MINERA ALAMOS INC.

Consolidated Financial Statements

December 31, 2017 and 2016

Independent Auditors' Report

To the Shareholders of Minera Alamos Inc.:

We have audited the accompanying consolidated financial statements of Minera Alamos Inc. which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audits opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Minera Alamos Inc. as at December 31, 2017 and 2016 and its financial performance, the results of its operations, and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Minera Alamos Inc.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario
April 19, 2018

Chartered Professional Accountants
Licensed Public Accountants

MNP LLP

Minera Alamos Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	Notes	December 31, 2017	December 31, 2016
		$	$
Assets			
Current assets			
Cash and cash equivalents		**3,892,135**	607,096
Restricted cash	6	**30,148**	30,031
Accounts receivable		**4,774**	-
Prepaid expenses and deposits		**50,671**	65,989
Taxes receivable		**325,659**	233,514
		4,303,387	936,630
Equipment	8	**548,650**	810,844
		4,852,037	1,747,474
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7 & 16	**1,422,239**	1,083,841
Long-term liabilities	7	**934,825**	1,107,414
		2,357,064	2,191,255
Shareholders' Equity			
Share capital	9	**44,738,147**	36,525,360
Contributed surplus		**3,711,913**	3,428,063
Options reserve	11	**1,610,300**	1,116,650
Warrants reserve	9 & 10	**3,402,337**	3,191,537
Deficit		**(50,967,724)**	(44,705,391)
		2,494,973	(443,781)
		4,852,037	1,747,474

Basis of Presentation and Going Concern (note 2)
Subsequent Event (note 17)

Approved by the Board:

Signed*: "Bruce Durham"*	Signed: "Darren Koningen"
Director	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 years ended December 31,	
	Notes	**2017**	**2016**
		$	$
Expenses			
Depreciation and amortization	8	**10,117**	5,879
Exploration and evaluation	7	**3,246,132**	3,493,098
Insurance		**26,571**	22,527
Interest expense		**-**	1,118
Investor relations		**190,496**	181,714
Office and administration		**338,625**	205,447
Professional fees		**289,576**	201,371
Salaries and compensation		**1,393,300**	669,382
Share-based compensation	11 & 16	**777,500**	778,650
Transfer agent regulatory fees		**25,330**	19,672
Travel		**89,437**	133,506
		(6,387,084)	(5,711,364)
Other Items			
Foreign exchange loss (gain)		**(115,113)**	93,288
Interest income		**(9,639)**	(4,789)
		(124,752)	88,499
Net loss and comprehensive loss for the year		**(6,262,333)**	(5,799,863)
Net loss per share:			
Basic and diluted		**(0.05)**	(0.08)
Weighted average number of common shares outstanding:			
Basic and diluted		**119,979,583**	71,235,095

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						
		Number of Shares #	Amount $	Warrants reserve $	Contributed surplus $	Options reserve $	Deficit $	Total equity $
Balance, January 1, 2016		**42,544,248**	**33,946,987**	**1,725,538**	**3,428,063**	**338,000**	**(38,905,528)**	**533,060**
Issued on private placements	9b(i)(ii)(iii)(iv)	44,000,000	4,400,000	-	-	-	-	4,400,000
Warrants issued on private placements	9b(i)(ii)(iii)(iv)	-	(1,185,670)	1,185,670	-	-	-	-
Share issue costs	9b(i)(ii)(iii)(iv)	-	(380,629)	-	-	-	-	(380,629)
Broker warrants issued	9b(i)(ii)(iii)(iv)	-	(291,746)	291,746	-	-	-	-
Options issued	11	-	-	-	-	778,650	-	778,650
Warrants exercised	9b(vii), 10	250,000	36,418	(11,417)	-	-	-	25,001
Net loss for the year		-	-	-	-	-	(5,799,863)	(5,799,863)
Balance, December 31, 2016		**86,794,248**	**36,525,360**	**3,191,537**	**3,428,063**	**1,116,650**	**(44,705,391)**	**(443,781)**
Balance, January 1, 2017		**86,794,248**	**36,525,360**	**3,191,537**	**3,428,063**	**1,116,650**	**(44,705,391)**	**(443,781)**
Issued on private placement	9b(v)(vi)	58,045,000	8,706,750	-	-	-	-	8,706,750
Share issue costs	9b(v)(vi)	-	(795,465)	-	-	-	-	(795,465)
Broker warrants issued	9b(v)(vi)	-	(431,515)	431,515	-	-	-	-
Expiration of options	11	-	-	-	283,850	(283,850)	-	-
Options issued	11	-	-	-	-	777,500	-	777,500
Warrants exercised	9b(viii), 10	4,454,960	733,017	(220,715)	-	-	-	512,302
Net loss for the year		-	-	-	-	-	(6,262,333)	(6,262,333)
Balance, December 31, 2017		**149,294,208**	**44,738,147**	**3,402,337**	**3,711,913**	**1,610,300**	**(50,967,724)**	**2,494,973**

