ALAMOS GOLD INC.

September 30, 2009
(Unaudited - stated in thousands of United States dollars)

INDEX

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements of Alamos Gold Inc. ("the Company") including the accompanying consolidated balance sheets as at September 30, 2009 and December 31, 2008 and the consolidated statements of operations and comprehensive income, changes in shareholders' equity and cash flows for the three and nine-month periods ended September 30, 2009 and 2008 are the responsibility of the Company's management. The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles for interim financial statements.

ALAMOS GOLD INC.
CONSOLIDATED BALANCE SHEETS

(Unaudited - stated in thousands of United States dollars)

	Note Ref.	September 30, 2009	December 31, 2008
A S S E T S			
Current Assets			
Cash and cash equivalents		$140,918	$43,779
Short-term investments		13,100	-
Amounts receivable	4	677	4,850
Advances and prepaid expenses		3,052	636
Available-for-sale securities	5	3,895	465
Inventory	6	21,891	26,666
		183,533	76,396
Mineral property, plant and equipment	7	137,595	132,872
		$321,128	$209,268
L I A B I L I T I E S			
Current Liabilities			
Accounts payable and accrued liabilities	8	$8,065	$10,919
Income taxes payable		2,261	2,132
Current portion of property acquisition obligations	11	350	332
		$10,676	13,383
Future income taxes		12,659	11,320
Employee future benefits	9	633	479
Asset retirement obligations	10	4,119	3,780
Property acquisition obligations	11	458	599
Total Liabilities		$28,545	$29,561
S H A R E H O L D E R S’ E Q U I T Y			
Share capital	12	$242,798	$167,920
Contributed surplus	12	11,435	10,108
Accumulated other comprehensive income		97	(693)
Retained earnings		38,253	2,372
		292,583	179,707
		$321,128	$209,268

See notes to interim consolidated financial statements

ALAMOS GOLD INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

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

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2009	**2008**	**2009**	**2008**
OPERATING REVENUES				
Gold sales	$41,283	$37,207	$118,781	$100,573
OPERATING EXPENSES				
Mining and processing	11,767	14,976	36,507	40,475
Royalties	1,815	1,762	5,946	4,995
Amortization	5,368	5,438	16,157	14,860
Exploration	1,793	1,383	4,055	2,421
Corporate and administrative	1,201	1,198	4,075	3,171
Stock-based compensation	1,200	966	4,750	3,386
Accretion	88	78	256	238
Employee future benefits	67	19	197	45
	23,299	25,820	71,943	69,591
EARNINGS FROM OPERATIONS	**17,984**	**11,387**	**46,838**	**30,982**
Interest income	235	120	929	241
Interest expense	-	-	-	(313)
Accretion of convertible debenture discount	-	-	-	(20)
Foreign exchange gain	1,152	400	1,365	14
Other gain (loss)	18	(361)	645	(563)
Earnings before income taxes for the period	**19,389**	**11,546**	**49,777**	**30,341**
Income taxes				
- Current expense	(4,261)	(3,510)	(12,841)	(11,000)
- Future (expense) recovery	(1,013)	310	(1,055)	900
Earnings for the period	**$14,115**	**$8,346**	**$35,881**	**$20,241**
Other comprehensive income				
- Unrealized gain on securities	97	(405)	552	(405)
- Reclassification of realized losses on available-for-sale securities to earnings	-	-	238	-
Comprehensive income for the period	**$14,212**	**$7,941**	**$36,671**	**$19,836**
Earnings per share for the period				
– basic	**$0.13**	**$0.09**	**$0.34**	**$0.21**
– diluted	**$0.13**	**$0.09**	**$0.33**	**$0.21**
Weighted average number of common shares outstanding				
- basic	108,560,000	95,714,000	105,937,000	95,226,000
- diluted	110,229,000	97,183,000	107,904,000	96,862,000

See notes to interim consolidated financial statements

ALAMOS GOLD INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited - stated in thousands of United States dollars)

	Number of shares outstanding	Share capital	Convertible debenture	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings (deficit)	Total Shareholders' Equity
Balance at December 31, 2007	**94,516,231**	**$161,042**	**$293**	**$6,810**	**$ -**	**($27,008)**	**$141,137**
Stock-based compensation				3,386			3,386
Shares issued on exercise of options	1,069,500	3,821		(1,010)			2,811
Conversion of convertible debenture	258,677	1,477	(293)				1,184
Earnings						20,241	20,241
Other comprehensive income					(405)		(405)
Balance at September 30, 2008	**95,844,408**	**$166,340**	**$ -**	**$9,186**	**($405)**	**($6,767)**	**$168,354**

