FOR IMMEDIATE RELEASE

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Alamos Gold Inc. Reports its 2007 and Restated 2006 Financial Results

Toronto, Ontario - Alamos Gold Inc. (TSX: AGI) ("Alamos" or the "Company") announces that it has released its financial results for the year ended December 31, 2007 and restated results for the year ended December 31, 2006. The Company's audited consolidated financial statements and management's discussion an analysis for the year ended December 31st, 2007 will be available under the Company's name at www.sedar.com.

The Company's prior year 2006 financial statements have been restated to correct the accounting for future income taxes associated with an overstatement of future tax assets at the Company's Mexican operating subsidiary in 2006 and adjustments to future tax liabilities associated with the Company's acquisition of the Mulatos project. The adjustments to the 2006 financial statements reflect the specific application of accounting rules regarding future income taxes and have no impact on the Company's cash flows, net cash balances or financial position. For further discussion regarding the restatement, refer to the Income Taxes section.

All amounts are unaudited and in United States dollars, unless otherwise stated. Refer to the Cautionary Non-GAAP Statements section at the end of this release for a discussion of the non-GAAP measures used by the Company. Except for historical information contained in this 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.

2007 Highlights

During the year ended December 31, 2007, the Company:

- Increased gold sales 19% to 108,281 ounces compared to 91,220 ounces in 2006.
- Recorded revenues of $74 million, an increase of 35% over 2006 revenues of $54.7 million.
- Recognized earnings of $2.9 million ($0.03 per share), compared to a restated loss of $0.3 million ($0.07 per share) in 2006.
- Generated positive cash flows from operating activities of $20.9 million ($0.22 per share) compared to negative cash flows of $0.7 million ($0.01 per share) in 2006.
- Produced 106,200 ounces of gold at a cash operating cost of $390 per ounce of gold sold (total cash cost inclusive of royalties of $425).
- Realized a cash margin per ounce of gold sold of $259 compared to $281 in 2006.
- Considerably strengthened its financial position through the repayment of its bank loan and increase in working capital to $39.2 million.
- Reported a resource of 0.5 million ounces at El Victor.

- Announced the appointment of Mr. Eduardo Luna (Chairman, Silver Wheaton Minerals Inc., ex-President of Goldcorp (Mexico)) to the Company's Board of Directors.

During the fourth quarter of 2007, the Company:

- Recorded quarterly revenues of $20.7 million, an increase of 35% over revenues in the fourth quarter of 2006 of $15.3 million.
- Increased quarterly gold sales 7% to 27,029 ounces compared to 25,270 in the same period of 2006.
- Increased quarterly cash flows from operating activities from $0.6 million in the fourth quarter of 2006 to $9.2 million.

The Company's objective at the outset of 2007 was to increase annual gold production by 50% to approximately 150,000 ounces and to reduce cash operating costs to below $300 per ounce. While the Company was successful in achieving profitability and strong cash flows from operations in 2007, its first full year of commercial mining operations, significant operating challenges were encountered. Operating issues that adversely affected gold production in 2007 included the identification and processing of poor recovery material, lower than planned crusher throughput and metallurgical recoveries and periods of extreme rainfall, all of which adversely impacted mining operations.

The challenges in 2007 were systematically addressed and the Company has made a number of significant operating improvements that are expected to benefit the Company for the foreseeable future. Improved ore-handling procedures have been implemented which ensure that only ore with 50% or higher expected gold recovery is stacked on the leach pad. High grade, lower recovery ore is currently stockpiled while alternative treatment options are being considered. The additional crusher was installed in 2007 and has successfully resulted in the Company reaching targeted crusher throughput rates approaching 15,000 tonnes per day in late 2007, and achieving the desired crush size. The leach pad has been expanded and prepared for the stacking and conveying system. Modifications were also made to recovery plant processes to improve efficiencies. In addition, personnel and process improvements throughout 2007 have strengthened the Company's on-site expertise and operating abilities. As a result of these improvements, the Company exited 2007 with quarterly gold production, gold sales and cash flows at or near record levels.

Significant advancements related to the Company's strategic objective of production growth were achieved in 2007. Future production growth is expected both from higher recoveries at the current mining operations, from the planned Escondida mine, and from other deposits being developed. Capital projects initiated in 2007 that are expected to improve gold recoveries in 2008 include the stacking and conveying system which is expected to be operational late in the first quarter of 2008. During 2007, the results of a preliminary trade-off scoping study for the Escondida milling option were received and the Company initiated a full scale feasibility study, the results of which are expected in the second quarter of 2008.

Results of Operations

Gold production in 2007 of 106,200 ounces represented a 5% increase over 2006 gold production of 101,170 ounces. Higher gold sales in 2007 of 108,281 ounces compared to 91,220 ounces in 2006 resulted in significant increases in revenues, cash flows and earnings

in 2007. Reported gold production is subject to final refinery settlement. The table below outlines key quarterly production indicators during 2007:

Production summary	Q1	Q2	Q3	Q4	2007
Ounces produced [(1)]	24,940	28,200	21,670	31,390	**106,200**
Ore mined (tonnes)	1,035,000	873,000	814,000	1,219,000	**3,941,000**
Waste mined (tonnes)	2,321,000	2,230,000	2,784,000	2,524,000	**9,859,000**
Total mined (tonnes)	3,356,000	3,103,000	3,598,000	3,743,000	**13,800,000**
Ore crushed (tonnes)	1,050,000	909,000	838,000	1,218,000	**4,015,000**
Ore mined per day (tonnes)	11,400	9,600	9,000	13,300	**10,800**
Ore crushed per day (tonnes)	11,500	10,000	9,200	13,300	**11,000**
Waste-to-ore ratio	2.24	2.55	3.42	2.07	**2.50**
Grade (g/t Au)	1.73	1.82	2.08	2.17	**1.96**

(1) Reported gold production for Q1-Q3 2007 has been adjusted to reflect final refinery settlement. Reported gold production for Q4 2007 is subject to final refinery settlement.

Lower than budget gold production in 2007 was due primarily to lower than planned crusher throughput and gold recovery resulting in part from the following:

- A portion of the material mined from the south end of the pit and stacked on the leach pad in late 2006 and early 2007 was subsequently determined to have low recovery characteristics.
- Mine operations were suspended for a period of ten days in May 2007 during negotiations with the local community regarding relocation of the town of Mulatos.
- Record rainfall in the third quarter of 2007 caused a reduction in crushing throughput to significantly below budgeted levels.

As a result of the challenges encountered throughout the year, the following initiatives were implemented and are expected to improve both crusher throughput and recovery:

- A new crusher was commissioned in July 2007 which has resulted in steadily increasing monthly crusher throughput in the latter half of the year with December 2007 throughput reaching 14,000 tonnes per day at the optimal cursher discharge size.
- New ore classification procedures implemented in 2007 ensure that only high-recovery material is processed at this time.
- In-pit drilling and metallurgical testing has improved the Company's ability to forecast gold production and specify crusher discharge size by type of ore for optimal recovery.
- The stacking and conveying system is expected to be operational in the first quarter of 2008 and will eliminate truck loading of the leach pad which is expected to improve leach pad percolation and ultimately gold recoveries.

– Independent metallurgical testing was commissioned to assess the effects of cement agglomeration and various other factors on gold recoveries. The Company is in the process of evaluating the results of this testing. However, preliminary review suggests that cement agglomeration could contribute to higher realized gold recoveries.

