ALAMOS GOLD INC.

PLATFORM FOR GROWTH

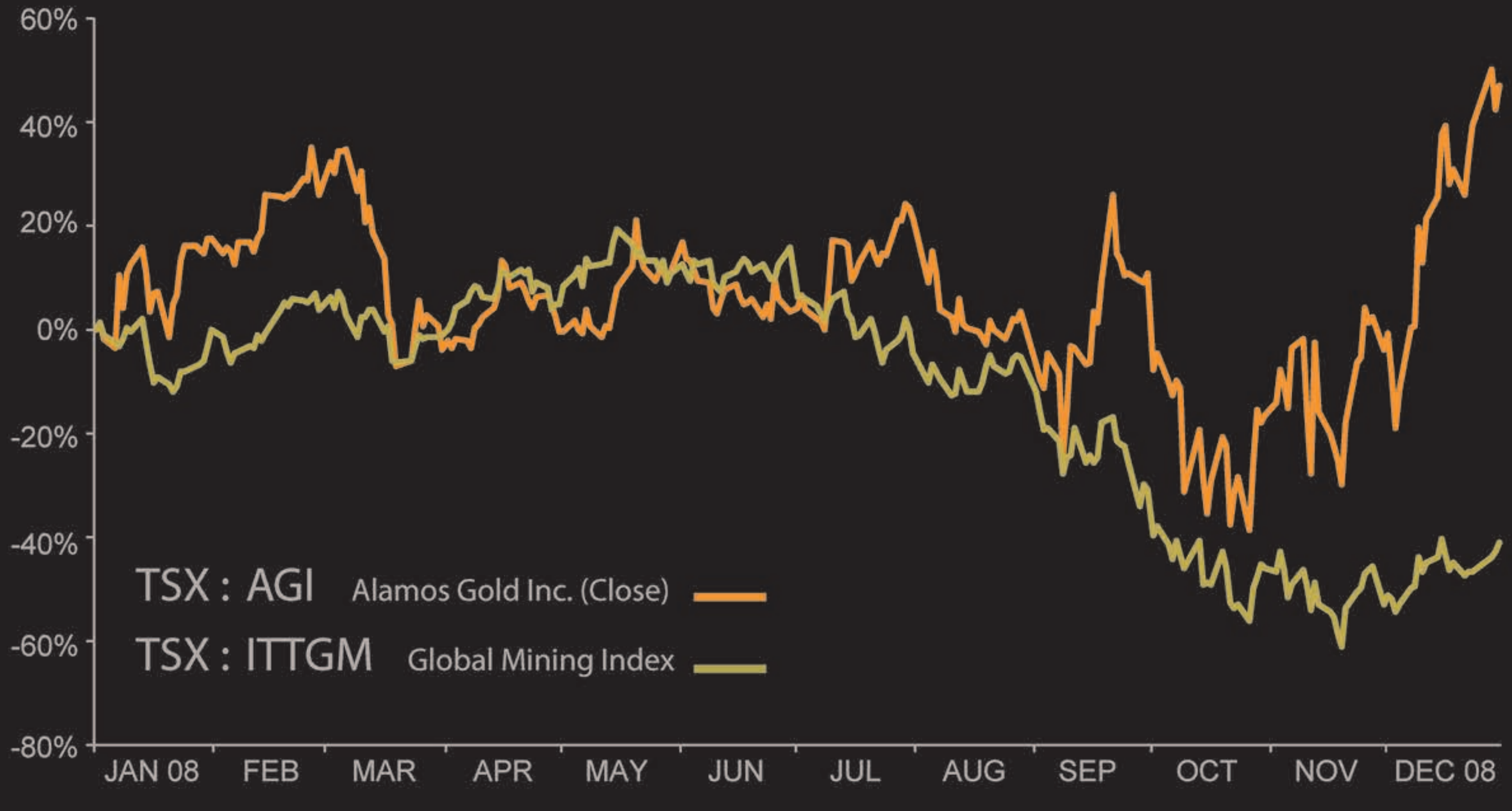
ANNUAL REPORT 2008

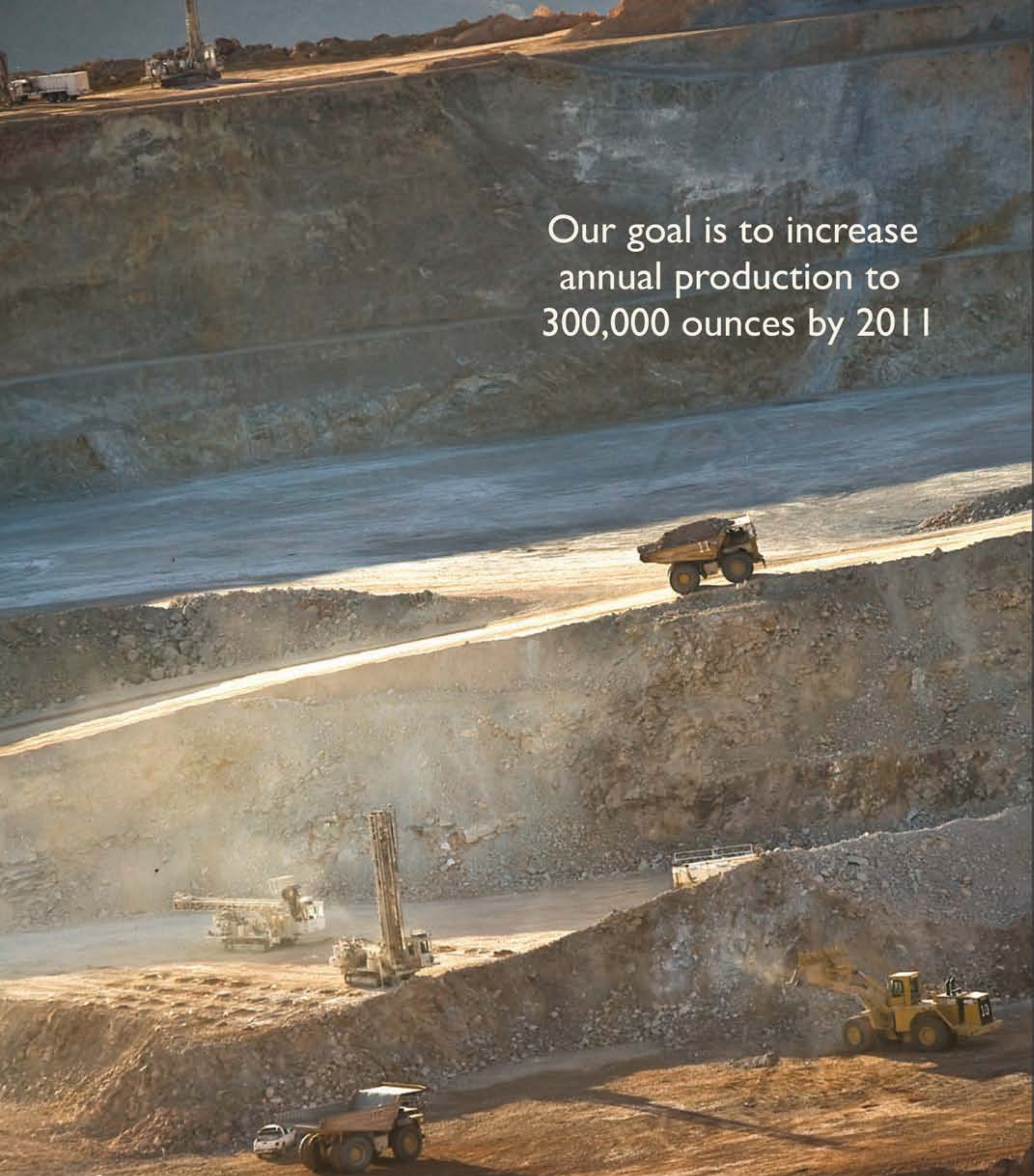
ALAMOS GOLD INC.

Table of Contents

Alamos Gold Inc. ("Alamos") is headquartered in Toronto, Canada and operates the Mulatos Gold Mine in Sonora, Mexico. The Company plans to increase gold production by optimizing current operations and through new production at the high grade Escondida deposit.

Alamos controls over 28,500 hectares of mineral claims covering a large epithermal field with a strike length of thirty kilometres. The major deposit at Mulatos is a high-sulfidation, epithermal gold occurrence in oxide, mixed oxide/sulfide and sulfide ore types containing in excess of two million ounces of gold reserves. Other deposits continue to be outlined through an active exploration program within the district.

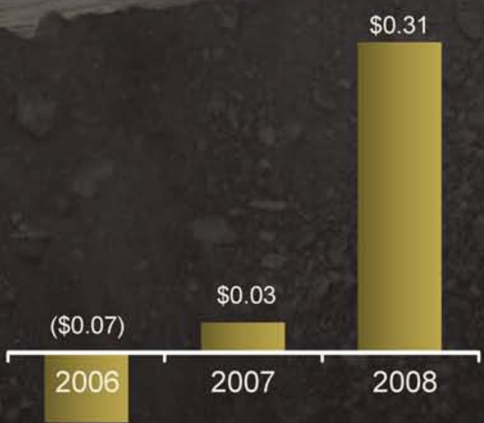




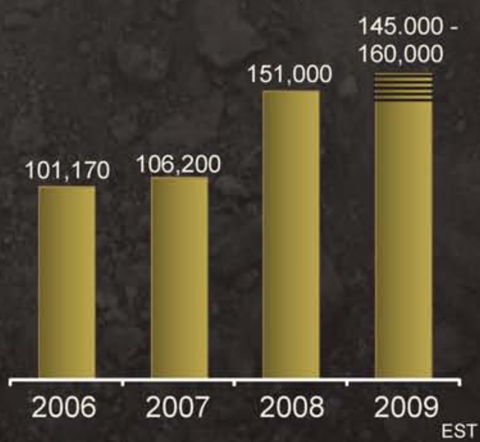
Our goal is to increase annual production to 300,000 ounces by 2011

(All dollar amounts in this report are expressed in United States dollars, unless otherwise stated.)

Earnings per Share (Basic)



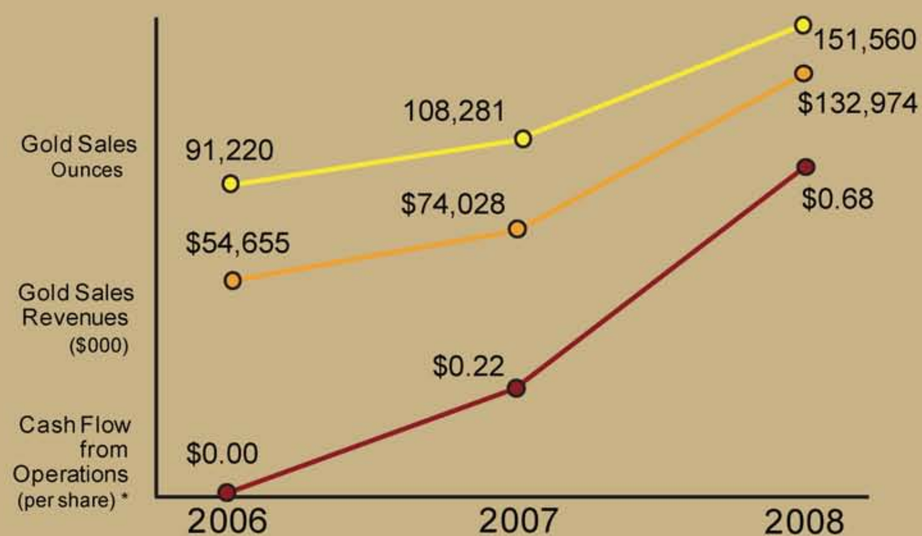
Gold Production (Ounces)



2008 Highlights

- Produced 151,000 ounces of gold, an increase of 42% over the 106,200 ounces produced in 2007
- Reported strong revenue growth, increasing revenues 80% to $133.0 million
- Recognized earnings of $29.4 million ($0.31 per share (basic)) compared to $2.9 million or $0.03 per share in 2007
- Generated cash from operations of $65.3 million ($0.68 per share (basic)) compared to $20.9 million ($0.22 per share) in 2007
- Increased cash balances to $43.8 million at year end and repaid all debt

Revenue and Cash Flow Growth



*After changes in non-cash working capital. As reported on the Company's consolidated statements of cash flows.

Letter To Shareholders

Mulatos Pit – Puerto del Aire in the background

Fellow Shareholders,

What a difference a year makes! The improvements made in operations over the course of 2007 and throughout 2008 led to record production for the year in review. Year-over-year production increased 42% from 106,200 ounces in 2007 to 151,000 ounces in 2008. This performance, combined with strong gold prices resulted in record revenues, earnings and cash flow. By the end of 2008 our company was debt-free, with $43.8 million in cash and working capital of $63 million. We further strengthened our financial position subsequent to year end through a CDN$83.3 million bought-deal financing that increased our cash balance to approximately $118 million at the end of the first quarter of 2009.

In the 2007 annual report, we outlined our plans for the 2008 year and emphasized our focus on meeting or exceeding the guidance that we provide the investment community. I am pleased to report, that by year end, we had exceeded our quarterly production guidance for the fifth consecutive quarter, and that this trend continues as Alamos recently reported that the first quarter of 2009 was another record quarter for gold production. Part of this success was attributable to management setting reasonably attainable goals; nonetheless, we were all impressed by just how quickly production improved as operational enhancements and efficiencies were achieved.

In 2008, we delivered on virtually all of the operational and financial targets that we had set out to achieve at the start of the year, and operations led the way. Improvements in productivity were achieved primarily through the implementation of the conveying and stacking system, the introduction of inter-lift liners and the addition of a third solution pond. The conveying and stacking system removed trucks and dozers from the leach pad. As a result, stacked ore did not suffer from compaction associated with heavy equipment operating on top of the heap, and leach solution percolation was significantly improved. Inter-lift liners reduced the time required for percolation of gold into solution, which improved recovery ratios. In addition, the third solution pond provided controlled solution management during the third quarter rainy season, which led to a significant 84% improvement in third quarter 2008 gold production compared to the comparable period of 2007. During periods of heavy rainfall, solutions with lower gold concentration (due to dilution resulting from heavy rainfall) were diverted to the new intermediate pond. In this manner, the solution grade in the pregnant pond that feeds into the recovery plant was maintained at optimum levels, supporting a higher rate of gold production.

Alamos' share price increased 58% in 2008.

In 2009, we expect to see the benefits from the drum agglomeration process that we implemented in December of 2008. Past metallurgical test work has demonstrated that agglomerating crushed ore significantly improves gold recoveries. The drum agglomeration process is expected to help us to achieve our budgeted recovery levels of 60% and 65% for 2009 and 2010, respectively.

Closing the crushing circuit, which is the next major improvement that we have planned for the mine, is also expected to contribute to increased gold production starting in 2010. When the Mulatos feasibility study was completed in 2004, the gold price was approximately $400 per ounce and crushing was optimized at 80% passing a three-eighths' inch screen. At that time, it was known that finer crushing would yield higher recoveries, but the economic return did not justify the capital investment. Recent metallurgical studies conducted at independent laboratories employing higher gold price assumptions have demonstrated that finer crushing of ore is now warranted given the appreciation in the price of gold. In the year ahead, we intend to close the crushing circuit by recirculating crushed ore to achieve 100% passing a three-eighths' inch screen. Laboratory test work suggests that a further four to seven percentage point improvement in recovery through finer crushing may be achievable. At current gold prices, we estimate that the capital investment to close the circuit could be recovered within about ten months' time.

The official inauguration ceremony for the Mulatos mine was held in October, and Alamos was fortunate to have the Governor of the State of Sonora, Mr. Eduardo Bours, as guest of honour in addition to the Canadian Ambassador to Mexico, Mr. Guillermo Rishchynski. Many leading representatives from the state and federal governments of Mexico were in attendance. In his speech, Governor Bours emphasized the importance of projects like Mulatos to the prosperity of Sonora State and indeed to all of Mexico. He pledged his full support for the project and encouraged the Company to continue with its investment in mining in Mexico.

One can hardly review the last fiscal year without reference to what the International Monetary Fund

("IMF") has described as "the largest financial shock since the Great Depression". The bursting of the sub-prime mortgage bubble spread quickly to all areas of the banking and credit markets, leading to a severe downturn in the world economy. Among other ramifications, we have seen the fall of some of the biggest names in the financial world and other major financial institutions have only survived through government intervention. The financial landscape has undergone a violent change and the full impact of this worldwide financial shockwave continues to unfold. These events could, and likely will, have far reaching consequences for gold.

Alamos was fortunate to have largely avoided the adverse consequences of 2008's market meltdown. We largely attribute this to deleveraging our balance sheet in 2008 by using our strong cash flows from operations to repay our capital lease obligation debt, as well as our bank loan, and then building our cash balances. We also forced conversion of the convertible debenture liability. As a result of these actions, Alamos is debt-free, has a strong cash position, and has not suffered as a result of tightening liquidity in the credit markets.

Another cornerstone of Alamos' success in 2008 may be attributed to making capital investments that would lead to increased production. As discussed earlier, our major capital projects clearly paid off in the form of increased production. We also chose to avoid costly acquisition opportunities in favour of organic growth through exploration and expanding our existing operations.

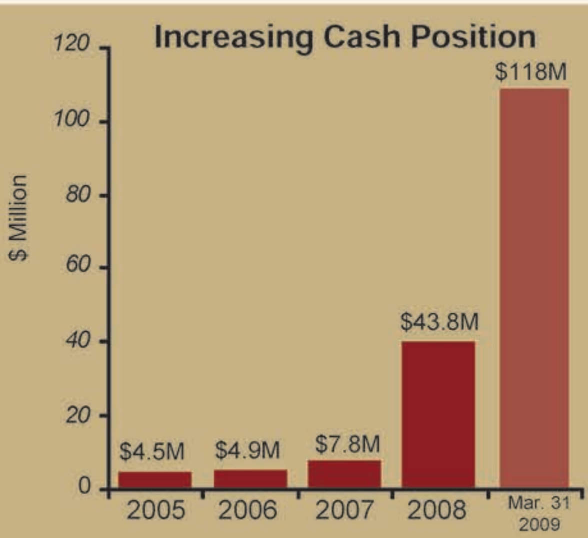
Finally, the steps we took to lower costs through productivity improvements contributed significantly to Alamos' performance in 2008, and we feel we were quite successful in this regard. Last year, we reported total cash costs per ounce of $389. In 2009, we expect total cash costs per ounce to be below $350. This will position us as a first quartile low-cost producer.

As a reflection of our approach to 2008, the market price of Alamos shares increased 58% over the course of the year, compared with the TSX Global Gold Index which saw an average decline of 40% in the same period. Alamos also ranked second in performance on the TSX's benchmark index in 2008, which suffered a decline of 35%.

While we have been successfully delivering on both our production and cost targets, and on building a company with a solid financial foundation, we have also experienced significant exploration success. As we complete our second year of full commercial production with mining operations at a steady state, we remain clearly focused on the future. As a result, investments in exploration over the past two years have targeted high-priority, near-pit reserve and resource expansion targets.

A significant portion of the 2008 exploration budget was spent on drilling the Puerto del Aire zone, an area north-east of the Estrella pit. In the fourth quarter, a resource of 311,000 ounces of measured and indicated resources plus 197,000 ounces of inferred mineral resources were announced.

Subsequent to year end, Alamos released its 2008 reserve and resource statement that incorporates the new resource at Puerto del Aire, as well as new resources for the Gap, La Yaqui and San Carlos zones. We were pleased to report that the reserve update results effectively doubled our mine life from five to ten years, based upon current throughput rates. Measured and indicated resources declined 14% as a result of resource



Mulatos Mine Opening October 20, 2008
Left to Right:
Norberto Roque Díaz de León, General Coordinator of Mining, Secretaría de Economía, Mexico
Eduardo Bours Castelo, Governor of Sonora
John A. McCluskey, President and CEO of Alamos Gold Inc.
Guillermo E. Rishchynski, Canadian Ambassador to Mexico

to reserve conversion; however, we managed to report a 129% increase in inferred resources. Overall, this was a very positive event that highlights the extensive pipeline of projects that we have in the Mulatos district.

Several grass roots targets in the Mulatos district were drilled this year with positive results. At La Yaqui, a zone of near-surface oxide gold mineralization was drilled with encouraging results and a portion of this zone contributed to the year-end resource update. In addition, a new discovery was made at Cerro Pelon, a large silica massif located two and a half kilometres southwest of the present leach pad. To date, drilling has turned up numerous intervals of oxide mineralization that are up to 100 metres thick with assays consistently grading in the range of two grams of gold per tonne. Exploration at Cerro Pelon is ongoing and over six thousand metres of drilling has been completed to date. We expect Cerro Pelon to contribute to an increase in our global gold resources in 2009 as drilling continues throughout 2009.

