

# **ALAMOS GOLD INC.**

Consolidated Financial Statements  
**(Expressed in US Dollars)**

June 30, 2005

Unaudited – Prepared by Management – See Notice to Reader

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## **NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The financial statements of Alamos Gold Inc. including the accompanying interim consolidated balance sheet at June 30, 2005 and the interim consolidated statements of operations and deficit, cash flows, mineral properties for the three month and six month periods then ended are the responsibility of the Company's management. These consolidated financial statements have not been reviewed by the independent external auditors of the Company. 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 reports.

**ALAMOS GOLD INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Stated in United States dollars)  
(Unaudited - prepared by management)

	<b>June 30</b>	<b>December 31</b>
	<b>2005</b>	<b>2004</b>
<b>A S S E T S</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 35,746,347	\$ 13,127,463
Restricted cash (note 5)	2,324,140	-
Short-term investments	-	15,000,000
Amounts receivable	3,892,141	112,117
Advances and prepaid expenses	4,109,712	1,733,284
Inventory	546,092	-
	<u>46,618,432</u>	<u>29,972,864</u>
Deferred financing charges (note 7)	1,198,684	-
Equipment (note 3)	19,650,313	10,442,580
Mineral properties (note 4)	<u>49,758,802</u>	<u>35,463,590</u>
	<u>\$117,226,231</u>	<u>\$ 75,879,034</u>
<b>L I A B I L I T I E S</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	<u>2,526,818</u>	<u>943,319</u>
Convertible debentures (note 5)	30,914,475	-
Asset retirement obligations (note 6)	210,000	50,000
<b>S H A R E H O L D E R S ' E Q U I T Y</b>		
Share capital (note 11(a))	87,263,256	86,170,028
Convertible debentures (note 5)	9,983,025	-
Contributed surplus	2,955,036	1,877,036
Deficit	<u>(16,626,379)</u>	<u>( 13,161,349)</u>
	<u>83,574,938</u>	<u>74,885,715</u>
	<u>\$117,226,231</u>	<u>\$ 75,879,034</u>
Continuing operations (note 1)		

See notes to consolidated financial statements

**ALAMOS GOLD INC.**  
**Consolidated Statements of Operations and Deficit**  
**(Stated in United States dollars) (unaudited)**

	For the three months ended		For the six months ended	
	June 30		June 30	
	2005	2004	2005	2004
<b>Expenses</b>				
Salaries and management fees	\$629,999	\$351,577	\$847,285	\$486,289
Foreign exchange loss	85,437	115,916	179,188	99,486
Legal, audit and accounting	70,677	115,385	144,897	170,117
Office and administration	102,909	64,754	251,947	118,820
Shareholder communications	102,179	106,381	196,763	141,260
Travel and accommodation	74,370	65,073	131,188	107,825
Trust and filing fees	53,346	120,481	110,780	127,740
Stock-based compensation	927,000	469,190	927,000	551,965
Interest expense	303,816	64,434	617,714	129,336
Interest income	(323,523)	(54,297)	(604,694)	(65,348)
Financing costs	33,561	-	87,965	-
Depreciation	55,913	18,245	116,660	27,056
Accretion of debenture discount	207,867	-	453,337	-
Accretion of asset retirement obligations	3,000	-	5,000	-
<b>Loss for the period</b>	<b>2,326,551</b>	<b>1,437,139</b>	<b>3,465,030</b>	<b>1,894,546</b>
Deficit, beginning of the period	14,299,828	9,846,532	13,161,349	9,389,125
<b>Deficit, end of the period</b>	<b>\$16,626,379</b>	<b>\$11,283,671</b>	<b>\$16,626,379</b>	<b>\$11,283,671</b>
<b>Loss per share (note 10)</b>	<b>\$ 0.03</b>	<b>\$ 0.02</b>	<b>\$ 0.04</b>	<b>\$ 0.03</b>

