



**Condensed Interim Consolidated Financial Statements**

**March 31, 2018 and 2017**

**(Unaudited)**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited condensed interim consolidated financial statements of Minera Alamos Inc. ("Minera Alamos" or the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

### **NOTICE TO READER**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Minera Alamos Inc.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	Notes	March 31, 2018 \$	December 31, 2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,457,374	3,892,135
Restricted cash	6	30,148	30,148
Accounts receivable		4,644	4,774
Prepaid expenses and deposits		66,838	50,671
Taxes receivable		416,628	325,659
		<u>2,975,632</u>	<u>4,303,387</u>
Equipment	8	545,263	548,650
		<u>3,520,895</u>	<u>4,852,037</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7 & 15	1,384,810	1,422,239
Long-term liabilities	7	996,062	934,825
		<u>2,380,872</u>	<u>2,357,064</u>
<b>Shareholders' Equity</b>			
Share capital	9	44,919,339	44,738,147
Contributed surplus		3,711,913	3,711,913
Options reserve	11	1,610,300	1,610,300
Warrants reserve	9 & 10	3,350,051	3,402,337
Deficit		(52,451,578)	(50,967,724)
		<u>1,140,025</u>	<u>2,494,973</u>
		<u>3,520,895</u>	<u>4,852,037</u>
Basis of Presentation and Going Concern (note 2)			
Subsequent Event (note 16)			

Approved by the Board:

Signed: "Bruce Durham"

Director

Signed: "Darren Koningen"

Director

*Please see accompanying notes to the consolidated financial statements*

**Minera Alamos Inc.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

**For the three months ended  
March 31,**

	Notes	2018	2017
			\$
<b>Expenses</b>			
Depreciation and amortization	8	3,387	1,454
Exploration and evaluation	7	394,872	295,410
Insurance		7,074	7,724
Investor relations		29,367	31,648
Office and administration		102,673	54,462
Professional fees		260,832	46,654
Salaries and compensation		305,354	179,536
Transfer agent regulatory fees		16,380	6,726
Travel		48,849	16,574
		<u>1,168,788</u>	<u>640,188</u>
<b>Other Items</b>			
Foreign exchange loss (gain)		315,066	(8,609)
Interest income			<u>(8,193)</u>
<b>Net loss and comprehensive loss for the period</b>		<u>(1,483,854)</u>	<u>(623,386)</u>
<b>Net loss per share:</b>			
Basic and diluted		(0.01)	(0.01)
<b>Weighted average number of common shares outstanding:</b>			
Basic and diluted		150,216,758	119,979,583

*Please see accompanying notes to the consolidated financial statements*

**Minera Alamos Inc**  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian dollars)**

	Note	Share Capital		Warrants reserve	Contributed surplus	Options reserve	Deficit	Total equity
		Number of Shares #	Amount \$					
<b>Balance, January 1, 2017</b>		<b>86,794,248</b>	<b>36,525,360</b>	<b>3,191,537</b>	<b>3,428,063</b>	<b>1,116,650</b>	<b>(44,705,391)</b>	<b>(443,781)</b>
Warrants exercised	9b(v), 10	1,626,710	304,017	(84,352)	-	-	-	219,665
Net loss for the period		-	-	-	-	-	(623,386)	(623,386)
<b>Balance, March 31, 2017</b>		<b>88,420,958</b>	<b>36,829,377</b>	<b>3,107,185</b>	<b>3,428,063</b>	<b>1,116,650</b>	<b>(45,328,777)</b>	<b>(847,502)</b>
<b>Balance, January 1, 2018</b>		<b>149,294,208</b>	<b>44,738,147</b>	<b>3,402,337</b>	<b>3,711,913</b>	<b>1,610,300</b>	<b>(50,967,724)</b>	<b>2,494,973</b>
Warrants exercised	9b(v), 10	1,187,060	181,192	(52,286)	-	-	-	128,906
Net loss for the period		-	-	-	-	-	(1,483,854)	(1,483,854)
<b>Balance, December 31, 2018</b>		<b>150,481,268</b>	<b>44,919,339</b>	<b>3,350,051</b>	<b>3,711,913</b>	<b>1,610,300</b>	<b>(52,451,578)</b>	<b>1,140,025</b>