Alamos continued to strengthen its management team in 2008 with the appointments of Dr. Charles Tarnocai to the position of Vice President of Corporate Development. In the first quarter of 2009, we also appointed of Hervé Thiboutot to Vice President of Exploration. It is worth noting that both Charles and Hervé worked previously for Placer Dome Inc., were assigned to the Mulatos Project, and were part of an exploration group that found over 20 million ounces of gold. Charles is focusing primarily on project valuation and potential mergers & acquisitions, while Hervé is heading an expanded internal exploration effort (as well as overall exploration activities) as the Company takes on additional projects outside the Mulatos district. In the second quarter of 2009, we have also added Marc Jutras as the Company's Director of Mineral Resources and Jeremy Link as our Investor Relations Manager.

The Board of Directors continues to evolve as the Company grows and the scope of activity increases. This year we announce the retirement of Richard Hughes from the Board. On behalf of all shareholders and employees of the Company, I want to thank Richard for his years of valuable service to Alamos and express our best wishes for his continued success. The Company has proposed to nominate Mr. David Gower to the Board at the forthcoming Annual General Meeting.

In closing, the Company has laid a firm platform for growth in 2009; a platform underpinned by a strong balance sheet and consistent low-cost operations. While our accomplishments in 2008 were significant, we look forward to exceeding them in 2009 and beyond.

John A. McCluskey

John A. McCluskey
President and Chief Executive Officer

Operations

Mulatos mine operations in 2008 were characterized by continuous improvements that resulted in increased gold production and decreased costs. The Company focused on completing key projects that were initiated in 2007 to restructure operations and address production issues that the mine had experienced in the past. The successes from these efforts were evidenced by the Company's consistent quarterly production growth and improving cash flow profile throughout the year and into 2009.

The Company took on a number of capital projects designed to optimize gold recovery and improve operating efficiencies in 2008. The most significant capital project completed in early 2008 was the commissioning of the conveying and stacking system, along with the associated improvements to the lime-application process. By eliminating the truck-stacking of ore on the leach pad, percolation improved and a clear recovery benefit was achieved. The first phase of the inter-lift liner program was also completed prior to stacking ore on the new phase of the leach pad. These projects were critical to increasing production at the mine. A number of additional capital projects were undertaken to improve productivity and efficiency and to support the long-term growth of the mining operation. Most on-site facilities were either enhanced or rebuilt during the year. By mid-year, the Company had completed construction of a new laboratory, warehouse, truck shop and administration office. The camp was also expanded and significantly improved with the installation of new recreational facilities, aimed at raising employee morale and productivity.

As these improvements began to take effect, variances from budget were reduced, as were operating uncertainties. As a result, 2008 marked a year in which the Company achieved most of its primary production and cost objectives. The Mulatos mine delivered a 42% increase in gold production over 2007 with a total of 151,000 ounces of gold produced compared to 106,200 ounces in 2007. Total cash costs were reduced to $389 per ounce in 2008, and are forecast to decrease to $350 per ounce in 2009. Mine throughput in 2008 averaged 13,100 tonnes of ore per day at a cash cost of $9.51 per tonne. More importantly, the mine began to report consistent and improving results, meeting or exceeding budget expectations, thereby improving the overall predictability and profitability of operations.

In 2008, we focused on a number of specific operating issues, including quality control procedures, block model reconciliation analysis and recovery improvement. These are discussed in further detail below.

Quality Control

The Company undertook a complete review of all of its policies and procedures in 2008, the scope of which included operational, financial and reporting processes. This review process included hiring independent third-party consultants to review and assess the way in which the operation was run and to challenge our existing methodologies. Through this process the Company was able to update and improve a number of the policies and procedures that had been implemented in prior years.

For example, in 2007 the Company introduced new ore-handling procedures in the pit following the identification of a low-recovery type of ore. These procedures have been further refined in 2008 to ensure that only optimal-leaching ore is crushed and stacked on the leach

Highlights

- Total cash costs decreased 8% to $389 per ounce
- Cost per tonne of ore decreased 16% to $9.51
- Continued recovery improvements expected with 2009 budget at 60%

pad, while low-recovery material is stockpiled for future processing. Also in 2008, the Company's managers undertook the process of establishing new procedures in the ADR plant and crushing and maintenance departments, all intended to improve controls and with a focus on lowering costs. These policies and procedures have been codified by developing formal operating manuals that detail all departmental procedures and employee responsibilities. Work continues on this front with the challenge for 2009 being the successful completion of the ISO 9001 standard that will help demonstrate the Company's ongoing commitment to quality control.

Block Model Reconciliation and Review

Mining personnel perform monthly reconciliations between the actual mined ore blocks and the mine block model originally established in the 2004 Feasibility Study that has been subsequently modified with additional in-pit drilling results and revised recovery parameters. The block model continues to accurately reconcile with the actual mined ore blocks. For the 2008 year, there was a small positive variance of 6.3% over ounces forecast by the block model. On a project-to-date basis, ounces mined are 2.7% higher than calculated in the block model. A variance of this scale is considered to be nominal, and the model continues to be a reliable tool for budgeting and mine planning purposes.

Year over year production increased from 106,200 ounces in 2007 to 151,000 ounces in 2008, an increase of 42%.

Gold Recovery

Gold is recovered from the heap over a minimum 17-week leach cycle and the Company has developed an expansive body of knowledge from comprehensive laboratory testing of its main ore types. Recent testing at various crush sizes has demonstrated a positive impact on recovery if the ore is agglomerated with cement before stacking. The cement acts as a binding agent to the fines generated from crushing and helps prevent blinding and channelling of process solutions within the heap. The agglomerators were ordered and commissioned in 2008 and were fully operational in December, ahead of schedule. Testing also indicated that optimal extraction of gold from ore would result from a crush size of 100% passing 3/8”. In order to achieve this, the Company commissioned a study which recommended closing the crushing circuit, incorporating an additional crusher plus extra screens and conveyors. Based upon the incremental recovery anticipated from this smaller crush size, the Company expects to recover the $9 million capital cost of this project within a year. Following implementation of this procedure in 2009, the Company expects the level of gold recovery to reach, if not surpass, our 2009 budget target of 60%.

OPERATIONS OUTLOOK AND FUTURE GROWTH

The Company has forecast 2009 gold production of 145,000 to 160,000 ounces at a total cash cost (including royalties) of $350 per ounce. The Company expects that the drum agglomeration process will continue to positively impact recovery and that an additional increase in recovery will be experienced when the crushing circuit is closed later this year.

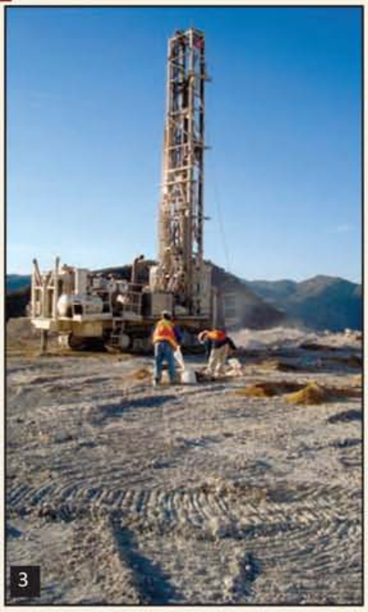
The Company issued its 2008 reserve and resource statement in March of 2009, which reported that proven and probable reserves had increased to well over two million ounces (refer to the Reserves and Resources Statement Summary on pages 18 and 19). Based upon current throughput rates, this implies a mine life of over ten years. This mine life extension was the direct result of the development of the global mine plan. This plan incorporates the existing Estrella pit plus the deposits in close proximity: Mina Vieja, El Salto, Escondida and Puerto del Aire, which form the new “Mulatos Pit”. The El Victor deposit is currently modelled as a stand-alone pit, pending additional work at the adjacent Gap Zone. Definition drilling is ongoing in these areas to convert the near-pit resources into possible reserves for future planning and mining.

Production growth in 2010 and beyond is expected to come from the development and processing of the high-grade Escondida deposit. In early 2008, the Company had contemplated the construction of a large-scale mill to process various types of ore in addition to Escondida (including high-grade ore from the current Estrella pit), but project economics did not support the construction of a large-scale mill. Instead, a scoping study was completed for a small gravity circuit to treat the Escondida high-grade zone, and the Company expects that the results will be favourable and will support a positive production decision. The detailed design and corresponding technical report for the mill facility are being finalized now and are expected to be released during the second quarter of 2009. Construction of this mill is expected to increase production by 50,000 to 150,000 ounces per year.

Proven and probable reserves have been increased to well over two million ounces of gold.


Manley Guarducci, Chief Operating Officer (left)

Key Developments in 2008



1 Upgraded Site Infrastructure

Improved warehouse, truckshop, laboratory and administration offices support the long term development of the mine.

2 Lime Application

Enhanced lime application methods have reduced consumption and lowered processing costs.

3 Redesigned Open Pit

Redesign of the pit in 2007 led to a 45% decrease in waste-to-ore ratio in 2008, resulting in more efficient mining operations.

4 Drum Agglomeration

The drum agglomeration circuit was commissioned in December 2008. Cement is added to crushed material, binding finely crushed ore and improving leach pad percolation.

5 **Conveying and Stacking System**

The conveying and stacking system was commissioned in April 2008. It has improved percolation in the leach pad and corresponding gold recoveries.

6 **Inter-lift Liners**

The Inter-lift liner program is designed to improve the control of solution within the leach pad and the speed of solution recovery.

7 **Solution Control Program**

Enhanced solution control resulted in record quarterly gold production reported in the third quarter rainy season.

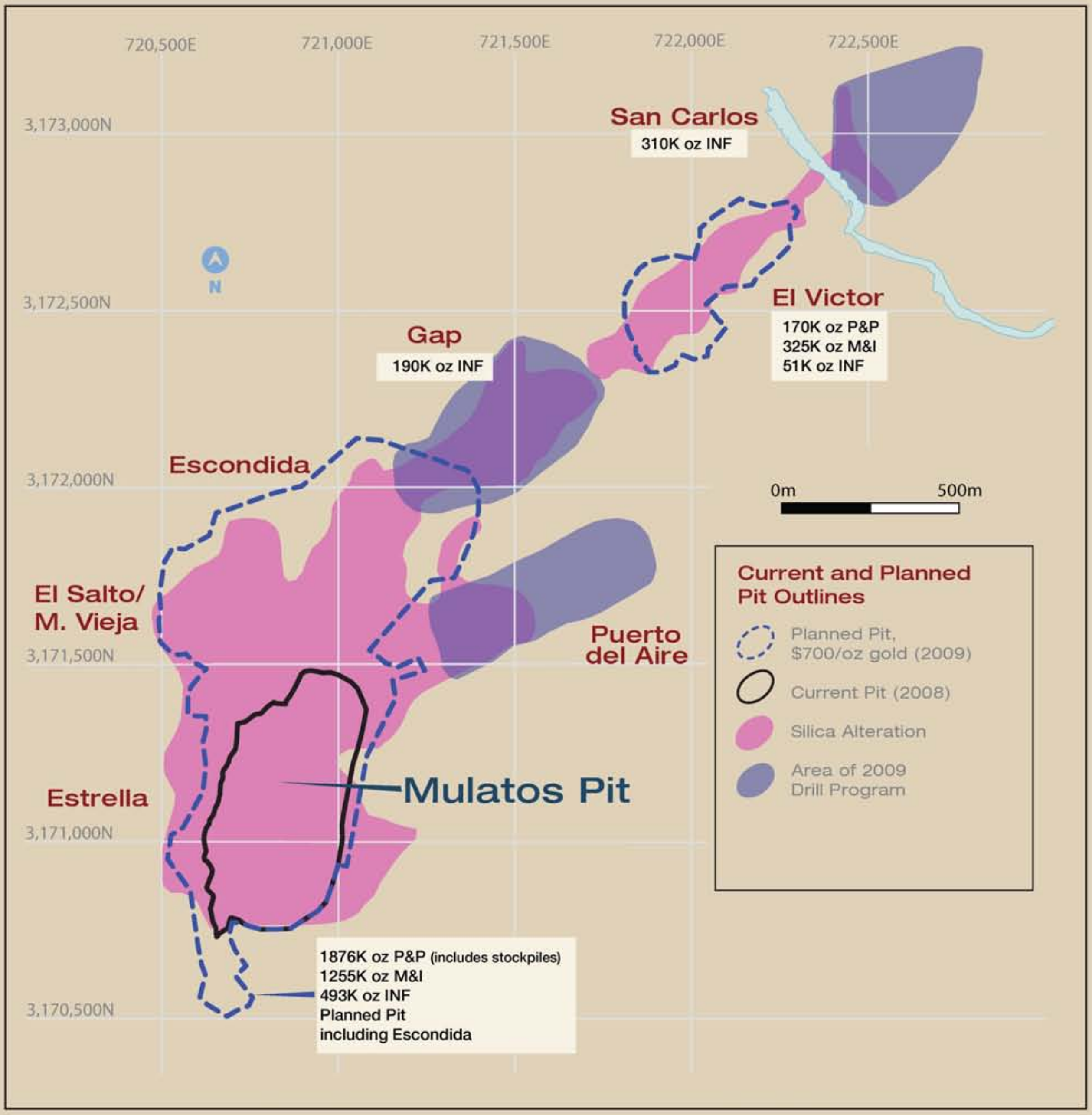
Manley Guarducci, Chief Operating Officer and John A. McCluskey, President and CEO stand on the leach pad expansion

Leach pad conveying and stacking system

Agglomerated ore is conveyed to the leach pad

Delivery of ore to the primary crusher

Reserves & Resources



PROVEN AND PROBABLE RESERVES[(1),(2)]
as at December 31, 2008

AREA	Proven			Probable			Proven + Probable		
	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces
Mulatos Pit	7,394	1.73	410,019	33,129	1.23	1,309,858	40,523	1.32	1,719,877
Victor Pit	2,347	1.09	82,432	2,725	0.99	87,082	5,072	1.04	169,514
Existing stockpiles	2,059	2.36	156,363	-	-	-	2,059	2.36	156,363
TOTAL	**11,800**	**1.71**	**648,814**	**35,854**	**1.21**	**1,396,940**	**47,654**	**1.35**	**2,045,754**

[1]Reserve cut-off is determined as a net-of-process value of $0.10 per tonne, for each model block. The determination was based on a $700 per ounce gold price, a February 2009 recovery model, and November 2008 actual cost figures from current mining operations.

[2]The Company's reserves as at December 31, 2008 are classified in accordance with the Canadian Institute of Mining Metallurgy and Petroleum's "CIM Standards on Mineral Resources and Reserves, Definition and Guidelines" as per Canadian Securities Administrator's National Instrument 43-101 ("NI 43-101") requirements.

MEASURED, INDICATED AND INFERRED RESOURCES[(1),(2)]

as at December 31, 2008 (Model contained resources)

Mulatos Pit Area

(inclusive of Estrella, Escondida, Puerto del Aire, El Salto, Mina Vieja areas)

Cut-off Grade (g/t Au)	Measured			Indicated			Measured + Indicated			Inferred		
	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces
2.00	439	3.29	46,408	1,733	3.33	185,318	2,172	3.32	231,726	764	3.20	78,717
1.50	870	2.51	70,097	3,469	2.51	280,028	4,339	2.51	350,125	1,453	2.48	116,017
1.00	2,162	1.72	119,888	8,634	1.72	477,693	10,796	1.72	597,581	4,013	1.65	212,404
0.70	4,097	1.30	171,157	18,652	1.24	741,436	22,749	1.25	912,593	7,897	1.24	314,780
0.50	**6,478**	**1.04**	**216,335**	**34,518**	**0.94**	**1,038,500**	**40,996**	**0.95**	**1,254,835**	**17,547**	**0.87**	**493,109**
0.30	10,243	0.80	263,588	65,650	0.68	1,425,066	75,893	0.69	1,688,654	46,315	0.57	843,294

Victor Pit Area

Cut-off Grade (g/t Au)	Measured			Indicated			Measured + Indicated			Inferred		
	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces
2.00	292	3.07	28,793	380	2.89	35,296	672	2.97	64,089	19	2.73	1,667
1.50	500	2.50	40,173	700	2.35	52,956	1,200	2.41	93,129	75	1.94	4,687
1.00	1,304	1.70	71,105	1,897	1.62	98,866	3,201	1.65	169,971	349	1.34	15,033
0.70	2,582	1.26	104,991	3,697	1.24	147,081	6,279	1.25	252,072	998	1.02	32,795
0.50	**4,195**	**1.01**	**135,837**	**5,932**	**0.99**	**189,623**	**10,127**	**1.00**	**325,460**	**1,965**	**0.80**	**50,709**
0.30	5,859	0.84	157,463	9,248	0.78	231,447	15,107	0.80	388,910	4,527	0.56	81,936

Regional Resources

(includes Gap, La Yaqui, San Carlos)

Cut-off Grade (g/t Au)	Measured			Indicated			Measured + Indicated			Inferred		
	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces
2.00	-	-	-	420	2.69	36,324	420	2.69	36,324	1,527	3.44	184,667
1.50	-	-	-	703	2.30	51,985	703	2.30	51,985	2,168	2.93	219,886
1.00	-	-	-	1,092	1.92	67,409	1,092	1.92	67,409	4,303	2.09	302,255
0.70	-	-	-	1,360	1.71	74,770	1,360	1.71	74,770	8,558	1.46	413,767
0.50	**-**	**-**	**-**	**1,522**	**1.60**	**78,293**	**1,522**	**1.60**	**78,293**	**13,068**	**1.16**	**500,039**
0.30	-	-	-	1,640	1.51	79,618	1,640	1.51	79,618	19,306	0.92	582,972

TOTAL RESOURCES

Cut-off Grade (g/t Au)	Measured			Indicated			Measured + Indicated			Inferred		
	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonnes (000)	Grade (g/t Au)	Contained Ounces	Tonne (000)	Grade (g/t Au)	Contained Ounces
2.00	731	3.20	75,201	2,533	3.16	256,938	3,264	3.17	332,139	2,310	3.35	265,051
1.50	1,370	2.50	110,270	4,872	2.46	384,969	6,242	2.47	495,239	3,696	2.74	340,590
1.00	3,466	1.71	190,993	11,623	1.72	643,968	15,089	1.72	834,961	8,665	1.85	529,692
0.70	6,679	1.29	276,148	23,709	1.26	963,287	30,388	1.27	1,239,435	17,453	1.34	761,342
0.50	**10,673**	**1.03**	**352,172**	**41,972**	**0.97**	**1,306,416**	**52,645**	**0.98**	**1,658,588**	**32,580**	**0.99**	**1,043,857**
0.30	16,102	0.81	421,051	76,538	0.71	1,736,131	92,640	0.72	2,157,182	70,148	0.66	1,508,202

[1]In-pit measured and indicated blocks have a cut-off determined as a net-of-process value between $0.01 and $0.10 per tonne, and are tabulated by gold grade. In-pit inferred and resources outside of the El Victor and Mulatos pits, have no economic restrictions and are tabulated by gold cut-off grade.

[2]Excludes proven and probable reserves.

Exploration

Alamos controls the majority of the Mulatos Gold District (the "Mulatos District"), the premier district in Mexico for high-sulfidation-type gold deposits. High-sulfidation deposits are common in volcanic terrains around the world, often consisting of large, multi-million-ounce gold occurrences. They are commonly characterized as low-grade, disseminated deposits, but can contain localized high-grade gold mineralization. Such deposits tend to occur in clusters, making exploration in districts of this nature particularly productive. Examples of significant high-sulfidation-type gold deposits in other countries include Yanococha (Peru), Pierina (Peru), Pascua-Lama (Chile), Veladero (Argentina), Goldfields (USA) and Pueblo Viejo (Dominican Republic).

The Mulatos District is situated in the Sierra Madre Occidental volcanic province of Mexico, which hosts an extensive belt of precious metal deposits. This has been a prolific trend over the last decade, with over 19 million ounces of gold and 700 million ounces of silver resources discovered from exploration successes. The majority of the precious metal deposits of the Sierra Madre belt are silver-rich with by-product gold, however high-sulfidation deposits within the mineral belt tend to be gold-rich, such as Mulatos and El Sauzal.

The Mulatos Gold District contains over thirty-five square kilometres of hydrothermal alteration similar to that hosting gold mineralization within the Mulatos deposit, a portion of which is currently being mined. Alamos has exploration projects coinciding with fourteen areas of intense alteration, the majority of which have historic mine workings or ore-grade drill intercepts. In addition to areas with surface evidence of mineralization, recent exploration has been successful at finding blind mineralization below barren post-mineral volcanic units.

