# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

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# FORM 40-F

**(Check One)**

¨ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

**or**

x **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

**For the fiscal year ended December 31, 2012** **Commission file number: 001-35783**

# ALAMOS GOLD INC.

**(Exact name of registrant as specified in its charter)**

| **British Columbia** | **1040** | **Not Applicable** |
|---|---|---|
| (Province or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number (if applicable)) | (I.R.S. Employer Identification Number) |

**2200-130 Adelaide Street West**
**Toronto, Ontario, Canada, M5H 3P5**
**(416) 368-9932**
(Address and Telephone Number of Registrant's Principal Executive Offices)

**Torys LLP**
**1114 Avenue of the Americas**
**23rd Floor**
**New York, New York 10036**
**Attention: Mile T. Kurta**
**(212) 880-6000**

**(Name, Address (Including Zip Code) and Telephone Number (Including Area Code) of Agent For Service in the United States)**

Securities registered or to be registered pursuant to Section 12(b) of the Act.

| Title of Each Class | Name Of Exchange On Which Registered |
|---|---|
| **Common Shares, Without Par Value** | **The New York Stock Exchange** |

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Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **Common Shares, Without Par Value**

For annual reports, indicate by check mark the information filed with this Form:

X Annual Information Form X Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 120,871,408 Common Shares, Without Par Value

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports); and (2) has been subject to such filing requirements for the past 90 days.

Yes ¨ No X

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes ¨ No ¨

**Principal Documents**

The following documents, filed as Exhibits 99.1 through 99.3 hereto, are hereby incorporated by reference into this Annual Report on Form 40-F (this "Form 40-F"):

(a) Annual Information Form, dated March 28, 2013, for the Year Ended December 31, 2012 (filed as Exhibit 99.1 hereto);

(b) Management's Discussion and Analysis for the Annual Audited Consolidated Financial Statements for the Year Ended December 31, 2012 (filed as Exhibit 99.2 hereto); and

(c) Annual Audited Consolidated Financial Statements for the Year Ended December 31, 2012, including Consolidated Statements of Financial Position as at December 31, 2012 and December 31, 2011 and Consolidated Statements of Comprehensive Income and Changes in Equity and Cash Flows for the Years Ended December 31, 2012 and December 31, 2011 and Related Notes, together with the Auditor's Report thereon, contained therein(filed as Exhibit 99.3 hereto).

**FORWARD-LOOKING STATEMENTS**

This Form 40–F and the exhibits attached hereto contain "forward–looking statements" within the meaning of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and applicable Canadian securities laws, concerning Alamos Gold Inc.'s ("Alamos" or the "registrant") plans for its properties and other matters. All statements other than statements of historical fact included in this Form 40–Fand the exhibits attached hereto, including, without limitation, statements regarding forecast gold production, gold grades, recoveries, waste-to-ore ratios, total cash costs, 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 that 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's expectations include risks related to the on-going business of Alamos, including 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 risk factors described in the section entitled "Risk Factors" in Alamos's Annual Information Form, dated March 28, 2013 for the Year Ended December 31, 2012, attached hereto as Exhibit 99.1. 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.

## ADDITIONAL DISCLOSURE

**Certifications and Disclosure Regarding Controls and Procedures**

(a) Certifications. See Exhibits 99.4 through 99.7 to this Form 40-F.

(b) Disclosure Controls and Procedures.

As of the end of Alamos's fiscal year ended December 31, 2012, Alamos's principal executive officer and principal financial officer carried out an evaluation of the effectiveness of Alamos's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon that evaluation, Alamos's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year Alamos's disclosure controls and procedures were effective to ensure that information required to be disclosed by Alamos in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission (the "SEC") rules and forms and (ii) accumulated and communicated to the registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

It should be noted that, while Alamos's principal executive officer and principal financial officer believe that Alamos's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that Alamos's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) Management's Annual Report on Internal Control Over Financial Reporting.

This Form 40-F does not include a report of management's assessment regarding internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) or an attestation report of Alamos's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

(d) Attestation Report of the Registered Public Accounting Firm. See item (c) immediately above.

(e) Changes in Internal Control over Financial Reporting. During the fiscal year ended December 31, 2012, there were no changes in Alamos's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Alamos's internal control over financial reporting.

**Notices Pursuant to Regulation BTR**

None.

**Audit Committee Financial Experts**

Alamos's board of directors has determined that each of Mark Wayne and Paul Murphy, members of its audit committee, is an "audit committee financial expert" (as such term is defined in Form 40-F) and that each of Anthony Garson, Paul Murphy and Mark Wayne is "independent" (as defined in the listing standards of the New York Stock Exchange (the "NYSE")).

**Code of Ethics**

Alamos has adopted a "code of ethics" (as that term is defined in Form 40-F), entitled Code of Business Conduct and Ethics (the " Code of Ethics"), that applies to all of its directors, officers and employees.

The Code of Ethics is available for viewing on Alamos's website at www.alamosgold.com and is available in print to any shareholder who requests it. Requests for copies of the Code of Ethics should be made by contacting: Matthew Howorth, VP Legal of Alamos, 130 Adelaide Street West, Suite 2200, Toronto, Ontario, Canada M5H 3P5, telephone: (416) 368-9932. Alternatively, requests may be sent by e-mail to mhoworth@alamosgold.com.

All amendments to the Code of Ethics, and all waivers of the Code of Ethics with respect to any director, officer or employee of Alamos, will be posted promptly on Alamos's website.

**Principal Accountant Fees and Services**

Ernst & Young LLP ("Ernst & Young") is Alamos's external auditor. From time to time, Ernst & Young has provided consulting and other non-audit services to Alamos and its subsidiaries.

The information set forth under the heading "External Auditor Services Fees" of Alamos's annual information form for the fiscal year ended December 31, 2012, attached hereto as Exhibit 99.1, is incorporated by reference herein. None of the fees billed by Ernst & Young during such period were for non-audit related services.

The audit committee of Alamos's board of directors has determined that the provision of these services is compatible with the maintenance of the independence of Ernst & Young.

**Pre-Approval Policies and Procedures**

The Alamos audit committee has adopted specific policies and procedures for the engagement of non-audit services that require the auditors to submit to the audit committee a proposal for services to be provided and a cost estimate for approval. For the fiscal year ended December 31, 2012, Alamos's audit committee did not approve any non-audit services.

**Off-Balance Sheet Arrangements**

Alamos does not have any off-balance sheet arrangements (as defined in General Instruction B. (11) of Form 40-F).

**Disclosure of Contractual Obligations**

The information provided in the management's discussion and analysis for the annual audited consolidated financial statements for the year ended December 31, 2012 incorporated by reference in this Form 40-F contains Alamos's disclosure of contractual obligations and is incorporated by reference herein.

**Identification of the Audit Committee**

Alamos has a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of Alamos's audit committee are: Paul J. Murphy (Chairman), Mark Wayne and Anthony Garson.

**DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES**

Alamos is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this Form 40-F in accordance with Canadian disclosure requirements, which are different from those of the United States. Alamos is also subject to Canadian auditing and auditor independence standards, which are different from U.S. auditing and auditor independence standards, respectively.

Alamos's annual audited consolidated financial statements as at and for the fiscal year ended December 31, 2012 filed with this Form 40-F have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Alamos adopted IFRS on January 1, 2011, with a transition date of January 1, 2010. Prior to January 1, 2010, Alamos prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Under IFRS 1, IFRS is applied retrospectively at the transition date of January 1, 2010 with all adjustments to assets and liabilities as stated under Canadian GAAP taken to retained earnings (deficit) unless certain exemptions are applied. Please see Note 20

– *IFRS Transition from Previous GAAP* to Alamos's financial statements for the year ended December 31, 2011 for an explanation of Alamos's adoption of IFRS and any adjustments made as a result. Accordingly, Alamos's financial statements, including those prepared after the date of this Form 40-F, may not be comparable to those prepared by U.S. companies. In addition, Alamos is not required to prepare a reconciliation of its financial statements between IFRS and U.S. generally accepted accounting principles, and has not quantified such differences, which may be significant.

The documents incorporated by reference into this Form 40-F have been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of United States securities laws. Unless otherwise indicated, all resource and reserve estimates included in the documents incorporated by reference into this Form 40-F have been prepared in accordance with National Instrument 43-101 -*Standards of Disclosure for Mineral Projects* ("NI 43-101") and the Canadian Institute of Mining, Metallurgy and Petroleum (the " CIM") - *CIM Definition Standards on Mineral Resources and Mineral Reserves*, adopted by the CIM Council, as amended. NI 43-101 is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the CIM standards. These definitions differ from the definitions in SEC Industry Guide 7 ("SEC Industry Guide 7") under the United States Securities Act of 1933, as amended, and the Exchange Act. Under SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101 and the CIM standards; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into reserves. "Inferred mineral resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre–feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained ounces" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures.

Accordingly, information contained in this Form 40-F and the documents incorporated by reference herein containing descriptions of Alamos's mineral deposits may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.

## TAX MATTERS

Purchasing, holding or disposing of Alamos's securities may have tax consequences under the laws of the United States, Canada and other jurisdictions that are not described in this Form 40-F.

## NYSE CORPORATE GOVERNANCE

Alamos's common shares are listed on the NYSE. Sections 103.00 and 303A.11 of the NYSE Listed Company Manual permit "foreign private issuers" (as defined in Rule 3b-4 under the Exchange Act) to follow home country practices in lieu of certain provisions of the NYSE Listed Company Manual. A foreign private issuer that follows home country practices in lieu of certain provision of the NYSE Listed Company Manual must disclose any significant ways in which its corporate governance practices differ from those followed by domestic companies either on its website or in the annual report that it distributes to shareholders in the United States. A description of the significant ways in which Alamos's corporate governance practices differ from those followed by domestic companies pursuant to NYSE standards is as follows:

*Shareholder Meeting Quorum Requirement*: The NYSE is of the opinion that the quorum required for any meeting of shareholders should be sufficiently high to insure a representative vote. Alamos's quorum requirement is set forth in its Articles. A quorum for a meeting of Alamos's shareholders is two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the shares entitled to be voted at the meeting.

*Proxy Delivery Requirement*: The NYSE requires the solicitation of proxies and delivery of proxy statements for all shareholder meetings, and requires that these proxies shall be solicited pursuant to a proxy statement that conforms to the SEC's proxy solicitation and disclosure rules. As a foreign private issuer, Alamos is exempt from the proxy solicitation and disclosure rules set forth in Sections 14(a), 14(b), 14(c) and 14(f) of the Exchange Act. Alamos solicits proxies in accordance with applicable rules and regulations in Canada.

*Shareholder Approval Requirement: Alamos* intends to follow Toronto Stock Exchange ("TSX") rules for shareholder approval of new issuances of its common shares. In accordance with TSX rules, shareholder approval is required for certain issuances of shares that: (i) materially affect control of Alamos; or (ii) provide consideration to insiders in aggregate of 10% or greater of the market capitalization of the listed issuer and have not been negotiated at arm's length. Shareholder approval is also required, pursuant to TSX rules, in the case of private placements: (x) for an aggregate number of listed securities issuable greater than 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of closing of the transaction if the price per security is less than the market price; or (y) that during any six-month period are to insiders for listed securities or options, rights or other entitlements to listed securities greater than 10% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis, prior to the date of the closing of the first private placement to an insider during the six-month period.

*Equity Compensation Plans*: Unlike the NYSE rules, there is no requirement in Canada for shareholder approval of compensation arrangements settled solely in cash or with shares purchased in the open market at fair value or for amendments to such arrangements. Alamos intends to comply with the TSX rules that require a listed company to obtain shareholder approval of any share compensation arrangement that involves the issuance of shares from treasury or to make amendments to such arrangements that require shareholder approval (in accordance with the TSX rules and the terms of such arrangement).

The foregoing are consistent with Canadian laws, customs and practices.

Independence of Directors

Alamos's board of directors has determined that five of its six directors, comprising a majority of the board, are "independent directors," as that term is defined in the rules of the NYSE, and that none of these five directors has a material relationship with Alamos that would impair his independence from management or otherwise compromise his ability to act as an independent director.

The directors who have been determined to be independent on this basis are: Anthony Garson, Paul Murphy, David Gower, Mark Wayne and Ken Stowe.

Presiding Director at Meetings of Independent Directors

Alamos schedules regular meetings in which its independent directors meet without the participation of management and non-independent directors. Mark Wayne, the chair of the board of directors, serves as the chair at such sessions.

Communication with Independent Directors

Shareholders may send communications to the registrant's independent directors by contacting Matthew Howorth, VP Legal of Alamos, 130 Adelaide Street West, Suite 2200, Toronto, Ontario, Canada M5H 3P5, telephone: (416) 368-9932. Alternatively, communications may be sent by e-mail to mhoworth@alamosgold.com. Communications will be referred to Mark Wayne, Chairman of the Board of Directors of Alamos, for appropriate

action. The status of all outstanding concerns addressed to Matthew Howorth will be reported to the board of directors as appropriate.

Corporate Governance Guidelines

The rules of the NYSE require listed companies to adopt and disclose a set of corporate governance guidelines with respect to specified topics. Such guidelines are required to be posted on the listed company's website. Alamos's corporate governance principles are available for viewing on its web site at *www.alamosgold.com* under *Corporate Responsibility*.

Board and Committee Charters

Alamos's board of directors mandate and the charters for its audit committee, compensation committee, technical, environmental, social and employees' health and safety committee, and corporate governance and nominating committee are available for viewing on its web site at *www.alamosgold.com* under *Corporate Responsibility* and are available in print to any shareholder who requests them. Requests for copies of these documents should be made by contacting Matthew Howorth, VP Legal of Alamos, 130 Adelaide Street West, Suite 2200, Toronto, Ontario, Canada M5H 3P5, telephone: (416) 368-9932. Alternatively, requests may be sent by e-mail to mhoworth@alamosgold.com.

## MINE SAFETY DISCLOSURE

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities under the regulation of the Federal Mine Safety and Health Administration ("MSHA") under the Federal Mine Safety and Health Act of 1977, as amended (the "Mine Act"). During the fiscal year ended December 31, 2012, Alamos did not have any mines in the United States subject to regulation by MSHA under the Mine Act.

## UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

**A. Undertaking.**

The registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to: the securities registered pursuant to Form 40-F, the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

**B. Consent to Service of Process.**

(1) The registrant has previously filed a Form F-X in connection with the class of securities in relation to which the obligation to file this report arises.

(2) Any change to the name or address of the agent for service of the registrant shall be communicated promptly to the SEC by amendment to Form F-X referencing the file number of the registrant.

**SIGNATURES**

Pursuant to the requirements of the United States Securities Exchange Act of 1934, as amended, the registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Date: March 29, 2013

**ALAMOS GOLD INC.**

By: */s/* Matthew Howworth
Name: Matthew Howworth
Title: Vice President, Legal

**EXHIBIT INDEX**

| Exhibit | Description |
|---|---|
| | **Annual Information** |
| 99.1 | Annual Information Form, dated March 28, 2013 for the Year Ended December 31, 2012 |
| 99.2 | Management's Discussion and Analysis for the Annual Audited Consolidated Financial Statements for the Year Ended December 31, 2012 |
| 99.3 | Annual Audited Consolidated Financial Statements for the Year Ended December 31, 2012, including Consolidated Statements of Financial Position as at December 31, 2012 and December 31, 2011 and Consolidated Statements of Comprehensive Income and Changes in Equity and Cash Flows for the Years Ended December 31, 2012 and December 31, 2011 and Related Notes, together with the Auditors' Report thereon, contained therein |
| 99.4 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 |
| 99.5 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 |
| 99.6 | Section 1350 Certification of Chief Executive Officer |
| 99.7 | Section 1350 Certification of Chief Financial Officer |
| 99.8 | Consent of Ernst & Young LLP |

**Exhibit 99.1**



**ALAMOS GOLD INC.**

Suite 2200 – 130 Adelaide Street West
Toronto, Ontario M5H 3P5
416-368-9932

# ANNUAL INFORMATION FORM

for the year ended December 31, 2012

March 28, 2013

**ALAMOS GOLD INC.**
**ANNUAL INFORMATION FORM**
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**ANNUAL INFORMATION FORM**
**("AIF")**
**ALAMOS GOLD INC.**
**(the "Company")**

**PRELIMINARY NOTES**

***Effective Date of Information***

The information in this AIF is current as of March 28, 2012, unless otherwise stated herein.

***Currency and Exchange Rates***

All dollar amounts in this AIF are expressed in United States dollars, unless otherwise indicated ("CAD" denotes Canadian dollars). The following table sets forth the value of the Canadian dollar expressed in United States dollars on December 31 of each year and the average, high and low exchange rates during the year indicated based on the noon rate of exchange as reported by the Bank of Canada:

| Canadian Dollars into United States Dollars | 2012 | 2011 | 2010 |
|---|---|---|---|
| Closing | $1.0051 | $0.9833 | $1.0054 |
| Average | $0.9937 | $1.0114 | $0.9710 |
| High | $1.0299 | $1.0583 | $1.0054 |
| Low | $0.9599 | $0.9430 | $0.9278 |

The noon rate of exchange on March 27, 2013, as reported by the Bank of Canada for the conversion of Canadian dollars into United States dollars was CAD$1.017 equals US$1.000.

***Imperial Equivalents***

For ease of reference, the following factors for converting metric measurements to imperial equivalents are provided:

| To Convert From Metric | To Imperial | Multiply by |
|---|---|---|
| Hectares | Acres | 2.471 |
| Metres | Feet (ft.) | 3.281 |
| Kilometres (km.) | Miles | 0.621 |
| Tonnes | Tons (2000 pounds) | 1.102 |
| Grams/tonne | Ounces (troy/ton) | 0.029 |

***Forward-Looking Statements***

This AIF contains forward-looking statements within the meaning of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), and applicable Canadian securities laws, concerning the Company's plans for its properties and other matters. All statements other than statements of historical fact included in this AIF, including, without limitation, statements regarding forecast gold production, gold grades, recoveries, waste-to-ore ratios, total cash costs, potential mineralization and reserves, exploration results, and future plans and objectives of the Company, 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.

Exploration results that include geophysics, sampling, and drill results on wide spacings may not be indicative of the occurrence of a mineral deposit. Such results do not provide assurance that further work will establish sufficient grade, continuity, metallurgical characteristics and economic potential to be classed as a category of mineral resource. A mineral resource that is classified as “inferred” or “indicated” has a great amount of uncertainty as to its existence and economic and legal feasibility. It cannot be assumed that any or part of an “indicated mineral resource” or “inferred mineral resource” will ever be upgraded to a higher category of resource. Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into proven and probable reserves.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be “forward-looking statements”. Forward-looking statements are subject to a variety of risks and uncertainties that 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 the Company’s expectations include risks related to the on-going business of the Company, including 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 risk factors described in the section entitled “Risk Factors” in this AIF. Although the Company 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.

***Mineral Reserve and Resource Estimates***

Unless otherwise indicated, all resource and reserve estimates included in this AIF have been prepared in accordance with National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) - *CIM Definition Standards on Mineral Resources and Mineral Reserves* , adopted by the CIM Council, as amended. NI 43-101 is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. The terms “mineral reserve”, “proven mineral reserve” and “probable mineral reserve” are Canadian mining terms as defined in accordance with NI 43-101 and the CIM standards. These definitions differ from the definitions in SEC Industry Guide 7 (“SEC Industry Guide 7”) under the United States Securities Act of 1933, as amended, and the Exchange Act. Under SEC Industry Guide 7 standards, a “final” or “bankable” feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves and the primary environmental analysis or report must be filed with the appropriate governmental authority.

In addition, the terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in and required to be disclosed by NI 43-101 and the CIM standards; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be

assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre–feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures.

## GLOSSARY

In this AIF unless otherwise defined or unless there is something in the subject matter or context inconsistent therewith, the following terms have the meanings set forth herein or therein:

| | |
|---|---|
| **"Ag"** | Silver. |
| **"Ağı Dağı and Kirazli Projects"** | Advanced-stage gold development projects located in the Çanakkale province in the Biga Peninsula of northwestern Turkey. The Ağı Dağı property (the "Ağı Dağı Project" or "Ağı Dağı") consists of 10,525 hectares of mineral tenure in eleven (11) contiguous licences. The Kirazli property (the "Kirazli Project" or "Kirazli") is situated 25 kilometres to the northwest of the Ağı Dağı property and consists of 1,541 hectares of mineral tenure in two (2) contiguous licenses. |
| **"Alamos Minerals"** | Alamos Minerals Ltd., a company which amalgamated with National Gold on February 21, 2003 to form the Company. |
| **"Au"** | Gold. |
| **"Çamyurt Project"** | An early-stage development mineral project located approximately three km southeast of the Company's Ağı Dağı Project. |
| **"Company" or "Alamos"** | Alamos Gold Inc., including, unless the context otherwise requires, the Company's subsidiaries. |
| **"Cu"** | Copper. |
| **"dacite"** | The extrusive (volcanic) equivalent of quartz-diorite. |
| **"dome"** | An uplift or anticlinal structure, either circular or elliptical in outline, in which the rocks dip gently away in all directions. |
| **"dore"** | Unrefined gold and silver bullion bars, which will be further refined to almost pure metal. |
| **"EIA"** | Environmental Impact Assessment report. |
| **"Ejido"** | Mulatos Ejido, a local community of people who own the surface rights to an area of land covering all of the known mineral deposits in the Mulatos area of the Salamandra Concessions. |
| **"feasibility study"** | A comprehensive study of a deposit in which all geological, engineering, operating, economic and other relevant factors are considered in sufficient detail that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production. |
| **"Fronteer"** | Fronteer Development Group Inc., the 40% vendor of the Ağı Dağı and Kirazli Projects. |
| **"Fronteer Teck Agreement"** | The share purchase agreement among Teck, Fronteer, the Company, Teck Madencilik Sanayi Ticaret A.S., Fronteer Investment Inc. and Fronteer Eurasia Madencilik Anonim Sirketi dated December 7, 2009 pursuant to which the Company acquired all of the issued and outstanding shares in the capital of Kuzey Biga Madencilik Sanayi Ticaret A.Ş, Doğu Biga Madencilik Sanayi Ticaret A.Ş and Alamos Eurasia Madencilik A.Ş, Turkish subsidiaries of Fronteer and Teck which were the vendors of the Ağı Dağı and Kirazli Projects. |
| **"grade"** | Term used to indicate the concentration of an economically desirable mineral or element in its host rock as a function of its relative mass. With gold, this term may be expressed as grams per tonne (g/t) or ounces per tonne (opt). |
| **"HQ diameter"** | 2.4 inch diameter drill hole. |

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| **"IFRS"** | International financial reporting standards, the accounting principles used by the Company. |
| **"indicated resource" or "indicated mineral resource"** | That part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. |
| **"inferred resource" or "inferred mineral resource"** | That part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. |
| **"Kennecott"** | Kennecott Minerals Company. |
| **"Kennecott Assignment Agreement"** | An assignment agreement between Royal Gold and Kennecott dated January 5, 2006 whereby Kennecott assigned its 30% interest in the Placer Kennecott Royalty to Royal Gold. |
| **"km"** | Kilometres. |
| **"leaching"** | The separation, selective removal or dissolving-out of soluble constituents from a rock or ore body by the natural actions of percolating solutions. |
| **"m"** | Metres. |
| **"the Mine" or "the Mulatos Mine"** | The Mulatos Mine consists of an open pit heap leach operation located within the Company's Salamandra Concessions in Sonora, Mexico. |
| **"Mineral Reserve"** | The economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economics and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that occur when the material is mined and processed. |
| **"M3" or "M3 Engineering"** | M3 Engineering and Technology Corporation. |
| "**M3 July 14, 2004 Report**" | A technical report prepared for the Company by M3 Engineering entitled "Technical Report – the Estrella Pit Development Mulatos Sonora Mexico" dated June 17, 2004 (as revised July 14, 2004) which incorporates a summary of technical information from the 2004 Feasibility Study. |
| **"measured resource" or "measured mineral resource"** | That part of a mineral resource for which quantity, grade or quality, densities, shape, physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. |
| **"Minera San Augusto"** | Minera San Augusto, S.A. de C.V., owned 70% by Placer Dome and 30% by Kennecott, and the original vendor of the Salamandra Concessions. |

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| **"mineral resource"** | A concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. The term "mineral resource" covers mineralization and natural material of intrinsic economic interest which has been identified and estimated through exploration and sampling and within which mineral reserves may subsequently be defined by the consideration and application of technical, economic, legal, environmental, socio-economic and governmental factors. The phrase "reasonable prospects for economic extraction" implies a judgment by the Qualified Person in respect of the technical and economic factors likely to influence the prospect of economic extraction. A mineral resource is an inventory of mineralization that under realistically assumed and justifiable technical and economic conditions might become economically extractable. The term "mineral resource" used in this AIF is a Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum (the "CIM") Standards on Mineral Resource and Mineral Reserves Definitions and guidelines adopted by the CIM Council on August 20, 2000 (the "CIM Standards"). |
| **"MON" or "Minas de Oro Nacional"** | Minas de Oro Nacional, S.A. de C.V. (formerly, O.N.C. de Mexico, S.A. de C.V.), a Mexican corporation which is a wholly-owned subsidiary of the Company. |
| **"National Gold"** | National Gold Corporation, a British Columbia company which amalgamated with Alamos Minerals on February 21, 2003 to form the Company. |
| **"net smelter return royalty/Net Smelter Royalty"** | A payment made by a producer of metals based on the value of the gross metal production from the property, less deduction of certain limited costs including, but not necessarily limited to, smelting, refining, transportation and insurance costs. |
| **"New Surface Agreement"** | A surface rights agreement dated May 27, 2004 between Minas de Oro Nacional and the Ejido regarding a lease of surface rights required to perform different mining works and activities and to set up infrastructure for the Company's exploration and exploitation of certain mining concessions on the Salamandra Concessions. The New Surface Agreement supersedes the 1995 Surface Agreement. |
| **"NYSE"** | New York Stock Exchange. |
| **"NI 43-101"** | National Instrument 43-101 – Standards of Disclosure for Mineral Projects. A rule developed by the Canadian Securities Administrators (an umbrella group of Canada's provincial and territorial securities regulators) that governs public disclosure by mining and mineral exploration issuers. The rule establishes certain standards for all public disclosure of scientific and technical information concerning mineral projects. |
| **"NQ diameter"** | 1.75 inch diameter drill hole. |
| **"ore"** | A natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated. |
| **"ounces" or "oz"** | A measure of weight in gold and other precious metals, correctly troy ounces, which weigh 31.2 grams as distinct from an imperial ounce which weighs 28.4 grams. |
| **"Placer" or "Placer Dome"** | Placer Dome Inc., which was acquired by Barrick Gold Corporation ("Barrick") and amalgamated with Barrick in 2006. |

**"Placer Assignment Agreement"** An assignment agreement between Royal Gold and Barrick dated October 1, 2008 whereby Barrick assigned its 70% interest in the Placer Kennecott Royalty to Royal Gold.

**"Placer Kennecott Royalty" or "Royal Gold Royalty"** A royalty that is currently payable to Royal Gold pursuant to the Kennecott Assignment Agreement and the Placer Assignment Agreement. Under the RTE Agreement, a royalty payable to Tenedoramex and Kennecott on an aggregate basis and divided between them, beginning on the date of commencement of commercial production until such time as the first 2,000,000 ounces of gold have been mined, processed and sold (or deemed sold) from the Salamandra Concessions:

i. 2% of the Net Smelter Returns (as defined in the RTE Agreement) in respect of all Products (as defined in the RTE Agreement) mined and sold (or deemed sold) by Minas de Oro Nacional from the Salamandra Concessions; and

ii. the applicable percentage based on the average Gold Price (as defined in the RTE Agreement) as published in the Wall Street Journal for the calendar quarter in which the royalty is payable of the Net Smelter Returns in respect of all silver and gold Products (as defined in the RTE Agreement) mined and sold (or deemed sold) by Minas de Oro Nacional from the Salamandra Concessions as follows:

| Gold Price Range | Net Smelter Return Royalty 100% Basis |
|---|---|
| US$0.00/oz to US$299.99/oz | 1.0% |
| US$300.00/oz to US$324.99/oz | 1.5% |
| US$325.00/oz to US$349.99/oz | 2.0% |
| US$350.00/oz to US$374.99/oz | 3.0% |
| US$375.00/oz to US$399.99/oz | 4.0% |
| US$400.00/oz or higher | 5.0% |

The term "Products" (as defined in the RTE Agreement) means ores, minerals, or other commercially valuable products, except any fraction thereof comprising or deemed to comprise Gold and Silver Products, mined from the Salamandra Concessions.

The term "Gold and Silver Products" (as defined in the RTE Agreement) means ores, minerals, or other commercially valuable products containing gold or silver mined from the Salamandra Concessions, provided that where such products contain a combination of gold and silver and other commercially viable metals or minerals, Gold and Silver Products shall be deemed to comprise that fraction of such products as represents the proportionate commercial value of the gold and silver contained in such products, with the remaining fraction of such products deemed to be Products.

**"ppm"** parts per million.

**"ppb"** parts per billion.

**"PQ diameter"** 3.2-inch drill hole diameter.

**"preliminary feasibility study"** A comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a Qualified Person, acting reasonably, to determine if all or part of the Mineral Resource may be classified as a Mineral Reserve.

**"probable mineral reserve"** The economically mineable part of an indicated and, in some circumstances, a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economics and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

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| **"proven mineral reserve" or "proven reserve"** | The economically mineable part of a measured mineral resource demonstrated by at least a preliminary feasibility study. This study must include adequate information on mining, processing, metallurgical, economics and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified. |
| **"QA/QC"** | Quality assurance/quality control. |
| **"Qualified Person"** | Conforms to that definition under NI 43-101 for an individual:<br>(a) is an engineer or geoscientist with a university degree, or equivalent accreditation, in an area of geoscience, or engineering, relating to mineral exploration or mining;<br>(b) has at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these, that is relevant to his or her professional degree or area of practice;<br>(c) has experience relevant to the subject matter of the mineral project and the technical report;<br>(d) is in good standing with a professional association; and<br>(e) in the case of a professional association in a foreign jurisdiction, has a membership designation that: (i) requires attainment of a position of responsibility in their profession that requires the exercise of independent judgment; and (ii) requires a favourable confidential peer evaluation of the individual's character, professional judgement, experience, and ethical fitness or a recommendation for membership by at least two peers, and demonstrated prominence or expertise in the field of mineral exploration or mining. |
| **Royal Gold** | Royal Gold Inc. is a royalty holding company that acquired the 30% Kennecott portion of the Placer Kennecott Royalty effective January 5, 2006, and acquired the other 70% of the royalty from Barrick effective October 1, 2008. |
| **"RQD"** | Rock quality designation. |
| **"RTE Agreement"** | A royalty agreement between Minas de Oro Nacional and Minera San Augusto dated March 23, 2001 describing, among other things, the Placer Kennecott Royalty. |
| **"Salamandra Concessions"** | The Salamandra group of mineral concessions held by the Company's Mexican subsidiary, Minas de Oro Nacional, currently comprising an area of approximately 30,536 hectares in 44 concessions located in the State of Sonora, Mexico. |
| **"Scoping Study or Preliminary Economic Assessment"** | A technical report prepared for the Company by KD Engineering entitled "Technical report on the Ağı Dağı- Kirazli Gold Project, Çanakkale Province, Republic of Turkey" dated March 12, 2010 and filed at www.sedar.com on March 29, 2010. |
| **"Technical Report Kirazli & Ağı Dağı Gold Project"** | On August 9, 2012, Alamos filed with the Canadian securities regulatory authorities a technical report pursuant to NI 43-101F1 with respect to the Kirazli Project and the Ağı Dağı Project entitled "NI 43-101 Technical Report Kirazli & Ağı Dağı Gold Project" dated July 31, 2012 with an effective date of June 30, 2012. |
| **"Technical Report Update (2012) - Mulatos Mine"** | On January 14, 2013, Alamos filed with the Canadian securities regulatory authorities a technical report pursuant to NI 43-101F1 with respect to the Mulatos Mine entitled "Minas de Oro Nacional, S.A. de C.V. – Mulatos Project – Technical Report Update (2012)" dated December 21, 2012. |
| **"Teck"** | Teck Resources Limited, the 60% vendor of the Ağı Dağı and Kirazli Projects. |
| **"Tenedoramex"** | Tenedoramex S.A., a wholly owned subsidiary of Placer Dome and a 70% owner of Minera San Augusto. |
| **"tpd"** | Tonnes per day. |

| | |
|---|---|
| **"TSX"** | The Toronto Stock Exchange. |
| **"TSXV"** | The TSX Venture Exchange. |
| **"1995 Surface Agreement"** | A surface rights agreement dated November 26, 1995 between Minera San Augusto and the Mulatos Ejido regarding a lease of surface rights required to perform different mining works and activities and to set up infrastructure for the Company's exploration and exploitation of certain mining concessions on the Salamandra Concessions. |
| **"2004 Feasibility Study"** | "Mulatos Feasibility Study Phase One - Estrella Pit" dated June 1, 2004, prepared by M3 Engineering containing a feasibility study of the Estrella zone within the Mulatos deposit on the Salamandra Concessions filed at www.sedar.com on July 22, 2004. |

## CORPORATE STRUCTURE

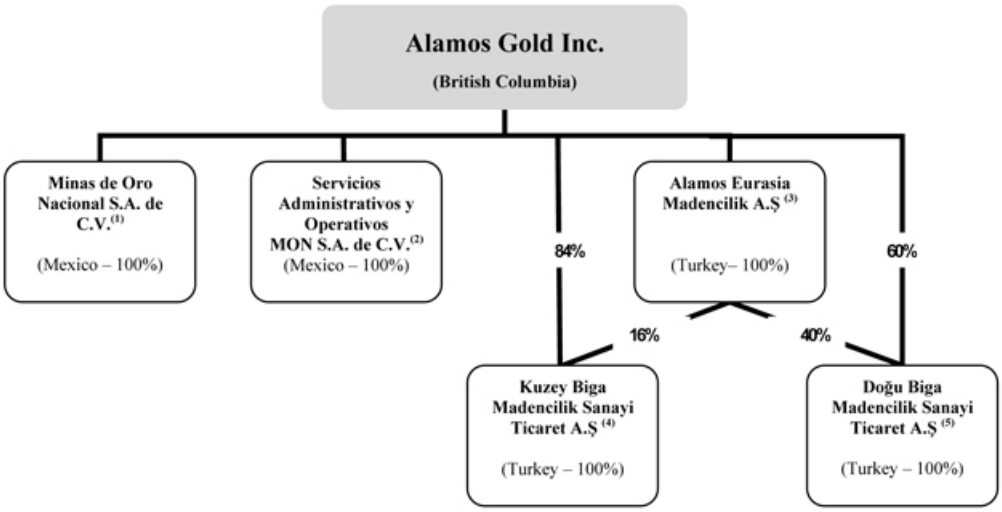
### Name and Incorporation

The name of the Company is “Alamos Gold Inc.”. The Company’s principal place of business is located at Suite 2200, 130 Adelaide Street West, Toronto, Ontario, Canada M5H 3P5, telephone: 416-368-9932, facsimile: 416-368-2934. The Company has administration offices in Hermosillo, Mexico and in Ankara, Turkey. The registered and records office of the Company is located at Suite 3350, Four Bentall Centre, 1055 Dunsmuir Street, P.O. Box 49222, Vancouver, British Columbia, Canada V7X 1L2.

Alamos was formed by the amalgamation of Alamos Minerals, a company incorporated under the laws of the Province of British Columbia, and National Gold Corporation, a company incorporated under the laws of the Province of Alberta, and continued into the Province of British Columbia under the former *Company Act* (British Columbia) on February 21, 2003, with the resulting amalgamated company continuing under the name “Alamos Gold Inc.”. The *Business Corporations Act* (British Columbia) (the “BCBCA”) came into force on March 29, 2004, and on July 15, 2004, after obtaining shareholder approval, Alamos altered its Notice of Articles to increase its authorized capital from 1,000,000,000 common shares without par value to an unlimited number of common shares without par value and adopted new articles that take advantage of certain business flexibilities available under the BCBCA. Alamos is a public corporation that is listed on the TSX and the NYSE under the symbol “AGI” and has a quoted market value of approximately $1.78 billion as of the close of trading on March 27, 2013.

### Intercorporate Relationships

In this AIF, unless the context otherwise requires, the terms “we”, “us”, “our”, and similar terms as well as references to “Alamos” or the “Company” refer to Alamos Gold Inc. together with its subsidiaries. As at March 28, 2013, the following diagram sets forth the Company’s intercorporate relationships with its active subsidiaries including the jurisdiction of incorporation or organization and the Company’s respective percentage ownership of each subsidiary.




(1) The authorized share capital of Minas de Oro Nacional consists of 50,000 fixed shares and an unlimited number of variable shares. The issued and outstanding capital of MON consists of 50,000 fixed shares and 485,624,800 variable shares. All of the variable shares are registered in the name of the Company. One of the 50,000 outstanding fixed shares

of MON is held for the benefit of the Company in the name of John McCluskey, the President and Chief Executive Officer of the Company.

(2) One of the 50,000 outstanding shares of Servicios Administrativos y Operativos MON S.A. de C.V. is held for the benefit of the Company in the name of John McCluskey, the President and Chief Executive Officer of the Company.

(3) Alamos Eurasia Madencilik A.S. ("Alamos Eurasia") has authorized and issued and outstanding share capital of an aggregate of 547,003 shares. The shares of Alamos Eurasia are distributed with 546,999 to Alamos, and one share each is held for the benefit of the Company by the following officers of the Company: Jamie Porter, Manley Guarducci, Charles Tarnocai and Han Ilhan.

(4) Kuzey Biga Madencilik Sanayi Ticaret A.Ş ("Kuzey Biga") has authorized and issued and outstanding share capital of 39,492,842 shares. The shares of Kuzey Biga are distributed with 32,997,042 to Alamos, 6,495,500 shares to Alamos Eurasia, and 100 shares each held for the benefit of the Company by the following officers of the Company: Charles Tarnocai, Manley Guarducci and Han Ilhan.

(5) Doğu Biga Madencilik Sanayi Ticaret A.Ş. ("Dogu Biga") has authorized and issued and outstanding share capital of 8,113,000 shares. The shares of Dogu Biga are distributed with 4,867,600 to Alamos, 3,245,100 shares to Alamos Eurasia, and 100 shares each held for the benefit of the Company by the following officers of the Company: Charles Tarnocai, Manley Guarducci and Han Ilhan.

## GENERAL DEVELOPMENT OF THE BUSINESS

### Three-Year History

Alamos is a mining company engaged in the mining and extraction of, and exploration for, precious metals, primarily gold. Alamos currently has one mine that is in production, the Mulatos Mine, located in the state of Sonora, Mexico. Alamos acquired the Mulatos Mine in February 2003. In January 2010, Alamos acquired the development-stage Ağı Dağı and Kirazli projects in the Biga district of northwestern Turkey. In 2011, Alamos discovered the Çamyurt project, which Alamos believes has the potential to become a viable stand-alone mining project. Camyurt is located approximately three kilometers from the Ağı Dağı Project.

In recent years, the focus at the Mulatos Mine has been on operational improvements designed to enhance the efficiency of the mine, and on exploration programs seeking to increase the Company's reserves and resources. In 2012, the Mulatos Mine produced 200,000 ounces of gold, representing the fifth consecutive year in which the Mulatos Mine has produced in excess of 150,000 ounces of gold. In the fiscal year ended December 31, 2012, Alamos generated revenues of $329.4 million, compared to $227.4 million in 2011. As at December 31, 2012, Alamos had in excess of $350 million in cash and cash equivalents and short-term investments.

#### *2010 Developments*

On January 6, 2010, the Company acquired the Ağı Dağı and Kirazli Projects through the purchase of three Turkish companies from Teck and Fronteer. The Company paid a total of $40 million cash and issued an aggregate of 4 million common shares to Teck (as to 60%) and Fronteer (as to 40%) in total consideration. Ağı Dağı and Kirazli are advanced-stage development projects that are within the Biga Mineral District, an established gold-copper mineral district located in northwestern Turkey. The Company spent approximately $9 million in 2010 on development and exploration activities related to these projects.

On January 7, 2010 the Company reported record quarterly gold production for the fourth quarter of 2009 of 48,000 ounces and full year 2009 production of 178,500 ounces. The primary factor contributing to higher than expected production was higher recoveries, resulting from several operating enhancements implemented throughout the year.

On January 12, 2010 the Company announced that drilling activities in 2009 at the San Carlos project in close proximity to the Mulatos mine were successful at identifying high-grade mineralization, and that further work was planned to further delineate the deposit in 2010.

On March 16, 2010 the Company reported record annual earnings of $56.0 million ($0.52 per basic share), in addition to announcing a semi-annual dividend of $0.03 per share payable commencing on April 30, 2010 to shareholders of record on April 15, 2010.

On March 29, 2010, the Company released the Scoping Study which reported indicated and inferred resources at Ağı Dağı and Kirazli, and that the development of the Ağı Dağı and Kirazli Projects was economic at then current gold prices and supported a decision to proceed to the preliminary feasibility study stage. Highlights of the Scoping Study included total initial and sustaining capital costs (inclusive of a 27% contingency) of $234.7 million, and average annual production of approximately 135,000 ounces of gold and 621,600 ounces of silver over an estimated mine life of approximately 8 years at an average total cash cost of $314 per ounce (with silver accounted for as a by-product credit). The Scoping Study indicated the potential economic viability of the Ağı Dağı and Kirazli Projects, and as a result the Company decided to proceed to the preliminary feasibility study stage.

On March 31, 2010, the Company reported a 17% increase in proven and probable reserves at Mulatos to 2.39 million ounces. The Company also announced a 13% increase in measured and indicated resources (exclusive of reserves) to 1.88 million ounces and an 11% decline in inferred resources. In addition, the Company reported its intention to expand crushing throughput capacity through the addition of a screening plant between the secondary and tertiary crushers at an estimated total cost of $6.5 million with completion targeted for the third quarter of 2010. The Company implemented the screening plant in the third quarter of 2010 at a total cost of approximately $7.3 million.

Effective September 17, 2010, the Company announced a 17% increase to its semi-annual dividend from $0.03 to $0.035 per share. In addition, the Company reported that it had entered into surface right access agreements that would allow exploration activities to commence at the Company's El Carricito exploration project, located approximately 20 km from the Mulatos Mine.

On December 9, 2010, the Company outlined its production guidance for 2011. Gold production for 2011 was forecast to be 160,000 to 175,000 ounces at a total cash cost (including the 5% royalty) of between $415 and $430 per ounce. Further, the Company reported plans to spend $48.1 million in capital in Mexico in 2011, focused primarily on production expansion. Development costs related to the Turkish projects were budgeted at $15 million, while exploration expenditures for both Mexico and Turkey were expected to total $18 million.

***2011 Developments***

On March 14, 2011, the Company reported a 43% increase to its semi-annual dividend to $0.05 per share payable on May 2, 2011 to shareholders of record on April 15, 2011.

On March 15, 2011, the Company reported its financial results for the fourth quarter and full year of 2010. The Company produced a total of 156,000 ounces of gold in 2010 at a total cash cost of $361 per ounce of gold sold. Revenues of $189.3 million increased 10% over 2009, and the Company achieved record annual earnings of $65.7 million ($0.57 per basic share), inclusive of a $0.11 per share gain on completion of the settlement agreement with Primero.

On March 24, 2011, the Company announced a 38% increase in measured and indicated resources, in addition to replacing proven and probable mineral reserves at the Mulatos Mine.

On June 16, 2011, the Company reported that drilling at the Çamyurt Project had delineated a mineralized zone that is continuous for at least 1,100 m along strike with potential to extend mineralization. An initial mineral resource estimate will be reported in the second quarter of 2012, and the Company believes that the Çamyurt Project has the potential to be a stand-alone mining project.

On September 14, 2011, the Company announced a 40% increase in its semi-annual dividend from $0.05 to $0.07 per common share, payable on October 28, 2011 to shareholders of record on October 14, 2011.

On September 16, 2011, the Company reported a 19% increase in measured and indicated resources at its Ağı Dağı and Kirazli Projects and provided an exploration update on the Çamyurt Project. Measured and indicated mineral resources at Ağı Dağı and Kirazli increased 19% to 1.96 million ounces of gold, reflecting a 19% increase in tonnes and no change in the average gold grade compared to the 2010 year-end estimate.

***2012 Developments***

On February 23, 2012 the Company reported its financial results for the fourth quarter and 2011 full year. The Company produced a total of 153,000 ounces in 2011 at a total cash cost of $368 per ounce of gold sold. Operating revenues of $227.4 million increased 20% over 2010, and the Company achieved annual earnings of $60.1 million ($0.51 per basic share). The Company also announced a 43% increase to its semi-annual dividend from $0.07 to $0.10 per share, payable on April 30, 2012 to shareholders of record on April 13, 2012.

In addition, the Company provided 2012 production guidance of between 200,000 and 220,000 ounces of gold at a cash operating cost (before 5% royalty) of between $365 and $390 per ounce. The increase in annual production was attributable to the start-up of the mill to process high-grade ore from the Escondida zone.

On March 27, 2012, the Company reported drill results from El Victor and provided its 2011 global mineral reserve and resource update, replacing mineral reserves mined out in 2011.

On June 28, 2012 the Company announced a positive preliminary feasibility study for Ağı Dağı and Kirazli, supporting a decision to proceed with permitting towards construction. The study contemplated total life of mine production of over 1.5 million ounces of gold and 4.9 million ounces of silver over a combined nine year life. Total pre-production capital expenditures are estimated to be approximately $424.4 million. At a $1,239 per ounce average gold price assumption, the after-tax net present value at a 5% discount rate was calculated to be $276 million. The Company also announced an initial inferred mineral resource for the Çamyurt project.

