ARGONAUT GOLD INC.

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2017

April 2, 2018

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APPENDIX "A" AUDIT COMMITTEE CHARTER A-1

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, 2017, UNLESS OTHERWISE STATED.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form ("**AIF**"), and the documents incorporated by reference herein, 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", "anticipate", "expect", "intend", "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, inherent hazards associated with mining operations, the future price of gold, the market and global demand for gold, the estimation of the mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production (including production forecasts for the El Castillo Complex and the La Colorada Mine (each as defined herein)), costs of production, expansion of production capabilities at the El Castillo Complex and the La Colorada Mine, expected capital expenditures, costs and timing of development of new deposits, success of exploration activities, permitting risk in development projects, 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.

For a more detailed discussion of these factors and other risks, see "**Risk Factors**" beginning on page 34.

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. 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.

CURRENCY

Argonaut reports its financial results and prepares its financial statements in U.S. dollars. In this AIF, unless otherwise stated, all references to "$" refer to U.S. dollars, all references to "CA$" refer to Canadian dollars and all references to "MXN$" refer to Mexican pesos.

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 and 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 ($)		
	2017	**2016**	**2015**
High	0.8245	0.7972	0.8527
Low	0.7276	0.6854	0.7148
Period End	0.7971	0.7448	0.7225
Average	0.7708	0.7548	0.7820

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 and 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 ($)		
	2017	**2016**	**2015**
High	21.9076	21.1675	17.4240
Low	17.4937	17.1110	14.5255
Period End	19.6629	20.6250	17.3150
Average	18.9066	18.6807	15.8767

DISCLOSURE PURSUANT TO NI 43-101 – STANDARDS OF DISCLOSURE FOR MINERAL PROJECTS

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 Complex in the State of Durango, Mexico ("**El Castillo Complex**"): technical report titled "*NI 43-101 Technical Report on Resources and Reserves, El Castillo Complex, Durango, Mexico*", dated March 27, 2018 (effective date of March 7, 2018), prepared by John Tinucci, PhD, P.E., ISRM, Bret C. Swanson, BEng Mining, MAusIMM, MMSAQP, Eric J. Olin, MSc Metallurgy, MBA, SME-RM, MAusIMM, Jeff Osborn, BEng Mining, MMSAQP, Mark Allan Willow, MSc, CEM, SME-RM, Michael Lechner, PGeo (the "**El Castillo Complex Technical Report**").

- La Colorada mine in the State of Sonora, Mexico (the "**La Colorada Mine**"): technical report titled "*NI 43-101 Technical Report on Resources and Reserve, La Colorada Gold/Silver Mine, Hermosillo, Mexico*", dated March 27, 2018 (effective date of December 8, 2017), prepared by John Tinucci, PhD, P.E., ISRM, Bret C. Swanson, BEng Mining, MAusIMM, MMSAQP, Eric J.

Olin, MSc Metallurgy, MBA, SME-RM, MAusIMM, Jeff Osborn, BEng Mining, MMSAQP, Mark Allan Willow, MSc, CEM, SME-RM, Michael Lechner, PGeo (the "**La Colorada 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**").

- Magino project in Wawa, Ontario, Canada (the "**Magino Project**"): technical report titled "*Feasibility Study Technical Report on the Magino Project, Ontario, Canada*", dated December 21, 2017 (effective date of November 8, 2017), prepared by Michael Makarenko, P. Eng., JDS Energy & Mining Inc., Dino Pilotto, P.Eng., JDS Energy & Mining Inc., Michael Lechner, P. Geo., Resource Modeling Inc., Luiz Castro, P. Eng., Golder Associates Ltd., Sindy Cheng, P.Eng., Lycopodium Minerals Canada Ltd. and Dr. Ian Hutchison, PhD, PE, SLR Consulting Ltd. (the "**Magino 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 National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"), 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 and a Qualified Person for the purposes of NI 43-101.

As required by NI 43-101, Argonaut has filed technical reports detailing the technical information related to its material mineral properties discussed herein. For the purposes of NI 43-101, Argonaut's material mineral properties are the El Castillo Complex, the La Colorada Mine, the San Antonio Project, and the Magino Project. Unless otherwise indicated, Argonaut has prepared the 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 assumption and qualifications contained in the Disclosure Documents.

1 CORPORATION PROFILE AND CORPORATE STRUCTURE

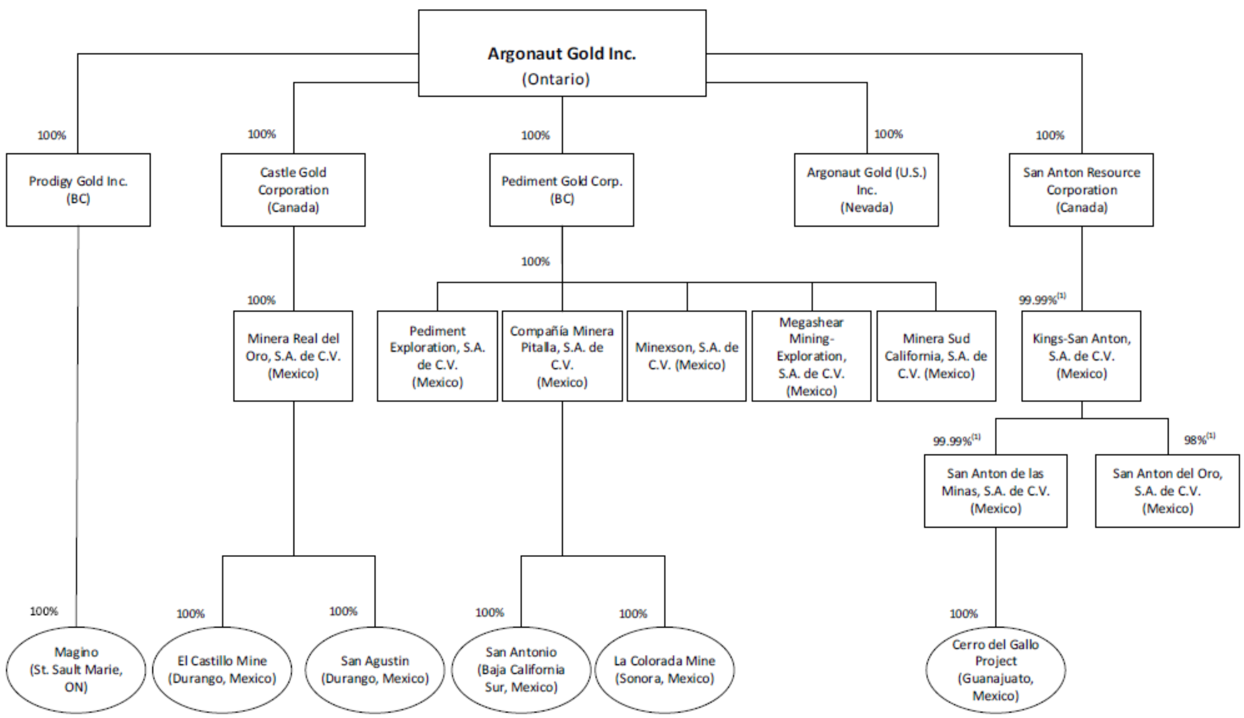
1.1 Name, Address and Incorporation

Argonaut Gold Inc. is a corporation existing under the *Business Corporations Act* (Ontario). The registered office of the Corporation is One First Canadian Place, Suite 3400, Toronto, Ontario, Canada, M5K 1A4. The corporate office of the Corporation is 9600 Prototype Court, Reno, Nevada, United States of America, 89521.

1.2 Corporate Structure

As at March 29, 2018, the corporate structure of Argonaut is as follows:

Figure 1:



(1) Minority interests in subsidiaries are owned by Argonaut Gold Inc.'s nominee Megashear Mining-Exploration S.A. de C.V.

2 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 THREE YEAR HISTORY

2018 to date

On March 27, 2018, Argonaut announced the results of two updated NI 43-101 Technical Reports for the El Castillo Complex (which is made up of the El Castillo Mine and the San Agustin Mine) and the La Colorada Mine. The technical reports included life-of-mine production schedules and updated estimates of Mineral Resources and Mineral Reserves. The technical reports were filed on March 27, 2018 and are available at www.sedar.com.

El Castillo

In the El Castillo Complex Technical Report, Argonaut reported estimated Measured and Indicated Mineral Resources as of July 1, 2017 at 62.4 million tonnes grading 0.37 grams per tonne and containing approximately 740,000 gold ounces. Between July 1, 2017 and December 31, 2017, the Corporation depleted approximately 45,000 contained gold ounces from the Measured and Indicated Mineral Resource through mining activities leaving Measured and Indicated Mineral Resources of approximately 695,000 contained gold ounces (inclusive of Mineral Reserves) at the El Castillo Mine on January 1, 2018.

At the El Castillo Complex, Mineral Reserves as of January 1, 2018 totaled 37.1 million tonnes grading 0.40 grams per tonne and containing approximately 481,000 gold ounces. At current life-of-mine production rates, Mineral Reserves at the El Castillo Complex reflect more than a four year mine life. The extended life is primarily a result of the expanded Mineral Resource from the acquisition of the subsequent drilling on the San Juan mineral concession.

San Agustin

In the El Castillo Complex Technical Report, Argonaut reported an estimated Indicated Mineral Resource as of July 1, 2017 at 97.9 million tonnes grading 0.28 grams per tonne gold and 9.6 grams per tonne silver and containing approximately 892,000 gold ounces and 30.1 million silver ounces. Between July 1, 2017 and December 31, 2017, the Corporation depleted approximately 27,000 contained gold ounces and 662,000 contained silver ounces through mining activities leaving an Indicated Mineral Resource of approximately 95.9 million tonnes grading 0.28 grams per tonne gold and 9.5 grams per tonne silver and containing approximately 865,000 gold ounces and 29.5 million silver ounces (inclusive of Mineral Reserves) at the San Agustin Mine on January 1, 2018.

At the San Agustin Mine, Mineral Reserves as of January 1, 2018 totaled 78.4 million tonnes grading 0.30 grams per tonne gold and 10.2 grams per tonne silver, containing approximately 768,000 gold ounces and 25.6 million silver ounces. The current mine life at the San Agustin Mine is more than seven years.

La Colorada

In the La Colorada Technical Report, Argonaut reported an estimated Indicated Mineral Resource as of July 1, 2017 at 31.2 million tonnes grading 0.60 grams per tonne gold and 10.4 grams per tonne silver and containing approximately 603,000 contained gold ounces and 10.4 million contained silver ounces at its La Colorada Mine. Between July 1, 2017 and December 31, 2017, the Corporation depleted approximately 34,000 contained gold ounces and 746,000 contained silver ounces from the Indicated Mineral Resource through mining activities leaving an Indicated Mineral Resource of approximately 568,000 contained gold ounces and 9.7 million silver ounces (inclusive of Mineral Reserves) at the La Colorada Mine on January 1, 2018.

At the La Colorada Mine, Mineral Reserves as of January 1, 2018 totaled 18.6 million tonnes grading 0.66 grams per tonne gold and 11.6 grams per tonne silver, containing approximately 398,000 gold ounces and 6.9 million silver ounces. At current life-of-mine production rates, current Mineral Reserves at the La Colorada Mine reflect more than a four year mine life. The extended life is primarily a result of the expanded Mineral Resource within the El Crestón pit.

Revolving Credit Facility

Argonaut entered into an amended and restated credit agreement dated February 21, 2018, which amended and restated the Existing Credit Facility (as defined below). This agreement provides for a US$50 million revolving credit facility with the ability to increase the total commitment to US$75 million (the "**Revolving Credit Facility**"). BMO Capital Markets acted as lead arranger and bookrunner and the Bank of Montreal acted as administrative agent and lender for the Revolving Credit Facility. In addition to the Bank of Montreal, the Bank of Nova Scotia also participated as a lender. The three-year Revolving Credit Facility includes customary terms and conditions and will initially bear interest of LIBOR plus 2.50% and subsequently on a sliding scale between 2.25% and 3.25%. Standby fees for the undrawn portion of the Revolving Credit Facility are also on a similar scale basis between 0.51% and 0.73%.

