

**ARRANGEMENT AGREEMENT**

**between**

**ALIO GOLD INC.**

**and**

**ARGONAUT GOLD INC.**

**Dated March 30, 2020**

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## ARRANGEMENT AGREEMENT

THIS AGREEMENT dated the 30<sup>th</sup> day of March, 2020

**B E T W E E N :**

**ALIO GOLD INC.,**

a corporation existing under the  
*Business Corporations Act* (British Columbia),

(hereinafter referred to as "**Alio**")

- and -

**ARGONAUT GOLD INC.,**

a corporation existing under the  
*Business Corporations Act* (Ontario),

(hereinafter referred to as "**Argonaut**")

### RECITALS:

**WHEREAS** the Alio Board has unanimously determined that the business combination to be effected by way of the Plan of Arrangement is advisable and in the best interest of Alio and that, on the basis of an opinion from its financial advisors, the Arrangement Consideration is fair, from a financial point of view, to the Alio Shareholders;

**AND WHEREAS** the Alio Board has approved the transactions contemplated by this Arrangement Agreement and unanimously determined to recommend approval of the Arrangement Resolution to the Alio Securityholders;

**AND WHEREAS** the Argonaut Board has unanimously determined that the business combination to be effected by way of the Plan of Arrangement is advisable and in the best interest of Argonaut and of the Argonaut Shareholders and that, on the basis of an opinion from its financial advisors, the Arrangement Consideration is fair to the Argonaut Shareholders;

**AND WHEREAS** the Argonaut Board has approved the transactions contemplated by this Arrangement Agreement and unanimously determined to recommend approval of the Share Issuance Resolution to the Argonaut Shareholders;

**AND WHEREAS** Alio and Argonaut intend that the proposed business combination be effected by way of a Plan of Arrangement under the provisions of the *Business Corporations Act* (British Columbia), and in furtherance of such business combination, the Alio Board has agreed to submit the

Arrangement Resolution to the Alio Securityholders and the Court for approval and the Argonaut Board has agreed to submit the Share Issuance Resolution to the Argonaut Shareholders;

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT** in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Parties, the Parties hereby agree as follows:

**ARTICLE 1  
DEFINITIONS, INTERPRETATION AND SCHEDULES**

**1.01 Definitions**

In this Arrangement Agreement, unless the context otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the meanings ascribed to them below:

- (a) "**Acquisition Proposal**" means, other than the transactions contemplated by this Arrangement Agreement and in respect of a Party, any *bona fide* proposal or offer, or public announcement of an intention to make a proposal or offer, to a Party or its securityholders, made by any Person or group of Persons "acting jointly and in concert" (within the meaning of National Instrument 62-104) for: (a) a merger, reorganization, amalgamation, share exchange, consolidation, business combination, arrangement, recapitalization, dissolution, liquidation or similar transaction involving the Party, (b) the direct or indirect acquisition by any Person (including by any asset acquisition, joint venture or similar transaction) of more than twenty percent (20%) of the value of the assets of such Party and its Subsidiaries, on a consolidated basis; (c) the direct or indirect acquisition by any Person of more than twenty percent (20%) of the voting power of the outstanding equity securities of such Party (or securities convertible into or exercisable for such equity securities), including any take-over bid, tender offer or exchange offer that, if consummated, would result in any Person beneficially owning equity securities of such Party with twenty percent (20%) or more of the voting power of the outstanding equity securities of such Party; (d) any arrangement whereby effective operating control of a Party is granted to another Person; or (e) any combination of the foregoing, in each case of subclauses (a) through (d) whether in a single transaction or a series of related transactions, but, notwithstanding the foregoing, shall not include any proposal or offer, or public announcement of an intention to make a proposal or offer, with respect to the direct or indirect acquisition by any Person of Noroeste or Minera Aurea;
- (b) "**Alio**" means Alio Gold Inc., a corporation existing under the BCBCA;
- (c) "**Alio Board**" means the board of directors of Alio;
- (d) "**Alio Departing Employees**" shall have the meaning ascribed to such term in Subsection 5.03(b);
- (e) "**Alio Disclosure Letter**" means the letter dated of even date herewith and delivered by Alio to Argonaut in the form accepted by and initialled on behalf of Argonaut with respect to certain matters in this Arrangement Agreement;
- (f) "**Alio Documents**" shall have the meaning ascribed thereto in Section 3.01(t);

- (g) "**Alio DSUs**" means the outstanding deferred share units granted under the Alio DSU Plan;
- (h) "**Alio DSU Holder**" means a holder of Alio DSUs;
- (i) "**Alio DSU Plan**" means the Alio Deferred Share Unit Plan;
- (j) "**Alio Financial Statements**" shall have the meaning ascribed thereto in Section 3.01(i);
- (k) "**Alio Lock-Up Agreements**" means the voting and support agreements dated the date hereof and made between Argonaut and the Alio Locked-Up Shareholders;
- (l) "**Alio Locked-Up Shareholders**" means the Persons who are party to the Alio Lock-Up Agreements, as specified in the Alio Disclosure Letter;
- (m) "**Alio Material Contracts**" shall have the meaning ascribed thereto in Section 3.01(v);
- (n) "**Alio Meeting**" means the annual general and special meeting, including any adjournments or postponements thereof, of the Alio Securityholders to be held, among other things, to consider and, if deemed advisable, to approve the Arrangement Resolution;
- (o) "**Alio Mineral Rights**" means Alio's mineral interests and rights (including any mineral claims, mining claims, concessions, exploration licences, exploitation licences, prospecting permits, mining leases and mining rights, in each case, either existing under contract, by operation of Laws or otherwise) in the Alio Properties;
- (p) "**Alio Option Holder**" means a holder of Alio Options;
- (q) "**Alio Options**" means all options to purchase Alio Shares outstanding immediately prior to the Effective Time and issued pursuant to the Alio Stock Option Plan and detailed in the Alio Disclosure Letter;
- (r) "**Alio Properties**" means the interests of Alio in all material properties of Alio, including those described in Schedule "B" hereto;
- (s) "**Alio PRSU Plan**" means the 2017 Performance and Restricted Share Unit Plan of Alio;
- (t) "**Alio PSU Holder**" means a holder of Alio PSUs;
- (u) "**Alio PSUs**" means the outstanding preferred share units granted under the Alio PRSU Plan;
- (v) "**Alio Retained Employees**" shall have the meaning ascribed to such term in Subsection 5.03(b);
- (w) "**Alio RSU Holder**" means a holder of Alio RSUs;
- (x) "**Alio RSUs**" means the outstanding restricted share units granted under the Alio RSU Plan;
- (y) "**Alio Securityholder Approval**" shall have the meaning ascribed to such term in Subsection 2.02(a)(iii);

- (z) "**Alio Securityholders**" means the Alio Shareholders, the Alio Option Holders, the Alio DSU Holders, the Alio RSU Holders and the Alio PSU Holders;
- (aa) "**Alio Shareholder Approval**" shall have the meaning ascribed to such term in Subsection 2.02(a)(iii);
- (bb) "**Alio Shareholders**" means, at any time, the holders of Alio Shares;
- (cc) "**Alio Shares**" means common shares in the capital of Alio;
- (dd) "**Alio Stock Option Plan**" means the stock option plan of Alio and approved by the Alio Shareholders;
- (ee) "**Alio Subsidiaries**" means, collectively, the direct and indirect subsidiaries of Alio, which are: (i) Alio Gold (US) Inc.; (ii) Rye Patch Mining U.S. Inc.; (iii) Rye Patch Gold US Inc.; (iv) RP Dirt Inc.; (v) Standard Gold Mining, Inc.; (vi) Florida Canyon Mining, Inc.; (vii) Timmins Goldcorp Mexico S.A. de C.V; (viii) Aurea Mining Inc.; (ix) Noroeste; and (x) Minera Aurea, and "**Alio Subsidiary**" means any of them, provided that in the event that, prior to the Effective Time, Alio is no longer the beneficial owner of the shares of Noroeste and/or Minera Aurea, references to Alio Subsidiaries and Alio Subsidiary shall not include Noroeste and/or Minera Aurea, as applicable;
- (ff) "**Alio Termination Fee Event**" shall have the meaning ascribed thereto in Section 7.03(d);
- (gg) "**Alio Warrants**" means all warrants exercisable into Alio Shares outstanding immediately prior to the Effective Time and detailed in the Alio Disclosure Letter;
- (hh) "**Argonaut**" means Argonaut Gold Inc., a corporation existing under the OBCA;
- (ii) "**Argonaut Board**" means the board of directors of Argonaut;
- (jj) "**Argonaut Disclosure Letter**" means the letter dated of even date herewith and delivered by Argonaut to Alio in the form accepted by and initialled on behalf of Alio with respect to certain matters in this Arrangement Agreement;
- (kk) "**Argonaut Documents**" shall have the meaning ascribed thereto in Section 4.01(s);
- (ll) "**Argonaut Financial Statements**" shall have the meaning ascribed thereto in Section 4.01(i);
- (mm) "**Argonaut Lock-Up Agreements**" means the voting and support agreements dated the date hereof and made between Alio and the Argonaut Locked-Up Shareholders;
- (nn) "**Argonaut Locked-Up Shareholders**" means the Persons who are party to the Argonaut Lock-Up Agreements, as specified in the Argonaut Disclosure Letter;
- (oo) "**Argonaut Material Contracts**" shall have the meaning ascribed thereto in Section 4.01(z);
- (pp) "**Argonaut Meeting**" means the special meeting, including any adjournments or postponements thereof, of the Argonaut Shareholders to be held, among other things, to consider and, if deemed advisable, to approve the Share Issuance Resolution;

- (qq) "**Argonaut Mineral Rights**" means Argonaut's mineral interests and rights (including any mineral claims, mining claims, concessions, exploration licences, exploitation licences, prospecting permits, mining leases and mining rights, in each case, either existing under contract, by operation of Laws or otherwise) in the Argonaut Properties;
- (rr) "**Argonaut Options**" means all options to purchase Argonaut Shares outstanding immediately prior to the Effective Time and issued pursuant to the Argonaut Stock Option Plan;
- (ss) "**Argonaut Properties**" means the interests of Argonaut and of the Argonaut Subsidiaries in all material properties of Argonaut, including those described in Schedule "C" hereto;
- (tt) "**Argonaut Securities**" means Argonaut Shares and Replacement Argonaut Options;
- (uu) "**Argonaut Shareholder Approval**" means the requisite approval for the Share Issuance Resolution, being a majority of the votes cast on the Share Issuance Resolution by holders of Argonaut Shares present in person or represented by proxy at the Argonaut Meeting;
- (vv) "**Argonaut Shareholders**" means, at any time, the holders of Argonaut Shares;
- (ww) "**Argonaut Shares**" means common shares in the capital of Argonaut;
- (xx) "**Argonaut Stock Option Plan**" means the stock option plan of Argonaut, as approved by the Argonaut Shareholders;
- (yy) "**Argonaut Subsidiaries**" means, collectively, the direct and indirect subsidiaries of Argonaut, which are: (i) Prodigy Gold Inc.; (ii) Castle Gold Corporation; (iii) Minera Real del Oro, S.A. de C.V.; (iv) Pediment Gold Corp.; (v) Compania Minera Pitalla S.A. de C.V.; (vi) Minexson, S.A. de C.V.; (vii) Megashear Mining-Exploration, S.A. de C.V.; (viii) Minera Sud California, S.A. de C.V.; (ix) Argonaut Gold (U.S.) Inc.; (x) San Anton Resource Corporation; (xi) Kings-San Anton S.A. de C.V.; (xii) San Anton de las Minas S.A. de C.V.; (xiii) San Anton del Oro S.A. de C.V.; and (xiv) Castle Gold Services, S.A. de C.V., and "**Argonaut Subsidiary**" means any of them;
- (zz) "**Arrangement**" means an arrangement under the provisions of Division 5 of Part 9 of the BCBCA on the terms and conditions set forth in the Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith, herewith or made at the direction of the Court in the Final Order;
- (aaa) "**Arrangement Agreement**" means this arrangement agreement, together with the Alio Disclosure Letter, the Argonaut Disclosure Letter and the schedules attached hereto, as amended, amended and restated or supplemented from time to time;
- (bbb) "**Arrangement Consideration**" means 0.67 of an Argonaut Share for each Alio Share;
- (ccc) "**Arrangement Resolution**" means the special resolution of the Alio Shareholders and the Alio Securityholders approving the Arrangement, the Plan of Arrangement and this Arrangement Agreement, substantially in the form set out in Schedule "D";
- (ddd) "**BCBCA**" means the *Business Corporations Act* (British Columbia) and the regulations made thereunder;



- (eee) "**Board of Directors**" means the Alio Board in the case of Alio and the Argonaut Board in the case of Argonaut;
- (fff) "**Business Day**" means any day, other than a Saturday, a Sunday or a statutory holiday in Toronto, Ontario or Vancouver, British Columbia;
- (ggg) "**Change in Alio Recommendation**" shall have the meaning ascribed thereto in Subsection 5.01(b)(iii);
- (hhh) "**Commissioner**" means the Commissioner of Competition appointed under the Competition Act and any person duly authorized to exercise the powers and perform the duties of the Commissioner of Competition;
- (iii) "**Competition Act**" means the *Competition Act* (Canada) and the regulations made thereunder;
- (jjj) "**Competition Act Approval**" means (A) (i) the issuance of an Advance Ruling Certificate and such Advance Ruling Certificate has not been rescinded prior to the Effective Date or (ii) Alio and Argonaut have given the notice required under section 114 of the Competition Act with respect to the transaction contemplated by this Arrangement Agreement and the applicable waiting period under section 123 of the Competition Act shall have expired or been terminated in accordance with the Competition Act or (iii) the obligation to give the requisite notice has been waived pursuant to section 113(c) of the Competition Act, and (B) in case of (A)(ii) or (A)(iii) Argonaut has been advised in writing by the Commissioner that the Commissioner, at that time, does not intend to make an application under section 92 of the Competition Act in respect of the transaction contemplated by this Arrangement Agreement (i.e. no action letter) and such advice has not been rescinded prior to Closing (with this part (B) waivable upon mutual written agreement of the Parties).
- (kkk) "**Completion Deadline**" means the date by which the transactions contemplated by this Arrangement Agreement are to be completed, which date shall be prior to July 15, 2020, or such later date as may be agreed to by the Parties;
- (lll) "**Contracts**" means any contract, agreement, license, franchise, lease, arrangement or other right or obligation to which a Party or any of their respective Subsidiaries is a party or by which a Party or any of their respective Subsidiaries is bound or affected or to which any of their respective properties or assets is subject;
- (mmm) "**Court**" means the Supreme Court of British Columbia;
- (nnn) "**D&O Insurance**" shall have the meaning ascribed thereto in Subsection 7.05(a);
- (ooo) "**Depository**" means a trust company, bank or other financial institution appointed for the purpose of, among other things, exchanging certificates representing Alio Shares for certificates representing Argonaut Shares in connection with the Arrangement;
- (ppp) "**Dissenting Shareholders**" means registered Alio Shareholders who have duly and validly exercised their Dissent Rights in strict compliance with the dissent procedures set out in the Plan of Arrangement and Division 2 of Part 8 of the BCBCA and whose Dissent Rights have not terminated;

- (qqq) "**Dissent Rights**" means the rights of dissent in respect of the Arrangement as contemplated in the Plan of Arrangement;
- (rrr) "**Effective Date**" means the Effective Date as defined in the Plan of Arrangement;
- (sss) "**Effective Time**" means the Effective Time as defined in the Plan of Arrangement;
- (ttt) "**Encumbrance**" means any mortgage, hypothec, 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;
- (uuu) "**Environmental Approvals**" means all permits, certificates, licences, authorizations, consents, instructions, registrations, directions or approvals issued or required by any Governmental Entity pursuant to any Environmental Law;
- (vvv) "**Environmental Laws**" means all applicable Laws, including applicable common law, relating to the protection of the environment and public health and safety, and includes Environmental Approvals;
- (www) "**Final Order**" means the order of the Court pursuant to Section 291(4) of the BCBCA approving the Arrangement, in a form acceptable to both Alio and Argonaut, each acting reasonably, after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement to Alio Securityholders, approving the Arrangement as such order may be amended at any time prior to the Effective Date (with the consent of both Alio and Argonaut, each acting reasonably) or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;
- (xxx) "**Governmental Entity**" means (i) any applicable multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, whether domestic or foreign, (ii) any subdivision, agency, commission, board or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;
- (yyy) "**Hazardous Substance**" means any chemical, material or substance in any form, whether solid, liquid, gaseous, semisolid or any combination thereof, whether waste material, raw material, finished product, intermediate product, by-product or any other material or article, that is listed or regulated under any Environmental Laws as a hazardous substance, toxic substance or contaminant or is otherwise listed or regulated under any Environmental Laws because it poses a hazard to human health or the environment;
- (zzz) "**IFRS**" means International Financial Reporting Standards formulated by the International Accounting Standards Board, as updated and amended from time to time;
- (aaaa) "**Interim Order**" means the interim order after the application to the Court pursuant to section 291(2) of the BCBCA after being informed of the intention to rely upon the exemption from registration under Section 3(a)(10) of the 1933 Act with respect to the Argonaut Securities to be issued pursuant to the Arrangement, in a form acceptable to both Alio and Argonaut (each acting reasonably), providing for (among other things) the calling

and holding of the Meeting, as such order may be amended, supplemented or varied by the Court (with the consent of both Alio and Argonaut, each acting reasonably);

- (bbbb) "**Investment Canada Act**" means the *Investment Canada Act (Canada)* and the regulations made thereunder, as amended from time to time;
- (cccc) "**Joint Circular**" means the notices of the Argonaut Meeting and the Alio Meeting and accompanying joint management information circular, including all schedules thereto and documents incorporated by reference therein, to be sent to Argonaut Shareholders in connection with the Argonaut Meeting and the Alio Securityholders in connection with the Alio Meeting, and includes any amendments thereto;
- (dddd) "**Laws**" means all laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, instruments, policies, notices, directions and judgments or other requirements of any Governmental Entity;
- (eeee) "**Liability**" of any Person shall mean and include: (i) any right against such Person to payment, whether or not such right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured; (ii) any right against such Person to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to any equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured; and (iii) any obligation of such Person for the performance of any covenant or agreement (whether for the payment of money or otherwise);
- (ffff) "**Matching Party**" shall have the meaning ascribed thereto in Section 7.02(a)(i);
- (gggg) "**Material Adverse Change**" means, in respect of any Person, any one or more changes, events or occurrences, either individually or in the aggregate, which is, or would reasonably be expected to be, material and adverse to the business, operations, results of operations, production, assets, capital, property, obligations (whether absolute, accrued, conditional or otherwise), liabilities or financial condition of that Person and its Subsidiaries, taken as a whole, other than any change, event, occurrence or effect: (i) affecting the worldwide gold mining industry in general; (ii) in or relating to general political, economic, financial or capital market conditions generally (including any reduction in market indices); (iii) in or relating to, IFRS or regulatory accounting requirements; (iv) in or relating to any change in Laws or any interpretation, application or non-application thereof by any Governmental Entity; (v) relating to change in the market trading price of shares of such Person arising from the announcement of the execution of this Arrangement Agreement or the transactions contemplated hereby or any change event or occurrence excluded from this definition under other prongs; (vi) relating to the COVID-19 pandemic or (vii) resulting from changes in the price of gold, provided, however, that such effect referred to in clause (i) to (iv) and (vii) above does not have a disproportionate effect on that Person and its Subsidiaries (taken as a whole) compared to other companies of similar size operating in the mining industry;
- (hhhh) "**Material Adverse Effect**" means, in respect of any Person, an effect which would constitute a Material Adverse Change;

- (iii) "**Material Contract**" means, in respect of any Person, any Contract to which such Person is party: (i) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect on such Person; (ii) under which such person or any of its subsidiaries has directly or indirectly guaranteed any liabilities or obligations of a third party (other than ordinary course endorsements for collection) in excess of \$250,000 in the aggregate; (iii) relating to indebtedness for borrowed money, whether incurred, assumed, guaranteed or secured by any asset, with an outstanding principal amount in excess of \$250,000; (iv) providing for the establishment, organization or formation of any joint venture that is material to it; (v) under which such Person or any of its subsidiaries is obligated to make or expects to receive payments in excess of \$50,000 over the remaining term of the contract; (vi) that limits or restricts such Person or any of its subsidiaries from engaging in any line of business or any geographic area in any material respect; or (vii) that is otherwise material to such Person and its subsidiaries, considered as a whole; and, for greater certainty, with respect to Alio, includes the Material Contracts listed in the Alio Disclosure Letter and, with respect to Argonaut, includes the Material Contracts listed in the Argonaut Disclosure Letter;
  
- (jjjj) "**Minera Aurea**" means Minera Aurea, S.A. de C.V.;
  
- (kkkk) "**National Instrument 62-104**" means National Instrument 62-104 – *Take-Over Bids and Issuer Bids*;
  
- (llll) "**Non-Terminating Party**" shall have the meaning ascribed thereto in Section 8.02(c);
  
- (mmmm) "**Noroeste**" means Molimentales del Noroeste, S.A. de C.V.;
  
- (nnnn) "**OBCA**" means the *Business Corporations Act* (Ontario) and the regulations made thereunder;
  
- (oooo) "**Parties**" means Alio and Argonaut, and "**Party**" means either of them;
  
- (pppp) "**Person**" means an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrative legal representative, Governmental Entity or any other entity, whether or not having legal status;
  
- (qqqq) "**Plan of Arrangement**" means a plan of arrangement substantially in the form and content of Schedule "A" attached hereto and any amendment or variation thereto made in accordance with the Plan of Arrangement or Section 8.03;
  
- (rrrr) "**Proposal Letter**" means the proposal letter dated as of February 26, 2020 between Argonaut and Alio in respect of the Arrangement;
  
- (ssss) "**Pre-Acquisition Reorganization**" shall have the meaning ascribed thereto in Section 5.01(t);
  
- (tttt) "**Registrar**" means the Registrar of Companies under the BCBCA;
  
- (uuuu) "**Release**" shall mean any release, spill, leak, discharge, abandonment, disposal, pumping, pouring, emitting, emptying, injecting, leaching, dumping, depositing, dispersing into or through the environment (including ambient air, surface water, ground water, land surface and subsurface strata or within any building, structure, facility or fixture) of any Hazardous

Substance, including the abandonment or discarding of Hazardous Substances in barrels, drums, tanks or other containers;

- (vvvv) "**Remedial Action**" shall mean any investigation, feasibility study, monitoring, testing, sampling, removal (including removal of underground storage tanks), restoration, clean-up, remediation, closure, site restoration, remedial response or remedial work;
- (www) "**Replacement Argonaut Option**" shall have the meaning ascribed to such term in Section 3.1(g) of the Plan of Arrangement;
- (xxxx) "**Representatives**" shall have the meaning ascribed thereto in Section 7.01;
- (yyyy) "**Response Period**" shall have the meaning ascribed thereto in Subsection 7.02(a)(ii);
- (zzzz) "**SEC**" means the U.S. Securities and Exchange Commission;
- (aaaa) "**Securities Act**" means the *Securities Act* (Ontario) and the rules, regulations and published policies made thereunder;
- (bbbb) "**Securities Authorities**" means the securities regulatory authorities in each of the provinces and territories of Canada;
- (cccc) "**SEDAR**" means the System for Electronic Analysis and Retrieval;
- (dddd) "**Share Issuance Resolution**" means the ordinary resolution of the Argonaut Shareholders authorizing and approving the issuance of Argonaut Shares pursuant to the Arrangement, substantially in the form set out in Schedule "E";
- (eeee) "**Subsidiary**" means, with respect to a specified body corporate, any body corporate of which the specified body corporate is entitled to elect a majority of the directors thereof and shall include any body corporate, partnership, joint venture or other entity over which such specified body corporate exercises direction or control or which is in a like relation to such a body corporate, excluding any body corporate in respect of which such direction or control is not exercised by the specified body corporate as a result of any existing contract, agreement or commitment;
- (ffff) "**Superior Proposal**" means any *bona fide*, unsolicited, written Acquisition Proposal made by a third party after the date of this Arrangement Agreement (and not obtained in violation of Section 7.01) that relates to the acquisition of 100% of the outstanding voting shares of a Party (other than voting shares owned by the Person making the Superior Proposal) or all or substantially all of the consolidated assets of such Party and its subsidiaries, taken as a whole; and (i) that is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the Person making such proposal; (ii) that, in the case of an Acquisition Proposal to acquire 100% of the outstanding voting shares of a Party, is made available to all shareholders of such Party on the same terms and conditions; (iii) that is not subject to a due diligence condition; (iv) that is not subject to a financing condition beyond what would be permitted by National Instrument 62-104 in respect of a formal take-over bid (whether or not such transaction is a formal take-over bid); and (v) in respect of which the Board of Directors of such Party determines, in its good faith judgment, after receiving the written advice of its outside legal and financial advisors, that (a) failure to recommend such Acquisition

Proposal to the holders of its voting shares would be inconsistent with its fiduciary duties under applicable Law; and (b) having regard for all of its terms and conditions, such Acquisition Proposal, would or would reasonably expected to, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to the holders of its voting shares, from a financial point of view, than the Arrangement, after taking into account any change to the Arrangement proposed by the other Party;

- (ggggg) "**Suspension of Operations**" shall have the meaning ascribed thereto in Section 2.02;
- (hhhhh) "**Tax**" and "**Taxes**" means all taxes, assessments, charges, dues, duties, rates, fees, imposts, levies and similar charges of any kind lawfully levied, assessed or imposed by any Governmental Entity, including all income taxes (including any tax on or based upon net income, gross income, income as specially defined, earnings, profits or selected items of income, earnings or profits) and all capital taxes, gross receipts taxes, environmental taxes, mining taxes, sales taxes, use taxes, *ad valorem* taxes, value added taxes, transfer taxes (including, without limitation, taxes relating to the transfer of interests in real property or entities holding interests therein), franchise taxes, license taxes, withholding taxes, health taxes, payroll taxes, employment taxes, Canada or Québec Pension Plan premiums, excise, severance, social security, workers' compensation, employment insurance or compensation taxes, mandatory pension and other social fund taxes or premium, stamp taxes, occupation taxes, premium taxes, property taxes, windfall profits taxes, alternative or add-on minimum taxes, goods and services tax, harmonized sales tax, customs duties or other taxes, fees, imports, assessments or charges of any kind whatsoever, and any instalments in respect thereof, together with any interest, fines and any penalties or additional amounts imposed by any taxing authority (domestic or foreign) on such entity, and any interest, penalties, fines, additional taxes and additions to tax imposed on such entity with respect to the foregoing and including an amount in respect of the foregoing as a transferee, successor, guarantor or surety or in a similar capacity under a contract, arrangement, agreement, understanding or commitment (whether written or oral) or by operation of law and any liability for the payment of any taxes described herein as a result of being a member of an affiliated, consolidated, combined or unitary group for any period as a result of any tax sharing or tax allocation agreement, arrangement or understanding;
- (iiiiii) "**Tax Act**" means the *Income Tax Act* (Canada), and the regulations thereunder, as amended from time to time;
- (jjjjj) "**Tax Returns**" means all returns, schedules, elections, declarations, reports, information returns, notices, forms, statements and other documents made, prepared or filed with any taxing authority or required to be made, prepared or filed with any Governmental Entity relating to Taxes;
- (kkkkk) "**Terminating Party**" shall have the meaning ascribed thereto in Subsection 7.02(a)(i);
- (lllll) "**Termination Fee**" shall have the meaning ascribed thereto in Section 7.03(c);
- (mmmmm) "**Transaction Personal Information**" shall have the meaning ascribed thereto in Section 9.01;
- (nnnnn) "**TSX**" means the Toronto Stock Exchange;

- (ooooo) **"U.S. Securities Law"** means all applicable securities legislation in the United States, including without limitation, the 1933 Act and the 1934 Act, and the rules and regulations promulgated thereunder, including judicial and administrative interpretations thereof, and the securities laws of the states of the United States;
- (ppppp) **"1933 Act"** means the *Securities Act of 1933*, as amended, of the United States, and the rules and regulations promulgated from time to time thereunder;
- (qqqqq) **"1934 Act"** means the *Securities Exchange Act of 1934*, as amended, of the United States, and the rules and regulations promulgated from time to time thereunder; and
- (rrrrr) **"1940 Act"** means the *Investment Company Act of 1940*, as amended, of the United States, and the rules and regulations promulgated from time to time thereunder.