*Please see accompanying notes to the consolidated financial statements*

**Minera Alamos Inc**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

	Notes	For the three months ended March 31,	
		2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Net loss for the period		(1,483,854)	(623,386)
<b>Adjustments to reconcile net loss to net cash flows:</b>			
<b>Non-cash adjustments:</b>			
Accretion of long-term liabilities	7	61,237	
Depreciation		3,387	1,454
		<u>(1,419,230)</u>	<u>(621,932)</u>
<b>Changes in non-cash working capital:</b>			
Accounts receivable		130	-
Prepaid expenses		(16,167)	19,388
Taxes receivable		(90,969)	91,487
Accounts payable and accrued liabilities		<u>(37,430)</u>	<u>(123,360)</u>
<b>Net cash flows from (used in) operating activities</b>		<u>(1,563,666)</u>	<u>(634,417)</u>
<b>Cash flows from investing activities</b>			
Disposal of equipment	8	-	291,504
Restricted cash	6	-	8
<b>Net cash flows from (used in) investing activities</b>		<u>-</u>	<u>291,512</u>
<b>Cash flows from financing activities</b>			
Exercise of warrants	9	128,906	219,665
<b>Net cash flows from financing activities</b>		<u>128,906</u>	<u>219,665</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		(1,434,760)	(123,240)
Cash and cash equivalents, beginning of period		<u>3,892,135</u>	<u>607,096</u>
<b>Cash and cash equivalents, end of period</b>		<u>2,457,375</u>	<u>483,856</u>

*Please see accompanying notes to the consolidated financial statements*

**Minera Alamos Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the period ended March 31, 2018 and 2017**

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**1. GENERAL INFORMATION**

Minera Alamos Inc. (the "Company") is a junior mining exploration company engaged directly and indirectly through its subsidiaries in the acquisition, exploration and development of mineral properties located in Mexico.

These condensed interim consolidated financial statements include the accounts of the Company, its Mexican subsidiaries Minera Alamos de Sonora S.A. de C.V., Molibdeno Los Verdes S.A. de C.V., and Cobre 4H S.A. de C.V.; and its US subsidiary Virgin Metals USA, Inc. The Company's head office is located at 55 York Street East, Suite 402, Toronto, Ontario, Canada, M5J 1R7.

**2. BASIS OF PRESENTATION AND GOING CONCERN**

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. This is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These condensed interim consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations. There are no assurances that the Company will be successful in achieving these goals.

As at March 31, 2017, the Company had not yet achieved profitable operations and expects to incur further losses, which may cast significant doubt about the Company's ability to continue as a going concern. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

**3. STATEMENT OF COMPLIANCE**

These condensed interim consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Accounting Standard 34 (IAS 34) Interim Financial Reporting. These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017. Subject to certain transition elections disclosed below, the Company has consistently applied the same accounting policies in the opening IFRS statement of financial position as at January 1, 2010 and throughout all periods presented, as if these policies had always been in effect.

The policies applied in these consolidated financial statements are presented in Note 4 and are based on IFRS issued and outstanding as of May 24, 2018 the date the Board of Directors approved these consolidated financial statements.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of preparation**

These condensed interim consolidated financial statements are presented in Canadian dollars and are prepared on the historical cost basis, modified by the measurement at fair value of certain financial instruments.

**(b) Accounting standards and interpretations effective in future periods**

(i) IFRS 9 Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and revised October 2010, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Management assesses that the adoption of IFRS 9 will not have a significant impact to the consolidated financial statements.

(ii) IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied. Management is currently assessing the impact of this standard on the consolidated financial statements.

**(c) Share-based payment**

The Company's share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as salary and compensation expense with a corresponding increase in equity. The fair value of the option grant is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.



**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(d) Deferred taxes**

The Company uses the asset and liability method of accounting for income taxes, under which deferred income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using income tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in income tax rates or laws is recognized as part of the provision for income taxes in the period the changes are considered substantively enacted.

Deferred income tax assets attributable to these differences, if any, are recognized to the extent that the realization of such assets is probable.

**(e) Equipment**

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss. Where an item of property and equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, are capitalized.

The Company provides for depreciation of its equipment at the following annual rates:

Mining equipment	- 5 to 10 years straight line basis
Office equipment	- 20% to 45% declining balance
Leasehold improvements	- Lesser of 5 years or lease term, straight line basis
Vehicles	- 30% declining balance

**(f) Mineral properties and exploration and evaluation costs**

The Company expenses all costs relating to the acquisition of, exploration for, and development of mineral properties and it credits all revenues received against the exploration expenditures. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized; this includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Impairment**

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(h) Foreign currencies**

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Financial assets and liabilities**

Investments are recognized and derecognized on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss which are initially measured at fair value. Financial assets held are marketable securities and cash and cash equivalents.