These efforts benefited operations in the fourth quarter as the Company reported gold production of 31,390 ounces representing a 45% improvement over gold production in the previous quarter. The Company anticipates that in 2008 it will be able to maintain or exceed the level of crusher throughput and gold production achieved in the fourth quarter of 2007.

The table below compares costs per tonne in the fourth quarter and in 2007 to the same periods of 2006:

Costs per tonne summary	Q4 2007	Q4 2006	Change %	2007	2006	Change %
Mining cost per tonne of material (ore and waste)	$1.28	$0.80	60%	$1.34	$1.12	20%
Waste-to-ore ratio	2.07	2.84	(27%)	2.50	2.26	11%
Mining cost per tonne of ore	$3.93	$3.04	29%	$4.67	$3.66	28%
Crushing cost per tonne of ore	$2.16	$2.38	(9%)	$2.51	$1.84	36%
Processing cost per tonne of ore	$2.18	$2.46	(11%)	$2.39	$1.85	29%
Mine administration cost per tonne of ore	$2.16	$1.02	112%	$1.70	$1.10	55%
Total cost per tonne of ore	$10.43	$8.90	17%	$11.27	$8.45	33%

The comparison of costs per tonne in the fourth quarter of 2007 to the fourth quarter of 2006 is particularly indicative of total costs because tonnes mined and crushed in the fourth quarter of 2007 were consistent with the prior year period. Total cost per tonne of ore in the fourth quarter of 2007 was 17% or $1.53 higher than in the comparable period due primarily to a 112% or $1.14 increase in mine administration cost per tonne of ore and a 29% or $0.89 increase in mining cost, offset by lower crushing and processing cost per tonne of ore. The majority of the increase in mine administration cost per tonne of ore is attributable to one-time non-recurring charges related to legal and administrative costs associated with the Company's ongoing planned relocation of the town of Mulatos.

Total cost per tonne of ore in 2007 was 33% higher than in 2006 due to 15% less tonnes mined and stacked on the leach pad and a 11% increase in the waste-to-ore ratio. Crusher throughput was lower than budgeted throughout the 2007 year. This restricted the Company's mining activities resulting in a 14% reduction in tonnes mined in 2007 compared to the prior year. The mining department used excess capacity to mine additional waste in 2007. Due in part to the progress in mining waste in 2007, the waste-to-ore ratio in 2008 is expected to be approximately 50% lower, resulting in reduced mining costs.

Mining cost per tonne of material was $1.34 in 2007, 20% higher than in 2006. Higher mining costs in 2007 were primarily the result of scheduled maintenance on the Company's equipment fleet. Component rebuilds and other maintenance costs are expensed as incurred and have increased significantly as presented in the table below.

	2007 ($000)	2006 ($000)	Change ($000)	Change (%)
Haul trucks	3,703	1,193	2,510	210%
Loading equipment	2,315	1,314	1,001	76%
Auxiliary equipment	2,548	1,623	925	57%
Total maintenance costs	**8,566**	**4,130**	**4,436**	**107%**
Total mined (tonnes)	13,800,000	14,935,000	(1,135,000)	(8%)
Cost per tonne mined	$0.62	$0.28	$0.34	121%

The Company expects to incur these levels of major maintenance costs every two to three years (determined based on hourly usage). As the Company acquired the majority of its equipment fleet at the same time, mine operating costs in 2007 included abnormally high maintenance costs as engines, transmissions and other key components all reached the end of their useful operating life at the same time. Maintenance costs related to haul trucks, loading and auxiliary equipment are budgeted to be approximately $6 million in 2008 compared to the $8.6 million spent in 2007. Overall, mining cost per tonne of material is expected to increase in 2008 with the budgeted mining of less material.

Mining cost per tonne of ore in 2007 was $4.67, or 28% higher than in 2006. This increase is explained by higher scheduled maintenance costs, a higher waste-to-ore ratio and fewer tonnes of ore mined in 2007. The waste-to-ore ratio in 2007 was 2.50, or 11% higher than in 2006. In 2007, a total of 3,941,000 tonnes of ore were mined which was 14% lower than the 4,577,000 tonnes of ore mined in 2006. Mining cost per tonne of ore in 2008 is expected to decrease as a result of lower scheduled maintenance and a substantially lower waste-to-ore ratio.

Crushing cost per tonne of ore in 2007 was $2.51 or 36% higher than in 2006. Increases in crushing costs on a per-tonne basis are due primarily to the Company's efforts in 2007 to enhance preventative maintenance and to maintain the optimal crusher discharge size. In addition, maintenance and related operating costs associated with the new crusher that was commissioned in July 2007 are not reflected in 2006 comparative costs. Crushing cost per tonne of ore decreased in the fourth quarter of 2007 to $2.16 which in part reflects the Company's success at achieving higher crusher throughput. Crusher throughput improved consistently in the fourth quarter of 2007 from 12,300 in October to 14,000 tonnes of ore crushed per day in December. The Company expects similar levels of spending in the crushing department in 2008, however, the per tonne cost should decrease as crusher throughput is budgeted to increase approximately 20% in 2008.

Processing cost per tonne of ore in 2007 of $2.39 increased 29% over prior period levels. Processing costs include expenditures incurred with respect to the leach pad, gold recovery plant and refining activities. Higher per unit costs are partially a function of 15% lower tonnage throughput in 2007, combined with cost increases for certain mining processing consumables such as lime and cyanide. Cyanide costs in 2007 were approximately 25% higher than in 2006. In addition, lime consumption in 2007 increased significantly due to the type of ore being stacked during the year. The Company was adversely affected by increased costs of

transporting lime to the mine throughout the year. Construction and installation of the stacking and conveying system is ongoing with commissioning expected late in the first quarter of 2008. The Company expects that the mechanization of the ore-stacking and lime-application processes will result in cost savings. However, the Company is in the process of evaluating the option of agglomeration, which, if undertaken would result in the addition of cement costs to the Company's processing cost structure. Cost increases associated with cement agglomeration would be significant but would be partially offset by lower lime costs resulting from reduced consumption. The Company expects that cement agglomeration would result in higher gold recoveries. Overall, the Company expects processing cost per tonne of ore to increase marginally in 2008.

Mine administration cost per tonne of ore in 2007 was $1.70 compared with $1.10 in 2006. Significant changes to the Company's cost structure in 2007 included increases in the Company's community and public relations spending in connection with the planned relocation of the town of Mulatos. These changes have resulted in actual costs being substantially higher than initially planned. The Company expects mine administration cost per tonne of ore in 2008 to be consistent with the actual cost in 2007.

Cash operating cost per ounce of gold sold increased 33% to $390 in 2007 compared to $294 in 2006. The Company's reported cash operating costs per ounce are significantly affected by gold recoveries. Throughout 2007, daily bottle roll tests of crushed ore composites have shown recoveries in excess of what the Company has been able to achieve from the leach pad. The average bottle roll recovery in the fourth quarter of 2007 was 66%, with 70% average daily recovery in December 2007. These recovery results are supported by column testing. Column testing of the December composite crushed ore samples show recovery of 50% after only 22 days. October and November 2007 column tests show recoveries of in excess of 70% after 75 and 56 days respectively. Recoveries indicated by metallurgical testing in the laboratory have not been achieved from the leach pad due to various factors, including crush size and leach pad percolation, both of which are discussed in greater detail below.

