

# Argonaut Gold Inc. Announces First Quarter Production of 55,516 Gold Equivalent Ounces

12.05.2022 | [CNW](#)

## Cash Flow<sup>1</sup> of \$25 Million and Provides Magino Construction Project Update

TORONTO, May 11, 2022 - [Argonaut Gold Inc.](#) (TSX: AR) (the "Company", "Argonaut Gold" or "Argonaut") is pleased to announce its operating and financial results for the first quarter ended March 31, 2022. For the first quarter 2022, the Company reports production of 55,516 gold equivalent ounces<sup>2</sup> ("GEO" or "GEOs"), revenue of \$105.8 million, cash flow from operating activities before changes in non-cash operating working capital and other items of \$25.1 million, net income of \$5.6 million or earnings per basic share of \$0.02, and adjusted net income<sup>3</sup> of \$8.2 million or adjusted earning per basic share<sup>3</sup> of \$0.03. All dollar amounts are expressed in United States dollars, unless otherwise specified (C\$ refers to Canadian dollars).

<sup>1</sup> "Cash Flow" refers to "Cash flow from operating activities before changes in non-cash operating working capital and other items".

<sup>2</sup> GEOs are based on a conversation ratio of 80:1 for silver to gold for 2022 and 85:1 for 2021. The silver to gold conversation ratio is based on the three-year trailing average silver to gold ratios. These are the referenced ratios for each year throughout the press release.

<sup>3</sup> This is a Non-IFRS Measure. Please refer to the section entitled "Non-IFRS Measures" for a discussion of these Non-IFRS Measures.

### Magino Project Capital

The Company also reports that following the appointment of Larry Radford to the position of President, CEO and Director on March 21, 2022, Argonaut initiated a review of the estimated cost to completion ("EAC") for the Magino construction project. While this review has not yet been finalized, the Company estimates that the updated EAC is likely to be approximately 15% higher than the previously reported EAC of C\$800 million (see December 14, 2021 press release). At March 31, 2022, Argonaut had committed approximately C\$605 million, had incurred approximately C\$400 million, and estimates the project is approximately 50% complete.

### Magino Project Schedule

The Magino construction project currently remains on schedule for first gold pour by March 31, 2023. Argonaut has very recently been advised that certain subcontractors at Magino are exposed to current and threatened labour actions, which may give rise to delays should such labour actions continue or commence. While the scope of such delays remain uncertain, these events are developing and to this point have not led to any change to the overall project schedule.

### Magino Project Financing

Since mid-December 2021, Argonaut has been actively advancing financing and strategic alternatives to finance the previously announced funding shortfall to complete the Magino construction project. Both financing and strategic alternatives continue to advance, and the Company is cautiously optimistic it will conclude either a financing or strategic alternative prior to the end of the second quarter 2022 to be able to continue to advance the Magino construction project on schedule. In the event that neither a financing nor a strategic alternative is available promptly and upon acceptable terms, Argonaut may need to amend or adjust its plans for construction of the Magino project.

Larry Radford, President & CEO stated: "We were generally in line with our operational budget during the first quarter, which yielded over 55,000 GEOs and \$25 million in cash flow. My focus since my appointment has been primarily on the Magino construction project. The mining industry is experiencing extraordinary cost pressures and Magino is no exception. We have looked at costs internally and with the assistance of outside experts and are looking at all aspects of the project to understand risks and opportunities. While the updated EAC is not yet finalized, we expect it is likely to be approximately 15% higher than the C\$800 million estimated prior to my appointment. We continue to advance financing options in parallel with strategic alternatives and, in order to continue to advance the Magino construction project on schedule, our goal is to have a solution in place by the end of the second quarter 2022."

### First Quarter 2022 Results

Key operating and financial statistics for the first quarter ended March 31, 2022 are outlined in the following table:

|  | 3 Months Ended |         |        |
|--|----------------|---------|--------|
|  | March 31       |         |        |
|  | 2022           | 2021    | Change |
| Financial Data (in millions except for earning per share)  |                |         |        |
| Revenue  | \$105.8        | \$105.3 | -%     |
| Gross profit   | \$21.7         | \$27.6  | (21%)  |
| Net income (loss)  | \$5.6          | \$27.0  | (79%)  |
| Earnings (loss) per share - basic  | \$0.02         | \$0.09  | (78%)  |
| Adjusted net income <sup>1</sup>   | \$8.2          | \$7.0   | 17%    |
| Adjusted earnings per share - basic <sup>1</sup>   | \$0.03         | \$0.02  | 28%    |
| Cash flow from operating activities before changes in non-cash operating working capital and other items | \$25.1         | \$27.7  | (9%)   |
| Cash and cash equivalents  | \$166.1        | \$227.3 | (27%)  |
| Net cash   | \$86.1         | \$227.3 | (62%)  |
| Gold Production and Cost Data  |                |         |        |
| GEOs loaded to the pads <sup>2</sup>   | 94,905         | 113,821 | (17%)  |
| GEOs projected recoverable <sup>2,3</sup>  | 54,751         | 63,287  | (13%)  |
| GEOs produced <sup>2,4</sup>   | 55,516         | 59,704  | (7%)   |
| GEOs sold <sup>2</sup>   | 56,373         | 59,116  | (5%)   |
| Average realized sales price   | \$1,874        | \$1,761 | 6%     |
| Cash cost per gold ounce sold <sup>1</sup>   | \$1,153        | \$1,003 | 15%    |
| All-in sustaining cost per gold ounce sold <sup>1</sup>  | \$1,430        | \$1,318 | 8%     |

<sup>1</sup>This is a Non-IFRS Measure. Please refer to the section below entitled "Non-IFRS Measures" for a discussion of these Non-IFRS Measures.

<sup>2</sup>GEOs are based on a conversion ratio of 80:1 for silver to gold for 2022 and 85:1 for 2021. The silver to gold conversion ratio is based on the three-year trailing average silver to gold ratio.

<sup>3</sup>Expected recoverable GEOs are based on the assumptions and parameters as set forth in the El Castillo Gold Mine Technical Report dated February 14, 2022, the San Agustin Gold/Silver Mine Technical Report dated February 14, 2022, the La Colorada Gold/Silver Mine Technical Report dated February 14, 2022 and the Florida Canyon Technical Report dated July 8, 2020. In periods where the Company mines and processes material not specifically defined in a technical report (for example: low grade stockpile material or run-of-mine ore), management uses its best estimate of recovery based on the information available.

<sup>4</sup>Produced ounces are calculated as ounces loaded to carbon.



## First Quarter 2022 and Recent Company Highlights:

- Corporate Highlights:
  - GEO production of 55,516 GEOs.
- Strategic Result: First Quarter 2022, the Machiagessi restructuring project was estimated at \$25.1 million, 50% completed.
- Operating Result: First Quarter 2022, the Company achieved production of 55,516 GEOs at a cash cost per gold ounce sold of \$1,153 and all-in sustaining cost per gold ounce sold ("AISC") of \$1,430 compared to 59,704 GEOs at a cash cost of \$1,003 per gold ounce sold and an AISC of \$1,318 during the first quarter 2021 (These are Non-IFRS Measures. Please see "Non-IFRS Measures" section). The 8% decrease in GEO production was primarily related to lower gold grades processed at La Colorada and lower recoveries at Florida Canyon due to processing more run-of-mine ore. Higher costs were primarily related to higher mining rates at El Castillo and La Colorada due to higher strip ratios, higher reagent costs across all operations and lower gold ounces sold.
- Cash Flows: Cash flows from operating activities before changes in non-cash operating working capital and other items totaled \$25.1 million during the first quarter of 2022, a slight decrease from \$27.7 million in the first quarter of 2021, primarily due to higher operating costs.
- Operational Results - First Quarter 2022
  - During the first quarter of 2022, the Company achieved production of 55,516 GEOs at a cash cost per gold ounce sold of \$1,153 and all-in sustaining cost per gold ounce sold ("AISC") of \$1,430 compared to 59,704 GEOs at a cash cost of \$1,003 per gold ounce sold and an AISC of \$1,318 during the first quarter 2021 (These are Non-IFRS Measures. Please see "Non-IFRS Measures" section). The 8% decrease in GEO production was primarily related to lower gold grades processed at La Colorada and lower recoveries at Florida Canyon due to processing more run-of-mine ore. Higher costs were primarily related to higher mining rates at El Castillo and La Colorada due to higher strip ratios, higher reagent costs across all operations and lower gold ounces sold.
- Financial Results: Net income for the first quarter of 2022 was \$8.2 million or \$0.03 per basic share, an increase from adjusted net income of \$7.0 million or \$0.02 per basic share for the first quarter of 2021. (This is a Non-IFRS Measure. Please see "Non-IFRS Measures" section).
- Shareholder Returns: The Company's share price increased by 10% during the first quarter of 2022, compared to a 5% increase in the first quarter of 2021.
- Environmental, Social and Governance (ESG): The Company has implemented various ESG initiatives, including the establishment of a Sustainability Committee and the adoption of a new ESG policy.
- Future Outlook: The Company expects continued growth in the first half of 2022, driven by increased production and improved operating costs.

