ARGONAUT GOLD

ANNUAL INFORMATION FORM

For the Financial Year Ended December 31, 2019

March 25, 2020

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IN THIS ANNUAL INFORMATION FORM, UNLESS THE CONTEXT OTHERWISE REQUIRES, THE "CORPORATION" OR "ARGONAUT" REFERS TO ARGONAUT GOLD INC. AND ITS SUBSIDIARIES. ALL INFORMATION CONTAINED HEREIN IS AS OF DECEMBER 31, 2019, UNLESS OTHERWISE STATED.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

When used in this AIF, the words "estimate", "plan", "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 and silver, the market and global demand for gold and silver, the estimation of the Mineral Reserves and Mineral Resources, the realization of Mineral Reserve and Mineral Resource estimates, the timing and amount of estimated future production, costs of production, expansion of production capabilities, 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, unless required under applicable laws. This forward-looking information should not be relied upon as representing management's views as of any date subsequent to the date of this AIF.

CURRENCY

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

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

	Year ended December 31 ($)		
	2019	**2018**	**2017**
High	0.7699	0.8138	0.8245
Low	0.7353	0.7330	0.7276
Period End	0.7699	0.7330	0.7971
Average	0.7537	0.7721	0.7708

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

	Year ended December 31 ($)		
	2019	**2018**	**2017**
High	20.1253	20.7160	21.9076
Low	18.7719	17.9787	17.4937
Period End	18.8727	19.6829	19.6629
Average	19.2618	19.2380	18.9066

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

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

- El Castillo 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**").

- Cerro del Gallo project in the State of Guanjuato, Mexico (the "**Cerro del Gallo Project**"): technical report titled "*Pre-Feasibility Study NI 43-101 Technical Report Cerro del Gallo Heap Leach Project Guanjuato, Mexico*", dated January 31, 2020 (effective date of October 24, 2019), prepared by Carl Defilippi, M.Sc. C.E.M., SME of Kappes Cassiday & Associates, Thomas Dyer, P.E. of Mine Development Associates, Todd Minard, P.E. of Golder Associates Inc., Brian Arkell, CPG and Neb Zurkic, CPG (the "**Cerro del Gallo Technical Report**").

- 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**").

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

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

Where appropriate, certain information contained in this AIF updates information derived from the technical reports. Any updates to the technical information derived from such technical reports and any other technical information contained in this AIF was prepared by or under the supervision of Brian Arkell, the Corporation's Vice President, Exploration 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 Cerro del Gallo 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 assumptions and qualifications contained in the Disclosure Documents.

1 CORPORATION PROFILE AND CORPORATE STRUCTURE

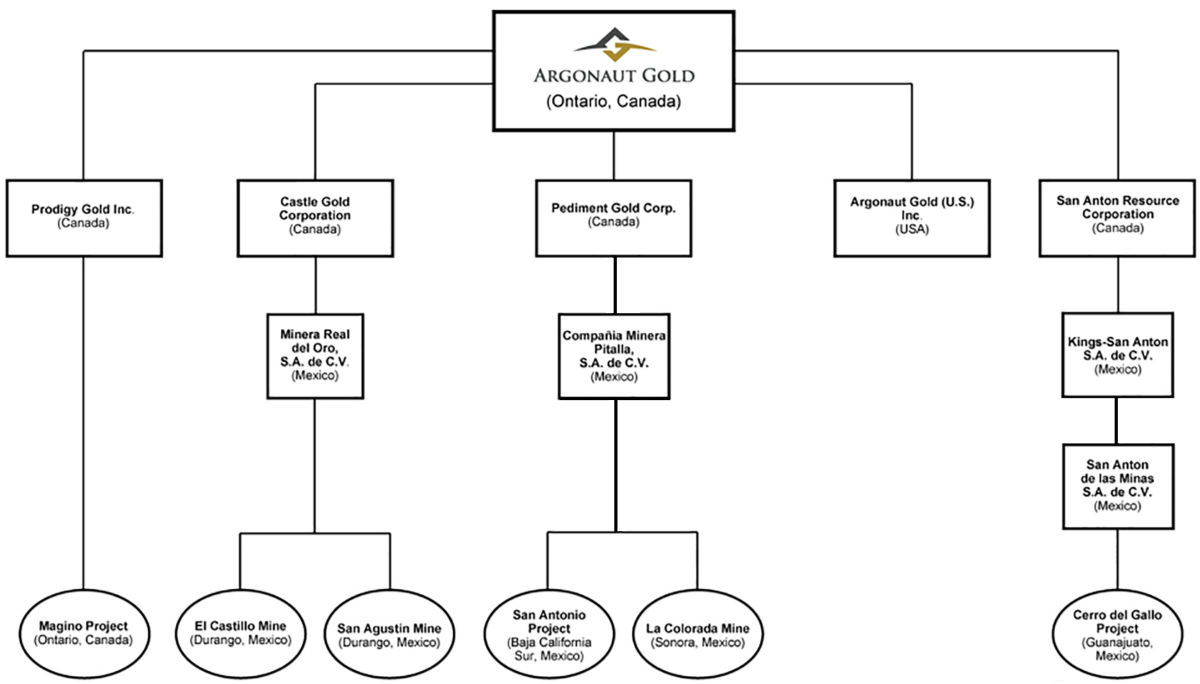
1.1 Name, Address and Incorporation

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

1.2 Corporate Structure

As at March 25, 2020, the corporate structure of Argonaut is as follows:

<u>**Figure 1**</u>:



Note: All subsidiaries are 100% owned by Argonaut Gold.

2 GENERAL DEVELOPMENT OF THE BUSINESS

2.1 THREE YEAR HISTORY

2019

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

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

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

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

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

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

In December, SEMARNAT issued a ruling to not approve the combined Environmental Impact Assessment, Environmental Risk Assessment and Change in Use of Soil for the Cerro del Gallo Project.

2018

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 ("**LOM**") 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.

In April 2018, the La Colorada Mine had its permit for the use of explosives at the site temporarily suspended as a result of a pending legal action brought by four individuals against the Secretary of National Defense and the Municipality of La Colorada. Operations at the La Colorada Mine continued utilizing free-dig material in the pit and low-grade stockpiles until the Collegiate Tribunal (Supreme Court) unanimously ruled to reinstate the explosives permit on June 29, 2018.

