EXECUTION VERSION

SUPPORT AGREEMENT

between

ARGONAUT GOLD INC.

- and –

CASTLE GOLD CORPORATION

October 27, 2009

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SUPPORT AGREEMENT

THIS AGREEMENT made the 27th day of October, 2009,

BETWEEN:

ARGONAUT GOLD INC.,
a corporation existing under the laws of the Yukon Territory

(hereinafter called "**Argonaut**"),

\- and -

CASTLE GOLD CORPORATION,
a corporation existing under the laws of Canada

(hereinafter called "**Castle**").

WHEREAS:

(a) Argonaut wishes to make an offer (the "**Offer**") by way of take-over bid to the shareholders of Castle to purchase all of the outstanding common shares of Castle.

(b) The Castle board of directors wishes to support and facilitate the Offer on the terms set out in this Agreement and has unanimously concluded that it is in the best interests of Castle to enter into this Agreement.

(c) Contemporaneously with entering into this Agreement, Argonaut has entered into lock-up agreements (each, a "**Lock-Up Agreement**") with each of the Locked-Up Shareholders (as defined herein) pursuant to which, among other things, all of such Locked-Up Shareholders have agreed to tender to the Offer all of the common shares of Castle held by them, all on the terms and subject to the conditions set forth in the Lock-Up Agreements.

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, the parties hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement (including the Schedules hereto), the following terms shall have the following meanings, and grammatical variations shall have the respective corresponding meanings:

(a) "**Acquisition Proposal**" has the meaning set out in Section 6.2(a)(i);

(b) “**Advertisement**” has the meaning set out in Section 2.1(a);

(c) “**Agreement**” means this support agreement and all amendments hereto;

(d) "**Applicable Environmental Laws**" means any applicable federal, state or local law, statute, ordinance, rule, regulation, order or notice requirement pertaining to (i) the condition or protection of air, groundwater, surface water, soil, or other environmental media, (ii) the environment, including natural resources or any activity which affects the environment or (iii) the regulation of any pollutants, contaminants, waste or other substances (whether or not hazardous or toxic), including their use, storage, treatment, transportation and disposition;

(e) "**Applicable Securities Laws**" means the *Securities Act* (Ontario), together with all other applicable Canadian provincial securities acts, together with the rules and regulations and published policies thereunder, as now in effect and as they may be promulgated or amended from time to time;

(f) "**Argonaut**" means Argonaut Gold Inc.;

(g) “**Argonaut Common Share**” means a common share in the capital of Argonaut;

(h) "**business day**" means a day other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario;

(i) "**Canadian GAAP**" means Canadian generally accepted accounting principles or interpretations thereof;

(j) "**Castle**" means Castle Gold Corporation;

(k) "**Castle Board of Directors**" means the board of directors of Castle;

(l) “**Castle D&O Rights**” has the meaning set out in Section 6.6;

(m) “**Castle Disclosure Letter**” means the disclosure letter of Castle delivered to Argonaut in confidence contemporaneously with the execution and delivery of this Agreement;

(n) "**Castle Equity Entitlements**" means Castle’s outstanding options, share appreciation rights, restricted shares, restricted share units, performance shares and performance share units and other equity-based or equity related awards to acquire Shares, pursuant to and in accordance with, the Castle Share Incentive Plans;

(o) “**Castle Material Properties**” means all mineral properties that are material to Castle and/or the Castle Subsidiaries;

(p) "**Castle Public Documents**" has the meaning set out in Section 4 of Schedule C;

(q) "**Castle Share Incentive Plan**" means Castle’s stock option plan approved on August 28, 2007;

(r) "**Castle Subsidiaries**" means Subsidiaries of Castle, each of which are listed in Schedule E;

(s) "**CBCA**" means the *Canada Business Corporations Act*, as amended;

(t) "**Change of Control Beneficiary**" has the meaning set out in Section 9(a) of Schedule C;

(u) "**Compulsory Acquisition**" has the meaning set out in Section 2.5;

(v) "**Confidentiality Agreement**" has the meaning set out in Section 6.5;

(w) "**Deposited Shares**" means the Shares covered by the Letter of Transmittal delivered to the depositary for the Offer and not validly withdrawn by the depositing Shareholder;

(x) "**Directors' Circular**" has the meaning set out in Section 2.1(j)(iv);

(y) "**Effective Time**" means the time that Argonaut shall have taken up, acquired ownership of and paid for Shares pursuant to the Offer;

(z) "**Encumbrance**" includes any mortgage, pledge, assignment, charge, lien, claim, security interest, adverse interest, other third person interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

(aa) "**Equivalent Insurance**" has the meaning set out in Section 6.6;

(bb) "**Expiry Time**" has the meaning set out in Section 2.1(f);

(cc) "**fully-diluted basis**" means, with respect to the number of outstanding Shares at any time, the number of Shares that would be outstanding if all rights to acquire Shares were exercised, other than those which are not, and cannot in accordance with their terms, become exercisable within 90 days following the Expiry Time, but including, for the purposes of this calculation, all Shares issuable upon the exercise of Castle Equity Entitlements, whether vested or unvested;

(dd) "**Governmental Entity**" means:

(i) any supranational body or organization, nation, government, state, province, country, territory, municipality, quasi-government, administrative, judicial or regulatory authority, agency, board, body, bureau, commission, instrumentality, court or tribunal or any political subdivision thereof, or any central bank (or similar monetary or regulatory authority) thereof, any taxing authority, any ministry or department or agency of any of the foregoing, including any securities regulatory authority;

(ii) any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government

(iii) any private body exercising regulatory or administrative functions, including any stock exchange; and

(iv) any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of such entities or other bodies;

(ee) “**Guatemalan Entity**” means Rocas el Tambor, a corporation existing under the laws of Guatemala, of which Castle is the beneficial direct owner of 50% of the issued and outstanding shares;

(ff) “**Initial Expiry Time**” has the meaning set out in Section 2.1(f)

(gg) "**Laws**" means any applicable laws including supranational, national, provincial, state, municipal and local civil, commercial, banking, securities, tax, personal and real property, security, mining, environmental, water, energy, investment, property ownership, land use and zoning, sanitary, occupational health and safety laws, treaties, statutes, ordinances, judgments, decrees, injunctions, writs, certificates and orders, by-laws, rules, regulations, ordinances, protocols, codes, guidelines, policies, notices, directions or other requirements of any Governmental Entity;

(hh) "**Letter of Transmittal**" means the Letter of Transmittal in the form accompanying the Original Offer and Circular, or a facsimile thereof;

(ii) “**Locked-Up Shareholders**” means each of the Shareholders, directors and senior officers of Castle who have entered into Lock-Up Agreements with Argonaut setting forth the terms and conditions upon which they have agreed to deposit their Shares (including those issued upon the exercise of Castle Equity Entitlements) pursuant to the Offer, and each of whom are listed in Schedule D hereto;

(jj) “**Lock-Up Agreement**” has the meaning set out in the recitals to this Agreement.

(kk) "**Material Adverse Effect**" means, in respect of any Person, an effect that is material and adverse to the business, properties, assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), capitalization, condition (financial or otherwise), operations or results of operations of that Person and its Subsidiaries and material joint ventures taken as a whole, other than any change, effect, event or occurrence:

(i) relating to the global economy, political conditions or securities markets in general;

(ii) affecting the worldwide mining industry in general;

(iii) relating to a change in the market trading price of publicly traded securities of that Person, either:

(A) related to this Agreement and the Offer or the announcement thereof, or

(B) related to such a change in the market trading price primarily resulting from a change, effect, event or occurrence excluded from this definition of Material Adverse Effect under clauses (i), (ii), (iv), (v), (vi) or (vii) hereof;

(iv) relating to any of the principal markets served by that Person's business generally or shortages or price changes with respect to raw materials, metals or other products used or sold by that Person;

(v) relating to the rate at which Canadian dollars can be exchanged for United States dollars or vice versa;

(vi) relating to any generally applicable change in applicable Laws or regulations (other than orders, judgments or decrees against that Person any of its Subsidiaries and material joint ventures) or in Canadian GAAP;

(vii) relating to acts of war, armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war, armed hostilities, sabotage or terrorism threatened or underway as of the date of this agreement;

(viii) relating to earthquakes, hurricanes or other natural disasters; or

(ix) attributable to the announcement or pendancy of this Agreement or the transactions contemplated herein, or otherwise contemplated by or resulting from the terms of this Agreement,

provided, however, that such effect referred to in clause (i), (ii), (iv) or (vi) above does not primarily relate only to (or have the effect of primarily relating only to) that Person and its Subsidiaries and material joint ventures, taken as a whole, or disproportionately adversely affect that Person and its Subsidiaries and material joint ventures taken as a whole, compared to other companies of similar size operating in the industry in which that Person and its Subsidiaries and material joint ventures operate;

(ll) “**Material Contracts**” means all of the agreements, arrangements, commitments and understandings to which Castle or any of the Castle Subsidiaries is a party or by which any of the Castle Material Properties or assets is bound or affected that are material to the business or operations of Castle, all of which have been listed in the Castle Disclosure Letter;

(mm) "**material joint venture**" of a Person means a joint venture in which the Person participates, directly or indirectly, whether as a partner, shareholder, interest holder or otherwise, that is material to the financial condition, operations or prospects of the Person on a consolidated basis;

(nn) "**Minimum Deposit Condition**" has the meaning set out in item (a) of Schedule A;

(oo) "**Offer**" has the meaning set out in the recitals to this Agreement;

(pp) "**Offer Deadline**" has the meaning set out in Section 2.1(a);

(qq) "**Offer Documents**" has the meaning set out in Section 2.1(d);

(rr) “**Offered Consideration**” has the meaning set out in Section 2.1(a);

(ss) "**Outside Date**" has the meaning set out in Section 7.1(e);

(tt) "**Person**" includes an individual, general partnership, limited partnership, corporation, company, limited liability company, unincorporated organization, joint venture, trust, trustee, executor, administrator or other legal representative;

(uu) "**Private Placement**" means an equity financing to be made by Castle on a private placement basis in the net amount of C$3,500,000;

(vv) "**Share**" means a common share in the capital of Castle;

(ww) "**Shareholders**" means the holders of Shares;

(xx) "**SEC**" means the United States Securities and Exchange Commission;

(yy) "**Securities Authorities**" means the TSX, TSXV, and the appropriate securities commissions or similar regulatory authorities in each of the provinces of Canada;

(zz) "**Shareholder Rights Plan**" means the shareholder rights plan agreement dated as of March 2, 2009, as amended and restated May 15, 2009 between Castle and Computershare Investor Services Inc. of Canada, as rights agent;

(aaa) **"SRP Rights**" means the rights issued pursuant to the Shareholder Rights Plan;

(bbb) "**Subsequent Acquisition Transaction**" has the meaning set out in Section 2.5;

(ccc) "**Subsidiary"** has the meaning given to that term in the *Securities Act* (Ontario);

(ddd) "**Superior Proposal**" has the meaning set out in Section 6.2(a);

(eee) "**Tax Act**" means the Income Tax Act (Canada), as amended;

(fff) "**Tax Returns**" means all returns, amendments, reports, declarations, elections, notices, filings, information returns and statements filed or required to be filed in respect of Taxes, and any schedules attached thereto;

(ggg) **"Taxes"** means with respect to any Person all federal, state, local, provincial, municipal, branch taxes, however denominated, and all charges, fees, levies, imposts, duties, and other assessments and reassessments, including, without limitation, any income, alternative minimum or add-on tax, estimated, gross income, gross receipts, sales, goods and services, customs duties, harmonized, use, transfer, transactions, intangibles, ad valorem, value-added, escheat, franchise, registration, title, license, capital, capital gains, paid-up capital, profits, withholding, employee withholding, payroll, employer health, worker's compensation, unemployment insurance, social security, employment, excise, severance, pension plan premiums, stamp, occupation, premium, recording, mining, real property, personal property, federal highway use, commercial rent, environmental (including taxes under Section 59A of the United States Internal Revenue Code of 1986) or windfall profit tax, custom, duty or other tax, fee or other like assessment or charge of any kind whatsoever imposed by any Governmental Entity, together with any interest, penalties, related liabilities, fines or additions to tax that may become payable in respect thereof and any liability for amounts described in clause (x) under United States Treasury Regulation Section 1.1502-6, as a result of transferee liability, as a result of being a member of an affiliated, combined, consolidated or unitary group or as a result of any agreement, implied or express, to indemnify any Person for amounts described in clause (x). In addition, with respect to Mexico, the term "Tax" shall include, but is not limited to all taxes (*impuestos*), social security contributions (*aportaciones de seguridad social*), duties (*derechos*) contributions (*contribuciones*), and tariffs (*aranceles*) and other charges deemed as such under applicable Law imposed by any Governmental Entity, including with respect to income (*impuesto sobre la renta*), assets (*impuesto al activo*), real property (including *impuesto predial* and *contribuciones por mejoras*), flat business tax (*impuesto empresarial a tasa única*), withholding taxes (*retenciones*), social security quotas (*contribuciones al Instituto Mexicano del Seguro Social*), contributions and quotas to the National Pension Fund System (*contribuciones al Sistema de Ahorro para el Retiro*), contributions and quotas to the National Workers' Housing Fund Institute Quotas (*contribuciones al Infonavit*) and value added tax (*Impuesto al Valor Agregado*), including in each case, any charges, interest, surcharges, additions or penalties imposed by any Governmental Entity in connection therewith;

(hhh) "**Termination Fee Event**" has the meaning set out in Section 7.2(c);

(iii) "**Transaction Personal Information**" has the meaning set out in Section 6.8;

(jjj) "**TSX**" means the Toronto Stock Exchange; and

(kkk) **"TSXV"** means the TSX Venture Exchange.

