



MAGINO PROJECT

FREQUENTLY ASKED QUESTIONS



Introduction

The Magino Project is a brown-fields site located in northern Ontario, Canada that contains an historical underground gold mine, landfill and tailings management facility ("TMF"). The Corporation has conducted a Feasibility Study during 2017 that examined mining the deposit using conventional open pit mining methods and extraction of gold from the ore using a 10,000 tonnes per day carbon-in-pulp ("CIP") mineral processing facility.

When developed, Magino will produce around 150,000 ounces of gold during the first five years of production. The project has over a 15-year mine production life (including one year of pre-production). The current life-of-mine ("LOM") plan focuses on achieving consistent ore production rates, and mining of higher value material early in the

production schedule, as well as balancing grade and strip ratios. Lower grade material that is above the marginal cut-off but below the operational cut-off is planned to be stockpiled and processed at the end of mine life (Years 14 through 17).

The Magino project is currently estimated to cost in excess of \$321 million USD to construct over a twenty-four-month period. During construction approximately 500-600 jobs will be created and approximately 350 employees will be engaged as part of ongoing operations.

At \$1250 gold price the project has an after tax NPV (5%) of \$288M and an after-tax IRR of 19.5%.

Where is the project located?

The Magino Project is located 195 kilometres north of Sault Sainte Marie, Ontario, Canada. It is in Finan Township, approximately 85 kilometres northeast of Wawa, Ontario and 10 kilometres southeast of Dubreuilville, Ontario.





What would the Magino project consist of?

Magino would have several key components including; an open pit mine, overburden stockpile facilities (to stockpile material not containing gold in economic quantities), processing plant, tailings storage facility, water quality control pond, administration and maintenance buildings. A more detailed description of these components can be found in the "Feasibility Study Technical Report on the Magino Project, Ontario Canada". A copy of this report can be located on the company's website.

When would construction start and when would the operation start?

The company has not made any formal decision to proceed with construction of the project. Critical permits are required before a decision can be made. The Company is in the process of securing these permits. If a decision is made construction and mine development would take approximately 24 months and operations would commence immediately after that.

How much land would be impacted?

Argonaut's wholly owned (i.e., 100% Registered Ownership) land holdings forming the Magino property comprise 18 patented mining claims (mining and surface rights), 61 leased mining claims, and 14 unpatented mining claims with a combined area of 2,213 hectares. As a size comparison, one hectare is the equivalent of one football field.



COMMUNITY CONSULTATION

How will Argonaut inform the community about Magino?

Prodigy Gold, a wholly-owned subsidiary of Argonaut Gold, has undertaken extensive consultations since 2013 with both the public as well as indigenous communities related to the construction and operations activities for the proposed Magino Project. The environmental assessment phase consultations and information sharing culminated in early 2019 with the successful completion of both the Federal as well as Provincial Environmental Assessment processes. Regular update meetings with the local communities are held to ensure community members are informed and have an opportunity to ask questions about the detailed permitting phase now underway.

Do the local communities support the Magino Project?

Community open houses held during the environmental assessment process saw tremendous community engagement and support for the Magino Project. Each of the local communities have written letters of support to the Provincial as well as Federal regulatory authorities in support of project development.

How are local indigenous communities consulted?

Argonaut has been engaging with six local indigenous communities over the past five years. Continued positive engagement and project support has been garnered through coordinated consultation efforts. We have completed four impact benefit agreements, and Argonaut expects to conclude as many as two additional agreements over the coming months. Each agreement includes a framework for continued project coordination and consultation supporting project development and operation.





APPROVALS PROCESS

What key approvals does Argonaut need to develop the Magino Mine?

The Magino mine is being permitted by several Federal as well as Provincial agencies. The key authorizations include:

FEDERAL

Environment & Climate Change Canada Minister Decision:
Federal Environmental Assessment - Complete

Environment & Climate Change Canada Minister Decision:
Schedule 2 for tailings and waste rock deposition.

Fisheries and Oceans Canada:
Fish habitat alteration and new habitat creation plan.

Natural Resources Canada:
Explosives production.