Crush size is a key determinant of ultimate gold recovery for the Estrella deposit. Metallurgical studies have indicated that gold recovery rates are sensitive to crush size with finer crushed material generally yielding higher gold recovery. The optimal crush size for the Estrella deposit is 80% passing 3/8th of an inch. However, the optimal crush size varies by ore type. Oxide material can be more coarsely crushed without a significant adverse effect on gold recovery. During the second quarter of 2007, the Company was able to achieve the optimal crush size. However, in the latter half of the year, the average crush size of ore stacked on the leach pad was increased to 80% passing 7/16th of an inch. This larger crush size was planned as a result of mining a comparatively high percentage of clay-altered oxide material in the third and fourth quarters of the year. The new crusher was commissioned in July 2007 and has enabled the Company to properly control and adjust the crusher discharge size in order to optimize gold recovery.

Other key determinants of the level of gold recovery include leach pad percolation, solution application rates, pH levels and performance of the gold recovery plant. The upper lifts of the current leach pad are approaching seventy meters in height. The Company believes that blinding and channeling of solution flow in the leach pad may have occurred, possibly caused by the compaction of fine crushed ore, thereby negating the benefits of achieving the optimal crusher discharge size. The Company expects that conveying and stacking ore on the leach pad will reduce any potential compaction associated with truck loading ore on the pad. Further

benefits are expected through the use of inter-lift liners to reduce effective bench heights and an expanded pad area to allow for longer leach times before a new lift is added. In addition, an independent research facility was commissioned in 2007 to perform column tests to assess the impact of cement agglomeration, varying solution flow rates and pH levels and crush size on ultimate gold recoveries. Preliminary results of this testing indicate a correlation between agglomeration and improved recovery. The Company will evaluate the final test results and will proceed accordingly in order to improve gold recoveries. Increases in gold recovery rates are expected to reduce cash operating costs per ounce.

Financial Highlights

A summary of the Company's financial results for the three-month periods and years ended December 31, 2007 and 2006 is presented below:

	Q4 2007	Q4 2006 Restated	2007	2006 Restated
Cash provided by operating activities before changes in non-cash working capital (000) [(1)]	$5,011	$4,219	$20,666	$17,162
Changes in non-cash working capital (000)	$4,204	($3,581)	$193	($17,826)
Cash provided by (used for) operating activities (000)	$9,215	$638	$20,859	($664)
Earnings before income taxes (000)	$917	$871	$6,374	$2,831
Earnings (loss) (000)	($260)	($1,469)	$2,934	($349)
Earnings (loss) per share – basic and diluted	($0.00)	($0.02)	$0.03	($0.07)
Weighted average number of common shares outstanding				
- basic	94,429,000	93,613,000	94,065,000	87,607,000
- diluted	94,429,000	93,613,000	96,427,000	87,607,000

[(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.

In the fourth quarter of 2007, the Company generated $9.2 million in cash from operating activities compared to $0.6 million in the fourth quarter of 2006. The majority of this increase was due to the collection of Mexican value added tax receivables in the fourth quarter of 2007 compared to net cash investments in gold and parts and supplies inventory in the fourth quarter of 2006.

In 2007, cash flows from operating activities were $20.9 million ($0.22 per share) compared to negative cash flows from operating activities of $0.7 million ($0.01 per share) in 2006. Cash flows from operations increased throughout 2007 as the Company achieved a higher realized gold price, increased the number of ounces of gold sold and has reduced the relative level of its investments in leach pad, dore and parts and supplies inventories.

Changes in non-cash working capital accounted for the majority of the increase in the Company's cash flows from operations in 2007. In 2007, the Company invested $5.1 million in

leach pad and parts and supplies inventories, compared to $16.0 million in 2006. The number of ounces in the Company's leach pad inventory has been stable throughout 2007; however the cost per ounce has increased. Approximately $4.6 million of the investment in inventories reflects higher cost ounces from 2007 replacing lower cost ounces that have been removed from leach pad inventory as produced dore. In addition, throughout 2007 the Company recovered a net amount of $3.3 million of Mexican value added taxes, compared to a net cash out-flow of $2.5 million in 2006.

The Company recognized earnings before income taxes of $6.4 million in 2007 compared to $2.8 million in 2006. Earnings after income taxes increased $3.2 million from a restated loss of $0.3 million in 2006 to earnings of $2.9 million in 2007. For a discussion of the restatement of the 2006 financial statements, refer to the section entitled Income Taxes below.

Gold Sales

Details of gold sales are presented below:

	Q4 2007	Q4 2006	2007	2006
Gold sales (ounces)	27,029	25,270	108,281	91,220
Gold sales revenues (000)	$20,683	$15,300	$74,028	$54,655
Realized gold price per ounce	$765	$605	$684	$599
Average gold price for period (London PM Fix)	$786	$613	$695	$604

Gold sales revenues increased 35% in the fourth quarter of 2007 compared to the same period of 2006 as a result of a 26% increase in the realized gold price per ounce and a 7% increase in the number of ounces sold.

Gold sales revenues were $74.0 million in 2007, 35% higher than gold sales revenues of $54.7 million in 2006. The increase in gold sales revenues is the result of a combination of a 19% increase in the number of ounces sold and a 14% increase in the Company's realized gold price. The number of ounces sold increased in 2007 as a result of higher gold production and improved timing of refinery settlements.

The Company realized an average gold price of $684 per ounce in 2007, compared to an average London PM Fix spot gold price of $695 during the period. The Company generally contracts for the sale of gold twice monthly, but may fix the price at various points in a quarter with the intent of achieving the average London PM Fix spot gold price for the quarter. Periodically, the Company may fix the selling price by entering into gold contracts to lock in a favorable price or provide protection from downside risk. In the steadily increasing gold price environment, the Company's realized gold price per ounce has generally been lower than the average London PM Fix spot gold price.

Assessment of Gold Market

The price of gold has shown considerable strength early in 2008. The Company expects its realized gold price in the first quarter of 2008 to approach $900 per ounce, a 32% increase over the realized gold price in 2007. At March 10, 2008 the gold price had increased to approximately $975 per ounce. The Company is fully leveraged to increases in the price of

gold. At current gold prices, the Company's cash margin per ounce of gold sold is approximately double the cash margin realized in 2007 of $259 per ounce.

Operating Expenses and Operating Margins

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

	2007	2006 Restated	Change %
Gold production (ounces) [1]	106,200	101,170	5%
Gold sales (ounces)	108,281	91,220	19%
Cash operating costs (000)[2]	**$42,195**	**$26,856**	**57%**
- Per ounce sold	**$390**	**$294**	**33%**
Royalties and production taxes (000)[3]	$3,776	$2,175	74%
Total cash costs (000)[4]	**$45,971**	**$29,031**	**58%**
- Per ounce sold	**$425**	**$318**	**34%**
Amortization (000)	$11,000	$8,091	36%
Accretion of asset retirement obligations (000)	$200	$157	27%
Total production costs (000)[5]	**$57,171**	**$37,279**	**53%**
- Per ounce sold	**$528**	**$409**	**29%**
- Realized gold price per ounce	$684	$599	14%
- Realized cash margin per ounce [6]	$259	$281	(8%)

(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) Realized 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.