See notes to consolidated financial statements

**ALAMOS GOLD INC**  
**Consolidated Statements of Cash Flows**  
(Stated in United States dollars) (unaudited)

	For the three month period ended June 30		For the six month period ended June 30	
	2005	2004	2005	2004
<b>Cash (used for) provided by:</b>				
<b>Operating Activities</b>				
Net loss for the period	\$(2,326,551)	\$(1,437,139)	\$(3,465,030)	\$ (1,894,546 )
Adjustments for items not involving cash:				
Depreciation	55,913	18,245	116,660	27,056
Accretion of asset retirement obligations	3,000	-	5,000	-
Foreign exchange (gain) loss on debenture	(361,982)	-	405,758	-
Accretion of debenture discount	207,867	-	453,337	-
Amortization of deferred financing costs	61,000	-	101,000	-
Foreign exchange gain on note payable	-	( 36,000)	-	( 61,612 )
Stock-based compensation	927,000	469,190	927,000	551,965
	<u>( 1,433,753 )</u>	<u>( 985,704 )</u>	<u>( 1,456,275 )</u>	<u>( 1,377,137 )</u>
Changes in non-cash working capital components:				
Amounts receivable	(138,387)	( 8,342)	(330,164)	( 36,967 )
Inventory	(546,092)	-	(546,092)	-
Prepaid expenses	28,605	(69,847)	22,687	( 381,804 )
Accounts payable and accrued liabilities	638,022	78,422	854,487	( 300,098 )
	<u>( 1,451,605 )</u>	<u>( 985,471 )</u>	<u>( 1,455,357 )</u>	<u>( 2,096,006 )</u>
<b>Investing Activities</b>				
Mineral property under development	(11,654,670)	(3,953,781)	(16,256,878)	( 5,203,167 )
Short-term investments	-	-	15,000,000	-
Contractor advances and deposits	(1,885,567)	-	(2,399,115)	-
Asset retirement obligation	-	-	-	-
Purchase of equipment	(3,277,454)	(2,385,802)	(9,598,596)	( 2,408,270 )
	<u>( 16,817,691 )</u>	<u>( 6,339,583 )</u>	<u>( 13,254,589 )</u>	<u>( 7,611,437 )</u>
<b>Financing Activities</b>				
Proceeds from issuance of convertible debentures	-	-	40,306,300	-
Deferred financing costs	(99,823)	-	(1,715,684)	-
Proceeds from the issue of common shares	132,615	21,438,872	1,093,228	22,402,564
	<u>32,792</u>	<u>21,438,872</u>	<u>39,683,844</u>	<u>22,402,564</u>
Restricted cash	( 516)	-	(2,355,014)	-
Net (decrease) increase in cash and cash equivalents	( 18,237,020 )	14,113,818	22,618,884	12,695,121
Cash and cash equivalents - beginning of period	53,983,367	7,562,878	13,127,463	8,981,575
<b>Cash and cash equivalents - end of period</b>	<b>\$35,746,347</b>	<b>\$21,676,696</b>	<b>\$35,746,347</b>	<b>\$21,676,696</b>

See notes to consolidated financial statements

**ALAMOS GOLD INC.**  
**CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES**  
(Stated in United States dollars) (unaudited)

	December 31, 2003	Expenditures 2004	December 31, 2004	Expenditures June 30, 2005	June 30, 2005
<b>MINERAL PROPERTY UNDER DEVELOPMENT</b>					
<b>Mulatos Project</b>					
<b>Acquisition</b>	\$13,845,789	\$4,628,311	\$18,474,100	\$ -	\$18,474,100
<b>Exploration:</b>					
Administration	155,351	320,798	476,149		476,149
Analytical	90,803	-	90,803		90,803
Feasibility study	254,989	586,787	841,776	51,604	893,380
Field work and supplies	1,294,998	362,623	1,657,621	400,320	2,057,941
Geological	844,675	149,998	994,673		994,673
Claims maintenance	182,454	181,531	363,985		363,985
Equipment rental	195,007	12,867	207,874		207,874
Property and other taxes	471,920	1,867,753	2,339,673	(1,570,852)	768,821
Site development	-	146,981	146,981		146,981
Travel and accommodation	117,517	34,470	151,987		151,987
<b>Development:</b>					
Administration	-	138,298	138,298	550,041	688,339
Roads	-	1,139,547	1,139,547	1,892,554	3,032,101
Leach pad	-	1,940,174	1,940,174	4,120,573	6,060,747
Facilities	-	1,231,261	1,231,261	1,752,645	2,983,906
Water systems	-	2,163,373	2,163,373	822,015	2,985,388
Utilities	-	262,356	262,356	1,944,983	2,207,339
Maintenance	-	521,837	521,837	2,053,105	2,574,942
Asset retirement obligations	-	50,000	50,000	155,000	205,000
Capitalized interest and debenture accretion	-	-	-	497,715	497,715
Capitalized depreciation	-	149,428	149,428	274,203	423,631
Other costs	-	116,465	116,465	398,493	514,958
	<b>\$17,453,503</b>	<b>\$16,004,858</b>	<b>\$33,458,361</b>	<b>\$13,342,399</b>	<b>\$46,800,760</b>
<b>UNPROVEN MINERAL PROPERTIES</b>					
<b>Active Projects</b>					
Drilling	-	\$ 534,457	\$ 534,457	366,730	901,187
Assaying	-	127,166	127,166	154,697	281,863
Geology	-	86,789	86,789	52,500	139,289
Administration	-	113,449	113,449	82,784	196,233
Equipment	-	18,170	18,170	43,099	61,269
Drifting	-	-	-	155,275	155,275
Other costs	-	114,560	114,560	97,728	212,288
	<b>-</b>	<b>994,591</b>	<b>994,591</b>	<b>952,813</b>	<b>1,947,404</b>

