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### With Their Mulatos Mine In Sonora, Mexico Now Producing 170,000 Ounces A Year, Alamos Gold Inc. Is Ready For The Next Stage Of Dramatic Growth

Gold Mining  
Gold  
(AGI-TSX)

Alamos Gold Inc.

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**John A. McCluskey**  
President and CEO

**BIO:**

John A. McCluskey, President, Chief Executive Officer & Director, has over 20 years of experience in mining finance and management. He began his career with Glamis Gold Ltd. (1983-1989) and subsequently held executive positions with Queenstake Resources, Miramar Mining, Major General Resources, Atna Resources, Boron Chemicals, Inca Pacific Resources, and Garrid Resources Corp. He was appointed CEO following the

merger with National Gold in February 2003, and President and CEO in November 2003.

**Company Profile:**

Alamos is a Canadian-based gold producer with operations, exploration, and development activities in Mexico. The Company employs over 450 people in Mexico and is committed to the highest standards of environmental management, social responsibility, and health and safety for its employees and neighboring communities. Alamos has over \$150 million dollars on hand, is debt free, and unhedged to the price of gold. In 2009, Alamos expects to produce between 160,000 and 170,000 ounces at a total cash cost of US\$335.

**Interview conducted by:**  
Lynn Fosse, Senior Editor  
CEOCFOinterviews.com

**CEOCFO:** Mr. McCluskey, what is your vision and focus for the company?

**Mr. McCluskey:** We have focused on mining projects in the Americas for the last six years or so. We have been operating in Mexico as a gold producer since 2005. We have developed the property from virtually a standing start in 2003 when we acquired it to a fully operating mine that reached commercial operation in 2006. We are now producing at a rate of over 160,000 ounces a year. Our objective is to grow the company further, with the goal of surpassing 300,000 ounces a year by 2012.

**CEOCFO:** Would you tell us about the Mexico operation?

**Mr. McCluskey:** Geologically, the Mulatos District is one of the most interesting and prospective districts for finding large gold deposits. We control an area of over

30,000 hectares with a strike length along the main trend of over 30-kilometers or about 20 miles. It is almost unparalleled in terms of its scale anywhere in the Americas. We like Mexico because it has very low political risk. We have had little difficulty in terms of permitting our project, financing our project, and building it. We have had cooperation at every level of government. We see tremendous opportunity, not only for further development within the Mulatos District, but for acquisitions and ongoing explorations elsewhere in the country.

**CEOCFO:** Do you own the property 100%?

**Mr. McCluskey:** Yes we do.

**CEOCFO:** What sets Alamos Gold apart from other mining companies?

**Mr. McCluskey:** We are very fortunate to have some of the former top geologists from Placer Dome's Sierra Madre Evaluation Team on our management and operating teams; This team spent many years throughout the Mexican cordillera exploring for the type of deposits that we are mining now. Therefore, the expertise they have gained by going out into remote areas of the Sierra Madre and making new and interesting discoveries, gives us a real edge. . We are also very fortunate to control a very large and prospective land package for gold exploration that I believe will continue to provide organic growth.

**CEOCFO:** What about advances in mining and production; how do you stand out in that area?

**Mr. McCluskey:** The operation that we currently run is a very conventional open-pit heap-leach operation; we are certainly not reinventing the wheel where that is

concerned. We are building upon a well understood body of knowledge. The deposits that we have delineated lend themselves well to this type of mine development. The beauty of heap leaching is that it has low upfront capital costs. Open-pit mining is a typically a very cost-efficient mining method. Heap leaching is great if you can use it, but not every ore body lends itself well to heap-leaching, especially when it comes to trying to extract gold from sulfide-dominant ores. A good portion of our ore body is made up of sulfide ore, which typically does not leach well. But in the case of our Mulatos Mine, we get very good recoveries by fine crushing and heap-leaching the sulfide ore. It is just a question of how the gold is found in conjunction with the sulfide; rather than being bound with the sulfide in a complex chemical bond, the gold is just sitting on top of the sulfide, and as long as we can expose the gold to the leaching solution, we will generally recover the gold. That is why we do fine crushing, to increase the surface area of our ore. We are not doing anything new, and we are doing it so well that we are one of the lowest cost producers within the sector.