## **1.02 Interpretation Not Affected by Headings**

The division of this Arrangement Agreement into articles, sections, subsections, paragraphs and subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Arrangement Agreement. The terms "this Arrangement Agreement", "hereof", "herein", "hereto", "hereunder" and similar expressions refer to this Arrangement Agreement and the schedules attached hereto and not to any particular article, section or other portion hereof and include any agreement, schedule or instrument supplementary or ancillary hereto or thereto.

## **1.03 Number, Gender and Persons**

In this Arrangement Agreement, unless the context otherwise requires, words importing the singular only shall include the plural and *vice versa*, words importing the use of either gender shall include both genders and neuter, and the word Person and all words importing Persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any Governmental Entity, political subdivision or instrumentality thereof) and any other entity of any kind or nature whatsoever.

## **1.04 Date for any Action**

If the date on which any action is required to be taken hereunder by any Party is not a Business Day, such action shall be required to be taken on the next succeeding day that is a Business Day.

## **1.05 Statutory References**

Any reference in this Arrangement Agreement to a statute includes all regulations and rules made thereunder, all amendments to such statute or regulation in force from time to time and any statute or regulation that supplements or supersedes such statute or regulation.

## **1.06 Currency**

Unless otherwise stated, all references in this Arrangement Agreement to amounts of money are expressed in lawful money of Canada, and "\$" refers to Canadian dollars.

## **1.07 Invalidity of Provisions**

Each of the provisions contained in this Arrangement Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable Law, the Parties waive any provision of Law that renders any provision of this Arrangement Agreement or any part thereof invalid or unenforceable in any respect. The Parties will engage in good faith negotiations to replace any provision hereof or any part thereof that is declared invalid or unenforceable with a valid and enforceable provision or part thereof, so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

## **1.08 Accounting Matters**

Unless otherwise stated, all accounting terms used in this Arrangement Agreement shall have the meanings attributable thereto under IFRS and all determinations of an accounting nature required to be made hereunder shall be made in a manner consistent with IFRS.

## **1.09 Knowledge**

Where the phrases "to the knowledge of Alio" or "to Alio's knowledge" or "to the knowledge of Argonaut" or "to Argonaut's knowledge" are used in respect of Alio, Argonaut or the Argonaut Subsidiaries, such phrase shall mean, in respect of each representation and warranty or other statement which is qualified by such phrase, that such representation and warranty or other statement is being made based upon: (a) in the case of Alio, the collective actual knowledge of those officers of Alio set forth in the Alio Disclosure Letter; and (b) in the case of Argonaut and of the Argonaut Subsidiaries, the collective actual knowledge of those officers of Argonaut and of the Argonaut Subsidiaries set forth in the Argonaut Disclosure Letter.

## **1.10 Meaning of Certain Phrase**

In this Arrangement Agreement the phrase "in the ordinary and regular course of business" shall mean and refer to those activities that are normally conducted by corporations engaged in the exploration and development of precious and base metals deposits and the ownership of mineral rights and royalties and, with respect to the Parties, consistent with past practice of such party, provided that in any event such action is not unreasonable.

## **1.11 Schedules**

The following schedules are attached to, and are deemed to be incorporated into and form part of, this Arrangement Agreement:

<b><u>Schedule</u></b>	<b><u>Matter</u></b>
Schedule "A"	Form of Plan of Arrangement
Schedule "B"	List of Alio Properties
Schedule "C"	List of Argonaut Properties
Schedule "D"	Arrangement Resolution
Schedule "E"	Share Issuance Resolution



**ARTICLE 2**  
**THE ARRANGEMENT**

**2.01 Arrangement and Meetings**

- (a) Alio and Argonaut agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions contained in this Arrangement Agreement and the Plan of Arrangement. Each Alio Shareholder (other than an Alio Shareholder who has validly exercised its Dissent Rights) shall be entitled to receive, in exchange for each Alio Share held, the Arrangement Consideration, all as more specifically set out in the Plan of Arrangement.
- (b) Alio and Argonaut agree that the Alio Meeting and the Argonaut Meeting shall be held on the same date and at the same time, and agree to take such actions from time to time as may be necessary in order to ensure that this occurs.

**2.02 Court Proceedings**

Alio shall apply to the Court, in a manner acceptable to Argonaut, acting reasonably, pursuant to the BCBCA for the Interim Order and Final Order as follows:

- (a) As soon as reasonably practicable after the date of execution of this Arrangement Agreement, subject to the remaining provisions of this Section 2.02, and subject to Section 5.01(a), Alio shall file, proceed with and diligently prosecute an application to the Court for the Interim Order which shall request that the Interim Order shall provide, among other things:
  - (i) for the class of Persons to whom notice is to be provided in respect of the Arrangement, the Alio Meeting and the presentation of the application to the Court for the Final Order, and for the manner in which such notice is to be provided, such notice to include, inter alia, that such Persons have a right to appear at the hearing before the Court at which the fairness of the Arrangement is to be adjudged;
  - (ii) for confirmation of the record date for the Alio Meeting;
  - (iii) that the requisite approval for the Arrangement Resolution shall be:
    - A. 66 $\frac{2}{3}$ % of the votes cast on the Arrangement Resolution by the Alio Shareholders voting as a single class, present in person or by proxy at the Alio Meeting (the "**Alio Shareholder Approval**"); and
    - B. 66 $\frac{2}{3}$ % of the votes cast on the Arrangement Resolution by the Alio Securityholders (such that any Alio Shareholder, Alio Option Holder, Alio PSU Holder, Alio RSU Holder and Alio DSU Holder is entitled to one vote for each Alio Share, Alio Option, Alio PSU, Alio RSU and Alio DSU held) (the "**Alio Securityholder Approval**");
  - (iv) that, in all other respects, the terms, conditions and restrictions of the Alio constating documents, including quorum requirements and other matters, shall apply in respect of the Alio Meeting;

- (v) that Argonaut intends to rely upon the exemption from registration provided by Section 3(a)(10) of the 1933 Act in connection with the issuance of Argonaut Securities to be issued in exchange for securities as contemplated by the Arrangement, subject to and conditioned upon the Court's determination following a hearing that the Arrangement is fair and reasonable to Alio Securityholders;
  - (vi) for the grant of Dissent Rights to the registered holders of Alio Shares;
  - (vii) that the Alio Meeting may be adjourned or postponed from time to time by management of Alio in accordance with the terms of the Arrangement Agreement without the need for additional approval of the Court;
  - (viii) that the record date for Alio Securityholders entitled to notice of and to vote at the Alio Meeting will not change in respect of any adjournment(s) of the Alio Meeting, except to the extent required by applicable Law; and
  - (ix) for such other matter as the Parties, each acting reasonably, may reasonably require, and
- (b) subject to obtaining the approvals as contemplated by the Interim Order and as may be directed by the Court in the Interim Order, take all steps necessary or desirable to submit the Arrangement to the Court and to apply for the Final Order.

The notices of motion and related materials for the applications referred to in this Section 2.02 shall be in a form satisfactory to the Parties, each acting reasonably.

Notwithstanding any other provision of this Arrangement Agreement to the contrary, if regular Court operations remain suspended due to disease outbreaks, pandemics or epidemics or other related conditions (the "**Suspension of Operations**"), and, upon the advice of legal counsel to each of Argonaut and Alio the Suspension of Operations makes obtaining the Interim Order impractical or impossible to obtain in a timely manner, each of Alio and Argonaut shall do, or cause to be done, all such other acts and execute and deliver, or cause to be executed and delivered, all such further agreements or documents as shall be reasonably required in order to: (a) convene and conduct the Alio Meeting and the Argonaut Meeting without an Interim Order; (b) to cause the Final Order (and the application therefor), to provide for any requirements set out herein for the Interim Order or necessary to give effect to the Plan of Arrangement; (c) to comply with any direction or order of the Court; (d) to preserve the availability of the exemption from registration under Section 3(a)(10) of the 1933 Act with respect to the Argonaut Securities to be issued pursuant to the Arrangement; and (e) to otherwise reasonably cooperate with the other to fully perform and carry out the terms and intent hereof including, without limitation, the Plan of Arrangement. The Parties agree that the covenants, conditions, representations and warranties included herein shall be deemed to be modified to remove references to the application for and the receipt, terms, conditions and requirements of the Interim Order if the Suspension of Operations makes the obtaining of such Interim Order impractical or impossible to obtain in a timely manner.

Moreover, and notwithstanding any other provision of this Arrangement Agreement to the contrary, in the event of a Suspension of Operations, then the time to make application to the Court, convene and conduct the Alio Meeting or convene and conduct the Argonaut Meeting contained in in this Section 2.02, Section 5.01(a), Section 5.01(b)(iv), Section 5.01(h) and Section 5.02(b)(iii) shall be tolled for such period as the Suspension of Operations continues plus three Business Days; provided that in no event shall such tolling and three Business Day period extend beyond the Completion Deadline.

### **2.03           Effecting the Arrangement**

Subject to the rights of termination contained in Article 8 hereof, upon the Alio Shareholders providing the Alio Shareholder Approval and the Alio Securityholders providing the Alio Securityholder Approval in accordance with the Interim Order, Alio obtaining the Final Order and the other conditions contained in Article 6 hereof being complied with or waived, to the extent required under the BCBCA, Alio shall file with the Registrar the Final Order and such other documents as may be required in order to effect the Arrangement.

### **2.04           Consultation**

Alio and Argonaut will consult with each other in issuing any press release or otherwise making any public statement with respect to this Arrangement Agreement or the Arrangement and in making any filing with the Court or the Registrar, any Governmental Entity, Securities Authority, the SEC or stock exchange with respect thereto. Each of Alio and Argonaut shall use its commercially reasonable best efforts to enable each of the other of them to review and comment on all such press release and filings prior to the release or filing, respectively, thereof.

### **2.05           U.S. Securities Law Matters**

- (a) The Parties agree that the Argonaut Securities to be issued to the Alio Securityholders pursuant to the Arrangement will be issued in reliance on the exemptions from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof. In order to ensure the availability of the exemptions from registration provided by Section 3(a)(10) of the 1933 Act, the Parties agree that the Arrangement will be carried out on the following basis:
  - (i) subject to Section 2.02, prior to the issuance of the Interim Order, the Court will be advised of the intention of the parties to rely on the exemption from registration provided by Section 3(a)(10) of the 1933 Act with respect to the issuance of the Argonaut Securities upon completion of the Arrangement, based on the Court's approval of the Arrangement;
  - (ii) the Court will be required to satisfy itself that the Arrangement is procedurally and substantively fair and reasonable to the Alio Securityholders;
  - (iii) Alio will ensure that each Alio Securityholder entitled to receive Argonaut Securities upon completion of the Arrangement will be given adequate notice advising them of their right to attend the hearing of the Court held to consider approval of the Arrangement, and providing such Alio Securityholders with sufficient information necessary for them to exercise that right;
  - (iv) the Alio Securityholders will be advised that the Argonaut Securities to be issued upon completion of the Arrangement have not been and will not be registered under the 1933 Act and will be issued by Argonaut in reliance on the exemption from registration provided by Section 3(a)(10) of the 1933 Act;
  - (v) the Final Order approving the Arrangement that is obtained from the Court will expressly state that the Arrangement is approved by the Court as being fair and reasonable to the Alio Securityholders; and

- (vi) subject to Section 2.02, the Interim Order approving the Alio Meeting will specify that each Alio Securityholder will have the right to appear before the Court at the hearing so long as they enter an appearance within a reasonable time.

**2.06 Closing**

The closing of the Arrangement will take place at the offices of Bennett Jones LLP, located at Suite 3400, 100 King Street West, Toronto, Ontario at 8:00 a.m. (Toronto time) on the Effective Date.

**2.07 Adjustments on Dividend or Other Distribution**

If, on or after the date hereof, either Party declares, sets aside or pays any dividend or other distribution to its shareholders of record as of a time prior to the Effective Date, the parties hereto shall make such adjustments to the Arrangement as they determine acting in good faith to be necessary to restore the original intention of the parties in the circumstances.

**2.08 Board of Directors**

Argonaut shall ensure that, with effect as of and from the Effective Time, the Argonaut Board shall be reconstituted to consist of eight individuals, two of which shall be a nominees of Alio, acceptable to Argonaut, acting reasonably, who shall be appointed to the Argonaut Board and six of whom shall be nominees of Argonaut, who shall either be appointed to, or, as applicable, continue on, the Argonaut Board.

**2.09 Withholding**

Alio, Argonaut and the Depositary shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person hereunder and from all dividends or other distributions otherwise payable to any former Alio Shareholder or former Alio PSU Holder, former Alio RSU Holder or former Alio DSU Holder such amounts as Alio, Argonaut or the Depositary is required to deduct and withhold with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any applicable federal, provincial, state, local or foreign tax Laws, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the relevant Person in respect of which such deduction and withholding was made, provided that such withheld amounts are remitted to the appropriate Governmental Entity.

**ARTICLE 3  
REPRESENTATIONS AND WARRANTIES OF ALIO**

**3.01 Representations and Warranties of Alio**

Alio hereby represents and warrants to Argonaut as set forth in this Section 3.01 and hereby acknowledges that Argonaut is relying upon such representations and warranties in connection with entering into this Arrangement Agreement and agreeing to complete the Arrangement.

- (a) Organization. Alio and each Alio Subsidiary has been incorporated, is validly subsisting and has full corporate or legal power and authority to own their respective properties and assets and to conduct their respective business as currently owned and conducted. Alio and each Alio Subsidiary are registered, licensed or otherwise qualified as an extra-provincial corporation or a foreign corporation in each jurisdiction where the nature of the business

or the location or character of the property and assets owned or leased by it requires it to be so registered, licensed or otherwise qualified, other than those jurisdictions where the failure to be so registered, licensed or otherwise qualified would not have a Material Adverse Effect on Alio. All of the outstanding shares of each Alio Subsidiary are validly issued, fully paid and non-assessable. Except as disclosed by Alio in the Alio Disclosure Letter, all of the outstanding shares of each Alio Subsidiary are owned, directly or indirectly, by Alio. Except pursuant to restrictions on transfer contained in the articles or by-laws (or their equivalent) of the respective Alio Subsidiary and as set out in the Alio Disclosure Letter, the outstanding shares of each Alio Subsidiary are owned by Alio free and clear of all Encumbrances and Alio is not liable to any creditor in respect thereof. Except pursuant to this Arrangement Agreement and the transactions contemplated hereby, there are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any issued or unissued securities of, or interest in any Alio Subsidiary from Alio.

- (b) Capitalization. Alio is authorized to issue an unlimited number of Alio Shares. As at March 27, 2020, there were: (i) 85,993,371 Alio Shares outstanding; (ii) an aggregate of 3,163,830 Alio Shares reserved for issuance under the outstanding Alio Options; and (iii) 2,305,811 Alio Shares issuable on the exercise of Alio Warrants outstanding. The exercise prices and expiry dates of the Alio Options and Alio Warrants are set out in the Alio Disclosure Letter. Except as disclosed in the Alio Disclosure Letter and pursuant to this Arrangement Agreement and the transactions contemplated hereby, as at March 27, 2020 there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating Alio or any Alio Subsidiary to issue or sell any shares of Alio, the Alio Subsidiaries or any securities or obligations of any kind convertible into or exchangeable for any shares of Alio or any Alio Subsidiary. All outstanding Alio Shares have been authorized and are validly issued and outstanding as fully paid and non-assessable shares. As of the date hereof, there are no outstanding bonds, debentures or other evidences of indebtedness of Alio or any Alio Subsidiary having the right to vote with the Alio Shareholders on any matter. As of the date hereof, there are no outstanding contractual obligations of Alio or any Alio Subsidiary to repurchase, redeem or otherwise acquire any outstanding Alio Shares or with respect to the voting or disposition of any outstanding Alio Shares.
- (c) Authority. Alio has all necessary power, authority and capacity to enter into this Arrangement Agreement and all other agreements and instruments to be executed by Alio as contemplated by this Arrangement Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Arrangement Agreement by Alio and the completion by Alio of the transactions contemplated by this Arrangement Agreement have been authorized by the directors of Alio and, subject to obtaining the Alio Shareholder Approval, Alio Securityholder Approval, the Interim Order and any approvals required by the Interim Order and the Final Order, and providing to the Registrar any records, information or other documents required in connection with the Arrangement, no other corporate proceedings on the part of Alio are necessary to authorize this Arrangement Agreement or to complete the transactions contemplated hereby other than in connection with the approval by the directors of Alio of the Joint Circular. This Arrangement Agreement has been executed and delivered by Alio and constitutes a legal, valid and binding obligation of Alio, enforceable against Alio in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other applicable Laws relating to or affecting creditors' rights generally, and to general principles of equity. Except as set out in the Alio Disclosure

Letter, the execution and delivery by Alio of this Arrangement Agreement and the performance by Alio of its obligations hereunder and the completion of the transactions contemplated hereby, do not and will not:

- (i) result in a violation, contravention or breach of, require any consent to be obtained under or give rise to any termination rights under any provision of:
  - A. the articles or by-laws (or their equivalent) of Alio;
  - B. assuming Alio has obtained the Alio Shareholder Approval, the Alio Securityholder Approval, the Interim Order and any approvals required by the Interim Order and the Final Order any Law, other than any applicable merger control law; or
  - C. any Material Contract, licence or permit to which Alio or any Alio Subsidiary is bound or is subject to or of which Alio or any Alio Subsidiary is the beneficiary which in each case, would, individually or in the aggregate, have a Material Adverse Effect on Alio, or
  - D. give rise to any right of termination or acceleration of indebtedness, or cause any indebtedness owing by Alio or any Alio Subsidiary to come due before its stated maturity or cause any available credit to cease to be available which would, individually or in the aggregate, have a Material Adverse Effect on Alio;
- (ii) result in the imposition of any Encumbrance upon any of the property or assets of Alio or any Alio Subsidiary or restrict, hinder, impair or limit the ability of Alio or any Alio Subsidiary to conduct the business of Alio or the Alio Subsidiaries as and where it is now being conducted which would, individually or in the aggregate, have a Material Adverse Effect on Alio; or
- (iii) result in any material payment (including severance, unemployment compensation, "golden parachute", bonus or otherwise) becoming due to any director or officer of Alio or any Alio Subsidiary or increase any benefits otherwise payable under any pension or benefits plan of Alio or any Alio Subsidiary or result in the acceleration of the time of payment or vesting of any such benefits.

No consent, approval, order or authorization of, or declaration or filing with, any Governmental Entity or other Person is required to be obtained by Alio or any Alio Subsidiary in connection with the execution and delivery of this Arrangement Agreement or the consummation by Alio of the transactions contemplated hereby other than: (i) subject to Section 2.02, the Interim Order and any approvals required by the Interim Order; (ii) the Final Order and any approvals required by the Final Order; (iii) filings required under the BCBCA and filings with and approvals required by Securities Authorities, the SEC and stock exchanges; (iv) any other consents, waivers, permits, orders or approvals referred to in the Alio Disclosure Letter; (v) compliance with and approvals required by any applicable merger control laws; and (vi) any other consents, approvals, orders, authorizations, declarations or filings which, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect on Alio.

- (d) Alio Board Approvals. The Alio Board has received an oral opinion from RBC Dominion Securities Inc., that, as of the date of such opinion and subject to the assumptions, qualifications and limitations set forth therein, the consideration payable to the Alio Shareholders pursuant to the Arrangement is fair, from a financial point of view, to the Alio Shareholders and the Alio Board has unanimously:
- (i) determined that the consideration payable to the Alio Shareholders pursuant to the Arrangement is fair to the Alio Shareholders and the Arrangement is in the best interests of Alio;
  - (ii) resolved to recommend that the Alio Securityholders vote in favour of the Arrangement Resolution; and
  - (iii) authorized the entering into of this Arrangement Agreement, and the performance of its provisions, by Alio.
- (e) Alio Subsidiaries. The only Subsidiaries of Alio are the Alio Subsidiaries.
- (f) No Defaults. None of Alio or any Alio Subsidiary is in default under, and there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute a default by Alio or the Alio Subsidiaries under any Material Contract, licence or permit that is material to the conduct of the business of Alio or the Alio Subsidiaries to which it is a party or by which it is bound that would, individually or in the aggregate, have a Material Adverse Effect on Alio.
- (g) Absence of Changes. Since January 1, 2019, other than as disclosed by Alio in the Alio Disclosure Letter and in this Arrangement Agreement and other than in connection with, or ancillary to, the proposed sale of Alio's ownership interest in Noroeste and/or a sale of Alio's ownership interest in, or all or substantially all of the assets of, Minera Aurea:
- (i) each of Alio and the Alio Subsidiaries have conducted their business only in the ordinary and regular course of business consistent with past practice;
  - (ii) none of Alio or the Alio Subsidiaries have incurred or suffered a Material Adverse Change;
  - (iii) there has not been any acquisition or sale by Alio or the Alio Subsidiaries of any property or assets material to Alio and the Alio Subsidiaries, taken as a whole;
  - (iv) there has not been any incurrence, assumption or guarantee by Alio or the Alio Subsidiaries of any debt for borrowed money, or any making by Alio or the Alio Subsidiaries of any loan, advance or capital contribution to, or investment in, any other Person;
  - (v) Alio has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding Alio Shares;
  - (vi) there has not been any material increase in or material modification of the compensation payable to or to become payable by Alio or the Alio Subsidiaries to any of its directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance or

termination pay or any increase or modification of any bonus, pension, insurance or benefit arrangement (including, without limitation, the granting of Alio Options pursuant to the Alio Stock Option Plan) made to, for or with any of such directors or officers;

- (vii) Alio has not effected any material change in its accounting methods, principles or practices; and
  - (viii) Alio has not adopted any, or materially amended any, collective bargaining agreement, bonus, pension, profit sharing, stock purchase, stock option or other benefit plan or shareholder rights plan.
- (h) Employment Agreements. Other than as disclosed by Alio in the Alio Disclosure Letter:
- (i) neither Alio nor any Alio Subsidiary is a party to any written or oral policy, agreement, obligation or understanding providing for severance or termination payments to, or any employment or consulting agreement with, any director or officer of that cannot be terminated without payment of a maximum of six times such individual's monthly salary;
  - (ii) neither Alio nor any Alio Subsidiary has an employee or consultant whose employment or contract with Alio or any Alio Subsidiary that cannot be terminated without payment upon a maximum of six months' notice, except as required by applicable Laws; and
  - (iii) neither Alio nor any Alio Subsidiary (A) is a party to any collective bargaining agreement; (B) is not, to the knowledge of Alio, subject to any application for certification or threatened or apparent union-organizing campaigns for employees not covered under a collective bargaining agreement, or (C) is not subject to any current or, to the knowledge of Alio, pending or threatened strike or lockout.
- (i) Financial Matters. The (A) audited consolidated statements of earnings and comprehensive income, audited consolidated statements of cash flows, audited consolidated statements of financial position and audited consolidated statements of changes in equity of Alio for the financial years ended December 31, 2019 and 2018 and the notes thereto and the report by the Alio's auditors thereon, and the related management's discussion and analysis (collectively, the "**Alio Financial Statements**"), were prepared in accordance with IFRS and fairly present in all material respects the consolidated financial condition of Alio at the respective dates indicated its financial performance and its cash flows for such periods. None of Alio or any Alio Subsidiary has any liability or obligation (including, without limitation, liabilities or obligations to fund any operations or work or exploration program, to give any guarantees or for Taxes), whether accrued, absolute, contingent or otherwise, not reflected in the Alio Financial Statements, which would reasonably be expected to have a Material Adverse Effect on Alio.
- (j) Internal Controls and Financial Reporting. Alio: (i) has designed disclosure controls and procedures to provide reasonable assurance that financial information relating to Alio, including its consolidated Alio Subsidiaries, is accurate and reliable, is made known to the Chief Executive Officer and the Vice President, Finance of Alio by others within those entities, particularly during the periods in which filings are being prepared; and (ii) has designed internal controls to provide reasonable assurance regarding the accuracy and



reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Alio has designed a system of internal control over financial reporting (as defined in Rule 13a-15(f) under the 1934 Act) to provide reasonable assurance regarding the reliability of financial reporting and such system is effective at the reasonable assurance level.

- (k) Books and Records. The corporate records and minute books of Alio and the Alio Subsidiaries have been maintained in material compliance with all applicable Laws and are complete and accurate in all material respects. Financial books and records and accounts of Alio and the Alio Subsidiaries (i) have been maintained in accordance with good business practices on a basis consistent with prior years and past practice; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions and acquisitions and dispositions of assets of Alio and the Alio Subsidiaries; and (iii) accurately and fairly reflect the basis for the Alio Financial Statements.
- (l) Litigation. Except as set out in the Alio Disclosure Letter, there is no claim, action, suit, proceeding or investigation pending or in progress or, to the knowledge of Alio, threatened against or relating to Alio or the Alio Subsidiaries or affecting any of their respective properties or assets before any Governmental Entity which individually or in the aggregate has, or could reasonably be expected to have, a Material Adverse Effect on Alio. There is no bankruptcy, liquidation, winding-up or other similar proceeding pending or in progress, or, to the knowledge of Alio, threatened against or relating to Alio or the Alio Subsidiaries before any Governmental Entity. None of Alio or the Alio Subsidiaries nor any of their properties or assets is subject to any outstanding judgment, order, writ, injunction or decree that involves or may involve, or restricts or may restrict the right or ability of Alio or the Alio Subsidiaries to conduct their business in all material respects as it has been carried on prior to the date hereof, or that would materially impede the consummation of the transactions contemplated by this Arrangement Agreement, except to the extent any such matter would not have a Material Adverse Effect on Alio.
- (m) Alio Properties. Except as disclosed in the Alio Disclosure Letter:
  - (i) the Alio Properties are fully described in Schedule "B" attached hereto, there are no mineral claims or other rights comprising the Alio Properties or any portion thereof which are not set out in Schedule "B" attached hereto and each of the permits set out in Schedule "B" hereto are in full force and effect;
  - (ii) all of the mineral claims or other rights comprising the Alio Properties have been validly located and recorded in compliance with applicable Laws and are comprised of valid and subsisting mineral claims, which are in good standing under applicable Laws;
  - (iii) no Person has any agreement, option, right of first refusal or right, title or interest or right capable of becoming an agreement, option, right of first refusal or right, title or interest, in or to the Alio Properties;
  - (iv) Alio or the Alio Subsidiaries have all necessary corporate power to own the Alio Properties and is in material compliance with all applicable Laws, to which the Alio Properties are subject;

- (v) applying customary standards in the mining industry, Alio or the Alio Subsidiaries have a 100% legal and beneficial good, valid and exclusive ownership right, title and interest in and to, and actual and exclusive possession of, the permits relating to the Alio Properties, free and clear of all title defect or Encumbrance,
  - (vi) all Taxes which are due and payable, local improvements, assessment rates, utilities and any and all other payments to or assessments of any Governmental Entity having jurisdiction in respect of the Alio Properties have been made by Alio or the Alio Subsidiaries in respect of the Alio Properties;
  - (vii) neither the Alio Properties nor any minerals or product derived from the Alio Properties are subject to or bound by any royalty or royalty interest, whether registered or unregistered, and Alio has not granted any royalty interest in or affecting the foregoing;
  - (viii) there is no action, suit, order, work order, petition, prosecution or other similar proceeding of which process initiating the same has been served on Alio, any Alio Subsidiary, or to the knowledge of Alio, threatened against Alio or any Alio Subsidiary and affecting any of the Alio Properties at law or in equity or before or by any Governmental Entity;
  - (ix) Alio has not received notice of any breach of any applicable Law in respect of its conduct on or under the Alio Properties which could have a Material Adverse Effect on the Alio Properties; and
  - (x) Each of Alio and the Alio Subsidiaries have made or will make available to Argonaut, upon the request of Argonaut, all material information in its possession or under its control relating to the Alio Properties and the Alio Mineral Rights which relate to the Alio Properties.
- (n) Mineral Resources and Mineral Reserves. The most recent estimated measured, indicated and inferred mineral resources of Alio disclosed in the Alio Documents have been prepared and disclosed in all material respects in accordance with all applicable Laws. There has been no material reduction (other than as a result of operations in the ordinary course of business) in the aggregate amount of estimated mineral resources of Alio and the Alio Subsidiaries, from the amounts disclosed publicly by Alio.
- (o) Operational Matters. Except as disclosed in the Alio Disclosure Letter:
- (i) all rentals, payments and obligations (including maintenance for mining claims), and any other payments due or payable on or prior to the date hereof under or with respect to the assets of Alio and the Alio Subsidiaries have been properly and timely paid and no claim is due to lapse within 90 days of the date hereof;
  - (ii) the ore bodies and minerals located in the Alio Properties are under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments, sufficient to permit Alio to explore the minerals relating thereto, all such property leases or claims and all property, leases or claims in which Alio or the Alio Subsidiaries have any interest or right have been validly located and recorded in accordance with all applicable Laws and are valid and subsisting, Alio or the Alio Subsidiaries have all necessary surface rights, access

rights and other necessary rights and interests relating to the Alio Properties granting Alio or the Alio Subsidiaries the rights and ability to explore for minerals, ore and metals for development purposes, with only such exceptions as do not materially interfere with the use made by Alio or the Alio Subsidiaries of the rights or interests so held and each of the proprietary interests or rights and each of the documents, agreements and instruments and obligations relating thereto referred to above is currently in good standing in the name of Alio or the Alio Subsidiaries;

- (iii) all exploration activities conducted by Alio or the Alio Subsidiaries on the Alio Properties have been undertaken in accordance with good exploration practices and in compliance with all applicable Laws, except where the failure to so comply would not have a Material Adverse Effect on Alio; and
  - (iv) each of Alio and the Alio Subsidiaries has all necessary permits required for it to carry on its business as currently conducted, all of which are in full force and effect, and is in compliance with such permits. None of Alio or the Alio Subsidiaries has received oral or written notice relating to the revocation, cancellation, expropriation or modification of any such permit.
- (p) Insurance. Alio and the Alio Subsidiaries maintain policies of insurance that are reasonable, prudent and appropriate for the size and nature of the businesses of Alio and the Alio Subsidiaries, with each such policy of insurance listed in the Alio Disclosure Letter. All insurance policies maintained by Alio are in full force and effect and in good standing. Neither Alio nor the Alio Subsidiaries is in default, whether as to payment of premium or otherwise, under the terms of any such insurance nor has Alio or the Alio Subsidiaries failed to give any notice or present any material claim under any such insurance in a due and timely fashion or received notice or otherwise become aware of any intent of an insurer to either claim any default on the part of Alio or the Alio Subsidiaries or not to renew any policy of insurance on its expiry or to increase any deductible or cost, except where such failure or default or other event would not reasonably be expected to have a Material Adverse Effect.
- (q) Environmental.
- (i) Each of Alio and the Alio Subsidiaries has carried on its operations in compliance with all applicable Environmental Laws, except to the extent that a failure to be in such compliance, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Alio.
  - (ii) (A) the Alio Properties have not been used to generate, manufacture, refine, treat, recycle, transport, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance in all material respects with all Environmental Laws; (B) none of Alio and the Alio Subsidiaries has caused or permitted the Release of any Hazardous Substances at, in, on, under or from any Alio Property, except in compliance, individually or in the aggregate, with all Environmental Laws, except where the failure to be in such compliance would not have a Material Adverse Effect on Alio; (C) all Hazardous Substances handled, recycled, disposed of, treated or stored on or off site of the Alio Properties have been handled, recycled, disposed of, treated and stored in material compliance with all Environmental Laws, except to the extent that a failure to be in such compliance would not have a Material Adverse Effect on Alio; and (D) to the knowledge of

Alio, there are no Hazardous Substances at, in, on, under or migrating from any Alio Property, except in material compliance with all Environmental Laws.