1.2 **<u>Construction and Interpretation</u>**

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

(a) references to "herein", "hereby", "hereunder", "hereof and similar expressions are references to this Agreement and not to any particular Section of or Schedule to this Agreement;

(b) references to a "Section" or a "Schedule" are references to a Section or Schedule of this Agreement;

(c) words importing the singular shall include the plural and vice versa, and words importing gender shall include the masculine, feminine and neuter genders;

(d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;

(e) wherever the term "includes" or "including" is used, it shall be deemed to mean "includes, without limitation" or "including, without limitation", respectively; and

(f) references to the knowledge of a party means the actual knowledge of the senior officers of such party.

ARTICLE 2
THE OFFER

2.1 The Offer

(a) Subject to the terms and conditions hereof, Argonaut agrees to make the Offer either by way of advertisement (the “**Advertisement**”) in a national daily newspaper of general and paid circulation in Canada or by way of mailing the Offer Documents as soon as possible after the date hereof and, in any event, on or before November 24, 2009 (the “**Offer Deadline**”), with mailing to take place to registered Shareholders in Canada, the United States and such other jurisdictions as Argonaut may determine, for consideration consisting of C$1.25 in cash per Share (the “**Offered Consideration**”), subject to the following provisions of this Subsection 2.1(a) and in accordance in all material respects with all applicable Securities Laws. The Offered Consideration is based on the following continuing to be true and accurate at the Effective Time: (i) no more than 82,766,283 Shares are outstanding, on a fully-diluted basis (subject to increase as permitted under Section 5.1(d)); (ii) Castle has not declared or paid any dividends or other distributions on the Shares; (iii) the Offered Consideration is subject to increase by C$0.01 for every 1% increase in the price of gold calculated from a starting gold price of US$1,050 to the 5 day average London Gold Fix (PM) price for December 18, December 21, December 22, December 23 and December 24, 2009; and (iv) in no event shall the maximum Offered Consideration exceed C$1.50 per Share.

(b) In the event that the Offer is commenced by way of Advertisement, Argonaut agrees that it shall mail the Offer Documents to the registered Shareholders as soon as reasonably practicable thereafter, and in any event no later than the Offer Deadline.

(c) The Offer shall not be subject to any conditions, other than the conditions set out in Schedule A.

(d) Argonaut shall prepare the take-over bid circular, the letter(s) of transmittal and notice(s) of guaranteed delivery (collectively, the "**Offer Documents**") with respect to the Offer in English and, if necessary, French in compliance with Applicable Securities Laws. Prior to printing the Offer Documents, Argonaut shall provide Castle and its counsel with a reasonable opportunity to review and comment on the Offer Documents and shall give due consideration to such comments, recognizing that whether or not such comments are appropriate will be determined by Argonaut, acting reasonably. Argonaut shall provide Castle with a final copy of the Offer Documents to be mailed to registered Shareholders (in Canada and in such other jurisdictions as determined by Argonaut or required by Applicable Securities Laws) prior to the mailing to registered Shareholders.

(e) Argonaut covenants in favour of Castle that on or before November 23, 2009, Argonaut will have adequate arrangements (as such term is understood for purposes of section 97.3 of the *Securities Act* (Ontario)) to ensure that Argonaut will have sufficient funds to pay the Offered Consideration in respect of all of the outstanding Shares and all Shares issuable upon exercise (cashless or otherwise) of Castle Equity Entitlements.

(f) The Offer shall be made in accordance with Applicable Securities Laws and shall expire not earlier than 5:00 pm (Toronto time) on December 24, 2009 and not later than on December 30, 2009 (such time, as it may be extended, is referred to herein as the "**Expiry Time**" and the time set for expiry between December 24, 2009 and December 30, 2009 being referred to herein as the "**Initial Expiry Time**"). Argonaut shall use all reasonable efforts to consummate the Offer, subject to the terms and conditions hereof and thereof.

(g) Argonaut may, in its sole discretion, modify or waive any term or condition of the Offer, provided that Argonaut will not, without the prior written consent of Castle: (i) modify or waive the Minimum Deposit Condition to permit it to acquire less than 66 2/3% of the Shares outstanding (calculated on a fully-diluted basis); (ii) decrease the Offered Consideration; (iii) change the form of the Offered Consideration (other than to increase the consideration per Share and/or add additional consideration or consideration alternatives); (iv) impose additional conditions to the Offer; or (v) otherwise modify the Offer (or any terms or conditions thereof) in a manner that is adverse to Castle or the Shareholders. If Argonaut waives the Minimum Deposit Condition on a date that is less than 10 days prior to the Expiry Date, it shall extend the

Offer for at least such period of time as is necessary to ensure that the Offer remains open for 10 days from the date or such waiver.

(h) In the event that the conditions to the Offer set out in Schedule A have been satisfied or waived by Argonaut at or prior to the Initial Expiry Time, Argonaut shall within ten (10) days of the Initial Expiry Time take up and pay for the Shares validly deposited (and not withdrawn) under the Offer. In the event that the conditions to the Offer set out in Schedule A have been satisfied or waived by Argonaut following the Initial Expiry Time, Argonaut shall take up and pay for all of the Shares tendered under the Offer promptly and in any event no later than ten (10) days following the time at which it becomes entitled to take up such Shares under the Offer pursuant to Applicable Securities Laws.

(i) Castle represents that the board of directors has deferred the Separation Time (as such term is defined in the Shareholder Rights Plan) in respect of the Lock-up Agreements until December 31, 2010.

(j) The obligation of Argonaut to make the Offer is conditional on the prior satisfaction of the following conditions, all of which conditions are included for the sole benefit of Argonaut and any or all of which may be waived by Argonaut in whole or in part in its sole discretion (other than the condition set out in Section 2.1(j)(v) below, which may be waived only with the consent of Castle) without prejudice to any other right it may have under this Agreement:

  (i) the obligations of Argonaut hereunder shall not have been terminated pursuant to Section 7.1, provided that Argonaut shall not have the right to terminate this Agreement pursuant to Section 7.1(f) without giving effect to the cure period provided therein;

  (ii) no change, effect, event, circumstance, occurrence or state of facts (other than a change, effect, event, circumstance, occurrence or state of facts caused by Argonaut, an Argonaut Subsidiary or any Person acting jointly or in concert with Argonaut) shall have occurred that would render it impossible for one or more of the conditions set out on Schedule A hereto to be satisfied;

  (iii) the Castle Board of Directors shall have unanimously recommended that Shareholders accept the Offer and shall not have withdrawn such recommendation or changed, modified or qualified such recommendation in a manner that has substantially the same effect or taken any other action or made any other public statement in connection with the Offer subsequent to the date of this Agreement inconsistent with such recommendation;

(iv) the Castle Board of Directors shall have prepared and approved in final form, printed for distribution to Shareholders and delivered to Argonaut for mailing with the Offer Documents a directors' circular (the "**Directors' Circular**") unanimously recommending that Shareholders accept the Offer; and

(v) no cease trade order, injunction or other prohibition at Law shall exist against Argonaut making the Offer or taking up or paying for Shares deposited under the Offer.

Prior to printing the Directors' Circular, Castle shall provide Argonaut and its counsel with a reasonable opportunity to review and comment on it and shall give due consideration to such comments, recognizing that whether or not such comments are appropriate will be determined by Castle, acting reasonably. Castle shall provide Argonaut with a final copy of the Directors' Circular to be mailed to Shareholders prior to the mailing to Shareholders.

2.2 **Fairness Opinion and Castle Support for the Offer**

(a) Castle represents and warrants to and in favour of Argonaut and acknowledges that Argonaut is relying upon such representations and warranties in entering into this Agreement, that, as of the date hereof:

(i) Gryphon Partners Canada Inc. has delivered an oral opinion to the Castle Board of Directors to the effect that, subject to the assumptions, limitations and qualifications stated therein, the Offered Consideration to be received under the Offer is fair from a financial point of view to Shareholders (other than Argonaut, if a Shareholder); and

(ii) the Castle Board of Directors, upon consultation with its financial and legal advisors, has unanimously determined that the Offer is fair to Shareholders (other than Argonaut, if a Shareholder), that the Offer is in the best interests of Castle and the Shareholders (other than Argonaut, if a Shareholder), and accordingly, has unanimously approved the entering into of this Agreement and the making of a recommendation that Shareholders (other than Argonaut, if a Shareholder) accept the Offer. Each member of the Castle Board of Directors has indicated his intention to deposit the Shares owned by him pursuant to the Offer and has agreed that the press release to be issued by Argonaut announcing the Offer may so reference such statement of intention and that references to such intention may be made in the Offer Documents and other documents relating to the Offer.

(b) Castle shall prepare and make available for distribution contemporaneously and together with the Offer Documents, in both the

English and French languages as circumstances may require, sufficient copies of the Directors' Circular, prepared in all material respects in accordance with all Applicable Securities Laws, which shall reflect the foregoing determinations and recommendation. Castle shall take all reasonable actions to support the Offer and ensure the success of the Offer in accordance with this Agreement and Castle shall provide Argonaut with any information pertaining to Castle, the Castle Subsidiaries and the Castle material joint ventures that is necessary for the completion of the Offer Documents, and shall provide Argonaut with such other assistance in the preparation of the Offer Documents as may be reasonably requested by Argonaut. Notwithstanding the foregoing, if after the date hereof the Castle Board of Directors is otherwise required in the exercise of its fiduciary duties to do so, then the Castle Board of Directors shall be entitled not to make such a positive recommendation, to make a negative recommendation or to withdraw, modify or change any recommendation regarding the Offer which it has previously made, provided that the Castle Board of Directors, acting in good faith and upon the advice of its legal and financial advisors where appropriate, shall first have determined that the making of a positive recommendation, the failure to make a negative recommendation or the failure to withdraw, modify or change any recommendation would be inconsistent with the fiduciary duties of the Castle Board of Directors and such action is otherwise in compliance with the terms of this Agreement set out in Section 6.2.

(c) Argonaut shall provide Castle with any information pertaining to Argonaut, the Argonaut Subsidiaries and the Argonaut material joint ventures that is necessary for the completion of the Directors' Circular by Castle, and shall provide Castle with such other assistance in the preparation of the Directors' Circular as may be reasonably requested by Castle.

2.3 **<u>Outstanding Castle Equity Entitlements</u>**

(a) Subject to the receipt of all required approvals of any Governmental Entity, Castle will make such amendments to the Castle Share Incentive Plans and take all such other steps as may be necessary or desirable to allow all persons holding Castle Equity Entitlements who may do so under applicable Laws, to exercise their Castle Equity Entitlements: (i) on an accelerated vesting basis, conditional on Argonaut taking up and paying for Shares under the Offer; and (ii) to effect a cashless exercise of their Castle Equity Entitlements for the purpose of tendering to the Offer all Shares issued in connection with such cashless exercise, conditional upon Argonaut taking up and paying for Shares under the Offer, all subject to applicable Laws and on terms and in a manner reasonably acceptable to Argonaut.

(b) Argonaut acknowledges and agrees that, subject to the receipt of all required approvals of Governmental Entities and subject to all applicable Laws:

(i) Argonaut shall agree with Castle to tendering arrangements in respect of the Offer in order to facilitate the conditional exercise of the Castle Equity Entitlements and tender of the Shares to be issued as a result of such conditional exercise (including providing for the ability of holders of Castle Equity Entitlements to tender the Shares issuable upon the exercise of such Castle Equity Entitlements on the basis of guaranteed deliveries); and

(ii) (A) holders of Castle Equity Entitlements will be permitted to tender the Shares issuable upon the exercise thereof and for such purpose to exercise their exercisable Castle Equity Entitlements (including as exercisable for this purpose, Castle Equity Entitlements that become exercisable by reason of this Section 2.3 or upon a cashless exercise, if applicable), conditional upon Argonaut taking up and paying for the Shares under the Offer, which Castle Equity Entitlements shall be deemed to have been exercised immediately prior to the take-up of Shares and (B) all Shares that are to be issued pursuant to any such conditional exercise shall be accepted as validly tendered under the Offer, provided that the holders of such Castle Equity Entitlements indicate that the Shares are tendered pursuant to the Offer and otherwise validly accept the Offer in accordance with its terms with respect to such Shares.

2.4 **Directors of Castle**

(a) Castle acknowledges and agrees that promptly upon the purchase by Argonaut of such number of Shares as represents at least a majority but less than 66⅔% of the then outstanding Shares on a fully-diluted basis and from time to time thereafter and subject to applicable Laws, Argonaut shall be entitled to designate such number of members of the Castle Board of Directors, and any committees thereof, as is proportionate to the percentage of the outstanding Shares owned from time to time by Argonaut (the "**Argonaut Percentage**") and Castle shall not frustrate Argonaut's attempts to do so and covenants to co-operate with Argonaut, subject to all applicable Laws, to enable Argonaut's designees to be elected or appointed to the Castle Board of Directors, and any committee thereof, and to constitute the Argonaut Percentage of the Castle Board of Directors, including at the request of Argonaut, by its reasonable best efforts to increase the size of the Castle Board of Directors and to secure the resignations of such number of directors as Castle may determine, in reasonable consultation with Argonaut.