On August 9, 2012, Alamos filed with the Canadian securities regulatory authorities a technical report pursuant to NI 43-101F1 with respect to the Kirazli Project and the Ağı Dağı Project entitled “NI 43-101 Technical Report Kirazli & Ağı Dağı Gold Project” dated July 31, 2012 with an effective date of June 30, 2012.

***Developments Subsequent to 2012 Year End***

On January 8, 2013, Alamos issued a press release summarizing fourth quarter and full year 2012 production results from the Mulatos Mine as well as operating, development and exploration plans for 2013. In the fourth quarter of 2012, the Mulatos Mine produced a record 67,800 ounces of gold, 41% higher than the previous quarterly production record of 48,200 ounces. Full year 2012 gold production was 200,000 ounces, achieving production guidance. Gold production at the Mulatos Mine for 2013 is expected to be between 180,000 and 200,000 ounces at a cash operating cost (exclusive of the 5% royalty) between $415 and $435 per ounce of gold sold. Capital spending in Mexico in 2013 is budgeted at approximately $40.7 million, while development spending in Turkey is forecast to be approximately $69.3 million. Total exploration spending is budgeted to be $21.6 million, split evenly between Mexico and Turkey.

On January 14, 2013, Alamos filed with the Canadian securities regulatory authorities a technical report pursuant to NI 43-101F1 with respect to the Mulatos Mine entitled “Minas de Oro Nacional, S.A. de C.V. – Mulatos Project – Technical Report Update (2012)” dated December 21, 2012.

On January 14, 2013, Alamos announced an offer to acquire Aurizon Mines Ltd. (“Aurizon”) for approximately CAD$780 million in cash and shares (the “Offer”). Alamos reported that on the date of the Offer, Alamos owned 26,507,283 Aurizon shares, representing over 16% of the issued and outstanding Aurizon shares. On March 4, 2013, Aurizon announced that it had entered into an agreement to be acquired by Hecla Mining Ltd. (“Hecla”). Among the terms of Aurizon’s agreement with Hecla was a $27.2 million dollar “break fee” payable to Hecla in the event that (among other things) Aurizon acquired more than 33.32% of the outstanding Aurizon shares. Consequently, on March 19, 2013, the Company announced that it would not take up any Aurizon shares tendered to the Offer, and that it would let the Offer expire on March 19, 2013.

On February 13, 2013, the common shares of the Company commenced trading on the NYSE under the ticker symbol “AGI”.

On February 21, 2013, Alamos reported its fourth quarter and 2012 year-end financial results. The fourth quarter of 2012 was the best quarter in the Company's history, from a financial perspective, with record revenues, cash flows and earnings.

## NARRATIVE DESCRIPTION OF THE BUSINESS

The Company is a gold mining company engaged in exploration, mine development, and the mining and extraction of precious metals, primarily gold. The Company's primary asset is the Mulatos Mine and its 30,536 hectares of Salamandra Concessions in the state of Sonora, Mexico, that were acquired on February 21, 2003, by way of amalgamation of National Gold and Alamos Minerals. In addition, on January 6, 2010 the Company acquired the development-stage Ağı Dağı and Kirazli Projects in the Biga district of northwestern Turkey. In 2011, the Company discovered the Çamyurt Project, located approximately 3 kilometers from the Ağı Dağı Project, which the Company believes has the potential to become a stand-alone mining project.

### The Mulatos Mine

#### *General*

The Salamandra Concessions are located in the State of Sonora, Mexico. The Mulatos deposit is located in the Salamandra Concessions and has been developed into the Mulatos Mine. Mineral rights for all concessions comprising the Salamandra Concessions are controlled by Minas de Oro Nacional, a Mexican company wholly owned by the Company.

Portions of the Salamandra Concessions originally acquired from Placer Dome are subject to the Royal Gold Royalty which applies to the first two million ounces of gold mined, processed or sold from the Mulatos Mine. As at December 31, 2012, the royalty had been paid or accrued on approximately 1,004,000 ounces of applicable gold production.

#### *2004 Feasibility Study and M3 July 14, 2004 Report*

On June 1, 2004, M3 Engineering and M3 Mexicana Hermosillo Sonora Mexico and Consultants, independent consultants to the Company, completed the 2004 Feasibility Study recommending development of the Estrella Pit portion of the Mulatos deposit. Subsequently, the Company engaged M3 Engineering and M3 Mexicana Hermosillo Sonora Mexico and Consultants to prepare an independent technical report based on the 2004 Feasibility Study, which is available for review on the SEDAR website at www.sedar.com under the Company's issuer profile.

#### *Technical Report (Update) – Mulatos Mine*

On January 14, 2013, Alamos filed with the Canadian securities regulatory authorities a technical report pursuant to NI 43-101F1 with respect to the Mulatos Mine entitled "Minas de Oro Nacional, S.A. de C.V. – Mulatos Project – Technical Report Update (2012)" dated December 21, 2012.

#### *Mine Construction*

The Company began construction of the Mulatos Mine, beginning with the Estrella Pit portion, in the third quarter of 2004 and Phase I of the Estrella Pit portion of the Mulatos Mine was completed in January 2006 at a cost of approximately $74 million. Although the 2004 Feasibility Study plan called for a 10,000 tpd crushing operation, the Company sized the major components of the Mulatos Mine, including the crusher/conveyor and the gold recovery plant, to handle a mining and processing operation with a capacity of approximately 15,000 tpd. In 2005, an expansion budget of $20 million was approved to increase the scale of mining operations from the 2004 Feasibility Study level of 10,000 tpd.

Since 2005, the Mulatos Mine has undergone significant expansion, particularly with respect to crushing capacity. At the start of 2010, the Company commissioned a closed circuit crushing system designed to improve the size consistency of stacked ore. In October 2010, the Company added a scalping screen plant to the crushing circuit

designed to increase throughput. Continued modifications to the crushing circuit aimed at increasing crusher throughput have been implemented throughout 2011 and early 2012. Average daily crusher throughput in 2012 was 16,000 tpd, up from 14,100 tpd in 2011. In 2013, the Company expects average daily crusher throughput to increase to approximately 17,500 tonnes per day.

In addition to the existing heap leach operations at the Mulatos Mine, between 2009 and 2012, the Company has developed the Escondida high-grade zone at an approximate cost of $61 million and constructed a mill to process high-grade ore from Escondida at a cost of $20 million.

***Pre-commercial Operations***

The Mulatos Mine began operations in 2005 as a run-of-mine conventional open-pit heap-leach operation with a gold recovery plant consisting of a carbon-in-column circuit. Although not specified in the 2004 Feasibility Study, the Company operated temporarily on a run-of-mine basis to take advantage of gold prices at levels significantly above those considered in the 2004 Feasibility Study. Run-of-mine ore was stacked directly on the leach pad in the period from June 2005 to June 2006. No additional run-of-mine material was stacked on the leach pad effective July 1, 2006, as the crusher was operating near capacity and gold recoveries from crushed ore are significantly higher than recoveries from run-of-mine ore.

***Commercial Operations***

The Company announced commercial production at the Mulatos Mine on April 1, 2006. The Mine operates 365 days a year. Daily production may be affected to some extent by adverse weather, but it would be unusual for adverse weather to cause complete mine stoppage for an extended period. The Company has acquired the surface rights necessary to carry on its current operations, but may be required to secure additional rights should the Company decide to pursue mining activities outside of the currently permitted concessions. The Company complies with all relevant environmental laws.

Gold is produced on site as dore containing approximately 60-80% gold by weight. The dore is sent to a refinery for final processing prior to sale. Refined gold is sold to several counterparties at market prices. Processing chemicals and materials are generally readily available as is diesel fuel, however, the cost of these products delivered to the site has increased significantly from the feasibility levels. In 2011, the Company experienced short-term disruption of its cyanide supply as a result of its primary cyanide supplier experiencing a flood. Cyanide shipments were reduced in the second quarter of 2011, resulting in lower than planned production in the second and third quarters of the year. Regular cyanide shipments resumed late in the second quarter and gold production deferred as a result of the cyanide supply disruption was produced in the fourth quarter of the year. Alternate cyanide suppliers have been sourced and contingency plans are in place in the event that a similar shortage occurs in the future.

Cost levels have increased significantly from the life-of-mine average cash operating cost of $174 per ounce indicated in the 2004 Feasibility Study which excluded the Royal Gold Royalty and were based on a gold price of $350 per ounce. Unit operating costs are affected by mine operating efficiencies, the waste-to-ore ratio, the cost of mining and processing materials, labour costs, the grade of ore mined and recoveries achieved. Certain costs such as lime, cyanide and diesel fuel have increased in price substantially since the 2004 Feasibility Study was prepared.

In the year ended December 31, 2006, its first year of partial commercial production, the Mulatos Mine produced 101,170 ounces of gold at a cash operating cost of $294 per ounce of gold sold. Since then the Company has implemented a number of operational improvements contributing to higher levels of gold production. In the year-ended December 31, 2012, the Company produced 200,000 ounces of gold at a cash operating cost of $355 per ounce.

Total gold sales revenues for 2012 amounted to $329.4 million (2011 - $234.7 million). The Company's product, gold and to a lesser extent, silver, is sold to several qualified counterparties for a price that is readily quoted and fluctuates daily. The Company can sell all of its refined metal at the quoted price or contract for a fixed price for future delivery. At December 31, 2012, the Company had no forward gold sales or other gold hedge positions outstanding.

**Ağı Dağı and Kirazli Projects**

The Ağı Dağı and Kirazli gold projects are located on the Biga Peninsula of northwestern Turkey. Ağı Dağı is located approximately 50 km southeast of Çanakkale and Kirazli is located approximately 25 km northwest of Ağı Dağı. Çanakkale is the largest centre on the Biga Peninsula with a population of approximately 97,000. Infrastructure in close proximity to the project is excellent and well-serviced with paved roads, transmission lines, and electricity generating facilities.

In June 2012, the Company published a preliminary feasibility study summary of the Ağı Dağı and Kirazli projects. The highlights are summarized below:

- Total life of mine production of 1.5 million ounces of gold and 4.9 million ounces of silver.
- Annual combined gold production is expected to peak in 2017 at 237,000 ounces, and will average 166,000 ounces per year over the nine year combined mine life.
- First gold production from the Kirazli project in 2014, followed by gold production from Ağı Dağı in 2016.
- Mine life of seven years for Ağı Dağı and five years for Kirazli.
- Pre-production capital expenditures of $424.4 million.
- Average life of mine cash operating costs of $544 per ounce sold, total cash costs per ounce sold of $579.
- At a $1,239 per ounce gold price assumption, after-tax net present value (“NPV”) at a 5% discount rate of $275.6 million and after-tax internal rate of return (“IRR”) of 22.3%.
- At a gold price of $1,575 per ounce, after-tax NPV at a 5% discount rate increases to $604.6 million and after-tax IRR of 36.5%.

In addition, the Company reported an initial inferred mineral resource estimate of 640,000 ounces at Çamyurt. Inclusion of the Çamyurt resource in a development scenario represents a major opportunity to further enhance the economic potential of the Company’s Turkish projects.

The preliminary feasibility study for Ağı Dağı and Kirazli incorporates significant capital spending on infrastructure that is expected to benefit the economics of the Çamyurt project. The average grade of the resources at Çamyurt is substantially higher than at the Ağı Dağı and Kirazli projects. As a result, once Çamyurt is factored into the Company’s development plan, it is expected to reduce cash costs per ounce on a combined project basis, as well as enhance combined project economics.

The Company has submitted the final environmental impact assessment (“EIA”) report for Kirazli, and expects a response from the Turkish Government in the first quarter of 2013. The final Ağı Dağı EIA is expected to be submitted in the first quarter of 2013, with a response expected in the second quarter. Permitting and construction activities are expected to take up to 18 months once the EIAs are approved.

In 2012, total expenditures in Turkey were $22.4 million, of which $18.9 million was capitalized. Investments were focused on exploration, engineering and permitting work. The Company had up to nine drill rigs operating at a cost of $9.1 million in 2012, focused on condemnation, geotechnical and exploration drilling.

**Uses of Gold**

The two principal uses of gold are bullion investment and product fabrication. Within the fabrication category there are a wide variety of end uses, the largest of which is the manufacture of jewellery. Other fabrication purposes include official coins, electronics, dentistry, medallions and other industrial and decorative uses.

**Sales and Refining**

Gold can be readily sold on numerous markets throughout the world and its market price can be readily ascertained at any time. Because there are a large number of available gold purchasers, the Company is not dependent upon the sale of gold to any one customer.

The Company's gold production is currently refined to market delivery standards by Johnson Mathey at a refinery in Salt Lake City, Utah. The Company believes that, because of the availability of alternate refiners, the inability of one of the Company's refiners to process the Company's product would not have a material adverse effect on the Company.

**Employees**

As of December 31, 2012, the Company had 20 full-time employees at its Toronto corporate head office. Each of these full time employees is employed under a contract for services directly with the Company. In addition, the Company's Mexican subsidiary, Servicios Administrativos y Operativos MON, S.A. de C.V. ("SAO") provides labour-related services for operations at the Salamandra Concessions and at the administrative offices of Minas de Oro Nacional in Hermosillo, Mexico. As of December 31, 2012, SAO had 550 full-time employees. The Company has sourced most of its labour pool, including skilled mining personnel, from the state of Sonora in Mexico. Competition for highly qualified miners has become intense as more mines are being brought into production in the area and worldwide. In addition, the Company has approximately 60 full-time administrative, engineering and exploration personnel in Turkey.

**Risk Factors**

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

The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry that may have a material impact on, or constitute risk factors in respect of the Company's operations and future financial performance. Additional risks not currently known by the Company, or that the Company currently deems immaterial, may also impair the Company's operations.

***The Company's operating and development properties are located in Mexico and Turkey and are subject to changes in economic and political conditions and regulations in those countries***

The economics of the mining and extraction of precious metals are affected by many factors, including the costs of mining and processing operations, variations of grade of ore discovered or mined, fluctuations in metal prices, foreign exchange rates and the prices of goods and services, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting goods and services and environmental regulations. Depending on the price of minerals discovered and potentially mined, the Company may determine that it is neither profitable nor competitive to acquire or develop properties, or to continue mining activities.

The Company's mineral properties are located in Mexico and Turkey. Economic and political conditions in Mexico and Turkey could adversely affect the business activities of the Company. These conditions are beyond the

Company's control, and there can be no assurances that any mitigating actions by the Company will be effective. In the past, both Mexico and Turkey have been subject to political instability, changes and uncertainties which may cause changes to existing governmental regulations affecting mineral exploration and mining activities. The potential implications of political volatility in Mexico or Turkey cannot be accurately predicted. The mineral interests of the Company and the ultimate ability to generate cash flow and profits from operations may be affected by political or economic stability. Associated risks include, but are not limited to: terrorism, corruption, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes in regulations or political attitudes are beyond the control of the Company and may materially adversely affect its business, financial condition and results of operations.

The Company's mineral exploration and mining activities in both Mexico and Turkey may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company's activities or to the cost of maintaining its properties. Operations may also be affected to varying degrees by changes in government regulations with respect to restrictions on production, price controls, export controls, income taxes, royalties, and expropriation of property, environmental legislation and mine safety. The effect of these factors cannot be accurately predicted. Economic instability in Mexico could result from current global economic conditions and could contribute to currency volatility and potential increases to income tax rates, both of which could significantly impact the Company's profitability. Turkey is seeking membership to the European Union ("EU") and is progressing to conform to EU standards through strengthening its political and economic framework, including through improved stability and transparency. However, Turkey has historically experienced, and to some degree continues to experience, heightened levels of political and economic instability due to regional geopolitical instability. These conditions may be exacerbated by current global economic conditions. This instability may have a material adverse effect on the Company's properties, business and results of operations.

The Company's activities are subject to extensive laws and regulations governing worker health and safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters. Specifically, the Company's activities related to its Mulatos Mine and the Salamandra Concessions are subject to regulation by the *Mexican Department of Economy - Direccion General of Mines* ("DGM"), the environmental protection agency of Mexico ("SEMARNAP"), *Comisión Nacional del Aqua* ("CONAGUA"), which regulates water rights, and the Mexican Mining Law. Mexican regulators have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. The Company's exploration and development activities in Turkey are subject to regulation by the General Directorate of Forestry of the Ministry of Environment and Forestry ("MIGEM"). The judiciary in Turkey has substantial discretion to impose injunctions and other legal sanctions.

***The Company will be unable to undertake its required drilling and other development work on its properties if all necessary permits and licenses are not granted***

A number of approvals, licenses and permits are required for various aspects of exploration and mine development. The Company is uncertain if all necessary permits will be maintained or obtained on acceptable terms or in a timely manner. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively impact current or planned exploration and development activities within the Salamandra Concessions, the Ağı Dağı and Kirazli Projects or any other projects with which the Company becomes involved. Any failure to comply with applicable laws and regulations or failure to obtain or maintain permits, even if inadvertent, could result in the interruption of production, exploration or development, or material fines, penalties or other liabilities. It remains uncertain if the Company's existing permits may be affected in the future or if the Company will have difficulties in obtaining all necessary permits it requires for its proposed or existing mining activities.

In order to maintain mining concessions in good standing under the new Turkish mining law, concession holders must advance their projects efficiently, including by obtaining the necessary permits prior to stipulated deadlines. The Company has implemented plans to obtain all necessary permits prior to the relevant deadlines. While the Company is confident in its ability to meet all required deadlines or milestones so as to maintain its concessions in good standing, there is risk that the relevant Turkish permitting and licensing authorities will not respond in a timely manner. If these deadlines are not met, the Company believes that extensions to deadlines for obtaining the required approvals and permits could be negotiated so that the concessions would remain in good standing. However, there is

no guarantee that the Company will be able to obtain the approvals and permits as planned or, if unable to meet such deadlines, that negotiations for an extension will be successful in order to maintain its concessions in good standing. If the concessions were to expire, this could have a material adverse impact on the Company and its ability to control and develop its Turkish projects.

***The business of exploration for minerals and mining involves a high degree of risk, as few properties that are explored are ultimately developed into producing mines***

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

***Estimates of mineral reserves and resources may not be realized***

The mineral reserves and resources estimates contained in this AIF are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. The Company relies on laboratory-based recovery models to project estimated ultimate recoveries by ore type at optimal crush sizes. Actual gold recoveries in a commercial heap leach operation may exceed or fall short of projected laboratory test results. In addition, the grade of mineralization ultimately mined may differ from the one indicated by the drilling results and the difference may be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for an orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of those operations. There can be no assurance that minerals recovered in small scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in proven and probable reserves or resources, grades, waste-to-ore ratios or recovery rates may affect the economic viability of projects. The estimated proven and probable reserves and resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

The Company has engaged expert independent technical consultants to advise it on, among other things, mineral reserves and resources and project engineering at its Mulatos Mine in Mexico. The Company has also engaged expert independent technical consultants to advise it on these matters at its Aği Dağı and Kirazli Projects in Turkey. The Company believes that these experts are competent and that they have and will carry out their work in accordance with all internationally recognized industry standards. If, however, the work conducted and to be conducted by these experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs.

***Problems with title to mineral properties could have a negative impact on the Company's future operations***

The acquisition of the right to exploit mineral properties is a detailed and time-consuming process. Although the Company is satisfied it has taken reasonable measures to acquire unencumbered rights to explore on and exploit its

mineral reserves on the Salamandra Concessions in Mexico and the Ağı Dağı and Kirazli Projects in Turkey, no assurance can be given that such claims are not subject to prior unregistered agreements or interests or to undetected or other claims or interests which could be material and adverse to the Company. While the Company has used its best efforts to ensure title to all its properties and secured access to surface rights, these titles or rights may be disputed, which could result in costly litigation or disruption of operations.

***Problems with surface access to exploration projects or minerals could have a negative impact on the Company's exploration programs and future operations***

The Company has entered into certain land lease agreements in Mexico with the Ejido and with individual land possessors for the purpose of conducting exploration activities. From time to time, a land possessor may dispute the Company's surface access rights, and as a result the Company may be barred from its legal temporary occupation rights. Surface access issues have the potential to result in the delay of planned exploration programs, and these delays may be significant. The Company expects that it will be able to resolve these issues; however, there can be no assurance that this will be the case.

The Company strives to maintain good relations with the local community in Mexico by providing employment opportunities and other economic and social benefits. The Company has entered into the New Surface Agreement with the Ejido. In addition, the Company has entered into agreements with individual Ejido members for the surface rights to which they have been assigned. The transfers of title to these surface rights have been registered in Mexico.

The Company is also in negotiations with Ejido and non-Ejido members in Mexico, as a group and individually, to relocate the existing community of Mulatos, and to acquire additional surface rights. Negotiations with the Ejido are time consuming and can be challenging and uncertain. There are financial and other considerations associated with the negotiating process including the filing of complaints or the commencement of legal proceedings by Ejido members, or attempts to impede road access by blockades and other actions to affect access to the Mulatos Mine or otherwise affect operations which could result in significant downtime and associated costs, or suspension of operations and loss of production. With the assistance of experienced legal advisors and the input from State and local government officials, the Company expects that it will be able to acquire its land-use requirements at a reasonable cost; however, there can be no assurance that this will be the case. The Company also expects that any actions taken by Ejido or non-Ejido members to interrupt or otherwise impede mine operations will be addressed by the appropriate State and Federal government authorities.

In 2008, the Company entered into a land purchase agreement with certain landowners in Mexico, under which the Company made a payment of $1.25 million to secure temporary occupation rights to specified land. An additional payment of approximately $1 million (based on current foreign exchange rates) is payable once the land has been vacated and is transferred to the Company. The probability and timing of this additional payment is currently unknown to the Company.

During 2010, the Ejido filed a complaint with the Agrarian Court to nullify the 2008 land purchase agreement. On June 13, 2012, the Agrarian Court rendered a decision on the merits in favor of MON, dismissing the action filed by the plaintiff Ejido, and acquitting all of the defendants named in the lawsuit, including MON. The Company has at all times remained committed to fulfilling all of its obligations under the 2008 land purchase agreement.

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

The Company may need to enter into negotiations with landowners and other groups in the local community in Turkey in order to conduct future exploration and development work on the Ağı Dağı and Kirazli Projects. There is no assurance that future discussions and negotiations will result in agreements with landowners and other local community groups in Turkey or if such agreements will be on terms acceptable to the Company so that the Company can continue to conduct exploration and development work on these projects.

***Development projects are uncertain and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production***

Mine development projects, including the Company's Ağı Dağı and Kirazli Projects or expansion of the existing Mulatos Mine, require significant expenditures during the development phase before production is possible. Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting, future gold prices, and anticipated capital and operating costs of these projects. Our development projects have no operating history upon which to base estimates of future production and cash operating costs. Particularly for development projects, estimates of proven and probable mineral reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of gold from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to production.

Any of the following events, among others, could affect the profitability or economic feasibility of a project: unanticipated changes in grade and tonnes of ore to be mined and processed, unanticipated adverse geological conditions, unanticipated metallurgical recovery problems, incorrect data on which engineering assumptions are made, availability of labour, costs of processing and refining facilities, availability of economic sources of power, adequacy of water supply, availability of surface on which to locate processing and refining facilities, adequate access to the site, unanticipated transportation costs, government regulations (including regulations with respect to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, environmental), fluctuations in gold prices, and accidents, labour actions and force-majeure events.

It is not unusual in new mining operations to experience unexpected problems during the start-up phase, and delays can often occur at the start of production. It is likely that actual results for our projects will differ from current estimates and assumptions, and these differences may be material. In addition, experience from actual mining or processing operations may identify new or unexpected conditions that could reduce production below, or increase capital or operating costs above, current estimates. If actual results are less favourable than currently estimated, our business, results of operations, financial condition and liquidity could be materially adversely affected.

***The Company's mineral assets are located outside Canada and are held indirectly through foreign affiliates***

It may be difficult if not impossible to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of the securities laws of certain provinces against substantially all of the Company's assets which are located outside Canada.

***Problems with community water sources at the Ağı Dağı and Kirazli Projects could have a negative impact on the Company's exploration programs and future operations***

Community water sources occur in the region of the Ağı Dağı and Kirazli Projects. The Company will strive to ensure that exploration activities do not adversely impact community water sources. Future operations may require that alternate water sources be provided to potentially affected communities.

***The Company's operations are based in Mexico and Turkey and obtaining financing or finding or hiring qualified people or obtaining all necessary services for the Company's operations may be difficult***

The Company conducts exploration, mine development and mining and production activities in the state of Sonora, Mexico. In addition, the Company is conducting exploration activities in the Province of Cannakale, Turkey. Mexico is a developing country and obtaining financing, finding or hiring qualified people or obtaining all necessary services for the Company's operations in Mexico may be difficult. Mexico's status as a developing country may make it more difficult for the Company to attract investors or to obtain any required financing for its mining projects. Turkey has historically been subject to heightened levels of political and economic instability, which could

make it difficult for the Company to attract investors, hire qualified people, obtain the necessary services for the Company's operations in Turkey or obtain required financing.

The Company also hires some of its employees or consultants in Mexico and Turkey to assist it in conducting its operations in accordance with Mexican and Turkish laws. The Company also purchases certain supplies and retains the services of various companies in Mexico and Turkey to meet its business plans. It may be difficult to find or hire qualified people in the mining industry who are situated in Mexico or to obtain all the necessary services or expertise in Mexico or Turkey or to conduct operations on its projects at reasonable rates. If qualified people and services or expertise cannot be obtained in Mexico or Turkey, the Company may need to seek and obtain those services from people located outside Mexico or Turkey, which will require work permits and compliance with applicable laws and could result in delays and higher costs to the Company to conduct its operations in Mexico and Turkey.

***Failure of the Company to comply with laws and regulations could negatively impact current or planned mining activities and exploration and developmental activities***

The Company's mining, exploration and development activities are subject to extensive laws and regulations concerning the environment, worker health and safety, employment standards, waste disposal, mine development, mine operation, mine closure and reclamation and other matters. The Company requires permits and approvals from various regulatory authorities for many aspects of mine development, operation, closure and reclamation. In addition to meeting the requirements necessary to obtain such permits and approvals, they may be invalidated if the applicable regulatory authority is challenged legally that it did not lawfully issue such permits and approvals. The ability of the Company to obtain and maintain permits and approvals and to successfully develop and operate mines may be adversely affected by real or perceived impacts associated with its activities that affect the environment and human health and safety at its development projects and operations and in the surrounding communities. The real or perceived impacts of the activities of other mining companies may also adversely affect our ability to obtain and maintain permits and approvals. The Company is uncertain whether all necessary permits will be maintained on acceptable terms or in a timely manner. Future changes in applicable laws and regulations or changes in their enforcement or regulatory interpretation could negatively affect current or planned mining, exploration and developmental activities on the projects in which the Company is or may become involved. Any failure to comply with applicable laws and regulations or to obtain or maintain permits, even if inadvertent, could result in the interruption of mining, exploration and developmental operations or in material fines, penalties, clean-up costs, damages and the loss of key permits or approvals. While the Company has taken great care to ensure full compliance with its legal obligations, there can be no assurance that the Company has been or will be in full compliance with all of these laws and regulations, or with all permits and approvals that it is required to have. Environmental and regulatory review has also become a long, complex and uncertain process that can cause potentially significant delays.

***The Company's activities are subject to environmental regulations***

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

The Company's exploration and development activities in Turkey are subject to regulation by MIGEM and other regulatory bodies. The judiciary in Turkey has substantial discretion to impose injunctions and other sanctions.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Company has made, and will continue to make expenditures to comply with such laws and regulations.

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

The success of the Company in developing its projects and conducting its operations is heavily dependent upon the Company's relationships with local communities and governments. The Company works diligently to engage in dialogue with local communities regarding planned activities and the potential for generation of social and economic benefits, however there can be no assurance that community support will be obtained or maintained. Failing to obtain or maintain such support could adversely affect the ability of the Company to develop its projects or operate the Mulatos Mine.

***The volatility of the price of gold could have a negative impact on the Company's future operations***

The value of the Company's mineral resources and future operating profit and loss is affected by fluctuations in gold prices, over which the Company has no control. A reduction in the price of gold may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold may also have a significant influence on the market price of the Company's common shares. The price of gold is affected by numerous factors beyond the Company's control, such as the level of inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, sale of gold by central banks and the political and economic conditions of major gold producing countries throughout the world. The price of gold has increased significantly in the past several years. As at December 28, 2012, the London PM Gold fix price was US$1,657.50 per ounce. The following table sets forth the approximate average of the daily London PM Gold fix price during the calendar periods indicated:

| **Year ended December 31** | **2012** | **2011** | **2010** |
|---|---|---|---|
| Gold (US$ per ounce) | $1,669 | $1,572 | $1,225 |

***The Company is in competition with other mining companies that have greater resources and experience***

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

***The Company is subject to currency fluctuations that may adversely affect the financial position of the Company***

The Company is subject to currency risks. The Company's functional currency is the United States dollar, which is exposed to fluctuations against other currencies. The Company's primary operations are located in Mexico and

Turkey and many of its expenditures and obligations are denominated in Mexican pesos, Turkish lira and Euros. The Company maintains its principal office in Canada, maintains cash accounts in U.S. dollars, Mexican pesos, Turkish lira, Euros and Canadian dollars and has monetary assets and liabilities in U.S. and Canadian dollars, Mexican pesos and Turkish lira. As such, the Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate transactional volatility in the Mexican peso, Turkish lira, Euro or the Canadian dollar at this time. The Company may, however, enter into foreign currency forward contracts in order to match or partially offset existing currency exposures.

***The Company is dependent on a small number of key personnel and the absence of any of these individuals could have a significantly negative effect on the Company***

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

***Insurance coverage***

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties or producing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company's policies of insurance may not provide sufficient coverage for losses related to these or other risks. The Company's insurance does not cover all risks that may result in loss or damages and may not be adequate to reimburse the Company for all losses sustained. In particular, the Company does not have coverage for certain environmental losses or certain types of earthquake damage. The occurrence of losses or damage not covered by insurance could have a material and adverse effect on the Company's cash flows, results of operation and financial condition.

***The Company's business involves uninsurable risks***

In the course of exploration, development and production of mineral properties, certain risks and, in particular, unexpected or unusual geological operating conditions including cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

***Production estimates***

The Company prepares estimates of mine production for the Mulatos Mine in Mexico. The Company cannot give any assurance that it will achieve its production estimates. The failure of the Company to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of mineral reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions and physical characteristics of ores and the accuracy of estimates rates and costs of mining and processing.

The Company's actual production may vary from its estimates for a variety of reasons, including: actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating

factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Company or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable, forcing the Company to cease production.

***Mine development***

The Company's ability to sustain its present levels of gold production is dependent upon the identification of additional reserves at the Salamandra Concessions. If the Company is unable to develop new ore bodies, it will not be able to sustain or increase present production levels. Reduced production could have a material and adverse impact on future cash flows, results of operations and financial conditions.

***Risks relating to development, construction and mining operations***

The Company's ability to meet development, production, schedule and cost estimates for the Salamandra Concessions and the Ağı Dağı and Kirazli Projects cannot be assured. Technical considerations, delays in obtaining governmental approvals, inability to obtain financing or other factors could cause delays in current mining operations or in developing properties. Such delays could materially affect the financial performance of the Company.

***Acquisition and integration risks***

From time to time, the Company examines opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends upon its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

***Weather risks***

The Company's producing assets are located in northwest Mexico. Extended periods of high rainfall or drought conditions are typical in this part of Mexico. While the Company has taken measures to mitigate the impact of weather on its operations, severe rainfall or drought conditions could have an adverse impact on the Company's ability to achieve production forecasts.

***Financial risks***

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

*Interest Rate Risk*

The Company's interest rate risk related to interest-bearing debt obligations is currently not material as the Company has no outstanding debt at December 31, 2012.

*Credit Risk*

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

*Liquidity Risk*

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable and it is not currently known whether the Company will require external financing in future periods.

## SALAMANDRA CONCESSIONS & MULATOS MINE IN MEXICO

The Company owns 100% of the Salamandra Concessions located in the state of Sonora in northwest Mexico. The Salamandra Concessions includes the Mulatos Mine and several other prospective exploration targets throughout the district.

### Project Description and Location

#### *Location*

The Mulatos Mine is located within the Salamandra Concessions in the Sierra Madre Occidental mountain range in the east-central portion of the state of Sonora, Mexico. The Company controls several large mineral concessions, which are located mostly to the west, southwest and north-northeast of the Mulatos Mine. A total of 30,536 hectares of mineral concessions, in 44 discrete concessions, are controlled by the Company. The mineral concessions were awarded to the Company by the Mexican Department of Economy (the "Direccion General de Minas"). The property is approximately 220 km by air east from the city of Hermosillo, and 300 km south of the United States border. The Company maintains an administration office in Hermosillo, Mexico which supports the activities and operations of the Mulatos Mine.

#### *Ownership*

The Salamandra Concessions cover the Mulatos deposit and satellite gold systems known as Cerro Pelon, La Yaqui, El Realito, El Carricito, El Halcon, Las Carboneras, El Jaspe, Puebla, Los Bajios, and La Dura. The Mulatos deposit is itself divided into a number of mineralized zones known as Estrella, Mina Vieja, El Salto, Escondida, Gap, El Victor, El Victor North, San Carlos, Puerto del Aire, Puerto del Aire Extension, and East Estrella. Mineral rights for all concessions comprising the Salamandra Concessions are controlled by Minas de Oro Nacional.

#### *Surface Rights*

Surface rights in the exploitation area are held both privately and by the Mexican government through the Ejido. On May 27, 2004 the Company, through its Mexican subsidiary Minas de Oro Nacional, entered into a New Surface Agreement with the Ejido. The New Surface Agreement was required for the Company to hold surface rights for the development of certain mineral concessions on the Salamandra Concessions and enabled the Company to perform different mining works and activities and to set up the infrastructure required for the Company's exploration and exploitation of the mining concessions. The New Surface Agreement, which was approved on May 27, 2004, by the Agrarian Court for the State of Sonora, supersedes the 1995 Surface Agreement.

The New Surface Agreement provided, among other things, for the lease of 1,200 hectares of land for an initial term of eight years with an option to extend the term for a further ten years. The New Surface Agreement provides Minas de Oro Nacional with the right to negotiate for the purchase of this land or negotiate a lease with the individual possessors in the event that the Ejido divides the 1,200 hectares of land into parcels and assigns its rights to individual possessors of the land. This has been accomplished for approximately 200 hectares held under a temporary occupation agreement, and an additional 1,200 hectares held as the private property of Minas de Oro Nacional.

On May 27, 2004 the Company also entered into a settlement agreement (the "Settlement Agreement") with the Ejido, to settle two outstanding appeals by the Company to a legal action by the Ejido disputing the 1995 Surface Agreement, the annual surface rights lease payments due to them in respect of the Salamandra Concessions and the ability of the Company to reduce the annual lease payments. The Settlement Agreement is binding on all members of the Ejido and precludes the Ejido, its lawyers, individual Ejidatarios or their legal representatives from commencing any legal action against Minas de Oro Nacional or the Company over land issues covered thereby.

In 2007, the Company successfully negotiated three new surface access agreements, allowing exploration into three high-priority targets for the first time since 1997, including the La Yaqui area. The Company is currently in the process of negotiating with landowners in order to secure the surface rights to commence development La Yaqui and Cerro Pelon.

In April 2008, the Company entered into a land purchase agreement with certain landowners, under which the Company has made a payment of $1.25 million to secure temporary occupation rights to specified land. The initial term of this agreement is for 10 years, with an option to extend for an additional 10 years. An additional payment of approximately $1 million (based on current foreign exchange rates) is payable once the land has been vacated and is transferred to the Company. The probability and timing of this additional payment is currently unknown to the Company.

The Company is in the process of acquiring property adjacent to its present and prospective mining operations. 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. 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.

In 2010 the Ejido filed with the Unitary Agrarian Court an action to nullify the 2008 land purchase agreement with Minas de Oro Nacional. The Company has consistently honoured its obligations under such agreement. On June 13, 2012, the Agrarian Court rendered a decision on the merits in favor of Minas de Oro Nacional, dismissing the action filed by the plaintiff Ejido, and acquitting all of the defendants named in the lawsuit (including Minas de Oro Nacional).

***Permits***

The Company is permitted to mine its reserves at the Mulatos and Victor pits and has obtained the required surface rights to carry on related mining, processing and exploration activities at these areas. In 2009, the Company entered into negotiations to acquire additional land surface rights covering and surrounding the La Yaqui, Cerro Pelon and El Carricito prospects. The process of obtaining the necessary permitting at La Yaqui and Cerro Pelon has been initiated and is ongoing. However, the Company cannot currently determine the expected timing, outcome of negotiations or costs associated with potential land acquisitions. From time to time, the Company acquires additional temporary surface rights to explore additional targets within the Salamandra Concessions.

***Royalties***

A net smelter return royalty (the Placer Kennecott Royalty or Royal Gold Royalty) is payable on the first 2,000,000 ounces of production from certain of the Salamandra Concessions. On January 5, 2006, Royal Gold acquired Kennecott's 30% interest in the Placer Kennecott Royalty pursuant to the Kennecott Assignment Agreement and on January 20, 2006, Barrick acquired Placer Dome Inc. Effective October 1, 2008, Royal Gold acquired Barrick's 70% interest in the Placer Kennecott Royalty pursuant to the Placer Assignment Agreement.

The Company declared commercial production for royalty purposes on April 1, 2006 and royalties became payable on production applicable to the RTE Agreement subsequent to that date. Accordingly, from the period that the Company declared commercial production on April 1, 2006 to October 1, 2008, the 5% net smelter return royalty (5% net smelter return royalty in effect when gold price is US$400 or higher) was split between Barrick (3.5%) and Royal Gold (1.5%). Effective October 1, 2008, 100% of the royalty was paid or accrued to Royal Gold. As at December 31, 2012, the royalty had been paid or accrued on approximately 1,004,000 ounces of applicable gold production.

***Environmental Liabilities***

The 2004 Feasibility Study identified the potential for acid rock drainage. Measures to prevent acid rock drainage were incorporated into construction of the Mulatos Mine. Standard mining and construction practices in Mexico and guidelines issued by the World Bank were followed in the development and construction of the Mulatos Mine.

The Company complies with all environmental obligations set out in its mining plan, including eventual rehabilitation of mine and exploration roads, drill set-up, dumps and the heap leach pad. The Company has recorded an asset retirement obligation liability of $13.9 million which it expects to settle during the course of mining and on closure.

***Social Issues***

The nearby town of Mulatos is largely protected from noise, dust, vibration and fly rock by the Mina Vieja outcrop. The Company proactively monitors noise, dust and vibration levels to ensure that they are within acceptable limits and the Company takes every precaution to minimize the impact of its mining operations on the local community. The Company also provides medical and educational assistance to the town of Mulatos as well as employment opportunities.

***Geology***

The Salamandra mineral deposits are large epithermal, high-sulfidation, disseminated, gold deposits hosted within a mid-Tertiary dacitic dome complex. Gold mineralization is closely associated with silicic alteration within extensive areas of argillic and advanced argillic alteration. The Mulatos deposit proper is composed of the contiguous Estrella, El Salto, Mina Vieja, and Puerto del Aire resource areas. The Escondida deposit is the faulted extension of the Mina Vieja and El Salto sub-deposits and is believed to be continuous to the northeast with the Gap, El Victor and San Carlos mineralized areas. Although zones are often bounded by post-mineral faults, together they form a trend of 2.7 km of gold mineralization starting at the north end of the Estrella pit to the San Carlos deposit.

Within the larger Salamandra Concessions, and generally within 20 km from the Mulatos deposit, geologically similar high sulfidation gold deposits, occurrences, or prospects are known. The principal ones, some of which are in the process of being evaluated and/or drill-tested, are: Cerro Pelon, La Yaqui, El Realito, El Carricito, El Halcon, Las Carboneras, El Jaspe, Puebla, Los Bajios, and La Dura.

**Access, Climate, Communication, Power**

***Access***

The Salamandra Concessions are accessible via a combination of a paved road (Highway 16) from the city of Hermosillo, Mexico and dirt roads direct to the Mulatos Mine. The driving time from Hermosillo to the Mine is approximately 6 hours.

In 2010, the Company built and permitted a new unpaved airstrip within the limits of the mine property. The previously serviceable air strip located 15 km east of the Mine is no longer in use and has been rendered inoperable.

The town of Mulatos is in the municipality of Sahuaripa and is located approximately 0.5 km northeast of the Estrella Pit. The population of the town of Mulatos in 2011 was approximately 200 people. The Company's Mexican exploration field office is located in the town of Matarachi, of comparable size to Mulatos and located 15 km east of the Estrella Pit. Larger towns within 100 km of the area of interest include Yecora with a population of 10,000, located southwest of Mulatos, and Sahuaripa with a population of 7,000 located northwest of Mulatos.

***Climate***

From July to September, the air is humid and hot, typically around 30 degrees Celsius during the day. In this period, over half of the average annual rainfall of 0.8 m falls. The winter months (November to February) are cooler, generally between 15 and 20 degrees Celsius during the day, with occasional frost occurring at night.

***Communication***

Satellite phones are used for both domestic and international calls. The satellite telephones have both North American and Mexican local numbers. Satellite internet communications are the main method for electronic communications. In December 2009, a dedicated point-to-point satellite was installed between the mine and the town of Yecora and this has sufficient bandwidth to support VPN and other communication requirements between the mine site, its regional office in Hermosillo, Mexico, and the corporate office in Toronto, Canada. Cell phone service is also available at the Mine and at the camp facilities. A back-up radio communication system also connects the Mine with the Hermosillo office. Land radio communication is also used in the field for daily communication both by Mine and exploration personnel.

***Power***

There are currently two power plants in operation at the Mine. The first power plant is a generating plant consisting of four-1,100 kilowatt and two-2,000 kilowatt, 1,200 rpm diesel electrical generating sets which supply electrical power for all mine site usage. The second power plant was constructed for the closed crushing circuit and future expansion and consists of three-1,750 kilowatt generating sets and is expandable to host up to six generating sets. Total usage is approximately 70,000 kilowatt hours per day. Power for the exploration camp located in Matarachi is provided via small diesel generators.

**History**

Mulatos was known to contain gold dating back to the 1600's, with sporadic artisanal mining occurring over the years, especially in the area of Mina Vieja. Starting in the mid-1900's, several companies began to show interest in the claim areas, notably Minera Real de Angeles, Kennecott and Placer Dome, with a substantial amount of exploration work was conducted between 1993 and 1999. A preliminary feasibility study was completed on the property in 1998 by Kennecott and Placer Dome who had entered into a joint venture agreement covering the deposit and a portion of the surrounding land. In 2001, National Gold acquired a 100% interest in the property for cash and a sliding-scale royalty on the first two million ounces of gold production. In 2003, Alamos Minerals acquired an option on the property, and subsequently merged with National Gold to consolidate 100% ownership.

**Mineralization**

Gold deposits of the Mulatos district are considered as high sulphidation-state epithermal systems. Epithermal precious metal systems may be classified as high, intermediate, and low sulphidation styles. They are characterized by the sulphidation state of the hypogene sulphide mineral assemblage, and show general relations in volcano-tectonic setting, precious and base metal content, igneous rock association, proximal hypogene alteration, and sulphide abundance. Ore in all occurrences is of the type formed under epizonal conditions, that is, generally within 2 kilometers of the paleo-surface. Past workers have referred to high sulphidation systems as acid-sulphate, enargite-gold, or alunite-kaolinite systems.

Most high-sulphidation systems are associated with coeval andesite to dacite volcanic arcs, and are hosted by extensive “pre-mineral” advanced argillic lithocaps. The principle ore host is vuggy residual silica, typically developed by intense acidic leaching of a pre-existing porphyritic dacite host rock. Proximal alteration comprises hypogene dickite, alunite (often crystalline), and/or pyrophyllite. Sulphides include enargite, pyrite, and luzonite. Quartz veining is extremely rare, but some deposits are overprinted by late barite and quartz veins. Laterally extensive sheets of intensely silicified rocks occur in many districts, and represent zones of lateral outflow of mixed hydrothermal and meteoritic water. Silica is transported in the acidic hydrothermal water, and on intersection with the paleowater table, is undergoes neutralization and deposition of silica forming cryptocrystalline silica sheets. Most high-sulphidation deposits are large, low grade bulk-tonnage systems (“Yanacocha”), though vein-hosted high sulphidation deposits also occur (“El Indio”).

In contrast, low and intermediate sulphidation state systems are typically related to quartz and carbonate veins, near-neutral hydrothermal fluids, and lack proximal advanced argillic alteration and residual vuggy silica. Steam-heated alteration is present above some intermediate and low sulphidation state systems advanced argillic assemblages. However, they usually comprise low-temperature kaolinite, and fine grained alunite. Sulphides are of a low to intermediate sulphidation state. Gold occurs in oxide, mixed oxide/sulphide, and sulphide ore types, with pyrite as the primary sulphide mineral. The deposits are amenable to cyanidation in all ore types, but gold extraction decreases with decreasing levels of oxidation.

Precious metal mineralization at Mulatos is associated with intense silicic alteration (mostly vuggy silica), advanced argillic alteration, and the presence of hydrothermal breccias. The original protolith (dacite porphyry flow/tuff, coarse grained volcaniclastic rocks, breccias), as indicated by surface mapping and core drilling, may have contained in the order of 2-3 percent sulphide as pyrite with various amounts of enargite and tetrahedrite. The principle gold bearing host rock is interpreted a favoured for mineralization due to relatively high primary porosity and its intense fracturing.