On February 21, 2018, Argonaut entered into an amended and restated credit agreement, which amended and restated the existing credit facility. This agreement provides for a $50 million revolving credit facility with the ability to increase the total commitment to $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 bears interest of the London Interbank Offered Rate plus 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 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. On February 23, 2017, the Corporation acquired the San Juan mineral concession adjacent to the El Castillo mine from a wholly-owned subsidiary of Fresnillo plc ("**El Aguila**") pursuant to a purchase and sale agreement dated February 23, 2017 between El Aguila and Minera Real del Oro S.A. de C.V., a wholly-owned subsidiary of Argonaut, for total consideration of $26 million.

Between March 2017 and September 2017, 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 added 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 during the second half of 2017 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, during the fourth quarter of 2017. Through exploration in and around the El Crestón pit, the Corporation added approximately one additional 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.

3 DESCRIPTION OF THE BUSINESS OF THE CORPORATION

3.1 General

Argonaut is a mining company engaged in the exploration, development and production of gold and, to a lesser extent, silver. As of March 25, 2020, the Corporation's primary assets are the El Castillo Complex, the La Colorada Mine, the Cerro del Gallo Project and the Magino Project, as described in more detail below under the heading *"Material Mineral Properties"*. The Corporation also holds the San Antonio property, an advanced exploration project, as well as several early stage exploration projects, all of which are located in North America.

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

The Corporation owns 100% of the El Castillo Mine and the San Agustin Mine (which, together form the El Castillo Complex), 100% of the La Colorada Mine, 100% of the Cerro del Gallo Project and 100% of the San Antonio Project as its foreign operations in Mexico. Any changes in regulations or shifts in political attitudes in Mexico are beyond the 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, 2019, the Corporation had 653 employees and 844 contractors.

The following table shows the gold and silver Mineral Resources and Mineral Reserves at December 31, 2019. **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. Measured and Indicated Mineral Resources listed below are inclusive of Mineral Reserves.**

Mineral Reserves and Mineral Resources[1]

MINERAL RESERVES	PROVEN & PROBABLE							
Project	Category	Tonnes (Millions)	Au Grade (g/t)	Contained Au Ounces (000s)	Ag Grade (g/t)	Contained Ag Ounces (000s)	Cu Grade (% Cu)	Contained Tonnes Cu (000s)
El Castillo[2]	Proven	1.1	0.60	21				
El Castillo[2]	Probable	18.4	0.37	220				
San Agustin [2]	Probable	44.3	0.29	418	12.3	17,536		
El Castillo Complex[2]	**Proven & Probable**	**63.8**	**0.32**	**659**	**12.3**	**17,536**		
La Colorada[3]	**Probable**	**19.8**	**0.59**	**375**	**8.75**	**5,572**		
Cerro del Gallo[4]	Proven	70.4	0.59	1,326	13.7	31,088	0.10	67,691
Cerro del Gallo[4]	Probable	21.3	0.46	313	11.7	8,012	0.08	17,821
Cerro del Gallo[4]	**Proven & Probable**	**91.8**	**0.56**	**1,638**	**13.3**	**39,100**	**0.09**	**85,782**
Magino[5]	Proven	24.2	1.03	804				
Magino[5]	Probable	34.7	1.19	1,332				
Magino[5]	**Proven & Probable**	**58.9**	**0.56**	**2,136**				
Consolidated Mineral Reserves	**Proven & Probable**	**234.3**	**0.64**	**4,808**	**N/A**	**62,208**	**N/A**	**85,782**
MINERAL RESOURCES	**MEASURED & INDICATED** ("M&I")							
El Castillo[6]	M&I	36.4	0.35	409				
San Agustin[6]	Indicated	72.1	0.27	638	10.4	24,106		
El Castillo Complex[6]	**M&I**	**108.5**	**0.30**	**1,047**	**10.4**	**24,106**		
La Colorada[7]	Indicated	30.9	0.56	555	8.4	8,334		
Cerro del Gallo[8]	M&I	201.9	0.44	2,864	12.2	79,103	0.09	187,100
San Antonio[9]	M&I	65.0	0.86	1,735				

Magino[10]	M&I	144.0	0.91	4,197				
Consolidated Mineral Resources	**Measured & Indicated**	**550.2**	**0.59**	**10,388**	**N/A**	**111,543**	**N/A**	**187,100**
Measured and indicated Mineral Resources are inclusive of Mineral Reserves								
MINERAL RESOURCES	**INFERRED**							
El Castillo[6]	Inferred	0.7	0.35	8				
San Agustin[6]	Inferred	3.8	0.29	36	12.1	833		
El Castillo Complex[6]	**Inferred**	**4.6**	**0.30**	**44**	**12.1**	**833**		
La Colorada[7]	Inferred	4.3	0.65	90	11.1	1,541		
Cerro del Gallo[8]	Inferred	5.1	0.43	71	11.9	1,947	0.06	1
San Antonio[9]	Inferred	6.2	0.34	67				
Magino[10]	Inferred	33.2	0.83	886				
Consolidated Mineral Resources	**Inferred**	**53.4**	**0.67**	**1,158**	**11.6**	**4,321**		

(1) Mineral Reserves and Mineral Resources have been estimated as at December 31, 2019 in accordance with NI 43-101 as required by Canadian securities regulatory authorities. Mineral Resources are presented inclusive of Mineral Reserves. Numbers may not sum due to rounding.

(2) The Mineral Reserves for El Castillo and San Agustin, which together form the El Castillo Complex, set out in the above table are based on updated models, mine plans and topography, including depletion through mining activities and changes to recovery and cost assumptions as of December 31, 2019. El Castillo used a gold price of $1,450 per ounce; San Agustin used a gold price of $1,350 per ounce and silver price of $16.75 per ounce. Cut-off grades for El Castillo range from 0.10 g/t Au to 0.71 g/t Au depending on ore type; cut-off grades at San Agustin range from 0.11 g/t gold equivalent ("AuEQ") to 0.25 g/t AuEQ depending on ore type.

(3) The Mineral Reserves for La Colorada set out in the above table are based on updated models, mine plans and topography as well as updated recoveries and cost assumptions as of December 31, 2019. La Colorada used a gold price of $1,350 per ounce and a silver price of $16.75 per ounce. Cut-off grade for La Colorada was 0.13 g/t AuEQ.

(4) The Mineral Reserves for Cerro del Gallo set out in the table above were taken from the Cerro del Gallo Technical Report. The Mineral Reserves were estimated at a gold price of $1,200 per ounce and a silver price of $14.50 per ounce. The Mineral Reserves used a gold cutoff grade of between 0.30 g/t AuEQ and 0.39 g/t AuEQ depending on ore type.

