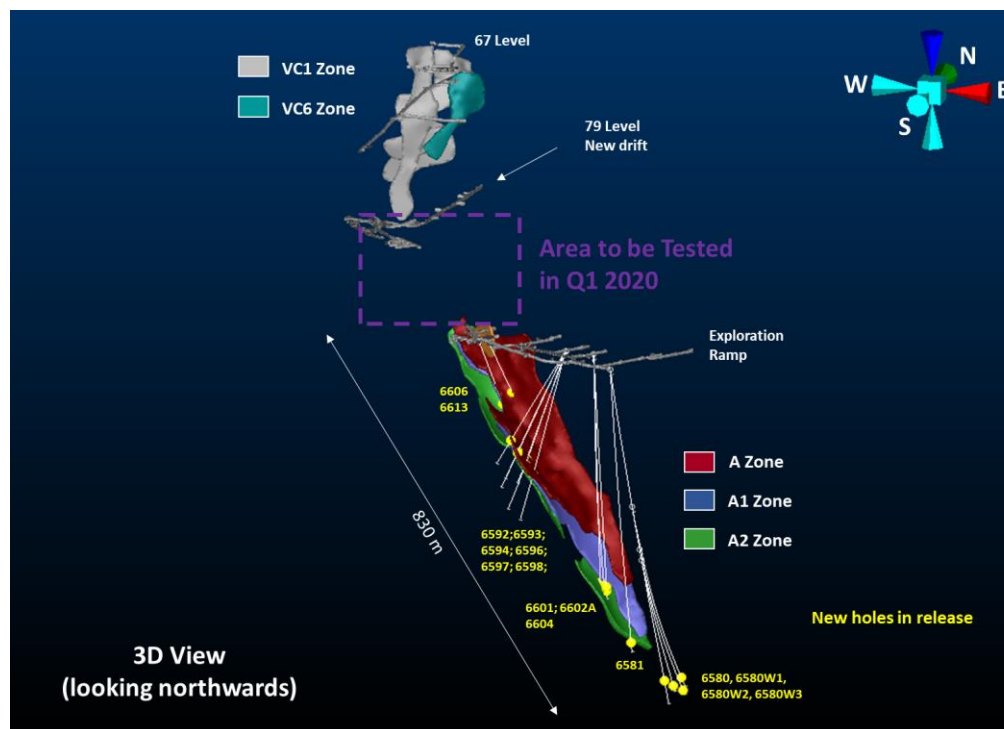
The 79 level drift, consisting of 576 m of down ramp development and drill platforms, has now been completed and two drills have been mobilized to commence drilling of the potential up plunge extension of the Kiena Deep A Zone. Previous limited drilling into the up plunge area from 67 Level returned a number of good intersections that require follow up. In addition, drilling from this ramp will allow drilling of the down dip extension of the VC zones. Based on recent drilling from 67 Level, it is interpreted that the VC zones are folded as they extend down plunge to connect with the Kiena Deep A Zone.

Additionally, a new zone has been discovered on 79 Level between the S50 and VC zones. As the 79 Level exploration ramp was being finalized, there was an opportunity to place the drill part way down the ramp to test the potential extension of the previously mined S50 zone northward towards the VC zones. This area has never been tested and of the 3 holes drilled, one hole, intersected two zones of gold mineralization in the footwall mafic volcanics. The drilling intersected quartz ± tourmaline ± fuchsite veins within sheared basalt near the contact with basaltic komatiite and quartz-carbonate stockwork and although not a focus at this time, the intersection does represent additional mineralization for follow up drilling.

Assays from Hole 6627 returned:

- 21.5 g/t Au over 1.1 m (A Zone style of mineralization); and
- 6.7 g/t over 3.0 m (VC Zone style of mineralization).

Cut and uncut values are the same; true thickness not known at this time



The recent infill drilling results from the Kiena Deep A Zone continues to confirm the grade continuity and will be used to convert inferred resources to indicated resources in the updated resource estimate in 2020. The PEA study is ongoing and expected to be completed in Q2 2020; which will be based on the latest Kiena Mineral



Resource Estimate from September 2019. Ongoing drilling of the A Zone continues to expand the size of this zone and is expected to grow the resource base. The 2020 drill program is 75,000 m, and will also include the work to continue the down ramp development in order to enhance our drill platforms probing the lower extents of the A Zone. In addition, metallurgical and environmental detailed studies are continuing; in conjunction with the installation of hydrostatic barriers to secure previously mined out areas of the mine and shaft area; and ongoing ventilation improvements in the preparation for a possible mine restart.

