



Drilling On Kiena Deep A Zone Achieves Critical Mass

Event

Release of eight (8) additional holes drilled on Kiena Deep-A discovery.

Impact

Very Positive. Drilling intersects very good grades over wide widths, supporting restart of Kiena Complex.

Analysis

- WDO reported eight (8) additional drill holes on the Kiena Deep-A discovery. As a reminder, in late 2016 exploration drilling on an area deep within the Kiena property below the previous working areas intersected very high grades of gold that was +100 g/t over 10s of metres wide. Subsequent drilling in 2017 proved difficult given the depth of the new discovery and the poor angle from which the underground platform was oriented relative to the new area of discovery. In 2017 WDO decided to drive an exploration ramp down to a level that would allow for a better drilling angle relative to the area of mineralization. The holes just released are eight (8) additional holes from the exploration ramp. **In total, we have now ~40 drill holes on the deep A-Zone which indicates three (3) mineralized lenses (or veins A, A1 and A2) that suggests a resource of ~26.7 g/t (uncut) or ~9.0 g/t (cut) over average an width of 6.3 metres (A vein) to 12.0 metres (A1 vein). In our opinion, the amount of mineralization represented in the A-Zone (total) ranges from a high of 900 Koz (uncut) to a low of 300 Koz (cut).** Equally as important, the A-Zone remains open on strike and to depth, and there is a good probability additional mineralization could be intersected.
- **Kiena Complex looks like it has achieved critical mass for a restart.** Even before discovery of the high-grade A-Zone, the residual resources remaining at the Kiena mine (was shut-down due to low gold price and a lack of underground development) was 849.7 Koz at 6.5 g/t, which combined with the mid-point of the resource indicated for the A Zone (~611 Koz at 17.8 g./t) suggests a combined resource of ~1.46 Moz at ~11.0 g/t is highly probable to exist, more than sufficient amount of material to restart the Kiena Complex.
- **Kiena Complex becomes an important component of underlying value.** In our original valuation of Wesdome we assumed restart of the Kiena mine in 4Q/19 for up-front capital of C\$50 million, exploiting 500 Koz at an average grade of 10 g/t. However, current drill information suggests this level of mineralization may have in fact been light, supporting our initial thesis that the NAV of Wesdome was understated.
- **We are encouraged by these drill results and they support our belief that there is a high probability this new mineralization will ultimately support restart of the Kiena Complex.**
- Our NAV remains unchanged, as does our target price of C\$4.50/sh. Our original target price was based on a 1.25 X multiple of NAV given our opinion NAV was understated. However, we now believe the target price multiple has declined to ~1.15 X NAV as a result of better indicated mineralization at the Kiena Complex than we originally judge, increasing the underlying NAV of Wesdome.

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