



ARGONAUT GOLD

AMENDED AND RESTATED ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2021

June 23, 2022

Note: This Amended and Restated Annual Information Form is an amended and restated version of the Annual Information Form of Argonaut Gold Inc. dated as of March 4, 2022

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IN THIS ANNUAL INFORMATION FORM, UNLESS THE CONTEXT OTHERWISE REQUIRES, THE "CORPORATION" OR "ARGONAUT" REFERS TO ARGONAUT GOLD INC. AND ITS SUBSIDIARIES. ALL INFORMATION CONTAINED HEREIN IS AS OF DECEMBER 31, 2021, UNLESS OTHERWISE STATED.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form ("AIF") may contain "forward-looking information" within the meaning of applicable Canadian securities legislation. All information, other than statements of historical facts, included in this AIF that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Corporation's businesses, operations, plans and other such matters are forward-looking information.

When used in this AIF, the words "estimate", "plan", "continue", "anticipate", "might", "expect", "project", "intend", "may", "will", "shall", "should", "could", "would", "predict", "forecast", "pursue", "potential", "believe" and similar expressions are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Examples of such forward-looking information include information pertaining to, without limitation: the Magino construction capital estimate; the ability to finance additional construction costs on schedule and on terms acceptable to the Corporation; the realization of mineral resource and mineral reserve estimates; the timing and amount of estimated future production; the impact of inflation on costs of exploration, development and production; estimated production and mine life of the various mineral projects of the Corporation; availability and timing of approval for modifications to existing permits; permitting and legal processes in relation to mining permitting and approval; the benefits of the development potential of the properties of the Corporation; the future price of gold, copper, and silver; the market and global demand for gold, copper and silver; the estimation of mineral reserves and resources; success of exploration activities; the impact of COVID-19, the response of governments to COVID-19 and the effectiveness of such responses; currency exchange rate fluctuations; labour availability, costs and conditions; supply chain elasticity; inherent hazards associated with mining operations; costs of production, expansion of production capabilities; the ability to obtain surface rights to support planned infrastructure at the Corporation's exploration and development projects; currency fluctuations; requirements for additional capital; government regulation of mining operations; environmental risks and hazards; title disputes or claims; and limitations on insurance coverage.

Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include: the availability and changing terms of financing; variations in ore grade or recovery rates; changes in market conditions, including, but not limited to, supply chain issues and inflation; risks relating to the availability and timeliness of permitting and governmental approvals; risks relating to international operations; fluctuating metal prices and currency exchange rates; changes in project parameters; the possibility of project cost overruns or unanticipated costs and expenses; the impact of COVID-19 and the impact and effectiveness of governmental responses to COVID-19; labour disputes; and other risks of the mining industry, including but not limited to, the failure of plant, equipment or processes to operate as anticipated. For a more detailed discussion of these factors and other risks, see "*Risk Factors*" beginning on page 57.

Although the Corporation has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such information will prove to be accurate as actual developments or events could cause results to differ materially from those anticipated. These include, among others, the factors described or referred to elsewhere herein, and include unanticipated and/or unusual events. Many of such factors are beyond the Corporation's ability to predict or control.

Readers of this AIF are cautioned not to put undue reliance on forward-looking information due to its inherent uncertainty. The Corporation disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, unless required under applicable laws. This forward-looking information should not be relied upon as representing management's views as of any date subsequent to the date of this AIF. Statements concerning mineral reserve and resource estimates may also be deemed to constitute forward-looking statements to the extent they involve estimates of the mineralization that will be encountered if the property is developed.

CURRENCY

Argonaut reports its financial results and prepares its financial statements in United States ("U.S.") dollars but also has transactions and balances in Canadian dollars and Mexican pesos. In this AIF, unless otherwise stated, all references to "\$" refer to U.S. dollars, all references to "CA\$" refer to Canadian dollars.

The following table sets forth, for the periods indicated, certain information with respect to exchange rates for the Canadian dollar expressed in U.S. dollars such as the highest rate, lowest rate, the exchange rate at the end of each period and the average of such exchange rates based upon the noon buying rates as reported by the Bank of Canada.

	Year ended December 31		
	(\$)		
	2021	2020	2019
High.....	0.8306	0.7863	0.7699
Low.....	0.7727	0.6898	0.7353
Period End	0.7888	0.7854	0.7699
Average.....	0.7980	0.7462	0.7537

The following table sets forth, for the periods indicated, certain information with respect to exchange rates for the Mexican peso expressed in U.S. dollars such as the highest rate, lowest rate, the exchange rate at the end of each period and the average of such exchange rates based upon the 9:00 a.m. buying rates as reported by the Banco de Mexico.

	Year ended December 31		
	(\$)		
	2021	2020	2019
High.....	21.8185	25.1185	20.1253
Low.....	19.5793	18.5712	18.7719
Period End	20.4672	19.9487	18.8727
Average.....	20.2822	21.4889	19.2618

**DISCLOSURE PURSUANT TO NATIONAL INSTRUMENT 43-101 – STANDARDS OF
DISCLOSURE FOR MINERAL PROJECTS ("NI 43-101")**

The scientific and technical information contained in this AIF relating to Argonaut's mineral projects indicated herein is supported by the technical reports below.

- El Castillo Gold Mine in the State of Durango, Mexico ("**El Castillo Mine**"): technical report titled "*El Castillo Gold Mine, Durango, Mexico, NI 43-101 Technical Report*", effective date of October 1, 2021, prepared by Brian Arkell, RM-SME, Argonaut; Josh Carron, RM-SME, Argonaut; and Carl Defilippi, RM-SME, Kappes, Cassidy & Associates (the "**El Castillo Technical Report**").
- San Agustin Gold/Silver Mine, in the State of Durango, Mexico ("**San Agustin Mine**"): technical report titled "*San Agustin Gold/Silver Mine, Durango, Mexico, NI 43-101 Technical Report*", effective date of August 1, 2021, prepared by Brian Arkell, RM-SME, Argonaut; Josh Carron, RM-SME, Argonaut; and Carl Defilippi, RM-SME, Kappes, Cassidy & Associates (the "**San Agustin Technical Report**").
- La Colorada mine in the State of Sonora, Mexico (the "**La Colorada Mine**"): technical report titled "*La Colorada Gold/Silver Mine, Sonora, Mexico, NI 43-101 Technical Report*", effective date of October 1, 2021, prepared by Brian Arkell, RM-SME, Argonaut; Josh Carron, RM-SME, Argonaut; and Carl Defilippi, RM-SME, Kappes, Cassidy & Associates (the "**La Colorada Technical Report**").
- Magino gold project in Ontario, Canada (the "**Magino Project**"): technical report titled "*Magino Gold Project, Ontario, Canada, NI 43-101 Technical Report, Mineral Resource and Mineral Reserve Update*", dated effective as of February 14, 2022, prepared by John M. Marek, P. Eng., Independent Mining Consultants, Inc.; Christo Marais, P. Geo., Argonaut; Philip Addis, P. Eng., SLR Consulting (Canada) Ltd.; Tommaso Roberto Raponi, P. Eng., T.R. Raponi Consulting Ltd.; and Kyle L. Stanfield, P. Eng., Argonaut (the "**Magino Technical Report**").
- Florida Canyon mine in the State of Nevada, United States (the "**Florida Canyon Mine**"): technical report titled "*Technical Report Mineral Resource and Mineral Reserve, Florida Canyon Gold Mine, Pershing County, Nevada*", dated July 8, 2020 (effective date of June 1, 2020), prepared by John M. Marek, P.E. RM-SME of Independent Mining Consultants, Inc. and James R. Arnold, P.E. (the "**Florida Canyon Technical Report**").
- Cerro del Gallo project in the State of Guanajuato, Mexico (the "**Cerro del Gallo Project**"): technical report titled "*Pre-Feasibility Study NI 43-101 Technical Report Cerro del Gallo Heap Leach Project Guanajuato, Mexico*", dated January 31, 2020 (effective date of October 24, 2019), prepared by Carl Defilippi, M.Sc. C.E.M., SME of Kappes Cassidy & Associates, Thomas Dyer, P.E. of Mine Development Associates, Todd Minard, P.E. of Golder Associates Inc., Brian Arkell, CPG and Neb Zurkic, CPG (the "**Cerro del Gallo Technical Report**").
- Ana Paula project in the State of Guerrero, Mexico (the "**Ana Paula Project**"): technical report titled "*Ana Paula Project NI 43-101 Technical Report Amended Preliminary Feasibility Study Guerrero, Mexico*", dated June 7, 2017 (effective date of May 16, 2017), prepared by Daniel H. Neff, P.E. of M3 Engineering & Technology Corporation, Art S. Ibrado, PhD, P.E. of M3 Engineering & Technology Corporation, Taj Singh, P.Eng. of Alio Gold Inc., Andrew Kelly, P. Eng. of Blue Coast Research Ltd., Joseph Rosaire Pierre Desautels, P. Geo. Of AGP Mining Consultants Inc., Gordon Zurowski, P.Eng. of AGP Mining Consultants Inc., Gilberto Dominguez, P.E. of Knight Piésold and Co. and James A. Cremeens, P.E., P.G. of Knight Piésold and Co. (the "**Ana Paula Technical Report**").

- San Antonio project in the State of Baja California Sur, Mexico (the "**San Antonio Project**"): technical report titled "*NI 43-101 Technical Report on Resources, San Antonio Project*", dated October 10, 2012 (effective date of September 1, 2012), prepared by Leah Mach, M.Sc. Geology, CPG and Mark Willow, M.Sc., C.E.M. of SRK Consulting (U.S.) Inc., Richard Rhoades, P.E., and Carl Defilippi, M.Sc. C.E.M., SME of Kappes Cassiday & Associates. (the "**San Antonio Technical Report**").

The technical reports referred to above are subject to certain assumptions, qualifications and procedures described therein. Reference should be made to the full text of the technical reports, which have been filed with Canadian securities regulatory authorities pursuant to NI 43-101 – *Standards of Disclosure for Mineral Projects*, published by the Canadian Securities Administrators, and are available for review under the Corporation's profile on SEDAR at www.sedar.com. The technical reports are not, and shall not be deemed to be, incorporated by reference in this AIF.

Where appropriate, certain information contained in this AIF updates information derived from the technical reports. Any updates to the technical information derived from such technical reports and any other technical information contained in this AIF was prepared by or under the supervision of Brian Arkell, the Corporation's Vice President, Exploration & Mine Technical Services and a Qualified Person for the purposes of NI 43-101.

As required by NI 43-101, the Corporation has filed technical reports detailing the scientific and technical information related to its material mineral properties discussed herein. For the purposes of NI 43-101, the Corporation's material mineral properties are the El Castillo Mine, the San Agustin Mine, the La Colorada Mine, the Florida Canyon Mine, the Cerro del Gallo Project, and the Magino Project. Unless otherwise indicated, the Corporation has prepared the scientific and technical information in this AIF ("**Technical Information**") based on information contained in the technical reports, news releases and other public filings (collectively, the "**Disclosure Documents**") available under Argonaut's profile on SEDAR at www.sedar.com. Each Disclosure Document was prepared by, or under the supervision of, or approved by a Qualified Person as defined in NI 43-101. For readers to fully understand the information in this AIF, they should read the Disclosure Documents in their entirety, including all qualifications, assumptions and exclusions that relate to the Technical Information set out in this AIF, which qualifies the Technical Information. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. Readers are advised that Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

1. CORPORATION PROFILE AND CORPORATE STRUCTURE

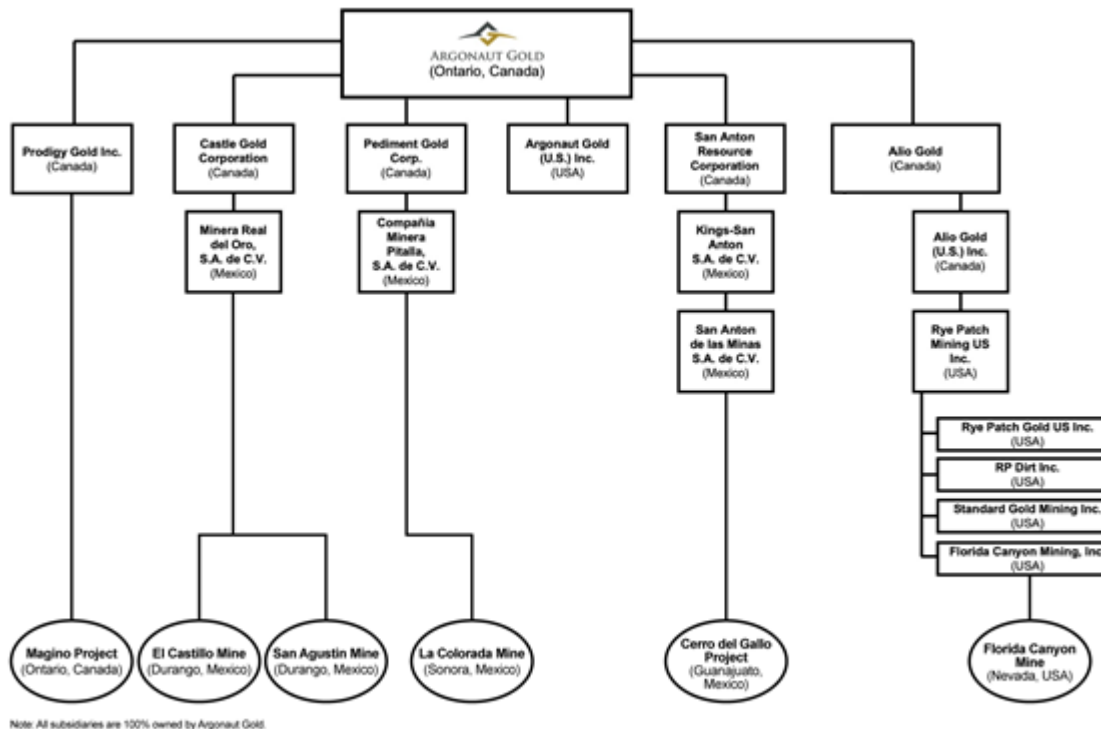
1.1 Name, Address and Incorporation

Argonaut Gold Inc. is a corporation existing under the *Business Corporations Act* (Ontario) ("OBICA"). The registered office of the Corporation is One First Canadian Place, Suite 3400, Toronto, Ontario, Canada, M5X 1A4. The head office of the Corporation is 9600 Prototype Court, Reno, Nevada, United States of America, 89521.

1.2 Corporate Structure

As at March 4, 2022, the corporate structure of Argonaut is as follows:

Figure 1:



2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 Three Year History

Events Subsequent to 2021

On March 3, 2022, the Corporation completed a private placement of 3,910,000 Canadian Exploration Expense ("CEE") and 15,870,000 Canadian Development Expense ("CDE") flow-through common shares of the Corporation for aggregate gross proceeds of approximately CA\$51.8 million (the "**2022 Offering**"). In connection with the 2022 Offering, the Corporation entered into an underwriting agreement dated March 3, 2022 with the syndicate of underwriters led by BMO Capital Markets.

On February 14, 2022, the Corporation filed each of the El Castillo Technical Report, San Agustin Technical Report and La Colorada Technical Report. On March 3, 2022, the Corporation filed the Magino Technical Report. The technical reports were updated based on drilling data, geotechnical and metallurgical information acquired since the previous reports were published. The technical reports are available for review under the Corporation's profile on SEDAR at www.sedar.com. The technical reports are not, and shall not be deemed to be, incorporated by reference in this AIF.

Also on February 14, 2022, the Corporation announced that Peter Mordaunt, a director of the Corporation, assumed the title of interim Chief Executive Officer.

2021

On February 17, 2021, the Corporation completed: (i) a public offering of 6,276,515 flow-through common shares in the capital of the Corporation by way of a short form prospectus; and (ii) a concurrent private placement of 3,103,000 flow-through common shares, at a price of CA\$2.55 per flow-through common share for aggregate gross proceeds of CA\$26,450,232 (the "**2021 Offering**"). In connection with the 2021 Offering, the Corporation entered into an underwriting agreement dated January 29, 2021, as amended on February 17, 2021 with the syndicate of underwriters led by Cormark Securities Inc.

On March 31, 2021, the Corporation completed a private placement of 4,255,319 common shares, issued at a price of CA\$2.35 per common share for gross proceeds of CA\$10,000,000 with Ausenco Engineering Canada Inc. ("**Ausenco**"). The Corporation and Ausenco previously executed the EPC Contract (as defined below).

On April 28, 2021, the Corporation announced that it had received all necessary regulatory approvals, including a modification to the existing Air Quality Permit, to allow for the construction, installation and operation of a new conveying and stacking system at its Florida Canyon mine in Nevada, USA.

On October 12, 2021, the Corporation announced that its wholly-owned subsidiary, Minera Real Del Oro, S.A. de C.V., had acquired key mineral concessions from Desarrollos Mineros El Aguila, S.A. de C.V., a wholly-owned subsidiary of Fresnillo Plc for a cash consideration of US\$5.75 million. The mineral concessions acquired more than quadrupled Argonaut's mineral tenure and area of potential exploration in the San Agustin district to 5,884 hectares.

On December 14, 2021, the Corporation announced that it had completed a review of the estimated construction capital at completion ("**EAC**") of the Magino Project. After a review of the impacts of cost increases, inflation, COVID-19, adjustments to the development plans and contingencies, the updated Magino Project EAC is approximately CA\$800 million. Through December 31, 2021, approximately CA\$342 million has been invested into the project, leaving approximately CA\$458 million remaining to be invested to complete the project.

Also on December 14, 2021, the Corporation announced a change in leadership. Pete Dougherty had ceased to be the President & Chief Executive Officer and director of Argonaut effective as of such date. The Board of Directors commenced a search to replace these roles and is working to put interim leadership in place.

2020

On March 30, 2020, Argonaut announced it had entered into an arrangement agreement (the "**Alio Arrangement Agreement**") with Alio Gold Inc. ("**Alio**"), which held the Florida Canyon Mine in Nevada, USA and the Ana Paula Project in Guerrero, Mexico. Under the terms of the agreement, all of the Alio issued and outstanding common shares would be exchanged on the basis of 0.67 of an Argonaut common share per each Alio common share. The merger was successfully completed on July 1, 2020. Argonaut filed a Form 51-102F4 – *Business Acquisition Report* dated July 7, 2020, in respect of the acquisition of all of the issued and outstanding common shares of Alio (the "**Alio Business Combination**").

On April 1, 2020, Argonaut ceased mining, crushing and stacking operations at the El Castillo Mine, the San Agustin Mine and the La Colorada Mine in Mexico to comply with a Mexican federal government decree to cease all non-essential business in the wake of the COVID-19 global pandemic. After an approximately two-month shut down of mining, crushing and stacking activities, the Mexican Federal government declared mining an essential business and allowed full operations to resume if certain health and safety protocols were followed. On June 1, 2020, Argonaut resumed full operations at all mines.

In June 2020, the Canadian federal government concluded an amendment of Schedule 2 of the Metal and Diamond Mining Effluent Regulations, which was a significant permitting milestone for the Magino Project.

On July 3, 2020, Argonaut announced the results of an updated life-of-mine plan for the Florida Canyon Mine. The Florida Canyon Technical Report was filed on July 8, 2020.

On July 23, 2020, the Corporation completed a public offering of 49,608,700 common shares in the capital of the Corporation ("**Common Shares**") by way of a short form prospectus (collectively, the "**Offered Shares**" and each, an "**Offered Share**") at a price of CA\$2.55 per Offered Share for aggregate gross proceeds of CA\$126,502,185 (the "**2020 Offering**"). In connection with the 2020 Offering, the Corporation entered into an underwriting agreement dated July 10, 2020 (the "**2020 Underwriting Agreement**") with a syndicate of underwriters led by BMO Capital Markets.

On September 11, 2020, the Corporation entered into a definitive agreement for the sale of its Ana Paula gold development project. Total consideration to be received by Argonaut consists of: \$30 million on closing; CA\$10 million upon the announcement of commencement of construction; a 1% net smelter returns royalty; and 9.9% of the outstanding common shares of the acquiring company. The completion of the Ana Paula Project sale is subject to the acquiring company obtaining financing and receipt of certain regulatory and other approvals. On April 1, 2021, the Corporation announced that the definitive agreement expired on March 31, 2021 and that the acquiring company did not fulfill its obligations in relation to financing and receipt of certain regulatory and other approvals. Therefore, the sale of the Ana Paula Project did not close as contemplated.

On October 14, 2020, the Corporation completed a private placement of 3,002,650 flow-through common shares at a price of CA\$3.83 per flow-through share for aggregate gross proceeds of approximately CA\$11,500,150 to fund an expanded drill program targeting high-grade, deep mineralization at its Magino Project.

Also on October 14, 2020, Argonaut received commitments to extend and expand its existing revolving credit facility (as amended, the "**Senior Credit Facility**") with the Bank of Montreal and Bank of Nova Scotia to \$100 million, with an accordion feature of \$25 million. The Senior Credit Facility has a three-year term and bears a sliding scale interest rate of LIBOR plus 2.25% to 3.50%. Standby fees for the undrawn portion of the Senior Credit Facility are also on a similar sliding scale basis between 0.56% and 0.79%.

Also on October 14, 2020, Argonaut announced it was moving forward with the construction of its Magino Project.

On October 30, 2020, the Corporation completed a public offering of \$57.5 million of 4.625% senior unsecured convertible debentures (the "**Debentures**") at a price of \$1,000 per Debenture. The Debentures were offered and sold through BMO Capital Markets and Scotiabank and are listed on the Toronto Stock Exchange under the trading symbol "AR.DB.U".

On December 14, 2020, the Corporation entered into a fixed-bid engineering, procurement, construction and commissioning contract (the "**EPC Contract**") with Ausenco for the construction of the Magino Project processing facility and other parts of the Magino Project construction. The EPC Contract totaled approximately 40% of the Magino Project's initial capital estimate.

2019

In January 2019, Argonaut received a positive decision statement for the environmental assessment under the *Canadian Environmental Assessment Act, 2012* for its Magino Project.

In April 2019, Argonaut completed the provincial environmental assessment process with receipt of a positive statement of completion for its Magino Project.

On August 26, 2019, the Corporation entered into a series of zero-cost collar gold option contracts. The contracts cover a total of 145,500 ounces of gold through mid-2022. The floor price of the monthly gold collars was set at \$1,450 per ounce with the ceiling price of the collars ranging from \$1,630 per ounce in the fourth quarter of 2019 to \$1,760 per ounce for the first half of 2022. The Corporation will realize the actual gold sales price if the price of gold remains within the range of the collars. These contracts were entered into to extend the life of the relatively high-cost El Castillo mine.

On September 10, 2019, the Corporation completed a private placement of 1,176,500 flow-through common shares for net proceeds of approximately CA\$4.0 million to fund an expanded drill program targeting high-grade, deep mineralization at its Magino Project.

In November 2019, the Mexican Environmental Authority ("**SEMARNAT**") issued a ruling to not approve the updated Environmental Impact Assessment for the San Antonio Project.

On December 18, 2019, Argonaut announced the results of a positive Pre-Feasibility Study ("**PFS**") for its Cerro del Gallo Project. The Cerro del Gallo Technical Report was filed on January 31, 2020.

In December 2019, SEMARNAT issued a ruling to not approve the combined Environmental Impact Assessment, Environmental Risk Assessment and Change in Use of Soil for the Cerro del Gallo Project and requested the Corporation make certain amendments to its permit applications and re-submit the revised application.

3. DESCRIPTION OF THE BUSINESS OF THE CORPORATION

3.1 General

Argonaut is a mining company engaged in the exploration, development and production of gold and, to a lesser extent, silver. As of March 4, 2022, the Corporation's primary assets are the El Castillo Mine, the San Agustin Mine, the La Colorada Mine, the Florida Canyon Mine, the Cerro del Gallo Project, and the Magino Project, as described in more detail below under the heading "*Material Mineral Properties*". The Corporation also holds the Ana Paula and San Antonio advanced exploration properties as well as several early stage exploration projects, all of which are located in North America.

The Corporation's principal product is gold, with silver produced and sold as a by-product. Argonaut is focused on profitability, a growing production profile and operating in a safe and responsible manner. Argonaut plans to achieve growth through the expansion of existing operations, development of its mineral properties and acquisitions of outside properties held by others.

The Corporation owns 100% of the El Castillo Mine, 100% of the San Agustin Mine, 100% of the La Colorada Mine, 100% of the Cerro del Gallo Project, 100% of the Ana Paula Project and 100% of the San Antonio Project as its foreign operations in Mexico and 100% of the Florida Canyon Mine as its foreign operations in the USA. Any changes in regulations or shifts in political attitudes in Mexico and the USA are beyond the control of the Corporation and may adversely affect its business. In 2021, 77% of Argonaut's revenue was generated from its Mexican operations and 23% from its US operations.

As at December 31, 2021, the Corporation had 1,066 employees and 895 contractors.

The gold mineral exploration and mining business is a competitive business. The Corporation competes with numerous other companies and individuals in the search for and the acquisition of attractive gold mineral properties, and to retain qualified personnel, suitable contractors for drilling and mining operations, technical and engineering resources and necessary exploration and mining equipment. The ability of the Corporation to acquire gold mineral properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for gold development or mineral exploration.

The following table shows the gold and silver Mineral Resources and Mineral Reserves at December 31, 2021. **Mineral Resources are not Mineral Reserves. Mineral Resources hold intrinsic economic interest, which has been identified and estimated through exploration and sampling and within which Mineral Reserves may subsequently be defined. There is no certainty that all or any part of the Mineral Resources will be converted into Mineral Reserves. Measured and Indicated Mineral Resources listed below are inclusive of Mineral Reserves.**

Mineral Reserves and Mineral Resources

MINERAL RESERVES		PROVEN & PROBABLE						
Project	Category	Tonnes (Millions)	Au Grade (g/t)	Contained Au Ounces (000s)	Ag Grade (g/t)	Contained Ag Ounces (000s)	Cu Grade (% Cu)	Contained Tonnes Cu
El Castillo ²	Proven	0.3	0.49	4				
El Castillo ²	Probable	9.4	0.39	118				
San Agustin ²	Probable	33.2	.32	336	9.1	9,742		
El Castillo Complex²	Proven & Probable	42.9	0.33	458		9,742		
El Creston	Probable	13.8	0.70	308	11.9	5,257		
Veta Madre	Probable	7.3	0.63	148	3.8	885		
La Colorada Complex³	Probable	21.1	0.67	456	9.1	6,142		
Florida Canyon ⁴	Proven	57.5	0.43	790				
Florida Canyon ⁴	Probable	10.9	0.37	131				
Florida Canyon⁴	Proven & Probable	68.4	0.42	921				
Magino ⁵	Proven	26.3	1.24	1,044				
Magino ⁵	Probable	39.2	1.10	1,383				
Magino⁵	Proven & Probable	65.5	1.15	2,427				
Cerro del Gallo ⁶	Proven	70.4	0.59	1,326	13.7	31,088	0.10	67,691
Cerro del Gallo ⁶	Probable	21.3	0.46	313	11.7	8,012	0.08	17,821
Cerro del Gallo⁶	Proven & Probable	91.7	0.56	1,639	13.3	39,100	0.09	85,512
Ana Paula ⁷	Proven	6.5	2.62	550	5.3	1,115		
Ana Paula ⁷	Probable	6.9	2.12	471	5.1	1,139		
Ana Paula⁷	Proven & Probable	13.4	2.37	1,021	5.2	2,254		
Consolidated Mineral Reserves	Proven	161.0	0.72	3,714	N/A	32,203	N/A	67,691
	Probable	142.0	0.70	3,208	N/A	25,035	N/A	17,821
	Proven & Probable	303.0	0.71	6,922	N/A	57,238	N/A	85,512
MINERAL RESOURCES		MEASURED & INDICATED ("M&I")						
El Castillo ⁸	Measured	1.3	0.46	19				
El Castillo ⁸	Indicated	30.0	0.35	332				
San Agustin ⁸	Indicated	60.0	0.27	531	7.6	14,766		
El Castillo Complex⁸	M&I	91.3	0.30	882		14,766		
El Creston	Indicated	17.1	0.66	362	11.3	6,248		
Veta Madre	Indicated	8.6	0.61	168	3.7	1,033		
Gran Central/La Colorada	Indicated	10.4	0.55	184	7.0	2,341		
La Colorada Complex⁹	Indicated	36.1	0.62	714	8.3	9,622		
Florida Canyon ¹⁰	Measured	60.5	0.43	835				
Florida Canyon ¹⁰	Indicated	11.7	0.38	141				
Florida Canyon Total¹⁰	M&I	72.1	0.42	976				
Magino ¹¹	Measured	43.6	0.98	1,367				

MINERAL RESOURCES AND MEASURED & INDICATED ("M&I")								
Project	Category	Tonnes (Millions)	Au Grade (g/t)	Contained Au Ounces (000s)	Ag Grade (g/t)	Contained Ag Ounces (000s)	Cu Grade (% Cu)	Contained Tonnes Cu
Magino ¹¹	Indicated	88.8	0.93	2,652				
Magino Total¹¹	M&I	132.4	0.94	4,019				
Cerro del Gallo ¹²	Measured	121.6	0.49	1,899	13.1	51,086	0.10	121,600
Cerro del Gallo ¹²	Indicated	80.4	0.37	965	10.8	28,017	0.08	65,500
Cerro del Gallo Total¹²	M&I	201.9	0.44	2,864	12.2	79,103	0.09	187,100
Ana Paula open pit ¹³	Measured	9.1	2.39	698	5.6	1,629		
Ana Paula open pit ¹³	Indicated	9.8	1.79	563	5.3	1,677		
Ana Paula Underground ¹³	Measured	0.1	2.15	6	2.8	0		
Ana Paula Underground ¹³	Indicated	2.2	2.84	202	4.0	286		
Ana Paula Total	M&I	21.2	2.15	1,469	5.3	3,592		
San Antonio ¹⁴	Indicated	65.0	0.86	1,735				
Consolidated Mineral Resources	Measured	236.1	0.64	4,824	N/A	52,715	N/A	121,600
	Indicated	384.0	0.63	7,835	N/A	54,368	N/A	65,500
	Measured & Indicated	620.1	0.64	12,659	N/A	107,083	N/A	187,100
<i>Measured and indicated Mineral Resources are inclusive of Mineral Reserves</i>								
MINERAL RESOURCES	INFERRED							
El Castillo ⁸	Inferred	3.5	0.30	34				
San Agustin ⁸	Inferred	94.0	0.46	1,380	14.1	42,774		
El Castillo Complex⁸	Inferred	97.5	0.45	1,414		42,774		
El Creston	Inferred	3.5	0.65	74	8.8	991		
Veta Madre	Inferred	0.0	0.41	0	1.1	1		
Gran Central/La Colorada	Inferred	0.0	0.47	0	12.9	5		
La Colorada Complex⁹	Inferred	3.5	0.66	74	8.8	997		
Florida Canyon ¹⁰	Inferred	2.1	0.29	20				
Magino ¹¹	Inferred	20.9	0.78	526				
Cerro del Gallo ¹²	Inferred	5.1	0.43	71	11.9	1,947	0.09	4,590
Ana Paula open pit ¹³	Inferred	0.2	1.27	10	8.8	70		
Ana Paula underground ¹³	Inferred	0.6	2.07	41	3.9	79		
San Antonio ¹⁴	Inferred	6.2	0.34	67				
Consolidated Mineral Resources	Inferred	136.1	0.51	2,223	N/A	45,867	N/A	4,590

Notes:

- (1) Mineral Reserves and Mineral Resources have been estimated as at December 31, 2021 in accordance with NI 43-101 as required by Canadian securities regulatory authorities. Mineral Resources are presented inclusive of Mineral Reserves. Numbers may not sum due to rounding.
- (2) The Mineral Reserves for El Castillo Mine and San Agustin Mine set out in the above table are based on updated models, mine plans and topography, including depletion through mining activities and changes to recovery and cost assumptions as of December 31, 2021. El Castillo used a gold price of \$1,650 per ounce; San Agustin used a gold price of \$1,500 per ounce and silver price of \$20.00 per ounce. Cut-off grades for El Castillo range from 0.10 g/t Au to 0.24 g/t Au depending on ore type; cut-off grades at San Agustin were 0.16 g/t AuEQ.
- (3) The Mineral Reserves for La Colorada Complex set out in the above table are based on updated models, mine plans and topography as well as updated recoveries and cost assumptions as of December 31, 2021. La Colorada used a gold price of \$1,500 per ounce and a silver price of \$20.00 per ounce. Cut-off grade for La Colorada was 0.13 g/t AuEQ.