Plans for 2020

- The 2020 exploration program at Kiena consists of 75,000 m of underground drilling and 10,000 m of surface drilling.
- The underground exploration drilling program will utilize 7 drill rigs to better define the Kiena Deep A zone and convert inferred resources to indicated resources in advance of an updated resource estimate, and also test the up plunge potential of the A Zone and down dip extensions of the VC Zones between the 67 and 105 m levels that will be completed from the recently developed 79 m level.
- Additional underground exploration will be completed to test the down plunge potential of the A Zone below 1,500 vertical metres where recent drilling has returned high grade results. An additional 220 m of development along the SE portion of the existing 105 m level will be established to test down plunge extension of both the A and B zones.
- Elsewhere in the mine area, drilling will occur at the South Zone and areas of S50 Zone to expand mineral resources near existing infrastructure as these zones remain an important component of any restart plan.
- A 10,000 m surface drilling program is planned to explore for zones similar to the Kiena Deep A Zone.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2019, Wesdome had working capital of \$32.6 million compared to \$11.3 million at December 31, 2018. Cash and cash equivalents at December 31, 2019 was \$35.7 million as compared to \$27.4 million at the beginning of the year. An abbreviated cash flow statement is as follows:

In Millions (Canadian dollar)	FY 2019	FY 2018	Change
Eagle River			
Mine profits ¹	\$90.9	\$52.1	38.8
Sustaining capital and mine exploration	(21.4)	(17.2)	(4.2)
Tailings management facility	(8.3)	0.0	(8.3)
Capitalized exploration	(3.8)	(1.0)	(2.8)
Lease payments and other	(9.0)	(3.6)	(5.4)
	48.4	30.3	18.1
Kiena			
Investment in exploration & evaluation	(25.2)	(21.5)	(3.6)
Corporate	(6.7)	(5.3)	(1.3)
Stock options exercised	5.4	1.5	3.8
Mining tax paid	(3.7)	(3.2)	(0.5)
Borrowings	2.6	0.0	2.6
Net change in working capital and other	(12.5)	3.5	(16.0)
Net increase in cash	\$8.3	\$5.3	\$2.8
Cash, beginning of period	\$27.4	\$22.1	
Cash, end of period	\$35.7	\$27.4	

¹ Mine profits is a non-IFRS performance measure. Please refer to the disclosures of non-IFRS measures in this MD&A

Mine profits ¹ for 2019 increased by close to 40% from 2018 primarily due to increased production and higher price of gold. The increase in mine profits has led to the use of cash flow from operations to invest \$29.0 million in the Eagle River surface exploration and the Kiena asset in 2019.

The following table identifies the significant movements in operating cash flow for the three months and for the years ended December 31, 2019 and 2018 as follows:

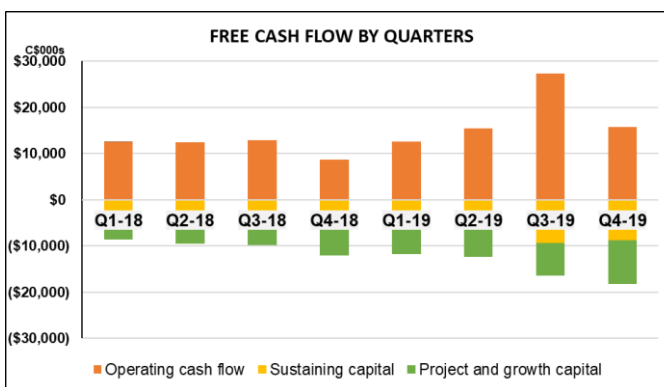
In \$000s	Q4 2019	Q4 2018	Change		FY 2019	FY 2018	Change	
Operating cash flow, previous period	27,275	12,823	14,452	113%	46,300	27,225	19,075	70%
Increase (decrease) in cash margin from mine operations	(954)	(1,348)	394		38,776	20,587	18,189	
Gold recovery from Kiena mill cleanup	-	-	-		-	(900)	900	
Decrease (increase) in other operating expenditures	(328)	(177)	(151)		286	(915)	1,201	
Mining and income tax recovery (payments)	(340)	(2,511)	2,171		(476)	(3,382)	2,906	
NIER Program	-	-	-		(1,032)	1,032	(2,064)	
Restructuring costs	-	-	-		-	2,159	(2,159)	
Net change in working capital balances	(9,875)	(285)	(9,590)		(12,800)	237	(13,037)	
Other	43	130	(87)		23	257	(234)	
Net increase (decrease) in operating cash flows	(11,454)	(4,191)	(7,263)		24,777	19,075	5,702	30%
Operating cash flow, current period	15,821	8,632	7,189	83%	71,077	46,300	24,777	54%

The net change in working capital balances is primarily due to the increase in ore stockpile and bullion inventory resulting from inventory level changes.

Capital and exploration and evaluation expenditures incurred in 2019 totaled \$58.8 million as compared to \$39.8 million in 2018. A breakdown of the capital expenditures for the three months and for the years ended December 31, 2019 and 2018 are as follows:

In \$000s	Q4 2019	Q4 2018	Change		FY 2019	FY 2018	Change	
Mining properties and plant and equipment								
Eagle River								
Capitalized exploration costs	2,701	-	2,701		8,414	-	8,414	
Sustaining mine development costs	3,984	4,142	(158)		15,937	15,013	924	
Mining equipment and infrastructure upgrades	325	2,169	(1,844)		837	3,216	(2,379)	
Tailings management facility	2,863	-	2,863		8,322	-	8,322	
Corporate Office	-	27	(27)		33,510	18,229	15,281	
Kiena					-	120	(120)	
Exploration equipment	32	-	32		32	-	32	
Additions to Mining properties	9,905	6,338	3,567	56%	33,542	18,349	15,193	83%
Exploration and evaluation expenditures								
Eagle River	-	-	-		-	-	-	
Kiena	8,260	5,685	2,575		25,141	21,429	3,712	
Moss Lake	52	14	38		79	66	13	
Additions to Exploration properties	8,312	5,699	2,613	46%	25,220	21,495	3,725	17%
Total capital investments	18,217	12,037	6,180	51%	58,762	39,844	18,918	47%

Wesdome generated \$6.6 million of free cash flow ¹ in 2019 compared to \$2.8 million in 2018. The increase in free cash flow ¹ was primarily due to the increase in the number of ounces sold, combined with a favorable gold price; offset by higher spending on the Eagle River surface exploration, the Kiena asset and the TMA project.



