A rare nugget in the gold business

28 August 2026 | Wesdome Gold Mines (TSX: WDO) — C$33.80 · Gold $4,454/oz · Silver $66.15/oz

Gold at $4,454 and silver at $66 is a repricing of money, not of the metal. Some potential reasons for that are laid out in ‘Making a market in bonds.’ This is about who benefits.

Gold fell three per cent on the Friday this note closed, and silver four and a half, on the Jackson Hole speech that piece ends with.

The mining sector is not renowned for its excellence in capital allocation. Not infrequently a rising gold price gets spent. It funds dilution, acquisitions at the top of the cycle, and capital projects that overrun. Shareholders are supposed to own a leveraged position to the above ground stuff but often get disappointed.

This is a capital intensive, accident prone, business. The rule of law and acts of God mean more to mining than most. Asset appropriation and earthquakes go into the risk factors.

Wesdome is currently the exception, and it is being repriced as one.

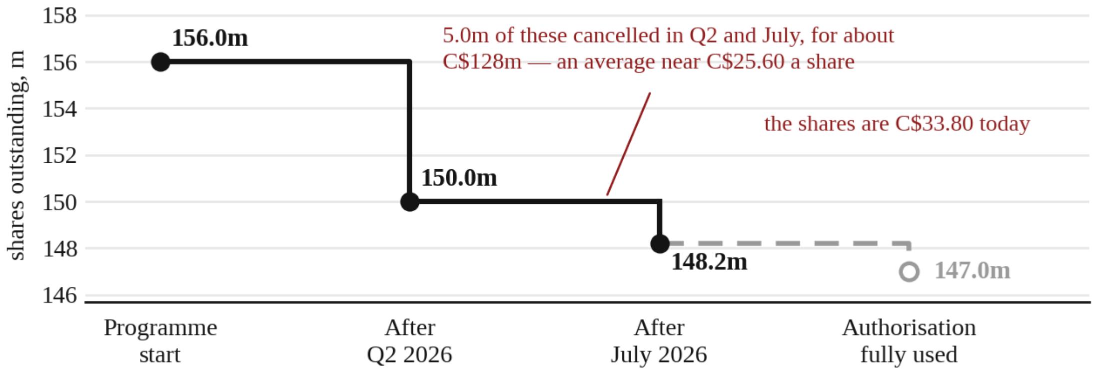
WDO.TO has two mines, both in Canada (and no big board listing in the US, pink sheets only WDOFF). Eagle River in Ontario, Kiena in Quebec. No debt. C$391m of cash at 30 June and roughly C$746m of total liquidity. Second-quarter revenue of C$267m, up 28% on the year. Net income C$94m. Free cash flow C$42m.

It has started paying a dividend — the first in the company’s history, C$0.0306 a quarter and expanded its buyback authorisation to 9.0m shares, about six per cent of the float. Since the programme began it has bought and cancelled 7.8m shares — 5.0m of them in the second quarter and July, for C$128m. The management are acting in the interests of the shareholders, which is a rarity not confined to mining.

To recap; reducing share count, rising gold price, no debt, first dividend and free cash flow. Two mines in the safest mining jurisdiction there is, and a resource growing faster than reserves. Any one of those is unremarkable. All of them at once, in this sector, is the rare part.

EXHIBIT 1 WESDOME SHARES OUTSTANDING

The share count, going the other way



Normal course issuer bid, to 31 July 2026. 7.8m shares purchased and cancelled under a 9.0m authorisation — about 6% of public float. Dashed step is the balance, not yet used. Axis does not start at zero.

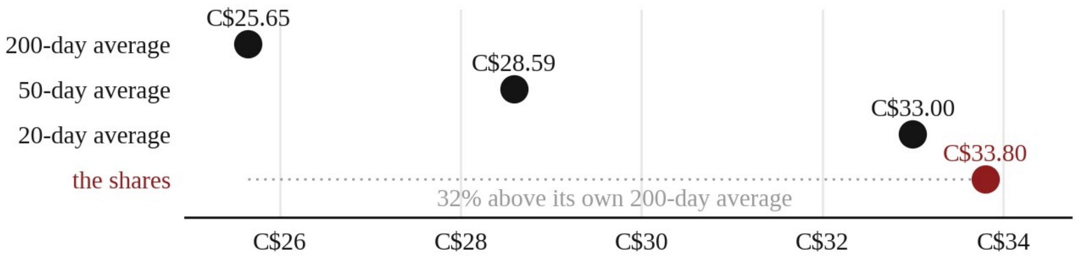
This has not gone unnoticed. The shares have moved from a 200-day average of C$25.65 to C$33.80, thirty-two per cent above it, on a trailing multiple near 12.2 times earnings and a return on equity near 44%. That close is three sessions off a high of C$36.00.

Under thirteen times earnings is not a demanding multiple but it is a risk tied to a single price. Gold bears should turn away.

Twelve and a quarter against a mid-tier average near sixteen — though costs here eat forty per cent of the gold price against thirty for the cohort.

EXHIBIT 2 WESDOME AGAINST ITS MOVING AVERAGES

Repriced, not drifting.



Wesdome against its own simple moving averages, to the 28 August close. A share 32% above its 200-day is being repriced, not carried. Axis does not start at zero.

