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 three-month periods ended March 31, 2009 compared with the three-month periods ended March 31, 2008. Together with the interim consolidated financial statements and related notes, the MD&A provides a detailed account and analysis of the Company's financial and operating performance for the year. The Company's functional and reporting currency is the United States dollar. This MD&A is current to May 4, 2009 and should be read in conjunction with the Company's Annual Information Form and other corporate filings available at www.sedar.com ("SEDAR"). Management is responsible for the interim consolidated financial statements referred to in this MD&A, and provides officers disclosure certifications filed with securities commissions on SEDAR. The audit committee reviews the interim consolidated financial statements and MD&A, and recommends approval to the Company's Board of Directors.

The MD&A should be read in conjunction with the interim consolidated financial statements of the Company and related notes, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Refer to Note 2 of the December 31, 2008 and 2008 audited consolidated financial statements for disclosure of the Company's significant accounting policies. Refer to Note 3 of the March 31, 2009 interim consolidated financial statements for a discussion of changes in accounting policies and presentation.

Note to U.S. Investors

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

Overview

Alamos Gold Inc. is a publicly traded company on the Toronto Stock Exchange (TSX: AGI). The Company owns 100% of the 30,325-hectare Salamandra group of concessions located in the state of Sonora in northwest Mexico. The Salamandra group of concessions includes the Mulatos mine (the "Mine") and several other prospective exploration targets throughout the district. The Mine produces gold in dore bars for shipment to a refinery. Gold may be sold in refined form or as dore. The Company achieved commercial production at the Mine on April 1, 2006.

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

Proven and probable reserves as at December 31, 2008 were 47,654,000 million tonnes grading 1.35 grams of gold per tonne of ore ("g/t Au") or approximately 2.05 million contained ounces of gold.

First Quarter 2009 Highlights

During the three-month period ended March 31, 2009, the Company:

- Recognized quarterly earnings of $8.8 million ($0.09 per share) compared to earnings of $5.7 million ($0.06 per share) in the first quarter of 2008.
- Produced a record 46,000 ounces at a cash operating cost of $306 per ounce of gold sold (total cash cost inclusive of royalties of $353 per ounce of gold sold).
- Announced updated reserves and resources with the increase in reserves supporting a doubling of mine life (based on current throughput rates).
- Significantly increased the Company's cash position through completion of a bought-deal financing for net proceeds of $62.2 million.
- Reported a 14% increase in revenues from $31 million in the first quarter of 2008 to $35.5 million in the first quarter of 2009.
- Generated cash flows from operating activities of $16.7 million or $0.16 per share compared to $14.8 million or $0.16 per share (basic) in the first quarter of 2008.
- Sold 40,058 ounces of gold, representing an increase of 16% over gold sales in the first quarter of 2008 of 34,609 ounces.
- Increased cash balances by $75.2 million in the quarter to $119 million at March 31, 2009.

Results of Operations

Gold production of 46,000 ounces in the first quarter of 2009 increased 38% over gold production of 33,253 ounces in the first quarter of 2008. Gold sales in the first quarter of 2009 increased 16% over the comparable period of 2008 to 40,058 ounces. The table below outlines key quarterly production indicators during the first quarters of 2009 and 2008:

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

Production summary	Q1 2009	Q1 2008	Change (#)	Change (%)
Ounces produced [1]	46,000	33,253	12,747	38%
Ore mined (tonnes)	1,047,000	1,230,000	(183,000)	(15%)
Waste mined (tonnes)	1,532,000	1,653,000	(121,000)	(7%)
Total mined (tonnes)	2,579,000	2,883,000	(304,000)	(11%)
Waste-to-ore ratio	1.46	1.34	0.12	9%
Ore crushed (tonnes)	1,068,000	1,244,000	(176,000)	(14%)
Ore mined per day (tonnes)	11,500	13,500	(2,000)	(15%)
Ore crushed per day (tonnes)	11,700	13,670	(1,970)	(14%)
Grade (g/t Au)	1.71	2.34	(0.63)	(27%)

(1) Reported gold production for Q1 2008 has been adjusted to reflect final refinery settlement. Reported gold production for Q1 2009 is subject to final refinery settlement and may be adjusted.