2008 EXPLORATION ACTIVITIES REVIEW

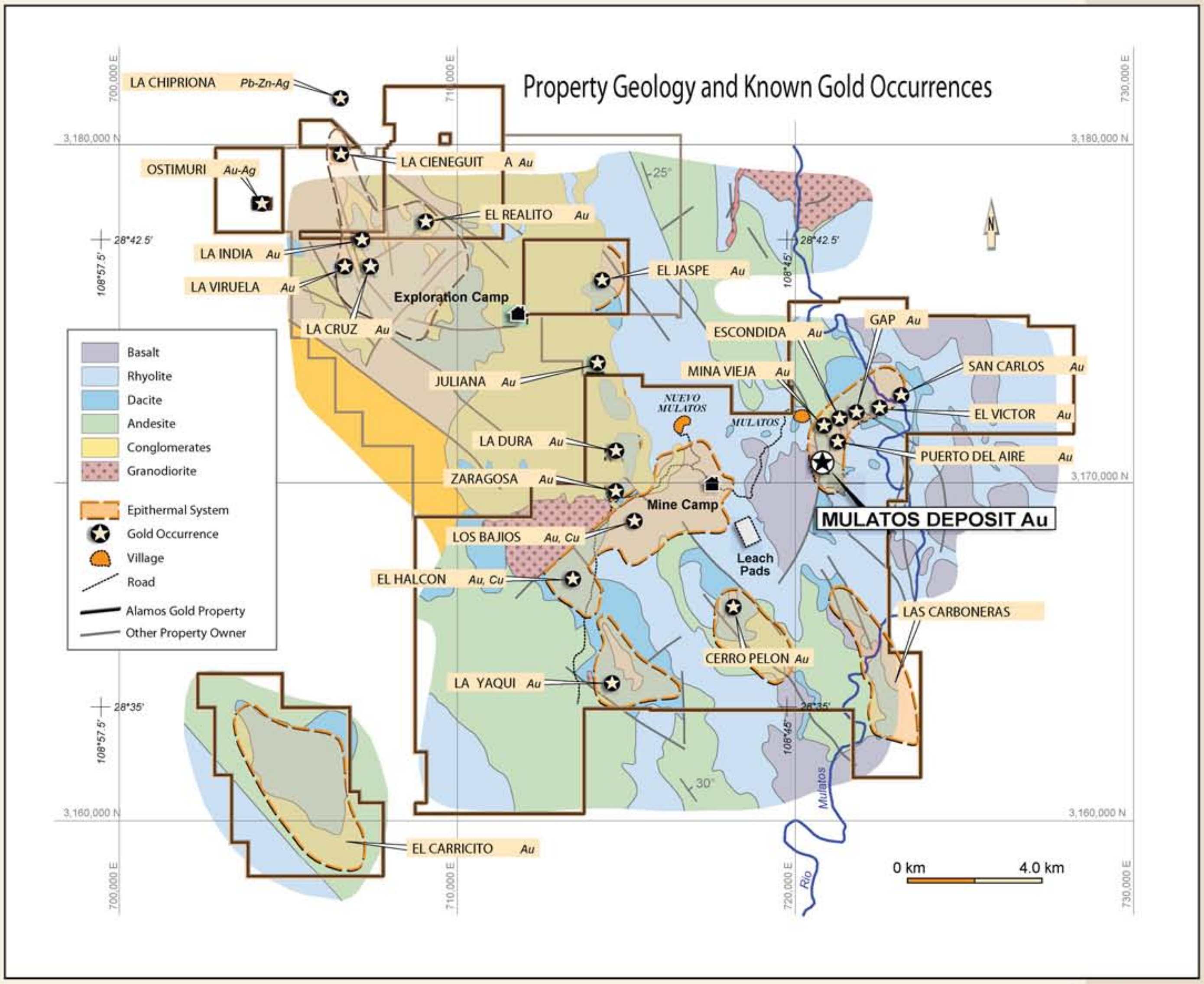
It was a record year for exploration activity with a total of 36,800 metres drilled in 203 holes. Exploration activities, which focused on projects near the existing mine with strong potential for increasing reserves and resources, translated into immediate value in the current high gold price environment, while regional exploration aimed at discovery and delineation of new gold deposits in the Mulatos District created a pipeline of project areas for future development. Regional exploration was directed to gold bearing oxide deposits such as La Yaqui and Cerro Pelon, with further potential remaining in the Mulatos District, particularly in the El Carricito area.

Expanding Existing Discovery Areas

The main exploration focus in 2008 was to establish additional gold resources at the Mulatos deposit and adjacent deposits, notably at Escondida, Gap, Puerto del Aire, El Victor and San Carlos. In March 2009 the Company released its 2008 reserve and resource statement (see tables on pages 18 & 19). The updated mineral reserve estimate incorporates the Estrella, Escondida, Puerto del Aire, El Salto and Mina Vieja areas which are consolidated and reported as part of the "Mulatos Pit", and El Victor, which is reported separately as the "El Victor Pit". The Company also reported its revised mineral resources, which now include the Gap, San Carlos and La Yaqui mineralized areas. Alamos had previously announced a resource addition of 311,000 ounces of gold in the measured and indicated categories

Highlights

- Increased resources at Puerto del Aire, Gap, San Carlos and La Yaqui
- Discovered a new oxide gold deposit at Cerro Pelon
- Delineation of a new oxide gold zone at La Yaqui
- Identification of gold soil anomaly at prospective regional target, El Carricito



and 197,000 ounces of inferred resource at Puerto del Aire, an area which is located directly northeast of the existing Estrella pit. The Gap Zone is located between the El Victor and Escondida resource areas, and was partially drilled out on 50-metre centres in late 2007. Mineralization is continuous through both resource areas and contains local erratic high-grade intercepts in a geologic setting similar to the high-grade Escondida Hanging Wall Zone. Drilling programs are also testing for extensions of mineralization between the Puerto del Aire, Gap and Escondida zones with the intention of expanding the recently redesigned Mulatos Pit, which now encompasses parts of all three zones.

Expanding Regional Exploration Focus

In 2008, Alamos completed delineation of an oxide deposit at La Yaqui, made a significant new gold discovery at Cerro Pelon and initiated exploration activities at a new project in the southwest corner of the Mulatos District called El Carricito.

The Company announced the discovery of a new gold zone at Cerro Pelon during the third quarter of 2008, and has been conducting extensive exploration and definition drilling since that time. Gold mineralization at Cerro Pelon begins at surface and is hosted in strongly oxidized structural and depositional volcanic breccias. Drilling results returned the best intercepts in the Mulatos District outside of the Mulatos deposit, including 129.6 metres of 2.42 grams per tonne of gold ("g/t Au") and 158.5 metres of 1.55 g/t Au.

Exploration

At El Carricito, initial exploration work was completed during the fourth quarter of 2008 and provided encouraging results that warrant further exploration. For example, El Carricito, apart from Mulatos, contains the largest area of alteration known in the Mulatos District, but has received the least amount of work up to this point. Furthermore, thick vuggy silica, the alteration type hosting the majority of gold mineralization in the Mulatos District, has been exposed over a 500-metre strike length, and a large 700-metre by 200-metre surface soil gold anomaly with gold concentrations up to 1.0 g/t Au has been identified.

EXPLORATION OUTLOOK FOR 2009

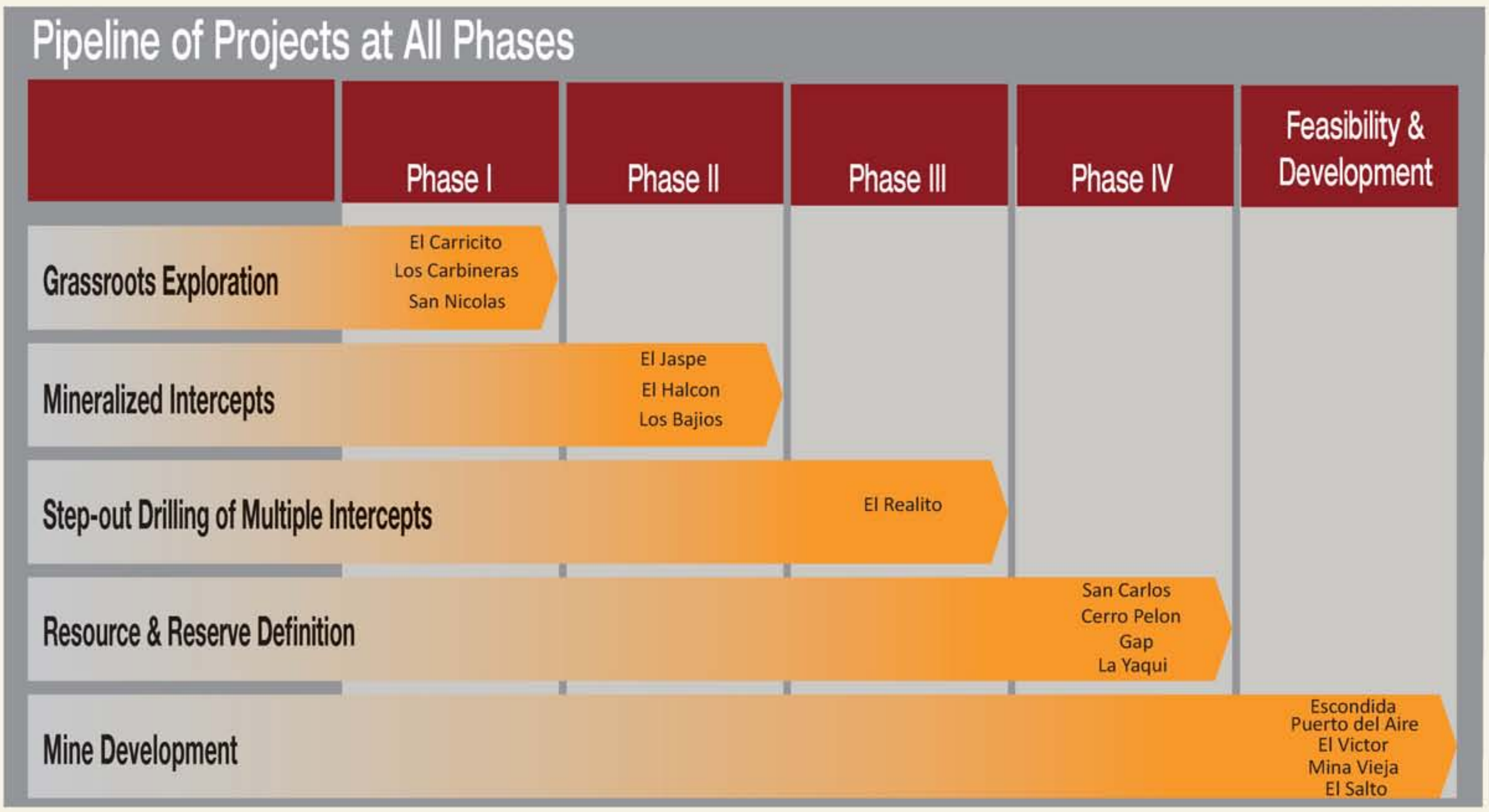
The Company currently has six drill rigs operating in the Mulatos District. Near-mine resource expansion activities continue in the Escondida and Gap zones and will focus on infill and step-out drilling programs to convert inferred resources to measured and indicated resources. Drilling efforts will also test for possible extensions of high-grade gold mineralization between the Escondida and Gap zones. At Puerto del Aire, infill and step-out drilling from the high-grade intercepts reported in 2008 will be completed, with the intention of bringing those extensions into the resource base.

At San Carlos the Company plans to conduct infill and step-out drilling of known mineralized zones identified in 2006 and reported by previous operators.

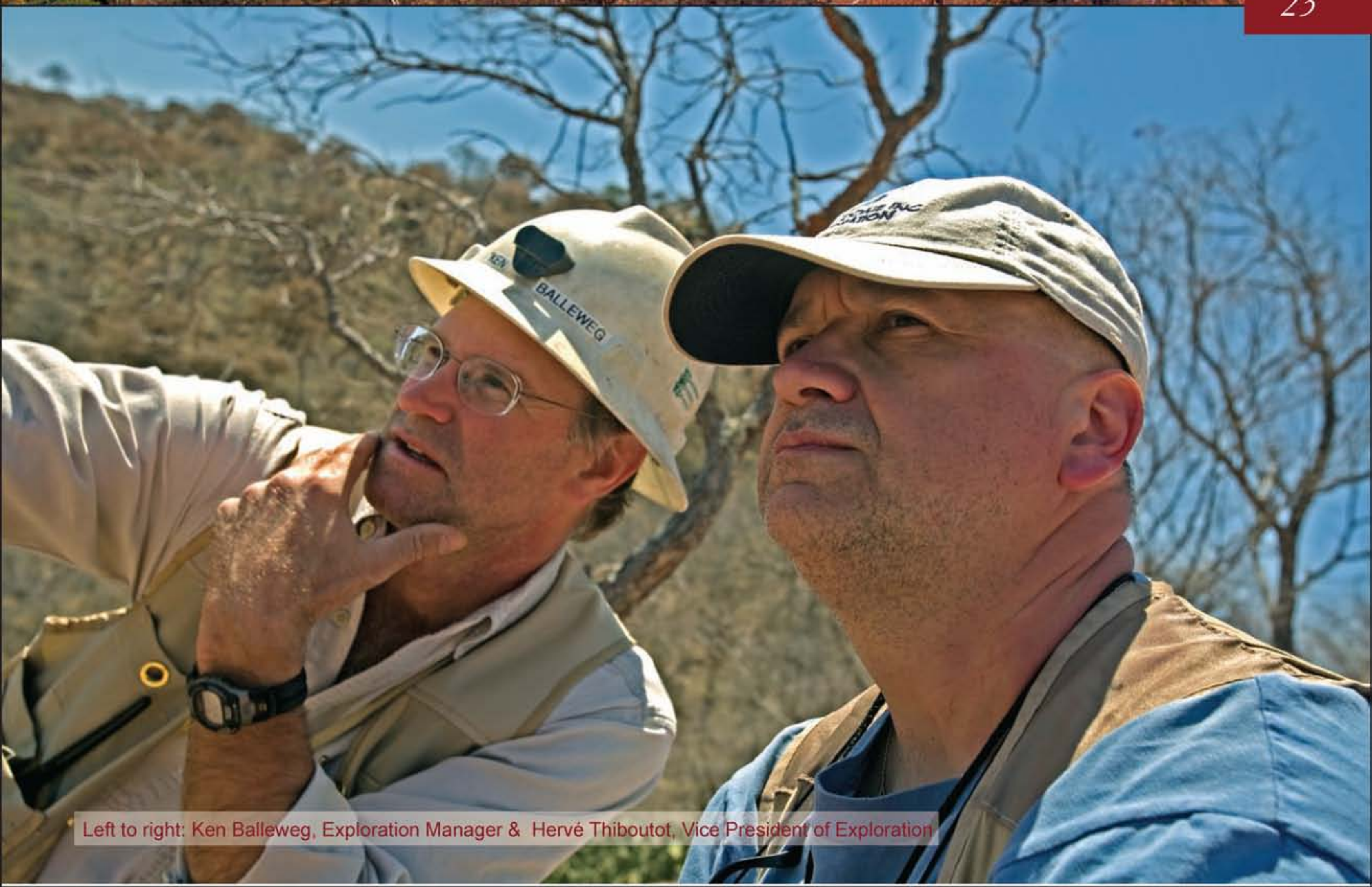
At Cerro Pelon the focus will be on possible mineralized extensions beyond the current drill-defined area, completion of definition drilling, data compilation and modelling resulting in a resource estimate to be delivered during the second half of 2009.

At La Yaqui, additional drilling to the west of the resource area will be conducted in an attempt to expand the known resource, approximately one kilometre to the northwest of the gold resource area. Exploration activities at El Carricito will include continued soil geochemical sampling to delineate the areas of favourable alteration, and with geological mapping will help generate drill targets.

Alamos will also be starting a new reconnaissance exploration program at San Nicolas in the northeast portion of the Company's property package. San Nicolas has been exposed to very limited exploration work, yet large areas of highly prospective silica alteration have been reported.



Core rig drilling at Gap



Left to right: Ken Balleweg, Exploration Manager & Hervé Thiboutot, Vice President of Exploration

Corporate Social Responsibility

Alamos recognizes that its operations impact local communities and that it has a responsibility to mitigate potential adverse effects while continuing to provide economic benefits through employment and training opportunities.

The Company has a comprehensive community relations program focused on improving the quality of life of its members. Company representatives are active in the communities to discuss issues and assess needs. In 2008, the Company funded a wide variety of projects and services, with a specific focus on education.

EMPRESA SOCIALMENTE RESPONSABLE

In 2009, Minas de Oro Nacional received an Empresa Socialmente Responsable ("ESR") certificate. The ESR certificate was presented by El Centro Mexicano para la Filantropía ("CEMEFI"), a nonprofit organization formed in 1988. Its mission is to promote and support the philanthropic actions of citizens and organizations, in order to achieve an equitable, fair and prosperous society.


Cemefi

A quien corresponda

Lic. Juan Felipe Cajiga Calderon
Director Responsabilidad Social Empresarial

In order to be ESR certified, a company is evaluated in the following areas: quality of life of its employees within the company; a company's ethics standards; relations between the company and the community; and a company's policies regarding protection and conservation of the environment. Alamos is pleased to have been recognized for its ongoing contributions to its employees and community well-being.

ECONOMIC BENEFITS

The Company is a major contributor to the economic well-being of the region. It employed 406 people in Mexico at the end of 2008 and total payroll was in excess of $10 million, including benefits. The mine also supports an estimated 1,200 indirect jobs in the communities where it carries on business through operating expenditures of over $46 million.

EDUCATION

Alamos continues to support youth in the area by providing scholarships and ongoing economic support for education programs throughout Sahuaripa, the municipality in which the Mine is located. The Company awarded 18 university scholarships and 23 high school scholarships to members of the local communities in 2008. The Company also supports a scholarship program that was initiated by the President of the Municipality of Sahuaripa for primary grade schools.

The Company continues to participate in the "Adopt a School" program established by the Governor of the State of Sonora in order to improve the quality of education in the state. In 2008, the Company supported a total of five schools in the municipality of Sahuaripa, three of which directly support youth in the town of Mulatos.

The Company has also collaborated with the 2006 – 2009 Sahuaripa Municipal Development Plan, which addresses social development, health and educational needs of the rural residents of Sahuaripa.

ENVIRONMENT

The Company's environmental department is responsible for monitoring and controlling the environmental impact of the Company's activities. Where possible, the Company uses processes, practices, procedures and materials that avoid adverse effects on air, water and soil so as to maintain the environmental health of the communities in which it operates. Our objective is to exceed the compliance objectives of environmental regulatory bodies.

The Company has also implemented water quality testing procedures designed to ensure that local drinking water is kept well above minimum quality standards. The Company also actively monitors air emissions at the Mine and at the nearest town in order to minimize any adverse impact of potential pollutants on the Company's employees, contractors and community members.

The Mulatos Mine manages the impact of its operations on the local environment and has a remedial plan which will continue through to mine closure. Any adverse impact to local flora is mitigated through reforestation using the same local species. To date, the Company's environmental department has maintained an inventory of almost 15,100 units of a diverse variety of plants including pine, oak, cactus and agave. The Company also has 3,700 plants in the nursery for future transplant.

HEALTH AND SAFETY

Operating with health and safety in mind is a requirement of our mining operations. At the Mulatos Mine, our Safety Manager is responsible for overseeing risk management systems that are designed to protect employees, contractors and sub-contractors. Contractors and sub-contractors are required to follow specified health and safety standards under the terms of their contract, and may be terminated in the event of non-compliance. Training and regular review of procedures with supervisors and managers also form an important element of our health and safety management practices. Further, health and safety statistics and related matters are reported to senior management and the Board of Directors on a weekly and monthly basis.

The Company's clinical program is aimed at promoting health and preventing disease through annual examinations, vaccines and diet intervention. The clinical program is available to employees, contractors, and members of the local community. A safety program has been implemented and is designed to protect workers against occupational risks through educational activities, pre-occupational examinations and accident-prevention training. The

company doctor also makes house visits to the elderly people in Mulatos and Matarachi.

LA ESTRELLA MAGAZINE

The Company publishes a periodical, La Estrella, which highlights local issues in the region and spotlights our employees and their participation in community events.