- (iii) To the knowledge of Alio, none of Alio or the Alio Subsidiaries has treated or disposed, or arranged for the treatment or disposal, of any Hazardous Substances at any location: (A) listed on any list of hazardous sites or sites requiring Remedial Action issued by any Governmental Entity; (B) proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action, or any similar federal, state or provincial lists; or (C) which is the subject of enforcement actions by any Governmental Entity that creates the reasonable potential for any proceeding, action, or other claim against Alio or any Alio Subsidiary. To the knowledge of Alio, no site or facility now or previously owned, operated or leased by Alio or any Alio Subsidiary is listed or, to the knowledge of Alio, is proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action or is the subject of Remedial Action.
- (iv) None of Alio or the Alio Subsidiaries has caused or permitted the Release of any Hazardous Substances on or to any of the Alio Properties in such a manner as: (A) would be reasonably likely to impose Liability for cleanup, natural resource damages, loss of life, personal injury, nuisance or damage to other property, except to the extent that such Liability would not have a Material Adverse Effect on Alio; or (B) would be reasonably likely to result in imposition of a lien, charge or other Encumbrance or the expropriation of any of the Alio Properties or the assets of Alio or the Alio Subsidiaries.
- (v) None of Alio or the Alio Subsidiaries has received from any Person or Governmental Entity any notice, formal or informal, of any proceeding, action or other claim, Liability or potential Liability arising under any Environmental Law that is pending as of the date hereof.
- (r) Tax Matters.
  - (i) Each of Alio and the Alio Subsidiaries has duly and timely made or prepared all Tax Returns required to be made or prepared by it, has duly and timely filed in the prescribed form all Tax Returns required to be filed by it with the appropriate Governmental Entity and has, in all material respects, completely and correctly reported all income and all other amounts or information required to be reported thereon. Alio has furnished or made available to Argonaut complete and accurate copies of all Tax Returns, and any amendments thereto, filed by Alio with the appropriate Governmental Entity and the Alio Subsidiaries for its preceding three taxation years.
  - (ii) Each of Alio and the Alio Subsidiaries has (A) duly and timely paid all Taxes due and payable by it other than those which are being or have been contested in good faith and in respect of which sufficient reserves have been provided in the most recently published financial statements of Alio, (B) duly and timely withheld all Taxes and other amounts required by Law to be withheld by it and has duly and timely remitted to the appropriate Governmental Entity such Taxes and other amounts required by Law to be remitted by it, and (C) duly and timely collected all amounts on account of sales or transfer taxes, including goods and services,

harmonized sales and provincial or territorial sales taxes, required by Law to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by Law to be remitted by it.

- (iii) Any charges, accruals and reserves for Taxes reflected on the Alio Financial Statements (whether or not due and whether or not shown on any Tax Return but excluding any provision for deferred income taxes) are, in the opinion of Alio, adequate under IFRS to cover Taxes with respect to Alio and the Alio Subsidiaries accruing through the date hereof.
- (iv) There are no disputes, proceedings, investigations, audits, assessments, reassessments or claims now pending or, to the knowledge of Alio, threatened against Alio or the Alio Subsidiaries that propose to assess material Taxes in addition to those reported by Alio in any Tax Returns filed with the appropriate Governmental Entity. There are no liens, upon any of the assets or properties of Alio or the Alio Subsidiaries, for taxes that have not been paid by Alio or the Alio Subsidiaries.
- (s) Pension and Employee Benefits. Alio and each of the Alio Subsidiaries has complied, in all material respects, with all of the terms of the pension and other employee compensation and benefit obligations of Alio and the Alio Subsidiaries including the provisions of any collective agreements, funding and investment contracts or obligations applicable thereto, arising under or relating to each of the pension or retirement income plans or other employee compensation or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Alio or the Alio Subsidiaries.
- (t) Reports. Since January 1, 2020, Alio has filed with all applicable Securities Authorities, the SEC, the TSX, the NYSE American and all applicable self-regulatory authorities a true and complete copy of all material forms, reports, schedules, statements, certifications, material change reports and other documents required to be filed by it (such forms, reports, schedules, statements, certifications and other documents, including any financial statements or other documents, including any schedules included therein, are referred to herein as the "**Alio Documents**"). The Alio Documents, at the time filed or, if amended, as of the date of such amendment (i) did not contain any misrepresentation (as defined by the Securities Act) and did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and (ii) complied in all material respects with the requirements of applicable securities legislation and the rules, policies and instruments of all Securities Authorities having jurisdiction over Alio, and the SEC, except where such non-compliance has not had or would not reasonably be expected to have a Material Adverse Effect on Alio. Alio has not filed any confidential material change or other report or other document with any Securities Authority, the SEC, or the TSX, the NYSE American or other self-regulatory authority which at the date hereof remains confidential. No Alio Subsidiary is required to file any reports or other documents with any of the Securities Authorities, the SEC, or the TSX or the NYSE American.
- (u) Reporting Status and Securities Laws Matters. Alio is a "reporting issuer" and not on the list of reporting issuers in default under applicable Canadian securities Laws in any of the provinces or territories of Canada. Alio is subject to the periodic reporting requirements of the 1934 Act and is current in its reporting thereunder. No delisting, suspension of trading

in or cease trading order with respect to any securities of Alio and, to the knowledge of Alio, no inquiry or investigation (formal or informal) of any Securities Authorities, the SEC, the TSX or the NYSE American is in effect or ongoing or, to the knowledge of Alio, expected to be implemented or undertaken with respect to the foregoing.

- (v) Contracts. The Alio Disclosure Letter includes a complete and accurate list of all Material Contracts of Alio and the Alio Subsidiaries that are currently in force ("**Alio Material Contracts**"). All Alio Material Contracts are in full force and effect, and Alio and the Alio Subsidiaries, as the case may be, are entitled to all rights and benefits thereunder in accordance with the terms thereof. Alio has made available to Argonaut for inspection true and complete copies of all of the Alio Material Contracts. All of the Alio Material Contracts are valid and binding obligations of Alio or the Alio Subsidiaries, as the case may be, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction. Alio or the Alio Subsidiaries, as the case may be, have complied in all material respects with all terms of the Alio Material Contracts, have paid all amounts due thereunder of, as and when due, have not waived any rights thereunder and no material default or breach exists in respect thereof on the part of Alio or the Alio Subsidiaries or, to the knowledge of Alio, on the part of any other party thereto, and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach or trigger a right of termination of any of the Alio Material Contracts. As at the date hereof, neither Alio nor the Alio Subsidiaries have received written notice that any party to an Alio Material Contract intends to cancel, terminate or otherwise modify or not renew such Alio Material Contract, and to the knowledge of Alio, no such action has been threatened. Except as set out in the Alio Disclosure Letter, neither Alio nor any Alio Subsidiary is a party to any Material Contract that (i) contains any non-competition obligation, (ii) otherwise restricts in any material way the business of Alio or the Alio Subsidiaries, or (iii) would prohibit or restrict the ability of Alio to complete the Arrangement.
- (w) Certain Contracts. Except as set out in the Alio Disclosure Letter, neither Alio nor any Alio Subsidiary is a party to or bound by any non-competition agreement or any other agreement, obligation, judgment, injunction, order or decree that purports to (i) limit the manner or the localities in which all or any material portion of their business is conducted, (ii) limit any business practice of Alio or the Alio Subsidiaries in any material respect, or (iii) restrict any acquisition or disposition of any property by Alio or any Alio Subsidiary in any material respect.
- (x) Related Party Transactions. Except for Contracts of employment or as disclosed in the Alio Financial Statements or the Alio Disclosure Letter, there are no Contracts or other transactions currently in place between Alio or the Alio Subsidiaries, on the one hand, and: (i) to the knowledge of Alio, any officer or director of Alio or any Alio Subsidiary; (ii) to the knowledge of Alio, any holder of record or, to the knowledge of Alio, beneficial owner of 10% or more of the Alio Shares; and (iii) to the knowledge of Alio, any affiliate or associate of any such, officer, director, holder of record or beneficial owner, on the other hand.
- (y) Expropriation. No part of the property or assets of Alio or the Alio Subsidiaries has been taken, condemned or expropriated by any Governmental Entity nor has any written notice

or proceeding in respect thereof been given or commenced nor does Alio know of any intent or proposal to give such notice or commence any such proceedings.

- (z) Registration Rights. No Alio Shareholder has any right to compel Alio to register or otherwise qualify the Alio Shares (or any of them) for public sale or distribution.
- (aa) Brokers. Except as disclosed in the Alio Disclosure Letter, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Alio or any Alio Subsidiary, and the aggregate amount of such fees that may become payable in respect of all such arrangements is set out in the Alio Disclosure Letter.
- (bb) Absence of Cease Trade Orders. No order ceasing or suspending trading in Alio Shares (or any of them) or any other securities of Alio is outstanding and no proceedings for this purpose have been instituted or, to the knowledge of Alio, are pending, contemplated or threatened.
- (cc) Due Diligence Material. All information provided by Alio or the Alio Subsidiaries to Argonaut in relation to Argonaut's due diligence requests is accurate in all material respects as at its respective date as stated therein.
- (dd) Compliance with Laws. Alio and the Alio Subsidiaries have complied with and are not in violation of any applicable Law other than such non-compliance or violations that would not, individually or in the aggregate, have a Material Adverse Effect on Alio.
- (ee) No Option on Assets. No Person has any agreement or option or any right or privilege capable of becoming an agreement or option for the purchase from Alio or any Alio Subsidiary of any of the material assets of Alio or any Alio Subsidiary other than as contemplated for the purposes of this Arrangement Agreement, in respect of the disposition by Alio of its ownership interest in Noroeste or as disclosed in the Alio Disclosure Letter.
- (ff) Investment Company Status. Alio is not required to register as an "investment company" within the meaning of the 1940 Act.
- (gg) Foreign Private Issuer. As of the date hereof, Alio is a "foreign private issuer" as defined in Rule 405 under the 1933 Act.
- (hh) Taxable Canadian Corporation. Alio is a "taxable Canadian corporation" within the meaning of the Tax Act.
- (ii) Business Practices. Since January 1, 2019, none of Alio or the Alio Subsidiaries nor, to the knowledge of Alio, any of its or their respective directors, executives, officers, representatives, agents or employees has: (i) used or is using any corporate funds for any illegal contributions, gifts, entertainment or other expenses relating to political activity that would be illegal; (ii) used or is using any corporate funds for any direct or indirect illegal payments to any foreign or domestic governmental officials or employees; (iii) violated or is violating any provision of the *Corruption of Foreign Public Officials Act (Canada)* or the *Foreign Corrupt Practices Act of 1977*, as amended; (iv) has established or maintained, or is maintaining, any illegal fund of corporate monies or other properties; or (v) made any

bribe, illegal rebate, illegal payoff, influence payment, kickback or other illegal payment of any nature.

- (jj) Recognized Stock Exchange. The Alio Shares are listed on a "recognized stock exchange" within the meaning of the Tax Act.

### **3.02 Survival of Representations and Warranties**

The representations and warranties contained in this Article 3 shall survive the execution and delivery of this Arrangement Agreement and shall expire and be terminated and extinguished on the earlier of the Effective Date and the date on which this Arrangement Agreement is terminated in accordance with its terms. Any investigation by Argonaut and its advisors shall not mitigate, diminish or affect the representations and warranties of Alio contained in this Arrangement Agreement.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF ARGONAUT**

### **4.01 Representations and Warranties of Argonaut**

Argonaut hereby represents and warrants to Alio as set forth in this Section 4.01, and hereby acknowledges that Alio is relying upon such representations and warranties in connection with entering into this Arrangement Agreement and agreeing to complete the Arrangement.

- (a) Organization. Argonaut and each Argonaut Subsidiary has been incorporated, are validly subsisting and have full corporate or legal power and authority to own their respective properties and assets and to conduct their respective businesses as currently owned and conducted. Argonaut and each Argonaut Subsidiary are registered, licensed or otherwise qualified as an extra-provincial corporation or a foreign corporation in each jurisdiction where the nature of the business or the location or character of the property and assets owned or leased by it requires it to be so registered, licensed or otherwise qualified, other than those jurisdictions where the failure to be so registered, licensed or otherwise qualified would not have a Material Adverse Effect on Argonaut. All of the outstanding shares of each Argonaut Subsidiary are validly issued, fully paid and non-assessable. Except as disclosed by Argonaut in the Argonaut Disclosure Letter, all of the outstanding shares of each Argonaut Subsidiary are owned, directly or indirectly, by Argonaut. Except pursuant to restrictions on transfer contained in the articles or by-laws (or their equivalent) of the respective Argonaut Subsidiary, the outstanding shares of each Argonaut Subsidiary are owned by Argonaut free and clear of all Encumbrances (except for the Encumbrance referred to in the Argonaut Disclosure Letter) and Argonaut is not liable to any creditor in respect thereof. Except pursuant to this Arrangement Agreement and the transactions contemplated hereby and as disclosed in the Argonaut Disclosure Letter, there are no outstanding options, rights, entitlements, understandings or commitments (contingent or otherwise) regarding the right to acquire any issued or unissued securities of, or interest in any Argonaut Subsidiary from Argonaut.
- (b) Capitalization. Argonaut is authorized to issue an unlimited number of Argonaut Shares without par value. As at March 27, 2020, there were: (i) 180,694,816 Argonaut Shares outstanding and (ii) an aggregate of 8,343,989 Argonaut Shares reserved for issuance under the outstanding Argonaut Options and the other awards listed in Section 4.01(b) of the Argonaut Disclosure Letter. The exercise prices and expiry dates of the Argonaut Options and Argonaut warrants are set out in the Argonaut Disclosure Letter. Except as disclosed



in the Argonaut Disclosure Letter and pursuant to this Arrangement Agreement and the transactions contemplated hereby, there are no options, warrants, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) obligating Argonaut or any Argonaut Subsidiary to issue or sell any shares of Argonaut, the Argonaut Subsidiaries or any securities or obligations of any kind convertible into or exchangeable for any shares of Argonaut or any Argonaut Subsidiary. All outstanding Argonaut Shares have been authorized and are validly issued and outstanding as fully paid and non-assessable shares. As of the date hereof, there are no outstanding bonds, debentures or other evidences of indebtedness of Argonaut or any Argonaut Subsidiary having the right to vote with the Argonaut Shareholders on any matter. There are no outstanding contractual obligations of Argonaut or any Argonaut Subsidiary to repurchase, redeem or otherwise acquire any outstanding Argonaut Shares or with respect to the voting or disposition of any outstanding Argonaut Shares.

(c) Authority. Argonaut has all necessary power, authority and capacity to enter into this Arrangement Agreement and all other agreements and instruments to be executed by Argonaut as contemplated by this Arrangement Agreement, and to perform its obligations hereunder and under such other agreements and instruments. The execution and delivery of this Arrangement Agreement by Argonaut and the completion by Argonaut of the transactions contemplated by this Arrangement Agreement have been authorized by the directors of Argonaut and, subject to obtaining the Argonaut Shareholder Approval, the Interim Order and any approvals required by the Interim Order and the Final Order, and providing to the Registrar any records, information or other documents required in connection with the Arrangement, no other corporate proceedings on the part of Argonaut are necessary to authorize this Arrangement Agreement or to complete the transactions contemplated hereby other than in connection with the approval by the directors of Argonaut of the Joint Circular. This Arrangement Agreement has been executed and delivered by Argonaut and constitutes a legal, valid and binding obligation of Argonaut, enforceable against Argonaut in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium and other applicable Laws relating to or affecting creditors' rights generally, and to general principles of equity. Except as disclosed by Argonaut in the Argonaut Disclosure Letter, the execution and delivery by Argonaut of this Arrangement Agreement and the performance by Argonaut of its obligations hereunder and the completion of the transactions contemplated hereby, do not and will not:

(i) result in a violation, contravention or breach of, require any consent to be obtained under or give rise to any termination rights under any provision of:

A. the articles or by-laws (or their equivalent) of Argonaut or any Argonaut Subsidiary;

B. assuming Argonaut has obtained the Argonaut Shareholder Approval, the Interim Order and any approvals required by the Interim Order and the Final Order, any Law, other than any applicable merger control law; or

C. any Material Contract, licence or permit to which Argonaut or any Argonaut Subsidiary is bound or is subject to or of which Argonaut or any Argonaut Subsidiary is the beneficiary which in each case, would, individually or in the aggregate, have a Material Adverse Effect on Argonaut, or

- D. give rise to any right of termination or acceleration of indebtedness, or cause any indebtedness owing by Argonaut or any Argonaut Subsidiary to come due before its stated maturity or cause any available credit to cease to be available which would, individually or in the aggregate, have a Material Adverse Effect on Argonaut;
- (ii) result in the imposition of any Encumbrance upon any of the property or assets of Argonaut or any Argonaut Subsidiary or restrict, hinder, impair or limit the ability of Argonaut or any Argonaut Subsidiary to conduct the business of Argonaut or the Argonaut Subsidiaries as and where it is now being conducted which would, individually or in the aggregate, have a Material Adverse Effect on Argonaut; or
- (iii) except as disclosed by Argonaut in the Argonaut Disclosure Letter, result in any material payment (including severance, unemployment compensation, "golden parachute", bonus or otherwise) becoming due to any director or officer of Argonaut or any Argonaut Subsidiary or increase any benefits otherwise payable under any pension or benefits plan of Argonaut or any Argonaut Subsidiary or result in the acceleration of the time of payment or vesting of any such benefits.

No consent, approval, order or authorization of, or declaration or filing with, any Governmental Entity or other Person is required to be obtained by Argonaut or any Argonaut Subsidiary in connection with the execution and delivery of this Arrangement Agreement or the consummation by Argonaut of the transactions contemplated hereby other than: (i) subject to Section 2.02, the Interim Order and any approvals required by the Interim Order; (ii) the Final Order and any approvals required by the Final Order; (iii) filings required under the OBCA and filings with and approvals required by Securities Authorities, the SEC and stock exchanges; (iv) any other consents, waivers, permits, orders or approvals referred to in the Argonaut Disclosure Letter; (v) compliance with and approvals required by any applicable merger control laws; and (vi) any other consents, approvals, orders, authorizations, declarations or filings which, if not obtained, would not, individually or in the aggregate, have a Material Adverse Effect on Argonaut.

- (d) Board Approval. As of the date hereof the Argonaut Board, after consultation with its financial and legal advisors, has determined that the Arrangement Consideration, on the basis of an opinion from its financial advisor, is fair to the Argonaut Shareholders and that the matters to which the Share Issuance Resolution relate are advisable and in the best interests of Argonaut and the Argonaut Shareholders and has resolved unanimously to recommend to the Argonaut Shareholders that they vote in favour of the Share Issuance Resolution. The Argonaut Board has approved the Arrangement pursuant to the Plan of Arrangement and the execution and performance of this Arrangement Agreement.
- (e) Fairness Opinion. The Argonaut Board has received the opinion of Scotia Capital Inc., its financial advisor to the effect that, as of the date of such opinion, subject to the assumptions, qualifications and limitations set out therein, the Arrangement Consideration is fair, from a financial point of view, to the Argonaut Shareholders.
- (f) Argonaut Subsidiaries. The only Subsidiaries of Argonaut are the Argonaut Subsidiaries.
- (g) No Defaults. None of Argonaut or any Argonaut Subsidiary is in default under, and, there exists no event, condition or occurrence which, after notice or lapse of time or both, would constitute a default by Argonaut or the Argonaut Subsidiaries under any contract,

agreement or licence that is material to the conduct of the business of Argonaut or the Argonaut Subsidiaries to which it is a party or by which it is bound that would, individually or in the aggregate, have a Material Adverse Effect on Argonaut.

- (h) Absence of Changes. Since January 1, 2019, except as disclosed by Argonaut in the Argonaut Disclosure Letter and this Arrangement Agreement:
- (i) Each of Argonaut and the Argonaut Subsidiaries have conducted their business only in the ordinary and regular course of business consistent with past practice;
  - (ii) None of Argonaut or the Argonaut Subsidiaries have incurred or suffered a Material Adverse Change;
  - (iii) there has not been any acquisition or sale by Argonaut or the Argonaut Subsidiaries of any property or assets material to Argonaut and the Argonaut Subsidiaries, taken as a whole;
  - (iv) other than in the ordinary and regular course of business consistent with past practice, there has not been any incurrence, assumption or guarantee by Argonaut or the Argonaut Subsidiaries of any debt for borrowed money, or any making by Argonaut or the Argonaut Subsidiaries of any loan, advance or capital contribution to, or investment in, any other Person;
  - (v) Argonaut has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding Argonaut Shares;
  - (vi) other than in the ordinary and regular course of business consistent with past practice, there has not been any material increase in or material modification of the compensation payable to or to become payable by Argonaut or the Argonaut Subsidiaries, to any of its directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance or termination pay or any increase or modification of any bonus, pension, insurance or benefit arrangement (including, without limitation, the granting of Argonaut Options pursuant to the Argonaut Stock Option Plan) made to, for or with any of such directors or officers;
  - (vii) Argonaut has not effected any material change in its accounting methods, principles or practices; and
  - (viii) Argonaut has not adopted any, or materially amended any, collective bargaining agreement, bonus, pension, profit sharing, stock purchase, stock option or other benefit plan or shareholder rights plan.
- (i) Financial Matters. The audited consolidated statements of financial position, audited consolidated statements of income, audited consolidated statements of comprehensive income, audited consolidated statements of cash flows and audited consolidated statements of changes in shareholders' equity of Argonaut for the financial years ended December 31, 2019 and 2018 and the notes thereto and the report by the Argonaut's auditors thereon, and the related management's discussion and analysis (collectively, the "**Argonaut Financial Statements**"), were prepared in accordance with IFRS and fairly present in all material respects the consolidated financial condition of Argonaut at the respective dates indicated

its financial performance and its cash flows for the respective periods. None of Argonaut or the Argonaut Subsidiaries has any liability or obligation (including, without limitation, liabilities or obligations to fund any operations or work or exploration program, to give any guarantees or for Taxes), whether accrued, absolute, contingent or otherwise, not reflected in the Argonaut Financial Statements, which would reasonably be expected to have a Material Adverse Effect on Argonaut.

- (j) Internal Controls and Financial Reporting. Argonaut: (i) has designed disclosure controls and procedures to provide reasonable assurance that financial information relating to Argonaut, including its consolidated subsidiaries, is accurate and reliable, is made known to the Chief Executive Officer and the Chief Financial Officer of Argonaut by others within those entities, particularly during the periods in which filings are being prepared; and (ii) has designed internal controls to provide reasonable assurance regarding the accuracy and reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.
- (k) Books and Records. The corporate records and minute books of Argonaut and the Argonaut Subsidiaries have been maintained in material compliance with all applicable Laws and are complete and accurate in all material respects. Financial books and records and accounts of Argonaut and the Argonaut Subsidiaries (i) have been maintained in accordance with good business practices on a basis consistent with prior years and past practice; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions and acquisitions and dispositions of assets of Argonaut and the Argonaut Subsidiaries; and (iii) accurately and fairly reflect the basis for the Argonaut Financial Statements.
- (l) Litigation. Except as disclosed by Argonaut in the Argonaut Disclosure Letter, there is no claim, action, suit, proceeding or investigation pending or in progress or, to the knowledge of Argonaut, threatened against or relating to Argonaut or the Argonaut Subsidiaries or affecting any of their respective properties or assets before any Governmental Entity which individually or in the aggregate has, or could reasonably be expected to have, a Material Adverse Effect on Argonaut. There is no bankruptcy, liquidation, winding-up or other similar proceeding pending or in progress, or, to the knowledge of Argonaut, threatened against or relating to Argonaut or the Argonaut Subsidiaries before any Governmental Entity. None of Argonaut or the Argonaut Subsidiaries nor any of its properties or assets is subject to any outstanding judgment, order, writ, injunction or decree that involves or may involve, or restricts or may restrict the right or ability of Argonaut or the Argonaut Subsidiaries to conduct their business in all material respects as it has been carried on prior to the date hereof, or that would materially impede the consummation of the transactions contemplated by this Arrangement Agreement, except to the extent any such matter would not have a Material Adverse Effect on Argonaut.
- (m) Argonaut Properties. Except as disclosed in the Argonaut Disclosure Letter:
  - (i) the Argonaut Properties are fully described in Schedule "C" attached hereto, there are no mineral claims or other rights comprising the Argonaut Properties or any portion thereof which are not set out in Schedule "C" attached hereto and each of the permits set out in Schedule "C" hereto are in full force and effect;
  - (ii) all of the mineral claims or other rights comprising the Argonaut Properties have been validly located and recorded in compliance with applicable Laws and are

comprised of valid and subsisting mineral claims, which are in good standing under applicable Laws;

- (iii) no Person has any agreement, option, right of first refusal or right, title or interest or right capable of becoming an agreement, option, right of first refusal or right, title or interest, in or to the Argonaut Properties;
- (iv) Argonaut or the Argonaut Subsidiaries has all necessary corporate power to own the Argonaut Properties and is in material compliance with all applicable Laws, to which the Argonaut Properties are subject;
- (v) applying customary standards in the mining industry, Argonaut or the Argonaut Subsidiaries have a 100% legal and beneficial good, valid and exclusive ownership right, title and interest in and to, and actual and exclusive possession of, the permits relating to the Argonaut Properties, free and clear of all title defect or Encumbrance,
- (vi) all Taxes which are due and payable, local improvements, assessment rates, utilities and any and all other payments to or assessments of any Governmental Entity having jurisdiction in respect of the Argonaut Properties have been made by Argonaut or the Argonaut Subsidiaries in respect of the Argonaut Properties;
- (vii) neither the Argonaut Properties nor any minerals or product derived from the Argonaut Properties are subject to or bound by any royalty or royalty interest, whether registered or unregistered, and Argonaut has not granted any royalty interest in or affecting the foregoing;
- (viii) there is no action, suit, order, work order, petition, prosecution or other similar proceeding of which process initiating the same has been served on Argonaut, any Argonaut Subsidiary or to the knowledge of Argonaut, threatened against Argonaut or any Argonaut Subsidiary and affecting any of the Argonaut Properties at law or in equity or before or by any Governmental Entity;
- (ix) Argonaut has not received notice of any breach of any applicable Law in respect of its conduct on or under the Argonaut Properties which could have a Material Adverse Effect on the Argonaut Properties;
- (x) Argonaut has provided Alio with access to full and complete copies of all exploration information and data within the possession or control of Argonaut and its material subsidiaries, including, without limitation, all geological, geophysical and geochemical information and data (including all drill, sample and assay results and all maps) and all technical reports, feasibility studies and other similar reports and studies concerning the Argonaut Properties and the Argonaut Mineral Rights relating to the Argonaut Properties and each of Argonaut and the Argonaut Subsidiaries has the sole right, title, ownership and right to use all such information, data, reports and studies, all of which information will be kept confidential by Alio; and
- (xi) each of Argonaut and the Argonaut Subsidiaries have made or will make available to Alio, upon the request of Alio, all material information in its possession or under

its control relating to the Argonaut Properties and the Argonaut Mineral Rights which relate to the Argonaut Properties.

