

## **ARGONAUT GOLD LTD. Audit Committee Charter**

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

### **PURPOSE**

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

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

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

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

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

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

## **MEMBERSHIP QUALIFICATIONS**

The Committee shall consist of three or more members of the Board of Directors, each of whom the Board of Directors has determined has no material relationship with the Corporation and each of whom is otherwise "unrelated" or "independent", as the case may be, under the applicable requirements, regulations or rules of (i) the Canadian Securities Administrators and (ii) the Toronto Stock Exchange. (collectively, the "Applicable Regulatory Authorities").

Members of the Committee shall be appointed by the Board of Directors based on nominations recommended by the Corporate Compensation & Governance Committee. Members of the Committee shall serve at the pleasure of the Board of Directors and for such term or terms as the Board of Directors may determine.

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

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

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

## **COMMITTEE MEETINGS**

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

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

The Committee should meet separately at least quarterly with management, the persons responsible for the internal audit function and representatives of the independent auditors to discuss any matters that the Committee or any of these persons believe should be discussed privately. The Committee may request any officer

or employee or outside legal counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

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

## **DUTIES AND RESPONSIBILITIES**

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

- (a) to appoint, retain and terminate the independent auditors (subject, if applicable, to shareholder approval), including the sole authority to approve all audit engagement fees and terms, and to determine any other compensation to be paid to the independent auditors,
- (b) to pre-approve, or adopt appropriate procedures to pre-approve, and to monitor all audit and non-audit services to be provided by the independent auditors,
- (c) to ensure that the independent auditors prepare and deliver annually the Auditors' Statement relating to, among other things, the independent auditors' internal quality-control procedures (it being understood that the independent auditors are responsible for the accuracy and completeness of the Auditors' Statement),
- (d) to obtain from the independent auditors annually a formal written statement of the fees billed in each of the last two fiscal years for the services rendered by the independent auditors,
- (e) to obtain from the independent auditors in connection with any audit a timely report relating to the annual audited financial statements describing all critical accounting policies and practices used, all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors, and any material written communications between the independent auditors and management, such as any "management" letter or schedule of unadjusted differences,
- (f) to resolve any disagreements between management and the independent auditors regarding financial reporting by the Corporation,
- (g) to review and evaluate the qualifications, performance and independence of the lead audit partner of the independent auditors,
- (h) to discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring audit partner and any

other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself,

- (i) to take into account the opinions of management and the persons responsible for the internal audit function in assessing the independent auditors' qualifications, performance and independence, and
- (j) to instruct the independent auditors that the independent auditors are ultimately accountable to the Board of Directors and the Committee, as representatives of the shareholders.

with respect to the internal audit function,

- (k) to review the appointment and replacement of the person with principal responsibility for the internal audit function, and
- (l) to advise the person with principal responsibility for the internal audit function that he or she is expected to provide to the Committee summaries of and, as appropriate, the significant reports to management prepared in relation to the internal audit function, and

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

- (m) to advise management, the persons responsible for the internal audit function and the independent auditors that they are expected to provide to the Committee a timely analysis of significant financial reporting issues and practices,
- (n) to meet with management, the persons responsible for the internal audit function and the independent auditors to discuss, and review before the public disclosure by the Corporation of, among other things, the annual audited financial statements and quarterly unaudited financial statements, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations",
- (o) to consider any reports or communications (and management's responses thereto) submitted to the Committee by the independent auditors required by applicable auditing standards,
- (p) to discuss internal controls with the Corporation's chief executive officer and chief financial officer,
- (q) to discuss guidelines and policies governing the process by which senior management and the relevant departments of the Corporation assess and manage exposure to risk, and to discuss major financial risk exposures and the steps management has taken to monitor and control such exposures,

- (r) to undertake, from time to time, a review of any balance sheet or income statement item to gain understanding and comfort with accounting, cash, management, and policies of the Corporation,
- (s) to obtain from the independent auditors assurance that the audit was conducted in a manner consistent with applicable generally accepted auditing standards,
- (t) to discuss with the chief legal officer or outside legal counsel, or both, any significant legal, compliance or regulatory matters that may have a material effect on the financial statements or the business, operations or compliance policies of the Corporation, including material notices to or inquiries received from governmental agencies,
- (u) to discuss earnings press releases,
- (v) to discuss the types of financial information and earnings guidance, if any, provided, and the types of presentations made, to analysts and rating agencies,
- (w) to establish procedures for the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters,
- (x) to recommend to the Board of Directors candidates for appointment, as applicable, as, the Controller and Chief Accounting Officer, and Vice President, Finance and Chief Financial Officer,
- (y) to establish hiring policies for employees or former employees of the independent auditors, and
- (z) to review all related party transactions.

## **COMMITTEE REPORTS**

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

- (a) any reports or other disclosures required to be prepared in relation to the Committee or its activities pursuant to applicable laws or stock exchange requirements in Canada for inclusion in the Corporation's public disclosure documents,
- (b) an annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this Charter. The performance evaluation should also recommend to the

Board of Directors any improvements to this Charter deemed necessary or desirable by the Committee. The performance evaluation shall be conducted in such manner as the Committee deems appropriate. The report to the Board of Directors may take the form of an oral report by the chairperson of the Committee or any other member of the Committee designated by the Committee to make this report; and

- (c) a summary of the actions taken at each Committee meeting, which shall be presented to the Board of Directors at its next scheduled meeting.

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

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

## **RESOURCES AND AUTHORITY OF THE COMMITTEE**

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