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

(6) The M&I Mineral Resources and Inferred Mineral Resources for El Castillo and San Agustin, which together form the El Castillo Complex, set out in the above table were based on pit cones using $1,600 per ounce gold and $19.75 per ounce silver. Cut-off grades range from 0.08 g/t Au to 0.62 g/t Au for El Castillo and 0.11 to 0.25 g/t AuEQ for San Agustin, depending on ore type.

(7) The M&I Mineral Resources and Inferred Mineral Resources for La Colorada set out in the above table were based on pit cones using $1,600 per ounce gold and $19.75 per ounce silver. Cut-off grade was 0.10 g/t AuEQ.

(8) The M&I Mineral Resources and Inferred Mineral Resources for the Cerro del Gallo Project set out in the table above were taken from the Cerro del Gallo Technical Report. The Mineral Resources were estimated at a gold price of $1,600 per ounce and a silver price of $20.00 per ounce. Cut-off grades range from 0.25 g/t AuEQ to 0.30 g/t AuEQ depending on ore type.

(9) The M&I Mineral Resources and Inferred Mineral Resources for the San Antonio Project set out in the table above were taken from the San Antonio Technical Report. The Mineral Resources were estimated at a gold price of $1,500 per ounce using a cutoff grade of 0.11 g/t Au for oxide and transition and 0.15 g/t Au for sulphide.

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

Qualified Persons

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

Mineral Reserve and Mineral Resource reconciliation is shown in the following tables:

2018 – 2019 Mineral Reserve Reconciliation

Gold Reserves (Proven and Probable)

	YE-2018 Mineral Reserves Contained Au Ounces (000s)	Depletion of Contained Au Ounces (000s)	Addition of Contained Au Ounces due to Gold Price (000s)	Modeling & Mine Plan Changes to Contained Au Ounces (000s)	YE-2019 Mineral Reserve Contained Au Ounces (000s)
El Castillo	368	(138)	102	(90)	242
San Agustin	614	(125)	54	(125)	418
La Colorada	306	(75)	17	126	375
Cerro del Gallo	0	0	0	1,638	1,638
Magino	2,136	0	0	0	2,136
Total Gold Reserves	**3,424**	**(338)**	**173**	**1,549**	**4,809**

Note: Footnotes from the Mineral Reserves and Mineral Resources statement apply.

2018 – 2019 M&I Mineral Resource Reconciliation

Gold Resources (M&I)

	YE-2018 M&I Mineral Resources Contained Au Ounces (000s)	Depletion of Contained Au Ounces (000s)	Addition of Contained Au Ounces due to Gold Price (000s)	Modeling & Mine Plan Changes to Contained Au Ounces (000s)	YE-2019 M&I Mineral Resources Contained Au Ounces (000s)
El Castillo	562	(144)	93	(93)	418
San Agustin	827	(129)	89	(124)	664
La Colorada	477	(77)	21	138	558
Cerro del Gallo	0	0	0	2,864	2,864
Magino	4,197	0	0	0	4,197
San Antonio	1,735	0	0	0	1,735
Total M&I Gold Resources	**7,798**	**(350)**	**203**	**2,785**	**10,436**

Note: Footnotes from the Mineral Reserves and Mineral Resources statement apply. M&I Mineral Resources are inclusive of Mineral Reserves.

2018 – 2019 Inferred Mineral Resource Reconciliation

Gold Resources (Inferred)

	YE-2018 Inferred Mineral Resources Contained Au Ounces (000s)	Upgrade of Contained Au Ounces to Higher Mineral Category (000s)	Modeling & Mine Plan Changes to Contained Au Ounces (000s)	YE-2019 Inferred Mineral Resources Contained Au Ounces (000s)
El Castillo	10	(2)	0	8
San Agustin	46	(10)	0	36
La Colorada	46	0	44	90
Cerro del Gallo	0	0	71	71
Magino	886	0	0	886
San Antonio	67	0	0	67
Total Inferred Gold Resources	**1,055**	**(12)**	**115**	**1,158**

Note: Footnotes from the Mineral Reserves and Mineral Resources statement apply.

3.2 Risks and Uncertainties

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

Except as expressly described elsewhere in this AIF, there are no known metallurgical, environmental, permitting, legal, title, taxation, sociopolitical, marketing, political or other issues that are currently expected to materially affect the Mineral Reserve or Mineral Resource estimates. Certain operations will require further permits over the course of their operating lives in order to commence or continue operating. While management expects such permits to be issued in the ordinary course, material that may only be mined after such permits are issued is included in Proven and Probable Mineral Reserves. Specific and current permitting issues are described in the narrative concerning the relevant operation under the heading "*3.3 Material Mineral Properties*" and under the following sub-headings under heading "*4 Risk Factors*": "*Uncertainty of Exploration and Development* "; "*Mineral and Surface Rights*"; "*Environmental Risks and Hazards* "; and "*Permitting Risk*".

3.3 Material Mineral Properties

3.3.1 El Castillo 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 Corporation **("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 1,509 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. (**"Silver Standard")** for a total cash consideration of $45 million and $30 million of Argonaut shares. Argonaut 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 at San Agustin may have economic potential, which it intends to 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 Mineral Resource estimate, scoping study, preliminary mine plan and Mineral Reserve estimate that indicated the potential for a viable mining operation.

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

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

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 758,265 ounces of gold as of December 31, 2019. Of this production, Argonaut has produced 712,831 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 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 Mineral 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 Mineral 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 Mineral 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. Since achieving commercial production, the San Agustin Mine has produced 134,467 gold ounces and 509,033 silver ounces through December 31, 2019.

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 moderately 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-sphalerite-galena-arsenopyrite-tetrahedrite. 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 805 holes totaling 89,116 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 240 RC holes totaling nearly 29,823 metres to support expanding the El Castillo mine life.

Status of Exploration, Development and Operations – San Agustin

During 2019, Argonaut completed 25 drill holes totaling 1,731 metres. In total, 491 drill holes amounting to 52,986 metres have been drilled at San Agustin by Argonaut and previous companies Monarch, Silver Standard and Geologix. The combined Argonaut and previous drilling data were used to estimate oxide Mineral Resources.

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

Extensive metallurgical studies have been conducted on oxide, transition and sulphide ore types from the El Castillo deposit. These studies are summarized in the El Castillo Complex Technical Report. During 2019, Argonaut completed additional metallurgical drilling with a total of 17 core holes over 1,462 metres. Thirteen sample composites were constructed and are currently undergoing column tests and other metallurgical test work.

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 (**"KCA"**) and on-site at Argonaut's El Castillo Mine.

