

Wesdome Gold Mines Ltd.

WDO-TSX: \$2.52
Rating: Buy
Target: \$4.25

Estimates (C\$)			
	2018E	2019E	2020E
Gold Price (US\$/oz)	\$ 1,320	\$ 1,300	\$ 1,300
Gold Price (C\$/oz)	\$ 1,624	\$ 1,638	\$ 1,638
Production (000 oz)	66	89	182
Total Cash Costs (C\$/oz)	\$ 996	\$ 839	\$ 807
AISC (C\$/oz)	\$ 1,391	\$ 1,200	\$ 933
AISC (US\$/oz)	\$ 1,061	\$ 975	\$ 740
Revenue (MM)	\$ 103	\$ 146	\$ 298
Operating Cash Flow (MM)	\$ 39	\$ 63	\$ 121
Net Income (MM)	\$ 18	\$ 44	\$ 92
Free Cash Flow (MM)	\$ 3	\$ (1)	\$ 103
CFPS	\$ 0.28	\$ 0.45	\$ 0.87
Valuation			
P/CF	9.0x	5.6x	2.9x
FCF Yield (%)	1%	0%	29%

Stock Data	
Previous Close (C\$)	\$ 2.52
Target Price	\$ 4.25
Potential Return	69%
52-Week High-Low	\$3.60 / \$1.64
Avg. Daily Volume (3m)	193,994
Basic SO (MM)	134
Fully Diluted SO (MM)	141
Market Cap. (C\$ MM)	\$ 337
Cash (C\$ MM)	\$ 26
Debt (C\$ MM)	\$ 6
Enterprise Value (C\$ MM)	\$ 317
Fiscal Year End	31-Dec

Company Information	
Flagship Project	Eagle River
Project Location	Ontario
Global Resources (MMoz)	5
AMC/oz Valuation	\$ 63



Source: FactSet

Wesdome Gold Mines Ltd. is engaged in the acquisition, exploration, evaluation and development of mineral properties. The company owns and operates the Eagle River mine and mill and the Mishi open pit mine. Eagle River has been in operation since 1996 and has historically produced 1.1 MMoz.

Eagle Exploration Continues to Point to Higher Production and Lower Costs

June 12, 2018

Positive drifting results from the ongoing underground development at the 300E Zone at the Eagle River mine continue to demonstrate upside to the mining scenario with high grades encountered over significant widths. We believe WDO is on a trajectory toward having two high margin, 100k oz/year assets which we believe will fuel M&A speculation in the name. We expect exciting exploration news over the coming quarters with results from the ongoing drilling at Kiena Deep that should continue to drive the re-rating of the stock. We maintain our **BUY** rating and our target price of **\$4.25** per share.

DRIFTING RESULTS SUMMARY: Drifting results from the ongoing development at the 300E Zone continue to confirm the continuity of the high grades and geometry of the mineralized zones between the drifts and the encompassing drill holes. Lens 303 returned 26.3 g/t (uncut 50.5 g/t) over an average width of 8.6 m and over a strike length of 20.1 m. The combined strike length of the subzones is 155.4 m with a weighted average width of 2.8 m at 19.6 g/t (uncut 28.3 g/t). (detail Figure 2)

EAGLE RIVER UG GROWING TOWARDS 100K OZ: In our view, the Company is well positioned for continued high margin production at Eagle River through development of additional high grade working faces with two new high grade stopes expected to be in the production profile in H2/18 from the 303 and 7 zones. We continue to see significant exploration upside from the parallel 300 and 7 zones that should support continued growth in mineable ounces resulting in further mine life extensions. With continued high grade results, we see potential for production toward 80k – 100k oz/year from the underground operations by 2020.

SOLID INITIAL KIENA DEEP RESULTS STRENGTHENING MINING SCENARIO: In our view, the recent drill results from Kiena continue to confirm the continuity of high grade mineralization at Kiena Deep over mineable widths of 1-10m true thickness. The high grade zone remains open up and down plunge and along strike to the northwest. Additional development and drill platforms are currently being completed to test the Upper Quartz Zone and drilling with one rig continues to test near mine targets including VC and S-50. We believe that the multiple zones currently being defined can support flexibility in the ultimate mining scenario. News flow from the ongoing 50,000 m program will continue through H2/18, culminating in a resource by Q4/18. We continue to model initial production in 2020 at Kiena with an average annual production of 100k oz at <US\$820/oz AISC over a 9 year mine life.