These are classified into the following specified categories: available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Marketable securities held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized directly in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in other comprehensive income. Amounts receivable, that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Accounts payable and accrued liabilities are classified as other financial liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

**Impairment of financial assets:**

Financial assets are assessed for indicators of impairment at each end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) Financial assets and liabilities (Continued)**

For all other financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It's becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as accounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When a receivable amount is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity. The Company does not have any derivative financial instruments. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at March 31, 2018 and December 31, 2017 only cash and cash equivalents and restricted cash are recorded at fair value (Level 1) on the consolidated statements of financial position.

**(j) Cash and cash equivalents**

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit and short-term investments with remaining maturities of three months or less at time of acquisition. The Company does not hold any asset backed commercial paper.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Asset retirement obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

**(l) Equity**

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**(m) Provisions**

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

**(n) Interest income**

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(o) Loss per share**

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common shares outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. Convertible instruments including stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Segment reporting**

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada and Mexico.

**5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of these interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

**Income taxes**

The measurement of income taxes payable and deferred tax assets and liabilities requires management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax returns by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

**6. Restricted Cash Equivalents**

As at March 31, 2018, the Company held GICs in the aggregate amount of \$30,148 (December 31, 2017 - \$30,148) as security for its corporate credit cards.

**Minera Alamos Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the period ended March 31, 2018 and 2017**

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**7. MINERAL PROPERTIES AND EXPLORATION EXPENSES**

	<b>For the three months ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
	\$	\$
La Fortuna, Mexico	234,756	200,767
Guadalupe de los Reyes, Mexico	62,520	-
Los Verdes, Mexico	94,585	93,158
Other	3,011	1,485
Total	<u>394,872</u>	<u>295,410</u>

**La Fortuna project, State of Durango, Mexico**

On May 4, 2016, the Company announced the completion of the acquisition of 100% of the mineral claims known as the “La Fortuna” gold project located in the State of Durango, Mexico from Argonaut Gold Inc. and its wholly owned subsidiary Durango Fern Mines, S.A. de C.V., consisting of 4 claims totaling 994 hectares.

Pursuant to the terms of the purchase agreement, the Company paid the vendor USD \$750,000 on closing and has recognized the fair value of the remaining purchase obligation of USD \$1,250,000 due within a 24-month period. In February 2017, a payment of USD \$250,000 was made, and the remaining USD \$1,000,000 will be paid upon the announcement of a construction decision. The net present value of these remaining payments, discounted at an effective interest rate of 15%, is recognized as follows: \$221,000 (2016 – \$336,000) is included in accounts payable and accrued liabilities, \$934,825 (2016 – \$1,107,414) is included in long-term liabilities and \$169,000 (2016 - \$125,020) was recognized as an accretion expense. The Vendor is also entitled to a 2.5% net smelter returns royalty (“NSR”), subject to a maximum amount of USD \$4,500,000.

In August 2016, the Company announced that it had acquired more than 5,400 hectares in additional mineral concessions surrounding the La Fortuna gold project. The new claims were acquired directly from the federal mining authorities in Mexico (Dirección General de Minas) with no payments to any other third parties, increasing the Company’s total land package to over 6,400 hectares.

In May 2017, additional rights and options were granted on La Fortuna in connection with a private placement (Note 9b(v)). The Subscriber and the Company entered into an investment agreement (the “Investment Agreement”) which provides for the following:

- *Royalty Option:* The Subscriber will be granted an option to purchase up to a 4.0% NSR in the La Fortuna Property for total consideration of \$9 million.
- *Royalty/Stream Right:* As long as the Subscriber holds common shares equal to at least 10% of the issued and outstanding common shares of the Company, on a non-diluted basis, the Subscriber will have a participation right on any and all royalties, streams, or similar interests granted on properties belonging to Minera Alamos.

**7. MINERAL PROPERTIES AND EXPLORATION EXPENSES (Continued)**

- *Additional Rights:* The Subscriber has (i) the right to participate in half of any buybacks of existing La Fortuna royalties, and (ii) the right to acquire a 2.0% NSR on any property acquired within a 250-km radius of La Fortuna.