**CEOCFO:** What is the financial picture like at Alamos?

**Mr. McCluskey:** We have a very strong balance sheet: We have no debt and are sitting on over US\$150 million cash. We are fully funded for everything we are planning to accomplish at Mulatos. We are doing a number of improvements onsite right now to increase production at our operation. All of our initiatives can be financed out of cash flow. We are also unhedged to the price of gold; that is, we have not forward-sold any of our production and thus remain fully exposed to further upward movements in the gold price.

**CEOCFO:** What is your two-minute take on the future of the gold market?

**Mr. McCluskey:** We took a gamble very early on when we decided to buy this project. At the time we entered into the agreements gold was trading around \$260 per ounce and we were convinced that was the bottom of the market. It turned

out we were right and what we couldn't anticipate was just how quickly the gold price was going to turnaround. Within three or four months gold had bounced over \$300 per ounce and it has continued to climb. The date we entered the agreement was November 17, 2001, and if you track the gold price from that date forward, you can see that is practically the point at which it turns and starts to run all the way through \$1,000 per ounce. It never goes up in a straight line. Of course, there have been pullbacks along the way and it takes a fair amount of luck and a little bit of a feel for the market in order to navigate your way through the volatility. Where are we today? Gold has broken through \$1,000 per ounce, as many market observers have been predicting for quite some time. We are making tremendous margins at these prices.

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We produce gold for roughly \$335 per ounce and we are selling it for \$1,000, so that is a nearly a \$700 margin on every ounce sold. I have never seen it better at any other time in the 26 years I have been involved in the gold mining business. Where are we going? It is a difficult one to predict because market observers are anticipating a very rapid move now that gold has broken \$1,000; it will not necessarily do that and it is perfectly capable of pulling back again before it goes on another run.

My feeling though, is based on just what I have seen go on in the United States in particular and the world economy in general: gold prices are likely to continue to go much higher. I believe the catalyst for the more recent movements in the price of gold is a result of the actions of the US government in order to rescue the financial system. The amount of money that

the Federal Reserve has had to distribute in order to pump liquidity into the system and keep financial markets afloat is unprecedented. This is going to have an impact and it is not a task that the Federal Reserve, US government or anybody else is going to be able to easily manage. I believe that is why we see gold at \$1,000 per ounce today. Depending on the difficulties that they ultimately face in managing the problem, this process that we are going through in order to eventually bring the economies of the world back onto a sound footing could ultimately precipitate hyperinflation. If that does occur, I believe gold will go to prices that most of us are reluctant to mention for fear of sounding like crazy gold bugs, but realistically, it could go well beyond \$2,000 per ounce. Personally, I don't want to see that happen. It would mean

that the world is going through terribly calamitous times. If problems become endemic in the financial system and they take a long time to resolve, then effectively gold will play its role as a counterweight to the difficulties going on within the system and you will see its price appreciate accordingly.

**CEOCFO:** What will you be spending money on in the next year or so?

**Mr. McCluskey:** Given the comments I just made, the last thing we want to do is continue accumulating vast sums of US dollars. In fact, we have been working for over a year on ranking projects in various parts of the world in various stages of development, all the way from mid-stage exploration to advanced exploration and pre-production. The opportunity is there for a company in our position: strong cash flow and a strong balance sheet. There is an opportunity there for us to go and make acquisitions, and buy projects that are in the pre-development stage. In addition, we have an opportunity to buy these assets at very attractive prices and build new mines.

**CEOCFO:** Final thoughts, why should potential investors pick Alamos Gold out of the crowd?

**Mr. McCluskey:** This is a company made up of young aggressive manage-

ment. I would say the average age of our management team is around 45 years, which is quite young in our business. I would also say that just given our youth, vitality, and ambition, we are really geared up to grow the company. Then when you consider that six years ago this was a company with a market capitalization of under \$30 million and today it has a market capitalization of \$1.2 billion, we have demonstrated that we have the ability to grow a very strong company from

what I would argue is one of the most highly competitive markets in the world. Our game plan in the short-term is to take market capitalization of the company all driven by fundamental growth to take it from current level of over \$1 billion to over \$3 billion. I would argue that it was a lot more difficult to go from under \$30 million to over \$1 billion than it will be to go from \$1 billion to \$3 billion, yet this is the kind of move that we are going to make at a much lower risk, compared

with the risk we took to get to where we are. We have a tremendous platform given our existing operations, the quality of personnel that we have, and the size of our management team relative to what it was. The company has much more depth, focus, and capable to take the company to the next tier. Therefore, combining that with a very solid Board and a very capable management team, we have the resources to get there.

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