- (n) Mineral Resources and Mineral Reserves. The most recent estimated measured, indicated and inferred mineral resources of Argonaut disclosed in the Argonaut Documents have been prepared and disclosed in all material respects in accordance with all applicable Laws. There has been no material reduction (other than as a result of operations in the ordinary course of business) in the aggregate amount of estimated mineral resources of Argonaut and the Argonaut Subsidiaries, from the amounts disclosed publicly by Argonaut.
- (o) Operational Matters. Except as disclosed in the Argonaut Disclosure Letter:
  - (i) all rentals, payments and obligations (including maintenance for mining claims), and any other payments due or payable on or prior to the date hereof under or with respect to the assets of Argonaut and of the Argonaut Subsidiaries have been properly and timely paid and no claim is due to lapse within 90 days of the date hereof;
  - (ii) the ore bodies and minerals located in the Argonaut Properties are under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments, sufficient to permit Argonaut to explore the minerals relating thereto, all such property leases or claims and all property, leases or claims in which Argonaut or of the Argonaut Subsidiaries have any interest or right have been validly located and recorded in accordance with all applicable Laws and are valid and subsisting, Argonaut or the Argonaut Subsidiaries have all necessary surface rights, access rights and other necessary rights and interests relating to the Argonaut Properties granting Argonaut or the Argonaut Subsidiaries the rights and ability to explore for minerals, ore and metals for development purposes, with only such exceptions as do not materially interfere with the use made by Argonaut or the Argonaut Subsidiaries of the rights or interests so held and each of the proprietary interests or rights and each of the documents, agreements and instruments and obligations relating thereto referred to above is currently in good standing in the name of Argonaut or of the Argonaut Subsidiaries;
  - (iii) all exploration activities conducted by Argonaut or the Argonaut Subsidiaries on the Argonaut Properties have been undertaken in accordance with good exploration practices and in compliance with all applicable Laws, except where the failure to so comply would not have a Material Adverse Effect on Argonaut; and
  - (iv) each of Argonaut and the Argonaut Subsidiaries has all necessary permits required for it to carry on its business as currently conducted, all of which are in full force and effect, and each of them is in compliance with such permits. None of Argonaut or the Argonaut Subsidiaries has received oral or written notice relating to the revocation, cancellation expropriation or modification of any such permit.
- (p) Insurance. Argonaut and the Argonaut Subsidiaries maintain policies of insurance that are reasonable, prudent and appropriate for the size and nature of the businesses of Argonaut and the Argonaut Subsidiaries, and such policies are in full force and effect and in good standing. Neither Argonaut nor the Argonaut Subsidiaries is in default, whether as to payment of premium or otherwise, under the terms of any such insurance nor has Argonaut

or the Argonaut Subsidiaries failed to give any notice or present any material claim under any such insurance in a due and timely fashion or received notice or otherwise become aware of any intent of an insurer to either claim any default on the part of Argonaut or the Argonaut Subsidiaries or not to renew any policy of insurance on its expiry or to increase any deductible or cost, except where such failure or default or other event would not reasonably be expected to have a Material Adverse Effect

(q) Environmental.

- (i) Each of Argonaut and the Argonaut Subsidiaries has carried on its operations in compliance with all applicable Environmental Laws, except to the extent that a failure to be in such compliance, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on Argonaut.
- (ii) (A) the Argonaut Properties have not been used to generate, manufacture, refine, treat, recycle, transport, store, handle, dispose, transfer, produce or process Hazardous Substances, except in compliance in all material respects with all Environmental Laws; (B) none of Argonaut or the Argonaut Subsidiaries has caused or permitted the Release of any Hazardous Substances at, in, on, under or from any Argonaut Property, except in compliance, individually or in the aggregate, with all Environmental Laws except when the failure to be in such compliance would not have a Material Adverse Effect on Argonaut; (C) all Hazardous Substances handled, recycled, disposed of, treated or stored on or off site of the Argonaut Properties have been handled, recycled, disposed of, treated and stored in material compliance with all Environmental Laws, except to the extent that a failure to be in such compliance would not have a Material Adverse Effect on Argonaut; and (D) to the knowledge of Argonaut, there are no Hazardous Substances at, in, on, under or migrating from any Argonaut Property, except in material compliance with all Environmental Laws.
- (iii) To the knowledge of Argonaut, none of Argonaut or the Argonaut Subsidiaries has treated or disposed, or arranged for the treatment or disposal, of any Hazardous Substances at any location: (A) listed on any list of hazardous sites or sites requiring Remedial Action issued by any Governmental Entity; (B) proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action, or any similar federal, state or provincial lists; or (C) which is the subject of enforcement actions by any Governmental Entity that creates the reasonable potential for any proceeding, action, or other claim against Argonaut or any Argonaut Subsidiary. To the knowledge of Argonaut, no site or facility now or previously owned, operated or leased by Argonaut or the Argonaut Subsidiaries is listed or, to the knowledge of Argonaut, is proposed for listing on any list issued by any Governmental Entity of hazardous sites or sites requiring Remedial Action or is the subject of Remedial Action.
- (iv) Except to the extent that would not reasonably be expected to have a Material Adverse Effect on Argonaut, none of Argonaut or the Argonaut Subsidiaries has caused or permitted the Release of any Hazardous Substances on or to any of the Argonaut Properties in such a manner as: (A) would be reasonably likely to impose Liability for cleanup, natural resource damages, loss of life, personal injury, nuisance or damage to other property, except to the extent that such Liability would not have a Material Adverse Effect on Argonaut; or (B) would be reasonably likely

to result in imposition of a lien, charge or other Encumbrance or the expropriation of any of the Argonaut Properties or the assets of Argonaut or any Argonaut Subsidiary.

- (v) None of Argonaut or the Argonaut Subsidiaries has received from any Person or Governmental Entity any notice, formal or informal, of any proceeding, action or other claim, Liability or potential Liability arising under any Environmental Law that is pending as of the date hereof.
- (r) Tax Matters.
  - (i) Each of Argonaut and the Argonaut Subsidiaries has duly and timely made or prepared all Tax Returns required to be made or prepared by it, has duly and timely filed in the prescribed form all Tax Returns required to be filed by it with the appropriate Governmental Entity and has, in all material respects, completely and correctly reported all income and all other amounts or information required to be reported thereon. Argonaut has furnished or made available to Alio complete and accurate copies of all Tax Returns, and any amendments thereto, filed by Argonaut with the appropriate Governmental Entity and the Argonaut Subsidiaries for its preceding three taxation years.
  - (ii) Each of Argonaut and the Argonaut Subsidiaries has (A) duly and timely paid all Taxes due and payable by it other than those which are being or have been contested in good faith and in respect of which sufficient reserves have been provided in the most recently published financial statements of Argonaut, (B) duly and timely withheld all Taxes and other amounts required by Law to be withheld by it and has duly and timely remitted to the appropriate Governmental Entity such Taxes and other amounts required by Law to be remitted by it, and (C) duly and timely collected all amounts on account of sales or transfer taxes, including goods and services, harmonized sales and provincial or territorial sales taxes, required by Law to be collected by it and has duly and timely remitted to the appropriate Governmental Entity any such amounts required by Law to be remitted by it.
  - (iii) Any charges, accruals and reserves for Taxes reflected on the Argonaut Financial Statements (whether or not due and whether or not shown on any Tax Return but excluding any provision for deferred income taxes) are, in the opinion of Argonaut, adequate under IFRS to cover Taxes with respect to Argonaut and the Argonaut Subsidiaries accruing through the date hereof.
  - (iv) There are no disputes, proceedings, investigations, audits, assessments, reassessments or claims now pending or, to the knowledge of Argonaut, threatened against either Argonaut or the Argonaut Subsidiaries that propose to assess material Taxes in addition to those reported in any Tax Returns filed with the appropriate Governmental Entity. There are no liens, upon any of the assets or properties of Argonaut or the Argonaut Subsidiaries, for taxes that have not been paid by Argonaut or the Argonaut Subsidiaries.
- (s) Pension and Employee Benefits. Argonaut and each of the Argonaut Subsidiaries has complied, in all material respects, with all of the terms of the pension and other employee compensation and benefit obligations of Argonaut and the Argonaut Subsidiaries including the provisions of any collective agreements, funding and investment contracts or



obligations applicable thereto, arising under or relating to each of the pension or retirement income plans or other employee compensation or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon Argonaut or the Argonaut Subsidiaries.

- (t) Reports. Since January 1, 2019, Argonaut has filed with all applicable Securities Authorities, the TSX and all applicable self-regulatory authorities a true and complete copy of all material forms, reports, schedules, statements, certifications, material change reports and other documents required to be filed by it (such forms, reports, schedules, statements, certifications and other documents, including any financial statements or other documents, including any schedules included therein, are referred to herein as the "**Argonaut Documents**"). The Argonaut Documents, at the time filed or, if amended, as of the date of such amendment (i) did not contain any misrepresentation (as defined by the Securities Act) and did not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading, and (ii) complied in all material respects with the requirements of applicable securities legislation and the rules, policies and instruments of all Securities Authorities having jurisdiction over Argonaut except where such non-compliance has not had or would not reasonably be expected to have a Material Adverse Effect on Argonaut. Argonaut has not filed any confidential material change or other report or other document with any Securities Authority or the TSX or other self-regulatory authority which at the date hereof remains confidential. No Argonaut Subsidiary is required to file any reports or other documents with any of the Securities Authorities or the TSX.
- (u) Reporting Status and Securities Laws Matters. Argonaut is a "reporting issuer" and not on the list of reporting issuers in default under applicable Canadian securities Laws in any of the provinces or territories of Canada. No delisting, suspension of trading in or cease trading order with respect to any securities of Argonaut and, to the knowledge of Argonaut, no inquiry or investigation (formal or informal) of any Securities Authorities or TSX is in effect or ongoing or, to the knowledge of Argonaut, expected to be implemented or undertaken with respect to the foregoing. Argonaut is not subject to the reporting requirements of the 1934 Act.
- (v) Absence of Cease Trade Orders. No order ceasing or suspending trading in Argonaut Shares (or any of them) or any other securities of Argonaut is outstanding and no proceedings for this purpose have been instituted or, to the knowledge of Argonaut, are pending, contemplated or threatened.
- (w) Due Diligence Material. All information provided by Argonaut to Alio in relation to Alio's due diligence requests is accurate in all material respects as at its respective date as stated therein.
- (x) Compliance with Laws. Argonaut and the Argonaut Subsidiaries have complied with and are not in violation of any applicable Law other than such non-compliance or violations that would not, individually or in the aggregate, have a Material Adverse Effect on Argonaut.
- (y) No Option on Assets. Except as disclosed by Argonaut in the Argonaut Disclosure Letter, no Person has any agreement or option or any right or privilege capable of becoming an agreement or option for the purchase from Argonaut or the Argonaut Subsidiaries of any of the material assets of Argonaut or the Argonaut Subsidiaries other than as contemplated

for the purposes of this Arrangement Agreement or as disclosed in the Argonaut Disclosure Letter.

- (z) Contracts. The Argonaut Disclosure Letter includes a complete and accurate list of all Material Contracts of Argonaut and the Argonaut Subsidiaries that are currently in force ("**Argonaut Material Contracts**"). All Argonaut Material Contracts are in full force and effect, and Argonaut or the Argonaut Subsidiaries, as the case may be, are entitled to all rights and benefits thereunder in accordance with the terms thereof. Argonaut has made available to Alio for inspection true and complete copies of all of the Argonaut Material Contracts. All of the Argonaut Material Contracts are valid and binding obligations of Argonaut or the Argonaut Subsidiaries, as the case may be, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction. Argonaut or the Argonaut Subsidiaries, as the case may be, have complied in all material respects with all terms of the Argonaut Material Contracts, have paid all amounts due thereunder of, as and when due, have not waived any rights thereunder and no material default or breach exists in respect thereof on the part of Argonaut or the Argonaut Subsidiaries or, to the knowledge of Argonaut, on the part of any other party thereto, and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach or trigger a right of termination of any of the Argonaut Material Contracts. As at the date hereof, neither Argonaut nor any of the Argonaut Subsidiaries has received written notice that any party to an Argonaut Material Contract intends to cancel, terminate or otherwise modify or not renew such Argonaut Material Contract, and to the knowledge of Argonaut, no such action has been threatened. Except as set out in the Argonaut Disclosure Letter, neither Argonaut nor any Argonaut Subsidiary is a party to any Material Contract that (i) contains any non-competition obligation, (ii) otherwise restricts in any material way the business of Argonaut or the Argonaut Subsidiaries, or (iii) would prohibit or restrict the ability of Argonaut to complete the Arrangement.
- (aa) Certain Contracts. Except as disclosed by Argonaut in the Argonaut Disclosure Letter, none of Argonaut or the Argonaut Subsidiaries is a party to or bound by any non-competition agreement or any other agreement, obligation, judgment, injunction, order or decree that purports to (i) limit the manner or the localities in which all or any material portion of their business is conducted, (ii) limit any business practice of Argonaut or the Argonaut Subsidiaries in any material respect, or (iii) restrict any acquisition or disposition of any property by Argonaut or the Argonaut Subsidiaries in any material respect.
- (bb) Related Party Transactions. Except as contemplated hereby or as disclosed in the Argonaut Disclosure Letter, there are no Contracts or other transactions currently in place between Argonaut or the Argonaut Subsidiaries on the one hand, and: (i) to the knowledge of Argonaut, any officer or director of Argonaut or any Argonaut Subsidiary; (ii) to the knowledge of Argonaut, any holder of record or, to the knowledge of Argonaut, beneficial owner of 10% or more of the Argonaut Shares; and (iii) to the knowledge of Argonaut, any affiliate or associate of any such, officer, director, holder of record or beneficial owner, on the other hand
- (cc) Expropriation. No part of the property or assets of Argonaut or the Argonaut Subsidiaries have been taken, condemned or expropriated by any Governmental Entity nor has any written notice or proceeding in respect thereof been given or commenced nor does

Argonaut know of any intent or proposal to give such notice or commence any such proceedings.

- (dd) Registration Rights. No Argonaut Shareholder has any right to compel Argonaut to register or otherwise qualify the Argonaut Shares (or any of them) for public sale or distribution.
- (ee) Investment Company Status. Argonaut is not, and following consummation of the Arrangement, will not be, required to register as an "investment company" within the meaning of the 1940 Act.
- (ff) Foreign Private Issuer. As of the date hereof, Argonaut is a "foreign private issuer" as defined in Rule 405 under the 1933 Act.
- (gg) Canadian Corporation. Argonaut is a "Canadian corporation" within the meaning of the Tax Act.
- (hh) Business Practices. Since January 1, 2019, none of Argonaut or the Argonaut Subsidiaries nor, to the knowledge of Argonaut, any of its or their respective directors, executives, officers, representatives, agents or employees has: (i) used or is using any corporate funds for any illegal contributions, gifts, entertainment or other expenses relating to political activity that would be illegal; (ii) used or is using any corporate funds for any direct or indirect illegal payments to any foreign or domestic governmental officials or employees; (iii) violated or is violating any provision of the *Corruption of Foreign Public Officials Act (Canada)*; (iv) has established or maintained, or is maintaining, any illegal fund of corporate monies or other properties; or (v) made any bribe, illegal rebate, illegal payoff, influence payment, kickback or other illegal payment of any nature.
- (ii) Investment Canada Act. Argonaut is Canadian-controlled for purposes of the Investment Canada Act.
- (jj) Ownership of Alio Shares. Neither Argonaut nor its "affiliates" (as such term is defined in the OBCA) beneficially owns any Alio Shares or any securities exercisable or convertible into Alio Shares.
- (kk) Argonaut Shares. The Argonaut Shares to be issued pursuant to the Arrangement will not have been issued in violation of any pre-emptive rights or contractual rights to purchase securities, will be listed for trading on the TSX and will not be subject to any contractual or other restrictions on transferability or voting (other than as may be prescribed by Rule 144 under the 1933 Act in respect of affiliates of Argonaut).
- (ll) Certain Securities Law Matters. The Argonaut Shares to be issued in connection with the transactions contemplated herein will not be subject to any statutory hold or restricted period under the securities legislation of any province or territory of Canada and, subject to restrictions contained in Section 2.6(3) of National Instrument 45-102 – *Resale of Securities* of the Canadian Securities Administrators, will be freely tradable within Canada by the holders thereof. In addition, assuming the compliance of Alio with the terms of this Arrangement Agreement, the Argonaut Securities to be issued in connection with the transactions contemplated herein shall be exempt from the registration requirements of the 1933 Act pursuant to Section 3(a)(10) thereof, and the Argonaut Shares to be distributed pursuant to the Arrangement shall not be subject to resale restrictions in the United States

under the 1933 Act (other than as may be prescribed by Rule 144 under the 1933 Act in respect of affiliates of Argonaut).

#### **4.02 Survival of Representations and Warranties**

The representations and warranties contained in this Article 4 shall survive the execution and delivery of this Arrangement Agreement and shall expire and be terminated and extinguished on the earlier of the Effective Date and the date on which this Arrangement Agreement is terminated in accordance with its terms. Any investigation by Alio and its advisors shall not mitigate, diminish or affect the representations and warranties of Argonaut contained in this Arrangement Agreement.

### **ARTICLE 5 COVENANTS**

#### **5.01 Covenants of Alio**

Subject to the terms of this Arrangement Agreement, Alio hereby covenants and agrees with Argonaut as follows:

- (a) Interim Order. Subject to Section 2.02 of this Arrangement Agreement, as soon as reasonably practicable, and in any event no later than April 17, 2020, Alio shall file, proceed with and diligently prosecute an application to the Court for the Interim Order in accordance with Section 2.02(a), and in such a manner as to preserve for Argonaut the availability of the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof.
- (b) Alio Meeting. Alio shall:
  - (i) subject to Section 2.02, forthwith carry out such terms of the Interim Order as are required under the terms thereof to be carried out by Alio;
  - (ii) collaboratively together with Argonaut, prepare and file the Joint Circular (which shall be in a form satisfactory to both of the Parties, acting reasonably), together with any other documents required by applicable Laws, in all jurisdictions where the Joint Circular is required to be filed and mail the Joint Circular, as ordered by the Interim Order and in accordance with all applicable Laws, in and to all jurisdictions where the Joint Circular is required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof and in the form and containing the information required by all applicable Laws, including all applicable corporate and securities legislation and requirements, and not containing any misrepresentation (as defined under applicable securities legislation and requirements) with respect thereto, other than with respect to any information relating to and provided by Argonaut;
  - (iii) Alio shall: (A) take all commercially reasonable lawful action to solicit in favour of the Arrangement Resolution including, without limitation, retaining a proxy solicitation agent to solicit proxies in favour of the Arrangement; (B) recommend to all Alio Securityholders that they vote in favour of the Arrangement Resolution, with a unanimous recommendation of all members of the Alio Board to vote in favour of the Arrangement Resolution; (C) not, prior to obtaining Alio Shareholder Approval and Alio Securityholder Approval, withdraw, amend, modify or qualify,

in a manner adverse to Argonaut, or fail to reaffirm its recommendation of, the Arrangement within five Business Days (and in any case prior to the Alio Meeting) after having been requested in writing by Argonaut to do so, in a manner adverse to Argonaut, (it being understood that the taking of a neutral position or no position with respect to an Acquisition Proposal beyond a period of five Business Days or beyond the date which is the day prior to the date proxies in respect of the Alio Meeting must be deposited shall be considered an adverse modification) (a "**Change in Alio Recommendation**") except as expressly permitted by 7.01 hereof;

- (iv) subject to Section 2.02 of this Arrangement Agreement, convene and conduct the Alio Meeting in accordance with the Alio constating documents, the Interim Order, the BCBCA and applicable Laws as soon as reasonably practicable and in any event no later than June 30, 2020. Alio shall use its commercially reasonable efforts to schedule the Alio Meeting on the same day as the Argonaut Meeting;
  - (v) provide notice to Argonaut of the Alio Meeting and all steps in the application before the Court and allow representatives of Argonaut to attend the Alio Meeting; and
  - (vi) take all such actions as may be required under the BCBCA in connection with the transactions contemplated by this Arrangement Agreement and the Plan of Arrangement.
- (c) Status of Voting. Alio will use its commercially reasonable efforts to advise Argonaut, at least on a daily basis on each of the ten Business Days prior to the date of the Alio Meeting, as to the aggregate tally of the proxies received by Alio in respect of the Arrangement Resolution.
- (d) Information for Joint Circular. In a timely manner, Alio shall provide to Argonaut all information as may be reasonably requested by Argonaut or as required by applicable Laws with respect to Alio and its businesses and properties for inclusion in the Joint Circular or in any amendment or supplement to the Joint Circular that complies in all material respects with all applicable Laws on the date of the mailing thereof and containing all material facts relating to Alio required to be disclosed in the Joint Circular and not containing any misrepresentation (as defined under applicable securities legislation) with respect thereto.
- (e) Adjournment. Subject to the terms of this Arrangement Agreement, Alio shall not adjourn, postpone or cancel the Alio Meeting (or propose to do so), except (i) if quorum is not present at the Alio Meeting; (ii) if required by applicable Laws or a ruling order or decree of a court having jurisdiction, Governmental Entity or other regulatory authority; or (iii) if otherwise agreed with Argonaut.
- (f) Dissent Rights. Alio shall provide Argonaut with a copy of any purported exercise of the Dissent Rights and written communications with any Alio Shareholder purportedly exercising such Dissent Rights, and shall not settle or compromise any action related to such purported exercise of Dissent Rights.
- (g) Amendments to Joint Circular. In a timely and expeditious manner, Argonaut and Alio shall collaboratively prepare and file any mutually agreed (or as otherwise required by applicable Laws) amendments or supplements to the Joint Circular (which amendments or

supplements shall be in a form acceptable to Argonaut, acting reasonably) with respect to each of the Argonaut Meeting and the Alio Meeting and mail such amendments or supplements, subject to Section 2.02, as required by the Interim Order and in accordance with all applicable Laws, in and to all jurisdictions where such amendments or supplements are required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof.

- (h) Final Order. Subject to Section 2.02, upon the Interim Order being granted and approval of the Arrangement Resolution in accordance with the provisions of the Interim Order, Alio shall forthwith file, proceed with and diligently prosecute an application for the Final Order, which application shall be in form and substance satisfactory to Argonaut, acting reasonably.
- (i) Compliance with Orders. Subject to Section 2.02, Alio shall forthwith carry out the terms of the Interim Order and the Final Order.
- (j) Copy of Documents. Alio shall furnish promptly to Argonaut a copy of each notice, report, schedule or other document or communication delivered, filed or received by Alio in connection with this Arrangement Agreement, the Arrangement, the Interim Order, the Final Order, the Alio Meeting or any other meeting at which all Alio Shareholders are entitled to attend relating to special business, any filings made under any applicable Laws and any dealings or communications with any Governmental Entity, Securities Authority or stock exchange in connection with, or in any way affecting, the transactions contemplated by this Arrangement Agreement.
- (k) Usual Business. Except as contemplated herein, including a suspension or termination of normal course business operations, whether as a result of an order to suspend, an inability to continue operations or for any other reason, for a period of up to forty-five (45) days, Alio shall conduct business only in, and not take any action except in, the ordinary course of business and consistent with past practice.
- (l) Certain Actions Prohibited. Other than as disclosed by Alio in the Alio Disclosure Letter, in connection with, or ancillary to, the proposed sale of Alio's ownership interest in Noroeste and/or a sale of Alio's ownership interest in, or all or substantially all of the assets of, Minera Aurea or except as contemplated herein, Alio shall not, without the prior written consent of Argonaut, which consent shall not be unreasonably withheld, conditioned or delayed, directly or indirectly do or permit to occur any of the following except where to do so would be in the ordinary course of business and consistent with past practice:
  - (i) issue, sell, grant, pledge, lease or dispose of or agree to issue, sell, grant, pledge, lease or dispose of any Alio Shares or any Alio Options, Alio Warrants, calls, conversion privileges or rights of any kind to acquire any Alio Shares; other than the issue of Alio Shares pursuant to the exercise of Alio Options or Alio Warrants issued and outstanding on the date hereof;
  - (ii) other than pursuant to obligations or rights under existing contracts, agreements and commitments (to the extent such rights have been exercised or initiated by other Persons), sell, lease or otherwise dispose of any Alio Properties or assets having a value greater than \$50,000 or enter into any agreement or commitment in respect of any of the foregoing;

- (iii) grant or enter into any agreement, written or verbal, with respect to any royalty or similar arrangement or issue any instrument having the same economic effect as a royalty on the Alio Properties;
- (iv) abandon or fail to diligently pursue any application to renew any existing licence, permit, order, claim, authorization, consent, approval (including Environmental Approvals) or registration related to the Alio Properties;
- (v) amend or propose to amend the articles or by-laws of Alio as they exist at the date of this Arrangement Agreement;
- (vi) split, combine or reclassify any of the shares of Alio;
- (vii) redeem, purchase or offer to purchase any Alio Shares, Alio Options, Alio Warrants or obligations or rights under existing contracts, agreements and commitments;
- (viii) reorganize, amalgamate or merge Alio;
- (ix) acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity;
- (x) (A) settle, pay, discharge, satisfy, compromise, waive, assign or release, in an amount greater than \$50,000, (i) any action, claim or proceeding brought by or against Alio, or (ii) any action, claim or proceeding brought by or against any present, former or purported holder of its securities in connection with the transactions contemplated by this Arrangement Agreement or the Plan of Arrangement; (B) relinquish any contractual rights that are, individually or in the aggregate, in an amount in excess of \$50,000; or (C) enter into any interest rate, currency or commodity swaps, hedges, caps, collars, forward sales or other similar financial instruments other than in the ordinary and regular course of business and not for speculative purposes;
- (xi) incur, authorize, agree or otherwise become committed to provide guarantees for borrowed money or incur, authorize, agree or otherwise become committed for any indebtedness for borrowed money;
- (xii) except as required by IFRS or any applicable Law, make any changes to the existing accounting practices of Alio;
- (xiii) approve any plan, program or budget for Alio or amend or revise any existing plan, program or budget for Alio including, but not limited to, the current budget, the social and permitting program or the drill program;
- (xiv) except for expenditures under Alio's current program, incur or commit to incur any expenditure for an amount in excess of \$50,000;
- (xv) enter into new commitments of a capital expenditure nature or incur any new contingent liabilities other than (A) ordinary course expenditures; (B) expenditures required by Law; and (C) expenditures made in connection with transactions contemplated in this Arrangement Agreement;

- (xvi) Alio shall not initiate any material discussion, negotiations or filings with any Governmental Entity regarding any matter (including with respect to the Arrangement or the transactions contemplated by this Arrangement Agreement or regarding the status of the Alio Properties or the Alio Mineral Rights) without the prior consent of Argonaut such consent not to be unreasonably withheld, and further agrees to provide Argonaut with immediate notice of any material communication (whether oral or written) from a Governmental Entity, including a copy of any written communication;
  - (xvii) create any new obligations or liabilities or modify or in any manner amend any existing obligations and liabilities to pay any amount, including loan amounts, to its or their officers, directors, employees and consultants, other than for salary, bonuses under its or their existing bonus arrangements and directors' fees in the ordinary course, in each case in amounts consistent with historic practices and obligations or liabilities or arising in the ordinary and usual course of business;
  - (xviii) adopt or amend or make any contribution to the Alio Stock Option Plan, or any other bonus, profit sharing, option, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;
  - (xix) enter into, renew, modify, or propose to modify in any respect any Material Contract with respect to the Alio Properties to which Alio is a party or by which it is bound, except insofar as may be necessary to permit or provide for the completion of the Arrangement;
  - (xx) make or amend any material Tax election, materially change any method of Tax accounting or settle or compromise any Tax liability of Alio;
  - (xxi) fail to duly and timely file any material Tax Returns required to be filed by Alio on or after the date hereof, and all such Tax Returns will be true, complete and correct in all material respects; or
  - (xxii) fail to timely withhold, collect, remit and pay any material Taxes which are to be withheld, collected, remitted or paid by Alio to the extent due and payable except for any Taxes contested in good faith pursuant to applicable Laws that are not required to be paid under applicable Laws and for which sufficient provision is made in the relevant financial statements.
- (m) Insurance. Alio shall use its commercially reasonable efforts to cause its current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of internationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect.
- (n) Employment Arrangements. Except as disclosed by Alio in the Alio Disclosure Letter or as contemplated in this Arrangement Agreement, Alio shall not, without the prior written



consent of Argonaut, enter into or modify any employment, consulting, severance, collective bargaining or similar agreement, policy or arrangement with, or grant any bonus, salary increase, option to purchase shares, pension or supplemental pension benefit, profit sharing, retirement allowance, deferred compensation, incentive compensation, severance, change of control or termination pay to, or make any loan to, any officer, director, employee or consultant of Alio.