Adjusted net income for the first quarter of 2022 was \$8.2 million or \$0.03 per basic share, an increase from adjusted net income of \$7.0 million or \$0.02 per basic share for the first quarter of 2021. (This is a Non-IFRS Measure. Please see "Non-IFRS Measures" section).

Cash flows from operating activities before changes in non-cash operating working capital and other items totaled \$25.1 million during the first quarter of 2022, a slight decrease from \$27.7 million in the first quarter of 2021, primarily due to higher operating costs.

### Operational Results - First Quarter 2022

During the first quarter of 2022, the Company achieved production of 55,516 GEOs at a cash cost per gold ounce sold of \$1,153 and all-in sustaining cost per gold ounce sold ("AISC") of \$1,430 compared to 59,704 GEOs at a cash cost of \$1,003 per gold ounce sold and an AISC of \$1,318 during the first quarter 2021 (These are Non-IFRS Measures. Please see "Non-IFRS Measures" section). The 8% decrease in GEO production was primarily related to lower gold grades processed at La Colorada and lower recoveries at Florida Canyon due to processing more run-of-mine ore. Higher costs were primarily related to higher mining rates at El Castillo and La Colorada due to higher strip ratios, higher reagent costs across all operations and lower gold ounces sold.

## FIRST QUARTER 2022 EL CASTILLO COMPLEX OPERATING STATISTICS

|  | 3 Months Ended |        |          |
|--|----------------|--------|----------|
|  | March 31       |        |          |
|  | 2022           | 2021   | % Change |
| Mining (in 000s except waste/ore ratio)                        |                |        |          |
| Tonnes ore El Castillo   | 1,511          | 2,404  | (37%)    |
| Tonnes ore San Agustin   | 2,817          | 2,870  | (2%)     |
| Tonnes ore   | 4,328          | 5,274  | (18%)    |
| Tonnes waste El Castillo                                       | 2,927          | 3,137  | (7%)     |
| Tonnes waste San Agustin                                       | 1,927          | 1,774  | 9%       |
| Tonnes waste   | 4,854          | 4,911  | (1%)     |
| Tonnes mined El Castillo                                       | 4,438          | 5,541  | (20%)    |
| Tonnes mined San Agustin                                       | 4,744          | 4,644  | 2%       |
| Tonnes mined   | 9,182          | 10,185 | (10%)    |
| Tonnes per day El Castillo                                     | 50             | 62     | (20%)    |
| Tonnes per day San Agustin                                     | 53             | 52     | 2%       |
| Tonnes per day   | 103            | 114    | (10%)    |
| Waste/ore ratio El Castillo                                    | 1.94           | 1.30   | 49%      |
| Waste/ore ratio San Agustin                                    | 0.68           | 0.62   | 10%      |
| Waste/ore ratio  | 1.12           | 0.93   | 20%      |
| Leach Pads (in 000s)   |                |        |          |
| Tonnes direct to leach pads El Castillo                        | 1,511          | 2,402  | (37%)    |
| Tonnes crushed to leach pads San Agustin                       | 2,815          | 2,982  | (6%)     |
| Tonnes to leach pads   | 4,326          | 5,384  | (20%)    |
| Production   |                |        |          |
| Gold grade loaded to leach pads El Castillo (g/t) <sup>1</sup> | 0.29           | 0.29   | -%       |
| Gold grade loaded to leach pads San Agustin (g/t) <sup>1</sup> | 0.29           | 0.27   | 7%       |
| Gold grade loaded to leach pads (g/t) <sup>1</sup>             | 0.29           | 0.28   | 4%       |
| Gold loaded to leach pads El Castillo (oz) <sup>2</sup>        | 14,274         | 22,176 | (36%)    |
| Gold loaded to leach pads San Agustin (oz) <sup>2</sup>        | 26,624         | 25,910 | 3%       |