PROVINCIAL

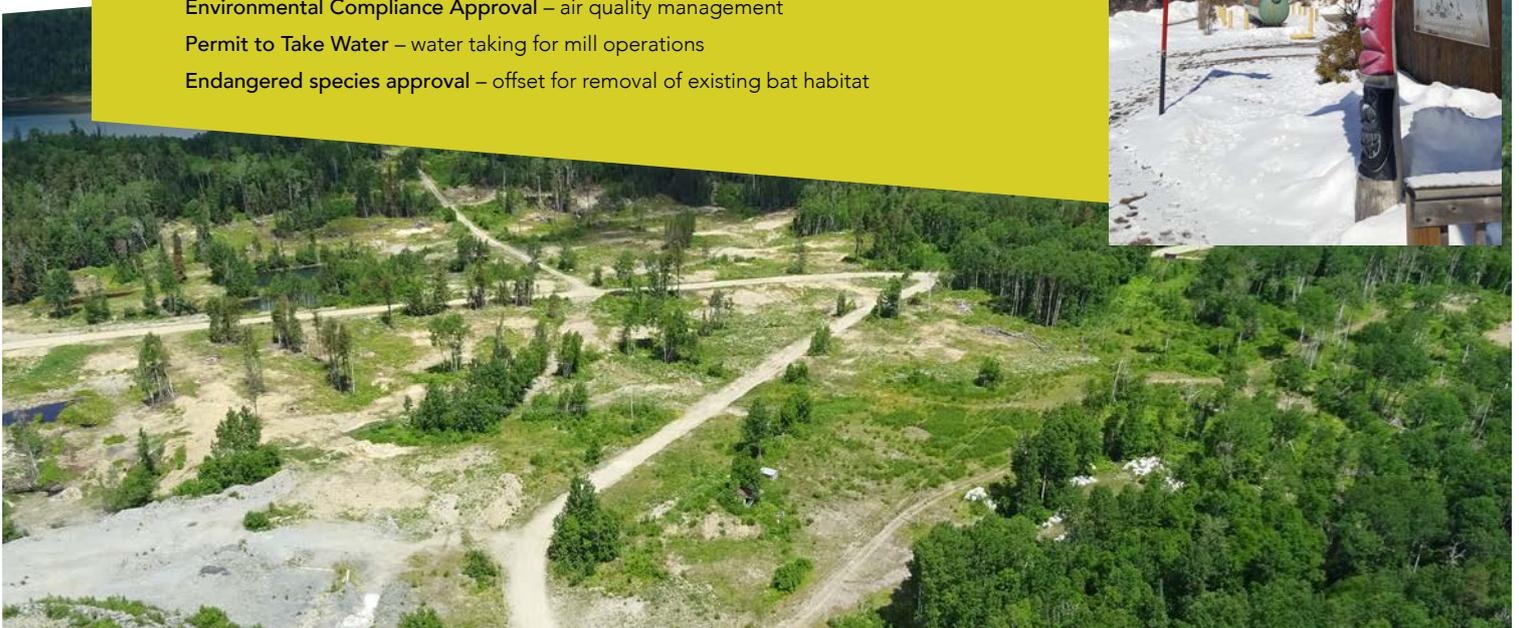
Natural Resources & Forestry:

- Provincial Environmental Assessment - Complete
- Lakes & Rivers Improvement approvals – tailings dam and minor dams approvals
- Fish Habitat alteration – approval of fisheries stocking programs
- Public Lands approvals – location approvals on public lands including public bypass road
- Forest Resource Licensing – approvals for tree clearing

Energy, Northern Development & Mines: Mine Closure Plan & Bonding

Environment, Conservation & Parks:

- Environmental Compliance Approval – construction phase treated water discharge
- Environmental Compliance Approval – operations phase treated water discharge
- Environmental Compliance Approval – air quality management
- Permit to Take Water – water taking for mill operations
- Endangered species approval – offset for removal of existing bat habitat





ENVIRONMENT

Are the tailings and overburden materials from Magino safe to stockpile?