Please see accompanying notes to the consolidated financial statements

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

	Notes	For the years ended December 31, 2017 $	2016 $
Cash flows from operating activities			
Net loss for the year		**(6,262,333)**	(5,799,863)
Adjustments to reconcile net loss to net cash flows:			
Non-cash adjustments:			
Depreciation		**10,117**	5,879
Accretion – long-term liabilities	7	**169,000**	-
Share-based compensation	11 & 16	**777,500**	778,650
		(5,305,716)	(5,015,334)
Changes in non-cash operating adjustments:			
Accounts receivable		**(4,774)**	-
Prepaid expenses		**15,318**	(49,533)
Taxes receivable		**(92,145)**	(171,705)
Accounts payable and accrued liabilities		**332,809**	1,767,117
Net cash flows from (used in) operating activities		**(5,054,508)**	(3,469,455)
Cash flows from investing activities			
Acquisition of equipment	8	**(39,427)**	-
Disposal of equipment	8	**291,504**	(795,218)
Decrease of long-term liabilities	7	**(336,000)**	-
Restricted cash		**(117)**	20,000
Net cash flows from (used in) investing activities		**(84,040)**	(815,218)
Cash flows from financing activities			
Issuance of common shares, net	9	**7,911,285**	4,044,371
Exercise of warrants	9	**512,302**	-
Net cash flows from financing activities		**8,423,587**	4,044,371
Net increase (decrease) in cash and cash equivalents		**3,285,039**	(240,302)
Cash and cash equivalents, beginning of year		**607,096**	847,398
Cash and cash equivalents, end of year		**3,892,135**	607,096

Please see accompanying notes to the consolidated financial statements

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 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 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 December 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 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 consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC"). The Company has consistently applied the same accounting policies for all periods reported in these consolidated financial statements.

The policies applied in these consolidated financial statements are presented in Note 4 and are based on IFRS issued and outstanding as of April 19, 2018 the date the Board of Directors approved these consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These 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 are 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, cash and cash equivalents and restricted cash.

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, net of tax, 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. Accounts receivable, excluding taxes 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, accrued liabilities and long-term 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 December 31, 2017 and December 31, 2016 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 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 consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the 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 December 31, 2017, the Company held GICs in the aggregate amount of $30,148 (2016 - $30,031) as security for its corporate credit cards.

7. MINERAL PROPERTIES AND EXPLORATION EXPENSES

	For the years ended December 31,	
	2017	**2016**
	$	$
La Fortuna, Mexico	1,039,851	3,239,368
Guadalupe de los Reyes, Mexico	1,967,304	-
Los Verdes, Mexico	216,987	248,777
Other	21,990	4,953
Total	3,246,132	3,493,098

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.

8. EQUIPMENT

Cost	Mining Equipment $	Office Equipment $	Leasehold Improvements $	Vehicles $	Total $
Balance at January 1, 2016	23,058	118,345	27,827	60,085	**229,315**
Additions (disposals)	784,952	10,267	-	-	**795,219**
Balance at December 31, 2016	808,010	128,612	27,827	60,085	**1,024,534**
Additions (disposals)	(282,525)	12,589	-	17,859	**(252,077)**
Balance at December 31, 2017	525,485	141,201	27,827	77,944	**772,457**
Accumulated depreciation					
Balance at January 1, 2016	16,868	108,846	27,827	54,270	**207,811**
Additions (disposals)	1,104	3,354	-	1,421	**5,879**
Balance at December 31, 2016	17,972	112,200	27,827	55,691	**213,690**
Additions	1,690	5,241	-	3,186	**10,117**
Balance at December 31, 2017	19,662	117,441	27,827	58,877	**223,807**
Carrying amounts					
Balance at December 31, 2016	790,038	16,412	-	4,394	**810,844**
Balance at December 31, 2017	**505,823**	**23,760**	**-**	**19,067**	**548,650**

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 AND OTHER EQUITY

(a) Authorized, issued and outstanding common shares

Authorized - unlimited number of common shares without par value
Issued and outstanding – 149,294,208 at December 31, 2017 and 86,794,428 at December 31, 2016.