|  |          |         |       |
|--|----------|---------|-------|
| Gold loaded to leach pads (oz) <sup>2</sup>  | 40,898   | 48,086  | (15%) |
| Projected recoverable GEOs loaded El Castillo <sup>4</sup>   | 6,840    | 9,737   | (30%) |
| Projected recoverable GEOs loaded San Agustin <sup>4</sup>   | 18,295   | 18,889  | (3%)  |
| Projected recoverable GEOs loaded <sup>4</sup>   | 25,135   | 28,626  | (12%) |
| Gold produced El Castillo (oz) <sup>2,3</sup>  | 11,432   | 11,972  | (5%)  |
| Gold produced San Agustin (oz) <sup>2,3</sup>  | 18,400   | 17,271  | 7%    |
| Gold produced (oz) <sup>2</sup>  | 29,832   | 29,243  | 2%    |
| Silver produced El Castillo (oz) <sup>2,3</sup>  | 14,297   | 21,795  | (34%) |
| Silver produced San Agustin (oz) <sup>2,3</sup>  | 120,168  | 142,431 | (16%) |
| Silver produced (oz) <sup>2,3</sup>  | 134,465  | 164,226 | (18%) |
| GEOs produced El Castillo <sup>3</sup>   | 11,611   | 12,228  | (5%)  |
| GEOs produced San Agustin <sup>3</sup>   | 19,902   | 18,947  | 5%    |
| GEOs produced <sup>3</sup>   | 31,513   | 31,175  | 1%    |
| Gold sold El Castillo (oz) <sup>2</sup>  | 13,569   | 13,602  | -%    |
| Gold sold San Agustin (oz) <sup>2</sup>  | 17,203   | 16,666  | 3%    |
| Gold sold (oz) <sup>2</sup>  | 30,772   | 30,268  | 2%    |
| Silver sold El Castillo (oz) <sup>2</sup>  | 14,900   | 21,118  | (29%) |
| Silver sold San Agustin (oz) <sup>2</sup>  | 123,478  | 128,921 | (4%)  |
| Silver sold (oz) <sup>2</sup>  | 138,378  | 150,039 | (8%)  |
| GEOs sold El Castillo  | 13,755   | 13,851  | (1%)  |
| GEOs sold San Agustin  | 18,746   | 18,182  | 3%    |
| 1 "g/t" refers to grams per tonne.<br>2 "oz" refers to troy ounce.   | 32,501   | 32,033  | 1%    |
| 3 Produced ounces are calculated as ounces loaded to carbon.   |          |         |       |
| 4 Expected recoverable GEOs at El Castillo on the assumption of 100% recovery as set forth in the El Castillo Gold Mine Technical Report dated February 14, 2022 and the San Agustin Gold/Silver Mine Technical Report dated February 14, 2022. In periods where the Company mines and processes material not specifically defined in a technical report (for example, run-of-mine ore), management uses its best estimate of recovery based on the information available. | \$ 949   | \$ 807  | 17%   |
| 5 Cash cost per gold ounce sold  | \$ 1,069 | \$ 916  | 17%   |
| 6 Please refer to the section below entitled "Non-IFRS Measures" for a discussion of this Non-IFRS Measure.  |          |         |       |

#### Summary of Production Results at the El Castillo Complex

During the first quarter of 2022, the El Castillo Complex produced 1% more GEOs at a cash cost per gold ounce sold 17% higher than during the first quarter of 2021 (This is a Non-IFRS Measure. Please see "Non-IFRS Measures" section). El Castillo produced 5% fewer GEOs at a cash cost per gold ounce sold 17% higher (This is a Non-IFRS Measure. Please see "Non-IFRS Measures" section), primarily due to a higher strip ratio and higher reagent costs. San Agustin produced 5% more GEOs, primarily due to higher recoveries, at a cash cost per gold ounce sold 17% higher (This is a Non-IFRS Measure. Please see "Non-IFRS Measures" section), primarily due to higher reagent costs.

#### FIRST QUARTER 2022 LA COLORADA OPERATING STATISTICS

|  | 3 Months Ended |        |          |
|--|----------------|--------|----------|
|  | March 31       |        |          |
|  | 2022           | 2021   | % Change |
| Mining (in 000s except for waste/ore ratio)    |                |        |          |
| Tonnes ore                                     | 1,125          | 1,227  | (8%)     |
| Tonnes waste                                   | 5,337          | 4,014  | 33%      |
| Tonnes mined                                   | 6,462          | 5,241  | 23%      |
| Tonnes per day                                 | 73             | 59     | 23%      |
| Waste/ore ratio                                | 4.74           | 3.27   | 45%      |
| Leach Pads (in 000s)                           |                |        |          |
| Tonnes crushed to leach pads                   | 1,120          | 1,266  | (12%)    |
| Production                                     |                |        |          |
| Gold loaded to leach pads (g/t) <sup>1</sup>   | 0.45           | 0.54   | (17%)    |
| Gold loaded to leach pads (oz) <sup>2</sup>    | 16,284         | 22,091 | (26%)    |
| Projected recoverable GEOs loaded <sup>4</sup> | 12,314         | 17,634 | (30%)    |
| Gold produced (oz) <sup>2,3</sup>              | 13,341         | 15,894 | (16%)    |
| Silver produced (oz) <sup>2,3</sup>            | 35,368         | 52,912 | (33%)    |
| GEOs produced <sup>3</sup>                     | 13,783         | 16,516 | (17%)    |
| Gold sold (oz) <sup>2</sup>                    | 13,080         | 13,630 | (4%)     |
| Silver sold (oz) <sup>2</sup>                  | 35,285         | 44,438 | (21%)    |
| GEOs sold                                      | 13,521         | 14,153 | (4%)     |
| Cash cost per gold ounce sold <sup>5</sup>     | \$ 957         | \$ 765 | 25%      |

<sup>1</sup> "g/t" refers to grams per tonne.