Production from the Mine is subject to a sliding scale production royalty commencing on commercial production which was established by agreement to be as at April 1, 2006. 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, 2007, the royalty was paid or accrued on approximately 178,000 ounces of applicable gold production. Royalty expense for 2007 was $3.8 million compared to $2.2 million in 2006.

Income Taxes

Current tax expense in 2007 was $545,000 compared to $125,000 in 2006 and represents a 10% withholding tax on inter-company interest charged by the Company's Canadian parent to the Mexican operating subsidiary. Withholding tax charges are dependent on prevailing interest rates and the timing of repayment of inter-company loans.

Future income tax expense in 2007 of $2,895,000 compared to restated future income tax expense of $3,055,000 in 2006. The Company has restated its 2006 financial results to reflect a $2,055,000 increase to its future tax expense with a corresponding increase to its future income tax liability. Following a tax audit of the Company's Mexican operating subsidiary, it was determined that its recorded tax assets were overstated as at December 31, 2006. It was also noted that certain future tax liabilities, in part relating to a prior acquisition, were required to be recognized, with a corresponding adjustment to mineral property, plant and equipment. As a result of this latter adjustment, amortization in both 2007 and 2006 has increased slightly on an after-tax basis. The Company has determined that there is no material net adjustment to the deficit as at January 1, 2006. The future tax liability established in relation to the prior acquisition is expected to reverse as the mine property is amortized, resulting in a future tax benefit in subsequent periods. These adjustments have no effect on the Company's net cash balances or cash flows for the current or previous reporting periods. The Company is expected to be cash taxable in 2008, consistent with previous expectations. A summary of the adjustments resulting from the restatement is presented as Note 18(a) of the 2007 audited consolidated financial statements.

The Company has provided for future income taxes in 2007 and 2006 resulting in estimated effective tax rates of 54% and 112%. The restated effective tax rate in 2006 increased from the rate previously reported as it does not reflect the benefit from loss carry-forwards to the extent previously expected. The effective rate in 2007 is higher than the statutory rate due primarily to stock-based compensation expense, which is not deductible for tax purposes and certain inflation gains in Mexico which are taxable. The effect of stock-based compensation is disproportionately higher in 2006 because the stock-based compensation expense is significant in relation to earnings before income tax. Statutory tax rates in Mexico and Canada are 28% and 36% respectively. Canadian tax rates are expected to decline in future years as a result of enacted legislation.

Since the Company uses the liability method of computing its income taxes, there are factors which may result in changes to the valuation of tax assets and liabilities. These factors include changes in foreign exchange rates and changes in future income tax rates that will affect the effective tax rate as they are not dependent on computed earnings before income tax or the statutory rate. In addition, the Company is subject to inflation gains on its net monetary liabilities in Mexico, which are not reported in earnings as calculated for accounting purposes, whether those liabilities are denominated in Mexican pesos or United States dollars. If these adjustments are significant in relation to earnings before income tax, the resulting effective tax rate may be materially different from the statutory rate.

Mexico recently enacted a new tax law which replaces an asset tax as a means of obtaining tax revenue from an operating company which might not report earnings on the basis of

generally accepted accounting principles. While the new law is not expected to affect the Company in 2008, the Company will be required to evaluate the new law in 2009 and beyond when financial forecasts of changes in capital expenditures and production from the Escondida project are known with more certainty.

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, 2007 is presented below:

	2007 ($000)
Mineral property and mine development	3,489
Crusher and conveyor	2,856
Leach pad expansion	3,583
Other mine infrastructure	3,685
Escondida	687
Mining equipment	542
Office and computer equipment	92
Cash invested in mineral property, plant and equipment	**14,934**

Capital spending in 2007 was focused primarily on the new crusher, leach pad expansion, the Mulatos relocation efforts and an additional storm water pond, treatment pond and improvements to mine infrastructure.

The Company commenced the planned relocation of the town of Mulatos in the third quarter of 2007. Relocation contracts have been signed with more than half of the families resident in Mulatos. 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 2007, the Company capitalized payments for property acquisition, relocation benefits and related costs totalling $2,629,000. The Company has also recognized a liability of $1,453,000 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, 2007. The discounted value of the liability was capitalized to mineral property, plant and equipment.

The new crusher was commissioned in July 2007 at a total cost of approximately $2.0 million. The new crusher has improved the Company's ability to crush to the optimal discharge size which is expected to improve gold recoveries, and to increase crusher throughput capacity. The Company also invested in excess of $0.8 million in 2007 on its planned stacking and conveying system, which will eliminate truck loading of the leach pad. It is anticipated that this project will reduce leach pad costs, and increase mobile equipment availability as these trucks can be used elsewhere within the Mine. Leach pad expansion activities cost $3.6 million in 2007. Capital investments in the leach pad expansion were significantly above budget due to higher equipment rental costs incurred during construction delays caused by high rainfall and higher than anticipated leach pad plastic costs.

The Company also invested in excess of $3.7 million on general mine site infrastructure in 2007. These expenditures were incurred to improve the Company's existing laboratory

facilities, truck shop, warehouse, fuel station and process plant. The Company also invested approximately $0.7 million in relation to the Escondida mill trade-off and feasibility studies.

Capital expenditures in 2008 are expected to be below 2007 levels. However, mine capital totaling approximately $10 million has been budgeted in 2008 for completion of the stacking and conveying system, laboratory, truck shop, warehouse, fuel station and process plant and the construction of an acid treatment pond.

Exploration and Mine Development Activities

Exploration activities during 2007 were focused primarily on near-mine resource-definition projects at El Victor, Gap and Puerto del Aire and regional exploration projects at La Yaqui and El Halcon.

The Company invested $3.0 million in exploration activities in 2007. The majority of exploration spending in 2007 related to the Gap area, where the Company invested $0.9 million primarily in underground drilling expenditures. Additional drilling costs in 2007 included approximately $0.5 million at Puerto del Aire and $0.3 million at La Yaqui. Other significant exploration spending during 2007 included costs associated with resource estimation at El Victor, property taxes and camp and exploration staff salary costs. A summary of the Company's exploration progress in 2007 by project is described below.

Gap

Exploration drilling in 2007 resulted in the extension of mineralization 500 meters from El Victor into the Gap area. In addition, drilling at the Gap resulted in the discovery of high-grade ore intercepts, some in excess of 30 g/t Au, increasing the likelihood of outlining an economic deposit at the Gap.

The Gap area has similar geologic characteristics to the high-grade Escondida Hanging Wall Zone and is a large, blind area of concealed silica alteration that hosts both localized high-grade and thick lower-grade gold intercepts. Surface drilling intercepts have delineated a mineralized area approximately 500 meters long by 150 meters wide, and up to 110 meters thick. Mineralization at the Gap area is continuous with El Victor, with 1,250 meters of strike length identified to date of mineralized intercepts from El Victor through to the Gap. An additional 100 meters of strike length remains to be explored until the Escondida deposit is encountered.

Surface drilling completed to date has consisted of 38 reverse circulation holes on roughly 50-meter centers (8,540 meters), stepping out to the west from previous El Victor/Gap intercepts. Drilling has resulted in the identification of several additional high-grade gold intercepts, including 4.58 meters of 24.73 g/t Au, 7.62 meters of 29.92 g/t Au and 3.04 meters of 24.86 g/t Au. These drill results are in addition to previously reported results including 33.5 meters of 4.09 g/t Au and 25.9 meters of 3.85 g/t Au. Underground core drilling and development is required and planned for 2008 to further assess the zone.