	December 31, 2003	Expenditures 2004	December 31, 2004	Expenditures June 30, 2005	March31, 2005
<b>Inactive Project</b>					
<b>La Fortuna Property</b>					
Acquisition	295,300	-	295,300	-	295,300
Exploration:					
Analytical	28,714	-	28,714	-	28,714
Field work and supplies	347,776	-	347,776	-	347,776
Geological	226,336	-	226,336	-	226,336
Claims maintenance	75,043	2,273	77,316	-	77,316
Travel and accommodation	35,196	-	35,196	-	35,196
	1,008,365	2,273	1,010,638	-	1,010,638
	1,008,365	996,864	2,005,229	952,813	2,958,042
	<b>\$ 18,461,868</b>	<b>\$17,001,722</b>	<b>\$ 35,463,590</b>	<b>\$14,295,212</b>	<b>\$49,758,802</b>

See notes to consolidated financial statements

**ALAMOS GOLD INC.**  
**Consolidated Notes to Financial Statements**  
**(Stated in United States dollars) (unaudited)**

**1. NATURE OF OPERATIONS**

The Company is engaged in the acquisition, exploration and development of mineral rights that are considered sites of potential economic mineralization. These activities are currently conducted primarily in Mexico. The Company's principal mineral rights interest is in the Mulatos deposit and an additional nine satellite gold systems identified to date which together comprise the 21,300 hectares Salamandra Property in Sonora, Mexico. The Mulatos deposit contains economically recoverable reserves which the Company intends to develop and exploit.

The Company has not yet generated cash flow from operations to fund its exploration and development activities and has therefore relied principally upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration and development activities to the extent such instruments are issuable under terms acceptable to the Company. Accordingly, the Company's financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

**2. ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

These 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 financial statements dated December 31, 2004, except as noted below. These interim financial statements do not conform in all respects with disclosures required for annual financial statements and should be read in conjunction with those annual financial statements and notes thereto.

The Company has adopted the accounting recommendations contained in accounting guideline AcG-15, consolidation of variable interest entities. There was no impact on the financial statements as a result of the initial implementation of this accounting standard.

**ALAMOS GOLD INC.**  
**Consolidated Notes to Financial Statements**  
**(Stated in United States dollars) (unaudited)**

**3. EQUIPMENT**

	<b>June 30, 2005</b>		<b>December 31, 2004</b>	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Mining equipment	\$20,141,179	\$624,000	\$19,517,179	\$10,352,040
Office and computer equipment	171,558	38,424	133,134	90,540
	<u>\$20,312,737</u>	<u>\$ 662,424</u>	<u>\$19,650,313</u>	<u>\$10,442,580</u>

**4. MINERAL PROPERTIES**

**Deferred Costs**

The Company's properties are located in Mexico and its interest in these properties is maintained under agreements with the titleholders.

**a) Sonora, Mexico**

**Salamandra Group**

The Company had acquired a 100% interest in this property which comprises approximately 21,300 hectares, in consideration for the payment of CDN\$11,154,011 in acquisition costs and assigned expenses. The most advanced property within the group is Mulatos.