Mineral Reserve and Mineral Resource Estimates

The El Castillo Complex Mineral Reserves and Mineral Resources, effective December 31, 2019, are summarized in the "Mineral Reserve and Mineral Resources" table and are based on updated models, mine plans and topography, including depletion through mining activities and changes to recovery and cost assumptions as of December 31, 2019. See "Description of Business of the Corporation" on page 7 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 more 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/leach pads and waste transportation to designated dump locations. The El Castillo Mine is an owner operated mine while the San Agustin Mine employs a contract miner. Both operations within the complex use 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 two pads; the East pad and the West 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.

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 began 2018 operations at the rate of 17,000 tonnes per day. During 2019, the crushing and stacking capacity was expanded by an additional 10,000 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 Corporation's centralized gold recovery plant.

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 since 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.

The Mexican government has recognized the El Castillo mine as a socially responsible business for eight consecutive years.

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 2018 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 is estimated at $8.7 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.

The Mexican government has recognized the San Agustin mine as a socially responsible business for since it began operations in 2017.

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. The costs for total closure and reclamation of the site is estimated at $5.3 million.

Capital and Operating Costs – El Castillo

The LOM capital expenditures estimate for the El Castillo mine at December 31, 2019 is as follows:

Description	LOM ($000s)
Equipment	2,398
Capitalized Mining Costs	3,139

Leach Pads	3,533
Other	1,007
Closure	8,664
Total Capital	**18,741**

The LOM operating costs estimate for the El Castillo mine at December 31, 2019 is as follows:

Description	LOM ($000s)	LOM ($/t ore)
Open Pit Mining	45,468	2.01
Crushing & Conveying	6,475	0.29
Leaching	61,926	2.74
Finishing & Selling	3,995	0.18
G&A	12,052	0.53
Total Operating	**129,916**	**5.75**

Capital and Operating Costs – San Agustin

The LOM capital expenditures estimate for the San Agustin mine at December 31, 2019 is as follows:

Description	LOM ($000s)
Leach Pads	6,600
Processing Plant	1,500
Power Line	2,218
Other	3,328
Closure	5,293
Total Capital	**18,939**

The LOM operating costs estimate for the San Agustin mine at December 31, 2019 is as follows:

Description	LOM ($000s)	LOM ($/t ore)
Open Pit Mining	96,097	2.13
Crushing & Conveying	48,560	1.08
Leaching	101,100	2.24
Finishing & Selling	8,979	0.20
G&A	7,145	0.16
Total Operating	**261,881**	**5.81**

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 41 titled concessions in three irregular blocks. The total land package aggregates 10,037 hectares. The deposits were exploited during two historical mining periods. The first was an underground operation from 1860 to 1916 and the second was an open pit mine from 1994 to 2002. The 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 Mineral Resource estimations have been completed on the project, including Nordin 1992, Giroux and Charbonneau 1992 and Giroux 1999. All of the "historical" estimations are superseded by the current La Colorada Technical Report Mineral 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. 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 Volcanic 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. 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 sulphidation epithermal-vein gold-silver deposit. The district underwent a complex hydrothermal history related to Cretaceous plutonic activity, later plutonic events, and a mid-Tertiary vein 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 Mineral 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 or are being mined by open pit methods. No development or mining work has been completed on the third Mineral 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 KCA 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 Mineral Resource Estimates

The La Colorada Mine Mineral Reserves and Mineral Resources, effective December 31, 2019, are summarized in the "Mineral Reserve and Mineral Resources" table and are based on updated models, mine plans and topography, including depletion through mining activities and changes to recovery and cost assumptions as of December 31, 2019. See "Description of Business of the Corporation" on page 7 of this AIF.

Mining Methods

Both the La Colorada/Gran Central and El Crestón deposits have been or 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 until early 2018. During 2018, the La Colorada/Gran Central pit was mined out and the majority of the ore is now sourced from the El Crestón pit.

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 LOM 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.

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 had 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 2020.

The Mexican government has recognized the La Colorada mine as a socially responsible business for eight consecutive years.

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 276,418 m^3/year for industrial use and also can be sourced from the depleted La Colorada/Grand Central pit and the El Crestón pit.

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 2019 estimate for total closure and reclamation of the La Colorada Mine was $5.1 million.

Capital and Operating Costs

The LOM capital expenditures estimate for the La Colorada mine at December 31, 2019 is as follows:

Description	LOM ($000s)
Equipment	720
Capitalized Mining Costs	39,094
Land Acquisitions	1,947
Leach Pads	2,092
Other	2,439
Closure	5,096
Total Capital	**51,388**

The LOM operating costs estimate for the La Colorada mine at December 31, 2019 is as follows:

Description	LOM ($000s)	LOM ($/t ore)
Open Pit Mining	110,495	6.37
Crushing & Conveying	24,627	1.42
Leaching	41,726	2.41
Finishing & Selling	5,745	0.33
G&A	12,563	0.72
Total Operating	**195,156**	**11.25**

3.3.3 Cerro del Gallo Project

Property Description and Ownership

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

The San Antón Property covers privately owned land. Argonaut, through its wholly owned subsidiary San Antón de Las Minas SA de CV, owns the portion on which the project described in this AIF is planned to be built. There are no ejidos (community owned lands) present in the San Antón de las Minas community.

San Anton de Las Minas SA de CV owns freehold title and has surface rights to land totaling 445 hectares, including the Cerro del Gallo Project, a core shack warehouse in San Antón (6,927 m^2), and the Dolores Shaft office (29,209 m^2). Land access and compensation agreements have been obtained with the relevant landowners for access and exploration.

The Cerro del Gallo Project is subject to a Net Smelter Return (NSR) royalty of 4% on one mineral concession and 3% on five other concessions. The overall average is calculated to be 3.75% for the Mineral Reserves outlined on page 7 of this AIF.

History

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

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

In 1994, the Cooperativa sold two small contiguous claim blocks to Luismin S.A. de C.V. (Luismin). These concessions covered portions of the Cerro del Gallo Project and the Ave de Gracia epithermal vein system. Luismin's work included drilling 15 holes at Cerro del Gallo totaling 3,551 metres. Luismin was the first company to focus on the potential for an open pit mining operation at Cerro del Gallo. Subsequently, Luismin acquired five additional mining concessions referred to as La Libertad, Nuevo San Antón, El Cipres, Ave de Gracia and Dolores.