Secured Credit Facility and Lease Facilities

Secured Credit Facility

In Q3 2019, Wesdome closed its three-year \$45.0 million senior secured revolving credit facility (“**NBF Facility**”), led by National Bank Financial Inc. (“**NBF**”), to replace its \$36.0 million credit facility (“**Old Facility**”). The NBF Facility is secured by all of the Company’s present and future real and personal property. The NBF Facility is available by way of (i) Canadian dollar Prime Rate or U.S. dollar Base Rate, with interest rates ranging from 2.5% to 3.5% over NBF’s Prime Rate or Base Rate, as applicable, (ii) Canadian dollar Bankers’ Acceptances at acceptance fees ranging from 3.5% to 4.5%, and (iii) U.S. dollar LIBOR with interest rates ranging from 3.5% to 4.5% over LIBOR. The actual spread or rate will be determined based on the Company’s net leverage ratio (as defined). The NBF Facility is also available for letters of credit.

On closing, the Company drew down \$4.4 million under the NBF Facility, of which \$4.0 million was used to repay in full the amounts owed under the Company’s \$36.0 million credit facility, and the balance was used to pay fees and expenses related to the NBF Facility. The NBF Facility shall be used for general corporate and working capital purposes.

At December 31, 2019, the Company is in compliance with the financial covenants stipulated under its existing secured credit facilities.

Leasing Facility

The Company currently has a \$9.9 million leasing facility (“**C\$ Leasing Facility**”) with a chartered Canadian bank of which \$9.0 million were drawn. In addition, the Company also established a US\$4.5 million leasing facility with a U.S. based leasing company (“**US\$ Leasing Facility**”), of which US\$2.4 million were currently drawn. As at December 31, 2019, \$9.0 million and US\$2.4 million was owing under the C\$ Leasing Facility and US\$ Leasing Facility, respectively.

Reclamation Bonds

In Q1 2019, the Company entered into an agreement with a financial institution whereby the financial institution has issued surety bonds, on an unsecured basis, to the extent of \$1.5 million to satisfy the Company's reclamation obligations for the Eagle River Complex. As at December 31, 2019, the total reclamation bonds issued to government environmental agencies amounted to \$8.6 million (December 31, 2018 - \$7.0 million).

During Q4 2019, the Company has submitted the final closure plans for its Eagle River Complex to the Ontario Ministry of Energy, Northern Development and Mines ("**MENDM**") for approval. The Company has obtained financial commitment from the financial institution to amend the surety bonds for the anticipated increase in financial assurance to be provided to the government for the estimate of the financial assurance requirements.

SUMMARY OF SHARES ISSUED

As of March 10, 2020, the Company had securities outstanding as follows:

Shares outstanding	000s
Common shares issued	138,242
Common share purchase options	4,264
Deferred Share Units	249
Restricted Share Units	444

CONTRACTUAL OBLIGATIONS

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

In \$000s	Total	Within 1 year	1 - 2 Years	3 – 5 Years	Beyond 5 years
Payables and accruals	19,219	\$19,219			
Mining and income liabilities	1,419	1,419			
Lease liabilities	10,355	4,191	3,920	2,244	
Borrowings	3,636	3,636			
Purchase and work commitments ¹	3,027	3,027			
Decommissioning liabilities	24,254		7,027		17,227
	\$61,910	\$31,492	\$10,947	\$2,244	\$17,227

¹ The Company anticipates 38% of the outstanding purchase and work commitments as at December 31, 2019 will be financed 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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2019	FY 2018
Revenues per financial statements	43,223	45,940	42,276	32,535	29,462	28,920	31,443	26,217	163,974	116,042
Silver revenue from mining operations	(40)	(49)	(38)	(28)	(30)	(22)	(32)	(24)	(155)	(108)
Gold revenue from mining operations (a)	43,183	45,891	42,238	32,507	29,432	28,898	31,411	26,193	163,819	115,934
Ounces of gold sold (b)	22,100	23,450	24,113	18,760	18,077	18,401	18,573	15,430	88,423	70,480
Average realized price gold sold CAD (c) = (a) ÷ (b)	1,954	1,957	1,752	1,733	1,628	1,571	1,692	1,698	1,853	1,645
Average 1 USD → CAD exchange rate (d)	1.3200	1.3204	1.3377	1.3295	1.3204	1.3070	1.2911	1.2647	1.3269	1.2957
Average realized price gold sold USD (c) ÷ (d)	1,480	1,482	1,309	1,303	1,233	1,202	1,311	1,342	1,396	1,270

