

# Wesdome Gold Mines Ltd. - Reports Q3 Financial Results

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TORONTO, Nov. 15 /[CNW](#)/ - [Wesdome Gold Mines Ltd](#) (WDO: TSX) ("Wesdome" or the "Company") is pleased to report its unaudited financial and operating results from its Canadian operations for the third quarter ended September 30, 2010. This information should be read in conjunction with the Company's interim unaudited financial statements and Management's Discussion and Analysis for the third quarter ended September 30, 2010 which will be available for viewing on the Company's website at [www.wesdome.com](http://www.wesdome.com) and on SEDAR ([www.sedar.com](http://www.sedar.com)). All figures are in Canadian dollars unless otherwise specified.

The Company owns the Eagle River gold mining operation in Wawa, Ontario and the Kiena mine complex in Val d'Or, Quebec. The Eagle River mine commenced commercial production on January 1, 1996, and the Kiena mine on August 1, 2006.

## **The third quarter 2010 highlights are as follows:**

- Production of 15,131 ounces
- Revenues of \$20.7 million on sales of 16,000 ounces at \$1,295 per ounce
- Cash flow from operations of \$3.8 million or \$0.04 per share
- Bullion inventory of 10,394 ounces or \$14.0 million marked to market as at September 30, 2010

Donovan Pollitt, President & CEO comments "The third quarter involved a net investment in drilling and new project development. It is becoming clear at this point in the year that these judicious investments will pay dividends with increased year end reserves and a production growth profile moving forwards."

## **OVERALL PERFORMANCE**

As at September 30, 2010, the Company had working capital of \$31.9 million. During the first nine months of 2010, cash flow from operations totalled \$14.0 million; \$14.9 million of capital investments in exploration, development and mining equipment were made and \$2.0 million in dividends were paid. Net income for the nine month period ended September 30, 2010, was \$2.0 million with most of this earned in the first quarter.

Both mines are currently producing from low grade areas in their mining sequences. We are aggressively developing new zones, upgrading our mining fleet, advancing growth projects and drilling.

## **RESULTS OF OPERATIONS**

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2010	2009	2010	2009
<b>Eagle River Mine</b>				
Tonnes milled		42,886		36,839
Recovered grade (g/t)			6.3	14.5
Production (oz)	8,620		17,183	
Sales (oz)	8,000		11,000	
Bullion inventory (oz)			8,789	
Bullion revenue (\$thousands)			10,375	
Operating costs (\$thousands)			6,920	
Mine operating profit (\$thousands) *			3,450	
Gold price realized (\$Cdn/oz)			1,295	
<b>Kiena Mine Complex</b>				
Tonnes milled		67,044		87,264
Recovered grade (g/t)			3.0	3.3
Production (oz)	6,511		9,383	
Sales (oz)	8,000		9,000	
Bullion inventory (oz)			1,605	
Bullion revenue (\$thousands)			10,381	
Operating costs (\$thousands)			9,170	
Mine operating profit (\$thousands) *			1,211	
Gold price realized (\$Cdn/oz)			1,295	
<b>Total</b>				
Production (oz)		15,131		26,566
Sales (oz)	16,000		20,000	
Bullion inventory (oz)			10,394	
Bullion revenue (\$thousands)			20,756	
Operating costs (\$thousands)			16,090	
Mine operating profit (\$thousands) *			4,666	
Gold price realized (\$Cdn/oz)			1,295	

\* The Company has included in this report certain non-GAAP performance measures, including mine operating profit and operating costs to applicable sales. These measures are not defined under GAAP and therefore should not be considered in isolation or as an alternative to or more meaningful than, net income (loss) or cash flow from operating activities as determined in accordance with GAAP as an indicator of our financial performance or liquidity. The Company believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Company's performance and ability to generate cash flow.

During the third quarter, combined operations produced 15,131 ounces of gold and 16,000 ounces were sold at an average price of \$1,295 per ounce. Bullion inventory at September 30, 2010, stood at 10,394 ounces which is carried at cost. The costs and revenues for this inventory will be recognized in the financial statements in the fiscal period in which it is sold.

In the third quarter, bullion revenue exceeded operating costs resulting in a mine operating profit, or gross margin, of \$4.6 million. In addition to these direct operating costs, other costs, including royalty payments, corporate and general costs and interest costs, totalled \$1.1 million. Eagle River Mine and Kiena Mine contributed \$3.4 million and \$1.2 million to the mine operating profit, respectively.

At the Eagle River mine, mining occurred in lower grade areas. We are currently developing the high grade 811 Zone and expect production grades to improve in the subsequent periods. The mine produced 8,620 ounces of gold from 42,886 tonnes milled at an average recovered grade of 6.3 gAu/tonne.