	Number of shares outstanding	Share capital	Convertible debenture	Contributed surplus	Accumulated other comprehensive income (loss)	Retained earnings	Total Shareholders' Equity
Balance at December 31, 2008	**96,527,408**	**$167,920**	**$ -**	**$10,108**	**($693)**	**$2,372**	**$179,707**
Stock-based compensation				4,750			4,750
Shares issued on exercise of options	1,877,000	12,703		(3,423)			9,280
Shares issued on financing	10,410,000	62,175					62,175
Earnings						35,881	35,881
Other comprehensive income					790		790
Balance at September 30, 2009	**108,814,408**	**$242,798**	**$ -**	**$11,435**	**$97**	**$38,253**	**$292,583**

See notes to interim consolidated financial statements

ALAMOS GOLD INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited - stated in thousands of United States dollars)

	For the three-month periods ended September 30,		For the nine-month periods ended September 30	
	2009	**2008**	**2009**	**2008**
Cash provided by:				
Operating Activities				
Earnings for the period	$14,115	$8,346	$35,881	$20,241
Adjustments for items not involving cash:				
Amortization	5,368	5,438	16,157	14,860
Accretion	88	78	256	258
Employee future benefits	67	19	197	45
Unrealized foreign exchange (gain)/loss	(602)	(682)	313	14
Future income taxes	1,013	(310)	1,055	(900)
Realized gain on sale of securities	(2)	(1)	(83)	(22)
Stock-based compensation	1,200	966	4,750	3,386
Changes in non-cash working capital:				
Fair value of forward contracts	90	315	138	515
Amounts receivable	(2,081)	(2,115)	(3,447)	(3,218)
Inventory	(171)	3,151	3,367	3,943
Advances and prepaid expenses	152	(168)	(2,415)	650
Accounts payable, taxes payable and accrued liabilities	3,474	4,274	4,659	9,537
	22,711	**19,311**	**60,828**	**49,309**
Investing Activities				
(Purchase) sale of securities	(3,777)	38	(2,673)	59
Short-term investments	(6,100)	-	(13,100)	-
Mineral property, plant and equipment	(8,480)	(4,298)	(19,371)	(16,712)
	(18,357)	**(4,260)**	**(35,144)**	**(16,653)**
Financing Activities				
Common shares issued	2,773	1,105	71,455	2,811
Capital lease repayments	-	-	-	(8,575)
Convertible debenture settled	-	-	-	(100)
	2,773	**1,105**	**71,455**	**(5,864)**
Net increase in cash and cash equivalents	7,127	16,156	97,139	26,792
Cash and cash equivalents - beginning of period	133,791	18,393	43,779	7,757
Cash and cash equivalents - end of period	**$140,918**	**$34,549**	**$140,918**	**$34,549**
Supplemental information:				
Interest paid	$-	$-	$-	$341
Income taxes paid (note 4)	$-	$-	$3,060	$1,850

See notes to interim consolidated financial statements

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

1. NATURE OF OPERATIONS

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

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

These unaudited interim financial statements have been compiled in United States dollars in accordance with accounting principles generally accepted in Canada for interim reporting using the same accounting policies and measurement criteria as those utilized in the preparation of the Company's audited consolidated financial statements for the years ended December 31, 2008 and 2007, except for the changes discussed in Note 3. These interim financial statements do not conform in all respects with disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements and related notes thereto.

3. CHANGES IN ACCOUNTING POLICIES AND PRESENTATION

a) Goodwill and Intangible Assets

The Canadian Institute of Chartered Accountants ("CICA") issued CICA Handbook Section 3064: Goodwill and Intangible Assets, effective January 1, 2009. This standard clarifies that costs can be deferred only when they relate to an item that meets the definition of an asset, and as a result, startup costs must be expensed as incurred. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

b) Recent Accounting Pronouncements

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that public companies will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011. The conversion to IFRS will require the Company to change certain accounting policies, systems, internal controls over financial reporting and disclosure controls. The Company is in the process of quantifying the impact of adopting IFRS on its financial statements.