- (4) The Mineral Reserves for Florida Canyon set out in the above table are based on updated models, mine plans and topography as well as updated recoveries and cost assumptions as of December 31, 2021. Florida Canyon used a gold price of \$1,500 per ounce. Cut-off grade for Florida Canyon was 0.17 g/t Au.
- (5) The Mineral Reserves for the Magino Project set out in the table above were taken from the Magino Technical Report. The Mineral Reserves were estimated at a gold price of \$1,600 per ounce. The Mineral Reserves used a variable gold cutoff grade of between 0.38 g/t Au and 0.70 g/t Au, depending on mine sequencing.
- (6) The Mineral Reserves for Cerro del Gallo set out in the table above were taken from the Cerro del Gallo Technical Report. The Mineral Reserves were estimated at a gold price of \$1,200 per ounce and a silver price of \$14.50 per ounce. The Mineral Reserves used a gold cutoff grade of between 0.30 g/t AuEQ and 0.39 g/t AuEQ depending on ore type.
- (7) The Mineral Reserves for Ana Paula set out in the table above were taken from the Ana Paula Technical Report. The Mineral Reserves were estimated at a gold price of \$1,200 per ounce and a silver price of \$17.00 per ounce. The Mineral Reserves used a gold cutoff grade of 0.67 g/t Au.
- (8) The M&I Mineral Resources and Inferred Mineral Resources for El Castillo and San Agustin, which together form the El Castillo Complex, set out in the above table were based on pit cones using \$1,800 per ounce gold and \$24.00 per ounce silver. Cut-off grades range from 0.07 g/t Au to 0.48 g/t Au for El Castillo and 0.11 to 0.42 g/t AuEQ for San Agustin, depending on ore type.
- (9) The M&I Mineral Resources and Inferred Mineral Resources for La Colorada set out in the above table were based on pit cones using \$1,800 per ounce gold and \$24.00 per ounce silver. Cut-off grade was 0.09 to 0.11 g/t AuEQ.
- (10) The M&I Mineral Resources and Inferred Mineral Resources for Florida Canyon set out in the above table were based on pit cones using \$1,800 per ounce gold. Cut-off grade was 0.15 g/t Au.
- (11) The M&I Mineral Resources and Inferred Mineral Resources for the Magino Project set out in the table above were taken from the Magino Technical Report. The Mineral Resources were estimated at a gold price of \$1,800 per ounce. The Mineral Resources used a gold cutoff of 0.28 g/t.
- (12) The M&I Mineral Resources and Inferred Mineral Resources for the Cerro del Gallo Project set out in the table above were taken from the Cerro del Gallo Technical Report. The Mineral Resources were estimated at a gold price of \$1,600 per ounce and a silver price of \$20.00 per ounce. Cut-off grades range from 0.25 g/t AuEQ to 0.30 g/t AuEQ depending on ore type.
- (13) The M&I Mineral Resources and Inferred Mineral Resources for Ana Paula set out in the table above were taken from the Ana Paula Technical Report. The Mineral Resources were estimated at a gold price of \$1,350 per ounce and a silver price of \$17.00 per ounce. The Mineral Resources used a gold cutoff grade of 0.60 g/t Au for the Mineral Resources amenable to open pit extraction and 1.65 g/t Au for the Mineral Resources amenable to underground extraction.
- (14) The M&I Mineral Resources and Inferred Mineral Resources for the San Antonio Project set out in the table above were taken from the San Antonio Technical Report. The Mineral Resources were estimated at a gold price of \$1,500 per ounce using a cutoff grade of 0.11 g/t Au for oxide and transition and 0.15 g/t Au for sulphide.

Qualified Persons

Estimates of Mineral Reserves and Mineral Resources for material mineral properties have been prepared under the general supervision of Brian Arkell, Argonaut's Vice President of Exploration & Mine Technical Services, and a Qualified Person for the purposes of NI 43-101.

Mineral Reserve and Mineral Resource reconciliation for Argonaut's operating mines is shown in the following tables:

2020 – 2021 Mineral Reserve Reconciliation

Gold Reserves (Proven and Probable)

	YE-2020 Mineral Reserves Contained Au Ounces (000s)	Depletion of Contained Au Ounces (000s)	Addition of Contained Au Ounces due to Gold Price (000s)	Drilling, Modeling & Mine Plan Changes to Contained Au Ounces (000s)	YE-2021 Mineral Reserve Contained Au Ounces (000s)
El Castillo	203	(78)	0	(3)	122
San Agustin	448	(103)	0	(9)	336
La Colorada	455	(99)		100	456
Florida Canyon	954	(52)	0	19	921

Note:

(1) Footnotes from the Mineral Reserves and Mineral Resources statement apply.

2020 – 2021 M&I Mineral Resource Reconciliation

Gold Resources (M&I)

	YE-2020 M&I Mineral Resources Contained Au Ounces (000s)	Depletion of Contained Au Ounces (000s)	Addition of Contained Au Ounces due to Gold Price (000s)	Drilling, Modeling & Mine Plan Changes to Contained Au Ounces (000s)	YE-2021 M&I Mineral Resources Contained Au Ounces (000s)
El Castillo	467	(116)	0	0	351
San Agustin	579	(130)	0	82	531
La Colorada	625	(110)	0	199	714
Florida Canyon	1,161	(64)	-	(121)	976

Note:

(2) Footnotes from the Mineral Reserves and Mineral Resources statement apply. M&I Mineral Resources are inclusive of Mineral Reserves. Both the 2021 and 2020 Mineral Resources used a gold price of \$1800.

3.2 Risks and Uncertainties

Mineral Reserves and Mineral Resources are estimates of the size and grade of the deposits based on the assumptions and parameters currently available. These assumptions and parameters are subject to a number of risks and uncertainties, including, but not limited to, future changes in metals prices and/or production costs, differences in size, grade, continuity, geometry or location of mineralization from that predicted by geological modeling, recovery rates being less than those expected and changes in project parameters due to changes in production plans.

Except as expressly described elsewhere in this AIF, there are no known metallurgical, environmental, permitting, legal, title, taxation, sociopolitical, marketing, political or other issues that are currently expected to materially affect the Mineral Reserve or Mineral Resource estimates. Certain operations will

require further permits over the course of their operating lives in order to commence or continue operating. While management expects such permits to be issued in the ordinary course, material that may only be mined after such permits are issued is included in Proven and Probable Mineral Reserves. Specific and current permitting issues are described in the narrative concerning the relevant operation under the heading "*3.3 Material Mineral Properties*" and under the following sub-headings under heading "*4 Risk Factors*": "*Uncertainty of Exploration and Development*"; "*Mineral and Surface Rights*"; "*Environmental Risks and Hazards*"; and "*Permitting Risk*".

3.3 Material Mineral Properties

3.3.1 El Castillo Mine

Property Description and Ownership

The El Castillo Mine is an operating open pit heap leach gold mine. The El Castillo Mine is located in the State of Durango, Mexico. Driving distance to the El Castillo Mine is 117 km (measured from the centre of the city of Durango). The first 111 km are paved and the final 6 km consists of a well-maintained gravel road. The El Castillo Mine is situated in a zone classified as semi-dry. Mining operations can be conducted year-round. The local resources and infrastructure are adequate to support the current mining operation.

The El Castillo Mine consists of 648 hectares of mining concessions and 758 hectares of surface rights. Current mining operations, including the Mineral Resources and Mineral Reserves, are located within the El Castillo Mine mineral concessions. The El Castillo Mine was surveyed by a licensed surveyor, all applicable payments and reports were submitted to the relevant authorities, and the licenses were in good standing as at the effective date of the El Castillo Technical Report.

All mining concessions at the El Castillo Mine are owned 100% by Argonaut through its subsidiary Minera Real del Oro, S.A. de C.V. ("**MRO**"). With the exception of El Cairo II, which has a 2% net smelter return ("**NSR**") royalty payable to Explominerals S.A de C.V. ("**Explominerals**"), all other concessions at the El Castillo Mine have no royalties owed.

Argonaut controls 758 hectares of surface rights in the El Castillo area. A portion of this land package extends beyond the area covered by Argonaut's mineral rights and overlaps onto mineral rights controlled by Fresnillo S. A. de C.V. ("**Fresnillo**"). Argonaut has installed mine infrastructure including leach pads on ground in which Argonaut owns the surface rights but not the mineral rights.

The El Castillo Mine maintains three underground water rights totaling 2,356,384 m³/year, and a water discharge permit in the amount of 1,095 m³/year. Argonaut also has authorization to use 450,000 m³/year of mine water stored in inactive pits.

History

The El Castillo Mine, which was formerly called El Cairo, was a grassroots discovery that resulted from a regional exploration program initiated by Battle Mountain Gold in 1995 while exploring for bulk tonnage, disseminated gold deposits.

Between 1995 and 1998, Battle Mountain Gold completed 207 reverse circulation ("**RC**") drill-holes and six diamond core holes (drilled as twins to six of the RC holes) within the El Castillo Mine area. Battle Mountain Gold completed a Mineral Resource estimate, scoping study, preliminary mine plan and Mineral Reserve estimate that indicated the potential for a viable mining operation.

Morgain Minerals Inc. took over the project in 2002. Its exploration work included completion of six twin diamond drill holes, and 136 RC drill holes.

Castle Gold Corporation ("**Castle Gold**"), as successor to Morgain Minerals Inc., began its work in 2007 and changed the project name from "El Cairo" to "El Castillo" in reference to a nearby rock monument of the same name. Castle Gold's work included additional sampling and completion of 21 shallow, close-spaced air-track drill holes in the mining area to up-grade near surface Mineral Resources. Castle Gold's work combined with previous work by Morgain Minerals Inc. and Battle Mountain Gold were the basis for a preliminary Mineral Reserve estimate by A.C.A. Howe International Limited dated January 31, 2008.

El Castillo Mine achieved commercial production in July 2008 as an open pit heap leaching operation.

Argonaut purchased the El Castillo Mine from Castle Gold in December 2009 and has operated it since. El Castillo Mine has historically operated as a conventional truck and shovel mine with two-stage crushing, or at times, single-stage crushing or run-of-mine ("**ROM**") dump leaching. In 2020, Argonaut eliminated the crushing circuit and has since processed ore as ROM.

During 2014, geologic mapping within the pit areas was carried out at a 1:2,000 scale. In 2017-2018, the geologic mapping was expanded to include the San Juan concession. Between 2007 and 2021, the El Castillo Mine produced approximately 844,000 oz gold.

Sampling, Analysis and Data Verification

Over multiple drill programs at the El Castillo Mine, all drill samples were collected at the applicable drill rig by trained technicians or geologists. Representative samples were transported under secure conditions to accredited assay laboratories where they were prepared and analyzed for gold and silver using industry standard techniques. Argonaut routinely utilizes industry approved quality assurance/quality control ("**QA/QC**") protocols that include the use of duplicate samples, standard reference materials and blanks. A significant proportion of the samples that were analyzed by the primary laboratory were sent to a second accredited assay laboratory for comparative purposes. For an in-depth breakdown of sampling, analysis, and data verification methods, see Section 1.7-1.8 of the El Castillo Technical Report.

Geology and Mineralization

The El Castillo Mine lies in the Altiplano Subprovince of the Sierra Madre Occidental ("**SMO**") region of Central Mexico. The SMO represents an island arc assemblage of early Mesozoic age comprised of metamorphosed, deep-water sediments, and island arc volcanics. The Altiplano Subprovince lies on the east flank of the SMO and is comprised of Jurassic to Late Tertiary sedimentary and volcanic rocks. The oldest rocks in the El Castillo Mine area are Cretaceous flysch-sequence sediments that correspond to the upper member of the Mezcalera Group. These consist of arenites, shales, and thin-bedded limestone. In the El Castillo Mine area these units generally strike to the northwest and dip moderately to the northeast.

The El Castillo Mine is located within the Basin Range Province of Central Mexico which is characterized by northwest-trending basin and range extensional tectonics and related structures. Within the district, structure is dominated by a northwest striking range front fault along the west side of the mine, and younger northeast striking dextral faulting throughout the district. A northeast to easterly-striking post-mineral fault system ("**North Fault**") along the northern margin of the pit forms the northern limit to mineralization.

El Castillo Mine is interpreted to be a telescoped gold-rich copper porphyry system that is related to a mid-Eocene aged granodiorite dominated intrusive complex. Gold mineralization is hosted in thin-bedded Cretaceous sediments and intruding granodiorite porphyry sills. Within the mine area, these rock types normally form an alternating sequence of sediments and near-parallel intrusive sills. This layered sequence strikes mainly to the northwest and dips moderately to the northeast. The mineralizing porphyry intrusion created a prograde metamorphic aureole with a distinct potassic–propylitic alteration assemblage and localized hornfels–skarn contact metamorphism in the older sediments. There is a close association between gold and pyrite with native gold occurring within and attached to pyrite grains and disseminated in wall rock.

Gold-pyrite mineralization is both fracture-controlled and disseminated. Later supergene oxidation of this pyrite dominated mineralization created, on average an 80 m to 100 m thick oxide blanket and an underlying partially oxidized (transition) zone averaging approximately 25 m thick. The combined oxide/transition mineralization is amenable to heap leach extraction.

There are two preferred trends to mineralization. The most obvious of these reflects the generally stronger mineralization within the sedimentary units. The favourable permeability related to increased fracturing within the sediments enhanced the distribution and broader geometry of mineralization. The second trend of mineralization is to the northeast and reflects the dominant structural controls to mineralization. These structures are considered to be important conduits that helped channel the mineralizing system. The combination of these geologic controls resulted in a northeast-elongated gold zone that measures approximately 1,800 m by 1,500 m.

Exploration

Since the acquisition of the El Castillo Mine, Argonaut has used the UTM Zone 13 coordinate system within the 1927 North American Datum for Mexico (NAD27 Mx). This coordinate system is used for all mapping and drill hole surveying.

During 2014, geologic mapping within the pit areas was carried out at a 1:2,000 scale. In 2017-2018, the geologic mapping was expanded to include the San Juan concession. Geologic mapping recorded the lithologies, structures, alteration and mineralization. Data were collected on paper and subsequently digitized in MapInfo. Data exports were used in the Leapfrog, and MineSight software systems by the exploration and engineering groups.

Argonaut has also conducted geochemical sampling at the El Castillo Mine. Five RC drill holes that were dispersed around the El Castillo Mine were analyzed over their entire length for cyanide soluble gold and multi-element geochemistry. The samples were prepared and analyzed by the ALS laboratory in Zacatecas, Mexico. The assay method for gold was by cyanide leach with atomic absorption finish (ALS code Au-AA13). Analysis for trace elements was by aqua regia digestion (partial extraction) and inductively-coupled plasma (ICP) analysis for a 35 element ALS package (ME-ICP41).

The main purpose of the geological mapping campaign was to document the mineralization controls, direct the drilling, identify trends in the mineralization modeling, and define hard limits with the structures that limit and traverse the geological model. Geological mapping was also used to direct infill drilling.

The downhole geochemistry was interpreted to determine trace element zonation and gold–trace element relationships across the El Castillo Mine area. The data were analyzed using a comparison of element means and Pearson coefficients from each drill hole. Overall results were inconclusive in determining if trace element geochemistry would aid in better defining precious metal distribution. The study did indicate that base metal values were very localized and structurally controlled. There was a good

correlation between gold and silver but values for silver were generally <5 ppm. The main conclusion of this study was that the best indicator for gold was gold.

The El Castillo deposit is associated with a relatively large intrusive source as indicated on the regional magnetic San Juan del Rio 50,000 map sheet. This source has a pronounced east–west elongation with the El Castillo Mine located at its western apex. There are no high frequency sources near the El Castillo Mine area, possibly indicating that there are no volcanic sources associated with the mineral system, and that the mineralization appears to be solely a function of the intrusive source. The intrusive source is consistent with the known mine geology.

Drilling

Since acquiring the El Castillo Mine in 2009, Argonaut has completed 11 drilling campaigns. The majority of Argonaut's drilling was conducted using RC methods. In general, those holes were drilled to tighten up drill hole spacing to improve the classification of Mineral Resources. Drilling data collected prior to 2009 were not subject to an adequate quality assurance and quality control (QA/QC) program to determine the data quality and therefore these data were not included in the El Castillo Mine resource database by Argonaut.

Most of Argonaut's pre-2017 drilling programs were concentrated within the El Cairo mining concession where the El Castillo mine is located. In 2017, Argonaut acquired Fresnillo's San Juan concession and the core and RC drilling data that Fresnillo had previously generated on the concession. Argonaut subsequently completed a 726 drill hole, 27,978 m RC drilling program to further define mineralization on the San Juan concession. In the same year, eight PQ-size core holes were drilled for metallurgical testing. In 2018 and 2020, additional RC and core drilling campaigns were completed. No information is available to Argonaut regarding Castle and Fresnillo drill methods or logging, recovery, collar, and downhole survey procedures.

In general, the drill hole spacing within the El Castillo Mine deposit is approximately 30 m to 35 m with some areas having tighter spacing. Most drilling data were collected by RC drilling of relatively short, vertical to high angle, drill holes oriented to the south.

Mineral Processing and Metallurgical Testing

Extensive metallurgical studies were conducted on oxide, transition, and sulphide ore types from the El Castillo Mine deposit, both by external laboratories and in-house at the El Castillo Mine metallurgical laboratory. Work completed included mineralogy, composite characterization, column tests, bottle roll tests, bulk heap leach tests, residue tests, and a pilot plant. Testwork was conducted at various crush sizes, and inclusive/exclusive of agglomeration. The mine laboratory also sampled and tested new stacking areas, when required.

The mine is nearly at the end of its life. The East pad gold recovery to date is 53.4% and the West Heap Leach Pad gold recovery to date is 57.1%. Combined project-to-date endpoint gold recovery for both leach pads is estimated through in-house modelling at 58.2%. Actual gold recovery realized to date is 55.2%, with gold-in-process (mostly within the leach pads) assumed as the balance.

The ore characteristics are very consistent between ore types in general, and over time, with minor exceptions, namely the hematitic ore and the silicic sulphide ore, which are relatively minor contributors to the whole.

The ROM assumed oxide gold recovery estimates for modelling are supported by discounted column tests and range from 38% to 66%. Transition ore recoveries are derived from discounted bottle roll tests which

averaged 47.1% gold recovery. Support for the assumed recoveries of the sulphide ore types is derived by extrapolation and conservative estimates of 11% and 24% are used for modelling purposes.

There are no significant deleterious elements in El Castillo Mine ores.

Mineral Reserve and Mineral Resource Estimates

The El Castillo Mine Mineral Reserves and Mineral Resources, effective December 31, 2021, are summarized in the "Mineral Reserve and Mineral Resources" table and are based on updated models, mine plans and topography, including depletion through mining activities and changes to recovery and cost assumptions as of December 31, 2021. See "*Description of Business of the Corporation*" on page 9 of this AIF. The Mineral Reserve and Mineral Resource estimates are discussed in greater detail in Sections 1.10-1.13 of the El Castillo Technical Report.

Mining Methods

The El Castillo Mine is a relatively low-grade gold deposit that benefits from a low strip ratio and disseminated mineralization that is amenable to bulk mining activities and good heap leach recoveries. The mine is Owner-operated.

The mining method consists of traditional drill-and-blast operations followed by excavator loading of rigid body haul trucks for ore transport to the crusher and waste transportation to designated waste rock storage facility ("WRSF") locations. Mining uses 100 t class haul trucks and associated front-end loaders.

Golder Associates Inc. ("**Golder**") completed a full geotechnical investigation and slope stability assessment. Based on the structural and rock mass characterization, Golder provided the set of inter-ramp angles between 41° and 50° for the different geotechnical units recognized in the pit.

The El Castillo Mine production schedule was created by Argonaut staff. Only the annual ore and waste accumulations were reported, but consistent ore feeds to the heap leach pad are inherent in the production schedule so ore exposure is not a major risk to production. Argonaut staff used an internal fleet estimation spreadsheet to help determine the primary loading and hauling equipment fleet that will be required to execute the LOM plan. Argonaut uses Owner CAT 993k and 992k front-end loaders, Cat 777, Komatsu 785-S5, and Terex TR100 haul trucks (100 t class), and Atlas Copco and Ingersoll-Rand drill rigs.

Recovery Methods

El Castillo Mine discontinued ore crushing at the end of 2019 and currently processes gold ore through a conventional heap leaching operation that treats approximately 24,000 t/d of ROM ore on two leach pads (East and West). Both use standard gravity-cascade carbon columns for gold loading, and the loaded carbon is shipped to Argonaut's La Colorada Mine for carbon stripping and gold smelting. Plans are to continue processing ore in this manner for the remainder of the mine life.

Based on extensive metallurgical testwork and operating history, LOM end-point gold recovery is estimated at 58.2%. Actual realized gold recovery to date is 55.2% through July 2021.

Infrastructure

The El Castillo Mine has well established infrastructure in place including access roads, power and water supply, mine and process facilities, and administrative offices. Facilities include: an open pit mine, a two-stage crushing plant (not currently in use), two cyanide heap leach pads, two carbon gold recovery

plants, waste rock storage facilities, a truck shop and warehouse, a sample preparation and assay laboratory, offices for mine, process, and administration, and various access roads.

All power requirements for process, crushing, laboratory, security and office facilities are provided by diesel-powered generators. Fuel supplies for mining, processing and other requirements are supplied by contractor from Durango. Diesel fuel is stored on site in a 250,000 L storage tank. A gasoline storage facility of 15,000 L capacity provides fuel for light vehicles.

Water supply is predominately for in-process use with minor volumes for dust control, construction, and potable uses. Water is provided by two wells with a combined capacity of 46 L/sec. One well is located 6.3 km from the site and the other is several kilometres closer to the site.

Environmental Studies and Permitting

Environmental baseline data collection was conducted at various times to support environmental impact assessments for the original mine application and modifications, and expansions of the open pit and waste rock disposal areas. Baseline monitoring was conducted as part of the environmental impact assessment process. Baseline monitoring included physical and biological elements: water, climate, hydrology, soil and geomorphology, geology, and biodiversity.

Argonaut conducts geochemical characterization programs to evaluate the environmental stability of the project waste rock and leached ore. The geochemical test program indicates that neither the waste nor the ore is expected to be acid generating or solubilize metals in amounts that exceed Mexican standards.

The El Castillo Mine design includes a zero-discharge process for ore treatment, therefore no process solutions are discharged or released to the environment. Sewage water is treated using septic systems. Emissions, smoke, dust, and noise emissions occur at the El Castillo Mine. Machinery and equipment operation during the different phases of the El Castillo Mine result in smoke and noise emissions. Ore and waste rock haulage (trucks and belts), road operations and vegetation clearing are the main activities that generate dust emissions. Considering operations at the El Castillo Mine, the level of emissions is not significant, as they occur in an open and wide space. Hazardous and non-hazardous waste management infrastructure is included at the operation to collect, transfer, and store the different types of waste that will be generated by the operation.

The El Castillo Mine uses lined process water ponds and ditches to convey cyanide solutions to and from the heap leach pads. Sewage water is treated using septic systems. Stormwater is managed through facility-specific diversion ditches, as necessary. Process water is recirculated within the operations for ore leaching. Additional make-up water is obtained through authorizations from the National Water Authority ("CONAGUA"). Argonaut maintains three underground water rights and a water discharge permit and has authorization to use mine water stored in inactive pits.

An Asset Retirement Obligation ("ARO") was prepared by Argonaut in December 2020 to define the closure liabilities associated with the El Castillo Mine. The ARO includes descriptions of the closure and reclamation approaches, unit areas, and general unit rates. The total costs for closure and reclamation of the site (including a 9% contingency) were estimated at US\$9,277,000.

Argonaut holds all permits required to allow mining and processing operations and regularly extends permits and authorizations prior to their expiration dates that are required to sustain ongoing mining and processing operations.

Capital and Operating Costs

The El Castillo Mine is in the final years of operation and there are no further significant capital costs planned.

Operating cost estimates are based on actual operating data refined where necessary to incorporate future operating forecasts. Operating costs within each category include labour, consumables, power, fuel and lubricants, routine maintenance parts, and all other direct operating expenses. Operating costs do not include major component replacement and major maintenance costs that are capitalized.

Mining operations were estimated based on existing contracts, past performance and the stripping associated with the mining plan. The LOM average mining cost is estimated at US\$1.58/t-moved.

Selling costs include plant costs as well as the cost associated with transporting the doré bars to market and fees incurred in the sales, including refining charges and metal deductions.

The estimate for LOM operating costs is shown below. The mine life will extend to 2023.

LOM Operating Cost Summary

	LOM Oxide		LOM Sulphide	
Description	East Heap Leach (US\$/t ore)	West Heap Leach Pad (US\$/t ore)	East Heap Leach (US\$/t ore)	West Heap Leach Pad (US\$/t ore)
Open Pit Mining	2.89	2.89	2.89	2.89
Hauling ROM to Leach Pad	0.12	0.22	0.12	0.22
Process & Leaching	1.95	1.95	2.20	2.20
Selling	0.15	0.15	0.15	0.15
G&A	0.51	0.51	0.51	0.51
Total Operating	5.62	5.72	5.87	5.97

3.3.2 San Agustin Mine

The San Agustin Mine is an operating open pit heap leach gold mine. The San Agustin Mine is located in the State of Durango, Mexico. Driving distance to the mine is 100 km from the centre of the city of Durango. The first 90 km are paved, and the final 10 km consists of a well-maintained gravel road. The San Agustin Mine is situated in a zone classified as semi-dry. Mining operations can be conducted year-round. The local resources and infrastructure are adequate to support the current mining operation.

The San Agustin Mine consists of 5,884 hectares of mining concessions and 425 hectares of surface rights. The San Agustin Mine maintains a single underground water right totaling 1,000,000 m³/year, and a water discharge permit in the amount of 1,100 m³/year. Current mining operations and the Mineral Resources and Mineral Reserves are located within the San Agustin Mine mineral concessions. The San Agustin Mine was surveyed by a licensed surveyor, all applicable payments and reports were submitted to the relevant authorities, and the licenses were in good standing as of the San Agustin Technical Report.

All mining concessions at the San Agustin Mine are owned 100% by Argonaut through its subsidiary Minera Real Del Oro, S.A. de C.V. ("MRO"). The San Agustin Mine concessions are not subject to any royalties on the oxide Mineral Resources, but Silver Standard Resources Inc. ("Silver Standard") holds a 2% net smelter return ("NSR") royalty on any sulphide mineralization that may be developed in the future.

History

The central area of the San Agustin Mine has a documented exploration history of about 30 years. A few small adits, shafts, and pits focusing on narrow veins are situated throughout the area, but actual mining was very limited. Consejo de Recursos Minerales ("CRM"), a division of the Mexican government, conducted exploration in the 1980s. Their work included drilling 4,339 m in 35 drill holes.

In late 1996, Monarch Mining Corporation ("**Monarch**") acquired the San Agustin Mine. Their surface work defined a distinct gold anomalous zone over a 1.5 km² area. Monarch carried out drilling programs in 1997 and 1998 that included 64 reverse circulation ("**RC**") drill holes totaling 9,354 m. Monarch relinquished the San Agustin Mine in 1999.

In 2003, Silver Standard undertook an extensive mapping and sampling program and a RC drilling program that consisted of 23 drill holes totaling 3,917 m. In 2006 Silver Standard optioned the San Agustin Mine to Geologix Explorations Inc. ("**Geologix**") and from 2006 to 2009, Geologix undertook significant exploration activities including geological mapping, an induced polarization ("**IP**") geophysical survey, surface and underground geochemical sampling, relogging of previous drill holes, 176 RC and core drill holes totaling 40,717 m, compilation of all data into a computer database, and a mineral resource estimate.

In December 2013, Argonaut purchased the San Agustin Mine from Silver Standard. During 2014 and 2015, Argonaut completed major programs of infill and metallurgical drilling. After obtaining all necessary permits, project development work started in early 2017, culminating in the announcement of commercial operational status as of October 1, 2017. The San Agustin Mine has been operated by Argonaut since October 2017.

Since 2018, Argonaut has completed annual drilling campaigns of infill and exploration drilling. Between 2017 and 2021, the San Agustin Mine produced approximately 245,000 oz gold and 1,100,000 oz silver.

Sampling, Analysis and Data Verification

Over multiple drill programs at the San Agustin Mine, all drill samples were collected at the applicable drill rig by trained technicians or geologists. Representative samples were transported under secure conditions to accredited assay laboratories where they were prepared and analyzed for gold and silver using industry standard techniques. The Corporation routinely utilizes industry approved quality assurance/quality control ("**QA/QC**") protocols that include the use of duplicate samples, standard reference materials and blanks. A significant proportion of the samples that were analyzed by the primary laboratory were sent to a second accredited assay laboratory for comparative purposes. For an in-depth breakdown of sampling, analysis, and data verification methods, see Section 1.7-1.8 of the San Agustin Technical Report.

Geology and Mineralization

The San Agustin Mine is located in Northwest Mexico in the east flank of the Sierra Madre Occidental ("**SMO**") bordering the great Mesa Central Mexicana. The oldest rocks in the region are mica schists and mylonites. These are overlain by an Upper Jurassic to Lower Cretaceous sedimentary flysch sequence mainly composed of an alternating sequence of shale and fine-grained sandstone with occasional horizons of calcareous shale and thin layers of limestone.

The volcanic complex of the SMO is present in the area. The Lower Volcanic Complex occurs as agglomerates, tuffs, and andesitic flows. The Upper Volcanic Complex consists of a sequence of rhyolite tuffs, crystal tuffs, and ash tuffs. Discordantly covering all previously mentioned lithological units is a

package of welded rhyolite tuffs. The most recent igneous unit observed is composed of Pleistocene vesicular basalt flows that cover some of the valleys to the southeast of the San Agustin Mine.

There is a widespread occurrence of a poorly consolidated conglomerate that fills wide valleys associated with basin-and-range extensional normal faulting. A quartz monzonite stock, a biotite-rich volcanic rhyolite dome, and a package of ash and crystal tuffs also occur in the region.

Two main structural trends were identified in the San Agustin Mine. Mineralization at the San Agustin Mine appears to be related to or associated with the northeast trending structures. The most obvious structure recognized on the San Agustin Mine is the Main Fault, which trends northwesterly and dips steeply to the southwest.

The area of known mineralization at the San Agustin Mine is dominated by an igneous, quartz monzonite dome complex intruding a clastic sedimentary sequence composed of shale, mudstone, and less abundant sandstone. Both the intrusive complex and the sedimentary sequence occur on a dominant northwest trend with sub-vertical dips. Mineralization is emplaced through a strong and widespread system of sulphide rich veins, veinlets and fissure fillings that make the system similar to a disseminated deposit. Locally, mineralization can be observed following lithological controls in the sedimentary rocks, especially where they run parallel to sediment-intrusive contacts. The most dominant alteration type is phyllic, characterized as an assemblage of sericite-quartz-pyrite mineralization.

Status of Exploration, Development and Operations

Work conducted prior to Argonaut's project interest is referred to as legacy programs. Legacy exploration work at the San Agustin Mine included extensive mapping, surface and underground geochemical sampling, trenching, and geophysical surveys. The legacy exploration work was used to design exploration drill programs that led to the identification of significant zones of mineralization on the San Agustin Mine. Further detail regarding legacy exploration work is detailed in Section 9.1 of the San Agustin Technical Report.

Since the acquisition of San Agustin Mine, Argonaut has used the UTM Zone 13 coordinate system within the 1927 North American Datum for Mexico (NAD27 Mx). This coordinate system is used for all mapping and drill hole surveying.