SONORA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Index

(All amounts are expressed in United States dollars, unless otherwise stated)

This management's discussion and analysis ("MD&A") of the operating results and financial position of Alamos Gold Inc. and its subsidiaries ("the Company") is for the year ended December 31, 2008 compared with the year ended December 31, 2007. Together with the consolidated financial statements and related notes, the MD&A provides a detailed account and analysis of the Company's financial and operating performance for the year. The Company's functional and reporting currency is the United States dollar. This MD&A is current to March 6, 2009 and should be read in conjunction with the Company's Annual Information Form and other corporate filings available at www.sedar.com ("SEDAR"). Management is responsible for the interim consolidated financial statements referred to in this MD&A, and provides officers disclosure certifications filed with securities commissions on SEDAR. The audit committee reviews the interim consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors.

The MD&A should be read in conjunction with the consolidated financial statements of the Company and related notes, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Refer to Note 2 of the December 31, 2008 and 2007 audited consolidated financial statements for disclosure of the Company's significant accounting policies. Refer to Note 3 of the December 31, 2008 and 2007 audited consolidated financial statements for a discussion of changes in accounting policies and presentation.

Note to U.S. Investors

All references to mineral reserves and resources contained in this MD&A are determined in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators ("CSA") and Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") standards. While the terms "mineral resource," "measured mineral resource," "indicated mineral resource," and "inferred mineral resource" are recognized and required by Canadian regulations, they are not defined terms under the Securities and Exchange Commission ("SEC") standards in the United States ("U.S."). As such, information contained in this MD&A concerning descriptions of mineralization and resources under Canadian standards may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC. "Indicated mineral resource" and "inferred mineral resource" have a great amount of uncertainty as to their existence and economic and legal feasibility. It cannot be assumed that all or any part of an "indicated mineral resource" or "inferred mineral resource" will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

Overview

Alamos Gold Inc. is a publicly-traded company on the Toronto Stock Exchange (TSX: AGI). The Company owns 100% of the 28,500-hectare Salamandra group of concessions located in the state of Sonora in northwestern Mexico. The Salamandra group of concessions includes the Mulatos mine (the "Mine") and numerous other prospective exploration targets throughout the district. The Mine currently produces gold in dore bars from the Estrella Pit for shipment to a refinery. Gold may be sold in refined form or as dore. The Company achieved commercial production at the Mine on April 1, 2006.

The Salamandra group of concessions contains both advanced and grassroots exploration prospects. There are several advanced exploration projects near the Estrella Pit that have the potential to continue to add resources and reserve ounces to the global Mulatos deposit, including both mineralization extensions and satellite deposits.

2008 Highlights

In the year ended December 31, 2008, the Company:

- Produced 151,000 ounces of gold, an increase of 42% over the 106,200 ounces produced in 2007.
- Reported strong revenue growth, increasing revenues 80% to $133.0 million.
- Recognized earnings of $29.4 million ($0.31 per share (basic)) compared to $2.9 million or $0.03 per share in 2007.
- Generated cash from operations of $65.3 million ($0.68 per share (basic)) compared to $20.9 million ($0.22 per share) in 2007.
- Significantly strengthened its balance sheet by increasing cash balances by $36.0 million to $43.8 million at December 31, 2008, retiring its convertible debenture liability and repaying all outstanding debt obligations.
- Announced new gold discoveries at the La Yaqui and Cerro Pelon regional exploration targets, and reported new resources at Puerto del Aire.

Subsequent to year-end, the Company:

- Completed a bought-deal financing for net proceeds of $62.5 million, increasing the Company's cash balances to $110 million.

Results of Operations

Throughout 2008, the Company completed a number of operational initiatives that have resulted in significant improvements to gold production. Specifically, in the first half of 2008 the Company converted from truck-loading to conveying and stacking crushed ore on the leach pad, initiated a new lime-application process and implemented the first phase of the Company's plans to apply inter-lift liners to the leach pad. In the fourth quarter of 2008, the Company began drum agglomeration. The key result of these operational advances has been improved leach pad dynamics and significantly higher gold recoveries. Higher gold recoveries have resulted in continually increasing gold production throughout the year, which combined with appreciably higher gold prices, resulted in the Company's record financial performance in 2008.

Production Summary	Q1	Q2	Q3	Q4	2008	2007
Ounces produced [(1)]	33,253	38,500	39,900	39,347	**151,000**	**106,200**
Ore mined (tonnes)	1,230,000	1,201,000	1,168,000	1,181,000	**4,780,000**	**3,941,000**
Waste mined (tonnes)	1,653,000	1,602,000	1,399,000	1,905,000	**6,559,000**	**9,859,000**
Total mined (tonnes)	2,883,000	2,803,000	2,567,000	3,086,000	**11,339,000**	**13,800,000**
Ore crushed (tonnes)	1,244,000	1,173,000	1,133,000	1,191,000	**4,741,000**	**4,015,000**
Ore mined per day (tonnes)	13,500	13,100	12,700	12,800	**13,100**	**10,800**
Ore crushed per day (tonnes)	13,670	12,800	12,300	13,000	**13,000**	**11,000**
Waste-to-ore ratio	1.34	1.33	1.20	1.61	**1.37**	**2.50**
Grade (g/t Au)	2.33	1.85	1.98	1.86	**2.01**	**1.96**

(1) Reported gold production for Q1 – Q3 2008 has been adjusted to reflect final refinery settlement. Reported gold production for Q4 and YTD 2008 is subject to final refinery settlement and may be adjusted.

The Company has achieved significant increases in ore mined and crushed in 2008 compared to 2007. In 2007, the Company reorganized the open pit and mined additional waste. As a result, mining operations were more efficient in 2008, contributing to a 21% increase in ore mined and a 33% decrease in waste mined. Also in 2007, the Company commissioned a new crusher which has improved the Company's ability to meet its targeted crusher throughput rates. Average daily crusher throughput of 13,000 in 2008 represents an 18% improvement over the comparable period of 2007.

The grade of ore crushed and stacked on the leach pad in 2008 of 2.01 grams of gold per tonne or ore ("g/t Au") was consistent with the prior year period. The life of mine average reserve grade is 1.68 g/t Au. Recent block model reconciliations have indicated a positive ounce variation, however, ther is no indication that the positive variance in the past will continue in future periods Since the start of mining operations at the Mulatos mine in 2005, the reconciliation of mined blocks to the block model has reflected a positive ounce variance of 2.7%.

Operational changes made in 2007 and 2008 have demonstrated improvements in both operating and production statistics, which in turn have contributed to cost efficiencies and lower costs per tonne. The following table compares costs per tonne by quarter, and compares year-to-date in 2008 to 2007:

Costs per tonne summary	Q1	Q2	Q3	Q4	2008	2007
Mining cost per tonne of material (ore and waste)	$1.50	$1.67	$1.88	$1.03	**$1.50**	**$1.34**
Waste-to-ore ratio	1.34	1.33	1.20	1.61	**1.37**	**2.50**
Mining cost per tonne of ore	$3.51	$3.90	$4.13	$2.70	**$3.56**	**$4.67**
Crushing/conveying cost per tonne of ore	$2.24	$2.11	$1.95	$1.66	**$2.00**	**$2.51**
Processing cost per tonne of ore	$2.22	$2.39	$2.24	$2.24	**$2.28**	**$2.39**
Mine administration cost per tonne of ore	$1.47	$1.71	$1.84	$1.73	**$1.67**	**$1.70**
Total cost per tonne of ore	$9.44	$10.11	$10.16	$8.33	**$9.51**	**$11.27**

Total cost per tonne of ore in 2008 was $9.51 or 16% lower than the $11.27 incurred in 2007. The lower total cost per tonne of ore in 2008 is primarily attributable to a 45% decrease in the waste-to-ore ratio from 2.5:1 in 2007 to 1.37:1 in 2008. Total cost per tonne of ore in the fourth quarter of 2008 of $8.33 benefited from an accounting change in 2008 whereby costs incurred for component changes that benefit the related mining equipment for a period greater than one year are capitalized to mineral property, plant and equipment, rather than capitalized to inventory and charged to mining and processing costs. Lower costs in the fourth quarter of 2008 also resulted from the Mexican peso weakness against the United States dollar.

Mining cost per tonne of material was $1.50 in 2008, 12% higher than $1.34 in 2007, due in part to an 18% decrease in the total number of tonnes mined. Mining cost per tonne of ore decreased as a result of a 21% increase in tonnes of ore mined, and due to reclassification of component changes from operating expense to capital, as discussed previously.

Crushing and conveying cost per tonne of ore in 2008 was $2.00. This represents a 20% decrease compared to the prior year period and is primarily attributable to a 18% increase in the number of crushed tonnes and cost savings realized from the new conveying and stacking system. Additional costs associated with the new stage of crushing and an enhanced preventative maintenance schedule have been more than offset on a per tonne basis by operational efficiencies resulting in higher crusher throughput. Crusher throughput averaged 13,000 tonnes per day in 2008 compared to 11,000 in the same period of 2007. The new conveying and stacking system has also contributed to lower crushing and conveying cost per tonne of ore as costs associated with truck-hauling and loading ore on the leach pad have been eliminated.

Processing cost per tonne of ore in 2008 was $2.28 compared to $2.39 in the comparable period of 2007. Processing costs include expenditures incurred with respect to the leach pad, gold recovery plant and refining activities. The conveying and stacking system commissioned in the second quarter of 2008 has resulted in lower lime consumption and corresponding lower costs as a result of the more efficient mechanized lime application. Cost savings related to lower lime consumption have been offset by the addition of cement costs to the Company's processing cost structure. The Company began belt agglomeration with cement in July 2008. In December 2008, the Company ceased belt agglomeration as the drum agglomeration circuit was commissioned and operational. Drum agglomeration is expected to contribute to higher gold recoveries, which should more than offset additional costs incurred in the process.

Mine administration cost per tonne of ore in the year ended December 31, 2008 was $1.67 compared with $1.70 in the same period of 2007.

Cash operating costs of $345 per ounce of gold sold in 2008 was 12% lower than the $390 reported in 2007. The Company's cash operating costs have been steadily decreasing since the fourth quarter of 2007, from $469 in that period to the range of between $295 and $365 reported throughout 2008. Cash operating costs per ounce have declined as a result of lower costs per tonne of ore and a higher estimated recovery factor.

Initiatives taken in the past few quarters will continue to benefit future operations at the Mine. The Company commissioned the conveying and stacking system in the second quarter of 2008. The conveying and stacking system together with the automated lime application process and inter-lift liners, have resulted in improved pH control and reduced processing costs. In addition, the drum agglomeration circuit that was commissioned in December 2008 is expected to further improve leach pad percolation and corresponding gold recoveries. The Company also expects to close the crushing circuit in 2009, resulting in an optimum product stacked on the leach pad. As a result of these improvements, recoveries are expected to be approximately 60% in 2009, increasing to the 65% range in 2010 when the full benefits of closing the crushing circuit are realized. These expectations are based on projected recoveries from independent testing of composite columns of ore at various crush sizes.

Cautionary Non -GAAP Statements

The Company believes that investors use certain indicators to assess gold mining companies. They are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared with GAAP. "Cash flow from operating activities before changes in non-cash working capital" is a non-GAAP performance measure which could provide an indication of the Company's ability to generate cash flows from operations, and is calculated by adding back the change in non-cash working capital to "Cash provided by (used for) operating activities" as presented on the Company's consolidated statements of cash flows. "Mining cost per tonne of ore" is a non-GAAP performance measure which could provide an indication of the mining and processing efficiency and effectiveness at the Mine. It is determined by dividing the relevant mining and processing costs by the tonnes of ore processed in the period. "Cost per tonne of ore" is usually affected by operating efficiencies and waste-to-ore ratios in the period. "Cash operating costs per ounce" and "total cash costs per ounce" as used in this analysis are non-GAAP terms typically used by gold mining companies to assess the level of gross margin available to the Company by subtracting these costs from the unit price realized during the period. These non-GAAP terms are also used to assess the ability of a mining company to generate cash flow from operations. There may be some variation in the method of computation of "cash operating costs per ounce" as determined by the Company compared with other mining companies. In this context, "cash operating costs per ounce" reflects the cash operating costs allocated from in-process and dore inventory associated with ounces of gold sold in the period. "Cash operating costs per ounce" may vary from one period to another due to operating efficiencies, waste-to-ore ratios, grade of ore processed and gold recovery rates in the period. "Total cash costs per ounce" includes "cash operating costs per ounce" plus applicable royalties.

Financial Highlights

A summary of the Company's financial results for the three-month periods and years ended December 31, 2008 and 2007 is presented below:

	Q4 2008	Q4 2007	2008	2007
Cash provided by operating activities before changes in non-cash working capital (000) (1)	$16,623	$5,011	$54,505	$20,666
Changes in non-cash working capital (000)	($590)	$4,204	$10,834	$193
Cash provided by operating activities (000)	$16,033	$9,215	$65,339	$20,859
Earnings before income taxes (000)	$8,679	$917	$39,021	$6,374
Earnings (000)	$9,140	($260)	$29,380	$2,934
Earnings per share				
basic	$0.10	$0.00	$0.31	$0.03
diluted	$0.09	$0.00	$0.30	$0.03
Weighted average number of common shares outstanding				
basic	96,028,000	94,429,000	95,428,000	94,065,000
diluted	97,300,000	94,429,000	97,111,000	96,427,000

(1) A non-GAAP measure calculated as cash provided by operating activities as presented on the consolidated statements of cash flows and adding back changes in non-cash working capital.

The Company reported strong financial results in the fourth quarter of 2008, as a result of near-record quarterly gold production and gold sales. In the fourth quarter of 2008, the Company generated $16.6 million in cash from operating activities before changes in non-cash working capital, and $16.0 million ($0.17 per basic share) after changes in non-cash working capital. The $16.0 million cash provided by operating activities in the fourth quarter of 2008 represents a 74% increase over the $9.2 million ($0.10 per share) generated in the fourth quarter of 2007. The change in non-cash working capital in the fourth quarter of 2008 of $0.6 million is the result of a reduction in the Company's gold in-process inventory, offset by increasing value-added tax receivable balances. Decreases in gold in-process inventory since the start of the year reflect both lower unit operating costs and improved recoveries resulting from the conveying and stacking system and agglomeration processes. The Company recognized earnings before income taxes of $8.7 million in the fourth quarter of 2008 compared to $0.9 million in the same period of 2007. The Company recorded earnings of $9.1 million or $0.10 per share in the fourth quarter of 2008 compared to $0.00 per share in the corresponding period of 2007.

For the year ended December 31, 2008, the Company generated cash flows from operations of $65.3 million, a 213% increase from the prior year period. Increased cash flows from operations were the result of higher production and sales, a higher realized gold price and lower costs. Earnings for 2008 of $29.4 million ($0.31 per basic share) represented a ten-fold increase over 2007 earnings of $2.9 million.

Gold Sales

Details of gold sales are presented below:

	Q4 2008	Q4 2007	2008	2007
Gold sales (ounces)	40,176	27,029	151,560	108,281
Gold sales revenues (000)	$32,400	$20,683	$132,974	$74,028
Realized gold price per ounce	$806	$765	$877	$684
Average gold price for period (London PM Fix)	$795	$786	$872	$695

Gold sales revenues of over $32.4 million in the fourth quarter of 2008 represented a 57% increase over the same period of 2007 as a result of a 5% increase in the realized gold price per ounce and a 49% increase in the number of ounces sold.

Gold sales revenues were $133.0 million in 2008, 80% higher than gold sales revenues of $74.0 million in 2007. The increase in gold sales revenues is the result of a combination of a 40% increase in the number of ounces sold and a 28% increase in the Company's realized gold price. The number of ounces sold increased in 2008 as a result of higher gold production resulting from improved tonnage, grade and gold recoveries.

The Company realized an average gold price of $877 per ounce in 2008, compared to an average London PM Fix spot gold price of $872 for the year. The Company enters into forward gold sales contracts periodically in order to match sales contracts with the next expected delivery. The Company's objective is to realize a gold sales price consistent with the average London PM Fix spot gold price. However, the Company may enter into forward gold sales contracts for future deliveries within a six-month future period in order to fix a gold price that management believes is attractive. At the current time, apart from short-term forward gold sales noted, the Company is fully leveraged to changes in the price of gold.

Assessment of Gold Market

The Company's realized gold price in 2008 was $877 per ounce. At these levels, the Company realizes an operating cash margin (before taxes and corporate and administrative costs) in excess of $500 per ounce. The gold price has been extremely volatile in recent periods, and the Company expects that this volatility will continue so long as global credit markets remain uncertain. The gold price increased briefly to above $1,000 per ounce in February 2009, before retracing to its current level of approximately $900 per ounce.

Operating Expenses and Operating Margins

Mine operating costs allocated to ounces sold are summarized in the following table for the periods indicated:

	2008	2007	Change %
Gold production (ounces) [1]	151,000	106,200	42%
Gold sales (ounces)	151,560	108,281	40%
Cash operating costs (000) [2]	**$52,357**	**$42,195**	**24%**
- Per ounce sold	**$345**	**$390**	**(12%)**
Royalties (000) [3]	$6,600	$3,776	75%
Total cash costs (000) [4]	**$58,957**	**$45,971**	**28%**
- Per ounce sold	**$389**	**$425**	**(8%)**
Amortization (000)	$20,723	$11,000	88%
Accretion expense (000)	$324	$200	62%
Total production costs (000) [5]	**$80,004**	**$57,171**	**40%**
- Per ounce sold	**$528**	**$528**	**0%**
- Realized gold price per ounce	$877	$684	32%
- Operating cash margin per ounce [6]	$488	$259	88%

(1) Reported gold production is subject to final refinery settlement.
(2) "Cash operating costs" is a non-GAAP measure which includes all direct mining costs, refining and transportation costs and by-product credits. "Cash operating costs" is equivalent to mining and processing costs as reported in the Company's financial statements.
(3) Production royalties are included as of April 1, 2006 at 5% of net precious metals revenues (as determined in accordance with the royalty agreement).
(4) "Total cash costs" is a non-GAAP measure which includes all "cash operating costs" and royalties and production taxes. "Total cash costs" is equivalent to mining and processing costs and royalties as reported in the Company's financial statements.
(5) "Total production costs" is a non-GAAP measure which includes all "total cash costs", amortization, and accretion of asset retirement obligations. "Total production costs" is equivalent to mining and processing costs, royalties, amortization and accretion of asset retirement obligations as reported in the Company's financial statements.
(6) "Operating cash margin per ounce" is a non-GAAP measure which is calculated as the difference between the Company's gold sales and mining and processing and royalty expenses as reported in the Company's financial statements.

Unit amortization and accretion expense increased from $103 per ounce in 2007 to $139 per ounce in 2008. This increase reflects higher capital expenditures in 2008 which are expected to improve operations. The Company expects to report an increase in reserves as at December 31, 2008, which should lower the per unit amortization cost for 2009.

Production from the Mine is subject to a sliding scale production royalty. At current gold prices above $400, the royalty is set at a rate of 5% of the value of gold and silver, less certain allowed refining and transportation costs. The royalty is calculated based on the daily average London PM Fix gold market prices, not actual prices realized by the Company. With the achievement of commercial production on April 1, 2006, the Mine's production to a maximum of two million ounces of gold is subject to royalty. As at December 31, 2008, the royalty was paid or accrued on approximately 330,000 ounces of applicable gold production. Royalty expense for 2008 was $6.6 million compared to $3.8 million in 2007 due to higher production applicable to royalty and a 25% increase in the average market price of gold.

Exploration

The Company's accounting policy for exploration costs requires that exploration spending that does not meet the criteria for mine development is expensed as incurred. Exploration costs charged to operations during 2008 were $4.2 million or 81% higher than the $2.3 million incurred in 2007. Exploration costs in 2008 were focused on drilling at Cerro Pelon ($1.5 million), La Yaqui ($0.7 million), and at El Halcon ($0.4 million), concession payments ($0.3 million) and costs related to other projects ($1.3 million).

On a year-to-date basis in 2008, an additional $1.6 million of costs related to drilling the Puerto del Aire zone immediately adjacent to the existing Estrella Pit were capitalized to mine development.

Corporate and Administrative

Corporate and administrative expenses of $4.6 million in 2008 compared to $3.5 million incurred in 2007. Higher corporate and administrative expenses in 2008 compared to 2007 are the result of higher travel costs, increased costs associated with the Company's administration office in Hermosillo, increased audit and internal control compliance costs and higher corporate development expenditures.

Corporate and administrative costs in 2009 are expected to be approximately $5.0 million, exclusive of unusual items.

Stock-based Compensation

Stock-based compensation expense in 2008 was $4,363,000 compared to $3,425,000 in 2007. The value of stock-based compensation expense is added to the contributed surplus account within shareholders' equity, resulting in no net effect on total shareholders' equity.