(b) Castle acknowledges and agrees that forthwith at the request of Argonaut, upon confirmation that Argonaut beneficially owns 66⅔% or more of the Common Shares, to use reasonable commercial efforts to assist in effecting the resignations of the Castle directors and causing them to be replaced by persons nominated by Argonaut.

2.5 **Subsequent Acquisition Transaction**

If the Offer has been accepted by holders of not less than 90% of the outstanding Shares as at the Expiry Time and Argonaut accepts Shares deposited for purchase and pays for such Shares pursuant to the Offer, Argonaut shall, to the extent possible, acquire (a "**Compulsory Acquisition**") the remainder of the Shares from those Shareholders who have not accepted the Offer pursuant to Section 206 of the CBCA as soon as reasonably possible. If that statutory right of acquisition is not available or Argonaut chooses not to avail itself of such statutory right of acquisition, Argonaut will use its commercially reasonable efforts to pursue other means of acquiring the remaining Shares not tendered to the Offer as promptly as possible by way of amalgamation, statutory arrangement, amendment to articles, consolidation, capital reorganization or other transaction involving Castle and Argonaut or a Argonaut Subsidiary that Argonaut may, in its sole discretion, undertake to pursue (a "**Subsequent Acquisition Transaction**"), provided that the consideration per Share offered in connection with the Subsequent Acquisition Transaction is at least equivalent in value to the consideration per Share offered under the Offer. Castle agrees that, in the event Argonaut takes up and pays for Shares under the Offer representing at least a simple majority of the outstanding Shares (calculated on a fully-diluted basis as at the Expiry Time), it will assist Argonaut in connection with any proposed Subsequent Acquisition Transaction.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF ARGONAUT

Argonaut hereby makes to Castle the representations and warranties set out in Schedule B to this Agreement, and acknowledges that Castle is relying upon these representations and warranties in connection with the entering into of this Agreement.

The representations and warranties of Argonaut contained in this Agreement shall not survive the completion of the Offer and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF CASTLE

Castle hereby makes to Argonaut the representations and warranties set out in Schedule C to this Agreement, and acknowledges that Argonaut is relying upon these representations and warranties in connection with the entering into of this Agreement.

The representations and warranties of Castle contained in this Agreement shall not survive the completion of the Offer and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

ARTICLE 5
CONDUCT OF BUSINESS

5.1 Conduct of Business by Castle

Castle covenants and agrees that, prior to the earlier of the time of the appointment or election to the Castle Board of Directors of persons designated by Argonaut who represent a majority of the directors of Castle and the termination of this Agreement, except with the prior written consent of Argonaut (not to be unreasonably withheld or delayed) or as otherwise expressly contemplated or permitted by this Agreement or as disclosed in the Castle Disclosure Letter, Castle will, and will cause each of the Castle Subsidiaries to:

(a) conduct its and their respective businesses in the ordinary course consistent with past practice in all material respects and to use reasonable best efforts to preserve intact its present business organization and goodwill, to preserve intact their respective real property interests, mining leases, mining concessions, mining claims, exploration permits or prospecting permits or other property, mineral or proprietary interests or rights in good standing, to keep available the services of its officers and employees as a group and to maintain satisfactory relationships with suppliers, distributors, employees and others having business relationships with them;

(b) not split, consolidate or reclassify any of its outstanding shares nor undertake any other capital reorganization, nor declare, set aside or pay any dividends on or make any other distributions on or in respect of its outstanding shares, nor reduce capital in respect of its outstanding Shares;

(c) not amend its articles or by-laws or the terms of any of its outstanding securities, including any outstanding indebtedness and credit facilities;

(d) not issue any securities (other than the issuance of Shares upon the exercise of currently outstanding Castle Equity Entitlements in accordance with their terms), or redeem, offer to purchase or purchase any of its outstanding securities;

(e) not authorize, agree to issue, issue or award any stock options under any existing plan of Castle or otherwise other than pursuant to agreements existing on the date of this Agreement;

(f) except for changes in compensation for employees, other than officers and directors, in the ordinary course of business consistent with past practice and after prior consultation with Argonaut, not enter into, create, declare, adopt, amend, vary, modify or take any other action with respect to any bonus, target bonus, profit sharing, incentive, salary or other compensation, equity based award, pension, retirement, deferred compensation, severance, change in control, employment or other employee benefit plan, agreement, award or arrangement for the benefit or welfare of any officer, director or employee, or similar rights or other benefits;

(g) except as contemplated in any existing contractual commitments or budgets, or as disclosed in the Castle Public Documents, not acquire or commit to acquire any capital assets or group of related capital assets (through one or more related or unrelated acquisitions), or incur, or commit to, capital expenditures, having a value and/or cost in excess of C$200,000 in the aggregate;

(h) except as contemplated in any existing contractual commitments, not sell, lease, option, encumber or otherwise dispose of, or commit to sell, lease option, encumber or otherwise dispose of, any capital assets or group of related capital assets, (through one or more related or unrelated transactions) having a value in excess of C$100,000, or any land lease, concession, water or other rights;

(i) not incur or commit to incur any indebtedness for borrowed money or any other material liability, except for the borrowing of working capital in the ordinary course of business and consistent with past practice under existing credit facilities disclosed in the Castle Public Documents, or guarantee, endorse or otherwise become responsible for any other material liability, obligation or indemnity or the obligations of any other Person or other business organization;

(j) not make any changes to existing accounting policies other than as required by applicable Laws or by Canadian GAAP;

(k) not pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice, of liabilities reflected or reserved against in Castle's financial statements or incurred in the ordinary course of business consistent with past practice;

(l) not commence or settle any litigation, proceeding, claim, action, assessment or investigation involving Castle or a Castle Subsidiary before any Governmental Entity, other than in the ordinary course of business;

(m) not waive, release or amend in any material respect (i) any existing contractual rights in respect of any Castle material joint ventures or material mineral properties, or (ii) any other material licence, lease, contract or other document, other than in the ordinary course of business consistent with past practice;

(n) not enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives or other similar financial instruments, other than in the ordinary course of business consistent with past practice;

(o) not acquire or agree to acquire (by merger, amalgamation, acquisition of stock or assets or otherwise) any Person or other business organization or division or make any investment either by purchase of shares or securities, contributions of capital (other than to wholly-owned subsidiaries of Castle), property transfer or purchase of any property or assets of any other Person, except for purchases of inventory or equipment in the ordinary course of business consistent with past practice, and except for capital expenditures permitted by Section 5.1(g);

(p) duly and timely file all material forms, reports, schedules, statements and other documents required to be filed pursuant to any applicable corporate Laws or Applicable Securities Laws;

(q) promptly notify Argonaut orally and in writing of (i) any adverse material change (within the meaning of the *Securities Act* (Ontario)), on a consolidated basis, in the operation of its businesses or in the operation of its properties and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated); and (ii) the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would or would be likely to (A) cause any of the representations or warranties of Castle contained herein to be untrue or inaccurate (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) in any material respect; or (B) result in the failure in any material respect of Castle to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied prior to the Effective Time;

(r) except as contemplated in Section 6.2, not enter into any transaction or perform any act which might interfere with or be materially inconsistent with the successful completion of the acquisition of Shares by Argonaut pursuant to the Offer or the successful completion of a Compulsory Acquisition or Subsequent Acquisition Transaction or which would render, or which may reasonably be expected to render, inaccurate in any material respect any of Castle's representations and warranties set forth in this Agreement;

(s) not make any Tax election, change any method of Tax accounting or settle or compromise any Tax liability of Castle or any of the Castle Subsidiaries, and, in any event, Castle shall consult with Argonaut before filing or causing to be filed any Tax Return of Castle or any of the Castle Subsidiaries and before executing or causing to be executed any agreement or waiver extending the period for assessment or collection of any Taxes of Castle or the Castle Subsidiaries;

(t) not undertake any reorganization of Castle and the Castle Subsidiaries or enter into any transaction or series of transactions, take any action or permit any action that would have the effect of preventing Argonaut from obtaining a full tax cost "bump" pursuant to paragraph 88(1)(d) of the Tax Act in respect of the shares of any affiliates or subsidiaries and other non-depreciable capital property directly owned by Castle on October 27, 2009;

(u) not spend the proceeds of the Private Placement other than in accordance with the Castle Disclosure Letter; and

(v) not announce an intention, enter into any formal or informal agreement, or otherwise make a commitment to do any of the things prohibited by any of the foregoing subparagraphs,

provided that Castle shall be entitled to pay to its service providers (including legal counsel), employees, directors and officers amounts owing to them or that in the future will be owing to them as a result of agreements entered into or engagements commenced prior to the date hereof, each, as set out in the Castle Disclosure Letter or as have been incurred in the ordinary course of business, and further provided that notwithstanding anything in this Article 5 or in this Agreement, Castle shall be entitled to obtain equity or debt financing, including the Private Placement, or to otherwise arrange to secure financing through debt restructuring, forward sales, or any combination of the foregoing, or in any other commercially reasonable manner, provided the terms are not commercially unreasonable and that the total net amount raised shall not exceed C$3,500,000.

ARTICLE 6
OTHER COVENANTS

6.1 Further Assurances

Subject to the terms and conditions of this Agreement, each party hereto agrees to cooperate in good faith and use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable (a) to consummate and make effective as promptly as is practicable the transactions contemplated by the Offer and this Agreement, (b) for the discharge by each party hereto of its respective obligations under this Agreement and the Offer, including its obligations under Applicable Securities Laws, and (c) to obtain all necessary waivers, consents and approvals and to effect all necessary registrations and filings, including filings under applicable Laws and submissions of information requested by Governmental Entities in connection with transactions contemplated by the Offer and this Agreement including the execution and delivery of such documents as the other party hereto may reasonably require.

6.2 **No Solicitations; Opportunity to Match, Etc.**

(a) On and after the date hereof, except as otherwise provided in this Agreement, Castle shall not, and shall cause each of the Castle Subsidiaries not to, directly or indirectly, through any officer, director, employee, representative (including for greater certainty any financial or other advisors) or agent of Castle or any Castle Subsidiary:

(i) solicit, assist, initiate, knowingly encourage or otherwise facilitate (including by way of furnishing non-public information, permitting any visit to any facilities or properties of Castle or any Castle Subsidiary or Castle material joint venture (in each case to the extent subject to Castle's control), including material mineral properties, or entering into any form of written or oral agreement, arrangement or understanding) any inquiries, proposals or offers regarding (A) any merger, take-over bid, amalgamation, plan of arrangement, business combination, consolidation, recapitalization, liquidation or winding-up in respect of Castle or any Castle Subsidiary; (B) any sale or acquisition of all or a material portion of the assets of Castle on a consolidated basis; (C) any sale or acquisition of all or a material portion of Castle's Shares or the shares of any Castle Subsidiary; (D) any sale by Castle or any Castle Subsidiary of an interest in any material joint venture or material mineral property of Castle; or (E) any similar business combination or transaction of or involving Castle or any of the Castle Subsidiaries, other than with Argonaut, or announce the intention to do any of the foregoing from any Person other than Argonaut; (an "**Acquisition Proposal**");

(ii) engage in any substantive discussions or negotiations regarding, or provide any confidential information with respect to, any Acquisition Proposal provided that for greater certainty, Castle may advise any Person making an unsolicited Acquisition Proposal that such Acquisition Proposal does not constitute a Superior Proposal when the Castle Board of Directors has so determined;

(iii) withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in any manner adverse to Argonaut, the approval or recommendation of the Castle Board of Directors or any committee thereof of this Agreement or the Offer;

(iv) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal; or

(v) accept or enter into, or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, arrangement or undertaking related to any Acquisition Proposal,

provided, however, that nothing contained in this Section 6.2(a) or any other provision of this Agreement shall prevent the Castle Board of Directors from, and the Castle Board of Directors shall be permitted to:

(X) withdraw, modify or qualify (or propose to withdraw, modify or qualify) in any manner adverse to Argonaut the approval or recommendation of the Offer; or

(Y) engage in, facilitate or enter into discussions or negotiations with, respond to or provide information pursuant to Section 6.2(d) below to, any Person with respect to an Acquisition Proposal made by any such Person,

if and only to the extent that: (A) it has received after the date of this Agreement a bona fide written Acquisition Proposal that was not solicited from such Person subsequent to the date hereof (i) to purchase or otherwise acquire, directly or indirectly, by means of a merger, take-over bid, amalgamation, plan of arrangement, business combination or similar transaction, all of the Shares, or all or substantially all of the assets of Castle and the Castle Subsidiaries, (ii) that in the case of an offer to acquire the Shares is made to all Shareholders on the same terms and conditions; (iii) in respect of which it has been demonstrated to the satisfaction of the Castle Board of Directors, acting in good faith (after receipt of advice from its financial advisors and outside legal counsel), that any required financing to complete such Acquisition Proposal will be obtained, (iii) that is not subject to any due diligence and/or access condition which would allow access to the books, records, personnel or properties of Castle, the Castle Subsidiaries or the Castle material joint ventures beyond 5:00 p.m. (Toronto time) on the third day after which access is first afforded to the third party making the Acquisition Proposal (provided, however, that the foregoing shall not restrict the ability of such third party to continue to review information provided to it by Castle during such three day period); and (iv) that the Castle Board of Directors has determined in good faith (after consultation with its financial advisor and with its outside legal counsel) is reasonably capable of completion without undue delay taking into account all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal and such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable financially to the Shareholders than the Offer (including any adjustment to the terms and conditions of the Offer proposed by Argonaut pursuant to Section 6.2(f) below) (any such Acquisition Proposal being referred to herein as a "**Superior Proposal**"); (B) in the case of Section 6.2(a)(X) above, Castle shall have complied with all other requirements of Section 6.2(e) below; and (C) the Castle Board of Directors, after consultation with outside legal counsel, determines in good faith that the failure to take such action would be inconsistent with its fiduciary duties.