Argonaut's surface work has included detailed geological mapping over an area of approximately 330 hectares. Mapping focused on structure, fracture density, alteration, and rock type. In the San Agustin Mine project area, numerous small mining prospects dot the landscape. The majority of these were excavated on small polymetallic veins that appear to be a peripheral expression of the San Agustin mineralization system. Argonaut visited most of these small workings and mapped their locations and orientations.

Argonaut collected 939 rock chip samples from surface exposures. The samples represent continuous rock chips over an area averaging 1.5 m wide. When possible, sampling was done along 50 m to 100 m spaced sample lines that were oriented perpendicular to the main recognized structural trends. These samples were combined in the database with the existing surface rock samples that were collected by previous operators.

Handheld global positioning system ("GPS") units were used to locate the surface rock samples. Outcrop exposure was variable along the sample lines and sample spacing varied because of this. Where there were good rock exposures, samples were taken approximately 3 m apart.

Argonaut's samples were tagged in the field with aluminum tags and sent to ALS Chemex Laboratories ("ALS") for fire assay of gold and inductively coupled plasma ("ICP") multi elemental assay (ALS method code Au AA-23 and ME-ICP 41). The samples were picked up by ALS directly on site and prepared in their laboratory in Zacatecas, Mexico. The samples were then sent for assay at ALS' Vancouver laboratory.

The results of the rock chip sampling program showed mineralization occurs in most of the San Agustin and San Agustin 1 concessions and is strongest in the Main Zone area. Gold was the most widespread anomalous element, followed by zinc. Silver and lead were more restricted to certain structural trends.

Drilling

Exploration drilling prior to Argonaut's involvement in the project included multiple campaigns completed by Monarch, Silver Standard, and Geologix from 1997 to 2008, and totaled 54,592 m in 264 RC and core drill holes.

No information is available to Argonaut regarding the logging procedures and sample recovery for the Monarch, Silver Standard, and Geologix drill campaigns. There is no documentation for methods of drill site location and surveying for the Monarch or Silver Standard drill holes and no downhole surveys were collected. Geologix drill hole collars and downhole surveys were consistent with industry standard practices.

In 2014 and 2015, Argonaut completed a large two-phased infill drilling program focused largely on the main mineralized zone that included 306 RC drill holes totaling 34,222 m. From 2018 to 2021, Argonaut completed annual RC infill and exploration drill programs totaling 23,390 m in 248 drill holes. In 2014 and 2021, Argonaut completed 15 PQ-size core drill holes totaling 250 m for metallurgical testwork purposes. Argonaut's logging and surveying practices were consistent with industry standard practices. Core sample recoveries normally exceeded 95% and RC recoveries exceeded 90%.

Mineral Processing and Metallurgical Testing

San Agustin Mine has been an operating mine since 2017. Metallurgical testwork was conducted from 2009 to the present. All the test results support the realized gold recovery of 59.9% as well as the assumed endpoint recovery of 65% of the gold stacked to date. Actual silver recovery is less than that predicted by the testwork. Actual silver recovery is lower than the testwork due to poor silver recovery in the carbon adsorption plant and lower levels of sodium cyanide in the leach solutions (both intentional to favor gold recovery). The recent addition of a Merrill-Crowe plant and continued leaching is expected lead to increased silver recovery ultimately in line with testwork expectations.

The processed ore is demonstrated to be very consistent in recovery as evidenced by the monthly composite column test data, prior tests, and overall heap performance.

Although not processed to date, testwork of sulphide material indicates gold recovery of 31% for the argillic sulphide material, 20% for silicic sulphide material, and 10% or less for the clay sulphide materials. Cyanide consumption is reasonable and lime consumption is high for the sulphide materials.

There are no significant deleterious elements in San Agustin Mine ores.

Mineral Reserve and Mineral Resource Estimates

The San Agustin Mine Mineral Reserves and Mineral Resources, effective December 31, 2021, are summarized in the "Mineral Reserve and Mineral Resources" table and are based on updated models,

mine plans and topography, including depletion through mining activities and changes to recovery and cost assumptions as of December 31, 2021. See "*Description of Business of the Corporation*" on page 9 of this AIF. The Mineral Reserve and Mineral Resource estimates are discussed in greater detail in Sections 1.10-1.13 of the San Agustin Technical Report.

Mining Methods

The San Agustin Mine is a relatively low-grade gold deposit that benefits from a low strip ratio and disseminated mineralization that is amenable to bulk mining activities and good heap leach recoveries. The San Agustin Mine is a contract-operated mine and owner-operated process facility using conventional equipment and conventional mining methods.

The mining method consists of traditional drill-and-blast operations followed by excavator loading of rigid-body haul trucks (100 t class) for ore transport to the crusher and waste transportation to designated waste rock storage facility (WRSF) locations. Approximately 16.7 Mm³ of waste storage space was defined outside the current and future mine phases which will accommodate approximately 30 Mt of waste.

SRK Consulting (U.S.) Inc. ("**SRK**") conducted a conceptual-level geotechnical investigation and endorsed the mine designs proposed for San Agustin Mine at a conceptual-level and stated their opinion that because the pit is shallow, future adjustments to the assumed 45° pit slope will result in minor changes in stripping requirements.

The mine fleet is contract-operated and includes Caterpillar 777 size haul trucks and Cat 992 class front-end loaders. A suitable heavy equipment lowboy facilitates the movement of equipment within the San Agustin Mine.

It is expected that 344 koz will be placed on the heap leach pad from August 2021 through the end of 2024 for a mine life of 3.5 years.

Recovery Methods

San Agustin Mine processes 30,000 t/d of crushed (P₈₀ 22 mm) and belt agglomerated ore stacked onto a conventional single use leach pad. Solutions are treated with a single gravity cascade carbon column train of five columns with ten tonnes of carbon each. Loaded carbon is shipped to Argonaut's La Colorada Mine for carbon stripping and carbon regeneration. The stripped carbon is returned to site for re-use. The ore characteristics are very consistent in general, and over time.

Some agglomeration was proven to be needed at the San Agustin Mine and cement was used (with the exception of 2019) as required until April of 2021 when the cement was replaced with a synthetic polymer agglomeration aid. By all reports, there were no percolation problems since using the polymer.

Realized gold recovery is 59.9% against the assumed endpoint recovery of 65% (from testwork) of the gold stacked to date. Realized silver recovery (7.8%) was lower than what would be otherwise possible (15.9% endpoint recovery) from the stacked silver to date due to poor silver recovery in the carbon adsorption plant and lower levels of sodium cyanide in the leach solutions (both intentional to favor gold recovery), and insufficient leach times. This led to a relatively high booked silver inventory. However, the recent addition of a Merrill-Crowe plant in November 2020 and continued leaching will lead to increased silver recovery ultimately in line with the expected endpoint recovery.

Overall, with respect to gold recovery, reagents usage, and stated gold inventory estimates, the San Agustin Mine performed consistently in line with expectations based upon metallurgical testwork and is

well within industry norms and benchmarks for similar types of operations. In 2022, Argonaut plans to connect to the main power grid.

Infrastructure

The San Agustin Mine has well established infrastructure in place including an open pit mine, explosives storage, a crushing plant, a cyanide heap leach pad, a carbon gold recovery plant, reagent storage, waste rock storage facilities, a truck shop and warehouse, a sample preparation laboratory and atomic absorption gold analysis laboratory, offices for administration, operations, and technical services, change and dining facilities, water tanks, and various access roads.

A north access road primarily serves to connect the San Agustin Mine to the El Castillo Mine. The distance between the two operations is approximately 11 km.

All power requirements for process, crushing, laboratory, security, and office facilities are provided by diesel-powered generators. Fuel supplies for mining, processing and other requirements are supplied by contractor from Durango. Diesel fuel is stored on site in a 250,000 L storage tank. A gasoline storage facility of 15,000 L capacity provides fuel for light vehicles.

Water supply is predominately for in-process use with minor volumes for dust control, construction, and potable uses. The make-up solution (fresh + recycled) required by the heap leach system is met from several potential sources including solution previously stored in the emergency event solution ponds and well water and/or water from pit dewatering. Raw water for the San Agustin Mine is pumped directly from water wells to raw water tanks with a volume of approximately 42,000 m³.

Environmental Studies and Permitting

Argonaut conducted baseline studies for water, biodiversity, climate, geohydrology, geology, geomorphology and soil characterization, mining waste geochemistry, and social-economic aspects. Baseline monitoring was conducted as part of the environmental impact assessment process. Baseline monitoring included physical and biological elements: water, climate, hydrology, soil and geomorphology, geology, and biodiversity.

Argonaut conducts geochemical characterization programs to evaluate the environmental stability of the San Agustin Mine waste rock and leached ore. The geochemical test program indicated that neither the waste nor the ore was expected to be acid generating or solubilize metals in amounts that exceed Mexican standards.

The project design includes a zero-discharge process for ore treatment, therefore no process solutions are discharged or released to the environment. Sewage water is treated using septic systems. Emissions, smoke, dust, and noise emissions occur at the San Agustin Mine. Machinery and equipment operation during the different phases of the San Agustin Mine result in smoke and noise emissions. Ore and waste rock haulage, road operations and vegetation clearing are the main activities that generate dust emissions. Considering operations at San Agustin Mine, the level of emissions is not significant, as they occur in an open and wide space. Hazardous and non-hazardous waste management infrastructure is included at the operation to collect, transfer, and store the different types of waste that will be generated by the operation.

An Asset Retirement Obligation ("ARO") was prepared by Argonaut in December 2020 to define the closure liabilities associated with the San Agustin Mine. The ARO includes descriptions of the closure and reclamation approaches, unit areas, and general unit rates. The total costs for closure and reclamation of the site (including a 10% contingency) were estimated at US\$5,750,000.

Argonaut holds all permits required to allow mining and processing operations. Argonaut has three environmental impact authorizations and two land use change authorizations for the San Agustin Mine. Argonaut regularly extends permits and authorizations prior to their expiration dates that are required to sustain ongoing mining and processing operations.

Surface access agreements were negotiated with the ejidos of San Agustin and San Lucas de Ocampo Agrarian Community, which hold surface rights in the San Agustin Mine area. Argonaut is active in the region supporting the communities influenced by the San Agustin Mine and relations with the communities are good. Argonaut implemented social programs including academic scholarships, water reservoirs, agricultural support program for local farmers, community roads maintenance, employment programs, food baskets, and support to cultural and sports activities.

Capital and Operating Costs

The San Agustin Mine has been in operation since 2017 and all the primary plant equipment are in place. Future capital LOM items related to this project were considered sustaining only for the current LOM. Argonaut estimated capital costs from 2022 through to the end of the LOM at US\$9.7 M. These costs are primarily required for equipment maintenance at the process facilities, light vehicles, and land acquisition. Mining equipment is supplied by contractors and therefore not capital to Argonaut.

Operating cost estimates are based on actual operating data refined where necessary to incorporate future operating forecasts. Operating costs within each category include labour, consumables, power, fuel and lubricants, routine maintenance parts, and all other direct operating expenses. Operating costs do not include major component replacement and major maintenance costs that are capitalized.

Mining operations were estimated using existing contracts. The LOM average mining cost is estimated at US\$1.66/t moved. Crushing and conveying and leaching costs are based on historic performance and the projected ore feed through the process.

Selling costs include plant costs as well as the cost associated with transporting the doré bars to market and fees incurred in the sales, including refining charges and metal deductions.

LOM Operating Cost Summary

Description	LOM (US\$/t ore)
Open Pit Mining	2.33
Crushing & Conveying	1.04
Processing & leaching	2.33
Selling	0.30
G&A	0.49
Total Operating	6.49

3.3.3 La Colorada Mine

Property Description and Ownership

The La Colorada Mine hosts several gold deposits located near the historical mining town of La Colorada, Sonora, Mexico. Argonaut's ownership includes 41 titled concessions in four irregular blocks separated by land held by third parties. The total land package aggregates 10,085 hectares. The deposits were exploited during two historical mining periods. The first was an underground operation from 1860 to 1916 and the second was an open pit mine from 1994 to 2002. The La Colorada Mine lies about 53 km southeast of Hermosillo, the Sonora state capital. Access is via paved Highway 16, which continues east to the town of Yécora and the state and city of Chihuahua. Argonaut is currently in the process of acquiring three additional concessions totaling 894 hectares.

All licenses regarding the La Colorada Mine were in good standing as of the effective date of the La Colorada Technical Report. All mining concessions at the La Colorada Mine are owned 100% by Argonaut through its subsidiary Minera Pitalla, S.A. de C.V. There are no royalties for the La Colorada concession package.

Argonaut holds the surface rights and legal access to 1,447 hectares of the concession package. Of this total, Argonaut holds title to 1,398 hectares and has temporary occupation of one parcel of 49 hectares. Argonaut has sufficient rights and access to the areas required for mining the mineral reserves stated in the La Colorada Technical Report except for a small parcel on the southern side of Veta Madre. Argonaut is currently in discussions to purchase this land and expects that this transaction will be finalized prior to requiring access in 2023.

Argonaut maintains water rights totaling 159,517 m³/year from two underground aquifers. In addition, Argonaut is authorized to use 450,000 m³/year from water stored in inactive open pits. At the effective date of the La Colorada Technical Report, Argonaut was in the process of adding two additional water rights concessions that will add 117,000 m³/year of water rights.

History

The La Colorada Mine concessions were first staked by Jesuit missionaries in 1740 and saw fairly continuous underground production by various ownerships until 1916, when operations were discontinued during the Mexican Revolution. The district was mostly idle until 1991 when ownership was transferred to Exploraciones Eldorado S.A. de C.V. ("EESA") who mined gold and silver on the property from three separate open pits. EESA conducted geological mapping, surface sampling of rock and soils, geophysical programs, trenching, and core and reverse circulation drilling. EESA also completed geotechnical studies for pit slop stability, metallurgical tests, and mineralogical and petrographical studies. During commercial production between 1994 and 2000, EESA produced approximately 290,000 ounces of gold and about one million ounces of silver. EESA sold the mine and plant to a local Hermosillo mine contractor, Grupo Minero FG S.A. de C.V., who continued limited production and is estimated to have produced approximately 70,000 additional ounces of gold until the mine was decommissioned in 2002.

In 2007, Pediment Gold Corp. ("Pediment") optioned and eventually purchased the key concessions, surface ownership and infrastructure from Grupo Minero FG S.A. de C.V. Further key concessions were also acquired in 2008 and 2010 by Pediment. In 2007, Pediment began compiling the previous work accompanied by an exploration program that included surface sampling and mapping. A drill program commenced in 2008 focusing in the known mineralization zones of El Crestón, La Colorada/Gran Central, Veta Madre and La Verde. These results were followed up by a +10,000 metre drill program in 2009 which combined diamond and RC drilling. Much of this work was directed at the Veta Madre zone.

Various historical Mineral Resource estimations have been completed on the project, including Nordin 1992, Giroux and Charbonneau 1992 and Giroux 1999. All of the "historical" estimations are superseded by the current La Colorada Mineral Resource estimation as at December 31, 2021. See *"Description of Business of the Corporation"* on page 9 of this AIF.

In 2010, Argonaut acquired Pediment, including the La Colorada Mine, held under Pediment's wholly owned Mexican subsidiary, Compania Minera Pitalla S.A de C.V. ("CMP"). Argonaut conducted significant infill and step-out drilling programs mainly within and adjacent to known mineralized areas. In 2011, Argonaut conducted rock and soil sampling programs around the El Crestón pit and the Veta Madre area. Annual drilling programs were conducted by Argonaut starting in 2011. Argonaut restarted operations at the mine in 2012 and produced approximately 420,000 ounces of gold and 1,538,000 ounces of silver between 2012 and 2021.

Geology and Mineralization

The La Colorada Mine is located in the western foothills of the Sierra Madre Occidental mountain chain, 110 km east of the Gulf of California. Tectonically, the La Colorada Mine is located at the boundary between the Sonoran Basin and Range Province and the Sierra Madre Occidental Province. Intrusive rocks are contiguous with a broad batholithic belt extending along the western margin of North America. West-directed folding and thrust faulting occurred during the Late Cretaceous Laramide Orogeny. Basin-and-range faulting followed in the Tertiary and constitutes the dominant structural event in the area.

Bedrock ranges in age from Ordovician through Cenozoic and includes high-grade metamorphic gneisses, shelf facies sedimentary strata, extensive andesitic to rhyolitic volcanic deposits and dioritic to granitic intrusive rocks. Upper Triassic clastic sedimentary strata unconformably overlie the metamorphic basement rocks.

Late-Cretaceous to Tertiary volcanic rocks and associated continental clastic rocks unconformably overlie the Triassic and older rocks. Two distinct divisions are apparent: the Lower Volcanic Complex composed mainly of andesite with interstratified rhyolitic ignimbrites and basalt and an overlying Upper Volcanic Complex composed of extensive rhyolite and rhyodacite ignimbrites with minor interstratified basalt.

On a regional scale, basin-and-range faults are characterized by north-northwest-striking normal faults. Crustal blocks formed by the basin-and-range faults have moderate to steep regional dips. Steeply-dipping east-northeast-trending regional faults transverse to the main trend are also common throughout Sonora.

The La Colorada Mine area is locally covered by mid-Cambrian to lower Ordovician quartzites, marbles, carboniferous limestones, and sandstones. In addition, the district hosts Triassic oligomictic conglomerate, limestones, shales, and a turbiditic sedimentary sequence of the Porfuna Basin formed by an alternation of shales, carbonaceous shales, flint horizons and an upper body of massive quartzites several metres thick.

Upper Cretaceous volcanic tuffs range in composition from andesite to rhyolite. The older units are intruded by Paleocene to Oligocene age intrusive rocks that include granite, granodiorite, diorite, and andesitic porphyry. The Early Miocene Báucarit Formation is composed of continental conglomerates and sandstones interbedded with basaltic to andesitic volcanic rocks. These rocks are overlain by the Late Miocene Lista Blanca Formation comprising bimodal volcanism of rhyolitic tuff and andesite. The youngest Tertiary unit is an extension-related olivine basalt flow unit.

Mineralization is mainly hosted in rhyolite porphyry, diorite, and sedimentary rocks. The majority of gold occurs as electrum with a ratio of 60% gold and 40% silver. Lesser amounts of microscopic gold occurs in pyrite and in association with galena and sphalerite.

Alteration usually varies by rock type and includes hematization, manganese oxides, silicification, argillization, potassic alteration, sericitization, and chlorite alteration. The significant mineralized occurrences include the La Colorada/Gran Central, El Crestón, and Veta Madre deposits. The deposits consist of gold-bearing quartz veins and stockwork and breccia zones localized along east-west and northeast-southwest-trending, north-dipping fault systems.

Exploration

Since the acquisition of the La Colorada Mine, Argonaut has used the UTM Zone 12 coordinate system and the North American Datum of 1927 (NAD27 UTM) for surveying. This spatial reference system was used in the location of drill holes, surface sampling, and geological mapping.

During 2013, Argonaut carried out geological mapping of the La Colorada/Gran Central and El Crestón open pits. The mapping was carried out at a scale of 1:1,000, and lithology, structures, alteration, and mineralization were recorded. The main contributions of the geological mapping campaign were to document the mineralization controls, direct the drilling programs, identify trends in mineralization, and identify structures that cut the La Colorada Mine area.

During 2011, Argonaut's regional exploration program at La Colorada Mine included soil sampling in the Sombreretillo and Los Duendes areas. General reconnaissance of two concessions, Red LCA 2 and Red 2 LCA, located to the south of the La Colorada Mine, was also carried out. Results from that work showed the presence of several north-south trending mineralized veins and structures that retain exploration potential. Soil sampling results in both areas were positive.

In 2012, Argonaut contracted the services of Zonge International Inc. to carry out a controlled source audio-frequency magnetotelluric (CSAMT) geophysical survey. The study was completed with excellent data quality and the results showed very good correlation with the mapped geology. In addition, the results showed some promising geophysical signatures in the lines completed east of the open pit areas.

In 2013, Argonaut carried out a geologic reinterpretation and geochronology study. Argonaut also carried out several petrographic, mineralogy, and characterization studies of gold and silver minerals. These studies helped to better understand the deposits, improve geological interpretations, and understand the metallurgical recoveries of the deposit.

Drilling

The drilling that supports the mineral resources was conducted by the three most recent operators of the La Colorada Mine, including Eldorado, Pediment, and Argonaut. Eldorado completed 982 drill holes on the La Colorada Mine; Pediment completed 133 drill holes on the La Colorada Mine; and Argonaut completed 735 drill holes on the La Colorada Mine as of the effective date of the La Colorada Technical Report. Most of the drilling on the La Colorada Mine was completed using RC drilling methods.

Limited information is available regarding the Eldorado drilling methods. No records regarding the drills, surveying methods, or logging methods used remain.

Pediment used Layne de México (Layne) and Globexplore Drilling S.A. de C.V., both of Hermosillo, Mexico, for RC drilling. Drill holes were generally oriented along azimuths 180° and 160° and inclined to the south with dips between -45° and -90°. Pediment used Layne for its core drilling. Layne drilled with a skid mounted Cummins B-20 core drill rig using HQ diameter (6.2 cm) bits.

Argonaut used Layne and Major Drilling de Mexico S.A. de C.V., both of Hermosillo, Mexico, for its RC drilling. Drill holes were oriented on azimuth 180° and inclined to the south with dips between -45° and -90° following Pediment's drill scheme. The drill plan design was to infill the previous drill pattern at 25 m spacing. Argonaut used Landdrill International Mexico S.A. de C.V. and Falcon Perforaciones de Mexico S.A. de C.V. both of Hermosillo, Mexico and GDA Servicios Mineros S.A. de C.V. of Chihuahua, Mexico for its core drilling. Two drills were skid-mounted and two were buggy-mounted core drill rigs. Some of the drill holes were drilled using PQ diameter (8.5 cm diameter) bits to obtain metallurgical samples and others used HQ diameter bits to obtain exploration samples.

After completion of a drill hole, the site was monumented with polyvinyl chloride (PVC) pipe encased in a cement block, labelled with the drill hole number, and surveyed with differential global positioning system (DGPS) instruments to obtain the exact drill hole coordinates.

Sampling, Analysis and Data Verification

During past and current drill programs at the La Colorada Mine, all drill samples are collected at the applicable drill rig by trained technicians or geologists. Representative samples were transported under secure conditions to accredited assay laboratories where they were prepared and analyzed for gold and silver using industry standard techniques. Argonaut routinely utilizes industry approved quality QA/QC protocols that include the use of duplicate samples, standard reference materials and blanks. A significant proportion of the samples that were analyzed by the primary laboratory were sent to a second accredited assay laboratory for comparative purposes. For an in-depth breakdown of sampling, analysis, and data verification methods, see Section 1.7-1.8 of the La Colorada Technical Report.

Mineral Processing and Metallurgical Testing

Extensive metallurgical testing has been conducted by KCA and Argonaut. The KCA studies are documented in the La Colorada Technical Report. Since this initial work, Argonaut has continued to conduct ongoing metallurgical testing using core and in-pit bulk samples as well as continual daily mine composites, all intended to validate and improve estimates of process recoveries.

Mineral Reserve and Mineral Resource Estimates

The La Colorada Mine Mineral Reserves and Mineral Resources, effective December 31, 2021, are summarized in the "Mineral Reserve and Mineral Resources" table and are based on updated models, mine plans and topography, including depletion through mining activities and changes to recovery and cost assumptions as of December 31, 2021. See "*Description of Business of the Corporation*" on page 9 of this AIF. The Mineral Reserve and Mineral Resource estimates are discussed in greater detail in Sections 1.10-1.13 of the La Colorada Technical Report.

Mining Methods

The La Colorada/Gran Central, El Crestón and Veta Madre deposits have been or are being mined by open pit methods.

Production at the La Colorada Mine has been ongoing since 2012 with the majority of ore being sourced from the Gran Central pit until early 2018. During 2018, the Gran Central pit was mined out and is currently focused on the El Crestón and Veta Madre open pits.

Argonaut employs mine contractors who are based in Hermosillo for drill, blast, load and haul operations. The contractors use Caterpillar 777 (100 t or equivalent) size trucks with Caterpillar 992 (or equivalent) front end loaders.

The open pit designs for El Crestón and Veta Madre defined approximately 20.1 Mt of ore with an average grade of 0.56 g/t Au and average strip ratio of 5.8:1 (waste:ore). At an average 4.2 Mt/year production rate, the potential mine life is about seven years (including two years of pre-stripping). The production schedule targets maximum total mine tonnage of 27 Mt/year.

The mine production schedule was balanced to target 13,000 t/d through the crusher. The total in situ gold ounces placed on the leach pads were targeted at 180 koz/year for 2022-2024, after which point mining at both El Crestón and Veta Madre will be at the pit bottom allowing for 162 koz Au to be placed in 2026 and 2027. The total mining rate between the two open pits will reach a maximum of 75 kt/d with an average strip ratio of 5.8:1 (waste:ore).

Recovery Methods

La Colorada Mine processes 12,000 t/d of crushed (P_{80} 9.5 mm) ore stacked onto a conventional single use leach pad. Lime is added to the ore at a rate of 2-3 kg/t for pH control. Dilute sodium cyanide leach solutions are treated with a single gravity cascade carbon column train of five columns with six tonnes of carbon each. Loaded carbon is acid washed and stripped onsite with a standard pressure-Zadra desorption and electro-winning circuit. Carbon is regenerated every third pass. There is also a separate nearly identical stripping circuit used to process carbon from Argonaut's San Agustin Mine and El Castillo Mine. All metals are smelted on site and poured into doré bars for shipment.

Realized gold recovery is 67.6% against the assumed endpoint recovery of 70.0% (from testwork) of the gold stacked to date. Realized silver recovery is 10.6% against the assumed 14.8% endpoint recovery.

Overall, with respect to gold recovery, reagents usage, and stated gold inventory estimates, La Colorada Mine has performed consistently in line with expectations based upon metallurgical testwork and is well within industry norms and benchmarks for similar types of operations.

Project Infrastructure

The La Colorada Mine is a mature operating mine with established infrastructure including quality access roads, adequate power supply, adequate water supply and good access to qualified labour and support vendors. The site has developed facilities including an administrative and mine office, process plant, three-stage crushing and multi-lift heap leach placement equipment, pregnant leach solution ponds and heap leach pads. Extensive mining had been conducted in the region historically and because the mine is 45 kilometres from Hermosillo, the Sonoran state capital, the La Colorada Mine is unlikely to suffer any adverse logistical or consumable supply constraints based on mine location. A port facility is located approximately 140 kilometres south of the mine and rail is available in Hermosillo.

The operations have a dedicated 33 KV power line and 10 MVA substation. Power is supplied by the large state-owned electric company, Comisión Federal de Electricidad.

Water is provided by the Willis well with a capacity of 15 L/sec. Pit dewatering is still used at times offsetting the well's pumping needs; an estimated 0.5 Mm^3 of water remains available within the pit. A backup water well was recently developed to provide complementary volume of 5 L/sec to compensate for the eventual decline of the in-pit water source and to relieve stress to the Willis well drawdown. Another 5 L/sec well is being developed near the Veta Madre zone intended to provide shorter hauling of water.

Diesel is supplied on a daily basis by trucking approximately 35,000 L/d. Argonaut maintains an 11,000 L gasoline tank and delivery system to support the site needs.

Environmental Studies and Permitting

Environmental baseline data collection was conducted at various times to support environmental impact assessment applications for various modifications and expansions of the project. Baseline monitoring was conducted as part of the environmental impact assessment process. Baseline monitoring included physical and biological elements: wildlife, vegetation, and surface water.

Argonaut conducted geochemical characterization programs to evaluate the environmental stability of the project waste rock and leached ore. The geochemical test program indicated that neither the waste nor the ore is expected to be acid generating or solubilize metals in amounts that exceed Mexican standards.

The La Colorada Mine design includes a zero-discharge process for ore treatment, therefore no process solutions are discharged or released to the environment. Emissions, smoke, dust, and noise emissions occur at the La Colorada Mine. Machinery and equipment operation during the different phases of the La Colorada Mine result in smoke and noise emissions. Ore and waste rock haulage (trucks and belts), road operations and vegetation clearing are the main activities that generate dust emissions. Considering operations at La Colorada Mine, the level of emissions is not significant, as they occur in an open and wide space. Hazardous and non-hazardous waste management infrastructure is included at the operation to collect, transfer, and store the different types of waste that will be generated by the operation.

The La Colorada Mine is a zero-discharge operation, using lined process water ponds and ditches to convey cyanide solutions to and from the heap leach pads. Sewage water is treated using septic systems. Stormwater is managed through facility-specific diversion ditches, as necessary. Process water is recirculated within the operations for ore leaching. Additional make-up water is obtained through authorizations from the National Water Authority for as much as 159,518 m³/year for industrial use. Additional water rights for up to 110,650 m³/year were negotiated with local ranchers and are currently in the process for rights transferring, relocating, and use changing (from agricultural to industrial use).

An Asset Retirement Obligation ("ARO") was prepared by Argonaut in December 2020 to define the closure liabilities associated with the La Colorada mine. The ARO includes descriptions of the closure and reclamation approaches, unit areas, and general unit rates. The total costs for closure and reclamation of the site were estimated at US\$5,520,000.

Argonaut holds all permits required to allow mining and processing operations. Permitting considerations are discussed in further detail in Section 1.17 of the La Colorada Technical Report.

Argonaut maintains a community relations office in the town of La Colorada Mine that oversees relations with the locals while coordinating with the mine environmental and human resources departments. The current social management program includes descriptions of activities to be carried out in community communication and dialogue, contribution programs for financial assistance, local labour hiring programs, community development programs, and social and environmental programs.

Capital and Operating Costs

The La Colorada Mine has been in operation by Argonaut since 2012 and all the primary plant equipment is in place. Argonaut estimated capital costs from 2022 through LOM at US\$11.8 M. These costs were primarily required for equipment maintenance at the process facilities, development drilling, leach pad expansion, and land acquisition.

In addition to the capital costs above, Argonaut estimated US\$6.0M for reclamation and closure costs.

Operating cost estimates are based on actual operating data refined where necessary to incorporate future operating forecasts. Operating costs within each category include labour, consumables, power, fuel and lubricants, routine maintenance parts, and all other direct operating expenses. Operating costs do not include major component replacement and major maintenance costs that are capitalized.

Mining operations were estimated using existing contracts. Crushing and conveying and leaching costs are based on historic performance and the projected ore feed through the process.

Selling costs include plant costs and the cost associated with transporting the doré bars to market and fees incurred in the sales, including refining charges and metal deductions.

The estimate for LOM operating costs is as follows:

LOM Operating Cost Summary

Description	Material Type	Mining Cost (US\$/t)	Crushing and Conveying (US\$/t ore)	Process, G&A, and Selling (US\$/t ore)	LOM Cost (Total US\$/t)
El Crestón	Ore	1.79	1.48	3.38	6.65
	Backfill	1.49	-	-	1.49
	Waste	1.79	-	-	1.79
Veta Madre	Ore	1.61	1.48	3.38	6.47
	Waste	1.61	-	-	1.61

3.3.4 Florida Canyon Mine

Property Description and Location

The Florida Canyon Mine is owned by Florida Canyon Mine, Inc. ("FCMI") and is located 125 miles east of Reno Nevada, and immediately south of Interstate 80. The nearest towns are Winnemucca, 40 miles northeast with a population of 7,763 (2018) and Lovelock, 33 miles southwest, with a population of 1,814 (2018). The highway exit for the Florida Canyon Mine from I-80 is at Imlay, Nevada. Access is reliable via the Interstate year around.

The mine currently produces gold by conventional hard rock open pit mining with processing by 2 stage crushing and heap leaching. The mine was in continuous operation from 1986 through 2011 and then intermittently until 2015. It was reopened in mid-2016 and has been in operation since that time.

The land package owned or leased by FCMI covers a total of 29,370 acres. Fee lands total 5,520.4 acres and unpatented claims total 23,849.6 acres. Contained within the fee lands are 19 patented claims totaling 359.9 acres. This land position includes both Florida Canyon and the Standard Mine, which is located south of Florida Canyon.

History

Gold was discovered in 1860 in Humboldt Canyon, which led to the organization of the Imlay Mining District. Numerous claims were filed in the area and the population of Humboldt City grew to 500 by 1863. Mining in the district was limited until 1906 when the Imlay Gold Mine and the Black Jack Mercury Mine were discovered. The most productive mine in the district was the Standard Mine, which produced more than \$1 million in gold and silver between 1939 and 1949.