2017

On March 15, 2017, the Corporation completed a public offering of 16,700,000 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$2.40 per Offered Share for aggregate gross proceeds of CA$40,080,000 (the "**2017 Offering**"). In connection with the 2017 Offering, the Corporation entered into an underwriting agreement dated February 27, 2017 (the "**2017 Underwriting Agreement**") with the syndicate of underwriters led by BMO Nesbitt Burns Inc., together with Desjardins Securities Inc., GMP Securities L.P., RBC Dominion Securities Inc., Scotia Capital Inc., Canaccord Genuity Corp., Cormark Securities Inc. and Mackie Research Capital Corporation (collectively, the "**Underwriters**"). Pursuant to the 2017 Underwriting Agreement, the Corporation granted the Underwriters an over-allotment option, exercisable in whole or in part in the sole discretion of the Underwriters at any time up to 30 days from and including the closing date of the 2017 Offering, to purchase up to an additional 2,505,000 Common Shares (each, an "**Additional Share**") at a price of CA$2.40 per Additional Share, to cover allocations, if any, and for market stabilization purposes. On March 21, 2017, the Corporation announced that the Underwriters had partially exercised their over-allotment option to acquire 2,050,000 Additional Shares for gross proceeds of CA$4,920,000.

The proceeds of the 2017 Offering were primarily used to fund the acquisition of the San Juan mineral concession, which sits adjacent to the El Castillo Mine. Following the closing of the concession purchase, Argonaut invested approximately $2.1 million into an infill drill program on the San Juan mineral concession totaling 27,977 metres in 226 reverse-circulation ("**RC**") drill holes. The drilling campaign increased the El Castillo pit mine life by an estimated 3.5 years, adding approximately 382,000 Measured and Indicated gold ounces to the El Castillo Mineral Resource estimate.

Ten kilometres from the El Castillo Mine, the Corporation constructed the San Agustin Mine, which together with the El Castillo Mine has become the El Castillo Complex due to its shared infrastructure. Construction on the San Agustin Mine was completed for $31 million, 28% under budget from the initial capital estimate of $43 million. The San Agustin Mine poured first gold on September 18, 2017 and achieved commercial production on October 1, 2017.

At the La Colorada Mine, the processing facility was upgraded in order to handle additional production from the San Agustin Mine. Mining activity at the La Colorada Mine began a transition from the La Colorada/Gran Central pit to the second pit in the mine life sequence, El Crestón. Through exploration in and around the El Crestón pit, the Corporation added one year of mine life.

The Corporation completed a positive Feasibility Study ("**FS**") for its Magino Project that evaluated two throughput scenarios: 10,000 tonnes per day and 30,000 tonnes per day. The 10,000 tonnes per day processing facility was selected as the preferred project in order to significantly reduce the initial capital requirement for the project. The Magino Technical Report was filed on December 21, 2017.

During November 2017, the Corporation closed the acquisition of the Cerro del Gallo Project for $15 million. Currently, the Corporation does not consider the Cerro del Gallo Project to be a material mineral property under NI 43-101.

2016

On February 22, 2016, the Corporation filed the Magino Technical Report, which was an updated pre-feasibility study ("**PFS**") for the Magino Project that built upon the study completed in January 2014. Following the results of the PFS, Argonaut closed a private placement offering of flow-through Common Shares for net proceeds of approximately $3.5 million to fund an infill drilling program designed to reclassify Mineral Reserves from Probable to Proven within the proposed starter pit and to be used in a FS.

On June 10, 2016, Argonaut filed an updated Preliminary Economic Assessment NI 43-101 Technical Report for its San Agustin Project (now part of the El Casitllo Complex). Argonaut also came to an agreement to acquire the necessary land to develop the project and filed for the respective permits required to commence construction in the month of June. In November 2016, the Corporation received regulatory approval and commenced construction on the project.

The Corporation completed a 70-hole RC drill program totaling 10,617 metres at the El Crestón gold-silver deposit at the La Colorada Mine with the purpose of extending mine life and updating the mineral resources and conducting work necessary to publish a maiden Mineral Reserve estimate.

On April 29, 2016, Argonaut entered into a US$30 million revolving credit facility (the "**Existing Credit Facility**"). The Bank of Montreal acted as lead arranger, bookrunner and administrative agent for the Existing Credit Facility. In addition to the Bank of Montreal, the Bank of Nova Scotia also participated as a lender.

In December, the Mexican Environmental Authority ("**SEMARNAT**") denied the environmental impact assessment referred to as "Manifestación de Impacto Ambiental" ("**MIA**") for its San Antonio Project in Baja California Sur, Mexico. The reasons cited by SEMARNAT for not approving the MIA were that they required additional information regarding potential identification, description and impacts to the environment, the construction, operation and closure plans for the project and the impact on the local aquifer.

2015

During 2015, the Corporation completed 50 NQ sized core hole and 11,295 metre program on the Magino Project to test easterly continuation of mineralization and in areas of proximal to historical underground mining. During 2015, JDS Energy & Mining Inc. completed an updated PFS on the Magino property for the Corporation, with the results released on January 18, 2016. The Corporation also completed 4,178 metres of RC drilling in 35 holes at the San Agustin property. The majority of this drilling was positioned along the Northwest Trend as a follow-up of the 2014 exploration drilling in the same area.

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. As of March 29, 2018, the Corporation's primary assets were the El Castillo Complex, the La Colorada Mine, the San Antonio Project and the Magino Project, as described in more detail below under the heading *"Material Mineral Properties"*. The Corporation also holds the Cerro del Gallo property, an advanced exploration project, as well as several early stage exploration projects, all of which are located in Canada and Mexico.

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 and the San Agustin Mine (which, together form the El Castillo Complex), 100% of the La Colorada Mine, 100% of the San Antonio Project and 100% of the Cerro del Gallo Project as its foreign operations in Mexico. Any changes in regulations or shifts in political attitudes in Mexico are beyond control of the Corporation and may adversely affect its business. Currently, 100% of Argonaut's revenue is generated from its Mexican operations.

As at December 31, 2017, the Corporation had 681 employees and 557 contractors.

The following table shows the gold and silver Mineral Resources and Mineral Reserves at January 1, 2018. **Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources will be converted into Mineral Reserves.**

Mineral Reserves and Mineral Resources[1]

Project	Category	Tonnes (millions)	Au Grade (g/t)	Contained Au Ounces (000s)	Ag Grade (g/t)	Contained Ag Ounces (000s)
El Castillo(2)	Proven	3.3	0.57	62		
El Castillo(2)	Probable	33.7	0.39	419		
San Agustin(2)	Probable	78.4	0.30	768	10.2	25,593
El Castillo Complex(2)	**Proven & Probable**	**115.4**	**0.34**	**1,249**	**10.2**	**25,593**
La Colorada(3)	Probable	18.7	0.66	398	11.6	6,937
Magino(4)	Proven	24.2	1.03	804		
Magino(4)	Probable	34.7	1.19	1,332		
Consolidated Mineral Reserves	**Proven & Probable**	**193.0**	**0.61**	**3,783**	**10.4**	**32,530**
El Castillo(5)	Measured	4.1	0.54	70		
El Castillo(5)	Indicated	54.3	0.36	625		
San Agustin(5)	Indicated	95.9	0.28	865	9.5	29,466
El Castillo Complex(5)	**Measured & Indicated**	**154.3**	**0.31**	**1,560**	**9.6**	**29,466**

La Colorada(6)	Indicated	29.1	0.61	568	10.3	9,655
Magino(7)	Measured	37.4	0.84	1,010		
Magino(7)	Indicated	106.6	0.93	3,187		
San Antonio(8)	Measured	19.0	0.91	553		
San Antonio(8)	Indicated	46.1	0.80	1,182		
Consolidated Mineral Resources	**Measured & Indicated**	**392.5**	**0.64**	**8,060**	**9.7**	**39,121**
El Castillo(5)	Inferred	1.5	0.36	17		
San Agustin(5)	Inferred	11.0	0.21	74	9.0	3,161
El Castillo Complex(5)	**Inferred**	**12.5**	**0.23**	**91**	**9.0**	**3,161**
La Colorada(6)	Inferred	1.8	0.79	47	10.8	641
Magino(7)	Inferred	33.2	0.83	886		
San Antonio(8)	Inferred	6.2	0.34	67		
Consolidated Mineral Resources	**Inferred**	**53.7**	**0.63**	**1,091**	**9.2**	**3,802**

(1) Mineral Resources are presented inclusive of Mineral Reserves. Numbers may not sum due to rounding.

(2) The Mineral Reserves for El Castillo and San Agustin, which together form the El Castillo Complex, set out in the above table were taken from the El Castillo Complex Technical Report, including depletion from July 1, 2017 to December 31, 2017 through mining activities, are valid as of January 1, 2018 and used a gold price of $1,200 per ounce and silver price of $17 per ounce. Cut-off grades, depending on rock and ore type, varied from 0.14 g/t AuEq for oxide to 0.57 g/t Au for silicified sulphide.

(3) The Mineral Reserves for La Colorada set out in the above table were taken from the La Colorada Technical Report, including depletion from July 1, 2017 to December 31, 2017 through mining activities, are valid as of January 1, 2018 and used a gold price of $1,200 per ounce and silver price of $17 per ounce. Cut-off grades, depending on deposit, varied from 0.10 g/t AuEq to 0.16 g/t AuEq.

(4) The Mineral Reserves for Magino set out in the table above were taken from the Magino Technical Report. The Mineral Reserve was estimated at a gold price of $1,200 per ounce. The Mineral Reserve used a gold cutoff of 0.41 g/t.

(5) 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 taken from the El Castillo Complex Technical Report, including depletion from July 1, 2017 to December 31, 2017 through mining activities, are valid as of January 1, 2018 and used a gold price of $1,400 per ounce and silver price of $20 per ounce. Cut-off grades, depending on rock and ore type, varied from 0.09 g/t AuEq for oxide to 0.47 g/t Au for silicified sulphide.

(6) The M&I Resource and Inferred Resource set out in the above table were taken from the La Colorada Technical Report, including depletion through mining activities from July 1, 2017 to December 31, 2017, are valid as of January 1, 2018 and used a gold price of $1,400 per ounce and silver price of $20 per ounce. Cut-off grades, depending on deposit, varied from 0.09 g/t AuEq to 0.12 g/t AuEq.

(7) The M&I Mineral Resources and Inferred Mineral Resource for the Magino Project set out in the table above were taken from the Magino Technical Report. The Mineral Resource was estimated at a gold price of $1,300 per ounce. The Mineral Resource used a gold cutoff of 0.25 g/t.

(8) The Mineral Resources for the San Antonio Project set out in the table above were taken from the San Antonio Technical Report. The gold resource was 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.

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 environmental, permitting, legal, title, taxation, sociopolitical, marketing or other issues that are currently expected to materially affect the Mineral Reserves or Mineral Resources. Certain operations will require further permits over the course of their operating lives in order to continue operating. Where 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* "; "*Permitting Risk* ".

Qualified Persons

Estimates of Mineral Reserves and Mineral Resources for our material gold and silver properties have been prepared under the general supervision of Michael Lechner, Bret C. Swanson and Dino Pilotto, who are contractors to the Corporation and Qualified Persons for the purposes of National Instrument 43-101.

3.3 Material Mineral Properties

3.3.1 El Castillo Complex

Property Description and Ownership – El Castillo

The El Castillo Mine, which consists of an open pit gold mine, two crushing facilities, two cyanide heap leach pads, two gold recovery plants and associated support infrastructure, is located on six contiguous mining concessions and one nearby concession for a total of seven concessions totaling approximately 2,045 hectares. The El Cairo I concession was originally acquired from the Mexican government in a lottery. The larger El Cairo II concession was acquired on June 12, 2004 from Explominerals S.A. de C.V. for a one-time payment of $20,000 cash, 500,000 shares in Castle Gold and a 2.0% net smelter royalty ("**NSR**"). The El Oro and Justicia concessions were acquired on November 5, 2004 from private parties. The San Juan concession was acquired February 23, 2017 from Desarrolos Mineros El Aguila, S.A. de C.V., a wholly-owned subsidiary of Fresnillo Plc for $26 million. The mining concessions are located in the municipality of San Juan del Rio in the central part of the State of Durango, Mexico approximately 100 kilometres north of the city of Durango.

Argonaut also controls 1,250 hectares of surface rights in the El Castillo area. Argonaut plans to continue to install mine infrastructure on this land for which it controls the surface rights but not the mineral rights.

Access to the property is good, with total driving time from the city of Durango varying between 1.5 and 2.0 hours depending on traffic. Driving distance to the property is 117 kilometres (measured from the centre of Durango). The first 111 kilometres are paved and the final six kilometres consist of a well-maintained gravel road.