(b) Transactions

(i) On April 18, 2016, the Company completed the first tranche of a private placement issuing 15,200,000 units (the “Units”) for gross proceeds of $1,520,000. The Company issued each Unit at a price of $0.10 per Unit, with each Unit consisting of one common share in the capital of the Company and one-half (1/2) of a common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of $0.15 per share for a period of 36 months form the date of issuance.

9. SHARE CAPITAL AND OTHER EQUITY (Continued)

(b) Transactions (Continued)

In connection with the first tranche, the Company paid IBK Capital Corp. the agent of the Company and agent's fee consisting of $90,100 in cash and issued 896,000 non-transferable agent's compensation warrants. Each compensation warrant entitles its holder to purchase one Unit at an exercise price of $0.10 per unit for a period of 36 months after the date of issuance. The grant date fair value of $504,494 was assigned to 7,600,000 warrants and 896,000 compensation warrants issued using the Black-Scholes valuation model with the following assumptions: expected dividend yield 0%, expected volatility 181.36% risk free rate of return 0.60% and an expected life of three years.

(ii) On May 4, 2016, the Company closed the second tranche of its private placement. On this second tranche, the Company issued 5,000,000 units (the "Units") for gross proceeds of $500,000 which was held in escrow pending satisfaction of certain escrow conditions, which were satisfied following the acquisition of La Fortuna Gold Project, located in Durango, Mexico, from Argonaut Gold Inc. The Company issued each Unit at a price of $0.10 per Unit, with each Unit consisting of one common share in the capital of the Company and one-half (1/2) of a common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of $0.15 per share for a period of 36 months from the date of issuance.

In connection with this second tranche, the Company paid agent's fee consisting of $40,000 in cash and issued 400,000 non-transferable agent's compensation warrants. Each compensation warrant entitles its holder to purchase one Unit at an exercise price of $0.10 per unit for a period of 36 months after the date of issuance. The grant date fair value of $167,976 was assigned to 2,500,000 warrants and 400,000 compensation warrants issued using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 181.36% risk free rate of return 0.60% and an expected life of three years.

(iii) On May 13, 2016, the Company closed the final tranche of the private placement, issuing 19,800,000 common shares units (the "Units") at a price of $0.10 per Unit with each unit consisting of one common share in the capital of the Company and one-half (1/2) of a common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of $0.15 per share for a period of 36 months form the date of issuance. An Agent's fee was paid in connection of this final tranche of private placement consisting of $143,800 in cash and issued 1,438,000 non-transferable agent's compensation warrant. Each compensation warrant entitles its holder to purchase one Unit at an exercise price of $0.10 for a period of 36 months after the date of issuance.

9. SHARE CAPITAL AND OTHER EQUITY (Continued)

(b) Transactions (Continued*)*

A grant date fair value of $669,836 was assigned to 9,900,000 warrants and 1,438,000 compensation warrants issued using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 181.88% risk free rate of return 0.59% and an expected life of three years

(iv) On June 3, 2016, the Company closed a non-brokered private placement for gross proceeds of $400,000. The Company issued 4,000,000 common shares units (“Units”) at a price of $0.10 per Unit with each unit consisting of one common share in the capital of the Company and one-half (1/2) of a common share purchase warrant. Each warrant entitles its holder to purchase one common share in the capital of the Company at an exercise price of $0.15 per share for a period of 36 months form the date of issuance. In connection with the closing of the private placement, the Company paid finder’s commissions consisting of $32,000 in cash and issued 320,000 non-transferable compensation warrants. Each compensation warrant entitles its holder to purchase one Unit at an exercise price of $0.10 for a period of 36 months after the date of issuance. A grant date fair value of $135,109 was assigned to 2,000,000 warrants and 320,000 compensation warrants issued using the Black-Scholes valuation model using the following assumption: expected dividend yield 0%, expected volatility 181.94% risk free rate of return 0.58% and an expected life of three years.

(v) 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.

(vi) 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.

(vii) During the year ended December 31, 2016, 250,000 purchase warrants to acquire common shares at $0.10 per share were exercised.

9. SHARE CAPITAL AND OTHER EQUITY (Continued)

(viii) 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.