RECOMMENDATION: Despite the ~20% YTD returns, WDO trades at 5.6x 2019E P/CF, >35% discount to peers trading at an average of 8.8x. We believe a re-rating should be available with increasing profitability ahead for Eagle and a steady stream of drill results from Kiena. We believe WDO is on a trajectory toward having two high margin, >100k oz/year assets which we believe will fuel M&A speculation in the name. We maintain our **BUY** rating and our target price of **\$4.25** per share.

Figure 1: WDO Comps

Company	Ticker	Price	Market Cap (MM)	EV (MM)	PRODUCTION				VALUATION		
					2018E k oz	2019E k oz	2020E k oz	2 Yr CAGR	P/CF 2018E	P/CF 2019E	P/NAV
Alio Gold Inc.	TSX:ALO	\$1.94	\$163	\$112	127	192	284	123%	2.6x	1.7x	0.19x
Asanko Gold, Inc.	TSX:AKG	\$1.50	\$339	\$552	166	115	126	-24%	2.2x	1.7x	0.47x
Argonaut Gold Inc.	TSX:AR	\$2.28	\$405	\$371	172	210	215	25%	4.0x	3.1x	0.52x
Atlantic Gold Corp.	TSXV:AGB	\$1.92	\$427	\$512	82	95	93	13%	6.3x	5.6x	0.77x
Guyana Goldfields Inc.	TSX:GUY	\$4.88	\$846	\$774	194	246	276	42%	5.6x	4.3x	0.67x
Golden Star Resources Ltd.	TSX:GSC	\$0.90	\$343	\$447	241	268	231	-4%	4.9x	2.2x	0.38x
K92 Mining, Inc.	TSX:KNT	\$0.82	\$144	\$142	64	122	161	153%	5.0x	2.6x	0.30x
Leagold Mining Corp.	TSX:LMC	\$2.65	\$753	\$684	376	682	675	80%	3.0x	2.1x	0.41x
Jaguar Mining Inc.	TSX:JAG	\$0.37	\$120	\$102	-	-	-	NA	3.0x	2.0x	0.43x
Mandalay Resources Corporat	TSX:MND	\$0.20	\$88	\$84	101	134	139	38%	2.0x	1.2x	0.43x
McEwen Mining Inc.	TSX:MUX	\$2.81	\$840	\$787	171	226	235	38%	53.8x	87.5x	0.66x
Premier Gold Mines Limited	TSX:PG	\$2.58	\$522	\$395	101	89	103	2%	36.7x	NA	0.64x
Pretium Resources Inc.	TSX:PVG	\$9.80	\$1,787	\$2,347	359	434	461	28%	7.0x	4.6x	0.56x
Roxgold Inc.	TSXV:ROXG	\$1.16	\$433	\$395	129	158	142	10%	4.3x	3.3x	0.70x
Superior Gold, Inc.	TSX:SGI	\$1.30	\$89	\$63	103	112	104	2%	3.1x	2.2x	0.62x
Teranga Gold Corporation	TSX:TGZ	\$5.41	\$581	\$520	226	225	321	42%	6.0x	6.9x	0.91x
Mean			\$493	\$518	174	220	238	38%	9.3x	8.7x	0.54x
Wesdome Gold Mines Ltd.	TSX:WDO	\$2.52	\$338	\$320	66	89	182	177%	9.0x	5.6x	0.55x