	2008	2007
Number of stock options granted	1,545,000	2,472,000
Average exercise price of options granted (CDN$)	$6.12	$7.22
Value of stock based compensation (as determined by Black Scholes option pricing model)	$3,485,000	$6,060,000

In order to promote employee retention, the Company implemented vesting provisions for all stock option grants effective December 2005. Under the vesting provisions, 20% of all stock options granted vest on the date of grant and 20% at each subsequent six-month period. The vesting provisions result in the market value of stock option grants being charged to expense in accordance with the vesting terms of the option.

The higher stock-based compensation expense in 2008 is the result of the higher amortization of the fair value of prior period option grants. Based on existing stock option grants only, stock-based compensation expense for 2009 is expected to be approximately $2.9 million. Any additional grants in 2009 will increase this expense.

Accretion Expense

Accretion expense includes accretion of the Company's asset retirement and property acquisition obligation liabilities.

The asset retirement obligation liability on the Company's balance sheet of $3.8 million at December 31, 2008 reflects the discounted value of the amount the Company expects to incur on closure of the Mine for closure, reclamation and reforestation activities. The Company's estimate of the expected future costs associated with mine closure and reclamation is based on a mine closure plan presented in a report prepared by an independent third-party consultant and reviewed by management. Accretion expense represents the increase in the liability due to the passage of time. Accretion of asset retirement obligation expense in 2008 was $234,000 compared to $183,000 in 2007.

Employee Future Benefits

The Company is required to recognize employee future benefit liabilities associated with its Mexican work force. On an annual basis, the Company hires an independent consultant to review and calculate the liability for seniority premiums and termination benefits in accordance with Mexican Labor Law. As at December 31, 2008, the Company had accrued an employee future benefit liability of $479,000. Employee future benefits expense of $166,000 in 2008 is a non-cash charge reflecting the increase in the present value of the employee future benefit liability.

Interest Income

Interest income in 2008 was $395,000 compared to $202,000 in 2007 due to higher average cash balances in 2008 compared to 2007. The Company expects interest income to continue to increase on a quarterly basis, as strong cash flows from operations combined with the net proceeds of the financing the Company completed in February 2009 have resulted in significantly higher cash balances.

Interest Expense

Interest expense in 2008 of $275,000 compared to $1,326,000 in the same period of 2007. In the second quarter of 2008, the Company induced redemption of all outstanding convertible debentures and repaid its capital lease obligation liability. Accordingly, the Company no longer has any outstanding interest-bearing debt.

Foreign Exchange Loss

The Company recognized a foreign exchange loss of $99,000 in 2008 compared to $48,000 in 2007. The foreign exchange loss in 2008 resulted primarily from the effect of the weakening of the value of the Canadian dollar against the United States dollar on the Company's Canadian dollar cash holdings and Canadian dollar denominated available for sale securities. Volatility in the Canadian to United States dollar foreign exchange rate could continue to result in foreign exchange gains or losses as the Company does not actively offset its exposure to changes in the value of the Canadian dollar.

The Company's objective is to effectively manage its balance sheet exposure to volatility in the Mexican Peso/United States dollar foreign exchange rate by maintaining a balance between its Mexican peso-denominated monetary assets and liabilities. During 2008, although the value of the Mexican peso weakened significantly against the United States dollar, the net impact on the Company's financial results was not material.

Income Taxes

Current tax expense in 2008 was $7.5 million compared to $0.5 million in 2007. In 2008, the new Single Rate Tax Law (minimum tax) came into effect in Mexico. The application of the new law did not impact the Company's tax expense in 2008, but may in future periods. The Company is now cash taxable in Mexico and must calculate and provide for tax installments on a monthly basis. The Company recorded a future income tax expense of $2.2 million in 2008, mainly as a result of accelerating certain tax deductions relating to mineral property, plant and equipment acquisitions, compared to $2.9 million in 2007.

The general statutory income tax rate in Mexico is 28%. In Canada, the combined federal and provincial statutory income tax rate is approximately 33.5%. The effective tax rate in 2008 (calculated as a percentage of earnings before income tax) was 25% compared to 54% in 2007. Factors that tend to increase the effective tax rate include: stock-based compensation, inflation gains in Mexico, withholding taxes and the inability of the Company to offset losses in Canada against income in Mexico. Factors that tend to decrease the effective tax rate are: a lower statutory tax rate in Mexico where most of our earnings occur, decrease in the value of the Mexican peso which will currently result in a tax deductible foreign exchange loss on the Company's United States dollar denominated liabilities. If these adjustments are significant in the aggregate in the year, the resulting effective tax rate may be materially different from the statutory rate.

Summary of Quarterly Results

The following table summarizes quarterly results for the past eight quarters. Quarterly gold production has been adjusted to reflect final settlements, where applicable.

	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008
Gold production (ounces)	24,940	28,200	21,670	31,390	33,253	38,500	39,900	39,347
Gold sales (ounces)	27,200	30,880	23,170	27,029	34,609	35,482	41,293	40,176
Gold sales ($000)	16,958	20,797	15,590	20,683	31,030	32,337	37,207	32,400
Earnings from operations ($000)	2,558	2,941	1,062	830	9,423	10,175	11,387	8,708
Earnings (loss) ($000)	1,189	1,888	117	(260)	5,703	6,191	8,346	9,140
Earnings (loss) ($ per share) – basic/diluted	0.01	0.02	0.00	(0.00)	0.06	0.07/ 0.06	0.09	0.10

The Company began commercial production at the Mulatos mine in the second quarter of 2006. Gold production, gold sales and earnings have generally trended higher over the past eight quarters as the Company has resolved start-up issues, optimized mining operations and benefited from rising gold prices. Higher realized gold prices and gold sales have resulted in improved financial results in each consecutive quarter of 2008. Generally, third quarter operating and financial results could represent seasonal lows if the anticipated rainy season in northern Mexico is significantly worse than average, as was the case in the third quarter of 2007.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and current and future income tax liabilities, some of which are denominated in Canadian dollars or Mexican pesos. The Company is exposed to financial gains or losses as a result of foreign exchange movements against the United States dollar.

The Company's cash and cash equivalents may be invested in short-term liquid deposits or investments which provide a revised rate of interest upon maturity. At December 31, 2008, the majority of the Company's reported cash and cash equivalents were held in bank deposit accounts or 30-day term deposits.

In addition to United States dollar costs, the Company also incurs operating costs denominated in both the Canadian dollar and the Mexican peso. Accordingly, the Company's operating costs are affected by changes in foreign exchange rates in those currencies.

The Company has elected not to hedge its exposure to fluctuations in the Canadian dollar by buying fixed rate forward contracts in Canadian dollars. Corporate and administrative costs associated with the Company's head office in Toronto are denominated in Canadian dollars. A 10% increase in the value of the Canadian dollar against the United States dollar could increase the Company's reported corporate and administrative costs by approximately $0.5 million annually.

The Company has exposure to monetary assets and liabilities denominated in Mexican pesos. Significant cash balances, outstanding amounts receivable, accounts payable or tax liabilities denominated in Mexican pesos could expose the Company to a foreign exchange gain or loss. Recently, the value of the Mexican peso compared to the United States dollar has weakened significantly. The Company has reduced the majority of its balance sheet exposure to changes in the Mexican peso/United States dollar exchange rate by maintaining additional cash balances in Mexican pesos to offset its future tax liabilities and taxes payable balances denominated in pesos. As the Mexican peso weakens against the United States dollar, the Company's operating costs (as reported in equivalent United States dollars) decrease. A 10% decline in the value of the Mexican peso compared to the United States dollar could reduce the Company's reported mining and processing costs and increase reported earnings before income taxes by approximately $2.5 million annually.

Investment in Mineral Property, Plant and Equipment

A breakdown of the cash invested in mineral property, plant and equipment for the year ended December 31, 2008 is presented below:

	2008 ($000)
Construction projects	
Conveying and stacking system	1,863
Agglomeration	2,653
Leach pad expansion and inter-lift liners	1,512
Warehouse	923
Truck shop	971
Camp improvements	683
Laboratory and ADR plant	1,069
	9,674
Mineral property and mine development	
Acquisitions and Mulatos relocation	2,571
Puerto del Aire capitalized exploration	1,612
	4,183
Other mine infrastructure	4,019
High-grade mill development	2,131
Mining equipment	4,947
Office and computer equipment	85
Cash invested in mineral property, plant and equipment	**25,039**

Capital spending in 2008 was focused on successful completion of a number of key construction projects intended to improve recoveries and the efficiency of mining operations as described below. In the first half of 2008, the Company invested approximately $1.9 million to construct the conveying and stacking system and lime application silos. The conveying and stacking system was successfully commissioned in April 2008 and has contributed to improved levels of gold recovery, reduced lime consumption and generally higher gold production.

In the latter half of 2008, the Company invested in the construction and infrastructure of the drum agglomeration system, which was commissioned ahead of schedule in December 2008. Drum agglomeration is expected to contribute to improved leach pad percolation and corresponding increased gold recoveries.

Other significant construction spending in 2008 included spending related to the leach pad inter-lift liners, completion of the warehouse and truck shop and capital improvements to the camp, laboratory and ADR plant.

The relocation of the town of Mulatos commenced in the third quarter of 2007. Relocation contracts have been signed with more than half of the families resident in Mulatos at the start of the relocation program. Property owners and possessors are being offered a comprehensive package of benefits including compensation for their property and/or relocation benefits. In certain cases, relocation benefits include deferred monthly payments. In 2008, the Company capitalized home purchase and relocation payments totaling approximately $1.3 million. The Company paid an additional $1.25 million as part of a temporary occupation and land purchase agreement, whereby a second payment of approximately $1.0 million (based on current foreign exchange rates) becomes due if and when the land is vacated and transferred to the Company. The Company has also recognized a liability of $0.9 million representing the discounted value of expected future payments for relocation benefits to property owners and possessors that had signed contracts with the Company as at December 31, 2008. The discounted value of the liability was capitalized to mineral property, plant and equipment.

During 2008, the Company invested $4.0 million in mine site infrastructure, focused primarily on the construction of a water treatment pond, an intermediate pond to optimize solution control during the rainy season, and a powerhouse expansion. Investments in mine equipment in 2008 of $4.9 million include in excess of $2.0 million in costs related to rebuilding the Company's mobile equipment fleet.

A total of $2.1 million was invested in the Escondida high-grade mill development project in 2008. The Company expects to release the final technical report related to mill construction, as well as a positive production decision in the first quarter of 2009. Capital costs associated with mill construction are expected to be approximately $20.0 million for the gravity plant and $25.0 million in waste removal development costs, expected to be incurred throughout 2009 and 2010.

Exploration and Mine Development Activities

Exploration expenditures in 2008 were $5.8 million, of which $4.2 million was expensed and $1.6 million of spending at Puerto del Aire was capitalized as mine development. Exploration activities throughout 2008 have been focused on near-mine reserve expansion and regional exploration targets. Exploration activities have been successful in adding resource ounces at Puerto del Aire and delineating new gold zones at both the Cerro Pelon and La Yaqui regional targets.

Puerto del Aire

Drilling at Puerto del Aire, located immediately adjacent to the Estrella Pit has been ongoing throughout 2008. The Company has been conducting exploration drilling at Puerto del Aire since early 2007. In the third quarter, the Company announced a resource estimate at Puerto del Aire, as shown in the table below, calculated at a 0.5 g/t Au cut-off:

	Tonnes	Grade (g/t Au)	Contained Ounces
Measured	4,190,000	1.13	152,556
Indicated	4,716,000	1.05	158,831
Total Measured and Indicated	8,906,000	1.09	311,387
Inferred	5,935,000	1.03	197,000

The measured and indicated resource is largely confined to drilling within 260 metres of the existing open pit, whereas the inferred resource is located in the remaining 190 metres of the zone. This resource is in close proximity to the existing mining operations and is expected to result in a pit layback that will significantly extend the life of the existing Mulatos mine. Drilling in the fourth quarter of 2008 and early in 2009 has concentrated on infill and step-out drilling in the inferred portion of the resource. An updated reserve and resource update for Puerto del Aire will be announced in conjunction with the Company's global reserve and resource update expected in March 2009. The Company invested and capitalized $1.6 million in costs associated with Puerto del Aire in 2008.

Cerro Pelon

During the third quarter of 2008, the Company announced the discovery of a new gold zone at Cerro Pelon. Cerro Pelon is located approximately 2.5 kilometres southwest of the leach pad and is a high-priority regional target for the Company, given both its proximity to existing mining operations and its geologic similarity to the Mulatos deposit. In 2008, target definition started with the completion of a soil geochemical grid combined with road-cut channel sampling. A well-developed gold anomaly (greater than 100 parts per billion) approximately 600 metres long and 200 metres wide was identified. First phase exploration drilling during the third quarter of 2008 resulted in discovery of the Cerro Pelon zone. Phase II exploration drilling is ongoing with two core rigs and one reverse circulation drill rig. A total of 113 drill holes representing 15,484 metres of drilling has been completed to date. The upper 70 metres of the gold zone is fully oxidized. The Company expects to report resources at Cerro Pelon in the latter half of 2009.

Resource and Reserve Update

The Company expects to release its global resource and reserve update in the first quarter of 2009. The reserve update is expected to include Estrella, Escondida, El Salto and Mina Vieja. In addition, reserves at Puerto del Aire and El Victor are expected to be reported for the first time.

The global resource update is also expected to include a number of new resource areas. Initial resource estimates are expected to be presented for the Gap, La Yaqui and San Carlos targets.

Liquidity and Capital Resources

At December 31, 2008, the Company had $43.8 million in cash and cash equivalents compared to $7.8 million at December 31, 2007. The Company's working capital position increased from a working capital surplus of $39.2 million at December 31, 2007 to $63.0 million at December 31, 2008.

Subsequent to year-end, on February 17, 2009, the Company completed a bought-deal financing, issuing 10,410,000 common shares of the Company for net proceeds of $62.5 million. As a result, the Company's cash holdings post-financing are $110 million.

Cash flows from operating activities in 2008 were $65.3 million or $0.68 per basic share. The Company reinvested $25.0 million in capital and exploration in 2008, primarily focused on mine development and infrastructure improvements. Proceeds from the exercise of stock options added $4.3 million to the Company's cash flows from financing activities.

Strong cash flows from operations throughout 2008 have enabled the Company to eliminate all interest-bearing debt obligations. In the second quarter of 2008, the Company induced conversion of its outstanding convertible debenture liability and repaid approximately $8.6 million to retire its capital lease obligations. The Company generated record cash flows from operations and free cash flows in 2008, resulting in a $36.0 million increase in its cash holdings in the 2008 year.

The Company expects to release a technical report for the Escondida high grade mill project in the first quarter of 2009. The Company expects that it will proceed to construct a 500 tonne-per-day gravity plant to process high grade ores. Expected capital costs associated with pre-stripping Escondida and constructing the mill are estimated to be approximately $45 million. The Company expects that it will be able to finance the construction of a mill with a combination of current cash balances and cash flows from operations.

To date, the Company has not been adversely affected by the recent volatility in global credit and foreign exchange markets. The Company is benefiting from the devaluation of the Mexican peso compared to the United States dollar, as its net financial liabilities denominated in Mexican pesos are revalued at a lower United States dollar amount. In addition, should the current weakness in the value of the Mexican peso persist, the Company's future mine operating costs will decrease as approximately 45% of the Company's mine operating costs are denominated in Mexican pesos.

Changes in Accounting Policy and Presentation

Effective January 1, 2008, the Company has adopted the following new Canadian Institute of Chartered Accountants ("CICA") Handbook Sections:

- Section 1535: Capital Disclosures
- Section 3862: Financial Instruments – Disclosure
- Section 3863: Financial Instruments – Presentation
- Section 3031: Inventories

The impact of these standards on the Company's financial statements was primarily to increase the disclosures surrounding the Company's capital management program, financial instruments and inventories.

Recent Accounting Pronouncements

The CICA has issued a new standard that has the potential to affect the Company's financial disclosures and results of operations for interim and annual periods beginning January 1, 2009.

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwil and intanglible assets and is effective beginning January 1, 2009. Concurrent with the adoption of this standard, EIC-27, "Revenues and expenditures in the Pre-operating period", will be withdrawn. The Company will assess the impact of these changes on our consolidated financial statements.

In January 2009, the AcSB issued the following new Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These standards are effective January 1, 2011. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

In January 2009 the Emerging Issues Committee ("EIC") issued EIC-173. In this EIC the Committee reached a consensus that in determining the fair value of financial assets and financial liabilities an entity should take into account the credit risk of the entity and the counterparty. While the EIC is effective for periods ending after the issuance date, the Company has adopted the EIC for its results ending as of December 31, 2008. Adoption had no impact on the classification or valuation of the Company's consolidated financial statements.

Conversion to International Financial Reporting Standards

Effective Februrary 13, 2008, the Accounting Standards Board announced that publicly accountable entities will be required to prepare financial statements in accordance with International Financial Reporting Standards ("IFRS") for interim and annual financial statements for fiscal years beginning on or after January 1, 2011.

The Company is currently completing a preliminary diagnostic and will develop an IFRS conversion implementation plan, which will include a detailed assessment of the impact of the conversion on the consolidated financial statements and related disclosures. The plan will also consider the impact of the conversion of the Company's information technology systems, internal controls over financial reporting, performance measurement systems, disclosure controls and procedures and other business activities that may be influenced by GAAP measurements.

The Company is currently performing an analysis of the significant IFRS-GAAP differences with respect to the Company's financial statements and disclosures. The Company will quantify the potential effect of these differences as part of the conversion implementation plan. Certain key members of the finance department of the Company have or will be attending in-depth training sessions regarding significant IFRS-GAAP differences with a particular focus on how they apply to entities in the mining industry.

Internal Control over Financial Reporting

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed and operate effectively in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Changes to Internal Control over Financial Reporting

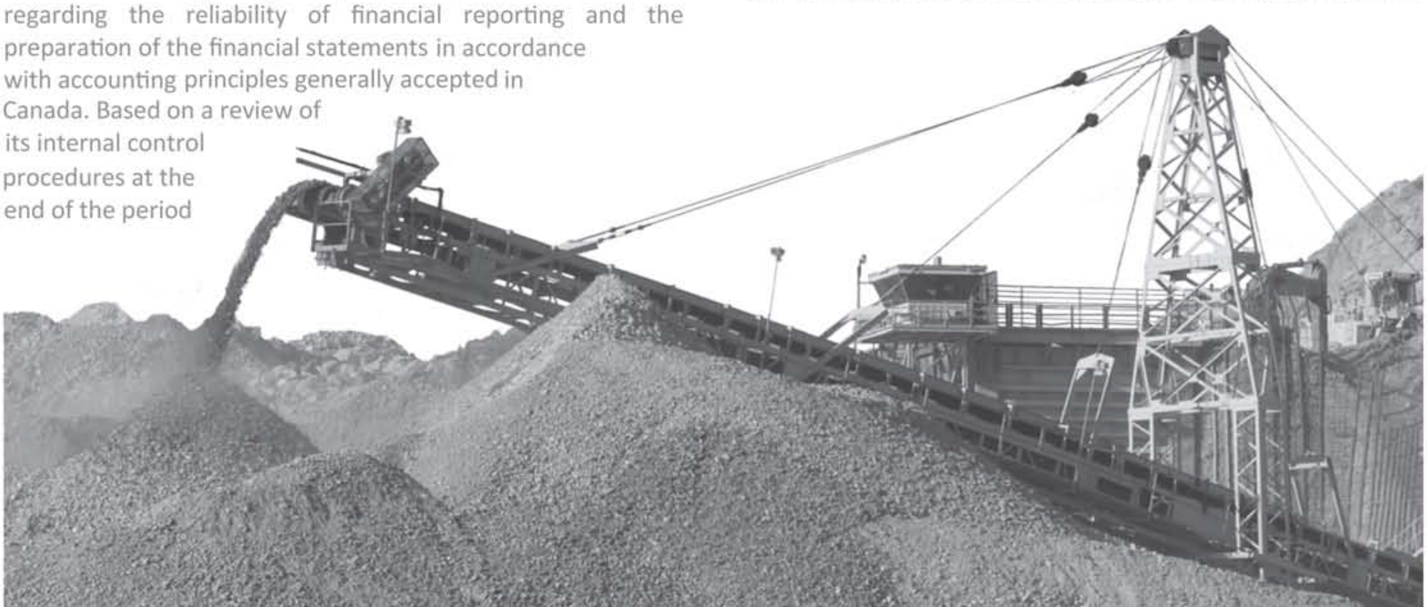
The Company has made a number of significant changes to its internal control over financial reporting in the year ended December 31, 2008. These changes have resulted from a formal comprehensive review of the Company's internal control structure and have been implemented in order to improve existing internal controls, policies and procedures. While changes have been made, the Company has not detected any material weaknesses in the design or operating effectiveness of its internal controls over financial reporting since October 1, 2008 and as at December 31, 2008. The majority of the changes that have been made have resulted in formalizing pre-existing controls.