(b) Castle will immediately cease and cause to be terminated any existing solicitation, discussion or negotiation with any Person (other than Argonaut) by Castle or any Castle Subsidiary or any of its or their officers, directors, employees, representatives or agents with respect to any potential Acquisition Proposal, whether or not initiated by Castle or any Castle Subsidiaries or any of its or their officers, directors, employees, representatives or agents, and, in connection therewith, Castle will discontinue access to any data rooms (virtual or otherwise). Castle shall not release any third party from any confidentiality agreement or standstill agreement (except to allow such party to propose an Acquisition Proposal), provided that the foregoing shall not prevent the Castle Board of Directors from considering and accepting any new Acquisition Proposal that is determined to be a Superior Proposal that might be made by any such third party, provided that the remaining provisions of this Agreement are complied with. Within five business days from the date hereof, Castle shall request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Castle relating to any potential Acquisition Proposal and shall use all reasonable efforts to ensure that such requests are honoured in accordance with the terms of such confidentiality agreements.

(c) From and after the date of this Agreement, Castle shall promptly (and in any event within 24 hours after it has received any proposal, inquiry, offer or request) notify Argonaut, at first orally and then in writing, of any proposal, inquiry, offer (or any amendment thereto) or request relating to or constituting a bona fide Acquisition Proposal, any request for discussions or negotiations, and/or any request for non-public information relating to Castle or any Castle Subsidiary or Castle material joint venture or material mineral property of which Castle's directors, officers, employees, representatives or agents are or become aware, or any amendments to the foregoing. Such notice shall include a description of the terms and conditions of, and the identity of the Person making, any proposal, inquiry, offer (including any amendment thereto) or request, and shall include copies of any such proposal, inquiry, offer or request or any amendment to any of the foregoing. Castle shall also provide such other details of the proposal, inquiry, offer or request, or any amendment to the foregoing, as Argonaut may reasonably request. Castle shall keep Argonaut promptly and fully informed of the status, including any change to the material terms, of any such proposal, inquiry, offer or request, or any amendment to the foregoing, and will respond promptly to all inquiries by Argonaut with respect thereto.

(d) If Castle receives a request for material non-public information from a party who, on an unsolicited basis, proposes to Castle a bona fide Acquisition Proposal and (x) the Castle Board of Directors determines, in good faith, after the receipt of advice from its financial advisors, that such Acquisition Proposal would, if consummated in accordance with its terms, result in, or would reasonably be expected to lead to, a transaction more favourable financially to the Shareholders than the Offer; and (y) in the opinion of the Castle Board of Directors, acting in good faith and on advice from their outside legal advisors, the failure to provide such party with access to information regarding Castle would be inconsistent with the fiduciary duties of the Castle Board of Directors, then, and only in such case, Castle may provide such party with access to information regarding Castle, subject to the execution of a confidentiality agreement (which shall be substantially on the same terms as the Confidentiality Agreement) provided however that Castle sends a copy of any such confidentiality agreement to Argonaut promptly upon its execution and Argonaut is provided with a list of or copies of the information provided to such person and is immediately provided with access to similar information to which such person was provided.

(e) Castle shall not accept, approve or recommend, nor enter into any agreement (other than a confidentiality agreement contemplated by Section 6.2(d)) relating to, an Acquisition Proposal unless:

(i) the Acquisition Proposal constitutes a Superior Proposal;

(ii) Castle has complied with Sections 6.2(a) through 6.2(f), inclusive;

(iii) Castle has provided Argonaut with notice in writing that there is a Superior Proposal together with all documentation related to and detailing the Superior Proposal (including a copy of the confidentiality agreement between Castle and the Person making the Superior Proposal if not previously delivered) at least five business days prior to the date on which the Castle Board of

Directors proposes to accept, approve, recommend or to enter into any agreement relating to such Superior Proposal;

(iv) five business days shall have elapsed from the later of the date Argonaut received the notice referred to in Section 6.2(e)(iii) from Castle and the date Argonaut received a copy of the notice in respect of the Acquisition Proposal and, if Argonaut has proposed to amend the terms of the Offer in accordance with Section 6.2(f), the Castle Board of Directors (after receiving advice from its financial advisors and outside legal counsel) shall have determined in good faith that the Acquisition Proposal is a Superior Proposal compared to the proposed amendment to the terms of the Offer by Argonaut; and

(v) Castle concurrently terminates this Agreement pursuant to Section 7.1(h).

(f) Castle acknowledges and agrees that, during the five business day period referred to in Section 6.2(e)(iii) and Section 6.2(e)(iv) or such longer period as Castle may approve for such purpose, Argonaut shall have the opportunity, but not the obligation, to propose to amend the terms of the Offer. The Castle Board of Directors will review any proposal by Argonaut to amend the terms of the Offer in order to determine, in good faith in the exercise of its fiduciary duties and consistent with 6.2(a), whether Argonaut's proposal to amend the Offer would result in the Acquisition Proposal not being a Superior Proposal compared to the proposed amendment to the terms of the Offer. For greater certainty, if following such five day period the Castle Board of Directors determines that the Acquisition Proposal continues to constitute a Superior Proposal, Castle may approve and recommend that holders of Shares accept such Superior Proposal and may terminate this Agreement pursuant to Section 7.1(h).

(g) The Castle Board of Directors shall promptly reaffirm its recommendation of the Offer by press release after: (x) any Acquisition Proposal (which is determined not to be a Superior Proposal) is publicly announced or made; or (y) the Castle Board of Directors determines that a proposed amendment to the terms of the Offer would result in the Acquisition Proposal not being a Superior Proposal, and Argonaut has so amended the terms of the Offer. Argonaut and its counsel shall be given a reasonable opportunity to review and comment on the form and content of any such press release, recognizing that whether or not such comments are appropriate will be determined by Castle, acting reasonably.

(h) Nothing in this Agreement shall prevent the Castle Board of Directors from responding through a directors' circular or otherwise as required by Applicable Securities Laws to an Acquisition Proposal that it determines is not a Superior Proposal. Argonaut and its counsel shall be given a reasonable opportunity to review and comment on the form and content of any such directors' circular, recognizing that whether or not such comments are appropriate will be determined by Castle, acting reasonably.

(i) Castle also acknowledges and agrees that each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal for purposes of this Section 6.2 above.

(j) Castle shall ensure that its officers, directors, employees, representatives and agents, and the Castle Subsidiaries and their officers, directors, employees, representatives and agents, are aware of the provisions of Sections 6.2(a) to 6.2(d) hereof and Castle shall be responsible for any breach of this Section 6.2 by such officers, directors, employees, representatives or agents.

6.3 **Covenants Relating to the Transaction**

Castle hereby agrees that, unless the Offer has been withdrawn in accordance with the terms hereof or this Agreement is terminated pursuant to Section 7:

(a) prior to the Expiry Time of the Offer, it shall take all action that is necessary or advisable to waive or suspend the operation of or otherwise render the Shareholder Rights Plan inoperative in relation to the Offer, any Compulsory Acquisition or Subsequent Acquisition Transaction such that neither the Separation Time nor a Flip-in Event (as such terms are defined in the Shareholder Rights Plan) shall occur upon the execution of this Agreement, the completion of the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction and Argonaut's conditions to the Offer shall be satisfied at the Expiry Time of the Offer;

(b) if Argonaut takes up and pays for Shares pursuant to the Offer, it will use reasonable commercial efforts to assist Argonaut in connection with any Compulsory Acquisition or Subsequent Acquisition Transaction to acquire the remaining Shares, provided that the consideration offered for each Share in connection with the Compulsory Acquisition or Subsequent Acquisition Transaction is at least equal to the consideration offered for each Share under the Offer and the Compulsory Acquisition or Subsequent Acquisition Transaction is to be completed no later than 120 days after the expiry of the Offer;

(c) it shall cause a registered list of Shareholders prepared by Castle or the transfer agent(s) of Castle and a list of holders of any other rights currently outstanding prepared by Castle (as well as a security position listing from each depositary, including The Canadian Depository for Securities Limited) to be delivered to Argonaut within ten Business Days after execution of this Agreement and on demand further supplemental lists setting out any changes thereto, or such other information, mailing labels or other assistance as Argonaut may reasonably request in order to be able to communicate to Shareholders, all such deliveries to be both in printed form and, if available, computer-readable format; and

(d) Prior to the Expiry Time, Castle shall make available to Argonaut and its advisors, at all reasonable times and on reasonable notice, its books, records, information, corporate charts, tax documents, filings, memoranda, working papers, files and other materials in its possession and control, including material contracts and joint venture agreements and access to its employees and professional advisors (such professional advisors to be at the cost of Argonaut) for the purposes of assisting Argonaut in a further transaction to become a reporting and listed issuer in any jurisdiction in Canada.

6.4 **Notification of Certain Matters**

Each party shall give prompt notice to the other of: (a) the occurrence or failure to occur of any event, which occurrence or failure would cause or may cause any representation or warranty on its part contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Time; and (b) any failure of such party, or any officer, director, employee, representative or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder.

6.5 **Investigation by Argonaut**

Upon reasonable notice, and subject to the terms of a confidentiality agreement entered into between Castle and Argonaut dated January 28, 2009 (the

"**Confidentiality Agreement**"), Castle agrees to provide Argonaut and its representatives with reasonable access (without disruption to the conduct of Castle's business) during normal business hours to all books, records, information, corporate charts, tax documents, filings, memoranda, working papers and files and all other materials in its possession and control, including material contracts and joint venture agreements, and access to the personnel of Castle and the Castle Subsidiaries on an as reasonably requested basis as well as reasonable access to the properties of Castle and the Castle Subsidiaries in order to allow Argonaut to conduct such investigations as Argonaut may consider necessary or advisable to confirm the accuracy of Castle's representations and warranties, for strategic planning and integration and for any other reasons reasonably relating to the combination of Castle and Argonaut, and further agrees to assist Argonaut in all reasonable ways in any such due diligence investigations which Argonaut may wish to conduct. Nothing in the foregoing or any other provision of this Agreement shall require Castle to disclose information which it is prohibited from disclosing pursuant to a written confidentiality agreement or confidentiality provision of an agreement with a third party or to provide Argonaut with access to any property where Castle is contractually or legally prohibited from doing so. Any such investigation by Argonaut and its advisors shall not mitigate, diminish or affect the representations and warranties of Castle contained in this Agreement or any document or certificate given pursuant hereto.

6.6 **Officers' and Directors' Insurance and Indemnification**

(a) From and after the Effective Time, Argonaut agrees that for the period from the Effective Time until six years after the Effective Time, Argonaut will cause Castle or any successor to Castle to maintain Castle's current directors' and officers' insurance policy or a policy reasonably equivalent subject in either case to terms and conditions no less advantageous to the directors and officers of Castle than those contained in the policy in effect on the date hereof ("**Equivalent Insurance**"), for all present and former directors and officers of Castle and the Castle Subsidiaries. Alternatively, Castle or Argonaut may purchase as an extension to Castle's current insurance policies, run-off insurance providing such coverage for such persons on terms comparable to those contained in Castle's current insurance policies.

(b) Argonaut agrees that all rights to indemnification or exculpation existing in favour of the directors or officers of Castle or any subsidiary of Castle as at the date of this Agreement (the "**Castle D&O Rights**") as provided in Castle's articles or by-laws or as disclosed in writing to Argonaut shall survive the transactions contemplated hereby and shall continue in full force and effect for a period of not less than six years from the Effective Time. For a period of six years from the Effective Time, Argonaut will, or will cause Castle to, perform the obligations of Castle under the Castle D&O Rights.

(c) From and after the Effective Time, Argonaut agrees that it will cause Castle to satisfy all existing contractual commitments between Castle and any of its officers, directors or employees with respect to any bonus, target bonus, profit sharing, incentive, salary or other compensation, equity based award, pension, retirement, deferred compensation, severance, change in control, employment or other employee benefit plan, agreement, award or arrangement for the benefit or welfare of any officer, director or employee, or similar rights or other benefits in existence as of the date of this Agreement.

6.7 **Required Securities Laws Approvals**

Argonaut will promptly take such action, including obtaining any exemption orders, consents or approvals or filing any such documents, as may be required under Applicable Securities Laws to permit Argonaut to make the Offer and perform Argonaut's other obligations hereunder, and Castle shall cooperate in good faith in connection with any such action by Argonaut.