El Victor

A total of 137 surface and underground holes representing 12,800 meters were drilled at El Victor in 2006. In the fourth quarter of 2007, the Company reported a measured and indicated resource of 0.5 million ounces at El Victor.

Puerto del Aire

In 2007, the Company completed a resource definition drilling program at Puerto del Aire, which adjoins the northeast portion of the Estrella Pit. A total of 35 surface reverse-circulation holes (7,713 meters) were drilled. Drill hole intercepts defined a concealed mineralized zone parallel to the Escondida-El Victor trend that is up to 150 meters wide and over 300 meters in strike length. Recent drilling in the first quarter of 2008 has extended the zone an additional 225 meters to the northeast, where it remains open. Ore-grade intercepts extend a minimum of 200 meters beyond the current project pit margin, indicating the potential for a pit lay-back. Local high-grade oxide intercepts have been encountered, with the best result to date being 28.42 meters of 5.7 g/t Au. Additional drilling results include 19.82 meters of 5.10 g/t Au, 39.66 meters of 1.36 g/t Au, 27.44 meters of 2.30 g/t Au, 47.25 meters of 1.31 g/t Au and 25.91 meters of 2.34 g/t Au. Resources at Puerto del Aire are expected to be reported in 2008.

La Yaqui

During 2007, the Company successfully negotiated three new surface access agreements, permitting exploration into three high-priority targets for the first time since 1997. Drilling at La Yaqui in the fourth quarter of 2007 produced immediate success outlining an oxide gold zone exposed at surface with numerous ore-grade intercepts including 44.2 meters of 2.73 g/t Au and 30.0 meters of 3.33 g/t Au. This newly discovered near-surface oxide gold zone is located approximately 9.5 kilometers southwest of the Estrella Pit. Phase 2 drilling at La Yaqui is currently underway.

2008 Plans

With the completion of the new surface access agreements in 2007, exploration activities in 2008 will be focused on high-priority district targets. Additional in-fill and step-out drilling is planned at La Yaqui, in addition to Phase 1 drilling at Cerro Pelon, El Halcon and El Carricito.

The Company will remain focused in 2008 on resource growth. Additional underground drilling is planned to convert the exploration success at Gap into a resource. In addition, supplementary drilling at Puerto del Aire is intended to increase reported near-mine resources. The Company's exploration budget for 2008 is $7.0 million however this is subject to change based on exploration results.

Liquidity and Capital Resources

At December 31, 2007, the Company had $7.8 million in cash and cash equivalents compared to $4.9 million at December 31, 2006. In 2007, cash flows from operating activities of $20.9 million were primarily reinvested in mineral property, plant and equipment and used to re-pay the Company's bank loan and capital lease obligations. Sources of cash in 2007 included the net collection of $3.3 million of Mexican value-added tax and a $2.1 million increase in the Company's accounts payable and accrued liability balance. Offsetting these amounts were cash investments of $5.1 million in parts and supplies and leach pad gold inventory, and $0.2 million in prepaid expenses. The investment for leach pad gold inventory reflects all costs required to load gold-bearing ore onto the leach pad for processing into a gold/silver dore product. The Company's working capital position increased in 2007 from a working capital surplus at December 31, 2006 of $32.9 million to $39.2 million at December 31, 2007.

The Company has an unsecured $15 million revolving line of credit with a bank, available for general corporate purposes. On August 25, 2007 the bank increased the line of credit from $10 million to $15 million and reduced the rate of interest from LIBOR + 2.75% to LIBOR + 2.25%. During 2007, the Company had drawn up to $7 million on this facility. However, in the

fourth quarter of 2007, strong cash flows from operations enabled the Company to repay the entire outstanding amount of this bank loan. Accounts payable and accrued liabilities increased from $5.8 million at December 31, 2006 to $7.8 million at December 31, 2007.

In February 2005, the Company issued a 5.5% CDN$50 million convertible unsecured debenture maturing on February 15, 2010. In June 2006, approximately 97% of the outstanding debentures were converted. The early conversion of substantially all of the convertible debentures benefited the Company by significantly reducing its long-term debt and eliminating the accretion, interest and foreign exchange costs associated with the converted debentures. At December 31, 2007, convertible debentures representing CDN$1,471,000 in face value were outstanding.

The Company's financial strength and liquidity improved significantly throughout 2007. The Company expects a higher realized gold price and increased gold sales in 2008 to result in substantially increased cash flows generated from operations and corresponding higher cash balances.

The Company has commissioned a feasibility study addressing mining alternatives for the Escondida deposit. If it is determined to be economic, the Company expects to construct a mill and mine the deposit. It is not certain what the construction cost will be at this time, however, the Company believes that it will be able to finance the project with some combination of debt and cash flows from operations, based on current operating plans and the current gold price.

Outlook

Looking forward to 2008, the Company anticipates benefits arising from the initiatives undertaken in 2007. Increasing gold production, gold sales, revenues, cash flows and profitability are all expected to characterize the Company's 2008 year. The Company exceeded its forecast gold production of 30,000 ounces in the fourth quarter of 2007 and expects improvements throughout 2008.

Gold production in 2008 is ultimately dependent on the Company's ability to increase its recoveries. Production shortfalls associated with crusher throughput or crusher discharge size in 2007 have been addressed. The Company is currently averaging 14,000 tonnes of crushed ore per day at the optimal discharge size. Uncertainty regarding the metallurgy of the Estrella deposit has been addressed, as both in-house and independent laboratory testing have confirmed that recoveries of 60-70% are achievable. The Company's focus in 2008 is to improve its ability to forecast future production by addressing leach pad dynamics with the objective of realizing gold recoveries consistent with the results of laboratory testing. To do this, the Company has installed and expects to be operating the stacking and conveying system by the end of the first quarter of 2008 or shortly thereafter. This will remove the risk of compaction from truck-loading the leach pad and is expected to improve recoveries. In addition to this, the Company expects that it will begin cement agglomeration and the installation of inter-lift liners, both of which could contribute to additional improvements in gold recovery. The Company is confident that improvements in gold production in the fourth quarter of 2007 will continue into 2008. The Company forecasts gold production and sales in the first quarter of in excess of 30,000 ounces at a cash operating cost (exclusive of royalties which increase with gold prices), at or below $400 per ounce. Based on current gold prices, this level of production is expected to result in record quarterly gold sales, cash flows from operations and earnings.

The results of the Escondida mill feasibility study are expected to be received in the second quarter, followed by a production decision in the third quarter of 2008.

The 2008 exploration budget of $7 million will be focused on high-priority targets including La Yaqui, Cerro Pelon and the Gap.

Conference Call

The Company's senior management will host a conference call on Wednesday, March 12th, at 11:00 a.m. EDT (8:00 a.m. PDT) to discuss financial results and provide an update of the Company's exploration and development activities.

Via Webcast:

A live audio webcast of the meeting will be available on the Company's website homepage at www.alamosgold.com

Via Telephone:

For those preferring to listen by telephone, please dial 416-641-6121 or Toll Free 1-866-225-9256. To ensure your participation, please call approximately five minutes prior to the scheduled start of the call.