(o) Certain Actions. Alio shall:

- (i) not take any action or permit any action to be taken or not taken by Alio, inconsistent with the provisions of this Arrangement Agreement or which would reasonably be expected to materially impede the completion of the transactions contemplated hereby; and
- (ii) promptly notify Argonaut of (A) any Material Adverse Change or Material Adverse Effect, or any change, event, occurrence or effect that could reasonably be expected to become a Material Adverse Change or to have a Material Adverse Effect, in respect of the business or in the conduct of the business of Alio, (B) any Governmental Entity or third Person making a material complaint, investigation or hearing (or communications indicating that the same may be contemplated) with respect to the transactions contemplated by this Arrangement Agreement, (C) any breach by Alio of any covenant or agreement contained in this Arrangement Agreement, and (D) any event occurring subsequent to the date hereof that would render any representation or warranty of Alio contained in this Arrangement Agreement, if made on or as of the date of such event or the Effective Date, to be untrue or inaccurate such that the condition set forth in Section 6.03(a) would not be satisfied.

(p) No Compromise. Alio shall not settle or compromise any claim brought by any present, former or purported holder of any securities of Alio in connection with the transactions contemplated by this Arrangement Agreement prior to the Effective Time without the prior written consent of Argonaut, which consent shall not be unreasonably withheld, conditioned or delayed.

(q) Satisfaction of Conditions. Subject to the terms of this Arrangement Agreement, Alio shall use all commercially reasonable efforts to satisfy, or cause to be satisfied, all conditions precedent to its obligations to the extent that the same is within its control and to take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the transactions contemplated by this Arrangement Agreement, including using its commercially reasonable lawful efforts to:

- (i) obtain the approval of the Alio Shareholders and the Alio Securityholders of the Arrangement in accordance with the provisions of the BCBCA, the Interim Order and the requirements of any applicable regulatory authority;
- (ii) obtain all other consents, approvals and authorizations as are required to be obtained by Alio under any applicable Law or from any Governmental Entity that would, if not obtained, materially impede the completion of the transactions contemplated by this Arrangement Agreement or have a Material Adverse Effect on Alio;

- (iii) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the transactions contemplated by this Arrangement Agreement;
  - (iv) oppose, lift or rescind any injunction or restraining order or other order or action challenging or affecting this Arrangement Agreement, the transactions contemplated hereby or seeking to stop, or otherwise adversely affecting the ability of the parties hereto to consummate, the transactions contemplated hereby;
  - (v) fulfill all conditions and satisfy all provisions of this Arrangement Agreement and the Plan of Arrangement required to be fulfilled or satisfied by Alio;
  - (vi) obtain Competition Act Approval, if required; and
  - (vii) cooperate with Argonaut in connection with the performance by it of its obligations hereunder, provided however that the foregoing shall not be construed to obligate Alio to pay or cause to be paid any monies to cause such performance to occur.
- (r) Competition Act. Unless otherwise agreed with Argonaut, Alio shall file any required notice under Section 114 of the Competition Act as soon as reasonably practicable and in any event within fifteen Business Days from the date hereof.
- (s) Cooperation. Alio shall make, or cooperate as necessary in the making of, all necessary filings and applications under all applicable Laws required in connection with the transactions contemplated hereby and take all reasonable action necessary to be in compliance with such Laws, including any filings, reports, documents or applications as may be required to be filed by Argonaut. In addition, Alio shall cooperate with and assist Argonaut in communicating with Alio Securityholders regarding support of the Plan of Arrangement and the entering into of Alio Lock-up Agreements.
- (t) Pre-Acquisition Reorganizations. Except for the reorganization set forth in the Alio Disclosure Letter, Alio shall and, where appropriate, shall cause the Alio Subsidiaries to effect only such reorganizations of the business, operations and assets of Alio and the Alio Subsidiaries or such other transactions as Argonaut may request or consent to, acting reasonably (each a "**Pre-Acquisition Reorganization**"), and co-operate with Argonaut and its advisors in order to determine the nature of any Pre-Acquisition Reorganization that might be undertaken and the manner in which it might most effectively be undertaken. Argonaut shall provide written notice to Alio of any Pre-Acquisition Reorganization which Argonaut desires to be undertaken at least fifteen (15) Business Days prior to the Effective Time. Upon receipt of such notice, Argonaut and Alio shall, if Alio is required to do so pursuant to the immediately preceding sentence, work co-operatively and use commercially reasonable efforts to prepare prior to the Effective Time all documentation necessary and do all such other acts and things as are necessary to give effect to such Pre-Acquisition Reorganization at least two (2) Business Days prior to the Effective Time, or such later time as may be agreed to by Argonaut. Alio's foregoing obligations in respect of a Pre-Acquisition Reorganization are subject to the following:
- (i) any Pre-Acquisition Reorganization or required cooperation of Alio in structuring, planning and implementing any Pre-Acquisition Reorganization shall not unreasonably interfere in material operations prior to the Effective Time of Alio or any of the Alio Subsidiaries;

- (ii) such cooperation shall not require any personnel, or agents of Alio or any of the Alio Subsidiaries to take any action in any capacity other than as a director, officer or employee or agent, and Argonaut shall indemnify and save harmless Alio and such directors, officers, employees or agents from and against any and all liabilities, Taxes, losses, damages, claims, costs, expenses, interest awards, judgments and penalties suffered or incurred by any of them in connection with or as a result of implementing any Pre-Acquisition Reorganization, including if the Arrangement is not completed, the costs incurred by Alio in order to restore the organization structure of Alio to a substantially identical structure of Alio as at the date hereof;
- (iii) any Pre-Acquisition Reorganization can be completed immediately prior to the Effective Date, and can be unwound in the event the Arrangement is not consummated without adversely affecting Alio in any material manner;
- (iv) is not prejudicial to Alio or the Alio Securityholders, as a whole, in any material respect;
- (v) does not require Alio to contravene applicable Laws or its organizational documents; and
- (vi) does not impair the ability of Alio to consummate, and will not materially delay the consummation of, the Arrangement.

Argonaut will reimburse Alio for all incremental fees and expenses of Alio, including reasonable legal fees and disbursements, incurred in connection with any Pre-Acquisition Reorganization. Argonaut acknowledges and agrees that the planning for and implementation of any Pre-Acquisition Reorganization shall not be considered a breach of any covenant under this Agreement and shall not be considered in determining whether a representation or warranty of Alio hereunder has been breached. Argonaut and Alio shall work cooperatively and use commercially reasonable efforts to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Acquisition Reorganization.

- (u) Access and Confirmatory Review. Alio shall afford officers, employees, counsel, accountants and other authorized representatives and advisors of Argonaut reasonable access, during normal business hours from the date hereof until the earlier of the Effective Time or the termination of this Arrangement Agreement, to the properties, books, contracts and records (including all technical and operational data including, without limitation, drilling results) as well as to the senior management personnel (and such other personnel as Alio authorizes on request, such authorization not to be unreasonably withheld or delayed) of Alio and, during such period, Alio shall furnish promptly to Argonaut all information concerning the business, properties and personnel of Alio as Argonaut may reasonably request. Subject to applicable Laws, Alio shall continue to make available and cause to be made available to Argonaut and the agents and advisors thereto all documents, agreements, corporate records and minute books as may be necessary to enable Argonaut to effect a thorough examination of Alio and the business, properties and financial status thereof, including the provision of unaudited monthly consolidated financial statements of Alio, as available, and shall cooperate with Argonaut in securing access for Argonaut to any documents, agreements, corporate records or minute books not in the possession or under the control of Alio.

- (v) Closing Documents. Alio shall execute and deliver, or cause to be executed and delivered, at the closing of the transactions contemplated hereby such customary agreements, certificates, resolutions, opinions and other closing documents as may be required by Argonaut, all in form satisfactory to Argonaut, acting reasonably.
- (w) Lock-Up Agreements. Alio shall use its commercially reasonable efforts to have the Alio Locked-Up Shareholders enter into Alio Lock-Up Agreements.

## 5.02 Covenants of Argonaut

Argonaut hereby covenants and agrees with Alio as follows:

- (a) Proceedings. In a timely and expeditious manner, Argonaut shall take all such actions and do all such acts and things as are specified in the Interim Order, the Plan of Arrangement (including issuing the Argonaut Shares contemplated pursuant to Section 3.2(a) of the Plan of Arrangement) and the Final Order to be taken or done by Argonaut.
- (b) Argonaut Meeting. Argonaut shall:
  - (i) collaboratively together with Alio, prepare and file the Joint Circular (which shall be in a form satisfactory to each of the Parties and their respective legal counsel acting reasonably), together with any other documents required by applicable Laws, in all jurisdictions where the Joint Circular is required to be filed and mail the Joint Circular, as ordered by the Interim Order and in accordance with all applicable Laws, in and to all jurisdictions where the Joint Circular is required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof and in the form and containing the information required by all applicable Laws, including all applicable corporate and securities legislation and requirements, and not containing any misrepresentation (as defined under applicable securities legislation and requirements) with respect thereto, other than with respect to any information relating to and provided by Alio;
  - (ii) Argonaut shall: (A) take all commercially reasonable lawful action to solicit proxies in favour of the Arrangement Resolution including, without limitation, retaining a proxy solicitation agent to solicit proxies in favour of the Arrangement; and (B) recommend to all Argonaut Shareholders that they vote in favour of the Share Issuance Resolution, with a unanimous recommendation of the Argonaut Board to vote in favour of the Share Issuance Resolution;
  - (iii) subject to Section 2.02, convene and conduct the Argonaut Meeting in accordance with Argonaut's articles, by-laws and applicable Laws as soon as reasonably practicable and in any event no later than June 30, 2020. Argonaut shall use its commercially reasonable efforts to schedule the Argonaut Meeting on the same day as the Alio Meeting;
  - (iv) provide notice to Alio of the Argonaut Meeting and allow representatives of Alio to attend the Argonaut Meeting;
  - (v) conduct the Argonaut Meeting in accordance with the Interim Order, the OBCA, the articles of Argonaut and applicable Laws; and

- (vi) take all such actions as may be required under the BCBCA in connection with the transactions contemplated by this Arrangement Agreement and the Plan of Arrangement.
- (c) Status of Voting. Argonaut will use its commercially reasonable efforts to advise Alio, at least on a daily basis on each of the ten Business Days prior to the date of the Argonaut Meeting, as to the aggregate tally of the proxies received by Argonaut in respect of the Share Issuance Resolution.
- (d) Information for Joint Circular. In a timely manner, Argonaut shall provide to Alio all information as may be reasonably requested by Alio or as required by the Interim Order or applicable Laws with respect to Argonaut and its businesses and properties for inclusion in the Joint Circular or in any amendment or supplement to the Joint Circular that complies in all material respects with all applicable Laws on the date of the mailing thereof and containing all material facts relating to Argonaut required to be disclosed in the Joint Circular and not containing any misrepresentation (as defined under applicable securities legislation) with respect thereto.
- (e) Amendments to Joint Circular. In a timely and expeditious manner, Argonaut and Alio shall collaboratively prepare and file any mutually agreed (or as otherwise required by applicable Laws) amendments or supplements to the Joint Circular (which amendments or supplements shall be in a form acceptable to Argonaut, acting reasonably) with respect to each of the Argonaut Meeting and the Alio Meeting and mail such amendments or supplements, as required by the Interim Order and in accordance with all applicable Laws, in and to all jurisdictions where such amendments or supplements are required to be mailed, complying in all material respects with all applicable Laws on the date of the mailing thereof.
- (f) Copy of Documents. Argonaut shall furnish promptly to Alio a copy of each notice, report, schedule or other document or communication delivered, filed or received by Argonaut in connection with this Arrangement Agreement, the Arrangement, the Interim Order, the Final Order, the Argonaut Meeting or any other meeting at which all Argonaut Shareholders are entitled to attend relating to special business, any filings made under any applicable Laws and any dealings or communications with any Governmental Entity, Securities Authority or stock exchange in connection with, or in any way affecting, the transactions contemplated by this Arrangement Agreement.
- (g) Adjournment. Subject to the terms of this Arrangement Agreement, Argonaut shall not adjourn, postpone or cancel the Argonaut Meeting (or propose to do so), except (i) if quorum is not present at the Argonaut Meeting; (ii) if required by applicable Laws or a ruling order or decree of a court having jurisdiction, Governmental Entity or other regulatory authority; and (iii) if otherwise agreed with Alio.
- (h) Certain Actions Prohibited. Other than as disclosed by Argonaut in the Argonaut Disclosure Letter or except as contemplated herein, neither Argonaut nor any Argonaut Subsidiary shall, without the prior written consent of Alio, which consent shall not be unreasonably withheld, conditioned or delayed, directly or indirectly do or permit to occur any of the following except where to do so would be in the ordinary course of business and consistent with past practice:

- (i) issue, sell, grant, pledge, lease or dispose of or agree to issue, sell, grant, pledge, lease or dispose of any Argonaut Shares or any Argonaut Options, warrants, calls, conversion privileges or rights of any kind to acquire any Argonaut Shares; other than the issue of Argonaut Shares pursuant to the exercise of Argonaut Options issued and outstanding on the date hereof;
- (ii) other than pursuant to obligations or rights under existing contracts, agreements and commitments (to the extent such rights have been exercised or initiated by other Persons), sell, lease or otherwise dispose of, any assets having a value greater than \$1 million or enter into any agreement or commitment in respect of any of the foregoing;
- (iii) grant or enter into any agreement, written or verbal, with respect to any royalty or similar arrangement or issue any instrument having the same economic effect as a royalty on the Argonaut Properties;
- (iv) amend or propose to amend the articles or by-laws of Argonaut as they exist at the date of this Arrangement Agreement;
- (v) split, combine or reclassify any of the shares of Argonaut;
- (vi) redeem, purchase or offer to purchase, any Argonaut Shares, Argonaut Options or obligations or rights under existing contracts, agreements and commitments;
- (vii) reorganize, amalgamate or merge Argonaut;
- (viii) acquire or agree to acquire any corporation or other entity (or material interest therein) or division of any corporation or other entity having a value greater than \$1 million;
- (ix) (A) settle, pay, discharge, satisfy, compromise, waive, assign or release, in an amount greater than \$250,000, (i) any action, claim or proceeding brought by or against Argonaut, or (ii) any action, claim or proceeding brought by or against any present, former or purported holder of its securities in connection with the transactions contemplated by this Arrangement Agreement or the Plan of Arrangement; (B) relinquish any contractual rights that are, individually or in the aggregate, in an amount in excess of \$1,000,000; or (C) enter into any interest rate, currency or commodity swaps, hedges, caps, collars, forward sales or other similar financial instruments other than in the ordinary and regular course of business and not for speculative purposes;
- (x) incur, authorize, agree or otherwise become committed to provide guarantees for borrowed money or incur, authorize, agree or otherwise become committed for any indebtedness for borrowed money;
- (xi) except as required by IFRS or any applicable Law, make any changes to the existing accounting practices of Argonaut;
- (xii) approve any plan, program or budget for Argonaut or amend or revise any existing plan, program or budget for Argonaut including, but not limited to, the current budget, the social and permitting program or the drill program;

- (xiii) except for expenditures under Argonaut's current program, incur or commit to incur any expenditure for an amount in excess of \$1 million;
  - (xiv) enter into new commitments of a capital expenditure nature or incur any new contingent liabilities other than (A) ordinary course expenditures; (B) expenditures required by Law; and (C) expenditures made in connection with transactions contemplated in this Arrangement Agreement;
  - (xv) Argonaut shall not initiate any material discussion, negotiations or filings with any Governmental Entity regarding any matter without the prior consent of Alio such consent not to be unreasonably withheld, and further agrees to provide Alio with immediate notice of any material communication (whether oral or written) from a Governmental Entity, including a copy of any written communication;
  - (xvi) create any new obligations or liabilities or modify or in any manner amend any existing obligations and liabilities to pay any amount, including loan amounts, to its or their officers, directors, employees and consultants, other than for salary, bonuses under its or their existing bonus arrangements and directors' fees in the ordinary course, in each case in amounts consistent with historic practices and obligations or liabilities or arising in the ordinary and usual course of business;
  - (xvii) adopt or amend or make any contribution to the Argonaut Stock Option Plan, or any other bonus, profit sharing, option, deferred compensation, insurance, incentive compensation, other compensation or other similar plan, agreement, trust, fund or arrangements for the benefit of employees, except as is necessary to comply with Laws or with respect to existing provisions of any such plans, programs, arrangements or agreements;
  - (xviii) make or amend any material Tax election, materially change any method of Tax accounting or settle or compromise any Tax liability of Argonaut;
  - (xix) fail to duly and timely file any material Tax Returns required to be filed by it on or after the date hereof, and all such Tax Returns will be true, complete and correct in all material respects; or
  - (xx) fail to timely withhold, collect, remit and pay any material Taxes which are to be withheld, collected, remitted or paid by it to the extent due and payable except for any Taxes contested in good faith pursuant to applicable Laws that are not required to be paid under applicable Laws and for which sufficient provision is made in the relevant financial statements.
- (i) Insurance. Argonaut shall use its commercially reasonable efforts to cause its current insurance (or reinsurance) policies not to be cancelled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of internationally recognized standing providing coverage equal to or greater than the coverage under the cancelled, terminated or lapsed policies for substantially similar premiums are in full force and effect.
- (j) Copy of Documents. Argonaut shall furnish promptly to Alio a copy of any filing under any applicable Laws and any dealings or communications with any Governmental Entity,

Securities Authority or stock exchange in connection with, or in any way affecting, the transactions contemplated by this Arrangement Agreement.

(k) Usual Business. Except as contemplated herein, including a suspension or termination of normal course business operations, whether as a result of an order to suspend, an inability to continue operations or for any other reason, for a period of up to forty-five (45) days, or as disclosed in the Argonaut Disclosure Letter, Argonaut shall conduct business only in, and not take any action except in, the ordinary course of business and consistent with past practice.

(l) Certain Actions.

Argonaut shall:

(i) not take any action, or permit any action to be taken or not taken, inconsistent with the provisions of this Arrangement Agreement or that would reasonably be expected to materially impede the completion of the transactions contemplated hereby; and

(ii) promptly notify Alio of (A) any Material Adverse Change or Material Adverse Effect, or any change, event, occurrence or effect that could reasonably be expected to become a Material Adverse Change or to have a Material Adverse Effect, in respect of the business or in the conduct of the business of Argonaut, (B) any Governmental Entity or third Person making a material complaint, investigation or hearing (or communications indicating that the same may be contemplated) with respect to the transactions contemplated by this Arrangement Agreement, (C) any breach by Argonaut of any covenant or agreement contained in this Arrangement Agreement, and (D) any event occurring subsequent to the date hereof that would render any representation or warranty of Argonaut contained in this Arrangement Agreement, if made on or as of the date of such event or the Effective Date, to be untrue or inaccurate such that the condition set forth in Section 6.02(a) would not be satisfied.

(m) No Compromise. Argonaut shall not settle or compromise any claim brought by any present, former or purported holder of any securities of Argonaut in connection with the transactions contemplated by this Arrangement Agreement prior to the Effective Time without the prior written consent of Alio, which consent shall not be unreasonably withheld, conditioned or delayed.

(n) Satisfaction of Conditions. Argonaut shall satisfy, or cause to be satisfied, all of the conditions precedent to its obligations to the extent the same is within its control and to take, or cause to be taken, all other actions and to do, or cause to be done, all other things necessary, proper or advisable under all applicable Laws to complete the transactions contemplated by this Arrangement Agreement, including using its commercially reasonable efforts to:

(i) obtain the approval of the Argonaut Shareholders of the Share Issuance Resolution;

(ii) obtain all consents, approvals, authorizations as are required to be obtained by Argonaut under any applicable Law or from any Governmental Entity that would,



if not obtained, materially impede the completion of the transactions contemplated hereby or have a Material Adverse Effect on Argonaut;

- (iii) as soon as reasonably practicable, and in any event within fifteen Business Days from the date hereof, file a request for an Advance Ruling Certificate under the Competition Act, if a notice under section 114 of the Competition Act is required; and, unless otherwise agreed with Alio, file any such required notice under section 114 of the Competition Act, as soon as reasonably practicable, and in any event within fifteen Business Days from the date hereof;
  - (iv) effect all necessary registrations, filings and submissions of information requested by Governmental Entities required to be effected by it in connection with the transactions contemplated by this Arrangement Agreement and participate, and appear in any proceedings of, any Party before any Governmental Entity in connection with the transactions contemplated by this Arrangement Agreement;
  - (v) oppose, lift or rescind any injunction or restraining order or other order or action challenging or affecting this Arrangement Agreement, the transactions contemplated hereby or seeking to stop, or otherwise adversely affecting the ability of the Parties to consummate, the transactions contemplated hereby, including by entering into a consent agreement if necessary;
  - (vi) fulfill all conditions and satisfy all provisions of this Arrangement Agreement and the Plan of Arrangement required to be fulfilled or satisfied by it; and
  - (vii) cooperate with Alio in connection with the performance by Alio of its obligations hereunder.
- (o) Cooperation. Argonaut shall make, or cooperate as necessary in the making of, all necessary filings and applications under all applicable Laws required in connection with the transactions contemplated hereby and take all reasonable action necessary to be in compliance with such Laws, including any filings, reports, documents or applications as may be required to be filed by Alio. In addition, Argonaut shall cooperate with and assist Alio in communicating with Argonaut Shareholders regarding support of the Share Issuance Resolution, and the entering into of Argonaut Lock-up Agreements.
- (p) Access and Confirmatory Review. Argonaut shall afford officers, employees, counsel, accountants and other authorized representatives and advisors of Alio reasonable access, during normal business hours from the date hereof until the earlier of the Effective Time or the termination of this Arrangement Agreement, to the properties, books, contracts and records (including all technical and operational data including, without limitation, drilling results) as well as to the senior management personnel (and such other personnel as Argonaut authorizes on request, such authorization not to be unreasonably withheld or delayed) of Argonaut and, during such period, Argonaut shall furnish promptly to Alio all information concerning the business, properties and personnel of Argonaut as Alio may reasonably request. Subject to applicable Laws, Argonaut shall continue to make available and cause to be made available to Alio and the agents and advisors thereto all documents, agreements, corporate records and minute books as may be necessary to enable Alio to effect a thorough examination of Argonaut and the business, properties and financial status thereof, including the provision of unaudited monthly consolidated financial statements of Argonaut, as available together with the consolidation therefor, and shall cooperate with

Alio in securing access for Alio to any documents, agreements, corporate records or minute books not in the possession or under the control of Argonaut.

- (q) Stock Exchange Listing. Prior to the Effective Time, Argonaut shall prepare and file with the TSX, all necessary applications or other documents and pay all fees required in order to obtain the conditional listing approval of the TSX in respect of the Argonaut Shares to be issued pursuant to this Arrangement Agreement.
- (r) Closing Documents. Argonaut shall execute and deliver, or cause to be executed and delivered at the closing of the transactions contemplated hereby such customary agreements, certificates, resolutions, opinions and other closing documents as may be required by Alio, all in form satisfactory to Alio, acting reasonably.
- (s) Lock-Up Agreements. Argonaut shall use its commercially reasonable efforts to have the Argonaut Locked-Up Shareholders enter into Argonaut Lock-Up Agreements.

### **5.03 Mutual Covenants**

- (a) Additional Merger Notification. In addition to the obligation of Argonaut to file an Advance Ruling Certificate under Section 5.02 if a notice under section 114 of the Competition Act is required and the obligations of Alio and Argonaut to file any required pre-notification filings under Section 5.01 and Section 5.02, Alio and Argonaut shall as soon as reasonably practicable, file comparable merger notification forms required by the merger notification or control Laws of any other applicable jurisdiction, which Alio and Argonaut reasonably determine to be necessary. Alio and Argonaut each shall promptly: (a) supply the other with any information which may be required in order to effectuate such filings; and (b) supply any additional information which reasonably may be required by applicable merger control authorities of any jurisdiction.
- (b) Continuing Employees. Prior to the Effective Time, Alio and Argonaut shall determine which employees of Alio will continue to be employed by Alio or Argonaut, or an affiliate of Alio or Argonaut, and the term and remuneration of the employment of each such employee (the "**Alio Retained Employees**") or, in the case of employees of Alio who shall not continue to be employed following the Effective Date (the "**Alio Departing Employees**"), Alio and Argonaut shall determine the manner in which any change of control and/or severance payments to be made to such employee will occur.

## **ARTICLE 6 CONDITIONS**

### **6.01 Mutual Conditions**

The respective obligations of Alio and Argonaut to complete the transactions contemplated herein are subject to the fulfillment of the following conditions at or before the Effective Time or such other time as is specified below:

- (a) subject to Section 2.02, the Interim Order shall have been granted in form and substance satisfactory to the Parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;

- (b) the Alio Shareholder Approval and the Alio Securityholder Approval shall have been obtained at the Alio Meeting in accordance with the provisions of the BCBCA and the Interim Order;
- (c) the Argonaut Shareholder Approval shall have been obtained at the Argonaut Meeting by the Argonaut Shareholders in accordance with the provisions of the OBCA;
- (d) the Final Order shall have been obtained in form and substance satisfactory to each of the Parties, acting reasonably, and shall not have been set aside or modified in a manner unacceptable to the Parties, acting reasonably, on appeal or otherwise;
- (e) there shall not be in force any Law, or final, binding, non-appealable ruling, order or decree, and there shall not have been any action taken under any Law or by any Governmental Entity or other regulatory authority, that is final, binding or non-appealable that makes it illegal or otherwise directly or indirectly restrains, enjoins or prohibits the consummation of the Arrangement in accordance with the terms hereof;
- (f) Competition Act Approval shall have been obtained if required;
- (g) the Parties shall have received, from the Federal Economic Competition Commission (Comisión Federal de Competencia Económica – COFECE) a resolution unconditionally approving the transaction under the Federal Law of Economic Competition, if required;
- (h) the distribution of the Arrangement Consideration pursuant to the Arrangement shall be exempt from the prospectus and registration requirements of applicable Canadian securities laws either by virtue of exemptive relief from the securities regulatory authorities of each of the provinces of Canada or by virtue of applicable exemptions under Canadian securities laws and shall not be subject to resale restrictions under applicable Canadian securities laws (other than as applicable to control persons or pursuant to Section 2.6 of National Instrument 45-102 – *Resale of Securities*);
- (i) (i) the TSX shall have conditionally approved the listing thereon, subject to official notice of issuance, of the Argonaut Shares to be issued pursuant to the Arrangement as of the Effective Date, or as soon as possible thereafter, and (ii) the TSX shall have, if required, accepted notice for filing of all transactions of Alio contemplated herein or necessary to complete the Arrangement, subject only to compliance with the usual requirements of the TSX;
- (j) (i) all consents, waivers, permits, exemptions, orders and approvals of, and any registrations and filings with, any Governmental Entity and the expiry of any waiting periods, in connection with, or required to permit, the completion of the Arrangement; and (ii) all third Person and other consents, waivers, permits, exemptions, orders, approvals, agreements and amendments and modifications to agreements, indentures or arrangements (other than as contemplated in the Alio Disclosure Letter or the Argonaut Disclosure Letter), in each case, the failure of which to obtain or the non-expiry of which would, or could reasonably be expected to have, a Material Adverse Effect on Alio or Argonaut or materially impede the completion of the Arrangement, shall have been obtained or received;
- (k) Argonaut Securities to be issued pursuant to the Arrangement shall be exempt from the registration requirements of the 1933 Act pursuant to Section 3(a)(10) thereof and

Argonaut Shares to be distributed pursuant to the Arrangement shall not be subject to resale restrictions in the United States under the 1933 Act (other than as may be prescribed by Rule 144 under the 1933 Act in respect of affiliates of Argonaut); and

- (l) this Arrangement Agreement shall not have been terminated pursuant to Article 8 hereof.