In 1969, Homestake Mining Company (Homestake) obtained a lease on property in the Florida Canyon area. Seven widely spaced rotary holes were drilled with marginal results, and the property was dropped. Cordilleran Explorations (Cordex) next leased the property between 1972 and 1978. A comprehensive program of geologic mapping, geochemical sampling, and trenching was completed. A total of 25 of 37 drill holes completed were in a mineralized zone referred to as the West Trend, on the site of present day Florida Canyon Mine. When Cordex dropped their lease in 1978, Flying J Mines carried out a limited heap-leach operation in the West Trend material.

Between 1969 and 1982, three major mining companies explored the property and chose not to proceed with development of the deposit.

In 1982, Montoro Gold Company ("**Montoro**"), a subsidiary of Pegasus Gold Corporation, ("**Pegasus**") acquired the property. Montoro began an aggressive program to expand Mineral Reserves and enlarge the property position. Detailed geologic mapping and geochemical sampling led to discovery of other anomalous gold occurrences throughout the property. By the end of 1985, 241 drill holes were completed totaling 87,569 ft in the West Trend and adjacent deposits. In addition, 46 holes were completed in other exploration targets to the south and east.

In November 1985, a decision was made by Pegasus to put the property into production. Permitting and project development followed with startup of a new mine in 1986. Pegasus operated the Florida Canyon Mine until January 1998. Pegasus began having financial problems in 1997 when the price of gold decreased from \$370/oz in January to \$283/oz in December. In January 1998, Pegasus filed for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code.

Under two separate plans of reorganization approved by major creditors and confirmed by the court, certain former Pegasus affiliates emerged from bankruptcy protection during February 1999. The first involved the reorganization of Pegasus Gold International, Inc. (the international exploration affiliate of Pegasus) which was reincorporated as Apollo Gold, Inc. Apollo Gold Inc. became the holding company for three former Pegasus subsidiaries, including FCMI.

Apollo Gold Inc. was acquired during the second quarter of 2002 by Nevoro Gold, Inc. ("**Nevoro**"). Nevoro became a publicly traded company on the Toronto Stock Exchange and subsequently changed its name to Apollo Gold Corporation ("**Apollo**"). Apollo operated the Florida Canyon Mine and the nearby Standard Mine through its FCMI and Standard Gold Mine, Inc. ("**SGMI**") subsidiaries until Jipangu International, the U.S. Subsidiary of Jipangu Inc., acquired the Florida Canyon and Standard properties in November 18, 2005. Jipangu operated the properties until 2015. Jipangu defaulted on debt and the property became majority owned by Admiral Financial Group ("**Admiral**"). Rye Patch Gold Corp. ("**Rye Patch**"), agreed to acquire the Florida Canyon property and related assets from Admiral and Jipangu International, Inc. through acquisition of their three subsidiary companies, FCMI, SGMI, and Jipangu Exploration. Rye Patch operated the property until the second quarter of 2015 and shut down for about a year.

In mid-2016, Rye Patch Gold resumed open pit mining and heap leaching operations and declared commercial production in December 2017. In May 2018, Alio acquired Rye Patch by way of a Plan of Arrangement transaction and as a result held 100% of the Florida Canyon and Standard Mine properties.

Argonaut acquired the property through the Alio Business Combination, which closed on July 1, 2020.

Geology and Mineralization

The Florida Canyon and Standard Mine deposits are located in the Humboldt Range, which is a major north-trending anticlinal structure likely formed during the Sevier.

The Florida Canyon area is dominated by a major regional structural zone, termed the Humboldt Structural Zone, a 200-km long northeasterly-trending left-lateral strike slip fault zone. One of the principal structural features within the Humboldt Structural Zone is the Midas Trench lineament, which abruptly terminates at the north end of the Humboldt Range. Mineralization and alteration in the Florida Canyon and Standard Mine deposit areas are localized where the Midas Trench lineament intersects the Humboldt Structural Zone.

The Florida Canyon gold deposits are hosted by the Triassic Grass Valley Formation and Natchez Pass Limestone and in places within Prida Formation.

Three types of mineralization are present at Florida Canyon. The primary type is disseminated gold mineralization within siltstone and silty sandstone. In addition, gold mineralization occurs along brecciated contacts and karsted areas of the Natchez Pass limestone. The third type of gold mineralization occurs as epithermal hot springs type vein mineralization.

Status of Exploration, Development and Operations

The vast majority of the exploration and infill drilling at Florida Canyon took place between 1969 through 2017. The current database contains 4,377 RC holes and 55 core holes for a total of 4,432 drill holes amounting to 1,965,572 feet of drilling. Of this, 81% of the drilling was completed by the operators Pegasus and/or Apollo. After acquiring the Florida Canyon property on July 1, 2020, Argonaut completed 10,630 feet of drilling in 42 holes through the end of 2020, primarily focusing on infill drilling and model improvement.

Since acquiring the mine, Argonaut has been focused on making strategic capital investments with the goal of increasing annual gold production and lowering operating costs.

Sampling, Analysis and Data Verification

Limited information is available regarding the procedures applied to the legacy database at Florida Canyon.

Prior to 2017, there are historical reports that recovery from RC drilling was generally good but that recovery decreased when strongly fractured or broken ground was encountered. In these instances, tri-cone drilling was often implemented to improve sample recovery. Character samples (RC chips from the drill cuttings) were collected and logged, but have since been lost or discarded. Similarly, all core taken prior to 2017 has been lost.

Information in historical reports shows preparation of RC samples consisted of drying the entire sample at approximately 110 degrees Celsius, then jaw crushing the entire sample to 100% passing 6-mesh. A riffle splitter is used to split out approximately 500 grams which is pulverized with a ring and puck pulverizer to a nominal -150 mesh. The pulp was then roll mixed and transferred to a sample envelope.

The same general preparation procedures used for RC samples are also used for core samples. After drying, the entire core sample is jaw-crushed to -0.75 inch, and a 3 to 4 lb sub-sample is collected using a riffle splitter. The smaller split is then crushed, split, and pulverized following the same procedures as applied to RC samples.

Gold was analyzed by fire assay using a 30 gram aliquot. After fusion, the gold content is determined by atomic absorption (AA) spectrometry. All samples that return gold values greater than 0.30 oz/ton are reassayed, with gravimetric finish. American Assay Labs (AAL), an ISO 17025 accredited lab, has been the primary lab used and accounts for 67% of the assays of the entire database. AAL includes quality control standards and blanks with each sample batch and routinely performs duplicate analyses on about 10% of all sample pulps.

AAL's analytical QAQC program reportedly consisted of the insertion of 1 standard, one blank and at least four duplicate pulps for every batch of 50 samples assayed. AAL also continually monitored their lab performance by participating in the CANMET round robin surveys.

Recent work during 2020 at the Florida Canyon assay laboratory has identified a situation with 30 gm fire assays that has very likely been ongoing for some time. Head grade samples from the crusher sampler at Florida Canyon are routinely collected on a daily basis. The output from the 2nd stage crush is sampled from the S4 belt every hour with a sample cutter. There are 24 samples per day which are combined and blended into a single sample per shift.

The 30 gm fire assays at the Florida Canyon lab have suffered from repeatability issues when routine duplicates are rerun as an internal QAQC check. The issue has been identified with screen fire assays as free gold particles that range in size from 80 to 150 mesh. If a free gold particle occurs in a 30 gm charge, the grade is unstable compared to another 30 gm charge without a free particle.

Head assay procedures at the Florida Canyon lab have been modified to address this issue as follows:

- 1) 1,000 gm if the sample is pulped and subjected to bottle roll cyanide testing for 16 hour with sufficient cyanide to assure dissolution of the free particles.
- 2) The bottle roll cyanide solution is assayed.
- 3) The residue is rinsed and fire assayed with a 30 gm charge.
- 4) The residue assay and the solution assay are combined to determine the gold content.

This method has been implemented for roughly one year at site and the results are highly reproducible. This method has not been applied to any of the assay data used to establish the Mineral Resource or Mineral Reserve.

Mineral Processing and Metallurgical Testing

Projecting a recovery number or formula for Florida Canyon is complicated by the fact that different sources of head sample are often used. Assaying techniques have also historically varied. Mined ore grade is taken from blasthole samples. Florida Canyon is no different than other operations in that blasthole assays are only as good as the sampling technique of the blastholes, the ability of operations to prevent comingling of ore and waste during blasting, the precision in delineating ore from waste after blasting and in loading ore that is marked ore and waste that is marked waste. Discrepancies between the mine reported grade, the grade reported by the crusher, column tests and actual gold produced have historically been recognized but have not routinely reconciled.

Ore grade to the pads is taken from the crusher sample and the blast hole predicted grade. The crusher sample is taken from the belt by an automatic cutter and split wet. Site personnel feel that the cutter leaves too much fines on the belt and have plans to improve the system. Since the gold generally appears in the fines, it is recognized that the crusher sample routinely under predicts grade.

Monthly column leach tests are run on the ore to the pad. Historically the columns have been leached for variable lengths of time but over the past months this practice has changed and now there is much more consistency in the lab column testing. Recovery numbers are determined by pregnant solution assays and flows, which are used to calculate the gold off the column. The residue or column waste is dried and screened. Each screen split is weighed and fire assayed and a weighted tail assay is determined from the solution and waste numbers. The head grade is back calculated. Column tests are used to predict recoveries and leach cycles.

Depending on the application, FCMI uses fire assays or cyanide dissolution atomic adsorption assays. The correlation between the grade of ore from the mine, determined from blast holes and the grade of ore to the pad, determined from the crusher sample is poor, with the mined grade much higher than the crusher grade. The correlation between the monthly columns and the actual pad recoveries is difficult to determine because determining the pad recovery is complicated by the size of the pads and the multiple lifts. Multiple lifts on the pad make actual leach times highly variable and leach rates can also vary. The column tests are very useful, however and they give a good indication whether the recoveries are changing with time or if the leach rates are varying. Reviewing the column leach cycles from the past two years show that there is no deterioration in recovery or leach rates versus historical column testing. Trenching of leached ore on the pad has also shown that the current ore is performing in line with historic results.

Historically Florida Canyon has often used fixed recovery numbers for different rock types. These numbers seemed to match poorly in the short term but matched well over longer terms and the life of the mine. Such is not unusual when dealing with mature properties, especially ones with pad lifts over 150 feet high.

The strongest indicator of the historic recovery at Florida Canyon is the completed Pad 1. The pad's final recovery was 68% but there was a considerable amount of ROM material to the pad. Depending on rock type, recoveries of crushed ore are expected to vary between 68% and 76%. For purposes of the economic model, a flat 70% recovery was used.

Mineral Reserve and Mineral Resource Estimates

The Florida Canyon Mineral Reserves and Mineral Resources, effective December 31, 2020, are summarized in the "Mineral Reserve and Mineral Resources" table and are based on updated models, mine plans and topography, including depletion through mining activities and changes to recovery and cost assumptions as of December 31, 2020. See "*Description of Business of the Corporation*" on page 9 of this AIF.

Mining Methods

Florida Canyon is a conventional open pit hard rock mining operation. Bench heights are 20 ft and the loading and haulage fleet are 13 to 14 cu yd front loaders matched to 100-ton rigid frame haul trucks. Most of the loading and hauling equipment have been leased from Caterpillar and include Maintenance and Repair contracts on the leased units (MARC).

Recovery Methods

Florida Canyon is a conventional gold/silver heap leach operation where ore passes through two stages of open circuit crushing. The crushed ore is agglomerated with a polymer binding agent and stacked in 20 foot lifts. Solution is applied through drip tubes. Discharge (pregnant solution) from the bottom of the pad is sent to carbon columns. There is no intermediate or recycled solution. Loaded carbon is pressure stripped, gold is recovered by electrowinning and precipitate is melted into dore bars.

Project Infrastructure

All of the infrastructure that is required to sustain production at the Florida Canyon Mine is in place. The mine is located adjacent to Interstate 80 which provides easy access to Reno, Salt Lake City, and the nearby mine support communities of Winnemucca and Elko, Nevada. Spare parts, process consumables, blasting agents, and fuel are readily available.

Power is supplied to the mine by a 60-Kv overhead transmission line owned and operated by NV Energy, the major power supplier in the state of Nevada. The power is delivered to an onsite substation. FCMI owns, operates, and maintains the substation. Mine site 25-Kv power lines feed distribution transformers at the crusher, process plant, refining, and other facilities on site.

Water requirements are met with underground wells on site. Florida Canyon has 2,415 acre-feet of water rights, which are adequate to meet operational requirements.

Environmental Studies and Permitting

Florida Canyon has undergone numerous environmental studies over the years, as is normal of mature properties. All permits in place to continue mine operations.

Florida Canyon Mine is partially located on public lands administered by the U.S. Department of the Interior, Bureau of Land Management (BLM). Any amendment of the Plan of Operations, requires an assessment and disclosure of potential environmental and limited social impacts as part of the BLM's obligations under the National Environmental Policy Act (NEPA).

Additional permits that are required for extension of the mine life and amendments to existing permits to allow for Argonaut to make a capital investment into a conveying and stacking system, which is expected to lower operating costs, are in progress to assure continuity of operation.

The 2020 estimate for total closure and reclamation of the Florida Canyon Mine was \$16.8 million.

Capital and Operating Costs

The remaining LOM (i.e., until the end of 2029) capital expenditures estimate for the Florida Canyon Mine at December 31, 2020 is as follows:

Description	LOM (\$000s)
Equipment	43,532
Sustaining	46,600
Lease payments	26,460
Closure	31,132
Total capital	147,723

The remaining LOM operating costs estimate for the Florida Canyon Mine at December 31, 2020 is as follows:

Description	LOM (\$000s)	LOM (\$/t ore)
Open pit mining	300,660	3.91
Processing	219,086	2.85
Refining	2,350	0.03
G&A	33,848	0.44
Royalty, bond & NV proceeds	73,282	0.95
Total operating	629,226	8.18

3.3.5 Magino Project

Project Description and Location

The Magino Project is a brown-fields site that contains an historical underground gold mine, landfill and tailings management facility ("TMF"). The Corporation has conducted a feasibility study ("FS") during 2017 that examines mining the deposit using conventional open pit mining methods and extraction of gold from the ore using a 10,000 tonnes per day carbon-in-pulp ("CIP") mineral processing facility. After additional studies conducted during 2018 through 2020, Argonaut made the decision to advance the project towards construction in October 2020. Development work at the site commenced during the first quarter of 2021. The 10,000 tpd project was chosen to begin development of the property at manageable capital costs. Studies have been conducted that contemplate an expansion of the plant to 20,000 tpd.

The Magino Project is located 195 kilometres north of Sault Ste. Marie, Ontario, Canada. It is in Finan Township, approximately 40 kilometres northeast of Wawa, Ontario and 10 kilometres southeast of Dubreuilville, Ontario. The property can be accessed via a 14 kilometre, all-weather gravel road west of Dubreuilville, which is located on Highway 519, 30 kilometres east of the junction of Highway 17 and Highway 519. This junction is approximately 40 kilometres north of Wawa on Highway 17. Additional access to the Magino Project is provided via Road 48, also from Dubreuilville, which is approximately a 24 kilometre gravel road. Both of these roads include bridges across the Magpie River.

Argonaut's wholly owned (i.e., 100% Registered Ownership) land holdings forming the Magino Project comprise 18 patented mining claims (mining and surface rights), 61 leased mining claims, and 14 unpatented mining claims with a combined area of 2,213 hectares.

History

The discovery of iron ore deposits around the turn of the 20th century in the Michipicoten area southwest of Wawa led to prospecting for other minerals. Gold was discovered in 1918 near Goudreau. Prospecting and mining have been semi-continuous since then, being particularly active from the mid-1920s to the beginning of World War II. Gold production from the area was sporadic. Various companies owned, operated and explored Magino Project from 1917 to today.

Based on reported historic data, total historic production from the Magino Project is 803,135 tonnes of ore yielding 114,319 ounces Au at 4.43 g/t Au.

Geology and Mineralization

The property is located within the Michipicoten greenstone belt of the Archean Superior Province. The Michipicoten greenstone belt is a structurally and stratigraphically complex assemblage of volcanic, sedimentary and intrusive rocks that were metamorphosed to greenschist and amphibolite facies. Several suites of plutonic rocks ranging in composition from gabbro to monzogranite and syenite occur in and around the Michipicoten greenstone belt. The property is situated in the Goudreau-Lochalsh gold district of the Wawa gold camp.

Gold mineralization at the Magino Project is primarily hosted by the Webb Lake Stock, which intrudes mafic volcanic rocks. The Webb Lake Stock is a felsic intrusion that has been interpreted as being a trondhjemite but is referred to as a granodiorite in mine terminology and therein. The Webb Lake Stock is east northeast-striking and has a steep northerly dip. The granodiorite contains 5 to 10% veins of quartz. The veins generally parallel the orientation of the Webb Lake Stock.

Argonaut is currently focusing its evaluation of the regional deformation zones of gold-bearing quartz-sericite-mineralization that contain narrow higher-grade gold-bearing quartz veins and stockworks which were the focus of former underground mining. Drilling programs conducted the past few years were designed to in-fill and expand mineralization identified by earlier drilling, and in some cases, replace older, non-compliant drill sample data.

Status of Exploration, Drilling, Development and Operations

The original drilling at the Magino Project was 611 m of diamond drilling in 1972. This was followed by a hiatus, and drilling commenced again in 1981 with several drilling programs conducted until 1991 for a total of 10,753m. Drilling started up again in 1997 and was intermittently done to the present for a total of 436,387 diamond drilling meters and 79,483 m of RC drilling respectively.

The table below breaks down the Magino drilling data by year. Only the 2006 and subsequent drilling data were used to estimate Mineral Resources that are the subject of the Magino Technical Report. Previous review of drill hole data demonstrated that there is a material bias associated with the older (pre-2006) data and there was no supporting information regarding assaying methods or QA/QC backup. For that reason, those data were not used to estimate block grades. The drilling data used amounts to 322,185m of diamond drilling in 978 holes and 79,483m of RC drilling in 1187 holes.

Drilling Campaign by Year

Drilling By Year	TOTAL Diamond		TOTAL RC Drilling		Gold Assay Data		% Of Drilling Assayed
	M Drilled	No Of Holes	M Drilled	No Of Holes	Meters	Assay Count	
1972	611	6			305	300	50%
1981	2,260	16			746	858	33%
1982	4,709	82			2,903	3,496	62%
1984	1,559	25			1,315	1,433	84%
1985	5,672	38			4,801	6,681	85%
1986	13,085	82			10,562	15,990	81%
1987	32,482	281			29,148	41,198	90%
1988	23,463	222			17,886	28,374	76%
1989	19,344	302			11,381	18,038	59%
1990	4,626	166			3,162	4,993	68%
1991	329	13			210	386	64%
1997	2,088	10			1,926	1,971	92%
2000	1,231	19			1,194	1,330	97%
2002	2,743	17			860	974	31%
2006	8,055	18			6,944	7,297	86%
2007	9,239	14			7,544	8,244	82%
2009	2,371	8			2,302	2,296	97%
2010	1,635	6			1,483	1,495	91%
2011	59,147	214			56,239	56,724	95%
2012	127,118	499			111,233	111,204	88%
2013	2,904	23			1,810	1,810	62%
2015	11,288	50			8,037	8,037	71%
2016			39,453	350	35,909	35,902	91%
2017	3,304	13			-	-	0%
2019	13,921	19			13,273	13,335	95%
2020	42,019	53			36,214	36,088	86%
2021	41,184	61	40,030	837	38,570	38,570	94%
TOTAL	436,387	2,257	79,483	1,187	405,957	447,024	79%

Other than drilling, Argonaut has not conducted any other exploration on the property.

A decision to develop the Magino Property was made in October 2020. Development work commenced at the property during the first quarter of 2021. Since then, development work has focused on the plant site, the TMF facility, and the Water Quality Control Pond.

Mining operations also commenced during the first quarter of 2021. The mining activity to date has been mining waste material from a borrow pit, north of the main mineral deposit, but within the final pit limits, to provide material to build roads, the TMF, and other site facilities

Sampling, Analysis and Data Verification

Argonaut uses only post-2006 drilling and assay data for Mineral Resource and Mineral Reserve estimates. This data was collected by Argonaut and Prodigy Gold Inc. ("**Prodigy**"). The responsible Qualified Person was unable to verify drilling completed before 2006 and excluded that data from being used to estimate Mineral Resources.

All Argonaut and Prodigy drill samples at the Magino Project were collected at the applicable drill rig by trained technicians or geologists. Representative samples were transported under secure conditions to accredited assay laboratories where they were prepared and analyzed for gold and silver using industry standard techniques. The Corporation routinely utilizes industry approved QA/QC protocols that include the use of duplicate samples, standard reference materials and blanks. A significant proportion of the samples that were analyzed by the primary laboratory were sent to a second accredited assay laboratory for comparative purposes.

For an in-depth breakdown of sampling, analysis, and data verification methods, see Sections 11-12 of the Magino Technical Report.

Mineral Processing and Metallurgical Testing

The results and interpretation of early metallurgical testing completed at McClelland Laboratories Inc. ("MLI") were presented and detailed in the Preliminary PFS (PFS 2013) completed in 2013, file date January 30, 2014. That report was based largely on the results from the MLI 2013 program as well as incorporating all the relevant earlier work to evaluate the Project. The main conclusions drawn from this previous test work, as detailed in the 2013 PFS - Section 13, were that ore grade composites were readily amenable to whole ore milling / cyanidation treatment and responded well to gravity concentration treatment as follows:

- Grind size of 80% passing 75 microns;
- Gold recoveries ranged from 94.4 to 96.2% (94% approximately at a head grade of 1.3 g/t Au);
- Cyanide and lime consumptions were low;
- Gravity tailings were readily amenable to cyanidation;
- Little metallurgical difference is seen between various ore zones, depths, or gold grades; and
- Test results indicate a great deal of consistency for the overall Magino resource.

Follow-up work carried out by MLI in 2015 focused on additional gravity recoverable gold testing and optimization of the agitated cyanidation of the gravity tailings. This work was carried out on the three ore grade composites from Magino (shallow, mid, and deep). This updated work also included optimization of cyanide concentration, grind size, and aeration sparging during leaching.

Based on this program, the previous grind size of P₈₀ 75 microns was maintained. This indicated a recovery range from 90% to 94% from an average sample head grade of 1.31 g/t Au.

As previously confirmed, the Magino ore is relatively uncomplicated metallurgically and is consistent throughout for all the various test programs (past and present), from a large variety of samples and work performed by multiple laboratories.

A detailed metallurgical testing program was conducted to optimize processing conditions for the 2017 FS, and to further evaluate ore variability for various ore types from the Magino deposit. The testing program included gravity concentration and leach optimization testing on four depth composites followed by variability testing on the nine variability samples and an east and a west composite. A summary of the sample description provided to MLI by Argonaut are as follows:

- Sample 1 – East Shallow;
- Sample 2 – East Mid;
- Sample 3 – East Deep;
- Sample 4 – East Deep-Deep;
- Sample 5 – West Shallow;
- Sample 6 – West Mid;
- Sample 7 – West Deep;
- Sample 8 – West Deep-Deep; and
- Sample 9 – Metavolcanics (no depth constraints).

The average head grades for the four composites were 0.69, 0.86, 0.94, and 0.76 g/t Au for the shallow, mid, deep, and deep-deep samples, respectively.

The work, carried out by MLI, focused on additional gravity recoverable gold testing and optimization of the agitated cyanidation of the gravity tailings. Optimization work was carried out on four ore grade composites from Magino (shallow, mid, deep, and deep-deep). This updated work also included optimization of cyanide concentration and air / oxygen sparging during leaching.

This optimized data was used as the basis for the Project process design criteria and the predicted recoveries reflected in the economic analysis.

Based on this work, all of the samples and composites responded well to gravity concentration at 80% passing (k_{80}) of 212 μm feed size and agitated cyanidation at $k_{80} = 75 \mu\text{m}$. The optimal processing conditions for leaching of gravity tailings at $k_{80} = 75 \mu\text{m}$ were:

- 55% solids;
- 0.4 to 0.9 g/L NaCN (depending on sample depth); and
- 36 hours (laboratory) leach retention time.

Combined gravity and cyanidation gold recoveries under optimized conditions generally ranged from 92 to 94%.

Variability testings on nine samples confirmed that the Magino ore exhibits little variation with respect to gold recovery or reagent consumptions by gravity and cyanidation treatment. Gold recovery averaged 90.5% with a standard deviation of 3.0%.

A metallurgical testing program was initiated in the fall of 2018 to validate some key parameters from the 2017 FS and recommendations from the engineering review completed by Ausenco Engineering Canada Inc. ("**Ausenco**"). The test program utilized available samples at site. The samples were assembled using the same protocol from the 2016 test program with East and West groupings with Shallow, Mid and Deep sub groupings. The intervals selected were to represent the average reserve grade of 1.13 g/t Au. Program objectives included:

- Determination of Bond ball mill work index at closing size appropriate for $k_{80} = 75 \mu\text{m}$ grind;
- Validation of plant scale gravity recovery;
- Confirmation of leach retention time;
- Evaluation of pre – aeration;
- Comparison of using oxygen versus air in leaching;
- Oxygen uptake tests for leach circuit design;
- Slurry viscosity and solid liquid separation tests for slurry pumping and thickener selection; and
- Validation of cyanide detox parameters.

The 2018/19 MLI metallurgical testwork program, validated and updated key findings from the 2017/18 programs conducted for the Magino Project. Key conclusions include:

1. Bond ball mill work index tests completed at a closing size of 105 μm resulted in an average value of 13.64 kWh/t compared to 13.11 kWh/t when closed at 149 μm for the six samples. The value used in the process design criteria in the 2017 FS was 14.2 kWh/t.

2. Gravity recovery tests on an overall composite returned an E-GRG cumulative recovery of 62.7% Au. Modelling by FLS Knelson found that using the FS equipment configuration will provide between 36% and 47% gravity recovery with this data. The FS assumed gravity gold recovery of 32% and in all cases, exceed the FS gravity recovery (36% to 47% Au).
3. Leach testing over a range of retention times with and without oxygen (all at the design grind of 80% -75 µm) showed that 30 h of leaching with oxygen produced the best recoveries. The results confirm the 92% Au recovery from the 2017 FS. Cyanide and lime consumptions with oxygen are in line with the 2017 results with air for leaching.
4. Pre – aeration ahead of leaching showed no beneficial improvements in reagent consumptions or recovery.
5. Leach retention time can be reduced to 30 hours with oxygen sparging.
6. The 2019 leach tests unusually low cyanide consumptions, especially with oxygen.
7. Cyanide destruction tests confirmed the previous testing completed, achieving <2 mg/L CN_{WAD}, with lower reagent requirements and the same retention time.

Mineral Reserve and Mineral Resource Estimates

The Magino Project Mineral Reserves and Mineral Resources, effective January 31, 2022, are summarized in the "Mineral Reserves and Mineral Resources" table. See *"Description of Business of the Corporation"* on page 9 of this AIF.

Mining Methods

The Magino project is being developed based on a conventional open pit mine. Mine operations will consist of drilling small to medium diameter blast holes, ranging from 11.4 cm (4.5 in) to 20.3 cm (8.0 in) and blasting with explosive emulsions. Ore mining will be with two 7 cu m hydraulic excavators (backhoe configuration) to provide better selectivity and control of mining dilution. There will also be a 15 cu m hydraulic shovel for bulk mining of waste areas. A large wheel loader will also be available as a backup loading unit and also to rehandle ore stockpiled at the crusher. Most of the haulage will be with 140 mt class trucks. Ore will be delivered to the primary crusher north of the pit, and waste to the waste storage facility, the Mine Rock Management Facility, west of the pit. A significant amount of the waste will also be used in the construction of the TMF, also located west of the pit. There will also be a small low-grade stockpile facility to store marginally economic material for processing during the last few years of commercial pit operations. There will be a fleet of track dozers, motor graders, small loaders and water trucks to maintain the working areas of the pit, waste storage areas, and haul roads. The mine is scheduled to operate two 12-hour shifts per day for 365 days per year.

As an alternative to open pit mining below the current reserve pit, an underground mining scenario is being evaluated. Deep exploration target areas include the Elbow, Central, Scotland, #42, Sandy and South Zones, which all remain open at depth.

Mining operations commenced during the first quarter of 2021. The mining activity to date has been mining waste material from a borrow pit, north of the main mineral deposit, but within the final pit limits, to provide material to build roads, the TMF, and other site facilities.

Recovery Methods

Flowsheet development and design criteria were based on the interpretation of metallurgical test work results presented in Section 13 of the Magino Technical Report. The process plant was designed based on

a throughput of 10,000 tonnes of ore per day with an average gold head grade of 1.15 g/t and to achieve an average life of mine 91.8% gold recovery.

The process plant flowsheet design utilizes primary and secondary crushing followed by a semi-autogenous ("SAG") mill and ball mill for grinding. The SAG mill discharge is classified with a trommel screen to return oversize to the SAG mill feed. Ball mill discharge is in closed circuit with cyclones for classification and a gravity circuit to remove coarse gold. Prior to the leaching and CIP circuit, the ground product (cyclone overflow) will be thickened in a pre-leach thickener to reduce the slurry volume and reagent requirements. The thickener overflow will be recirculated to the process water tank for re-use as process water. The thickener underflow will be pumped to the leach circuit, be dosed with lime and cyanide, leached for 30 hours, and will then flow into the CIP circuit to recover dissolved gold and silver from the leached slurry.

Loaded carbon from the CIP circuit will be acid washed, followed by carbon stripping using an AARL (Anglo American Research Laboratories) elution circuit and electrowinning circuits to recover the gold and minor silver. Gravity concentrate is processed via intensive leaching and its own electrowinning cell. Stripping will be done daily. Carbon will be reactivated prior to return to the CIP circuit.

Smelting of the filtered electrowinning sludge to produce gold doré will occur two to three times a week.

CIP tailings is pumped to the cyanide destruction tanks to reduce the Weak Acid Dissociable cyanide (CN_{WAD}) concentration to acceptable environmental levels prior to pumping of the plant tailings to the TMF.

Pre-leach thickener overflow, and reclaim water from the TMF will supply the majority of the required process water for the plant. Raw water from the Goudreau Lake will be used as make-up as necessary. Raw water will be used for all process uses requiring higher quality water including screen sprays, pump gland service, stripping water and reagent preparation.

Project Infrastructure

The Project infrastructure is designed to support the operation of a 10,000 t/d mine and processing plant, operating on a 24 hour per day, 7 day per week basis. It has been developed for the most economical operation at this production rate.

Access to the Project will be via Goudreau Road for transport of crew, supplies, and other transport to and from the site. Vehicles are likely to be a combination of buses, personal vehicles (cars, pick-up trucks), tractor-trailers, and armoured vehicles. Since the PDR was submitted, Argonaut Gold has consulted with the Ontario Ministry of Transportation ("**MoT**") and determined that Goudreau Road, including the bridge over the Magpie River near Dubreuilville, is adequately rated to accommodate the heaviest loads expected to be needed for the Project, making this a feasible alternative without the need for an alternate heavy load route. Improvements to the existing road will be made as necessary.

A public by-pass road will be constructed on the property to surround the entire site. Currently, the road from Dubreuilville to Goudreau crosses the planned future pit, and an alternative route is required. The proposed route will connect to the Goudreau Road in the northeast portion of the property, and will go around the site from the northeast, to west, then south and back east before it connects with the existing route to Goudreau, south of the Project. A small, 700 m section of Goudreau Road will also have to be re-aligned. The route is approximately 8.2 km long, and will require at least two major creek crossings in the southwest portion. The plan is to dewater the areas during construction as necessary, build up the road with native fill, and install arch culverts at the creek crossings. The road will be constructed to local municipal specifications as a gravel road. This will keep the operations isolated from public traffic.