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

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

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

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

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

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

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

Geology and Mineralization

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

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

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

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

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

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

Status of Exploration, Development and Operations

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

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

Sampling, Analysis and Data Verification

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

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

Mineral Processing and Metallurgical Testing

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

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

Cerro del Gallo Recoveries by Material Type

Ore Type (HPGR)	Feed Distribution LOM Average	Projected Field Recoveries		
		Au, %	Ag, %	Cu%
Weathered (Oxide)	9.2%	74	60	22
Mixed Oxide	5.8%	70	79	46
Mixed Sulfide	38.0%	59	59	59
Fresh (Sulfide)	47.0%	58	40	34

Life of Mine (LOM) Average	60	52	43

Source: KCA (2019)

Mineral Reserve and Mineral Resource Estimates

The Cerro del Gallo Project Mineral Reserve and Mineral Resource estimates, effective October 24, 2019, are summarized in the "Mineral Reserve and Mineral Resources" table and were taken from the Cerro del Gallo Technical Report. See "Description of Business of the Corporation" on page 7 of this AIF.

Mining Methods

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

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

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

Recovery Methods

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

The Cerro del Gallo ore contains cyanide soluble copper that results in high cyanide consumption during the heap leaching process. A Sulphidization, Acidification, Recycle, Thickening plant (SART) is included that releases cyanide associated with the copper-cyanide complex, allowing a significant portion of it to be recycled back to the leach process as free cyanide, and that produces a copper-silver precipitate that can be sold.

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

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

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

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

Project infrastructure

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

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

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

San Anton owns water rights for 1.44 Mm^3 per year. The project is expected to consume an annual average of 628,000 – 900,000 m^3 per year, depending on the area of leach pad in operation. San Anton currently has two wells that tests indicate will provide approximately half of the maximum project demand. Additional wells will be drilled to provide the remainder of the estimated maximum demand of 55 L/s.

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

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

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

Environmental Studies and Permitting

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

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

The Cerro del Gallo ETJ was filed on April 26th, 2019 and in December 2019, Argonaut was informed by SEMARNAT that the application would not be approved in its current form. SEMARNAT requested that Argonaut make minor revisions and re-submit the application. Argonaut expects to re-submit a revised application that satisfies SEMARNAT's requests prior to March 31, 2020 and, as per SEMARNAT's stated policy, to receive a decision from SEMARNAT on the revised application within 60 working days of submission.

Capital and Operating Costs

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

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

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

3.3.4 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-continuous since then, being particularly active from the mid-1920s to the beginning of World War II. Gold production from the area was sporadic. Various companies owned, operated and explored Magino from 1917 to today.

In 2019, Argonaut completed 18 diamond drill holes, a total of 12,590 metres, at the Magino project. Total drilling, both surface and underground, within the Magino Mineral Resource area is approximately 384,040 metres in 2,432 holes. The responsible Qualified Person was unable to verify drilling completed before 2006 and excluded those 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.

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

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

Status of Exploration, Development and Operations

Exploration data at Magino consists of 2,432 drill holes totaling 384,040 metres. The majority of this drilling is limited from surface to a vertical depth of approximately 300 metres. In 2019, Argonaut commenced an exploration program to target deeper, higher-grade mineralization. The results of this program have confirmed high-grade geological continuity below the planned pit and identified multiple high-grade structures hosting multiple veins. This drilling is ongoing.

The Magino Project received a positive Federal decision statement and has completed the Federal Environmental Assessment process. Magino has also received a positive Statement of Completion from the Provincial government and has completed the Provincial Environmental Assessment process. The Corporation has submitted applications for the necessary permits to allow for the construction and operations of the project. Until such time as all necessary permits are granted, Argonaut does not intend to commence development or operations at the Magino Project.

Sampling, Analysis and Data Verification

Argonaut uses only post-2016 drilling and assay data for Mineral Resource and Mineral Reserve estimates. These data were collected by Argonaut and Prodigy Gold Inc. **("Prodigy").** A total of 243,180 assayed samples are used.

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. (MLI) in 2013 and 2015 were presented in the Preliminary Feasibility Study completed in 2013 and filed January 30, 2014 and PFS completed in 2016 and filed date February 22, 2016, respectively.

Recent work carried out by MLI focused on optimizing processing conditions and further evaluating 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 Mineral Resource Estimates

The Magino Project Mineral Reserves and Mineral Resources, effective November 8, 2017, are summarized in the "Mineral Reserves and Mineral Resources" table. See "Description of Business of the Corporation" on page 7 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 LOM 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 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;

- 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 kilometre 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 Magino operation and 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 is planned to 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 Corporation received a positive Decision Statement for its Federal environmental assessment during January 2019 and a positive Statement of Completion for its provincial environmental assessment during April 2019. The remaining 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 (of which Argonaut has agreements with five) on the Project;
- Obtaining the necessary permits to construct and operate the mine;

Capital and Operating Costs

The capital cost estimate, summarized below, 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 assessed accuracy of this estimate is +/- 15%.

Description	Estimated Capital Cost (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, summarized below, 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	Estimated LOM Operating Cost (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 mineral properties, the Corporation also has an interest in the advanced exploration stage project noted below.

Baja California Sur, Mexico Project

San Antonio Project

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

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

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

3.3.6 Exploration Stage Projects

Ontario, Canada Project

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 Minerals Inc. ("**Goldstream**") entered into an agreement with Prodigy which allowed Goldstream, through various financing and work commitments, to acquire a 100% interest in the Hardrock East project.

Exploration by Prodigy occurred mainly during 2010 and 2011 and included extensive geologic study and fieldwork. In December of 2012, Goldstream contracted AMEC to conduct a non-compliant Mineral Resource estimate on the Milestone target. The resultant Mineral Resource from this study was designated only as a mineral inventory with no economic parameters applied except for using varying cutoff grades. The zone of mineralization was modeled by Goldstream geologists and at a 0.4 g/t cut-off, AMEC determined that the Milestone deposit contains a mineral inventory of 25.5 million tonnes grading 0.87 g/t gold for 710,713 ounces. In 2015, Argonaut acquired 100 % of the Hardrock East property. There was no activity at this project in 2019.

Durango, Mexico Project

La Fortuna

During the second quarter of 2016, the Corporation and Minera Alamos Inc. ("**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, both which were made. 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. To date, Minera Alamos has made $800,000 in payments toward the $1 million production decision payment. Argonaut will retain a 2.5% NSR on production up to a maximum of $4.5 million.

3.3.7 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 that the project is estimated to generate an after-tax net present value at an 8% discount rate of $1.8 billion and to provide an after-tax internal rate of return of 30.5%. Of the 33 mineral claims that make up the claim block, Argonaut holds a 2% NSR on 10 of the claims, half of which Nemaska has the right to purchase for $1 million. However, the Whabouchi deposit is located outside of the claims on which Argonaut holds the 2% NSR.