A new quarterly record was set as gold production in the first quarter of 2009 increased 38% over the prior year period to 46,000 ounces. The Company previously announced that the drum agglomeration process was commissioned ahead of schedule in December 2008. At that time, the Company reported that it expected drum agglomeration to improve leach pad percolation and increase gold recoveries. First quarter 2009 production has demonstrated the benefits of drum agglomeration, with the record level of gold production indicating that gold recoveries over the 17-week leach cycle are improving significantly.

Ore mined and crushed were below budget in the first quarter of 2009 due primarily to two factors. The Company completed a rebuild of the grizzly at the primary crusher in January which resulted in shutting down the primary crusher for approximately five days. In addition, in February and March 2009, the Company mined through an area of the open pit which contained harder than usual ore. This necessitated reducing crusher throughput in order to achieve the desired crush size specifications. In early April 2009, the Company finished mining in this area of the pit and expects ore mined and crushed to increase from the first quarter level of between 11,500 - 11,700 tonnes per day to the budgeted level of approximately 13,400 tonnes per day.

The grade of ore crushed and stacked on the leach pad in the first quarter of 2009 was 1.71 g/t Au, slightly higher than the Company's 2009 budgeted grade of 1.60 g/t Au. In the first quarter of 2008, the Company crushed ore with a grade of 2.34 g/t Au, significantly higher than the budgeted grade.

Costs per tonne summary	Q1 2009	Q1 2008	Change %
Mining cost per tonne of material (ore and waste)	$1.46	$1.50	(3%)
Waste-to-ore ratio	1.46	1.34	9%
Mining cost per tonne of ore	$3.60	$3.51	3%
Crushing/conveying cost per tonne of ore	$1.78	$2.24	(21%)
Processing cost per tonne of ore	$2.26	$2.22	2%
Mine administration cost per tonne of ore	$1.57	$1.47	7%
Total cost per tonne of ore	$9.21	$9.44	(2%)

Total cost per tonne of ore in the first quarter of 2008 was $9.21 or 2% lower than the $9.44 incurred in the same period of 2008. The marginally lower cost per tonne of ore in the first quarter of 2009 was due in part to the weakening of the Mexican peso, offset by lower tonnes throughput and a higher waste-to-ore ratio.

Mining cost per tonne of material was $1.46 in the current period, 3% lower than $1.50 in the first quarter of 2008 despite an 11% decrease in the tonnes of total material mined.

Crushing and conveying cost per tonne of ore in the first quarter of 2009 was $1.78. This represented a 21% decrease compared to the prior year period and is primarily attributable to cost savings realized from the conveying and stacking system. Additional costs associated with the new stage of crushing and an enhanced preventative maintenance schedule have been more than offset by costs savings associated with the elimination of truck-hauling and loading ore on the leach pad.

Processing cost per tonne of ore in the first quarter of 2009 was $2.26 compared to $2.22 in the comparable period of 2008. Processing costs include expenditures incurred with respect to the leach pad, gold recovery plant and refining activities. The conveying and stacking system commissioned in the second quarter of 2008 has resulted in a more efficient lime application process which has decreased lime consumption and corresponding lime costs. Cost savings related to lower lime consumption have been offset by the addition of cement costs to the Company's processing cost structure resulting from the commissioning of the drum agglomeration circuit in December 2008.

Mine administration cost per tonne of ore in the three months ended March 31, 2009 was $1.57 compared with $1.47 in the same period of 2008. This increase is primarily attributable to lower tonnes throughput in the first quarter of 2009 compared to the same period of 2008.

Cash operating costs of $306 per ounce of gold sold in the first quarter of 2009 was 16% lower than the $366 reported in the first quarter of 2008. Cash operating costs per ounce have declined as a result of the weakening Mexican peso, a higher estimated recovery factor and overall lower costs per tonne of ore. The Company expects cash costs per ounce to decrease in subsequent quarters after higher cost in-process inventory from 2008 is produced and charged to mining and processing costs.