Power for the site will be supplied by an Argonaut owned and operated on-site natural gas fueled power generating plant. Consideration is being given to having a third party own and operate the power plant and sell power “over the fence” to the mine. The Magino connected load is approximately 22 MW, with an average operating demand of approximately 15 MW. The power requirement is more than the available capacity on the existing Algoma Power Inc. ("API") 44 kV distribution system. The required API system upgrades cannot be accomplished in time to support the mine development schedule due to the complexity of the upgrades. The cost of these upgrades is significantly greater than the cost to build an on-site generation plant.

A future connection to the local utility may be possible. API may be able to supply approximately 30% of Magino’s needs but this has not been confirmed. API has indicated this service may not be available until after mine startup.

The power plant will generate 100% of Magino’s requirements without service from API. Adjacent to the power plant will be a liquefied natural gas (LNG) over-the-road truck unloading station with approximately 7 days of fuel storage. Also included will be the ability to use compressed natural gas (CNG) if the LNG supply is interrupted.

For an in-depth breakdown of project infrastructure, see Section 18 of the Magino Technical Report.

Environmental Studies and Permitting

A summary of the major environmental studies and permits status is outlined below.

- Environmental Assessment (EA) processes were successfully concluded during Q1 2019 under both the Canadian Environmental Assessment Act, 2012 as well as the Ontario Ministry of Natural Resources and Forestry's Class Environmental Assessment for Resource Stewardship and Facility Development Projects.
- Argonaut has consulted with each of the local communities including six Indigenous communities that share an interest in the project area. Argonaut has successfully negotiated community benefits agreements with each of the six Indigenous communities and secured their continuing support for project development.
- Project permitting began following the conclusion of the Federal and Provincial Environmental Assessments.
- Provincial authorizations have been secured for major project components including the tailings and water quality/management pond dams, construction phase water management and effluent discharge, air/noise emissions as well as species at risk. The Mine Closure Plan and associated initial Financial Assurance have been in place with the Province of Ontario since Q1 2021.
- Federal authorizations have also been granted for fish and fish habitat disturbances under the Federal Fisheries Act as well as an associated amendment to Schedule 2 under the Federal Metal and Diamond Mining Effluent Regulations.
- The decision in Q4 2021 to advance on site project power generation has necessitated an effects assessment under the Magino Federal Environmental Assessment Decision Statement. A change to the Federal Decision Statement is expected after the effects assessment and associated consultation process is concluded during 2022. Provincially, Argonaut will be required to update the Mine Closure Plan and associated Financial Assurance prior to power plant construction.

- In consultation with both Provincial, Federal as well as Indigenous communities, a comprehensive Environmental Management System comprised of detailed management plans have been developed and implemented. The Environmental Management System in place today will continue to serve as the key means by which the company continues to ensure compliance with regulatory authorizations as well as Company commitments.
- The Environmental Management System is being implemented project-wide and overseen by a team of qualified site-based environmental professionals.

Capital and Operating Costs

The table below summarizes the capital costs for the Magino Project going forward from January 2022 through production of First Gold in March of 2023. Ramp up costs of \$17.5 million are in addition to what is shown in the table and cover operations for April/May of 2023 with Commercial Production expected to be declared at the end of May.

Life of mine sustaining capital is estimated at US\$ 88.2 million and closure costs are estimated at US\$ 36.8 million at the end of the project.

Capital Cost Summary

Category	Initial Capital (US\$ x 1000)	Sustaining Capital (US\$ x 1000)	Total Capital (US\$ x 1000)
EPC	87,672		87,672
Mining	51,440		51,440
Site Development	66,032		66,032
On-site Infrastructure	17,912		17,912
Off-site Infrastructure	29,880		29,880
Project Indirects	35,824		35,824
Eng. & Project Management	13,824		13,824
Owner Cost	28,640		28,640
Subtotal	331,224		331,224
Contingency	35,432		35,432
Sustaining Capital		88,246	88,246
Project Closure		36,792	36,792
Total Capital	366,656	125,038	491,694

Note: In addition to the costs shown in this table there are an additional \$273.3 million in sunk costs for the project through December, 2021.

The table below summarizes the life of mine operating costs for mining, mine equipment leases, processing and general and administrative (G&A) expenses. The costs are expressed in US dollars as of the 4th quarter of 2021. Quotations and costs received in Canadian dollars were converted to US dollars at an exchange rate of US\$ 0.80 = CA\$ 1.00. The life of mine average operating cost is estimated at US\$ 30.16 per tonne mill feed. This table reflects on-site operating costs. Additional costs for refining charges and royalties are presented in Section 22 of the Magino Technical Report.

Table 1-9. Operating Cost Summary

Category	Total Cost (US\$ x 1000)	Cost Per Mill Tonne (US\$/t)	Cost Per Total Tonne (US\$/t)	% of Total
Mining	959,229	14.64	2.552	48.5%
Equipment Leases (Mining)	80,930	1.24	0.215	4.1%
Processing	682,508	10.42		34.5%
G&A	253,896	3.87		12.8%
Total Cost	1,976,564	30.16		100.0%
Mill and Total Ktonnes		65,525	375,869	

The estimated costs are based on current estimates of local labour costs and long term estimates for major consumable items such as fuel, power, reagents, lubricants, replacement parts, wear parts, blasting agents, tires, and other essential items. It is noted that consumables prices are subject to wide variations depending on current market conditions. Mining and processing costs are heavily weighted to consumables costs. Since there has been development activity at Magino for almost a year, the G&A costs are relatively well defined as the number of administrative personnel required, local costs, camp costs and major consumables are well understood.

The Magino Project is economically viable with an after-tax internal rate of return (IRR) of 19.3% and a net present value using a 5% discount rate (NPV5%) of US\$421 M as shown in the below table.

Economic Results Summary

Category	Unit	Value
Net Revenues	US\$M	3,519
Operating Costs	US\$M	2,018
Cash Flow from Operations	US\$M	1,542
Capital Costs ¹	US\$M	492
Cash Cost ²	US\$/oz	907
Cash Cost (Incl. Sustaining Capital) ³	US\$/oz	963
Net Pre-Tax Cash Flow	US\$M	1,051
Pre-Tax NPV5%	US\$M	538
Pre-Tax IRR	%	20.9
Pre-Tax Payback (from start of commercial gold production)	Years	4.5
Break-Even Pre-Tax Gold Price	US\$/oz	940
Total Taxes	US\$M	226
Net After-Tax NPV5%	US\$M	421
After-Tax IRR	%	19.3
After-Tax Payback (from start of commercial gold production)	Years	4.6
Break-Even After-Tax Gold Price	US\$/oz	1,227
(1): Includes pre-production, sustaining, closure and reclamation capital costs		
(2): (Refining Costs + Third Party Royalties + Operating Costs)/Payable Au oz		
(3): (Refining Costs + Third Party Royalties + Operating Costs + Sustaining Capital Costs) /Payable Au oz		

The below table shows Life-of-Mine Summary metrics.

Life-of-Mine Statistics

Category	Unit	Value
Operating days	LOM days	6,876
Mine Life	y	19
Total Ore	Mt	65.5
Total Waste	Mt	311.3
Strip Ratio	w:o	4.8
Average Au Head Grade	g/t	1.15
Au Payable	LOM koz	2,225
	Average koz/a	117.1

For more information regarding capital and operating costs, see Section 1.11 of the Magino Technical Report.

3.3.6 Cerro del Gallo Project

Property Description and Ownership

The Cerro del Gallo deposit is located in the state of Guanajuato in central Mexico, approximately 30 kilometers east of Guanajuato City and 55 kilometers east of the international airport of Leon in an active mining district. The property is accessible by road, rail and air services. Additionally, there is availability of a skilled local workforce, grid power, water, sealed roads, equipment suppliers and established transport routes.

The Cerro del Gallo Project covers privately owned land. Argonaut, through its wholly owned subsidiary San Antón de Las Minas S.A. de C.V. ("**San Antón**"), owns the portion on which the project described in this AIF is planned to be built. There are no ejidos (community owned lands) present in the San Antón de las Minas community.

San Anton owns freehold title and has surface rights to land totaling 445 hectares, including the Cerro del Gallo Project, a core shack warehouse in San Antón (6,927 m²), and the Dolores Shaft office (29,209 m²). Land access and compensation agreements have been obtained with the relevant landowners for access and exploration.

The Cerro del Gallo Project is subject to a Net Smelter Return ("**NSR**") royalty of 4% on one mineral concession and 3% on five other concessions. The overall average is calculated to be 3.75% for the Mineral Reserves and Mineral Resources outlined on page 10 of this AIF.

History

Within the San Antón de las Minas district (Cerro del Gallo Project) there is ample evidence of widespread prospecting activity and limited underground production, dating back to Colonial times. Little information is available for these early activities.

In 1983, the Sociedad Cooperativa Minero Metalúgica Santa Fe de Guanajuato S.C.L ("**Cooperativa**") conducted the first drilling at Cerro del Gallo with the completion of six core holes for a total of 1,571 metres. This work focused on veins and only select vein intervals were assayed for gold and silver.

In 1994, the Cooperativa sold two small contiguous claim blocks to Luismin S.A. de C.V. ("**Luismin**"). These concessions covered portions of the Cerro del Gallo Project and the Ave de Gracia epithermal vein

system. Luismin's work included drilling 15 holes at Cerro del Gallo totaling 3,551 metres. Luismin was the first company to focus on the potential for an open pit mining operation at Cerro del Gallo. Subsequently, Luismin acquired five additional mining concessions referred to as La Libertad, Nuevo San Antón, El Cipres, Ave de Gracia and Dolores.

During 2002, Wheaton River Minerals ("**Wheaton**") acquired the Luismin gold/silver properties in Mexico, including the San Antón Project. Two years later, in 2004, Goldcorp Inc. ("**Goldcorp**") acquired Wheaton which, at the time, held a 49% interest in Cerro del Gallo with San Antón holding 51%.

In 2004, Wheaton entered into a Joint Venture Agreement with the Australian based company, Kings Minerals NL ("**Kings Minerals**") to form the operating company San Antón. The Agreement gave Kings Minerals the right to earn a 51% interest in the project. This was accomplished by reimbursing Wheaton \$510,000 and expending \$3,000,000 over the first two years of the venture commencing in July of 2004. These expenditures were completed in November 2005, giving Kings Minerals a 51% interest in San Antón. During 2004, Wheaton also purchased the San Antón concession from Cooperativa. Later, after the joint venture with Cerro Resources was formed, an additional five mining concessions were granted, as follows: San Antón KM, San Antón KM Dos, San Antón KM Tres, San Antón KM Cuatro and La Libertad Dos. The San Luis Rey concession was also purchased.

In December 2006, Kings Minerals completed a business combination agreement with a publicly listed Canadian company called Andaurex Industries, which resulted in a new entity called San Antón Resources Corporation. As the result of this combination, Kings Minerals held a 71% interest in the 51% ownership of the San Antón Project under the San Antón JV with Goldcorp. In September of 2010, a business combination was completed with Andaurex whereby Kings Minerals acquired all of the San Antón common shares it did not already own, giving Kings Minerals 100% ownership of its portion of the San Antón Joint Venture. Prior to this, in 2008, the company's name on the TSX Venture was changed to Cerro Resources. At this time, Cerro Resources held a 65.7% interest in the San Antón JV, with the remaining 34.3% owned by Goldcorp. Goldcorp's original 49% interest was diluted to 34.3% due to them electing not to participate in the 2007 and 2008 exploration programs funded 100% by Cerro Resources.

Cerro Resources held the property until 2011 and carried out programs of reverse circulation and core drilling. Several geochemical sampling programs were also completed. While it held the property, Cerro Resources and its predecessor company San Antón completed 280 RC holes totaling 59,595 metres and 74 core holes totaling 36,384 metres.

Cerro Resources completed a Feasibility Study Technical Report in 2011 that examined a seven year heap leach operation followed by construction of a CIL mill and in 2012 completed another Feasibility Study Technical Report focused only on an open-pit, heap leach project.

In 2013, Primero Mining Corp. (Primero) acquired Cerro Resources and subsequently Goldcorp's remaining interest in the Cerro del Gallo project.

In 2017, Argonaut acquired the Cerro del Gallo Project from Primero via a \$15 million cash purchase. In January 2020, Argonaut completed a Pre-Feasibility Study Technical Report outlining a 14-year heap leach project.

Geology and Mineralization

The Cerro del Gallo deposit is located in central Mexico within the Mesa Central physiographic province that includes the Guerrero Composite Terrane. The Guerrero Composite Terrane is characterized by submarine and subaerial volcanic and sedimentary successions that range in age from Jurassic to Middle–Late Cretaceous.

The oldest rocks in the Cerro del Gallo region are a deformed and regionally metamorphosed volcano-sedimentary sequence of Triassic to Cretaceous age. Consejo de Recursos Minerales referred to these rocks as the Esperanza Formation, described as carbonaceous and calcareous shale interbedded with arenite, limestone and andesite to basaltic flows, all weakly metamorphosed to phyllites, slates and marble.

In the Cerro del Gallo Project area, the Esperanza Formation consists of layered sediments of argillaceous and silty argillaceous composition, and fragmental volcanic rocks of intermediate composition, including ash tuffs, lithic to crystal tuffs and some volcanic breccias and agglomerates. In the Project area the Esperanza Formation is locally surrounded by Tertiary age rhyolitic flows, rhyolitic tuffs, trachyte-andesite and andesites.

At Cerro del Gallo, mineralization is hosted in both felsic intrusive and surrounding volcano-sedimentary wall-rock of the Esperanza Formation. Mineralization is present as both disseminated and fracture controlled veins, and extends from 200 meters to 400 meters outward from the mineralizing intrusive complex.

The strongest gold mineralization at Cerro del Gallo is associated with intense quartz stockwork veining and silicification within a wall-rock annulus around the outer limits of the felsic stock. The system loses intensity outward from this annulus with a decrease in stockwork and quartz veining density.

There are less than 2% by volume of sulphide minerals in the host rock. Gold-copper mineralization is zoned concentrically around the felsic intrusive with higher grade gold mineralization proximal to and within an outer annulus of the intrusion. The highest copper grades are found outward from the gold zone. Zinc mineralization is locally anomalous outside the copper zone. Metal zonation boundaries are gradational and there is an overlap in the gold-copper zone and the copper-zinc zone. Silver mineralization occurs related to the gold-copper mineralization as well as later structurally controlled epithermal vein system that overprints the intrusive related copper-gold system.

Status of Exploration, Development and Operations

The majority of modern exploration on the Cerro del Gallo Project was accomplished by Cerro Resources and Primero and included multiple surface geochemical sampling programs, programs of detailed geological mapping and rock chip sampling.

Argonaut has completed a detailed re-logging and re-classification of oxide and sulphide material in rock chip trays from historical RC drilling. Argonaut also conducted detailed mapping of the deposit and limited surface exploration in the surrounding district.

Sampling, Analysis and Data Verification

All drill data utilized to calculate the current Mineral Resources and Mineral Reserves was generated by previous owners, Cerro Resources between 2004 and 2008, and Primero in 2013. Argonaut carried out limited drilling in 2018, solely for the purposes of obtaining metallurgical samples for test work.

Standard core handling procedures initiated by Cerro Resources were utilized throughout all three core drilling campaigns at Cerro del Gallo. Core cutting was done by saw, followed by industry standard sampling procedures. Argonaut, however, did not sample the core for standard assays as noted above. Logging criteria included: lithology, alteration, degree of oxidation, and mineralization. Drill hole data were recorded on handwritten logs onto a pre-printed log sheet template database and eventually merged with assay results. Drill data also included hole identification, coordinates (in NAD27 for Mexico), depth, and sample number, including duplicates, blanks and standards.

Mineral Processing and Metallurgical Testing

The laboratory testing program completed by KCA has included comminution and flotation studies along with column, bottle roll and agitated (shake) cyanide leach tests. The leach tests were further differentiated by crush size and type (conventional and High Pressure Grinding Rolls ("**HPGR**")). Historical test work included laboratory work prior to 2015 performed by others. Current test work includes results from 2018 and 2019 performed by KCA.

Historical test work was conducted on three main ore types: Weathered/Oxide, Mixed, and Fresh/Sulphide. The current test work further differentiates the Mixed category into two separate material types: Mixed Oxide and Mixed Sulphide. In total there are four separate material ore type categories that were considered in the recent test work: Oxide, Mixed Oxide, Mixed Sulphide and Sulphide.

Cerro del Gallo Recoveries by Material Type				
Ore Type (HPGR)	Feed Distribution LOM Average	Projected Field Recoveries		
		Au, %	Ag, %	Cu%
Weathered (Oxide)	9.2%	74	60	22
Mixed Oxide	5.8%	70	79	46
Mixed Sulphide	38.0%	59	59	59
Fresh (Sulphide)	47.0%	58	40	34
Life of Mine (LOM) Average		60	52	43

Source: KCA (2019)

Mineral Reserve and Mineral Resource Estimates

The Cerro del Gallo Project Mineral Reserve and Mineral Resource estimates, effective October 24, 2019, are summarized in the "Mineral Reserve and Mineral Resources" table and were taken from the Cerro del Gallo Technical Report. See "*Description of Business of the Corporation*" on page 9 of this AIF.

Mining Methods

The Cerro del Gallo Project has been planned as an open-pit mine utilizing conventional truck and loader operations. The truck and loader method provides reasonable cost benefits and selectivity for this type of deposit.

Mine production schedules were created using MineSched (version 9.1). Proven and Probable Mineral Reserves along with associated waste material were scheduled for transport to various destinations in order to create a mine production schedule. The mine production schedule was designed to provide the crusher with sufficient daily material for processing at a rate of 6.0 million tonnes per year.

Mine waste facilities were designed by Golder and are appropriate in capacity and design for waste rock storage. The ultimate LOM strip ratio was calculated at 0.63:1 (waste:ore).

Recovery Methods

Test work results have indicated that the Cerro del Gallo ore is amenable to heap leaching for the recovery of gold, silver and copper.

The Cerro del Gallo ore contains cyanide soluble copper that results in high cyanide consumption during the heap leaching process. A Sulphidization, Acidification, Recycle, Thickening plant ("**SART**") is

included that releases cyanide associated with the copper-cyanide complex, allowing a significant portion of it to be recycled back to the leach process as free cyanide, and that produces a copper-silver precipitate that can be sold.

The ore will be mined by standard open-pit mining methods, fine crushed using a 3-stage system incorporating jaw, cone, and HPGR crushers, agglomerated with cement and conveyor stacked on the heap leach pad in 8-metre lifts. The heap leach pad was designed by Golder. The pad will be constructed in four phases and will hold approximately 92 million tonnes. The heap leach pad will have a composite liner consisting of clay/GCL and smooth/textured HDPE.

Ore will be single-stage leached with a dilute cyanide solution at a high solution application rate for the first 40 days and a lower application rate for the remaining 80 days for a total leach cycle of 120 days. The gold, silver, and copper bearing solution will be collected in the pregnant solution pond and pumped to the SART plant. Pregnant solution will be acidified with sulphuric acid, then copper and silver will be precipitated as sulphides by the addition of sodium sulfide. The precipitate will be thickened and filtered to produce a copper-silver filter cake for shipment to a smelter.

The barren solution from the SART plant will be processed in a carbon adsorption-desorption-recovery ("ADR") plant to recover gold. The gold will be periodically stripped from the carbon using a desorption process. The gold will be plated on stainless steel cathodes, removed by washing, filtered, dried and then smelted to produce a doré bar.

Based on the total Mineral Reserves of approximately 92 million tonnes and an established processing rate of 16,667 tonnes per day (first year at 4.5 million tonnes, and 6 million tonnes per year thereafter), the project has an estimated life of about 15.5 years.

Project infrastructure

Existing infrastructure for Cerro del Gallo includes a site office, dirt and gravel roads, and limited power line throughout the Project site. Internet and cellular communications are currently available, though these systems will need to be expanded for operations.

Access to the project site is by the paved Mexican Highway 110, then a secondary dirt road that goes to the San Anton de las Minas community. A private road will enter into the mine property approximately 2 km before reaching the San Anton de las Minas community. This road will provide access to the administration offices, mine, process plant and other project facilities. An existing community road will be relocated. Internal site roads will be established to serve as mine haul roads, service roads and in-plant roads which connect the facilities for access purposes.

Power supply to the Cerro del Gallo Project will initially be generated by diesel fueled generator units. It is assumed that in Year 1 of operations, power supply from a 115KV power line will be available by connecting to the national grid and power generation at site will no longer be needed. Two of the temporary generators and their associated fuel tanks will remain at the project to be utilized as emergency power backup for the process plants.

San Anton owns water rights for 1.44 Mm³ per year. The project is expected to consume an annual average of 628,000 – 900,000 m³ per year, depending on the area of leach pad in operation. San Anton currently has two wells that tests indicate will provide approximately half of the maximum project demand. Additional wells will be drilled to provide the remainder of the estimated maximum demand of 55 L/s.

Solution from the heap leach pad will drain to a pregnant solution pond, where it will be pumped through the processing facility to recover precious metals and then pumped back to the leach pad in a continuous cycle. An emergency event solution pond will be located adjacent to the pregnant solution pond to allow containment of excess process solution during precipitation events, which will add additional water to the contained system. A satellite pond will also be included where excess water can be transferred for containment. Process water requirements are first met by pumping collected waters from the emergency event ponds; after that resource is exhausted, make-up requirements will be met by well water. Raw water for the project will be pumped directly from the water wells to raw water tanks located next to the administration area and a secondary water tank located near the crushing area.

Potable water will be bottled and delivered to the project site.

The raw water tank located near the administration area will be a dual-purpose tank. A portion of this tank will be designated for fire water use.

Environmental Studies and Permitting

Exploration and mining activities in Mexico are subject to control by the Federal agency of the Secretaria del Medio Ambiente y Recursos Naturales (Secretary of the Environment and Natural Resources), known by its acronym SEMARNAT, which has authority over the 2 principal Federal permits:

- i. A Manifesto de Impacto Ambiental (Environmental Impact Statement), known by its acronym as an MIA accompanied by an Estudio de Riesgo (Risk Study, hereafter referred to as ER); and
- ii. A Cambio de Uso de Suelo (Land Use Change) permit, known by its acronym as a CUS, supported by an Estudio Tecnico Justificativo (Technical Justification Study, known by its acronym ETJ).

The Cerro del Gallo ETJ was filed on April 26th, 2019 and in December 2019, Argonaut was informed by SEMARNAT that the application would not be approved in its current form. SEMARNAT requested that Argonaut make minor revisions and re-submit the application. Argonaut re-submitted a revised application for a MIA in November 2020 and for the ETJ in January 2021. SEMARNAT requested that Argonaut make further revisions and re-submit the application. Argonaut is conducting further baseline studies, which will be incorporated into an updated application.

Capital and Operating Costs

The total LOM capital cost for the Cerro del Gallo Project estimated at is \$184.6 million, not including reclamation and closure costs, IVA (value added tax) or other taxes; all IVA is applied to all capital costs at 16% and is assumed to be fully refundable. Capital estimates are considered to have an accuracy of +/- 20%.

The average life of mine operating cost for the Cerro del Gallo Project estimated at is \$10.51 per tonne of ore processed.

Closure and reclamation will include chemically stabilizing the heap and waste rock storage facility, physically stabilizing these facilities, control of surface waters and removal or re-purposing of all other project facilities. The open pit is expected to stay dry. It is assumed that low permeability material will be placed over the heap and waste rock storage facilities. The LOM costs for closure and reclamation are estimated to be \$36.7 million.

3.4 Other Mineral Properties

3.4.7 Advanced Exploration Stage Projects

Beyond its material mineral properties, the Corporation also has an interest in the advanced exploration stage projects noted below.

Guerrero, Mexico

Ana Paula Project

The Ana Paula project is a preliminary feasibility stage, open pit project which hosts Proven and Probable Mineral Reserves of 13.4 million tonnes at 2.36 grams of gold per tonne for 1.02 million contained gold ounces.

The results of the Ana Paula Technical Report support strong economics of an after tax net present value at a five percent discount of \$223 million and internal rate of return 34% assuming \$1,250 per ounce of gold and \$17 per ounce of silver.

Initial capital cost of the project is estimated at \$137.2 million.

Operating costs estimate cash costs of \$489 per ounce of gold and site all-in sustaining costs of \$524 per ounce of gold.

Gold recoveries are estimated at 85% and over a mine life of 7.5 years producing 868,000 ounces of gold.

There is underground potential below the planned open pit as highlighted by Measured & Indicated Resources of 3.0 million tonnes grading at 2.80 g/t Au containing 266,700 ounces of gold.

Baja California Sur, Mexico Project

San Antonio Project

The San Antonio Project contains four known gold deposits: (1) at Los Planes (North Zone); (2) Intermediate (between Los Planes and Las Colinas); (3) Las Colinas; and (4) La Colpa. There are also a number of exploration targets on the ground currently controlled by the Corporation. There are 15 concessions held on the San Antonio Project, which have a total area of 23,284 hectares.

Argonaut completed the San Antonio Technical Report preliminary economic analysis resulting in pit designs containing 60.2 million tonnes of Measured and Indicated Mineral Resources with an average grade of 0.85 g/t Au and 0.5 million tonnes of Inferred Mineral Resources with an average grade of 0.84 g/t Au. The average strip ratio is 3.1:1 (waste:ore). At a 4 million tonnes per annum production rate, the potential mine life is expected to be in excess of 15 years. The production schedule targeted a consistent total mine tonnage of 18 million tonnes per annum from year two onwards. The Corporation has also evaluated a 6 million tonnes per annum production rate, which would yield an expected mine life of 11 years.

The Corporation has not been able to successfully permit the San Antonio Project and it is unknown if or when it will receive the permits required to construct and operate. At this time, there is no activity at the San Antonio project site.

3.4.8 Exploration Stage Projects

Ontario, Canada Projects

Hardrock East

The Hardrock East Gold Project consists of a land package totaling approximately 142 square kilometres covering the eastern portion of the Beardmore-Geraldton gold camp in Northern Ontario. The land position includes claim blocks known as Milestone, Adel and Klotz Lake. In October of 2011, Goldstream Minerals Inc. ("**Goldstream**") entered into an agreement with Prodigy which allowed Goldstream, through various financing and work commitments, to acquire a 100% interest in the Hardrock East project.

Exploration by Prodigy occurred mainly during 2010 and 2011 and included extensive geologic study and fieldwork. In December of 2012, Goldstream contracted AMEC to conduct a non-compliant Mineral Resource estimate on the Milestone target. The resultant Mineral Resource from this study was designated only as a "mineral inventory" with no economic parameters applied except for using varying cutoff grades. The zone of mineralization was modeled by Goldstream geologists and at a 0.4 g/t cut-off, AMEC determined that the Milestone deposit contains a mineral inventory of 25.5 million tonnes grading 0.87 g/t gold for 710,713 ounces (non-NI-43-101 compliant). In 2015, Goldstream returned the property to Argonaut. During 2021, Argonaut completed a review of the Milestone deposit, confirming the modeled inventory, and developed a number of targets for future exploration.

Hercules Option

In October 2020, Argonaut entered into an option agreement with Gold'N Futures Mineral Corporation ("**GF**") on the Hercules – Elmhurst property in Ontario, Canada. The option included the Hercules project as well as the adjacent Sleeping Giant and Kaby Lake projects. GF can earn 50% of the project by funding exploration expenses of CA\$7.0 million, making payments of CA\$3.5 million to Argonaut over a four year period and granting a 1% NSR to Argonaut. GF can earn a further 40% by delivering a qualified pre-feasibility study and paying an additional CA\$5.0 million to Argonaut within two years after exercising the initial 50% option.

First Minerals Option

In April 2020, Argonaut entered into an option agreement with First Minerals Exploration Ltd. ("**FMEL**") on three properties near the Magino Project: the Aguonie, Rand No. 2 and Murphy. Argonaut can earn a 51% interest in the three properties by granting 100,000 common shares of Argonaut and paying CA\$100,000 to FMEL along with funding CA\$500,000 in exploration expenditures. Argonaut can earn a further 49% by granting FMEL an additional 200,000 common shares of Argonaut and a 2% NSR.

Quebec, Canada Project

Troilus Gold Joint-Venture

On September 4, 2019, Argonaut signed a formal agreement with UrbanGold Minerals Inc. ("**UrbanGold**") for the Bullseye Property located 17 kilometres south of the former producing Troilus Gold-Copper mine and located 100 kilometres north of Chibougamau, Quebec. UrbanGold was allowed to earn a 50% interest in Argonaut's claims by funding CA\$500,000 in exploration expenditures and issuing 750,000 of its common shares to Argonaut. As part of the transaction, a 50% interest in the surrounding claims under UrbanGold's control have since been granted to Argonaut.

The combined land package under this agreement now consists of 158 claims totaling 8,599 hectares renamed as the Bullseye Heart of Gold Project. UrbanGold satisfied its obligations under the initial agreement in June 2020 and the final Joint Venture agreement was signed.

On May 18, 2021, Troilus Gold Corporation ("**Troilus Gold**") acquired 100% of UrbanGold and thus became party to the joint-venture. Troilus Gold is the operator of the JV for all exploration activities. During 2021 the joint-venture completed extensive fieldwork on the property, including field mapping and prospection, trenching, soils and rock sampling, and airborne magnetic surveys.

Royalties

El Compa

The El Compa project, located in Sonora, Mexico, is an advanced exploration stage target hosting high grade gold on narrow structures owned by San Marcos Resources Inc. ("**San Marcos**"). Argonaut holds a 1% NSR on the project, half of which San Marcos has the right to purchase for \$1 million.

Highland North

The Highland North project, located in Ontario, Canada, is an early stage exploration project approximately 15 kilometres east northeast of the Magino Project and the Island Gold mine, owned by Alamos. Argonaut holds a 2% NSR on the project, half of which Alamos has the right to purchase for \$1 million.

Whabouchi

Whabouchi is a feasibility stage lithium development project located in the Eeyou Istchee / James Bay area of Quebec, Canada owned 100% by Nemaska Lithium Inc. ("**Nemaska**"). A January 2018 NI 43-101 FS illustrates that the project is estimated to generate an after-tax net present value at an 8% discount rate of \$1.8 billion and to provide an after-tax internal rate of return of 30.5%. Of the 33 mineral claims that make up the claim block, Argonaut holds a 2% NSR on 10 of the claims, half of which Nemaska has the right to purchase for \$1 million. However, the Whabouchi deposit is located outside of the claims on which Argonaut holds the 2% NSR.

4. RISK FACTORS

An investment in Argonaut should be considered highly speculative due to the nature of Argonaut's business and operations. In addition to the other information in this AIF, an investor should carefully consider each of, and the cumulative effect of, the following factors. The risks described herein are not the only risks facing Argonaut. Additional risks and uncertainties not currently known to Argonaut, or that Argonaut currently considers immaterial, may also materially and adversely affect its operating results, properties, business and condition (financial or otherwise).

Construction and Start-up of New Mines

The success of construction projects and the start-up of new mines by the Corporation is subject to a number of factors including: the availability of financing and the terms of such financing, the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants; the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations; changing terms for and availability of supplies; the impact of inflation upon inputs to construction and start-up; and milling, processing and mining equipment and other operational elements that have to be factored in. Any delay in financing and

refinancing, the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Corporation is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start-up of new mines as planned. There can be no assurance that current or future construction and start-up plans implemented by the Corporation will be successful; that the Corporation will be able to obtain sufficient funds to finance construction and start-up activities; that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects; that the Corporation will be able to obtain all necessary governmental approvals and permits; and that the completion of the construction, the start-up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Corporation.

The timing and availability of skilled labour may be subject to further unpredictable delays and limitation as a result of COVID-19 and COVID-19 related mobility restrictions. It is not unusual in new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in feasibility or other studies. Any of the foregoing factors could adversely impact the operations and financial condition of the Corporation.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Corporation's business, financial condition and results of operations.

Operational Risks

Mining operations generally involve a high degree of risk. The Corporation's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of metals including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, insufficient water, pit wall failure and other conditions involved in the drilling, blasting and removal of material, any of which could result in damage to, or destruction of, mines and other production facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, operations are subject to hazards such as fire, equipment failure or failure of retaining mechanisms, conditions which may result in environmental pollution and consequent liability. Additional developments regarding COVID-19 may cause the Corporation to re-evaluate operational risks over a rapid period of time.