Mining is about costs. All-in sustaining costs were US$1,763 an ounce in the quarter, up fifteen per cent on the year, with Eagle River running above US$2,000. Free cash flow fell against a quarter in which revenue rose 28%. So the improvement is being delivered by the gold price and by capital discipline. Not at this stage by operations.

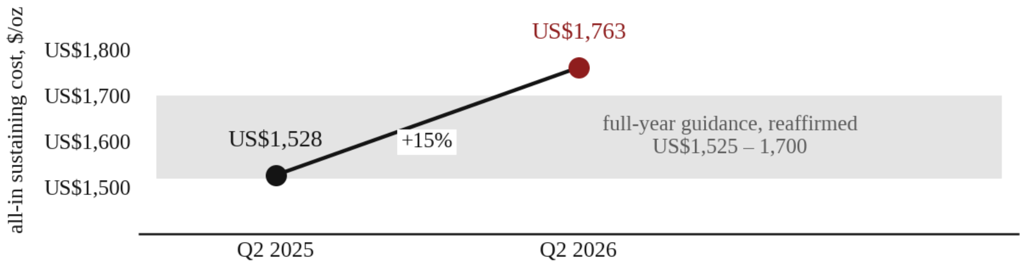
Kiena is where it changes. Production up 28% on the year, the new ramp through to surface, the ventilation project behind it meant to double capacity, and the first Presqu’île stope online in July — which is what reduces the grade variability that has dogged the mine. Nearly sixty per cent of Kiena’s year is weighted to the second half.

At Eagle River the mill is fuller and the ore is poorer: throughput up 49%, grade down 43%. Filling the mill is a volume answer to a grade problem. It becomes a margin answer only if the grade returns, which management says it will in the second half.

And there is a number to hold them to. Full-year guidance is US$1,525 to US$1,700 an ounce, reaffirmed this quarter. The second quarter came in at US$1,763. To land inside its own range the rest of the year has to run below it.

EXHIBIT 3 ALL-IN SUSTAINING COST AGAINST GUIDANCE

Costs are above the range management has reaffirmed.



Consolidated all-in sustaining cost. The second quarter ran US$63 above the top of the full-year range. To land inside it, the rest of the year has to run below it. Axis does not start at zero.

A CANDIDATE FOR RERATING?

The proposal is that the share price is beginning to discount a transformed company deserving of a greater premium — not just the unknown future gold price.

That the company is re-rating is a contention. There has been no discovery and no acquisition. Yet it is reducing its discount to peers.

The market is considering pricing Wesdome not as a limited-life two-mine producer but as a cash-generating business that returns capital. Operational ability and extending mine life, with accomplished capital allocators at the helm.

Gold at $4,454 against all-in sustaining costs of $1,763 leaves $2,691 an ounce. That may be all the share price is discounting.

That it is leveraged to the gold price is true of every producer. What is not is that here the shareholder actually keeps it.

Management has been retiring stock. The shares are C$33.80. Buying your own equity a quarter below where it now trades is good capital allocation. If it is sustained. Retiring stock also gets dearer as the price goes up.

And the reserve life is about eight years across both mines. Reserves grew this year and the inferred resource grew faster. No amount of buyback changes the permanent condition of a mining company. You dig up your asset every year and you sell it. Mine life is company life unless proactive.

The bull case does not require costs to fall. But management in mining will always be held to account for rising costs. Nor does it require a rising gold price but it would help. A falling one is kryptonite to any producer. It does require ongoing capital discipline and operational improvements to keep flowing. The bull is hopeful there is no bought deal, no premium acquisition and hopefully no capital restructuring surprise. Which makes it a bet on management behaviour rather than on geology.

The buyback authorisation has 1.2m shares left, which at July’s pace is under a month. What management does when it runs out is the thesis: renew it, or find something else to do with the money.

If the long bond prices confidence in the management of money, gold is what you hold instead of an opinion about that. Wesdome is one of the few places in the sector where owning the metal and owning the margin on producing it are the same thing.

And the market is repricing it for that.

WHAT TO WATCH

	28 AUG	WHY IT MATTERS
Wesdome (TSX: WDO)	C$33.80	Up 30% on the month, three sessions off a high of C$36.00. Fifty-two-week low C$15.94.
Gold, spot	$4,454/oz	Up 29% on the year and a fifth below its January all-time high of $5,608.
Silver, spot	$66.15/oz	Up 67% on the year and not far off half its January high of $121.64.
The buyback authorisation	1.2m shares	Under a month at July’s pace. What management does next is the thesis.

Marked to the close of 28 August 2026.

Not investment advice. Figures come from primary sources, listed under Where to check. AI assists with retrieval and figures are checked back against source. Mistakes will still get through. We would like to close gaps in reasoning — comments welcome. Errors are mine, and corrections run in the next issue. Know what you own. Ideas come from everywhere, other people’s letters included; the research, the structure and the conclusions here are my own. I may hold positions in the securities mentioned. I do not trade them in the week either side of publication.

WHERE TO CHECK

— Wesdome — Q2 2026 results release, including the normal course issuer bid and the dividend declaration.

— Wesdome — reserve and resource statement, 2026.

Company financials in Canadian dollars; cash costs and all-in sustaining costs in US dollars. Market data to the close of 28 August 2026. Price, multiple and metal prices are time-sensitive.