Instant Replay archive:

Please dial 416-695-5800 or the toll-free access number 1-800-408-3053, passcode 3247816 followed by the number sign.

The conference call will be replayed from Wednesday, March 12th, 2008 at 1:00 p.m. EDT to Wednesday, March 26th, 2008 11:59 p.m. EDT.

The webcast will be archived for 180 days on the website.

About Alamos

Alamos is a Canadian-based gold producer with operations, exploration and development activities in Mexico. The Company employs approximately 400 people in Mexico and is committed to the highest standards of environmental management, social responsibility, and health and safety for its employees and neighboring communities. Alamos is fully leveraged to increases in gold prices. Alamos' common shares are traded on the Toronto Stock Exchange under the symbol "AGI" and convertible debentures under the symbol "AGI.DB".

John A. McCluskey
President and Chief Executive Officer
Tel: 416-368-9932 x203

Victoria Vargas
Investor Relations
Tel: 416-368-9932 x201

FOR FURTHER INFORMATION, PLEASE CONTACT:

The TSX has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

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 cost per ounce” and “total cash cost 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 cost per ounce” as determined by the Company compared with other mining companies. In this context, “cash operating cost per ounce” reflects the cash operating cost allocated from in-process and dore inventory associated with ounces of gold sold in the period. “Cash operating cost 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 cost per ounce” includes “cash operating cost per ounce” plus applicable royalties.

Cautionary Note

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein. This News Release includes certain “forward-looking statements”. All statements other than statements of historical fact included in this release, including without limitation statements regarding potential mineralization and reserves, exploration results, and future plans and objectives of Alamos, are forward-looking statements that involve various risks and uncertainties. These forward-looking statements include, but are not limited to, statements with respect to mining and processing of mined ore, achieving projected recovery rates, anticipated production rates and mine life, operating efficiencies, costs and expenditures, changes in mineral resources and conversion of mineral resources to proven and probable reserves, and other information that is based on forecasts of future operational or financial results, estimates of amounts not yet determinable and assumptions of management.

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.

There can be no assurance that forward-looking statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from Alamos' expectations include, among others, risks related to international operations, the actual results of current exploration activities, conclusions of economic evaluations and changes in project parameters as plans continue to be refined as well as future prices of gold and silver, as well as those factors discussed in the section entitled "Risk Factors" in Alamos' Annual Information Form. Although Alamos has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

ALAMOS GOLD INC.
CONSOLIDATED BALANCE SHEETS

(stated in thousands of United States dollars)

		December 31, 2007	December 31, 2006 (Restated – Note 18(a))
ASSETS			
Current Assets			
Cash and cash equivalents		$7,757	$4,878
Restricted cash		-	78
Amounts receivable	4	3,040	6,368
Advances and prepaid expenses		1,520	1,314
Available-for-sale securities	5	1,195	1,174
Inventory	6	36,222	29,549
		49,734	43,361
Mineral property, plant and equipment	7	126,095	117,475
		$175,829	$160,836
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		$7,907	$5,761
Bank loan	10	-	3,000
Current portion of capital lease obligations	9	2,072	1,700
Current portion of property acquisition obligations	12	562	-
		10,541	10,461
Capital lease obligations	9	6,503	6,277
Convertible debenture	10	1,297	1,092
Future income taxes	18	11,445	6,950
Employee future benefits	8	555	350
Asset retirement obligations	11	3,460	2,640
Property acquisition obligations	12	891	-
Total Liabilities		$34,692	$27,770
SHAREHOLDERS' EQUITY			
Share capital	13	$161,042	$158,971
Convertible debenture	10	293	297
Contributed surplus	13	6,810	3,740
Deficit		(27,008)	(29,942)
		141,137	133,066
		$175,829	$160,836

See notes to consolidated financial statements
On behalf of the Board

//signed// John A. McCluskey **//signed// Brian W. Penny**

ALAMOS GOLD INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
For the years ended December 31

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

	2007	2006 (Restated – Note 18(a))
OPERATING REVENUES		
Gold sales	$74,028	$54,655
OPERATING EXPENSES		
Mining and processing	42,195	26,856
Royalties	3,776	2,175
Amortization	11,000	8,091
Exploration	2,320	4,319
Corporate and administrative	3,516	3,604
Stock-based compensation	3,425	1,820
Accretion expense	200	157
Employee future benefits	205	350
	66,637	47,372
EARNINGS FROM OPERATIONS BEFORE THE FOLLOWING	**7,391**	**7,283**
Interest income	202	346
Interest expense	(1,326)	(2,159)
Financing charges	-	(436)
Accretion of convertible debenture discount	(69)	(960)
Foreign exchange loss	(48)	(922)
Other gain (loss)	224	(321)
Earnings before income taxes	**6,374**	**2,831**
Income taxes		
- Current	(545)	(125)
- Future	(2,895)	(3,055)
Earnings (loss) and comprehensive income (loss)	**$2,934**	**($349)**
Earnings (loss) per share (Note 16) **– basic and diluted**	**$0.03**	**($0.07)**
Weighted average number of common shares outstanding (Note 16)		
- basic	94,065,000	87,607,000
- diluted	96,427,000	87,607,000

See notes to consolidated financial statements

ALAMOS GOLD INC.
CONSOLIDATED STATEMENTS OF DEFICIT
For the years ended December 31

(stated in thousands of United States dollars)

	2007	2006 (Restated – Note 18(a))
Deficit - beginning of year	**($29,942)**	**($23,603)**
Earnings (loss)	2,934	(349)
Conversion of convertible debentures	-	(5,990)
Deficit - end of year	**($27,008)**	**($29,942)**

See notes to consolidated financial statements

ALAMOS GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31

(stated in thousands of United States dollars)

	2007	2006
		(Restated – Note 18(a))
Cash provided by (used for):		
Operating Activities		
Earnings (loss)	$2,934	($349)
Adjustments for items not involving cash:		
Amortization	11,000	8,091
Accretion expense	269	1,117
Employee future benefits	205	350
Unrealized foreign exchange loss	51	1,530
Settlement of convertible debenture	-	1,548
Future income taxes	2,895	3,055
Realized gain on sale of securities	(113)	-
Stock-based compensation	3,425	1,820
Changes in non-cash working capital:		
Fair value of forward contracts	-	966
Amounts receivable	3,328	(2,506)
Inventory	(5,065)	(16,014)
Prepaid expenses	(206)	(710)
Accounts payable and accrued liabilities	2,136	438
	20,859	**(664)**
Investing Activities		
Proceeds from sale of securities	239	-
Mineral property, plant and equipment	(14,934)	(17,754)
	(14,695)	**(17,754)**
Financing Activities		
Common shares issued	1,695	18,861
Bank loan	(3,000)	-
Capital lease repayments	(2,024)	(1,225)
Restricted cash	44	1,141
	(3,285)	**18,777**
Net increase in cash and cash equivalents	2,879	359
Cash and cash equivalents - beginning of year	4,878	4,519
Cash and cash equivalents - end of year	**$7,757**	**$4,878**
Supplemental information:		
Interest paid	$1,078	$2,090

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(stated in United States dollars)

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 more than nine known satellite gold occurrences.

2. SIGNIFICANT ACCOUNTING POLICIES

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, future 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 a dore bar.