Cautionary Non-GAAP Statements

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

Financial Highlights

A summary of the Company's financial results for the three-months ended March 31, 2009 and 2008 is presented below:

	Q1 2009	Q1 2008
Cash provided by operating activities before changes in non-cash working capital (000) (1)	$15,057	$11,376
Changes in non-cash working capital (000)	$1,627	$3,425
Cash provided by operating activities (000)	$16,684	$14,801
Earnings before income taxes (000)	$11,467	$9,154
Earnings (000)	$8,797	$5,704
Earnings per share		
- Basic and diluted	$0.09	$0.06
Weighted average number of common shares outstanding		
- basic	101,569,000	94,739,000
- diluted	102,960,000	96,731,000

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

The Company reported strong financial results in the first quarter of 2009, generating $15.1 million in cash from operating activities before changes in non-cash working capital, and $16.7 million ($0.16 per share) after changes in non-cash working capital. The $16.7 million cash provided by operating activities represents a 13% increase over the $14.8 million ($0.16 per share (basic)) generated in the first quarter of 2008. The change in non-cash working capital in the first quarter of 2009 of $1.6 million is primarily the result of a reduction in the Company's gold in-process inventory reflecting the drawdown of ounces from inventory as quarterly gold production significantly exceeded the number of recoverable ounces stacked on the leach pad during the period.

The Company recognized earnings before income taxes of $11.5 million in the first quarter of 2009 compared to $9.2 million in the same period of 2008.

The Company recorded earnings of $8.8 million or $0.09 per share in the first quarter of 2009 compared to $5.7 million or $0.06 per share in the corresponding period of 2008.

Gold Sales

Details of gold sales are presented below:

	Q1 2009	Q1 2008	Change (%)
Gold sales (ounces)	40,058	34,609	16%
Gold sales revenues (000)	$35,521	$31,030	14%
Realized gold price per ounce	$887	$897	(1%)
Average gold price for period (London PM Fix)	$908	$925	(2%)

Gold sales revenues of over $35.5 million in the first quarter of 2009 represented a 14% increase over the same period of 2008 as a result of a 16% increase in the number of ounces sold and a 1% decrease in the realized gold price per ounce. Gold sales in the first quarter of 2009 were approximately 6,000 ounces less than gold production due to the timing of refinery settlements which determines when gold is available for sale. The Company had a large inventory of dore at the end of the first quarter that is available for sale in the second quarter of the year.

The Company realized an average gold price of $887 per ounce in the first quarter of 2009, compared to an average London PM Fix spot gold price of $908 during the period. The Company generally enters into forward gold sales contracts twice monthly in order to match sales contracts with the next expected delivery. The Company's objective is to realize a gold sales price consistent with the average London PM Fix spot gold price. Periodically however, the Company may enter into forward gold sales contracts for future deliveries within a six-month future period in order to fix a gold price that management believes is attractive. At the current time, apart from short-term forward gold sales activity, the Company is fully leveraged to changes in the price of gold.

Assessment of Gold Market

The Company's realized gold price in the first quarter of 2009 was $887 per ounce. The market price of gold continues to exhibit significant volatility. As at May 4, 2009, the average quarter to-date gold price was $891 and average year-to-date gold price was $904. At these levels, the Company realizes an operating cash margin (before taxes and corporate and administrative costs) of over $500 per ounce.

Operating Expenses and Operating Margins

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

	Q1 2009	Q1 2008	Change %
Gold production (ounces) [1]	46,000	33,253	38%
Gold sales (ounces)	40,058	34,609	16%
Cash operating costs (000)[2]	**$12,253**	**$12,682**	**(3%)**
- Per ounce sold	**$306**	**$366**	**(16%)**
Royalties (000)[3]	$1,886	$1,654	14%
Total cash costs (000)[4]	**$14,139**	**$14,336**	**(1%)**
- Per ounce sold	**$353**	**$414**	**(15%)**
Amortization (000)	$5,095	$4,611	10%
Accretion expense (000)	$86	$82	5%
Total production costs (000)[5]	**$19,320**	**$19,029**	**2%**
- Per ounce sold	**$482**	**$549**	**(12%)**
- Realized gold price per ounce	$887	$897	(1%)
- Operating cash margin per ounce [6]	$534	$483	11%

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

(2) "Cash operating costs" is a non-GAAP measure which includes all direct mining costs, refining and transportation costs and by-product credits. "Cash operating costs" is equivalent to mining and processing costs as reported in the Company's financial statements, which is presented net of inventory adjustments.