Disclosure Controls

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2008 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

Off-Balance Sheet Arrangements

The Company may enter into gold contracts which could, in certain circumstances, be classified as off-balance sheet arrangements. Due to the nature of the contracts entered into and in accordance with the Company's accounting policy, the



mark-to-market value of these contracts is recorded on the balance sheet. At December 31, 2008, the Company had contracts to deliver up to 6,911 ounces of gold in the first quarter of 2009 at prices below the December 31, 2008 closing market price. Accordingly, a mark-to-market loss of $406,000 was recognized in other expense and classified within accounts payable and accrued liabilities on the Company's balance sheet.

Commitments Table

The following table summarizes the Company's contractual obligations at December 31, 2008:

Payments due by period ($000)

Contractual Obligations	Total	Less than 1 year	2 – 3 years	4 – 5 years	More than 5 years
Operating lease	40	40	-	-	-
Employee future benefits (1)	720	-	-	-	720
Asset retirement obligations	5,681	-	-	-	5,681
Property acquisition obligations	1,055	323	468	264	-
	7,496	**363**	**468**	**264**	**6,401**

(1) Certain termination benefits are provided to Mexican employees on involuntary termination at the end of the life of the mine, as mandated by Mexican Labor Law. In certain circumstances, the Company must also pay other contractual termination or severance benefits, the timing and amount of which are contingent on factors outside of the Company's control.

Contractual obligations also exist with respect to royalties; however gold production subject to royalty cannot be ascertained with certainty and the royalty rate varies with the gold price. Based on the current gold price and rates of production, quarterly royalty expense is expected to continue to be in the range of $1.6 to $2.0 million per quarter.

The Company has signed relocation contracts with certain property owners and possessors in the town of Mulatos. The amount and timing of expected future relocation benefit and property acquisition payments to the residents of Mulatos who had signed contracts with the Company as at December 31, 2008 are presented in the table above. Although future relocation, property acquisition and legal costs may be material, the Company cannot currently determine the expected timing, outcome of negotiations or costs associated with the relocation of the remaining property owners and possessors and potential land acquisitions.

To-date, the Company has not made any material purchase commitments with respect to the proposed construction of a high-grade mill or the development of the Escondida high-grade zone. Such commitments may be material should such plans be approved.

Outstanding Share Data

The table below describes the terms associated with the Company's outstanding and diluted share capital:

	March 6, 2009
Common shares	
- Common shares outstanding	107,011,406
Stock options	
- Average exercise price CDN$6.50; Approximately 70% vested	6,382,500
Total	**113,393,906**

Outlook

Throughout 2008, the Company has continually improved its operating and financial performance. The fourth quarter of 2008 represents the fourth consecutive quarter in which the Company has reported record quarterly earnings. The Company has positioned itself to expand in the future by reducing debt levels, strengthening its balance sheet, and investing in capital projects to improve recoveries and reduce operating costs.

In 2009, the Company's existing mining operations at Mulatos are expected to produce between 145,000 to 160,000 ounces of gold at a total cash cost of $350 per ounce (including the 5% royalty). At current gold prices, cash flows from operations in 2009 are expected to be more than sufficient to fund the Company's planned mill construction, invest in operational projects to further improve recoveries and to fund exploration spending. Significant capital spending in 2009 will focus on closing the existing crushing circuit to ensure that the crusher discharge product size is 100% passing 3/8th of an inch. Independent metallurgical testing shows that closing the crushing circuit could improve recoveries by between 4–7%.

A technical study supporting the construction of a mill to process high grade ores including the Escondida deposit is expected to be released in the first quarter of 2009. The estimated cost of pre-stripping Escondida and constructing the high-grade mill is $45 million, and is expected to be incurred over a two-year period, with production from the mill expected to start in late 2010.

The Company plans to provide a resource and reserve update in the first quarter of 2009, and expects significant increases to both reserve mine life and to the global resource at Mulatos. Exploration activities in 2009 will be focused on resource delineation at Cerro Pelon, and Phase I drilling at the prospective El Carricito regional target.

The Company has a solid current financial position, debt-free with $110 million in cash on hand and strong cash flows from operations. This will allow it to finance its existing capital and exploration plans, as well as provide significant funding for development of additional projects through potential acquisitions.

Critical Accounting Estimates

The preparation of financial statements in conformity with Canadian GAAP requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date, and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

The Company accounts for its in-process precious metals inventory using a process flow for applicable costs appropriate to the physical transformation of ore through the mining, crushing, leaching and gold recovery process. The Company is required to estimate the ultimate recovery of payable metals from laboratory tests and from ongoing analysis of leach pad kinetics in order to determine the recoverable metals from the leach pad at the end of each accounting period. If the Company determines at any time that the ultimate recovery should be adjusted downward, then the Company will adjust the average carrying value of a unit of metal content in the in-process inventory and adjust upward on a prospective basis the unit cost of subsequent production. Should an upward adjustment in the average carrying value of a unit of metal result in the carrying value exceeding the realizable value of the metal, the Company would write down the carrying value to the realizable value.

The Company is required to determine the expected value of the estimated costs of asset retirement obligations and to recognize this value as a liability when reasonably determinable. This valuation is added to the cost of the relevant mineral property on the consolidated balance sheets, and amortized as an expense in the consolidated statements of operations when the mineral property is in production. Asset retirement costs include future removal and site restoration. Key assumptions in determining the amount of liability are total undiscounted cash outflows, expected timing of payment of the cash outflows and appropriate discount rates to apply to the timing of cash outflows. Because the liability is recorded on a discounted basis, it is increased due to the passage of time with an offsetting charge to accretion expense in the statement of operations. The Company calculated its estimated mine site closure costs based on a mine closure and reclamation plan prepared during the year by an independent third party. The majority of the expenditures associated with reclamation and mine closure will be incurred at the end of the mine life, expected to be in 6 years based on expected proven and probable reserves and the current rate of production.

The Company estimates an employee future benefits liability associated with expected future payments to its Mexican employees in accordance with the statutory laws and regulations in Mexico that govern severance and termination benefits. Such estimates are necessarily calculated with reference to expected salary increase and minimum wage rates, employee turnover, interest and inflation rates and various other factors, all of which are subject to annual review and change.

The Company follows accounting guidelines in determining the fair value of stock-based compensation, as disclosed in Note 15 to the financial statements. This computed amount 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 several assumptions as to future events, including: an estimate 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. 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.

Risk Factors and Uncertainties

The financing, exploration, development and mining of any of the Company's properties is subject to a number of factors including the price of gold, laws and regulations, political conditions, currency fluctuations, environmental regulations, hiring qualified people and obtaining necessary services in jurisdictions where the Company operates. The current trends relating to these factors are favorable but could change at any time and negatively affect the Company's operations and business.

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry which may have a material impact on, or constitute risk factors in respect of the Company's future financial performance.

Industry

The Company is engaged in exploration, mine development and the mining and production of precious metals, primarily gold, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are risks involved in the operation of mines and the conduct of exploration programs. The Company has relied on and may continue to rely upon consultants and others for mine operating and exploration expertise. Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, the Company may not be able to raise sufficient funds for development. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Where expenditures on a property have not led to the discovery of mineral reserves, spent costs will not usually be recoverable.

Commodity Price

The value of the Company's mineral resources and future operating profit and loss is affected by fluctuations in gold prices, over which the Company has no control. A reduction in the price of gold may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold may also have a significant influence on the market price of the Company's common shares. The price of gold is affected by numerous factors beyond the Company's control, such as the level of inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, sale of gold by central banks and the political and economic conditions of major gold producing countries throughout the world. The price of gold has increased significantly in the past several years. The current gold price is significantly above impairment levels. The Company has elected not to engage in significant forward selling, as a number of gold mining companies have been adversely affected by maintaining a substantial forward sales book in the face of a rising gold market. At the current rate of production, revenue will change by approximately $150,000 with each $1 change in the price of gold.

Currency

The Company is subject to currency risks. The Company's functional currency is the United States dollar, which is subject to recent fluctuations against other currencies. The Company's primary operations are located in Mexico and many of its expenditures and obligations are denominated in Mexican pesos. The Company maintains its principal office in Canada, maintains cash accounts in United States dollars, Mexican pesos and Canadian dollars and has monetary assets and liabilities in United States and Canadian dollars and Mexican pesos. The Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate transactional volatility in either the Mexican peso or the Canadian dollar at this time. A 1% change in the relative value of the Canadian dollar would impact corporate and administrative costs by approximately $50,000 annually; a 1% change in the relative value of the Mexican peso would impact operating costs by approximately $250,000 annually.

Business

The Company has limited financial resources which could affect its ability to carry out its business plan. The Company's ability to secure fixed gold prices or future foreign exchange rates is affected by its creditworthiness. Because of its limited operating record, it may not be able to hedge future risk to the extent it feels is appropriate. The Company's ability to obtain financing to explore for mineral deposits and to continue and complete the development of those properties it has classified as assets is not assured, nor is there assurance that the expenditure of funds will result in the discovery of an economic mineral deposit.

Competitive

The Company's business is intensely competitive, and the Company competes with other mining companies, many of which have greater resources and experience. Competition in the precious metals mining industry is primarily for mineral rich properties which can be developed and produced economically; the technical expertise to find, develop, and produce such properties; the labour to operate the properties; and the capital for the purpose of financing development of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a world-wide basis and some of these companies have much greater financial and technical resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these mineral deposits could have a material adverse effect on the Company's results of operations and business.

Country

The Company conducts exploration, mine development and mining and production activities in Sonora, Mexico. Mexico is a developing country and obtaining financing, finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. Mexico's status as a developing country may make it more difficult for the Company to attract investors or obtain any required financing for its mining projects.

The Company strives to maintain good relations with the local community by providing employment opportunities and social services. The Company has entered into a surface agreement with the Mulatos Ejido. In addition, the Company has entered into agreements with individual Ejido members for the surface rights to which they have been assigned. The transfers of title to these surface rights have been registered under Mexican law.

The Company is also in negotiations with Ejido and non-Ejido members, as a group and individually, to relocate the existing community of Mulatos, and to acquire additional surface rights. Negotiations with the Ejido can become time-consuming if demands for compensation become unreasonable. With the assistance of experienced legal advisors and the input from state and local government officials, the Company expects that it will be able to acquire its land-use requirements at a reasonable cost, however, there can be no assurance that this will be the case.

The acquisition of the right to exploit mineral properties is a detailed and time-consuming process. Although the Company is satisfied it has taken reasonable measures to acquire unencumbered rights to explore on and exploit its mineral reserves on the Salamandra group of concessions, no assurance can be given that such claims are not subject to prior unregistered agreements or interests or to undetected or other claims or interests which could be material and adverse to the Company.

Mexico recently enacted new tax laws which provide an additional layer of complexity and uncertainty in evaluating the financial benefit from current and future operations.

Environmental

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Specifically, the Company activities related to its Salamandra Concessions are subject to regulation by SEMARNAP, the environmental protection agency of Mexico. Regulations require that an environmental impact statement, known in Mexico as a Manifesto Impacto Ambiental, be prepared by a third-party contractor for submittal to SEMARNAP. Studies required to support the Manifesto Impacto Ambiental include a detailed analysis of the following areas: soil, water, vegetation, wildlife, cultural resources and socio-economic impacts. The Company must also provide proof of local community support for a project to gain final Manifesto Impacto Ambiental approval. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

Regulatory

The Company's activities are subject to extensive laws and regulations governing worker health and safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters. Specifically, the Company's activities related to its Mulatos mine and the Salamandra group of concessions are subject to regulation by SEMARNAP, the environmental protection agency of Mexico, Comisión Nacional del Aqua ("CAN"), which regulates water rights, and the Mexican Mining Law. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. The Company' mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

A number of other approvals, licenses and permits are required for various aspects of mine development. While the Company has used its best efforts to ensure title to all its properties and secured access to surface rights, these titles or rights may be disputed, which could result in costly litigation or disruption of operations. The Company is uncertain if all necessary permits will be maintained on acceptable terms or in a timely manner. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities within the Company's Salamandra group of concessions or any other projects with which the Company becomes involved. Any failure to comply with applicable laws and regulations or failure to obtain or maintain permits, even if inadvertent, could result in the interruption of exploration and development operations or material fines, penalties or other liabilities.

Estimates

The mineral reserves and resource estimates of the Company are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual gold recoveries in a commercial heap leach operation may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among others. Short term factors, such as the need for orderly development of deposits or the processing of new or different grades or ore types, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in proven and probable reserves or resources, grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations. Based on the expected 2009 rate of production and budgeted cash operating costs, a 1% change in the expected rate of recovery of gold would result in a $5 per ounce change in cash operating costs, and an approximate $1,500,000 change in income and cash flow annually, before royalties and income taxes. A 1% change in cash cost per tonne of ore would result in a $5 per ounce change in cash cost, and approximately $500,000 change in income and cash flow annually, before royalties and tax charges.

Dependence on Management

The Company is dependent on key personnel and the absence of any of these individuals could result in a significantly negative effect on the Company. The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries. The Company is dependent, in particular, on its Chief Executive Officer, John McCluskey and its Chief Operating Officer, Manley Guarducci. Key man life insurance is not in place on Messrs. McCluskey or Guarducci. If the services of the Company's management and key personnel were lost, it could have a material adverse effect on future operations.

Legal

Substantially all of the Company's assets are located outside of Canada, and are held indirectly through foreign affiliates. It may be difficult or impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of certain provinces against the portion of the Company's assets located outside of Canada.

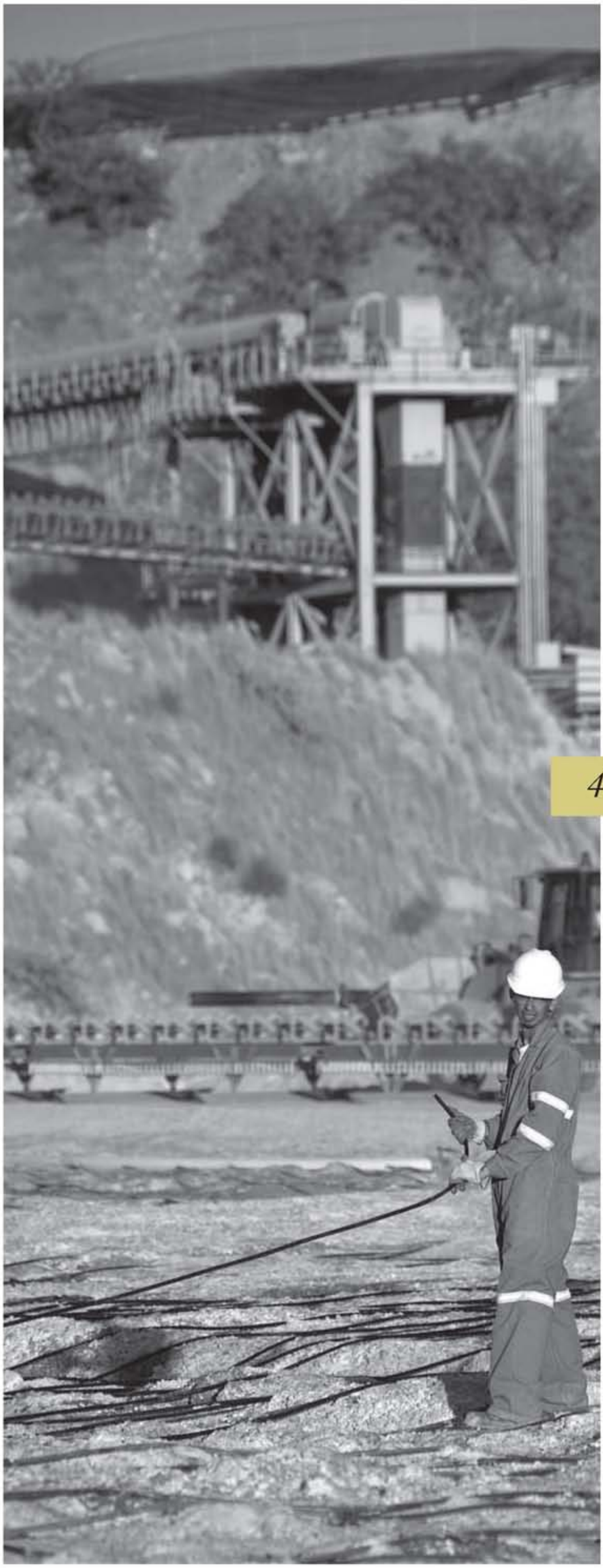
Forward-Looking Statements

Except for historical information contained in this management's discussion and analysis, disclosure statements contained herein are forward-looking, as defined in the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

This MD&A contains forward-looking statements concerning the Company's plans for its properties and other matters within the meaning of Section 21E of the Securities Exchange Act of the United States. Forward-looking statements include, but are not limited to: statements with respect to anticipated commencement dates of mining expansions; potential expansion costs; operations; projected quantities of future metal production; anticipated production rates and mine life; operating efficiencies; costs and expenditures and conversion of mineral resources to proven and probable reserves; and other information that is based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning proven and probable reserves and mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed, and in the case of mineral resources or mineral reserves, such statements reflect the conclusion based on certain assumptions that the mineral deposit can be economically exploited. Exploration results that include geophysics, sampling and drill results on wide spacings may not be indicative of the occurrence of a mineral deposit. Such results do not provide assurance that further work will establish sufficient grade, continuity, metallurgical characteristics and economic potential to be classed as a category of mineral resource. It cannot be assumed that all or any part of an "indicated mineral resource" or "inferred mineral resource" will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable reserves.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements." Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements.



Management's Responsibility For Financial Reporting

The consolidated financial statements of Alamos Gold Inc. have been prepared by, and are the responsibility of, the Company's management.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

Management has developed and maintains a system of internal controls to obtain reasonable assurance that the Company's assets are safeguarded, transactions are authorized, and financial information is reliable. All internal control systems have inherent limitations, including the possibility of circumvention and overriding of controls, and therefore, can provide only reasonable assurance as to financial statement reliability and the safeguarding of assets.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee meets with the Company's management and external auditors to discuss the results of the audit and to review the consolidated financial statements prior to the Audit Committee's submission to the Board of Directors for approval. The Audit Committee also reviews the quarterly financial statements and recommends them for approval to the Board of Directors, reviews with management the Company's systems of internal control, and approves the scope of the external auditors' audit and non-audit work. The Audit Committee is composed entirely of directors not involved in the daily operations of the Company who are thus considered to be free from any relationship that could interfere with their exercise of independent judgment as a Committee member.