**Guadalupe de los Reyes (GDR), State of Sinaloa, Mexico**

On October 23, 2017, the Company entered into an option agreement to acquire Minera Gold Stake S.A DE C.V. ("MGS"), a subsidiary of Vista Gold Corp. ("Vista"), which holds 100% interest in mineral rights collectively referred to as the Guadalupe de los Reyes Project. Pursuant to the terms of the Agreement, the Company will earn a 100% interest in the project by paying Vista a total of US\$ 6.0 million in staged payments as follows: US\$ 1.5 million on closing (CA\$ 1,967,304 paid in 2017), US\$ 1.5 million on each of the 12 and 24 month anniversary dates in order to maintain the option and a final purchase price of US\$ 1.5 million on or before the earlier of (i) an announcement of a construction decision by the Company, or (ii) the 48 month anniversary of the Agreement.

Production from any open pit (heap leach) mining operations at the Project (the "Open Pit Royalty") will be subject to a minimum 1% NSR payable to Vista which could increase up to 2% if gold prices exceed US\$ 1,600 per ounce. This royalty is capped at US\$ 2 million.

Vista also retains the right to acquire a 49% non-carried interest in the development of underground gold resources should the Company decide at a later date to pursue potential zones of deep mineralization (excludes all open pit accessible mineralization). Where Vista chooses not to participate in the development of any underground resource or where they participate but are eventually diluted below a 10% interest Vista will retain a NSR on mineral production from such underground production (the "Underground NSR") at the same rate as the Open Pit Royalty. The Underground NSR is not capped.

**Los Verdes project, State of Sonora, Mexico**

The Company holds a 100% interest in a mining property known as Los Verdes, a molybdenum-copper property located in the State of Sonora, Mexico. Included in the Los Verdes project is the Bacanora claim totaling 55 hectares acquired on January 31, 2007. Included in the consideration paid for the claim is a 2% Net Smelter Royalty on the gross amount sold, less specific costs, of all or a portion of the ores or concentrate derived from the property.

In April 2012, the Company acquired, at auction from the General Mines Direction of Mexico, a title to the Potreritos molybdenum-copper deposit concessions in Sonora, Mexico. The property is situated approximately 2 km to the north of the Los Verdes property and referred to as the North Deposit. The Company is currently considering strategic alternatives for this project based on current industry/market expectations and a resizing of the planned operation.



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**8. EQUIPMENT**

<b>Cost</b>	<b>Mining Equipment \$</b>	<b>Office Equipment \$</b>	<b>Leasehold Improvements \$</b>	<b>Vehicles \$</b>	<b>Total \$</b>
Balance at January 1, 2017	808,010	128,612	27,827	60,085	<b>1,024,534</b>
Additions (disposals)	(282,525)	12,589	-	17,859	<b>(252,077)</b>
Balance at December 31, 2017	525,485	141,201	27,827	77,944	<b>772,457</b>
Additions (disposals)	-	-	-	-	-
<b>Balance at March 31, 2018</b>	<b>525,485</b>	<b>141,201</b>	<b>27,827</b>	<b>77,944</b>	<b>772,457</b>
<b>Accumulated depreciation</b>					
Balance at January 1, 2017	17,972	112,200	27,827	55,691	<b>213,690</b>
Additions (disposals)	1,690	5,241	-	3,186	<b>10,117</b>
Balance at December 31, 2017	19,662	117,441	27,827	58,877	<b>223,807</b>
Additions	690	1,288	-	1,409	<b>3,387</b>
<b>Balance at March 31, 2018</b>	<b>20,352</b>	<b>118,729</b>	<b>27,827</b>	<b>60,286</b>	<b>227,194</b>
<b>Carrying amounts</b>					
Balance at December 31, 2017	505,823	23,760	-	19,067	548,650
<b>Balance at March 31, 2018</b>	<b>503,133</b>	<b>22,472</b>	<b>-</b>	<b>17,658</b>	<b>545,263</b>

During the year ended December 31, 2017, the Company sold grinding / flotation equipment which will not be utilized in the construction of the La Fortuna gold project for \$291,504. No gain or loss was recognized on this sale.

**9. SHARE CAPITAL**

**(a) Authorized, issued and outstanding common shares**

Authorized - unlimited number of common shares without par value

Issued and outstanding – 150,481,268 at March 31, 2018 and 149,294,208 at December 31, 2017.