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 orebodies 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's convertible debenture liability is presented at amortized cost as calculated using the effective interest rate method. The Company is subject to interest rate risk on its capital lease obligations as interest on these liabilities is calculated with reference to market interest rates.

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 14. 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. A third party consultant was not engaged to provide an independent analysis of the Company's expected future closure costs. 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 11.

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 8.

Earnings (loss) per share

Earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year. The diluted earnings (loss) 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) Financial Instrument Standards

Effective January 1, 2007, the Company adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income; and Section 3861, Financial Instruments – Disclosure and Presentation (the "Financial Instrument Standards").

The Financial Instrument Standards require that adjustments to the carrying value of financial assets and liabilities be recorded within retained earnings or, in the case of available-for-sale assets, accumulated other comprehensive income on transition.

The Company has certain investments in the common shares of publicly traded corporations, which are classified as available-for-sale. Although these investments represent common shares that are traded on a recognized stock exchange, the Company may not be able to sell its investments at the quoted market price. Accordingly, the value of these investments is determined with reference to the quoted market price

and an appropriate discount. On transition, the value of these investments was consistent with historical cost. As a result, adoption of the new standard did not have a material impact on the Company's financial statements on or before December 31, 2006, on transition at January 1, 2007 or in the year ended December 31, 2007.

The principal changes resulting from the adoption of the Financial Instrument Standards are as follows:

Financial Assets and Financial Liabilities

Under the new standards, financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-to-maturity, loans and receivables, available-for-sale or held-for-trading, as described below. The classification is not changed subsequent to initial recognition.

Held-to-maturity and Loans and Receivables
Financial instruments that have a fixed maturity date, where the Company intends and has the ability to hold to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Loans and receivables are measured at amortized cost using the effective interest method.

Available-for-sale
Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to its fair value.

Held-for-trading
Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with the change in the fair value recognized in income.

Derivatives and Hedge Accounting

The Company currently does not apply hedge accounting to its derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, Hedges.

Comprehensive Income

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, foreign currency translation gains and losses on the net investment in self-sustaining operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented (if applicable) as a new category in shareholders' equity.

b) Accounting Changes

Effective January 1, 2007, the Company adopted the revised CICA Handbook Section 1506, Accounting Changes, which requires that a voluntary change in accounting policy can be made only if the changes result in more reliable and relevant information and are accompanied with disclosures of prior period amounts and justification for the changes. The section also requires that the nature and amount of material changes in estimates be disclosed. The Company has not made any voluntary change in accounting policies or significant changes in estimates that are not otherwise disclosed since the adoption of the revised section.

c) Recent Accounting Pronouncements

In February 2007, the CICA issued Handbook Section 1535, Capital Disclosures which is effective for fiscal years beginning on or after October 1, 2007. 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 adoption of this standard is not expected to have a significant effect on the Company's financial statements.

In February 2007, the CICA issued Handbook Section 3862, Financial Instruments – Disclosure ("Section 3862") and Handbook Section 3863, Financial Instruments – Presentation ("Section 3863"), which are effective for fiscal years beginning on or after October 1, 2007. 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 adoption of Section 3862 and 3863 are not expected to have a significant effect on the Company's financial statements.

In June 2007, the CICA issued Handbook Section 3031, Inventories which becomes effective on January 1, 2008. 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 Company is in the process of assessing the impact of this new section on its financial statements.

4. AMOUNTS RECEIVABLE

	December 31, 2007	December 31, 2006
	($000)	($000)
Accounts receivable	107	154
Mexican value-added tax	2,933	6,214
	$3,040	$6,368

5. AVAILABLE-FOR-SALE SECURITIES

Effective June 15, 2006, the Company sold its La Fortuna property to Castle Gold Corporation ("Castle", formerly Morgain Minerals Inc.) for consideration of 2.5 million common shares of Castle and a 1% net smelter royalty ("NSR") on future production from the La Fortuna property. No gain or loss was recognized on the sale. The share consideration received was initially valued at $1,100,000 and was classified as available-for-sale securities on the Company's balance sheet. At December 31, 2007 the Company held 2,395,500 shares of Castle with a fair value ($1,195,000) determined with reference to published price quotations.

6. INVENTORY

	December 31, 2007	December 31, 2006
	($000)	($000)
Precious metals dore and refined precious metals	4,760	4,744
In-process precious metals	22,693	18,041
Parts and supplies	8,769	6,764
	$36,222	$29,549

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, 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	79,244	(15,158)	64,086
Assets under capital lease	13,589	(2,253)	11,336
Office and computer equipment	483	(247)	236
	$152,466	$(26,371)	$126,095

December 31, 2006 (Restated)

	Cost	Accumulated Amortization	Net Book Value
	($000)	($000)	($000)
Mineral property and mine development	50,859	(4,491)	46,368
Mining plant and equipment	69,019	(8,058)	60,961
Assets under capital lease	10,966	(1,066)	9,900
Office and computer equipment	391	(145)	246
	$131,235	$(13,760)	$117,475

8. 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 Labor 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, 2007	December 31, 2006
Inflation adjusted interest rate	8.26%	8.73%
Salary increase rate	4.64%	5.09%
Minimum wage increase rate	3.60%	4.05%

9. CAPITAL LEASE OBLIGATIONS

The Company enters into leasing arrangements with financing companies for mining equipment. As at December 31, 2007, the Company had entered into twelve leases (ten leases at December 31, 2006). The maximum term of each lease is five years, with payments totaling $245,000 per month over the terms of the leases. The obligations under capital lease bear interest at one-month LIBOR plus 4.1%. The amount of interest expense related to the obligations under capital lease included in the determination of earnings for the year ended December 31, 2007 was $818,000 (year ended December 31, 2006 - $654,000). The Company has the right to repay the outstanding balance of the leases at any time.

As at December 31, 2007, the future minimum lease payments under capital lease agreements were:

Year	Capital lease payments
	($000)
2008	2,937
2009	2,937
2010	2,842
2011	1,065
2012	444
	10,225
Less: Imputed interest	(1,650)
	8,575
Less: Current portion	(2,072)
Non-current portion	**6,503**

10. DEBT

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 the second quarter of 2006, the Company received approval from a majority of the holders of the debenture to amend the terms of the trust indenture to allow for early conversion of the outstanding debenture. 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.

The fair market value of the additional share consideration issued as a result of the induced conversion ratio was allocated to the liability and equity elements of the convertible debenture based on the change in relative fair values between the date of issuance and the date of the conversion. Non-cash debt settlement expense of $414,000 was classified as other loss and charged to earnings, and $5,990,000 was charged to retained earnings in the second quarter of 2006.

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.

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 is payable at a rate of 2.25% above applicable LIBOR on the drawn portion of the facility, and 0.75% on the undrawn portion. The outstanding balance of the bank loan at December 31, 2007 was $nil.

11. 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, 2007	Year ended December 31, 2006
	($000)	($000)
Obligations at start of year	2,640	2,100
Revisions in estimated cash flows and changes in assumptions	604	358
Liabilities incurred	33	25
Accretion of discounted cash flows	183	157
Obligations at end of year	$3,460	$2,640

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

	December 31, 2007	December 31, 2006
Estimated cost ($000)	5,374	4,440
End of mine life	2014	2014
Discount rate	6.48% - 6.70%	6.70%

12. 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. The Company has applied a discount rate of 6.48% to expected future payments.