Studies of the previous Magino mine site tailings management area as well as the overburden stockpiles have shown the materials are geochemically stable. Extensive geochemical analysis of the material to be mined has also been undertaken in the laboratory and shown that a very small proportion of the mine overburden could be expected to be Potentially Acid Generating (PAG). All PAG material will therefore be identified during mining, segregated and co-disposed within the tailings management facility. Tailings from the Magino mine have been shown to be Non-Potentially Acid Generating (NPAG) and hence will be geochemically stable in the long term.

How will the environment be monitored?

An extensive environmental monitoring program was initiated at the Magino site in 2014 with the program results presented in the Magino Environmental Impact Statement (EIS, 2017). Prior to mine construction, several monitoring program plans will be developed capturing all regulatory requirements and designed to monitor surface water, ground water, air quality, terrestrial wildlife as well as fish habitats. Reporting will be required to both the Federal as well as Provincial regulatory agencies. Reporting is quarterly.

How are residents and stakeholders assured that site reclamation will be completed?

As part of the Mine Closure Plan to be filed with the Province before mine construction can begin, Argonaut will be required to submit a closure financial assurance (bond) with the Province that will guarantee suitable funds are held by the Province to ensure site reclamation is conducted at the Magino site at the end of mine operations. Long term site monitoring and reporting is required under the Mine Closure Plan process that is designed to ensure that reclamation objectives are being reached in a timely manner. Closure bonding is not returned to the proponent until reclamation objectives are met.



How will the mine site be rehabilitated?

Rehabilitation prescriptions were developed during the Environmental Assessment process and have been expanded upon for the Provincial Mine Closure Plan under development. Aquatic ecosystems that will be impacted by mine development will be offset by the construction of new aquatic habitat areas adjacent existing surrounding lakes and streams early in the project construction schedule. Argonaut will also sponsor together with the Ministry of Natural Resources and Forestry a fish re-stocking program of certain lakes southwest of the project site that were adversely impacted by historical iron ore processing operations. Progressive reclamation activities will begin during the construction phase with the re-seeding of exposed ground surfaces with appropriate non-invasive seed mixes and plant varieties selected in consultation with local indigenous communities. Upon the cessation of mine operations the open pit will be allowed to fill naturally to become a pit lake. The tailings area will be reclaimed through the amendment of exposed tailings beaches with soil substrate to allow revegetation with both aquatic and terrestrial plant species. Mine roads not deemed necessary for post closure monitoring will be deactivated and the mill facility and associated infrastructure will be decommissioned and removed with foundations leveled to grade.



Certificate of Recognition from the Dubreuilville Maggie Derby





OPERATIONS

How big will the open pit mine be?

The ultimate Magino pit design is approximately 1,600 m long and 500 m wide. The base of the pit is at an elevation of 70 meters above sea level, resulting in a maximum pit depth of approximately 300 m.

How many tonnes of ore would Magino process and how much gold would it produce?

Mining of the deposit is planned to produce a total of 59.0 million tonnes (Mt) of ore and 232.4 Mt of waste (includes low grade material) at a 3.9:1 overall strip ratio. The average open pit diluted gold mill head grade is estimated to be 1.13 g/t and contain 2.1 M oz of gold.

How long would the mine will be in production?

The open pit will be mined over a 15-year mine production life (including one year of pre-production). The current LOM plan focuses on achieving consistent ore production rates, and mining of higher value material in the production schedule, as well as balancing grade and strip ratios. Lower grade material that is above the marginal cut-off but below the operational cut-off is planned to be stockpiled and processed at the end of mine life (Years 14 through 17).

If further ore is discovered around Magino, would the life of mine be extended?

Argonaut would seek to extend the life of the mine if additional ore was identified in the local region, subject to appropriate approvals.

How often would Magino require blasting activities?

The early months of mining at Magino would require only intermittent blasting. Once this initial phase has been completed, it is anticipated that a single blast will be undertaken on a daily basis. No night time blasting would take place.

What does blasting involve?