<sup>2</sup> "oz" refers to troy ounce.

<sup>3</sup> Produced ounces are calculated as ounces loaded to carbon.

<sup>4</sup> Expected recoverable GEOs are based on the assumptions and parameters as set forth in the La Colorada Gold/Silver Mine Technical Report dated February 14, 2022. In periods where the Company mines material not specifically defined in a technical report (for example: low grade stockpile material), management uses its best estimate of recovery based on the information available.

<sup>5</sup> Please refer to the section below entitled "Non-IFRS Measures" for a discussion of this Non-IFRS Measure.

#### Summary of Production Results at La Colorada

During the first quarter of 2022, the La Colorada mine produced 17% fewer GEOs at a cash cost per gold ounce sold 25% more than during the first quarter of 2021 (This is a Non-IFRS Measure. Please see "Non-IFRS Measures" section). Lower GEO production and higher costs were primarily due to a 17% reduction in gold grade processed and a 45% higher strip ratio, as mining transitions from the El Crestón pit

to the Veta Madre pit. Costs were also higher due to higher reagent costs.

#### FIRST QUARTER 2022 FLORIDA CANYON OPERATING STATISTICS

|  | 3 Months Ended |         |          |
|--|----------------|---------|----------|
|  | March 31       |         |          |
|  | 2022           | 2021    | % Change |
| Mining (in 000s except for waste/ore ratio)        |                |         |          |
| Tonnes ore   | 2,186          | 2,203   | (1%)     |
| Tonnes waste                                       | 2,813          | 3,228   | (13%)    |
| Tonnes mined                                       | 4,999          | 5,431   | (8%)     |
| Tonnes per day                                     | 54             | 58      | (8%)     |
| Waste/ore ratio                                    | 1.29           | 1.47    | (12%)    |
| Leach Pads (in 000s)                               |                |         |          |
| Tonnes direct to leach pads                        | 601            | 412     | 46%      |
| Tonnes crushed to leach pads                       | 1,684          | 1,795   | (6%)     |
| Production   |                |         |          |
| Gold grade loaded to leach pads (g/t) <sup>1</sup> | 0.39           | 0.34    | 15%      |
| Gold loaded to leach pads (oz) <sup>2</sup>        | 28,370         | 23,915  | 19%      |
| Projected recoverable GEOs loaded <sup>4</sup>     | 17,302         | 17,027  | 2%       |
| Gold produced (oz) <sup>2,3</sup>                  | 10,092         | 11,928  | (15%)    |
| Silver produced (oz) <sup>2,3</sup>                | 10,223         | 7,232   | 41%      |
| GEOs produced <sup>3</sup>                         | 10,220         | 12,013  | (15%)    |
| Gold sold (oz) <sup>2</sup>                        | 10,255         | 12,829  | (20%)    |
| Silver sold (oz) <sup>2</sup>                      | 7,643          | 8,546   | (11%)    |
| GEOs sold  | 10,351         | 12,930  | (20%)    |
| Cash cost per gold ounce sold <sup>5</sup>         | \$1,654        | \$1,462 | 13%      |

<sup>1</sup> "g/t" refers to grams per tonne.

<sup>2</sup> "oz" refers to troy ounce.

<sup>3</sup> Produced ounces are calculated as ounces loaded to carbon.

<sup>4</sup> Expected recoverable GEOs are based on the assumptions and parameters as set forth in the Florida Canyon Mine Technical Report dated July 8, 2020. In periods where the Company mines material not specifically defined in a technical report (for example: run-of-mine or low grade stockpile material), management uses its best estimate of recovery based on the information available.

<sup>5</sup> Please refer to the section below entitled "Non-IFRS Measures" for a discussion of this Non-IFRS Measure.



### Summary of Production Results at Florida Canyon

During the first quarter of 2022, the Florida Canyon mine produced 15% fewer GEOs at a cash cost per gold ounce sold 13% higher than during the first quarter of 2021 (This is a Non-IFRS Measure. Please see "Non-IFRS Measures" section). Lower GEO production and higher costs were primarily related to lower recoveries due to processing more run-of-mine ore, which yields a lower recovery, and higher reagent costs.

### Guidance and Outlook

Argonaut maintains its 2022 production and cost guidance as outlined in the table below. Due to the current inflationary environment, the Company will continue to monitor inputs to its cost profile and make adjustments to cost guidance if and when appropriate.