Gold mineralization within the Mulatos deposit occurs primarily within areas of pervasive silicic alteration of the volcanic host rocks, and to a lesser extent, within advanced argillic alteration assemblages proximal to silicic alteration. The gold-bearing advanced argillic zones are dominated by pyrophyllite or dickite alteration. Silicic rocks host approximately 80 percent of the contained gold within the deposit. Staude (2001) describes three main mineralization assemblages. From oldest to youngest they are: 1) quartz + pyrite + pyrophyllite + gold; 2) quartz + pyrite + kaolinite + gold + enargite; 3) kaolinite + barite + gold. Free gold is commonly found in hematite-filled fractures. Gold also occurs in pyrite, as gold/silver telluride minerals, and possibly as a solid solution in some copper sulphide minerals. Supergene oxidation and perhaps remobilization and secondary enrichment of gold have been ongoing since the post-mineral volcanic cover was removed.

**Exploration**

Following a five-year hiatus due to a low gold price and the acquisition of the Mulatos project by the Company, active exploration efforts led by the Company resumed in 2003. Incorporated in the 2004 Feasibility Study were the results of 325 reverse circulation (“RC”) drill holes and 112 core holes. Of this drilling, a total of 21 holes were drilled for metallurgical test work, while other holes were drilled for geotechnical purposes. Resources and reserves were estimated based on this drilling, followed by economic analysis. Exploration drilling also extended to the El Victor resource area while several other targets, including Escondida, Puerto del Aire, Gap, San Carlos, La Yaqui, Cerro Pelon, El Realito, and El Jaspe were also tested to varying degrees throughout the years. Exploration success included the drilling and discovery of the Escondida, Puerto del Aire, Gap, and San Carlos zones, which essentially define continuous mineralization from the Mulatos deposit through to San Carlos and the Puerto del Aire Extension, the easternmost gold occurrence discovered to date. Gold mineralization is now known to occur continuously for at least 2.7 km to the northeast from the Estrella pit.

Substantial drilling programs have been completed by the Company since the 2004 Feasibility Study. Including drilling completed in conjunction with the 2004 Feasibility Study, the property has now been subject to over 395,738 m of drilling in 2,568 holes. The 2009, 2010, 2011, and 2012 years were the most productive for drilling with 72,400 m, 48,000 m, 52,300 m, and 55,997 m, respectively, of core and RC drilling completed. The majority of this drilling was completed in proximity to the Mulatos deposit, however, some drilling activities

focused on delineating other deposits in the district such as Cerro Pelon and La Yaqui or on testing other regional exploration targets such as El Carricito.

For 2013, the Company has approved a budget for exploration activities in Mexico of $10,600,000, of which it is expected that 65% will be expensed and 35% will be capitalized. The 2013 work program will include both Greenfields regional exploration targets such as Puerto del Aire, La Dura, Compadres East, El Halcon, Ostimuri, and others of a generative nature. As well, a Brownfields exploration program of approximately 72,000 m of RC and core drilling at Mulatos that will focus on San Carlos Northeast, East Estrella, El Realito, Compadres, and the immediate mine area of Escondida, El Victor North, and El Victor South).

Drilling statistics for 2012 and project-to-date are presented below:

**2012 Core Drilling**

| Zone Drilled | Drill Holes (# Year) | Drill Holes Project (#) | Drilling Year (m) | Drilling Project (m) |
|---|---|---|---|---|
| La Estrella | 0 | 0 | 0.00 | 0 |
| Puerto del Aire | 2 | 56 | 429.03 | 13,029.52 |
| La Escondida | 0 | 7 | 0.00 | 1,093.64 |
| Escondida Underground | 0 | 127 | 0.00 | 10,274.66 |
| Escondida Metallurgy | 0 | 7 | 0.00 | 495.30 |
| Gap | 0 | 37 | 0.00 | 8,029.49 |
| El Victor | 13 | 31 | 2,280.05 | 4,824.75 |
| El Victor Oeste UG | 0 | 70 | 0.00 | 5,087.95 |
| El Victor Este UG | 0 | 47 | 0.00 | 3,404.25 |
| Cerro Pelon | 0 | 48 | 0.00 | 4,794.10 |
| San Carlos | 3 | 18 | 1,318.50 | 3,969.65 |
| San Carlos UG | 0 | 4 | 0.00 | 338.50 |
| La Yaqui | 0 | 8 | 0.00 | 1,058.60 |
| El Halcon | 0 | 22 | 0.00 | 3,696.65 |

| | | | | |
|---|---|---|---|---|
| El Carricito | 3 | 9 | 490.58 | 1,078.63 |
| El Jaspe | 0 | 4 | 0.00 | 899.15 |
| El Realito | 0 | 11 | 0.00 | 1,751.67 |
| Los Bajios | 0 | 1 | 0.00 | 486.90 |
| La Dura | 0 | 0 | 0.00 | 0 |
| El Salto | 0 | 2 | 0.00 | 561.10 |
| El Salto Geotecnia | 3 | 3 | 459.00 | 459.00 |
| Crusher Area | 0 | 4 | 0.00 | 84.95 |
| BH Arroyo Mulatos | 0 | 6 | 0.00 | 131.90 |
| Escondida Geotecnia | 3 | 3 | 276.35 | 276.35 |
| Compadres Oeste | 6 | 6 | 1,001.25 | 1,001.25 |
| Extensión Sureste | 7 | 7 | 919.60 | 919.60 |
| **TOTAL** | **40** | **538** | **7174.36** | **67,747.56** |

**2012 Reverse Circulation Drilling**

| Zone Drilled | Drill Holes Completed (# Year) | Drill Holes Project (#) | Drilling Year (m) | Drilling Project (m) |
|---|---|---|---|---|
| La Estrella | 5 | 145 | 221.04 | 13,695.17 |
| Puerto del Aire | 2 | 216 | 748.48 | 56,036.41 |
| Puerto del Aire Este | 0 | 14 | 0.00 | 3,862.82 |
| La Escondida | 204 | 383 | 6,459.35 | 29,598.85 |
| Gap | 2 | 141 | 474.08 | 29,189.02 |
| El Victor | 120 | 263 | 18,144.82 | 38,641.81 |
| Cerro Pelon | 0 | 86 | 0.00 | 13,025.92 |

| | | | | |
|---|---|---|---|---|
| San Carlos | 25 | 167 | 9,385.68 | 42,643.12 |
| La Yaqui | 0 | 66 | 0.00 | 8,387.13 |
| El Halcon | 0 | 51 | 0.00 | 7,865.79 |
| El Carricito | 2 | 137 | 224.08 | 25,498.45 |
| El Jaspe | 0 | 34 | 0.00 | 4,574.31 |
| El Realito | 0 | 50 | 0.00 | 7,353.69 |
| Los Bajios | 0 | 72 | 0.00 | 14,814.42 |
| La Dura | 0 | 0 | 0.00 | 0 |
| Mina Vieja | 0 | 25 | 0.00 | 2,885.70 |
| El Salto | 0 | 51 | 0.00 | 10,413.05 |
| Extensión Sureste | 93 | 109 | 13,164.67 | 15,780.53 |
| Zona Sur | 0 | 6 | 0.00 | 951.34 |
| El Naranjo (Estrella Este) | 0 | 8 | 0.00 | 1,382.62 |
| Los Rincones | 0 | 8 | 0.00 | 1,390.25 |
| **TOTAL** | **453** | **2,032.00** | **48,822.20** | **327,990.40** |

Exploration work programs in Mexico are being reviewed by Mr. Jason Dunning, M.Sc., P.Geo. Vice President, Exploration for the Company, and Mr. Ken Balleweg, P.Geo., Manager, Exploration, who is responsible for on-site activities. Messrs. Dunning and Balleweg are both Qualified Persons within the meaning of NI 43-101.

***2009 – 2012 Exploration Activities on the Salamandra Concessions***

*Escondida*

Development drilling necessary for completion of the initial Escondida Main Zone ("EMZ") and Escondida Hanging Wall Zone ("EHWZ") resource estimate was completed in 2006. Additional drilling aimed at further defining the EMZ and delineating extensions of the EHWZ was completed in 2008 and 2009 (10,400 m in 56 holes).

The EHWZ is a stratiform zone of high-grade mineralization located directly on top of the large, low-grade EMZ deposit. A 392-metre bulk sample drift was driven into the EHWZ in 2006, which confirmed previous geologic interpretations and revealed a coarse native gold occurrence much more significant than suggested from the surface drilling. Pockets of very high concentrations of native gold were routinely encountered.

A resource estimate for both the EHWZ and the EMZ was released in early 2007, resulting in a 252,000-ounce increase in total contained ounces compared to the 2004 Feasibility Study estimate.

Drilling at Escondida for 2009 resulted in the discovery of a new high-grade zone to the northeast of the EHWZ and of a small southwest extension to the EHWZ. The newly discovered high-grade zone is located 100 m northeast of the faulted limit of the EHWZ and overlain by 125 to 150 m of cover. Drilling fully delineated this zone and the drill-indicated dimensions are approximately 70 m along strike, 50 m in width, and up to 15 m thick. The southwest extension of the EHWZ is located at a vertical depth of 70 to 80 m from surface with drilling indicating a localized extension of the initial high-grade Escondida zone. Drill-indicated dimensions are 30 m along strike, 30 m in width, and up to 8 m thick.

The Company made a construction decision to build a gravity mill in the first half of 2009 to process high-grade ore from the Escondida zone. Development activities associated with waste removal at the Escondida portion of the Mulatos Pit commenced in 2009. The Company invested over $61 million to develop the Escondida high-grade zone and this was completed in the first quarter of 2012. Detailed engineering and construction of the mill to process high-grade ore was completed throughout 2010 and 2011 and resulted in high-grade production from the mill in the first quarter of 2012. The total cost of construction of the mill was approximately $20 million.

In the latter part of 2011, an underground mine plan was developed for the northeastern portion of the Escondida High grade zone. This is an area that does not optimize into the current open pit designs. These mineral reserves are presented as part of the Mulatos mineral reserves in the 2012 year end mineral resource and reserve update.

In 2012, 204 RC drill holes were completed at Escondida zone totaling 6,459 m. No core drill holes for resource definition work, exploration, or in the underground environment; however, 3 geotechnical drill holes were completed totaling 276 m.

*Gap*

The Gap zone is located midway between the Escondida and El Victor zones. Placer Dome conducted limited exploration during 1998, completing only a few wide spaced holes to demonstrate mineralization continuity between the two resource areas. The Gap zone is a down-faulted, post-mineral covered, block in the main mineralized trend between the north end of the Estrella pit (El Salto/Mina Vieja) and San Carlos. The Gap zone has similar geologic characteristics to the Main Escondida Zones with a large, blind area of concealed silica alteration that hosts both localized high-grade and thick lower-grade gold intercepts. Surface exploration drilling completed in 2006 and 2007 has delineated a mineralized zone approximately 500 m long by 150 m wide, and up to 110 m thick, located directly between the Escondida and El Victor areas. In addition, drilling at Gap has resulted in the discovery of high-grade ore intercepts, some in excess of 30 g/t Au.

Surface drilling completed to the end of 2008 consisted of 38 RC holes on roughly 50-metre centers, for 8,540 m, stepping out to the west from previous El Victor/Gap intercepts. In 2009 the Company continued with its definition drilling program and completed systematic drilling at 25 to 50 metre line-spacing between the Escondida and El Victor resource areas, confirming the continuity of mineralization between the two areas; a total of 21,900 m in 106 holes was completed in 2009.

In 2012, only two RC drill holes were completed at Gap zone totaling 474 m. No core drill holes were budgeted in 2012.

*El Victor*

El Victor surface and underground drilling was completed in 2006. The El Victor mineralized zone is approximately 50 to 150 m wide and has a 600-metre strike length with a thickness up to 50 m and is now known to be connected to the Gap zone. In the fourth quarter of 2007, the Company reported a measured resource of 6,584,000 tonnes grading 1.04 g/t Au for 220,185 contained ounces and an indicated resource of 8,675,000 tonnes grading 1.00 g/t Au for 278,816 contained ounces (calculated at a 0.5 g/t Au cut-off). At December 31, 2008, a substantial portion of the El Victor resource area was upgraded to proven and probable reserves.

In the fourth quarter of 2011, additional core and RC drilling was completed within the El Victor pit design, as part of the El Victor North exploration program.

*El Victor North*

El Victor North area is an exploration target contiguous with and north of the current El Victor portion of the Mulatos pit. The El Victor North area and the northern planned pit wall were not drilled during the definition drilling of the El Victor reserve area due to a surface access conflict. Access to El Victor North was obtained in July 2011 after a twelve-year hiatus.

A total of 16,200 m in 124 holes were drilled at El Victor and El Victor North in 2011. In 2012, an additional 120 RC drill holes were completed totaling 18,145 m and 13 core drill holes were completed for 2,280 m.

Mineralization at El Victor North is the northwestern extension of El Victor mineralization and is hosted by silica alteration identical to the El Victor deposit. The El Victor North area has over 550m of strike length, is up to 100m wide, remains open to the north, and has the potential to expand mineral reserves along the northern boundary of the Escondida to El Victor trend. The top of the zone is located approximately 36m to 56m below surface. Recent drill results have indicated the potential to extend the El Victor pit north and west of the current pit design outline.

Gold mineralization at El Victor North may represent a sub-parallel mineralized trend to the El Victor-Escondida trend, and connect gold mineralization in the northwest portion of San Carlos, to gold mineralization encountered north of the Escondida high grade zone. Drilling at El Victor North will continue in 2012 with the objective of continuing to expand mineral reserves and resources. The 2011 year-end mineral reserve and resource update for El Victor included the results of drilling at El Victor North up to September, 2011.

Drill results from 2012 are highlighted below and continue to demonstrate the potential of this zone:

- 1.54 g/t Au over 79.3 m (12EV227)
- 1.20 g/t Au over 51.8 m (12EV227)
- 1.50 g/t Au over 74.5 m (12EV245)
- 2.66 g/t Au over 30.5 m (12EV240)
- 1.51 g/t Au over 45.3 m (12EV236)
- 1.57 g/t Au over 73.9 m (12EV235)
- 1.56 g/t Au over 48.6 m (12EV231)
- 2.04 g/t Au over 76.2 m (12EV242)
- 1.74 g/t Au over 50.8 m (12EV248)
- 1.30 g/t Au over 27.44 m and 1.73 g/t Au over 30.49 m (12EV289)

*Puerto del Aire*

The Puerto del Aire zone is a combination of structural and stratiform gold mineralization, 300 m south and parallel, to the North Estrella-San Carlos trend. It corresponds to a large concealed zone which is contiguous with mineralization in the Estrella Pit. In 2008, the Company completed an initial mineral resource estimate at Puerto del Aire. Indicated resources totalled 8,907,000 tonnes grading 1.09 g/t Au for a total of 311,000 contained ounces at a 0.5 g/t Au cut-off. Approximately 250 m of the zone was then drilled at sufficient density for classification as indicated resources, whereas another 300 m of drilling was only sufficient for classification as inferred resources. Inferred resources were 5,935,000 tonnes grading 1.03 g/t Au for a total of 197,000 contained ounces at a 0.5 g/t Au cut-off. These mineral resources are in close proximity to the existing mining operations, and resulted in a pit layback that extended the life of the existing Mulatos Mine operation.

As the zone remained open to the northeast in late 2008, a total of 21,860 m in 74 holes of step-out drilling was completed in 2009. The main purpose of the 2009 drilling at Puerto del Aire was to confirm its extension to as much as 1.7 km from the Estrella pit, while the zone remained open to the northeast.

At Puerto del Aire West, the area directly adjacent to the Estrella pit, 2009 definition drilling holes returned grade and thicknesses similar to the Estrella pit. It was determined that the zone continued to the northeast, and drill holes completed in 2009 revealed the presence of a very large system of intense silica alteration concealed by post-mineral volcanic cover that had characteristics similar to both the high-grade Escondida and Puerto del Aire West zones.

Most intercepts reported in 2009 returned grade similar to the Puerto del Aire West zone with numerous intercepts consistently in the 2-3 g/t Au range over significant thicknesses.

High-grade intercepts were also reported with drill hole 09PA144 yielding a 50.30 m intercept of high-grade mineralization grading 10.06 g/t Au, including a 16.77 m interval grading 27.16 g/t Au. The high-grade zone in this drill hole occurs near the top of the silicified interval, although similar to the Escondida high-grade zone, but appears to be a new type of mineralization within the Mulatos district; that is, the altered silica is extremely cryptocrystalline, sulphide-deficient, and has no associated copper, arsenic, or silver.

Definition and exploration drilling continued in 2010 in the Puerto del Aire Extension zones with a total of 22,138 m completed in 89 holes. The Puerto del Aire mineralized zone was therefore extended to the northeast for a minimum of 2.5 km from the Estrella pit with the furthest 400 m located on the east side of the Mulatos River. These drill holes have outlined a higher-grade zone with a strike length of approximately 200 m, an average thickness of approximately 15 m, and an average width of more than 50 m. As of December 31, 2010, a portion of the Puerto del Aire West resource was upgraded to proven and probable reserve while the remainder of Puerto del Aire is reported in the measured, indicated and inferred resource categories.

Drilling continued at the eastern part of Puerto del Aire in early 2011, and the Company is currently in the process of assessing the viability of mining and processing certain higher-grade zones within Puerto del Aire. In 2012, only 2 RC drill holes were completed totaling 749 m, but no work was done on Puerto del Aire East. For core drilling, 2 drill holes were also completed totaling 429 m.

*San Carlos*

The San Carlos resource area is located to the northeast of the proposed El Victor Pit, on the east side of the Mulatos River, along the continuous structural trend that controls gold occurrences from the Mulatos pit. San Carlos is the easternmost gold occurrence discovered to date along this trend.

In 2006, Alamos completed an RC drill program at San Carlos that consisted of 6,303 m in 33 holes. The drilling resulted in the delineation of an extensive area of blind mineralization extending a minimum of 400 m to the northeast from the Mulatos River. Significant gold-bearing intervals from the 2006 drill program were generally located at the edge of the drilled area, with intercepts open to the northeast.

In November 2009, the Company commenced a definition drilling program at San Carlos after completing geological mapping of the historic underground mine workings to ascertain gold controls. The objectives of the 2009 drill program were to upgrade the established inferred resources to the measured and indicated category through infill and step-out drilling, expand the known limits of the mineralized system, and further define the structurally controlled high-grade zone. In 2009, the Company drilled a total of 6,694 m in 27 holes with the majority of the 2009 drill holes designed to test targets generated from the 2006 drill program.

Drilling continued in 2010 with an additional 13,983 m completed in 65 holes that continued to demonstrate the continuity and robustness of the San Carlos zone. Drilling in 2010 was specifically oriented towards evaluating the high-grade zones identified from 2009 drilling and the underground geologic work.

The results of the 2006 San Carlos exploration program were compiled in 2008 and resulted in an inferred resource estimate for San Carlos of 7,496,000 tonnes at an average grade of 1.29 g/t Au for a contained resource of 310,000 ounces at a 0.5 g/t Au cut-off. Drilling in 2009 and 2010 upgraded the inferred resource at San Carlos to the measured and indicated categories and increased the overall resource base substantially. Results of the mineral resource calculation update at San Carlos were disclosed as part of the 2010 global mineral resource and reserve update and mineral reserves at San Carlos were reported for the first time.

The results of the 2011 drilling confirmed the continuity of the high-grade mineralization towards the northeast and the discovery of additional *en echelon* structural high-grade zones to the northeast of the main San Carlos mineral resource. The Company identified at least two additional sub-parallel structures, located up to 600 m from the mineral resource area, with surface mapping indicating the potential for additional zones to the northeast. The new

zones are located at the same elevation as the existing mineralization but are under significant overburden and are potentially amenable to underground mining. Additional wide-spaced drilling is planned to define the extent of the new mineralized zones.

In addition, in 2011 the Company received positive results from metallurgical testing conducted on the high-grade ore previously identified at San Carlos. Two high-grade composite samples from the 2010 core drilling program at San Carlos were submitted for metallurgical testing. Testing was optimized to replicate the gravity plant that the Company is currently constructing to process the high-grade ore at Escondida. Initial test results revealed that the high-grade ore at San Carlos is amenable to gravity separation and can be processed economically through the gravity plant. Approximately 57% and 69% of the contained gold in the two composites were recovered through gravity separation, and ultimate recovery rates were 70% and 78% respectively, when the tailings were leached with cyanide. These levels of ultimate recovery are 15% to 20% higher than leaching the high-grade ore at San Carlos alone. The potential to improve these recovery rates exists and will be evaluated in the next phase of testing.

As at December 31, 2011 and using an anticipated cut-off grade of 3 g/t Au for the gravity plant, “in-pit” mineral reserves at San Carlos total 649,000 tonnes grading 7.67 g/t Au for 160,043 ounces. The Company believes the high-grade San Carlos mineral reserves and resources could substantially increase the mill feed for the gravity plant.

In 2011, the Company initiated an open pit and underground mining trade-off study for San Carlos. Additional optimization studies are on-going, but preliminary findings were published in the December 2012 NI 43-101 report “Mulatos Project Technical Report Update (2012)”. A copy of this report has been filed on SEDAR and is available at www.sedar.com under the Company profile. This report found that underground mining at San Carlos could be done economically using a long-hole open stoping mining method with delayed backfill, which shall be supplemented by a modified drift and fill mining method where gold mineralization thins. It was recommended that the Company assemble an underground mining team and work through the program and solicit proposals from qualified underground mining contractors with experience on similar projects in Mexico. Further work was also recommended on the geomechanical environment that would facilitate final design of the underground workings and facilities.

Drilling resumed during the fourth quarter after heavy rains prevented access earlier during the third quarter. The company planned an extensive drill program with objectives to define reserves that would benefit the mine plan. Higher-grade gold intercepts have been now encountered up to 500 m from the existing open pit margins, there is significant mineral potential for resource development, but additional drilling is required and there was at the time no guarantee that further resources would be defined.

The company successfully completed 9,386 m of RC drilling in 25 drill holes and 1,319 metres of core drilling in 3 drill holes. The notable results are as follow:

- 7.73 g/t Au over 4.65 m (12SC177)
- 3.84 g/t Au over 17.55 m and 10.52 g/t Au over 4.15 m (12SC178)
- 5.15 g/t Au over 17.30 m (12SC178B)
- 12.85 g/t Au over 6.09 m and 24.33 g/t Au over 3.04 m (12SC183)

*Cerro Pelon*

During 2008, the Company announced the discovery of a new gold zone at Cerro Pelon. Cerro Pelon is located approximately 2.5 km southwest of the leach pad area and was a high-priority regional target for the Company, given both its proximity to existing mining operations and its geologic similarity to the Mulatos deposit.

Gold at Cerro Pelon is hosted within oxidized vuggy silica, starting at the surface and extending to over 90 m at depth. Step-out drilling and detailed surface mapping has indicated that the zone has both structural and stratigraphic-controlled components, with gold appearing to be controlled primarily by late-stage structurally-controlled hydrothermal breccias of both northeast and northwest trends. Drill holes within the broad breccia zones contain strong gold concentrations whereas those outside the zones are generally barren. Post-mineral fault offset is also indicated, complicating the zone interpretation. The upper 70 to 100 m of the zone is completely oxidized, determined both visually and by very low sulphur concentrations from geochemical analyses. Preliminary cyanide-

extractable analyses from the oxidized portion of the zone indicate 90-97% gold recovery, suggesting the zone is non-refractory in nature.

The Company announced significant drill intercepts from first phase drilling at Cerro Pelon in 2008, including 91.5 m of 1.43 g/t Au and 90 m of 1.97 g/t Au. Drilling in 2008 totalled 69 holes representing 10,900 m. Step-out and definition drilling was completed in 2009 with up to three drill rigs for a total of 7,170 m in 65 holes drilled. The latest drill holes returned some of the best intercepts in the district outside of the Mulatos deposit, including 129.6 m of 2.42 g/t Au, 158.5 m of 1.55 g/t Au, 21.65 m of 4.11 g/t Au, 50.3 m of 3.57 g/t Au, and 57.95 m of 2.00 g/t Au. The 2009 core drilling program was successful in establishing mineralization continuity with an oxidized zone of gold-bearing vuggy silica delineated that is roughly 250 m long, 30 to 80 m in width, and 70 to 150 m thick. Drill hole intercepts show a roughly semi-circle shaped mineralized zone, with the eastern half removed by faulting.

Geological modelling and 3D modelling was completed in September 2009, followed by a mineral resource estimate in November 2009. The results of the resource calculation were integrated into the global resource & reserve numbers for 2009 and the majority of mineral resources at Cerro Pelon were classified as measured and indicated. Ongoing engineering work and economic evaluation initiated in 2009 resulted in an upgrade of a portion of the measured and indicated resources to the reserve category.

As at December 31, 2011, probable reserves at Cerro Pelon were 2,673,000 tonnes grading 1.64 g/t Au for 140,525 contained ounces of gold.

The Company is in the process of negotiating with landowners in order to secure the surface rights to commence development of Cerro Pelon. There was no RC or core drilling at Cerro Pelon in 2012 due to land access issues.

*La Yaqui*

During 2007, the Company successfully negotiated three new surface access agreements, allowing exploration into three high-priority targets for the first time since 1997, including the La Yaqui area. 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 m of 2.73 g/t Au and 30.0 m of 3.33 g/t Au. Definition drilling was completed in 2008 with an additional 7,200 m in 50 holes drilled.

The La Yaqui near-surface oxide gold zone is located approximately 9.5 km southwest of the Estrella Pit. The results of drilling at La Yaqui were incorporated into the Company's measured and indicated resource statement as of December 31, 2008. In 2009, the Company completed engineering work and an economic evaluation and reported probable reserves of 1.6 million tonnes at 1.58 g/t Au for a total of approximately 80,000 ounces as of December 31, 2009.

As at December 31, 2011, probable reserves at La Yaqui were 1,574,000 tonnes grading 1.58 g/t Au for 79,826 contained ounces of gold.

The Company is in the process of negotiating with landowners in order to secure the surface rights to commence development of La Yaqui. There was no RC or core drilling at Cerro Pelon in 2012 due to land access issues.

*Estrella Pit*

As part of its ongoing modelling and resource/reserve reconciliation, infill drilling programs comprising 3,700 m in 22 RC drill holes and 5,000 m in 46 RC holes were completed within the Estrella Pit in 2009 and 2010, respectively. The objectives of these programs were to infill parts of the block model where information was lacking and to assist in further delineating low-recovery sulphide zones within the pit.

Aside from confirming expected grade and thicknesses of the block model, the in-pit drilling encountered an exceptional intercept located at the northern edge of the actual pit. A 141.77 m interval grading 7.81 g/t Au, including 33.54 m of 23.18 g/t Au, was reported from vertical drill hole 09AM045; this intercept is believed to be the highest grade-thickness interval ever reported at Mulatos. The deeper portions of this interval contain high

copper concentrations with up to 3.5% Cu within a 62.59 m intercept grading 2.55 g/t Au and 0.51% Cu, from 123.48 to 185.98 m down hole. Deep high-grade refractory mineralization in this area was known to exist from previous drilling but may be more extensive than modeled due to difficulty in drilling the northeast part of the deposit from surface at that time. The lower part of the interval did not form part of the optimized pit in 2008 but was integrated into the 2009 resource and reserve statement. The hole demonstrates that localized occurrence of high-grade mineralization within the deposit are not fully quantified in the resource model due to drill density, and may partially explain why current production head grade frequently exceeds the predicted block model grade.

*East Estrella*

Exploration on this target began in March 2012 after a review of a historical drill hole cored by Placer Dome in 1996. This drill hole encountered interesting near-surface gold-silver-copper results that appeared to be controlled by north-south structures, which is different than the main Mulatos deposit. Surface mapping of the pit wall also identified a previously unrecognized stratiform hydrothermal breccia in the northern part of the project area, and it is believed that there is mineral potential for further resource expansion. However, further drilling was needed and there was at the time no guarantee of a mineral resource being estimated to NI 43101 standards.

A budget was drafted and approved for 2012 of 21 drill holes that would test the area on approximately 50 metre centres, noting the core holes will also be used to provide metallurgical samples once the area has been drill defined. In 2012, the Company's drill program focused on delineating new high-grade mineral resources; however, positive results significantly expanded the objectives to include the delineation of Measured, Indicated, and Inferred mineral resources. Throughout the year, the Company drilled 93 RC drill holes totaling 13,165 m and 7 core drill holes totaling 920 m. The notable results are as follows:

- 2.34 g/t Au over 15.24 m (12SX042)
- 2.10 g/t Au over 30.48 m (12SX043)
- 6.00 g/t Au over 13.72 m (12SX044)
- 4.66 g/t Au over 21.34 m and 9.19 g/t Au over 7.63 m (12SX079)
- 3.41 g/t Au over 41.16 m and 8.06 g/t Au over 6.09 m (12SX062)
- 1.80 g/t Au over 25.55 m (12SX064)
- 4.40 g/t Au over 51.65 m and 9.98 g/t Au over 5.45 m and 7.37 g/t Au over 6.5 m (12SX081)

In addition to the significant gold results, East Estrella also yielded significant silver assay results as follows:

- 435.8 g/t Ag over 10.67 m (12SX030)
- 751.0 g/t Ag over 3.05 m (12SX027)
- 497.1 g/t Ag over 7.63 m (12SX025)
- 156.2 g/t Ag over 13.72 m (12SX025)
- 386.2 g/t Ag over 13.10 m (12SX069)
- 1,078.4 g/t Ag over 5.70 m (12SX070)
- 403.2 g/t Ag over 9.30 m (12SX077)
- 121.1 g/t Ag over 17.80 m (12SX081)

*El Carricito*

El Carricito is the largest area of favourable silicic and advanced argillic alteration in the Mulatos District. The zone of alteration is approximately 5.5 km long, up to 2.7 km wide, and is up to 300 m thick in outcrop. Based on initial assessments, El Carricito appeared to be a better preserved high-sulphidation system than Mulatos. There is at least 300 m of vertical relief at the El Carricito system, twice that of Mulatos. At El Carricito, the top portion of the mineralized system has been preserved, whereas Mulatos is eroded deeper with the Estrella zone exposed at surface. Furthermore El Carricito is its own volcanic center, is at least the same size as Mulatos, and has similar types of alteration, structural control, and rock types as those present at Mulatos, but with deeper oxidation. Due to its size, there is a possibility that Estrella deposit-types exist at depth or laterally at El Carricito. El Carricito could also host Escondida type targets which are more difficult to find, because of their relatively smaller footprint, especially if concealed and at depth.

Reconnaissance geologic mapping, rock chip, and soil grid sampling was completed at El Carricito in 2009. The 2009 surface work identified significant gold geochemical anomalies, which at least partially overlap the silica altered zones. The objective of the 2009 program was to generate drill targets that could be drill-tested in 2010.

Exploration drilling at El Carricito began in late 2010 and continued throughout the majority of 2011. Drilling has intersected broad zones of favourable alteration containing low-grade gold mineralization, with the best intercept at El Carricito being 85 m grading 0.53 g/t Au in hole 11CR77. An area of low-grade gold mineralization with local ore-grade intercepts has been delineated. RC drilling has been completed on 50 m centers sufficient for resource estimation, and core twins of select intercepts are in progress.

A total of 20,642 meters in 113 reverse circulation holes were drilled at Carricito in 2011, both as a resource definition and as exploration target evaluation holes. In addition, 6 core holes (588 m) were completed. In 2012, 2 RC drill holes were completed totaling 224 m and 3 core drill holes were also completed totaling 491 m.

*El Realito*

The Exploration staff completed a re-examination of the drill hole data from 2004 to 2006 in light of current gold prices, and worked to develop a new geological model that could be reassessed. El Realito is an area of oxide gold mineralization and artisanal gold mining. Gold mineralization identified in the past drill programs remains open for expansion. An exploration program is being planned for 2013 to further develop the mineral potential of this important target area.

***2013 Exploration Outlook for Mulatos***

The Company planned to continue its aggressive exploration program in 2013 with over 22,800 m of drilling budgeted. Exploration activities in 2013 will focus on in-fill and step-out drilling at San Carlos and East Estrella. In addition, large-scale generative work will be done on earlier-stage targets within the Salamandra Concessions such as, but not limited to Puerto del Aire, La Dura, Compadres East, El Halcon, and Ostmiri.

**Logging, Sampling Methodology, Sample Preparation, Analysis, Sample Custody**

The drilling methods utilized at Mulatos are RC using a center return bit, diamond drill coring using HQ and NQ diameter rods, and underground diamond drilling using NQ thin-wall core (for certain areas such as El Victor and Escondida).

Logging, sampling, and analysis procedures were historically established by previous operators, prior to the 2004 Feasibility Study, and are still being used today apart from refinements and adjustments necessary to comply with current Quality Assurance/Quality Control (“QA/QC”) procedures and NI-43-101 requirements. Logging and sampling methodologies and procedures are documented, routinely updated, and maintained by the Company’s exploration department.

Geologists log drill core holes on site at Mulatos or in Matarachi. Core is logged on a hole by hole basis with data entered in a digital file for future analysis and processing. RC holes are logged from chip trays containing representative samples collected from each 1.5-metre sample interval. After completion of geological and geotechnical logging and collection of additional information such as specific gravity, geologists define and label the intervals to be sampled, ranging from 0.25 to 1.5 m, depending on geological characteristics.

Drill core is cut and sampled at site at Mulatos or in Matarachi while RC samples are collected directly at the drill site. For RC drill holes, a sub-set of the sample cuttings is bagged, inventoried, prepared and shipped to Hermosillo for analysis. For core drill holes, half-core samples are prepared using a diamond core saw, with 1.0-metre intervals as standard sample lengths in rock types presenting similar geological characteristics, bagged, tagged, sealed and shipped in batches to the assaying laboratory. When applicable, core from metallurgical and geotechnical drill holes are cut in half with one half of the core sent for analysis, while the reject is used for metallurgical testing. Metallurgical and geotechnical drill holes are logged at site in a similar manner to other core drill holes. Geologic logging and sample interval definition are completed by geologists; geotechnical logging including Rock Quality

Designation ("RQD"), core recovery and specific gravity measurements are usually done by geological technicians. In addition, specific sampling procedures were implemented for round and bulk samples obtained from the underground exploration adit completed in 2006 in the high grade zone. Note that the results of the bulk sample tests were not used for resource estimation purposes but rather for internal comparative assessments. When applicable, underground channel sampling was supervised by a geologist, and consisted of 1.5-metre channels approximately 12 centimetre ("cm") wide and 7.5 cm deep.

Laboratory sample preparation and analysis is in accordance with strict and industry recognized protocols and procedures. For RC samples, an approximate 10 kg sub-sample is sent to the lab. After drying, a 250-300 gram sub-set is crushed, riffle spilt, and pulverized. A one assay-ton (30 grams) sample is then collected for precious metal analysis (Au & silver – "Ag") by fire assay with atomic absorption finish ("FA-AA"). For sample assaying above 5 g/t Au under FA-AA, a fire assay with gravimetric finish ("FA-GR") is also performed. A smaller pulverized sub-sample (3-5 grams) is also taken for multi-elements ICP analysis, when requested by the geologists. Samples with Au assay results above 0.3 g/t Au are assayed by the hot-cyanide method (Au and Cu) to help assess the Au recovery potential; the results of these tests are also used for the recovery model. For core samples, the entire half of the core sample received at the lab is crushed; a 250-300 gram spilt is collected, pulverized and assayed using the methodology described above. Samples are now sent to ALS Chemex Inc. ("ALS Chemex") in Hermosillo, Mexico for sample preparation and then sent to ALS Chemex's Vancouver lab for analysis. Other labs, including Inspectorate and others, were used in the past with documentation available in individual drill logs. Check assay work was usually performed at Skyline Labs in Tucson, Arizona.

QA/QC procedures are performed systematically at Mulatos. Blind, standard and blank samples are systematically inserted on a regular sample batch interval, generally every 25-30 samples, and are routinely evaluated when results are received. Duplicate samples are selected at regular intervals, with the duplicate retrieved by the assaying laboratory personnel after the sample has been crushed, basically representing a separate split. Check assays of pulverized pulps are performed by a second lab and generally represent 5-10% of the entire sample database. Comparisons and reconciliation between original and check assays are done routinely during drilling, and systematically before any resource estimation exercise.

Sample custody is ensured on-site by continuous inventorying and monitoring of the RC cuttings and drill core. Once samples are prepared, using the methodologies described above, they are inventoried, individually bagged, tagged and sealed in larger bags for transport to the assay lab. The laboratories used for analysis are certified and follow strict, industry recognized, QA/QC protocols. Audits of the assaying labs are performed occasionally.

For disclosure purposes, a 0.5 g/t Au cut-off grade is used for calculation of composite intervals, with only a single 1.5-metre interval of sub-0.5 g/t Au material allowed within a composite interval; assay results are generally presented uncut.

**Modelling and Estimation**

***Main Targets Areas (East Estrella, El Víctor, El Victor North, and San Carlos)***

Similar logging, sampling and analytical procedures as described under the "Logging, Sampling Methodology, Sample Preparation, Analysis, Sample Custody" section above apply for this area. The exploration programs were conducted by the Company under the direction and supervision of the Vice President of Exploration and/or Manager of Exploration for Mexico, who are Qualified Persons as defined by the NI-43-101. Resource estimates prior to 2009 were completed by an independent Qualified Person as defined by NI 43-101. Starting in 2009, resource estimation was managed under the supervision of the Company's Director of Mineral Resources, who is also a Qualified Person.

The following procedures are generally followed for modelling and estimation. Block gold grade estimation is constrained by geology envelopes that are constructed using alteration distribution, state of oxidation, known geologic controls, and anomalous gold mineralization. Gold grades are estimated using ordinary kriging ("OK") interpolation with searches oriented along known mineral controls. Gold resource classification is based on proximity to drill hole data, and geostatistical variography. Measured resources are generally defined (note that this criteria may vary from zone to zone) as blocks within 6 m of the closest drill hole data. Indicated resources are generally defined (note that this criteria may vary from zone to zone) as blocks between 6 to 36 m from the closest drill hole data. Inferred resources are defined (note that this criteria may vary from zone to zone) as those blocks greater than 36 m from the closest drill hole data, and up 7 m.

Geologic solids are constructed from observed data collected during the core and chip logging processes, and from data acquired through the use of an infrared reflectance spectrometer. Geologic solids comprise rock types, oxidation, silica alteration, and intensity of argillic alteration. At Gap and La Yaqui, solids were also created for the clay species, interpreted from reflectance spectra data. Mineralized shapes within which gold estimation was conducted, were constructed from the occurrence of silica alteration, and argillic alteration intensity (Gap), and silica alteration, and alteration from infrared spectrometry (San Carlos and La Yaqui). In addition, the occurrences of logged breccia units at San Carlos were used to construct the mineralization envelope. Hard boundaries to gold estimation were also assigned to air, post mineral rocks and alluvial/colluvial material, and in some cases, faults. At San Carlos, solids were constructed for the post-mineral intermediate dykes, and applied as a hard boundary to estimation. Gold estimation was conducted by OK at San Carlos and La Yaqui, on three metre by three metre by three metre blocks. Composites were 1.52 m, and cutting was applied to gold values above 13 g/t Au at La Yaqui, and 30 g/t Au at San Carlos.

In 2010, a complete re-modelling was done at Mulatos in order to bring all resource areas except San Carlos within one single model. In 2012 the alteration and oxidation geologic models were re-interpreted for the Estrella, East Estrella, Puerto del Aire, El Victor, and San Carlos areas. The model was re-estimated in these areas using the updated geologic controls with the OK method selected for disclosure.

***Escondida High Grade Zone***

The following procedures were followed for initial modelling and estimation of the Escondida High Grade Zone. Drill hole samples were composited to three before detailed geostatistical and spatial correlation studies were applied. High-grade samples were top cut to 120 g/t Au before compositing. A three-metre block was selected to best honour mineralization boundaries of the zone. Search radii were restricted to accommodate the coarse gold effect. Detailed statistical studies were made to compare core recovery to gold grade and core to RC samples. Core loss resulted in strong negative bias toward high-grade intervals due to the highest grades occurring in the most difficult material to recover. Statistical comparison of gold grades for core holes and RC drill holes within 4.5 m of each other indicate that core grade is approximately half of the average RC sample grade, primarily due to core loss and sample volume differences in a coarse gold environment. RC samples were drilled dry with a center return bit and are the highest confidence samples. Low-confidence core intervals were removed from the database used for grade estimation, and only RC composite samples were used for the final resource estimate. Twenty-three additional RC holes (1,784 m) were drilled into the Escondida Hanging Wall Zone during August and September 2006 to provide higher-confidence data where low-confidence core with poor recovery existed. Grade estimates in the Escondida Hanging Wall Zone were made using OK, inverse distance squared and inverse distance cubed methods, with the latter initially being selected as the method that best honoured the composite drill data. In 2009, after further testing and evaluation, the OK estimation method was adopted.

Reconciliation has shown the OK estimation method to be working, as no dilution or ore loss factors have been incorporated into the resource block models or to the mining reserve. The mining to date within the main pit (mining from 2004 has focused in the Estrella and Escondida areas of the pit) shows a positive reconciliation between the heap ore which has been processed through the crushing system and placed on the heap and the predicted tonnage and grade from the block model (on which the mineral reserve is based). Using the information provided by the mine staff from records which compare mined ore shipped to the crusher to the predicted ore from the block models (which have been updated with new information over the years), the ore tonnage shipped is 2 percent higher than predicted and the gold head grade is 7 percent higher, resulting in a 9.2 percent increase in ounces delivered to the heap. This is a comparison over almost eight years of mining during which there have been swings in the comparisons at different times of the mining history. It is recommended that these comparisons continue and additional detail by pit areas be included to determine if dilution or mine loss factors are needed in the future.

**Metallurgy**

The Mulatos deposit and surrounding deposits are amenable to cyanidation and heap leaching, as determined by lab scale testing in the 2004 Feasibility Study. The 2004 Feasibility Study indicated that mineralized material varies from pure oxide to pure sulphide, with gold recovery typically varying from 55% to 90% as material grades from sulphide to oxide. The average recovery in the 2004 Feasibility Study was estimated to be between 72% and 74% for the Estrella Pit. Applying the modified recovery formulas to the block model has resulted in an estimated average recovery of 72.9%. Actual recoveries experienced since the commencement of operations have been below the 2004 Feasibility Study level of 72.9% as run-of-mine un-crushed material, coarse crushed material and an area of low-recovery material were stacked on the leach pad at various times since mine commissioning. The Company has completed a number of operational initiatives that have improved leach pad percolation and resulted in higher gold recoveries, including conveying and stacking ore on the leach pad, implementing a drum agglomeration process and closing the crushing circuit to reduce the crusher discharge size to as close to 100% passing 3/8 of an inch as possible. As a result, recoveries have improved significantly.

In 2011, the Company obtained the results of metallurgical testing completed on high-grade ore from San Carlos, which indicated that it is amenable to processing in the high-grade mill. Other ore types will be tested in 2012, including from El Victor and El Victor North.

For 2012, the Company has budgeted recovery of 72% based on the block model indicated recoveries for the ore-types to be mined. Not all mineral deposits in the vicinity of the Mulatos Mine are amenable to economic heap leaching. Recoveries from the high-grade mill are expected to be in excess of 90%.

**Mineral Resources**

The 2004 Feasibility Study identified that the exploration programs completed by Alamos, Placer Dome, Kennecott and Minera Real de Angeles had delineated measured and indicated resources of 62.2 million tonnes grading 1.51 g/t Au, totalling over 3 million ounces of gold. These resources were contained only in the Estrella, Mina Vieja and Escondida areas of the Mulatos deposit. The Gap, Puerto del Aire, El Victor and San Carlos portions were not included in this determination of mineral resources.

On March 20, 2007, the Company reported a revised global mineral resource for the Mulatos deposit as at December 31, 2006. The updated measured and indicated global resource inclusive of mineral reserves was 91.2 million tonnes grading 1.26 g/t Au (0.5 g/t cut-off), for 3.7 million contained ounces of gold. The Company also reported 14.5 million tonnes grading 0.99 g/t Au in the inferred category, for 0.5 million contained ounces of gold (0.5 g/t cut-off).

The mineral resource estimate as at December 31, 2007 included the El Victor area and measured and indicated resources (inclusive of mineral reserves) were reported at 96.3 million tonnes at a grade of 1.17 g/t Au at a 0.5 g/t cut-off, for 3.6 million contained ounces. The Company also reported 15.6 million tonnes grading 0.96 g/t Au in the inferred category, for 0.5 million contained ounces of gold at a 0.5 g/t cut-off.

The global mineral resource estimate for the Mulatos and El Victor deposits at December 31, 2008 (exclusive of mineral reserves) was 52.6 million tonnes grading 0.98 g/t Au for 1.7 million ounces of gold, representing a 14% decrease in measured and indicated ounces compared to 2007, due primarily to the conversion of previously reported measured and indicated resources at El Victor, and Puerto del Aire into reserves. Inferred mineral resources at December 31, 2008 comprised 32.6 million tonnes grading 1.00 g/t Au, for 1.0 million ounces of gold, at a 0.5 g/t Au cut-off.

In March 2010, the Company reported revised measured and indicated and inferred resources (exclusive of mineral reserves) as at December 31, 2009. At a 0.5 g/t Au cut-off, measured and indicated resource ounces increased 14% to 60.0 million tonnes grading 0.97 g/t Au, for 1.9 million contained ounces of gold. Inferred resource ounces decreased by 11% from the prior year end to 25.8 million tonnes at 1.12 g/t Au, for 0.9 million contained ounces.

In March 2011, the Company reported updated mineral resources (exclusive of mineral reserves) as at December 31, 2010. Measured and indicated resources (0.5 g/t Au cut-off) increased 47% to 85.5 million tonnes grading 1.00 g/t Au, for 2.75 million contained ounces of gold. Inferred resource ounces decreased by 44% from the prior year end to 16.9 million tonnes at 0.93 g/t Au, for 0.51 million contained ounces. The increase in overall resource ounces

was attributable to the inclusion of additional resources at San Carlos, Puerto del Aire and Escondida and the use of a higher gold price assumption.