Business Combinations, Consolidations, Non-Controlling Interests

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

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

In January 2009 the Emerging Issues Committee ("EIC") issued EIC-173. In this EIC the Committee reached a consensus that in determining the fair value of financial assets and financial liabilities an entity should take into account the credit risk of the entity and the counterparty. The Company adopted the EIC in 2008. Adoption had no material impact on the classification or valuation of the Company's consolidated financial statements.

4. AMOUNTS RECEIVABLE

	September 30, 2009	December 31, 2008
	($000)	($000)
Accounts receivable	159	432
Mexican value-added tax	518	4,418
	$677	$4,850

As permitted by Mexican tax law, the Company offset $7.6 million of Mexican value-added tax receivables against its current taxes payable liability during the nine-month period ended September 30, 2009 ($nil for the same period of 2008).

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Categories of Financial Assets and Liabilities

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

	September 30, 2009	December 31, 2008
	($000)	($000)
Held for trading [(1)]	154,018	43,779
Gold forward and option contracts designated as held-for-trading [(2)]	(138)	(406)
Available-for-sale	3,895	465
Loans and receivables [(3)]	677	4,850
Other financial liabilities [(4)]	(8,735)	(11,444)

(1) Includes cash and cash equivalents and short-term investments.
(2) Includes the Company's gold forward sales contracts which are not considered to be effective hedges for accounting purposes. Classified within accounts payable and accrued liabilities in the consolidated balance sheet.
(3) Includes amounts receivable.
(4) Includes accounts payable and accrued liabilities and property acquisition obligations.

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

In 2006, the Company sold its La Fortuna property to Castle Gold Corporation ("Castle") for consideration of 2.5 million common shares of Castle and a 1% net smelter royalty on future production from the La Fortuna property. In the nine-month period ended September 30, 2009, the Company sold all of its investment in the common shares of Castle (total 2,153,500 shares) for proceeds of $1,079,000. At September 30, 2009, the Company held other securities valued at $3,895,000.

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. At September 30, 2009, the Company had outstanding contracts to deliver up to 13,310 ounces of gold in the fourth quarter of 2009, compared to 6,911 ounces under contract at December 31, 2008. The mark-to-market gain (net of related premium income) associated with these contracts at September 30, 2009 was $31,000.

In addition at September 30, 2009, the Company had foreign currency option contracts to deliver up to $2,000,000 in United States dollars at Mexican Peso to United States dollar exchange rates ranging from 13.35:1 to 13.60:1. The mark-to-market loss associated with these contracts at September 30, 2009 was $21,000.

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, hedges financial risks. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors.

i. Commodity Price Risk

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

ii. Foreign Exchange Risk

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

The Company has elected not to hedge its exposure to fluctuations in the Canadian dollar by buying fixed rate forward contracts in Canadian dollars. Corporate and administrative costs associated with the Company's head office in Toronto are denominated in Canadian dollars. A 10% increase/(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 $0.5 million annually.

The Company has exposure to monetary assets and liabilities denominated in Mexican pesos. Significant cash balances, outstanding amounts receivable, accounts payable or tax liabilities denominated in Mexican pesos could expose the Company to a foreign exchange gain or loss. Recently, the value of the Mexican peso compared to the United States dollar has weakened significantly. The Company attempts to hedge its balance sheet exposure to changes in the Mexican peso/United States dollar exchange rate by maintaining cash balances in Mexican pesos to offset the portion of its future tax liabilities and taxes payable balances that are denominated in pesos. However, transactional foreign exchange gains and losses may still result from the Company's inability to exactly predict the 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. As the Mexican peso weakens against the United States dollar, the Company's operating costs (as reported in equivalent United States dollars) decrease. A 10% decline in the value of the Mexican peso compared to the United States dollar could reduce the Company's reported mining and processing costs and increase reported earnings before income taxes by approximately $2.5 million annually. Conversely, a 10% increase in the value of the Mexican peso compared to the United States dollar could increase the Company's reporting mining and processing costs and reduce reported earnings before income taxes by the same amount.