Controlled blasting is used to fragment rock to enable it to be excavated. Blasts would last only a few seconds. Noise from the blast may be heard, along with a short vibration, depending on distance from the blast. The design of each blast would aim to minimize these impacts by orientating the blast direction and applying detonating delays within the blast pattern. Blasting operations will be supervised by suitably qualified and experienced blasting specialists.

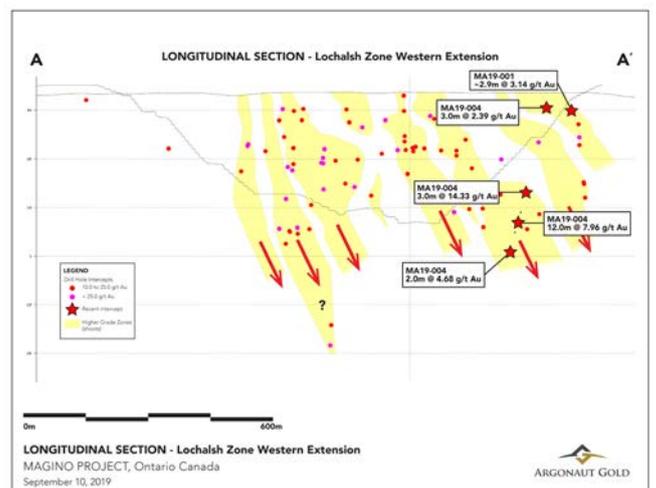
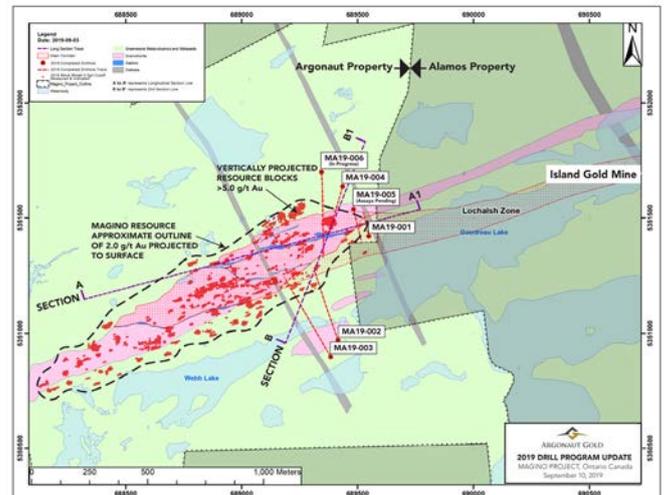
When in production would Magino operate 24 hours per day?

Yes, Magino would operate 24 hours per day, seven days per week, in a similar manner to most other mining operations.

Is the company currently doing exploration on the Magino site?

Yes. As per the press release of September 10th 2019, an on-going exploration program commenced in early July 2019. The Company has completed approximately 3,500 metres of drilling since launching the original 6,000-metre program and, due to the results to date and success of identifying the same gold-bearing geological structures that strike westward into the Magino deposit from those of the adjacent Island Gold Mine, we have expanded the drill program to 20,000 metres.

The expanded program will focus on testing the down plunge extension of potential high-grade gold structures at depth. Previous exploration conducted by Argonaut at the Magino project concentrated solely on expanding and upgrading the open-pit mineral resource and mineral reserve with drilling focused primarily to a depth of 300 metres. This is the first drill program conducted on the Magino deposit targeting deeper, high-grade mineralization below the currently designed open pit. We expect to execute the remainder of the program over the next 12 months using two drill rigs.





MINING & PROCESSING

How would Argonaut recover the gold?

The process plant was designed based on a throughput of 10,000 tonnes of ore per day with an average gold head grade of 1.25 g/t and to achieve an overall 92.0% gold recovery.

The process plant flowsheet design utilizes primary jaw crushing followed by a single stage semi-autogenous (SAG) mill for grinding. The SAG mill is in closed circuit with cyclones for classification and a gravity circuit to remove coarse gold. Prior to the leaching and Carbon-in-Pulp (CIP) circuit, the ground product (cyclone overflow) will be thickened in a pre-leach thickener to reduce the slurry volume and reagent requirements. The thickener overflow will be recirculated to the process water tank for re-use as process water. The thickener underflow will be pumped to the leach circuit, be dosed with lime and cyanide, leached for up to 36 hours, and will then flow into the CIP circuit to recover dissolved gold and silver from the leached slurry.