The Company's measured and indicated resources (exclusive of mineral reserves) as at December 31, 2012 consist of 81.8 million tonnes grading 1.01 g/t Au, for 2.64 million contained ounces of gold. The decrease of 123,000 ounces relative to the Company's 2011 year end resource statement is primarily attributable to the conversion of measured and indicated resources into the mineral reserve category. Inferred resources were essentially unchanged from 2011, at 17.5 million tonnes grading 0.89 g/t Au, for 502,000 ounces of gold. Resources are reported for the first time for the El Realito and Cerro Carricito projects, and separate resources for the San Carlos underground are also reported for the first time. Resources at Cerro Carricito and El Realito are presented at a 0.3 g/t Au cut-off grade, and underground mineral resources at San Carlos are presented at a 2.5 g/t Au cut-off. Resources at the Mulatos Mine are presented at a 0.5 g/t Au cut-off grade. Measured, indicated and inferred resources as at December 31, 2012 are summarized in the tables below:

**Table 1**
**Mulatos Mine - Measured and Indicated Mineral Resources as at December 31, 2012** [1, 2, 3, 4,5,6]

| | Measured | | | Indicated | | | Measured + Indicated | | |
|---|---|---|---|---|---|---|---|---|---|
| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au |
| 2.0 | 646 | 4.05 | 84,019 | 3,957 | 3.45 | 438,778 | 4,603 | 3.53 | 522,797 |
| 1.5 | 1,132 | 3.04 | 110,789 | 7,962 | 2.66 | 681,972 | 9,094 | 2.71 | 792,761 |
| 1.0 | 2,513 | 2.03 | 164,106 | 18,438 | 1.79 | 1,063,553 | 20,951 | 1.82 | 1,227,659 |
| 0.7 | 4,737 | 1.46 | 223,079 | 38,616 | 1.29 | 1,598,418 | 43,353 | 1.31 | 1,821,497 |
| 0.5 | 7,663 | 1.12 | 277,100 | 70,572 | 0.97 | 2,203,918 | 78,235 | 0.99 | 2,481,018 |
| 0.3 | 13,084 | 0.83 | 347,799 | 134,860 | 0.69 | 3,003,441 | 147,944 | 0.70 | 3,351,240 |

**Table 2**
**Mulatos Mine – Inferred Mineral Resources** [1, 2, 3, 4, 5, 6] **as at December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au |
|---|---|---|---|
| 2.00 | 626 | 3.27 | 65,851 |
| 1.50 | 1,547 | 2.36 | 117,193 |
| 1.00 | 3,616 | 1.70 | 197,996 |
| 0.70 | 7,433 | 1.25 | 299,577 |
| 0.50 | 15,991 | 0.90 | 461,257 |
| 0.30 | 33,698 | 0.63 | 679,487 |

(1) The updated mineral resource estimate incorporates the Estrella, Escondida, Puerto del Aire, El Salto, Mina Vieja, El Victor, and San Carlos areas.
(2) In-pit measured and indicated mineral resource blocks are exclusive of pit-contained reserves.
(3) Measured and indicated and inferred mineral resources outside of the Mulatos Mine have no economic restrictions and are tabulated by gold cut-off grade.
(4) Underground resources are presented at a 2.5 g/t Au cut-off grade for the San Carlos area.
(5) Measured and indicated and inferred resources at Carricito and El Realito are pit-constrained, applying a $1,500/oz gold price, 55° pit slopes, and an $8.55/t operating cost.
(6) Mineral resources are not mineral reserves and do not have demonstrated economic viability.

**Table 3**
**San Carlos Underground - Measured and Indicated Resources [4, 6]**
**as at December 31, 2012**

| | Measured | | | Indicated | | | Measured + Indicated | | |
|---|---|---|---|---|---|---|---|---|---|
| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au |
| 3.0 | 40 | 5.91 | 7,605 | 273 | 5.15 | 45,225 | 313 | 5.25 | 52,830 |
| 2.5 | 57 | 4.96 | 9,092 | 376 | 4.48 | 54,202 | 433 | 4.55 | 63,294 |
| 2.0 | 89 | 3.99 | 11,404 | 558 | 3.74 | 67,143 | 647 | 3.78 | 78,547 |

**Table 4**
**San Carlos Underground – Inferred Mineral Resources [4, 6]**
**as at December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au |
|---|---|---|---|
| 3.0 | 14 | 6.07 | 2,730 |
| 2.5 | 14 | 6.07 | 2,730 |
| 2.0 | 20 | 4.96 | 3,191 |

**Table 5**
**Carricito - Measured and Indicated Mineral Resources [5,6]**
**as at December 31, 2012**

| | Measured | | | Indicated | | | Measured + Indicated | | |
|---|---|---|---|---|---|---|---|---|---|
| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au |
| 2.0 | 2 | 2.69 | 173 | 28 | 2.27 | 2,045 | 30 | 2.30 | 2,218 |
| 1.5 | 5 | 2.02 | 324 | 133 | 1.84 | 7,889 | 138 | 1.85 | 8,213 |
| 1.0 | 16 | 1.47 | 757 | 384 | 1.43 | 17,684 | 400 | 1.43 | 18,441 |
| 0.7 | 31 | 1.15 | 1,151 | 775 | 1.13 | 28,112 | 806 | 1.13 | 29,263 |
| 0.5 | 54 | 0.91 | 1,573 | 1,294 | 0.92 | 38,100 | 1,348 | 0.92 | 39,673 |
| 0.3 | 74 | 0.78 | 1,846 | 1,841 | 0.76 | 45,098 | 1,915 | 0.76 | 46,944 |

**Table 6**
**Carricito – Inferred Mineral Resources [5,6]**
**as at December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au |
|---|---|---|---|
| 2.0 | 1 | 2.02 | 65 |
| 1.5 | 90 | 1.74 | 5,047 |
| 1.0 | 222 | 1.41 | 10,046 |
| 0.7 | 464 | 1.11 | 16,554 |
| 0.5 | 812 | 0.89 | 23,143 |
| 0.3 | 1,290 | 0.71 | 29,305 |

**Table 7**
**El Realito - Measured and Indicated Mineral Resources [5,6]**
**as at December 31, 2012**

| | Measured | | | Indicated | | | Measured + Indicated | | |
|---|---|---|---|---|---|---|---|---|---|
| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au |
| 2.0 | 17 | 3.89 | 2,147 | 165 | 4.05 | 21,509 | 182 | 4.03 | 23,657 |
| 1.5 | 26 | 3.17 | 2,625 | 260 | 3.19 | 26,622 | 285 | 3.19 | 29,247 |
| 1.0 | 42 | 2.43 | 3,248 | 487 | 2.27 | 35,506 | 528 | 2.28 | 38,754 |
| 0.7 | 55 | 2.05 | 3,611 | 747 | 1.77 | 42,501 | 802 | 1.79 | 46,112 |
| 0.5 | 70 | 1.73 | 3,897 | 906 | 1.56 | 45,434 | 976 | 1.57 | 49,331 |
| 0.3 | 88 | 1.46 | 4,123 | 1,112 | 1.34 | 47,897 | 1,200 | 1.35 | 52,020 |

**Table 8**
**El Realito – Inferred Mineral Resources [5,6]**
**as at December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Contained Ounces Au |
|---|---|---|---|
| 2.0 | 15 | 3.86 | 1,819 |
| 1.5 | 32 | 2.67 | 2,739 |
| 1.0 | 102 | 1.65 | 5,413 |
| 0.7 | 169 | 1.33 | 7,222 |
| 0.5 | 197 | 1.23 | 7,787 |
| 0.3 | 236 | 1.09 | 8,256 |

(1) The updated mineral resource estimate incorporates the Estrella, Escondida, Puerto del Aire, El Salto, Mina Vieja, El Victor, and San Carlos areas.
(2) In-pit measured and indicated mineral resource blocks are exclusive of pit-contained reserves.
(3) Measured and indicated and inferred mineral resources outside of the Mulatos Mine have no economic restrictions and are tabulated by gold cut-off grade.
(4) Underground resources are presented at a 2.5 g/t Au cut-off grade for the San Carlos area.
(5) Measured and indicated and inferred resources at Carricito and El Realito are pit-constrained, applying a $1,500/oz gold price, 55o pit slopes, and an $8.55/t operating cost.
(6) Mineral resources are not mineral reserves and do not have demonstrated economic viability.

**Mineral Reserves**

Mining of the Mulatos deposit from the commencement of production to the end of 2008 was focused on the Estrella Pit. The 2004 Feasibility Study estimated mineral reserves in the Estrella Pit of 1.92 million contained ounces using a gold price assumption of $350 per ounce. At December 31, 2006, mineral reserves in the Estrella Pit were 31.9 million tonnes at a grade of 1.64 g/t Au for total contained ounces of 1.7 million contained ounces. At December 31, 2007, the Company reported proven and probable mineral reserves in the Estrella Pit of 1.3 million contained ounces (24.3 million tonnes at a grade of 1.68 g/t Au), calculated at a gold price of $600 per ounce of gold.

At December 31, 2008, the proven and probable mineral reserve estimate was 47.7 million tonnes at a grade of 1.35 grams per tonne gold for 2.1 million ounces of contained gold, representing a significant increase in mineral reserves compared to 2007. The 2008 updated mineral reserve estimate was calculated using a $700 per ounce gold price and incorporated not only the Estrella Pit, but also the Escondida, part of Puerto del Aire (“PdA”), El Salto and Mina Vieja areas which were consolidated and reported as part of the “Mulatos pit”, and El Victor which is reported separately as the “El Victor pit”. Reserves at PdA and El Victor were reported for the first time in 2008. The life-of-mine model for the Mulatos pit at December 31, 2008 had a waste-to-ore ratio of 1.60:1, and the El Victor pit had a 1.23:1 waste-to-ore ratio.

The Company reported proven and probable mineral reserves of 61.6 million tonnes grading 1.21 g/t Au for a total of 2.4 million contained ounces as at December 31, 2009. This represented an increase in mineral reserve ounces of 17% over mineral reserves reported as at December 31, 2008. The increase is attributable to a number of factors. Initial mineral reserves at La Yaqui and Cerro Pelon resulted in adding over 0.2 million contained ounces to mineral reserves. In addition, applying a higher gold price assumption in the calculation of mineral reserves resulted in reducing the planned mining cut-off grade, and converting material previously classified as waste to ore.

The Company reported proven and probable mineral reserves of 58.5 million tonnes grading 1.27 g/t Au for a total of 2.39 million contained ounces as at December 31, 2010, similar to the number of proven and probable reserve ounces in the previous year. The inclusion of mineral reserves at San Carlos, incorporating new zones at Escondida and the use of a higher gold price assumption resulted in increases to proven and probable reserves, which were offset by the number of contained ounces mined during 2010.

On March 26, 2012, the Company reported proven and probable mineral reserves of 65.0 million tonnes grading 1.14 g/t Au for a total of 2.39 million contained ounces as at December 31, 2011, consistent with proven and probable mineral reserve ounces in the previous year. The inclusion of additional reserves at the El Victor it and the use of a higher gold price assumption resulted in increases to proven and probable reserves, which were offset by the number of contained ounces mined during 2011.

The Company’s proven and probable mineral reserves consist of 68.8 million tonnes grading 1.07 g/t Au for a total of 2.37 million contained ounces as at December 31, 2012, consistent with proven and probable mineral reserve ounces in the previous year. The inclusion of additional mineral reserves at El Salto and the El Victor areas, and the use of a higher gold price assumption resulted in increases to proven and probable reserves, which offset ounces mined during 2012. A change from open pit to an open pit and underground plan for San Carlos resulted in a 13,000 ounce decrease in attributable proven and probable mineral reserves.

Proven and probable reserves as at December 31, 2012 are summarized in the table below:

**PROVEN AND PROBABLE RESERVES [1,2,3,4,5,6,7,8,9]**
**As at December 31, 2011**

| | Proven [2] | | | Probable [2] | | | Proven + Probable 2 | | |
|---|---|---|---|---|---|---|---|---|---|
| RESERVE AREA | Tonnes (000) | Grade (g/t Au) | Contained Ounces | Tonnes (000) | Grade (g/t Au) | Contained Ounces | Tonnes (000) | Grade (g/t Au) | Contained Ounces |
| Mulatos Mine [3, 4, 5] | 8,928 | 1.17 | 334,545 | 50,755 | 0.85 | 1,393,514 | 59,683 | 0.90 | 1,728,059 |
| UG Reserve[6, 7] | 194 | 6.61 | 41,436 | 975 | 4.73 | 148,227 | 1,169 | 5.04 | 189,663 |
| Existing stockpiles | 3,721 | 1.90 | 227,364 | — | — | — | 3,721 | 1.90 | 227,364 |
| La Yaqui [6] | — | — | — | 1,574 | 1.58 | 79,826 | 1,574 | 1.58 | 79,826 |
| Cerro Pelon [7] | — | — | — | 2,673 | 1.64 | 140,525 | 2,673 | 1.64 | 140,525 |
| **TOTAL** | 12,843 | 1.46 | 603,345 | 55,977 | 0.98 | 1,762,092 | 68,820 | 1.07 | 2,365,437 |

(1) The Company's mineral reserves as at December 31, 2012 are classified in accordance with the Canadian Institute of Mining Metallurgy and Petroleum's "CIM Standards on Mineral Resources and Reserves, Definition and Guidelines" as per Canadian Securities Administrator's National Instrument 43-101 requirements.
(2) Tonnes are rounded to the closest "000s" and grades are rounded to the closest "0.00"s.
(3) The mineral reserve estimate for the Mulatos Mine incorporates the Estrella, Escondida, Puerto del Aire, El Salto, Mina Vieja, El Victor, and San Carlos areas.
(4) Mineral reserve cut-off grade for the Mulatos Mine is determined as a net of process value of $0.10 per tonne for each model block. The determination was based on a $1,400 per ounce gold price, a December 2012 resource and recovery model, and the 2013 budget costs based on the actual cost figures from current mining operations.
(5) Pit-contained mineral reserves for the Escondida high-grade zone are 221,000 tonnes grading 10.31 g/t Au for 73,260 ounces and San Carlos is 241,600 tonnes grading 0.81g/t Au for 62,866 ounces.
(6) Underground reserves are design-contained and reported at a 2.5 g/t Au cut-off grade, with a 5% mining loss and 10% dilution.
(7) Underground reserves include 45,000 tonnes at Escondida Deep, grading 8.08 g/t Au for 11,700 ounces, and 1,124,000 tonnes at San Carlos grading 4.92 g/t Au for 177,900 ounces,
(8) Mineral reserve gold cut-off grade for the La Yaqui Pit is a 0.30 g/t gold. The determination was based on an $800 per ounce gold price, a May 2009 resource model, gold recovery at the current mining operations, and the 2010 budget costs based on the actual cost figures from current mining operations.
(9) Mineral reserve gold cut-off grade for the Cerro Pelon Pit is determined as a net of process value of $0.10 per tonne, for each model block. The determination was based on an $800 per ounce gold price, a November 2009 resource model, gold recovery at the current mining operations, and the 2010 budget costs based on the actual cost figures from current mining operations.

**Mulatos Project Area Life-of-Mine Waste-to-Ore Ratios as of December 31, 2012 [1]**

| Project | Waste-to-Ore Ratio |
|---|---|
| Mulatos Mine | 1.04 |
| Cerro Pelon Pit | 2.13 |
| La Yaqui Pit | 0.16 |
| San Carlos Pit | 1.51 |

(1) The life-of-mine waste-to-ore ratio for the Mulatos Mine incorporates the Estrella, Escondida, Puerto del Aire, El Salto, Mina Vieja, and El Victor areas. San Carlos open pit waste-to-ore ratio is presented separately.

**Qualified Person(s) Disclosure**

The independent Qualified Person for the National Instrument 43-101 compliant mineral reserve estimate is Herb Welhener, Vice President of Independent Mining Consultants Inc. of Tucson, Arizona, working in conjunction with the Company's exploration and operations staff. Marc Jutras, P. Eng., M.A.Sc., Director of Mineral Resources for Alamos, prepared the mineral resource estimation for the Mulatos Mine, the Ağı Dağı, Kirazli, and Çamyurt projects. Mark Odell, Principal, Practical Mining LLC, was responsible for the presentation of the underground reserves in the Escondida-Gap and San Carlos areas. Messieurs Welhener, Jutras, and Odell are recognized as Qualified Persons according to the requirements of National Instrument 43-101. Exploration programs at Mulatos are directed by Ken Balleweg, P.Geo., B.Sc., M.Sc. Geology, Alamos' Exploration Manager – Mexico, a Qualified Person as defined by National Instrument 43-101. Drilling, sampling, QA/QC protocols and analytical methods for individual resource areas are as outlined in the respective news releases for these areas, and in the Mulatos December 2012 technical report, and the July 2012 Ağı Dağı and Kirazli technical report which are available at www.sedar.com.

**Mining Operations**

The Company announced commercial production effective April 1, 2006. In 2012, the Company reported gold production from the Mulatos Mine of 200,000 ounces and expects production of between 180,000 and 200,000 ounces in 2013. Based on current proven and probable reserves and current throughput rates, the Company has an expected mine life of approximately nine years. Initial capital costs incurred to construct the project have been recovered, however, the Company is investing further in its current heap leach operations to improve recoveries and throughput, and in a planned mill expansion in order to increase global production. Mine production for 2012 and project-to-date to December 31, 2012 is presented in the table below:

| Mine production | | | | | |
|---|---|---|---|---|---|
| Period | Ore (Tonnes) | Grade (g/t) | Ounces | Waste (Tonnes) | Total (Tonnes) |
| **2005 – 2011** | **28,916,000** | **1.71** | **1,581,900** | **43,253,000** | **72,169,000** |
| Q1 2012 | 1,270,000 | 1.33 | 54,200 | 775,000 | 2,045,000 |
| Q2 2012 | 1,498,000 | 1.46 | 70,400 | 1,013,000 | 2,511,000 |
| Q3 2012 | 1,398,000 | 1.67 | 74,900 | 750,000 | 2,148,000 |
| Q4 2012 | 1,620,000 | 1.68 | 87,400 | 822,000 | 2,442,000 |
| **2012** | **5,786,000** | **1.54** | **286,900** | **3,360,000** | **9,146,000** |
| **Project-to-Date** | **34,702,000** | **1.68** | **1,868,800** | **46,613,000** | **80,316,000** |

Gold production and gold sales of 200,000 ounces and 197,516 ounces respectively, increased in 2012 compared to 2011. The table below outlines key production indicators in 2012 and 2011:

| Production summary | Q1 | Q2 | Q3 | Q4 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Ounces produced [1] | 40,500 | 48,200 | 43,500 | 67,800 | 200,000 | 153,000 |
| Crushed ore stacked on leach pad (tonnes) [2] | 1,225,000 | 1,486,000 | 1,345,000 | 1,590,000 | 5,646,000 | 5,164,000 |
| Grade (g/t Au) | 1.17 | 1.15 | 1.25 | 1.20 | 1.19 | 1.31 |
| Contained ounces stacked | 45,900 | 54,900 | 54,000 | 61,200 | 216,000 | 217,030 |
| Crushed ore milled (tonnes) | 25,000 | 44,600 | 49,100 | 57,800 | 176,500 | — |

| Production summary | Q1 | Q2 | Q3 | Q4 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Grade (g/t Au) | 10.17 | 10.78 | 13.25 | 14.12 | 12.49 | — |
| Contained ounces milled | 8,300 | 15,500 | 20,900 | 26,200 | 70,900 | — |
| Ratio of total ounces produced to contained ounces stacked and milled | 75% | 68% | 58% | 78% | 70% | 71% |
| Ore mined (tonnes) | 1,270,000 | 1,498,000 | 1,399,000 | 1,619,000 | 5,786,000 | 5,327,000 |
| Waste mined (tonnes) | 775,000 | 1,013,000 | 750,000 | 822,000 | 3,360,000 | 3,486,000 |
| Total mined (tonnes) | 2,045,000 | 2,511,000 | 2,149,000 | 2,441,000 | 9,146,000 | 8,813,000 |
| Waste-to-ore ratio | 0.61 | 0.68 | 0.54 | 0.51 | 0.58 | 0.65 |
| Ore crushed per day (tonnes) | 13,900 | 16,800 | 15,200 | 17,900 | 16,000 | 14,100 |

(1) Reported gold production for Q4 2011 and YTD 2011 has been adjusted to reflect final refinery settlement. Reported gold production for Q4 2012 and YTD 2012 is subject to final refinery settlement and may be adjusted.

(2) Excludes mill tailings stacked on the heap leach pad during the period.

Higher gold production in 2012 relative to the same period of 2011 was primarily attributable to production from the gravity mill, which started operation in early 2012. Gold production in 2012 also benefited from a 13% increase in crushed ore stacked in relative to the same period of 2011, which was partially offset by a 9% decrease in the grade stacked on the leach pad.

Crusher throughput in 2012 averaged 16,000 tpd, 13% higher than 14,100 tpd in the same period of last year. Crusher throughput increased steadily throughout 2012, reaching 17,900 tpd in the fourth quarter. The Company anticipates crusher throughput in 2013 to average 17,500 tpd.

The grade of the crushed ore stacked on the leach pad in 2012 of 1.19 g/t Au was 19% higher than the full year budgeted grade of 1.00 g/t Au. The reconciliation of mined blocks to the block model for the Global Mulatos Pit, including Escondida, for the year ended December 31, 2012 was +7%, +6% and +14% for tonnes, grade and ounces respectively. Since the start of mining activities in 2005, the project-to-date reconciliation is +2%, +7%, +10% for tonnes, grade and ounces, respectively. Positive variances indicate that the Company is mining more gold than was indicated in the reserve model.

Improvements in ore control practices throughout the year have been reflected in the grade mined and milled as well as the block model reconciliation results. The grade milled in 2012 was 12.49 g/t Au, and improved every quarter since the start-up of the gravity mill in the first quarter. To-date, the Company has mined and milled a total of 176,000 tonnes from the Escondida high grade zone, representing approximately 41% of the pit-contained high grade mineral reserve tonnes.

The recovery ratio in 2012 was 70%, below the Company's budgeted average recovery ratio for the year of 77%. This lower recovery ratio was the result of the deferral of gold production from the gravity mill as a result of lower than budgeted mill recoveries.

The following table compares costs per tonne for 2011 and 2010:

| Costs per tonne summary | Q1-12 | Q2-12 | Q3-12 | Q4-12 | 2012 | 2011 |
|---|---|---|---|---|---|---|
| Mining cost per tonne of material (ore and waste) | $2.61 | $2.51 | $2.87 | $3.09 | $2.77 | $1.90 |
| Waste-to-ore ratio | 0.61 | 0.68 | 0.54 | 0.51 | 0.58 | 0.65 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Mining cost per tonne of ore | $ 4.21 | $ 4.21 | $ 4.41 | $ 4.65 | $ 4.38 | $ 3.14 |
| Crushing/conveying cost per tonne of ore | $ 2.42 | $ 2.08 | $ 2.64 | $ 2.20 | $ 2.32 | $ 2.42 |
| Processing cost per tonne of ore | $ 2.71 | $ 3.02 | $ 4.80 | $ 4.40 | $ 3.77 | $ 3.02 |
| Mine administration cost per tonne of ore | $ 2.10 | $ 1.81 | $ 2.03 | $ 1.79 | $ 1.92 | $ 1.91 |
| Total cost per tonne of ore | $11.44 | $11.12 | $13.88 | $13.04 | $12.39 | $10.49 |

Total cost per tonne of ore in 2012 of $12.39 increased 18% compared to the same period of 2011. The higher total cost per tonne of ore in 2012 is primarily attributable to higher mining costs and processing costs resulting from increases in input costs (including higher salaries and rising cyanide and diesel costs), as well as costs associated with the gravity mill, which are reflected in the 2012 cost per tonne figures. These inflationary pressures were partially offset by higher crusher throughput, which had the effect of lowering fixed costs on a per tonne basis.

Mining cost per tonne of material was $2.77 in 2012, 46% higher than $1.90 in 2011, as a result of a higher salaries and diesel costs, as well as costs incurred by contractors utilized in mining operations which were not incurred in the previous year. In addition, mining cost per tonne of ore was $4.38 in 2012, 39% higher than $3.14 per tonne in 2011.

Crushing and conveying cost per tonne of ore was $2.32 in 2012, 4% lower than 2011. In late 2011, the Company reconfigured the crushing circuit, which has reduced year-to-date power and maintenance costs on a per tonne basis.

Processing costs per tonne of ore in 2012 were $3.77 compared to $3.02 in 2011, a 25% increase. Higher processing costs in 2012 relative to the same period of 2011 were the result of the operation of the gravity mill in 2012, which has a higher per-tonne cost. In addition, cyanide costs increased on a per-tonne basis due to inflationary pressures.

Mine administration costs per tonne of ore in 2012 were consistent with 2011, as payroll cost increases were offset by higher throughput, which has the effect of lowering fixed costs on a per-tonne basis.

Cash operating cost of $355 per ounce of gold sold in 2012 was below the low end of the Company's guidance of $365 per ounce, and 4% lower than $368 per ounce reported in 2011. This decrease is primarily due to the lower cash costs attributable to ounces produced from the Escondida high grade zone in 2012 as well as the weakening Mexican peso versus budget, which had the effect of lowering Mexican peso-denominated costs. These cost reductions were partially offset by higher input costs, including labour, cyanide and diesel.

**Outlook**

The Company anticipates producing between 180,000 and 200,000 ounces of gold in 2013 at a cash operating cost of $415 to $435 per ounce of gold sold, excluding a 5% royalty. If the 5% royalty is included, and assuming a $1,700 gold price, total cash costs are expected to be between $500 and $520 per ounce of gold sold.

The 2013 Mulatos capital and development budget is $40.7 million. Operating and expansion capital spending is forecasted to be approximately $21.4 million in 2013, consistent with 2012. Development spending of $19.4 million in 2013 will be focused on underground development of the San Carlos and Escondida North areas, in order to access high-grade ore to provide additional gravity mill feed. In addition, the Company expects to commence construction of an access ramp from the Estrella portion of the Mulatos Pit to the El Victor and San Carlos deposit areas. Operating and expansion capital spending is forecasted to be approximately $21.4 million in 2013, consistent with 2012.

The current focus of exploration at Mulatos is on continuing to delineate high-grade mineral reserves to provide mill feed beyond the life of the Escondida high-grade deposit.

The Company continues to strengthen its financial position, generating over $131 million in free cash flow from the Mulatos Mine in 2012. The Company's development capital and exploration spending in 2013 is all expected to be financed from cash flow.

## AĞI DAĞI & KIRAZLI PROJECTS IN TURKEY

On January 6, 2010, Alamos announced the acquisition of 100% of the Ağı Dağı and Kirazli Projects from Teck and Fronteer pursuant to the terms of the Fronteer Teck Agreement, and paid US$40 million cash and issued 4,000,000 common shares to Teck (as to 60%) and Fronteer (as to 40%). The common shares were issued on a private placement basis and were subject to a four-month hold expiring May 6, 2010. In addition to statutory compensation that may apply to the projects, a third party has a 2% Net Smelter Return Royalty on production from the Ağı Dağı Project.

The projects are legally owned and managed by Kuzey Biga Madencilik San. Tic. A.Ş. (“Kuzey Biga”) and Doğu Biga Madencilik San. Tic. A.Ş. (“Dogu Biga”), both 100%-owned Turkish subsidiaries of the Company. The company completed a Technical Report for the projects on March 12, 2010. The report was prepared by KD Engineering from Tucson, Arizona an independent Qualified Person as defined in NI 43-1010. The report can be reviewed on SEDAR at www.sedar.com under the Company’s profile.

### Project Description and Location

#### *Location*

The Turkish projects include the Ağı Dağı and Kirazli advanced-stage development projects in Turkey and the early stage Çamyurt Project, located approximately 3 kilometers from Ağı Dağı. Kirazli is situated 25 km to the northwest of Ağı Dağı, with both projects located in the Çanakkale Province in the Biga Peninsula of northwestern Turkey, some 250 km by air southwest of Istanbul or 800 km west of Ankara, Turkey’s capital. The Company maintains an administrative office in Ankara, Turkey, and exploration offices in Etili and Sogutalan, both small towns located in the Biga District of Turkey. These offices support all activities for the Ağı Dağı and Kirazli Projects.

#### *Ownership*

Mineral rights for all concessions comprising the Turkish assets are controlled by Kuzey Biga and Doğu Biga, Turkish subsidiaries of the Company. As all projects are located in a forestry reserve, surface rights are controlled by the State government of Çanakkale.

#### *Mining Concessions*

The Ağı Dağı property currently consists of a total of 10,514 hectares of mineral tenure in fifteen contiguous operation and exploration licenses covering a prominent ridge with 900 m of relief and includes the Çamyurt Project. Subsequent to December 31, 2011, the Company acquired an additional 5,171 hectares in three concessions at Ağı Dağı through auction.

The Kirazli property consists of 1,541 hectares of mineral tenure in two contiguous licenses covering a prominent northwest trending ridge with 500 m of relief. One concession is classified as an operating license, and the other is an exploration license.

#### *Permits*

The Company is permitted to explore and operate the properties and has obtained the required surface rights to carry on its activities. From time to time, the Company acquires additional temporary surface rights and work permits (forestry permits and others) to continue its work over the targets.

*Status of Forestry Permits required for Drilling Activities*

In order to conduct drilling or somewhat disruptive exploration activities on concessions within State Forest land in Turkey, valid permits are required from the General Directorate of Forestry of the Ministry of Environment and Forestry. In January, 2009 certain provisions concerning the existing Mining Law were challenged and

subsequently annulled. As a result of the annulment, the grant of permits for the use of forestry lands for mining activities was suspended. An amending regulation became effective upon its publication in the Official Gazette No. 27324 on August 19, 2009 (the "Amending Regulation"), and the Ministry of Environment provided that until a new arrangement is made, the allocation of forestry lands to mining activities will be made pursuant to the provisions of the forestry legislation. Accordingly, issuance of forestry permits was re-established during the suspension of implementation of the Mining Activities Permitting Regulation. Following this, on or about January 11, 2010, the Amending Regulation was challenged, and the High Administrative Court suspended the implementation of the Amending Regulation until a final decision is rendered regarding the merit of the lawsuit. The Amendments to the Mining Law were finally approved by the Turkish Grand National Assembly on 10 June 2010 and published in the Official Gazette No. 27621 dated 24 June 2010.

The new Forest Permitting Regulation regulating the use of forestry lands for mining activities basically became effective as of the date of the new mining law ratification, and thus, the forestry permits can be, and were, issued for exploration activities as per the relevant provisions of the Forest Permitting Regulation.

As existing permits were unaffected by the suspension of the Amending Regulation, the Company was not restricted from drilling under its existing forestry permits during 2010 and 2011, including using permitted drill roads and drill pads. New forestry permits were applied for and issued during 2010 and 2011 and drilling was unaffected from the date of the new mining law ratification. From time to time, and depending on its activities, the Company will need to apply for new forestry permits. No new forestry permits have been denied to date. It remains uncertain if the Company's existing permits may be affected in the future or if the Company will have difficulties in obtaining all necessary forest permitting it requires for its proposed mining activities.

*New Mining Law*

In addition to changes in the forest permitting regulations, a new Mining Law was enacted in Turkey in 2010 which imposed new deadlines on concession holders. Specifically as a result of the changes in the Mining Law, the Company is required to obtain final EIA approval and key permits on its Turkey concessions by certain stipulated deadlines in order to maintain its concessions it good standing. The specific deadlines for obtaining EIA approval and key permits for each project concession in Turkey vary slightly in time. The Company has implemented plans to obtain all necessary permits prior to these deadlines and views the risk of not meeting the deadlines as low. If these deadlines are not met due to unforeseen delays, the Company believes that extensions to deadlines for obtaining the required approvals and permits could be negotiated so that the concessions will remain in good standing. However, there is no guarantee that the Company will be able to obtain the approvals and permits as planned or if unable to meet such deadlines that negotiations for an extension will be successful in order to maintain its concessions in good standing. If the concessions were to expire, this could have a material adverse impact on the Company's ability to control and continue to develop its Turkish projects.

***Royalties***

A 2% Net Smelter Return Royalty in favour of Franco Nevada Corporation is registered against the Ağı Dağı property (which includes a portion of the Çamyurt Project).

***Environmental Liabilities***

The Company abides by all Turkish environmental regulations and laws, and follows all recognized environmental preventive procedures associated with normal operation of exploration projects, and operates within environmental standards typical of Canadian mining companies. The Company is not aware of any environmental liabilities currently outstanding related to the properties.

***Social Issues***

The Company has a comprehensive community relations plan in place and is routinely communicating with all local communities, local government representatives, and State government agencies. Discussions at the Federal level are also normal practice as the projects advance toward production. The Company provides local employment to a

number of Turkish Nationals as well as support with respect to local economic community development through maximization of direct investment, mainly via purchasing of goods and hiring of local contractors.

**Access, Climate, Communication, Power**

The Kirazli Project is accessible by a 3 km dirt road from the village of Kirazli which is in turn located 40 km south of the regional capital of Çanakkale. The Ağı Dağı Project is accessible by forestry roads from the village of Sogutalan from the north, Karakoy from the west, and Kizilelma from the south. Ağı Dağı is approximately 65 km from the regional capital of Çanakkale, and 25 km to the southeast of the Kirazli. Kirazli is located approximately 1.5 km south of the Kirazli Village, Çanakkale Province, northwestern Turkey. Access from Çanakkale, the nearest large population centre (population 78,000) and provincial capital, to the Kirazli Village is via 40 km of a paved two lane road. Access from the Kirazli Village to the project area is along a 3 km well maintained dirt road which provides access to some of the smaller villages.

Kirazli forms one of the most prominent hills in the region with a maximum elevation of 811 m. Relief in the area is approximately 250 m with slopes generally not exceeding 25-30 percent. Vegetation consists of mostly scrub oak and various shrubs up to 3 m in height with isolated stands of 20 to 30 year old pines also present. Large areas along the western side of the property have been stripped of the vegetation and replanted with pine seedlings. Kirazli is generally windy, particularly from fall through spring. Ağı Dağı is a prominent topographic high trending in a northeast direction for a distance of 5 km. The elevation of the ridge line varies from greater than 900 m at the southwest end to about 700 m at the northeast end. The property can be reached by village and forestry roads from the town of Çan.

The region is well-serviced with electricity, transmission lines and generating facilities, the most significant being a large coal-fired power plant outside the town of Çan. Population and agricultural activity is concentrated in the valleys, while most areas of active exploration are located in highlands which are predominantly forested and owned by the state. This region has fertile soils and a Mediterranean climate with mild, wet winters and hot, dry summers. Temperatures range from 15 to 35 degrees Celsius in the summer season and 5 to minus 10 degrees Celsius in the winter months. The annual rainfall is approximately 30 cm, generally falling as mixed rain and snow in late fall and winter.

**History**

This section is intended to provide a brief history of project activities since the Company acquired the projects in early 2010. A complete detailed outline of historical project activities is provided in the Scoping Study, filed on SEDAR on March 29, 2010 and available at www.sedar.com under the Company's profile.

Following acquisition on January 6, 2010, the Company initiated comprehensive exploration and engineering programs on the projects with the objective of completing a preliminary feasibility study in 2012. Total exploration expenditures at Ağı Dağı and Kirazli in 2010 and 2011 amounted to $14.5 million. A total of 51,200 m of drilling in 303 holes was completed in 2010 and 2011, in addition to metallurgical and geotechnical engineering studies that were conducted in the same period. Further details on drilling and engineering activities in 2010 and 2011 are provided below.

**Geological Setting**

The Ağı Dağı and Kirazli deposits are epithermal, high-sulfidation, disseminated gold systems, hosted within Miocene undifferentiated heterogeneous volcanic assemblage of dacitic to andesitic composition. They are associated with a large hydrothermal alteration zone that covers more than 10 square km. Gold mineralization is closely associated with silicic and advanced argillic alteration occurring near the upper contact of the volcanic sequence.

Both the regional and local geology for Ağı Dağı and Kirazli are detailed in the Scoping Study, available at www.sedar.com under the Company's profile.

**Engineering and Development Work**

Engineering and development activities since acquisition in early 2010 have focused on assembling the team of consultants required to assist in the studies and testing required to support both the Scoping Study and preliminary feasibility study.

Early in 2010, the Company established an administrative office in Ankara, the capital of Turkey, and developed a team of community relations, permitting, development and administration personnel. A number of studies were initiated and/or undertaken in 2010 to support technical reports and the preliminary feasibility study. These projects are listed below:

- Metallurgical testing
- Geo-technical analysis and seismic studies
- Leach pad and waste dump design
- Pit slope stability analysis and design
- Mine planning and design
- Environmental impact assessment studies and testing

Further, in 2010 the Company's engineering and development team implemented a planned organization structure, established a government liaison and stakeholder engagement plan, joined the Turkish Gold Mining Association and developed a new office complex in Etili.

In 2011, due to the significant increase in measured and indicated resources, the Company resized the scale and scope of the projects, requiring additional geotechnical drilling and engineering which extended the completion deadline of the preliminary feasibility study to the second quarter of 2012.

Alamos filed with the Canadian securities regulatory authorities a technical report pursuant to NI 43-101F1 with respect to the Kirazli Project and the Ağı Dağı Project entitled "NI 43-101 Technical Report Kirazli & Ağı Dağı Gold Project" with an effective date of June 30, 2012. The highlights of this report are summarized under "Agi Dagi and Kirazli Projects", above. At the same time, the Company reported an initial inferred mineral resource estimate of 640,000 ounces at Çamyurt. Inclusion of the Çamyurt resource in a development scenario represents a major opportunity to further enhance the economic potential of the Company's Turkish projects.

In addition to completing a preliminary feasibility study, the Company is in the process of completing final EIAs for each of the Ağı Dağı, Kirazli and Çamyurt Projects. The Company submitted the final EIA for Kirazli in Q4 2012, and expects approval in the second quarter of 2013. The Company intends to submit the final EIAs for the Ağı Dağı and Çamyurt Projects early in the second quarter of 2013, with a response from the Turkish government expected around the end of the second quarter of 2013. Permitting and construction activities are expected to take up to eighteen months once the final EIAs are approved.

**Mineralization**

The principal model for gold mineralization at the Ağı Dağı and Kirazli Gold Properties is a high sulphidation, epithermal gold deposit. Premier examples of this kind of deposit in the world are Yanacocha, Pierina and Alto Chicama in Peru. Most high-sulfidation deposits are large, low grade bulk-tonnage systems (Yanacocha), though vein-hosted high sulphidation deposits also occur (El Indio).

At Kirazli, gold mineralization is hosted within heterolithic phreatomagmatic/phreatic breccia bodies cutting through Miocene-age andesitic tuffs. Mineralization can generally be subdivided into two main types: A low-grade gold zone underlies much of Kirazli Dağı, broadly enveloping the high-grade gold zones. This low grade mineralization occurs both above and below the zone of supergene oxidation (redox boundary). The wide spread, low grade mineralization is interpreted to be early and may be associated with the broad epithermal alteration that resulted in the chalcedonic silica (the second silica event). Four elongate bodies of high-grade gold mineralization occur in the advanced argillic zone overlapping slightly the bottom of the 1 km-long silica cap and the silica roots. High-grade gold mineralization also shows a strong spatial relationship with the margins of heterolithic breccia bodies. These bodies transect the redox boundaries.

At Ağı Dağı deposit, gold mineralization is associated with felsic volcanic rocks of Miocene age and a northeast trending silica cap rock about four km by two km in extent which forms a topographic high 700 to 900 meters in relief. The gold mineralization is disseminated and associated with intensely silicic alteration comprised of oxidized vuggy silica overprinting brecciated rocks hosted in volcanic felsic to intermediate tuffs and occasionally phreatic

breccia bodies. Hydrothermal breccias (crackle, jigsaw, hydrothermal) are most common. Pyrite is the most abundant primary sulfide mineral associated with gold in the sulphide rocks. Trace to minor amounts of enargite, covellite, galena, and molybdenum are present locally. Five main zones of gold mineralization are present at Ağı Dağı: the Baba, Ayi Tepe, Fire Tower, Ihlamur and Deli Zones.

Minable resources have been generated for the Baba and Deli zones of the Agi Dagi deposit, and have also been developed for the Fire Tower zone. The Baba, Fire Tower and Deli zones occur along the east side of the NE-SW trending mountain ridge, corresponding to silicified dacite and phreatic breccia that may fill a paleo-basin in dacite and feldspar poropyritic andesite. Gold mineralization is continuous between Baba and Deli through Fire Tower, a strike distance of over 4 km.

The Ayi Tepe and Ihlamur zones are on a sub-parallel trend to the north. Mineralization along the Ayi Tepe – Ihlamur trend has only been sporadically drilled. The north part of Baba hill is composed of phreatic breccia and dacite flows and tuffs cutting andesites within a northeast trending, 500 meter wide paleo-basin filled with dacite flow and tuff. Ayi Tepe hill is underlain by the same geological units in the same relation as Baba. These two basins are elongated towards the northeast along the length of Ağı Mountain. As the andesites are principally argillic altered and weather recessively compared to dacites, they generally occur in topographic lows between the silicified ridges.

Gold mineralization in the main part of the Baba zone is spatially associated with the matrix-supported heterolithic phreatic breccia body cutting low dipping dacite tuffs overlying andesite flows. Silicic alteration (often vuggy and/or crackle-brecciated) overprints breccia and the dacite. Gold mineralization largely occurs within the breccia body, extending into the dacite tuffs. Some lower-grade mineralization also occurs in oxidized porphyritic andesite adjacent to the phreatic breccia. The bulk of gold mineralization occurs within the oxide zone. The Deli hill is composed of a phreatic breccia pipe cutting through andesites forming a kilometer wide paleo-basin composed. Ihlamur occurs to the north of the Deli zone on Deli hill, where gold mineralization is hosted in the second NE-SW trending paleo-basin along Ağı Dağı mountain dacite is present.

**Exploration Work Summary – 2011 and 2012**

During 2010, the Company completed 22,611 m of drilling in 148 drill holes, completed geological re-modelling and initiated preliminary feasibility stage engineering studies. Subsequent to year end, the Company provided an updated resource estimate for these projects. In 2011, the Company completed 28,600 m of drilling in 155 holes focused on infill and extension drilling of known zones of mineralization. An updated mineral resource estimate was released in September 2011 based on drilling completed to the end of March 2011. An additional resource estimate was reported in March 2012 based on drilling completed to September 2011.

The principal objectives of 2010 and 2011 exploration programs in Turkey was to further assess the geological controls of gold mineralization while confirming the mineral resources that were previously disclosed, in addition to improving core recovery compared to historic drilling. The results of the exploration program in Turkey have been successful with respect to substantially improving drill recoveries, in addition to corroborating and/or improving historical drill results.

In 2012, the Company expended $9.1 million on exploration activities in Turkey and successfully completed 165 core drill holes totaling 30,478 m. This drilling included 22 drill holes that were for engineering purposes that were focused on geotechnical and hydrological studies.

For 2013, the Company has committed to an exploration budget of $11 million, of which 35% will be expensed and 65% will be capitalized. Given the very positive results at the Camyurt deposit in 2012, the Company plans to aggressively drill this project in order to increase the classification and quality of the mineral resources, such that they can potentially be used to convert resource ounces into mineral reserves in 2013. Should this occur, it would facilitate the fast-tracking towards production; however, it should be noted that additional drilling and engineering work are required and there is no guarantee that a mineral reserve will be identified.

The work program for 2013 will include a minimum of 31,700 m of core drilling and will focus primarily on Brownfields exploration at Camyurt deposit (definition drilling), Agi Dagi (definition and expansion drilling), target

expansion (Ihlamur, Fire Tower, Aye Tepe) at Agi Dagi deposit, Kirazli deposit (definition and expansion drilling), and target expansion (Rock Pile) at Kirazli deposit. Greenfields exploration will also occur on the Company's Iri, Kale, and Catalkaya targets.

Drilling statistics for 2012 and project-to-date are presented below:

**2012 Core Drilling**

| Zone Drilled | Drill Holes Completed (Year) | Drill Holes Completed (Project) | Drilling Year (m) | Drilling Project (m) |
|---|---|---|---|---|
| Babadag | 18 | 131 | 3,155.99 | 23,996.19 |
| Delidag | 2 | 146 | 528.00 | 26,603.30 |
| Ağı Dağı infrastructure | 14 | 40 | 317.70 | 769.80 |
| Ayi Tepe | 14 | 46 | 3,710.59 | 12,233.69 |
| Fire Tower | 24 | 78 | 7,834.02 | 21,584.62 |
| Çamyurt | 47 | 106 | 8,302.70 | 19,635.30 |
| Ilhamur | 1 | 23 | 125.70 | 3,635.30 |
| Tavsan Tepe | 0 | 6 | 0 | 700.80 |
| TOTAL Ağı Dağı | 120 | 576 | 23,973.70 | 108,159.00 |
| Kirazli | 19 | 216 | 3,025.30 | 36,184.80 |
| Kirazli infrastructure | 8 | 11 | 163.90 | 220.15 |
| Polimetal | 4 | 4 | 533.00 | 533.00 |
| Rockpile | 14 | 14 | 2,781.90 | 2,781.90 |
| **TOTAL** | **165** | **821** | **30,477.80** | **147,878.85** |

**2012 Reverse Circulation Drilling**

| Zone Drilled | Drill Holes Completed (Year) | Drill Holes Completed (Project) | Drilling Year (m) | Drilling Project (m) |
|---|---|---|---|---|
| Babadag | — | 69 | — | 8,361 |
| Delidag | — | 62 | — | 5,339 |
| Ayi Tepe | — | 5 | — | 515 |
| Fire Tower | — | 21 | — | 2,521 |
| Çamyurt | — | — | — | — |
| Ilhamur | — | 3 | — | 422 |
| Tavsan Tepe | — | 9 | — | 554 |
| TOTAL Ağı Dağı | — | 169 | — | 17,711 |
| Kirazli | — | 24 | — | 3,275 |

| Zone Drilled | Drill Holes Completed (Year) | Drill Holes Completed (Project) | Drilling Year (m) | Drilling Project (m) |
|---|---|---|---|---|
| **TOTAL** | **—** | **193** | **—** | **20,985** |

Exploration work programs in Turkey are being reviewed by Vice President, Exploration for the Company, Mr. Jason Dunning, M.Sc., P.Geo. who is also responsible for on-site activities. Mr. Dunning is a Qualified Person within the meaning of NI 43-101.