iii. Interest Rate Risk

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

iv. Credit Risk

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

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

The carrying value of amounts receivable are reduced through the use of an allowance account (when applicable) and the amount of any allowance is recognized as a loss and included in operating expenses. When a receivable balance is considered uncollectible, it is written off against the allowance for amounts receivable. The majority of the Company's receivable balances consist of Mexican value-added tax recoverable claims. The Company is exposed to credit risk in the case that the tax department of the Mexican government is unable to pay the amounts receivable. As at September 30, 2009, the Company was owed $398,000 from the Mexican government.

v. Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash reserves and credit in order to meet its liquidity requirements at any point in time. The Company currently achieves this by maintaining sufficient cash and cash equivalents. As at September 30, 2009 the Company had cash and cash equivalents and short term investments of $154,018,000. The Company expects that construction of the mill and other ongoing construction projects at its current operations will be financed from existing cash balances. The total cost and planned timing of acquisitions and/or other development or construction projects is not currently determinable and it is not currently known whether the Company will require external financing in future periods.

6. INVENTORY

	September 30, 2009	**December 31, 2008**
	($000)	($000)
Precious metals dore and refined precious metals	3,762	3,596
In-process precious metals	8,188	14,617
Parts and supplies	9,941	8,453
	$21,891	$26,666

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 three and nine-month periods ended September 30, 2009 was $11,612,000 and $35,730,000. The amount of inventory charged to operations as amortization in the three and nine-month periods ended September 30, 2009 was $3,525,000 and $10,834,000 respectively.

7. MINERAL PROPERTY, PLANT AND EQUIPMENT

In 2003, the Company acquired a 100% interest in certain properties within the Salamandra group of concessions, comprising approximately 30,325 hectares, in consideration for the payment of CDN$11,154,000. Certain concessions within the acquired properties are subject to a sliding scale net smelter royalty payable at a rate of 5% of the value of gold and silver production. Included within the Salamandra group of concessions is the Mulatos mine which began operations in 2005. With the achievement of commercial production on April 1, 2006, the Mine's production to a maximum of two million ounces of gold became subject to royalty.

	September 30, 2009			**December 31, 2008**
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	($000)	($000)	($000)	($000)
Mineral property and mine development	80,611	(17,407)	63,204	52,052
Mining plant and equipment	115,044	(41,422)	73,622	80,554
Office and computer equipment	1,330	(561)	769	266
	$196,985	$59,390	$137,595	$132,872

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2009	December 31, 2008
	($000)	($000)
Trade accounts payable	5,478	4,674
Customer advances	-	2,926
Royalties payable	1,815	1,605
Other accrued liabilities	772	1,714
	$8,065	$10,919

9. EMPLOYEE FUTURE BENEFITS

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

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

10. ASSET RETIREMENT OBLIGATIONS

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

A continuity of asset retirement obligations is as follows:

	Nine-month period ended September 30, 2009	Year ended December 31, 2008
	($000)	($000)
Obligations at start of period	3,780	3,460
Revisions in estimated cash flows and changes in assumptions	130	(177)
Liabilities incurred	-	263
Accretion of discounted cash flows	209	234
Obligations at end of period	$4,119	$3,780

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

	September 30, 2009	**December 31, 2008**
Estimated cost ($000)	7,804	5,681
End of mine life	2018	2014
Discount rate	6.48% - 7.30%	6.48% - 7.30%

The estimated end of mine life was revised to 2018 as a result of a significant increase in the Company's reported reserves.

11. PROPERTY ACQUISITION OBLIGATIONS

The Company is in the process of acquiring property adjacent to its present and prospective mining operations, including property comprising the town of Mulatos. Property owners and possessors are being offered a comprehensive benefits package including compensation for their property and/or relocation benefits. In certain cases, relocation benefits include deferred monthly payments over periods varying from three to five years. Obligations are recognized when a legal contract is signed by both parties and are measured at the discounted value of expected future payments. The discounted value accretes to the full value of the expected future payments over the period of the payment obligation. At September 30, 2009, the Company has applied a discount rate of approximately 7.00% to expected future payments.