### 2022 GEO Production and Cost Guidance

|                         |              | Q1 2022 (Actual) | Full Year 2022 Guidance |
|-------------------------|--------------|------------------|-------------------------|
| GEO production          | In 000s      | 55,516           | 200 - 230               |
| Cash costs <sup>1</sup> | \$ per oz Au | 1,153            | 1,100 - 1,190           |
| AISC <sup>1</sup>       | \$ per oz Au | 1,430            | 1,415 - 1,525           |

<sup>1</sup>This is a Non-IFRS Measure. Please see "Non-IFRS Measures" section.

As Argonaut is currently advancing financing and strategic alternatives to fund the remainder of the Magino construction project, it intends to provide full year 2022 capital guidance after financing is in place. The largest component of the projected 2022 capital spend will be the Magino construction project where Argonaut forecasts it will invest approximately \$340 million (C\$424 million), which is subject to change pending the updated EAC, assuming financing is achieved promptly and upon acceptable terms. In the event that financing is not available promptly and upon acceptable terms, the Company may need to amend or adjust its plans for construction of the Magino project which would significantly impact the project's schedule and potentially increase project capital. Ultimate project costs may experience variation due to disruptions including those caused by COVID-19, the Russia/Ukraine war, weather, labour disruptions, a tight labour market, inflation and supply chain impacts.

### Argonaut Gold First Quarter 2022 Operational and Financial Results Conference Call and Webcast:

The Company will host a conference call and webcast to discuss its first quarter ended March 31, 2022 operating and financial results at 9:00 am EDT on May 12, 2022.

### Q1 2022 Conference Call Information

Toll Free (North America): 1-888-664-6392  
 International: 1-416-764-8659  
 Conference ID: 00692888  
 Webcast: [www.argonautgold.com](http://www.argonautgold.com)

### Q1 2022 Conference Call Replay

Toll Free Replay Call (North America): 1-888-390-0541  
 International Replay Call: 1-416-764-8677  
 Replay Entry Code: 692888#

The conference call and replay will be available from 12:00 pm EDT on May 12, 2022 until 11:59 pm EDT on May 19, 2022.

#### Non-IFRS Measures

The Company has included certain non-IFRS measures including "Cash cost per gold ounce sold", "All-in sustaining cost per gold ounce sold", "Adjusted net income", "Adjusted earnings per share - basic" and "Net cash" in this press release to supplement its financial statements, which are presented in accordance with International Financial Reporting Standards ("IFRS"). Cash cost per gold ounce sold is equal to production costs less silver sales divided by gold ounces sold. All-in sustaining cost per gold ounce sold is equal to production costs less silver sales plus general and administrative, exploration, accretion and other expenses and sustaining capital expenditures divided by gold ounces sold. Adjusted net income is equal to net income less foreign exchange impacts on deferred income taxes, foreign exchange (gains) losses, non-cash impairment write down (reversal) of work-in-process inventory, non-cash impairment write down (reversal) of mineral, properties, plant and equipment, unrealized (gains) losses on derivatives and care and maintenance expenses. Adjusted earnings per share - basic is equal to adjusted net income divided by the basic weighted average number of common shares outstanding. Net cash is calculated as the sum of the cash and cash equivalents balance net of debt as at the statement of financial position date. The Company believes that these measures provide investors with an alternative view to evaluate the performance of the Company. Non-IFRS measures do not have any standardized meaning prescribed under IFRS. Therefore they may not be comparable to similar measures employed by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

The following table provides a reconciliation of production costs per the financial statements to cash cost per gold ounce sold:

| El Castillo mine                       | Three months ended March 31, |           |
|--|------------------------------|-----------|
|  | 2022                         | 2021      |
| Production costs, as reported (\$000s) | \$ 16,995                    | \$ 14,830 |
| Less silver sales (\$000s)             | 363                          | 565       |
| Net cost of sales (\$000s)             | \$ 16,632                    | \$ 14,265 |
| Gold ounces sold                       | 13,569                       | 13,602    |
| Cash cost per gold ounce sold          | \$ 1,226                     | \$ 1,049  |

| San Agustin mine                       | Three months ended March 31, |           |
|--|------------------------------|-----------|
|  | 2022                         | 2021      |
| Production costs, as reported (\$000s) | \$ 19,260                    | \$ 16,884 |
| Less silver sales (\$000s)             | 3,000                        | 3,432     |
| Net cost of sales (\$000s)             | \$ 16,260                    | \$ 13,452 |
| Gold ounces sold                       | 17,203                       | 16,666    |
| Cash cost per gold ounce sold          | \$ 945                       | \$ 807    |