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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2019	FY 2018
Cost of sales per financial statements	22,804	25,246	26,571	20,185	22,162	20,599	20,405	18,764	94,806	81,930
Depletion and depreciation	(5,397)	(6,076)	(6,350)	(3,909)	(5,195)	(5,577)	(3,919)	(3,321)	(21,732)	(18,012)
Silver revenue from mining operations	(40)	(49)	(38)	(28)	(30)	(22)	(32)	(24)	(155)	(108)
Cash costs (a)	17,367	19,121	20,183	16,248	16,937	15,000	16,454	15,419	72,919	63,810
Ounces of gold sold (b)	22,100	23,450	24,113	18,760	18,077	18,401	18,573	15,430	88,423	70,481
Cash costs per ounce of gold sold (c) = (a) ÷ (b)	786	815	837	866	937	815	886	999	825	905
Average 1 USD → CAD exchange rate (d)	1.3200	1.3204	1.3377	1.3295	1.3204	1.3070	1.2911	1.2647	1.3269	1.2957
Cash costs per ounce of gold sold USD (c) ÷ (d)	595	618	626	651	710	624	686	790	621	699

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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2019	FY 2018
Cost of sales per financial statements	22,804	25,246	26,571	20,185	22,162	20,599	20,405	18,764	94,806	81,930
Depletion and depreciation	(5,397)	(6,076)	(6,350)	(3,909)	(5,195)	(5,577)	(3,919)	(3,321)	(21,732)	(18,012)
Royalties	(797)	(1,074)	(701)	(608)	(529)	(597)	(484)	(539)	(3,180)	(2,149)
Inventory adjustments	(1,407)	5,023	(1,063)	(788)	1,615	(47)	(570)	1,184	1,765	2,182
Mining and processing costs, before inventory adjustments (a)	15,203	23,119	18,457	14,880	18,053	14,378	15,432	16,088	71,659	63,951
Ore milled (tonnes) (b)	32,365	39,657	47,377	49,411	59,014	50,854	68,610	77,326	168,809	255,804
Production costs per tonne milled (a) ÷ (b)	470	583	390	301	306	283	225	208	424	250

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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2019	FY 2018
Gold revenue from mining operations (per above)	43,183	45,891	42,238	32,507	29,432	28,898	31,411	26,193	163,819	115,934
Cash costs (per above)	17,367	19,121	20,183	16,248	16,937	15,000	16,454	15,419	72,919	63,810
Mine profit	25,816	26,770	22,055	16,259	12,495	13,898	14,957	10,774	90,900	52,124
Per ounce of gold sold (Canadian dollar):										
Average realized price (a)	1,954	1,957	1,752	1,733	1,628	1,571	1,692	1,698	1,853	1,645
Cash costs (b)	786	815	837	866	937	815	886	999	825	905
Cash margin (a) – (b)	1,168	1,142	915	867	691	756	807	699	1,028	741



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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2019	FY 2018
Cost of sales, per financial statements	22,804	25,246	26,571	20,185	22,162	20,599	20,405	18,764	94,806	81,930
Depletion and depreciation	(5,397)	(6,076)	(6,350)	(3,909)	(5,195)	(5,577)	(3,919)	(3,321)	(21,732)	(18,012)
Silver revenue from mining operations	(40)	(49)	(38)	(28)	(30)	(22)	(32)	(24)	(155)	(108)
Cash costs	17,367	19,121	20,183	16,248	16,937	15,000	16,454	15,419	72,919	63,810
Sustaining mine exploration and development	5,634	5,515	4,696	4,740	4,142	3,677	3,744	3,450	20,585	15,013
Sustaining mine capital equipment	323	(43)	221	336	1,280	317	499	106	837	2,202
Tailings management facility	2,863	3,950	1,509	-	-	-	-	-	8,322	-
Corporate and general	1,745	1,417	1,498	2,008	1,337	1,429	1,416	1,077	6,668	5,259
Payment of lease liabilities ¹	901	1,558	1,316	1,255	1,086	931	956	659	5,030	3,632
All-in Sustaining costs (AISC) (a)	28,833	31,518	29,423	24,587	24,782	21,354	23,069	20,711	114,361	89,916
Ounces of gold sold (b)	22,100	23,450	24,113	18,760	18,077	18,401	18,573	15,430	88,423	70,481
AISC (c) = (a) ÷ (b)	1,305	1,344	1,220	1,311	1,371	1,160	1,242	1,342	1,293	1,276
Average 1 USD → CAD exchange rate (d)	1.3200	1.3204	1.3377	1.3295	1.3204	1.3070	1.2911	1.2647	1.3269	1.2957
AISC USD (c) ÷ (d)	988	1,018	912	986	1,038	888	962	1,061	975	985

¹ The payment of the lease liabilities excludes the cancellation payment of \$3.9 million.