12. SHARE CAPITAL

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

	Number of Shares	**Amount**
		($000)
Outstanding at January 1, 2008	94,516,231	161,042
Exercise of stock options	1,752,500	4,338
Conversion of convertible debenture	258,677	1,475
Transfer of contributed surplus to share capital for exercised stock options	-	1,065
Outstanding at December 31, 2008	96,527,408	167,920
Share financing	10,410,000	62,175
Exercise of stock options	1,877,000	9,280
Transfer of contributed surplus to share capital for stock options exercised	-	3,423
Outstanding at September 30, 2009	108,814,408	242,798

b) Share financing

On February 17, 2009, the Company completed a bought-deal financing whereby the Company issued a total of 10,410,000 common shares at a price of CDN$8.00 for gross proceeds of CDN$83,280,000. In conjunction with the financing, the underwriters received a cash commission of 5%. Net proceeds of the financing after underwriters commissions, legal, listing and other costs amounted to CDN$78,725,000 or $62,175,000.

c) Stock options outstanding and exercisable as at September 30, 2009:

	Outstanding			Exercisable	
Range of exercise prices ($CDN)	**Number of options**	**Weighted average exercise price ($CDN)**	**Weighted average remaining contractual life (years)**	**Number of options**	**Weighted average exercise price ($CDN)**
$3.01 - $4.00	630,000	3.73	0.67	630,000	3.73
$6.01 - $7.00	1,556,000	6.36	3.13	862,400	6.34
$7.01 - $8.00	1,783,000	7.44	2.48	1,381,000	7.44
$8.01 - $9.00	933,500	8.86	2.24	813,500	8.86
$9.01 - $10.00	1,554,000	9.19	4.08	298,000	9.19
	6,456,500	$7.58	2.81	3,984,900	$7.04

d) Summary of stock option activity:

	Number	**Weighted average exercise price ($CDN)**
Outstanding at January 1, 2008	6,554,500	$5.52
Granted	1,545,000	6.12
Exercised	(1,752,500)	2.69
Forfeited	(360,500)	7.90
Outstanding at December 31, 2008	5,986,500	$6.36
Granted	2,390,000	$9.15
Exercised	(1,877,000)	$5.67
Forfeited	(43,000)	$7.93
Outstanding at September 30, 2009	6,456,500	$7.58

e) Summary of contributed surplus activity:

	Amount ($000)
Balance at January 1, 2008	6,810
Stock-based compensation	4,363
Transfer of contributed surplus to share capital for stock options exercised	(1,065)
Balance at December 31, 2008	$10,108
Stock-based compensation	4,750
Transfer of contributed surplus to share capital for stock options exercised	(3,423)
Balance at September 30, 2009	$11,435

13. STOCK-BASED COMPENSATION

The Company has a stock option plan, originally approved by the Board of Directors (the "Board") on April 17, 2003, to allow the Company to grant incentive stock options to its directors, officers, employees and consultants. At the Company's annual general meeting held on May 24, 2005, as amended and ratified on May 25, 2007, May 15, 2008 and April 7, 2009, the shareholders of the Company approved an amendment to the Company's stock option plan. Under the amended stock option plan, the number of shares reserved for issuance cannot exceed 10% of the total number of shares which are outstanding on the date of grant. The exercise price, term (not to exceed ten years) and vesting provisions are authorized by the Board at the time of the grant.

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

During the third quarter of 2009, the Company granted a total of 90,000 incentive stock options to purchase common shares in the capital of the Company at exercise prices ranging from CDN$9.80 to CDN$9.83 per share. In the third quarter of 2008, the Company granted 50,000 incentive stock options at exercise price of CDN$6.10 per share.

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

For options granted in the three-month periods ended	**September 30, 2009**	**September 30, 2008**
Risk-free rate	1.48%	2.75%
Expected dividend yield	Nil	nil
Expected stock price volatility	63%-63.5%	50%
Expected option life, based on terms of the grants (months)	27	27-40
Weighted average per share fair value of options granted	$3.33	$2.27

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 September 30, 2009, 3,984,900 stock options were exercisable. The remaining 2,471,600 outstanding stock options vest over the following two years. Subsequent to September 30, 2009, 19,000 stock options were exercised at an average exercise price of CDN$7.01.