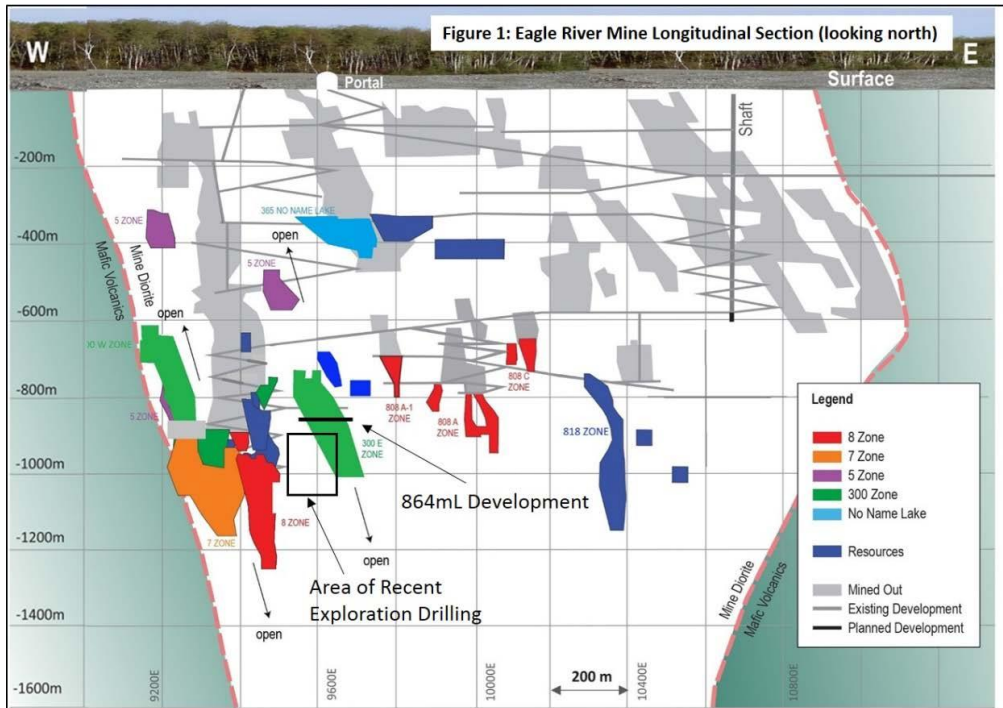
Source: Factset, Clarus Securities Inc.

Figure 2: 864mL Drift Highlights

Lens	Strike Length (m)	Average Width (m)	Uncut Grade (g/t Au)	Cut Grade* (g/t Au)
300B	14.3	1.7	19.8	19.8
300C	22.8	1.5	24.6	13.3
301N	30.1	2.2	22.5	14.8
301	51.1	2.0	28.3	21.2
302	17.0	1.7	24.0	24.0
303	20.1	8.6	50.5	26.2

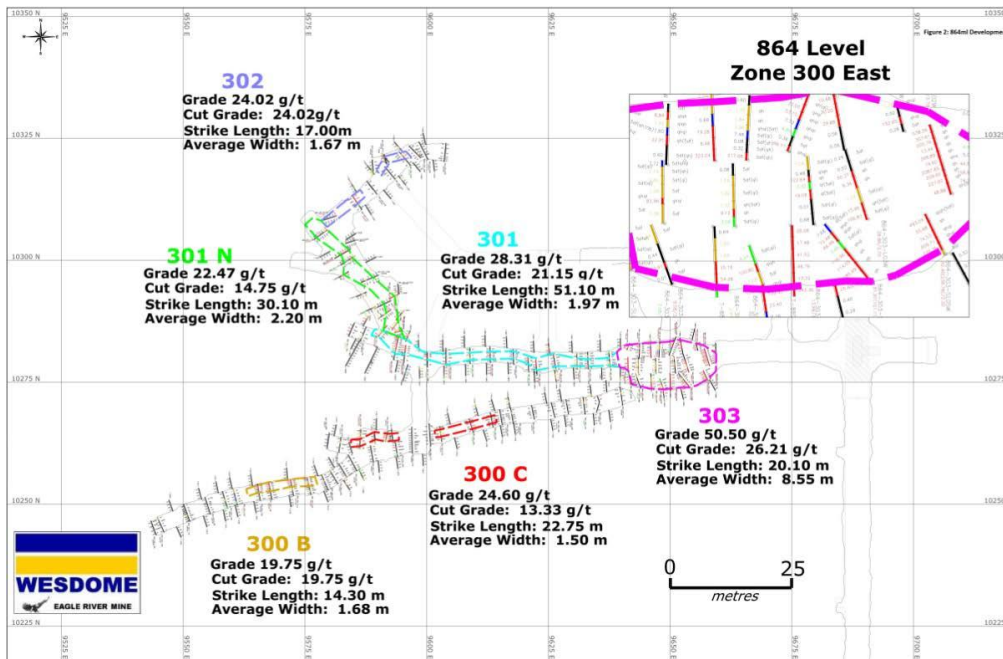
Source: Company Reports

Figure 3: Eagle River Longitudinal Section (Looking North)



Source: Company Reports

Figure 4: 864mL Development



Source: Company Reports

Price Target Calculator: We value Wesdome Gold Mines on a blended 50-50 NAV and P/CF based valuation. Our project NAV (50% weighting) incorporates our discounted cash flow valuation for the Eagle River Complex at a 3% discount rate and the Kiena project at an 8% discount rate. Our P/CF valuation (50% weighting) is based on a blend of our 2018E and 2019E estimates of cash flow per share to which we apply a 10.0x multiple.