***Ağı Dağı Results (Baba and Deli Zones)***

The Agi Dagi deposit is comprised of two principle zones, Deli and Baba. These two key areas of gold mineralization are connected by a significant exploration target known as the Fire Tower area where there is wide-spread advanced argillic and silici alteration facies. This trend is known to have a strike length of at least 4,300 m along a northwest-southeast trend. Hydrothermal alteration is presented as two parallel trends of advanced argillic and silic alteration facies.

Metallurgical, geotechnical, and infill core holes completed at the Baba and Deli zones have generally confirmed both expected grades and thicknesses. Additionally, a number of the new holes exceeded expectations relative to the March 2010 block model. Of particular interest is infill hole 10-AD-387, drilled at the northern limit of the main proposed pit at the Baba target in an area previously recognized as “barren”. This drill hole appears to link mineralization between two of the Baba preliminary pits.

Twin holes drilled to-date have indicated an increase in grade correlating with an increase in core recovery. For example, 10-AD-366, a core hole with much better recoveries than its historic twin AD-152, shows a significant increase in gold content. The composite in 10-AD-366, with 83% core recovery, is 5.0 g/t Au over 14.8 m, while the equivalent composite in the previous operator’s hole with core recovery of 33% returned 0.3 g/t Au over 15.8 m.

In 2011, the Company began drilling at Ağı Dağı deposit in March. A total of 17,106 m of drilling was completed in 88 core holes. The results at Ağı Dağı deposit have continued to improve relative to historical drilling results.

In 2012, drilling results continued to be positive with the successful coring of 18 drill holes at Deli zone totaling 3,155 m, and 2 drill holes at the Baba zone totaling 528 m. Notable assay results from 2011 and 2012 are as follows:

- 2.18 g/t Au over 50.3 m (11AD546)
- 1.37 g/t Au over 42.5 m (12AD609)

*Fire Tower*

The Fire Tower target is an area of favorable geology that is contiguous with the Baba zone, which is part of the Agi Dagi deposit, which also includes the Deli zone. At the Fire Tower target, 24 core drill holes were successfully completed totaling 7,834 m with a portion of this area included in the year-end, 2011 mineral resource and reserve statement. However, it is important to note the Fire Tower target was not included in the June 2012 Pre Feasibility Study, as it only contained Inferred mineral resources. The upgrading of the mineral resources in this area will only benefit the overall economics of the Agi Dagi deposit.

***Çamyurt Results***

The early stage development Çamyurt Project is located three km southwest of the Baba deposit (within the Ağı Dağı Project) and is a separate zone of economic interest. Preliminary exploratory drilling was completed in the fourth quarter of 2010.

In late 2007, previous operators drilled five wide-spaced core holes at Çamyurt over a strike distance of approximately 700 m. Although all holes had poor core recovery, it was apparent that a new discovery had been made. At the time, the Çamyurt zone remained open to the southwest, with at least 800 m of untested strike length in favourable rock types coincident with gold mineralization in soil and rock chip samples at surface.

In 2010, the Company completed 6 core holes on the property. Holes 10-CYD-09 and 10-CYD-11 were twins of historic holes CYD-01 and CYD-05, respectively. CYD-01 returned 0.65 g/t Au over 73.3 m with an average core recovery of 43%; core recovery for 10-CYD-09 was 82% with a composite of 1.33 g/t Au over 58.9 m, demonstrating the positive effect of improved drilling techniques and better core recovery. New hole 10-CYD-11 with a composite grading 0.75 g/t Au over 158.3 m and a core recovery of 87% was substantially improved from historic hole CYD-05 which returned two shorter and lower grade composites, 0.43 g/t Au over 4.7 m and 0.23 g/t Au over 11.3 m, recovered at 56% and 68%, respectively.

Holes 10-CYD-06 and 10-CYD-07 were testing possible extensions of the historic gold-bearing zone to the south, 500 m and 50 m respectively from historic holes. Both holes intersected short intervals of gold bearing alteration but interpretation suggests that the holes may have been too far away from the zone and may have undershot it. Holes 10-CYD-08 and 10-CYD-10 were drilled in-between or adjacent to historic holes and basically confirmed the continuity of the zones between the historic holes with similar thicknesses and grade reported.

The 2011 drill program was primarily intended to drill-test continuity and strike extensions of known areas of gold mineralization, aimed at bringing the zone to preliminary resource evaluation. In 2011, the Company drilled 9,600 m in 47 holes.

Drilling at Çamyurt has delineated a mineralized zone that is continuous for at least 1,200 m along strike with additional potential to extend mineralization to the northeast. The steeply dipping oxidized body starts at surface, has been vertically drilled up to 150 m, remains open at depth, and can reach up to 150 m in thickness. An initial mineral resource estimate for the Çamyurt Project was planned to be reported in the second quarter of 2012. Preliminary column test metallurgical samples have been submitted for Çamyurt and are in process.

In the second quarter of 2012, the Company published an initial, pit-constrained, Inferred mineral resource estimate to NI 43101 standards of 640,000 ounces of gold and 3,800,000 ounces of silver; applying a 0.2 gpt Au cut-off grade. The deposit has an average drill spacing of 55 m along strike with a total of 59 core drill holes included in the resource estimation. This new mineral resource is a significant addition to the Company's resource base in Turkey, and highlights the opportunities that can be identified through continued exploration. The Company is planning for more drilling in 2013 to further test the mineral potential of the deposit and surrounding area due to the average grade of Camyurt deposit being higher than that of Agi Dagi and Kirazli deposits.

The 2012 drill program was primarily intended to drill-test continuity and strike extensions of known areas of gold mineralization, as defined in the 2012 mineral resource estimate to NI 43101 standards. In 2012, the Company drilled 8,303 m in 47 holes. Notable assay results from the 2012 are as follows:

- 1.00 g/t Au over 94.0 m (12CYD54)
- 2.21 g/t Au over 49.7 m (12CYD63)
- 1.12 g/t Au over 65.1 m (12CYD57)
- 0.75 g/t Au over 131.0 m and 1.05 g/t Au over 67.7 m (12CYD56)
- 1.72 g/t Au over 55.1 m (12CYD64)
- 2.71 g/t Au over 17.0 m (12CYD68)
- 1.24 g/t Au over 126.2 m (12CYD70)
- 1.04 g/t Au over 96.7 m (12CYD71)
- 2.90 g/t Au over 23.6 m (12CYD72)

***Kirazli Results***

Drilling at the Kirazli Project commenced in late August 2010. The program initially focused on metallurgical and geotechnical data acquisition and then moved to infill drilling with two core rigs still active on the project in early 2011.

Holes 10-KD-120, 10-KD-121 and 10-KD-126 were holes drilled to obtain metallurgical samples. Hole 10-KD-120 was a twin hole of historic KD-63 which returned 82.2 m grading 1.19 g/t Au, comparing well to its historic counterpart. As was the case at Ağı Dağı, better core recovery appeared to have a positive effect on grade (85% core recovery in 10-KD-120 versus 68% in the historic hole). Holes 10-KD-122 and 10-KD-133 were geotechnical holes drilled on the edge of the initially proposed pits which indicated the potential to increase the size of the pits in that area.

The 2012 drill program was primarily intended to drill-test continuity and strike extensions of known areas of gold mineralization. In 2012, the Company drilled 1,920 m in 20 holes, which does not include an additional 8 core drill holes focused on Kirazli deposit infrastructure assessment that totaled 164 m. Notable assay results from the 2012 are as follows:

- 5.95 g/t Au over 10.3 m (12KD200)
- 1.62 g/t Au over 32.6 m (12KD205)
- 2.21 g/t Au over 22.6 m (12KD208)

*Rock Pile*

The Rock Pile target is located immediately west of the planned Kirazli deposit open pit design. Historical work on this target included former operators collecting 71 surface grab samples that possess an average grade of 3.8 g/t Au in an area 400 m in length by 100 m in width. It should be noted that these samples also coincided with an inverse polarization ("IP") survey that identified numerous areas of silicification alteration. Although the Company's drilling activities have yielded wide intercepts of gold mineralization, they have not reproduced the surface grab samples from former operators.

The 2012 drill program was primarily intended to drill-test continuity and strike extensions of known areas of gold mineralization. In 2012, the Company drilled 2,782 m in 14 core drill holes. Notable assay results from the 2012 are as follows:

- 1.93 g/t Au over 14.6 m (12KD182)
- 1.19 g/t Au over 16.0 m (12KD183)
- 1.82 g/t Au over 13.9 m (12KD199)
- 1.97 g/t Au over 9.6 m (12KD189)
- 1.84 g/t Au over 14.6 m (12KD187)
- 1.19 g/t Au over 16.0 m (12KD183)

**Logging, Sampling Methodology, Sample Preparation, Analysis, Sample Custody**

Historical methodologies are described in the Scoping Study available at www.sedar.com under the Company's name.

Exploration in 2011 was completed with the drill contractor, Spectra Jeotek Drilling, for the Ağı Dağı, Kirazli and Çamyurt Projects. All drilling was supervised by the Company's technical staff and general industry standards were followed. All proposed drill collars were surveyed using proper surveying techniques with established control survey points across the property. Drills were set up under the direct supervision of Company staff. Drill holes were collared in PQ diameter core. The holes were reduced to HQ diameter when problems were encountered due to bad ground conditions. Core was placed in plastic boxes with depth markers every drill run (up to 3 m). Core recovery during these programs was generally adequate. Down-hole survey tests were taken generally at 50-75 m intervals down-hole to provide down hole survey control. The casing was attempted to be removed after drilling was completed, with minor casing left stuck in the ground. Holes with poor core recovery throughout the ore intersection were either re-collared and drilled again with core or re-drilled with a reverse circulation drill, where the actual weight of each 1.5 m sample occasionally recorded to check for consistent recovery.

Logging, sampling, and analysis procedures were established by Company staff with improvements and adjustments necessary to comply with current QA/QC procedures and NI-43-101 requirements done from time to time. Logging and sampling methodologies and procedures are documented routinely, updated, and maintained by the Company's exploration department.

Geologists log drill core holes on site at the Company's exploration camp in Etili. Core is logged on a hole by hole basis with data entered on paper then transfer to digital files for future analysis and processing. RC holes are logged from chip trays containing representative samples collected from each 1.5-metre sample interval. After completion of geological and geotechnical logging and collection of additional information such as specific gravity, geologists define and label the intervals to be sampled, ranging from 0.25 to 1.5 m, depending on geological characteristics.

Selected drill core for assaying is cut and sampled at site while RC samples are collected directly at the drill site. For RC drill holes, a sub-set of the sample cuttings is bagged, inventoried, prepared and sent for analysis. For core drill holes, half-core samples are prepared using a diamond core saw, with 1.0-metre intervals as standard sample lengths in rock types presenting similar geological characteristics, bagged, tagged, sealed and shipped in batches to the assaying laboratory. When applicable, core from metallurgical and geotechnical drill holes are cut in half with one half of the core sent for analysis, while the reject is used for metallurgical testing. Metallurgical and geotechnical drill holes are logged at site in a similar manner to other core drill holes. Geologic logging and sample interval definition are completed by geologists; geotechnical logging including RQD, core recovery and specific gravity measurements are usually done by geological technicians and/or engineers. All samples collected by the Company during drill programs were subjected to quality control procedures that ensure best practice in the handling, sampling, analysis and storage of the drill core.

Laboratory sample preparation and analysis are in accordance with strict and industry recognized protocols and procedures. For RC samples, an approximate 10 kg sub-sample is sent to the lab. After drying, a 250-300 gram sub-set is crushed, riffle spilt, and pulverized. A one assay-ton (30 grams) sample is then collected for precious metal analysis (Au & silver – "Ag") by FA-AA. For sample assaying above 5 g/t Au under FA-AA, a FA-GR is also performed. A smaller pulverized sub-sample (3-5 grams) is also taken for multi-elements ICP analysis. In 2010, all samples were also assayed by the hot-cyanide method (Au and Cu) to help assess the Au recovery potential; the results of these tests are also used for the recovery model. For core samples, the entire half of the core sample received at the lab is crushed; a 250-300 gram spilt is collected, pulverized and assayed using the methodology described above. Samples are sent to the Acme Lab. in Ankara, Turkey for sample preparation and then sent to Acme Lab. Vancouver, Canada or Santiago, Chili laboratory for analysis. Other labs are used for check assay work.

QA/QC procedures are performed systematically. Blind, standard and blank samples are systematically inserted on a regular sample batch interval, generally every 25-30 samples, and are routinely evaluated when results are received. Duplicate samples are selected at regular intervals, with the duplicate retrieved by the assaying laboratory personnel after the sample has been crushed, basically representing a separate split. Check assays of pulverized pulps are performed by a second lab and generally represent 5-10% of the entire sample database. Comparisons and reconciliation between original and check assays are done routinely during drilling, and systematically before any resource estimation exercise.

Sample custody is ensured on-site by continuous inventorying and monitoring of the RC cuttings and drill core. Once samples are prepared, using the methodologies described above, they are inventoried, individually bagged, tagged and sealed in larger bags for transport to the assay lab. The laboratories used for analysis are certified and follow strict, industry recognized, QA/QC protocols. Audits of the assaying labs are performed occasionally.

For disclosure purposes, a 0.2 g/t Au cut-off grade is used for calculation of composite intervals, with only a single 1.5-metre interval of sub-0.2 g/t Au material allowed within a composite interval; assay results are generally presented uncut.

**Modelling and Estimation**

Starting in 2009, resource estimation was managed under the supervision of the Company's Director of Mineral Resources, Marc Jutras, who is also a Qualified Person. In previous years part or all of the mineral resource estimates were either reviewed or completed by an Independent Qualified Person as defined by NI 43-101.

The following procedures are generally followed for modelling and estimation. Block gold grade estimation is constrained by geology envelopes that are constructed using alteration distribution, oxidation state, known geologic controls, and anomalous gold mineralization. Gold grades are estimated using OK interpolation with searches oriented along known mineral controls. Gold resource classification is based on proximity to drill hole data, and geostatistical variography. Measured resources are generally defined (note that this criteria may vary depending on varioraphy) as blocks within an average distance of 10 m from drill hole data. Indicated resources are generally defined (note that this criteria may vary depending on varioraphy) as blocks between an average distance of 10 to 50 m from drill hole data. Inferred resources are defined (note that this criteria may vary depending on varioraphy) as those blocks greater than an average distance gretater than 50 m from drill hole data.

Geologic solids are constructed from observed data collected during the core and chip logging processes, and from data acquired through the use of an infrared reflectance spectrometer. Geologic solids comprise rock types, oxidation, silica alteration, and intensity of argillic alteration. Mineralized shapes within which gold estimation was performed were constructed from the occurrence of silica alteration, and argillic alteration intensity, and silica alteration, and alteration from infrared spectrometry. In addition, the occurrences of logged breccia units were sometimes used to construct the mineralization envelope. Hard boundaries to gold estimation were also assigned to air, post mineral rocks and alluvial/colluvial material, and in some cases, faults.

**Metallurgy**

In 2010 and 2011 the Company drilled PQ size core holes to obtain samples for metallurgical test purposes to support a pre-feasibility study. The metallurgical test hole locations were targeted based on the available geology and mine planning information to ensure they were in the area of interest and intersected the rock and alteration types of interest. The holes were on widely spaced intervals and the program was designed to obtain representative samples from each area, based on the information available at the time. Seven holes for metallurgical test purposes were drilled in Baba, eight holes for metallurgical test purposes were drilled in Deli and six holes for metallurgical test purposes were drilled in Kirazli. The test holes provided a total of 425 meters of mineralized oxide material from Baba, 296.3 meters of mineralized oxide material from Deli and 93.5 meters of mineralized oxide material from Kirazli. At Kirazli an additional 364.7 meters of mineralized transition material was available for the metallurgical test program.

In addition to the drill hole sampling program, bulk samples from surface trenches and outcrops were obtained from each area. Two trenches were completed in both Baba and Deli and one outcrop was sampled at Kirazli.

All of the Company's metallurgical samples were collected under the supervision of site geologists and were sent to Kappes, Cassiday and Associates ("KCA") in Reno Nevada for testing. The KCA laboratory was toured on December 4, 2009 and test methods and equipment to be used for the Company's samples were discussed. Standard KCA test methods were used to determine the Company's sample characteristics. These methods are considered to be standard and accepted in the industry. Tests conducted at KCA to characterize the material and evaluate heap leach potential included: fire assays, screen analysis, multi-element ICP analysis, sulfur speciation, mercury analysis, cyanide soluble gold, silver and copper analysis, whole rock analysis, Bond work index, bottle roll tests at minus 1.7 and 0.106 mm, agglomeration tests, compacted permeability tests, and column leach tests.

Composites for each area were made based on the sample alteration as logged by geology. In addition to the alteration composites, twenty two column tests to evaluate deposit variability were conducted on samples from Ağı Dağı.

The pre-feasibility test programs conducted by the Company at KCA indicate the material from Ağı Dağı and Kirazli are suitable for heap leaching with a dilute alkaline cyanide solution. Excellent gold recovery from oxide material for all three areas was demonstrated in the bottle roll and laboratory column tests. Results are relatively consistent with the tests conducted in the past. Close agreement of heads estimated from the drill hole assays, composite assayed heads and calculated test heads for the various bottle roll and column tests provide confidence in the test results. Gold recovery from the oxide was not strongly dependant on crush size. Reagent consumption was low to moderate.

Bond work index and abrasion index results indicate the material is typical of gold ores. Based on the agglomeration and compacted permeability test results, agglomeration of the ore with barren solution and 2.5 kilograms per tonne of cement is recommended to facilitate heap stability and leach operations. Tests on the column test tailings indicate the WAD cyanide can be reduce to less than 0.2 ppm WAD CN by rinsing with water or with column eluate treated with hydrogen peroxide.

Variable concentrations of sulfide sulfur and cyanide soluble copper minerals occur in some zones in the deposits and these can affect metal recovery and processing costs. In Ağı Dağı and Kirazli both sulphide sulfur and cyanide soluble copper can be managed by ore control and reagent addition so these factors are not expected to cause a risk to the operation if properly controlled. Analysis of the available data indicates that the AA to Fire gold ratio, the cyanide soluble copper assay and the sulfur analysis available in the mine model and on future blast holes will provide the information required to facilitate efficient ore control. Mercury was recovered with the precious metals at both Ağı Dağı and Kirazli and appropriate plant design will be required to protect human health and the environment.

Laboratory assay QA/QC results for the laboratory and assay methods used by KCA during the period that the Company's test samples were analyzed were reviewed. The review indicated that the laboratory fire assay results for solutions and solids were reliable with a relative standard deviation averaging one percent on samples that averaged 1.29 grams per tonne solid and 1.00 grams per tonne of solution. Scoping level studies to determine the optimum crush size for Ağı Dağı and Kirazli were conducted. Incremental recovery at finer crush size was compared to incremental crusher capital and operating costs estimates. For Ağı Dağı, results indicate that the incremental revenue for finer crushing approaches zero at crush sizes below 20 - 25 mm. For Kirazli, a target crush P80 of 25 to 30 mm is suggested.

**Mineral Resource**

The Company has updated its measured, indicated and inferred resources for Ağı Dağı and Kirazli as at December 31, 2012. Relative to the Company's year end 2011 resource statement, measured and indicated mineral resources for the Ağı Dağı and Kirazli Projects, excluding Camyurt, increased to 126.3 million tonnes grading 0.60 g/t Au for 2.44 million ounces of gold. This represents a 220,000 ounce increase in measured and indicated gold resource ounces as compared to the December 31, 2011 estimate of 2.2 million ounces. The increase in measured and indicated mineral resources is attributable primarily to resource additions at Kirazli, and through successful conversion of inferred ounces to the measured and indicated category, with the 2012 infill drill programs. Inferred mineral resources declined by 71,000 ounces of gold as a result of infill drilling conversion. The 2012 infill drill program was successful in maintaining the average measured and indicated mineral resource grade of 0.60 g/t Au, relative to the 0.62 g/t Au grade reported by the Company in its 2011 year end statement. The average silver grade increased to 4.85 g/t Ag, through improved silver grades at Kirazli. Detailed summaries of the mineral resources for Ağı Dağı and Kirazli are presented in the tables shown below.

**Ağı Dağı Project – Measured & Indicated Mineral Resources [1, 4]**
**December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Grade (g/t Ag) | Contained Ounces Au | Contained Ounces Ag |
|---|---|---|---|---|---|
| 1.00 | 8,285 | 2.12 | 13.58 | 563,698 | 3,616,513 |
| 0.80 | 12,700 | 1.69 | 10.19 | 689,817 | 4,161,522 |
| 0.60 | 22,341 | 1.26 | 7.20 | 903,359 | 5,173,368 |
| 0.40 | 44,314 | 0.87 | 5.08 | 1,245,870 | 7,240,993 |
| 0.20 | 93,944 | 0.56 | 3.56 | 1,698,975 | 10,762,590 |
| 0.10 | 141,696 | 0.42 | 2.88 | 1,925,361 | 13,117,540 |

**Kirazli Project – Measured & Indicated Mineral Resources [2,4]**
**December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Grade (g/t Ag) | Contained Ounces Au | Contained Ounces Ag |
|---|---|---|---|---|---|
| 1.00 | 5,134 | 2.27 | 18.78 | 374,733 | 3,099,973 |
| 0.80 | 6,173 | 2.04 | 16.96 | 404,963 | 3,365,603 |
| 0.60 | 9,293 | 1.63 | 14.62 | 486,298 | 4,368,157 |
| 0.40 | 17,493 | 1.07 | 11.08 | 599,329 | 6,229,710 |
| 0.20 | 32,330 | 0.71 | 8.61 | 738,914 | 8,953,576 |
| 0.10 | 39,990 | 0.60 | 8.23 | 777,800 | 10,577,150 |

**Ağı Dağı Project – Inferred Mineral Resources [1,4]**
**December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Grade (g/t Ag) | Contained Ounces Au | Contained Ounces Ag |
|---|---|---|---|---|---|
| 1.00 | 597 | 1.44 | 3.74 | 27,728 | 71,699 |
| 0.80 | 1,195 | 1.17 | 3.58 | 44,795 | 137,524 |
| 0.60 | 2,771 | 0.89 | 3.66 | 79,382 | 325,932 |
| 0.40 | 6,868 | 0.65 | 3.39 | 143,072 | 748,223 |
| 0.20 | 18,944 | 0.41 | 2.54 | 251,202 | 1,549,119 |
| 0.10 | 30,882 | 0.31 | 1.99 | 307,010 | 1,971,906 |

**Kirazli Project – Inferred Mineral Resources [2,4]**
**December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Grade (g/t Ag) | Contained Ounces Au | Contained Ounces Ag |
|---|---|---|---|---|---|
| 1.00 | 959 | 1.51 | 10.46 | 46,622 | 322,452 |
| 0.80 | 1,260 | 1.37 | 10.93 | 55,416 | 442,682 |
| 0.60 | 2,094 | 1.10 | 9.53 | 74,154 | 641,354 |
| 0.40 | 3,696 | 0.83 | 8.70 | 98,719 | 1,034,183 |
| 0.20 | 6,698 | 0.59 | 8.17 | 126,659 | 1,760,020 |
| 0.10 | 8,460 | 0.50 | 8.09 | 136,327 | 2,201,668 |

**Camyurt – Inferred Mineral Resources [3,4]**
**December 31, 2012**

| Cut-off (g/t Au) | Tonnes (000s) | Grade (g/t Au) | Grade (g/t Ag) | Contained Ounces Au | Contained Ounces Ag |
|---|---|---|---|---|---|
| 1.00 | 6,630 | 1.54 | 8.04 | 328,281 | 1,713,882 |
| 0.80 | 9,895 | 1.33 | 7.16 | 423,123 | 2,277,863 |
| 0.60 | 13,511 | 1.16 | 6.35 | 503,915 | 2,758,500 |
| 0.40 | 18,416 | 0.98 | 5.48 | 580,266 | 3,244,750 |
| 0.20 | 24,557 | 0.81 | 4.77 | 639,531 | 3,766,129 |
| 0.10 | 27,612 | 0.74 | 4.43 | 656,933 | 3,932,721 |

(1) Measured and indicated and inferred resources for the Agi Dagi project, which includes the Baba, Ayitepe, Deli, and Fire Tower zones, are pit constrained with cut-off determined as a net of process value of $0.10 per tonne, for each model block. The determination was based on a US$1,500 per ounce gold price and a US$28.00 per ounce silver price, a December 2012 resource model, average pit slope angle of 380, and estimated costs and recoveries based on the pre-feasibility study specifications. The resources were then tabulated by gold cut-off grade.

(2) Measured and indicated, and inferred resources for the Kirazli project, including Rockpile, are pit constrained with cut-off determined as a net of process value of $0.10 per tonne, for each model block. The determination was based on a US$1,500 per ounce gold price and a US$28.00 per ounce silver price, a December 2012 resource model, average pit slope angle of 380, and estimated costs and recoveries based on the pre-feasibility study specifications. The resources were then tabulated by gold cut-off grade.

(3) Inferred resources for the Çamyurt project are pit-constrained, using a $1,250 per ounce gold price, a 60:1 Ag:Au value ratio (Au equivalent = Au + ((Ag/60) * Ag recovery)), an average pit slope angle of 45o, estimated costs based on the Pre-feasibility study, and recoveries for Au and Ag based on grade ranges. Only oxide and transition material were considered in the pit run. Please refer to the Companies June 28th, 2012 press release.

(4) Mineral resources are not mineral reserves and do not have demonstrated economic viability.

**Qualified Person(s) Disclosure**

The independent Qualified Person for the National Instrument 43-101 compliant mineral reserve estimate is Herb Welhener, Vice President of Independent Mining Consultants Inc. of Tucson, Arizona, working in conjunction with the Company's exploration and operations staff. Marc Jutras, P. Eng., M.A.Sc., Director of Mineral Resources for Alamos, prepared the mineral resource estimation for the Mulatos Mine, the Ağı Dağı, Kirazli, and Çamyurt projects. Mark Odell, Principal, Practical Mining LLC, was responsible for the presentation of the underground reserves in the Escondida-Gap and San Carlos areas. Messieurs Welhener, Jutras, and Odell are recognized as Qualified Persons according to the requirements of National Instrument 43-101.Exploration programs at Mulatos are directed by Ken Balleweg, P.Geo., B.Sc., M.Sc. Geology, Alamos' Exploration Manager – Mexico, a Qualified Person as defined by National Instrument 43-101.

Drilling, sampling, QA/QC protocols and analytical methods for individual resource areas are as outlined in the respective news releases for these areas, and in the Mulatos December 2012 technical report and the July 2012 Ağı Dağı and Kirazli technical report which are available at www.sedar.com.

**Outlook**

In Turkey, the Company published an NI 43-101 compliant preliminary feasibility study summary of the Ağı Dağı and Kirazli projects in June 2012, which demonstrated robust economics and supported the Company's decision to proceed with permitting and development activities. Total development spending related to the Turkish projects in 2013 is expected to be approximately $69.3 million.

In the first quarter of 2013, the Company expects to receive a response from the Turkish government with respect to EIA approval for the Kirazli project. The final EIA for the Ağı Dağı project will be submitted in the first quarter of 2013 with approval expected in the second quarter of the year. The Company is also committed to aggressively drilling the Çamyurt project, which is the next step in fast-tracking the project toward production.

## DIVIDENDS

On March 4, 2011, the Company announced that it had increased its semi-annual dividend to$0.05 per share payable on May 2, 2011 to shareholders of record on April 15, 2011. The semi-annual dividend was increased again to $0.07 on September 15, 2011, and further increased to $0.10 per share on February 24, 2012, payable on April 30, 2012 to shareholders of record on April 13, 2012. This represents a 233% increase since the first semi-annual dividend was declared in the first quarter of 2010.

| Dividends | Year ended Dec 31, 2012 | Year ended Dec 31, 2011 | Year ended Dec 31, 2010 |
|---|---|---|---|
| Declared and Paid | 24,023,000 | 14,114,000 | 7,495,000 |
| Weighted Average number of common shares outstanding | 119,861,000 | 117,375,000 | 115,183,000 |
| Dividend per share | $ 0.20 | $ 0.12 | $ 0.065 |

In 2012, the Company paid a total of $24.0 million in dividends.

Payment of any future dividends will be at the discretion of the Company's Board of Directors, after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

Subject to the provisions of the BCBCA, the Board of Directors of the Company may declare dividends payable to the Company's shareholders according to their respective rights and interest in the Company. Dividends may be paid in money or property or by issuing fully paid common shares of the Company.

## DESCRIPTION OF CAPITAL STRUCTURE

### Common Shares

The Company's authorized capital consists of one class of common shares without par value (the "common shares"). The Company is authorized to issue an unlimited number of common shares. Each common share is entitled to one vote. As at December 31, 2012, a total of 120,871,406 common shares were issued and outstanding. As at March 27, 2013, a total of 127,467,786 common shares were issued and outstanding.

All of the Company's common shares are of the same class and rank equally as to voting rights, dividends and participation in assets of the Company on wind-up or dissolution. There are no pre-emptive rights or conversion rights, and no provisions for redemption or purchase for cancellation, surrender, or sinking or purchase funds, however the Company's Articles provide that the Company may, if authorized by a resolution of the directors, purchase or otherwise acquire any of its shares at the price and upon the terms specified in such resolution and subject to the BCBCA. Provisions as to creation, modification, amendment or variation of such rights or such provisions are contained in the BCBCA.

## MARKET FOR SECURITIES

The Company's common shares are listed on the TSX under the ticker symbol "AGI". On February 13, 2013, the Company common shares began trading on the NYSE also under the ticker symbol "AGI".

### Trading Price and Volume

The following table sets out the monthly low and high trading prices and the monthly volume of trading of the common shares of the Company on the TSX for the financial year ended December 31, 2012:

| 2012 | Low ($CAD) | High ($CAD) | Volume |
|---|---|---|---|
| **January** | 16.95 | 21.00 | 11,157,274 |
| **February** | 18.13 | 20.54 | 11,832,312 |
| **March** | 15.79 | 18.71 | 20,573,401 |
| **April** | 16.65 | 18.78 | 6,692,174 |
| **May** | 15.67 | 19.30 | 7,361,227 |
| **June** | 14.07 | 20.00 | 12,429,284 |
| **July** | 13.84 | 17.11 | 10,124,888 |
| **August** | 15.40 | 19.12 | 7,494,863 |
| **September** | 17.66 | 19.95 | 6,705,657 |
| **October** | 18.03 | 19.96 | 6,804,478 |
| **November** | 18.12 | 19.95 | 4,429,815 |
| **December** | 16.98 | 18.79 | 3,571,732 |

## PRIOR SALES

The following table summarizes the number and price at which stock options were issued during the most recently completed financial year ending December 31, 2012. A total of 840,000 stock options were issued in 2012 at an average exercise price of CAD$16.30, as follows:

| Date | Type of Security | Price per Security (CAD$) | Number of Securities |
|---|---|---|---|
| July 30, 2012 | Options | 16.30 | 840,000 |

## DIRECTORS AND OFFICERS

The name, province or state and country of residence, positions held within the Company and principal occupation of each director and executive officer of the Company during the five preceding years from the date of this AIF are as follows:

| NAME, POSITION PROVINCE OR STATE AND COUNTRY OF RESIDENCE[1] | PRINCIPAL OCCUPATIONS DURING THE PAST 5 YEARS[1] | TERM AS A DIRECTOR |
|---|---|---|
| **JOHN A. McCLUSKEY**[5]<br>President, Chief Executive Officer and Director<br>Ontario, Canada | Chief Executive Officer, President and Director of the Company. | Since February 21, 2003 |
| **MARK WAYNE**[2] [4]<br>Chairman, Director<br>Alberta, Canada | Chief Financial Officer and Director of Regulus Resources Inc. since December 2010 and Vice-President of MGI Securities Inc. since January 2005. Director of Karnalyk Resources Inc., Tanqueray Exploration Ltd, AltaFund Investment Corporation and Consolidated Western Resource Corporation. Prior thereto, Chief Financial Officer of Antares Minerals Inc. from July 2004 to December 2010, Chief Financial Officer and Director of Stem Cell Therapeutics from October 2004 to August 2010 and Director of Antares Minerals Inc. until December 2010. | Since May 24, 2005 |
| **KENNETH STOWE**[3] [4] [5]<br>Director<br>Ontario, Canada | Director of HudBay Minerals since 2010. Prior thereto, president and Chief Executive Officer of Northgate Minerals from September 1999 to July 2011. | Since September 26, 2011 |
| **ANTHONY GARSON**[2] [3] [5]<br>Director<br>Ontario, Canada | Consultant of several mining companies. Director of Argex Titanium Inc. and Greenfield Mining Capital Inc. | Since June 7, 2010 |
| **DAVID GOWER** [3]<br>Director<br>Ontario, Canada | President of Brazil Potash Corporation since 2009. Chairman of Castillian Resources Corporation since January 2010, President and CEO of Castillian Resources Corporation from December 2006 to January 2010. | Since May 19, 2009 |
| **PAUL MURPHY** [2]<br>Director<br>Ontario, Canada | Chief Financial Officer and Executive Vice-President, Guyana Goldfields since April 2010 and Chief Financial Officer of Guyana Precious Metals since May 2012, Director of Continental Gold and Director of Century Iron Mines. Prior thereto, Partner and National Mining Leader, PricewaterhouseCoopers LLP from 2004 to April 2010 and Partner, PricewaterhouseCoopers LLP since 1981. | Since February 19, 2009 |
| **JAMES R. PORTER**<br>Chief Financial Officer<br>Ontario, Canada | Chief Financial Officer ("CFO") of the Company from June 2011 to present; Vice-President of Finance of the Company from July 2008 to June 2011; Controller of the Company from October 2005 to July 2008. | N/A |
| **MANLEY R. GUARDUCCI**<br>Chief Operating Officer<br>British Columbia, Canada | Vice-President and Chief Operating Officer of the Company from May 2008 to present; Mine Manager of the Company from April 2007 to May 2008. | N/A |
| **GREGORY FISHER**<br>Vice-President Finance<br>Ontario, Canada | Vice-President of Finance of the Company from June 2011 to present; Controller of the Company from April 2010 to June 2011. Prior thereto, Senior Manager, KPMG from September 2002 to March 2010. | N/A |
| **CHARLES TARNOCAI**<br>Vice-President, Corporate Development<br>British Columbia, Canada | Vice-President of Corporate Development of the Company from April 2008 to present. | N/A |
| **HAN ILHAN** | Vice-President of Projects of the Company since October 2011. Prior | N/A |

| NAME, POSITION PROVINCE OR STATE AND COUNTRY OF RESIDENCE[1] | PRINCIPAL OCCUPATIONS DURING THE PAST 5 YEARS[1] | TERM AS A DIRECTOR |
|---|---|---|
| Vice-President, Projects<br>Ankara, Turkey | thereto, Vice-President, URS Corporation from 1985 to September 2011. | |
| **CHRISTINE BARWELL**<br>Vice-President, Human Resources<br>Ontario, Canada | Vice-President of Human Resources of the Company from April 2010 to present. Prior thereto, Manager, International Assignments, Kinross Gold from September 2009 to April 2010, Senior Manager, Global Mobility, PricewaterhouseCoopers LLP from January 1999 to August 2009. | N/A |
| **MATTHEW HOWORTH**<br>Vice-President, Legal and Corporate Secretary<br>Ontario, Canada | Vice-President of Legal and Corporate Secretary of the Company since March 2012. Prior thereto, Vice President, General Counsel and Corporate Secretary of Northgate Minerals Corporation from 2008 to 2012. | N/A |
| **JO MIRA CLODMAN**<br>Vice-President, Investor Relations<br>Ontario, Canada | Vice-President of Investor Relations of the Company since November 2012. Prior thereto, President, Clodman Hecht Communications Inc. until November 2012. | N/A |
| **ANDREW CORMIER**<br>Vice-President, Development and Construction<br>Ontario, Canada | Vice-President of Development and Construction of the Company since February 2013. Prior thereto, Project Manager of Aurico Gold Inc. and, prior to its acquisition by Aurico Gold Inc., Northgate Minerals Corporation. | N/A |
| **JASON DUNNING**<br>Vice-President, Exploration<br>Ontario, Canada | Vice-President of Exploration of the Company since February 2013. Prior thereto, Vice-President, Exploration of Selwyn Resources Ltd. from July 2008 to February 2013. | N/A |

(1) The information as to province or state of residence and principal occupation, not being within the knowledge of the Company, has been furnished by the respective directors and executive officers individually.
(2) Denotes member of Audit Committee. Mr. Murphy is the chairman of this Committee.
(3) Denotes member of Compensation Committee. Mr. Gower is the chairman of this Committee.
(4) Denotes member of Corporate Governance Committee. Mr. Wayne is the chairman of this Committee.
(5) Denotes member of the Technical, Environmental, Social and Employee Health and Safety Committee. Mr. Stowe is the chairman of this Committee.

The term of office of each of the current directors expires at the next annual general meeting of shareholders of the Company.

As at the date of this AIF, the Company's directors and executive officers, as a group, beneficially own, directly or indirectly, or exercise control or direction over a total of 1,057,387 common shares, directly or indirectly, representing approximately 0.9% of the issued and outstanding common shares of the Company.

**Cease Trade Orders or Bankruptcies**

Except as described below, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Company), that:

1. was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
2. was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Except as described below, no director or executive officer of the Company, and no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

1. is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
2. has, within 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

In February 2009, Railpower Technologies Corporation filed for bankruptcy. Mr. Mark Wayne was a former director of that company, having ceased to be a director in June 2008.

**Penalties or Sanctions**

No director or executive officer of the Company or a shareholder holding a sufficient number of common shares of the Company to affect materially the control of the Company has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The foregoing, not being within the knowledge of the Company, has been furnished by the respective directors, executive officers and shareholders holding a sufficient number of securities of the Company to affect materially the control of the Company.

**Conflicts of Interest**

Certain directors and officers of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. The directors and officers of the Company are also directors of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. These associations with other public companies in the resource sector may give rise to conflicts of interest from time to time. The directors and officers of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest that they may have in a contract or transaction if the contract or transaction is material to the Company, the Company has entered, or proposes to enter, into the contract or transaction, and either the director or officer has a material interest in the contract or transaction or the director or officer is a director or officer of, or has a material interest in, a corporation that has a material interest in the contract or transaction. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict is required to disclose his interest and abstain from voting on such matter. In determining whether the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

## AUDIT COMMITTEE

Pursuant to the provisions of section 224 of the Business Corporations Act (British Columbia), the Company is required to have an Audit Committee. The Company must also, pursuant to the provisions of National Instrument 52-110 Audit Committees ("NI 52-110"), have a written charter that sets out the duties and responsibilities of its audit committee. The Company's audit committee charter is attached hereto as Schedule "A".

### Composition of the Audit Committee

The Audit Committee, at the present time, is comprised of Paul Murphy (Chair), Mark Wayne and Anthony Garson. Each member is financially literate and all members of the Audit Committee are independent directors.

### Relevant Education and Experience

Mr. Murphy is a Chartered Accountant and former Partner at a national accounting firm, PricewaterhouseCoopers LLP. Mr. Wayne is a Chartered Financial Analyst and has served as Chief Financial Officer of several public companies, including currently Regulus Resources Inc. Mr. Garson is a former equities analyst. In these positions, each member has been responsible for reviewing financial information and obtaining an understanding of the balance sheet, income statement and statement of cash flows and how these statements are integral in assessing the financial position of the company and its operating results. Each member has a significant understanding of the mineral exploration and mining business in which the Company is engaged in and has an appreciation for the relevant accounting principles for this business.

### Reliance on Certain Exemptions

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemptions in section 2.4 (*De Minimis* Non-audit Services), section 3.2 (Initial Public Offerings), section 3.4 (Events Outside Control of Member), section 3.5 (Death, Disability or Resignation of Audit Committee Member) or Part 8 (Exemptions) of National Instrument 52-110 – Audit Committees ("NI 52-110").

### Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

At no time since the commencement of the Company's most recently completed financial year has the Company relied on the exemption in subsection 3.3(2) (Controlled Companies) or section 3.6 (Temporary Exemption for Limited and Exceptional Circumstances) of NI 52-110.

### Reliance on Section 3.8

At no time since the commencement of the Company's most recently completed financial year has the Company relied on section 3.8 (Acquisition of Financial Literacy) of NI 52-110.

### Audit Committee Oversight

At no time since the commencement of the Company's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board of Directors.

### Pre-approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services that require the auditors to submit to the committee a proposal for services to be provided and cost estimate for approval.

**External Auditor Service Fees (By Category)**

| Fiscal Year End | Audit Fees | Audit Related Fees[1] | Tax Fees[2] | All Other Fees[3] |
|---|---|---|---|---|
| **2012** | $345,500 | $ — | $104,500 | $ 2,500 |
| **2011** | $326,185 | $ 10,000 | $125,966 | $ 2,500 |

(1) Fees charged for assurance and related services reasonably related to the performance of an audit, and not included under “Audit Fees”.
(2) Fees charged for tax compliance, tax advice and tax planning services.
(3) Fees for services other than disclosed in any other column.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as set forth herein and other than transactions carried out in the ordinary course of business of the Company or any of its subsidiaries, none of the directors or executive officers of the Company, any shareholder directly or indirectly beneficially owning, or exercising control or direction over, shares carrying more than 10% of the voting rights attached to the shares of the Company, nor an associate or affiliate of any of the foregoing persons has since January 1, 2010 (being the commencement of the Company’s third most recently completed financial year) any material interest, direct or indirect, in any transactions that materially affected or would materially affect the Company or any of its subsidiaries.

## TRANSFER AGENT AND REGISTRAR

The Company’s registrar and transfer agent, Computershare Trust Company of Canada, is located at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9 and its Toronto affiliate is located at 66 Wellington Street West, Suite 5210, PO Box 240, TD Centre, Toronto, Ontario M5K 1J3.

## LEGAL PROCEEDINGS

As at March 28, 2013, there are no material legal proceedings to which the Company is a party.

## MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business or as described in this AIF, the Company has not entered into any other material contracts during the most recently completed financial year.

## INTERESTS OF EXPERTS

Ernst & Young LLP prepared an audit report with respect to the Company’s financial statements for the years ended December 31, 2012 and 2011. Neither Ernst & Young LLP, nor any partner, employee or consultant of Ernst & Young LLP involved in the preparation of such report, is known by the Company to hold any securities of the Company.

## ADDITIONAL INFORMATION

Additional information relating to the Company is available under the Company’s profile on the SEDAR website at www.sedar.com. Financial information relating to the Company is provided in the Company’s comparative consolidated financial statements and management’s discussion and analysis for the most recent fiscal year.

Additional information, including director and officer remuneration and indebtedness, principal holders of the Company’s securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Company’s information circular dated April 26, 2012 for its Annual and General meeting of shareholders which was held on May 31, 2012.

**SCHEDULE "A"**

**AUDIT COMMITTEE CHARTER**

**Organization**

This charter governs the operations of the Audit Committee (the "Committee") of Alamos Gold Inc. (the "Company"). The purpose, composition, responsibilities, and authority of the Committee are set out in this Charter.

This Charter and the Articles of the Company and such other procedures, not inconsistent therewith, as the Committee may adopt from time to time, shall govern the meetings and procedures of the Committee.

**Purpose**

The Committee shall provide assistance to the Board of Directors of the Company (the "Board") in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community, and others relating to:

1. the integrity of the Company's financial statements;
2. the financial reporting process;
3. the systems of internal accounting and financial controls;
4. risk management;
5. the performance of the Company's internal audit function (if applicable) and independent auditors;
6. the independent auditors' qualifications and independence; and
7. the Company's compliance with ethics policies and legal and regulatory requirements.

**Composition**

The Committee shall be composed of at least three directors of the Company (the "Members"), each of whom is "independent" as defined in National Instrument 52-110 Audit Committees or any successor policy.

All Members shall be "financially literate" as defined in National Instrument 52-110 Audit Committees or any successor policy.

Members shall be appointed by the Board and shall serve until they resign, cease to be a director, or are removed or replaced by the Board.

The Board shall designate one of the Members as chair of the Committee (the "Chair").

The Members shall appoint, from among their number, a secretary of the Committee (the "Secretary").

**Authority**

The Committee is authorized to carry out its responsibilities as set out in this Charter, and to make recommendations to the Board arising therefrom.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Company and the authority to engage, and to set and

pay the compensation of, independent accountants, legal counsel and other advisers as it determines necessary to carry out its duties.

The Committee may also communicate directly with the auditors, legal and other advisors, management and employees of the Company to carry out its responsibilities and duties set out in this Charter.

The Company shall pay directly or reimburse the Committee for the expenses incurred by the Committee in carrying out its responsibilities.