The consolidated financial statements have been audited by Ernst & Young LLP, Chartered Accountants and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

February 27, 2009

John A. McCluskey
President and Chief Executive Officer

Jon Morda, CA
Chief Financial Officer

Auditor's Report

To the Shareholders of Alamos Gold Inc.,

We have audited the consolidated balance sheets of Alamos Gold Inc. [the "Company"] as at December 31, 2008 and 2007 and the consolidated statements of operations and comprehensive income, changes in shareholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants
Toronto, Canada
February 27, 2009

CONSOLIDATED BALANCE SHEETS

(stated in thousands of United States dollars)

	Note Ref.	December 31, 2008	December 31, 2007
ASSETS			
Current Assets			
Cash and cash equivalents		$43,779	$7,757
Amounts receivable	4	4,850	3,040
Advances and prepaid expenses		636	1,520
Available-for-sale securities	5	465	1,195
Inventory	6	26,666	36,222
		76,396	49,734
Mineral property, plant and equipment	7	132,872	126,095
		$209,268	$175,829
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	8	$10,919	$7,907
Income taxes payable	17	2,132	-
Current portion of capital lease obligations	10	-	2,072
Current portion of property acquisition obligations	13	332	562
		13,383	10,541
Capital lease obligations	10	-	6,503
Convertible debenture	11	-	1,297
Future income taxes	17	11,320	11,445
Employee future benefits	9	479	555
Asset retirement obligations	12	3,780	3,460
Property acquisition obligations	13	599	891
Total Liabilities		$29,561	$34,692
SHAREHOLDERS' EQUITY			
Share capital	14	$167,920	$161,042
Convertible debenture	11	-	293
Contributed surplus	14	10,108	6,810
Accumulated other comprehensive income (loss)		(693)	-
Retained earnings (deficit)		2,372	(27,008)
		179,707	141,137
		$209,268	$175,829

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board

John A. McCluskey

Mark Wayne

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31 ,

(stated in thousands of United States dollars, except per share amounts)

	2008	2007
OPERATING REVENUES		
Gold sales	$132,974	$74,028
OPERATING EXPENSES		
Mining and processing	52,357	42,195
Royalties	6,600	3,776
Amortization	20,723	11,000
Exploration	4,198	2,320
Corporate and administrative	4,550	3,516
Stock-based compensation	4,363	3,425
Accretion expense	324	200
Employee future benefits	166	205
	93,281	66,637
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING	**39,693**	**7,391**
Interest income	395	202
Interest expense	(275)	(1,326)
Accretion of convertible debenture discount	(20)	(69)
Foreign exchange loss	(99)	(48)
Other (loss) gain	(673)	224
Earnings before income taxes	**39,021**	**6,374**
Income taxes		
- Current tax expense	(7,461)	(545)
- Future tax expense	(2,180)	(2,895)
Earnings	**$29,380**	**$2,934**
Other comprehensive income (loss)		
- Unrealized loss on securities	(693)	-
Comprehensive income	**$28,687**	**$2,934**
Earnings per share		
- basic	$0.31	$0.03
- diluted	$0.30	$0.03
Weighted average number of common shares outstanding		
- basic	95,428,000	94,065,000
- diluted	97,111,000	96,427,000

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(stated in thousands of United States dollars)

	Number of Shares outstanding	Share capital	Convertible debenture	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total Shareholders' Equity
Balance at December 31, 2006	**93,710,515**	**$158,971**	**$297**	**$3,740**	**$-**	**$(29,942)**	**$133,066**
Stock-based compensation				3,425			3,425
Shares issued on exercise of options	801,000	2,050		(355)			1,695
Shares issued on conversion of convertible debenture	4,716	21	(4)				17
Earnings						2,934	2,934
Balance at December 31, 2007	**94,516,231**	**$161,042**	**$293**	**$6,810**	**$ -**	**$(27,008)**	**$141,137**
Stock-based compensation				4,363			4,363
Shares issued on exercise of options	1,752,500	5,403		(1,065)			4,338
Shares issued on conversion of convertible debenture	258,677	1,475	(293)				1,182
Earnings						29,380	29,380
Other comprehensive income (loss)					(693)		(693)
Balance at December 31, 2008	**96,527,408**	**$167,920**	**$ -**	**$10,108**	**$(693)**	**$2,372**	**$179,707**

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31,

(stated in thousands of United States dollars)

	2008	2007
Cash provided by (used for):		
Operating Activities		
Earnings	$29,380	$2,934
Adjustments for items not involving cash:		
Amortization	20,723	11,000
Accretion expense	344	269
Employee future benefits	166	205
Unrealized foreign exchange (gain) loss	(2,629)	51
Future income taxes	2,180	2,895
Realized gain on sale of securities	(22)	(113)
Stock-based compensation	4,363	3,425
Changes in non-cash working capital:		
Fair value of forward contracts	406	-
Amounts receivable	(5,470)	3,328
Inventory	7,392	(5,065)
Prepaid expenses	884	(206)
Accounts payable, taxes payable, advances and accrued liabilities	7,622	2,136
	65,339	20,859
Investing Activities		
Sale of securities	59	239
Mineral property, plant and equipment	(25,039)	(14,934)
	(24,980)	(14,695)
Financing Activities		
Common shares issued	4,338	1,695
Bank loan	-	(3,000)
Capital lease repayments	(8,575)	(2,024)
Convertible debenture settled	(100)	-
Restricted cash	-	44
	(4,337)	(3,285)
Net increase in cash and cash equivalents	36,022	2,879
Cash and cash equivalents - beginning of year	7,757	4,878
Cash and cash equivalents - end of year	**$43,779**	**$7,757**
Supplemental information:		
Interest paid	$341	$1,078
Income taxes paid	$1,850	$-

The accompanying notes form an integral part of these consolidated financial statements.

(All amounts are expressed in United States dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

Alamos Gold Inc. and its wholly-owned subsidiaries ("the Company") are engaged in the acquisition, exploration, development and extraction of precious metals in Mexico. The Company owns and operates the Mulatos mine ("the Mine"). In addition, the Company holds the mineral rights to the Salamandra group of concessions in the state of Sonora, Mexico, which includes several known satellite gold occurrences.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Basis of presentation

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles ("GAAP") in Canada. The United States dollar is both the functional and reporting currency of the Company. Summarized below are those policies considered particularly significant to the Company. References to the Company included herein are inclusive of the Canadian parent company and its consolidated subsidiaries.

Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All inter-company balances and transactions have been eliminated on consolidation.

Use of estimates

The preparation of financial statements in conformity with GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the reporting period. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include amortization, mineral property, plant and equipment, inventory, asset retirement obligations, property acquisition obligations, employee future benefits, accrued liabilities, income taxes and contingencies. Actual results could differ from those estimates.

Revenue recognition

Revenue is earned primarily from the sale of gold and is recognized when refined metal is delivered to a purchaser pursuant to a purchase agreement that fixes the quantity and price of the metal for each delivery. Costs incurred or premium income related to forward sales or option contracts are recognized in revenue when the contract is settled. Changes in the fair value of outstanding forward sales or option contracts are recognized in earnings.

Inventory

Inventory which includes gold-in-process, dore and parts and supplies is stated at the lower of cost or net realizable value.

(i) Dore represents a bar containing predominantly gold by value which must be refined off-site to return saleable metals. Dore inventory is valued at the lower of average cost to produce the dore and net realizable value.

(ii) In-process inventory represents costs that are incurred in the process of converting mineralized ores into partially refined precious metals, or dore, consisting primarily of gold by value. In-process inventories are composed of ore in stockpiles and ore on leach pads. Ore in stockpiles represents mined ore which requires crushing or screening before being placed on the leach pads. Leach pad ore represents mined ore which has been stacked on an impermeable pad and permeated with chemical solutions to dissolve precious metals and channel the resulting gold-bearing solutions to a plant for recovery of gold in the form of dore bars.

Cost of in-process inventory includes operating costs incurred to that stage of the process plus amortization of mineral property, plant and equipment allocable to that stage of the process. Operating costs at each stage of the process are recognized when incurred. Amortization of mineral property, plant and equipment associated with each stage of the process is added periodically. When physical quantities are transferred from one stage of the process to another, associated accumulated costs are also transferred based on average cost per recoverable ounce of gold contained in that inventory at the time of transfer. The amount of recoverable gold contained in in-process inventory is estimated based on the tonnes and grade of ore placed on the pad and metallurgical recoveries based on testing and ongoing monitoring of the rate of gold recoveries. Variations between actual and estimated quantities may result in a write-down of inventory if necessary to maintain a lower of average cost or net realizable value basis or a prospective adjustment to the basis of transferring in-process costs of production to dore.

(iii) Parts and supplies inventory is valued at the lower of average cost and replacement cost.

Mineral property, plant and equipment

a) Mineral property acquisition and mine development costs:

The Company may hold interests in mineral properties in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights. The costs of acquiring these interests are capitalized as mineral property acquisition costs.

Property acquisition and mine development costs are recorded at cost and amortized by the unit-of-production method based on estimated recoverable reserves. Pre-production expenditures are capitalized until the commencement of production. Mine development costs incurred to expand operating capacity, develop new ore-bodies or develop mine areas in advance of current production are deferred and then amortized on a unit-of-production basis. Mine development costs related to current period production are charged to operations as incurred.

Interest and amortization of deferred financing charges on financing attributable to mine development is capitalized to mine development costs while construction and development activities at the property are in progress. When the property is placed into production, those capitalized costs are included in the calculation of the amortization of mine development costs.

Exploration expenditures on properties not advanced enough to identify their development potential are charged to operations as incurred. Expenditures incurred on non-producing properties identified as having development potential, as evidenced by a positive economic analysis of the project, are capitalized.

b) Plant and equipment:
Plant and equipment is stated at cost less accumulated amortization. Plant and equipment is amortized on a unit-of-production basis over estimated recoverable reserves or on a straight-line basis over the estimated useful life of the asset, whichever period is lower.

c) Impairment
The carrying values of mineral property, plant and equipment are reviewed periodically, when impairment factors exist, for possible impairment, based on the future undiscounted net cash flows of the related mine or development property. If it is determined that the estimated net recoverable amount is less than the carrying value, then a write down to the estimated fair value amount is made with a charge to operations. Estimated future cash flows of a mine or development property include estimates of recoverable ounces of gold based on proven and probable reserves. To the extent that economic value exists beyond the proven and probable reserves of a mine or development property, this value is included as part of the estimated future cash flows. Estimated future cash flows also involve estimates regarding gold prices, production levels, capital, reclamation costs and income taxes. Cash flows are subject to risks and uncertainties and changes in the estimates of the cash flows could affect the recoverability of long-lived assets.

Foreign currency translation
Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated into United States dollars at the exchange rate prevailing at the consolidated balance sheet dates. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at rates of exchange prevailing in the transaction period, with the exception of amortization which is translated at historical exchange rates. All exchange gains and losses are included in the determination of earnings.

Cash and cash equivalents
Cash and cash equivalents, which include cash and highly liquid investments with remaining maturities of three months or less at acquisition, are recorded at cost, which approximates fair value.

Financial instruments and financial risk
The Company's financial instruments consist primarily of monetary assets and liabilities, the fair value of which approximate their carrying value due to the short-term nature of these instruments. The Company may enter into foreign exchange forward contracts to manage the Company's exposure to fluctuations in the Canadian and United States dollar and Mexican peso foreign exchange rates. The Company may also enter into forward gold sale transactions. These forward contracts are marked-to-market and recognized in the financial statements at their fair value.

Income taxes
The Company accounts for future tax assets and liabilities using the liability method based on the temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

Stock-based compensation
The Company has a stock-based compensation plan as described in Note 15. The Company accounts for stock options using the fair value method. Under this method, compensation expense is measured at fair value on the date of grant using the Black-Scholes option pricing model, and is charged as an expense or capitalized, depending on the nature of the grant, in the period the options are vested.

Asset retirement obligations
The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company has made, and will continue to make

expenditures to comply with such laws and regulations. Site closure and reclamation costs expected to be incurred in the future are estimated by the Company's management based on the information available to them. Actual site closure and reclamation costs could be materially different from the current estimates. Any change in cost estimates should additional information become available would be accounted for on a prospective basis. The fair value of the future liability for an asset retirement obligation is recognized in the period in which it is incurred with an offsetting amount being recognized as an increase in the carrying amount of the corresponding asset. This asset is amortized on a unit-of-production basis over the estimated life of the mine while the corresponding liability accretes to its future value by the end of the mine's life. Refer to Note 12.

Employee future benefits

The Company is subject to Mexican statutory laws and regulations governing employee termination benefits. Employee future benefits include statutorily mandated accrued benefits payable to employees in the event of termination in certain circumstances. Termination benefits are recognized as an expense and associated liability when the amount can be reasonably estimated at the discounted value of the expected future payments. Refer to Note 9.

Earnings per share

Earnings per share is calculated based on the weighted average number of common shares outstanding during the year. The diluted earnings per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period.

3. CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

a) Capital Disclosures

Effective January 1, 2008, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535: Capital Disclosures. This standard requires disclosure of information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital. The disclosures required by adoption of this section are presented in Note 18.

b) Financial Instruments - Disclosure and Presentation

Effective January 1, 2008, the Company adopted CICA Handbook Section 3862: Financial Instruments – Disclosure ("Section 3862") and Handbook Section 3863: Financial Instruments – Presentation ("Section 3863"). The objective of Section 3862 is to provide financial statement disclosure to enable financial statement users to evaluate the significance of financial instruments on the Company's financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and at the balance sheet date, and how the Company is managing those risks. The purpose of Section 3863 is to enhance the financial statement user's understanding of the significance of financial instruments to the Company's financial position, performance and cash flows. The disclosures required by adoption of these sections are presented in Note 5.

c) Inventories

Effective January 1, 2008, the Company adopted CICA Handbook Section 3031: Inventories. This section requires that inventory be recorded at the lower of cost or net realizable value. This section also clarifies that the allocation of fixed production overhead requires the consistent use of either first-in, first-out or the weighted average method to measure inventory, and requires that any previous write-downs be reversed when the value of the inventory increases. The amount of the reversal is limited to the amount of the original write-down. The disclosures required by adoption of this section are presented in Note 6.

d) Recent Accounting Pronouncements

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed that public companies will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The adoption of IFRS will require the Company to change certain accounting policies, accounting systems, internal controls over financial reporting and disclosure controls. The Company is in the process of completing its initial IFRS diagnostic to identify the high-level impact of adopting IFRS on its financial statements and will continue to invest in training and necessary resources to complete the conversion.

Goodwill and Intangible Assets

The CICA has issued a new accounting standard, Section 3064: Goodwill and Intangible Assets, which clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, startup costs must be expensed as incurred. The new and amended standards are effective for the Company beginning January 1, 2009. At this time, the Company does not believe adoption of this standard will have a material impact on its consolidated financial statements.

Business Combinations, Consolidations, Non - Controlling Interests

In January 2009, the AcSB issued the following new Handbook sections: 1582 – Business Combinations, 1601 – Consolidations, and 1602 – Non-Controlling Interests. These standards are effective January 1, 2011. The Company has not yet determined the impact of the adoption of these standards on its consolidated financial statements.

EIC - 173 Credit Risk and the Fair Value of Financial Assets and Liabilities

In January 2009 the Emerging Issues Committee ("EIC") issued EIC-173. In this EIC the Committee reached a consensus that in determining the fair value of financial assets and financial liabilities an entity should take into account the credit risk of the entity and the counterparty. While the EIC is effective for periods ending after the issuance date, the Company has adopted the EIC for its results ending as of December 31, 2008. Adoption had no impact on the classification or valuation of the Company's consolidated financial statements.

4. AMOUNTS RECEIVABLE

	December 31, 2008	December 31, 2007
	($000)	($000)
Accounts receivable	432	107
Mexican value-added tax	4,418	2,933
	$4,850	$3,040

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of Financial Assets and Liabilities

Financial instruments are classified into one of the following five categories under Canadian GAAP: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying value of the Company's financial instruments are classified into the following categories:

	December 31, 2008	December 31, 2007
	($000)	($000)
Held for trading [(1)]	43,779	7,757
Gold forward contracts designated as held-for-trading [(2)]	(406)	-
Available-for-sale [(3)]	465	1,195
Loans and receivables [(4)]	4,850	3,040
Other financial liabilities [(5)]	(11,444)	10,657

(1) Includes cash and cash equivalents.
(2) Includes the Company's gold forward sales contracts which are not considered to be effective hedges for accounting purposes. Classified within accounts payable and accrued liabilities in the consolidated balance sheet.
(3) Includes the Company's investment in the common shares of Castle Gold Corporation ("Castle", formerly Morgain Minerals Inc.).
(4) Includes amounts receivable.
(5) Includes accounts payable and accrued liabilities, property acquisition obligations and the debt component of the convertible debenture liability.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

In 2006, the Company sold its La Fortuna property to Castle for consideration of 2.5 million common shares of Castle and a 1% net smelter royalty on future production from the La Fortuna property. In the year ended December 31, 2008, the Company sold 242,000 common shares of Castle. At December 31, 2008, the Company held 2,153,500 shares of Castle with a fair value of $430,000 as determined based on published closing price quotations. In addition to its investment in the common shares of Castle, the Company holds other securities valued at $35,000 at December 31, 2008.

Derivative Financial Instruments

The Company may utilize financial instruments to manage the risks associated with fluctuations in the market price of gold and foreign exchange rates. At December 31, 2008, the Company had outstanding contracts to deliver up to 6,911 ounces of gold (nil at December 31, 2007) in 2009 at prices below the period-end market price resulting in a mark-to-market loss of approximately $406,000. At December 31, 2008, the Company also had outstanding United States dollar denominated 30-day term deposits totaling $5,000,000, which are redeemed in Mexican pesos if certain predetermined market exchange rates are realized on contract settlement. If these contracts are settled in Mexican pesos, the Company uses these funds in the normal course of its operations. The mark-to-market loss associated with the contracts outstanding at December 31, 2008 was $36,000 and is classified within other loss. The Company did not have any other foreign exchange forward contracts outstanding at December 31, 2008 or at December 31, 2007.

Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including commodity price, foreign exchange and interest rate risk), credit risk and liquidity risk. The Company's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company may use derivative financial instruments to hedge certain risk exposures. The Company does not purchase derivative financial instruments for speculative investment purposes.

Risk management is the responsibility of the corporate finance function. The Company's corporate finance function identifies, evaluates and where appropriate, hedges financial risks. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors.

i.Commodity Price Risk

The Company is exposed to commodity price risk associated with the volatility in the market price of gold. Gold prices are affected by factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the United States dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices, and the price of gold can be subject to high levels of short-term volatility due to speculative activities. The Company may enter into derivative financial instruments to manage the Company's exposure to commodity price risk. However at this time, the Company has elected not to actively manage its long-term exposure to commodity price risk through the use of derivative financial instruments.

ii.Foreign Exchange Risk

Certain of the Company's financial assets and liabilities are denominated in Canadian dollars or Mexican pesos. In addition, the Company incurs certain operating costs denominated in both the Canadian dollar and the Mexican peso. Accordingly, the Company is exposed to financial gain or loss as a result of foreign exchange movements against the United States dollar, and the Company's operating costs are affected by changes in foreign exchange rates in those currencies.

The Company has elected not to hedge its exposure to fluctuations in the Canadian dollar by buying fixed rate forward contracts in Canadian dollars. Corporate and administrative costs associated with the Company's head office in Toronto are denominated in Canadian dollars. A 10% increase in the value of the Canadian dollar compared to the United States dollar could increase the Company's reported corporate and administrative costs by approximately $0.5 million annually.

The Company has exposure to monetary assets and liabilities denominated in Mexican pesos. Significant cash balances, outstanding amounts receivable, accounts payable or tax liabilities denominated in Mexican pesos could expose the Company to a foreign exchange gain or loss. Recently, the value of the Mexican peso compared to the United States dollar has weakened significantly. The Company has hedged the majority of its balance sheet exposure to changes in the

Mexican peso/United States dollar exchange rate by maintaining additional cash balances in Mexican pesos to offset its future tax liabilities and taxes payable balances denominated in pesos. As the Mexican peso weakens against the United States dollar, the Company's operating costs (as reported in equivalent United States dollars) decrease. A 10% decline in the value of the Mexican peso compared to the United States dollar could reduce the Company's reported mining and processing costs and increase reported earnings before income taxes by approximately $2.5 million annually.

iii. Interest Rate Risk

The Company's interest rate risk related to interest-bearing debt obligations is not material as the Company has no outstanding debt. As a result of the Company's minimal exposure to fluctuations in market interest rates, the Company has elected not to enter into interest rate swaps or other active interest rate management programs at this time.

iv. Credit Risk

Credit risk arises from cash and cash equivalents held with banks and financial institutions, derivative financial instruments (including forward gold sales contracts) and amounts receivable. The maximum exposure to credit risk is equal to the carrying value of the financial assets.

The objective of managing counter-party credit risk is to prevent losses in financial assets. The Company assesses the quality of its counter-parties, taking into account their creditworthiness and reputation, past experience and other factors. The Company only enters into forward gold sales contracts with large reputable financial institutions.

The carrying value of amounts receivable are reduced through the use of an allowance account (when applicable) and the amount of any allowance is recognized as a loss and included in operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for amounts receivable. The majority of the Company's receivable balances consist of Mexican value-added tax recoverable claims. The Company is exposed to credit risk in the case that the tax department of the Mexican government is unable to pay the amounts receivable. As at December 31, 2008, the Company was owed $4,418,000 from the Mexican government.

v. Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. The Company currently achieves this by maintaining sufficient cash and cash equivalents. As at December 31, 2008 the Company had cash and cash equivalents of $43,779,000. Subsequent to year-end, the Company completed a financing for net proceeds of $62,500,000. Accordingly, the Company expects that construction of the mill and other ongoing construction projects at its current operations will be financed from existing cash balances. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable and it is not currently known whether the Company will require external financing in future periods.

6. INVENTORY

	December 31, 2008	**December 31, 2007**
	($000)	($000)
Precious metals dore and refined precious metals	3,596	4,760
In-process precious metals	14,617	22,693
Parts and supplies	8,453	8,769
	$26,666	$36,222

The carrying value of inventory is calculated using weighted average cost. The amount of inventory charged to operations as mining and processing costs during the year ended December 31, 2008 was $52,249,000 (year ended December 31, 2007 - $41,027,000). The amount of inventory charged to operations as amortization in the year ended December 31, 2008 was $14,907,000 (year ended December 31, 2007-$10,465,000).