Key Risks to Target Price: Please refer to the risks disclosed in the initiating report dated January 11, 2016.

Wesdome Gold Mines Inc.

Rating	BUY	Target Price	\$4.25	Shares O/S (MM)	118	Market Cap. C\$M	297.4
Potential Return	69%	Previous Close	\$2.52				

All figures in C\$, unless otherwise stated

MODELLED ASSUMPTIONS

	2017A	2018E	2019E	2020E
Gold Price (US\$/oz)	\$1,268	\$1,320	\$1,300	\$1,300
Exchange Rate (C\$/US\$)	\$1.31	\$1.23	\$1.26	\$1.26

BLENDED VALUATION

	% Int.	Discount Rate	C\$ MM	C\$/Share
--	--------	---------------	--------	-----------

NAV VALUATION (50% OF TARGET)

Eagle River Complex	100.0%	3.0%	\$403	\$2.86
Kiena Complex	100.0%	8.0%	\$214	\$1.52
Sub-Total Project NAV			\$618	\$4.38
NAV Multiple	1.0x		\$618	\$4.38
Total Project NAV			\$618	\$4.38

Corporate Adjustments

	C\$M	C\$/Share
Cash and Inventories	\$23	\$0.16
Convertible 7% Debentures	\$0	\$0.00
Total Corporate Adjustments	\$23	\$0.16
Total Corporate NAV	C\$/share	\$640

CASH FLOW VALUATION (50% OF TARGET)

CFPS (\$/sh)	2018E/2019E	\$0.37
Multiple to Cash Flow	10.0x	\$3.65

BLENDED VALUATION

C\$/share	\$4.10
Price Target	C\$/share
Share Price / Project NAV	0.55x

ATTRIBUTABLE PRODUCTION ESTIMATES

Year-end December 31	2017A	2018E	2019E	2020E
Eagle River Underground	51	61	83	102
Mishi Open Pit	8	5	6	2
Kiena	-	-	-	78
Contribution (000 oz)	59	66	89	182
Costs (C\$ per oz)				
Cash Operating Cost	\$1,055	\$965	\$808	\$782
Royalties	\$29	\$32	\$31	\$25
Total Cash Cost (C\$/oz)	\$1,083	\$996	\$839	\$807
G&A (\$/oz)	\$84	\$84	\$76	\$27
Exploration (\$/oz)	\$51	\$51	\$0	\$0
Sustaining Capital (\$/oz)	\$259	\$259	\$284	\$99
All-in Sustaining Cost (C\$/oz)	\$1,478	\$1,391	\$1,200	\$933
All-in Sustaining Cost (US\$/oz)	\$1,127	\$1,061	\$975	\$740

CAPITAL STRUCTURE

	Strike Price C\$/share	Maturity Date	Shares MM
Shares Outstanding			118
Options (CAD)	\$0.96	various	2
Unlisted Options (CAD)	\$0.00	various	0
Fully Diluted Shares			119.7

FINANCIAL SUMMARY

Year-end December 31	2017A	2018E	2019E	2020E
Basic Shares Outstanding (MM)	134	139	139	139
Adjusted EPS	\$ 0.13	\$ 0.14	\$ 0.32	\$ 0.67
P/EPS	18.7x	18.0x	7.8x	3.8x
Target/EPS	31.5x	30.3x	13.2x	6.4x
CFPS	\$ 0.23	\$ 0.28	\$ 0.45	\$ 0.87
P/CFOPS	10.8x	9.0x	5.6x	2.9x
Target/CFPS	18.1x	15.1x	9.4x	4.9x

Income Statement

Revenue	96	103	146	\$298
Operating Expenses	\$62	\$64	\$72	\$142
General & Adm.	\$5	\$5	\$5	\$5
Exploration exp.	\$0	\$0	\$0	\$0
Depreciation	\$5	\$8	\$10	\$20
Net Income	\$15	\$18	\$44	\$92