The foregoing conditions are for the mutual benefit of the Parties and may be waived by mutual consent of Alio and Argonaut in writing at any time. If any of such conditions shall not be complied with or waived as aforesaid on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to Section 6.04 hereof, any Party may terminate this Arrangement Agreement by written notice to the others of them in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Arrangement Agreement by such rescinding Party.

## **6.02 Alio Conditions**

The obligation of Alio to complete the transactions contemplated herein is subject to the fulfillment of the following additional conditions at or before the Effective Time or such other time as is specified below (each of which is for the exclusive benefit of Alio and may be waived by Alio):

- (a) the representations and warranties made by Argonaut in this Arrangement Agreement that are qualified by materiality or the expression "Material Adverse Change" or "Material Adverse Effect" shall be true and correct in all respects as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), and all other representations and warranties made by Argonaut in this Arrangement Agreement shall be true and correct in all material respects as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), in either case, except where any failures or breaches of representations and warranties would not either individually or in the aggregate, have a Material Adverse Effect on Argonaut, and Argonaut shall have provided to Alio a certificate of two officers thereof certifying such accuracy or lack of Material Adverse Effect on the Effective Date. No representation or warranty made by Argonaut hereunder shall be deemed not to be true and correct if the facts or circumstances which make such representation or warranty untrue or incorrect are disclosed or referred to in the Argonaut Disclosure Letter, or provided for or stated to be exceptions under this Arrangement Agreement;
- (b) from the date of this Arrangement Agreement to the Effective Date, Argonaut shall not have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect on Argonaut;
- (c) Argonaut shall have complied in all material respects with its covenants herein and Argonaut shall have provided to Alio a certificate of the Chief Executive Officer and Chief Financial Officer thereof, certifying that, as of the Effective Date, it has so complied with its covenants herein;
- (d) Alio shall have received the Argonaut Lock-Up Agreements and such agreements shall not have been terminated or otherwise breached in any material manner by any of the Argonaut

Locked-Up Shareholders, such that as a result of such breach or termination the Share Issuance Resolution is not passed at the Argonaut Meeting; and

- (e) the directors of Argonaut shall have adopted all necessary resolutions and all other necessary corporate actions shall have been taken by Argonaut to permit the consummation of the Arrangement.

The foregoing conditions are for the benefit of Alio and may be waived, in whole or in part, by Alio in writing at any time. If any of such conditions shall not be complied with or waived by Alio on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to Section 6.04 hereof, Alio may terminate this Arrangement Agreement by written notice to Argonaut in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Arrangement Agreement by Alio.

### **6.03 Argonaut Conditions**

The obligation of Argonaut to complete the transactions contemplated herein is subject to the fulfillment of the following additional conditions at or before the Effective Time or such other time as is specified below (each of which is for the exclusive benefit of Argonaut and may be waived by Argonaut):

- (a) the representations and warranties made by Alio in this Arrangement Agreement that are qualified by materiality or the expression "Material Adverse Change" or "Material Adverse Effect" shall be true and correct in all respects as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), and all other representations and warranties made by Alio in this Arrangement Agreement shall be true and correct in all material respects as of the Effective Date as if made on and as of such date (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date), in either case, except where any failures or breaches of representations and warranties would not either, individually or in the aggregate, have a Material Adverse Effect on Alio, and Alio shall have provided to Argonaut a certificate of two officers thereof certifying such accuracy or lack of Material Adverse Effect on the Effective Date. No representation or warranty made by Alio hereunder shall be deemed not to be true and correct if the facts or circumstances that make such representation or warranty untrue or incorrect are disclosed or referred to in the Alio Disclosure Letter, or provided for or stated to be exceptions under this Arrangement Agreement;
- (b) from the date of this Arrangement Agreement to the Effective Date, there shall not have occurred, and Alio shall not have incurred or suffered, any one or more changes, effects, events, occurrences or states of facts that, either individually or in the aggregate, have, or could reasonably be expected to have, a Material Adverse Effect on Alio;
- (c) Alio shall have complied in all material respects with its covenants herein and Alio shall have provided to Argonaut a certificate of the Chief Executive Officer and the Vice President, Finance thereof, certifying that, as of the Effective Date, Alio has so complied with its covenants herein;
- (d) Argonaut shall have received the Alio Lock-Up Agreements and such agreements shall not have been terminated or otherwise breached in any material manner by any of the Alio

Locked-Up Shareholders, such that as a result of such breach or termination the Arrangement Resolution is not passed at the Alio Meeting;

- (e) Alio Shareholders holding no more than 5% of the outstanding Alio Shares shall have exercised their Dissent Rights (and not withdrawn such exercise) and Argonaut shall have received a certificate, dated the day immediately preceding the Effective Date, of the Chief Executive Officer and the Vice President, Finance of Alio, to such effect;
- (f) the directors of Alio shall have adopted all necessary resolutions and all other necessary corporate action shall have been taken by Alio to permit the consummation of the Arrangement;
- (g) each of the Alio Retained Employees shall have accepted and agreed to the term and remuneration provisions in respect of their ongoing employment relationship with Argonaut and each of the Alio Departing Employees shall have accepted and agreed to the manner in which any change of control and/or severance payments will occur, to the satisfaction of Argonaut, acting reasonably;
- (h) Alio shall have completed the sale of its ownership interest in Noroeste to Magna Gold Corp. on the same terms as disclosed to Argonaut on the date hereof; and
- (i) any sale by Alio of its ownership interest in, or all or substantially all of the assets of, Minera Aurea, shall be on terms and conditions acceptable to Argonaut, acting reasonably, with any agreement or other arrangement providing for such sale having been provided to Argonaut for review and approval in advance of it being entered into.

The foregoing conditions are for the benefit of Argonaut and may be waived, in whole or in part, by Argonaut in writing at any time. If any of such conditions shall not be complied with or waived by Argonaut on or before the Completion Deadline or, if earlier, the date required for the performance thereof, then, subject to Section 6.04 hereof, Argonaut may terminate this Arrangement Agreement by written notice to Alio in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Arrangement Agreement by Argonaut.

#### **6.04 Notice and Cure Provisions**

- (a) Each Party will give prompt notice to the other of the occurrence, or failure to occur, at any time from the date hereof until the earlier to occur of the termination of this Arrangement Agreement and the Effective Time of any event or state of facts which occurrence or failure would, or would be likely to:
  - (i) cause any of the representations or warranties of any Party contained herein to be untrue or inaccurate in any material respect on the date hereof or at the Effective Time; or
  - (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder prior to the Effective Time.
- (b) Argonaut may not exercise its rights to terminate this Arrangement Agreement pursuant to Section 8.02(a)(iii)C and Alio may not exercise its right to terminate this Arrangement Agreement pursuant to Section 8.02(a)(iv)C unless the Party intending to rely thereon has

delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfilment or the applicable condition or termination right, as the case may be. If any such notice is delivered, *provided that* a Party is proceeding diligently to cure such matter and such matter is capable of being cured, no Party may terminate this Arrangement Agreement until the expiration of a period of fifteen Business Days from such notice, and then only if such matter has not been cured by such date. If such notice has been delivered prior to the making of the application for the Final Order, such application and such filing shall be postponed until the expiry of such period. For greater certainty, in the event that such matter is cured within the time period referred to herein without a Material Adverse Effect, this Arrangement Agreement may not be terminated as a result of the cured breach.

#### **6.05 Merger of Conditions**

The conditions set out in Section 6.01, Section 6.02 or Section 6.03 hereof shall be conclusively deemed to have been satisfied, fulfilled or waived as of the Effective Time.

### **ARTICLE 7 NON-SOLICITATION, RIGHT TO MATCH, TERMINATION FEE AND EXPENSES**

#### **7.01 Non-Solicitation**

- (a) Neither Alio nor any Alio Subsidiary shall, directly or indirectly, through any officer, director, employee, representative (including any financial or other advisor) or agent of Alio or any Alio Subsidiary (collectively, the "**Representatives**"): (i) solicit, assist, initiate, facilitate or knowingly encourage (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) the initiation of any inquiries or proposals regarding an Acquisition Proposal; (ii) participate in any discussions or negotiations with any Person (other than Argonaut or any of its affiliates) regarding an Acquisition Proposal, provided, however, that Alio may communicate with any Person making an Acquisition Proposal for the purpose of clarifying the terms and conditions of such Acquisition Proposal and the likelihood of its consummation so as to determine whether such Acquisition Proposal is likely to lead to a Superior Proposal or advising such Person that the Acquisition Proposal could not reasonably be expected to result in a Superior Proposal; (iii) approve, accept, endorse or recommend, or propose publicly to accept, approve, endorse or recommend, any Acquisition Proposal, (iv) accept or enter into or publicly propose to accept or enter into, any letter of intent, agreement in principle, agreement, understanding, undertaking or arrangement or other contract in respect of an Acquisition Proposal or (v) make an Alio Change in Recommendation.
- (b) Alio shall, and shall cause the Alio Subsidiaries and Representatives to immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any Persons conducted heretofore by it, the Alio Subsidiaries or any Representatives with respect to any Acquisition Proposal, and, in connection therewith, Alio will discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall as soon as possible request, to the extent that it is entitled to do so (and exercise all rights it has to require) the return or destruction of all confidential information regarding Alio and the Alio Subsidiaries previously provided to any such Person or any other Person and will request (and exercise all rights it has to require) the destruction of all material including or

incorporating or otherwise reflecting any material confidential information regarding Alio and the Alio Subsidiaries. Alio agrees that, except as permitted in Section 7.01(c) neither it nor any of the Alio Subsidiaries, shall terminate, waive, amend or modify any provision of any existing confidentiality agreement relating to an Acquisition Proposal or any standstill agreement to which it or any of its subsidiaries is a party (it being acknowledged and agreed that the automatic termination of any standstill provisions of any such agreement as the result of the entering into and announcement of this Arrangement Agreement, pursuant to the express terms of any such agreement, shall not be a violation of this Section 7.01(b)) and Alio undertakes to enforce all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants that it or any of its subsidiaries have entered into prior to the date hereof.

- (c) Notwithstanding Sections 7.01(a) and 7.01(b) and any other provision of this Arrangement Agreement or of any other agreement between Argonaut and Alio, if at any time following the date of this Arrangement Agreement and prior to obtaining the Alio Shareholder Approval and the Alio Securityholder Approval of the Arrangement Resolution at the Alio Meeting, Alio receives a *bona fide*, written Acquisition Proposal that did not result from a breach of Section 7.01 or an Acquisition Proposal is made to Alio's shareholders that the Alio Board determines in good faith, after consultation with Alio's financial advisors and outside counsel, constitutes or, if consummated in accordance with its terms (disregarding, for the purposes of any such determination, any term of such Acquisition Proposal that provides for a due diligence investigation), could reasonably be expected to be a Superior Proposal, then Alio may, in response to a request made by the party making such Acquisition Proposal and provided it is then in compliance with Sections 7.01(b) and 7.01(d):
- (i) furnish information with respect to Alio and the Alio Subsidiaries to the Person making such Acquisition Proposal;
  - (ii) enter into, participate, facilitate and maintain discussions or negotiations with, and otherwise cooperate with or assist, the Person making such Acquisition Proposal; and/or
  - (iii) waive any standstill provision or agreement that would otherwise prohibit such Person from making such Acquisition Proposal;

*provided that* Alio shall not, and shall not allow its Representatives to, disclose any non-public information to such Person: (i) if such non public information has not been previously provided to, or is not concurrently provided to Argonaut; and (ii) without entering into a confidentiality agreement with terms typical of confidentiality agreements entered into in transactions similar to the Arrangement, and which includes a standstill provision that restricts such Person from acquiring, or publicly announcing an intention to acquire, any securities or assets of Alio (other than pursuant to a Superior Proposal) for a period of not less than 12 months from the date of such agreement, subject to customary automatic termination provisions.

- (d) In the event Alio receives an Acquisition Proposal it shall promptly notify Argonaut, at first orally and then in writing within 24 hours of receipt of the Acquisition Proposal, of the material terms and conditions thereof, and the identity of the Person or Persons making the Acquisition Proposal, and shall provide Argonaut with a copy of any such proposal, inquiry, offer or request, a copy of any agreement entered into in accordance with Section



7.01(c) hereof and a copy of any other agreements which relate to the Acquisition Proposal to which it has access, or any amendment to any of the foregoing. Alio shall thereafter also provide such other details of such proposal, inquiry, offer or request, or any amendment to any of the foregoing, as Argonaut may reasonably request and shall keep Argonaut fully informed as to the status, including any changes to the material terms, of such proposal, inquiry, offer or request, or any amendment to any of the foregoing, and shall respond promptly to all reasonable inquiries from Argonaut with respect thereto.

- (e) Subject to Section 7.02, at any time following the date of this Arrangement Agreement and prior to obtaining the Alio Shareholder Approval and the Alio Securityholder Approval, if Alio receives an Acquisition Proposal that did not result from a breach of this Section 7.01 and which its Board of Directors concludes in good faith constitutes a Superior Proposal, it may, subject to compliance with the procedures set forth in Sections 7.03 and 8.02, terminate this Arrangement Agreement to enter into a definitive agreement with respect to such Superior Proposal.
- (f) Nothing contained in this Arrangement Agreement shall prohibit the Alio Board from taking any action or making an Alio Change in Recommendation or from making any disclosure to any of its securityholders prior to the Effective Time including, for greater certainty, disclosure of an Alio Change in Recommendation in respect of an Acquisition Proposal, if, in the good faith judgment of the Alio Board, after consultation with outside legal counsel, failure to take such action or make such disclosure would be inconsistent with Alio Board's exercise of its fiduciary duties or such action or disclosure is otherwise required under applicable Law (including by responding to an Acquisition Proposal under a directors' circular or otherwise as required under Securities Laws); *provided that*, for greater certainty, in the event of an Alio Change in Recommendation and a termination by Argonaut of this Arrangement Agreement pursuant to Section 8.02(a)(iii)A, or Section 8.02(a)(iv)A, as the case may be, Alio shall pay the Termination Fee as required by Section 7.03. In addition, subject to the provisions of this Section 7.01 and Section 7.02, nothing contained in this Arrangement Agreement shall prevent Alio or its Board of Directors from calling and holding a meeting of its shareholders, or any of them, requisitioned by such shareholders, or any of them, in accordance with the BCBCA or ordered to be held by a court or Governmental Entity of competent jurisdiction in accordance with applicable Laws.

## 7.02

### Right to Match

- (a) Alio covenants that it will not accept, approve, endorse, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal (other than a confidentiality and standstill agreement permitted by Section 7.01(c)) unless:
  - (i) Alio (the "**Terminating Party**") has complied with its obligations under Section 7.01 and has provided Argonaut (the "**Matching Party**") with a copy of the Superior Proposal and all related documentation described in Section 7.01(d); and
  - (ii) a period (the "**Response Period**") of three Business Days has elapsed from the date that is the later of: (x) the date on which the Matching Party receives written notice from the Board of Directors of the Terminating Party that it has determined, subject only to compliance with this Section 7.02, to accept, approve, endorse, recommend or enter into a binding agreement to proceed with such Superior Proposal; and (y)

the date the Matching Party receives a copy of the Superior Proposal and all related documents described in Section 7.01(d).

- (b) During the Response Period, the Matching Party will have the right, but not the obligation, to offer to amend this Arrangement Agreement and the Plan of Arrangement, including modification of the Arrangement Consideration. The Board of Directors of the Terminating Party shall review any such offer by the Matching Party to amend this Arrangement Agreement and the Plan of Arrangement to determine whether the Acquisition Proposal to which the Matching Party is responding would continue to be a Superior Proposal when assessed against the Arrangement as it is proposed in writing by the Matching Party to be amended. If the Board of Directors of the Terminating Party determines that the Acquisition Proposal no longer constitutes a Superior Proposal, when assessed against this Arrangement Agreement and the Plan of Arrangement as they are proposed to be amended by the Matching Party, the Board of Directors of the Terminating Party will cause it to enter into an amendment to this Arrangement Agreement with the Matching Party incorporating the amendments to the Agreement and Plan of Arrangement as set out in the written offer to amend, and will promptly reaffirm its recommendation of the Arrangement by the prompt issuance of a press release to that effect. If the Board of Directors of the Terminating Party determines that the Acquisition Proposal continues to be a Superior Proposal, the Terminating Party may recommend that holders of its securities accept such Superior Proposal *provided that* before doing so the Terminating Party terminates this Arrangement Agreement and pays, or causes to be paid, the Termination Fee in accordance with Section 7.03, as the case may be, in order to accept or enter into an agreement, understanding or arrangement to proceed with the Superior Proposal.
- (c) Each successive amendment to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the holders of the Terminating Party's securities shall constitute a new Acquisition Proposal for the purposes of this Section 7.02 and the Matching Party shall be afforded a new Response Period and the rights afforded in Section 7.02(b) in respect of each such Acquisition Proposal.

### **7.03 Expenses and Termination Fee**

- (a) Except as otherwise provided herein, all fees, costs and expenses incurred in connection with this Arrangement Agreement and the Plan of Arrangement shall be paid by the Party incurring such fees, costs or expenses. Argonaut and Alio shall each be responsible for paying one-half of the filing fee, along with applicable taxes, if an Advance Ruling Certificate request is submitted by either of Argonaut or Alio in respect of the transactions contemplated by this Arrangement Agreement in accordance with Sections 5.01 and 5.02 hereof if a notice under section 114 of the Competition Act is required.
- (b) If an Alio Termination Fee Event occurs, Alio shall pay, or cause to be paid, to Argonaut (by wire transfer of immediately available funds) the Termination Fee.
- (c) For the purposes of this Arrangement Agreement, "**Termination Fee**" means US\$2,000,000 in the case of an Alio Termination Fee Event.
- (d) For the purposes of this Arrangement Agreement, "**Alio Termination Fee Event**" means the termination of this Arrangement Agreement:

- (i) by Argonaut pursuant to Section 8.02(a)(iii)A, except where the Alio Change in Recommendation which has led to the termination pursuant to Section 8.02(a)(iii)A was made solely because the Alio Board, acting in good faith, determined that a change, effect, event or occurrence had taken place that constituted a Material Adverse Effect on Argonaut and that, as a consequence, it would be inconsistent with the Alio Board's fiduciary obligations to continue to recommend that Alio Shareholders vote in favour of the Arrangement;
- (ii) by Argonaut pursuant to Section 8.02(a)(iii)D;
- (iii) by Argonaut pursuant to Section 8.02(a)(iii)F;
- (iv) by Alio pursuant to Section 8.02(a)(iv)A; or
- (v) by Argonaut pursuant to Section 8.02(a)(ii)A or by either Party pursuant to 8.02(a)(ii)C if, in either case, prior to the earlier of the termination of this Arrangement Agreement or the holding of the Alio Meeting, a *bona fide* Acquisition Proposal, or the intention to make an Acquisition Proposal, with respect to Alio shall have been made to Alio or publicly announced by any Person (other than Argonaut or any of its affiliates) and not withdrawn prior to the Alio Meeting and within six months following the date of such termination:
  - A. the announced Acquisition Proposal is consummated by Alio; or
  - B. Alio enters into a definitive agreement in respect of, or the Alio Board approves or recommends, the announced Acquisition Proposal which is subsequently consummated at any time thereafter;

*provided that*, for the purposes of this Section 7.03(d)(v) all references to "20%" in the definition of "Acquisition Proposal" shall be deemed to be references to "50%".

- (e) If an Alio Termination Fee Event described in any of Sections 7.03(d)(i), (ii), (iii) or (iv) occurs, the Termination Fee shall be payable simultaneously with the occurrence of such Alio Termination Fee Event. If an Alio Termination Fee Event described in Section 7.03(d)(v) occurs, the Termination Fee shall be payable within two Business Days following the closing of the applicable transaction referred to therein.
- (f) Each of the Parties acknowledges that the agreements contained in this Section 7.03 are an integral part of the transactions contemplated in this Arrangement Agreement and that, without those agreements, the Parties would not enter into this Arrangement Agreement. Each Party acknowledges that all of the payment amounts set out in this Section 7.03 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 payment and the resultant termination of this Arrangement Agreement and are not penalties. Each Party irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, each Party agrees that, upon any termination of this Arrangement 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 Alio 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 Alio or any of its subsidiaries or any of their respective directors, officers, employees, partners, managers, members, shareholders or affiliates in connection with this Arrangement Agreement or the transactions contemplated hereby.

- (g) Nothing in this Section 7.03 shall relieve or have the effect of relieving Alio in any way from liability for damages incurred or suffered by Argonaut as a result of an intentional or wilful breach of this Arrangement Agreement by Alio.
- (h) Nothing in this Section 7.03 shall preclude Argonaut from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Arrangement Agreement or otherwise to obtain specific performance of any such covenants or agreements, without the necessity of posting bond or security in connection therewith.
- (i) In no event shall Alio be obligated to pay to Argonaut an amount in respect of the termination of this Arrangement Agreement that is, in aggregate, in excess of the Termination Fee and the Termination Fee shall, in any case, only be paid once by Alio.

#### **7.04 Access to Information**

- (a) From the date hereof until the earlier of the Effective Time and the termination of this Arrangement Agreement, subject to compliance with applicable Laws and the terms of any existing Contracts, Alio shall, and shall cause its officers, directors, employees, independent auditors, accounting advisers and agents to, afford to Argonaut and to the officers, employees, agents and representatives of Argonaut such access as Argonaut may reasonably require at all reasonable times, including for the purpose of facilitating integration business planning, to their officers, employees, agents, properties, books, records and Contracts, and shall furnish Argonaut with all data and information as Argonaut may reasonably request.
- (b) From the date hereof until the earlier of the Effective Time and the termination of this Arrangement Agreement, subject to compliance with applicable Laws and the terms of any existing Contracts, Argonaut shall, and shall cause its subsidiaries and their respective officers, directors, employees, independent auditors, accounting advisers and agents to, afford to Alio and to the officers, employees, agents and representatives of Alio such access as Alio may reasonably require at all reasonable times, including for the purpose of facilitating integration business planning, to their officers, employees, agents, properties, books, records and Contracts, and shall furnish Alio with all data and information as Alio may reasonably request.

#### **7.05 Insurance and Indemnification**

- (a) Prior to the Effective Time, Alio shall obtain and fully pay the premiums for a non-cancellable extension of the directors' and officers' liability coverage of Alio's existing directors' and officers' insurance policies and Alio's existing fiduciary liability insurance policies (collectively, the "**D&O Insurance**"), in each case for a claims reporting or discovery period of up to five years from and after the Effective Time with respect to any claim related to any period of time at or prior to the Effective Time from Alio's current D&O Insurance carriers or one or more insurance carriers with the same or better credit

rating as Alio's current D&O Insurance carriers with respect to directors' and officers' insurance policies in an amount and scope at least as favorable as the D&O Insurance.

- (b) Argonaut agrees that it shall directly honour all rights to indemnification or exculpation now existing in favour of present and former officers and directors of Alio and acknowledges that such rights shall survive the completion of the Plan of Arrangement and shall continue in full force and effect.
- (c) The provisions of this Section 7.05 are intended for the benefit of, and shall be enforceable by, each insured or indemnified person, his or her heirs and his or her legal representatives and, for such purpose, Alio hereby confirms that it is acting as agent and trustee on their behalf.

## **ARTICLE 8 TERM, TERMINATION, AMENDMENT AND WAIVER**

### **8.01 Term**

This Arrangement Agreement shall be effective from the date hereof until the earlier of the Effective Time and the termination of this Arrangement Agreement in accordance with its terms.

### **8.02 Termination**

- (a) This Arrangement Agreement, other than Section 7.03 and Section 8.02(c) hereof, may be terminated and the Arrangement may be abandoned at any time prior to the Effective Time (notwithstanding any approval of this Arrangement Agreement or the Arrangement Resolution by the Alio Securityholders, or of this Arrangement Agreement and the Share Issuance Resolution by the Argonaut Shareholders or the approval of the Arrangement by the Court):
  - (i) by mutual written agreement of Alio and Argonaut; or
  - (ii) by either Alio or Argonaut, if:
    - A. the Effective Time shall not have occurred on or before the Completion Deadline, except that the right to terminate this Arrangement Agreement under this Section 8.02(a)(ii) shall not be available to any Party whose failure to fulfill any of its obligations or whose breach of any of its representations and warranties under this Arrangement Agreement has been the cause of, or directly resulted in, the failure of the Effective Time to occur by such Completion Deadline; or
    - B. after the date hereof, there shall be enacted or made any applicable Law that makes consummation of the Arrangement illegal or otherwise prohibited or enjoins Alio or Argonaut from consummating the Arrangement and such applicable Law (if applicable) or injunction shall have become final and non-appealable; or
    - C. the Arrangement Resolution shall have failed to obtain the Alio Shareholder Approval or the Alio Securityholder Approval at the Alio

Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order; or

- D. the Share Issuance Resolution shall have failed to obtain the Argonaut Shareholder Approval at the Argonaut Meeting (including any adjournment or postponement thereof);

(iii) by Argonaut, if:

- A. prior to obtaining the Alio Shareholder Approval and the Alio Securityholder Approval, there is a Change in Alio Recommendation;
- B. any condition set forth in Section 6.01 or Section 6.03 is not satisfied, and such condition is incapable of being satisfied by the Completion Deadline;
- C. subject to Section 6.04, a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Alio set forth in this Arrangement Agreement (other than as set forth in Section 7.01) shall have occurred that would cause the conditions set forth in Section 6.01 or Section 6.03 not to be satisfied, and such conditions are incapable of being satisfied by the Completion Deadline; *provided that* Argonaut is not then in breach of this Arrangement Agreement so as to cause any of the conditions set forth in Section 6.01 or Section 6.03 not to be satisfied;
- D. Alio is in breach or in default of any of its obligations or covenants set forth in Section 7.01 other than an immaterial breach of Alio's obligation under Section 7.01 to provide notice of an Acquisition Proposal to Argonaut within a prescribed period;
- E. subject to the tolling provisions contained in Section 2.02 of this Arrangement Agreement, the Alio Meeting has not occurred on or before June 30, 2020, *provided that* the right to terminate this Arrangement Agreement pursuant to this Section 8.02(a)(iii)E shall not be available to Argonaut if the failure by Argonaut to fulfil any obligation hereunder is the cause of, or results in, the failure of the Alio Meeting to occur on or before such date; or
- F. the Alio Board authorizes Alio to enter into a legally binding agreement relating to a Superior Proposal; or
- G. Alio's normal course business operations, as currently conducted, are suspended or terminated, whether as a result of an order to suspend, an inability to continue operations or for any other reason, for a period of forty-five (45) days or more;

(iv) by Alio, if:

- A. the Alio Board authorizes Alio, subject to complying with the terms of this Arrangement Agreement, to enter into a legally binding agreement with respect to a Superior Proposal; *provided that* concurrently with such

termination, Alio pays the Termination Fee payable pursuant to Section 7.03;

- B. any condition set forth in Section 6.01 or Section 6.02 is not satisfied, and such condition is incapable of being satisfied by the Completion Deadline;
  - C. subject to Section 6.04, a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Argonaut set forth in this Arrangement Agreement shall have occurred that would cause the conditions set forth in Section 6.01 or Section 6.02 not to be satisfied, and such conditions are incapable of being satisfied by the Completion Deadline; *provided that* Alio is not then in breach of this Arrangement Agreement so as to cause any of the conditions set forth in Section 6.01 or Section 6.02 not to be satisfied; or
  - D. subject to the tolling provisions contained in Section 2.02 of this Arrangement Agreement, the Argonaut Meeting has not occurred on or before June 30, 2020, *provided that* the right to terminate this Arrangement Agreement pursuant to this Section 8.02(a)(iv)D shall not be available to Alio if the failure by Alio to fulfil any obligation hereunder is the cause of, or results in, the failure of the Argonaut Meeting to occur on or before such date, or
  - E. Argonaut's normal course business operations, as currently conducted, are suspended or terminated, whether as a result of an order to suspend, an inability to continue operations or for any other reason, for a period of forty-five (45) days or more;
- (b) The Party desiring to terminate this Arrangement Agreement pursuant to this Section 8.02 (other than pursuant to Section 8.02(a)(i)) shall give notice of such termination to the other Party.
- (c) In the event that Argonaut terminates this Arrangement Agreement pursuant to Section 8.02(a)(iii)(G) or Alio terminates this Arrangement Agreement pursuant to Section 8.02(a)(iv)(E) and, in either case, the termination results from the suspension or termination of normal course business operations by the other Party (the “**Non-Terminating Party**”) in circumstances in which such suspension or termination of normal course business operations was not required by applicable Law or the result of the infection, or suspected infection, of a material amount of the Non-Terminating Party’s workforce with the coronavirus, then, in either case, the Non-Terminating Party shall, within five Business Days following the termination of this Arrangement Agreement by Argonaut, pursuant to Section 8.02(a)(iii)(G), or Alio, pursuant to Section 8.02(a)(iv)(E), pay, or cause to be paid, to Argonaut or Alio (by wire transfer of immediately available funds), as the case may be, \$1,000,000 on account of the expenses incurred by Argonaut or Alio, as the case may be, in connection with the negotiation of this Arrangement Agreement and the furtherance of the Arrangement. Each of the Parties acknowledges that the agreement contained in this Section 8.02(c) is an integral part of the transactions contemplated in this Arrangement Agreement and that, without this agreement, the Parties would not enter into this Arrangement Agreement. Each Party acknowledges that the payment amount set out in this Section 8.02(c) is a genuine pre-estimate of the expenses incurred by each Party in connection with the negotiation of this Arrangement Agreement and the furtherance of the

Arrangement, which the Party entitled to such payment has incurred as a result of the negotiation of this Arrangement Agreement and the furtherance of the Arrangement and is not a penalty. Each Party irrevocably waives any right it may have to raise as a defence that such payment is excessive or punitive. For greater certainty, each Party agrees that, upon any termination of this Arrangement Agreement under circumstances where Argonaut or Alio is entitled to a payment pursuant to this Section 8.02(c) and such amount is paid in full, Argonaut or Alio, as the case may be, shall be precluded from any other remedy against the Non-Terminating Party 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 the Non-Terminating Party or any of its subsidiaries or any of their respective directors, officers, employees, partners, managers, members, shareholders or affiliates in connection with this Arrangement Agreement or the transactions contemplated hereby.