7. MINERAL PROPERTY, PLANT AND EQUIPMENT

In 2003, the Company acquired a 100% interest in certain properties within the Salamandra group of concessions which currently comprises approximately 28,500 hectares, in consideration for the payment of CDN$11,154,000. Certain concessions within the acquired properties are subject to a sliding scale net smelter royalty on the first 2,000,000 ounces of gold production. The royalty rate is 5% when the market price of gold exceeds $400 per ounce. Included within the Salamandra group of concessions is the Mulatos mine which began operations in 2005.

	December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
	($000)	($000)	($000)
Mineral property and mine development	66,127	(14,075)	52,052
Mining plant and equipment	110,828	(30,274)	80,554
Office and computer equipment	634	(368)	266
	$177,589	$(44,717)	$132,872

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
	($000)	($000)	($000)
Mineral property and mine development	59,150	(8,713)	50,437
Mining plant and equipment	92,833	(17,411)	75,422
Office and computer equipment	483	(247)	236
	$152,466	$(26,371)	$126,095

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2008	December 31, 2007
	($000)	($000)
Trade accounts payable	4,674	5,673
Customer advances	2,926	-
Royalties payable	1,605	1,076
Other accrued liabilities	1,714	1,158
	$10,919	$7,907

9. EMPLOYEE FUTURE BENEFITS

The Company accrues employee future benefits for all contract workers paid through its subsidiary employment services company. These benefits consist of a one-time payment equivalent to twelve days' wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with fifteen or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit. Under Mexican Labour Law, the Company also provides statutorily mandated severance benefits to its employees terminated under certain circumstances. Such benefits consist of a one-time payment of three months' wages plus twenty days' wages for each year of service payable upon involuntary termination without just cause.

The liability associated with the seniority and termination benefits is calculated as the present value of expected future payments. In determining the expected future payments, assumptions regarding employee turnover rates, inflation, minimum wage increases and expected salary levels are required and are subject to review and change.

The assumptions used in the determination of employee future benefits are as follows as at:

	December 31, 2008	**December 31, 2007**
Inflation adjusted interest rate	8.37%	8.26%
Salary increase rate	5.77%	4.64%
Minimum wage increase rate	3.70%	3.60%

10. CAPITAL LEASE OBLIGATIONS

In the second quarter of 2008, the Company prepaid its capital lease obligations. The amount of interest expense related to the obligations under capital lease included in the determination of earnings for the year ended December 31, 2008 was $234,000 (year ended December 31, 2007 - $818,000).

11. DEBT

a) Convertible Debenture

Effective February 2, 2005, the Company issued a CDN$50 million aggregate principal amount 5.5% convertible unsecured subordinated debenture maturing on February 15, 2010.

Interest on the convertible debenture is payable semi-annually in arrears on February 15 and August 15 of each year at an annual rate of 5.5%. Under the terms of the trust indenture, the debenture is convertible into common shares at a rate of 18.86792 common shares for each CDN$100 principal amount of debenture on maturity.

In 2006, the Company announced an incentive conversion period to allow for early conversion at incentive conversion ratios. Debentures representing CDN$48,444,000 or approximately 97% of the outstanding balance were converted into common shares at incentive conversion ratios ranging from 20.3824 to 20.5907 common shares for each CDN$100 principal of debenture, resulting in the issuance of 9,966,982 common shares. In addition, accrued interest related to the converted debentures was settled through the issuance of common shares at 18.86792 common shares per CDN$100 of accrued interest, resulting in the issuance of 174,520 common shares. Convertible debentures representing CDN$25,000 were converted during 2007. The face value of the outstanding convertible debentures at December 31, 2007 was CDN$1,471,000.

On March 24, 2008, in accordance with the terms of the trust indenture, the Company announced that it had issued a notice of redemption to debenture holders. The notice of redemption indicated that any outstanding debentures on April 28, 2008 would be redeemed for cash. Debentures representing CDN$1,371,000 were converted into common shares prior to the redemption date, resulting in the issuance of 258,677 common shares. The outstanding principal amount of debentures of CDN$100,000 plus accrued interest at the redemption date was redeemed for cash. Accordingly, the convertible debenture balance at December 31, 2008 is nil.

b) Bank Loan

On July 21, 2005, the Company obtained a bank line of credit consisting of a $10 million unsecured revolving facility and a non-margin hedging line. The initial term was for one-year, and was extended at the discretion of the lender to July 21, 2008. On August 25, 2007, the bank agreed to increase the amount available to the Company to $15 million. Interest was payable at a rate of 2.25% above applicable LIBOR on the drawn portion of the facility, and 0.75% on the undrawn portion. On April 30, 2008, the Company requested that the bank line of credit be cancelled as the Company had no intention of drawing funds prior to the end of its term in July 2008.

12. ASSET RETIREMENT OBLIGATIONS

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred, on a discounted cash flow basis, if a reasonable estimate can be made. The liability accretes to its full value over time through charges to operations. In addition, the fair value is added to the carrying amount of the Company's mineral property, plant and equipment, and is amortized on a units-of-production basis over the life of the Mine.

A continuity of asset retirement obligations is as follows:

	Year ended December 31, 2008	Year ended December 31, 2007
	($000)	($000)
Obligations at start of year	3,460	2,640
Revisions in estimated cash flows and changes in assumptions	(177)	604
Liabilities incurred	263	33
Accretion of discounted cash flows	234	183
Obligations at end of year	$3,780	$3,460

The assumptions used in the determination of the asset retirement obligations are as follows as at:

	December 31, 2008	December 31, 2007
Estimated cost ($000)	5,681	5,374
End of mine life	2014	2014
Discount rate	6.48% - 7.30%	6.48% - 6.70%

13. PROPERTY ACQUISITION OBLIGATIONS

The Company is in the process of acquiring property adjacent to its present and prospective mining operations, including property comprising the town of Mulatos. Property owners and possessors are being offered a comprehensive benefits package including compensation for their property and/or relocation benefits. In certain cases, relocation benefits include deferred monthly payments over periods varying from three to five years. Obligations are recognized when a legal contract is signed by both parties and are measured at the discounted value of expected future payments. At December 31, 2008, the Company has applied a discount rate of approximately 7% to expected future payments.

14. SHARE CAPITAL

a) Authorized share capital of the Company consists of unlimited common shares without par value.

	Number of Shares	Amount
		($000)
Outstanding at January 1, 2007	93,710,515	158,971
Exercise of stock options	801,000	1,695
Conversion of convertible debenture	4,716	21
Transfer of contributed surplus to share capital for exercised stock options	-	355
Outstanding at December 31, 2007	94,516,231	161,042
Exercise of stock options	1,752,500	4,338
Conversion of convertible debenture	258,677	1,475
Transfer of contributed surplus to share capital for exercised stock options	-	1,065
Outstanding at December 31, 2008	96,527,408	$167,920

b) Stock options outstanding and exercisable as at December 31, 2008:

	Outstanding			Exercisable	
Range of exercise prices ($CDN)	Number of Options	Weighted average exercise price ($CDN)	Weighted average remaining contractual life (years)	Number of options	Weighted average exercise price ($CDN)
$2.01 - $3.00	505,000	$2.28	0.46	505,000	$2.28
$3.01 - $4.00	670,000	$3.73	1.42	670,000	$3.73
$6.01 - $7.00	2,112,000	$6.30	3.64	1,003,000	$6.30
$7.01 - $8.00	1,825,000	$7.29	2.74	1,481,400	$7.29
$8.01 - $9.00	874,500	$8.90	2.04	874,500	$8.90
	5,986,500	$6.36	2.61	4,533,900	$6.30

c) Summary of stock option activity:

	Number	Weighted average exercise price ($CDN)
Outstanding at January 1, 2007	5,185,500	$4.32
Granted	2,472,000	7.22
Exercised	(801,000)	2.16
Forfeited	(302,000)	7.86
Outstanding at December 31, 2007	6,554,500	$5.52
Granted	1,545,000	$6.12
Exercised	(1,752,500)	$2.69
Forfeited	(360,500)	$7.90
Outstanding at December 31, 2008	5,986,500	$6.36

15. STOCK-BASED COMPENSATION

The Company has a stock option plan, originally approved by the Board of Directors (the "Board") on April 17, 2003, to allow the Company to grant incentive stock options to its directors, officers, employees and consultants. At the Company's annual general meeting held on May 24, 2005, the shareholders of the Company approved an amendment, as amended and ratified on May 25, 2007 and May 15, 2008, to the Company's stock option plan. Under the amended stock option plan, the number of shares reserved for issuance cannot exceed 10% of the total number of shares which are outstanding on the date of grant. The exercise price, term (not to exceed ten years) and vesting provisions are authorized by the Board at the time of the grant.

Stock options granted to directors, officers and certain consultants are exercisable for a five-year period, and options granted to employees are generally exercisable for a three-year period. All incentive stock options granted vest 20% on the date of grant, and 20% at each six-month interval following the date of grant.

In 2008, the Company granted incentive stock options to certain of its directors, officers and employees to purchase up to 1,545,000 common shares in the capital of the Company at exercise prices ranging from CDN$6.00 to CDN$6.76 per share. In 2007, the Company granted 2,472,000 stock options at an exercise prices ranging from CDN$6.81 to CDN$7.29 per share.

The fair value of stock options granted were estimated using the Black-Scholes option pricing model with the following assumptions:

For options granted in the year ended	December 31, 2008	December 31, 2007
Risk-free rate	2.75%	4.00%
Expected dividend yield	nil	nil
Expected stock price volatility	50%	50%
Expected option life, based on terms of the grants (months)	27-40	27-40
Weighted average per share fair value of options granted	$2.26	$2.45

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate, and therefore it is management's view that the existing models may not provide a single reliable measure of the fair value of the Company's stock option grants.

As at December 31, 2008, 4,533,900 stock options were exercisable. The remaining 1,452,600 stock options vest over the following 2.6 years. Subsequent to December 31, 2008, 74,000 stock options were exercised at an average exercise price of CDN$4.95. In addition, on February 19, 2009, 470,000 stock options were granted at an exercise price of CDN$7.84.

16. SEGMENTED REPORTING

The Company operates in one business segment (the exploration, mine development and extraction of precious metals, primarily gold) in two geographic areas: Canada and Mexico.

	December 31, 2008	December 31, 2007
	($000)	($000)
Assets, by geographic segment		
- Mexico	177,868	173,890
- Canada	31,400	1,939
	209,268	175,829

Year ended	December 31, 2008			December 31, 2007		
	Mexico	Canada	Total	Mexico	Canada	Total
	($000)	($000)	($000)	($000)	($000)	($000)
Revenues	132,974	-	132,974	74,028	-	74,028
Earnings	40,801	(11,421)	29,380	9,438	(6,504)	2,934

17. INCOME TAXES

a) Single Rate Tax Law

Effective January 1, 2008, the Company became subject to a new Single Rate Tax Law enacted by the Mexican government on September 28, 2007. Under the new Single Rate Tax Law, the Company's Mexican operating subsidiaries are subject to a tax equivalent to 17.5% (with lower transitional rates in 2008 of 16.5% and 2009 of 17%) of the Company's revenues less certain allowable deductions (as determined on a cash basis). The single rate tax is payable each year to the extent that it exceeds income tax otherwise payable pursuant t o the pre-existing Mexican income tax laws. Any excess single rate tax paid cannot be credited against income taxes payable in future periods. In the year ended December 31, 2008, the application of the new single rate tax did not impact the Company's tax expense.

b) Rate Reconciliation

The reconciliation of the expected tax expense at a combined statutory rate of 33.5% and provision for income tax expense is:

December 31,	2008	2007
	($000)	($000)
Earnings before income taxes	39,021	6,374
Expected tax expense at statutory income tax rate	13,070	2,295
(Decrease)/increase resulting from:		
Difference in foreign tax rates	(1,780)	(930)
Non-deductible accretion expense	-	25
Non-deductible stock-based compensation expense	1,460	1,230
Non-taxable gain	(170)	(125)
Change in foreign exchange rates	(4,160)	(3,570)
Inflation net taxable gains	1,150	1,040
Withholding tax	600	545
Reduction in Canadian future income tax rates	-	2,560
Valuation allowance	(529)	370
Income tax expense	9,641	3,440

Future tax reconciliation

The following information summarizes the principal temporary differences and the related future tax effect:

December 31, 2008	Canada	Mexico	Total
	($000)	($000)	($000)
Future tax assets			
Non-capital losses	6,300	-	6,300
Capital losses	1,400	-	1,400
Financing costs	300	-	300
Asset retirement obligations	-	1,040	1,040
Other short-term	-	330	330
Valuation allowance	(8,000)	-	(8,000)
	-	1,370	1,370
Future tax liabilities			
Inventory	-	(1,170)	(1,170)
Mineral property, plant and equipment	-	(11,520)	(11,520)
	-	(12,690)	(12,690)
Net future tax liabilities	-	**(11,320)**	**(11,320)**

December 31, 2007	Canada	Mexico	Total
	($000)	($000)	($000)
Future tax assets			
Non-capital losses	7,340	1,480	8,820
Capital losses	3,960	-	3,960
Financing costs	600	-	600
Asset retirement obligations	-	960	960
Valuation allowance	(11,900)	-	(11,900)
	-	2,440	2,440
Future tax liabilities			
Inventory	-	(1,642)	(1,642)
Mineral property, plant and equipment	-	(12,243)	(12,243)
	-	(13,885)	(13,885)
Net future tax liabilities	-	**(11,445)**	**(11,445)**

d) Loss Carry-forwards

Non-capital losses available in Canada to be utilized in subsequent years are approximately $20 million expiring between 2009 and 2027.

18. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as its shareholders equity. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. As at December 31, 2008, total managed capital was $179,707,000 (December 31, 2007 - $141,137,000).

The Company's capital structure reflects the requirements of a company focused on sustaining strong cash flows from its current mining operations and financing both internal and external growth opportunities and development projects. The Company faces lengthy development lead times as well as risks associated with increasing capital costs and project completion timing due to the availability of resources, permits and other factors beyond the Company's control. The Company's operations are also significantly affected by the volatility of the market price of gold.

The Company continually assesses its capital structure and makes adjustments to it with reference to changes in economic conditions and risk characteristics associated with its underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, pay dividends, sell assets or enter into new debt arrangements.

The Company manages its capital structure by performing the following:

- Maintaining a liquidity cushion in order to address any potential operational disruptions or industry downturns
- Preparing detailed budgets and cash flow forecasts for each of mining operations, exploration, development projects and corporate activities that are approved by the Board of Directors
- Regular internal reporting and Board of Directors meetings to review actual versus budgeted spending and cash flows
- Detailed project financial analysis to assess or determine new funding requirements

19. COMMITMENTS AND CONTINGENCIES

a) Royalty

Production from the Mine is subject to a sliding scale production royalty, which at current gold prices above $400 per ounce is set at a rate of 5% of the value of gold and silver produced, less certain allowed refining and transportation costs. Valuations are based on daily average London PM Fix gold prices, not actual prices realized by the Company.

b) Mulatos Town Relocation

The Company commenced the planned relocation of the town of Mulatos in 2007. Relocation contracts have been signed with in excess of half of the families residing in Mulatos at the start of the relocation program. Property owners and possessors are being offered a comprehensive benefits package including compensation for their property at a premium to independent third-party valuations and/or relocation benefits. In certain cases, relocation benefits include deferred monthly payments. Since the start of the relocation effort in 2007, the Company has capitalized approximately $5,200,000 in property acquisition, relocation benefits, legal and related costs. The Company has also recognized a liability of $931,000 representing the discounted value of expected future payments for relocation benefits to property owners and possessors that had signed contracts with the Company as at December 31, 2008. The discounted value of the liability was capitalized to mineral property, plant and equipment.

During the second quarter of 2008, the Company entered into a land purchase agreement with certain landowners. Pursuant to the land purchase agreement, the Company made a payment of $1,250,000 in order to secure temporary occupation rights to specified land. An additional payment of approximately $1,000,000 (based on current foreign exchange rates) is payable once the land has been vacated and is transferred to the Company. The probability and timing of this additional payment is currently unknown to the Company and has not been accrued in the consolidated balance sheet.

Additional future property acquisition, relocation benefits, legal and related costs may be material. The Company cannot currently determine the expected timing, outcome of negotiations or costs associated with the relocation of the remaining property owners and possessors and potential land acquisitions.

c) Mining Equipment Dispute

In 2005, the Company acquired certain used mobile mining equipment from a United States construction company. In 2006, a court judgment was issued in the United States allowing a finance company to repossess the equipment from the construction company which had failed to make required loan payments on the equipment. In April 2008, the Company was notified that the finance company would seek compensation in the amount of $840,000 from the Company for the unpaid balance. No court judgment has been issued in Mexico or elsewhere against the Company. The Company is currently obtaining legal advice from counsel in the United States and Mexico, and cannot currently determine the outcome of this dispute.

20. SUBSEQUENT EVENTS

Subsequent to year-end on February 17, 2009, the Company completed a financing whereby the Company issued a total of 10,410,000 common shares at a price of CDN$8.00 for gross proceeds of CDN$83,280,000. In conjunction with the financing, the underwriters received a cash commission of 5%. Net proceeds of the financing after underwriters commissions and legal costs amounted to CDN$78,990,000 or approximately $62,500,000.

21. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current period presentation.

Corporate Governance

Corporate governance plays a vital role in the development and successful operation of any company. Strong and effective corporate governance practices have been a priority for Alamos since its inception. Internal policies and procedures evolve and grow with the Company, ensuring continued compliance with regulatory requirements and suggested guidelines of Canadian securities regulatory agencies.

The Board of Directors of the Company

- Approves the Company's strategy, business plans and any significant investing or divesting activities
- Evaluates its effectiveness on an annual basis
- Reviews the CEO's performance and objectives annually
- Has approved a set of Corporate Governance Guidelines to promote the effective functioning of the Board and all of its committees
- Has adopted a Code of Business Conduct and Ethics that is applicable to all directors, officers and employees of Alamos Gold Inc.

All committees of the Board are composed of independent directors. In addition, directors have access to outside advisors at the Company's expense. Alamos also has a disclosure policy to ensure that the Company's stakeholders are informed of significant developments in an accurate and timely manner. Copies of the Corporate Governance Guidelines, the Code of Business Conduct and Ethics and the mandates of each of the committees of the Board, including the Audit Committee, the Compensation and Nominating Committee and the Corporate Governance Committee, have been filed on SEDAR, and they are available under the Company's name at www.sedar.com

Board of Directors

Mark Wayne; Chairman, Audit Committee, Corporate Governance Committee

Leonard Harris; Compensation and Nominating Committee, Technical, Environmental, Social and Employees' Health and Safety Committee

Richard W. Hughes; Compensation and Nominating Committee, Independent (Special) Committee

Eduardo Luna; Audit Committee, Technical, Environmental, Social and Employees' Health and Safety Committee

John A. McCluskey; President and Chief Executive Officer

James M. McDonald; Audit Committee, Compensation and Nominating Committee, Corporate Governance Committee, Independent (Special) Committee (Re: Shareholders Rights Plan), Technical, Environmental, Social and Employees' Health and Safety Committee

John F. Van De Beuken

Table of Committees

	Audit Committee	Compensation and Nominating Committee	Corporate Governance Committee	Independent (Special) Committee (Re: Shareholders' Rights Plan)	Technical, Environmental, Social and Employees' Health and Safety (TESS) Committee
Mark Wayne	Chair		Member		
Leonard Harris		Member			Chair
Richard W. Hughes		Chair		Member	
James M. McDonald	Member	Member	Chair	Chair	Member
Eduardo Luna	Member				Member
John F. Van De Beuken					

Chair ● Member ●

Corporate Information

Shareholders requiring information on lost certificates, transferring shares, change of address, or canceling duplicate mailings should contact Alamos' transfer agent:

COMPUTERSHARE INVESTOR SERVICES INC.

100 University Avenue, 9th Floor
Toronto, Ontario M5J 2Y1
Tel: 1.800.564.6253
Email: service@computershare.com
Web: www.computershare.com

2008 ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders of Alamos Gold Inc. will be held at 4:00 pm on Tuesday, May 19, 2009, at the TSX Gallery – Conference Centre, located at street level at 130 King Street West, Toronto, Ontario, Canada.

INVESTOR RELATIONS CONTACT

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Jon Morda, Chief Financial Officer
Manley Guarducci, Chief Operating Officer
Hervé Thiboutot, Vice President of Exploration
Charles Tarnocai, Vice President of Corporate Development
Jamie Porter, Vice President of Finance
Ken Balleweg, Exploration Manager
Sharon L. Fleming, Corporate Secretary