

# ALAMOS GOLD

A TRACK RECORD TO BE PROUD OF



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*John A McCluskey, President, Chief Executive Officer and Director of Alamos Gold, discusses the secrets behind the company's success and how its commitment to responsible mining has improved the lives of many*

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When I look over the last two years, while I do see a highly problematic gold market, particularly for producers, I also see evidence to suggest that the long-term outlook is pretty good. Primarily this is because many of the underpinning reasons for the rise in gold price in the first place continue to exist, reasons like high degrees of sovereign debt.”

Those are the words of John A McCluskey, President, Chief Executive Officer and Director of Alamos Gold. Having begun his career in 1983 with Glamis Gold, McCluskey would go on to hold senior positions in a number of public resource companies, founding Grayd Resource Corporation in 1996, and ultimately establishing Alamos Minerals. It was the amalgamation of Alamos Minerals and National Gold on 21 February, 2003, that gave rise to Alamos Gold itself.

A Canadian-based mid-tier gold producer, Alamos’ core focus is to become a leader in the field of growing low-cost gold production, in financial performance and in delivering shareholder value. The company owns and operates the Mulatos Mine, located within the Salamandra Concessions in the Sierra Madre Occidental mountain range in the north western state of Sonora, Mexico. Acquired by the company in February 2003 for \$10 million, Mulatos is a conventional open-pit, heap leach operation and is recognised as being one of the lowest cost gold mines on the planet. In addition to the Mulatos Mine, Alamos also boasts a leading growth profile with exploration and development activities not only in Mexico,

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Overview of Mulatos crushing circuit

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Turning back to the topic of the gold industry as it stands today, McCluskey's belief is that the current gold market is simply not sustainable. "If you look at average all-in sustaining costs of the industry today, which don't typically take into account taxation, with gold trading around \$1,250 an ounce there is simply not enough of a margin present to sustain the industry. The result

of this situation will ultimately be either a rise in the price of gold or a significant decline in gold production."

So given this outlook, how is it that Alamos is able to remain prosperous? "Where we have looked to make acquisitions we have always done so with the view of all-in sustaining costs being below \$1,000 per ounce," McCluskey continues. "This provides us with a much more comfortable margin than that

**“THE WORK OF ALAMOS TO PROVIDE A BETTER QUALITY OF LIFE FOR THE COMMUNITIES LIVING AROUND ITS OPERATIONS CONTINUES UNABATED”**



Mulatos Crushing Circuit

which the typical industry producer enjoys and means we can effectively withstand a drop in the price of gold much better than such producers. It also means that our suite of projects exists as one of the lowest cost development pipelines in the industry and that is a very unique, strong position to be in, in anyone's book."

The Mulatos Mine is some way removed from being a development asset, but its on-going success marks it out as being the flagship of Alamos Gold. "When we started operations at Mulatos in 2005, we had roughly nine years of production ahead of us, an

estimate calculated off the back of running at 10,000 tonnes of ore per day," McCluskey highlights. "At that rate we should have run out of ore in 2013, however successful exploration and expansion programmes allowed us to ramp up production to 13,000, 15,000 and now 17,700 tonnes of ore per day, and now we anticipate having a further eight or nine years of mine life ahead of us."

A number of important factors have contributed towards the extension of Mulatos' mine life. These include the fact that the ore body was not fully defined when Alamos began mining it and the fact that when the

**"AS A COMPANY, AND AN INDUSTRY,  
WE WANT TO OPERATE IN WAYS THAT ARE  
ENVIRONMENTALLY SUSTAINABLE"**

# 17,700 TONNES

Of ore being produced daily at Mulatos

company conducted its first economic study on the mine the gold price stood at around \$375 an ounce. As gold prices increased the company was then able to use lower cut off grade assumptions allowing for much more of the material it was defining to become part of its reserves. Furthermore, the Mulatos pit contains a variety of ore types, some of which wouldn't have qualified as reserves at lower gold prices, but are now profitable.

The Mulatos mine and its surrounding area is today very much a different place to that which Alamos first entered over a decade ago. Miles away from any built up modern location, Mulatos is a remote community that prior to 2003 was essentially cut off from the rest of Mexico and was a town lacking in transportation networks and other infrastructure.

"Infrastructure has been one of the biggest things we have invested in since beginning operations here," McCluskey enthuses. "A large sum of money went into the construction of 70 kilometres of road, from the pre-existing paved highway through several mountain valleys all the way to the mine itself."

Of course being a responsible mining company takes more than single gestures and to this end the work of Alamos to provide a better quality of life for the



John A McCluskey



Mulatos Leach Pad  
Reclamation

communities living around its operations continues unabated. In addition to providing support for a number of local elementary and high schools the company continues to pursue an aggressive scholarship programme that has to date sent dozens of individuals into higher education.

The company is also responsible for building a medical support network from the ground up in the area. “Before we arrived in the area there was virtually no medical support for miles around,” McCluskey states. “In the event of an emergency people would face up to a six and a half hour drive to the nearest hospital. What we have done is establish a medical clinic at the mine, which has been delivering comprehensive medical care now for more than a decade. In addition we have provided funding for medicine for the local population, rebuilt and maintained 8 kilometres of piping to supply clean drinking water to the town of Mulatos and built a water treatment plant, significantly improving the water quality of the nearest natural water source to the community.”

Alamos’ track record in delivering value not only for its shareholders but also local communities speaks for itself, and McCluskey believes that it is one that is widely replicated throughout an industry that should do more



Mulatos Heap Leach Pad

to defend itself against critics. “The basis of virtually every economy comes down to natural resources and their development, therefore the importance of mining cannot be overstated. While there have obviously been examples of environmental degradation in the past, I would say that the industry, especially in the 30 years that I have been a part of it, has had an exemplary record. As a company, and an industry, we want to operate in ways that are environmentally sustainable. I think this industry needs to make this point much clearer.” **BE**

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