4 RISK FACTORS

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

Commodity Price Volatility

The profitability of the Corporation's operations will be dependent upon the market price of mineral commodities. Mineral prices, including the price of gold, fluctuate widely and are affected by numerous factors beyond the control of the Corporation. One such factor appeared in November of 2019, as a novel strain of the coronavirus **("COVID-19")** emerged in Wuhan, China and has now spread to several other countries, including Canada and the U.S. COVID-19 has created a yet unknown impact on the market price and volatility of commodities. The level of interest rates, the rate of inflation, the world supply and liquidity of mineral commodities and the stability of exchange and future rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and on-going political developments. The price of mineral commodities, including the price of gold, has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Corporation's business, financial condition and results of operations.

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

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

Pandemic Virus Outbreak

A pandemic virus outbreak, such as COVID-19, could lead to disruptions in many aspects of the Corporation’s business operations resulting from government policies restricting mobility, assembly, or contact to, employees and suppliers across the global supply chain. Such policies may include the closures of mines and processing facilities, warehouses and logistics supply chains. A pandemic virus outbreak could also lead to disruptions in business operations resulting from travel restrictions and impacts uncertainty regarding the duration, and the financial and social extent of the virus and policy responses to the virus.

Uncertainty of Exploration and Development

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

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

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

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

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

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

Permitting Risk

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

Mineral and Surface Rights

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

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

Financing Requirements

The exploration, development and continued operations of the Corporation's properties, including continuing exploration and development projects at the El Castillo Mine, the San Agustin Mine, the La Colorada Mine and the Cerro del Gallo Project in Mexico, and the Magino Project in Ontario and the construction and commencement of mining facilities and operations and continued operations, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Corporation's properties or even a loss of a property interest. When such additional capital is required, the Corporation plans to pursue sources of such capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Corporation and might involve substantial dilution to existing shareholders. The Corporation may not be successful in locating suitable financing transactions in the time period required or at all and this risk may be further exacerbated by the undetermined future impact of COVID-19 on financial markets, 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 market capitalization being below its planned future capital requirements if it were to construct all of its development assets, the location of the Corporation's gold properties in Mexico and price of gold on the commodities markets (which will impact the amount of asset-based financing available) and/or the loss of key management. Further, if gold price on the commodities markets decreases, then revenues will likely decrease, and such decreased revenues may increase the requirements for capital. The impact that COVID-19 will have on the future gold price and the volatility of such price is undeterminable. Some of the contractual arrangements governing the Corporation's exploration activity may require commitment to certain capital expenditures, and the Corporation may lose contract rights if it does not have the required capital to fulfill these commitments. If the amount of capital raised from financing activities, together with cash flow from operations, is not sufficient to satisfy capital needs (even to the extent that operations are reduced), the Corporation may be required to cease operations.

Use of Derivatives

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

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. COVID-19 may have a yet unknown impact on the Corporation’s ability to obtain new financing and the terms of any such financing, in the future.

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

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

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, insufficient water, pit wall failure and other conditions involved in the drilling, blasting and removal of material, any of which could result in damage to, or destruction of, mines and other 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, conditions which may result in environmental pollution and consequent liability. Additional developments regarding COVID-19 may cause the Corporation to re-evaluate operational risks over a rapid period of time.

The Corporation may not achieve its Production Estimates

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

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

Increase in Production 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 Mineral Reserve estimates. Many of these factors may be beyond the Corporation's control.

The Corporation relies on third party suppliers for a number of raw materials. Any material increase in the cost of raw materials, or the inability by the Corporation to source third party suppliers for the supply of its raw materials, as a result of COVID-19 or otherwise, 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 thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Corporation, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

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

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: the future spread and global impact of COVID-19; terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; changes in fiscal and monetary policies; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Political instability could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in the termination of contract rights and expropriation of foreign-owned assets. Any changes in gold or investment regulations and policies or a shift in political attitudes in the countries in which the Corporation intends to operate will be beyond the Corporation's control and may significantly hamper the ability to expand operations or operate the business at a profit. Examples of such changes are changes in laws in the jurisdictions in which the Corporation operates or into which it will expand that have the effect of favouring local enterprises, and changes in political views regarding the exploration, development and operation of mineral properties and economic pressures that may make it more difficult to negotiate agreements on favourable terms, obtain required licenses and permits, comply with regulations or effectively adapt to adverse economic changes, such as increased taxes, higher costs, inflationary pressure and currency fluctuations.

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 introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules in Canada, Mexico, and United States could result in an increase in taxes, or other governmental charges, duties or impositions, or an unreasonable delay in the refund of certain taxes owing to the Corporation. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted or applied in a manner that could result in profits being subject to additional taxation, result in not recovering certain taxes on a timely basis or at all, or that could otherwise have a material adverse effect on the Corporation.

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

Changes in Climate Conditions

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

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

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

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 being carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Corporation's properties. Amendments to current laws and regulations governing the operations and activities of the Corporation or more stringent implementation thereof could have a material adverse effect on the Corporation's business, financial condition and results of operations.

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 company and such entities, or among such entities, could restrict the Corporation's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the 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 Guanajuato, where the Cerro del Gallo Project is located, to foreign investment and mining has been favourable while in the State of Baja California Sur, where the San Antonio Project is located, it has been unfavourable; however, investors should assess the political risks of investing in 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. Furthermore, COVID-19 has restricted mobility to certain markets, including in Mexico. These risks may limit or disrupt the Corporation's operations, restrict the movement of funds and people or result in the deprivation of contractual rights or the taking of property by nationalization or expropriation without fair compensation.

Use of Ejido-owned Land

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

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

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

Competition for Exploration, Development and Operation Rights

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

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

Foreign Currency Exchange Rate Fluctuation

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

Rights, Licenses, Permits and Concessions

The Corporation presently holds all necessary licenses and permits required to carry on with activities in relation to the El Castillo Complex and the La Colorada Mine. 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, and property damage or theft, all of which may expose the Corporation to costs as well as potential liability. Although the Corporation has developed policies regarding these risks, due to the unpredictable nature of criminal activities, there is no assurance that the Corporation's efforts are able to effectively mitigate risks and safeguard personnel and corporate property effectively.

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

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

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

Contractors

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

Labour and Employment Matters

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

Work Stoppages or Labour Disputes

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

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

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; and 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, Mineral Reserve discoveries or other business initiatives by competitors; (iii) fluctuations in revenue from gold operations as new Mineral Reserves come to market; (iv) changes in the market for gold and/or in the capital markets generally; (v) changes in the demand for gold; (vi) changes in the social, political and/or legal climate in the regions in which the Corporation operates; and (vii) the response of the market reactions related to COVID-19 and the actions taken by governments in relation thereto. In addition, the market price of the 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, foreign currency 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 adopted by the United States and Canada. Subsequently, in 2011 the Corporation deregistered with the U.S Securities and Exchange Commission.