**Responsibilities**

The primary responsibility of the Committee is to oversee the Company's financial reporting process on behalf of the Board and report the results of their activities to the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible, in order to best react to changing conditions and circumstances. The Committee should take appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices, and ethical behaviour. The following shall be the principal direct responsibilities of the Committee:

1. Appointment and termination (subject, if applicable, to shareholder ratification), compensation, and oversight of the work of the independent auditors, including resolution of disagreements between management and the auditors regarding financial reporting. The Committee shall arrange for the independent auditors to report directly to the Committee.
2. Pre-approve all audit and non-audit services provided by the independent auditors and not engage the independent auditors to perform the specific non-audit services prohibited by law or regulation. The Committee may delegate pre-approval authority to a member of the Committee. The decisions of any Committee member to whom pre-approval authority is delegated must be presented to the full Committee at its next scheduled meeting.
3. At least annually, obtain and review a report by the independent auditors describing:
   (a) The firm's internal quality control procedures.
   (b) Any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
   (c) All relationships between the independent auditor and the Company (to assess the auditor's independence).

4. Establish clear hiring policies for employees, partners, former employees and former partners of the current and former independent auditors of the Company that meet the requirements of applicable securities laws and stock exchange rules.
5. Discuss with the auditors, the overall scope and plans for audits of the Company's financial statements, including the adequacy of staffing and compensation. Ensure there is rotation of the audit partner having primary responsibility for the independent audit of the Company at such intervals as may be required.
6. Discuss with management and the auditors the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs (e.g. Company's Code of Business Conduct and Ethics).
7. Periodically meet separately with management and the auditors to discuss issues and concerns warranting Committee attention. The Committee shall provide sufficient opportunity for the auditors to meet privately with the members of the Committee. The Committee shall review with the auditor any audit problems or difficulties and management's response.

The processes set forth represent a guide with the understanding that the Committee may supplement them as appropriate.

**Specifically Delegated Duties**

For purposes of this Charter, specific accounting, financial and treasury related duties delegated to the Committee by the Company's Board of Directors include:

**Accounting and Financial**

1. Receive regular reports from the independent auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.
2. Where applicable, review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditor's report on management's assertion.
3. Review and discuss annual and interim earnings press releases before the Company publicly discloses this information.
4. Review and approve the interim quarterly unaudited financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations with management and, where applicable, the independent auditors prior to the filing of the Company's Quarterly Report or their inclusion in any filing with regulatory authorities. Also, the Committee shall discuss the results of the quarterly review, if any, and any other matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards. The chair of the Committee may represent the entire Committee for the purposes of this review.
5. Review with management and the independent auditors the financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations to be included in the Company's Annual Report to shareholders and any other filing with regulatory authorities, including their judgment about the quality, not just the acceptability of accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements.
6. The Committee shall discuss any matters required to be communicated to the Committee by the independent auditors under generally accepted auditing standards and shall specifically review with the independent auditors, upon completion of their audit:

(a) the contents of their report;

(b) the scope and quality of the audit work performed;

(c) the adequacy of the Company's financial and auditing personnel;

(d) co-operation received from the Company's personnel during the audit;

(e) significant transactions outside of the normal business of the Company; and

(f) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems.

7. Establish procedures for the review of the public disclosure of financial information extracted from the financial statements of the Company.

8. Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

**Treasury Related**

1. Monitor and review risk management strategies as they pertain to the Company's general insurance programs, and foreign exchange and commodity hedging programs, and make recommendations to the Board with respect to such strategies.

2. Approve investment policies and appoint investment managers, where appropriate, for the Company's retirement and other funded benefit plans.

3. Perform such other duties in respect of financial matters as, in the opinion of the Board, should be performed by the Committee.

**Meetings and Proceedings**

The Committee shall meet as frequently as required, but not less than four times each year. Any Member or the independent auditors of the Company may call a meeting of the Committee.

The agenda of each meeting of the Committee will include input from the independent auditors, directors, officers and employees of the Company as appropriate. Meetings will include presentations by management, or professional advisers and consultants when appropriate, and will allow sufficient time to permit a full and open discussion of agenda items.

Unless waived by all Members, a notice of each meeting of the Committee confirming the date, time, place, and agenda of the meeting, together with any supporting materials, shall be forwarded to each Member and the independent auditors of the Company at least three days before the date of the meeting.

The independent auditors of the Company are entitled to attend and be heard at every meeting of the Committee at the expense of the Company.

The quorum for each meeting of the Committee is a majority of the Members. The Chair of the Committee shall chair each meeting. In the absence of the Chair, the other Members may appoint one of their number as chair of a meeting. The chair of a meeting shall not have a second or casting vote.

The Chair of the Committee or his delegate shall report to the Board following each meeting of the Committee.

The Secretary or his delegate shall keep minutes of all meetings of the Committee, including all resolutions passed by the Committee. Minutes of meetings shall be distributed to the Members and the other directors of the Company after preliminary approval thereof by the Chair of the Committee.

The Committee shall meet regularly alone to facilitate full communication.

**Self-Assessment**

The Committee and the Board shall annually assess the effectiveness of the Committee with a view to ensuring that the performance of the Committee accords with best practices.

The Committee shall review and reassess this Charter at least annually and obtain the approval of the Company's Board for any changes.

Responsibilities of Chair

The Chair of the Committee shall provide leadership to the Committee to enhance the Committee's effectiveness and ensure adherence to this Charter.

The Chair of the Committee is responsible for managing the Committee, including:

(a) chairing all meetings of the Committee in a manner that promotes meaningful discussion;

(b) preparing or providing direction to management to prepare an appropriate agenda for Committee meetings and ensuring pre-meeting material is distributed in a timely manner and is appropriate in terms of relevance, efficient format and detail;

(c) adopting procedures to ensure that the Committee can conduct its work effectively and efficiently, including committee structure and composition, scheduling, and management of meetings; and

(d) ensuring meetings are appropriate in terms of frequency, length and content.

This Charter amends, restates, replaces and supersedes the Audit Committee Charter of the Company adopted by the Board on April 28, 2003.

Adopted by the Board of the Company effective December 9, 2008.

**ALAMOS GOLD INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
(All amounts are expressed in United States dollars, unless otherwise stated)

This management's discussion and analysis ("MD&A") of the operating results and financial position of Alamos Gold Inc. and its subsidiaries (the "Company") is for the year ended December 31, 2012 compared to the year ended December 31, 2011. Together with the consolidated financial statements and related notes, the MD&A provides a detailed account and analysis of the Company's financial and operating performance for the year. The Company's functional and presentation currency is the United States dollar. This MD&A is current to February 19, 2013 and should be read in conjunction with the Company's Annual Information Form and other public filings available at www.sedar.com ("SEDAR") and on EDGAR at www.sec.gov. Management is responsible for the consolidated financial statements referred to in this MD&A, and provides officers disclosure certifications filed with the SEC and Canadian provincial securities commissions. The Audit Committee reviews the consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors.

The MD&A should be read in conjunction with the consolidated financial statements of the Company and related notes, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Refer to Note 3 of the December 31, 2012 consolidated financial statements for disclosure of the Company's significant accounting policies. This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as at year ending December 31, 2012.

**Note to U.S. Investors**

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

**Overview**

Alamos Gold Inc. is a publicly-traded company on the Toronto Stock Exchange (TSX: AGI) and New York Stock Exchange (NYSE: AGI). The Company owns and operates the Mulatos mine ("Mulatos" or the "Mine") within the Salamandra group of concessions located in the state of Sonora in northwest Mexico. In addition, the Company owns the Ağı Dağı, Kirazli and Çamyurt gold development projects, located in the Biga Peninsula of northwestern Turkey.

*Mexico*

The Salamandra group of concessions comprises 30,536 hectares, and contains the producing Mulatos mine as well as several advanced and grassroots exploration projects. The Mine achieved commercial production in 2006 and produces gold in dore form for shipment to a refinery. Exploration potential includes both mineralized extensions and satellite deposits in close proximity to the existing mining operations. Proven and probable reserves as at December 31, 2011 were 65.0 million tonnes grading 1.14 grams of gold per tonne of ore ("g/t Au") for approximately 2.4 million contained ounces of gold, providing a mine life of approximately nine years at current production levels.

*Turkey*

In early 2010, the Company acquired the 8,317 hectare Ağı Dağı and Kirazli gold development projects in Turkey, which contain established mineral resources and several highly prospective exploration targets. In June 2012, the Company published a positive preliminary feasibility study for the Ağı Dağı and Kirazli projects, showing total life of mine production of 1.5 million ounces of gold and 4.9 million ounces of silver. In addition, the Company owns the Çamyurt exploration project located approximately three kilometres ("km") southeast of Ağı Dağı. In June 2012, the Company released an initial inferred mineral resource estimate for the Çamyurt project of 24.6 million tonnes grading 0.81 g/t Au and 4.77 g/t Ag for 640,000 ounces of gold and 3.8 million ounces of silver.

Measured and indicated mineral resources at Ağı Dağı and Kirazli (reported at a 0.2 g/t Au cut-off) at December 31, 2011 total 110.1 million tonnes grading 0.62 g/t Au and 4.76 g/t silver ("Ag") for approximately 2.2 million ounces of gold and 16.8 million ounces of silver. Inferred mineral resources total 26.4 million tonnes grading 0.53 g/t Au and 4.36 g/t Ag, for approximately 0.5 million contained ounces of gold and 3.7 million contained ounces of silver.

**Fourth Quarter 2012 Highlights**

*Financial Performance*

- Sold 62,516 ounces of gold for record quarterly revenues of $106.9 million
- Realized record quarterly earnings of $37.9 million ($0.31 per basic share), a 78% increase compared to the fourth quarter of 2011
- Generated record cash from operating activities before changes in non-cash working capital of $53.5 million ($0.44 per basic share); after changes in non-cash working capital of $69.2 million ($0.57 per basic share)
- Increased cash and cash equivalents and short-term investments to $353.7 million at December 31, 2012

*Operational Performance*

- Produced a record 67,800 ounces of gold at a cash operating cost of $377 per ounce of gold sold (total cash costs including royalties were $461 per ounce of gold sold)
- Achieved record quarterly average crusher throughput of 17,900 tonnes per day ("tpd")
- Continued to improve production from the Escondida high grade zone through higher grades milled, averaging 14.12 g/t Au for the period

**Full Year 2012 Highlights**

*Financial Performance*

- Sold 197,516 ounces of gold at an average realized price of $1,668 per ounce for revenues of $329.4 million
- Realized earnings of $118.0 million ($0.98 per basic share) compared to earnings of $60.1 million ($0.51 per share) in 2011
- Generated strong cash from operating activities before changes in non-cash working capital of $178.5 million ($1.49 per basic share) compared to $107.2 million ($0.91 per basic share) in 2011
- Paid a total of $24.0 million in dividends to shareholders ($0.20 per basic share)

*Operational Performance*

- Produced 200,000 ounces of gold at a cash operating cost of $355 per ounce of gold sold (total cash costs including royalties were $438 per ounce of gold sold), below the Company's guidance range of $365 to $390 per ounce.
- Achieved record average crusher throughput of 16,000 tonnes per day
- Started production from the Escondida high grade zone in the first quarter, and achieved design average throughput of 500 tonnes per day for the year
- Reported a net positive ounce reconciliation of 14% comparing mined blocks from the global Mulatos Pit to the block model

*Subsequent to year-end:*

- Announced an offer to acquire all of the common shares of Aurizon Mines Ltd.
- Released 2013 production guidance of 180,000 to 200,000 ounces at a cash operating cost per ounce sold of $415 to $435 per ounce (exclusive of the 5% royalty)
- Commenced trading on the New York Stock Exchange on February 13, 2013 under the ticker symbol "AGI"
- Strengthened its management team through the addition of two key hires: Andrew Cormier as Vice President of Construction and Development, and Jason Dunning as Vice President of Exploration.

**Results of Operations**

Gold production of 200,000 ounces in 2012 increased 31% compared to 153,000 ounces in 2011. In the table below, the tonnes of crushed ore stacked on the leach pad exclude mill tailings, which are included within the number of tonnes of crushed ore milled. The table below outlines key production indicators in 2012 and 2011:

| Production summary | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | YTD 2012 | YTD 2011 |
|---|---|---|---|---|---|---|
| Ounces produced [1] | 40,500 | 48,200 | 43,500 | 67,800 | 200,000 | 153,000 |
| Crushed ore stacked on leach pad (tonnes) [2] | 1,225,000 | 1,486,000 | 1,345,000 | 1,590,000 | 5,646,000 | 5,164,000 |
| Grade (g/t Au) | 1.17 | 1.15 | 1.25 | 1.20 | 1.19 | 1.31 |
| Contained ounces stacked | 45,900 | 54,900 | 54,000 | 61,200 | 216,000 | 217,030 |
| Crushed ore milled (tonnes) | 25,000 | 44,600 | 49,100 | 57,800 | 176,500 | — |
| Grade (g/t Au) | 10.17 | 10.78 | 13.25 | 14.12 | 12.49 | — |
| Contained ounces milled | 8,300 | 15,500 | 20,900 | 26,200 | 70,900 | — |
| Ratio of total ounces produced to contained ounces stacked and milled | 75% | 68% | 58% | 78% | 70% | 71% |
| Total ore mined (tonnes) | 1,270,000 | 1,498,000 | 1,399,000 | 1,619,000 | 5,786,000 | 5,327,000 |
| Waste mined (tonnes) | 775,000 | 1,013,000 | 750,000 | 822,000 | 3,360,000 | 3,486,000 |
| Total mined (tonnes) | 2,045,000 | 2,511,000 | 2,149,000 | 2,441,000 | 9,146,000 | 8,813,000 |
| Waste-to-ore ratio | 0.61 | 0.68 | 0.54 | 0.51 | 0.58 | 0.65 |
| Ore crushed per day (tonnes) – combined | 13,900 | 16,800 | 15,200 | 17,900 | 16,000 | 14,100 |

[1] Reported gold production for Q4 2011 and YTD 2011 has been adjusted to reflect final refinery settlement. Reported gold production for Q4 2012 and YTD 2012 is subject to final refinery settlement and may be adjusted.

[2] Excludes mill tailings stacked on the heap leach pad during the period.

**Fourth Quarter 2012 Highlights**

In the fourth quarter of 2012, production reached a record 67,800 ounces of gold, 46% higher than production of 46,500 ounces in the fourth quarter of 2011, and 41% higher than the previous quarterly production record of 48,200 ounces. Gold production in the fourth quarter benefited from higher than budgeted throughput and grade from the gravity mill, which is processing ore from the Escondida high grade zone.

Total crusher throughput in the fourth quarter of 2012 averaged a record 17,900 tpd, above the annual budgeted rate of 17,500 tpd and 12% higher than 16,000 tpd in the same period last year. Higher crusher throughput was achieved through a reduction in downtime resulting from improved maintenance practices.

Commissioning of the gravity mill to process ore from the Escondida high-grade zone was completed in the first quarter of 2012. Mill production from the Escondida high grade zone continued to improve in the fourth quarter of 2012, with daily average throughput of 630 tonnes exceeding budgeted levels.

The grade of the crushed ore stacked on the leach pad in the fourth quarter of 2012 of 1.20 g/t Au was higher than the full year budgeted grade of 1.00 g/t Au, but below the grade in the fourth quarter of 2011 of 1.33 g/t Au. Applying higher gold price assumptions to the mine model has resulted in material previously classified as waste becoming economic to mine and therefore classified as low grade ore. This has the effect of lowering the average grade mined.

The grade of the Escondida high-grade zone mined and milled rose to 14.12 g/t Au in the fourth quarter, an increase from the grade milled in the third quarter of 13.25 g/t Au.

The ratio of ounces produced to contained ounces stacked or milled ("recovery ratio") was 78% in the fourth quarter of 2012. The recovery ratio in the fourth quarter benefitted from gold production deferred from the third quarter as a result of dilution on the heap leach pad during the rainy season.

Recoveries from the gravity mill have been continuously improving since mill start-up in the first quarter of 2012; however, they remain below budgeted levels of 90%. While the lower mill recoveries slow the gold recovery process, they do not affect ultimate recoveries of the Escondida high grade ore, as tailings from the milling process are stacked on the leach pad, where bottle roll testing indicates that over 90% of this gold is recovered. In the fourth quarter, the gravity portion of the mill recovery was approximately 75%.

**Full Year 2012**

Higher gold production in 2012 relative to the same period of 2011 was primarily attributable to production from the gravity mill, which started operation in early 2012. Gold production in the 2012 also benefited from a 13% increase in crushed ore stacked in relative to the same period of 2011, which was partially offset by a 9% decrease in the grade stacked on the leach pad.

Crusher throughput in 2012 averaged 16,000 tpd, 13% higher than 14,100 tpd in the same period of last year. Crusher throughput increased steadily throughout 2012, reaching 17,900 tpd in the fourth quarter. The Company anticipates crusher throughput in 2013 to average 17,500 tpd.

The grade of the crushed ore stacked on the leach pad in 2012 of 1.19 g/t Au was 19% higher than the full year budgeted grade of 1.00 g/t Au. The reconciliation of mined blocks to the block model for the Global Mulatos Pit, including Escondida, for the year ended December 31, 2012 was +7%, +6% and +14% for tonnes, grade and ounces respectively. Since the start of mining activities in 2005, the project-to-date reconciliation is +2%, +7%, +10% for tonnes, grade and ounces, respectively. Positive variances indicate that the Company is mining more gold than was indicated in the reserve model.

Improvements in ore control practices throughout the year have been reflected in the grade mined and milled as well as the block model reconciliation results. The grade milled in 2012 was 12.49 g/t Au, and improved every quarter since the start-up of the gravity mill in the first quarter. To-date, the Company has mined and milled a total of 176,000 tonnes from the Escondida high grade zone, representing approximately 41% of the pit-contained high grade mineral reserve tonnes.

The recovery ratio in 2012 was 70%, below the Company's budgeted average recovery ratio for the year of 77%. This lower recovery ratio was the result of the deferral of gold production from the gravity mill as a result of lower than budgeted mill recoveries.

**Operating Costs**

The following table compares costs per tonne for the periods ended 2012 and 2011:

| Costs per tonne summary[3] | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | YTD 2012 | YTD 2011 |
|---|---|---|---|---|---|---|
| Mining cost per tonne of material (ore and waste) | $ 2.61 | $ 2.51 | $ 2.87 | $ 3.09 | $ 2.77 | $ 1.90 |
| Waste-to-ore ratio | 0.61 | 0.68 | 0.54 | 0.51 | 0.58 | 0.65 |
| Mining cost per tonne of ore | $ 4.21 | $ 4.21 | $ 4.41 | $ 4.65 | $ 4.38 | $ 3.14 |
| Crushing/conveying cost per tonne of ore | $ 2.42 | $ 2.08 | $ 2.64 | $ 2.20 | $ 2.32 | $ 2.42 |
| Processing cost per tonne of ore | $ 2.71 | $ 3.02 | $ 4.80 | $ 4.40 | $ 3.77 | $ 3.02 |
| Mine administration cost per tonne of ore | $ 2.10 | $ 1.81 | $ 2.03 | $ 1.79 | $ 1.92 | $ 1.91 |
| Total cost per tonne of ore [1], [2] | $11.44 | $11.12 | $13.88 | $13.04 | $12.39 | $10.49 |

(1) Q4 and YTD 2012 cost per tonne reflects total costs related to crushed ore stacked on the leach pad and crushed ore milled on a blended basis

(2) Q4 and YTD 2011 cost per tonne figures represent costs related crushed ore stacked on the leach pad only

(3) Refer to “Cautionary non-GAAP Measures and Additional GAAP Measures” disclosure at the end of this MD&A for a description and calculation of certain measures presented in this table.

Total cost per tonne of ore in 2012 of $12.39 increased 18% compared to the same period of 2011. The higher total cost per tonne of ore in 2012 is primarily attributable to higher mining costs and processing costs resulting from increases in input costs (including higher salaries and rising cyanide and diesel costs), as well as costs associated with the gravity mill, which are reflected in the 2012 cost per tonne figures. These inflationary pressures were partially offset by higher crusher throughput, which had the effect of lowering fixed costs on a per tonne basis.

Mining cost per tonne of material was $2.77 in 2012, 46% higher than $1.90 in 2011, as a result of a higher salaries and diesel costs, as well as costs incurred by contractors utilized in mining operations which were not incurred in the previous year. In addition, mining cost per tonne of ore was $4.38 in 2012, 39% higher than $3.14 per tonne in 2011.

Crushing and conveying cost per tonne of ore was $2.32 in 2012, 4% lower than 2011. In late 2011, the Company reconfigured the crushing circuit, which has reduced year-to-date power and maintenance costs on a per tonne basis.

Processing costs per tonne of ore in 2012 were $3.77 compared to $3.02 in 2011, a 25% increase. Higher processing costs in 2012 relative to the same period of 2011 were the result of the operation of the gravity mill in 2012, which has a higher per-tonne cost. In addition, cyanide costs increased on a per-tonne basis due to inflationary pressures.

Mine administration costs per tonne of ore in 2012 were consistent with 2011, as payroll cost increases were offset by higher throughput, which has the effect of lowering fixed costs on a per-tonne basis.

Cash operating cost of $355 per ounce of gold sold in 2012 was below the low end of the Company’s guidance of $365 per ounce, and 4% lower than $368 per ounce reported in 2011. This decrease is primarily due to the lower cash costs attributable to ounces produced from the

Escondida high grade zone in 2012, as well as the weakening Mexican peso versus budget, which had the effect of lowering Mexican peso-denominated costs. These cost reductions were partially offset by higher input costs, including labour, cyanide and diesel.

Cash operating costs include total costs incurred in the period, in addition to inventory adjustments that recognize the allocation of costs to and from the Company's in-process leach pad gold inventory in the period. The Company utilizes a gold process flow inventory model that allocates total costs incurred to mill processing or to the recoverable ounces stacked on the leach pad in that period, and charges each ounce of gold produced on an average cost basis. Accordingly, cash operating costs reflect not only the cash spent in a period, but also an adjustment to reflect the increase or decrease in the leach pad inventory.

A reconciliation of total costs to cash operating costs is presented below:

| Cash operating cost reconciliation [1] | 2012 | 2011 |
|---|---|---|
| Total cost per tonne of ore | $ 12.39 | $ 10.49 |
| Ore stacked/milled (tonnes) | 5,823,000 | 5,164,000 |
| Total cost | $ 72,147,000 | $ 54,170,000 |
| Inventory adjustments to reflect ounces allocated to stockpile inventory | ($ 941,000) | — |
| Inventory adjustments to reflect additional ounces produced from (allocated to) leach pad inventory and other period costs | ($ 1,038,000) | ($ 302,000) |
| Mining and processing costs allocated to ounces sold as reported on income statement | $ 70,168,000 | $ 53,868,000 |
| Ounces sold | 197,516 | 146,390[2] |
| Cash operating cost per ounce sold | $ 355 | $ 368 |

(1) Refer to "Cautionary non-GAAP Measures and Additional GAAP Measures" disclosure at the end of this MD&A for a description and calculation of certain measures presented in this table.

(2) Total ounces sold in 2011 were 151,000, of which 4,610 ounces were estimated to have been derived from ore processed in developing the Escondida zone and have been accounted for as pre-production ounces with the associated revenues and operating costs offset against capitalized development costs.

In 2012, the Company decreased the number of ounces on the leach pad inventory, as the number of ounces produced was higher than the number of recoverable ounces stacked. Leach pad inventory, which incorporates both cash operating costs and amortization, increased to $14.8 million at December 31, 2012 from $11.9 million at December 31, 2011, reflecting higher costs and amortization per ounce in inventory.

**Investments in Mineral Property, Plant and Equipment and Acquisitions**

A summary of the cash invested in operating capital and development activities for the period ended December 31, 2012 is presented below:

| | YTD 2012 ($000) |
|---|---|
| **Operating and Expansion Capital – Mexico** | |
| Crushing system | $ 2,838 |
| Gravity mill | 2,024 |
| Component changes | 5,722 |
| Interlift liners | 1,956 |
| Construction | 3,468 |
| Other | 4,748 |
| | 20,756 |
| **Development – Mexico** | |
| Escondida/El Salto development | 10,248 |
| Capitalized exploration | 5,868 |
| Victor / San Carlos permitting | 990 |
| Mulatos relocation | 314 |
| | 17,420 |
| **Development – Turkey** | |
| Development and capitalized exploration | 18,561 |
| Equipment | 364 |
| | 18,925 |
| **Head office – Toronto** | |
| IT infrastructure and furniture | 274 |
| **Cash invested in mineral property, plant and equipment and exploration and evaluation assets** | **$57,375** |

Operating and Expansion Capital – Mexico

Operating capital spending in Mexico in 2012 included sustaining and expansion capital of $20.8 million, consisting of $1.4 million for construction primarily related to achieving cyanide code certification, $4.9 million related to completing the gravity mill and crushing circuit in the first quarter, $5.7 million for component changes, $2.0 million for the addition of interlift liners on the leach pad and $6.8 million of other capital.

Development – Mexico

Development activities in Mexico in 2012 were focused on continuing development of the El Salto portion of the Mulatos pit as well as additional stripping activities, pit design and stability work at Escondida.

During 2012, the Company invested $1.0 million on permitting activities related to the San Carlos and El Victor deposits as it continues to seek additional sources of high-grade material as feed for the mill. Metallurgical testing completed in 2011 demonstrated that higher grade ore at San Carlos is amenable to gravity processing, potentially more than doubling the amount of feed available for the gravity plant. In addition, drill results at El Victor North have intercepts of high-grade material, suggesting the potential for an additional source of future gravity mill feed. Metallurgical testing and additional exploration work is planned to further delineate these high-grade zones.

Development – Turkey

The Ağı Dağı and Kirazli gold projects are located on the Biga Peninsula of northwestern Turkey. Ağı Dağı is located approximately 50 km southeast of Çanakkale and Kirazli is located approximately 25 km northwest of Ağı Dağı. Çanakkale is the largest centre on the Biga Peninsula with a population of approximately 97,000. Infrastructure in close proximity to the project is excellent and well-serviced with paved roads, transmission lines, and electricity generating facilities.

In June 2012, the Company published a preliminary feasibility study summary of the Ağı Dağı and Kirazli projects. The highlights are summarized below:

- Total life of mine production of 1.5 million ounces of gold and 4.9 million ounces of silver.
- Annual combined gold production is expected to peak in 2017 at 237,000 ounces, and will average 166,000 ounces per year over the nine year combined mine life.
- First gold production from the Kirazli project in 2014, followed by gold production from Ağı Dağı in 2016.
- Mine life of seven years for Ağı Dağı and five years for Kirazli.
- Pre-production capital expenditures of $424.4 million.
- Average life of mine cash operating costs of $544 per ounce sold, total cash costs per ounce sold of $579.
- At a $1,239 per ounce gold price assumption, after-tax net present value ("NPV") at a 5% discount rate of $275.6 million and after-tax internal rate of return ("IRR") of 22.3%.
- At a gold price of $1,575 per ounce, after-tax NPV at a 5% discount rate increases to $604.6 million and after-tax IRR of 36.5%.

In addition, the Company reported an initial inferred mineral resource estimate of 640,000 ounces at Çamyurt. Inclusion of the Çamyurt resource in a development scenario represents a major opportunity to further enhance the economic potential of the Company's Turkish projects. The preliminary feasibility study for Ağı Dağı and Kirazli incorporates significant capital spending on infrastructure that is expected to benefit the economics of the Çamyurt project. The average grade of the resources at Çamyurt is substantially higher than at the Ağı Dağı and Kirazli projects. As a result, once Çamyurt is factored into the Company's development plan, it is expected to reduce cash costs per ounce on a combined project basis, as well as enhance combined project economics.

The Company has submitted the final environmental impact assessment ("EIA") report for Kirazli, and expects a response from the Turkish Government in the first quarter of 2013. The final Ağı Dağı EIA report is expected to be submitted in the first quarter of 2013, with a response expected in the second quarter. Permitting and construction activities are expected to take up to 18 months once the EIAs are approved.

In 2012, total expenditures in Turkey were $22.4 million, of which $18.9 million was capitalized. Investments were focused on exploration, engineering and permitting work. The Company had up to nine drill rigs operating at a cost of $9.1 million in 2012, focused on condemnation, geotechnical and exploration drilling.

**Exploration Summary**

Total exploration expenditures in 2012 were $18.0 million. In Mexico, total exploration spending was $8.9 million. This included $5.9 million of drilling costs at East Estrella, San Carlos and El Victor, which were capitalized and $3.0 million of early-stage exploration and administration costs, which were expensed. Total exploration spending in Turkey was $9.1 million, of which $3.5 million related to drilling at Firetower and Rock Pile was expensed, while $5.6 million related to development work at Çamyurt, Ağı Dağı and Kirazli was capitalized.

Exploration – Mexico

Exploration expenditures in Mexico in 2012 totalled $8.9 million. The Company completed 48,822 metres (“m”) of reverse circulation (“RC”) drilling in 453 holes and 7,174 m of core drilling in 40 holes in 2012. Exploration activities in the fourth quarter were primarily focused on completing infill and step-out drilling programs at El Victor and East Estrella to upgrade mineral resources to the measured and indicated categories, and continued deep directional drilling at San Carlos. Three drill rigs were active during the fourth quarter, with two rigs allocated to drilling at San Carlos.

El Victor North

The El Victor North area contains gold-bearing silica and advanced argillic alteration contiguous with the El Victor deposit. El Victor North has the potential to expand mineral resources and reserves along the northern boundary of the Gap to El Victor trend. The results of the drill program are expected to extend the El Victor pit design north and west of the current pit design outline.

Total exploration spending at El Victor North was $2.8 million with a total of 3,124 m in four RC holes, for a total of 2,300 m in 13 core holes and 18,145 m in 120 RC holes drilled in 2012. Ore-grade mineralization has been extended up to 300 m to the north over a strike length of 550 m contiguous with the El Victor mineral reserve. Wide intervals of low-grade mineralization with local high-grade intercepts have been encountered. The majority of thick low-grade intercepts are hosted by advanced argillic alteration, with local high-grade gold in vuggy silica zones. The Company completed the infill and step-out drilling program to upgrade the resource to the measured and indicated category. New drill holes at the extreme north edge of the deposit extend the deposit an additional 80 m north of previous intercepts to a distance 420 m north of the main El Victor deposit axis.

Recent highlighted intercepts from drilling include:

2.040 g/t Au over 76.22 m (12EV242)
1.735 g/t Au over 50.80 m (12EV248)
1.304 g/t Au over 27.44 m and 1.725 g/t Au over 30.49 m (12EV289)

Drilling was completed prior to year end, with results to be included in the 2012 mineral reserve and resource update.

East Estrella

Exploration drilling directly east of the Mulatos pit southeast wall continued through the quarter. Condemnation drilling completed to investigate a proposed waste dump site east of the Estrella Pit by previous operators encountered a number of near-surface gold intercepts along with localized high-grade silver mineralization. Drilling earlier in the year confirmed widespread gold-silver-copper mineralization in the area, and the program expanded significantly to develop measured and indicated resources. Mineralization in the northern part of the project area is gold-dominant, near-surface, and stratiform, and structurally controlled with higher contents of silver and copper to the south. An additional 3,386 m of drilling was completed in 26 RC holes during the quarter, for a total of 13,165 m in 93 RC and 920 m in seven core holes.

Recent highlighted intercepts from drilling conducted to date include:

1.798 g/t Au over 25.55 m (12SX064)
4.396 g/t Au over 51.65 m, including 9.983 g/t Au over 5.45 m and 7.371 g/t Au over 6.5 m (12SX081)
2.6 g/t Au over 24.60 m (12SX089)

Highlighted silver intercepts from recent drilling include:

386.2 g/t Ag over 13.10 m (12SX069)
1,078.4 g/t Ag over 5.70 m (12SX070)
403.2 g/t Ag over 9.30 m (12SX077)
121.1 g/t Ag over 17.80m (12SX081)

San Carlos

Drilling resumed at San Carlos during the fourth quarter, targeted at deep high-grade gold mineralization extending to the east of the San Carlos resource and reserve. High-grade intercepts have been encountered up to 500 m from the existing pit boundary. An infill and step-out directional drilling program is currently in progress to define the mineralization extents and develop the resource. Drill progress has been relatively slow at San Carlos due to the directional drilling complexity and deep, deviating drill holes that have to be steered to the target. During the fourth quarter, nine directional holes were completed by RC pilot holes with core tails, for a total of 3,096 m of drilling. In 2012, a total of 9,386 m of drilling was completed in 25 RC holes, and 1,319 m in three core holes.

In 2011, the Company obtained positive results from metallurgical testing conducted on high-grade ore at San Carlos. The results indicated that the high-grade ore at San Carlos is amenable to gravity separation and capable of providing an additional source of feed for the gravity mill. Ultimate recovery rates (gravity separation followed by leaching the tailings with cyanide) were 78% and 70% for the two large samples processed. The Company has high-grade proven and probable mineral reserves at San Carlos of 649,000 tonnes grading 7.67 g/t Au for approximately 160,000 contained ounces. The Company continues to evaluate the potential to mine a portion of the San Carlos deposit through underground mining methods.

Highlighted intercepts from recently conducted drilling include:

7.729 g/t Au over 4.65 m (12SC177)
3.839 g/t Au over 17.55 m, including 10.517 g/t Au over 4.15 m (12SC178)
5.154 g/t Au over 17.3 m (12SC178B)
12.850 g/t Au over 6.09m, including 24.325 g/t Au over 3.04m (12SC183)

El Realito

Drill hole data from the 2004 to 2006 El Realito drilling programs has been re-evaluated in light of current gold prices and developed into a new geologic model that will be subject to a preliminary resource estimation. Oxide gold mineralization with local high-grade intervals was delineated during the previous exploration programs, and mineralization remains open. A 60-hole infill and step-out drilling program is planned for the first half of 2013 to further develop the resource.

Exploration – Turkey

Exploration expenditures in Turkey totalled $9.1 million in 2012. Up to eight drill rigs were active throughout the fourth quarter, drilling a total of 30,478 m in 165 holes in 2012. Drilling included 22 holes across the project, for engineering purposes.

Çamyurt

Resource infill and expansion drilling continued through the fourth quarter and is ongoing, with 8,302 m completed in 47 core holes in 2012. The Company published an initial pit-constrained inferred mineral resource estimate of 24.6 million tonnes grading 0.81 g/t Au and 4.7 g/t Ag for

640,000 ounces of gold and 3.8 million ounces of silver at Çamyurt, applying a 0.2 g/t Au cut-off. The Çamyurt project is located approximately three km southeast of the Company's development-stage Ağı Dağı project. Drilling at Çamyurt has defined a mineralized zone that is continuous for at least 1,200 m along strike, with additional potential to extend mineralization to the northeast and at depth.

Gold mineralization is hosted within a tabular, steeply-dipping oxidized zone starting at surface and with a cross-strike width up to 150 m. The average drill spacing is approximately 55 m along strike, and 59 drill holes were used in the estimate. The new inferred mineral resource estimate for Çamyurt represents a significant addition to the Company's mineral resource base in Turkey. In addition, the average grade of the mineral resource is substantially higher than at the Ağı Dağı and Kirazli projects. The Company intends to continue expanding mineral resources at Çamyurt in 2013.

Recent highlighted intercept from drilling conducted to date include:

1.718 g/t Au over 55.1 m (12CYD64)
2.708 g/t Au over 17.0 m (12CYD68)
1.243 g/t Au over 126.2 m (12CYD70)
1.035 g/t Au over 96.7 m (12CYD71)
2.900 g/t Au over 23.6 m (12CYD72)

Ağı Dağı

The Ağı Dağı project is comprised of the two principle resource areas at Baba and Deli, connected by the Firetower zone of advanced argillic and silic alteration. The Baba-Firetower-Deli zone of mineralization extends at least 4.3 kilometers ("km") along a northeast-southwest trend. During 2012, 42 drill holes were completed at Baba and Firetower, for 10,990 m of drilling. A portion of the Firetower mineral resource area was included in the Company's year-end 2011 mineral reserve and resource statement as inferred mineral resources. However, these were not incorporated into the June 2012 preliminary feasibility study as it included only measured and indicated resources. Upgrading these mineral resources to measured and indicated is expected to improve the economics of the Ağı Dağı project.

Two parallel trends of advanced argillic and silicic alteration occur to the northwest of the Baba-Deli trend. The Ayi Tepe-Firetower North zone is approximately two km long, defined by relatively wide spaced drilling. Similar alteration occurs along the discontinuous Tavasan-Ihlamur zone, approximately 4.5 km long. Both zones have not been fully defined by drilling. The Ayi Tepe-Firetower North and Tavasan-Ihlamur zones occur approximately 300 m and one km northwest of the Baba-Deli trend, respectively. Fifteen exploration drill holes were completed in these areas in 2012, for 3,836 m of drilling.

Highlighted intercepts from drilling include:

2.180 g/t Au over 50.3 m (11AD546)
1.372 g/t Au over 42.5 m (12AD609)

Kirazli

The 2012 drill program at Kirazli was completed in the previous quarter, with 19 infill and expansion holes drilled at the Kirazli main zone, and 14 completed at Rockpile.

Recent highlighted intercept from drilling include:

5.948 g/t Au over 10.3 m (12KD200)
1.620 g/t Au over 32.6 m (12KD205)
2.211 g/t Au over 22.6 m (12KD208)

**Financial Highlights**

A summary of the Company's financial results for the years ended December 31, 2012, 2011 and 2010 is presented below:

| | Q4 2012 | Q4 2011 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| Cash provided by operating activities before changes in non-cash working capital (000) [1] [2] | $ 53,523 | $ 31,801 | $ 178,534 | $ 107,226 | $ 94,796 |
| Changes in non-cash working capital | $ 15,648 | $ 5,474 | $ 6,062 | ($ 692) | ($ 5,148) |
| Cash provided by operating activities (000) | $ 69,171 | $ 37,275 | $ 184,596 | $ 106,534 | $ 89,648 |
| Earnings before income taxes (000) | $ 51,943 | $ 37,138 | $ 166,925 | $ 105,935 | $ 90,468 |
| Earnings (000) | $ 37,906 | $ 21,294 | $ 117,956 | $ 60,081 | $ 63,795 |
| Earnings per share | | | | | |
| - basic | $ 0.31 | $ 0.18 | $ 0.98 | $ 0.51 | $ 0.55 |
| - diluted | $ 0.31 | $ 0.18 | $ 0.98 | $ 0.51 | $ 0.55 |
| Comprehensive income (000) | $ 38,812 | $ 21,703 | $ 117,972 | $ 60,333 | $ 62,463 |
| Weighted average number of common shares outstanding | | | | | |
| - basic | 120,796,000 | 118,308,000 | 119,861,000 | 117,375,000 | 115,183,000 |
| - diluted | 121,746,000 | 119,563,000 | 120,904,000 | 118,669,000 | 116,907,000 |
| Assets (000) [3] | | | $ 753,856 | $ 599,224 | $ 506,436 |

(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.

(2) Refer to "Cautionary non-GAAP Measures and Additional GAAP Measures" disclosure at the end of this MD&A for a description and calculation of this measure.

(3) Assets are shown as at December 31, 2012, December 31, 2011, and December 31, 2010.

Strong operating margins from higher realized gold prices and continued low cash costs contributed to the Company generating record cash provided by operating activities and earnings in the fourth quarter of 2012. Cash from operating activities before changes in non-cash working capital in the fourth quarter of 2012 of $53.5 million ($0.44 per basic share) increased 68% relative to the same period of 2011.

Earnings before income taxes in the fourth quarter of 2012 were $51.9 million or $0.43 per basic share, compared to $37.1 million or $0.31 per basic share in the fourth quarter of 2011. On an after-tax basis, earnings in the fourth quarter of 2012 of $37.9 million or $0.31 per basic share increased 78% over the comparable period of 2011 as a result of a higher number of ounces sold and a lower effective tax rate.

On a year-to-date basis, cash flows from operations and earnings increased substantially in 2012 relative to 2011. These increases have been attributable to higher revenues resulting from an increase in the number of ounces of gold sold and a higher realized gold price.

**Gold Sales**

Details of gold sales are presented below:

| | Q4 2012 | Q4 2011 | YTD 2012 | YTD 2011 |
|---|---|---|---|---|
| Gold sales (ounces) | 62,516 | 45,224 | 197,516 | 151,000 |
| Operating revenues (000) [1] | $106,946 | $71,133 | $329,372 | $227,364 |
| Realized gold price per ounce | $ 1,711 | $ 1,688 | $ 1,668 | $ 1,555 |
| Average gold price for period (London PM Fix) | $ 1,722 | $ 1,687 | $ 1,669 | $ 1,572 |

(1) Gold sales revenue for Q4 2011 and YTD 2011 excludes $3.0 million and $5.2 million of pre-production revenue which was offset against capital development costs at Escondida.

Operating revenues in the fourth quarter of 2012 of $106.9 million increased 50% over $71.1 million in the fourth quarter of 2011. This increase is primarily attributable to an increase in the number of ounces of gold sold in the quarter.

The Company generally enters into short-term forward sales contracts in order to match sales contracts with the next expected delivery date. The Company's objective is to realize a gold sales price consistent with the average London PM Fix spot gold price. For 2012, the Company achieved a realized gold price per ounce of $1,668, consistent with the average London PM Fix gold price for the year of $1,669. As at December 31, 2012, the Company did not have any derivative activity outstanding related to gold, and was therefore leveraged to future changes in the price of gold.

**Assessment of Gold Market**

The market price of gold continues to exhibit significant volatility. The spot market gold price was approximately $1,610 per ounce on February 19, 2013. At this gold price, the Company realizes a mine operating cash margin (before taxes and corporate and administrative costs) in excess of $1,100 per ounce.

**Operating Expenses and Operating Margins**

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

| | YTD 2012 | YTD 2011 | Change % |
|---|---|---|---|
| Gold production (ounces) [1] | 200,000 | 153,000 | 31% |
| Gold sales (ounces) [2] | 197,516 | 151,000 | 31% |
| **Cash operating costs (000)**[3] | **$ 70,168** | **$ 53,868** | **30%** |
| **- Per ounce sold** | **$ 355** | **$ 368** | **(4%)** |
| Royalties (000)[4] | $ 16,411 | $ 11,157 | 47% |
| **Total cash costs (000)**[3] | **$ 86,579** | **$ 65,025** | **33%** |
| **- Per ounce sold** | **$ 438** | **$ 444** | **(1%)** |
| Amortization (000) | $ 50,678 | $ 23,423 | 116% |
| **Total production costs (000)**[5] | **$137,257** | **$ 88,448** | **55%** |
| **- Per ounce sold** | **$ 695** | **$ 604** | **15%** |
| - Realized gold price per ounce | $ 1,668 | $ 1,555 | 7% |
| - Operating cash margin per ounce [6] | $ 1,230 | $ 1,111 | 11% |

(1) Reported gold production is subject to final refinery settlement.

(2) Gold sales (ounces) for YTD 2011 include 4,610 ounces estimated to have been sold from the Escondida zone during pre-production. These ounces are excluded for purposes of calculating cash operating costs per ounce sold, total cash costs per ounce sold, total production costs per ounce sold and operating cash margin per ounce.

(3) "Cash operating costs" and "Total cash costs" are non-GAAP measures. Refer to "Cautionary non-GAAP Measures and Additional GAAP Measures" disclosure at the end of this MD&A for a description and calculation of these measures.

(4) Royalties are included as of April 1, 2006 at 5% of net precious metals revenues (as determined in accordance with the royalty agreement).

(5) "Total production costs" is a non-GAAP measure that includes all "total cash costs" and amortization. "Total production costs" is equivalent to mining and processing costs, royalties and amortization as reported in the Company's financial statements.

(6) "Operating cash margin per ounce" is a non-GAAP measure that is calculated as the difference between the Company's gold sales and mining and processing and royalty expenses ("total cash costs") as reported in the Company's financial statements.

Cash operating costs in 2012 were $355 per ounce of gold sold, below the Company's revised full year guidance range of $360 per ounce. Cash operating costs per ounce in 2012 were 4% less than in the same period last year due to lower cost ounces produced from the gravity mill in 2012, as well as the weakening Mexican peso, partially offset by higher input costs. Amortization was $257 per ounce of gold sold in 2012, 61% higher than $160 per ounce in the same period of 2011. Amortization per ounce is higher in 2012 due to production from the Escondida high-grade zone, which contributes a higher amortization per ounce of production than low-grade ounces produced.

Production from certain mining concessions within the Salamandra District is subject to a sliding scale production royalty. At gold prices above $400, the royalty is calculated at a rate of 5% of the value of gold and silver production, less certain deductible 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, production to a maximum of two million ounces of gold is subject to royalty. As at December 31, 2012, the royalty was paid or accrued on approximately 1,004,000 ounces of applicable gold production. Royalty expense in 2012 of $16.4 million increased 46% from royalty expense of $11.2 million in 2011, attributable to a higher average market gold price and higher number of ounces produced.

**Exploration**

The Company's accounting policy for exploration costs requires that exploration expenditures that do not meet the criteria for mine development be expensed as incurred, while costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production are capitalized.

Total exploration spending in 2012 was $18.0 million, of which $6.5 million was expensed. In Mexico, total exploration spending was $8.9 million. This included $5.9 million of drilling costs at East Estrella, San Carlos and El Victor, which were capitalized and $3.0 million of early-stage exploration and administration costs, which were expensed. Total exploration spending in Turkey was $9.1 million, of which $3.5 million related to drilling at Firetower and Rock Pile was expensed, while $5.6 million related to development work at Çamyurt, Ağı Dağı and Kirazli was capitalized.

**Corporate and Administrative**

Corporate and administrative expenses of $14.2 million in 2012 were 48% higher than $9.6 million incurred in 2011. Higher corporate and administrative costs were primarily the result of increased costs associated with the Company's administration office in Turkey, greater salary costs related to new employees in the Toronto head office and costs incurred as part of the Aurizon offer.

**Share-based Compensation**

Share-based compensation expense, related to stock options and cash-settled stock appreciation rights ("SARs"), was $7.6 million in 2012 compared to $13.5 million in the comparable period of 2011. The value of share-based compensation expense related to stock options is added to the contributed surplus account within shareholders' equity, resulting in no net effect on total shareholders' equity. SARs are cash-settled liabilities, which are remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as an expense to share-based compensation in the Statements of Comprehensive Income.