Property Description and Ownership – San Agustin

The San Agustin Mine is located four kilometres north of the village of San Agustin de Ocampo, approximately 100 kilometres north of the city of Durango, Mexico and approximately 10 kilometres from the El Castillo Mine, with which it shares infrastructure as part of the El Castillo Complex.

The San Agustin property is easily accessible year round. Initial access to the area can be gained via the paved Highway 45 for 90 kilometres north from the city of Durango to the San Lucas de Ocampo mining district. The San Agustin Mine can be reached from San Lucas de Ocampo by a 10 kilometre all-weather gravel road.

The San Agustin property consists of four mineral claims totaling 1,065 hectares. Argonaut purchased the property from Silver Standard Resources Inc. and evaluated the potential as an open pit gold and silver heap leach operation for the oxidized portion of the mineral deposit. A construction decision was made during November 2016, with first gold being poured from the mine during September 2017. The mine achieved commercial production during October 2017.

Argonaut is aware that the deeper sulphide extent of the mineralized system may have economic potential, which it intends to further evaluate in the future.

History – El Castillo

The El Castillo Mine, which was formerly called El Cairo, was a grass roots 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 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 resource estimate, scoping study, preliminary mine plan and 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, 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 gold resources. Castle Gold Corporation's work combined with previous work by Morgain Minerals Inc. and Battle Mountain Gold were the basis for a preliminary reserve estimate by A.C.A. Howe International Limited dated January 31, 2008.

The El Castillo Mine sold its first gold in September 2007 from heap leaching begun the previous July. The El Castillo Mine completed the commissioning of commercial production in July 2008 as an open pit/heap leaching operation, and has produced an estimated 566,711 ounces of gold as of January 1, 2018. Of this production, Argonaut has produced 520,923 ounces of gold since taking ownership of the El Castillo Mine in December 2009.

History – San Agustin

The immediate area of the San Agustin property has a documented exploration history of about 30 years. A few small adits, shafts and pits focusing on narrow veins are situated throughout the San Agustin Mine area but no commercial production took place prior to Argonaut's ownership.

In late 1996, Monarch Resources Ltd. ("**Monarch**") acquired 4,800 hectares in the San Agustin area including the current claims. Its surface work defined a distinct gold anomalous zone over a 1.5 square kilometre area.

Monarch carried out a Phase I drilling program during 1997, consisting of 35 RC drill holes totaling 3,703 metres and four diamond drill holes totaling 1,002 metres. During 1998, an additional 29 RC holes totaling 5,651 metres were completed. Monarch abandoned the property in 1999.

In December 2002, Silver Standard Resources Inc. ("**Silver Standard**") located the current San Agustin claims. In late 2003, after an extensive mapping and sampling program, Silver Standard completed an RC drilling program consisting of 23 holes totaling 3,917 metres. Most of this work was focused in better defining mineralized areas originally identified by Monarch.

In August 2006, Silver Standard optioned the San Agustin property to Geologix Explorations Inc. ("**Geologix**"). Its work included drilling of 40,717 metres in 176 core holes. In February of 2009, Geologix returned the San Agustin property to Silver Standard.

In December 2013, Argonaut purchased the San Agustin property from Silver Standard. In early 2014, Argonaut initiated a drilling campaign designed to better define the San Agustin resource area that was partially outlined by previous operators. By mid-2014, Argonaut had completed 24,765 metres in 240 RC holes and 999 metres in 13 core holes. The core holes were used for metallurgical testing and twinning of RC holes. Subsequent to this resource drilling a Phase 2 program totaling 5,277 metres in 31 RC holes was completed. This wide-spaced Phase 2 drilling was mainly positioned along the Northwest Trend and was designed to help identify the overall resource potential on the property. Starting in late March and continuing into early July of 2015, an additional 35 RC drill holes totaling 4,179 metres were completed with most of this positioned within the Northwest Trend. The Phase 2 drilling in 2014 and 2015 was successful in expanding the deposit potential.

Argonaut commenced construction on the San Agustin Mine during November 2016. The San Agustin Mine poured its first gold during September 2017 and achieved commercial production during October 2017.

Sampling, Analysis and Data Verification

Over multiple drill programs at the El Castillo Complex, 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.

Geology and Mineralization – El Castillo

The El Castillo property 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 rocks comprised of metamorphosed, deep-water sediments and island arc volcanics. The Mesozoic rocks are overlain in places by lower Tertiary andesites and rhyolites. 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 dipping moderate to steeply to the northeast with local zone folding.

Mineralization at El Castillo is hosted in both Mezcalera Group sedimentary rocks and porphyry intrusives. Gold occurs in fracture-controlled quartz stockworks and as disseminated mineralization. Alteration consists primarily of quartz-sericite-clay (phyllic) overprinting zones of chlorite-epidote alteration (propylitic). Some secondary biotite – K feldspar alteration (potassic) has been identified in the deeper parts of the system. Mineralization is associated with pyrite and relatively minor chalcopyrite-sphalertie-galena-arsenopyrite-tetrhedrite. Oxidation has oxidized the sulphide and base metal minerals to depths as deep as 300 metres, leaving free gold in hematitic oxides. The conglomerate and rhyolite have been drilled extensively to the west of the existing El Castillo pit and have been found to be unaltered, unmineralized and exist as post mineral cover to underlying gold mineralization.

Geology and Mineralization – San Agustin

The San Agustin property is located approximately 10 kilometres southwest of the El Castillo Mine so the regional geology described at El Castillo is very applicable. The oldest rocks in the San Agustin area are Cretaceous siltstones, sandstones and limestones. These rocks are unconformably overlain by a thick sequence of Tertiary volcanic rocks comprised of older andesites and younger pyroclastic dominated rhyolites. A dacite dome complex and associated hydrothermal breccias host the majority of the Mineral Resources at San Agustin. The dacite is poorly exposed and typically forms areas of low relief. The deposit has an oxide zone from surface that averages approximately 60 metres deep.

Status of Exploration, Development and Operations – El Castillo

Argonaut has conducted annual drilling campaigns, drilling approximately 600 holes totaling nearly 50,000 metres. This drilling was primarily to enhance model accuracy and mine planning using mainly RC methods. In addition, Argonaut obtained a significant core and RC drillhole database after acquiring the adjacent San Juan mineral concession from Fresnillo Plc. After obtaining that concession, Argonaut drilled approximately 220 RC holes totaling nearly 30,000 metres to support expanding the El Castillo mine life.

Status of Exploration, Development and Operations – San Agustin

Since acquiring the San Agustin Project in 2014, Argonaut has completed 24,765 metres of RC drilling in 240 holes, which were utilized to update oxide resources. In addition to the Argonaut drilling, 264 additional drillholes were completed by three previous companies consisting of Monarch, Silver Standard and Geologix. The combined Argonaut and previous drilling data were used to estimate oxide mineral resources. To help verify earlier drill data, 10 of Argonaut's RC holes were drilled to twin selected older core and RC holes that were completed by the previous companies.

The majority of Argonaut's drilling was located within the same general footprint as an earlier resource that was reported in March 2009 by Silver Standard. Argonaut's resource drilling was done by RC methods and consisted mainly of infill and step-out drilling to achieve an approximate drillhole spacing of 50 metres. The deposit remains open in several directions and drilling will continue into the foreseeable future.

For metallurgical studies Argonaut completed 999 metres of PQ core drilling in 13 holes. In addition to the drill core composites, three bulk samples were obtained from surface outcrops for additional metallurgical tests that were conducted at Argonaut's nearby El Castillo Mine.

A construction decision was made during November 2016 and Argonaut began stripping operations during February 2017 to provide building materials for various infrastructure projects, including roads and leach facilities. Construction of leaching facilities, truck shops, office complexes and all other associated infrastructure were conducting during 2017 by various contractors and Argonaut employees. Oxide ore was placed on the leach pad starting in July with the first gold pour occurring in September 2017. Commercial production was achieved during October 2017.

Mineral Processing and Metallurgical Testing – El Castillo

Since 2008, extensive metallurgical studies have been conducted on oxide, transition and sulphide ore types from the El Castillo deposit. Recoverable gold was estimated based on the column leach test work conducted at Argonaut's metallurgical laboratory located at the El Castillo Mine site. The results of this work were used to establish achievable gold extractions and leach curve criteria for each of the ore types at the fine (-38mm) and coarse (-102mm) crush sizes. During this period, overall actual gold recovery was reported at 58.9% and modeled gold recovery was 58.7%.

Mineral Processing and Metallurgical Testing – San Agustin

The San Agustin Mine has been designed as an open-pit mine with a heap leach operation utilizing a multiple-lift, single-use leach pad. Metallurgical test work was conducted on the San Agustin ore in 2009 by PRA Laboratories and McClelland Laboratories Inc. Additional laboratory test work was conducted in 2014 by Kappes Cassiday & Associates and on-site at Argonaut's El Castillo Mine. The projected recoveries range from 57% to 66% for gold and 9% to 16% for silver, depending on crush size.

Mineral Reserve and Resource Estimates

The El Castillo Complex Mineral Reserves and Mineral Resources, effective January 1, 2018, are summarized in the "Mineral Reserve and Resources" table. They were taken from the El Castillo Complex Technical Report and updated for depletion through mining activities between July 1, 2018 and December 31, 2017. See "Description of Business of the Corporation" on page 8 of this AIF.

Mining Methods

The open pit heap leach properties of El Castillo and San Agustin are approximately 10 km apart from one another. Both are low grade oxide, transition and sulphide gold deposits with San Agustin containing silver credits. Both deposits benefit from low strip ratio and bulk mining to overcome the relatively low gold grades encountered. Because of the close proximity to each other, the two mines share mine personnel, equipment and resources. El Castillo is the most mature deposit with over 10 years of production history with San Agustin recently achieving commercial production during October 2017.

The mining method employed at the El Castillo Complex 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 dump locations. The El Castillo Complex is an owner operated complex using 100 ton class haul trucks and associated front end loaders.

Recovery Methods – El Castillo

El Castillo currently processes gold ore through a conventional heap leaching operation that includes processing of fine crushing ore greater than 0.25 g/t Au to -38mm and coarse crushing of ore less than 0.25 g/t Au to -102mm. Fine crushed ore is leached on the East heap leach pad and coarse crushed ore is leached on the West heap leach pad. Stacked ore is leached with a low-grade cyanide solution and the resulting pregnant leach solution is processed in a carbon adsorption circuit to extract gold. The loaded carbon is trucked to Argonaut's La Colorada Mine for processing through the Corporation's centralized gold recovery plant.

Between January 2015 to July 2017, 13.3 million tonnes of ore were processed on the East heap leach pad at an average grade of 0.39 g/t Au, resulting in the production of 101,979 ounces of gold. Overall gold recovery from the East heap leach pad during this period was 60.9%. During this same period 13.5 million tonnes of ore were processed on the West heap leach pad at an average grade of 0.28 g/t Au, resulting in the production of 82,527 ounces of gold. Overall gold recovery from the West heap leach pad during this period was 68.1%. Total gold production from both the East and West heap leach pads was 184,506 ounces during this period and overall gold recovery of 63.8%.

Recovery Methods – San Agustin

The San Agustin Mine is an open-pit mine with a heap leach operation utilizing a multiple-lift, single-use leach pad. Heap leaching was initiated during September 2017 and will begin 2018 operations at the rate of 17,000 tonnes per day. Leach-grade ore is crushed, stockpiled, reclaimed, and stacked on the leach pad with a conveyor stacking system. The stacked ore is leached with a low-grade cyanide solution and the resulting pregnant leach solution is processed in a carbon adsorption circuit to extract gold and silver. The loaded carbon is trucked to Argonaut's La Colorada Mine for processing through the company's centralized gold recovery plant.

The San Agustin Mine commenced leaching operations during September 2017. Metallurgical test work predicts gold recoveries of 66% and silver recoveries of 16%.

Infrastructure

The El Castillo Complex includes two operating mines, El Castillo and San Agustin, with established infrastructure including quality access roads, adequate power supply, adequate water supply and good access to qualified labour and support vendors. The sites have developed facilities including administrative and mine office, process plant, crushing and multi-lift heap leach placement equipment, pregnant leach solution ponds and heap leach pads. Extensive mining has been conducted in the region historically and the fact that the El Castillo Complex is relatively close (approximately 100 kilometres) to Durango City, the Durango state capital, the mine is unlikely to suffer any adverse logistical or consumable supply constraints based on mine location.