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

Internal Control over Financial Reporting and Disclosure Controls and Procedures

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

Acquisitions and Integration

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

Any acquisition that the Corporation may choose to complete may be of a significant size, may change the scale of the Corporation's business and operations, and may expose the Corporation to new geographic, political, operating, financial and geological risks. The Corporation's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Corporation. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Corporation has committed to complete the transaction and established the purchase price or exchange ratio; a material ore body acquired may prove to be below expectations; the Corporation may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Corporation's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Corporation chooses to raise debt capital to finance any such acquisition, the Corporation's leverage will be increased. If the Corporation chooses to use equity as consideration for such acquisition, existing shareholders may suffer dilution. Alternatively, the Corporation may choose to finance any such acquisition with its existing resources. There can be no assurance that the Corporation would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Risk Management

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

Insurance and Uninsured Risks

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

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

Dilution Risk

In order to finance future operations and development efforts, the Corporation may raise funds through the issue of Common Shares or securities convertible into Common Shares. The constituting documents of the Corporation 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, reductions in the amount of recoverable Mineral Reserves and Mineral Resources and increases in future reclamation and closure costs are each examples of factors and estimates that could each result in a write-down of the carrying amount of the Corporation's mineral properties. Although management makes its best estimates, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its properties. Any impairment estimates, which are based on applicable key assumptions and sensitivity analysis, are based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Corporation. Any impairment charges on the Corporation's mineral projects could adversely affect its results of operations.

Write-downs and Impairments

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

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

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

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

There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources. Differences between management's assumptions and market conditions could have a material effect in the future on the Corporation's financial position and results of operation.

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

Exchange Controls

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

Possible Conflicts of Interest of Directors and Officers of the Corporation

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

Enforcement of Civil Liabilities in the United States

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

Security and Privacy Breaches

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

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

Liquidity and Counterparty Risk

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

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

Recent Global Financial Conditions

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

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

5 DIVIDENDS

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

6 CAPITAL STRUCTURE

Argonaut is authorized to issue an unlimited number of Common Shares. As at December 31, 2019, the Corporation had 179,496,503 Common Shares issued and outstanding and 4,143,818 stock options and 1,750,951 unvested restricted share units issued and outstanding, each entitling the holder to acquire one common share. As at December 31, 2019, the Corporation had 1,366,006 performance share units granted and outstanding, each entitling the holder to common shares of the Corporation based on a multiplier of between zero and two times but have restrictions regarding the vesting based upon whether key performance metrics have been met, not met or exceeded over a three-year period.

Common Shares

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

Options

At December 31, 2019, the Corporation had a total of 4,143,818 of options outstanding. All of the options were issued under the Corporation's Amended and Restated Share Incentive Plan **("Share Incentive Plan")** dated May 1, 2018 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 2019, a total of 609,572 options were granted to certain officers, directors, key employees and consultants of the Corporation under the Share Incentive Plan, 115,949 options were exercised, 284,075 were forfeited and 77,143 expired.

Restricted Share Units

During 2019, the Board approved for grant awards of 1,532,673 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, 2019, 1,759,951 restricted share units were outstanding but unvested.

Performance Share Units

During 2019, the Board approved for grant awards of 967,720 performance share units of the Corporation to certain officers and senior management of the Corporation. These awards entitle the holder to common shares of the Corporation based on a multiplier of between zero and two times, but have restrictions regarding the vesting based upon whether key performance metrics are met, not met or exceeded over a three-year period. As at December 31, 2019, 1,366,066 performance share units of the Corporation were outstanding but unvested.

7 MARKET FOR SECURITIES

Price Range and Trading Volume of Common Shares

The Common Shares are traded on the Toronto Stock Exchange ("**TSX**") under the symbol "AR". The following table sets forth the market price ranges in Canadian dollars per Common Share and aggregate trading volumes on a monthly basis as reported by the TSX for the most recently completed financial year, respectively. The Common Shares closed at CA$1.95 on the last trading day of the year ended December 31, 2019.

	High (CA$)	Low (CA$)	Average Daily Volume (Number of Shares)
January	1.81	1.36	438,359
February	2.12	1.68	507,142
March	1.96	1.67	307,814
April	1.91	1.65	315,748
May	1.75	1.46	209,250
June	1.93	1.69	371,865
July	2.60	1.71	619,318
August	2.87	2.19	668,276
September	2.58	2.06	572,445
October	2.34	1.98	325,955
November	2.27	1.61	350,500
December	2.00	1.70	411,290

Prior Sales

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

Date of Grant/Issuance	Price per Security (CA$)	Number of Securities Issued
Stock options granted		
January 31, 2019	1.67	584,216
August 7, 2019	2.51	25,356
Restricted share units granted		
January 31, 2019	1.67	1,567,713
March 20, 2019	1.71	15,750

August 7, 2019	2.51	26,049
Performance share units granted		
January 31, 2019	1.67	967,720

Common Shares issued on exercise of Options	Price per Security (CA$)	Number of Securities Issued
June 13, 2019	1.10	105,949
October 2, 2019	1.32	10,000

Securities Subject to Contractual Restriction on Transfer

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

Designation of class	Number of securities subject to contractual restriction on transfer	Percent of class	Date issued(1)
Restricted Share Units	151,036 (2)	0.09	January 31, 2017
Performance Share Units	560,156 (3)	0.41	February 5, 2018
Restricted Share Units	408,400 (4)	0.23	February 5, 2018
Performance Share Units	24,075 (5)	0.02	March 6, 2018
Restricted Share Units	16,050 (6)	0.01	March 6, 2018
Performance Share Units	782,775 (7)	0.57	January 31, 2019
Restricted Share Units	1,133,666 (8)	0.65	January 31, 2019
Restricted Share Units	15,750 (9)	0.01	March 20, 2019
Restricted Share Units	26,049 (10)	0.01	August 7, 2019

(1) The restricted share units vest one-third per year over three years and the performance share units cliff vest at the end of three years.

(2) Restriction on Common Shares ends on January 31, 2020.

(3) Restriction on Common Shares ends on February 5, 2021.

(4) Restriction on 1/2 of Common Shares ends on each of February 5, 2020 and 2021, respectively.

(5) Restriction on Common Shares ends on March 6, 2021.