The Corporation may not achieve its production estimates

The Corporation prepares estimates of future gold production for its operating mines. The Corporation cannot give any assurance that it will achieve its production estimates. The failure of the Corporation to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, profitability, results of operations and financial condition. These production estimates are dependent on, among other things, the accuracy of Mineral Reserve estimates, the accuracy of assumptions regarding ore grades and recovery rates, ground conditions, physical characteristics of ores, such as hardness and the presence or absence of particular metallurgical characteristics and the accuracy of estimated rates and costs of mining and processing.

The Corporation's actual production may vary from its estimates for a variety of reasons, including: the effects of health pandemics, such as COVID-19, on employees and contractors and interruptions of the Corporation's supply chain; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades from those planned; mine failures, slope failures or equipment failures; industrial accidents; natural phenomena such as inclement weather conditions, floods, droughts, rock slides and earthquakes; encountering unusual or unexpected geological conditions; changes in power costs and potential power shortages; shortages of principal supplies needed for operation, including explosives, fuels, chemical reagents, water, equipment parts and lubricants; labour shortages or strikes; civil disobedience and protests; and restrictions or regulations imposed by government agencies or other changes in the regulatory environments. Such occurrences could result in damage to mineral properties, interruptions in production, injury or death to persons, damage to property of the Corporation or others, monetary losses and legal liabilities. These factors may cause a mineral deposit that has been mined profitably in the past to become unprofitable, forcing the Corporation to cease production. It is not unusual in new mining operations to experience unexpected problems during the start-up phase. Depending on the price of gold or other minerals, the Corporation may determine that it is impractical to commence or, if commenced, to continue commercial production at a particular site.

Increase in Production and Development Costs

Changes in the Corporation's production and development costs could have a major impact on its profitability. Its main production and development expenses are contractor costs, materials including diesel fuel, personnel costs and energy. Changes in costs of the Corporation's mining and processing operations could occur as a result of unforeseen events, including international and local economic and political events, (including the continuance or escalating military tensions between Russia and Ukraine, and economic sanctions in relation thereto), increased costs and scarcity of labour, and could result in changes in profitability or Mineral Reserve estimates. Many of these factors may be beyond the Corporation's control.

The Corporation relies on third party suppliers for a number of raw materials. Any material increase in the cost of raw materials, or the inability by the Corporation to source third party suppliers for the supply of its raw materials, as a result of COVID-19, the continuance or escalation of military tensions between Russia and Ukraine and economic sanctions in relation thereto, or otherwise, could have a material adverse effect on the Corporation's results of operations or financial condition.

COVID-19 Public Health Crisis

The Corporation's business, operations and financial condition, and the market price of the Corporation's securities, could be materially and adversely affected by the outbreak of epidemics or pandemics or other health crises, including the recent outbreak of COVID-19. To date, there have been a large number of temporary business closures, quarantines and a general reduction in consumer activity in a number of countries, including Canada, the United States and Mexico. The outbreak has caused companies and various international jurisdictions to impose travel, gathering and other public health restrictions. While these effects are expected to be temporary, the duration of the various disruptions to businesses locally and internationally, and the related financial impact, cannot be reasonably estimated at this time. Similarly, the Corporation cannot estimate whether, or to what extent, this outbreak and the potential financial impact may extend to countries outside of those currently impacted. Such public health crises can result in volatility and disruptions in the supply and demand for gold and other metals and minerals, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect commodity prices, interest rates, credit ratings, credit risk, share prices and inflation.

The risks to the Corporation of such public health crises also include risks to employee health and safety, a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak, increased labour and fuel costs, regulatory changes, political or economic instabilities or civil unrest. At this point, the extent to which COVID-19 will or may impact the Corporation is uncertain and these factors are beyond the Corporation's control; however, it is possible that COVID-19 and its related impacts may affect the Corporation's ability to service its debt obligations, and over a longer term may have a material adverse effect on the Corporation's business, results of operations and financial condition and the market price of the Corporation's securities.

As a direct result of the COVID-19 pandemic, the Corporation temporarily suspended all mining, crushing and stacking activities in response to the Mexican Federal Government decree on April 1, 2020. Given that the Corporation operates heap leach mines in Mexico, the Corporation continued to process pregnant solution coming from the leach pads for the safety of the environment. Therefore, gold and silver production and sales continued during the temporary suspension of mining activities. By June 1, 2020, the Corporation had resumed all operations in Mexico. The Corporation continues to monitor the situation closely, including any potential impact on its operations.

Operations in Mexico

The Corporation's Mexican property interests and operations are subject to the political risks and uncertainties associated with investment in any emerging market.

The Corporation's property interests located in Mexico are subject to Mexican federal and state laws and regulations. As a result, the Corporation's mining investments are subject to the risks normally associated with the conduct of business in emerging markets. The present attitude of the government of Mexico and of the State of Durango, where the El Castillo Mine and the San Agustin Mine are located; the State of Sonora, where the La Colorada Mine is located; and the State of Guanajuato, where the Cerro del Gallo Project is located, to foreign investment and mining has been favourable while in the State of Baja California Sur, where the San Antonio Project is located, it has been unfavourable; however, investors should assess the political risks of investing in an emerging market. Any variation from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Corporation. In addition, the enforcement by the Corporation of its legal rights to exploit its properties may not be recognized by the government of Mexico or by its court system. Furthermore, COVID-19 has restricted mobility to certain markets, including in Mexico. These risks may limit or disrupt the Corporation's operations, restrict the movement of funds and people or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

We cannot assure you that changes in the Mexican federal government policies will not adversely affect our business, financial condition and results of operations. In particular, tax legislation in Mexico is subject to continuous change, and we cannot assure you that the Mexican government will maintain existing political, social, economic or other policies or that such changes would not have a material adverse effect on our business, financial condition, results of operations and prospects.

The administration of Mr. López Obrador has taken actions that have significantly undermined investors' confidence in private ventures following the results of public referendums, such as the cancellation of public and private projects authorized by previous administrations, including the construction of the new Mexican airport, which immediately prompted the revision of Mexico's sovereign rating and the cancellation of the construction of a brewing facility of "Constellation Brands" in Baja California, Mexico. Investors and credit rating agencies may be cautious about the president's political party administration's policies, which could contribute to a decrease in the Mexican economy's resilience in the event of a global economic downturn. We cannot assure you that similar measures will not be taken in the future, which could have a negative effect on Mexico's economy.

In addition, Mexico is currently experiencing high levels of violence and crime due to the activities of organized crime, particularly in the northern states that border the United States. In response, the Mexican government has implemented various measures to increase security and has strengthened its police and military forces. Despite these efforts, organized crime (especially drug-related crime) continues to exist and operate in Mexico. The lack of security and safety in Mexico is likely to worsen if and as the economy continues to deteriorate. These activities, their possible escalation and the violence associated with them have had, and may continue to have, a negative impact on the Mexican economy and, consequently, on our results of operations. The presence of violence among drug cartels, and between the cartels and Mexican law enforcement and armed forces, or an increase in other types of violent crime, pose a risk to our business, and might negatively impact business continuity.

Requirement of licenses, concessions and permits from various Mexican governmental authorities which, if not obtained or renewed in a timely manner or revoked, could have an adverse effect on our financial condition and results of operations.

We are required to maintain in good standing a number of permits, concessions and licenses from various levels of Mexican governmental authorities in connection with the development and operations at San Agustin and La Colorada Mines, as well as at the El Castillo Mine and Cerro del Gallo Project. Necessary permits, concessions and licenses including, but not limited to, mining concessions, surface rights access and use, environmental impact authorization, forestry land use change authorization, a concession for the occupation of national assets, discharge permits, water concessions, hazardous waste register, a land use license and a permit for the use of toxic substances and explosives are required in order to complete the development and to operate the mines and projects located in Mexico.

Although we have most of the required permits and concessions for our current operations, there is no assurance that delays will not occur in the renewal of certain permits or concessions and there is no assurance we will be able to obtain additional permits or concessions for any possible future changes to operations or further development of the mines and projects located in Mexico or additional permits or concessions associated with new legislation, since obtaining or renewing certain permits and concessions (including mining and water concessions) is a complex process. There is also no assurance that we can obtain or that there will not be delays in obtaining the environmental approval or permits necessary to develop any future projects from the corresponding authorities. Delays or a failure to obtain such required concessions and permits, or the expiry, revocation or failure to comply with the terms of any such concessions and permits that we have obtained, would adversely affect our business.

To the extent such relevant approvals or consents are required and are delayed or not obtained, we may be curtailed or prohibited from continuing our operations or proceeding with any further development. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations or in the exploration, development or exploitation of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations, which could result in significant expenditures.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies or more stringent implementation thereof could have a material adverse impact on us and cause increases in exploration expenses, capital and operating expenditures or require abandonment or delays in development or exploitation of mining properties.

The Mexican government has exerted and continues to exert a significant influence on the Mexican economy.

The Mexican federal government has exerted and continues to exert significant influence over the Mexican economy. Policies implemented by the Mexican government, changes in law and structural reforms may have a significant effect on Mexican private business, assets and securities. Consequently, the actions and policies of the Mexican federal government in respect of the economy, non-state and state-controlled companies and financial institutions funded or influenced by the government, can have a significant impact on the private sector, generally, and on our business, specifically, as well as on market conditions, prices and returns on Mexican securities.

In the past, Mexico had, and may in the future have, high real and nominal interest rates. High interest rates in Mexico could increase our financing costs and thereby impair our financial condition, results of operations and cash flow.

Safety and Security

The Corporation owns properties in the states of Durango, Sonora, Guanajuato, Guerrero and Baja California Sur, Mexico. Risks associated with conducting business in these regions include risks related to personnel safety and asset security. Risks may include, but are not limited to: kidnappings of employees and contractors, exposure of employees and contractors to local crime related activity and disturbances, exposure of employees and contractors to drug trade activity, and damage or theft of corporate or personal assets including future gold shipments. These risks may result in serious adverse consequences including personal injuries or death, and property damage or theft, all of which may expose the Corporation to costs as well as potential liability. Although the Corporation has developed policies regarding these risks, due to the unpredictable nature of criminal activities, there is no assurance that the Corporation's efforts are able to effectively mitigate risks and safeguard personnel and corporate property effectively. Such criminal activities and the risks associated thereto could continue to have a material adverse effect on our cash flows, earnings, results of operations and financial condition.

As the Corporation places a high priority on the safety of its employees, contractors and affiliates, these risks may at times have impacts such as limiting or disrupting the Corporation's operations, or restricting the movement of personnel for safety reasons. The Corporation is committed to controlling security risks and activity in this regard, including the completion of security assessments by experienced security experts and the hiring of security professionals to assess and respond to both personal and property safe-guarding issues which may arise in connection with the Corporation's activity in the region. The Corporation may review its operational safety and security policies as COVID-19 continues to develop.

Governmental Regulation of the Mining Industry

The mineral exploration and operational activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Although the Corporation believes that the current exploration and operational activities at its properties are being carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Corporation's properties. Amendments to current laws and regulations governing the operations and activities of the Corporation or more stringent implementation thereof could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Commodity Price Volatility

The profitability of the Corporation's operations will be dependent upon the market price of mineral commodities. Mineral prices, including the price of gold, fluctuate widely and are affected by numerous factors beyond the control of the Corporation. One such factor appeared in November of 2019, as a novel strain of the coronavirus, COVID-19, emerged in Wuhan, China and has now spread globally. COVID-19 has created a yet unknown impact on the market price and volatility of commodities. Another recent factor has arisen as a result of conflict in Ukraine due to the Russian invasion which began in February 2022, creating further commodity price and volatility impacts which remain unknown. The level of interest rates, the rate of inflation, the world supply and liquidity of mineral commodities and the stability of exchange and future rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and on-going political developments. The price of mineral commodities, including the price of gold, has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations.

Furthermore, Mineral Reserve estimations and life of mine (LOM) plans using significantly lower metal prices could result in material write-downs of the Corporation's investment in mining properties and increased amortization, reclamation and closure charges.

In addition to adversely affecting the Corporation's Mineral Reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Foreign Currency Exchange Rate Fluctuation

Currency fluctuations may affect the Corporation's capital costs and the costs that the Corporation incurs at its operations. Gold is sold throughout the world based principally on a U.S. dollar price, but a portion of the Corporation's expenses are incurred in, amongst others, Mexican pesos and Canadian dollars. The appreciation of foreign currencies, particularly the Mexican peso or Canadian dollar against the U.S. dollar, would increase the costs of gold production or construction activities at properties located in those jurisdictions, which could materially and adversely affect the Corporation's earnings and financial condition. COVID-19 may have a material, yet unknown future impact on foreign currencies and in the volatility of exchange rates.

Permitting Risk

The Corporation's operations are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits for the existing operations, additional permits for any possible future changes to operations, or additional permits associated with new legislation. Further delays may result from any reduction in governmental capacity to review permit applications as a result of COVID-19. Prior to any development or operations on any of its properties, the Corporation must receive permits from appropriate governmental authorities. There can be no assurance that the Corporation will continue to hold all permits necessary to develop or continue operating at any particular property. Also, there can be no assurances of the timing and ability of the Corporation, if at all, to obtain an environmental permit for the Cerro del Gallo Project from SEMARNAT.

Mineral and Surface Rights

Title to the Corporation's properties may be challenged or impugned. The Corporation's property interests may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Surveys have not been carried out on the majority of the Corporation's properties and, therefore, in accordance with the laws of the jurisdiction in which such properties are situated, their existence and area could be in doubt.

A claim by a third party asserting prior unregistered agreements or transfer on any of the Corporation's properties, especially where Mineral Reserves have been located, could result in the Corporation losing a commercially viable property. Even if a claim is unsuccessful, it may potentially affect the Corporation's current operations due to the high costs of defending against the claim and its impact on the Corporation's senior management's time. Title insurance is generally not available for mineral properties and the Corporation's ability to ensure that the Corporation has obtained a secure claim to individual mineral properties or mining concessions may be severely constrained. The Corporation relies on title information and/or representations and warranties provided by the Corporation's grantors. If the Corporation loses a commercially viable property, such a loss could lower the Corporation's future revenues or cause the Corporation to cease operations if the property represented all or a significant portion of the Corporation's Mineral Reserves at the time of the loss.

Rights, Licenses, Permits and Concessions

Under the laws of Mexico, Mineral Resources belong to the state, and concessions granted by the federal government are required by any party to explore for or exploit such resources. These concessions have an initial term of 50 years and may be extended upon request to the Ministry of Economy within five years prior to the expiration date of the relevant concession. In Mexico, the mineral rights derive from concessions granted, on a discretionary basis, by the Ministry of Economy (*Secretaría de Economía*) pursuant to the Mining Law (*Ley Minera*) and regulations thereunder.

Our mining operations are subject to regulations and supervision of governmental entities. Our existing concessions can be made subject to additional conditions, cancelled under certain circumstances or not renewed upon their expiration. We are obligated, among other things, to explore or exploit the relevant concessions, to pay any relevant fees, to comply with all environmental and safety standards and to provide information to, and allow inspections by, among others, the Ministry of Economy (*Secretaría de Economía*), Mexican Environmental Protection Ministry (*Procuraduría Federal de Protección al Ambiente*), the Mexican Secretary of Labor and Social Protection (*Secretaría del Trabajo y Protección Social*) and the Mexican National Water Commission (*Comisión Nacional del Agua*). Our inability to perform our obligations under any of our concessions may result in the termination or expropriation of the relevant concessions, which would adversely affect our ability to operate the El Castillo Mine, San Agustín Mine, La Colorada Mine and Cerro del Gallo Project and the Media Luna Project.

The Corporation presently holds licenses and permits required to carry on with activities in relation to its operating mines. Title reviews have been performed with respect to the Corporation's other properties. Although title reviews are often done according to industry standards prior to the purchase of a mining property, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Corporation which could result in a reduction of the revenue received by the Corporation. Third parties may have valid claims underlying portions of the interest in certain projects, including prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Corporation may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

The mining concessions may be terminated in certain circumstances. Under the laws in Mexico where some of the Corporation's operations, development projects and prospects are located, Mineral Resources belong to the state and governmental concessions are required to explore for, exploit, and extract, Mineral Reserves. The concessions held by the Corporation in respect of its operations and development projects may be terminated under certain circumstances, including where minimum production levels are not achieved by the Corporation (or a corresponding penalty is not paid), if certain fees are not paid or if environmental and safety standards are not met. Termination of any one or more of the Corporation's mining, exploration or other concessions could have a material adverse effect on the Corporation's financial condition or results of operations. Mining concessions may also be expropriated for public policy reasons; in such circumstance, the government is required to make an indemnification payment, although no assurances may be given that such payment will be timely made or that the amount of the payment will be sufficient to compensate for the loss of revenue.

There is no assurance that any of the rights, licenses, permits or concessions the Corporation currently holds will not be revoked or significantly altered to our detriment, or will not be challenged by third parties, including local governments and by Indigenous groups, such as First Nations in Canada.

Unauthorized Mining Activities

The mining industry in Mexico is subject to incursions by illegal miners who gain unauthorized access to mine sites to steal ore. In addition to the risk of losses and disruption of operations, these illegal miners pose a safety and security risk. These incursions and illegal mining activities can potentially compromise underground structures, equipment and operations, which may affect our ability to conduct our business.

Environmental Risks and Hazards

All phases of the Corporation's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Corporation's business, financial condition and results of operations.

Government environmental approvals and permits are currently, or may in the future be, required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from proceeding with planned exploration, development or operation of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Corporation, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Corporation and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

There may be existing environmental hazards, contamination or damage at the Corporation's mines or projects that the Corporation is unaware of. The Corporation may also acquire properties with known or undiscovered environmental risks. Any indemnification from the entity from which the Corporation acquires such properties may not be adequate to pay all the fines, penalties and costs (such as clean-up and restoration costs) incurred related to such properties. The Corporation may also be held responsible for addressing environmental hazards, contamination or damage caused by current or former activities at the Corporation's mines or projects or exposure to hazardous substances, regardless of whether or not the hazard, damage, contamination or exposure was caused by the Corporation's activities or by previous owners or operators of the property, past or present owners of adjacent properties or by natural conditions and whether or not such hazard, damage, contamination or exposure was unknown or undetectable.

Any finding of liability in proceedings pursuant to environmental laws, regulations or permitting requirements could result in additional substantial costs, delays in the exploration, development and operation of the Corporation's properties and other penalties and liabilities related to associated losses, including, but not limited to:

- monetary penalties (including fines);
- restrictions on or suspension of the Corporation's activities;
- loss of the Corporation's rights, permits and property;
- completion of extensive remedial cleanup or paying for government or third-party remedial cleanup;
- premature reclamation of the Corporation's operating sites; and
- seizure of funds or forfeiture of bonds.

The cost of addressing environmental conditions or risks, and liabilities associated with environmental damage, may be significant, and could have a material adverse effect on the Corporation's business, prospects, results of operations and financial condition. Production at the Corporation's mines involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Contamination from hazardous substances, either at the Corporation's own properties or other locations for which the Corporation may be responsible, may subject the Corporation to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Corporation's prospects, results of operations and financial position.

Mining companies also face inherent risks in their operations with respect to tailings dams and structures built for the containment of the metals and mining waste, known as tailings, which exposes the Corporation to certain risks. Unexpected failings of tailings dams may release muddy tailings downstream, flood communities and cause extensive environmental damage to the surrounding area. Dam failures could result in the immediate suspension of mining operations by government authorities and cause significant expenses, write offs of material assets and recognize provisions for remediation, which affect the statements of financial position and statements of operations. The unexpected failure of one of the Corporation's tailings dams could subject it to any or all of the potential impacts discussed above, among others. If any such risks were to occur, this could materially and adversely affect the Corporation's reputation, the Corporation's ability to conduct its operations and could make the Corporation subject to liability and, as a result, have a material adverse effect on the Corporation's business, financial condition and results of operations.

Labour and Employment Matters

While the Corporation has good relations with its employees, production at its mining operations is dependent upon the efforts of the Corporation's employees. In addition, relations between the Corporation and its employees may be affected by changes in the scheme of labour relations that may be introduced by the relevant governmental authorities in whose jurisdictions the Corporation carries on business. Changes in such legislation or in the relationship between the Corporation and its employees may have a material adverse effect on the Corporation's business, results of operations and financial condition.

Work Stoppages or Labour Disputes

The Corporation's operations may be subject to work stoppages or labour disputes. There is a risk that strikes, work slowdowns or other types of conflict at any of our facilities or development projects or exploration prospects with employees, including those of the Corporation's independent contractors or their unions, may occur at the Corporation's operations. There have been a number of instances in recent years of mining companies facing industrial action and work stoppages at their Latin American operations which, in certain instances, have led to the operations being shut down. Furthermore, under Mexican law, it is permissible for employees to engage in industrial action, including work stoppages, together with unionized employees of other companies who are engaged in a dispute, despite the absence of any dispute with their own employer. Work slowdowns, stoppages, disputes with employee unions or other labor-related developments or disputes could result in a decrease in our production levels and adverse publicity, which could have a material adverse effect on our business, results of operations and financial condition.

COVID-19 presents a risk of work slowdown as employees may be restricted in whole or in part from participating in the Corporation's operations. This could be in response to governmental or corporate endeavours to combat the spread of COVID-19 between employees and elsewhere. The Corporation's contractors or service providers may be limited in their flexibility in dealing with their employees, including due to the presence of trade unions. If there is a material disagreement between contractors or service providers and their employees, the Corporation's operations could suffer an interruption or shutdown that could have a material adverse effect.

Contractors

A significant amount of the Corporation's construction and operations are performed by contractors. As a result, the Corporation is subject to a number of risks such as negotiating contracts with acceptable terms; failure of the contractor to comply with the terms of the contract or to follow regulatory requirements; or inability to replace the contractor in a timely manner if either party cancels the contract.

Attracting and Retaining Talented Personnel

The Corporation's success will depend in large measure on the abilities, expertise, judgment, discretion, integrity and good faith of management and other personnel in conducting the business of the Corporation. The Corporation has a small management team and the loss of any of these individuals or the inability to attract suitably qualified staff could materially adversely impact the business. The Corporation's ability to manage its operating, development, exploration and financing activities will depend in large part on the efforts of these individuals. The Corporation may also experience difficulties in certain jurisdictions in efforts to obtain suitably qualified staff and retaining staff who are willing to work in that jurisdiction. The Corporation's success will depend on the ability of management and employees to interpret market and geological data successfully and to interpret and respond to economic, market and other business conditions in order to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. Further, key personnel may not continue their association or employment with the Corporation, which may not be able

to find replacement personnel with comparable skills. The Corporation has sought to and will continue to ensure that management and any key employees are appropriately compensated; however, their services cannot be guaranteed. If the Corporation is unable to attract and retain key personnel, business may be adversely affected. The Corporation faces intense competition for qualified personnel, and there can be no assurance that the Corporation will be able to attract and retain such personnel.

In addition, the Corporation anticipates that, as it expands its existing production and brings additional properties into production, and as the Corporation acquires additional mineral rights, the Corporation will experience significant growth in its operations. The Corporation expects this growth to create new positions and responsibilities for management personnel and to increase demands on its operating and financial systems, as well as to require the hiring of a significant number of additional operations personnel. There can be no assurance that the Corporation will successfully meet these demands and effectively attract and retain additional qualified personnel to manage its anticipated growth and hire enough additional operations personnel. The failure to attract such qualified personnel to manage growth effectively could have a material adverse effect on the Corporation's business, financial condition or results of operations.

Local Legal, Political and Economic Factors

Certain of the Corporation's operations are primarily conducted in an emerging market and, as such, the Corporation's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from location to location and include, but are not limited to: the future spread and global impact of COVID-19; the escalation of international conflicts such as the conflict between Russia and Ukraine; terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; changes in fiscal and monetary policies; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Political instability could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in the termination of contract rights and expropriation of foreign-owned assets. Any changes in gold or investment regulations and policies or a shift in political attitudes in the countries in which the Corporation intends to operate will be beyond the Corporation's control and may significantly hamper the ability to expand operations or operate the business at a profit. Examples of such changes are changes in laws in the jurisdictions in which the Corporation operates or into which it will expand that have the effect of favouring local enterprises, and changes in political views regarding the exploration, development and operation of mineral properties and economic pressures that may make it more difficult to negotiate agreements on favourable terms, obtain required licenses and permits, comply with regulations or effectively adapt to adverse economic changes, such as increased taxes, higher costs, inflationary pressure and currency fluctuations.

The Corporation conducts exploration, development and production activities in Mexico in which the legal system is different from Canada or the United States. Doing business in an emerging market may result in risks such as (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute, being more difficult to obtain, (ii) a higher degree of discretion on the part of governmental authorities, (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations, (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions, and (v) relative inexperience of the judiciary and courts in such matters. Other risks may include decisions of local governments leading to restrictions on production, price controls, export controls, currency remittance, income and other taxes, government

royalties, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses, permits and agreements for business. These licenses, permits and agreements may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. Property rights transfers, joint ventures, licenses, license applications or other legal arrangements pursuant to which the Corporation operates and will operate may be adversely affected by the actions of government authorities and the effectiveness of and enforcement of rights under such arrangements in these jurisdictions may be impaired. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada, Mexico, and United States could result in an increase in taxes, or other governmental charges, duties or impositions, or an unreasonable delay in the refund of certain taxes owing to the Corporation. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted or applied in a manner that could result in profits being subject to additional taxation, result in not recovering certain taxes on a timely basis or at all, or that could otherwise have a material adverse effect on the Corporation.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Corporation's operations or profitability.

Use of Derivatives

From time to time the Corporation may use certain derivative products as hedging instruments and to manage the risks associated with changes in gold prices, silver prices, interest rates, foreign currency exchange rates and energy prices. The use of derivative instruments involves certain inherent risks including, among other things: (i) credit risk – the risk of default on amounts owing to the Corporation by the counterparties with which the Corporation has entered into transactions; (ii) market liquidity risk – risk that the Corporation has entered into a derivative position that cannot be closed out quickly, by either liquidating such derivative instrument or by establishing an offsetting position; and (iii) unrealized mark-to-market risk – the risk that, in respect of certain derivative products, an adverse change in market prices for commodities, currencies or interest rates will result in the Corporation incurring an unrealized mark-to-market loss in respect of such derivative products. COVID-19 has increased market volatility and credit risk and decreased liquidity in the derivative products. There is no assurance that any such hedging transactions designed to reduce the risk associated with fluctuations will be successful. Hedging may not protect adequately against volatility in the hedge transaction. Furthermore, although hedging may protect the Corporation from downside risk, it may also prevent the Corporation from benefiting in the upside opportunity.

Obligations under the Senior Credit Facility

The Corporation's Senior Credit Facility contains financial, operational and reporting covenants, and compliance with any such covenants may increase the Corporation's administrative, legal and financial costs, make some activities more difficult, time-consuming or costly and increase demand on the Corporation's systems and resources.

The failure of the Corporation to comply with restrictions and covenants under its indebtedness, which may be affected by events beyond the Corporation's control, could result in a default under such indebtedness, which could result in acceleration of repayment of amounts due thereunder and the Corporation being required to repay amounts owing earlier than anticipated. If repayment of the Corporation's indebtedness is accelerated, the Corporation may not be able to repay its indebtedness

or borrow sufficient funds to refinance it, and any such repayment or refinancing could adversely affect the Corporation's financial condition. Even if the Corporation is able to obtain new financing, it may not be on commercially reasonable terms or terms that are acceptable to the Corporation. COVID-19 may have a yet unknown impact on the Corporation's ability to obtain new financing and the terms of any such financing, in the future.

If the Corporation is unable to repay amounts owing, the lenders under its indebtedness could proceed to realize upon the security, as applicable, granted to them to secure the indebtedness. The Senior Credit Facility is secured by substantially all of the Corporation's assets, a realization by the lenders thereunder of any or all of the security would have a material adverse effect on the Corporation's business, financial condition, results of operations, cash flows and prospects and may result in a substantial reduction or elimination entirely of assets available for distribution to equity holders on a dissolution or wind-up of the Corporation.

The acceleration of repayment of the Corporation's indebtedness under one agreement may permit acceleration of repayment of indebtedness under other agreements that contain cross default or cross-acceleration provisions. Even if the Corporation is able to comply with all applicable covenants, restrictions on its ability to manage its business in its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that the Corporation believes may be beneficial to it.

Financing Requirements

The exploration, development and continued operations of the Corporation's properties, including: continuing exploration and development projects at the El Castillo Mine, the San Agustin Mine, the La Colorada Mine, and the Cerro del Gallo Project in Mexico, the Florida Canyon Mine in the United States and the Magino Project in Ontario and the construction and commencement of mining facilities and operations and continued operations, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of a property interest. When such additional capital is required, the Corporation plans to pursue sources of such capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders. The Corporation may not be successful in locating suitable financing transactions in the time period required or at all and this risk may be further exacerbated by global instability, international conflict, and the response thereto, and by the undetermined future impact of COVID-19 on financial markets. As a result, the Corporation may not be able to obtain the capital required by other means and failure to raise capital when needed which would have a material adverse effect on the Corporation's business, financial condition and results of operations. If the Corporation does succeed in raising additional capital, future financings are likely to be dilutive to shareholders, as additional securities of the Corporation or other equity will most likely be issued to investors in future financing transactions. In addition, debt and other mezzanine financing may involve a pledge of assets and may be senior to interests of equity holders. The Corporation may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. The ability to obtain needed financing may be impaired by such factors as the capital markets (both generally and in the gold industry in particular), the Corporation's market capitalization being below its planned future capital requirements if it were to construct all of its development assets, the location of the Corporation's gold properties in Mexico and price of gold on the commodities markets (which will impact the amount of asset-based financing available) and/or the loss of key management. Further, if gold price on the commodities markets decreases, then revenues will likely decrease, and such decreased revenues may increase the requirements for capital. The impact that COVID-19 will have on the future gold price and the volatility

of such price is undeterminable. Some of the contractual arrangements governing the Corporation's exploration activity may require commitment to certain capital expenditures, and the Corporation may lose contract rights if it does not have the required capital to fulfill these commitments. If the amount of capital raised from financing activities, together with cash flow from operations, is not sufficient to satisfy capital needs (even to the extent that operations are reduced), the Corporation may be required to cease operations and/or construction activities.

Liquidity and Counterparty Risk

The Corporation is exposed to liquidity and various counterparty risks including, but not limited to financial institutions that hold its cash, counterparties with whom the Corporation has entered into gold put option contracts, companies that have payables to the Corporation, including refineries, insurance providers, lenders and other banking counterparties and companies that have received deposits from the Corporation for the future delivery of equipment.

These factors may impact the Corporation's ability to obtain loans and other credit facilities in the future and, if obtained, on favourable terms. Furthermore, actions taken by central banks to impact fiscal and monetary policies in response to COVID-19 have increased levels of volatility and market turmoil. As a result of this uncertainty, planned growth could be adversely impacted, and the trading price of the Corporation's securities could be adversely affected.

Uncertain Global Economic and Geopolitical Conditions Could Materially Adversely Affect Our Business and Results of Operations

The Corporation's operations and performance are sensitive to fluctuations in general economic and geopolitical conditions, in Canada, Mexico, the United States and globally. Uncertainty about global and regional economic conditions poses a risk to us as we may be exposed to unusual volatility in commodity prices in terms of either or both of our products and the inputs therein in response to events such as geopolitical instability, pandemics and other major public health issues including the COVID-19 pandemic, financial market volatility, tariffs or other trade restrictions, government regulatory actions, negative financial news or other factors. Trends or sentiments in worldwide and regional economic conditions have in the past and could again have a material adverse effect on demand for our products. For example, in recent years, there have been periods of extreme volatility and increases in demand for commodities as a result of fiscal stimulus and anticipated and actual implications on currency values and inflation. Furthermore, in connection with increasing tensions related to the ongoing conflict between Russia and Ukraine, and economic sanctions imposed in relation thereto, further volatility in commodity and input prices has been encountered. Further escalation of geopolitical tensions could have a broader impact that expands into commodities and markets where we do business, which could adversely affect the Corporation's business and/or its supply chain, the economic conditions under which it operates, and its counterparties.