At the Kiena mining complex we worked efficiently through a low grade sequence. For the third quarter, Kiena produced 6,511 ounces of gold from 67,044 tonnes milled at an average recovered grade of 3.0 gAu/tonne.

The Company is undertaking an aggressive exploration, development and evaluation program this year with the goal of increasing reserves and growing production. At the Kiena mining complex drifting towards the new Dubuisson discovery on the 330 metre level advanced on schedule. Infill drilling enhanced potential to replace and increase reserves.

At Eagle River, definition drilling continues to exhibit high grades and continuity in the 811 Zone between

depths of 500 and 800 metres (see press release dated September 20, 2010).

Highlights of the drilling include the following consecutive holes drilled on section 9375E:

- EU-374 70.14 gAu/tonne over 1.97 metres true width
- EU-375 45.12 gAu/tonne over 1.92 metres true width
- EU-376 37.03 gAu/tonne over 2.75 metres true width
- EU-377 38.77 gAu/tonne over 5.82 metres true width
- EU-378 43.55 gAu/tonne over 4.90 metres true width

This year's drilling clearly demonstrates much higher grades than previously indicated. This should have a positive impact on our year-end reserve estimates.

Resource modelling at the Mishi Project continues to demonstrate potential that exceeds expectations. A new resource estimate tallied Measured Resources of 280,900 tonnes at 2.46 gAu/tonne and Indicated Resources of 5,455,300 tonnes at 2.37 gAu/tonne for a total of 438,000 ounces of contained gold (see press release dated July 12, 2010). The independent "Qualified Persons" for this National Instrument 43-101 compliant Mineral Resource estimate are Carl Pelletier, PGeo and Karine Brosseau, P.Eng. of Innovexplo Inc. (For full details please reference the Technical Report dated August 25, 2010 available at [www.sedar.com](http://www.sedar.com)). Ninety percent of this total falls within an open pit scenario above a depth of 110 metres. A pre-feasibility study on a starter pit scenario is well advanced. This project offers excellent potential for expansion in a step-wise manner with little capital at risk.

Subsequent to the end of the third quarter at Eagle River we experienced a main transformer failure. Work is in progress to remedy this issue. Currently we do not anticipate losing any milling days and have sufficient stockpiles to cover any deferred mine output.

## **LIQUIDITY AND CAPITAL RESOURCES**

At September 30, 2010 the Company had working capital of \$31.9 million, compared to \$35.2 million at December 31, 2009. During the third quarter, 2010, capital expenditures totalled \$6.0 million compared to \$4.6 million in the third quarter, 2009.

The Company's inventory includes 10,394 ounces of gold bullion, a decrease from 11,263 ounces at the end of the second quarter, a liquid asset with a market value of \$14.0 million on September 30, 2010.

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

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

## **OUTLOOK**

We are currently forecasting 65,000 - 70,000 ounces of production in 2010. Although we may come in about 5% under initial estimates, our gold sales prices are over 20% higher.

It remains a year of development and judicious capital investments in low risk growth projects surrounding our existing infrastructure. Both the Mishi project and Dubuisson Zone projects advanced on schedule.

These projects, plus aggressive development of higher grade portions of the mines, put us in a strong position looking forward.

## **ABOUT WESDOME**

Wesdome is an established Canadian gold producer with wholly-owned mining and milling complexes located in Wawa, Ontario and Val d'Or, Québec. Wesdome has been producing gold continually for 20 years on an unhedged basis and to date has produced in excess of 1.0 million ounces. The Company has 101.1 million shares issued and outstanding and trades on the Toronto Stock Exchange under the symbol "WDO".

*This news release contains "forward-looking information" which may include, but is not limited to, statements*

with respect to the future financial or operating performance of the Company and its projects. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements contained herein are made as of the date of this press release and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances, management's estimates or opinions should change, except as required by securities legislation. Accordingly, the reader is cautioned not to place undue reliance on forward-looking statements.