All outstanding stock options and SARs grants are subject to vesting provisions. The vesting provisions result in the calculated market value of stock option grants being charged to expense in accordance with the vesting terms of the option.

Share-based compensation expense in 2012 is comprised of $4.8 million related to the Company's stock option plan, and $2.8 million related to the Company's outstanding SARs liability. The Company's outstanding SARs liability increased from $1.6 million at December 31, 2011 to $3.8 million at December 31, 2012 as a result of the increase in the Company's share price during this period as well as new SARs granted during the period.

**Finance Income**

Finance income in 2012 was $3.1 million compared to $1.7 million in 2011, as a result of higher cash and short-term investment balances and higher average rates. Interest rates on deposit accounts and short-term investments remain near historically low levels.

**Financing Expense**

Financing expense includes accretion of the Company's decommissioning liability and property acquisition obligations. The expense for the current quarter was comparable to the prior period.

**Foreign Exchange Gain/(Loss)**

The Company recognized a nominal foreign exchange gain in 2012, compared to a $3.7 million foreign exchange loss in 2011. Throughout 2012, the Company's key operating currencies (the Mexican peso ("MXN") and Turkish Lira ("TL") and Canadian dollar ("CAD")) strengthened marginally relative to the USD.

Significant foreign exchange movements in 2012 included a $0.5 million foreign exchange gain on the Company's Canadian dollar-denominated net assets, a $0.6 million foreign exchange gain on revaluation of the Company's MXN-denominated assets, and a $0.2 million foreign exchange gain on revaluation of the Company's TL-denominated asset position, offset by a $1.3 million foreign exchange loss on the settlement of foreign currency forward contacts. The Company classifies the foreign exchange gain or loss on revaluation of its Mexican and Turkish deferred tax liabilities within deferred tax expense rather than within foreign exchange gain or loss.

**Income Taxes**

Tax expense in 2012 was $49.0 million compared to $42.4 million in 2011. The Single Rate Tax Law (minimum tax) that came into effect in Mexico at the start of 2008 did not contribute to a higher tax expense in 2012, but may in future periods. The Company is cash taxable in Mexico and must calculate and provide for tax instalments on a monthly basis. The Company satisfies its tax liability through periodic instalment payments, as well as by offsetting refundable value-added tax owed from the Mexican government against its tax payable liability.

The statutory income tax rate in Mexico for 2012 is 30%. In Canada, the combined federal and provincial statutory income tax rate is 26.5% in 2012. The effective tax rate for 2012 (calculated as a percentage of earnings before income tax) was 29%, just below the statutory rate in Mexico and higher than the statutory rate in Canada. The effective tax rate results from a number of factors, many of which are difficult to forecast. In 2012, a net $3.3 million non-cash deferred tax gain was realized to recognize the impact of foreign exchange movements, comprising a $5.5 million gain on revaluation of temporary tax differences associated with foreign currency denominated non-monetary assets and liabilities, offset by a $2.2 million loss on revaluation of the Company's Mexican peso denominated deferred tax balance. The Company expects the effective tax rate to continue to fluctuate in periods of significant change to Mexican peso and/or Turkish lira foreign exchange rates.

**Summary of Quarterly Results**

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

| | Q1 2011 | Q2 2011 | Q3 2011 | Q4 2011 | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 |
|---|---|---|---|---|---|---|---|---|
| Gold production (ounces) | 37,500 | 36,000 | 33,000 | 46,500 | 40,500 | 48,200 | 43,500 | 67,800 |
| Gold sales (ounces) | 39,186 | 37,800 | 28,790 | 45,224 | 41,745 | 50,000 | 43,255 | 62,516 |
| Operating revenues ($000) | 54,376 | 56,864 | 44,991 | 71,133 | 70,256 | 80,889 | 71,281 | 106,946 |
| Earnings from operations ($000) | 25,245 | 25,231 | 20,038 | 35,723 | 37,047 | 40,447 | 33,306 | 53,016 |
| Earnings ($000) | 17,857 | 15,494 | 5,436 | 21,294 | 29,470 | 24,684 | 25,895 | 37,906 |
| Earnings ($ per share) basic/diluted | 0.15 | 0.13 | 0.05 | 0.18 | 0.25/0.24 | 0.21/0.20 | 0.22/0.21 | $ 0.31 |

Operating revenues generally trended higher over the past eight quarters as the Company has benefited from rising gold prices. Higher realized gold prices and gold sales have resulted in generally improved financial results. Gold production in the first and fourth quarters is generally higher than in the second and third quarters of the year, which can be adversely affected by weather-related production issues. The third quarter rainy season in northwestern Mexico adversely impacted gold production, sales and operating results in 2012 and 2011. Seasonal conditions could continue to impact production and financial results in future periods if rainfall is significantly above or below seasonal averages.

**Financial and Other Instruments**

The Company's financial assets and liabilities consist of cash and cash equivalents, short-term investments, amounts receivable, available-for-sale and held-for-trading securities, accounts payable and accrued liabilities and deferred tax liabilities, some of which are denominated in CAD, MXN and TL. The Company is exposed to financial gains or losses as a result of foreign exchange movements against the USD.

The Company's cash and cash equivalents may be invested in short-term liquid deposits or investments that provide a revised rate of interest upon maturity. At December 31, 2012, the majority of the Company's reported cash and cash equivalents were held in bank deposit accounts or 60-day to 90-day term deposits. The Company's short-term investments are generally term deposits with an initial term-to-maturity on acquisition of greater than 90 days.

The majority of the Company's cash balances are held in USD; however, the Company does maintain cash and cash equivalents denominated in CAD, MXN and TL. The Company may enter into derivative contracts in order to manage its exposures to fluctuations in foreign exchange rates to the CAD, MXN, or TL. As at December 31, 2012, the Company had outstanding contracts to deliver $10 million CAD in exchange for a fixed amount of USD at future dates up to March of 2013, with CAD:USD rates of 0.99:1. The mark-to-market gain associated with these contracts as at December 31, 2012 was nominal.

The Company is exposed to monetary assets and liabilities denominated in CAD. The Company maintains CAD cash and investment balances, which are not fully offset by CAD-denominated liabilities. This resulted in a gain of $0.5 million for the period, given the strengthening of the CAD. This was offset by a loss of $1.3 million on the settlement of FX forward contracts during the year.

The Company also has exposure to monetary assets and liabilities denominated in MXN. Significant cash balances, outstanding amounts receivable, accounts payable or tax liabilities denominated in MXN expose the Company to foreign exchange gains or losses. The Company maintains cash balances in MXN in order to partially mitigate its balance sheet exposure to changes in the MXN/USD exchange rate resulting from its MXN-denominated taxes payable and deferred tax liability balances. For the year ended December 31, 2012, the Company's net MXN-denominated liability position resulted in a foreign exchange loss of approximately $1.6 million, of which a $0.6 million gain was classified within foreign exchange gain and a $2.2 million loss was recorded in deferred tax expense.

At December 31, 2012 the Company's TL-denominated net monetary assets mainly consisted of TL-denominated cash and short-term investments, in addition to value-added tax ("VAT") receivables. This exposure contributed to a $0.2 million foreign exchange gain due to the strengthening of the TL compared to the USD during the year.

**Liquidity and Capital Resources**

At December 31, 2012, the Company had $353.7 million in cash and cash equivalents and short-term investments compared to $222.6 million at December 31, 2011. The increase in total cash and cash equivalents and short-term investments of $131.1 million reflects positive cash flows from operations and financing activities offset primarily by capital spending in Mexico and Turkey. Significant cash inflows in 2012 included $184.6 million cash provided by operating activities, and $28.2 million cash proceeds on the exercise of stock options. Significant cash outflows in 2012 included $57.4 million of capital and exploration expenditures in Mexico and Turkey and $24.0 million in dividends paid. The Company's working capital surplus increased to $377.7 million at December 31, 2012 from $251.1 million at December 31, 2011.

The Company has ongoing budgeted capital and exploration expenditures in Mexico and significant budgeted exploration and development costs in Turkey for 2012. The Company expects to invest in development and construction activities at its projects in Turkey over the next several years and expects to be able to finance these from a combination of existing cash balances and operating cash flows. The Company declared a semi-annual dividend of $0.10 per share in the third quarter of 2012 and will continue to evaluate its dividend policy in accordance with its financial performance and strategic objectives.

The Company has significant budgeted exploration, development and capital expenditures in both Mexico and Turkey in 2013. Total operating and development capital spending in Mexico is expected to total $40.7 million in 2013, primarily focused on development of the San Carlos and El Victor areas. Total exploration spending in Mexico for 2013 is budgeted at $10.6 million. In Turkey, the Company intends to complete project engineering and begin construction of the Kirazli project at a total expected cost of $69.3 million in 2013. Exploration spending in Turkey is forecast to be $11.0 million. Total spending in 2013 as outlined above is expected to be financed from cash flows generated from the Mulatos Mine, without reducing the Company`s cash and short-term investment balances of over $350 million.

**Offer for Aurizon Mines Ltd**

On January 14, 2013, the Company announced that it has commenced an offer to acquire Aurizon Mines Ltd. ("Aurizon") for approximately CAD$780 million in cash and shares (the "Offer"). On February 18, 2013, Alamos and Aurizon consented to an order by the British Columbia Securities Commission to cease trade the Aurizon Shareholder Rights Plan on March 4, 2013. Accordingly, the Company announced that it was extending the Offer to 5:00 p.m. (local time) on March 5, 2013, unless further extended or withdrawn.

Under the terms of the Offer, Alamos proposes to acquire all of the issued and outstanding Aurizon Shares ("Aurizon Shares") for consideration of, at the election of each Aurizon shareholder, either (i) 0.2801 common shares of the Company ("Alamos Shares"), or (ii) CAD$4.65 in cash, in each case, subject to pro-ration based on a maximum cash consideration of CAD$305 million and a maximum number of Alamos Shares issued of 23,500,000.

Prior to January 14, 2013, Alamos acquired, for the same consideration available to Aurizon shareholders under the Offer, 23,507,283 Aurizon Shares pursuant to share purchase agreements entered into between Alamos and certain shareholders of Aurizon. After giving effect to the transactions referred to above, Alamos owns or controls 26,507,283 Aurizon Shares, representing over 16% of the issued and outstanding Aurizon Shares.

The combination of Alamos and Aurizon will immediately create a new leading intermediate gold mining company with increased diversification, scale and liquidity. The combined entity is anticipated to have enhanced visibility among the international investor community as well as continued exposure to the North American capital markets through listings on both the TSX and the NYSE. The combined company, with two steady producing, low cost mines located in stable jurisdictions, will be strongly positioned for growth. The pro forma combined company will have an estimated cash and cash equivalents and short-term investments of approximately $250 million in which to advance projects without any near-term dilution.

The Offer is conditional upon Alamos acquiring that number of Aurizon shares, which, together with the Aurizon shares already owned by Alamos, represent not less than 66 2/3 percent of the outstanding Aurizon Shares calculated on a fully-diluted basis, as well as receipt of all necessary governmental or regulatory approvals and other customary unsolicited offer conditions.

**Internal Control over Financial Reporting**

Management is responsible for the design and operating effectiveness of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures are appropriately designed and operating effectively as at December 31, 2012.

**Changes in Internal Control over Financial Reporting**

There were no significant changes in the Company's internal control over financial reporting that occurred during the three months ended December 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Disclosure Controls**

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the design of the Company's disclosure controls and procedures as at December 31, 2012 and have concluded that these are appropriately designed and operating effectively.

**Limitations of Controls and Procedures**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that internal controls over financial reporting and disclosure controls and procedures, no matter how well designed and operated, have inherent limitations. Therefore, even those systems determined to be properly designed and effective can provide only reasonable assurance that the objectives of the control system are met.

**Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

**Commitments**

The following table summarizes the Company's contractual obligations at December 31, 2012:

**Payments due by period ($000)**

| Contractual Obligations | Total | Less than 1 year | 2 – 3 years | 4 – 5 years | More than 5 years |
|---|---|---|---|---|---|
| Operating lease | 732 | 236 | 238 | 20 | — |
| Accounts payable and accrued liabilities | 24,874 | 24,874 | — | — | — |
| Decommissioning liability | 24,840 | — | — | — | 24,840 |
| Property acquisition obligations | 291 | 197 | 94 | — | — |
| | **50,737** | **25,307** | **332** | **20** | **24,840** |

Contractual obligations exist with respect to royalties; however gold production subject to royalty cannot be ascertained with certainty and the royalty rate varies with the gold price. Based on the current gold price and rates of production, royalty expense is expected to be in the range of $5 to $6 million per quarter for 2013.

The Company has signed relocation contracts with certain property owners and possessors in the town of Mulatos. In addition, negotiations for surface rights with respect to the La Yaqui and Cerro Pelon development properties are ongoing. Negotiation efforts are currently focused on resolving differences in price expectations between the Company and various counterparties.

During the second quarter of 2008, the Company entered into a land purchase agreement with certain landowners. Pursuant to the land purchase agreement, the Company made a payment of $1.3 million in order to secure temporary occupation rights to specified land. An additional payment of $1 million based on current exchange rates is payable once the land has been vacated and is transferred to the Company, which has not been accrued as at December 31, 2012. The probability and timing of this additional payment is currently unknown to the Company.

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

**Outstanding Share Data**

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

| | **February 19, 2013** |
|---|---|
| Common shares | |
| - Common shares outstanding | 127,455,786 |
| Stock options | |
| - Average exercise price CAD $14.40; approximately 75% exercisable | 4,660,300 |
| **Total** | 132,116,086 |

**Outlook**

The Company anticipates producing between 180,000 and 200,000 ounces of gold in 2013 at a cash operating cost of $415 to $435 per ounce of gold sold, excluding a 5% royalty. If the 5% royalty is included, and assuming a $1,700 gold price, total cash costs are expected to be between $500 and $520 per ounce of gold sold.

The 2013 Mulatos capital and development budget is $40.7 million. Operating and expansion capital spending is forecasted to be approximately $21.4 million in 2013, consistent with 2012. Development spending of $19.4 million in 2013 will be focused on underground development of the San Carlos and Escondida North areas, in order to access high-grade ore to provide additional gravity mill feed. In addition, the Company expects to commence construction of an access ramp from the Estrella portion of the Mulatos Pit to the El Victor and San Carlos deposit areas. Operating and expansion capital spending is forecasted to be approximately $21.4 million in 2013, consistent with 2012.

The Company's mineral reserve and resource update is expected to be released at the end of the first quarter of 2013. The current focus of exploration at Mulatos is on continuing to delineate high-grade mineral reserves to provide mill feed beyond the life of the Escondida high-grade deposit.

In Turkey, the Company published an NI 43-101 compliant preliminary feasibility study summary of the Ağı Dağı and Kirazli projects in June 2012, which demonstrated robust economics and supported the Company's decision to proceed with permitting and development activities. Total development spending related to the Turkish projects in 2013 is expected to be approximately $69.3 million.

In the first quarter of 2013, the Company expects to receive a response from the Turkish government with respect to EIA approval for the Kirazli project. The final EIA for the Ağı Dağı project will be submitted in the first quarter of 2013 with approval expected in the second quarter of the year. The Company is also committed to aggressively drilling the Çamyurt project, which is the next step in fast-tracking the project toward production.

The Company continues to strengthen its financial position, generating over $131 million in free cash flow from the Mulatos Mine in 2012. The Company`s development capital and exploration spending in 2013 is all expected to be financed from cash flow.

If the acquistion of Aurizon is successful, the combined Company will have geographic and operational diversity, with producing assets in Canada and Mexico and a strong growth development pipeline in Turkey. Furthermore, after payment of the CAD$305 million cash portion of the acquisition cost, it is expected that the combined Company would have in excess of $250 million in cash and cash equivalents and short-term investments, providing a strong financial platform for future organic growth or acquisitions.

**Adoption of accounting policy effective January 1, 2012**

International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine was issued in October 2011, and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRIC 20 sets out the criteria for the capitalization of production stripping costs to non-current assets, and states that the stripping activity is recognized as a component of the larger asset to which it relates. In addition, IFRIC 20 requires companies to ensure that capitalized costs are amortized over the useful life of the component of the ore body to which access has been improved due to the stripping activity. The Company adopted the amendments in its financial statements for the period beginning on January 1, 2012, with no transitional adjustment.

**Future accounting policy changes not yet in effect**

The following are new pronouncements approved by the IASB. The standards and interpretations are not yet effective and have not been applied in preparing these financial statements; however, they may impact future periods.

(i) IFRS 9 Financial Instruments (Revised) was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in

the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 (2010) is effective for annual periods beginning on or after January 1, 2015. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

(ii) IFRS 10 Consolidated Financial Statements is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 10 replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities ("SPE's"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27. Given the nature of the Company's operations, the Company does not expect the amendments to have a material impact on the financial statements.

(iii) IFRS 12 Disclosure of Interests in Other Entities was released in May 2011 and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this standard earlier, it does not need to apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. Given the nature of the Company's interests in other entities, the Company does not expect the amendments to impact the Company's financial position or performance.

(iv) IFRS 13 Fair Value Measurement was issued in May 2011 and is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on earnings or other comprehensive income. IFRS 13 establishes 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The impact of adoption of IFRS 13 has not yet been determined.

(v) Amendments to IAS 1 Presentation of Financial Statements was issued in June 2011 and is effective for annual periods beginning on or after July 1, 2012. IAS 1 should be applied retrospectively, but early adoption is permitted. The amendments require that an entity present separately the items of OCI that may be reclassified to earnings in the future from those that would never be reclassified to earnings. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated

tax amount between these categories. The existing option to present the earnings and other comprehensive income in two statements has remained unchanged. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements.

**Critical Accounting Estimates**

The preparation of financial statements under IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include: recoverable reserves, inventory recoveries, share-based payments, decommissioning liabilities, units of production amortization, and provisions and contingencies.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years include: impairment of tangible and intangible assets, determination of functional currency, amortization methods, uncertain tax postitions and recovery of deferred tax assets.

i) Impairment:

The Company assesses its mineral property, plant and equipment and exploration and evaluation assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

ii) Recoverable reserves:

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company’s mining properties. The Company estimates its recoverable reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of, commodity prices, production costs, future capital requirements, and foreign exchange rates, along with geological assumptions and judgments made in estimating the size and grade of the ore body, and metallurgical assumptions made in estimating recovery of the ore body. Changes in the reserve or

resource estimates may impact the carrying value of exploration and evaluation assets, mineral property, plant and equipment, decommissioning liabilities, and amortization expense.

iii) Units-of-production ("UOP") amortization:

Estimated recoverable reserves are used in determining the amortization of certain mineral property, plant and equipment. This results in an amortization charge proportional to the depletion of the anticipated remaining mine life. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditures. Numerous UOP amortization methods are available to choose from; the Company has adopted a methodology based on estimated recoverable reserves over the life of mine.

iv) Inventory:

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

v) Share based payments:

The Company follows accounting guidelines in determining the fair value of share-based compensation. The computed amount is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options or stock appreciation rights before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Share-based compensation incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates, and is adjusted if the actual forfeiture rate differs from the expected rate.

The resulting value calculated is not necessarily the value that the holder of the instrument could receive in an arm's length transaction, given that there is no market for these instruments and they are not transferable. It is management's view that the value derived is highly subjective and dependent upon the input assumptions made.

vi) Decommissioning liabilities:

The Company is required to determine the expected value of the estimated costs of decommissioning liabilities and to recognize this value as a liability when reasonably

determinable. Key assumptions in determining the amount of the liability are: total undiscounted cash outflows, expected timing of payment of the cash outflows and appropriate inflation and discount rates to apply to the timing of cash outflows. Because the liability is recorded on a discounted basis, it is increased due to the passage of time with an offsetting charge to financing expense in the statement of comprehensive income. The Company calculated its estimated mine site closure costs based on a mine closure and reclamation plan prepared by management and reviewed by an independent third party. The majority of the expenditures associated with reclamation and mine closure will be incurred at the end of the mine life, expected to be approximately 9 years based on expected proven and probable reserves and the current rate of production.

vii) Provisions:

The Company records provisions which include various estimates, including the Company's best estimate of the future costs associated with settlement of the obligation, and discount rates applied. Such estimates are necessarily calculated with reference to external sources, all of which are subject to annual review and change.

viii) Recovery of deferred tax assets:

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows and the application of existing tax laws in each jurisdiction.

**Risk Factors and Uncertainties**

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

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

(i) Industry

The Company is engaged in exploration, mine development and the mining and production of precious metals, primarily gold, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labour are risks involved in the operation of mines and the conduct of exploration programs. The Company has relied on and may continue to rely upon consultants and others for mine operating and exploration expertise. Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and in the case of new properties, to develop the

mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineral deposit, the Company may not be able to raise sufficient funds for development. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Where expenditures on a property have not led to the discovery of mineral reserves, spent costs will not usually be recoverable.

(ii) Commodity Price

The value of the Company's mineral resources and future operating profit and loss is affected by fluctuations in gold prices, over which the Company has no control. A reduction in the price of gold may prevent the Company's properties from being economically mined or result in the write-off of assets whose value is impaired as a result of low gold prices. The price of gold may also have a significant influence on the market price of the Company's common shares. The price of gold is affected by numerous factors beyond the Company's control, such as the level of inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, sale of gold by central banks and the political and economic conditions of major gold producing countries throughout the world. The price of gold has increased significantly in the past several years. The current gold price is significantly above impairment levels. The Company has elected not to engage in significant forward selling, as a number of gold mining companies have been adversely affected by maintaining a substantial forward sales book in the face of a rising gold market. At the current rate of production, revenue will change by approximately $190,000 with each $1 change in the price of gold.

(iii) Currency

The Company is subject to currency risks. The Company's functional currency is the United States dollar, which is subject to recent fluctuations against other currencies. The Company's primary operations are located in Mexico and many of its expenditures and obligations are denominated in Mexican pesos. In addition, the Company has exploration and development activities ongoing in Turkey where the majority of its expenditures and obligations are in Turkish lira or Euros. The Company's head office is in Canada where it maintains cash accounts in United States and Canadian dollars. As a result, the Company has monetary assets and liabilities and expenditures in United States dollars, Canadian dollars, Mexican pesos, Turkish lira and Euros. The Company's results of operations are subject to foreign currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. The Company has not undertaken to mitigate transactional volatility in either the Mexican peso or the Canadian dollar at this time. A 1% change in the relative value of the Canadian dollar would impact corporate and administrative costs by approximately $110,000 annually; a 1% change in the relative value of the Mexican peso would impact operating costs by approximately $370,000 annually. A significant strengthening in the value of the Turkish lira compared to the United States dollar could adversely impact the economics associated with the Company's development-stage assets in Turkey.

(iv) Business

The Company has limited financial resources which could affect its ability to carry out its business plan. The Company's ability to secure fixed gold prices or future foreign exchange

rates is affected by its creditworthiness. Because of its limited operating record, it may not be able to hedge future risk to the extent it feels is appropriate. The Company's ability to obtain financing to explore for mineral deposits and to continue and complete the development of those properties it has classified as assets is not assured, nor is there assurance that the expenditure of funds will result in the discovery of an economic mineral deposit.

(v) Competitive

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

(vi) Country

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

The Company recently acquired development-stage assets in Turkey and is subject to risks associated with conducting exploration activities and planning mine development activities in Turkey, including risks with respect to staffing, financing, obtaining the required goods and services, permitting, community relations and environmental risks.

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

The Company is also in negotiations with Ejido and non-Ejido members, as a group and individually, to relocate the existing community of Mulatos, and to acquire additional surface rights. Negotiations with the Ejido can become time-consuming if demands for compensation become unreasonable. In addition, risk exists that Ejido and/or non-Ejido members could take action in attempts to physically impede access to the mine or mining operations. Such actions could include a blockade of the mine and could result in significant downtime and associated costs or suspension of operations and loss of production. With the assistance of experienced legal advisors and input and assistance from state and local government officials, the Company expects that it will be able to acquire its land-use requirements at a reasonable cost, however, there can be no assurance that this will be the case. The Company also expects that any actions taken by Ejido or non-Ejido members to interrupt or otherwise impede mine operations will be addressed by the appropriate state and federal government authorities.

In 2010, the Mulatos Ejido filed a complaint with the Unitary Agrarian Court to nullify the 2008 land purchase agreement. In June 2012, the Agarian Unitary Court issued a judgement in which it ruled that the Company's wholly-owned subsidiary has been completely discharged of all claims made against it in this lawsuit. The Court also confirmed the validity of the 2008 land purchase agreement. In August 2012, the Mulatos Ejido filed an appeal with the Federal Courts.

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

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

(vii) Environmental

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

(viii) Regulatory

The Company's activities are subject to extensive laws and regulations governing worker health and safety, employment standards, waste disposal, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters in both Mexico and Turkey. Specifically, the Company's activities related to its Mulatos Mine and the Salamandra group of concessions are subject to regulation by SEMARNAP, the environmental protection agency of Mexico, *Comisión Nacional del Aqua* ("CAN"), which regulates water rights, and the Mexican Mining Law. Mexican regulators have broad authority

to shut down and/or levy fines against facilities that do not comply with regulations or standards. The Company's mineral exploration and mining activities in Mexico may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase the costs related to the Company activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

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

A new Mining Law was adopted in Turkey in 2010. It contains certain provisions designed to streamline the permitting and development processes and encourage concession-holders to advance their projects on a more timely basis in order to maintain the concessions in good standing. The Company's concessions in Turkey are subject to meeting specific deadlines for obtaining certain permits and advancing its concessions in Turkey. While the Company is confident in its ability to meet all required deadlines or milestones to maintain its concessions in good standing, there is no guarantee that the Company will be able to do this. The loss of key concessions could have a significant adverse impact on the Company's operating and development plans.

(ix) Estimates

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

the expected 2013 rate of production and budgeted cash operating costs, a 1% change in the expected rate of recovery of gold would result in a $3 per ounce change in cash operating costs, and an approximate $600,000 change in income and cash flow annually, before royalties and income taxes. A 1% change in cash cost per tonne of ore would result in a $3 per ounce change in cash cost, and approximately $600,000 change in income and cash flow annually, before royalties and tax charges.

(x) Dependence on Management

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

(xi) Legal

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

(xii) Acquisitions

The Company may from time to time explore opportunities to acquire other companies or execute other strategic initiatives developed by management. Acquisitions may involve a number of special risks, including failure to retain key personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have a material adverse effect on the Company's business, results of operations and financial position. The Company cannot be sure that any acquired businesses will achieve the anticipated revenues, income and synergies. Failure on the part of the Company to manage its acquisition strategy successfully could have a material adverse effect on its business, results of operations and financial position. The Company cannot be sure that it will be able to identify appropriate targets, profitably manage additional businesses or successfully integrate any acquired business into its operations. It is also possible that unanticipated factors could arise and there is no assurance that the anticipated financial or strategic objectives will be achieved, which could adversely affect the Company's results of operations and financial position.

**Forward-Looking Statements**

This MD&A contains "forward-looking information", as such term is defined in applicable Canadian securities legislation and "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, concerning Alamos's future financial or operating performance and other statements that express management's expectations or estimates of future developments, circumstances or results. Generally, forward-looking information can be identified by the use of forward-looking terminology such as

“expects”, “believes”, “anticipates”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “plans” and variations of such words and phrases, or by statements that certain actions, events or results “may”, “will”, “could”, “would” or “might”, “be taken”, “occur” or “be achieved”. Forward-looking information is based on a number of assumptions and estimates that, while considered reasonable by management based on the business and markets in which Alamos operates, are inherently subject to significant operational, economic and competitive uncertainties and contingencies. Alamos cautions that forward-looking information involves known and unknown risks, uncertainties and other factors that may cause Alamos’s actual results, performance or achievements to be materially different from those expressed or implied by such information, including, but not limited to, gold and silver price volatility; fluctuations in foreign exchange rates and interest rates; the impact of any hedging activities; discrepancies between actual and estimated production, between actual and estimated reserves and resources or between actual and estimated metallurgical recoveries; costs of production; capital expenditure requirements; the costs and timing of construction and development of new deposits; and the success of exploration and permitting activities. In addition, the factors described or referred to in the section entitled “Risk Factors” in the Company’s Annual Information Form for the year ended December 31, 2011 which is available on the SEDAR website at www.sedar.com, should be reviewed in conjunction with the information found in this MD&A. Although Alamos has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in forward-looking information, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate or that management’s expectations or estimates of future developments, circumstances or results will materialize. Accordingly, readers should not place undue reliance on forward-looking information. The forward-looking information in this MD&A is made as of the date of this interim report, and Alamos disclaims any intention or obligation to update or revise such information, except as required by applicable law.

**Cautionary non-GAAP Measures and Additional GAAP Measures**

Note that for purposes of this section, GAAP refers to IFRS. The Company believes that investors use certain non-GAAP and additional GAAP measures as 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. Non-GAAP and additional GAAP measures do not have a standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other companies.

*(i) Cash flow from operating activities before changes in non-cash working capital*

“Cash flow from operating activities before changes in non-cash working capital” is a non-GAAP performance measure that 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 in) operating activities” as presented on the Company’s consolidated statements of cash flows.

The following table reconciles the non-GAAP measure to the consolidated statements of cash flows.

| | Q4 2012 | Q4 2011 | YTD 2012 | YTD 2011 |
|---|---|---|---|---|
| Cash flow from operating activities – IFRS (000) | $ 69,171 | $37,275 | $184,596 | $106,534 |
| Changes in non-cash working capital (000) | (15,648) | (5,474) | (6,062) | 692 |
| **Cash flow from operating activities before changes in non-cash working capital (000)** | **$ 53,523** | **$31,801** | **$178,534** | **$107,226** |

*(ii) Mining cost per tonne of ore*

"Mining cost per tonne of ore" and "Cost per tonne of ore" are non-GAAP performance measures that could provide an indication of the mining and processing efficiency and effectiveness of the mine. These measures are calculated by dividing the relevant mining and processing costs and total 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. The following table reconciles the non-GAAP measure to the consolidated statements of comprehensive income

| | Q4 2012 | Q4 2011 | YTD 2012 | YTD 2011 |
|---|---|---|---|---|
| Mining and processing costs – IFRS (000) | $ 23,480 | $16,319 | $ 70,168 | $53,868 |
| Inventory adjustments and period costs (000) | (1,968) | 1,986 | 1,979 | 302 |
| Total cost (000) | $ 21,512 | $14,333 | $ 72,147 | $54,170 |
| Tonnes Ore stacked / milled (000) | 1,649.7 | 1,467 | 5,823.0 | 5,164 |
| **Total cost per tonne of ore** | **$ 13.04** | **$ 9.77** | **$ 12.39** | **$ 10.49** |

*(iii) Cash operating costs per ounce and total cash costs per ounce*

"Cash operating costs per ounce" and "total cash costs per ounce" as used in this analysis are non-GAAP terms typically used by gold mining companies to assess the level of gross margin available to the Company by subtracting these costs from the unit price realized during the period. These non-GAAP terms are also used to assess the ability of a mining company to generate cash flow from operations. There may be some variation in the method of computation of "cash operating costs per ounce" as determined by the Company compared with other mining companies. In this context, "cash operating costs per ounce" reflects the cash operating costs allocated from in-process and dore inventory associated with ounces of gold sold in the period. "Cash operating costs per ounce" may vary from one period to another due to operating efficiencies, waste-to-ore ratios, grade of ore processed and gold recovery rates in the period. "Total cash costs per ounce" includes "cash operating costs per ounce" plus applicable royalties. Cash operating costs per ounce and total cash costs per ounce are exclusive of exploration costs.

The following table reconciles these non-GAAP measure to the consolidated statements of comprehensive income.

| | Q4 2012 | Q4 2011 | YTD 2012 | YTD 2011 |
|---|---|---|---|---|
| Mining and processing costs – IFRS (000) | $23,480 | $16,319 | $ 70,168 | $ 53,868 |
| Divided by: Gold ounces sold [1],[2] | 62,516 | 42,204 | 197,516 | 146,390 |
| **Total Cash operating costs per ounce** | **$ 376** | **$ 387** | **$ 355** | **$ 368** |
| Mining and processing costs – IFRS (000) | $23,480 | $16,319 | $ 70,168 | $ 53,868 |
| Royalties – IFRS (000) | 5,255 | 3,573 | 16,411 | 11,157 |
| Total Cash costs (000) | $28,735 | $19,892 | $ 86,579 | $ 65,025 |
| Divided by: Gold ounces sold [1],[2] | 62,516 | 42,204 | 197,516 | 146,390 |
| **Total Cash costs per ounce** | **$ 460** | **$ 471** | **$ 438** | **$ 444** |

[1] Gold ounces sold in Q4 2011 were 45,224, of which 3,020 ounces were estimated to have been derived from ore processed in developing the Escondida zone and have been accounted for as pre-production ounces with the associated revenues and operating costs offset against capitalized development costs.

[2] Gold ounces sold in 2011 were 151,000, of which 4,610 ounces were estimated to have been derived from ore processed in developing the Escondida zone and have been accounted for as pre-production ounces with the associated revenues and operating costs offset against capitalized development costs.

*(iv) Other additional GAAP measures*

Additional GAAP measures that are presented on the face of the Company's consolidated statements of comprehensive income and are not meant to be a substitute for other subtotals or totals presented in accordance with IFRS, but rather should be evaluated in conjunction with such IFRS measures. The following additional GAAP measures are used and are intended to provide an indication of the Company's mine and operating performance:

- Mine operating costs – represents the total of mining and processing, royalties, and amortization expense
- Earnings from mine operations – represents the amount of revenues in excess of mining and processing, royalties, and amortization expense.
- Earnings from operations – represents the amount of earnings before net finance income/expense, foreign exchange gain/loss, other income/loss, and income tax expense

Exhibit 99.3

ALAMOS GOLD INC.

# 2012 FINANCIAL REPORT

## December 31, 2012 and 2011

(Based on International Financial Reporting Standards ("IFRS") and stated in thousands of United States dollars, unless otherwise indicated)

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**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and reflect management's best estimates and judgments based on information currently available. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the consolidated financial statements fairly reflect the financial position and results of operations of the Company within reasonable limits of materiality.

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

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

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

February 19, 2013



John A. McCluskey
President and Chief Executive Officer



James R. Porter, CA
Chief Financial Officer

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of

## ALAMOS GOLD INC.

We have audited the accompanying consolidated financial statements of Alamos Gold Inc., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Alamos Gold Inc. as at December 31, 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
February 19, 2013

**ALAMOS GOLD INC.**
**Consolidated Statements of Financial Position**
(Stated in thousands of United States dollars)

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 306,056 | $ 169,471 |
| Short-term investments | 47,654 | 53,088 |
| Amounts receivable (note 5) | 7,647 | 6,147 |
| Advances and prepaid expenses | 3,207 | 2,117 |
| Available-for-sale securities (note 4) | 10,340 | 10,355 |
| Other financial assets (note 4) | 1,118 | 244 |
| Inventory (note 6) | 42,046 | 33,220 |
| **Total Current Assets** | 418,068 | 274,642 |
| **Non-Current Assets** | | |
| Other non-current assets (note 6) | 1,058 | — |
| Exploration and evaluation assets (note 7) | 127,015 | 108,454 |
| Mineral property, plant and equipment (note 8) | 207,715 | 216,128 |
| **Total Assets** | **$ 753,856** | **$ 599,224** |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities (note 9) | $ 24,874 | $ 17,024 |
| Income taxes payable (note 13) | 15,497 | 6,125 |
| **Total Current Liabilities** | 40,371 | 23,149 |
| **Non-Current Liabilities** | | |
| Deferred income taxes (note 13) | 38,365 | 35,008 |
| Decommissioning liability (note 11) | 13,934 | 6,680 |
| Other liabilities | 714 | 837 |
| **Total Liabilities** | 93,384 | 65,674 |
| **EQUITY** | | |
| Share capital (note 12 a) | $ 393,752 | $ 355,524 |
| Contributed surplus | 22,606 | 27,861 |
| Accumulated other comprehensive loss | (1,064) | (1,080) |
| Retained earnings | 245,178 | 151,245 |
| **Total Equity** | 660,472 | 533,550 |
| **Total Liabilities and Equity** | **$ 753,856** | **$ 599,224** |
| Commitments and Contingencies (note 15) | | |
| Subsequent events (note 18) | | |

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

**On behalf of the Board**

John A. McCluskey
President and Chief Executive Officer

Paul Murphy
Director

**ALAMOS GOLD INC.**
**Consolidated Statements of Comprehensive Income**
**For the years ended December 31, 2012 and 2011**
(Stated in thousands of United States dollars, except per share amounts)

| | 2012 | 2011 |
|---|---|---|
| **OPERATING REVENUES** | $ 329,372 | $ 227,364 |
| **MINE OPERATING COSTS** | | |
| Mining and processing | 70,168 | 53,868 |
| Royalties (note 15 a) | 16,411 | 11,157 |
| Amortization | 50,678 | 23,423 |
| | 137,257 | 88,448 |
| **EARNINGS FROM MINE OPERATIONS** | **192,115** | **138,916** |
| **EXPENSES** | | |
| Exploration | 6,488 | 9,540 |
| Corporate and administrative | 14,177 | 9,613 |
| Share-based compensation (notes 12b and 12 c) | 7,634 | 13,525 |
| | 28,299 | 32,678 |
| **EARNINGS FROM OPERATIONS** | **163,816** | **106,238** |
| **OTHER INCOME (EXPENSES)** | | |
| Finance income | 3,133 | 1,717 |
| Financing expense | (536) | (598) |
| Foreign exchange gain (loss) | 14 | (3,688) |
| Other income (loss) | 498 | (1,234) |
| **EARNINGS BEFORE INCOME TAXES** | **166,925** | **102,435** |
| **INCOME TAXES** | | |
| Current tax expense | (45,612) | (34,194) |
| Deferred tax expense | (3,357) | (8,160) |
| **EARNINGS** | **$ 117,956** | **$ 60,081** |
| Other comprehensive income (loss) | | |
| - Unrealized (loss) on securities | (2,350) | (1,089) |
| - Reclassification of realized gains (losses) on available-for-sale securities included in earnings | 2,366 | (280) |
| - Impairment of available-for-sale securities | — | 1,621 |
| **COMPREHENSIVE INCOME** | **$ 117,972** | **$ 60,333** |
| **EARNINGS PER SHARE (note 12 d)** | | |
| **– basic** | **$ 0.98** | **$ 0.51** |
| **– diluted** | **$ 0.98** | **$ 0.51** |
| Weighted average number of common shares outstanding | | |
| - basic | 119,861,000 | 117,375,000 |
| - diluted | 120,904,000 | 118,669,000 |

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

**ALAMOS GOLD INC.**
**Consolidated Statements of Changes in Equity**
**For the years ended December 31, 2012 and 2011**
(Stated in thousands of United States dollars)

| | Number of shares outstanding | Share capital | Contributed surplus | Accumulated other comprehensive loss | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2011** | **116,340,008** | **$325,867** | **$ 23,316** | **$ (1,332)** | **$105,278** | **$453,129** |
| Share-based compensation | — | — | 11,935 | — | — | 11,935 |
| Shares issued on exercise of options | 2,043,000 | 29,657 | (7,390) | — | — | 22,267 |
| Dividends | — | — | — | — | (14,114) | (14,114) |
| Earnings | — | — | — | — | 60,081 | 60,081 |
| Other comprehensive income (tax impact; nil) | — | — | — | 252 | — | 252 |
| **Balance at December 31, 2011** | **118,383,008** | **$355,524** | **$ 27,861** | **$ (1,080)** | **$151,245** | **$533,550** |

| | Number of shares outstanding | Share capital | Contributed surplus | Accumulated other comprehensive loss | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2012** | **118,383,008** | **$355,524** | **$ 27,861** | **$ (1,080)** | **$151,245** | **$533,550** |
| Share-based compensation | — | — | 4,795 | — | — | 4,795 |
| Shares issued on exercise of options | 2,488,400 | 38,228 | (10,050) | — | — | 28,178 |
| Dividends | — | — | — | — | (24,023) | (24,023) |
| Earnings | — | — | — | — | 117,956 | 117,956 |
| Other comprehensive income (tax impact; nil) | — | — | — | 16 | — | 16 |
| **Balance at December 31, 2012** | **120,871,408** | **$393,752** | **$ 22,606** | **$ (1,064)** | **$245,178** | **$660,472** |

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

**ALAMOS GOLD INC.**
**Consolidated Statements of Cash Flows**
**For the years ended December 31, 2012 and 2011**
(Stated in thousands of United States dollars)

| | 2012 | 2011 |
|---|---|---|
| **CASH PROVIDED BY (USED IN):** | | |
| **OPERATING ACTIVITIES** | | |
| Earnings | $117,956 | $ 60,081 |
| Adjustments for items not involving cash: | | |
| Amortization | 50,678 | 23,423 |
| Financing expense | 536 | 598 |
| Unrealized foreign exchange gain | (1,352) | (353) |
| Deferred tax expense | 3,357 | 8,160 |
| Share-based compensation | 7,634 | 13,525 |
| Loss (gain) on sale of securities | 460 | (783) |
| Impairment of securities | — | 1,621 |
| Other | (735) | 954 |
| Changes in non-cash working capital: | | |
| Fair value of forward contracts | — | (715) |
| Amounts receivable | (18,865) | (18,218) |
| Inventory | (5,655) | (6,572) |
| Advances and prepaid expenses | (1,090) | 1,019 |
| Accounts payable and accrued liabilities, and income taxes payable | 31,672 | 23,794 |
| | **184,596** | **106,534** |
| **INVESTING ACTIVITIES** | | |
| Purchases of securities | (11,450) | (2,213) |
| Sales of securities | 11,265 | — |
| Short-term investments (net) | 5,434 | (11,242) |
| Proceeds on sale of equipment | — | 889 |
| Decommissioning liability | (1,172) | (145) |
| Exploration and evaluation assets | (18,561) | (8,687) |
| Mineral property, plant and equipment | (38,815) | (68,352) |
| | **(53,299)** | **(89,750)** |
| **FINANCING ACTIVITIES** | | |
| Common shares issued | 28,178 | 22,267 |
| Dividends paid | (24,023) | (14,114) |
| | **4,155** | **8,153** |
| Effect of exchange rates on cash and cash equivalents | 1,133 | (1,800) |
| Net increase in cash and cash equivalents | 136,585 | 23,137 |
| Cash and cash equivalents—beginning of year | 169,471 | 146,334 |
| **CASH AND CASH EQUIVALENTS—END OF YEAR** | **$306,056** | **$169,471** |
| **Supplemental information:** | | |
| Interest paid | $ — | $ — |
| Interest received | $ 3,050 | $ 1,380 |
| Income taxes paid | $ 20,700 | $ 12,825 |

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

**ALAMOS GOLD INC.**
**Notes to Consolidated Financial Statements**
**December 31, 2012 and 2011**
(Unaudited—stated in United States dollars, unless otherwise indicated)

## 1. NATURE OF OPERATIONS

Alamos Gold Inc., a resident Canadian company, and its wholly-owned subsidiaries (collectively the "Company") are engaged in the acquisition, exploration, development and extraction of precious metals in Mexico and Turkey. The Company owns and operates the Mulatos mine and holds the mineral rights to the Salamandra group of concessions in the State of Sonora, Mexico, which includes several known satellite gold occurrences. In addition, the Company owns the Ağı Dağı, Kirazli and Çamyurt gold development projects in Turkey.

## 2. BASIS OF PREPARATION

### Statement of Compliance

These consolidated financial statements, including comparative figures, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements were authorized for issue by the Board of Directors on February 19, 2013.

### Use of estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. Accounts which require management to make material estimates and significant assumptions in determining amounts recorded include: recoverable reserves, inventory recoveries, share-based payments, decommissioning liabilities, units of production amortization, and provisions and contingencies.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the current and following fiscal years include: impairment of tangible and intangible assets, determination of functional currency, amortization methods, uncertain tax positions and recovery of deferred tax assets.

i. Impairment:

The Company assesses its mineral property, plant and equipment and exploration and evaluation assets annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

ii. Recoverable reserves:

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its recoverable reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of, commodity prices, production costs, future capital requirements, and foreign exchange rates, along with geological assumptions and judgments made in estimating the size and grade of the ore body, and metallurgical assumptions made in estimating recovery of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, mineral property, plant and equipment, decommissioning liabilities, and amortization expense.

iii. Units-of-production ("UOP") amortization:

Estimated recoverable reserves are used in determining the amortization of certain mineral property, plant and equipment. This results in an amortization charge proportional to the depletion of the anticipated remaining mine life. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. The Company has adopted a methodology based on estimated recoverable reserves over the life of mine.

iv. Inventory (note 6):

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

v. Share based payments (note 12 b and c):

The computed amount of share based compensation is not based on historical cost, but is derived based on subjective assumptions input into an option pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options or stock appreciation rights before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period (using historical volatility as a reference); and the appropriate risk-free rate of interest. Share-based compensation incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates, and is adjusted if the actual forfeiture rate differs from the expected rate.

The resulting value calculated is not necessarily the value that the holder of the instrument could receive in an arm's length transaction, given that there is no market for these instruments and they are not transferable. It is management's view that the value derived is highly subjective and dependent upon the input assumptions made.

vi. Decommissioning liabilities (note 11):

The Company is required to determine the expected value of the estimated costs of decommissioning liabilities and to recognize this value as a liability when reasonably determinable. Key assumptions in determining the amount of the liability are: total undiscounted cash outflows, expected timing of payment of the cash outflows and appropriate inflation and discount rates to apply to the timing of cash outflows. Because the liability is recorded on a discounted basis, it is increased over the passage of time with an offsetting charge to financing expense in the statement of comprehensive income. The Company calculated its estimated mine site closure costs based on a mine closure and reclamation plan prepared by management and reviewed by an independent third party. The majority of the expenditures associated with reclamation and mine closure will be incurred at the end of the mine life, expected to be in approximately 9 years based on expected proven and probable reserves and the current rate of production.

vii. Recovery of deferred tax assets (note 13):

Judgment is required in determining whether deferred tax assets are recognized on the statement of financial position. Deferred tax assets require management to assess the likelihood that the Company will generate taxable income in future periods in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecasted cash flows and the application of existing tax laws in each jurisdiction.