Environmental Studies and Permitting – El Castillo

Environmental baseline data collection at the El Castillo Complex has been conducted at various times in order to support environmental impact assessments for the original mine application, and modifications and/or expansions of the open pit and waste rock disposal areas in recent years. The technical studies and baseline data were reported in the environmental impact assessments presented to the regulatory authorities in Mexico.

There are currently no known environmental issues at El Castillo that could materially impact Argonaut's ability to extract the mineral resources or mineral reserves.

El Castillo is a zero-discharge operation, using lined process water ponds and ditches to convey cyanide solutions to and from the heap leach pads. 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 though authorizations from the Mexican National Water Authority ("**CONAGUA**"). Currently, El Castillo maintains three underground water rights totaling 2,356,384 m^3/year and a water discharge permit in the amount of 1,095 m^3/year. Both surface water rights and creek gravel extraction rights have expired. At this time, the El Castillo has all of the necessary permits and authorizations to conduct operations.

Regulations in Mexico require that a preliminary closure program be included in the authorizing environmental impact assessment and a definitive program be developed and submitted to the authorities during the operation of the mine. An Asset Retirement Obligation ("**ARO**") was prepared by Argonaut in December 2016 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 costs for total closure and reclamation of the site (including a 10% contingency) is estimated at $4.6 million.

Environmental Studies and Permitting – San Agustin

Argonaut initiated baseline data collection at San Agustin during 2014, including studies for water, biodiversity, climate, geohydrology, geology, geomorphology and soil characterization, mining waste geochemistry (waste rock and leached ore) and geotechnical studies. A socioeconomic study was also undertaken. Based on the test results, the waste rock can be classified as non-acid-generating, with metals concentrations in leachate that are within the Mexican regulatory guidelines.

There are currently no known environmental issues at San Agustin that could materially impact Argonaut's ability to extract the mineral resources or mineral reserves.

San Agustin is a zero-discharge operation, using lined process water ponds and ditches to convey cyanide solutions to and from the heap leach pads. Stormwater is managed through facility-specific diversion ditches, as necessary. At this time, the San Agustin has all of the necessary permits and authorizations to conduct operations at the current phase of the project.

Regulations in Mexico require that a preliminary closure program be included in the environmental impact assessment and a definitive program be developed and submitted to the authorities during the operation of the mine. Allowances of up to $5.0 million have been made by Argonaut in the technical study economic model for San Agustin. In June 2017, Argonaut prepared a reclamation and closure performance bond calculation for San Agustin which was submitted to SEMARNAT. The proposal includes descriptions of the closure and reclamation approaches, unit areas, and unit rates. The proposed closure bond amount, which was approved by SEMARNAT, was approximately $0.9 million.

3.3.2 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 40 titled concessions in three irregular blocks. The total land package aggregates 9,784 hectares. The deposit was 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 property 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.

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 Explorations La Colorada, S.A. de C.V. ("**EESA**") who mined gold and silver on the property from three separate open pits. In 2007, Pediment Gold Corp. ("**Pediment**") optioned and eventually purchased the key concessions, surface ownership and infrastructure from EESA. 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 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 Technical Report resource estimation dated March 27, 2018.

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.

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 began open-pit mining within the La Colorada and Gran Central pit areas in July of 2012 and the expansion of these open pits are the current focus of mining activity.

Geology and Mineralization

The geology of La Colorada consists of Paleozoic to Early Mesozoic metasediments cut by Upper Cretaceous volcanics. All of these units are intruded by Tertiary intrusives that include granitic to dioritic phases and andesitic porphyry. Late-Cretaceous to Tertiary volcanic rocks and associated continental clastic rocks unconformably overlie the Triassic and older rocks. There are two distinct divisions of the volcanics: A Lower Volcanic Complex dated at 100 to 45 m.y. and an Upper Volanic Complex dated at 34 to 27 m.y. The Lower Volcanic Complex is composed mainly of andesite with interstratified rhyolitic ignimbrites and minor interstratified basalt. The overlying Upper Volcanic Complex is composed of extensive rhyolite and rhyodacite ignimbrites with minor interstratified basalt. It constitutes the largest ignimbrite field in the world. The upper sequence unconformably overlies on the older sequence and infills deeply incised paleotopography in the older rocks. Late Cretaceous to Early Tertiary plutonic rocks (diorite, granodiorite to granite) of the Sonoran Batholith outcrop throughout the region and have been dated from 90 to 40 m.y.

The La Colorada Gold District has many of the characteristics of a low sulphidization epithermal-vein type gold-silver deposit. The district underwent a complex hydrothermal history related to Cretaceous plutonic activity, later higher-level plutonic events, and finally a mid-Tertiary vein system which shares characteristics in common with both a deep epithermal environment and a high-level mesothermal system. Alteration can be seen in the older metamorphic and intrusive units mostly as silicification, hematization and argillic alteration. The Tertiary volcanic rocks in the district are clearly post-mineral and are unaltered.

Status of Exploration, Development and Operations

Exploration work over the past 15 years has been confined to completing various infill drilling campaigns. The underlying exploration data consists of data collected during three periods: Modern exploration was conducted by EESA during their work on the project in the late 1990's; Pediment purchased the property in 2007 and also conducted several drilling campaigns; and, since 2007, Argonaut has conducted numerous drilling campaigns at the three separate deposits (La Colorada/Gran Central, El Crestón and Veta Madre).

Three separate resource models have been constructed for the mine complex. These long-range models have been updated on an annual basis by incorporating the latest infill drilling results along with production-based data (blasthole assays and pit mapping).

The La Colorada Mine is located in dry desert terrain surrounded by a combination of flat alluvial plains intersected by steep mountains. The La Colorada/Gran Central and El Crestón deposits have been and are being mined by open pit methods. No development or mining work has been completed on the third resource area, Veta Madre.

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. The Corporation 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.

Mineral Processing and Metallurgical Testing

Extensive metallurgical studies were conducted by Kappes Cassiday & Associates over the period from 2011 to 2012 on test composites from different deposit areas from the La Colorada Mine. These metallurgical studies included bottle roll test work followed by column leach tests over a range of crush sizes and included agglomeration and permeability studies. The test composites used for these metallurgical programs were prepared to represent material from each of the deposit areas within the La Colorada complex.

The results of column tests conducted at the target crush size of about 80% passing ("**P80**") 8.5 mm was the basis for estimating gold extraction from each of the deposit areas, which ranged from about 50% to 85% depending upon the deposit area.

Mineral Reserve and Resource Estimates

The La Colorada Mine Mineral Reserves and Mineral Resources, effective January 1, 2018, are summarized in the "Mineral Reserve and Resources" table. They were taken from the La Colorada Technical Report and updated for depletion through mining activities between July 1, 2018 and December 31, 2017. See "Description of Business of the Corporation" on page 8 of this AIF.

Mining Methods

Both the La Colorada/Gran Central and El Crestón deposits have been and are being mined by open pit methods. The third deposit of Veta Madre has not been mined.

Production at La Colorada has been ongoing since 2013 with the majority of ore being sourced from the La Colorada/Gran Central pit that is due to be completely mined out by the end of March 2018.

Argonaut employs mine contractors who are based in Hermosillo for drill, blast, load and haul operations. Argonaut staff uses an internal fleet estimation spreadsheet to help govern the likely number of primary loading and hauling equipment that is required to execute the life-of-mine plan. The fleet estimates are based on averaged availability, utilization and efficiency parameters experienced from past operations and detailed haul profile estimations. The haul profiles are based on annual phase maps showing dump face advance, ore to the crusher and heap pad advance.

La Colorada is an operating mine and therefore has on site mine planning and operational staff. Strategic planning is carried out in the Argonaut regional office located in Hermosillo.

The mine planning information produced by Argonaut is consistent across all sites and encompasses lessons learned through reconciliation and mine performance.

Recovery Methods

La Colorada currently processes oxide gold ore through a conventional heap leaching operation that includes three-stage crushing to P80 8.5 mm, conveying and stacking to a multi-lift heap leach pad, irrigation with cyanide solution and gold recovery through a conventional adsorption-desorption-recovery ("**ADR**") plant to produce a final doré product.

Gold and silver production from the heap leach for the period from January 2014 to August 2017 shows that 17.2 million tonnes of ore were placed on the leach pad at an average grade of 0.53 g/t Au and 9.1 g/t Ag, which resulted in the production of 184,759 ounces of gold and 659,897 ounces of silver. Overall gold recovery since inception of operations has been 65.9% and overall silver recovery has been 10.3%.

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, PLS ponds and heap leach pads. Extensive mining has been conducted in the region historically and because the mine is 45 kilometres from Hermosillo, the Sonoran state capital, the 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.

Environmental Studies and Permitting

Argonaut has completed the necessary permitting for the resumption of operations and the expansion of the open pits, crusher, heap leach facilities and waste rock disposal areas. Future expansion to the east and the Veta Madre deposit area will require an additional environmental impact assessment and land use changes to be completed with SEMARNAT. Current negotiations for the land on which Veta Madre is located centres around negotiations with private land owners. While not yet completed, Argonaut anticipates this process being completed during 2018.

In addition to groundwater and air quality monitoring (emissions), Argonaut conducts routine geochemical characterization monitoring (according to Mexican guidance and regulation).

Process water is re-circulated within the operations for ore leaching. Additional make-up water is obtained through a resolution from CONAGUA for as much as 159,518 m^3/year for industrial use.

Argonaut maintains a Community Relations Office in the town of La Colorada. This office is in charge of maintaining open dialogue and relations with the locals while coordinating with the mine environmental and human resources departments. Argonaut is the recipient of recognition under the ESR Program for environmental and social responsibility.

The 2016 estimate for closure of the La Colorada Mine is $3 million.

3.3.3 San Antonio Project

Property Description and Ownership

The San Antonio Project is located in the southern peninsula of the Baja California Sur state of Mexico, approximately 45 kilometres southeast of the city of La Paz and approximately 160 kilometres north of the resort town of Cabo San Lucas. Highway 1 from La Paz, the principal sea port and the capital city of the state of Baja California Sur, passes near the project, so access is good. A road connecting Highway 1 and Highway 286 crosses through the project boundaries.

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 16 concessions held on the San Antonio Project which have a total area of 23,383 hectares.

All concessions were granted for a duration of 50 years. Per Mexican requirements for grant of tenure, the concessions comprising the San Antonio Project have been surveyed on the ground by a licensed surveyor. To date, annual exploration reports and work commitments have been maintained as required, and the concessions covering the project are valid.

Argonaut also holds four concessions over a historic mining camp called El Triunfo that is situated west of the San Antonio resource area. The Mexican government retains a sliding scale (variable) 1% to 3% NSR royalty on this concession group. The sliding scale is based on fluctuations in gold price. No other royalties are payable on any other concession, including the concessions on which the San Antonio deposits are located.

Argonaut has purchased 2,624 hectares of surface rights in the San Antonio Project area and acquired leases over another 310 hectares. Surface access agreements with the Procuraduria Agraria office in Baja California Sur (paid on an annual basis to the local ejidos) allow for either "low impact" exploration (i.e., prospecting, soil and rock sampling and hand trenching), or "transition" exploration (i.e., road building, mechanical trenching, drilling), with higher cash payments.

There are no work commitments and all types of exploration are permitted except mining. As much as is possible, Argonaut has hired all local staff from the ejidos and surrounding communities and has consulted with local village councils on all aspects of exploration.

History

The nearby Triunfo district is thought to have produced around 115,000 ounces of gold and approximately 21 million ounces of silver through 1914. Other production was from the nearby El Tule area, where a flotation mill was operating at some point during the 1940s or 1950s. The most recent production in the district was gold produced by Minera Tepmin at the Testera Mine, located approximately 10 kilometres south of San Antonio. This mine processed approximately 50 tonnes per day and operated intermittently from 1997 to 2000. There is no recorded production from the current project area.

The government geological branch, Consejo De Recursos Minerales, carried out work in the 1970s, consisting of mapping, trenching and limited magnetic and induced polarization ("**IP**") surveys which covered portions of the San Antonio Project.

A Canadian-based company, Viceroy Resource Corp., began investigation of the Paredones Amarillos area south of the San Antonio Project in about 1990. Echo Bay Exploration Inc. ("**Echo Bay**") acquired the Paredones Amarillos area from Viceroy Resource Corp. through a joint venture entered into in 1993.

During the approximate period from 1993 to 1998 Echo Bay carried out detailed geologic studies which led to both RC and core drilling on multiple targets. Echo Bay left the area at the end of 1998.

