

## **Pinehurst Capital II Announces Proposed Qualifying Transaction involving Acquisition of Ana Paula Gold Development Project in Guerrero, Mexico**

Toronto, Ontario — September 11, 2020 – Pinehurst Capital II Inc. (TSXV: PINH.P) (the "**Corporation**" or "**Pinehurst**"), a capital pool company listed on the TSX Venture Exchange ("**TSXV**"), is pleased to announce details concerning its proposed arm's length qualifying transaction with 1252201 B.C. Ltd. ("**AP Mining**"), a private company that has entered into a purchase agreement (the "**Argonaut Agreement**") with Argonaut Gold Inc. ("**Argonaut Gold**") to acquire the Ana Paula gold development project located in the Guerrero Gold belt of Mexico (the "**Ana Paula Project**").

Pinehurst has entered into a definitive agreement with AP Mining dated September 10, 2020 (the "**AP Mining Agreement**"), pursuant to which Pinehurst and AP Mining have agreed to complete a business combination (the "**Qualifying Transaction**") whereby Pinehurst will be the parent company (the "**Resulting Issuer**") and 100% of the issued and outstanding securities of AP Mining will be owned by the Resulting Issuer, conditional on the completion by AP Mining of the acquisition of the Ana Paula Project pursuant to the terms of the Argonaut Agreement.

### **About the Ana Paula Project**

Under the terms of the Argonaut Agreement, AP Mining will acquire all of the issued and outstanding shares of Aurea Mining Inc. and its wholly-owned subsidiary Minera Aurea S.A. de C.V., for an aggregate purchase price comprised of, in part, USD\$30 million in cash on the closing, a promissory note in the amount of CAD\$10 million payable on the date on which AP Mining announces the commencement of construction at the Ana Paula Project, a 1% net smelter return royalty in favour of Argonaut Gold and such number of common shares of AP Mining as would result, on exchange of such AP Mining Shares for common shares of the Resulting Issuer pursuant to the terms of the Qualifying Transaction, in Argonaut Gold owning approximately 9.9% of the outstanding common shares of the Resulting Issuer immediately following the completion of the Qualifying Transaction.

The Ana Paula Project is a gold development project located in the prolific Guerrero Gold belt of Mexico. Extensive work was completed by previous owners on drilling, mining methods, metallurgy and plant design which resulted in a prefeasibility study titled "Ana Paula Project NI 43-101 Technical Report, Amended Preliminary Feasibility Study" issued by Alio Gold on June 7, 2017 (the "**PFS**"). The purchase also includes extensive mill equipment including a complete 6,000 tpd gold plant including crushers, one SAG mill, one ball mill, motors, pumps and dry stack tailings press.

A full feasibility study will be undertaken on closing of the Qualifying Transaction.

### **Summary of the Proposed Qualifying Transaction**

Pursuant to the AP Mining Agreement, the parties have agreed to cause AP Mining to complete a non-brokered private placement (the "**AP Mining Private Placement**") of aggregate proceeds of approximately C\$30 million by the issuance of subscription receipts of AP Mining. Further particulars regarding the AP Mining Private Placement will be disclosed in subsequent news releases relating to the Qualifying Transaction. The proceeds of the AP Mining Private Placement will be used to fund a portion of the cash purchase price payable by AP Mining under the Argonaut Agreement, continuing operating expenses, general working capital purposes and to fund the cost of the feasibility study for the Ana Paula Project. The remaining cash purchase price payable by AP Mining under the Argonaut Agreement is expected to be funded by way of additional equity or debt funding to be raised prior to the completion of the Qualifying Transaction.

Upon completion of the Qualifying Transaction, Bruce Bragagnolo will serve as the Chief Executive Officer and a director of the Resulting Issuer, with the remaining management team and directors to be determined prior to the completion of the Qualifying Transaction.

Mr. Bragagnolo was the co-founder and Chief Executive Officer of Timmins Gold Corp. Mr. Bragagnolo took Timmins Gold Corp from its initial public offering to commercial production and its listing on the NYSE-MKT. While he was CEO, Timmins Gold built the San Francisco Mine in Mexico on time and on budget. Under his guidance, Timmins Gold's market capitalization rose from \$7 million

in 2006 to \$475 million in 2012. Mr. Bragagnolo led the purchase in 2015 by Timmins Gold of the Ana Paula Project.