- (d) If this Arrangement Agreement is terminated pursuant to this Section 8.02, this Arrangement Agreement shall become void and of no effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party hereto, except as otherwise expressly contemplated hereby, and *provided that* the provisions of this Section 8.02(d), Section 8.02(c), Section 7.03 and Article 9 shall survive any termination hereof pursuant to Section 8.02(a); provided further that neither the termination of this Arrangement Agreement nor anything contained in this Section 8.02 shall relieve a Party from any liability arising prior to such termination.

### **8.03 Mutual Understanding Regarding Amendments**

- (a) In addition to the transactions contemplated hereby or at the request of a Party, the Parties will continue from and after the date hereof and through and including the Effective Date to use their respective commercially reasonable efforts to maximize present and future planning opportunities for Argonaut, Alio, the Argonaut Shareholders, the Alio Securityholders and the Argonaut Subsidiaries as and to the extent that the same shall not prejudice any party hereto or the shareholders thereof. The Parties will ensure that such planning activities do not impede the progress of the Arrangement in any material way.
- (b) The Parties mutually agree that if a Party proposes any other amendment or amendments to this Arrangement Agreement or to the Plan of Arrangement, Argonaut on the one hand, and Alio on the other hand, will act reasonably in considering such amendment and if the other of them and the shareholders thereof are not materially prejudiced by reason of any such amendment they will co-operate in a reasonable fashion with the Party proposing the amendment so that such amendment can be effected subject to applicable Laws and the rights of the Argonaut Shareholders and the Alio Securityholders.
- (c) At any time prior to the Argonaut Meeting and the Alio Meeting, Argonaut and Alio shall each be entitled to propose to the other modifications to the Arrangement in order to facilitate the Tax or other planning objectives of Argonaut, Alio, the Argonaut Shareholders, the Alio Securityholders or the Argonaut Subsidiaries, provided, in each case that: (i) the proposal is not likely to materially prejudice the other Party, the Argonaut Shareholders or the Alio Securityholders; (ii) the proposal would not impede or materially delay the completion of the transactions contemplated hereby; (iii) the Party making the proposal has provided notice of such proposal to the other Party not less than 15 Business Days prior to the date of the Argonaut Meeting and Alio Meeting; and (iv) implementation



of the proposal would not result in a transaction that is inconsistent with the fundamental terms of this Arrangement Agreement.

- (d) Each of Argonaut and Alio agree that any such modifications and any transactions or steps taken in accordance with this Section 8.03 shall not be considered in determining whether any representation or warranty made by them under this Arrangement Agreement has been breached if such modifications, transactions and steps are the sole cause of such breach.
- (e) Argonaut and Alio shall enter into an amending agreement reflecting the proposed amendments to the Arrangement and this Arrangement Agreement and the Plan of Arrangement shall be modified accordingly and Argonaut and Alio shall each use its respective commercially reasonable efforts to communicate any such modifications to the Argonaut Shareholders and the Alio Securityholders and to ensure that any such modifications are, to the extent required under applicable Law, presented to the Argonaut Shareholders at the Argonaut Meeting and the Alio Securityholders at the Alio Meeting, as the case may be.

#### **8.04 Amendment**

This Arrangement Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Alio Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, and any such amendment may, subject to the Interim Order and the Final Order and applicable Law, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and/or
- (d) waive compliance with or modify any mutual conditions precedent herein contained.

#### **8.05 Waiver**

Any Party may: (i) extend the time for the performance of any of the obligations or acts of the other Party; (ii) waive compliance, except as provided herein, with any of the other Party's agreements or the fulfilment of any conditions to its own obligations contained herein; or (iii) waive inaccuracies in any of the other Party's representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

### **ARTICLE 9 GENERAL**

#### **9.01 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**"). Argonaut shall not disclose Transaction Personal Information to any person other than to its advisors who are evaluating and advising on the transactions contemplated by this Arrangement Agreement. If Argonaut completes the transactions contemplated by this Arrangement Agreement, Argonaut shall not, following the Effective Date, without the consent of the individuals to whom such Transaction personal Information relates or as permitted or required by applicable Law, use or disclose Transaction Personal Information for purposes other than those for which such Transaction Personal Information was collected by Alio prior to the Effective Date; and which does not relate directly to the carrying on of Alio 's business or to the carrying out of the purposes for which the transactions contemplated by this Arrangement Agreement were implemented.

Argonaut 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 and to protect and safeguard Transaction Personal Information in their possession. If this Arrangement Agreement shall be terminated, Argonaut shall promptly deliver to Alio all Transaction Personal Information in its possession or in the possession of any of its advisors, including all copies, reproductions, summaries or extracts thereof.

## **9.02 Notices**

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Arrangement Agreement by a Party shall be in writing and shall be delivered by hand to the Party to which the notice is to be given at the following address or sent by facsimile or other means of electronic communication to the following numbers and addresses or to such other address or facsimile number as shall be specified by a Party by like notice. Any notice, consent, waiver, direction or other communication aforesaid shall, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a Business Day or, if not, then the next succeeding Business Day) and if sent by facsimile or other means of electronic communication be deemed to have been given and received at the time of receipt (if a Business Day or, if not, then the next succeeding Business Day) unless actually received after 4:00 p.m. (Toronto time) at the point of delivery in which case it shall be deemed to have been given and received on the next Business Day. The address for service of each of the Parties hereto shall be as follows:

- (a) if to Alio:

Alio Gold Inc.  
Suite 507 – 700 West Pender Street  
Vancouver, BC V6C 1G8

Attention: Mark Backens, President and CEO  
Facsimile: ~~Redacted: Facsimile~~  
Email: ~~Redacted: Email address~~

with copies (which shall not constitute notice) to:

Blake, Cassels & Graydon LLP  
595 Burrard Street P.O. Box 49314  
Suite 2600, Three Bentall Centre  
Vancouver, BC V7X 1L3

Attention: Andrew J. McLeod  
Facsimile: Redacted: Facsimile  
Email: Redacted: Email address

(b) if to Argonaut:

9600 Prototype Court  
Reno, Nevada 89521

Attention: Peter C. Dougherty, Chief Executive Officer  
Facsimile: Redacted: Facsimile  
Email: Redacted: Email address

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

Bennett Jones LLP  
3400 One First Canadian Place, P.O. Box 130  
Toronto, ON M5X 1A4

Attention: Sander A.J.R. Grieve  
Facsimile: Redacted: Facsimile  
Email: Redacted: Email address

### **9.03 Remedies**

Subject to Section 7.03 and Section 8.02(c), the Parties acknowledge and agree that an award of money damages may be inadequate for any breach of this Arrangement Agreement by any Party or its Representatives and advisors and that such breach may cause the non-breaching Party irreparable harm. Accordingly, the Parties agree that, in the event of any such breach or threatened breach of this Arrangement Agreement by one of the Parties, Alio (if Argonaut is the breaching party) or Argonaut (if Alio is the breaching party) will be entitled, without the requirement of posting a bond or other security, to seek equitable relief, including injunctive relief and specific performance. Subject to any other provision hereof including, without limitation, Section 7.03 and Section 8.02(c) hereof, such remedies will not be the exclusive remedies for any breach of this Arrangement Agreement but will be in addition to all other remedies available hereunder or at law or in equity to each of the Parties.

### **9.04 Expenses**

Subject to Section 7.03 and Section 8.02(c), the Parties agree that all out-of-pocket expenses incurred in connection with this Arrangement Agreement and the transactions contemplated hereby, the Alio Meeting, the preparation and mailing of the Joint Circular, the Argonaut Meeting, the preparation and mailing of the Joint Circular, including legal and accounting fees, printing costs, financial advisor fees and all disbursements by advisors, shall be paid by the Party incurring such expense and that nothing in this Arrangement Agreement shall be construed so as to prevent the payment of such expenses. The provisions of this Section 9.04 shall survive the termination of this Arrangement Agreement.

### **9.05 Time of the Essence**

Time shall be of the essence in this Arrangement Agreement.

#### **9.06 Entire Agreement**

This Arrangement Agreement, together with the agreements and other documents herein referred to (for greater certainty, including the Argonaut Disclosure Letter and Alio Disclosure Letter), constitute the entire agreement and understanding between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, between the Parties with respect to the subject matter hereof, including the Proposal Letter. There are no representations, warranties, covenants or conditions with respect to the subject matter hereof except as contained herein or in the other documents herein referred to.

#### **9.07 Further Assurances**

Each Party shall, from time to time, and at all times hereafter, at the request of the other of them, but without further consideration, do, or cause to be done, all such other acts and execute and deliver, or cause to be executed and delivered, all such further agreements, transfers, assurances, instruments or documents as shall be reasonably required in order to fully perform and carry out the terms and intent hereof including, without limitation, the Plan of Arrangement.

#### **9.08 Governing Law; Waiver of Jury Trial**

This Arrangement Agreement shall be governed by, and be construed in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein but the reference to such laws shall not, by conflict of laws rules or otherwise, require the application of the law of any jurisdiction other than the Province of Ontario. Each of the Parties hereby irrevocably attorns to the exclusive jurisdiction of the Courts of the Province of Ontario in respect of all matters arising under and in relation to this Arrangement Agreement and waives any defences to the maintenance of an action in the Courts of the Province of Ontario.

#### **9.09 Execution in Counterparts**

This Arrangement Agreement may be executed in one or more counterparts, each of which shall conclusively be deemed to be an original and all such counterparts collectively shall be conclusively deemed to be one and the same. Delivery of an executed counterpart of the signature page to this Arrangement Agreement by facsimile or other electronic means shall be effective as delivery of a manually executed counterpart of this Arrangement Agreement, and any Party delivering an executed counterpart of the signature page to this Arrangement Agreement by facsimile or other electronic means to any other Party shall thereafter also promptly deliver a manually executed original counterpart of this Arrangement Agreement to such other Party, but the failure to deliver such manually executed original counterpart shall not affect the validity, enforceability or binding effect of this Arrangement Agreement.

#### **9.10 Waiver**

No waiver or release by any Party shall be effective unless in writing and executed by the Party granting such waiver or release and any waiver or release shall affect only the matter, and the occurrence thereof, specifically identified and shall not extend to any other matter or occurrence. Waivers may only be granted upon compliance with the provisions governing amendments set forth in Section 8.03 hereof.

**9.11 No Personal Liability**

- (a) No director or officer of Alio shall have any personal liability whatsoever to Argonaut under this Arrangement Agreement or any other document delivered in connection with this Arrangement Agreement or the Arrangement by or on behalf of Alio.
- (b) No director or officer of Argonaut shall have any personal liability whatsoever to Alio under this Arrangement Agreement or any other document delivered in connection with this Arrangement Agreement or the Arrangement by or on behalf of Argonaut.

**9.12 Enurement and Assignment**

Argonaut may assign all or part of its rights under this Arrangement Agreement to, and its obligations under this Arrangement Agreement may be assumed by, a direct or indirect subsidiary of Argonaut, provided that if such assignment and/or assumption takes place, Argonaut shall continue to be liable jointly and severally with such subsidiary for all of its obligations hereunder.

This Arrangement Agreement shall enure to the benefit of the Parties and their respective successors and permitted assigns and shall be binding upon the Parties and their respective successors. This Arrangement Agreement may not be assigned by any Parties without the prior written consent of the other Party.

*[Remainder of this page is intentionally left blank.]*

**IN WITNESS WHEREOF** the parties hereto have executed this Arrangement Agreement as of the date first above written.

**ALIO GOLD INC.**

Per: (Signed) "Mark Backens"  
Mark Backens  
President and Chief Executive Officer

Per: (Signed) "Paul Jones"  
Paul Jones  
SVP, Corporate Development

**ARGONAUT GOLD INC.**

Per: (Signed) "Peter C. Dougherty"  
Peter C. Dougherty  
Chief Executive Officer

**SCHEDULE "A"**  
**FORM OF PLAN OF ARRANGEMENT**

**PLAN OF ARRANGEMENT UNDER SECTION DIVISION 5 OF PART 9  
OF THE *BUSINESS CORPORATIONS ACT* (BRITISH COLUMBIA)**

**ARTICLE 1**  
**DEFINITIONS AND INTERPRETATION**

**Section 1.1 Definitions.**

In this Plan of Arrangement, any capitalized term used herein and not defined in this Section 1.1 will have the meaning ascribed thereto in the Arrangement Agreement. Unless the context otherwise requires, the following words and terms used in this Plan of Arrangement will have the meanings hereinafter set forth:

"**Alio**" means Alio Gold Inc., a corporation existing under the BCBCA;

"**Alio Disclosure Letter**" means the letter delivered by Alio to Argonaut in the form accepted by and initialled on behalf of Argonaut with respect to certain matters in the Arrangement Agreement;

"**Alio DSUs**" means the outstanding deferred share units granted under the Alio DSU Plan;

"**Alio DSU Holder**" means a holder of Alio DSUs;

"**Alio DSU Plan**" means the Alio Deferred Share Unit Plan;

"**Alio Meeting**" means the annual general and special meeting, including any adjournments or postponements thereof, of the Alio Securityholders to be held, among other things, to consider and, if deemed advisable, to approve the Arrangement Resolution;

"**Alio Option In-The-Money Amount**" means, in respect of any Alio Option, the amount, if any, by which the total fair market value (determined immediately prior to the Effective Time) of the Alio Shares that a holder is entitled to acquire on exercise of such Alio Option immediately prior to the Effective Time exceeds the amount payable to acquire such shares;

"**Alio Options**" means all options to purchase Alio Shares outstanding immediately prior to the Effective Time and issued pursuant to the Alio Stock Option Plan and detailed in the Alio Disclosure Letter;

"**Alio PRSU Plan**" means the 2017 Performance and Restricted Share Unit Plan of Alio;

"**Alio PSU Holder**" means a holder of Alio PSUs;

"**Alio PSUs**" means the outstanding preferred share units granted under the Alio PRSU Plan;

"**Alio RSU Holder**" means a holder of Alio RSUs;

"**Alio RSUs**" means the outstanding restricted share units granted under the Alio RSU Plan;

"**Alio Securityholders**" means the Alio Shareholders, the Alio Option Holders, the Alio PSU Holders, the Alio DSU Holders and the Alio RSU Holders;;

"**Alio Shareholders**" means, at any time, the holders of Alio Shares;

"**Alio Shares**" means common shares in the capital of Alio;

"**Alio Stock Option Plan**" means the stock option plan of Alio as approved by the Alio Shareholders;

"**Argonaut**" means Argonaut Gold Inc., a corporation existing under the OBCA;

"**Argonaut Disclosure Letter**" means the letter delivered by Argonaut to Alio in the form accepted by and initialled on behalf of Alio with respect to certain matters in the Arrangement Agreement;

"**Argonaut Shares**" means common shares in the capital of Argonaut;

"**Arrangement**" means an arrangement under the provisions of Division 5 of Part 9 of the BCBCA on the terms and conditions set forth in this Plan of Arrangement, subject to any amendment or supplement thereto made in accordance therewith, herewith or made at the direction of the Court in the Final Order;

"**Arrangement Agreement**" means the arrangement agreement dated as of March 30, 2020 between Argonaut and Alio, together with the Argonaut Disclosure Letter, the Alio Disclosure Letter and the schedules attached thereto, as amended, amended and restated or supplemented from time to time;

"**Arrangement Consideration**" means 0.67 of an Argonaut Share for each Alio Share;

"**Arrangement Resolution**" means the special resolution of the Alio Shareholders and the Alio Securityholders approving the Arrangement, this Plan of Arrangement and the Arrangement Agreement, substantially in the form set out in Schedule "D" to the Arrangement Agreement;

"**BCBCA**" means the *Business Corporations Act* (British Columbia) and the regulations made thereunder;

"**Business Day**" means any day, other than a Saturday, a Sunday or a statutory holiday in Toronto, Ontario or Vancouver, British Columbia;

"**Court**" means the Supreme Court of British Columbia;

"**Depository**" means a trust company, bank or other financial institution appointed for the purpose of, among other things, exchanging certificates representing Alio Shares, Alio PSUs, Alio RSUs and Alio DSUs for certificates representing Argonaut Shares in connection with the Arrangement;

"**Dissenting Shareholders**" means registered Alio Shareholders who have duly and validly exercised their Dissent Rights in strict compliance with the dissent procedures set out in this Plan of Arrangement and Division 2 of Part 8 of the BCBCA and whose Dissent Rights have not terminated;

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement as contemplated in this Plan of Arrangement;



**"DSU Cash Consideration"** means, in respect of each Alio DSU, an amount of cash equal to fifty percent of the Valuation Date Value of such Alio DSU;

**"DSU Share Consideration"** means, in respect of each Alio DSU, the number of Incentive Compensation Shares having a value equal to fifty percent of the Valuation Date Value of such Alio DSU;

**"Effective Date"** means the date Argonaut and Alio agree to in writing, each acting reasonably, as the effective date of the Arrangement, which date shall be after all of the conditions precedent to the completion of the Arrangement Agreement and the Final Order have been satisfied or waived;

**"Effective Time"** means 12:01 a.m. (Toronto time) on the Effective Date, or such other time as the Parties may, prior to the Effective Date, agree to in writing;

**"Exchange Ratio"** means 0.67;

**"Existing Alio Directors and Officers"** means those persons who are directors or officers of Alio immediately prior to the Effective Time;

**"Final Order"** means the order of the Court pursuant to Section 291(4) of the BCBCA approving the Arrangement, in a form acceptable to both Alio and Argonaut, each acting reasonably, after a hearing upon the procedural and substantive fairness of the terms and conditions of the Arrangement to Alio Securityholders, approving the Arrangement as such order may be amended at any time prior to the Effective Date (with the consent of both Alio and Argonaut, each acting reasonably) or, if appealed, then unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

**"final proscription date"** shall have the meaning ascribed to such term in Section 5.5;

**"Former Alio DSU Holders"** means, at and following the Effective Time, the registered holders of Alio DSUs immediately prior to the Effective Time;

**"Former Alio Optionholders"** means, at and following the Effective Time, the holders of Alio Options immediately prior to the Effective Time;

**"Former Alio PSU Holders"** means, at and following the Effective Time, the registered holders of Alio PSUs immediately prior to the Effective Time;

**"Former Alio RSU Holders"** means, at and following the Effective Time, the registered holders of Alio RSUs immediately prior to the Effective Time;

**"Former Alio Shareholders"** means, at and following the Effective Time, the holders of Alio Shares immediately prior to the Effective Time;

**"Governmental Entity"** means (i) any applicable multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau or agency, whether domestic or foreign, (ii) any subdivision, agency, commission, board or authority of any of the foregoing, or (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

**"Incentive Compensation Shares"** means Alio Shares issued at a price per Alio Share equal to the greater of: (i) the 10 day volume-weighted average price of the Alio Shares on the Toronto Stock Exchange for the 10 consecutive trading day period ending on the trading day which is 10 Business Days prior to the Effective Date, and (ii) the lowest price permitted by the TSX;

**"Interim Order"** means the interim order after the application to the Court pursuant to section 291(2) of the BCBCA after being informed of the intention to rely upon the exemption from registration under section 3(a)(10) of the 1933 Act with respect to the Argonaut Securities to be issued pursuant to the Arrangement, in a form acceptable to both Alio and Argonaut (each acting reasonably), providing for (among other things) the calling and holding each of the Alio Meeting and the Argonaut Meeting, as such order may be amended, supplemented or varied by the Court (with the consent of both Alio and Argonaut, each acting reasonably);

**"Laws"** means all laws, by-laws, rules, regulations, orders, ordinances, protocols, codes, guidelines, instruments, policies, notices, directions and judgments or other requirements of any Governmental Entity;

**"Letter of Transmittal"** means the letter of transmittal sent by Alio to the Alio Securityholders for use in connection with the Arrangement, providing for the delivery of certificates representing Alio Shares, Alio PSUs, Alio DSUs and Alio RSUs to the Depositary;

**"New Alio Directors and Officers"** means Peter C. Dougherty, as director and president and Dave Ponczoch, as director and secretary;

**"OBCA"** means the *Business Corporations Act* (Ontario) and the regulations made thereunder;

**"Parties"** means, together, Argonaut and Alio, and **"Party"** means either of them

**"Person"** means an individual, partnership, association, body corporate, joint venture, business organization, trustee, executor, administrative legal representative, Governmental Entity or any other entity, whether or not having legal status;

**"Plan of Arrangement"** means this plan of arrangement and any amendments or variations made in accordance with the Arrangement Agreement or this Plan of Arrangement;

**"PSU Cash Consideration"** means, in respect of each Alio PSU, an amount of cash equal to fifty percent of the Valuation Date Value of such Alio PSU;

**"PSU Share Consideration"** means, in respect of each Alio PSU, the number of Incentive Compensation Shares having a value equal to fifty percent of the Valuation Date Value of such Alio PSU;

**"Replacement Argonaut Option"** shall have the meaning ascribed to such term in Section 3.1(g);

**"Replacement Argonaut Option In-The-Money Amount"** in respect of any Replacement Argonaut Option means the amount, if any, by which the total fair market value (determined immediately after the Effective Time) of the Argonaut Shares that a holder is entitled to acquire on exercise of the Replacement Argonaut Option from and after the Effective Time exceeds the amount payable to acquire such shares;

**"RSU Cash Consideration"** means, in respect of each Alio RSU, an amount of cash equal to fifty percent of the Valuation Date Value of such Alio RSU;

**"RSU Share Consideration"** means, in respect of each Alio RSU, the number of Incentive Compensation Shares having a value equal to fifty percent of the Valuation Date Value of such Alio RSU;

**"Tax Act"** means the *Income Tax Act* (Canada), and the regulations thereunder, as amended from time to time;

**"Termination"** means, with respect to a holder of Replacement Argonaut Options, that the holder has for any reason ceased to provide continuous services as an employee, consultant or director to Argonaut after the Effective Date; and

**"Valuation Date Value"** means the closing price of the Alio Shares on the Toronto Stock Exchange on the trading day which is 5 Business Days prior to the Effective Date.

## **Section 1.2 Interpretation Not Affected By Headings.**

The division of this Plan of Arrangement into Articles, Sections, Paragraphs and Subparagraphs and the insertion of headings herein are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof", "herein", "hereto", "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular Article, Section or other portion hereof and include any instrument supplementary or ancillary hereto.

## **Section 1.3 References to Articles, Sections, etc.**

Unless otherwise indicated, references in this Plan of Arrangement to any Article, Section, Paragraph, Subparagraph or portion thereof are a reference to the applicable Article, Section, Paragraph, Subparagraph or portion thereof in this Plan of Arrangement.

## **Section 1.4 Number, Gender and Persons.**

In this Plan of Arrangement, unless the context otherwise requires, words importing the singular only shall include the plural and *vice versa*, words importing the use of either gender shall include both genders and neuter, and the word Person and all words importing Persons shall include a natural person, firm, trust, partnership, association, corporation, joint venture or government (including any Governmental Entity, political subdivision or instrumentality thereof) and any other entity of any kind or nature whatsoever..

## **Section 1.5 Date for Any Action.**

In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

## **Section 1.6 Statutory References.**

Unless otherwise indicated, references in this Plan of Arrangement to any statute include all regulations made pursuant to such statute and the provisions of any statute or regulation which amends, supplements or supersedes any such statute or regulation.

## **ARTICLE 2 ARRANGEMENT AGREEMENT**

### **Section 2.1 Arrangement Agreement.**

This Plan of Arrangement is made pursuant to, and is subject to the provisions of, the Arrangement Agreement except in respect of the sequence of the steps comprising the Arrangement which shall occur in the order set forth herein. This Plan of Arrangement constitutes an arrangement as referred to in Section 288 of the BCBCA.