14. SEGMENTED REPORTING

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

	September 30, 2009	December 31, 2008
	($000)	($000)
Assets, by geographic segment		
- Mexico	239,494	177,868
- Canada	81,634	31,400
	$321,128	$209,268

Nine-month periods ended	September 30, 2009			September 30, 2008		
	Mexico	Canada	Total	Mexico	Canada	Total
	($000)	($000)	($000)	($000)	($000)	($000)
Revenues	118,781	-	118,781	100,573	-	100,573
Earnings (loss)	40,016	(4,135)	35,881	27,685	(7,444)	20,241

15. INCOME TAXES

Effective January 1, 2008, the Company is subject to a new Single Rate Tax Law enacted by the Mexican government on September 28, 2007. Under the new Single Rate Tax Law, the Company's Mexican operating subsidiaries are subject to a tax equivalent to 17.5% (with lower transitional rates in 2009 of 17%) of the Company's revenues less certain allowable deductions (as determined on a cash basis). The single rate tax is payable each year to the extent that it exceeds income tax otherwise payable pursuant to the pre-existing Mexican income tax laws. Any excess single rate tax paid cannot be credited against income taxes payable in future periods. In the nine-month period ended September 30, 2009, the application of the new single rate tax did not impact the Company's tax expense.

Subsequent to quarter-end, the Mexican government proposed 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. The Company estimates that the proposed increase in the tax rate could reduce after-tax earnings in Mexico by up to $1.5 million (at current gold prices) annually in each of the next three years.

16. 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 September 30, 2009, total managed capital was $292,583,000 (December 31, 2008 - $179,707,000).

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

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

The Company manages its capital structure by performing the following:

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

17. COMMITMENTS AND CONTINGENCIES

a) Acquisition of Turkish Assets

On September 23, 2009, the Company entered into a Memorandum of Understanding ("MOU") providing for Alamos to acquire 100% of the Agi Dagi and Kirazli gold projects from Fronteer Development Corp. and Teck Resources Limited (the "vendors"), through the acquisition of certain Turkish subsidiaries of Teck and Fronteer. Agi Dagi and Kirazli are advanced-stage gold exploration projects that form part of the Biga Mineral District, a recently established gold-copper mineral district, which is located in the Biga Peninsula of northwestern Turkey.

Under the MOU, the Company will pay a total of US$40 million and issue a total of four million shares to the vendors in consideration for these two projects. At recent share prices and foreign exchange rates, the initial acquisition cost is expected to be between $72 million and $78 million. In addition to statutory compensation that may apply to the transaction, a third party has a 2% net smelter royalty on production from the Agi Dagi project. Completion of the transaction is subject to a 60-day due diligence period, the execution of definitive agreements and corporate and regulatory approval.

b) Escondida Development

During the third quarter of 2009, the Company signed a contract with an international mining contractor to develop the Escondida zone of the Mulatos Pit. Development began in the third quarter of 2009 and is expected to be completed over approximately a two-year period. The total contract value is approximately $40 million, and is subject to the contractor achieving certain preset performance conditions.

c) Royalty

Production from the Mine is subject to a sliding scale production royalty. At current gold prices above $400 per ounce, 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, the Mine's production to a maximum of two million ounces of gold is subject to royalty. As at September 30, 2009, the royalty was paid or accrued on approximately 458,000 ounces of applicable gold production. Royalty expense for the third quarter of 2009 was $1,815,000 compared to $1,762,000 in the third quarter of 2008.

d) Mulatos Town Relocation

The Company commenced the planned relocation of the town of Mulatos in 2007. Relocation contracts have been signed with in excess of half of the families residing in Mulatos at the start of the relocation program. Property owners and possessors are being offered a comprehensive benefits package including compensation for their property at a premium to independent third-party valuations and/or relocation benefits. In certain cases, relocation benefits include deferred monthly payments. Since the start of the relocation effort in 2007, the Company has invested approximately $5,669,000 in property acquisition, relocation benefits, legal and related costs. In addition, the Company has recognized a liability of $808,000 representing the discounted value of expected future payments for relocation benefits to property owners and possessors that had signed contracts with the Company as at September 30, 2009. The discounted value of the liability ($654,500) was capitalized to mineral property, plant and equipment.

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

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

e) Mining Equipment Dispute

In 2005, the Company acquired certain used mobile mining equipment from a United States construction company. In 2006, a court judgment was issued in the United States allowing a mining finance company to repossess the equipment from the construction company which had failed to make required loan payments. In the second quarter of 2009, the Company was notified that the mining finance company had filed suit in the United States against the Company, seeking remedies and/or compensation of up to $3.1 million. The Company is in consultation with legal counsel in the United States and Mexico. The Company cannot currently determine the expected cost associated with this dispute. No court judgment has been issued in Mexico or elsewhere against the Company.