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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2019	FY 2018
Net cash provided by operating activities per financial statements (c)	15,821	27,275	15,400	12,581	8,632	12,823	12,422	12,423	71,077	46,300
Sustaining mine exploration and development	(5,634)	(5,515)	(4,696)	(4,740)	(4,142)	(3,677)	(3,744)	(3,450)	(20,585)	(15,013)
Sustaining mine capital equipment	(323)	43	(221)	(336)	(1,280)	(317)	(499)	(106)	(837)	(2,202)
Tailings management facility	(2,863)	(3,950)	(1,509)	-	-	-	-	-	(8,322)	-
Leasehold improvements and IT fixtures	-	-	110	(110)	(27)	(28)	(65)	-	-	(120)
Capitalized exploration and evaluation expenditures	(8,312)	(5,872)	(5,498)	(5,538)	(5,699)	(5,733)	(5,071)	(4,992)	(25,220)	(21,495)
Exploration capital equipment	(32)	-	-	-	-	-	-	-	(32)	-
Surface exploration at Eagle River	(1,053)	(1,194)	(488)	(1,031)	(889)	-	(125)	-	(3,766)	(1,014)
Funds held against standby letters of credit	-	(30)	(627)	-	-	-	-	-	(657)	-
Payment of lease liabilities ¹	(901)	(1,558)	(1,316)	(1,255)	(1,086)	(931)	(956)	(659)	(5,030)	(3,632)
Free cash flows (a)	(3,297)	9,199	1,155	(429)	(4,491)	2,137	1,962	3,216	6,628	2,824
Weighted number of shares (000s) (b)	137,867	137,302	136,740	135,788	135,132	134,754	134,276	134,132	136,931	134,577
Per Share data										
Operating cash flow (c) ÷ (b)	0.11	0.20	0.11	0.09	0.06	0.10	0.09	0.09	0.52	0.34
Free cash flow (a) ÷ (b)	(0.02)	0.07	0.01	0.00	(0.03)	0.02	0.01	0.02	0.05	0.02

¹ The payment of the lease liabilities excludes the cancellation payment of \$3.9 million.

Net income (adjusted) and Adjusted net income per share

Adjusted net income (loss) and adjusted net income 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 income, 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	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2019	FY 2018
Net income per financial statements	12,077	12,449	8,327	8,092	2,643	3,631	5,725	2,859	40,945	14,858
Adjustments for:										
Exploration credit refund	-	-	-	(2,867)	-	-	-	-	(2,867)	-
Other	-	-	-	(255)	-	-	-	-	(255)	-
Total adjustments	-	-	-	(3,122)	-	-	-	-	(3,122)	-
Related income tax effect	-	-	-	753	-	-	-	-	753	-
	-	-	-	(2,369)	-	-	-	-	(2,369)	-
Net income adjusted (a)	12,077	12,449	8,327	5,723	2,643	3,631	5,725	2,859	38,576	14,858
Weighted number of shares (000s) (b)	137,867	137,302	136,740	135,788	135,132	134,754	134,276	134,132	136,931	134,577
Per Share data										
Net adjusted income (a) ÷ (b)	0.09	0.09	0.06	0.04	0.02	0.03	0.04	0.02	0.28	0.11



EBITDA

Earnings before interest, taxes and depreciation and amortization (“**EBITDA**”) is a non-IFRS financial measure which excludes the following items from net income (loss): interest expense; mining and income taxes and depletion and depreciation expenses. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, the Company and certain investors use EBITDA and as an indicator of Wesdome’s ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligations and fund capital expenditures. EBITDA is intended to provide additional information to investors and analysts and do not have any standardized definition under IFRS, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA excludes the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore are not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other producers may calculate EBITDA differently. The following table provides a reconciliation of net income in the Company’s consolidated financial statements to EBITDA:

In 000s	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2019	FY 2018
Net income per financial statements	12,077	12,449	8,327	8,092	2,643	3,631	5,725	2,859	40,945	14,858
Adjustments for:										
Mining and income tax expense	5,487	6,297	4,619	4,085	2,408	2,380	3,532	1,802	20,488	10,122
Depletion and depreciation	5,397	6,076	6,350	3,909	5,195	5,577	3,919	3,321	21,732	18,012
Non-recurring expenses (income)	-	-	-	(3,122)	-	-	-	-	(3,122)	-
Interest expense	315	138	114	112	83	68	72	51	679	274
	23,276	24,960	19,410	13,076	10,329	11,656	13,248	8,033	80,722	43,266



ACCOUNTING MATTERS

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

Proven and probable 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 its proven and probable reserves and measured, indicated and inferred 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 proven and probable reserves or measured, indicated and inferred mineral resources 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 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 applicable to 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) *Stock-based compensation*

The determination of the fair value of stock-based compensation is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. 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. Stock-based compensation incorporates an expected forfeiture rate and is estimated based on historical forfeitures and expectations of future forfeitures, 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 taxes and deferred 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 income taxes and deferred tax 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 be recognized changes 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 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 advice received, past experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty.

ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

IFRS 16 – Leases

This new accounting pronouncement, which supersedes IAS 17 – Leases and is in effect 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 right-of-use-assets and a corresponding \$0.9 million increase in lease liabilities.