## **ARTICLE 3 ARRANGEMENT**

### **Section 3.1 Arrangement**

Commencing at the Effective Time, the following events or transactions shall occur and shall be deemed to occur in the following sequence without any further act or formality:

- (a) each Alio Share held by a Dissenting Shareholder shall be deemed to have been, surrendered to Alio for cancellation (free and clear of any liens, claims or encumbrances) without any further act or formality and shall be cancelled and such Dissenting Shareholders shall cease to be the holders of such Alio Shares and to have any rights as holders of such Alio Shares other than the right to be paid fair value for such Alio Shares as set out in Article 4, and such Dissenting Shareholders' names shall be removed as the holders of such Alio Shares from the central securities register of Alio;
- (b) the resignations of the Existing Alio Directors and Officers, and the appointment of the New Alio Directors and Officers, will be deemed to be effective;
- (c) with respect to the Alio PSUs;
  - (i) each Alio PSU granted and outstanding immediately prior to the Effective Time will, without further action, be deemed to be unconditionally vested, assuming an adjustment factor of 1.0, and assigned and transferred by the holder thereof to Alio in exchange for a cash payment from Alio equal to the PSU Cash Consideration and the issuance to the holder by Alio of a number of Incentive Compensation Shares equal to the PSU Share Consideration in respect of such Alio PSU, net of any applicable withholding tax, and the holder of such Alio PSU shall be and shall be deemed to be the holder of such number of Incentive Compensation Shares and the central securities register shall be and shall be deemed to be revised accordingly, but the holder of such Alio PSUs shall not be entitled to a certificate or other document representing the Incentive Compensation Shares so issued; and
  - (ii) the holder of each such Alio PSU will cease to be the holder thereof or to have any rights as a holder in respect of such Alio PSU or under the Alio PRSU Plan and

the name of the holder thereof will be removed from the applicable securities register of Alio with respect to such Alio PSU;

- (d) With respect to the Alio RSUs;
  - (i) each Alio RSU granted and outstanding immediately prior to the Effective Time will, without further action, be deemed to be unconditionally vested and assigned and transferred by the holder thereof to Alio in exchange for a cash payment from Alio equal to the RSU Cash Consideration and the issuance to the holder by Alio of a number of Incentive Compensation Shares equal to the RSU Share Consideration in respect of such Alio RSU, net of any applicable withholding tax, and the holder of such Alio RSU shall be and shall be deemed to be the holder of such number of Incentive Compensation Shares and the central securities register shall be and shall be deemed to be revised accordingly, but the holder of such Alio RSUs shall not be entitled to a certificate or other document representing the Incentive Compensation Shares so issued;
  - (ii) the holder of each such Alio RSU will cease to be the holder thereof or to have any rights as a holder in respect of such Alio RSU or under the Alio PRSU Plan and the name of the holder thereof will be removed from the applicable securities register of Alio with respect to such Alio RSU; and
  - (iii) the Alio PRSU Plan will be cancelled;
- (e) With respect to the Alio DSUs;
  - (i) each Alio DSU granted and outstanding immediately prior to the Effective Time will, without further action, be deemed to be unconditionally vested and assigned and transferred by the holder thereof to Alio in exchange for a cash payment from Alio equal to the DSU Cash Consideration and the issuance of a number of Incentive Compensation Shares to the holder by Alio equal to the DSU Share Consideration in respect of such Alio DSU, net of any applicable withholding tax, and the holder of such Alio DSU shall be and shall be deemed to be the holder of such number of Incentive Compensation Shares and the central securities register shall be and shall be deemed to be revised accordingly, but the holder of such Alio DSUs shall not be entitled to a certificate or other document representing the Incentive Compensation Shares so issued;
  - (ii) the holder of each such Alio DSU will cease to be the holder thereof or to have any rights as a holder in respect of such Alio DSU or under the Alio DSU Plan and the name of the holder thereof will be removed from the applicable securities register of Alio with respect to such Alio DSU; and
  - (iii) the Alio DSU Plan will be cancelled;
- (f) each Alio Share outstanding immediately prior to the Effective Time held by an Alio Shareholder (other than Argonaut or any Dissenting Shareholder) and each Incentive Compensation Share shall be transferred by the holder thereof to Argonaut in exchange for the Arrangement Consideration and Argonaut shall be deemed to be the legal and beneficial owner thereof, free and clear of any liens, claims or encumbrances, subject to Section 3.3, Section 3.4 and Article 5; and

- (g) each Alio Option outstanding immediately prior to the Effective Time, whether or not vested, shall be exchanged by the holder thereof, without any further act or formality and free and clear of all encumbrances, for an option (each a "**Replacement Argonaut Option**") to acquire from Argonaut, other than as provided herein, the number of Argonaut Shares equal to the product obtained when (A) the number of Alio Shares subject to such Alio Option immediately prior to the Effective Time, is multiplied by (B) the Exchange Ratio, provided that if the foregoing would result in the issuance of a fraction of an Argonaut Share on any particular exercise of Replacement Argonaut Options, then the number of Argonaut Shares otherwise issuable shall be rounded down to the nearest whole number of Argonaut Shares. The exercise price per Argonaut Share subject to a Replacement Argonaut Option shall be an amount equal to the quotient obtained when (A) the exercise price per Alio Share subject to each such Alio Option immediately before the Effective Time, is divided by (B) the Exchange Ratio, provided that the aggregate exercise price payable on any particular exercise of Replacement Argonaut Options shall be rounded up to the nearest whole cent. It is intended that the provisions of subsection 7(1.4) of the Tax Act apply to the exchange of an Alio Option for a Replacement Argonaut Option. Therefore, in the event that the Replacement Argonaut Option In-The-Money Amount in respect of a Replacement Argonaut Option exceeds the Alio Option In-The-Money Amount in respect of the Alio Option for which it is exchanged, the number of Argonaut Shares which may be acquired on exercise of the Replacement Argonaut Option at and after the Effective Time will be adjusted accordingly, with effect at and from the Effective Time, to ensure that the Replacement Argonaut Option In-The-Money Amount in respect of the Replacement Argonaut Option does not exceed the Alio Option In-The-Money Amount in respect of the Alio Option and the ratio of the amount payable to acquire such shares to the value of such shares to be acquired shall be unchanged. Except as set out above, the term to expiry, conditions to and manner of exercise (provided any Replacement Argonaut Option shall be exercisable at the offices of Argonaut) and the other terms and conditions of each of the Replacement Argonaut Options shall be the same as the terms and conditions of the Alio Option for which it is exchanged, except that the Replacement Argonaut Options, in the event of the Termination of the holder of the Replacement Argonaut Option, will expire on the later of the date that is one year from the Effective Date and the date that such Alio Option would have otherwise expired pursuant to the terms of the Alio Stock Option Plan or the contractual terms applicable to such Alio Options, and for greater certainty, each Replacement Argonaut Option shall continue to be governed by and be subject to the terms of the Alio Stock Option Plan or the contractual terms applicable to such Alio Options, as applicable, evidencing the grant of such Alio Option, except with respect to the Termination of the holder of the Replacement Argonaut Option. Any document previously evidencing an Alio Option shall thereafter evidence and be deemed to evidence such Replacement Argonaut Option and no certificates evidencing Replacement Argonaut Options shall be issued.

### **Section 3.2 Post-Effective Time Procedures.**

- (a) Following the receipt of the Final Order and no later than one Business Day before the Effective Date, Argonaut shall deliver or arrange to be delivered to the Depositary certificates representing the requisite Argonaut Shares required to be issued to Former Alio Shareholders, Former Alio PSU Holders, Former Alio RSU Holders and Former Alio DSU Holders in accordance with the provisions of Section 3.1, which certificates shall be held by the Depositary as agent and nominee for Former Alio Shareholders, Former Alio PSU Holders, Former Alio RSU Holders and Former Alio DSU Holders for distribution to such

Former Alio Shareholders, Former Alio PSU Holders, Former Alio RSU Holders and Former Alio DSU Holders in accordance with the provisions of Article 5.

- (b) On or as soon as practicable after the Effective Date, and in any event within three Business Days of the Effective Date, Alio shall pay, or cause to be paid, the cash amounts, less any amounts withheld pursuant to Section 5.4, to be paid to Former Alio PSU Holders, Former Alio RSU Holders and Former Alio DSU Holders either (i) pursuant to the normal payroll practices and procedures of Alio, or (ii) by cheque or wire transfer (delivered to Former Alio PSU Holder, Former Alio RSU Holder and Former Alio DSU Holder, as applicable, as reflected on the register maintained by or on behalf of Alio in respect of the Alio PSUs, Alio RSUs and Alio DSUs).
- (c) Subject to the provisions of Article 5, and upon return of a properly completed Letter of Transmittal by a registered Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder, together with certificates representing Alio Shares, Alio PSUs, Alio DSUs or Alio RSUs, as applicable, and such other documents as the Depositary may require, the Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder shall be entitled to receive delivery of certificates representing the Argonaut Shares to which it is entitled pursuant to Section 3.1(f).

**Section 3.3 No Fractional Argonaut Shares.**

No fractional Argonaut Shares shall be issued to Former Alio Shareholders, Former Alio PSU Holders, Former Alio RSU Holders and Former Alio DSU Holders in connection with this Plan of Arrangement. The total number of Argonaut Shares to be issued to any Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder shall, without additional compensation, be rounded down to the nearest whole Argonaut Share in the event that a Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holders would otherwise be entitled to a fractional share.

**Section 3.4 Transfers Free and Clear**

Any transfer of securities pursuant to this Plan of Arrangement shall be free and clear of all liens, claims and encumbrances.

**Section 3.5 Binding Effect.**

This Plan of Arrangement will become effective at, and be binding at and after, the Effective Time on: (i) Argonaut; (ii) Alio; (iii) Former Alio Shareholders; (iv) Former Alio Optionholders, (v) Former Alio PSU Holders, (vi) Former Alio RSU Holders and (vii) Former Alio DSU Holders.

**ARTICLE 4**  
**DISSENT PROCEDURES**

**Section 4.1 Rights of Dissent.**

A Dissenting Shareholder may exercise Dissent Rights with respect to the Alio Shares held by such holder in connection with the Arrangement pursuant to and in the manner set forth in Sections 237 to 247 of the BCBCA, as modified by this Section 4.1; provided however the written objection to the Arrangement Resolution referred to in Section 242 of the BCBCA must be received by Alio not later than 5:00 p.m.

(Vancouver time) two Business Days immediately preceding the date of the Alio Meeting (as may be adjourned or postponed from time to time).

Each Dissenting Shareholder who is:

- (a) ultimately entitled to be paid fair value for such holder's Alio Shares: (i) shall be deemed not to have participated in the transactions in Article 3 (other than Section 3.1(a)); (ii) shall be entitled to be paid the fair value of such Alio Shares by Alio (with funds of Alio not directly or indirectly provided by Argonaut), which fair value shall be determined as of the close of business on the day before the Arrangement Resolution was adopted; and (iii) shall not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holder not exercised their Dissent Rights in respect of such Alio Shares; or
- (b) ultimately not entitled, for any reason, to be paid fair value for such Alio Shares shall be deemed to have participated in the Arrangement on the same basis as a non-dissenting holder of Alio Shares.

#### **Section 4.2 Recognition of Dissenting Holders**

- (a) In no circumstances shall the Parties or any other Person be required to recognize a Person exercising Dissent Rights unless such Person is the registered holder of those Alio Shares in respect of which such rights are sought to be exercised. In addition to any other restrictions under Sections 237 to 247 of the BCBCA, Dissent Rights shall not be granted in respect of: (i) Alio Options; (ii) Alio Warrants; (iii) Alio PSUs; (iv) Alio DSUs; (v) Alio RSUs or (vi) Incentive Compensation Shares.
- (b) For greater certainty, in no case shall the Parties or any other Person be required to recognize Dissenting Shareholders as holders of Alio Shares in respect of which Dissent Rights have been validly exercised after the completion of the transfer under Section 3.1(a), and the names of such Dissenting Shareholders shall be removed from the registers of holders of the Alio Shares in respect of which Dissent Rights have been validly exercised at the same time as the event described in Section 3.1(a) occurs. Alio Shareholders who vote or have instructed a proxyholder to vote their Alio Shares in favour of the Arrangement Resolution (but only in respect of such Alio Shares) shall not be entitled to exercise Dissent Rights.

### **ARTICLE 5** **DELIVERY OF ARGONAUT SHARES**

#### **Section 5.1 Delivery of Argonaut Shares.**

- (a) Upon surrender to the Depositary for cancellation of a certificate which immediately prior to the Effective Time represented one or more outstanding Alio Shares, Alio PSUs, Alio RSUs or Alio DSUs which were exchanged for Argonaut Shares in accordance with Section 3.1, together with such additional documents and instruments as the Depositary may reasonably require, the holder of such surrendered certificate shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such holder following the Effective Time, a certificate representing the Argonaut Shares which such holder is entitled to receive in accordance with Section 3.1.



- (b) After the Effective Time and until surrendered for cancellation as contemplated by Section 5.1(a), each certificate which immediately prior to the Effective Time represented one or more Alio Shares, Alio PSUs, Alio RSUs or Alio DSUs shall be deemed at all times to represent only the right to receive in exchange therefor the entitlements which the holder of such certificate is entitled to receive in accordance with Section 3.1.

#### **Section 5.2 Lost Certificates.**

In the event that any certificate which immediately prior to the Effective Time represented one or more outstanding Alio Shares, Alio PSUs, Alio RSUs or Alio DSUs which were exchanged or transferred in accordance with Section 3.1 shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to be lost, stolen or destroyed, the Depositary shall deliver in exchange for such lost, stolen or destroyed certificate, the consideration which such person is entitled to receive in accordance with Section 3.1, provided that, as a condition precedent to any such delivery by the Depositary, such person shall have provided a bond satisfactory to Argonaut and the Depositary in such amount as Argonaut and the Depositary may direct, or otherwise indemnified Argonaut and the Depositary in a manner satisfactory to Argonaut and the Depositary, against any claim that may be made against Argonaut or the Depositary with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise have taken such actions as may be required by the articles of Alio.

#### **Section 5.3 Distributions with Respect to Unsurrendered Certificates.**

No dividend or other distribution declared or made after the Effective Time with respect to Argonaut Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate which, immediately prior to the Effective Time, represented outstanding Alio Shares, Alio PSUs, Alio RSUs or Alio DSUs unless and until the holder of such certificate shall have complied with the provisions of Section 5.1 or Section 5.2. Subject to applicable law and to Section 5.4, at the time of such compliance, there shall, in addition to the delivery of a certificate representing the Argonaut Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such Argonaut Shares.

#### **Section 5.4 Withholding Rights.**

Alio, Argonaut and the Depositary shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person hereunder and from all dividends or other distributions otherwise payable to any Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder such amounts as Alio, Argonaut or the Depositary is required to deduct and withhold with respect to such payment under the Tax Act, the *United States Internal Revenue Code of 1986* or any provision of any applicable federal, provincial, state, local or foreign tax Laws, in each case, as amended. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the relevant Person in respect of which such deduction and withholding was made, provided that such withheld amounts are remitted to the appropriate Governmental Entity.

#### **Section 5.5 Limitation and Proscription.**

To the extent that a Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder shall not have complied with the provisions of Section 5.1 or Section 5.2 on or before the date which is six years after the Effective Date (the "**final proscription date**"), then:

- (a) any Argonaut Shares which such Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the certificates representing such Argonaut Shares shall be delivered to Argonaut by the Depository for cancellation and shall be cancelled by Argonaut, and the interest of the Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder in such Argonaut Shares shall be terminated as of such final proscription date; and
- (b) any dividends or distributions which such Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder was entitled to receive under Section 5.3 shall be delivered by the Depository to Argonaut and such dividends or distributions shall be deemed to be owned by Argonaut, and the interest of the Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder in such dividends or distributions shall be terminated as of such final proscription date.

**Section 5.6 U.S. Securities Laws Exemption.**

Notwithstanding any provision herein to the contrary, the Parties agree that the Plan of Arrangement will be carried out with the intention that (i) all Argonaut Shares issued on completion of the Plan of Arrangement to the Alio Shareholders, Alio PSU Holders, Alio RSU Holders and Alio DSU Holders and (ii) all Replacement Argonaut Options issued on completion of the Plan of Arrangement to Former Alio Optionholders will, in each case, be issued by Argonaut in reliance on the exemption from the registration requirements of the U.S. Securities Act of 1933, as amended, as provided by Section 3(a)(10) thereof.

**ARTICLE 6**  
**AMENDMENTS**

**Section 6.1 Amendments to Plan of Arrangement.**

- (a) The Parties reserve the right to amend, modify or supplement this Plan of Arrangement at any time and from time to time, provided that each such amendment, modification or supplement must be: (i) set out in writing; (ii) agreed to in writing by the Parties; (iii) filed with the Court and, if made following the Alio Meeting, approved by the Court; and (iv) communicated to Former Alio Shareholders, Former Alio PSU Holders, Former Alio RSU Holders or Former Alio DSU Holders if and as required by the Court.
- (b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Alio at any time prior to the Alio Meeting provided that Argonaut shall have consented thereto in writing, with or without any other prior notice or communication, and, if so proposed and accepted by the persons voting at the Alio Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved by the Court following the Alio Meeting shall be effective only if: (i) it is consented to in writing by each of the Parties; and (ii) if required by the Court, it is consented to by the Alio Securityholders voting in the manner directed by the Court.

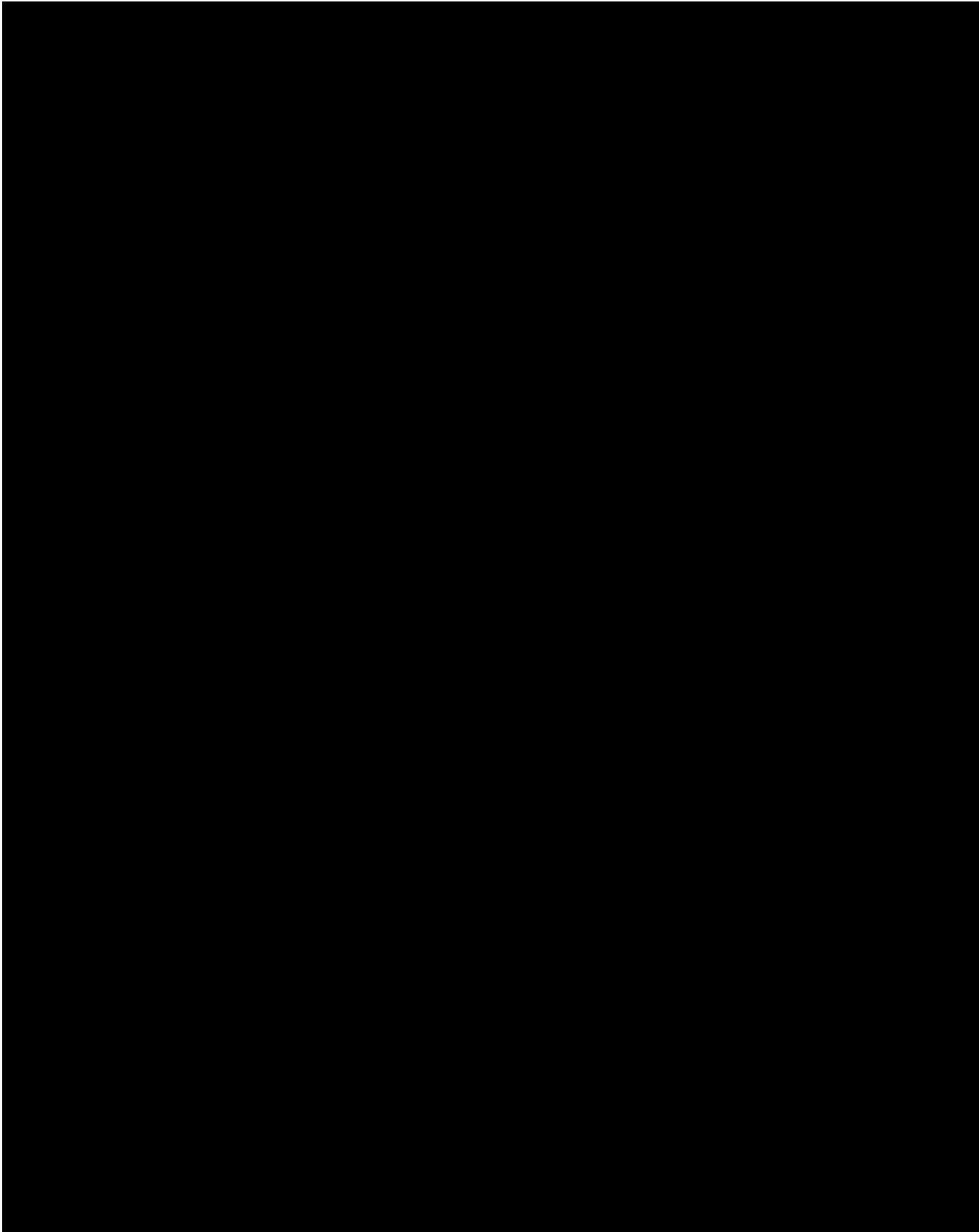
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time but shall only be effective if it is consented to by each of the Parties, provided that such amendment, modification or supplement concerns a matter which, in the reasonable opinion of the Parties, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of the Parties or any Former Alio Shareholder, Former Alio PSU Holder, Former Alio RSU Holder or Former Alio DSU Holder.

**ARTICLE 7**  
**FURTHER ASSURANCES**

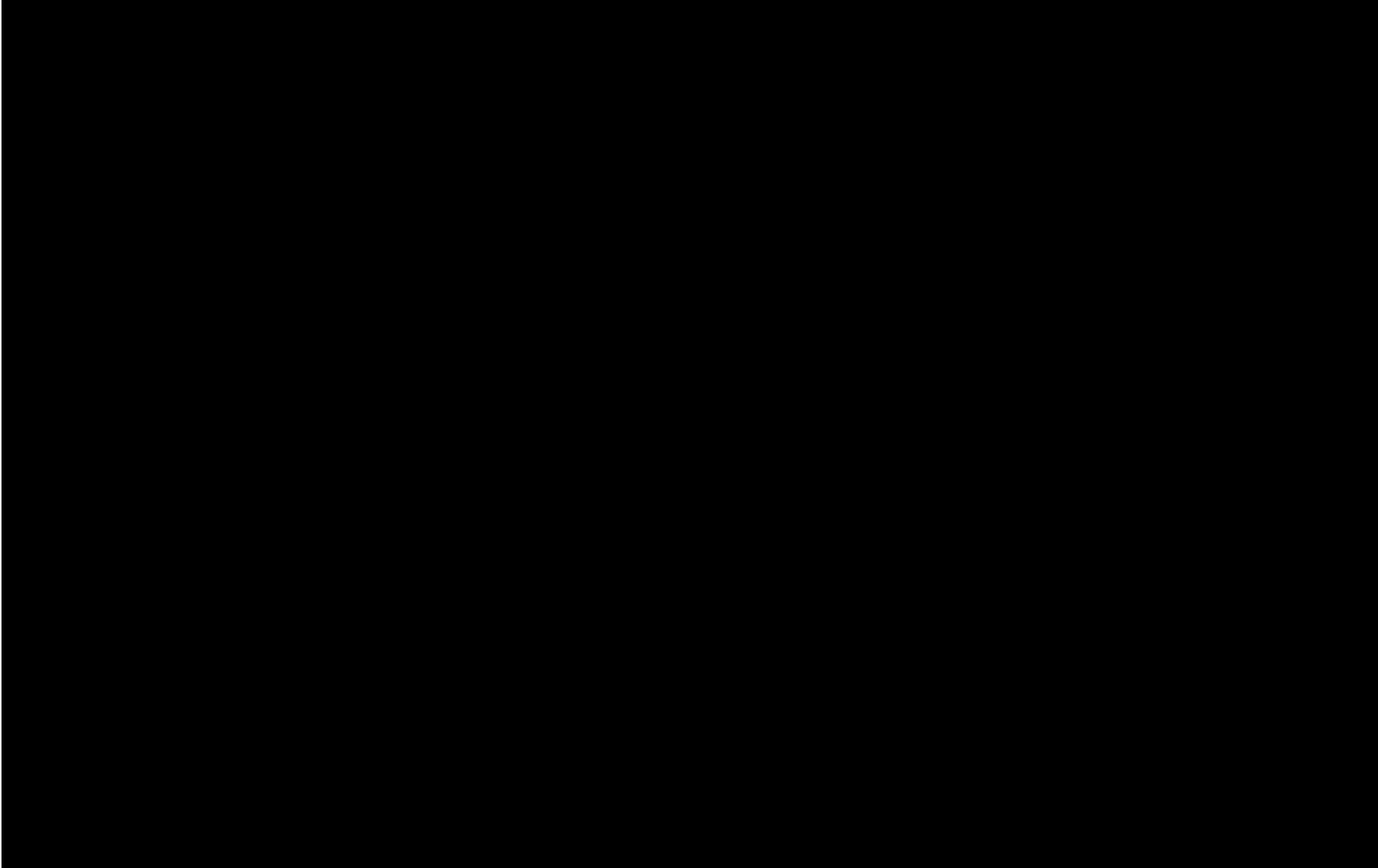
**Section 7.1 Further Assurances**

Each Party shall, from time to time, and at all times hereafter, at the request of the other of them, but without further consideration, do, or cause to be done, all such other acts and execute and deliver, or cause to be executed and delivered, all such further agreements, transfers, assurances, instruments or documents as shall be reasonably required in order to fully perform and carry out the terms and intent hereof including, without limitation, this Plan of Arrangement.

**SCHEDULE "B"**  
**ALIO PROPERTIES**



**SCHEDULE "C"**  
**ARGONAUT PROPERTIES**



**SCHEDULE "D"**  
**ARRANGEMENT RESOLUTION**

**BE IT RESOLVED BY SPECIAL RESOLUTION THAT:**

1. The arrangement (the "**Arrangement**") under the provisions of Division 5 of Part 9 of the *Business Corporations Act* (British Columbia) (the "**BCBCA**") involving Alio Gold Inc. ("**Alio**") pursuant to the arrangement agreement (the "**Arrangement Agreement**") between Alio and Argonaut Gold Inc. ("**Argonaut**") dated March 30, 2020, all as more particularly described and to be set forth in the joint management information circular of Alio and Argonaut (the "**Circular**") accompanied by the notice of the meeting (as the Arrangement may be modified or amended in accordance with its terms), is hereby authorized, approved and adopted.
2. The plan of arrangement, as it has been or may be modified or amended in accordance with the Arrangement Agreement and its terms, involving Alio (the "**Plan of Arrangement**"), the full text of which is set out as Schedule "A" to the Arrangement Agreement, is hereby authorized, approved and adopted.
3. The Arrangement Agreement and all the transactions contemplated therein, the actions of the directors of Alio in approving the Arrangement, and the actions of the officers of Alio in executing and delivering the Arrangement Agreement, and any modifications or amendments thereto are hereby ratified and approved.
4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by the Alio Shareholders (as defined in the Arrangement Agreement) and the Alio Securityholders (as defined in the Arrangement Agreement) or that the Arrangement has been approved by the Supreme Court of British Columbia (the "**Court**"), the directors of Alio are hereby authorized and empowered, at their discretion, without further notice to or approval of the Alio Shareholders or the Alio Securityholders: (a) to amend or modify the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement; and (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.
5. Any officer or director of Alio is hereby authorized and directed for and on behalf of Alio to make an application to the Court for an order approving the Arrangement and to execute, under the corporate seal of Alio or otherwise, and to deliver or cause to be delivered, such other documents as are necessary or desirable to give effect to the Arrangement and the Plan of Arrangement in accordance with the Arrangement Agreement, such determination to be conclusively evidenced by the execution and delivery of such articles of arrangement and any such other documents.
6. Any officer or director of Alio is hereby authorized and directed for and on behalf of Alio to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as, in such person's opinion, may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such other document or instrument or the doing of any other such act or thing.

**SCHEDULE "E"**  
**SHARE ISSUANCE RESOLUTION**

**WHEREAS** Argonaut Gold Inc. ("**Argonaut**") has entered into an arrangement agreement dated March 30, 2020 (the "**Arrangement Agreement**") with Alio Gold Inc. ("**Alio**") to complete a transaction (the "**Arrangement**") pursuant to a plan of arrangement (the "**Plan of Arrangement**") whereby Argonaut would acquire all of the issued and outstanding common shares of Alio (the "**Alio Shares**") in exchange for common shares of Argonaut ("**Argonaut Shares**") on the basis of 0.67 of an Argonaut Share (the "**Arrangement Consideration**") for each Alio Share, whereby all of the outstanding options to acquire Alio Shares not exercised by the holder thereof would be exchanged for such number of options ("**Replacement Argonaut Options**") to acquire Argonaut Shares on the terms and conditions set out in the Plan of Arrangement and whereby all of the outstanding warrants to acquire Alio Shares (the "**Alio Warrants**") not exercised by the holder thereof will be dealt with in accordance with their terms, all as will be more fully described in the joint management information circular of Argonaut and Alio (the "**Circular**");

**AND WHEREAS** Argonaut, in accordance with Section 611(c) of the Toronto Stock Exchange Company Manual, wishes to obtain the requisite shareholder approval of the issuance of the Argonaut Shares comprising the Arrangement Consideration and the Argonaut Shares made issuable in respect of the Replacement Argonaut Options issued in connection with the Arrangement;

**NOW THEREFORE BE IT RESOLVED BY ORDINARY RESOLUTION THAT:**

1. The issuance of the Argonaut Shares comprising the Arrangement Consideration pursuant to the terms of the Arrangement Agreement as described in the Circular is hereby approved;
2. The issuance of the Argonaut Shares upon the due exercise of the Replacement Argonaut Options issued by Argonaut pursuant to the terms of the Plan of Arrangement as described in the Circular is hereby approved;
3. The issuance of the Argonaut Shares upon the due exercise of Alio Warrants as described in the Circular is hereby approved;
4. Any officer or director of Argonaut is hereby authorized and directed for and on behalf of Argonaut to execute or cause to be executed, under the corporate seal of Argonaut or otherwise, and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as, in such person's opinion, may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such other document or instrument or the doing of any other such act or thing; and
5. The board of directors of the Argonaut be, and it is authorized, to abandon all or any part of these resolutions at any time prior to giving effect thereto.