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

(4) "Total cash costs" is a non-GAAP measure which includes all "cash operating costs" and royalties and production taxes. "Total cash costs" is equivalent to mining and processing costs and royalties as reported in the Company's financial statements.

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

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

Amortization was $127 per ounce of gold sold in the first quarter of 2009, marginally lower than the $133 per ounce in the comparable period of 2008. A significant portion of the Company's amortization expense is calculated on a units-of-production basis. An updated reserve estimate was prepared as at December 31, 2008 and reported during the first quarter. The new reserve estimate increased the mine life significantly. As a result, the Company expects amortization costs per ounce to decline in subsequent quarters of 2009.

Production from the Mine is subject to a sliding scale production royalty. At current 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, the Mine's production to a maximum of two million ounces of gold is subject to royalty. As at March 31, 2009, the royalty was paid or accrued on approximately 371,000 ounces of applicable gold production. Royalty expense for the first quarter of 2009 was $1.9 million compared to $1.7 million in the first quarter of 2008 due to higher production applicable to royalty and an increase in the average market price of gold.

Exploration

The Company's accounting policy for exploration costs requires that exploration spending that does not meet the criteria for mine development be expensed as incurred. Total exploration spending in the first quarter of 2009 was $3.4 million compared to $1.2 million in the first quarter of 2008. Of the $3.4 million investment in exploration activities in the first quarter of 2009, $1.6 million was charged to operations related to drilling at Cerro Pelon ($1.1 million), administration costs ($0.3 million) and various other projects ($0.2 million). Capitalized exploration costs in the first quarter totaled $1.8 million and included drilling at Puerto del Aire ($1.5 million) and El Victor ($0.3 million).

Corporate and Administrative

Corporate and administrative expenses of $1.5 million were incurred in the first quarter of 2009 compared to $1.0 million in the first quarter of 2008. Higher corporate and administrative expenses were primarily the result of management bonuses of $0.4 million being charged in the first quarter of 2009, whereas none were charged in the first quarter of 2008.

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

Stock-based Compensation

Stock-based compensation expense in the first quarter of 2009 was $1.3 million compared to $1 million in the comparable period of 2008. The value of stock-based compensation expense is added to the contributed surplus account within shareholders' equity, resulting in no net effect on total shareholders' equity.

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

The higher stock-based compensation expense in the first quarter of 2009 is the result of the amortization of the fair value of the 670,000 options granted during the period. Stock-based compensation expense for 2009 is expected to be approximately $5 million, but may fluctuate based on changes to the expected level of options grants throughout the remainder of the year.

Accretion Expense

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

The asset retirement obligation liability on the Company's balance sheet of $4 million at March 31, 2009 reflects the discounted value of the amount the Company expects to incur on closure of the mine including reclamation and reforestation activities. The Company's estimate of the expected future costs associated with mine closure and reclamation is based on a mine closure plan presented in a report prepared by an independent third-party consultant adjusted by management to account for expected inflation rates. Accretion expense represents the increase in the liability due to the passage of time. Accretion of asset retirement obligation expense in the first quarter of 2009 was $69,500 compared to $56,000 in the first quarter of 2008.

Employee Future Benefits

The Company is required to recognize employee future benefit liabilities associated with its Mexican work force. On an annual basis, the Company hires an independent consultant to review and calculate the liability for seniority premiums and termination benefits in accordance with Mexican Labor Law. As at March 31, 2009, the Company had accrued an employee future benefit liability of $499,000. Employee future benefits expense of $62,000 in the first quarter of 2009 is a non-cash charge reflecting the increase in the present value of the employee future benefit liability.