Exploration work by Pediment staff in the area commenced in 2005. Activities until 2010 included data review, rock chip and grab sampling of old trenches and workings, soil sampling, reconnaissance IP geophysical surveys, RC and core drilling, mineral resource estimation and metallurgical test work. Third-party studies in relation to socio-economics, hydrogeology and geotechnical were also commenced.

A preliminary economic assessment ("**PEA**") was commissioned from AMEC in 2010 by Pediment Gold Corp.

In 2011, Argonaut published a resource estimation completed by AMEC.

In 2012, Argonaut published a PEA completed by SRK Consulting Inc.

Geology and Mineralization

The basement rocks of the Baja California Sur region are comprised of a chain of Mesozoic granitic bodies and accompanying late Paleozoic to Mesozoic metasedimentary roof pendants. The structural geology of the region is dominated by Mesozoic aged large-scale low-angle thrust faulting featuring cataclasites, mylonites and mineralized stockwork zones that host silver and gold mineralization. Shear zones related to thrust faulting exceed 200 metres in thickness and are regionally traceable over 40 kilometres.

Due to the paucity of outcrop within the San Antonio Project, geological interpretations are primarily based on drill data. The primary rock units within the San Antonio Project belong to the basement of the Baja California Sur, and include:

- Diorites and gabbros: usually coarse grained, contain abundant hornblende or augite and are dark-colored.

- Biotite–hornblende quartz diorites: abundant hornblende and minor quantities of magnetite

- Biotite granodiorite–granite with a weakly porphyritic character.

The San Antonio Project geology is defined by mineralization hosted in a regional shear zone, possibly a Mesozoic-age thrust fault. The shear dips to the west at about 45° and is dominated by stockwork, cataclasites and mylonites.

Gold mineralization on the San Antonio Project has been identified along a 1.8 kilometres strike length and has been subdivided into four fault-bounded zones, which have been named Las Colinas, Intermediate, La Colpa, and Los Planes. Los Planes is the best known of the deposits to date and is the most densely drilled.

The Los Planes mineralization extends along a north-south strike length of approximately 800 metres. Drilling has encountered continuous mineralization to depths of 380 metres from the surface. Mineralization is hosted in diorites and gabbros within a large shear zone that dips between 75º and 45º to the west and horizontally to very shallowly to the east. The shear zone is broken into subunits that are defined by their structure, alteration and degree of mineralization. Two of these subunits, referred to as the Hanging Wall and stockwork/cataclastite zones host the great majority of the gold mineralization. Mineralization is intimately associated with sulphides, although near-surface oxidation affects Los Planes to depths in excess of 100 metres along faults and fracture zones.

The Las Colinas and Intermediate zones appear to be genetically related and are separated by post-mineral normal faults. The deposits dip approximately 50º to 60º to the west and are hosted in shear zones measuring over a kilometre in strike length. The mineralized zones vary in thickness and are generally thinner to the south in the Las Colinas zone.

Mineralization at the La Colpa zone is interpreted to be a sheeted vein complex with intermediate stockwork zones. The La Colpa occurrence consists of a number of parallel veins and stockwork zones that dip at about 50º to 60º to the west.

The mineral deposits of the San Antonio Project are considered to be mesothermal or of orogenic origin.

Status of Exploration, Development and Operations

Exploration activities on the San Antonio Project have included regional and detailed geological mapping, rock, grab, and soil sampling, trenching, RC and core drilling, ground magnetic and IP geophysical surveys, mineralization characterization studies and metallurgical testing. Petrographic studies and density measurements on the different lithologies have also been carried out. Since Argonaut acquired the project in 2012, exploration has been mainly limited to regional mapping and sampling to identify outlier target areas for eventual follow-up.

Argonaut is pursuing permits to develop the San Antonio Project. Until such time as permits are received, the Corporation views the project as an advance exploration stage project and does not intend to invest in further exploration or development until such time that permits are granted.

Sampling, Analysis and Data Verification

All drill samples at the San Antonio 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.

Mineral Processing and Metallurgical Testing

Testing of metallurgical samples from the San Antonio Gold Project has consisted of gravity concentration, flotation, bottle roll leach, column leach testing and preliminary environmental testing. The samples tested have demonstrated amenability to flotation and heap leach cyanide leaching. Gold recovery in laboratory column leach testing varied from 47% to 91%, depending on material type. It is typical to discount the laboratory results by two to three percentage points when projecting field recovery. Field gold recovery by heap leaching is therefore estimated to range from 44% to 86% considering averages of similar material types and pit locations and crushing to P80 9.5 mm. Cyanide consumption will be low to moderate on the order of 0.26 kg/t, and lime consumption will be moderate on the order of 1.3 kg/t.

Best gold recoveries were demonstrated by oxide portions of the Starter and Los Planes Pits composites when crushed to P80 9.5 mm, yielding 91% and 87% respectively. Silver recovery was low in all cases, but did generally increase as the testing particle sizes decreased. Average silver recovery for all composites when crushed to P80 9.5 mm was 19.5%.

Mineral Resources

The San Antonio Project Mineral Resources, effective September 1, 2012, are summarized in the "Mineral Reserve and Resources" table and were taken from the San Antonio Technical Report. See "Description of Business of the Corporation" on page 8 of this AIF.

Mining Methods

The preliminary economic analysis is based upon mining of the resource through the development of three open pits. Within Mexico, several mining contractors exist with the necessary experience and equipment to perform this function. No contractors have been contacted at this point in time; however, Argonaut has experience working with contractors at its La Colorada Mine. The resulting pit designs contain 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.

Recovery Methods

Based on metallurgical test results, Argonaut envisions three-stage crushing to P80 9.5 millimetres (3/8 inch), conveying and stacking to a multi-lift heap leach pad, irrigation with cyanide solution and gold recovery through a conventional ADR plant to produce a final doré product.

Project infrastructure

The San Antonio Project is within the San Antonio Triunfo mining district located about 45 kilometres southeast of La Paz, the principal sea port and the capital city of the state of Baja California Sur, Mexico. The closest towns are San Antonio, 8 kilometres west of the San Antonio Project, Triunfo, 10 kilometres northwest of the San Antonio Project, and Los Planes, 15 kilometres east of the San Antonio Project. Travel time from San Antonio to the project is approximately 10 minutes.

A road connecting Highway 1 and Highway 286 crosses through the project boundaries and will necessarily have to be relocated.

There is no existing project infrastructure. Exploration crews stay in San Antonio and travel to site as required. Cell coverage in the area is available. Roads and power lines pass directly through the San Antonio Project area.

It is a reasonable expectation that any additional surface rights that may be required to support any planned infrastructure locations can be obtained.

Power for any mining operation would be available from an upgraded 34.5 kV line that crosses over the San Antonio Project. The current route of the power line will require relocation to allow for project construction.

The Corporation has acquired water rights sufficient for operation.

Environmental Studies and Permitting

In August of 2012, Argonaut received notice that the Manifestacion de Impacto Ambiental ("**MIA**") - Environmental Impact Assessment permit application had been denied, without objection to the substance of the application, by the regulator. The regulator requires amendment of the underlying municipal zoning plan, a process Argonaut had already begun. The need to amend the zoning has always been anticipated by Argonaut as one of the items required for development of the mine. The Corporation continues work with federal, state and local governments to receive the required zoning changes, through both legal and administrative channels and will pursue necessary permits for the San Antonio Project at the appropriate time. The Corporation continues to engage with local communities as well.

As a result of the denial of the MIA application, the Corporation's wholly-owned subsidiary, CMP, issued a protective order against the ruling. This protective order was filed with the 9th Circuit Court and was assigned case number 1011/2012. The order named a number of officials and agencies relevant to the permitting. On January 10, 2014, a constitutional hearing was convened by the 9th Circuit Court, denying the protective order to CMP. In this sense and in order to challenge such resolution, CMP submitted a remedy of appeal, which was assigned case number 132/2014 before the 18th Collegiate Tribunal.

During July 2016, the 18th Collegiate Tribunal issued a favourable ruling to Argonaut finding that the current Urban Development Plan for the Municipality of La Paz was not properly established and therefore should not have been used as a criterion in the review of the MIA. During December 2016, the regulator denied the MIA on the grounds that it requires additional information regarding potential identification, description and impacts to the environment; additional information on the construction, operation and closure plans for the project; and additional information regarding the impact on the local acquifer. The Corporation believes that this information is readily available and it has the ability to respond swiftly. As of December 31, 2016, the Company has requested the tribunal to review the recent denial of the MIA to ensure that the Tribunal's July 2016 ruling was complied with by the regulators in the December 2016 resolution.

During 2017, the San Antonio Project continued with a legal process to obtain approval of its MIA, as the Corporation’s legal advice indicated not all elements had been considered in the 2016 resolution. The Corporation reached the end of this process when in October of 2017, the judge ruled SEMARNAT had resolved correctly. In light of this, the Corporation will continue to pursue its permitting through a new filing. Through 2017 the Company conducted further technical work that could further strengthen its application for the environmental permit and will continue doing so through 2018. Argonaut has also reviewed its social programs and begun reinforcing them during 2017, fortifying community relations and public affairs programs.

A number of additional permits would be required to construct and operate the San Antonio Project, including:

- Environmental Impact Assessment Authorization
- Risk Analysis Report
- Operating License (and Air Quality Permit)
- Land Use Change Permit
- Concession for Underground Water Extraction
- Wastewater Discharge Permit
- Stream Diversions
- Hazardous Waste Register
- Permit for the Use of Explosives
- Land Use License

Capital and Operating Costs

The life-of-mine capital expenditures required for processing, G&A, infrastructure, pre-production mining and sustaining capital cost are $97.5 million excluding reclamation and salvage value. Of this capital, $84.3 million is initial capital and $13.2 million is sustaining capital. The costs are attributable to the second quarter of 2012 and are in U.S. dollars. For items not sourced in the U.S., the MXN/US$ conversion rate of 13:1 was used. Quotes for major equipment were based on either new quotes from suppliers or from recently received quotes. Minor equipment item costs are based on recent quotes for similar equipment or recent quotes from similar sized projects in Mexico. Capital estimates are at a scoping level and are accurate within a +/-25% range.

The estimated operating cost is $3.91 per processed tonne, including G&A, crushing, processing, carbon transport to Argonaut's La Colorada Mine and carbon treatment costs. Contract mining costs are $1.45 per tonne of rock mined and $1.30 for sand or alluvium or $5.50 per processed tonne for the life of the project, excluding pre-production stripping. The mining costs consider using a contract miner and are based on Argonaut's experience with contract miners at its La Colorada Mine. Corporate overhead costs are not included. The costs were developed based on the project metallurgical test work, scoping level engineering and data from independent consultant's files for operating and maintenance equipment and supplies. Labour has been estimated using staffing and wage requirements based on typical rates in the Mexican mining industry.

3.3.4 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 an 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.

The Magino Project is located 195 kilometres north of Sault Sainte 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 property 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-continiuous 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 from 1917 to today.

Total drilling, both surface and underground, within the Magino resource area is approximately 371,450 metres in 2,414 holes. The Qualified Person responsible for this section was unable to verify drilling completed before 2006 and excluded that data from being used to estimate Mineral Resources. This resulted in the removal of about 114,000 metres of data associated with 1,273 holes, most of which were short, small diameter underground core holes.

Total historic production from the Magino property 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.

Supracrustal rocks in the Goudreau-Lochalsh district consist of Cycle 2 felsic to intermediate pyroclastic metavolcanics capped by pyrite-bearing ironstone. To the north are pillowed, massive and schistose, mafic to intermediate metavolcanics and minor intercalations of Cycle 3 mafic pyroclastic rock. Several medium to coarse-grained quartz dioritic to dioritic sills and/or dikes intrude all metavolcanic rocks.

Gold mineralization at the former Magino Mine is primarily hosted by the Webb Lake Stock, which intrudes Cycle 3 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 in this report. The long axis of the Webb Lake Stock is aligned roughly parallel to the regional supracrustal rock stratigraphy. The Webb Lake Stock is east northeast-striking and has a steep northerly dip. The granodiorite contains 5 to 10% veins of quartz with lesser carbonate veins and minor pyrite. The veins generally parallel the orientation of the Webb Lake Stock and surrounding metavolcanics.

Argonaut is currently focusing its evaluation on shear related 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. Argonaut and the predecessor company that owned the Magino Project, Prodigy Gold Inc., completed surface drilling campaigns in 2011, 2012, 2015, and 2016. These programs 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 Development and Operations

The Magino Project is currently in the midst of the Environmental Assessment process. Once concluded and assuming a favourable outcome, the Corporation intends to submit applications for the necessary permits to allow for the construction and operations of the project. Until such time when permits are granted, Argonaut does not intend to commence development or operations at the Magino Project.