The property is subject to a sliding scale net smelter royalty (NSR) on the first 2,000,000 ounces of gold production from certain concessions. The royalty commences at 1% when the price of gold is less than \$300 per ounce, rising to 5% when the price of gold exceeds \$400 per ounce.

**Mulatos Project**

In June 2004, the Company completed a feasibility study on a portion of the Mulatos property known as the Estrella Pit Development. The Company has received all requisite permits for construction and mine operation.

**Other Exploration Properties**

The Company has 9 exploration properties within the 21,300 hectares land package comprising the Salamandra group of concessions.

**b) Durango, Mexico**

**La Fortuna Property**

The Company owns a 100% interest in three mineral concessions, covering approximately 606 hectares, which were written-down in 2000 to their estimated recoverable amount of \$1 million.

**ALAMOS GOLD INC.**  
**Consolidated Notes to Financial Statements**  
**(Stated in United States dollars) (unaudited)**

**5. CONVERTIBLE DEBENTURES**

Effective February 2, 2005, the Company issued CDN\$50 million 5.5% convertible unsecured subordinated debentures maturing on February 15, 2010, net of a 3.5% underwriters' fee. The debentures bear interest at an annual rate of 5.5%, payable semi-annually in arrears on February 15 and August 15 of each year. The debentures are convertible into common shares at a rate of 188.6792 common shares for each CDN\$1,000 principal amount of debentures. In certain circumstances, the debentures may be redeemed in whole or in part at the option of the Company after February 15, 2008.

The debentures are classified as a liability, with the exception of the portion relating to their conversion features, which are classified as an equity component, resulting in the carrying value of the debentures being less than their face value. The discount is being accreted over the term of the debentures, utilizing the effective interest rate method and the 12.6% interest rate implicit in the debentures.

In accordance with the terms of the trust indenture, the Company has set aside CDN\$2,848,000 (\$2,324,140) for interest due from February 2, 2005 to February 15, 2006.

**6. 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 under development, and will be amortized over the useful life of the property when it enters production.

Continuity of asset retirement obligations:

	<b>Six months ended June 30, 2005</b>
Obligations at January 1, 2005	\$ 50,000
Discounted revisions in estimated cash flows	155,000
Accretion of discounted cash flows	5,000
Liabilities settled	-
Obligations at June 30, 2005	<u>\$ 210,000</u>

**ALAMOS GOLD INC.**  
**Consolidated Notes to Financial Statements**  
**(Stated in United States dollars) (unaudited)**

**7. DEFERRED FINANCING CHARGES**

Costs incurred and allocated to the debt portion of the debenture financing are amortized over the 5-year term of the debt on a straight-line basis and costs incurred to establish a bank credit agreement are amortized over a one-year term (see note 14).

	<b>June 30, 2005</b>	<b>December 31, 2004</b>
Convertible debenture	\$ 1,221,871	-
Bank	77,813	-
less, accumulated amortization	(101,000)	-
	<u>\$1,198,684</u>	<u>-</u>

**8. RELATED PARTY TRANSACTIONS**

For the three month period ended June 30, 2005, a director of the Company was paid an aggregate of \$34,260, (2004 - \$309,700 (including a bonus of \$249,000) to a director and officer) for management and administrative services pursuant to a monthly services contract. These fees have been paid in the normal course of operations and are measured at the fair value as determined by management.

**9. SEGMENTED INFORMATION**

	<b>June 30, 2005</b>	<b>December 31, 2004</b>
Assets by geographic segment, at cost		
Mexico	\$ 79,708,714	\$ 48,776,475
Canada	37,517,517	27,102,559
	<u>\$117,226,231</u>	<u>\$ 75,879,034</u>

	<b>Six months ended June 30</b>			<b>2005</b>			<b>2004</b>		
	Mexico	Canada	Total	Mexico	Canada	Total	Mexico	Canada	Total
Loss	\$345,145	\$3,119,885	\$3,465,030	\$45,804	\$1,848,742	\$1,894,546			

The Company is in the development stage and has no reportable revenue.

**ALAMOS GOLD INC.**  
**Consolidated Notes to Financial Statements**  
**(Stated in United States dollars) (unaudited)**

**10. LOSS PER SHARE**

Loss per share has been calculated using the weighted-average number of shares outstanding during the six-month period ended June 30, 2005 of 77,121,261 (2004 – 55,748,451) shares and three-month period ended June 30, 2005 of 77,147,039 (2004 – 60,797,746) shares. Fully-diluted loss per share is not disclosed as it is antidilutive.