Recent Global Financial Conditions

Recent global financial conditions have been characterized by increased volatility. Access to public financing has been negatively impacted. These factors may impact the ability of the Corporation to obtain equity or debt financing in the future on terms favourable to it, if at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses as well as lead to an increase in liquidity risk. Liquidity risk is the risk that the Corporation will be unable to meet its financial obligations as they become due. The Corporation will manage this risk through regular monitoring of its cash flow requirements to support ongoing operations and expansionary plans. The Corporation will use its best efforts to ensure that there are sufficient committed loan facilities to meet its business needs. If such increased levels of volatility and market turmoil continue, the operations of the Corporation could be adversely impacted and the trading price of the Corporation's securities may be adversely affected.

Use of Ejido-owned Land

An Ejido is a communal ownership of land recognized by the federal laws in Mexico. While mineral rights are administered by the federal government through federally issued mining concessions, access to surface rights is also required for mining operations. An Ejido controls surface rights over its communal property through a board of directors. An Ejido may sell or lease lands directly to a private entity and it may also allow individual members of the Ejido to obtain title to specific parcels of land and thus the right to sell or lease the land.

Certain of the Corporation's properties use Ejidos' lands pursuant to written agreements with local Ejidos. Some of these agreements may be subject to renegotiation and changes to the existing agreements may increase operating costs or have an impact on operations. In cases where access to land is required for operations and an agreement cannot be reached with the Ejido or land owner, the Corporation may seek access under Mexican law which provides for priority rights for mining activities.

In the event that the Corporation conducts activities in areas where no agreements exist with owners which are Ejidos, the Corporation may face some form of protest, road blocks, or other forms of public expressions against the Corporation's activities. If the Corporation is not able to reach an agreement for the use of the lands with the Ejido, the Corporation may be required to modify its operations or plans for the development of its projects.

Unsettled First Nations Rights

The nature and extent of First Nations rights and title remains the subject of active debate, claims and litigation in Canada. The Magino Project lies within traditional First Nations territories and no comprehensive treaty or land claims settlement has been concluded regarding these traditional territories. There can be no guarantee that the unsettled nature of land claims in Ontario will not create delays in necessary approvals required for construction and operations, or result in additional costs to advance the Corporation's projects. In many cases mine construction and commencement of mining activities is only possible with the consent of the local First Nations groups and many companies have secured such consent by committing to take measures to limit the adverse impact to, and ensure some of the economic benefits of the construction and mining activity will be enjoyed by, the local First Nations groups.

Community Relations

The Corporation's relationship with the communities in which it operates is critical to the successful development, construction and operation of its properties. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Corporation, its operations or extractive industries generally, could have an adverse effect on the Corporation and may impact relationships with the communities in which the Corporation operates and other stakeholders. While the Corporation is committed to operating in a socially responsible manner, there can be no assurance that the Corporation's efforts in this respect will mitigate this potential risk.

The Corporation's projects, including exploration projects, may also be impacted by relations with various community stakeholders, and the Corporation's ability to develop related mining assets may still be affected by unforeseen outcomes from such community relations.

Cybersecurity Risks

Cybersecurity refers to the combination of technologies, processes, and procedures established to protect information technology systems and data from unauthorized access, attack, or damage. The Corporation is subject to cybersecurity risks. Information cybersecurity risks have significantly increased in recent years and, while the Corporation has not experienced any material losses relating to cyber-attacks or other information security breaches, it could suffer such losses in the future. The Corporation's computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a cybersecurity impact. If one or more of such events occur, it could potentially jeopardize confidential and other information, including nonpublic personal information and sensitive business data, processed and stored in, and transmitted through, the Corporation's computer systems and networks, or otherwise cause interruptions or malfunctions in the Corporation's operations or the operations of the Corporation's customers or counterparties. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect the Corporation's business, financial condition or results of operations. Additionally, if the Corporation is unable to repair affected technologies or acquire or implement new technologies, it may suffer a competitive disadvantage, which could also have an adverse effect on the Corporation's results of operations, financial condition and liquidity.

Security and Privacy Breaches

Privacy and information security laws and regulation changes, and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, the Corporation may be required to expend significant additional resources to modify its protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. While the Corporation maintains insurance coverage relating to cybersecurity risks, it may be required to expend significant additional resources to modify the Corporation's protective measures or to investigate and remediate vulnerabilities or other exposures, and it may be subject to litigation and financial losses that are not fully insured.

The confidentiality and security of third-party information is critical to the Corporation's business. Any failures in the Corporation's security and privacy measures, such as "hacking" of the Corporation's systems by outsiders, could have a material adverse effect on its financial position and results of operations. If the Corporation is unable to protect, or third parties perceive that it is unable to protect, the security and privacy of its electronic information, its growth could be materially adversely affected. A security or privacy breach may harm the Corporation's reputation, expose the Corporation to liability, and increase the Corporation's expense from potential remediation costs.

Uncertainty of Exploration and Development

Exploration and development projects are uncertain and consequently, it is possible that actual cash operating costs and economic returns will differ significantly from those estimated for a project prior to production. Since mines have limited lives based on Mineral Reserves and Mineral Resources, the Corporation will be required to continually replace and expand its Mineral Reserves and Mineral Resources as its mines continue to produce gold. The LOM estimates may not be correct. The Corporation's ability to maintain or increase its annual production of gold in the future will be dependent in significant part on its ability to identify and acquire additional commercially viable mineral properties, bring new mines into production and to expand Mineral Reserves or Mineral Resources at existing mines. Mineral exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. There can be no assurance that the Corporation will successfully acquire additional mineral rights. While discovery of additional ore bearing structures may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish Mineral Reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and development programs of the Corporation will result in profitable commercial mining operations. The profitability of the Corporation's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Development projects are subject to the completion of, among other things, successful feasibility studies and environmental assessments, issuance of necessary governmental permits and receipt of adequate financing. They typically require a number of years and significant expenditures during the development phase before production is possible. The economic feasibility of development projects is based on many factors such as: estimation of Mineral Reserves; anticipated metallurgical recoveries; environmental considerations and permitting; future gold prices; and anticipated capital and operating costs.

Any of the following events, among others, could affect the profitability or economic feasibility of a project: unanticipated changes in grade and tonnage of ore to be mined and processed; unanticipated adverse geotechnical conditions; incorrect data on which engineering assumptions are made; costs of constructing and operating a mine in a specific environment; availability and costs of processing and refining facilities; availability of economic sources of power; adequacy of water supply; adequate access to the site, including competing land uses (such as agriculture); unanticipated transportation costs; government regulations (including regulations regarding prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands); title claims, including aboriginal land claims; fluctuations in prices of precious metals; and accidents, labour actions and force majeure events. Anticipated capital and operating costs, production and economic returns, and other estimates contained in feasibility studies, if prepared, may differ significantly from the Corporation's actual capital and operating costs. In addition, delays to construction schedules may negatively impact the net present value and internal rates of return of the Corporation's mining properties as set forth in the applicable feasibility studies. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Corporation not receiving an adequate return on invested capital. There is no certainty that the expenditures made by the Corporation towards the search for and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

The future development of the Corporation's properties that are found to be economically feasible will require the expansion and improvement of existing mining operations, as well as the construction and operation of additional mines, processing plants and related infrastructure. As a result, the Corporation is subject to all of the risks associated with establishing and expanding mining operations and business

enterprises including: the timing and cost, which will be considerable, of the construction of additional mining and processing facilities; the availability and costs of skilled labour, power, water, transportation and mining equipment; the availability and cost of appropriate smelting and/or refining arrangements; the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; and the availability of funds to finance construction and development activities. The costs, timing and complexities of mine construction and development are increased by the remote location of some of the Corporation's mining properties. The timing and availability of skilled labour may be subject to further unpredictable delays and limitations as a result of COVID-19 and COVID-19 related mobility restrictions. It is not unusual in new mining operations to experience unexpected problems and delays during the construction and development of a mine. In addition, delays in the commencement or expansion of mineral production often occur and, once commenced or expanded, the production of a mine may not meet expectations or estimates set forth in feasibility or other studies. Accordingly, there are no assurances that the Corporation will successfully develop and expand mining operations or profitably produce precious metals at its properties.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

To extend the lives of its mines and projects, ensure the continued operation of the business and realize its growth strategy, it is essential that the Corporation continues to realize its existing identified Mineral Reserves, convert Mineral Resources into Mineral Reserves, develop its Mineral Resource base through the realization of identified mineralized potential, and/or undertake successful exploration or acquire new Mineral Resources.

The figures for Mineral Reserves and Mineral Resources are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves could be mined or processed profitably. Actual Mineral Reserves may not conform to geological, metallurgical or other expectations, and the volume and grade of ore recovered may be below the estimated levels. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond the Corporation's control. Such estimation is a subjective process, and the accuracy of any Mineral Reserve or Mineral Resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors relating to the Mineral Reserves, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production. Lower market prices, increased production costs, reduced recovery rates and other factors may result in a revision of its Mineral Reserve estimates from time to time or may render the Corporation's Mineral Reserves uneconomic to exploit. Mineral Reserve data are not indicative of future results of operations. If the Corporation's actual Mineral Reserves and Mineral Resources are less than current estimates or if the Corporation fails to develop its Mineral Resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of Mineral Reserves and Mineral Resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of Inferred Mineral Resource is the least reliable Mineral Resource category and is subject to the most variability. The Corporation will regularly evaluate its Mineral Resources and Mineral Reserves and will determine the merits of increasing the reliability of its overall Mineral Resources.

Uncertainty Relating to Mineral Resources

Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Proven Mineral Reserves and Probable Mineral Reserves as a result of continued exploration.

Fluctuations in Operating Results can cause Common Share Price Decline

The Corporation's operating results will likely vary in the future primarily from fluctuations in revenues and operating expenses, including the ability to produce gold, expenses that are incurred, the price of gold in the commodities markets and other factors. If the results of operations do not meet the expectations of current or potential investors, the price of the Common Shares may decline.

Changes in Climate Conditions

A number of governments have introduced or are moving to introduce climate change legislation and treaties at the international, national, state/provincial and local levels. Regulation relating to emission levels (such as carbon taxes) and energy efficiency are becoming more stringent. If the current regulatory trend to reduce greenhouse gas emission levels continues, this may result in increased costs at some of the Corporation's operations since diesel fuel is currently utilized to power generators at the El Castillo Mine and the San Agustin Mine and all operations utilize diesel fuel to run the Corporation's (and its mining contractor's) mobile equipment.

In addition, our operations could be exposed to a number of physical risks from climate change, such as changes in rainfall rates, rising sea levels, reduced water availability, higher temperatures, increased snow pack, hurricanes and extreme weather events. Events or conditions such as flooding or inadequate water supplies could disrupt mining and transport operations, mineral processing and rehabilitation efforts, could create resource shortages and could damage our property or equipment and increase health and safety risks on site. Such events or conditions could have other adverse effects on our workforce and on the communities around our mines, such as an increased risk of food insecurity, water scarcity and prevalence of disease. The Corporation's facilities depend on regular supplies of consumables and reagents to operate efficiently. In the event that the effects of climate change or extreme weather events cause prolonged disruption to the delivery of essential commodities, production levels at the Corporation's operations may be reduced.

There can be no assurance that efforts to mitigate the risks of climate changes will be effective and that the physical risks of climate change will not have an adverse effect on the Corporation's operations and profitability.

Foreign Subsidiaries

The Corporation is a holding company that conducts operations through Canadian and foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent company and such entities, or among such entities, could restrict the Corporation's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the trading price of the Corporation's securities.

Competition for Exploration, Development and Operation Rights

The mining industry is intensely competitive in all of its phases and the Corporation competes with many companies possessing greater financial and technical resources than the Corporation. Competition in the precious metals mining industry is primarily for: mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding the exploration, development, construction and operation of such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. Such competition may result in the Corporation being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Corporation's prospects for mineral exploration and success in the future.

Higher gold prices may encourage increases in mining exploration, development and construction activities, which may result in increased demand for, and cost of, exploration, development and construction services and equipment. Increased demand for services and equipment could cause project costs to increase materially, resulting in delays if services or equipment cannot be obtained in a timely manner due to inadequate availability, or at all, and increase potential scheduling difficulties and cost increases due to the need to coordinate the availability of services or equipment, any of which could materially increase project exploration, development or construction costs, result in project delays or both.

Contract Renegotiation

The Corporation has contracts that provide access to projects and construction and operation of its mines. Although the contracts may be binding, they may contain provisions for price adjustments, or a party to the contract may request to renegotiate terms of the contract. A risk exists that the cost of the contract may rise or the parties may not reach acceptable terms causing an interruption to the access to or operation of the project. These negotiations may be with employees, suppliers, landholders or other interested parties.

Volatility of Market for the Corporation's Securities

The market price of the Corporation's securities may be highly volatile and could be subject to wide fluctuations in response to a number of factors that are beyond the Corporation's control, including: (i) dilution caused by issuance of additional securities of the Corporation and other forms of equity securities, which the Corporation expects to make in connection with future capital financings to fund operations and growth, to attract and retain valuable personnel and in connection with future strategic partnerships with other companies; (ii) announcements of new acquisitions, Mineral Reserve discoveries or other business initiatives by competitors; (iii) fluctuations in revenue from gold operations as new Mineral Reserves come to market; (iv) changes in the market for gold and/or in the capital markets generally; (v) changes in the demand for gold; (vi) changes in the social, political and/or legal climate in the regions in which the Corporation operates; and (vii) the response of the market reactions related to COVID-19 and the actions taken by governments in relation thereto. In addition, the market price of the Corporation's securities could be subject to wide fluctuations in response to: (a) quarterly variations in revenues and operating expenses; (b) changes in the valuation of similarly situated companies, both in the gold industry and in other industries; (c) changes in analysts' estimates affecting the Corporation, competitors and/or the industry; (d) changes in the accounting methods used in or otherwise affecting the industry; (e) additions and departures of key personnel; (f) fluctuations in interest rates, foreign currency exchange rates and the availability of capital in the capital markets; and (g) significant sales of the Corporation's securities, including sales by future investors in future offerings which may be made to raise additional capital. These and other factors will be largely beyond the Corporation's control, and the

impact of these risks, singularly or in the aggregate, may result in material adverse changes to the market price of the Corporation's securities and/or results of operations and financial condition.

Foreign Private Issuer Status

The Corporation, as successor to Pediment's registration with the U.S. Securities and Exchange Commission, was considered a "foreign private issuer" under both the U.S. Securities Act of 1933, as amended, and the U.S. Securities Exchange Act of 1934, as amended, and met the eligibility requirements to file continuous reporting documents and registration statements with the SEC under the Multi-Jurisdictional Disclosure System adopted by the United States and Canada. Subsequently, in 2011 the Corporation de-registered with the U.S. Securities and Exchange Commission.

The Corporation may cease to qualify as a foreign private issuer in the future. To the extent that the Corporation ceases to qualify as a foreign private issuer, it may be subject to registration requirements in the United States, which will increase its annual cost and may be subject to more restrictive capital raising provisions which may increase costs of, or limit the ability of the Corporation to access capital markets in the future.

Internal Control over Financial Reporting and Disclosure Controls and Procedures

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. Disclosure controls and procedures are designed to ensure that information required to be disclosed by a company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis and is accumulated and communicated to a company's management, as appropriate, to allow timely decisions regarding required disclosure. No evaluation can provide complete assurance that the Corporation's internal control over financial reporting and disclosure controls and procedures will detect or uncover all failures of persons within the Corporation to disclose material information required to be reported. The effectiveness of the Corporation's control and procedures could also be limited by simple errors or faulty judgments. In addition, as the Corporation continues to expand, the challenges involved in implementing appropriate internal control over financial reporting and disclosure controls and procedures will increase and will require that the Corporation continue to improve its internal control over financial reporting and disclosure controls and procedures. Although the Corporation intends to devote substantial time and incur substantial costs, as necessary, to ensure ongoing compliance, the Corporation cannot be certain that it will be successful in complying with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators.

Acquisitions and Integration

The Corporation's business plan focuses on international exploration and production opportunities, currently in North America, and later in other parts of the world. In the event that the Corporation does not succeed in negotiating additional property acquisitions, future prospects in the long-term will likely be substantially limited, and the Corporation's financial condition and results of operations may deteriorate.

Any acquisition that the Corporation may choose to complete may be of a significant size, may change the scale of the Corporation's business and operations, and may expose the Corporation to new geographic, political, operating, financial and geological risks. The Corporation's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Corporation. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Corporation has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body acquired may prove to be below

expectations; the Corporation may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Corporation's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Corporation chooses to raise debt capital to finance any such acquisition, the Corporation's leverage will be increased. If the Corporation chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Corporation may choose to finance any such acquisition with its existing resources. There can be no assurance that the Corporation would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Undisclosed Risks and Liabilities Relating to the Alio Business Combination

In connection with the Alio Business Combination, there may be liabilities that the Corporation failed to discover or was unable to quantify in its due diligence. The representations, warranties and indemnities contained in the acquisition agreement relating to the Alio Business Combination are limited and the Corporation's ability to seek remedies for breach of such provisions may be limited.

Acquisitions require geologic, metallurgic, engineering, title, environmental, economic, financial and other assessments that may be materially incorrect and may not produce as expected. Acquisitions of mining properties are based in large part on geologic, metallurgic, engineering, title, environmental, economic and financial assessments made by the acquirer and its personnel as well as independent consultants and advisors it may hire. These assessments include a series of assumptions regarding such factors as the ore bodies, grades, recoverability, regulatory and environmental restrictions, future prices of metals and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the mine. Many of these factors are subject to change and are beyond the Corporation's control. All such assessments involve a measure of geologic, metallurgic, engineering, environmental, regulatory, political, economic and financial uncertainty that could result in lower production or lower Mineral Reserves or Mineral Resources or higher operating or capital expenditures than anticipated or unanticipated difficulty in obtaining required permits or complying with regulatory or environmental requirements.

In addition, any opinions received by the Corporation on title, title and rights of access to the Florida Canyon Mine and the Ana Paula Project can never be guaranteed. Although select title and environmental reviews were conducted by the Corporation in connection with the Alio Business Combination, this review cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat the Corporation's title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated.

There can be no assurance that management of the Corporation will be able to fully realize the expected benefits of the Alio Business Combination, including from a production profile perspective. There is a risk that some or all of the expected benefits will fail to materialize, or may not occur within the time periods anticipated by management of the Corporation. The realization of such benefits may be affected by a number of factors, many of which are beyond the control of the Corporation.

Risk Management

Gold exploration, development and operating companies face many and varied kinds of risks that have been mentioned or alluded to throughout this document. While risk management cannot eliminate the impact of all potential risks, the Corporation will strive to manage such risks to the extent possible and practical.

Insurance and Uninsured Risks

The Corporation's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Corporation's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although the Corporation will maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The financial impact resulting from COVID-19 may not be fully covered by existing insurance coverage, if covered at all. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Corporation or to other companies in the mining industry on acceptable terms. The Corporation might also become subject to liability for pollution or other hazards that may not be insured against or that the Corporation may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Dilution Risk

In order to finance future operations and development efforts, the Corporation may raise funds through the issue of additional securities of the Corporation. The constituting documents of the Corporation allow it to issue, among other things, securities of the Corporation for such consideration and on such terms and conditions as may be established by the directors of the Corporation, in many cases, without the approval of shareholders. The size of future issues of securities of the Corporation or the effect, if any, that future issues and sales of such securities will have on the price of the Corporation's securities cannot be predicted at this time. Any transaction involving the issue of previously authorized but unissued securities of the Corporation would result in dilution, possibly substantial, to present and prospective shareholders of the Corporation.

Asset Impairment Charges

Argonaut assesses at the end of each reporting period whether there are any indicators, from external and internal sources of information that an asset or cash-generating unit ("CGU") may be impaired requiring an adjustment to the carrying value in order not to exceed its recoverable amount. A CGU is defined as the smallest identifiable group of mineral assets that generates independent cash flows. External sources of information considered could include changes in market conditions, the economic and legal environment in which the Corporation operates that are not within its control and the impact these changes may have on the recoverable amount. Internal sources of information include the manner in which the mineral properties are being used or are expected to be used and indications of the economic

performance of the assets. The recoverable amounts of CGUs are based on each cash-generating unit's future after-tax cash flows expected to be derived from Argonaut's mining properties. Reductions in metal price forecasts, changes in currency exchange rates, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable Mineral Reserves and Mineral Resources and increases in future reclamation and closure costs are each examples of factors and estimates that could each result in a write-down of the carrying amount of the Corporation's mineral properties. Although management makes its best estimates, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its properties. Any impairment estimates, which are based on applicable key assumptions and sensitivity analysis, are based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Corporation. Any impairment charges on the Corporation's mineral projects could adversely affect its results of operations.

Write-downs and Impairments

Mineral interests are the most significant assets of the Corporation and represent capitalized expenditures related to the development and construction of mining properties and related property, plant and equipment and the value assigned to exploration potential on acquisition. The costs associated with mining properties are separately allocated to exploration potential, Mineral Reserves and Mineral Resources and include acquired interests in production, development and exploration-stage properties representing the fair value at the time they were acquired. The values of such mineral properties are primarily driven by the nature and amount of mineral interests believed to be contained or potentially contained in properties to which they relate.

The Corporation reviews and evaluates its mining interests and any associated or allocated goodwill for impairment at least annually or when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the recoverable value of the asset is less than the carrying amount of the asset. An impairment loss is measured and recorded to the net recoverable value of the asset. The recoverable value of the asset is the higher of: (i) value in use (being the net present value of total expected future cash flows); and (ii) fair value less costs to sell.

The Corporation assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Corporation estimates the recoverable amount and considers the reversal of the impairment loss recognized in prior periods for all assets other than goodwill. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Corporation could receive for the asset in an arm's length transaction. This is often estimated using discounted cash flow techniques. For value in use, recent cost levels are considered, together with expected changes in costs that are compatible with the current condition of the business and which meet the requirements of International Accounting Standards 36 in a discounted cash flow model. Where a recoverable amount is assessed using discounted cash flow techniques, the resulting estimates are based on detailed mine and/or production plans. Assumptions underlying fair value estimates are subject to significant risks and uncertainties. Where third-party pricing services are used, the valuation techniques and assumptions used by the pricing services are reviewed by the Corporation to ensure compliance with the accounting policies and internal control over financial reporting of the Corporation. Future cash flows are estimated based on expected future production, commodity prices, foreign exchange rates, operating costs, capital costs and reclamation and closure costs. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Corporation's financial position and results of operation.

The assumptions used in the valuation of work-in process inventories by the Corporation include estimates of metal contained in the ore stacked on leach pads, assumptions of the amount of metal stacked that is expected to be recovered from the leach pads, estimates of metal contained in ore stock piles, assumptions of the amount of metal that will be crushed for leaching, estimates of metal-in-circuit, estimated costs of completion to final product to be incurred and an assumption of the gold and silver price expected to be realized when the gold and silver is recovered. If these estimates or assumptions prove to be inaccurate, the Corporation could be required to write-down the recorded value of its work-in-process inventories to net realizable value, which would reduce the Corporation's earnings and working capital. Net realizable value is determined as the difference between costs to complete production into a saleable form and the estimated future precious metal prices based on prevailing and long-term metal prices. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of write-down is reversed up to the lower of the new net realizable value or the original cost.

Exchange Controls

Foreign operations may require funding if their cash requirements exceed operating cash flow. To the extent that funding is required, there may be exchange controls limiting such funding or adverse tax consequences associated with such funding. In addition, taxes and exchange controls may affect the dividends received from foreign subsidiaries. Exchange controls may prevent transferring funds abroad.

Possible Conflicts of Interest of Directors and Officers of the Corporation

Certain of the directors and officers of the Corporation may also serve as directors and/or officers of other companies involved in natural resource exploration, development and operation or entities providing goods or services to companies in the natural resource industry and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Corporation expects that any decision made by any of such directors and officers involving the Corporation will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders, but there can be no assurance in this regard.

Enforcement of Civil Liabilities in the United States

The Corporation is incorporated under the laws of the Province of Ontario, Canada. Some of its directors and officers are residents of Canada. Also, most of the Corporation's assets and the assets of these persons are located outside of the United States. As a result, it may be difficult for shareholders to initiate a lawsuit within the United States against these non-United States residents, or to enforce judgments in the United States against the Corporation or these persons which are obtained in a United States court and that are predicated upon civil liabilities under the United States federal securities laws or the securities or "blue sky" laws of any state within the United States.

Foreign Corrupt Practices and Anti-Bribery Legislation

The Corporation's business is subject to the Canadian *Corruption of Foreign Public Officials Act*, the U.S. *Foreign Corrupt Practices Act* and similar worldwide anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licenses or permits and reputational harm.

The Corporation operates in certain jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. For example, the Canadian *Corruption of Foreign Public Officials Act*, the U.S. *Foreign Corrupt Practices Act* and anti-corruption and anti-bribery laws in

other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny of and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third party agents.

The Corporation's Code of Ethics and other corporate policies mandate compliance with these anti-corruption and anti-bribery laws and we have implemented internal monitoring and controls to ensure compliance with such laws. However, there can be no assurance that the Corporation's internal control policies and procedures will always protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by the Corporation's affiliates, employees, contractors or agents. Violations of these laws, or allegations of such violations, could lead to civil and criminal fines and penalties, litigation, loss of operating licenses or permits or withdrawal of mining tenements, and may damage the Corporation's reputation, which could have a material adverse effect on its business, financial position and results of operations or cause the market value of the Corporation's securities to decline. The Corporation may face disruption in its permitting, exploration or other activities resulting from its refusal to make "facilitation payments" in certain jurisdictions where such payments are otherwise prevalent.

The Canadian Extractive Sector Transparency Measures Act ("**ESTMA**"), which became effective June 1, 2015, requires public disclosure of payments to governments by mining and oil and gas companies engaged in the commercial development of oil, gas and minerals which are either publicly listed in Canada or with business or assets in Canada. Mandatory annual reporting is required for extractive companies with respect to payments made to foreign and domestic governments at all levels, including entities established by two or more governments, including Indigenous groups. Reporting on payments to Canadian First Nations commenced in 2018 for payments made in 2017. ESTMA requires reporting on the payments of any taxes, royalties, fees, production entitlements, bonuses, dividends, infrastructure improvement payments, and any other prescribed payment over CA\$100,000. Failure to report, false reporting or structuring payments to avoid reporting may result in fines of up to CA\$250,000 (which may be concurrent). The Corporation commenced ESTMA reporting in 2016. If the Corporation becomes subject to an enforcement action or in violation of ESTMA, this may result in significant penalties, fines and/or sanctions imposed on us resulting in a material adverse effect on the Corporation's reputation.

5. DIVIDENDS

There are no restrictions in the constating documents of the Corporation that would restrict or prevent Argonaut from paying dividends. However, the Corporation has not paid any dividends within the three most recently completed financial years nor has it contemplated that any dividends will be paid on the Common Shares in the immediate future, as it is anticipated that all available funds will be reinvested in Argonaut to finance the growth of its business. Any decision to pay dividends on the Common Shares in the future will be made by the Board of Directors of Argonaut (the "**Board**") on the basis of the earnings, financial requirements and other conditions existing at such time.

6. CAPITAL STRUCTURE

Argonaut is authorized to issue an unlimited number of Common Shares. As at December 31, 2021, the Corporation had 311,197,075 Common Shares issued and outstanding and 4,325,066 stock options, 118,770 Alio replacement options, 323,512 deferred share units and 1,423,379 unvested restricted share units issued and outstanding, each entitling the holder to acquire one common share. As at December 31, 2021, the Corporation had 1,495,926 performance share units granted and outstanding, each entitling the holder to common shares of the Corporation based on a multiplier of between zero and two times but have restrictions regarding the vesting based upon whether key performance metrics have been met, not met or exceeded over a three-year period. The Alio replacement options were previously outstanding options of Alio prior to the Alio Business Combination and were exchanged on the same exchange ratio as the common shares.

Common Shares

Each Common Share of the Corporation entitles the holder thereof to receive notice of any meetings of the shareholders of Argonaut and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all of the directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefore and, upon the liquidation, dissolution or winding up of Argonaut, are entitled to receive on a pro rata basis the net assets of the Corporation after payment of debts and liabilities. The Common Shares do not carry any pre-emptive, subscription, redemption, retraction or conversion rights, nor do they contain any sinking or purchase fund provisions.

Options

At December 31, 2021, the Corporation had a total of 4,325,066 of options outstanding. All of the options were issued under the Corporation's Amended and Restated Share Incentive Plan ("**Share Incentive Plan**") dated May 12, 2020 to certain employees, directors and consultants of the Corporation. The options are exercisable for up to 10 years from the dates of grant at prices ranging from CA\$1.10 to CA\$10.35. During 2021, a total of 386,013 options were granted to certain officers, directors, key employees and consultants of the Corporation under the Share Incentive Plan, 136,028 options were exercised, 378,389 were forfeited and 105,775 expired.

Restricted Share Units

During 2021, the Board approved for grant awards of 1,014,195 restricted share units of the Corporation to certain officers, directors and key employees of the Corporation. These awards carry the same rights as the Common Shares described above, but have restrictions regarding the vesting or required holding period of the restricted shares. As at December 31, 2021, 1,423,379 restricted share units were outstanding but unvested.

Performance Share Units

During 2021, the Board approved for grant awards of 677,835 performance share units of the Corporation to certain officers and senior management of the Corporation. These awards entitle the holder to common shares of the Corporation based on a multiplier of between zero and two times, but have restrictions regarding the vesting based upon whether key performance metrics are met, not met or exceeded over a three-year period. As at December 31, 2021, 1,495,926 performance share units of the Corporation were outstanding but unvested.

Deferred Share Units

During 2021, the Board approved for grant awards of 323,512 deferred share units of the Corporation to directors of the Corporation. These awards entitle the holder to cash or common shares of the Corporation following cessation of service on the Board of Directors and must be converted by December 31 of the year service ceases. As at December 31, 2021, 323,512 deferred share units of the Corporation were outstanding but unvested.

Debentures

At December 31, 2021, the Corporation had a total of US\$57,480,000 principal amount of Debentures outstanding. The Debentures will mature on November 30, 2025 (the "**Maturity Date**") and bear interest at an annual rate of 4.625% payable semi-annually in arrears on May 31 and November 30 of each year, commencing May 31, 2021. At the holder's option, the Debentures may be converted into Common Shares at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the Maturity Date; and (ii) the date fixed for redemption, at a conversion rate of 350.1155 per US\$1,000 principal amount of Debenture (equal to a conversion price of approximately US\$2.86 per Common Share), subject to adjustment in certain circumstances in accordance with the debenture indenture entered into between Argonaut and Computershare Trust Company of Canada on October 30, 2020 (the "**Debenture Indenture**").

7. MARKET FOR SECURITIES

Price Range and Trading Volume of Common Shares

The Common Shares are traded on the Toronto Stock Exchange ("TSX") under the symbol "AR". The following table sets forth the market price ranges in Canadian dollars per Common Share and aggregate trading volumes on a monthly basis as reported by the TSX for the most recently completed financial year, respectively. The Common Shares closed at CA\$2.40 on the last trading day of the year ended December 31, 2021.

	High (CA\$)	Low (CA\$)	Volume (Number of Shares)
January.....	2.92	2.25	20,646,327
February.....	2.50	2.00	20,409,142
March.....	2.32	1.90	17,296,490
April.....	2.88	2.32	18,306,749
May.....	3.26	2.73	19,388,580
June.....	3.44	2.83	43,239,014
July	3.37	2.93	12,318,090
August	3.45	2.65	15,536,011
September.....	3.30	2.68	12,083,325
October.....	3.45	2.66	13,561,788
November	4.09	3.07	18,885,697
December.....	3.61	2.05	31,052,200

Price Range and Trading Volume of Debentures

The Debentures are traded on the TSX under the symbol "AR.DB.U". The following table sets forth the market price ranges in United States dollars per Debenture and aggregate trading volumes on a monthly basis as reported by the TSX for the most recently completed financial year, respectively. The Debentures closed at US\$110 on the last trading day of the year ended December 31, 2021.