|  |                    |           |
|--|--------------------|-----------|
| La Colorada mine                       | Three months ended |           |
|  | March 31,          |           |
|  | 2022               | 2021      |
| Production costs, as reported (\$000s) | \$ 13,381          | \$ 11,596 |
| Less silver sales (\$000s)             | 858                | 1,167     |
| Net cost of sales (\$000s)             | \$ 12,523          | \$ 10,429 |
| Gold ounces sold                       | 13,080             | 13,630    |
| Cash cost per gold ounce sold          | \$ 957             | \$ 765    |

|  |                    |           |
|--|--------------------|-----------|
| Florida Canyon mine                    | Three months ended |           |
|  | March 31,          |           |
|  | 2022               | 2021      |
| Production costs, as reported (\$000s) | \$ 17,153          | \$ 18,986 |
| Less silver sales (\$000s)             | 187                | 227       |
| Net cost of sales (\$000s)             | \$ 16,966          | \$ 18,759 |
| Gold ounces sold                       | 10,255             | 12,829    |
| Cash cost per gold ounce sold          | \$ 1,654           | \$ 1,462  |

|  |                    |           |
|--|--------------------|-----------|
| All Mines                              | Three months ended |           |
|  | March 31,          |           |
|  | 2022               | 2021      |
| Production costs, as reported (\$000s) | \$ 66,789          | \$ 62,295 |
| Less silver sales (\$000s)             | 4,408              | 5,391     |
| Net cost of sales (\$000s)             | \$ 62,381          | \$ 56,904 |
| Gold ounces sold                       | 54,107             | 56,727    |
| Cash cost per gold ounce sold          | \$ 1,153           | \$ 1,003  |

AISC includes net cost of sales at the Company's mining operations, which forms the basis of the Company's cash cost per gold ounce sold. Additionally, the Company includes general and administrative, exploration, accretion and other expenses, and sustaining capital expenditures. Sustaining capital expenditures exclude all expenditures at the Company's pre-production, development stage, and advanced exploration stage projects and certain expenditures at the Company's operating sites that are deemed expansionary in nature.

The following table provides a reconciliation of AISC per gold ounce sold to the consolidated financial statements:

|  | Three months ended |           |
|--|--------------------|-----------|
|  | March 31,          |           |
|  | 2022               | 2021      |
| Net cost of sales (\$000s)                   | \$ 62,381          | \$ 56,904 |
| General and administrative expenses (\$000s) | 5,021              | 4,766     |
| Exploration expenses (\$000s)                | 367                | 621       |
| Accretion and other expenses (\$000s)        | 3,295              | 2,679     |
| Sustaining capital expenditures (\$000s)     | 6,313              | 9,808     |
| AISC (\$000s)                                | \$ 77,377          | \$ 74,778 |
| Gold ounces sold                             | 54,107             | 56,727    |
| AISC per gold ounce sold                     | \$ 1,430           | \$ 1,318  |

Adjusted net income and adjusted earnings per share - basic exclude a number of temporary or one-time items described in the following table, which provides a reconciliation of adjusted net income to the consolidated financial statements:

|   | Three months ended |             |
|---|--------------------|-------------|
|   | March 31,          |             |
|   | 2022               | 2021        |
| Net income, as reported (\$000s)                                  | \$ 5,618           | \$ 27,007   |
| Unrealized losses (gains) on derivatives (\$000s)                 | 1,465              | (19,780)    |
| Impact of foreign exchange on deferred income taxes (\$000s)      | (718)              | 1,207       |
| Sale of marketable securities (\$000s)                            | 534                | -           |
| Proceeds from legal proceeding (\$000s)                           | 498                | -           |
| Reversal of inventory write-down, net of tax (\$000s)             | (119)              | (1,409)     |
| Foreign exchange losses (gains), net of tax (\$000s)              | 955                | (22)        |
| Adjusted net income (\$000s)                                      | \$ 8,233           | \$ 7,003    |
| Weighted average number of common shares outstanding, as reported | 311,052,835        | 299,490,756 |
| Adjusted earnings per share - basic                               | \$ 0.03            | \$ 0.02     |

Net cash is calculated as the sum of the cash and cash equivalents balance net of debt as at the statement

of financial position date. The net debt calculation excludes the convertible debentures and lease liabilities, due to the nature of the obligations, in order to show the nominal undiscounted debt.