Interest Income

Interest income in the first three months of 2009 was $261,000 compared to $48,000 in the same period of 2008. The higher interest income in the current period was attributable to higher average cash balances; partially as a result of the bought-deal financing that was completed during the quarter which increased the Company's cash balances by approximately $62 million. The Company expects interest income to increase further in the second quarter; however, current interest rates on deposit accounts are at historic lows.

Foreign Exchange Loss

The Company recognized a foreign exchange loss of $1.2 million during the first quarter of 2009 compared to $0.2 million in the same period of 2008. During the first quarter of 2009, the value of the Mexican peso weakened compared to the United States dollar. As a result, transactional foreign exchange losses were recognized on the collection of the Company's Mexican peso-denominated receivable balances during the period. In addition, during the period, the Company's net Mexican peso-denominated assets exceeded its net Mexican peso-denominated liability position, resulting in unrealized foreign exchange losses on revaluation.

Minimal volatility in the Canadian to United States dollar foreign exchange rate in the first quarter of 2009 resulted in no significant foreign exchange gains or losses. However, future volatility in this exchange rate could result in exchange gains and losses as the Company does not actively hedge its exposure to fluctuations in the value of the Canadian dollar.

Income Taxes

Tax expense in the first quarter of 2009 was $2.7 million compared to $3.5 million in the same period of 2008. 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 the first quarter of 2009.

The general statutory income tax rate in Mexico is 28%. In Canada, the combined federal and provincial statutory income tax rate is approximately 33.5%. The effective tax rate in the first quarter of 2009 (calculated as a percentage of earnings before income tax) was 23% compared to 38% in the first quarter of 2008. The effective tax rate in the first quarter of 23% was lower than the statutory rate, reflecting deductible foreign exchange losses in Mexico resulting from a weakening Mexican currency. In addition, the Company benefited from re-filing prior year tax returns to increase losses. Based on currently available information, it is expected that the effective tax rate will increase for the full year. However, the effective tax rate results from a number of factors, many of which are difficult to forecast.

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.

	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
Gold production (ounces)	28,200	21,670	31,390	33,253	38,500	39,900	39,347	46,000
Gold sales (ounces)	30,880	23,170	27,029	34,609	35,482	41,293	40,176	40,058
Gold sales ($000)	20,797	15,590	20,683	31,030	32,337	37,207	32,400	35,521
Earnings from operations ($000)	2,941	1,062	830	9,423	10,175	11,387	8,708	11,743
Earnings (loss) ($000)	1,888	117	(260)	5,703	6,191	8,346	9,140	8,797
Earnings (loss) ($ per share) – basic/diluted	0.02	0.00	(0.00)	0.06	0.07/ 0.06	0.09	0.10	0.09

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

Financial and Other Instruments

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

The Company's cash and cash equivalents may be invested in short-term liquid deposits or investments which provide a revised rate of interest upon maturity. At March 31, 2009, the majority of the Company's reported cash and cash equivalents were held in bank deposit accounts or 30-day term deposits.

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

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

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

Investment in Mineral Property, Plant and Equipment

A breakdown of the cash invested in mineral property, plant and equipment for the three months ended March 31, 2009 is presented below:

	Q1 2009 ($000)
Construction	1,700
Component changes	641
Mobile equipment	146
High-grade mill development	397

Acquisitions and Mulatos relocation	89
Capitalized exploration costs	1,792
Pit design and slope stability	252
Other	177
Cash invested in mineral property, plant and equipment	**5,194**

Capital spending in the first quarter of 2009 included spending on construction activities focused on the leach pad, mobile equipment purchases and component changes, advancing the high-grade mill development and capitalized exploration spending.

During the first quarter, the Company purchased and began construction of the new inter-lift liner area where leach pad stacking is expected to start late in the second quarter of 2009. The inter-lift liner is expected to continue to contribute to improved leach pad percolation and corresponding recoveries.

Scheduled component changes totaled $0.6 million in the first quarter. The Company also replaced a portion of its light vehicle fleet in the first quarter.