6.8 **Privacy**

Each party shall comply with applicable privacy Laws in the course of collecting, using and disclosing personal information about an identifiable individual (the "**Transaction Personal Information**"). Neither party shall disclose Transaction Personal Information to any person other than to its advisors who are evaluating and advising on the transactions contemplated by this Agreement. If the transactions contemplated by this Agreement are completed, neither party shall, following the Effective Time, without the consent of the individuals to whom such Transaction Personal Information relates or as permitted or required by applicable Laws, use or disclose Transaction Personal Information:

(a) for purposes other than those for which such Transaction Personal information was collected prior to the Effective Time; and

(b) which does not relate directly to the carrying on of the party’s business or to the carrying out of the purposes for which the transactions contemplated by this Agreement were implemented.

Each party shall protect and safeguard the Transaction Personal Information against unauthorized collection, use or disclosure. Argonaut shall cause its advisors to observe the terms of this Section 6.8 and to protect and safeguard Transaction Personal Information in their possession. If this Agreement shall be terminated, each party shall promptly deliver to the other party all Transaction Personal Information in its possession or in the possession of any of its advisors, including all copies, reproductions, summaries or extracts thereof, except, unless prohibited by applicable Laws, for electronic backup copies made automatically in accordance with the usual backup procedures of the parties.

ARTICLE 7
TERMINATION, AMENDMENT AND WAIVER

7.1 Termination

This Agreement may be terminated at any time prior to the Effective Time:

(a) by mutual written consent of Argonaut and Castle;

(b) by Castle, if:

(i) Argonaut does not have the capital necessary to pay the Offered Consideration to the Shareholders on or before November 23, 2009; or

(ii) Argonaut does not mail the Offer Documents by the Offer Deadline;

provided that Castle has delivered Lock-up Agreements representing at least 30% of the Shares;

(c) by Argonaut prior to the Offer Deadline, if any condition to the Offer set out in Section 2.1(j)(ii), (iii), (iv) or (v) for Argonaut's benefit is not satisfied or waived by such date other than as a result of Argonaut's default hereunder;

(d) by Argonaut if the Minimum Deposit Condition or any other condition of the Offer shall not be satisfied or waived at the Expiry Time of the Offer, as such Expiry Time may be extended by Argonaut in its sole discretion pursuant hereto, provided that Argonaut shall not elect to waive such condition to the extent permitted by this Agreement;

(e) by Argonaut or Castle, if Argonaut does not take up and pay for the Shares deposited under the Offer by January 8, 2010 (the "**Outside Date**"), otherwise than as a result of the material breach by such party of any material covenant or obligation under this Agreement or as a result of any representation or warranty made by such party in this Agreement being untrue or incorrect (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) where such inaccuracies in the representations and warranties, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect in respect of such party; provided, however, that if Argonaut's take up and payment for Shares deposited under the Offer is delayed by (i) an injunction or order made by a Governmental Entity of competent jurisdiction, or (ii) Argonaut not having obtained any waiver, consent or approval of any Governmental Entity which is necessary to permit Argonaut to take up and pay for Shares deposited under the Offer, then, provided that such injunction or order is being contested or appealed or such waiver, consent or approval is being actively sought, as applicable, this Agreement shall not be terminated by Castle pursuant to this Section 7.1(e) until the earlier of (A) the 120th day after the Offer Documents are mailed and (B) the fifth business day following the date on which such injunction or order ceases to be in effect or such waiver, consent or approval is obtained, as applicable;

(f) prior to any acquisition of Shares in the Offer, by either Castle or Argonaut, if the other party is in material default of a material covenant or obligation under this Agreement or if any representation or warranty made by the other party in this Agreement shall have been at the date hereof or shall have become untrue or incorrect (without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation or warranty) where such inaccuracies in the representations and warranties, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect in respect of such other party, and such default or inaccuracy is not curable or, if curable, is not cured by the earlier of the date which is 30 days from the date of written notice of such breach and the Expiry Time;

(g) prior to any acquisition of Shares in the Offer, by Argonaut, if: (i) the Castle Board of Directors fails to publicly recommend or reaffirm its approval of the Offer within two business days of any written request by Argonaut when required to do so pursuant to Section 6.2(f) (or, in the event that the Offer shall be scheduled to expire within such two calendar day period, prior to the scheduled expiry of the Offer), (ii) the Castle Board of Directors withdraws, modifies, changes or qualifies its approval or recommendation of this Agreement or withdraws, modifies, changes or qualifies its approval or recommendation of the Offer in any manner adverse to Argonaut; or (iii) the Castle Board of Directors recommends or approves or publicly proposes to recommend or approve a Superior Proposal; or

(h) prior to any acquisition of Shares in the Offer, by Castle, if Castle proposes to enter into a definitive agreement with respect to a Superior Proposal in compliance with the provisions of Section 6.2(e), provided that Castle has not breached any of its material covenants, agreements or obligations in this Agreement.

7.2 <u>**Termination Fee**</u>

(a) If a Termination Fee Event occurs, Castle shall pay Argonaut (by wire transfer of immediately available funds) the Termination Fee in accordance with Section 7.2(d).

(b) For the purposes of this Agreement, "**Termination Fee**" means C$3,000,000.

(c) For the purposes of this Agreement, "**Termination Fee Event**" means the termination of this Agreement:

(i) by Argonaut pursuant to Section 7.1(g); or

(ii) by Castle pursuant to Section 7.1(h).

(d) If a Termination Fee Event occurs, the Termination Fee shall be payable to Argonaut within two business days of the occurrence of such Termination Fee Event.

(e) Each of the parties acknowledges that the agreements contained in this Section 7.2 are an integral part of the transactions contemplated in this Agreement and that, without those agreements, the parties would not enter into this Agreement. Each party acknowledges that all of the payment amounts set out in this Section 7.2 are payments of liquidated damages which are a genuine pre-estimate of the damages, which the party entitled to such damages will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and are not penalties. Castle irrevocably waives any right it may have to raise as a defence that such liquidated damages are excessive or punitive. For greater certainty, each party agrees that, upon any termination of this Agreement under circumstances where Argonaut is entitled to the Termination Fee and such Termination Fee is paid in full, Argonaut shall be precluded from any other remedy against Castle at law or in equity or otherwise (including, without limitation, an order for specific performance), and shall not seek to obtain any recovery, judgment, or damages of any kind, including consequential, indirect, or punitive damages, against Castle or any of the Castle Subsidiaries or any of their respective directors, officer, employees, partners, managers, members, shareholders or affiliates in connection with this Agreement or the transactions contemplated hereby.

(f) Nothing in this Section 7.2 shall relieve or have the effect of relieving any party in any way from liability for damages incurred or suffered by a party as a result of an intentional or wilful breach of this Agreement.

(g) Nothing in this Section 7.2 shall preclude a party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or the Confidentiality Agreement or otherwise to obtain specific performance of any such covenants or agreements, without the necessity of posting bond or security in connection therewith.

7.3 <u>Effect of Termination</u>

Upon termination of this Agreement, neither party shall have any obligation to the other, except as otherwise expressly contemplated hereby, and except that nothing contained herein shall relieve or have the effect of relieving any party in any way from liability for damages incurred or suffered by a party as a result of an intentional or wilful breach of this Agreement, including the intentional or wilful making of a misrepresentation in this Agreement (including the Schedules hereto), and provided that the provisions of this Section 7.3 and Sections 7.2, 7.4, 8.2, 8.3, 8.4, 8.5 and 8.6 and the provisions of the Confidentiality Agreement shall survive any termination hereof pursuant to Section 7.1; provided further that neither the termination of this Agreement nor anything contained in this Section 7.3 shall relieve a party from any liability arising prior to such termination. Nothing herein shall preclude a party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or otherwise to obtain specific performance of any such covenants or agreements, without the necessity of posting bond or security in connection therewith.

7.4 **Escrowed Funds and Expense Reimbursement**

(a) The parties acknowledge that Argonaut has deposited into escrow a total of US$400,000 as a good faith deposit (the "**Deposit**") in connection with the Offer, which funds are to be held and dealt with in accordance with an escrow agreement made between Argonaut, Castle and an escrow agent dated October 20, 2009 (the "**Escrow Agreement**") and that such escrowed funds will be dealt with in accordance with the terms thereof, provided that the trigger events for the forfeit of such deposit to Castle shall, after the date hereof, be as set out below:

(i) Argonaut does not have the capital necessary to pay the Offered Consideration to the Shareholders on or before November 23, 2009, provided that Castle has delivered Lock-up Agreements representing at least 30% of the Shares;

(ii) Argonaut does not mail the Offer Documents by the Offer Deadline, provided that Castle has delivered Lock-up Agreements representing at least 30% of the Shares; or

(iii) Argonaut does not take up and pay for all Shares tendered to the Offer on or before January 8, 2010, provided all the conditions to the Offer have been met or waived.

(b) If Argonaut is required to forfeit the Deposit to Castle as a result of any event in Section 7.4(a)(i), Section 7.4(a)(ii), Section 7.4(a)(iii), Argonaut shall pay, or cause to be paid, to Castle, within three business days of the applicable deadline in Section 7.4(a)(i), Section 7.4(a)(ii), Section 7.4(a)(iii) an additional US$200,000 in respect of the reimbursement of expenses of Castle related to this Agreement and the Offer.

7.5 **Amendment**

This Agreement may not be amended except by an instrument signed by each of the parties hereto.

7.6 **Waiver**

At any time prior to the termination of this Agreement pursuant to Section 7.1, any party hereto may: (a) extend the time for the performance of any of the obligations or other acts of any other party hereto; or (b) waive compliance with any of the agreements of the other party or with any conditions to its own obligations, in each case only to the extent such obligations, agreements and conditions are intended for its benefit.

ARTICLE 8
GENERAL PROVISIONS

8.1 **Advisors**

Argonaut and Castle represent and warrant to each other that, with the exception of GMP Securities LP and Auramet Trading LLC, for whose fees and expenses Argonaut shall be solely liable, and Gryphon Partners Canada Inc. and Castle’s lock-up solicitation agent, for whose fees and expenses Castle shall be solely liable, no securityholder, director, officer, employee, consultant, broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission, or to the reimbursement of any of its expenses, in connection with the Offer or any similar transaction based upon arrangements made by or on behalf of Argonaut or Castle, as the case may be. A true and complete copy of the agreement between Castle’s lock-up solicitation agent and Castle has been provided to Argonaut.

8.2 **Public Statements**

Except as required by applicable Law or applicable stock exchange requirements, neither Argonaut nor Castle shall make any public announcement or statement with respect to the Offer or this Agreement without the approval of Castle or Argonaut, respectively, such approval not to be unreasonably withheld or delayed, except to the extent necessary to comply with Law or applicable stock exchange requirements. Moreover, in any event, each party agrees to give prior notice to the other of any public announcement relating to the Offer or this Agreement and agrees to consult with each other prior to issuing each such public announcement. Each of Argonaut and Castle agrees that, promptly after the entering into of this Agreement, it shall issue a press release announcing the entering into of this Agreement and, in the case of Argonaut, its intention to amend the Offer, which press release shall, in each case, be satisfactory in form and substance to the other party, acting reasonably.

8.3 **Notices**

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a party shall be in writing and may be given by delivering same or sending same by (a) personal delivery, (b) facsimile transmission, (c) overnight courier, or (d) electronic mail, in each case at or to the applicable addresses or electronic mail addresses, set out with the party's name below or at or to such other address or electronic mail address for a party as such party from time to time designates to the other party in the same manner, provided that any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement given by Argonaut shall be given by each and all of (a) facsimile transmission, (b) registered mail, and (c) electronic mail, at such addresses or electronic mail addresses. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received and be effective (i) if personally delivered as described above, on the day of delivery if that day is a business day, and it was delivered before 5:00 p.m. local time in the place of delivery, and otherwise on the next Business Day; or (ii) if sent by facsimile transmission, on the day of transmission, if that day is a business day and the fax transmission was made before 5:00 p.m. local time in the place of receipt, and otherwise on the next business day; or (iii) if by overnight courier, on the second business day following the day on which it is mailed; or (iv) if by electronic mail, on the day the sender receives confirmation of receipt by return electronic mail from the recipient, if that day is a business day and if the confirmation was received prior to 5:00 p.m. local time in the place of delivery or receipt, and otherwise, on the next business day.

The address for service for each of the parties hereto shall be as follows:

(a) if to Argonaut:

Argonaut Gold Inc.
5421 Kietzke Lane
Suite #201
Reno, Nevada 89511

Attention: Peter C. Dougherty, President and Chief Executive Officer

Fax: (775) 852-1075

with a copy to (which shall not constitute service):

Fraser Milner Casgrain LLP
1 First Canadian Place
39th Floor
100 King Street West
Toronto, ON M5X 1B2

Attention: Sander Grieve

Fax: (416) 863-4592

(b) if to Castle:

Castle Gold Corporation
80 Richmond Street, Suite 505
Toronto Ontario M5H 2A4
Canada

Attention: Janet O'Donnell, Chief Financial Officer

Fax: (416) 815-0220

And to each of:

James Mark Plaxton: mplaxton.intac@surfbvi.com

Milt Baehr: milt@baehrtech.com

Mark Selby: mtselby@gmail.com

Leonard Harris: lenharris1@yahoo.com

with a copy to (which shall not constitute service):

Cassels Brock & Blackwell LLP
2100 Scotia Plaza
40 King Street West
Toronto, ON M5H 3C2

Attention: Cameron Mingay

Fax: (416) 640-3163

8.4 **Currency**

Unless otherwise indicated, all dollar amounts referred to in this Agreement, including amounts denoted by "C$" or "$" are expressed in Canadian dollars. Amounts denoted by "US$" are expressed in United States dollars.