The Company recognizes a right-of-use asset and a corresponding lease liability for all leases except for leases to explore for minerals, leases where the underlying assets are of low value and short-term leases with a contractual term of 12 months or less. The lease liability at the initial date of the lease represents the net present value of the lease payments including any exercise price of a purchase option if it is reasonably certain of being exercised, discounted by using the interest rate implicit in the lease or if this cannot be readily determined the incremental borrowing rate of the Company at the date of the lease. The interest calculated on the lease liability is expensed as interest expense. On the initial recognition, the right-of-use asset is equal to the lease liability. The right-of-use asset is depreciated on a straight-line basis over the term of the lease or the useful life of an asset.

IFRIC 23, Uncertainty over Income Tax Treatments

On June 7, 2017, the IASB issued IFRIC Interpretation 23, Uncertainty over Income Tax Treatments ("IFRIC 23"). The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments and is effective for the first time for entities with December 31, 2019 reporting year-ends. The Company adopted the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The adoption of IFRIC 23 did not have a material impact on the Company's consolidated 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 24 of the Company's financial statements for a discussion of the factors that affects Wesdome.

RELATED PARTY TRANSACTIONS

Key management of the Company are its Board of Directors and members of executive management. Key management personnel remuneration includes the following payments for the three months and the full year ended December 31, 2019 and 2018:

In 000s	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Salary and short-term employee benefits	\$ 642	\$ 551	\$ 4,242	\$ 3,148
Long-term benefits	22	18	86	71
Stock-based payments	390	316	2,226	1,907
	\$ 1,054	\$ 885	\$ 6,554	\$ 5,126

OTHER RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high risk nature of its business which is the operation, exploration and development of mineral properties. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking information relating to the Company. Investors and prospective investors should give careful consideration to all of the information contained in this MD&A, including the risk factors set forth below. It should be noted that this list is not exhaustive and that other risk factors may apply, including risks described elsewhere herein, risks not currently known to the Company and risks that the Company currently deems immaterial. Any one or more of these risk factors could have a material adverse effect on the Company's business, results of operations, financial condition and the value of its securities.

Nature of Mineral Exploration

Subject to any future expansion or other development, production from existing operations at the Company's mines will typically decline over the life of the mine. As a result, the Company's ability to maintain its current production or increase its annual production and generate revenues therefrom will depend significantly upon the Company's ability to discover or acquire and to successfully bring new mines into production and to expand reserves at existing mines. The exploration for and development of mineral deposits involves significant financial risks which even with a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an orebody may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a site. As a result, the Company cannot provide assurance that its exploration or development efforts will result in any new commercial mining operations or yield new mineral reserves to replace or expand current mineral reserves.

Mineral Resource and Mineral Reserve Estimates

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve estimate is a function of the quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operations.

The Company's gold production may fall below estimated levels as a result of mining accidents, adverse ground conditions, or as a result of other operational difficulties. In addition, production may be unexpectedly reduced if, during the course of mining, mineral grades are lower than expected, the physical or metallurgical characteristics of the minerals are less amenable than expected to mining or treatment, or dilution increases.

Safety, Health and Environmental Regulations



Safety, health and environmental legislation affects nearly all aspects of the Company's operations including exploration, mine development, working conditions, waste disposal, emission controls and protection of endangered and protected species. Compliance with safety, health and environmental legislation can require significant expenditures and failure to comply with such safety, health and environmental legislation may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, clean-up costs resulting from contaminated properties, damages and the loss of important permits. Exposure to these liabilities arises not only from the Company's existing operations, but from operations that have been closed. The Company could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurances that the Company will at all times be in compliance with all safety, health and environmental regulations or that steps to achieve compliance would not materially adversely affect the Company's business.

Safety, health and environmental laws and regulations are evolving in all jurisdictions where the Company has activities. The Company is not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on its operations and activities, and its resulting financial position; however, the Company anticipates that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental regulation. For example, emissions standards are poised to become increasingly stringent. Further changes in safety, health and environmental laws, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits, may require increased financial reserves or compliance expenditures or otherwise have a material adverse effect on the Company. Environmental and regulatory review is a long and complex process that can delay the opening, modification or expansion of a mine, extend decommissioning at a closed mine, or restrict areas where exploration activities may take place.

In 2018, Wesdome implemented a **"Fit For Duty Policy"** at its properties to better control drug and alcohol abuse. This policy apply to both the Company and the contractors employees.

Economic Conditions

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

Market events and conditions, including the disruptions in the international credit markets and other financial systems, the deterioration of global economic conditions in 2008 and 2009 and, more recently, in Europe, along with political instability in the Middle East and budget deficits and debt levels in the United States, have caused significant volatility to commodity prices. These conditions have also caused a loss of confidence in the broader United States, European and global credit and financial markets and resulted in the collapse of, and government intervention in, major banks, financial institutions and insurers and created a climate of greater volatility, less liquidity, widening credit spreads, less price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments and concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially in recent years.

The Company is also exposed to liquidity and various counterparty risks, including, but not limited to: (i) financial institutions that hold the Company's cash and cash equivalents; (ii) companies that have payables to the Company; (iii) the Company's insurance providers; (iv) the Company's lenders; (v) the Company's other banking counterparties; and (vi) companies that have received deposits from the Company for the future delivery of equipment and/or other operational inputs. The Company is also exposed to liquidity risks in meeting its capital expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. Furthermore, repercussions from the 2008-2009 economic crisis continue to be felt, as reflected in increased levels of volatility and market turmoil. As a result of this uncertainty, the Company's planned growth could either be adversely or positively impacted and the trading price of the Company's securities could either be adversely or positively affected.