Other key capital spending in the first quarter of 2009 included $0.4 million primarily in consulting costs related to the high-grade mill development plans and $0.25 million related to pit slope stability and other drilling to support the Company's updated reserve and resource estimate.

Exploration and Mine Development Activities

Exploration expenditures in the first quarter of 2009 were $3.4 million, of which $1.6 million was expensed and $1.8 million of spending at Puerto del Aire, Escondida, Gap and El Victor was capitalized as mine development. Exploration activities throughout the first quarter of 2009 have continued to focus on near-mine reserve expansion and regional exploration targets.

Exploration activities at Mulatos in the first quarter of 2009 progressed significantly with three core and three reverse-circulation ("RC") rigs active throughout the quarter. In January, the Company commenced an aggressive drill program aimed at upgrading and further defining near-mine and district-wide resource targets. To mid-April 2009, over 27,000 metres of drilling had been completed in 178 drill holes. This compares to total drilling of 36,800 metres in 203 holes for the entire 2008 year, which was in itself a record year of drilling for the Company. Exploration activities were focused on the following mineralized zones during the first quarter of 2009:

Zone	Location	Stage
Escondida	Directly north of the active Mulatos Pit	Resource definition and development
Gap	Northeast of the Mulatos Pit	Resource definition
Puerto del Aire	Adjacent to northeast side of the Mulatos Pit	Resource definition
Cerro Pelon	2.5 kilometres southwest of the current leach pad facilities	Resource definition

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

El Carricito	15 kilometres southwest of the Mulatos Pit	Early stage prospect

Escondida

The Company discovered the high-grade Escondida Hanging Wall Zone ("EHWZ") in late 2005 and the Escondida deposit in 2007. A technical report assessing the economics of milling high-grade ore from Escondida is expected to be released shortly.

The current drilling program at Escondida is aimed at providing systematic drill coverage on 25-metre centres. In addition to improving confidence in the existing gold resource, this program has confirmed that the high-grade EHWZ extends to the southwest and has identified a new zone of similar high-grade mineralization to the northeast of the EHWZ. The discovery of this new northeast high-grade zone highlights the potential for additional discoveries for the Company to develop both near the existing mine and throughout the Mulatos district.

The southwest extension of the high-grade EHWZ is located in an area where previous drill coverage was insufficient. The dimensions of this new extension are approximately 30 metres along strike, 30 metres wide and 10 metres thick, and it is still open along strike towards the south. The southwest extension is close to surface, at a depth of 80 metres, and is expected to further improve the mining economics at Escondida.

To date, four drill holes have been completed in the area of the southwest extension of the high-grade EHWZ with visible gold found in two of the holes. Assay results have been received for drill hole 09EE109, which contained an uncut 12.20-metre interval grading 43.70 g/t Au; all other assay results are pending. In addition, all of the Escondida extension drill holes have intersected the lower-grade Main Escondida mineralized zone.

The new high-grade northeast zone is located approximately 100 metres northeast of the fault bounded EHWZ. As a result of faulting and the presence of a topographic high, this new zone is deeper than the EHWZ and is overlain by 125 to 150 metres of cover. The drill-indicated dimensions of this new high grade zone are approximately 70 metres along strike, 45 metres wide and 10 metres thick. The zone appears to be more structurally controlled than the EHWZ. This new zone is presently outlined by drill holes 09EE063 (21.35 metres at 16.49 g/t Au), 09EE081 (16.77 metres at 9.69 g/t Au), 09EE095 (24.39 metres at 37.68 g/t Au - uncut), and 09EE097 (9.15 metres at 9.42 g/t Au).

Gap

Core drilling on 50-metre spaced lines was conducted in the Gap zone in the first quarter of 2009 to obtain additional information for geological modeling and resource delineation. Infill drilling on 25-metre centres, using RC rigs, is planned once the rigs complete the drilling program at Escondida. The objective of the drill program at Gap is to convert the inferred resources to the measured and indicated categories.