Balance Sheet

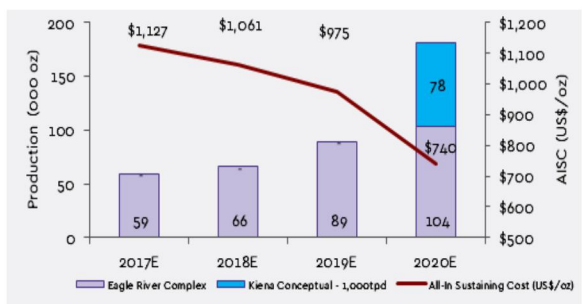
Cash & S.T. Inv.	\$22	\$42	\$40	\$143
Long-term Debt	\$0	\$0	\$0	\$0
Shareholder Equity	\$138	\$174	\$218	\$311

Cash Flow

Cash Flow - Operations	31	39	63	\$121
Cash flow - Financing	(\$7)	\$13	\$0	\$0
Cash flow - Investing	(\$30)	(\$36)	(\$64)	(\$18)
Change in Cash	(\$6)	\$20	(\$1)	\$103
Free Cash Flow	\$1	\$3	(\$1)	\$103
FCF per share	\$0	\$0	(\$0)	\$1
FCF yield	0.4%	0.8%	-0.4%	29.2%

ESTIMATES AND CONSENSUS

Year-end December 31	2017	2018	2019	2020	
CFOPS	Clarus	\$0.23	\$0.28	\$0.45	\$0.87
	Factset Consensus	\$0.21	\$0.27	\$0.34	\$0.53
EPS	Clarus	\$0.13	\$0.14	\$0.32	\$0.67
	Factset Consensus	\$0.06	\$0.06	\$0.06	\$0.06



Sources: Company reports, Clarus Securities

Clarus Securities Equity Research Disclosures

The analyst has visited the Company's mining operations at Wawa, Northern Ontario. Partial payment or reimbursement was received from the issuer for the associated travel costs.

General Disclosure

The information and opinions in this report were prepared by Clarus Securities Inc. ("Clarus Securities"). Clarus Securities is a wholly-owned subsidiary of Clarus Securities Holdings Ltd. and is an affiliate of such. The reader should assume that Clarus Securities or its affiliate may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

The opinions, estimates and projections contained in this report are those of Clarus Securities as of the date of this report and are subject to change without notice. Clarus Securities endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Clarus Securities makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Clarus Securities or its affiliate that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security. No part of this report may be reproduced or re-distributed without the written consent of Clarus Securities.

Conflicts of Interest

The research analyst and/or associates who prepared this report are compensated based upon (among other factors) the overall profitability of Clarus Securities and its affiliate, which includes the overall profitability of investment banking and related services. In the normal course of its business, Clarus Securities or its affiliate may provide financial advisory and/or investment banking services for the issuers mentioned in this report in return for remuneration and might seek to become engaged for such services from any of such issuers in this report within the next three months. Clarus Securities or its affiliate may buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. Clarus Securities, its affiliate, and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities discussed herein, or in related securities or in options, futures or other derivative instruments based thereon.

Analyst's Certification

Each Clarus Securities research analyst whose name appears on the front page of this research report hereby certifies that (i) the recommendations and opinions expressed in the research report accurately reflect the research analyst's personal views about the Company and securities that are the subject of this report and all other companies and securities mentioned in this report that are covered by such research analyst and (ii) no part of the research analyst's compensation was, is, or will be directly or indirectly, related to the specific recommendations or views expressed by such research analyst in this report.

Equity Research Ratings

Buy: Attractively valued and expected to appreciate significantly from the current price over the next 12-18 months.

Speculative Buy: Expected to appreciate significantly from the current price over the next 12-18 months. Financial and/or operational risk is high in the analyst's view.

Accumulate: Attractively valued, but given the current market price, is expected to appreciate moderately over the next 12 -18 months.

Hold: Fairly valued and expected to trade in line with the current price over the next 12-18 months.

Sell: Overvalued and expected to decline from the current price over the next 12-18 months.

Under review: Pending additional review and/or information. No rating presently assigned.

Tender: Company subject to an acquisition bid: accept offer.

A summary of our research ratings distribution can be found on our website.

Dissemination of Research

Clarus Securities' Equity Research is available via our website and is currently distributed in electronic form to our complete distribution list at the same time. Please contact your Clarus institutional sales or trading representative or investment advisor for more information. Institutional clients may also receive our research via THOMSON and REUTERS.

For additional disclosures, please visit our website <http://www.clarussecurities.com>.

© Clarus Securities Inc. All rights reserved. Reproduction in whole or in part without permission is prohibited.