Further particulars regarding the proposed directors and officers of the Resulting Issuer will be disclosed in subsequent news releases relating to the Qualifying Transaction

### **Additional Information and Description of Significant Conditions to Closing**

The completion of the Qualifying Transaction is subject to the approval of TSXV and all other necessary regulatory approvals. The completion of the Qualifying Transaction is also subject to additional conditions precedent, including completion of the transactions contemplated by the Argonaut Agreement and the AP Mining Private Placement, and certain other usual and customary conditions. In connection with the Qualifying Transaction, Pinehurst will change its name, consolidate its outstanding common shares on a 2:1 basis and appoint a new board of directors for the Resulting Issuer, each of which will require approval by the shareholders of Pinehurst. The Qualifying Transaction does not constitute a Non-Arm's Length Qualifying Transaction (as defined in Policy 2.4 of the Corporate Finance Manual) and, accordingly, is not expected to require the approval of Pinehurst's shareholders.

Pinehurst will issue a subsequent press release describing additional terms of the Qualifying Transaction, including additional information with respect to the Ana Paula Project, AP Mining financial information, the AP Mining Private Placement and pro forma share capital of the Resulting Issuer.

### **Filing Statement**

In connection with the Qualifying Transaction and pursuant to the requirements of the TSXV, Pinehurst will file a filing statement or a management information circular on its issuer profile on SEDAR ([www.sedar.com](http://www.sedar.com)), which will contain details regarding the Qualifying Transaction, the Argonaut Agreement, the Ana Paula Project, AP Mining, the AP Mining Private Placement and the Resulting Issuer.

### **Sponsorship of Qualifying Transaction**

Sponsorship of a qualifying transaction of a capital pool company is required by the TSXV unless exempt in accordance with TSXV policies. Pinehurst intends to apply for an exemption from the sponsorship requirements.

### **Reinstatement to Trading**

Trading of the common shares of Pinehurst has been halted and will not resume until certain documents have been filed with the TSXV and a press release is issued detailing further information about the Qualifying Transaction, as previously described herein.

### **For further information, please contact:**

David Rosenkrantz  
Pinehurst Capital II Inc., CEO  
e: [drosenkrantz@patica.ca](mailto:drosenkrantz@patica.ca)  
p: 416-865-0123

Bruce Bragagnolo  
1252201 B.C. Ltd., CEO  
e: [brucebrag@gmail.com](mailto:brucebrag@gmail.com)  
p: (604) 417-9517

*Information concerning AP Mining, the Argonaut Agreement and the Ana Paula Project has been provided to Pinehurst by AP Mining for inclusion in this press release.*

*Completion of the Qualifying Transaction is subject to a number of conditions, including but not limited to, TSXV acceptance and if applicable pursuant to Exchange Requirements (as that term is defined in*

*the policies of the TSXV), majority of the minority shareholder approval. Where applicable, the Qualifying Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.*

*Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Qualifying Transaction, any information released or received with respect to the Qualifying Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.*

*The TSXV has in no way passed upon the merits of the proposed Qualifying Transaction and has neither approved nor disapproved the contents of this press release. Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.*

*The securities referenced herein have not been, nor will be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons absent U.S. registration or an applicable exemption from U.S. registration requirements. This release does not constitute an offer for sale of securities in the United States.*

### **Cautionary and Forward-Looking Statements**

This press release contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking statements”) within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this press release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as “expects”, or “does not expect”, “is expected” “anticipates” or “does not anticipate”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or intends” or variations of such words and phrases or stating that certain actions, events or results “may” or “could”, “would”, “might” or “will” be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this press release, forward-looking statements relate, among other things, to: the Qualifying Transaction and certain terms and conditions thereof; the business of AP Mining, information concerning the Argonaut Agreement and the Ana Paula Project, the AP Mining Private Placement; the proposed directors and officers of the Resulting Issuer, TSXV sponsorship requirements and intended application for exemption therefrom; shareholder, director and regulatory approvals; and future press releases and disclosure. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors that may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties, the delay or failure to receive shareholder, director or regulatory approvals and the ability of the parties to satisfy all of the conditions of closing under the Argonaut Agreement and the AP Mining Agreement, including the completion of the AP Mining Private Placement. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this press release.