In addition, a comprehensive review of 2007 drill data in the El Victor area indicated that an area between El Victor and Gap requires additional drilling, particularly in the higher-grade upper portion of the zone. Drilling this area has become a high priority given that the resource models currently show that this area between El Victor and Gap is barely mineralized. Thus, favourable drill results in this area could extend the El Victor resource into the Gap zone and potentially extend the Victor pit design further to the southwest. The planned infill drilling program is also anticipated to confirm the continuity between the Escondida, Gap, El Victor, and San Carlos areas, outlining a single 2.1-kilometre, southwest to northeast trending mineralized horizon.

Puerto del Aire

The Puerto del Aire resource area is adjacent to the northeast side of the Mulatos Pit, with a minor fault offset, from the Estrella deposit that is currently being mined. Puerto del Aire is subparallel to and approximately 400 metres south of the Escondida to San Carlos mineralized trend. Drilling during 2008 and 2009 focused on extending the zone 450 metres from the Estrella deposit to the northeast, outlining a northeastward-plunging zone of vuggy silica alteration that is up to 80 metres thick below the post-mineral volcanic cover. Assay results available since the beginning of the year were presented previously in the Company's February 23, 2009 press release, which is available on the Company's website or on SEDAR (www.sedar.com).

More recently, a step-out core drill hole collared 300 metres northeast from the last mineralized intercept (or approximately 800 metres from the Mulatos Pit) encountered a 99-metre thick zone of intense silica alteration having characteristics similar to both the EHWZ and the Puerto del Aire zone. Assay results from this hole are pending and a second 80-metre offset hole is currently underway.

Cerro Pelon

Definition and infill drilling on 25-metre centres continues in 2009 at Cerro Pelon. The drilling program is expected to be completed in early May, and will be followed by data compilation and geological modeling. An initial resource estimate for Cerro Pelon is planned to be completed during the second half of 2009, with the majority of resources expected to be classified in the measured and indicated categories.

Cerro Pelon remains a high-priority exploration target for the Company given its proximity to existing mining operations, the presence of oxidized gold-bearing vuggy silica at surface, and the geologic similarity to the Mulatos deposit. The deposit was discovered in 2008 following a program of geological mapping and geochemical sampling, once again demonstrating the potential to find additional deposits in the district.

Recent horizontal and up-dip core drilling has been successful in establishing continuity between the two gold-bearing breccia zones. Previous deeper RC drilling results had not established this continuity. Drill results indicate that Cerro Pelon is roughly 250 metres long, varies in width from 30 to 80 metres and is 70 to 150 metres thick. Drill hole intercepts at the 1,415-metre elevation shows a roughly arcuate shape joining the gold zones, resembling a half-circle, with the eastern half removed by faulting. The arcuate shape may reflect a vent edifice and appears to explain the spatial distribution of gold-hosting breccias in drill holes.

El Carricito

Reconnaissance geologic mapping and sampling continues at El Carricito, and the 2009 objectives are to generate drill targets that could be tested before year-end. The area covered by geological mapping has been extended to approximately 80% of the El Carricito concession and additional soil geochemical sampling is ongoing over areas of intense argillic and silicic alteration on the western side of the concession.

Liquidity and Capital Resources

During the first quarter of 2009, the Company's cash balance increased $75.2 million as a result of the net proceeds of the February 17, 2009 financing ($62.2 million) and strong cash flows from operations. At March 31, 2009, the Company had $119 million in cash and cash equivalents compared to $43.8 million at December 31, 2008.

The Company's working capital position increased from a working capital surplus of $63.0 million at December 31, 2008 to $136.1 million at March 31, 2009.

Cash flows from operating activities in the first quarter of 2009 were $16.7 million or $0.16 per share. The Company reinvested $5.2 million in capital and exploration in the first quarter, primarily focused on exploration drilling and inter-lift liner construction. Proceeds from the completed financing and the exercise of stock options combined to add $63.6 million to the Company's cash balances during the quarter.

With cash balances of $119 million, working capital of $136.1 million and no debt, the Company is well positioned to support aggressive exploration spending on its existing properties, further development of the Mulatos Pit, potential construction of a mill to process high grades ores and acquisitions.