Wesdome Gold Mines Ltd.  
Consolidated Balance Sheets  
(Unaudited)

	September 30 2010	2009	December 31 2009
(in thousands)			
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents			\$ 21,538
Receivables	3,427		4,022
Inventory	16,002		14,624
Marketable securities			211
Future income taxes		1,199	1,199
	42,166	43,758	
Restricted funds	2,460		2,588
Future income taxes		1,645	2,245
Capital assets	-	9	
Mining properties	70,715		64,637
Exploration properties		30,681	30,018
	\$ 147,667	\$ 143,255	
<b>Liabilities</b>			
<b>Current</b>			
Payables and accruals			\$ 8,816
Current portion of obligations under capital leases			\$ 7,322
	10,242	8,562	1,426
Income taxes payable	82		82
Obligations under capital leases			1,998
Convertible 7% debentures		9,916	9,483
Asset retirement obligation		1,351	1,324
	23,589	20,559	
Minority interest in Moss Lake Gold Mines Ltd.		749	857
<b>Shareholders' Equity</b>			
Capital stock	115,652		114,567
Contributed surplus	3,946		3,770
Accumulated other comprehensive loss			(222)
Equity component of convertible debentures			1,970
Retained earnings	1,761		1,754
	123,329	121,839	
	\$ 147,667	\$ 143,255	

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

Three Months Ended Sept 30 Nine Months Ended Sept 30  
2010 2009 2010 2009

(in thousands, except per share amounts)

Revenue

Gold and silver bullion \$ 20,756 \$ 21,458 \$ 62,749 \$ 75,212

Interest and other 113 31 394 106

20,869 21,489 63,143 75,318

Costs and expenses

Operating costs 16,090 13,258 45,799 43,164

Amortization of mining properties 3,828 3,387 10,380 9,248

Production royalties 225 264 650 832

Corporate and general 446 504 1,722 1,452

Stock compensation expense 323 48 488 240

Interest on long-term debt 405 412 1,194 1,203

Other interest - 8 - 15

Amortization of capital assets - - 9 1

Accretion of asset retirement obligation 9 11 27 52

21,326 17,892 60,269 56,207

Net income (loss) before the following (666) 3,597 2,512 19,111

Gain on property held for sale - - - 122

Loss on sale of marketable securities (Note 8) (209) - (362) -

Net income (loss) before income tax and minority interest (666) 3,597 2,512 19,233

Income tax

Future - - (600) (273)

Net income (loss) before minority interest (666) 3,597 1,912 18,960

Minority interest 82 13 108 43

Net income (loss) (584) 3,610 2,020 19,003

Other comprehensive loss:

Realized loss on the sale of marketable securities 118 - 222 -

Change in fair value of marketable securities 76 - - -

Comprehensive income (loss) \$ (390) \$ 3,610 \$ 2,242 \$ 19,003

Net income (loss) per common share

Basic and diluted \$ (0.00) \$ 0.04 \$ 0.02 \$ 0.19

Wesdome Gold Mines Ltd.

Interim Consolidated Statements of Cash Flows

(Unaudited)

Three Months Ended Sept 30 Nine Months Ended Sept 30

2010 2009 2010 2009

(in thousands)

Operating activities

Net income (loss) \$ (584) \$ 3,610 \$ 2,020 \$ 19,003

Amortization of mining properties 3,828 3,387 10,380 9,248

Accretion of discount on convertible debentures 149 131 433 396

Minority interest (82) (13) (108) (43)

Stock compensation expense 323 48 488 240

Amortization of capital assets - - 9 1

Future income taxes - - 600 273

Gain on sale of equipment (95) 91 (225) 84

Gain on property held for sale - - - (122)

Loss on sale of marketable securities 209 - 362 -

Gain on redemption of convertible debentures - - - (24)

Accretion of reclamation asset obligation 9 11 27 52

3,757 7,265 13,986 29,108

Net changes in non-cash working capital 2,943 1,799 615 (5,822)

6,700 9,064 14,601 23,286

Financing activities

Exercise of options 218 339 800 527

Funds paid to repurchase common shares under NCIB - (24) - (38)

Funds paid to repurchase debentures - - - (453)  
Share issuance costs - (100) (27) (105)  
Dividends paid - - (2,013) (1,995)  
Repayment of obligations under capital leases (399) (767) (1,162) (1,571)  
(181) (552) (2,402) (3,635)

**Investing activities**

Additions to mining and exploration properties (5,952) (4,643) (14,892) (11,707)  
Proceeds on sale of equipment 78 300 234 320  
Proceeds on sale of marketable securities 38 - 71 -  
Proceeds on property held for sale - - - 400  
Funds held against standby letters of credit 40 (56) 128 (323)  
(5,796) (4,399) (14,459) (11,310)  
Net changes in non-cash working capital 104 111 96 (138)  
(5,692) (4,288) (14,363) (11,448)  
Increase (decrease) in cash and cash equivalents 827 4,224 (2,164) 8,203  
Cash and cash equivalents, beginning of period 20,711 12,008 23,702 8,029  
Cash and cash equivalents, end of period \$ 21,538 \$ 16,232 \$ 21,538 \$ 16,232

**For further information:**

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