Sampling, Analysis and Data Verification

Very little is known about sample preparation and various analyses that were performed on drill hole samples collected prior to 2006. Comparisons of those sample results with newer data suggest that the older data may be biased high. For these reasons, the older data were not used to estimate Mineral Resources. Approximately 91% of the diamond core hole data used to estimate the Mineral Reserves and Mineral Resources were collected by Argonaut and its predecessor company, Prodigy.

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.

Mineral Processing and Metallurgical Testing

The results and interpretation of metallurgical testing completed at McClelland Laboratories Inc. in 2013 and 2015 were presented in the Preliminary Feasibility Study completed in 2013 and filed January 30, 2014 ("**PFS 2013**"), and PFS completed in 2016 and filed date February 22, 2016 ("**PFS 2016**"), respectively.

Recent work carried out by MLI focused on optimizing processing conditions and to further evaluate ore variability in the Magino deposit. The testing program included gravity concentration and leach optimization testing on four depth composites followed by variability testing on nine variability samples and an east and a west composite.

Results from the recent program, retaining the previous optimum grind size of P80 75 microns, demonstrated gold recoveries ranging from 90 to 94% from an average sample head grade of 1.31 Au g/t.

Interpretation of the recent test results from MLI, in conjunction with the previous work, confirmed the basic flowsheet previously adopted but resulted in some optimization of design criteria detail such as leach retention time and reagent consumption data.

The adopted flowsheet includes primary crushing, single stage semi-autogenous grinding, a gravity recovery circuit, cyanide leach and CIP gold adsorption circuit with cyanide recovery and detoxification prior to tailings discharge to a conventional TMF.

Mineral Reserve and Resource Estimates

The Magino Project Mineral Reserves and Resources, effective November 8, 2017, are summarized in the "Mineral Reserve and Resources" table. See "Description of Business of the Corporation" on page 8 of this AIF.

Mining Methods

The Magino deposit is amenable to development as an open pit mine. Mining of the deposit is planned to produce a total of 59.0 million tonnes of ore and 232.4 million tonnes of waste (includes low grade material) at a 3.9:1 (waste:ore) overall strip ratio, over a 15-year mine production life (including one year of pre-production). The current life-of-mine plan focuses on achieving consistent ore production rates, and mining of higher value material early in the production schedule, as well as balancing grade and strip ratios. Lower grade material that is above the marginal cut-off but below the operational cut-off is planned to be stockpiled and processed at the end of mine life (Years 14 through 17).

Recovery Methods

Flowsheet development and design criteria were based on the interpretation of metallurgical test work results. The process plant was designed based on a throughput of 10,000 tonnes of ore per day with an average gold head grade of 1.25 g/t and to achieve an overall 92.0% gold recovery.

The process plant flowsheet design utilizes primary jaw crushing followed by a single stage semi-autogenous (SAG) mill for grinding. The SAG mill 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 re-circulated 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 36 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 a split AARL ("**split Anglo**") elution circuit and electrowinning circuits to recover the gold and minor silver. 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 will be washed in a tailings wash thickener to recover cyanide for reuse in the leach circuit and to reduce the amount of residual cyanide that is required to be destroyed during cyanide destruction. The tailings wash thickener overflow will be re-circulated to the process water tank. The tailings thickener underflow will be pumped to the cyanide destruction tanks to reduce the Weak Acid Dissociable ("**WAD**") cyanide concentration to acceptable environmental levels prior to pumping of the plant tailings to the TMF.

Leach thickener overflow, tailings wash thickener overflow, and reclaim water from the TMF will supply the majority of the required process water for the plant. Raw water from Goudreau Lake will be used as makeup 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.

The 10,000 tonne per day process plant will consist of the following unit operations and facilities:

- Run of mine ("**ROM**") material receiving;
- Primary crushing;
- Crushed ore stockpile and reclaim;
- Single stage SAG mill in closed circuit with cyclones and gravity concentration;
- Pre-leach thickening;
- Agitated tank leaching with a residence time of 36 hours;
- Carbon-In-Pulp ("**CIP**") gold recovery;
- Split AARL elution and carbon reactivation;
- Electrowinning;
- Smelting (to gold doré);
- CIP tailings washing and thickening;
- Cyanide destruction (SO_2 / air method);
- Tailings deposition / SO_2 management;
- Raw and process water circuits;
- Reagent preparation facilities; and
- Utilities including air, potable water, fire water etc.

Process equipment has been selected to meet the process duty point derived from the process design criteria. A suitable design factor has been added to the duty requirements to account for the minor process interruptions and the inevitable variability that occurs in an operating plant. For the management of cyanide, the design addresses reagent unloading, storage, handling, containment, and detoxification of cyanide containing process streams. The design approach aligns with the requirements of the International Cyanide Management Code as well as regulatory requirements for dangerous goods. The design also addresses the environmental requirements for the Magino Project. This includes the provision of suitable dust suppression, fume extraction and treatment, discharge stream treatment, and bunding of relevant areas.

Project Infrastructure

The infrastructure for a 10,000 t/d mine and gold processing plant does not currently exist and will need to be developed and built.

The site is accessible by a 14 kilometres all-weather gravel road from Dubreuilville, Ontario, where it connects with provincial highways. Driving time from Wawa to Magino is roughly 1 hour.

There is an existing gravel road from Goudreau to Dubreuilville that passes through the Magino Project site. An 8.2 kilometres public bypass road is planned to be built around the site to maintain the road connection between Dubreuilville and Goudreau.

Power for the site will be supplied by local utility company Algoma Power Incorporated ("**API**"). API owns and operates a 44 kV powerline from Hawk Junction which is currently supplying power to the Magino site, as well as continuing on to the neighbouring operation, the Island Gold Mine owned by Alamos Gold Inc. The existing line does not have sufficient spare capacity for the operation, therefore it will need to be upgraded and duplicated for 28 megawatts ("**MW**").

Both lines will supply up to 28 MW. The calculated Magino Project power requirements are for an average demand of 16 MW.

A complete on-site gold ore processing facility would be constructed and built to support the mining operations and process the mineralized rock into gold-silver doré as described previously. The mine facilities are planned to include explosive and detonator storage in separate locations, a truck shop for mining fleet and auxiliary equipment maintenance, a mine dry, communications systems, emergency services equipment, and bulk fuel storage. The plant site would be equipped with crushing, grinding, processing, gold refining, maintenance, and storage installations. Administration offices, site security, assay lab, and personnel facilities would also be included on site.

Environmental Studies and Permitting

The environmental assessment and permitting for the mine is underway and involves the following:

- Collection of environmental, socio-economic, traditional land use, geologic, and hydrologic baseline information for the site and the region;
- Consultation with Federal and Provincial Government agencies, the public, and several Aboriginal groups on the Project;
- Obtaining environmental approvals for the Project from both the Federal and Provincial Governments;
- Obtaining the necessary permits to construct and operate the mine;

The following steps are required to initiate the provincial environmental approval process and to apply for the required operating permits:

- Submission of a Draft and a Final Environmental Study Report (completed January 2017);
- Completion of a Ministry of Natural Resource ("**MNR**") Class Environmental Assessment ("**EA**") for MNR Resource Stewardship and Facility Development (currently in process); and
- Application and approval of the necessary environmental permits.

Capital and Operating Costs

The capital cost estimate includes the costs required to develop, sustain, and close the operation for a planned 17-year mine life (includes three years of processing low grade material). The construction schedule is based on a 20-month build period, with major construction at site taking place over 24 months. The intended accuracy of this estimate is +/- 15%.

Description	Estimate (US$M)
Mining	42.2
On-Site Development	39.8
Mineral Processing	107.8
Infrastructure	36.0
Project Indirects	24.1
EPCM	30.5
Owner's Cost	12.1
Contingency	28.4
Total Initial Capital	**320.9**
Sustaining Capital	67.3
Closure Cost	16.9
Total Sustaining/Closure Capital	**84.2**
Total Capital Costs	**405.0**

The operating cost estimate in this study includes the costs required to mine, handle and transport ore to the mill, mill and process the ore to doré, general and administrative expenses ("**G&A**"), as well as water treatment plant operating costs.

Description	Estimate (US$M)	Unit Cost (US$/tonne)	Unit Cost (US$/payable oz)
Mining	652.9	11.07	332
Re-handle	11.0	0.19	6
Equipment Lease	44.4	0.75	23
Processing	451.5	7.66	230
G&A	141.5	2.40	72
Refining	9.8	0.17	5
Royalties	1.8	0.03	1
Total Operating Costs	**1313.01**	**22.27**	**669**

3.3.5 Advanced Exploration Stage Projects

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

Cerro del Gallo

The Cerro del Gallo ("**CDG**") project is located in the state of Guanajuato in central Mexico, approximately 270 kilometres northwest of Mexico City, in an active mining district. The property is accessible by road, rail and air services. Additionally, there is availability of a local workforce, grid power, water, sealed roads, equipment suppliers and established transport routes.

A Definitive Feasibility Study ("**DFS**") for the CDG Project was completed in May 2012. The DFS outlines an initial 7.2 year mine life, which could be extended to 14 years through a Second Stage Carbon-in-Leach/Heap Leach mill expansion. The CDG project has been planned as conventional open-pit truck and shovel operation coupled with a 4.5 million tonne per annum processing plant. The flow sheet design is broadly based upon a conventional cyanide heap leach and gold on carbon recovery technologies but will incorporate a SART processing stage to facilitate copper removal prior to gold recovery. The plant design is based on the treatment of both fully and partially oxidized ores, producing an average of 95,000 ounces of gold equivalent annually at estimated cash costs of $700/oz.

For further information on the CDG project, please see historical estimates disclosed in the technical report titled "*First Stage Heap Leach Feasibility Study Cerro del Gallo Gold Silver Project Guanajuato, Mexico*" dated June 29, 2012, prepared by Primero Mining Corp. ("**Primero**") and available at www.sedar.com. Per Primero, the historical Mineral Reserves estimate was completed by Thomas Dyer, P.E., a Qualified Person and the historical Mineral Resources estimate was completed by by Timothy Carew, P. Geo, a Qualified Person pursuant to NI 43-101, in a technical report completed by Sedgman Ltd, Reserva International and Mine Development Associates. The report was reviewed by Brian Arkell, Argonaut's Vice President, Exploration and a Qualified Person under NI 43-101 on behalf of the Corporation, who has concluded that it continues to be relevant and reliable as a basis for understanding the potential Mineral Reserves and Mineral Resources at the property. To the best of Argonaut's knowledge, information and belief, there is no new material, scientific or technical information that would make the disclosure of the Mineral Reserves and Mineral Resources inaccurate or misleading. Argonaut has not done sufficient work to classify the historical estimate as current Mineral Reserves and Mineral Resources and is not treating the historical estimate as current Mineral Reserves and Mineral Resources. Argonaut plans to complete metallurgical test work and re-log the available drill core to update the Mineral Resource model and verify or update the historical work to support the development of a current estimate.

3.3.6 Exploration Stage Projects

Ontario, Canada Projects

Hardrock East

The Hardrock East Gold Project consists of a land package totaling approximately 200 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 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 resource estimate on the Milestone target. The resultant 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. In 2015, Argonaut acquired 100 % of the Hardrock East property.

Durango, Mexico Project

La Fortuna

During the second quarter of 2016, the Corporation and Minera Alamos entered into an agreement whereby Minera Alamos can earn a 100% interest in the La Fortuna project, totaling 994 hectares located in the Sierra Madre Mountains near the western border of Durango State, Mexico, by making an initial payment of $750,000 with a second payment nine months later. Upon a production decision, Minera Alamos is required to make a third payment of $1 million. If Minera Alamos does not make a production decision within 24 months from the signing date of the agreement, it is required to pay Argonaut $200,000 every six months with these payments going toward the $1 million production decision payment. At December 31, 2017, Minera Alamos continues to advance the project and it is believed that it will maintain the payment schedule. Argonaut will retain a 2.5% NSR on production up to a maximum of $4.5 million.

Sonora, Mexico Project

Glor

The Glor concession is a grass roots exploration target located in Northern Sonora, Mexico. The concession totals 3,613 hectares and is under option to Riverside Resources Inc. ("**Riverside**"). Riverside can earn a 100% interest in the project by contributing $2.5 million in field related expenses and making payments totaling $162,500 over five years, effective November 2014. At December 31, 2017, Riverside has kept up on payments and work commitments. Argonaut will retain a 1% NSR.