A reconciliation of net cash is provided below:

|                                    | March 31,<br>2022 | December 31,<br>2021 |
|------------------------------------|-------------------|----------------------|
| Cash and cash equivalents (\$000s) | \$ 166,078        | \$ 199,235           |
| Debt (\$000s)                      | (80,000)          | (80,000)             |
| Net cash (\$000s)                  | \$ 86,078         | \$ 119,235           |

This press release should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2022 and associated MD&A, for the same period, which are available from the Company's website, [www.argonautgold.com](http://www.argonautgold.com), in the "Investors" section under "Financial Filings", and under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Cautionary Note Regarding Forward-looking Statements

This press release contains certain "forward-looking statements" and "forward-looking information" under applicable Canadian securities laws concerning the business, operations and financial performance and condition of Argonaut Gold. Forward-looking statements and forward-looking information include, but are not limited to statements with respect to: the Magino construction capital estimate; the ability to finance additional construction costs on terms acceptable to Argonaut; risks related to meeting the Magino construction project schedule; the realization of mineral reserve estimates; the timing and amount of estimated future production; the impact of inflation on costs of exploration, development and production; estimated production and mine life of the various mineral projects of Argonaut; risk of employee and/or contractor strike actions; timing of approval for modifications to existing permits; permitting and legal processes in relation to mining permitting and approval; the benefits of the development potential of the properties of Argonaut; the future price of gold, copper, and silver; the estimation of mineral reserves and resources; success of exploration activities; the impact of COVID-19, the response of governments to COVID-19 and the effectiveness of such responses; and currency exchange rate fluctuations. Except for statements of historical fact relating to Argonaut, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate," "estimate" and other similar words, or statements that certain events or conditions "may", "should" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of Argonaut and there is no assurance they will prove to be correct.

Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include the availability and changing terms of financing, variations in ore grade or recovery rates, changes in market conditions, changes in inflation, risks relating to the availability and timeliness of permitting and governmental approvals; risks relating to international operations, fluctuating metal prices and currency exchange rates, changes in project parameters, the possibility of project cost overruns or unanticipated costs and expenses, the impact of COVID-19 and the impact and effectiveness of governmental responses to COVID-19, labour disputes and other risks of the mining industry, failure of plant, equipment or processes to operate as anticipated.

These factors are discussed in greater detail in Argonaut's most recent Annual Information Form and in the most recent Management's Discussion and Analysis filed on SEDAR, which also provide additional general assumptions in connection with these statements. Argonaut cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Argonaut believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this press release should not be unduly relied upon. These statements speak only as of the date

of this press release.

Although Argonaut has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Argonaut undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements. Statements concerning mineral reserve and resource estimates may also be deemed to constitute forward-looking statements to the extent they involve estimates of the mineralization that will be encountered if the property is developed. Comparative market information is as of a date prior to the date of this document.

#### Qualified Person, Technical Information and Mineral Properties Reports

Technical information included in this release was supervised and approved by Brian Arkell, Argonaut's Vice President, Exploration and a Qualified Person under NI 43-101. For further information on the Company's material properties, please see the reports as listed below on the Company's website or on [www.sedar.com](http://www.sedar.com):

|                              |   |
|------------------------------|---|
| El Castillo Gold Mine        | El Castillo Gold Mine, Durango, Mexico NI 43-101 Technical Report dated February 14, 2022 (effective date of October 1, 2021)   |
| San Agustin Gold/Silver Mine | San Agustin Gold/Silver Mine, Durango, Mexico, NI 43-101 Technical Report dated February 14, 2022 (effective date of August 1, 2021)                                      |
| La Colorada Gold/Silver Mine | La Colorada Gold/Silver Mine, Sonora, Mexico, NI 43-101 Technical Report dated February 14, 2022 (effective date of October 1, 2021)                                      |
| Florida Canyon Gold Mine     | NI 43-101 Technical Report on Mineral Resource and Mineral Reserve Florida Canyon Gold Mine Pershing County, Nevada, USA dated July 8, 2020 (effective date June 1, 2020) |
| Magino Gold Project          | NI 43-101 Technical Report Mineral Resource and Mineral Reserve Update dated March 3, 2022 (effective date February 14, 2022)   |
| Cerro del Gallo Project      | Pre-Feasibility Study Technical Report on the Cerro del Gallo Project, Guanajuato, Mexico dated January 31, 2020 (effective date of October 24, 2019)                     |

#### About Argonaut Gold

Argonaut Gold is a Canadian gold company engaged in exploration, mine development and production. Its primary assets are the El Castillo mine and San Agustin mine, which together form the El Castillo Complex in Durango, Mexico, the La Colorada mine in Sonora, Mexico and the Florida Canyon mine in Nevada, USA. The Company also holds the construction stage Magino project, the advanced exploration stage Cerro del Gallo project and several other exploration stage projects, all of which are located in North America.

SOURCE [Argonaut Gold Inc.](http://Argonaut Gold Inc.)

#### Contact

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