**9. SHARE CAPITAL (Continued)**

**(b) Transactions (Continued)**

- (i) On May 30, 2017, the Company completed a private placement for gross proceeds of \$3,306,750. The Company issued 22,045,000 common shares at a price of \$0.15 per share. In connection with the closing of the private placement, the Company paid agent fees consisting of \$261,603 in cash and 1,543,150 compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at \$0.15 per common share on or before May 30, 2019. The warrants were valued at \$154,315 using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 94%, risk free rate of return 2.0% and an expected life of two years.
- (ii) On June 29, 2017, the Company completed a private placement for gross proceeds of \$5,400,000. The Company issued 36,000,000 common shares at a price of \$0.15 per share. In connection with the closing of the private placement, the Company paid broker fees and expenses of \$533,862 in cash and 2,520,000 compensation warrants. Each compensation warrant entitles the holder to purchase one common share of the Company at \$0.15 on or before June 29, 2019. The warrants were valued at \$277,200 using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 91% risk free rate of return 2.0% and an expected life of two years.
- (iii) During the year ended December 31, 2017, 4,454,960 purchase warrants to acquire common shares at an average of \$0.11 per share were exercised.
- (iv) During the period ended March 31, 2018, 1,187,060 purchase warrants to acquire common shares at an average of \$0.10 per share were exercised. (March 31, 2017, 1,626,710 purchase warrants to acquire common shares at an average of \$0.14 per share were exercised).

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**10. WARRANTS**

A summary of warrant activity during the period ended March 31, 2018 and the year ended December 31, 2017 is as follows:

	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	<b>Number of Warrants</b>	<b>Average Exercise Price</b>	<b>Number of Warrants</b>	<b>Average Exercise Price</b>
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Outstanding beginning of year	61,756,113	0.13	62,128,673	0.12
Granted	-	-	4,074,400	0.15
Exercised	(1,187,060)	0.10	(4,446,960)	0.11
Expired	-	-	-	-
Outstanding end of period	60,569,053	0.12	61,756,083	0.13

At March 31, 2018, the following warrants were outstanding and available to be exercised:

<b>Number</b>	<b>Exercise Price</b>	<b>Expiration</b>	<b>Fair Value</b>
<b>#</b>	<b>\$</b>		<b>\$</b>
4,086,800	0.10	May 2019	196,928
27,155,397	0.10	June 2019	1,243,074
2,165,086	0.10	July 2019	108,581
7,450,000	0.15	April 2019	410,220
892,000	0.10	April 2019	85,248
10,660,120	0.15	May 2019	569,090
1,811,500	0.10	May 2019	172,113
1,965,000	0.15	May 2019	102,562
320,000	0.10	June 2019	30,720
1,543,150	0.15	May 2019	154,315
2,520,000	0.15	June 2019	277,200
<b>60,569,053</b>			<b>3,350,051</b>

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**11. SHARE - BASED PAYMENTS – STOCK OPTION PLAN**

The Company has a stock option plan (the "Plan") available to its employees, officers, directors and consultants that has been approved as amended by the shareholders on July 12, 2017. The number of common shares is limited to 10% of the Company's issued and outstanding shares.

The exercise price of options granted in accordance with the plan must not be lower than the closing price for such shares as quoted on the Toronto Stock Exchange ("TSX") on the last business day prior to the date of the grant. The period for exercising an option shall not extend beyond a period of ten years following the date the option is granted. The total number of options held by insiders of the Company must not exceed 10% of the total number of shares issued and outstanding, unless approved by a majority of disinterested shareholders votes cast at a shareholders meeting.

The fair value of each option is accounted for in the consolidated statements of loss and comprehensive loss and the related credit is included in options reserve. Options granted vest immediately and expire five years from the date of issue.

At March 31, 2018, the following options were outstanding and available to be exercised:

<b>Grant Date</b>	<b>Number #</b>	<b>Exercise Price \$</b>	<b>Expiration</b>	<b>Remaining Years</b>	<b>Grant Date Fair Value \$</b>
June 18, 2015	2,500,000	0.11	June 18, 2020	2.25	0.11
July 20, 2016	3,200,000	0.19	July 20, 2021	3.17	0.18
June 28, 2017	750,000	0.17	June 28, 2022	4.25	0.15
December 7, 2017	4,750,000	0.17	December 7, 2022	4.67	0.14
	11,200,000				

A summary of stock option activity during the period ended March 31, 2018 and December 31, 2017 is as follows:

	<b>March 31, 2018</b>		<b>December 31, 2017</b>	
	<b>Number of Stock Options #</b>	<b>Average Exercise Price \$</b>	<b>Number of Stock Options #</b>	<b>Average Exercise Price \$</b>
Outstanding beginning of period	11,200,000	0.16	7,600,000	0.16
Granted	-	-	5,500,000	0.17
Expired / Forfeited	-	-	(750,000)	0.11
Expired / Forfeited	-	-	(1,150,000)	0.19
Outstanding end of period	11,200,000	0.16	11,200,000	0.16

**12. COMMITMENTS AND CONTINGENCIES**

**Legal Matters**

In the normal course of business, the Company may be involved in legal proceedings, claims and assessments. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Legal fees for such matters are expensed as incurred and the Company accrues for adverse outcomes as they become probable and estimable.

**Leases**

Minimum payments due under operating leases in respect of office space are set out below:

2018 - \$	81,690
2019 - \$	108,920
2020 - \$	109,103
2021 - \$	100,848

**13. FINANCIAL RISK MANAGEMENT**

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

**(a) Credit risk management**

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian banks, sales tax recoverable from the federal government of Canada and value added tax recoverable from the government of Mexico, where taxes are included in amounts receivable (Note 7).

The Company does not hold any asset backed commercial paper.

**b) Liquidity risk**

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable of the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interest. The Company intends on fulfilling its obligations.

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**13. FINANCIAL RISK MANAGEMENT (Continued)**

**b) Liquidity risk (Continued)**

As of March 31, 2018, the Company had a cash and cash equivalents balance of \$2,457,374 and other current assets of \$518,258 (December 31, 2017 - \$3,892,135 and \$411,252 respectively) to settle current accounts payable, accrued liabilities of \$1,384,810 (December 31, 2016 - \$1,422,239).

**(c) Market risk**

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

**(i) Price risk**

The Company is exposed to price risk with respect to commodity prices. Price risk is remote since the Company is not a producing entity.

**(ii) Interest rate risk**

The Company has cash balances and no interest-bearing debt. The Company's current policy is to deposit excess cash in interest bearing accounts at its banking institutions.

Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company. The fair value of cash and cash equivalents, cash restricted for purchase of mineral property, advances receivable, accounts payable and accrued liabilities approximate carrying value due to the relatively short-term maturities of these instruments.

**(d) Fair values**

Marketable securities are carried at fair value. For accounts payable with a remaining life of less than one year, the book value amounts are equivalent to their fair values.

**14. CAPITAL RISK MANAGEMENT**

The Company's objectives for managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to add value to its projects, acquire additional potentials for resources and provide returns for shareholders;
- to provide an adequate return to shareholders by increasing the value of underlying assets through exploration and development of economic resources; and
- to generate an adequate return to shareholders by constructing and operating economically viable mineral deposits.

**Minera Alamos Inc.**  
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**14. CAPITAL RISK MANAGEMENT (Continued)**

The Company considers its capital structure to consist of capital stock and contributed surplus. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration, development and operation of mineral properties; in relation to the risk it faces; and in consideration of changes in economic conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to maintain or adjust the capital structure, the Company may issue new shares, undertake debt, sell its ownership or an interest in its assets or joint venture its projects.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. There are no externally imposed capital requirements for the Company.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended March 31, 2018.

**15. RELATED PARTY TRANSACTIONS**

Details of transactions between the Company and other related parties are disclosed below.

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company for the period ended March 31, 2018 and 2017 was as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Aggregate compensation	225,000	127,160
Stock-based compensation	-	-

Included in accrued liabilities at March 31, 2018 payable to key management of the Company is \$424,500 in relation to outstanding compensation (December 31, 2017 - \$336,000).

**16. SUBSEQUENT EVENT**

**Acquisition of Corex Gold Corporation (“Corex”)**

The Company entered into a definitive arrangement agreement dated January 30, 2018, which was approved by Corex shareholders pursuant to a special meeting held on April 4, 2017 and closed on April 13, 2018, to acquire Corex, a Mexican gold development company. Under the terms of the Agreement, each Corex shareholder received 0.95 common shares of Minera Alamos Inc. in exchange for each Corex share held. The business combination was completed by way of share exchange pursuant to a statutory plan of arrangement under the *Business Corporations Act* (British Columbia) resulting in Corex becoming a wholly owned subsidiary of Minera Alamos Inc. Pursuant to the transaction, the Company issued 150,470,661 common shares to the former shareholders of Corex.