The Company is monitoring the outbreak of the COVID-19 coronavirus. Current business disruptions could impact our suppliers which in turn could impact the operating results of the Company. Should the outbreak become more widespread, procurement of equipment, spare parts and supplies may be impacted. The normal operation and maintenance of the Company's assets may be halted or delayed and negatively impact the business, financial condition and results of operations of the Company.

Gold Price Volatility

The profitability of the Company's operations may be significantly affected by changes in the market price of gold. The economics of developing gold are affected by many factors, including the cost of operations, variations in the grade of ore mined and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to commence or continue commercial production.

The price of gold fluctuates widely and is affected by numerous industry factors beyond the Company's control, such as the demand for precious metals, forward selling by producers and central bank sales and purchases of gold. Gold price is also affected by macro-economic factors, such as expectations for inflation, interest rates, the world supply of mineral commodities, the stability of currency exchange rates and global or regional political and economic situations. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political systems and developments. The price of gold has fluctuated widely in recent years, and future serious price declines could cause commercial production to be uneconomic.

Any significant drop in the price of gold adversely impacts the Company's revenues, profitability and cash flows. In addition, sustained low gold price may:

- (a) reduce production revenues as a result of cutbacks caused by the cessation of mining operations involving deposits or portions of deposits that have become uneconomic at the prevailing price of gold;
- (b) cause the cessation or deferral of new mining projects;
- (c) decrease the amount of capital available for exploration activities;
- (d) reduce existing reserves by removing ore from reserves that cannot be economically mined at prevailing prices; or
- (e) cause the write-off of an asset whose value is impaired by the low price of gold.

There can be no assurance that the price of gold will remain stable or that such prices will be at a level that will prove feasible to begin development of its properties, or commence or continue commercial production, as applicable.

Currency Fluctuations

Currency fluctuations may affect costs at the Company's operations. Gold is sold throughout the world based principally on the US dollar, however, the Company's reporting and functional currencies are the Canadian dollars. Any appreciation of the Canadian dollar against the US dollar could negatively affect the Company's profitability, cash flows and financial position.

Title Matters

The acquisition of title to mining claims and similar property interests is a detailed and time-consuming process. Title to and the area of mining claims and similar property interests may be disputed. The Company has investigated title to all of its material mineral properties and the Company believes that title to all of its material properties are in good standing; however, the foregoing should not be construed as a guarantee of title to those properties. Title to those properties may be affected by undisclosed and undetected defects. For example, certain properties may have been acquired in error from parties who did not possess transferable title, may be subject to prior unregistered agreements or transfers.



Community

The Company's goal at each of its operations is to hire as much as possible of its workforce, including management teams, directly from the local region in which the operation is located. In 2019, 36% of the Company's mine workforce is hired locally. Wesdome believes that providing employment is one of the most significant contributions it can make to the communities in which it operates.

The Company works closely with neighbouring communities to develop alternative employment and business opportunities to help diversify local economies.

Aboriginal Rights and Duty to Consult

The Company operates and does exploration on properties, which are subject to Aboriginal rights or titles. The Company is committed to consult with the First Nations group about any impact of its activities on such rights, titles or claims, which may cause delays in making decisions or project start-ups. Further, there is no assurance of favourable outcomes of these consultations. During 2017, the Company entered into a Memorandum of Understanding ("MOU") with the Michipicoten First Nation and the Métis Nation of Ontario on February 8, 2018, whose traditional territory is host to the Eagle River Complex. Wesdome and these First Nations groups are engaged in negotiations and consultations on an ongoing basis.

The Company is advised by the Provincial government as to the relevant First Nations group which should be included in consultation.

Mining Risks and Insurance

The business of mining is generally subject to a number of risks and hazards, including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations, cave-ins, flooding and periodic interruptions due to inclement or hazardous weather conditions at its existing locations in Northern Ontario and Val d'Or, Québec. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company's insurance will not cover all of the potential risks associated with its operations. In addition, although certain risks are insurable, the Company may be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance against environmental risks (including potential for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to the Company or to other companies within the industry on acceptable terms. The Company carries insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include, without limitation, environmental pollution, mine flooding or other hazards against which such companies cannot insure or against which they may elect not to insure. Losses from uninsured events may cause the Company to incur significant costs.

The activities of the Company are subject to a number of challenges over which the Company has little or no control, but that may delay production and negatively impact the Company's financial results, including: increases in energy, fuel and/or other production costs; higher insurance premiums; industrial accidents; labour disputes; shortages of skilled labour; contractor availability; unusual or unexpected geological or operating conditions; slope failures; cave-ins of underground workings; and failure of pit walls or dams. If the Company's total production costs per ounce of gold rise above the market price of gold and remain so for any sustained period, the Company may experience losses and may curtail or suspend some or all of its exploration, development and mining activities.