Loaded carbon from the CIP circuit will be washed, followed by carbon stripping and electrowinning circuits to recover the gold and minor silver. Smelting of the filtered electrowinning sludge to produce gold doré will occur two to three times a week.

CIP spent ore will be washed in a tailings wash thickener to recover cyanide for reuse in the leach circuit and to reduce the amount of process water. The tailings will be processed through a system to destroy the cyanide prior to disposal in the tailings storage facility (TSF).

The plant will recycle as much of the water needed to operate. When needed, raw water from the Goudreau Lake will be used as make-up as necessary.

Why is it necessary to use cyanide to recover the gold?

Gold cyanidation is a hydrometallurgical technique for extracting gold from low-grade ore by converting the gold to a water-soluble coordination complex. It is the safest and most commonly used leaching process for gold extraction.

How would the cyanide be transported and stored on site?

The most likely source of cyanide for Magino is solid sodium cyanide in the form of small briquettes (or pellets), which are transported in purpose-built isotainers. These isotainers are currently transported across Canada to numerous other mining companies and industries by rail and/or road daily.

What happens to the cyanide after the gold is recovered?

Cyanide degrades rapidly with different processes that influence the environmental fate of cyanide. Various treatments to neutralize and detox cyanide solutions can include: biodegradation, a process by which it is broken down by natural living organisms, precipitation, and dissociation.

Would Magino processing personnel be trained in the safe use of cyanide?

All personnel at any Argonaut site who work with cyanide are trained in its safe use. This training includes instruction on what forms of cyanide are potentially hazardous to them, and what measures are put in place during the transport, storage and distribution of cyanide to ensure its safe use.





TAILINGS STORAGE FACILITY

What are tailings and how are they stored?

Tailings result from the gold recovery process, which crushes and grinds the rock containing gold down to a fine sand. Tailings are pumped from the processing plant and are stored in the Tailings Storage Facility (TSF). The TSF is an engineered storage dam with a water recovery system that would be rehabilitated in a similar manner to the remainder of the site.

Tailings that are produced in the process plant throughout operations will be impounded in an onsite tailings management facility (TMF). Water in the TMF will be recycled to the extent practicable, and there will be no discharge of Tailings Management Facility pool water during the operations period to the receiving waters. A Water Quality Control Pond will be constructed on the west side of the Tailings Management Facility to collect mine site runoff. If extra mill process water is needed, water from the Water Quality Control Pond will be pumped back to the Tailings Management Facility for re-use. Any excess water remaining in the Water Quality Control Pond will be discharged with a diffuser to the receiving environment in accordance with the Metal and Diamond Mining Effluent Regulations and any necessary approvals from the Ministry of the Environment, Conservation and Parks (MECP).

How big is the tailings storage facility (TSF)?

The tailings management facility (390 hectares), including containment dams and dykes, a reclaim pond and a mine water collection system, would be located immediately northwest of the open pit. The facility would store approximately 150 million tonnes of tailings, up to 80 metres thick.

How would Argonaut ensure the tailings storage facility (TSF) does not fail?

The design of the TMF will include embankments constructed of mine rock to Canadian Dam Standards (Canadian Dam Association, Dam Safety Guidelines, 2007 & "Application of Dam Guidelines to Mining Dams" by CDA, 2014) to contain the tailings slurry and allow it to consolidate to a more stable solid mass. During operations, the TSF would be operated in accordance with strict design requirements, operating instructions, procedures and inspected several times per day. In addition to engineering and regulatory requirements Argonaut is also implementing an Independent Tailings Management Facility Review Board as an additional level of oversight. The Independent Board is composed of up to three professional engineers who are technically qualified in the design, construction, operation, performance, and closure of tailings management facilities.

INFRASTRUCTURE

What support and ancillary infrastructure will be at the mine?