**Functional and presentation currency**

These consolidated financial statements are presented in United States dollars (“USD”), which is the functional currency of the Company and all its subsidiaries.

**Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis, except for certain derivative and available-for-sale financial instruments which are measured at fair value. The Company prepares its consolidated financial statements, except for cash flow information, using the accrual basis of accounting.

**3. SIGNIFICANT ACCOUNTING POLICIES**

Summarized below are those policies considered significant to the Company. All accounting policies have been applied consistently to all periods presented in these consolidated financial statements,, unless otherwise indicated.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (its subsidiaries). The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated.

The consolidated financial statements include the financial statements of the parent company, Alamos Gold Inc., and its subsidiaries as listed below:

| | Country of Incorporation | Equity Interest | |
|---|---|---|---|
| | | 2012 | 2011 |
| Alamos Gold Inc. | Canada | — | — |
| Minas de Oro Nacional, S.A. de C.V. | Mexico | 100% | 100% |
| Servicios Administrativos y Operativos S.A. de C.V. | Mexico | 100% | 100% |
| Minera Bienvenidos S.A. de C.V. | Mexico | 100% | 100% |
| Kuzey Biga Madencilik Sanayi Ticaret AS | Turkey | 100% | 100% |
| Dogu Biga Madencilik Sanayi Ticaret AS | Turkey | 100% | 100% |
| Alamos Eurasia Madencilik AS | Turkey | 100% | 100% |

**Foreign currency transactions**

Transactions in foreign currencies are converted to the Company's functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated into the Company's functional currency at the exchange rate prevailing at the date of the Consolidated Statements of Financial Position. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. Revenues and expenses are translated at exchange rates prevailing on the date of the transactions, with the exception of inventory transfers and amortization which are translated at historical exchange rates. All exchange gains and losses are included in the determination of earnings.

**Revenue recognition**

Revenue is earned from the sale of gold and is recognized when dore or refined metal is delivered to a purchaser pursuant to a purchase agreement that fixes the quantity and price of the metal for each delivery. Revenue is measured at the fair value of the consideration received or receivable.

Costs incurred or premium income related to forward sales or option contracts are recognized in revenue when the related 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, ore in stockpiles, 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 is generally 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. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form. The recovery of gold from ore is achieved through the heap leaching process and through a gravity mill. Under the heap leaching process, ore is crushed and placed on leach pads where it is treated with a chemical solution, which dissolves the gold contained in the ore. The resulting "pregnant" solution is further processed in a plant where the gold is recovered. Under the milling process, ore is crushed finer than the leaching process prior to gravity separation. The ore separated through the gravity circuit is then accumulated into a concentrate solution. The concentrate is then leached in a intensive leach reactor followed by processing in the plant.

Cost of in-process inventory includes operating costs incurred to that stage of the process plus amortization of mineral property, plant and equipment relating to that stage of the process. Costs capitalized to in-process inventory include direct and indirect materials and consumables; direct labour; repairs and maintenance; utilities; amortization of mineral property, plant and equipment; and local mine administrative expenses. Costs are removed from in-process inventory and transferred to dore inventory as ounces are produced based on the average cost per recoverable ounce on the leach pad. Costs are recorded in mining and processing costs on the sale of refined gold, as well as the impact of inventory movement reflected through mining and processing costs in the Consolidated Statements of Comprehensive Income. Recoverable gold on the leach pads is estimated based on the quantities of ore placed on the leach pads (based on measured tonnes added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on estimated ultimate recovery assumptions). The nature of the leaching process inherently limits the ability to precisely monitor inventory levels; as a result, estimates are refined based on actual results over time. The ultimate recovery of gold from leach pads will not be known until the leaching process is concluded at the end of the mine life.

iii. Stockpile inventory represents unprocessed ore that has been mined and is available for further processing. The unprocessed ore stockpile is measured by estimating the number of tonnes added and removed from the stockpile, the number of contained ounces (based on assay data) and estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to the stockpile based on the current mining cost per tonne incurred up to the point of stockpiling the ore, including applicable overhead, depletion, depreciation and amortization relating to mining operations, and are removed at the average cost per ounce. As the unprocessed ore stockpile will not be further processed within one year of the date of these consolidated financial statements, the net carrying amount related to the stockpile has been classified as non-current assets in the consolidated statements of financial position.

iv. Parts and supplies inventory is valued at the lower of average cost and net realizable value. Provisions are recorded to reflect present intentions for the use of slow moving and obsolete parts and supplies inventory.

**Mineral property, plant and equipment**

i. Mineral property acquisition and mine development costs:

The Company may hold interests in mineral property in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights. The Company capitalizes payments made in the process of acquiring legal title to these properties.

Property acquisition and mine development costs are recorded at cost. 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 capitalized. Mine development costs related to current period production are charged to operations as incurred. Interest 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. Property acquisition and mine development costs are amortized by the units-of-production method based on estimated recoverable reserves.

ii. Exploration and evaluation expenditures:

Exploration expenditures on non-producing properties, including drilling and related costs, identified as having development potential, as evidenced by a positive economic analysis of the project, are treated as mine development costs and capitalized. Expenditures incurred on deposits contiguous with a known deposit

which has undergone a positive economic analysis are treated as mine development costs and capitalized. Exploration and evaluation expenditures on properties prior to the establishment of a positive economic analysis are charged to operations as incurred. Drilling costs incurred during the production phase for operational ore control are charged to operations as incurred.

iii. Mining plant and equipment:

Plant and equipment is stated at cost less accumulated amortization and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the asset. Borrowing costs on qualifying assets are capitalized until the asset is capable of carrying out its intended use. Plant and equipment is amortized on a units-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.

Estimates of residual values, useful lives and methods of amortization are reviewed each reporting period, and adjusted prospectively if appropriate.

iv. Subsequent costs:

The cost of replacing part of an item within mineral property, plant and equipment is recognized when the cost is incurred and it is probable that the future economic benefits will flow to the Company, and the costs can be measured reliably. The carrying amount of the part that has been replaced is expensed. Routine repairs and maintenance are expensed as incurred.

v. Impairment:

The carrying values of mineral property, plant and equipment are reviewed for indications of impairment at each reporting date. When impairment indicators exist, then the asset's recoverable amount is estimated.

If it is determined that the estimated recoverable amount is less than the carrying value of an asset, or its cash-generating unit ("CGU"), then a write-down is made with a charge to operations. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (the CGU). Impairment losses recognized in respect of CGU's are allocated on a pro rata basis to the assets in the unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows of a mine or development property are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Estimated future cash flows 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.

vi. Reversal of impairment:

An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

**Cash and cash equivalents**

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

**Short-term investments**

Short-term investments, which represent highly liquid investments with original maturities of greater than three months at acquisition, are recorded at cost, which approximates fair value.

**Income taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in earnings except to the extent it relates to items recognized directly in equity or in other comprehensive income.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit
- goodwill
- taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs except to the extent it relates to items recognized directly in equity or in other comprehensive income.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced to its recoverable amount.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off tax assets against tax liabilities and when they relate to the same taxable entity and income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

**Uncertain Tax Positions**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective subsidiary's domicile. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

**Share-based payments**

The Company grants stock options to buy common shares of the Company through its stock option plan as described in note 12 b). The Company accounts for share-based payments 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 recognized as an expense or capitalized, depending on the nature of the grant, with a corresponding increase in equity, over the period that the employees earn the options. The amount recognized is adjusted to reflect the number of share options expected to vest.

In addition, the Company grants stock appreciation rights ("SARs") as described in note 12 c). The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is determined using the Black-Scholes option pricing model, and is recognized as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured using the option pricing model at each reporting date, and at the intrinsic value on the settlement date. Any changes in the fair value of the liability are recognized as an expense in the Consolidated Statements of Comprehensive Income.

**Decommissioning liabilities**

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. The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of property, plant and equipment when those obligations result from the acquisition, construction, development or normal operation of the assets. Decommissioning costs expected to be incurred in the future are estimated by the Company's management based on the information available to them. Actual decommissioning costs could be materially different from the current estimates. Any change in cost estimates, discount rates, or other assumptions should additional information become available would be accounted for on a prospective basis. The Company's estimates are reviewed annually for changes in planned operations, regulatory requirements, discount rates, effects of inflation and changes in estimates.

The net present value of the future rehabilitation cost estimates arising from decommissioning of property, plant and equipment 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 mining asset. This asset is amortized on a UOP basis over the estimated life of the mine while the corresponding liability accretes to its undiscounted value by the end of the mine's life.

**Provisions**

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

**Financial instruments**

The Company's financial instruments consist primarily of monetary assets and liabilities, the fair value of which approximate their carrying value due to the short-term nature of these instruments.

The Company may enter into foreign exchange forward contracts to manage the Company's exposure to fluctuations in the Canadian and United States dollar and Mexican peso foreign exchange rates. The Company may also enter into forward gold sale transactions. See note 4. These forward contracts are marked-to-market and recognized in the consolidated financial statements at their fair value.

**Financial assets**

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available-for-sale ("AFS"); and,
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets:

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL upon initial recognition. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in earnings. The Company has classified its cash and cash equivalents, short-term investments and share purchase warrants held in third party companies as FVTPL financial assets, which are included in other financial assets on the statement of financial position.

(ii) HTM investments:

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not currently have any assets classified as HTM investments.

(iii) AFS financial assets:

Non-derivative financial assets, including investments in securities, are classified as AFS and are stated at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange differences are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income (loss).

Impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, are recognized directly in earnings rather than equity. When an investment is derecognized or is determined to be impaired, the cumulative gain or loss previously recognized in accumulated other comprehensive income (loss) is included in earnings for the period.

The fair value of AFS monetary assets denominated in a foreign currency is translated at the spot foreign exchange rate at the date of the Conslidated Statement of Financial Position. The change in fair value attributable to translation differences on the amortized cost of the asset is recognized in earnings, while other changes are recognized in equity.

(iv) Loans and receivables:

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value plus any directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the year in which they are identified.

(v) Impairment:

A financial asset, other than those classified as FVTPL, is assessed at each reporting period date for indicators of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Impairment losses on AFS investment securities are recognized by transferring the cumulative loss that has been recognized in accumulated other comprehensive income (loss), and presented in unrealized gains/losses on available-for-sale financial assets in equity, to earnings. The cumulative loss that is removed from accumulated other comprehensive income (loss) and recognized in earnings is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in earnings.

(vi) Determination of fair value:

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of the fair value of financial assets and liabilities.

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2. Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3. Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company has determined that AFS instruments, other financial assets and financial liabilities fall within level 1 of the fair value hierarchy, and all other financial instruments (including derivative contracts) outstanding as at the date of the statement of financial position fall within level 2 of the fair value hierarchy. See note 4.

**Financial liabilities**

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company has classified accounts payable and accrued liabilities, dividends payable, and property acquisition liabilities as other financial liabilities.

**Earnings per share**

Basic earnings per share is calculated by dividing the net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the year. The diluted earnings per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (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 year.

**Comprehensive income (loss)**

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in net profit such as unrealized gains or losses on available-for-sale investments and gains or losses on certain derivative instruments. The Company's comprehensive income (loss), and components of other comprehensive income are presented, net of tax, in the consolidated statements of comprehensive income (loss) and the consolidated statements of changes in equity.

**Adoption of Accounting Policy effective January 1, 2012**

International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine was issued in October 2011, and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRIC 20 provides guidance on the accounting for the costs of stripping activity in the production phase of surface mining when benefits accrue to the entity from the stripping activity. In addition, IFRIC 20 requires companies to ensure that capitalized costs are amortized over the useful life of the component of the ore body to which access has been improved due to the stripping activity. The Company adopted the amendments in its financial statements for the annual period beginning on January 1, 2012, with no impact on transition. The Company capitalized $8.7 million of production stripping costs to Mineral property, plant and equipment for the year ended December 31, 2012.

**Future accounting policy changes issued but not yet in effect**

The following are new pronouncements approved by the IASB. The following new standards and interpretations are not yet effective and have not been applied in preparing these financial statements, however, they may impact future periods.

(i) IFRS 9 Financial Instruments (Revised) was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 (2010) is effective for annual periods beginning on or after January 1, 2015. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

(ii) IFRS 10 Consolidated Financial Statements is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. IFRS 10 replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities ("SPE's"). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27. Given the nature of the Company's operations, the Company does not expect the amendments to have a material impact on the financial statements.

(iii) IFRS 12 Disclosure of Interests in Other Entities was released in May 2011 and is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. If an entity applies this standard earlier, it does not need to apply IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011) at the same time. IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. The Company intends to adopt IFRS 12 in its financial statements for the annual period beginning on January 1, 2013. Given the nature of the Company's interests in other entities, the Company does not expect the amendments to impact the Company's financial position or performance.

(iv) IFRS 13 Fair Value Measurement was issued in May 2011 and is effective prospectively for annual periods beginning on or after January 1, 2013. The disclosure requirements of IFRS 13 need not be applied in comparative information for periods before initial application. IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs (Level 3), the effect of the measurements on earnings or other comprehensive income. IFRS 13 establishes 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The Company intends to adopt IFRS 13 prospectively in its financial statements for the annual period beginning on January 1, 2013. The impact of adoption of IFRS 13 has not yet been determined.

(v) Amendments to IAS 1 Presentation of Financial Statements was issued in June 2011 and is effective for annual periods beginning on or after July 1, 2012. IAS 1 should be applied retrospectively, but early adoption is permitted. The amendments require that an entity present separately the items of OCI that may be reclassified to earnings in the future from those that would never be reclassified to earnings. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these categories. The existing option to present the earnings and other comprehensive income in two statements has remained unchanged. The Company intends to adopt the amendments in its financial statements for the annual period beginning on January 1, 2013. The Company does not expect the amendments to have a material impact on the financial statements.

## 4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### a) Financial Assets and Liabilities

The carrying value of the Company's financial instruments is classified into the following categories:

| | December 31, 2012 ($000) | December 31, 2011 ($000) |
|---|---|---|
| Fair value through profit or loss ("FVTPL") (1) | 353,710 | 222,559 |
| Derivative instruments designated as FVTPL (2) | 1,118 | 244 |
| Available-for-sale securities (3) | 10,340 | 10,355 |
| Loans and receivables (note 5) | 7,647 | 6,147 |
| Derivative contracts designated as FVTPL (4) | — | — |
| Other financial liabilities (5) | (40,662) | (23,650) |

(1) Includes cash of $141.4 million (December 31, 2011 - $44.8 million), cash equivalents of $164.6 million (December 31, 2011 – $124.7 million) and short-term investments of $47.7 million (December 31, 2011 – $53.1 million).
(2) Includes the Company's investment in the warrants of a publicly traded company. During the year ended December 31, 2012, $0.9 million gain was recorded in other income on the revaluation of the warrants (December 31, 2011 - $0.9 million loss)
(3) Includes the Company's investment in the common shares of publicly traded entities.
(4) Includes the Company's foreign currency forward and option contracts and gold forward contracts which, for accounting purposes, are not designated as effective hedges. These are classified within accounts payable and accrued liabilities in the consolidated balance sheet.
(5) Includes all other accounts payable and accrued liabilities, income taxes payable, and certain other liabilities.

For all financial assets and liabilities listed above, fair value equals carrying value as at December 31, 2012 and December 31, 2011.

### b) Derivative Financial Instruments

The Company may utilize financial instruments to manage the risks associated with fluctuations in the market price of gold and foreign exchange rates. As at December 31, 2012 and 2011 the Company had no outstanding gold forward contracts.

At December 31, 2012, the Company had outstanding contracts to deliver $10 million Canadian dollars ("CAD") in exchange for a fixed amount of USD at future dates up to March, 2013, with CAD:USD rates ranging from of 0.99:1 to 1.00:1. The mark-to-market gain associated with these contracts as at December 31, 2012 was nominal (December 31, 2011 – nil).

### c) Risk Management

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

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

### *i.* ***Commodity Price Risk***

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

### *ii.* ***Foreign Exchange Risk***

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

The Company has elected to hedge a portion of its exposure to fluctuations in the Canadian dollar by buying $10 million CAD fixed rate forward contracts. At December 31, 2012, the Company had net Canadian-dollar denominated assets of approximately $17.5 million. At this level of exposure to fluctuations in the value of the Canadian dollar, a 10% increase/(decrease) in the value of the Canadian dollar compared to the United States dollar could result in a foreign exchange gain/(loss) of approximately $1.7 million.

In addition, corporate and administrative costs associated with the Company's head office in Toronto are mainly denominated in Canadian dollars. A 10% increase/(decrease) in the value of the Canadian dollar compared to the United States dollar could increase/(decrease) the Company's reported corporate and administrative costs by approximately $1.1 million annually.

The Company also has exposure to monetary assets and liabilities denominated in Mexican pesos. Significant cash balances, outstanding amounts receivable, accounts payable or tax liabilities denominated in Mexican pesos could expose the Company to a foreign exchange gain or loss. The Company partially offsets its balance sheet exposure to changes in the Mexican peso/United States dollar exchange rate by maintaining cash balances in Mexican pesos to offset a portion of its future tax liabilities and taxes payable balances that are denominated in Mexican pesos. As at December 31, 2012, the Company had net Mexican peso-denominated liabilities of approximately $35.0 million. A 10% increase (decrease) in the value of the Mexican peso compared to the United States dollar could result in a foreign exchange loss/(gain) of approximately $3.5 million.

In addition, transactional foreign exchange gains and losses may result from the Company's inability to predict the exact timing of peso cash receipts and cash outflows. Due to the recent volatility in the value of the Mexican peso, transactional foreign exchange gains and losses can be significant. If the Mexican peso strengthens against the United States dollar, the Company's operating costs (as reported in equivalent United States dollars) increase. A 10% decrease (increase) in the value of the Mexican peso compared to the United States dollar could decrease (increase) the Company's reported mining and processing costs and increase (decrease) reported earnings before income taxes by approximately $4.0 million annually.

Finally, the Company has exposure to monetary assets and liabilities denominated in Turkish Lira. Cash balances, outstanding amounts receivable, accounts payable or tax liabilities denominated in Turkish Lira could expose the Company to a foreign exchange gain or loss. At December 31, 2012, the Company had net Turkish Lira-denominated assets of approximately $8.0 million. A 10% increase (decrease) in the value of the Turkish Lira compared to the United States dollar could result in a foreign exchange gain (loss) of approximately $0.8 million.

### *iii.* ***Interest Rate Risk***

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

*iv.* ***Credit Risk***

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

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

The carrying value of amounts receivable are reduced through the use of an allowance account (when applicable) and the amount of any allowance is recognized as a loss and included in operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for amounts receivable. The majority of the Company's receivable balances consist of Mexican and Turkish value-added tax recoverable claims. The Company is exposed to credit risk in the case that the subject country is unable to reimburse the recoverable taxes owed. As at December 31, 2012, the Company was owed $3.0 million and $4.0 million from the Mexican and Turkish governments, respectively.

*v.* ***Liquidity Risk***

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. At December 31, 2012, the Company had cash and cash equivalents and short-term investments of $353.7 million, accounts payable and accrued liabilities of $24.9 million and no debt. The Company expects that planned construction and development projects at its current operations will be financed from existing cash balances and future operating cash flows. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable and it is not currently known whether the Company will require external financing in future periods.

**5. AMOUNTS RECEIVABLE**

| | December 31, 2012 ($000) | December 31, 2011 ($000) |
|---|---|---|
| Accounts receivable | 671 | 215 |
| Mexican value-added tax [1] | 3,024 | 3,662 |
| Turkish value-added tax | 3,952 | 2,270 |
| | **$ 7,647** | **$ 6,147** |

1) As permitted by Mexican tax law, the Company offset $16.4 million of Mexican value-added tax receivables against its current taxes payable liability in 2012 (December 31, 2011—$16.9 million) which is not reflected in the Consolidated Statements of Cash Flows.

## 6. INVENTORY

| | December 31, 2012 ($000) | December 31, 2011 ($000) |
|---|---|---|
| Precious metals dore and refined precious metals | 8,640 | 5,484 |
| In-process precious metals | 14,785 | 11,894 |
| Ore in stockpiles | 1,058 | — |
| Parts and supplies | 18,621 | 15,842 |
| | **43,104** | **33,220** |
| Less: Non-current portion | (1,058) | — |
| | **$ 42,046** | **$ 33,220** |

The carrying value of inventory is calculated using weighted average cost. The amount of inventory charged to operations as mining and processing costs during the year ended December 31, 2012 was $72.2 million (December 31, 2011—$55.8 million). The amount of inventory charged to operations as amortization in the year ended December 31, 2012 was $43.8 million (December 31, 2011—$19.1 million).

## 7. EXPLORATION AND EVALUATION ASSETS

The Company classifies the Ağı Dağı, Kirazli, and Çamyurt Projects in Turkey as exploration and evaluation assets. Exploration and evaluation assets are not subject to amortization.

The following is a continuity of the Company's exploration and evaluation assets for the year ended December 31, 2012.

| | Total ($000) |
|---|---|
| **Cost as at January 1, 2011** | **99,767** |
| Additions | 8,687 |
| **Cost as at December 31, 2011** | **108,454** |
| Additions | 18,561 |
| **Cost as at December 31, 2012** | **127,015** |

## 8. MINERAL PROPERTY, PLANT AND EQUIPMENT

The Company owns 100% of the Salamandra group of concessions in Mexico. Included within the Salamandra group of concessions is the Mulatos mine which began operations in 2005.

The majority of the Company's property, plant and equipment in operations is amortized on a units-of-production basis over an estimated nine year mine life. Certain mining and office equipment is amortized on a straight line basis over periods ranging from two to five years.

The following is a continuity of the Company's mineral property, plant and equipment for the years ended December 31, 2012 and December 31, 2011.

| | Mining plant and equipment ($000) | Office and computer equipment ($000) | Construction in progress ($000) | Subtotal ($000) | Mineral property and deferred development ($000) | Total ($000) |
|---|---|---|---|---|---|---|
| **Cost as at January 1, 2012** | **$173,393** | **$ 2,375** | **$ 23,898** | **$199,666** | **$ 126,660** | **$326,326** |
| Additions | 7,110 | 1,471 | 12,331 | 20,912 | 17,903 | 38,815 |
| Changes in decommissioning liability | — | — | — | — | 7,933 | 7,933 |
| Transfers from construction in progress | 33,664 | — | (33,664) | — | — | — |
| **Cost as at December 31, 2012** | **$214,167** | **$ 3,846** | **$ 2,565** | **$220,578** | **$ 152,496** | **$373,074** |
| **Accumulated amortization and impairment as at January 1, 2012** | **$ 76,579** | **$ 1,274** | **$ —** | **$ 77,853** | **$ 32,345** | **$110,198** |
| Amortization expense | 37,566 | 551 | — | 38,117 | 17,044 | 55,161 |
| **Accumulated amortization and impairment as at December 31, 2012** | **$114,145** | **$ 1,825** | **$ —** | **$115,970** | **$ 49,389** | **$165,359** |
| **Net book value as at December 31, 2012** | **$100,022** | **$ 2,021** | **$ 2,565** | **$104,608** | **$ 103,107** | **$207,715** |

| | Mining plant and equipment ($000) | Office and computer equipment ($000) | Construction in progress ($000) | Subtotal ($000) | Mineral property and deferred development ($000) | Total ($000) |
|---|---|---|---|---|---|---|
| **Cost as at January 1, 2011** | **$152,606** | **$ 1,733** | **$ 6,236** | **$160,575** | **$ 97,697** | **$258,272** |
| Additions | 3,696 | 642 | 34,984 | 39,322 | 30,263 | 69,585 |
| Changes in decommissioning liability | — | — | — | — | (1,300) | (1,300) |
| Disposals | (231) | — | — | (231) | — | (231) |
| Transfers from construction in progress | 17,322 | — | (17,322) | — | — | — |
| **Cost as at December 31, 2011** | **$173,393** | **$ 2,375** | **$ 23,898** | **$199,666** | **$ 126,660** | **$326,326** |
| **Accumulated amortization and impairment as at January 1, 2011** | **$ 57,943** | **$ 859** | **$ —** | **$ 58,802** | **$ 25,565** | **$ 84,367** |
| Amortization expense | 18,838 | 415 | — | 19,253 | 6,780 | 26,033 |
| Disposals | (202) | — | — | (202) | — | (202) |
| **Accumulated amortization and impairment as at December 31, 2011** | **$ 76,579** | **$ 1,274** | **$ —** | **$ 77,853** | **$ 32,345** | **$110,198** |
| **Net book value as at December 31, 2011** | **$ 96,814** | **$ 1,101** | **$ 23,898** | **$121,813** | **$ 94,315** | **$216,128** |

## 9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2012 ($000) | December 31, 2011 ($000) |
|---|---|---|
| Trade accounts payable and accrued liabilities | 15,820 | 11,684 |
| Royalties payable | 5,254 | 3,790 |
| SARs liability (note 12(c)) | 3,800 | 1,550 |
| | $ 24,874 | $ 17,024 |

## 10. DIVIDENDS

| | Year ended December 31, 2012 ($000) | Year ended December 31, 2011 ($000) |
|---|---|---|
| Declared and paid | 24,023 | 14,114 |
| | **$ 24,013** | **$ 14,114** |
| Weighted average number of common shares outstanding | 119,861,000 | 117,375,000 |
| Dividend per share | **$ 0.20** | **$ 0.12** |

## 11. DECOMMISSIONING LIABILITY

A decommissioning liability 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 earnings. In addition, the discounted 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 the decommissioning liability is as follows:

| | Year ended December 31, 2012 ($000) | Year ended December 31, 2011 ($000) |
|---|---|---|
| Obligations at beginning of year | 6,680 | 7,559 |
| Revisions in estimated cash flows and changes in assumptions | 7,933 | (1,300) |
| Payments made against the liability | (1,172) | (145) |
| Accretion of discounted cash flows | 493 | 566 |
| Obligations at end of year | **$ 13,934** | **$ 6,680** |

Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time.

The assumptions used in the determination of the decommissioning liability are as follows as at:

| | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Estimated cost ($000) | 24,840 | 13,431 |
| End of mine life | 2021 | 2020 |
| Discount rate | 6.6% | 7.8% |

**12. SHARE CAPITAL**

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

| | Number of Shares | Amount ($000) |
|---|---|---|
| Outstanding at January 1, 2011 | 116,340,008 | 325,867 |
| Exercise of stock options | 2,043,000 | 22,267 |
| Transfer from contributed surplus to share capital for stock options exercised | — | 7,390 |
| Outstanding at December 31, 2011 | 118,383,008 | 355,524 |
| Exercise of stock options | 2,488,400 | 28,178 |
| Transfer from contributed surplus to share capital for stock options exercised | — | 10,050 |
| Outstanding at December 31, 2012 | **120,871,408** | **$393,752** |

b) Stock options

The Company has a stock option plan (the "Plan"), originally approved by the Board of Directors (the "Board") on April 17, 2003, and amended and ratified on May 25, 2007, May 15, 2008, April 7, 2009, June 2, 2010 and May 31, 2012, which allows the Company to grant incentive stock options to officers of the Company. Under the Plan, the number of shares reserved for issuance cannot exceed 7% 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. The plan is subject to shareholder approval and ratification every three years.

Stock options granted under the Plan are exercisable for a five-year period. Incentive stock options granted vest 1/3 on the first anniversary date, 1/3 on the second anniversary and 1/3 on the third anniversary date.

The following is a continuity of the changes in the number of stock options outstanding for the years ended December 31, 2012 and 2011:

| | Number | Weighted average exercise price ($CAD) |
|---|---|---|
| Outstanding at January 1, 2011 | 6,914,700 | $ 11.98 |
| Granted | 2,115,000 | 14.30 |
| Exercised | (2,043,000) | 10.64 |
| Forfeited | (581,000) | 14.43 |
| Outstanding at December 31, 2011 | 6,405,700 | $ 12.95 |
| Granted | 840,000 | 16.30 |
| Exercised | (2,488,400) | 11.29 |
| Forfeited | (97,000) | 14.86 |
| Outstanding at December 31, 2012 | **4,660,300** | **$ 14.40** |

The weighted average share price at the date of exercise for stock options exercised in the year ended December 31, 2012 was CAD$18.99 (for the year ended December 31, 2011 – CAD$17.34).

For the year ended December 31, 2012, the Company granted 840,000 incentive stock options at exercise price at CAD$16.30, compared to 2,115,000 stock options granted at an exercise prices ranging from CAD$14.24 per share to CAD$16.39 per share for the year ended December 31, 2011.

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

| For options granted in the year ended: | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Weighted average share price at grant date | $16.30 | $14.30 |
| Risk-free rate | 1.0%-1.2% | 1.7%-2.3% |
| Expected dividend yield | 1.04% | 0.43%-0.58% |
| Expected stock price volatility (based on historical volatility) | 40%-51% | 42%-58% |
| Expected life, based on terms of the grants (months) | 30-60 | 20-60 |
| Weighted average per share fair value of stock options granted | $5.48 | $4.96 |

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, 2012, 3,514,300 stock options were exercisable. The remaining 1,146,000 outstanding stock options vest over the following three years.

Stock options outstanding and exercisable as at December 31, 2012:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices ($CAD) | Number of options | Weighted average exercise price ($CAD) | Weighted average remaining contractual life (years) | Number of options | Weighted average exercise price ($CAD) |
| $6.00 - $8.00 | 30,000 | 6.76 | 0.42 | 30,000 | 6.76 |
| $8.01 - $10.00 | 430,000 | 9.80 | 1.44 | 430,000 | 9.80 |
| $10.01 - $14.00 | 100,000 | 13.04 | 2.13 | 100,000 | 13.04 |
| $14.01 - $15.00 | 3,215,300 | 14.60 | 2.59 | 2,919,300 | 14.64 |
| $15.01 - $17.50 | 885,000 | 16.31 | 4.39 | 35,000 | 16.65 |
| | **4,660,300** | **$ 14.40** | **2.80** | **3,514,300** | **$ 13.96** |

c) Stock Appreciation Rights ("SARs")

In 2011, the Company's Board approved a cash-settled stock appreciation rights plan ("SARs Plan") to grant incentive SARs to its directors, officers, employees and consultants. Under the SARs Plan, the number of units reserved for issuance cannot exceed 8% of the total number of common 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.

SARs granted to directors, officers, employees and certain consultants under the SARs Plan are exercisable for a five-year period. SARs granted prior to May 31, 2012 vest 20% on the date of grant, and 20% at each six-month interval following the date of grant. Vesting provisions in the SARs Plan were amended effective May 31, 2012. All grants subsequent to this amendment are subject to vesting of 1/3 on the first anniversary date, 1/3 on the second anniversary and 1/3 on the third anniversary date.

SARs are cash-settled liabilities, which are remeasured at each reporting date and at the settlement date. Any changes in the fair value of the liability are recognized as an expense to share-based compensation in the Statements of Comprehensive Income. As at December 31, 2012, the SARs liability was $3.8 million compared to $1.6 million at December 31, 2011. The SARs liability is recorded in accounts payable and accrued liabilities in the Consolidated Statements of Financial Position.

The following is a continuity of the changes in the number of SARs outstanding for the years period ended December 31, 2012 and 2011:

| | Number | Weighted average exercise price ($CAD) |
|---|---|---|
| Outstanding at January 1, 2011 | — | $ — |
| Granted | 770,000 | 16.36 |
| Outstanding at December 31, 2011 | 770,000 | $ 16.36 |
| Granted | 830,000 | 18.48 |
| Exercised | (52,180) | 15.49 |
| Forfeited | (17,140) | 15.49 |
| Outstanding at December 31, 2012 | **1,530,680** | **$ 17.55** |

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

| For SARS granted in the year ended: | December 31, 2012 | December 31, 2011 |
|---|---|---|
| Weighted average share price at grant date | $18.48 | $16.36 |
| Risk-free rate | 1.0%-1.6% | 1.1%-1.5% |
| Expected dividend yield | 0.65%-1.04% | 0.70%-0.80% |
| Expected stock price volatility (based on historical volatility) | 41%-64% | 41%-66% |
| Expected life, based on terms of the grants (months) | 20-60 | 20-60 |
| Weighted average per share fair value of SARs granted | $6.65 | $5.45 |

Stock appreciation rights outstanding and exercisable as at December 31, 2012:

| | Outstanding | | | Exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices ($CAD) | Number of SARs | Weighted average exercise price ($CAD) | Weighted average remaining contractual life (years) | Number of SARs | Weighted average exercise price ($CAD) |
| $15.00 - $17.00 | 450,680 | 15.90 | 2.79 | 163,200 | 15.72 |
| $17.01 - $19.00 | 605,000 | 17.56 | 3.86 | 294,000 | 17.28 |
| $19.01 - $20.00 | 475,000 | 19.11 | 4.75 | 0 | 0 |
| | **1,530,680** | **$ 17.55** | **3.82** | **457,200** | **$ 16.72** |

d) Earnings per share

Basic earnings per share amounts are calculated by dividing earnings for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated based on the weighted average number of common shares outstanding during the period, plus the effects of the dilutive common share equivalents.

| | For the year ended December 31, 2012 | December 31, 2011 |
|---|---|---|
| Earnings (000) | $ 117,956 | $ 60,081 |
| Weighted average number of common shares outstanding | 119,861,000 | 117,375,000 |
| Basic earnings per share | **$ 0.98** | **$ 0.51** |
| Dilutive effect of stock options outstanding | 1,043,000 | 1,294,000 |
| Diluted weighted average number of common shares outstanding | 120,904,000 | 118,669,000 |
| Diluted earnings per share | **$ 0.98** | **$ 0.51** |

## 13. INCOME TAXES

### a) Recent tax changes

In 2009, the Mexican government approved tax reform that includes a 2% increase in the income tax rate in Mexico from 28% to 30% for a three-year period starting in 2010. In December 2012, the Mexican government extended the 30% income tax rate for an additional year. The Mexican income tax rate is scheduled to be 30% for 2013, 29% for 2014, and 28% for 2015 onwards.

Effective January 1, 2008, the Company became subject to a Single Rate Tax Law enacted by the Mexican government on September 28, 2007. Under the Single Rate Tax Law, the Company's Mexican operating subsidiaries are subject to a tax equivalent to 17.5% of the Company's revenues less certain allowable deductions (as determined on a cash basis). The single rate tax is payable each year to the extent that it exceeds income tax otherwise payable pursuant to the pre-existing Mexican income tax laws. Any excess single rate tax paid cannot be credited against income taxes payable in future periods. For the years ended December 31, 2012 and 2011, the application of the new single rate tax did not impact the Company's tax expense.

### b) Rate Reconciliation

The reconciliation of the expected tax expense at a combined statutory rate in Canada of 26.5% (2011 –28.25%) and provision for income tax expense is:

| | December 31, 2012 ($000) | December 31, 2011 ($000) |
|---|---|---|
| Earnings before income taxes | 166,925 | 102,435 |
| Expected tax expense at statutory income tax rate | 44,234 | 28,944 |
| (Decrease)/increase resulting from: | | |
| Difference in foreign tax rates | 5,750 | 2,000 |
| Non-deductible stock-based compensation expense | 1,980 | 3,820 |
| Non-taxable loss (gain) | 1,615 | 3,620 |
| Change in foreign exchange rates | (3,630) | 4,750 |
| Inflation net (deductible losses) taxable gains | (880) | (1,350) |
| Increase (decrease) in Mexican deferred income tax rates | (100) | 570 |
| Income tax expense | **$ 48,969** | **$ 42,354** |

**c) Deferred tax reconciliation**

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

| December 31, 2012 | Canada ($000) | Mexico ($000) | Turkey ($000) | Total ($000) |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Asset retirement obligations | — | 4,154 | — | 4,154 |
| | — | 4,154 | — | 4,154 |
| **Deferred tax liabilities** | | | | |
| Other short-term | — | (13) | — | (13) |
| Inventory | — | (2,405) | — | (2,405) |
| Mineral property, plant and equipment | — | (40,101) | — | (40,101) |
| | — | (42,519) | — | (42,519) |
| **Net Deferred tax liabilities** | **$ —** | **$(38,365)** | **$ —** | **$(38,365)** |

| December 31, 2011 | Canada ($000) | Mexico ($000) | Turkey ($000) | Total ($000) |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Asset retirement obligations | — | 1,950 | — | 1,950 |
| Other short-term | — | 120 | — | 120 |
| | — | 2,070 | — | 2,070 |
| **Deferred tax liabilities** | | | | |
| Inventory | — | (1,220) | — | (1,220) |
| Mineral property, plant and equipment | — | (35,408) | (450) | (35,858) |
| | — | (36,628) | (450) | (37,078) |
| **Net deferred tax liabilities** | **$ —** | **$(34,558)** | **$(450)** | **$(35,008)** |

**d) Loss Carry-forwards and other tax attributes**

Deferred tax assets are recognized for the carry-forward of unused tax losses and tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses / credits can be utilized. The Company has not recognized the benefit of tax loss carry-forwards and other tax attributes in Canada or Turkey as at December 31, 2012 and December 31, 2011.

Non-capital losses available in Canada to be utilized in subsequent years are approximately $22.6 million expiring between 2014 and 2031. Net capital losses available in Canada to be utilized in subsequent years are approximately $12.6 million which carryforward indefinitely. In addition, the Company has financing costs of $0.9 million in Canada which will be deducted in future years.

Non-capital losses available in Turkey to be utilized in subsequent years are approximately $4.4 million expiring between 2013 and 2017.

**e) Unrecognized deferred tax liabilities**

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability has not been recognized, aggregate $270 million as at December 31, 2012 (December 31, 2011—$320 million).

## 14. SEGMENTED REPORTING

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

| As at | December 31, 2012 | | | | December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mexico | Turkey | Canada | Total | Mexico | Turkey | Canada | Total |
| | ($000) | ($000) | ($000) | ($000) | ($000) | ($000) | ($000) | ($000) |
| Non-current assets | 207,581 | 127,662 | 545 | 335,788 | 215,111 | 109,007 | 464 | 324,582 |
| Assets | 414,632 | 140,126 | 199,098 | 753,856 | 395,313 | 117,520 | 86,391 | 599,224 |
| Liabilities | 88,005 | 719 | 4,660 | 93,384 | 61,874 | 1,666 | 2,134 | 65,674 |

| | Year ended December 31, 2012 | | | | Year ended December 31, 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mexico | Turkey | Canada | Total | Mexico | Turkey | Canada | Total |
| | ($000) | ($000) | ($000) | ($000) | ($000) | ($000) | ($000) | ($000) |
| Revenues | 329,372 | — | — | 329,372 | 227,364 | — | — | 227,364 |
| Earnings (loss) | 139,846 | (4,850) | (17,040) | 117,956 | 89,890 | (6,135) | (23,674) | 60,081 |

## 15. COMMITMENTS AND CONTINGENCIES

### a) Royalty

Production from certain concessions within the Salamandra district, including the Mulatos Mine, is subject to a production royalty payable at a rate of 5% of the value of gold and silver production, less certain deductible 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. Production to a maximum of two million ounces of gold is subject to royalty. As at December 31, 2012, the royalty was paid or accrued on approximately 1,005,000 ounces of applicable gold production. Royalty expense for the year ended December 31, 2012 was $16.4 million (year ended December 31, 2011: $11.2 million).

In addition, a third party has a 2% Net Smelter Return Royalty on production from the Company's Ağı Dağı project. The Company has not recorded an accrual for this royalty at December 31, 2012 as the project is not in production. The Company is also subject to 2% state royalty on production in Turkey, subject to certain deductions.

### b) Mulatos Town Relocation

The Company commenced the planned relocation of the town of Mulatos in 2007 and relocation contracts were signed with over half of the families residing in Mulatos at that time. Property owners and possessors were offered a comprehensive benefits package including compensation for their property at a premium to independent third-party valuations and/or relocation benefits. In certain cases, relocation benefits include deferred monthly payments. Since the start of the Mulatos relocation effort in 2007, the Company has invested approximately $7.3 million in property acquisition, relocation benefits, legal, and related costs. In addition, the Company has recognized a liability of $0.3 million representing the discounted value of expected future payments for relocation benefits to property owners and possessors that had signed contracts with the Company as at December 31, 2012. The discounted value of the liability was capitalized to mineral property, plant and equipment.

During 2008, the Company, through its wholly-owned subsidiaries, entered into a land purchase agreement with the Mulatos Ejido, the local landowners. Pursuant to the land purchase agreement, the Company made a payment of $1.3 million in order to secure temporary occupation rights to specified land. An additional payment of approximately $1.0 million (based on current exchange rates) which has not been accrued as at December 31, 2012, is payable once the land has been vacated and transferred to the Company. The probability and timing of this additional payment is currently uncertain.

In 2010, the Mulatos Ejido filed a complaint with the Unitary Agrarian Court to nullify the 2008 land purchase agreement. In June 2012, the Agarian Unitary Court issued a judgement in which it ruled that the Company's wholly-owned subsidiary has been completely discharged of all claims made against it in this lawsuit. The Court also confirmed the validity of the 2008 land purchase agreement. In August 2012, the Mulatos Ejido filed an appeal with the Federal Courts.

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

**c) Operating lease commitments**

The Company has entered into operating lease commitments relating to the corporate office lease. Future minimum lease payments under non-cancellable operating leases as at December 31, 2012 are as follows:

| | As at December 31, 2012 |
|---|---|
| | ($000) |
| 2013 | 236 |
| 2014 | 238 |
| 2015 | 238 |
| 2016 | 20 |
| 2017 and beyond | — |
| Total | **$ 732** |

## 16. RELATED PARTY TRANSACTIONS

Remuneration of key management (includes the Corporation's directors and executive team)

| Expense by nature: | 2012 | 2011 |
|---|---|---|
| | ($000) | ($000) |
| Management salaries and benefits | 3,955 | 3,418 |
| Directors fees | 479 | 230 |
| Share based payments[1] – Management | 5,106 | 5,983 |
| Share based payments[1] – Directors | 812 | 3,536 |
| | $10,352 | $13,167 |

1. Represents grant date fair value of stock options and SARs granted during the year

These transactions are in the normal course of operations and all of the transactions are measured at the exchange amount of consideration established and agreed to by the parties.

## 17. MANAGEMENT OF CAPITAL

The Company defines capital that it manages as its shareholders equity. The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders. At December 31, 2012, total managed capital was $660.5 million (December 31, 2011 - $533.6 million).

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

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

The Company manages its capital structure by performing the following:

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

There were no changes in the Company's approach to managing capital during the year.

**18. SUBSEQUENT EVENTS**

On January 14, 2013, the Company announced it commenced an offer to acquire Aurizon Mines Ltd. ("Aurizon") for approximately CAD$780 million in cash and shares (the "Offer"). Alamos has also listed its common shares on the New York Stock Exchange under the ticker symbol "AGI", and commenced trading on February 13, 2013.

Under the terms of the Offer, Alamos proposes to acquire all of the issued and outstanding Aurizon Shares ("Aurizon Shares") for consideration of, at the election of each Aurizon shareholder, either (i) 0.2801 common shares of the Company ("Alamos Shares"), or (ii) CAD$4.65 in cash, in each case, subject to pro-ration based on a maximum cash consideration of CAD$305,000,000 and a maximum number of Alamos Shares issued of 23,500,000.

On February 18, 2013, the Company announced that it was extending the Offer to March 5, 2013, unless further extended or withdrawn. The Offer is conditional upon Alamos acquiring that number of Aurizon shares, which, together with the Aurizon shares already owned by Alamos, represent not less than 66 2/3 percent of the outstanding Aurizon Shares calculated on a fully-diluted basis, as well as receipt of all necessary governmental or regulatory approvals and other customary unsolicited offer conditions.

In January 2013, the Company issued 6,584,380 common shares pursuant to share purchase agreements entered into between Alamos and certain current and former shareholders of Aurizon (the "Vendors") for the purchase of 23,507,283 common shares of Aurizon. The purchase price payable by Alamos to each of the Vendors was CAD$4.65 per Aurizon Share. The purchase price was satisfied by the delivery of Alamos Shares at an exchange ratio of 0.2801 of an Alamos Share for each Aurizon Share.

**19. RECLASSIFICATION**

The comparative consolidated financial statements have been reclassified to conform to the presentation of the current year consolidated financial statements.

**Exhibit 99.4**

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John A. McCluskey, certify that:

1. I have reviewed this annual report on Form 40-F of Alamos Gold Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) [omitted pursuant to Rule 13a-14(a) of the Exchange Act];
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 29, 2013

/s/ John A. McCluskey

John A. McCluskey
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 99.5**

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jamie Porter, certify that:

1. I have reviewed this annual report on Form 40-F of Alamos Gold Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) [omitted pursuant to Rule 13a-14(a) of the Exchange Act];
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 29, 2013

/s/ Jamie Porter

Jamie Porter
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 99.6**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Alamos Gold Inc. (the "Company") on Form 40-F for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John A. McCluskey, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ John A. McCluskey
John A. McCluskey
President and Chief Executive Officer

March 29, 2013

**Exhibit 99.7**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Alamos Gold Inc. (the "Company") on Form 40-F for the year ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jamie Porter, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Jamie Porter
Jamie Porter
Chief Financial Officer

March 29, 2013

**Exhibit 99.8**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the use in this Annual Report Form 40-F of Alamos Gold Inc. for the year ended December 31, 2012 of our report dated February 19, 2013 with respect to the consolidated statements of Alamos Gold Inc. included herein.

(Signed) ERNST & YOUNG LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 29, 2013