(6) Restriction on 1/2 of Common Shares ends on each of March 6, 2020 and 2021, respectively.

(7) Restriction on Common Shares ends on January 31, 2022.

(8) Restriction on 1/3 of Common Shares ends on each of January 31, 2020, 2021 and 2022, respectively.

(9) Restriction on 1/3 of Common Shares ends on each of January 31, 2020, 2021 and 2022, respectively.

(10) Restriction on 1/3 of Common Shares ends on each of January 31, 2020, 2021 and 2022, respectively.

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

8 DIRECTORS AND OFFICERS

The following table sets forth for each of the directors and executive officers of the Corporation as at December 31, 2019, 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.; former Chairman & CEO, Zenn Motor Corporation; former President, JEK Capital Advice; former Vice Chairman, UBS Securities Canada Inc.	January 12, 2010
Christopher R. Lattanzi Ontario, Canada	Director	Mining Engineer, Consultant; Director, Teranga Gold Corporation and 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; Consultant	January 27, 2011
Audra B. Walsh Seville, Spain	Director	CEO, Minas de Aguas Tenidas S.A.U; Director, Calibre Mining Corp.; former Director, Orvana Minerals Corp.; former President & CEO A2Z Mining Inc.; former President & CEO, Sierra Metals Inc.	April 6, 2016
Ian Atkinson Texas, United States	Director	Director, Kinross Gold Corporation, Globex Mining Enterprises Inc. and Wolfden Resources Corporation; former Director, President & CEO, Centerra Gold Inc.	May 3, 2016
Peter C. Dougherty Nevada, United States	President & Chief Executive Officer and Director	President and Chief Executive Officer, Argonaut	December 30, 2009
David A. Ponczoch Nevada, United States	Chief Financial Officer and Corporate Secretary	Chief Financial Officer, Argonaut	November 15, 2013
W. Robert Rose Nevada, United States	Vice President of Technical Services	Vice President of Technical Services, Argonaut	April 15, 2013
Daniel A. Symons Ontario, Canada	Vice President, Investor Relations	Vice President, Investor Relations, Argonaut; former Vice President, Business Development & Investor Relations, Romarco Minerals Inc.	April 1, 2016
Brian Arkell Nevada, United States	Vice President, Exploration	Vice President, Exploration, Argonaut; former President & CEO, Caza Gold Corp.	January 1, 2018

(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.

As of December 31, 2019, 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, 2019, the directors and officers of the Corporation as a group, beneficially owned, directly or indirectly, or exercised control or direction over an aggregate of 8,254,599 Common Shares, representing approximately 4.6% 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.

None of the directors or executive officers of Argonaut or a shareholder holding a sufficient number of securities of Argonaut to materially affect the control of Argonaut: (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a director or executive officer of any corporation (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, 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.

Conflicts of Interest

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

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

9 AUDIT COMMITTEE INFORMATION

The Audit Committee's Charter

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

Composition of the Audit Committee

The Audit Committee consists of Messrs. Peniuk (Chairman), 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 Chartered Professional Accountant (CPA CA) designation from the Chartered Professional Accountants of British Columbia (formerly the Institute of Chartered Accountants of British Columbia). Mr. Peniuk worked for over 20 years at KPMG LLP, Chartered Accountants and predecessor firms, including being an assurance partner from 1996 to 2006 and was the leader of KPMG's British Columbia mining practice.

Mr. Lattanzi is a mining engineer with more than 60 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. Mr. Lattanzi has a Bachelor of Engineering (Mining) from University of Melbourne, Australia.

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

Audit Committee Oversight

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

Reliance on Certain Exemptions

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

Pre-Approval Policies and Procedures

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

External Auditor Service Fees

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

Service Billed*	2019	2018
Audit Fees(1)	$230,684	$ 174,841
Audit-Related Fees(2)	$36,473	$43,421
Tax Fees(3)	$9,723	$10,189
Other Services(4)	$0	$13,431
Total	$279,880	$241,883

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

(1) Audit Fees refers to the aggregate fees billed for audit services.

(2) Audit-Related Fees refers to the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not reported under Audit Fees.

(3) Tax Fees refers to the aggregate fees billed for professional services for tax compliance, tax advice and tax planning.

(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

Except as disclosed below, the Corporation was not, during 2019, 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.

The Corporation's subsidiary in Mexico filed a challenge on SEMARNAT's decision to not issue the Environmental permit for the San Antonio project in 2020. The legal remedy is still pending of decision.

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.

The Corporation understands that refiner Republic Metals Corporation ("**Republic**") filed for protection under chapter 11 of the United States Bankruptcy Code on November 2, 2018 (the "**Petition Date**") in the United States Bankruptcy Court for the Southern District of New York. Republic processed material from certain of the Corporation's properties in the past and, as of the Petition Date, had in its possession approximately 4,600 and 13,600 ounces of the Corporation's gold and silver, respectively. The Corporation has engaged counsel to assert its legal right for the return of its material and otherwise protect its rights in Republic's bankruptcy case. Some of the legal actions included filing a customer statement, reclamation claim and a 503(b)(9) claim. It is not possible at this time to accurately assess the prospects for success of the Corporation's claims against Republic or the length of time it will take to resolve them.

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, 8^{th} Floor, Toronto, Ontario, Canada, M5J 2Y1, where transfers of Argonaut's securities may be recorded.

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

13 MATERIAL CONTRACTS

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

On February 21, 2018, the Corporation entered into the Revolving Credit Facility. See *"Three Year History – 2018"*.

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;*

- *Carl Defilippi, RM SME of Kappes, Cassiday & Associates; Thomas Dyer, P.E. of Mine Development Associates; Todd Minard, P.E. of Golder Associates, Brian Arkell, CPG and Neb Zurkic, CPG in respect of the Cerro del Gallo Technical Report;*

- *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; and*

- *Leah Mach, M.Sc. Geology, CPG and Mark Willow, M.Sc., C.E.M. of SRK Consulting (U.S.) Inc., Richard Rhoades, P.E. and Carl Defilippi, M.Sc. C.E.M., SME of Kappes Cassiday & Associates, in respect of the San Antonio Technical Report.*

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

PricewaterhouseCoopers LLP, Chartered Professional Accountants, provided an auditor's report in respect to the Corporation's financial statements for the year ended December 31, 2019 dated February 21, 2020. PricewaterhouseCoopers LLP has advised us that they are independent with respect to the Corporation 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 November 7, 2019

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;

(aa) to review all related party transactions; and

(bb) to review the budgeted but unallocated and unbudgeted capital approved by the CEO under the Board approved Delegation of Authority.

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.