8.5 Severability

If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated and the parties shall negotiate in good faith to modify the agreement to preserve each party's anticipated benefits under this Agreement.

8.6 Entire Agreement, Assignment and Governing Law

This Agreement and the Confidentiality Agreement (together with all other documents and instruments referred to herein) constitute the entire agreement and supersede all other prior agreements and undertakings, both written and oral, among the parties with respect to the subject matter hereof.

This Agreement: (a) is not intended to confer upon any other Person any rights or remedies hereunder other than the employees, officers and directors or former employees, officers and directors of Castle and Castle Subsidiaries, who shall be entitled to be treated as third party beneficiaries of this Agreement solely with respect to Section 6.6; (b) shall not be assigned by operation of Law or otherwise; and (c) shall be governed in all respects, including validity, interpretation and effect, by the Laws of the Province of Ontario and the federal Laws of Canada applicable therein, without giving effect to any principles of conflict of laws thereof which would result in the application of the Laws of any other jurisdiction, and all actions and proceedings arising out of or relating to this Agreement shall be heard and determined exclusively in the courts of the Province of Ontario.

8.7 Counterparts

This Agreement may be executed in any number of counterparts, each of which may be an original, facsimile or electronic copy and each of which shall be deemed to be original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce more than one counterpart.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Agreement has been executed and delivered as of the date first above written, by the duly authorized representatives of the parties hereto.

ARGONAUT GOLD INC.

by "Peter C. Dougherty"
Name: Peter C. Dougherty
Title: CEO and President

CASTLE GOLD CORPORATION

by "James Mark Plaxton"
Name: James Mark Plaxton
Title: Chairman of M&A Committee and Chairman

SCHEDULE A

CONDITIONS TO THE OFFER

Notwithstanding any other provision of this Agreement or the Offer and subject to applicable Law, Argonaut will have the right to withdraw the Offer and not take up, purchase or pay for, and shall have the right to extend the period of time during which the Offer is open and postpone taking up and paying for any Shares deposited pursuant to the Offer, unless all of the following conditions are satisfied or waived by Argonaut (subject to Section 2.1(g) of this Agreement) at or before the Expiry Time:

(a) there shall have been validly deposited pursuant to the Offer and not withdrawn at the Expiry Time that number of Shares which constitutes at least 66⅔% of the Shares outstanding calculated on a fully-diluted basis (the "**Minimum Deposit Condition**");

(b) any government or regulatory approvals, waiting or suspensory periods (and any extensions thereof), waivers, permits, consents, reviews, sanctions, orders, rulings, decisions, declarations, certificates and exemptions (including, among others, those of any stock exchanges or other securities or regulatory authorities) that are, in Argonaut's reasonable discretion, necessary to complete the Offer, any Compulsory Acquisition or any Subsequent Acquisition Transaction shall have been obtained, received or concluded or, in the case of waiting or suspensory periods, expired or been terminated, each on terms and conditions satisfactory to Argonaut in its reasonable discretion;

(c) this Agreement shall not have been terminated by Castle or Argonaut in accordance with its terms;

(d) no act, action, suit or proceeding shall have been taken or threatened in writing or be pending before or by any Governmental Entity or by any elected or appointed public official or private person (including, without limitation, any individual, company, firm, group or other entity), whether or not having the force of Law:

(i) seeking to prohibit, restrict or impose material limitations or conditions on: (A) the acquisition by, or sale to, Argonaut of any Shares, (B) the take-up or acquisition of Shares by Argonaut, (C) the delivery of cash in consideration for Shares taken up or acquired by Argonaut, (D) the ability of Argonaut to acquire or hold, or exercise full rights of ownership of, any Shares, (E) the ownership or operation or effective control by Argonaut of any material portion of the business or assets of Castle or its affiliates or subsidiaries or to compel Argonaut or its affiliates or subsidiaries to dispose of or hold separate any material portion of the business or assets of Castle or any of its affiliates or subsidiaries as a result of the Offer, or (F) the ability of Argonaut and its affiliates and subsidiaries to complete any Compulsory Acquisition, Subsequent Acquisition Transaction; or

(ii) seeking to obtain from Argonaut or any of its Subsidiaries or Castle or any of the Castle Subsidiaries any damages directly or indirectly in connection with the Offer (or any Compulsory Acquisition or any Subsequent Acquisition Transaction);

which, if successful, would be reasonably likely to result in a Material Adverse Effect on either Castle and/or Argonaut or any of their respective affiliates or subsidiaries, taken as a whole, if the Offer were consummated;

(e) there shall not be in effect or threatened in writing any temporary restraining order, preliminary or permanent injunction, cease trade order or other order, decree or judgment issued by any Governmental Entity or other legal restrain or prohibition, including the existence or proposal of any Law challenging (i) the Offer or preventing the completion of the Offer or the acquisition of Shares under the Offer, or any Compulsory Acquisition, Subsequent Acquisition Transaction, (ii) the ability of Argonaut to acquire or hold, or exercise full rights of ownership of, any Shares, (iii) the ownership or operation or effective control by Argonaut of any material portion of the business or assets of Castle or its affiliates or subsidiaries or compelling Argonaut or its affiliates or subsidiaries to dispose of or hold separate any material portion of the business or assets of Castle or any of its affiliates or subsidises as a result of the Offer;

(f) there shall not have occurred any change, effect, event, circumstance or occurrence on or after October 27, 2009, that, when considered either individually or in the aggregate, has or would reasonably be expected to have had a Material Adverse Effect on Castle;

(g) all representations and warranties made by Castle in this Agreement shall be true and correct at and as of the Expiry Time as if made at and as of such time (except for those expressly stated to speak at or as of an earlier time) without giving effect to, applying or taking into consideration any materiality or Material Adverse Effect qualification already contained within such representation and warranty, where any incorrectness or inaccuracies in the representations and warranties, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect in respect of Castle or materially and adversely affect the ability of Argonaut to proceed with the Offer, any Compulsory Acquisition or Subsequent Acquisition Transaction;

(h) Castle shall have complied in all material respects with its covenants and obligations under this Agreement to be complied with at or prior to the Expiry Time;

(i) there shall not have occurred or been threatened on or after the date of the Offer: (i) any general suspension of trading in, or limitation on prices for, securities on the TSX; (ii) any extraordinary adverse change in the financial markets in Canada or the United States; or (iii) a declaration of a banking moratorium or any suspension of payments in respect of banks in Canada or the United States; and

(j) the Reorganization Transaction shall be subject to a binding agreement.

The foregoing conditions are for the exclusive benefit of Argonaut and may be waived by it in whole or in part by Argonaut at any time without prejudice to any other rights which Argonaut may have. The foregoing conditions may be asserted by Argonaut regardless of the circumstances giving rise to any such condition (other than a default by Argonaut). The failure by Argonaut at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed to be an ongoing right that may be asserted at any time and from time to time.

SCHEDULE B

REPRESENTATIONS AND WARRANTIES OF ARGONAUT

1. **Authority and No Violation**

(a) Argonaut has the necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Argonaut and the consummation by Argonaut of the Offer have been duly authorized by the Argonaut Board of Directors and no other corporate proceedings on its part are necessary to authorize this Agreement or the Offer. This Agreement has been duly executed and delivered by Argonaut and constitutes a legal, valid and binding obligation of Argonaut, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other applicable Laws affecting creditors' rights generally, and to general principles of equity.

(b) The authorization of this Agreement, the execution and delivery by Argonaut of this Agreement and the performance by it of its obligations under this Agreement, and the consummation of the Offer, will not:

(i) result (with or without notice or the passage of time) in a violation or breach of or constitute a default under any provision of:

(A) its certificate of incorporation, articles, by-laws or other charter documents; or

(B) any applicable Laws, except to the extent that the violation or breach of, or default under, any applicable Laws, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Castle.

2. **Sufficient Funds**

Argonaut has, or has firm commitments satisfactory to Castle, acting reasonably, for, the capital necessary to pay the Offered Consideration to the Shareholders, or will have such capital on or before November 23, 2009.

3. **Status**

(a) Argonaut is not a "non-Canadian" for purposes of the Investment Canada Act (Canada).

(b) Argonaut is not a "non-resident" within the meaning of the Tax Act.

SCHEDULE C

REPRESENTATIONS AND WARRANTIES OF CASTLE

Except as disclosed in writing to Argonaut prior to the execution and delivery of this Agreement:

1. **Organization**

(a) Castle and each of the Castle Subsidiaries is incorporated is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has full requisite power and authority to carry on its business as it is currently conducted, and to own, lease and operate the properties currently owned, leased and operated by it, and is duly qualified or licensed to do business and is in good standing as a foreign corporation or organization authorized to do business in all jurisdictions in which the character of the properties owned or leased or the nature of the business conducted by it would make such qualification or licensing necessary, except where the failure to be so qualified or licensed would not reasonably be expected to have a Material Adverse Effect on Castle. The Castle Subsidiaries are the only Subsidiaries of Castle and 100% of each Castle Subsidiary's outstanding capital stock is owned by Castle. Neither Castle nor any Castle Subsidiary owns any debt or equity interests in any entity other than the Castle Subsidiaries.

(b) As of the date hereof, Castle is the beneficial direct owner of all of the outstanding shares of the Castle Subsidiaries with good title thereto free and clear of any and all Encumbrances. There are no options, warrants or other rights, shareholder or unitholder rights plans, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by any of the Castle Subsidiaries of any securities of the Castle Subsidiaries or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of the Castle Subsidiaries. All outstanding securities of the Castle Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights.

2. **Capitalization**

The authorized capital of Castle consists of an unlimited number of Shares and an unlimited number of preferred shares issuable in series, of which no preferred shares are outstanding. As at October 20, 2009 there were (i) issued and outstanding 75,535,783 Shares; and (ii) Castle Equity Entitlements to acquire an aggregate of 7,126,751 Shares were outstanding. Except for the Castle Equity Entitlements, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating Castle or any Castle Subsidiary or any material joint venture of Castle to issue or sell any shares of Castle or securities or obligations of any kind convertible into or exchangeable for any shares of Castle. Castle has provided to Argonaut a list setting out the name of each holder of a Castle Equity Entitlements, the number of Castle Equity Entitlements held by such person and the exercise price, date of grant, vesting schedule and expiry date of each such Castle Equity Entitlements. All outstanding Shares and the outstanding shares of the Castle Subsidiaries and each material joint venture of Castle have been authorized and are validly issued and outstanding as fully paid and non-assessable shares, free of pre-emptive rights, to the extent such a concept exists under applicable Law. All of the outstanding shares of Castle Subsidiaries and each material joint venture of Castle are owned directly or indirectly by Castle.

3. **Authority and No Violation**

(a) Castle has the necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations hereunder. The execution and delivery of this Agreement by Castle and the consummation by Castle of the Offer have been duly authorized by the Castle Board of Directors and no other corporate proceedings on its part are necessary to authorize this Agreement or the Offer, other than with respect to the Directors' Circular and other matters relating solely thereto. This Agreement has been duly executed and delivered by Castle and constitutes a legal, valid and binding obligation of Castle, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other applicable Laws affecting creditors' rights generally, and to general principles of equity.

(b) The authorization of this Agreement, the execution and delivery by Castle of this Agreement and the performance by it of its obligations under this Agreement, and the consummation of the Offer, will not:

(i) result (with or without notice or the passage of time) in a violation or breach of or constitute a default under any provision of:

(A) its or any Castle Subsidiary's certificate of incorporation, articles, by-laws or other charter documents or the agreements covering any of Castle's material joint ventures;

(B) any applicable Laws, except to the extent that the violation or breach of, or default under, any applicable Laws, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Castle; or

(C) except as set out in the Castle Disclosure Letter, any note, bond, mortgage, indenture, contract, licence, permit or, government grant to which Castle or any Castle Subsidiary or Castle material joint venture is party or by which it is bound, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Castle;

(ii) except as set out in the Castle Disclosure Letter, give rise to any right of termination, acceleration or cancellation of indebtedness of Castle or any Castle Subsidiary or Castle's material joint ventures, or cause any such indebtedness to come due before its stated maturity;

(iii) except as set out in the Castle Disclosure Letter or except as disclosed to Argonaut pursuant to Section 9(a) of this Schedule C, give rise to any rights of first refusal or trigger any change in control provisions or any restriction or limitation under any such note, bond, mortgage, indenture, contract, license, franchise or permit, or result in the imposition of any encumbrance, charge or lien upon any of Castle's assets or the assets of any of the Castle Subsidiaries or Castle's material joint ventures, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Castle; or

(iv) result in the imposition of any Encumbrance or Encumbrances upon any assets of Castle or any Castle Subsidiary or Castle material joint venture, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Castle.

4. **Public Filings**

Castle has filed all documents or information (the "**Castle Public Documents**") required to be filed by it under Applicable Securities Laws or with the TSXV since January 1, 2009. All such Castle Public Documents, as of their respective dates, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading as at the time at which they were filed with applicable securities regulatory authorities. All of the Castle Public Documents, as of their respective dates (and as of the dates of any amendments thereto), complied as to form in all material respects with the requirements of Applicable Securities Laws or were amended on a timely basis to correct deficiencies identified by securities commissions or similar securities regulatory authorities. Castle has not filed any confidential material change report with any securities regulatory authority that at the date hereof remains confidential.