	High (US\$)	Low (US\$)	Volume (Number of Debentures)
January.....	111.50	107.05	23,850
February.....	110.00	105.00	50,080
March.....	103.08	102.00	45,890
April.....	112.226	108.35	20,090
May.....	122.96	117.86	75,20
June.....	125.00	120.00	100
July	114.26	114.26	30
August	117.00	112.25	500
September	116.25	116.25	25,000
October	116.00	116.00	320
November	131.17	119.00	7,380
December.....	118.39	100.00	27,250

Prior Sales

The following table sets forth the date and consideration per security for all securities of the Corporation issued during the most recently completed financial year that are outstanding but not listed or quoted on a marketplace:

Date of Grant/Issuance	Price per Security (CAS)	Number of Securities Issued
Stock options granted		
February 18, 2021	2.35	314,559
May 10, 2021	2.81	71,454
Restricted share units granted		
January 18, 2021	2.35	574,851
May 10, 2021	2.81	93,303
Performance share units granted		
February 18, 2021	2.35	389,676
May 10, 2021	2.81	55,728
Private Placement Common Shares Issuance		
March 31, 2021	2.35	4,255,319
Deferred share units granted		
February 18, 2021	2.35	323,512
Debenture Conversion Common Shares Issuance		
October 7, 2021	2.86	7,002

Common Shares issued on exercise of Options	Price per Security (C\$)	Number of Securities Issued
May 17, 2021	\$1.44	26,595
May 17, 2021	\$1.67	28,218
May 19, 2021	\$1.67	21,760
May 19, 2021	\$1.67	14,506
May 19, 2021	\$1.44	32,164
September 3, 2021	\$1.89	12,785

Common Shares issued on exercise of Alio Replacement Options	Price per Security (C\$)	Number of Securities Issued
January 13, 2021	\$1.06	32,980
April 5, 2021	\$1.06	10,000
May 12, 2021	\$1.49	79,405
May 12, 2021	\$1.06	33,000
May 12, 2021	\$1.06	20,000
May 12, 2021	\$1.06	67,654
May 14, 2021	\$1.06	76,968
May 19, 2021	\$1.49	44,845
May 21, 2021	\$1.06	61,220
May 26, 2021	\$1.06	19,000
July 19, 2021	\$1.06	67,980

Securities Subject to Contractual Restriction on Transfer

The following table sets forth the number of securities of the Corporation subject to contractual restriction on transfer that were outstanding during the most recently completed financial year.

Designation of class	Number of securities subject to contractual restriction on transfer	Percent of class	Date issued⁽¹⁾
Performance Share Units	470,883 ⁽²⁾	0.310	January 31, 2019
Restricted Share Units	209,915 ⁽³⁾	0.150	January 31, 2019
Performance Share Units	579,639 ⁽⁴⁾	0.390	March 2, 2020
Restricted Share Units	495,796 ⁽⁵⁾	0.350	March 2, 2020
Restricted Share Units	42,824 ⁽⁶⁾	0.030	May 26, 2020
Performance Share Units	622,107 ⁽⁷⁾	0.260	February 18, 2021
Performance Share Units	55,728 ⁽⁸⁾	0.030	May 10, 2021
Restricted Share Units	920,892 ⁽⁹⁾	0.410	February 18, 2021
Restricted Share Units	93,303 ⁽¹⁰⁾	0.070	May 10, 2021

Notes:

- (1) The restricted share units vest one-third per year over three years and the performance share units cliff vest at the end of three years.
- (2) Restriction on Common Shares ends on January 31, 2022.
- (3) Restriction on Common Shares ends on January 31, 2022.
- (4) Restriction on Common Shares ends on May 2, 2023.
- (5) Restriction on Common Shares ends on May 2, 2023.
- (6) Restriction on Common Shares ends on May 26, 2023.
- (7) Restriction on Common Shares ends on May 10, 2024.
- (8) Restriction on Common Shares ends on May 10, 2024.
- (9) Restriction on 1/3 of Common Shares ends on January 31, 2022, 2023 and 2024, respectively.
- (10) Restriction on 1/3 of Common Shares ends on January 31, 2022, 2023 and 2024, respectively.

This table does not include the restricted Common Shares issued to directors as part of their director compensation, which vest immediately. These shares are restricted for a minimum of two years during their position as a director or six months after retirement from the Board of the Corporation.

8. DIRECTORS AND OFFICERS

The following table sets forth for each of the directors and executive officers of the Corporation as at December 31, 2021, the person's name, municipality of residence, position with the Corporation, principal occupation during the last five years and, if a director, the date on which the person became a director. Each of the directors of the Corporation has been appointed to serve until the next annual meeting of the shareholders of the Corporation with the exception of Peter C. Dougherty, who ceased to be a director effective December 14, 2021.

Name and Municipality of Residence	Position	Work Experience	Since
James E. Kofman ⁽¹⁾ Ontario, Canada	Director (Chairman)	Vice-Chairman, Cormark Securities Inc.; former Chairman & CEO, Zenn Motor Corporation; former President, JEK Capital Advice; former Vice Chairman, UBS Securities Canada Inc.	January 12, 2010
Dale C. Peniuk British Columbia, Canada	Director	CPA CA (Chartered Professional Accountant) and Corporate Director of a number of publicly traded companies (currently Lundin Mining Corporation, Capstone Mining Corp., MAG Silver Corp. and Kuya Silver Corporation. in addition to the Corporation); formerly Assurance Partner, KPMG LLP	December 30, 2009
Peter Mordaunt ⁽²⁾ Arizona, United States	Director	Professional GeoScientist; Consultant	January 27, 2011
Audra B. Walsh Seville, Spain	Director	CEO, Minas de Aguas Tenidas S.A.U; Director, Calibre Mining Corp.; former Director, Orvana Minerals Corp.; former President & CEO A2Z Mining Inc.; former President & CEO, Sierra Metals Inc.	April 6, 2016
Ian Atkinson Texas, United States	Director	Director, Kinross Gold Corporation, Globex Mining Enterprises Inc. and Wolfden Resources Corporation; former Director, President & CEO, Centerra Gold Inc.	May 3, 2016
Stephen Lang Missouri, United States	Director	Chair of Board of Directors, Hudbay Minerals Inc.; Director, Bear Creek Mining Corporation and International Tower Hill Mines Ltd.; Director, Hycroft Mining Holding Corp.; Former Chair of Board of Directors, Centerra Gold Inc.; former CEO Centerra Gold Inc.; former Director, Alio Gold Inc.	July 1, 2020

Name and Municipality of Residence	Position	Work Experience	Since
Paula Rogers British Columbia, Canada	Director	Chair of Board of Directors, Diversified Royalty Corp.; Director, Copper Mountain Mining Corp.; former Chair of Board of Directors, Alio Gold Inc.; former Director, Great Bear Resources Ltd.	July 1, 2020
Peter C. Dougherty ⁽³⁾ Nevada, United States	President & Chief Executive Officer and Director	President and Chief Executive Officer, Argonaut	December 30, 2009
David A. Ponczoch Nevada, United States	Chief Financial Officer and Corporate Secretary	Chief Financial Officer, Argonaut	November 15, 2013
W. Robert Rose Nevada, United States	Vice President of Technical Services	Vice President of Technical Services, Argonaut	April 15, 2013
Daniel A. Symons Ontario, Canada	Vice President, Corporate Development & Investor Relations	Vice President, Investor Relations, Argonaut; former Vice President, Business Development & Investor Relations, Romarco Minerals Inc.	April 1, 2016
Brian Arkell Nevada, United States	Vice President, Exploration & Mine Technical Services	Vice President, Exploration, Argonaut; former President & CEO, Caza Gold Corp.	January 1, 2018
Lowe Billingsley, Nevada, United States	Chief Operating Officer	Senior Vice President, Operations, Argonaut; former Senior Vice President, Operations, Argonaut	February 14, 2022

Note:

- (1) Mr. Kofman was appointed Chairman of the Board of the Corporation on December 10, 2015. Mr. Kofman's principal occupation is Vice-Chairman of Cormark Securities, an investment dealer.
- (2) Mr. Mordaunt assumed the title of interim Chief Executive Officer on February 14, 2022.
- (3) Mr. Dougherty ceased to be President & Chief Executive Officer and director effective December 14, 2021.

As of December 31, 2021, the Board's standing committees were the Audit Committee, the Nominating, Compensation and Governance Committee, and the Safety, Health, Environment, Sustainability and Technical Committee. The Audit Committee is comprised of Messrs. Peniuk (Chair), Atkinson, Lang, and Mmes. Rogers and Walsh. The Nominating, Compensation and Governance Committee is comprised of Messrs. Atkinson (Chair), Kofman, Mordaunt, Peniuk and Mme. Rogers. The Safety, Health, Environment, Sustainability and Technical Committee is comprised of Messrs. Mordaunt (Chair), Kofman, Lang and Mme. Walsh.

As at December 31, 2021, the directors and officers of the Corporation as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 6,283,181 Common Shares, representing approximately 2.01% of the then outstanding Common Shares

Corporate Cease Trade Orders or Bankruptcies

None of the directors or executive officers of Argonaut is, or within the 10 years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any corporation (including the Corporation), that: (a) was subject to an order that was issued while the director or executive officer was acting in the capacity as a director, chief executive officer or chief financial officer; or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

With the exception of Stephen Lang, none of the directors or executive officers of Argonaut or a shareholder holding a sufficient number of securities of Argonaut to materially affect the control of Argonaut: (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any corporation (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder; or (c) has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority, or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Mr. Lang was a director of Allied Nevada Gold Corp., which together with certain of its domestic direct and indirect subsidiaries, filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code ("**Chapter 11**") in the US Bankruptcy Court for the State of Delaware on March 10, 2015. Allied Nevada Gold Corp. changed its name to Hycroft Mining Corporation and emerged from Chapter 11 in October 2015.

Conflicts of Interest

The directors of the Corporation supervise the management of the business and affairs of the Corporation in accordance with the provisions of the OBCA. The directors and officers of the Corporation will in all cases be required by law to act honestly and in good faith with a view to the best interest of the Corporation.

To the knowledge of the Corporation, after reasonable inquiry, there are no existing or potential material conflicts of interest between the Corporation and any director or officer of the Corporation. Certain of the directors and officers of the Corporation serve as directors, officers or members of management or are otherwise insiders of other companies engaged in the business of mineral exploration, mining, investment banking or other related businesses, and therefore it is possible that a conflict may arise as a result of being a director, officer, member of management or insider of such other companies. See "*Risk Factors*".

9. AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

The Board has adopted a Charter for the Audit Committee, which sets out the Audit Committee's mandate, organization, powers and responsibilities. The full text of the Audit Committee Charter is attached hereto as Appendix "A".

Composition of the Audit Committee

The Audit Committee consists of Messrs. Peniuk (Chairman), Atkinson, Lang, and Mmes. Rogers and Walsh. For the purposes of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), published by the Canadian Securities Administrators, all of the members of the Audit Committee are considered to be financially literate and all are considered to be independent.

Relevant Education and Experience

Mr. Peniuk is a CPA CA (Chartered Accountant) that has provided financial consulting services to mining companies for many years. He has served as a corporate director since 2006 and has been the audit committee chairman of a number of mining companies. In addition to the Corporation, he currently serves on the board of directors and as the chairman of the audit committees of Lundin Mining Corporation, Capstone Mining Corp., MAG Silver Corp. and Kuya Silver Corporation. In accordance with the Corporation's Audit Committee Charter, the Board considered and determined that Mr. Peniuk's service on the audit committee of more than two other public companies would not impair his ability to effectively serve on the Audit Committee of the Corporation. Mr. Peniuk holds a B. Comm from the University of British Columbia and a Chartered Professional Accountant (CPA CA) designation from the Chartered Professional Accountants of British Columbia (formerly the Institute of Chartered Accountants of British Columbia). Mr. Peniuk worked for over 20 years at KPMG LLP, Chartered Accountants and predecessor firms, including being an assurance partner from 1996 to 2006 and was the leader of KPMG's British Columbia mining practice.

Mr. Atkinson is a Professional Geologist with over 40 years of experience in the mining industry. Mr. Atkinson served as President and Chief Executive Officer of Centerra Gold Inc. and has served as corporate director of a number of mining companies. Mr. Atkinson currently serves on the Board of Directors of Kinross Gold Corporation, Globex Mining Enterprises Inc. and Wolfden Resources Corporation. He has an extensive experience in project development, mergers and acquisitions. He holds a Master's degree in Geophysics from the Royal School of Mines of the University of London and a Bachelor's of Science in Geology from King's College at the University of London in the United Kingdom.

Mr. Lang has over 40 years of experience in the mining industry, including engineering, development and production at gold, copper, coal and platinum group metals operations. He is currently the Hudbay Minerals Inc.'s Board Chair and sits on the Board of Bear Creek Mining Corp. and International Tower Hill Ltd. Mr. Lang was Chief Executive Officer of Centerra Gold Inc. from 2008 to 2012 and served as Centerra's Board Chair from 2012 to 2019. Mr. Lang has also held senior operating positions at Stillwater Mining Company, Barrick Gold Corporation, Rio Algom Limited and Kinross Mining Corporation. Mr. Lang holds a Bachelor of Science degree in mining engineering from the University of Missouri-Rolla.

Ms. Rogers has over 25 years of experience working for Canadian-based international public companies in the areas of corporate governance, treasury, mergers and acquisitions, financial reporting and tax. She has significant experience in the mining industry ranging from greenfields exploration to senior gold producer in both director and officer roles. Ms. Rogers has served as an officer of several public companies including Chief Financial Officer of Castle Peak Mining Ltd.; Vice-President, Treasurer of Goldcorp Inc.; Treasurer of Wheaton River Minerals Ltd.; and Treasurer of Silver Wheaton Corp. Previous to that, Ms. Rogers held various senior management roles at Finning International Inc. over a period of nine years. Ms. Rogers is a graduate of the University of British Columbia with a Bachelor of Commerce degree and holds a Chartered Professional Accountant designation. Ms. Rogers currently serves on the board of directors and audit committees of Diversified Royalty Corp., and Copper Mountain Mining Corp.

Ms. Walsh is a Professional Engineer with more than 25 years of experience in the mining industry. She has served as President and Chief Executive Officer and member of the Board of Directors of companies listed on the Toronto Stock Exchange overseeing strategic, technical, operational and financial aspects of these publicly traded entities. Ms. Walsh holds a Bachelor of Science in Mine Engineering from the South Dakota School of Mines and Technology in Rapid City, South Dakota and is a Professional Engineer in the State of New York.

Audit Committee Oversight

At no time since the commencement of the most recently completed financial year of the Corporation was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the directors of the Corporation.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption set out in section 2.4 (*De Minimis Non-Audit Services*), section 3.2 (*Initial Public Offerings*), subsection 3.3(2) (*Controlled Companies*), section 3.4 (*Events Outside Control of Member*), section 3.5 (*Death, Disability or Resignation of Audit Committee Member*), section 3.6 (*Temporary Exemption for Limited and Exceptional Circumstances*) or section 3.8 (*Acquisition of Financial Literacy*) of NI 52-110 or any exemption from the application of NI 52-110, in whole or in part, granted under Part 8 of NI 52-110 (*Exemptions*).

Pre-Approval Policies and Procedures

The Audit Committee, or its delegate appointed in accordance with the Audit Committee Charter, must pre-approve all non-audit services to be provided by the external auditor of the Corporation. The Audit Committee has not adopted specific policies and procedures for the engagement of such non-audit services.

External Auditor Service Fees

PricewaterhouseCoopers LLP was appointed auditors of the Corporation on December 30, 2009. The aggregate fees billed by PricewaterhouseCoopers LLP during the two most recently completed financial years are reflected below.

Service Billed*	2021	2020
Audit Fees ⁽¹⁾	\$456,049	\$223,923
Audit-Related Fees ⁽²⁾	38,160	90,421
Tax Fees ⁽³⁾	191,978	72,395
All Other Fees	Nil	Nil
Total	\$686,187	\$386,739

Notes:

* Services billed during the year reflect the aggregate fees billed by PricewaterhouseCoopers LLP, which may include services provided in previous covered financial years.

- (1) Audit Fees refers to the aggregate fees billed for audit services.
- (2) Audit-Related Fees refers to the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under Audit Fees.
- (3) Tax Fees refers to the aggregate fees billed for professional services for tax compliance, tax advice and tax planning.

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as disclosed below, the Corporation was not, during 2021, and is not currently, a party to, nor was/is any of its property the subject of, any legal proceedings, or any known to be contemplated, which involve a material claim for damages within the meaning of applicable securities legislation.

In May 2019, Alio received a Notice of Civil Claim from a former shareholder of Rye Patch Gold Corp. whose shares were acquired by Alio. The plaintiff brought the claim in the Supreme Court of British Columbia pursuant to the *Class Proceedings Act* and is seeking damages against Alio for alleged misrepresentations with respect to anticipated gold production during the year ended December 31, 2018. In March 2021, the court dismissed, in its entirety, the plaintiff's application to certify the action as a class proceeding. In April 2021, the Corporation received notice that the plaintiff is pursuing an appeal of the court's decision to dismiss the plaintiff's certification application. The appeal was argued in the Court of Appeal in January 2022. On March 3, 2022, the Court of Appeal reversed the lower court's decision and remitted the matter of certification back to the lower court. The Corporation has reviewed the claim and is of the view that it is without merit. However, the outcome of the claim and the remittance of the matter on certification to the lower court is not determinable at this time. Accordingly, no liability was accrued in the Alio purchase price allocation and no liability has been recognized in the Corporation's consolidated financial statements.

11. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this AIF, no director, officer or insider of the Corporation, or any associate or affiliate of a director, executive officer or insider of the Corporation, has or had any material interest, direct or indirect within the three most recently completed financial years or during the current financial year, in any transaction or any proposed transaction which has materially affected or will materially affect the Corporation.

12. TRANSFER AGENT, REGISTRAR AND AUDITORS

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada, which is located at 100 University Avenue, 8th Floor, Toronto, Ontario, Canada, M5J 2Y1, where transfers of Argonaut's securities may be recorded.

The auditors of the Corporation are PricewaterhouseCoopers LLP, Chartered Professional Accountants, located at 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada, V6C 3S7.

13. MATERIAL CONTRACTS

On December 14, 2020, the Corporation entered the EPC Contract. See *"Three Year History – 2020"*.

On November 19, 2020, the Corporation entered into a second amended and restated credit agreement with BMO Capital Markets, as lead arranger and sole bookrunner, Bank of Montreal, as administrative agent, in connection with the Senior Credit Facility. See *"Three Year History – 2020"*.

On October 30, 2020, the Corporation entered into Debenture Indenture. See *"Capital Structure – Debentures"*.

On September 11, 2020, the Corporation entered into a definitive agreement for the sale of its Ana Paula gold development project. See *"Three Year History – 2020"*. This agreement was amended in December 2020 to extend the closing period through March 31, 2021.

On July 10, 2020, the Corporation entered into the 2020 Underwriting Agreement. See *"Three Year History – 2020"*.

On March 30, 2020, the Corporation entered into the Alio Arrangement Agreement. See *"Three Year History – 2020"*.

On August 26, 2019, the Corporation entered into a series of zero-cost collar gold option contracts. See *"Three Year History – 2019"*.

14. INTEREST OF EXPERTS

The following persons and companies are named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing, made by the Corporation under National Instrument 51-102 – *Continuous Disclosure Obligations*, published by the Canadian Securities Administrators, during, or relating to, the most recently completed financial year and whose profession or business gives authority to the statement, report or valuation made by the person, firm or Corporation:

- *Brian Arkell, RM-SME, Argonaut; Josh Carron, RM-SME, Argonaut; and Carl Defilippi, RM-SME, Kappes, Cassiday & Associates in respect of the El Castillo Technical Report;*
- *Brian Arkell, RM-SME, Argonaut; Josh Carron, RM-SME, Argonaut; and Carl Defilippi, RM-SME, Kappes, Cassiday & Associates in respect of the San Agustin Technical Report;*
- *Brian Arkell, RM-SME, Argonaut; Josh Carron, RM-SME, Argonaut; and Carl Defilippi, RM-SME, Kappes, Cassiday & Associates in respect of La Colorada Technical Report;*

- *John M. Marek, P. Eng., Independent Mining Consultants, Inc.; Christo Marais, P. Geo., Argonaut; Philip Addis, P. Eng., SLR Consulting (Canada) Ltd.; Tommaso Roberto Raponi, P. Eng., T.R. Raponi Consulting Ltd.; and Kyle L. Stanfield, P. Eng., Argonaut in respect of the Magino Technical Report;*
- *John M. Marek, P.E. RM-SME of Independent Mining Consultants, Inc. and James R. Arnold, P.E. in respect of the Florida Canyon Technical Report;*
- *Carl Defilippi, RM SME of Kappes, Cassiday & Associates; Thomas Dyer, P.E. of Mine Development Associates; Todd Minard, P.E. of Golder Associates, Brian Arkell, CPG and Neb Zurkic, CPG in respect of the Cerro del Gallo Technical Report;*
- *Daniel H. Neff, P.E. and Art S. Ibrado, PhD, P.E. of M3 Engineering & Technology Corporation, Taj Singh, P.Eng. of Alio Gold Inc., Andrew Kelly, P. Eng., of Blue Coast Research Ltd., Gordon Zurowski, P. Eng., Joseph Rosaire Pierre Desautels, P. Geo., of AGP Mining Consultants inc., Gilberto Dominguez, P.E. and James A. Cremeens, P.E., P.G. of Knight Piésold and Co. in respect to the Ana Paula Technical Report; and*
- *Leah Mach, M.Sc. Geology, CPG and Mark Willow, M.Sc., C.E.M. of SRK Consulting (U.S.) Inc., Richard Rhoades, P.E. and Carl Defilippi, M.Sc. C.E.M., SME of Kappes Cassiday & Associates, in respect of the San Antonio Technical Report.*

To the best knowledge of the Corporation, after reasonable enquiry, none of the foregoing persons or companies, beneficially own, directly or indirectly, or exercises control or direction over any securities of the Corporation representing more than one per cent of the outstanding Common Shares. None of the aforementioned persons or firms, nor any directors, officers or employees of such firms, are currently, or are expected to be elected, appointed or employed as, a director, officer or employee of the Corporation or of any associate or affiliate of the Corporation.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, provided an auditor's report in respect to the Corporation's financial statements for the year ended December 31, 2021 dated March 1, 2022. PricewaterhouseCoopers LLP has advised the Corporation that they are independent with respect to the Corporation in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

15. ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found under the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.argonautgold.com. Further, information with respect to the Corporation, including directors' and officers' remuneration and indebtedness, principal holders of securities of the Corporation and securities authorized for issuance under equity compensation plans is contained in the management information circular of the Corporation for its most recent annual meeting of shareholders (the "**Information Circular**") that involved the election of directors. Additional financial information is provided in the comparative consolidated financial statements and the management's discussion and analysis of the Corporation for its most recently completed financial year. A copy of this AIF and the Information Circular may be obtained upon request from the Secretary of the Corporation.

APPENDIX "A"

AUDIT COMMITTEE CHARTER

Amended and Restated as of November 5, 2020

The Board of Directors (the "**Board**") of Argonaut Gold Inc. (the "**Corporation**") shall establish an Audit Committee (the "**Committee**") comprised of not fewer than three members of the Board, none of whom are executive officers or employees of the Corporation or any of its affiliates. The membership qualifications, authority, responsibility, and specific duties of the Committee are set forth herein.

1. PURPOSE

The purpose of the Committee is to provide oversight of the Corporation in relation to:

- a) the accounting and financial reporting processes and interim reviews and audits of financial statements;
- b) the integrity of financial statements;
- c) compliance with legal and regulatory requirements;
- d) the qualifications and independence of independent auditors; and
- e) the performance of the independent auditors.

The function of the Committee is oversight. In fulfilling their responsibilities under this Charter, it is recognized that members of the Committee are not full-time employees of the Corporation and are not, and do not represent themselves to be, performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards.

The Committee is directly responsible for recommending to the Board of Directors the appointment and compensation of the independent auditors and overseeing the work of the independent auditors (including resolving disagreements between management and the independent auditors regarding financial reporting). The Committee has the responsibility to recommend to the Board of Directors to appoint, retain and terminate the independent auditors (subject, if applicable, to shareholder approval).

Management is responsible for the preparation, presentation and integrity of the financial statements and any financial information filed with securities regulatory authorities or stock exchanges or otherwise publicly disseminated.

Management and the persons responsible for the internal audit function, whether employees of, or consultants to, the Corporation, are responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations.

2. Composition and Procedures

2.1 Composition

The Committee shall consist of three or more members of the Board, each of whom the Board has determined has no material relationship with the Corporation and each of whom is otherwise "unrelated" or "independent", as the case

may be, under the applicable requirements, regulations or rules of (i) the Canadian Securities Administrators and (ii) the Toronto Stock Exchange (collectively, the "Applicable Regulatory Authorities").

The Board shall determine whether each member is "financially literate" and whether one member of the Committee is an "audit committee financial expert", or such other similar qualifications, expertise or experience required by the Applicable Regulatory Authorities, in each case as interpreted by the Board in its business judgment.

2.2. Appointment

Members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board based on nominations recommended by the Nominating, Compensation and Governance Committee. Members of the Committee shall serve at the pleasure of the Board and for such term or terms as the Board may determine.

The Board shall designate, based on the recommendation of the Committee, one member of the Committee as its chairperson.

2.3 Service on Multiple Audit Committees

No director may serve as a member of the Committee if such director serves on the audit committees of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such director to effectively serve on the Committee, and discloses this determination in the public disclosure documents.

2.4 Meetings

Subject to the By-Laws of the Corporation and any resolution of the Board, the Committee shall meet at a time and place determined by the chairperson of the Committee. A resolution in writing, signed by all Committee members shall be as valid as if it had been passed at a meeting of the Committee.

Members of the Committee may participate in a meeting of the Committee by means of such telephonic, electronic, or other communication facility that permits all participants to communicate adequately with each other during the meeting. A Committee member participating in such a meeting by such means is deemed to be present at that meeting.

The Committee shall follow the rules of procedure set forth in the By-Laws of the Corporation or of the Board established by it from time to time to govern its activities.

2.5 Separate Executive Sessions

The Committee should meet at least quarterly in separate executive sessions with management, the persons responsible for the internal audit function, and representatives of the independent auditors to discuss any matters that the Committee or any of these persons believe should be discussed privately. The Committee may request any officer or employee or outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

2.6 Quorum

Attendance by a majority of the members of the Committee shall constitute a quorum for the transaction of business and the act of a majority of those present at any meeting at which there is a quorum shall be the act of the Committee. In the case of an equality of votes, the chairperson of the meeting in addition to his or her original vote

shall be entitled to a second or casting vote. In the event of a tie vote on any issue, the chairperson's vote shall decide the issue.

3. DUTIES AND RESPONSIBILITIES

3.1 Oversight and Monitoring of Financial Disclosures

The Committee shall oversee matters relating to financial disclosures including:

- Review the financial statements, Management's Discussion and Analysis, financial information in earnings press releases and all other public disclosure documents containing financial information of the Corporation that has been extracted or derived from the financial statement and recommend whether such documents should be approved by the Board of Directors before the Corporation publicly discloses this information.

3.2 Oversight of Independent Auditors

The Committee shall oversee the work of the independent auditors as follows:

- a) Recommend to the Board of Directors to appoint, retain and terminate the independent auditors (subject, if applicable, to shareholder approval), approve all audit and interim review engagement fees and terms, and review all compensation to be paid to the independent auditors.
- b) Oversee the work of the independent auditors engaged for the purpose of preparing or issuing an auditors' report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the independent auditors regarding financial reporting.
- c) Pre-approve and adopt appropriate procedures to monitor all non-audit services provided by the independent auditors.
- d) Ensure that the independent auditors prepare and deliver annually the Auditors' Statement relating to, among other things, the independent auditors' internal quality-control procedures (it being understood that the independent auditors are responsible for the accuracy and completeness of the Auditors' Statement).
- e) Obtain from the independent auditors annually a formal written statement of the fees billed in each of the last two fiscal years for the services rendered by the independent auditors.
- f) Obtain from the independent auditors in connection with any audit a timely report relating to the annual audited financial statements describing all critical accounting policies and practices used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and any material written communications between the independent auditors and management, such as any "management" letter or schedule of unadjusted differences.
- g) Review and evaluate the qualifications, performance, and independence of the lead audit partner of the independent auditors.
- h) Discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring audit partner and any other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself.
- i) Take the opinions of management and the persons responsible for the internal audit function into account in assessing the independent auditors' qualifications, performance, and independence.
- j) Instruct the independent auditors that they are ultimately accountable to the Board and the Committee as representatives of the shareholders.
- k) Obtain assurance from the independent auditors that the audit and interim reviews were conducted in a manner consistent with applicable generally accepted auditing standards.
- l) Consider any reports or communications (and management's responses thereto) submitted to the Committee

by the independent auditors required by applicable auditing standards.

3.3. Review of Independence

- a) The Committee shall review the independence of the independent auditors and shall make recommendations to the Board on appropriate actions to be taken which the Committee deems necessary to protect and enhance the independence of the independent auditors.

3.4 Oversight and Monitoring of Internal Audit Function

- a) Review the appointment and replacement of the person with principal responsibility for the internal audit function when applicable.
- b) Inform the person with principal responsibility for the internal audit function that he or she is expected to provide to the Committee summaries of and, as appropriate, the significant reports to management prepared in relation to the internal audit function.

3.5 Oversight and Review of Financial Reporting Principles and Policies and Internal Audit Controls and Procedures

- a) Advise management, the person responsible for the internal audit function and the independent auditors that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices.
- b) Meet with management, the person responsible for the internal audit function and the independent auditors to discuss, and review before the public disclosure by the Corporation of, among other things, the annual audited financial statements and quarterly unaudited financial statements, including disclosures under "Management's Discussion and Analysis."
- c) Consider any reports or communications (and management's responses thereto) submitted to the Committee by the independent auditors required by applicable auditing standards.
- d) Discuss internal controls with the Corporation's Chief Executive Officer and Chief Financial Officer.
- e) Discuss guidelines and policies governing the process by which senior management and the relevant departments of the Corporation assess and manage exposure to risk and discuss major financial risk exposures and the steps management has taken to monitor and control such exposures.
- f) Undertake, from time to time, a review of any balance sheet or income statement item to gain understanding and comfort with accounting and cash management policies of the Corporation.
- g) Obtain assurance from the independent auditors that the audit was conducted in a manner consistent with applicable generally accepted auditing standards;
- h) Discuss with the chief legal officer or outside legal counsel, or both, any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the business, operations or compliance policies of the Corporation, including material notices to or inquiries received from governmental agencies.
- i) Discuss earnings press releases.
- j) Establish and monitor the Corporation's procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters and shall review periodically with Management these procedures and any significant complaints received.
- k) Recommend to the Board candidates for appointment, as applicable, as the Controller and Chief Accounting Officer, Vice-President, Finance and Chief Financial Officer.

- l) Establish hiring policies for employees or former employees of the independent auditors.
- m) Review all related party transactions.

3.6 Committee Reports

The Committee shall produce or cause to be produced the following reports and provide them to the Board:

- a) any reports or other disclosures required to be prepared in relation to the Committee or its activities pursuant to applicable laws or stock exchange requirements in Canada for inclusion in the Corporation's public disclosure documents.
- b) a summary of the actions taken at each Committee meeting, which shall be presented to the Board at its next scheduled meeting.

The Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Committee.

The Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Committee at its next scheduled meeting.

4. RESOURCES AND AUTHORITY OF THE COMMITTEE

The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special legal counsel or other experts or consultants, as it deems appropriate, without seeking approval of the Board or management.

5. REVIEW OF THIS CHARTER AND PERFORMANCE OF THE COMMITTEE

The Committee shall review and reassess the adequacy of this Charter at least annually and otherwise as it deems appropriate and recommend changes to the Board. The Committee, with the assistance of Management, will ensure that this Charter is disclosed on Argonaut's website, and that this Charter, or a summary of it that has been approved by the Committee, is disclosed in accordance with all applicable securities laws or regulatory requirements.

The performance of the Committee shall be evaluated with reference to this Charter annually.