Conversion to International Financial Reporting Standards

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

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

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

Internal Control over Financial Reporting

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

Changes to Internal Control over Financial Reporting

There have been no significant changes to internal control over financial reporting in the three-month period ended March 31, 2009.

Disclosure Controls

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to the Company's certifying officers. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2009 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

Off-Balance Sheet Arrangements

The Company may enter into gold contracts which could, in certain circumstances, be classified as off-balance sheet arrangements. Due to the nature of the contracts entered into and in accordance with the Company's accounting policy, the mark-to-market value of these contracts is recorded on the balance sheet. At March 31, 2009, the Company had contracts to deliver up to 8,437 ounces of gold in the second quarter of 2009 at prices above the March 31, 2009 closing market price. Accordingly, a mark-to-market gain of $130,000 was recognized in other income and classified within accounts payable and accrued liabilities on the Company's balance sheet.

Commitments Table

The following table summarizes the Company's contractual obligations at March 31, 2009:

Payments due by period ($000)

Contractual Obligations	Total	Less than 1 year	2 – 3 years	4 – 5 years	More than 5 years
Operating lease	600	120	240	240	-
Employee future benefits [1]	1,000	-	-	-	1,000
Asset retirement obligations	7,804	-	-	-	7,804
Property acquisition obligations	916	256	660		-
	10,320	**376**	**900**	**240**	**8,804**

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

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

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

The Company has signed relocation contracts with certain property owners and possessors in the town of Mulatos. The amount and timing of expected future relocation benefit and property acquisition payments to the residents of Mulatos who had signed contracts with the Company as at March 31, 2009 are presented in the table above. Although future relocation, property acquisition and legal costs may be material, the Company cannot currently determine the expected timing, outcome of negotiations or costs associated with the relocation of the remaining property owners and possessors and potential land acquisitions.

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

Outstanding Share Data

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

	May 4, 2009
Common shares	
- Common shares outstanding	107,335,406
Stock options	
- Average exercise price CDN$6.65; Approximately 65% vested	6,513,500
Total	**113,848,906**

Outlook

In the first quarter of 2009, the Company established a production record of 46,000 ounces. While this level of gold production is not expected to be sustainable, the Company is encouraged by continued evidence that recoveries are achieving or exceeding the Company's budgeted rate of 60% for 2009. Annual production for 2009 is expected to be between 145,000 and 160,000 ounces of gold.

The Company reported total cash costs (including the 5% royalty) of $353 per ounce in the first quarter. These costs related primarily to ounces that were in leach pad inventory at the end of 2008 and were produced in 2009. Higher recoveries combined with a weaker Mexican peso during the first quarter resulted in substantially reducing the cash cost per ounce in leach pad inventory. Second quarter 2008 total cash costs are expected to be below the Company's full year 2009 guidance of $350 per ounce. In addition, lower amortization per ounce in the second quarter of 2009 is expected to result from the near doubling of mine life that the Company announced in the first quarter. If the gold price remains at or around its current level, these factors should result in the Company reporting higher operating earnings in the second quarter of 2009.

Mine capital spending in the second quarter will focus on closing the existing crushing circuit to ensure that the crusher discharge product size is 100% passing 3/8th of an inch. Independent metallurgical testing shows that closing the crushing circuit could improve recoveries by between 4–7%.

A technical study supporting the construction of a mill to process high grade ores including the Escondida deposit is expected to be released shortly.

Exploration activities in the second quarter of 2009 will continue to focus on extending and delineating the newly discovered high-grade zones at Escondida, continuing with resource definition and development at Gap, and compilation and modeling at Cerro Pelon in preparation for a resource estimate to be completed during the second half of the year, and pursue drill target definition at the prospective El Carricito regional target.

The Company continues to strengthen its financial position, debt-free with $119 million in cash on hand at the end of the first quarter and strong cash flows from operations. This financial strength will allow the Company to finance its existing capital and exploration plans, as well as provide significant funding for development of additional projects through potential acquisitions.

Forward-Looking Statements

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

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

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

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