3.2.7 Royalties

El Compa

The El Compa project, located in Sonora, Mexico, is an advanced stage exploration target hosting high grade gold on narrow structures owned by San Marcos Resources Inc. ("**San Marcos**"). Argonaut has a 1% NSR on the project, half of which San Marcos 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 the project generates an after-tax net present value at an 8% discount rate of $1.8 billion and provides 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, or in

documents incorporated herein by reference, 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).

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. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange 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 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, reserve calculations and life-of-mine 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 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.

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 life-of-mine 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 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 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 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. 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 reserves, convert resources into reserves, develop its resource base through the realization of identified mineralized potential, and/or undertake successful exploration or acquire new 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 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 reserve or 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 reserve estimates from time to time or may render the Corporation's reserves uneconomic to exploit. Reserve data are not indicative of future results of operations. If the Corporation's actual Mineral Reserves and Resources are less than current estimates or if the Corporation fails to develop its resource base through the realization of identified mineralized potential, its results of operations or financial condition may be materially and adversely affected. Evaluation of reserves and resources occurs from time to time and they may change depending on further geological interpretation, drilling results and metal prices. The category of inferred resource is the least reliable resource category and is subject to the most variability. The Corporation will regularly evaluate its resources and reserves and will determine the merits of increasing the reliability of its overall resources.

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. 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 San Antonio Project from SEMARNAT, the Mexican Environmental Authority.

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.

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 San Antonio Project in Mexico, 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, may not obtain the capital required by other means and failure to raise capital when needed 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 Common Shares 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 status as a new enterprise with a limited history, 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. 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.

The Revolving Credit Facility may present certain risks to the Corporation

The Corporation's Revolving 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.

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 Revolving Credit Facility is secured by all of the Corporation's assets, a realization by the lenders thereunder of any or all of the security will 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 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.

Operational Risks

In addition, 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 gold including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failure and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing 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, areas which may result in environmental pollution and consequent liability.

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: 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 Costs

Changes in the Corporation's production costs could have a major impact on its profitability. Its main production expenses are contractor costs, materials, 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, a change in commodity prices, increased costs and scarcity of labour, and could result in changes in profitability or 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, could have a material adverse effect on the Corporation's results of operations or financial condition.

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.

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 there under, 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.

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.

Local Legal, Political and Economic Factors

The Corporation's operations are primarily conducted in foreign jurisdictions 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: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, 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.

Exploration, development and production activities are primarily in Mexico in which the legal system is different from Canada or the United States. Doing business in foreign jurisdictions 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, 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 right 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 right 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 occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Corporation's operations or profitability.

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 continues, this may result in increased costs at some of the Corporation’s operations.

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.

Unsettled First Nations Rights

There is uncertainty related to unsettled First Nations rights and title in Ontario and this may create delays in Magino Project approval or interruptions in project progress. There is no assurance that we will not face material adverse consequences because of the legal and factual uncertainties inherent with First Nations rights, title claims and consultation.

The nature and extent of First Nation rights and title remains the subject of active debate, claims and litigation in Canada. The Magino Project lies within traditional First Nation 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 project approval or unexpected interruptions in project progress, 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 group.

Governmental Regulation of the Mining Industry

The mineral exploration 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 currently 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.

Foreign Subsidiaries

The Corporation is a holding company that conducts operations through 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 Corporation 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 Corporation's valuation and stock price.

Operations in Mexico

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

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 foreign countries. 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 Baja California Sur, where the San Antonio Project is located, to foreign investment and mining has been favourable; however, investors should assess the political risks of investing in a foreign country. 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. These risks may limit or disrupt the Corporation's operations, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

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 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.

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 United States 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 United States Dollar, would increase the costs of gold production at properties located in those jurisdictions, which could materially and adversely affect the Corporation's earnings and financial condition.

Title to Properties

The Corporation presently holds all necessary licenses and permits required to carry on with activities in relation to El Castillo and La Colorada. The Corporation is compliant under applicable laws and regulations in all material respects with the terms of such licenses and permits. 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 of the foreign jurisdictions where 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.

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.

Safety and Security

The Corporation owns properties in the states of Durango, Sonora, Guanajuato 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, in 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.

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 includes 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.

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.

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. The Corporation is committed to operating in a socially responsible manner. However, there is no guarantee its projects will be accepted by the communities in which they are located.

Contractors

A significant amount of the construction and operations is 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 following regulatory requirements; or inability to replace the contractor in a timely manner if either party cancels the contract.

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.

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.

Contract Renegotiation

The Corporation has contracts that provide access to projects and construction and operation of the mine. 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.

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 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 (including environmental permits), an Absorption, Desorption and Recovery plant, the conveyors to move the ore, mining equipment and other operational elements that have to be factored in. Any delay in 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. Any of the foregoing factors could adversely impact the operations and financial condition of the Corporation.

Volatility of Market for Common Shares

The market price of the Common Shares 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 Common Shares 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, reserve discoveries or other business initiatives by competitors, (iii) fluctuations in revenue from gold operations as new 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; and (vi) changes in the social, political and/or legal climate in the regions in which the Corporation operates. In addition, the market price of the Common Shares 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, exchange rates and the availability of capital in the capital markets, and (g) significant sales of the Corporation's common stock, 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 Common Shares 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 ("**MJDS**") adopted by the United States and Canada. Subsequently, in 2011 the Corporation deregistered with the 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

No evaluation can provide complete assurance that the Corporation's internal control over financial reporting 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 will increase and will require that the Corporation continue to improve its internal control over financial reporting. 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 Section 404 of the Sarbanes-Oxley Act of 2002 in the United States.

Acquisitions and Integration

The Corporation's business plan focuses on international exploration and production opportunities, currently in Mexico and Canada, 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 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.

Risk Management

Gold exploration and development 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. 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 Common Shares or securities convertible into Common Shares. The constituting documents of the Corporation will allow it to issue, among other things, an unlimited number of Common Shares 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 Common Shares or securities convertible into Common Shares or the effect, if any, that future issues and sales of the Common Shares will have on the price of the Common Shares cannot be predicted at this time. Any transaction involving the issue of previously authorized but unissued Common Shares or securities convertible into Common Shares 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, increases in estimated future costs of production, increases in estimated future capital costs and reductions in the amount of recoverable reserves and resources 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 material 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, operating costs and capital 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 and development 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, almost all 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.

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 cyber security 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 security 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. As the date of this AIF, the Corporation does not maintain insurance coverage relating to cybersecurity risks, and 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.

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 ensure that there are sufficient committed loan facilities to meet its business. If such increased levels of volatility and market turmoil continue, the operations of the Corporation could be adversely impacted and the trading price of Common Shares may be adversely affected.

Foreign Corrupt Practices and Anti-Bribery Legislation

Our 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.

We operate 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 antibribery 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.

Our 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 our internal control policies and procedures will always protect us from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by our 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 our reputation, which could have a material adverse effect on our business, financial position and results of operations or cause the market value of our shares to decline. We may face disruption in our permitting, exploration or other activities resulting from our refusal to make "facilitation payments" in certain jurisdictions where such payments are otherwise prevalent.

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 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, 2017, the Corporation had 177,227,773 Common Shares issued and outstanding and 3,916,985 stock options and 641,345 restricted share units granted and outstanding, each entitling the holder to acquire one common share.

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

As at December 31, 2017, the Corporation had a total of 3,916,985 options outstanding. Upon the acquisition of Prodigy Gold on December 11, 2012, 16,466,000 outstanding options of Prodigy were converted to 1,715,899 options of Argonaut on a basis of 0.10421 Argonaut options for each Prodigy option. These converted Prodigy options were exercisable over various periods until August 2017 at exercise prices ranging from CA\$2.79 to CA\$8.35. In 2017, none of these options were exercised. The remaining 674,749 options expired and there are no more outstanding converted Prodigy options. Upon the acquisition of Pediment Gold on January 27, 2011, the outstanding options of Pediment converted to options of Argonaut. These options were exercisable up to March 2015 at an exercise price of CA\$2.24. In 2015, the remaining converted Pediment options expired and there are no more outstanding converted Pediment options. At December 31, 2017, all 3,916,985 of the options outstanding were issued under the Argonaut Share Incentive Plan 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 2017, a total of 904,799 options were granted to certain officers, directors, key employees and consultants of the Corporation under the share incentive plan, 479,676 options were exercised and 1,795,466 options were cancelled.

Restricted Shares

During 2017, the Board approved for grant awards of 751,355 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, 2017, (i) 746,477 restricted Common Shares, and (ii) 641,345 restricted share units were outstanding but unvested.

7 MARKET FOR SECURITIES

Price Range and Trading Volume of Common Shares and Warrants

The Common Shares of Argonaut 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 of Argonaut and aggregate trading volumes on a monthly basis as reported by the TSX for the most recently completed financial year, respectively.

Common Shares

The following table sets forth the volume of trading and price ranges for each month for the Common Shares on the TSX during the period from January 1, 2017 to December 31, 2017. The Common Shares closed at CA$2.40 on the last trading day of the year ended December 31, 2017.

	High (CA$)	Low (CA$)	Average Daily Volume (Number of Shares)
January	2.98	2.13	1,002,633
February	2.85	2.07	1,128,374
March	2.52	1.85	1,336,657
April	2.55	2.05	1,295,879
May	2.24	1.87	946,991
June	2.47	1.76	1,913,800
July	2.53	2.14	672,365
August	2.92	2.09	532,532
September	2.91	2.30	537,415
October	2.78	2.27	347,757
November	2.64	2.13	373,036
December	2.55	2.13	415,116

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:

Date of Grant/Issuance	Price per Security (CA$)	Number of Securities Issued
Stock options granted		
January 31, 2017	2.47	1,553,209

May 12, 2017	2.04	37,330
August 15, 2017	2.37	20,238
Restricted share units granted		
January 31, 2017	2.47	705,978
May 12, 2017	2.04	29,248
August 15, 2017	2.37	16,129

Common Shares issued on exercise of Options	Price per Security (CA$)	Number of Securities Issued
February 10, 2017[1]	1.54	140,808
March 31, 2017	1.10	39,240
August 22, 2017	1.48	54,337
September 7, 2017	2.56	46,589
September 21, 2017	1.10	196,202
November 29, 2017	2.21	2,500

(1) Options exercised by individuals who ceased to be insiders of the Corporation on November 1, 2016 and January 31, 2017.

This table does not include the 18,750,000 shares issued in connection with the 2017 equity financing. See *"Three Year History – 2017"*.

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 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]
Restricted Common Shares	141,381 [2]	0.10	February 3, 2015
Restricted Common Shares	2,334 [3]	0.00	June 29, 2015
Restricted Common Shares	443,360[4]	0.32	February 5, 2016
Restricted Common Shares	159,402 [5]	0.11	May 6, 2016
Restricted Share Units	5,957 [6]	0.00	August 16, 2016
Restricted Share Units	10,400 [7]	0.01	November 8, 2016
Restricted Share Units	579,611 [8]	0.42	January 31, 2017
Restricted Share Units	29,248 [9]	0.02	May 12, 2017
Restricted Share Units	16,129 [10]	0.01	August 15, 2017

(1) The restricted shares and restricted share units vest one-third per year over three years.

(2) Restriction on Common Shares ends on February 3, 2018.

(3) Restriction on Common Shares ends on June 29, 2018.

(4) Restriction on 1/2 of Common Shares ends on each of February 5, 2018 and 2019, respectively.

(5) Restriction on 1/2 of Common Shares ends on each of May 6, 2018 and 2019, respectively.

(6) Restriction on 1/2 of Common Shares ends on each of August 16, 2018 and 2019, respectively.

(7) Restriction on 1/2 of Common Shares ends on each of November 8, 2018 and 2019, respectively.

(8) Restriction on 1/3 of Common Shares ends on each of January 31, 2018, 2019 and 2020, respectively.

(9) Restriction on 1/3 of Common Shares ends on each of May 12, 2018, 2019 and 2020, respectively.

(8) Restriction on 1/3 of Common Shares ends on each of August 15, 2018, 2019 and 2020, 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 directors 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, 2017, 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.