This would include the administration building, warehouse, maintenance facilities on-site back-up power supplied by three 1-megawatt diesel generators, and a facility for the manufacture and storage of explosives.

How much water is needed and where does it come from?

The water management system would include a system to supply fresh water from Goudreau Lake for ore processing and domestic use and a system for collecting and discharging mine water. Water that would infiltrate into the pit would be sent to the tailings management facility or used as process water as necessary. Effluent from the processing plant, called tailings, would be pumped into the tailings management facility.

An estimated 500 000 cubic meters of fresh water would be required during the start-up of the process plant and tailings management facility, which would be obtained from water that is impounded naturally within the tailing management facility area when initially constructed, from the historical tailings facility, and from Lovell and Webb Lakes.

The process plant would circulate approximately 25 000 cubic metres of water per day. The majority of the process water would be obtained through recirculation from the process plant, recycled from the tailing management facility, pumped from the pit, and from seepage collected from around the project facilities.

Sediment in water collected in the water quality control pond and detention ponds would be allowed to settle and water would be discharged once provincial water quality objectives and federal regulatory limits are met.

Where would the power required for Magino come from?

A 44-kilovolt transmission line from Hawk Junction, managed by Algoma Power Inc., will provide power for the Project. The transmission line will follow the bypass road and terminate at a main substation on the Magino property. Back-up power will be supplied by diesel generators.





INFRASTRUCTURE (continued)

Where would the road access to Magino be?

The existing Goudreau Road will be by-passed around the project footprint. The bypass road would be approximately 8.5 kilometres.

How will traffic be managed during construction and operations phases?

The site access to the Magino site is by the existing Goudreau Road which is rated and maintained for heavy transport vehicle use. The public road connects directly to the Magino site and is currently used mainly for transport of mine equipment and staff to the nearby Island Gold Mine as well as for logging truck traffic and a smaller amount of traditional subsistence and recreational users. Access beyond the Magino site will be provided during the early stages of mine construction by the construction of a new public bypass road that will encircle a portion of the mine site. The public bypass road will be transferred to the Province and stay in use long after the mine is closed. Other minor public road upgrades will be implemented to ensure surrounding users as well as Magino construction and operations traffic have continuous access.

EMPLOYMENT OPPORTUNITIES

How many people would be employed at Magino?

General labour and experienced workers are available in Dubreuilville, Wawa, Sault Ste. Marie, and Thunder Bay. During the construction phase of the Project, the workforce needed is estimated to be between 500 and 600 positions. Argonaut intends to fill as many of these positions locally as possible. During the operations phase, it is estimated that approximately 350 positions will be required.

Where would the employees for Magino live?

It is our preference to hire locally. However due to skill shortages it is expected that personnel who do not live locally can drive or will be flown in and out of the area. A temporary accommodation camp would be built, within the project footprint, to house the workforce during construction. Accommodations during operations would be located in a complex in Dubreuilville and some workers may reside in other local communities.

ABOUT ARGONAUT GOLD INC.

Argonaut Gold Inc. (TSX: AR) is a publicly listed gold production and exploration company based in Reno, Nevada, with a proven management team that has a successful track record of developing gold resources into safe, environmentally responsible gold operations in Mexico. The company owns and operates the La Colorada mine in Sonora, and the El Castillo and San Agustin mines in Durango, which produce approximately 160,000 ounces of gold per year. Besides Magino, the company also owns the San Antonio project in Baja California Sur and the Cerro del Gallo project in Guanajuato, Mexico.

Why is Argonaut the right company to develop Magino?

Argonaut's management team has a wealth of experience in successfully developing gold projects and operating gold mines globally. Argonaut's management is committed to maintaining high safety standards and effective environmental management of all its activities and will continue to maintain a high level of community and stakeholder engagement.

How long has Argonaut owned Magino?

Argonaut acquired Magino from Prodigy Gold Inc. in late 2012. Since acquiring the project, Argonaut has completed a Feasibility Study Technical Report on December 21, 2017 and completed the Federal and Provincial Environmental Assessment process.

Have more questions about the Magino Project?



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