10. WARRANTS

A summary of warrant activity during the years ended December 31, 2017 and 2016 is as follows:

	December 31, 2017		December 31, 2016	
	Number of Warrants #	Average Exercise Price $	Number of Warrants #	Average Exercise Price $
Outstanding beginning of year	62,128,643	0.12	37,324,643	0.10
Granted	4,074,400	0.15	25,054,000	0.15
Exercised	(4,454,960)	0.11	(250,000)	0.10
Expired	-	-	-	-
Outstanding end of year	61,748,083	0.13	62,128,643	0.12

At December 31, 2017, the following warrants were outstanding and available to be exercised:

Number #	Exercise Price $	Expiration	Fair Value $
4,086,800	0.10	May 2019	196,928
28,342,457	0.10	June 2019	1,294,545
2,065,056	0.10	July 2019	104,014
7,450,000	0.15	April 2019	410,220
892,000	0.10	April 2019	85,632
10,760,120	0.15	May 2019	574,476
1,803,500	0.10	May 2019	171,724
1,965,000	0.15	May 2019	102,562
320,000	0.10	June 2019	30,721
1,543,150	0.15	May 2019	154,315
2,520,000	0.15	June 2019	277,200
61,748,083			3,402,337

11. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN

The Company has a stock option plan (the "Plan") available to its employees, officers, directors and consultants which 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.

11. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN (Continued)

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.

During the year ended December 31, 2017, the Company issued 5,500,000 options and recognized the fair value as a share-based payment expense of $777,500 (2016 - $778,650). The fair value of the options granted was determined using the Black-Scholes pricing model, using the following range of assumptions:

	2017	2016
Exercise price	$0.17	$0.19
Expected life	5 years	5 years
Risk-free interest rate	1.65%	0.65%
Expected volatility	127%	170%
Expected dividend yield	Nil%	Nil%

At December 31, 2017, the following options were outstanding and available to be exercised:

Grant Date	Number	Exercise Price	Expiration	Remaining Years	Grant Date Fair Value
June 18, 2015	2,500,000	$0.11	June 18, 2020	2.50	$0.11
July 20, 2016	3,200,000	$0.19	July 20, 2021	3.42	$0.18
June 28, 2017	750,000	$0.17	June 28, 2022	4.50	$0.15
December 7, 2017	4,750,000	$0.17	December 7, 2022	4.92	$0.14
	11,200,000				

A summary of stock option activity during the years ended December 31, 2017 and 2016 is as follows:

	December 31, 2017		December 31, 2016	
	Number of Stock Options #	Average Exercise Price $	Number of Stock Options #	Average Exercise Price $
Outstanding beginning of year	7,600,000	0.16	3,250,000	0.11
Granted	5,500,000	0.17	4,350,000	0.19
Expired / Forfeited	(750,000)	0.11	-	-
Expired / Forfeited	(1,150,000)	0.19	-	-
Outstanding end of year	11,200,000	0.16	7,600,000	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 - $108,920
2019 - $108,920
2020 - $109,103
2021 - $100,848

13. INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% to the effective tax rate of NIL, includes significant permanent differences related to stock based compensation of $206,038 (2016 - $206,342) and non-deductible exploration expense of $60,593 (2016 - $124,396).

Deferred taxes have not been recognized in respect of the deductible temporary differences set out below:

	2017 $	2016 $
Non-capital losses - Canada	14,448,048	12,116,553
Non-capital losses - Mexico	1,919,777	2,000,546
Share issue costs	1,550,570	793,987
Capital losses carried forward	23,600	23,600
Property, plant and equipment	2,992	3,063
Exploration expenditures (Mexico & US)	7,431,039	6,474,581
Minera Gold Stake S.A. DE C.V. Option (Note 7)	1,967,304	-

The non-capital losses carried forward will expire between 2026 and 2037.
The exploration expenditures, and property, plant, and equipment may be carried forward indefinitely.
The share issue costs will be deducted for tax purposes over the next four years.

14. 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.

14. FINANCIAL RISK MANAGEMENT (Continued)

(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.

As of December 31, 2017, the Company had a cash and cash equivalents balance of $3,892,135 and other current assets of $411,252 (December 31, 2016 - $607,096 and $329,534 respectively) to settle current accounts payable, accrued liabilities of $1,422,239 (December 31, 2016 - $1,083,841).

(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.

14. FINANCIAL RISK MANAGEMENT (Continued)

(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.

15. 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.

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 year ended December 31, 2017.

16. 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 years ended December 31, 2017 and 2016 was as follows:

	2017 $	2016 $
Aggregate compensation	1,025,000	553,200
Stock-based compensation	336,000	447,500

Included in accrued liabilities at December 31, 2017 payable to key management of the Company is $336,000 in relation to outstanding compensation (December 31, 2016 - $344,000).

17. 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, 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.