5. **Financial Statements**

The audited consolidated financial statements of Castle (including any related notes thereto) for the fiscal year ended December 31, 2008 and 2007 and the interim consolidated financial statements of Castle (including any related notes thereto) for the periods ended June 30, 2009 and June 30, 2008 have been prepared in accordance with Canadian GAAP and all applicable Laws and present fairly, in all material respects, the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of Castle and the Castle Subsidiaries on a consolidated basis as at the respective dates indicated and for the periods covered thereby applied on a basis consistent with the immediately prior period and throughout the periods indicated (except as may be indicated expressly in the notes thereto) and, in the case of unaudited statements, subject to normal, recurring year-end adjustments that are not material.

6. **Books and Records**

The financial books, records and accounts of Castle and, each of the Castle Subsidiaries and Castle's material joint ventures, in all material respects: (i) have been maintained in accordance with accounting principles generally accepted in the country of domicile of each such entity on a basis consistent with prior years; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions and dispositions of the assets of Castle and the Castle Subsidiaries and Castle's material joint ventures; and (iii) accurately and fairly reflect the basis for Castle financial statements.

7. **Absence of Certain Changes or Events**

Since December 31, 2008, there has not been:

(i) any Material Adverse Effect on Castle;

(ii) any material damage, destruction, or loss to the business or properties of Castle;

(iii) any declaration, setting aside or payment of any dividend or other distribution in respect of the capital stock of Castle or any of the Castle Subsidiaries or Castle’s material joint ventures, or any direct or indirect redemption, purchase or any other acquisition by Castle or any of the Castle Subsidiaries or Castle’s material joint ventures of any such stock, except shares purchased pursuant to Castle’; normal course issuer bid; or

(iv) any other event or condition known to Castle particularly pertaining to and adversely affecting the operations, assets or business of Castle or any of the Castle Subsidiaries or Castle’s material joint ventures (other than events or conditions which are of a general or industry-wide nature and of general public knowledge) which would constitute a Material Adverse Effect on Castle.

8. **Litigation**

(a) Except as disclosed in the Castle Disclosure Letter, there is no claim, action, proceeding or, to the knowledge of Castle, investigation that has been commenced or, to the knowledge of Castle, threatened against Castle or any Castle Subsidiary or Castle material joint venture or affecting any of its property or assets before any Governmental Entity which, if determined adversely to Castle or the Castle Subsidiary or Castle material joint venture, as the case may be, would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to Castle.

(b) Except as disclosed in the Castle Disclosure Letter, there is no claim, action, proceeding or, to the knowledge of Castle, investigation that has been commenced or, to the knowledge of Castle, threatened against Castle or any Castle Subsidiary or Castle material joint venture or affecting any of its property or assets before any Governmental Entity which, if determined adversely to Castle or the Castle Subsidiary or Castle material joint venture, as the case may be, would, individually or in the aggregate, reasonably be expected to prevent or materially delay the consummation of the Offer, a Compulsory Acquisition or a Subsequent Acquisition Transaction.

(c) Neither Castle nor any of the Castle Subsidiaries nor any of Castle's material joint ventures is subject to any outstanding judgment, order, writ, injunction or decree which would reasonably be expected to have a Material Adverse Effect with respect to Castle.

9. **Employment Matters**

(a) Castle has provided in the Castle Disclosure Letter a complete list setting out the name of each officer of Castle who is a party to or a participant in any agreement, arrangement, plan, obligation or understanding providing for severance or termination or other payments in connection with the termination of the employment or engagement of, or resignation of, any such officer of Castle following a change of control of Castle (each a "**Change of Control Beneficiary**") and a description and calculation of the entitlements of each such person.

(b) Except as disclosed to Argonaut pursuant to Section 9(a) of this Schedule C, there are no written or oral agreements, arrangements, plans, obligations or understandings providing for severance or termination or other payments in connection with the termination of the employment or engagement of, or resignation of, any director, officer or employee of Castle or any Castle Subsidiary or material joint venture following a change of control of Castle.

(c) Except as disclosed in the Castle Disclosure Letter, Castle has not declared or paid, or committed to declare or pay, any amount to any Change of Control Beneficiary in respect of a performance or incentive or other bonus in respect of all or any part of the 2009 calendar year or all or any part of any subsequent calendar year or in connection with the completion of the transactions contemplated by this Agreement.

10. **Mineral Reserves and Resources**

The estimated proven and probable mineral reserves and estimated indicated, measured and inferred mineral resources disclosed in the Castle Public Documents as of year-end 2008 have been prepared and disclosed in all material respects in accordance with accepted engineering practices and all applicable Laws. There has been no material reduction in the aggregate amount of estimated mineral reserves, estimated mineral resources or mineralized material of Castle and the Castle Subsidiaries and Castle's material joint ventures, taken as a whole, from the amounts disclosed in the Castle Public Documents as of December 31, 2008.

11. **Environmental Matters**

(a) There are no environmental conditions or circumstances, such as the presence or release of any hazardous substance, on any property presently or, to the knowledge of Castle, previously owned or leased by Castle or any of the Castle Subsidiaries that could reasonably be expected to result in a Material Adverse Effect on Castle;

(b) Castle and the Castle Subsidiaries have in full force and effect all material environmental permits, licenses, approvals and other authorizations required to conduct their operations as now conducted and are operating in material compliance thereunder;

(c) Castle's and the Castle Subsidiaries' operations and the use of their assets do not violate any Applicable Environmental Laws, except for violations which, either singly or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Castle;

(d) To the knowledge of Castle, none of the operations or assets of Castle or any Castle Subsidiary has ever been conducted or used by Castle or any Castle Subsidiary in such a manner as to constitute a violation of any of the Applicable Environmental Laws, except for violations which, either singly or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Castle or have been rectified;

(e) No written notice has been served on Castle or any Castle Subsidiary from any entity, governmental agency or individual regarding any existing, pending or threatened investigation or inquiry related to alleged violations under any Applicable Environmental Laws, or regarding any claims for remedial obligations or contribution under any Applicable Environmental Laws, or which may require any material work, repairs, construction or expenditures, other than any of the foregoing which, either singly or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Castle; and

(f) Castle does not know of any reason that would preclude it from renewing or obtaining a re-issuance of the material permits, licenses or other authorizations required pursuant to any Applicable Environmental Laws to operate and use any of Castle's or the Castle Subsidiaries' assets for their current or proposed purposes and uses.

12. **Compliance with Laws**

Castle and each of the Castle Subsidiaries has, in all material respects, complied with and is not in material violation of any applicable Laws.

13. **Taxes**

Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Castle and except, as set out in the Castle Disclosure Letter:

(a) each of Castle, the Castle Subsidiaries and, to the knowledge of Castle, the Guatemalan Entity has timely filed all Tax Returns required to be filed prior to the date hereof with the appropriate Governmental Entities and all such Tax Returns are true, correct and complete in all material respects;

(b) each of Castle, the Castle Subsidiaries and, to the knowledge of Castle, the Guatemalan Entity has duly and timely paid all Taxes due and payable by Castle, the Castle Subsidiaries and, to the knowledge of Castle, the Guatemalan Entity without regard to whether such Taxes have been assessed or have been shown on such Tax Returns, including all instalments on account of Taxes for the current year;

(c) Castle, the Castle Subsidiaries and, to the knowledge of Castle, the Guatemalan Entity have made adequate provisions in accordance with GAAP, appropriately and consistently applied, in all financial statements for the payment of all Taxes for which Castle, any of the Castle Subsidiaries and, to the knowledge of Castle, the Guatemalan Entity may be liable for the periods covered thereby that were not yet due and payable as of October 27, 2009;

(d) neither Castle, any of the Castle Subsidiaries nor, to the knowledge of Castle, the Guatemalan Entity is a party to any agreement providing for the allocation, indemnification or sharing of Taxes and neither Castle, any of the Castle Subsidiaries nor, to the knowledge of Castle, the Guatemalan Entity (i) has been a member of an affiliated group (or similar state, local or foreign filing group) filing a consolidated income Tax Return or (ii) has any liability (including as a result of any agreement or obligation to reimburse or indemnify) for the Taxes of any other person under any similar provision of state, local or foreign Tax Law, as a transferee or successor, by contract or otherwise;

(e) neither Castle, any of the Castle Subsidiaries nor, to the knowledge of Castle, the Guatemalan Entity has requested, or entered into any agreement or other arrangement or executed any waiver providing for, any extension of time within which:

(i) to file any elections, designations or similar filings relating to any Taxes for which Castle, any of the Castle Subsidiaries or, to the knowledge of Castle, the Guatemalan Entity, is or may be liable;

(ii) Castle, any of the Castle Subsidiaries or, to the knowledge of Castle, the Guatemalan Entity, is required to pay or remit any Taxes or amounts on account of Taxes; or

(iii) any Governmental Entity may assess or collect any Taxes for which Castle, any of the Castle Subsidiaries or, to the knowledge of Castle, the Guatemalan Entity, is or may be liable;

(f) there are no actions, suits, investigations, audits, claims or other proceedings commenced, or, to the knowledge of Castle, pending or threatened, against Castle, any of the Castle Subsidiaries or, to the knowledge of Castle, the Guatemalan Entity, in respect of any Taxes, and no written notice or, to the knowledge of Castle, unwritten notice of such an audit or examination has been received by Castle, any of the Castle Subsidiaries or, to the knowledge of Castle, the Guatemalan Entity;

(g) there are no disputes pending with respect to, or claims or assessments asserted in writing for any amount of Taxes upon Castle, any of the Castle Subsidiaries or, to the knowledge of Castle, the Guatemalan Entity, nor has Castle, any of the Castle Subsidiaries or the Guatemalan Entity given or been requested in writing to give any currently effective waivers extending the statutory period of limitation applicable to any Tax Return for any period;

(h) no claim has been made in writing by a Tax authority in a jurisdiction where Castle, any of the Castle Subsidiaries or, to the knowledge of Castle, the Guatemalan Entity, does not file a Tax Return stating that such entity is or may be subject to taxation by that jurisdiction;

(i) There are no circumstances existing and no transaction or event or series of transactions or events has occurred which has resulted or which could result in the application of section 78, of the Tax Act or any equivalent provincial Tax Law (an "Analogous Provision") to Castle, the Castle Subsidiaries or, to the knowledge of Castle, the Guatemalan Entity, for any taxation year ending on or before the Effective Time.

(j) Castle, each of the Castle Subsidiaries and, to the knowledge of Castle, the Guatemalan Entity,have duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any Person, including any employees, independent contractors, creditors, and any non-resident Person, the amount of all Taxes and other deductions required by any Laws to be withheld from any such amount and has duly and timely remitted the same to the appropriate Governmental Entity;

(k) Castle has furnished or made available to Argonaut complete and accurate copies of all Tax Returns, and any amendments thereto, filed by Castle, any of the Castle Subsidiaries and, to the knowledge of Castle, the Guatemalan Entity, for the preceding 3 taxable years; and

(l) Castle has furnished or made available to Argonaut a complete and accurate computation of the adjusted cost base of all issued and outstanding shares in the capital stock of the Castle Subsidiaries and, to the knowledge of Castle, the Guatemalan Entity, owned by Castle and computed in accordance with the provisions of the Tax Act.

14. **Insurance**

Castle and the Castle Subsidiaries maintain policies of insurance, including but not limited to directors' and officers' liability insurance, in amounts that are adequate and usual for companies of a similar size operating in the mining industry. The policies and the coverage provided thereunder are in full force and effect and Castle and each of the Castle Subsidiaries is in good standing under each policy. Neither Castle nor any of the Castle Subsidiaries have received notice of any claim, dispute, liability, obligation, action, debt, proceeding or litigation against Castle or any of the Castle Subsidiaries which is not in all material respects covered by insurance (subject to standard deductibles) maintained by it and which could have a Material Adverse Effect on Castle.

15. **Indebtedness to and by Officers, Directors and Others**

Except as disclosed in the Castle Disclosure Letter, neither Castle nor any of the Castle Subsidiaries is currently indebted to any of the directors, officers, employees or consultants or any of their respective associates or affiliates or other parties not at arm's length to Castle or the Castle Subsidiaries, except for amounts due as normal compensation or reimbursement of ordinary business expenses, nor is there any indebtedness owing by any such parties to Castle or any of the Castle Subsidiaries.

16. **No Limitation**

There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place to which Castle or any Castle Subsidiary is a party or by which it is otherwise bound that has or would reasonably be expected to limit the business or operations of Castle or any Castle Subsidiary in a particular manner or to a particular locality or geographic region or for a limited period of time, and the execution, delivery and performance of this Agreement does not and will not result in the restriction of Castle or any Castle Subsidiary from engaging in this business or from competing with any person or in any geographic area, other than any agreements, commitments or understandings which would not, individually or in the aggregate, have a Material Adverse Effect on Castle.

17. **No Insider Rights**

No director, officer, insider or other party not at arm's length to Castle or any Castle Subsidiary has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, participation interest or any other interest whatsoever, in any properties of Castle or any Castle Subsidiary.