13. 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, 2006	**77,466,118**	**87,830**
Exercise of stock options	1,337,083	3,758
Conversion of convertible debenture	10,153,014	50,765
Exercise of warrants	4,754,300	15,368
Transfer of contributed surplus to share capital for exercised stock options	-	1,250
Outstanding at December 31, 2006	**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**

b) Stock options outstanding and exercisable as at December 31, 2007:

	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)**
$0.50 - $1.00	50,000	$0.76	0.08	50,000	$0.76
$1.01 - $2.00	305,000	$1.13	0.56	305,000	$1.13
$2.01 - $3.00	1,401,500	$2.43	1.14	1,401,500	$2.43
$3.01 - $4.00	1,080,000	$3.70	2.34	1,080,000	$3.70
$6.01 - $8.00	2,680,000	$7.14	3.64	1,126,800	$7.14
$8.01 - $9.00	1,038,000	$8.89	2.95	810,080	$8.89
	6,554,500	$5.52	2.61	4,773,380	$4.83

c) Summary of stock option activity:

	Number	Weighted average exercise price ($CDN)
Outstanding at January 1, 2006	**5,355,983**	**$3.03**
Granted	1,235,000	8.89
Exercised	(1,337,083)	3.21
Forfeited	(68,400)	7.19
Outstanding at December 31, 2006	**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**

d) Summary of contributed surplus activity:

	Amount ($000)
Balance at January 1, 2006	**3,170**
Stock-based compensation	1,820
Transfer of contributed surplus to share capital for exercised stock options	(1,250)
Balance at December 31, 2006	**3,740**
Stock-based compensation	3,425
Transfer of contributed surplus to share capital for exercised stock options	(355)
Balance at December 31, 2007	**$6,810**

14. 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 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.

In 2006, the Company granted incentive stock options to certain of its directors, officers and employees to purchase up to 1,235,000 common shares in the capital of the Company at a exercise prices ranging from CDN$8.86 to CDN$8.90 per share.

On April 16, 2007, the Company granted 1,990,000 stock options at an exercise price of CDN$7.29. The Company granted an additional 182,000 stock options at an exercise price of CDN$6.81 on October 9, 2007 and 300,000 stock options at an exercise price of CDN$7.00 on October 19, 2007.

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.

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 years ended	December 31, 2007	December 31, 2006
Risk-free rate	4.00%	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
Per share fair value of options granted	$2.45	$2.94

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, 2007, 4,773,380 stock options were exercisable. The remaining 1,781,120 stock options vest over the following two years. Subsequent to December 31, 2007, 322,000 stock options were exercised at an average exercise price of CDN$3.09.

15. 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, 2007	December 31, 2006 (Restated)
	($000)	($000)
Assets, by geographic segment		
- Mexico	173,890	156,266
- Canada	1,939	4,570
	$175,829	$160,836

Years ended December 31	2007			2006 (Restated)		
	Mexico	Canada	Total	Mexico	Canada	Total
	($000)	($000)	($000)	($000)	($000)	($000)
Revenues	74,028	-	74,028	54,655	-	54,655
Earnings/(loss)	9,438	(6,504)	2,934	9,156	(9,505)	(349)

16. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share has been calculated as presented in the table below:

Years ended December 31	2007	2006 Restated
	($000)	($000)
Earnings/(loss)	2,934	(349)
Conversion of convertible debentures (Note 10)	-	(5,990)
Net earnings (loss) available to common shareholders	2,934	(6,339)
Weighted average number of common shares outstanding		
- basic	94,065,000	87,607,000
- diluted	96,427,000	87,607,000
Earnings (loss) per share		
- basic and diluted	$0.03	($0.07)

17. COMMITMENTS AND CONTINGENCIES

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.

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 resident in 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. In 2007, the Company capitalized approximately $2,178,000 in property acquisition, relocation benefits, legal and related costs. The Company has also recognized a liability of $1,453,000 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, 2007. The discounted value of the liability was capitalized to mineral property, plant and equipment. Although 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.

18) INCOME TAXES

a) **Restatement**

During the year, the Company noted that the filing of a prior year tax return in Mexico had resulted in the overstatement of future tax assets and the understatement of future tax expense in the amount of approximately $2 million. The prior year financial statements have been restated to reflect this correction.

The prior year financial statements have also been adjusted to recognize a future tax liability related to the 2003 acquisition of National Gold Corporation, the company which previously owned the Company's wholly-owned subsidiary, Minas de Oro Nacional, S.A. de C.V. and related mineral properties. No future tax liability had previously been recorded in respect of the portion of mineral properties acquired for which there was no tax basis. The value attributed to the underlying mineral properties and related expenditures on the allocation of the purchase price has been increased by approximately $3.9 million to reflect future tax liabilities totaling approximately $3.9 million. As a result, amortization expense and accumulated amortization for 2006 increased by $270,000. These non-cash adjustments have no impact on the Company's net cash flows, cash balances or accumulated deficit as at December 31, 2005.

Amounts included within these financial statements and accompanying notes have been adjusted to reflect the above restatement. The impact of the restatement on the December 31, 2006 results is as follows:

	2006 Previously reported	Change	2006 Restated
	($000)		($000)
Balance sheet as at December 31			
Mineral property, plant and equipment	113,850	3,625	117,475
Future income tax liability	1,000	5,950	6,950
Deficit	27,617	2,325	29,942
Statement of operations for the year ended December 31, 2006			
Amortization	7,821	270	8,091
Future income tax expense	1,000	2,055	3,055
Earnings (loss)	1,976	(2,325)	(349)
Loss per share – basic and diluted	($0.05)	($0.02)	($0.07)

b) Rate Reconciliation

The reconciliation of the expected tax expense at a combined statutory rate of 36% and provision for income tax expense is:

December 31	2007	2006 Restated
	($000)	($000)
Earnings before income taxes	6,374	2,831
Expected tax expense at statutory income tax rate	2,295	1,020
(Decrease)/increase resulting from:		
Difference in foreign tax rates	(930)	(1,000)
Non-deductible accretion expense	25	300
Non-deductible stock-based compensation expense	1,230	700
Non-taxable (gain)/deductible loss	(125)	200
Change in foreign exchange rates	(3,570)	(400)
Inflation net taxable gains	1,040	600
Withholding tax	545	125
Reduction in Canadian future income tax rates	2,560	-
Valuation allowance	370	1,635
Income tax expense	3,440	3,180

c) **Future tax reconciliation**

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

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)**

December 31, 2006 (Restated)	Canada	Mexico	Total
	($000)	($000)	($000)
Future tax assets			
Non-capital losses	7,650	4,994	12,644
Capital losses	2,580	-	2,580
Investments	80	-	80
Financing charges	1,280	-	1,280
Asset retirement obligations	-	740	740
Valuation allowance	(11,530)	-	(11,530)
	60	5,734	5,794
Future tax liabilities			
Inventory	-	(1,247)	(1,247)
Mineral property, plant and equipment	(60)	(11,437)	(11,497)
	(60)	(12,684)	(12,744)
Net future tax liabilities	**-**	**(6,950)**	**(6,950)**

d) Loss Carry-forwards

Non-capital losses available in Canada to be utilized in subsequent years are approximately $25 million expiring between 2008 and 2026. Losses in Mexico amount to approximately $5 million and expire over a 10-year period.

19. RECLASSIFICATION

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