**11. SHARE CAPITAL**

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

	<b>Number of Shares</b>	<b>Amount</b>
Outstanding at January 1, 2005	76,777,918	\$86,170,028
Exercise of stock options	147,500	118,538
Exercise of warrants	345,000	974,690
Outstanding at June 30, 2005	<u>77,270,418</u>	<u>\$87,263,256</u>

- b) Stock options at June 30, 2005:

<b>Number</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
		<b>CDN \$</b>
980,000	June 2, 2010	3.73
375,000	December 16, 2009	3.50
850,000	June 25, 2009	2.25
110,000	February 12, 2009	2.75
883,500	December 9, 2008	2.50
557,483	July 23, 2008	1.13
345,000	June 2, 2008	3.73
50,000	January 30, 2008	0.76
150,000	July 22, 2007	1.00
330,000	June 25, 2007	2.25
150,000	June 3, 2007	1.16
<u>4,780,983</u>	Weighted average exercise price	<u>2.60</u>

**ALAMOS GOLD INC.**  
**Consolidated Notes to Financial Statements**  
**(Stated in United States dollars) (unaudited)**

**11. SHARE CAPITAL (Continued)**

Summary of stock option activity:

	Shares	Weighted Average Price
		CDN \$
Balance at January 1, 2005	3,603,483	2.11
Granted	1,325,000	3.73
Exercised	(147,500)	1.00
Balance at June 30, 2005	4,780,983	2.60

c) Warrants outstanding on June 30, 2005 are as follows:

Number	Expiry Date	Exercise Price
		CDN \$
4,555,000	April 8, 2006	3.50

Summary of warrant activity:

	Shares	Weighted Average Price
		CDN \$
Balance at January 1, 2005	4,900,000	3.50
Exercised	(345,000)	3.50
Balance at June 30, 2005	4,555,000	3.50

Subsequent to June 30, 2005, 350,000 two-year warrants were granted at an exercise price of CDN\$5.80 (see note 14) and 9,000 were exercised at a price of CDN\$3.50.

**12. STOCK-BASED COMPENSATION**

The Company granted incentive stock options to its directors and employees and officers to purchase up to a total of 1,325,000 common shares in the capital of Alamos at a price of CDN\$3.73 per share. The options granted to directors and senior officers are exercisable for a five-year period, and options granted to employees are exercisable for a three-year period.

The Company determined the value of the stock-based compensation and allocated it as follows, depending on the nature of the grant:

Mineral properties	\$ 151,000
Operations	<u>927,000</u>
Total	<u>\$1,078,000</u>

**ALAMOS GOLD INC.**  
**Consolidated Notes to Financial Statements**  
**(Stated in United States dollars) (unaudited)**

**12. STOCK-BASED COMPENSATION (continued)**

No cash is transferred upon the granting of stock options. The Company credits its contributed surplus account for the total value of the grant.

The fair value of stock options granted in the calculation of compensation expense is estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Three-months ended June 30	2005	2004
Risk-free rate	3.0%	3.5%
Expected dividend yield	nil	nil
Expected stock price volatility	50%	55%
Expected option life, based on term of the grant (months)	18-30	18-30

**13. CONTINGENCIES AND COMMITMENTS**

The Company is currently developing the Phase I – Estrella Pit on its Mulatos deposit at a capital cost of \$73 million, as outlined in the June 2004 Estrella Pit Development Feasibility Study. At June 30, 2005, the Company had committed expenditures in the amount of \$8 million for future procurement and development at the project out of a total estimate of \$25 million cost to complete the project.

The Company has commitments to acquire CDN\$16 million at a fixed price in 2007.

**14. SUBSEQUENT EVENT**

On July 27, 2005 the Company announced the closing of a line of credit consisting of a \$10 million unsecured one year extendible revolving facility and an unmarginated hedging line. Interest is payable at a rate of 2.75% above applicable LIBOR on the drawn portion of the facility, and 0.75% on the undrawn portion. 350,000 two-year warrants were granted to the lender on closing, at a conversion price of CDN\$5.80 per share.