Reclamation and Mine Closure Costs

The Company has obtained approval for its closure plans for the Eagle River Mill, Eagle River Mine, the Mishi-Magnacon Complex (collectively, "**Eagle River Complex**") and the Kiena Mine and surrounding properties and



has provided financial security to cover estimated rehabilitation and closure costs. In the event of any future expansion or alteration of a mine on Eagle River Complex property or Kiena, Wesdome would likely be required to amend its closure plans which may require the provision of additional security.

The ultimate timing of, and costs for, future removal and site restoration could differ from current estimates. The Company's estimates for this future liability are subject to change based on amendments to applicable laws and legislation, the nature of ongoing operations and technological innovations.

In addition, regulatory authorities in various jurisdictions require Wesdome to post financial assurances to secure, in whole or in part, future reclamation and restoration obligations in such jurisdictions. Changes to the amounts required, as well as the nature of the collateral to be provided, could significantly increase the Company's costs, making the maintenance and development of existing and new mines less economically feasible, and any capital resources Wesdome utilizes for this purpose will reduce the resources available for its other operations and commitments. Although the Company accrues for future closure costs, it does not necessarily fully reserve cash in respect of these obligations or otherwise fund these obligations in advance. As a result, the Company may have significant cash costs when it is required to close and restore mine sites.

Dilution to Common Shares

As of December 31, 2019, there were stock options outstanding to purchase 4,513,715 common shares in the capital of the Company. The common shares issuable under these options, if fully exercised, would constitute approximately 3% of the Company's resulting share capital. The exercise of such options and the subsequent resale of such shares in the public market could affect the prevailing share market price and the Company's ability to raise equity capital in the future at a time and price which it deems appropriate. The Company may also enter into commitments in the future which would require the issuance of additional common shares and the Company may grant additional share purchase warrants and stock options.

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

Share Price Fluctuations

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

Additional Funding Requirements

Further exploration on, and development of, the Company's properties, will require additional capital. In addition, a positive production decision on any of the Company's development projects would require significant capital for project engineering and construction. Accordingly, the continuing development of the Company's properties will depend upon the Company's ability to either generate sufficient funds internally or to obtain financing through the joint venturing of projects, debt financing, equity financing or other means.

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company on acceptable terms, or at all, for further exploration or development of its properties or projects, or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding or financing could result in the delay or indefinite postponement of the exploration and development of the Company's properties, with the possible dilution or loss of such interests.

Long Term Debt

The Company's ability to make scheduled payments on, or refinance its finance lease obligations, depends on the



Company's financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond its control. The Company may be unable to maintain a level of cash flows from operating activities sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company may not be able to effect any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternatives may not allow the Company to meet its scheduled debt service obligations.

Impairment of Assets

In accordance with IFRS, the Company capitalizes certain expenditures relating to its mineral projects. From time to time, the carrying amounts of mining properties and plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If there are indicators of impairment, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset-by-asset basis, except where such assets do not generate cash flows independent of other assets, and then the review is undertaken at the cash generating unit level.

Events that could, in some circumstances, lead to an impairment include, but are not limited to, changes to gold price or cost assumptions, changes to Mineral Reserve or Mineral Resource grades or the Company's market capitalization being less than the carrying amounts of its mining properties and plant and equipment.

The assessment requires the use of estimates and assumptions such as, but not limited to, long-term gold prices, foreign exchange rates, discount rates, future capital requirements, Mineral Reserve and Mineral Resource estimates, operating performance as well as the definition of cash generating units. It is possible that the actual fair value could be significantly different from those assumptions, and changes in the assumptions will affect the recoverable amount. In the absence of any mitigating valuation factors, the Company's failure to achieve its valuation assumptions or a decline in the fair value of its cash generating units or other assets may, over time, result in impairment charges.

If the Company determines that an asset is impaired, the Company will charge against earnings any difference between the carrying amount of the assets and the estimated fair value less cost to sell those assets. Any such charges could have a material adverse effect on the Company's results of operations.

Reliance on Management

The Company is heavily reliant on the experience and expertise of its executive officers. If any of these individuals should cease to be available to manage the affairs of the Company, its activities and operations could be adversely affected.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities in its search for, and the acquisition of, mineral properties as well as the recruitment and retention of qualified employees with technical skills and experience in the mining industry. There can be no assurance that the Company will be able to compete successfully with others in acquiring mineral properties, obtaining adequate financing, and continuing to attract and retain skilled and experienced employees. Existing or future competition in the mining industry could materially adversely affect the Company's business and prospects for mineral exploration and success in the future.

Skilled Employees



Many of the projects undertaken by the Company rely on the availability of skilled labour and the capital outlays required to employ such labour. The Company employs full and part time employees, contractors and consultants to assist in executing operations and providing technical guidance. In the event of a skilled labour shortage, various projects of the Company may not become operational due to increased capital outlays associated with labour. Further, a skilled labour shortage could result in operational issues such as production shortfalls and higher mining costs.

Information Systems

Although the Company has not experienced any material losses to date relating to cyberattacks or other information security breaches, there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

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 and operating effectively.

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 and operating effectively, 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 Q4 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 2019 Annual Information Form filed on SEDAR at www.sedar.com.