Name and Municipality of Residence	Position	Work Experience	Since
James E. Kofman(1) Ontario, Canada	Director (Chairman)	Vice-Chairman, Cormark Securities Inc.; Chairman & CEO, Zenn Motor Corporation; President, JEK Capital Advice; Vice Chairman, UBS Securities Canada Inc.	January 12, 2010
Christopher R. Lattanzi Ontario, Canada	Director	Mining Engineer, Consultant; Director, Teranga Gold Corporation, Spanish Mountain Gold Ltd.	December 30, 2009
Dale C. Peniuk British Columbia, Canada	Director	CPA CA (Chartered Accountant) and Corporate Director of a number of publicly traded companies (currently Lundin Mining Corporation, Capstone Mining Corp. and Miramont Resources Corp. in addition to the Corporation); formerly Assurance Partner, KPMG LLP	December 30, 2009
Peter Mordaunt Arizona, United States	Director	Professional GeoScientist; Director of Ethos Gold Corp.; Director of Chakana Copper Corp.; Director of Lipari Energy, Inc.	January 27, 2011
Audra B. Walsh(2) Seville, Spain	Director	CEO, Minas de Aguas Tenidas S.A.U; Director, Orvana Minerals Corp.; President & CEO A2Z Mining Inc.; President & CEO, Sierra Metals Inc.; President & CEO, Minera S.A.	April 6, 2016
Ian Atkinson(3) Texas, United States	Director	Director, Kinross Gold Corporation and Globex Mining Enterprises Inc.; Director, President & CEO, Centerra Gold Inc.	May 3, 2016
Peter C. Dougherty Nevada, United States	President & Chief Executive Officer and Director	President and Chief Executive Officer, Argonaut; Vice-President Finance, CFO, and Corporate Secretary, Meridian Gold Inc.	December 30, 2009
David A. Ponczoch Nevada, United States	Chief Financial Officer and Corporate Secretary	Chief Financial Officer, Argonaut; Chief Financial Officer, Twin Metals Minnesota; Regional Finance Director, Yamana Gold Inc.	November 15, 2013
William Zisch Colorado, United States	Chief Operating Officer	Chief Operating Officer, Argonaut; President & CEO, Midway Gold; Vice President, Operations, Royal Gold	November 3, 2016

Name and Municipality of Residence	Position	Work Experience	Since
		Inc.; Operations Manager, Vice President, African Operations, and Vice President, Planning, Newmont Mining Company	
W. Robert Rose Nevada, United States	Vice President of Technical Services	Vice President of Technical Services, Argonaut; Chief Operating Officer, Andina Minerals; Senior Engineer/Project Manager, Kappes, Cassiday & Associates	April 15, 2013
Daniel A. Symons Ontario, Canada	Vice President, Investor Relations	Vice President, Investor Relations, Argonaut; Vice President, Business Development & Investor Relations, Romarco Minerals Inc.; Account Manager, Renmark Financial Communications Inc.	April 1, 2016

(1) Mr. Kofman was appointed to 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) Mrs. Walsh was appointed to the Board of the Corporation on April 6, 2016. Mrs. Walsh's principal occupation is CEO of Minas de Aguas Tenidas S.A.U

(3) Mr. Atkinson was appointed to the Board of the Corporation on May 3, 2016.

As of December 31, 2017, 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), Lattanzi, Atkinson and Mme. Walsh. The Nominating, Compensation and Governance Committee is comprised of Messrs. Lattanzi (Chair), Kofman, Mordaunt and Peniuk. The Safety, Health, Environment, Sustainability and Technical Committee is comprised of Messrs. Mordaunt (Chair), Kofman, Atkinson and Mme. Walsh.

As at December 31, 2017, the directors and officers of the Corporation as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 6,823,372 Common Shares, representing approximately 3.9% 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.

Except as set forth below, 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, become 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, receive 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. Zisch was the Chief Executive Officer of Midway Gold Corp. from December 2014 to November 2016. On June 22, 2015, Midway Gold US Inc. and certain of its direct and indirect subsidiaries (collectively, the "**Debtors**") filed voluntary petitions for relief under chapter 11 of the *U.S. Bankruptcy Code* in the United States Bankruptcy Court for the District of Colorado (the "**Bankruptcy Court**") and assigned Jointly Administered Case No. 15-15-16835 MER (the "**Bankruptcy Case**"). The Debtors also sought ancillary relief in Canada under the *Companies' Creditors Arrangement Act* (Canada) in the Supreme Court of British Columbia. The Debtors sold substantially all of their operating assets during the Bankruptcy Case. On November 15, 2017, the Bankruptcy Court entered an order confirming the Debtors' Revised Second Amended Plan of Liquidation (the "**Plan**"). The Plan provides the manner in which all claims and interests against the Debtors will be treated and any remaining assets administered. The Plan created a Liquidating Trust to which all remaining assets were transferred. The Plan went effective on December 6, 2017.

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 *Business Corporations Act* (Ontario). 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.

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), Lattanzi, Atkinson and Mme. 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. and Miramont Resources Corp. 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 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 CA designation from 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. Lattanzi is a mining engineer with nearly 50 years of experience in the mineral industry, initially in the planning and supervision of mining operations and, since 1969, as a consultant. He was president of Micon International Limited, an independent mineral consultancy, from its founding in 1988 until 2005.

Ms. Walsh is a Professional Engineer with more than 20 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.

Mr. Atkinson is a Professional Geologist with over 40 years of experience in the mining industry. Mr. Atkinson has 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 and Globex Mining Enterprises Inc. 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.

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

PwC was appointed auditors of the Corporation on December 30, 2009. The aggregate fees billed by PwC are reflected below.

Service Billed*	2017	2016
Audit Fees(1)	$166,349	$ 165,774
Audit-Related Fees(2)	$62,939	35,790
Tax Fees(3)	$1,245	16,232
Other Services(4)	$17,088	6,244
Total	$247,621	$ 224,040

* Services billed during the year reflect the aggregate fees billed by PwC, 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.

(4) Other Services refers to the aggregate fees billed for products and services, other than the services comprising the fees disclosed under Audit Fees, Audit-Related Fees or Tax Fees.

10 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than as set forth below, the Corporation was not, during 2017, 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.

On August 2, 2012, SEMARNAT denied the authorization for an Environmental Impact Assessment for the Corporation's San Antonio Project. The Corporation's wholly-owned subsidiary, CMP, issued a protective order against the ruling. This protective order was filed with the 9th Circuit Court and was assigned case number 10/11/2012. The order named a number of officials and agencies relevant to the permitting. On January 10, 2014, a constitutional hearing was convened by the 9th Circuit Court, denying the protective order to CMP. In this sense and in order to challenge such resolution, CMP submitted a remedy of appeal, which was assigned case number 132/2014 before the 18th Collegiate Tribunal. On July 28, 2016, the Corporation announced a favourable ruling in a federal lawsuit relating to its San Antonio Project and on December 16, 2016 the Corporation was denied its environmental permit for the San Antonio Project, as the SEMARNAT requested additional information on the project.

During 2017, the San Antonio Project continued with a legal process to obtain its environmental permit ("**MIA**"). The Corporation’s legal advisors advised that not all elements had been considered in the 2016 resolution. On February 13, 2017, the 9th District Judge determined SEMARNAT had complied with the 2016 resolution as published in document S.G.P.A./D.G.I.R.A/DG/09514. On March 7, 2017, the Corporation presented a complaint recourse against the resolution of February 13, 2017, which was admitted at the XVIII Tribunal; however, on October 16, 2017, the Tribunal declared the complaint was unfounded. Through this, the Corporation reached the end of this legal process to obtain approval of the MIA submitted in 2011. In light of this, the Corporation will continue to pursue its permitting through a new filing for the San Antonio Project.

The Corporation's subsidiaries in Mexico filed a challenge on constitutional grounds regarding the 2014 law which introduced a 7.5% tax on EBITDA of production mining companies and an additional 0.5% royalty on gold, silver and platinum revenues. The legal remedy is still pending of decision.

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, located at 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada, V6C 3S7.

13 MATERIAL CONTRACTS

On February 27, 2017, the Corporation entered into the 2017 Underwriting Agreement. See *"Three Year History – 2017"*.

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:

- *John Tinucci, PhD, P.E., ISRM, Bret C. Swanson, BEng Mining, MAusIMM, MMSAQP, Eric J. Olin, MSc Metallurgy, MBA, SME-RM, MAusIMM, Jeff Osborn, BEng Mining, MMSAQP, Mark Allan Willow, MSc, CEM, SME-RM, of SRK Consulting (U.S.), Inc., and Michael Lechner, PGeo, of Resource Modeling Inc. in respect of the El Castillo Complex Technical Report;*

- *John Tinucci, PhD, P.E., ISRM, Bret C. Swanson, BEng Mining, MAusIMM, MMSAQP, Eric J. Olin, MSc Metallurgy, MBA, SME-RM, MAusIMM, Jeff Osborn, BEng Mining, MMSAQP, Mark Allan Willow, MSc, CEM, SME-RM, of SRK Consulting (U.S.), Inc., and Michael Lechner, PGeo, of Resource Modeling Inc.in respect of La Colorada Technical Report;*

- *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;*

- *Michael Makarenko, P.Eng., JDS Energy & Mining Inc., Dino Pilotto, P.Eng., JDS Energy & Mining Inc., Michael Lechner, P. Geo., Resource Modeling Inc., Luiz Cruz, P. Eng., Golder Associates, Sindy Cheng, P. Eng., Lycopodium Minerals Canada Ltd. and Ian Hutchison, PhD, PE, SLR Consulting Ltd, in respect of the Magino 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 our financial statements for the year ended December 31, 2017 dated February 22, 2018. PricewaterhouseCoopers LLP has advised us that they are independent with respect to us in accordance with the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

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 February 22, 2018

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.

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.

MEMBERSHIP QUALIFICATIONS

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**").

Members of the Committee shall be appointed by 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 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.

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.

The Board shall designate, based on the recommendation of the Committee, one member of the Committee as its chairperson. In the event of a tie vote on any issue, the chairperson's vote shall decide the issue.

COMMITTEE 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 of the 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 should meet separately at least quarterly 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.

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.

DUTIES AND RESPONSIBILITIES

The role, duties and responsibility of the Committee shall be:

(a) to 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 and to recommend whether such documents should be approved by the Board of Directors before the Corporation publicly discloses this information;

(b) to recommend to the Board of Directors to appoint, retain and terminate the independent auditors (subject, if applicable, to shareholder approval), to approve all audit and interim review engagement fees and terms, and to review all compensation to be paid to the independent auditors;

(c) to oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;

(d) to pre-approve, or adopt appropriate procedures to pre-approve, and to monitor all non-audit services to be provided by the independent auditors;

(e) to 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);

(f) to 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;

(g) to 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;

(h) to resolve any disagreements between management and the independent auditors regarding financial reporting by the Corporation;

(i) to review and evaluate the qualifications, performance and independence of the lead audit partner of the independent auditors;

(j) to 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;

(k) to take into account the opinions of management and the persons responsible for the internal audit function in assessing the independent auditors' qualifications, performance and independence;

(l) to instruct the independent auditors that the independent auditors are ultimately accountable to the Board and the Committee, as representatives of the shareholders; and

with respect to the internal audit function,

(m) to review the appointment and replacement of the person with principal responsibility for the internal audit function when applicable;

(n) to advise 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; and

with respect to financial reporting principles and policies and internal audit controls and procedures,

(o) to advise management, the persons 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;

(p) to meet with management, the persons 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 ";

(q) to consider any reports or communications (and management's responses thereto) submitted to the Committee by the independent auditors required by applicable auditing standards;

(r) to discuss internal controls with the Corporation's chief executive officer and chief financial officer;

(s) to 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 to discuss major financial risk exposures and the steps management has taken to monitor and control such exposures;

(t) to undertake, from time to time, a review of any balance sheet or income statement item to gain understanding and comfort with accounting, cash management, and policies of the Corporation;

(u) to obtain from the independent auditors assurance that the audit was conducted in a manner consistent with applicable generally accepted auditing standards;

(v) to 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;

(w) to discuss earnings press releases;

(x) to establish 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;

(y) to recommend to the Board candidates for appointment, as applicable, as, the Controller and Chief Accounting Officer, and Vice-President, Finance and Chief Financial Officer;

(z) to establish hiring policies for employees or former employees of the independent auditors; and

(aa) to review all related party transactions.

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) an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this Charter. The performance evaluation should also recommend to the Board any improvements to this Charter deemed necessary or desirable by the Committee. The performance evaluation shall be conducted in such manner as the Committee deems appropriate. The report to the Board may take the form of a verbal report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report; and

(c) 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.

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.