18. **Fairness Opinion**

The Castle Board of Directors has received a verbal opinion as of October 26, 2009 (and have been advised that they will receive a written opinion) from Gryphon Partners Canada Inc. to the effect that as of the date of such opinion, subject to the assumption and limitations set out therein, the Offered Consideration to be received by the Shareholders in connection with the transaction contemplated by this Agreement is fair, from a financial point of view, to the Shareholders (other than Argonaut, if a shareholder).

19. **Restrictions on Business Activities**

There is no material agreement, judgment, injunction, order or court decree binding upon Castle or any Castle Subsidiary that has or could reasonably be expected to have the effect of prohibiting or materially impairing any current business practice of Castle or any Castle Subsidiary, any acquisition of property by Castle or any Castle Subsidiary or the conduct of any current business by Castle or any Castle Subsidiary other than any such agreements, judgements, injunctions, orders or court decrees which would not, individually or in the aggregate, have a Material Adverse Effect on Castle.

20. **No Guarantees or Indemnities**

The Corporation has entered into indemnification agreements with each of its directors. Neither Castle nor any Castle Subsidiary is a party to or bound by any agreement of guarantee, indemnification (other than an indemnification of directors and officers in accordance with the by-laws of each of Castle and the Castle Subsidiaries and applicable Laws), or any other like commitment of the obligations, liabilities (contingent or otherwise) or indebtedness of any other person.

21. **No Cease Trade Orders**

No Governmental Entity has issued any order currently preventing or suspending trading of any securities of Castle or any of the Castle Subsidiaries and no proceedings for that purpose have been instituted or, to the knowledge of Castle, are pending, contemplated or threatened.

22. **Governmental and Third Party Consents**

(a) No consent, approval, order or authorization of, or registration, declaration or filing with any Governmental Entity with jurisdiction over Castle or any of its properties, assets or businesses is required to be obtained by Castle or any of the Castle Subsidiaries or Castle material joint venture in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby or thereby, except for such filings, authorizations, orders and approvals as may be required under Applicable Canadian Securities Laws or where the failure to obtain such consents, approvals, etc., would not prevent or delay the consummation of the transactions contemplated under this Agreement or otherwise prevent Castle from performing its obligations under this Agreement and would not reasonably be expected to have a Material Adverse Effect on Castle.

(b) Other than as contemplated above or as referred to in the Castle Disclosure Letter, no consents, waivers, permits, orders, assignments or approvals are required to be obtained by Castle in connection with the continuation in full force and effect of all of the Castle Material Contracts upon the Effective Time.

23. **Title to Properties and Condition of Assets**

(a) The Castle Disclosure Letter contains a complete and accurate list of all of the Castle Material Properties. Applying customary standards in the mining industry, Castle either directly or through the Castle Subsidiaries or Castle material joint venture has sufficient title to or valid leasehold interests in the Castle Material Properties to operate such properties in the ordinary course and consistent with past practice, free and clear of any title defect or Encumbrance, except for such defects in title or Encumbrances that, individually or in the aggregate, do not have, and would not reasonably be expected to have, a Material Adverse Effect on Castle. Each lease and agreement granting rights to the Castle Material Properties is in full force and effect and constitutes a legal, valid and binding agreement of Castle and/or the Castle Subsidiaries or Castle material joint ventures, as applicable, and neither Castle nor the Castle Subsidiaries or Castle material joint venture is in violation or breach of or default under any such lease or agreement except such violations, breaches or defaults which, individually, or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Castle.

(b) The assets and the properties of Castle and the Castle Subsidiaries, together with the rights of Castle and the Castle Subsidiaries under the Material Contracts, are sufficient to conduct the business of Castle and the Castle Subsidiaries as currently conducted. Except as set forth in the Castle Disclosure Schedule, no material assets, rights or properties used, held for use or intended for use in the business of Castle and the Castle Subsidiaries as currently conducted are owned or licensed by any Person other than Castle or the Castle Subsidiaries.

(c) There is no pending special assessment or proposed special assessment that affects, or may affect the Castle Material Properties or any portion thereof except such special assessments which, individually, or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Castle.

(d) All public utilities, including but not limited to water (except as set out in Section 23(e) of this Schedule C), sewer, gas, telephone and drainage facilities give adequate service to the Castle Material Properties, except for such instances of inadequate service which, individually, or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Castle.

(e) Castle has two wells at its El Castillo property. Castle has the undisputed, unrestricted and definitive right to use at least 21 liters of water per second from Well #1 (which is not located on Castle's property) and 46 liters of water per second from Well #2 (which is located on Castle's property), provided that Castle's rights to Well #1, which is not being used, extend only to mid-2013. Castle has delivered evidence of such rights in Well #1 to Argonaut. The prices for the water extracted from such wells are set by the Mexican government.

(f) At the El Castillo property, Castle estimates it has sufficient clay resources to initiate the construction of the final life of mine leach pad area. Castle is evaluating the sufficiency of current clay resources to support production for the full life of the mine and is evaluating other sources of clay which are located both within the surface rights on the property and also at nearby locations for which Castle does not have rights.

(g) At the El Castillo property, Castle has an agreement in place with its mining contractor to support a production rate of 70,000 ounces per year. Crushing is performed by a third party but is not currently conducted pursuant to a contract.

24. **Operational Matters**

Except as would not reasonably be expected to have a Material Adverse Effect on Castle, all rentals, payments and obligations (including maintenance for unpatented mining claims), royalties, overriding royalty interests, production payments, net profits, interest burdens and other payments due or payable on or prior to the date hereof under or with respect to the direct or indirect assets of Castle or any of the Castle Subsidiaries or Castle material joint ventures have been properly and timely paid or accrued.

25. **Disclosure**

All documents, written information or statements, financial statements, certificates or exhibits prepared and furnished by Castle in connection with the transaction contemplated in this Agreement were accurate in all material respects as at its respective date as stated therein or, if updated, as of the date of its delivery to Argonaut for purposes of the transactions contemplated by this Agreement. Additionally, all information provided to Argonaut in relation to Argonaut's due diligence requests are accurate in all material respects as at the respective dates as stated therein.

26. **Liabilities**

Castle and the Castle Subsidiaries and Castle material joint ventures are not nor would reasonably be expected to become responsible for performing or discharging, any accrued, contingent or other liabilities of any nature, either matured or unmatured, that are, individually or in the aggregate, material to Castle or any Castle Subsidiary or Castle material joint venture, except for: (a) liabilities reflected or reserved against in the Castle financial statements referred to in Section 5 of this Schedule C; (b) normal and recurring current liabilities that have been incurred in the ordinary course of business and consistent with past practices by Castle or any Castle Subsidiary since the date of the last filed Castle financial statements; (c) liabilities described in the Castle Disclosure Letter; and (d) liabilities that would not, in the aggregate, have a Material Adverse Effect on Castle.

27. **No Defaults**

Neither Castle nor any Castle Subsidiary or Castle material joint venture is, or has received notice that it would be with the passage of time, in default or violation of any term, condition or provision of (a) its articles, bylaws or other charter documents; (b) any judgment, decree or order applicable to it; or (c) any loan or credit agreement, note, bond, mortgage, indenture, contract, agreement, lease, license or other instrument to which Castle or any Castle Subsidiary or Castle material joint venture is now a party or by which it or any of its properties or assets may be bound, except for defaults and violations which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Castle.

28. **Rocas el Tambor**

(a) Organization. Except as disclosed in the Castle Disclosure Letter:

(i) The Guatemalan Entity is incorporated is an entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, has full requisite power and authority to carry on its business as it is currently conducted, and to own, lease and operate the properties currently owned, leased and operated by it, and, to the knowledge of Castle, is duly qualified or licensed to do business and is in good standing as a foreign corporation or organization authorized to do business in all jurisdictions in which the character of the properties owned or leased or the nature of the business conducted by it would make such qualification or licensing necessary, except where the failure to be so qualified or licensed would not reasonably be expected to have a Material Adverse Effect on Castle;

(ii) As of the date hereof, Castle is the beneficial direct owner of 50% of the outstanding shares of the Guatemalan Entity with good title thereto free and clear of any and all Encumbrances. To the knowledge of Castle, There are no options, warrants or other rights, shareholder or unitholder rights plans, agreements or commitments of any character whatsoever requiring the issuance, sale or transfer by the Guatemalan Entity of any securities of the Guatemalan Entity or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of the Guatemalan Entity. All outstanding securities of the Guatemalan Entity have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights; and

(iii) To the knowledge of Castle, The Guatemalan Entity has, in all material respects, complied with and is not in material violation of any applicable Laws.

(b) Environmental. Except as disclosed in the Castle Disclosure Letter:

(i) There are no environmental conditions or circumstances, such as the presence or release of any hazardous substance, on any property presently or, to the knowledge of Castle, previously owned or leased by the Guatemalan Entity that could reasonably be expected to result in a Material Adverse Effect on Castle;

(ii) To the knowledge of Castle, the Guatemalan Entity has in full force and effect all material environmental permits, licenses, approvals and other authorizations required to conduct their operations as now conducted and are operating in material compliance thereunder;

(iii) To the knowledge of Castle, the Guatemalan Entity's operations and the use of their assets do not violate any Applicable Environmental Laws, except for violations which, either singly or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Castle;

(iv) To the knowledge of Castle, none of the operations or assets of the Guatemalan Entity has ever been conducted or used by the Guatemalan Entity in such a manner as to constitute a violation of any of the Applicable Environmental Laws, except for violations which, either singly or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Castle or have been rectified;

(v) No written notice has, to the knowledge of Castle been served on the Guatemalan Entity from any entity, governmental agency or individual regarding any existing, pending or threatened investigation or inquiry related to alleged violations under any Applicable Environmental Laws, or regarding any claims for remedial obligations or contribution under any Applicable Environmental Laws, or which may require any material work, repairs, construction or expenditures, other than any of the foregoing which, either singly or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect on Castle; and

(vi) Castle does not know of any reason that would preclude the Guatemalan Entity from renewing or obtaining a re-issuance of the material permits, licenses or other authorizations required pursuant to any Applicable Environmental Laws to operate and use any of the Guatemalan Entity's assets for their current or proposed purposes and uses.

(c) The Guatemalan Entity is required to present a final closure plan as mandated by their environmental permit. The provision required for all remediation will be ascertained and recorded once the plan is approved by the shareholders.

SCHEDULE D

LOCKED-UP SHAREHOLDERS

Shareholder Name	Number of Shares Owned	Number of Options Owned
129405 BC Ltd.	25,000	
ACL Holdings Ltd.	175,000	
Albert and Katherine Valley	1,465,378	
Alpha Investors Ltd.		200,000
Amir Mousavi	19,500	
Andrew A. Kettner	397,000	
Baehr Technology Partners, LLC	40,000	-
Brigette Anita Bock	238,000	
Castle Gold Corporation	150,000	
Challa A. Saunders	93,250	
Clara Toth	298,832	
Darren Koningen	711,500	1,007,500
David MacDonald	250,500	
David Olson	73,800	
Ensieh Mousavi	4,000	
Federico Alvarez		250,000
Francis C. Harrell	25,000	
Francis and Anne Harrell	175,000	
Garth Wilcox	50,000	250,000
Ilona Kumpula	52,750	
INTAC (BVI) International Investments Ltd.	128,297	-

Shareholder Name	Number of Shares Owned	Number of Options Owned
INTAC Independent Technical Analysis Centre Ltd. – For and on behalf of the IGCGHP	826,064	-
INTAC Independent Technical Analysis Centre Ltd. – For and on behalf of the IGEMEP	879,083	-
INTAC Independent Technical Analysis Centre Ltd. – For and on behalf of the IGHAP	1,325,736	-
INTAC Independent Technical Analysis Centre Ltd. – For and on behalf of the INTAC SA	8,582,266	-
International Financial Consulting International Co-ordination Ltd.	1,356,631	250,000
James Mark Plaxton	-	750,000
Janet Lynn O'Donnell	-	240,000
Jeff and Judy Avery	647,000	
Jeffrey Chase	40,000	
Jerrold Ruskin	743,250	
Julia Kumpula	55,000	
Kathy Kumpula	886,583	
Kettner Holdings Corp.	260,000	
King Kubota Services Ltd.	399,000	
Lawrence Cohen	409,500	
Leonard Harris	60,028	425,000
Marinus Koningen	50,000	
Mark Balbraith	7,150	
Mark Selby	-	250,000
Maurice and Denise Kurg	249,000	

Shareholder Name	Number of Shares Owned	Number of Options Owned
Maurice Kurg	70,000	
Mitton Baehr	106,474	350,000
Miguel Cardona		200,000
Patricia Saunders	1,107,400	
Pedro Delgado		250,000
Peter Kozicki	101,150	
PKM Consultants Ltd.	59,000	
Remap Management Ltd.	1,453,454	
Richard J. Adams	161,447	845,000
Richard Eyram	45,000	
Richard Kursman	718,900	
Robert Saunders	1,030,025	
Rory Quinn		168,000
Ross Asset Management	100,000	
Rueben Bravo		50,000
Ryan M. Saunders	168,000	
Thomas Atkins	-	1,340,000
Thomas Toth	91,666	
Valley Real Estate	206,500	
Vern Siemens	477,750	
Wences Mendez		75,000
TOTAL	27,045,864	6,950,000

SCHEDULE E
CASTLE SUBSIDIARIES

Minera Real del Oro

Durango Fern Mines

Azul Azteca

Minera MGM

Minera Magma

Minera La Fortuna