



ARGONAUT GOLD

Argonaut Gold Announces 2017 Production, Provides 2018 Guidance and Three-Year Production Outlook, Strengthens Management Team and Provides Release Date For Fourth Quarter and Year End Operational and Financial Results

Toronto, Ontario – (January 16, 2018) **Argonaut Gold Inc. (TSX: AR)** (the “Company”, “Argonaut Gold” or “Argonaut”) announces gold equivalent ounce¹ (“GEO” or “GEOs”) production of 34,987 during the fourth quarter ended December 31, 2017 (“Q4”) and 126,704 during the year ended December 31, 2017 (“YE”), including 2,932 pre-commercial production GEOs at San Agustin. During Q4, production was 19,653 GEOs at the El Castillo Complex (8,707 from El Castillo and 10,946 from San Agustin) located in the State of Durango, Mexico and 15,334 GEOs at the La Colorada Mine located near Hermosillo, Mexico. During 2017, the El Castillo Complex and La Colorada Mine GEO production totaled 73,418 (including 2,932 GEOs of pre-commercial production from San Agustin) and 53,286, respectively. Management expects YE consolidated cash costs² to be slightly above the high end of the range of 2017 guidance of \$725 to \$775 per gold ounce sold. At YE, the Company had a cash balance of \$14 million and \$8 million drawn from its \$30 million corporate revolver. All dollar amounts are expressed in United States dollars unless otherwise specified.

Pete Dougherty, President & CEO stated: “Production of 126,704 GEOs falls within our stated 2017 guidance of between 122,000 and 130,000 GEOs. At La Colorada we exceeded our expectation of between 47,000 and 50,000 GEOs with production of 53,286 GEOs. At San Agustin, we experienced a slower than expected ramp up in the mine and slower than anticipated flow rate to the leach pad. These issues have since been resolved and mining and flow rates are now meeting plan. We had several major accomplishments during 2017: San Agustin construction was completed on time and 25% under budget, we produced a positive Feasibility Study for our Magino project detailing a project with significantly lower initial capital requirements, a higher grade profile, an attractive rate of return and we remain on track to achieve our 60% growth target from 2016’s approximate 122,000 GEO production to 2019’s projected production of over 200,000 GEOs. 2017 was a capital intensive year for the Company due to San Agustin’s construction, the purchase of the San Juan mineral concession from Fresnillo Plc and the acquisition of the Cerro del Gallo project. Our main focus as a Company during 2018 will be adding cash to the balance sheet through the free cash flow generated by our operations.”

¹ GEOs are based on conversion ratio of 70:1 for silver to gold ounces ratio which is the referenced ratio throughout this press release.

2018 Guidance

The Company anticipates it will produce between 165,000 to 180,000 GEOs during 2018 at a cash cost² of between \$700 to \$800 per gold ounce sold and all-in sustaining costs (“AISC”)² of between \$850 to \$950 per gold ounce sold. The Company anticipates approximately 40% to 45% of its full year production during the first half of 2018 and 55% to 60% of production during the second half of 2018. Table 1 below illustrates the 2018 production and cost guidance:

Table 1 – 2018 GEO Production and Cost Guidance

		El Castillo/San Agustin ⁽¹⁾ Complex	La Colorada	Consolidated
GEO Production	<i>In 000s</i>	105 – 115	60 – 65	165 – 180
Cash costs⁽²⁾⁽³⁾	<i>\$ per oz/Au</i>	700 – 800	700 – 800	700 – 800
AISC⁽²⁾⁽³⁾	<i>\$ per oz/Au</i>			850 – 950

⁽¹⁾ Anticipated production from El Castillo and San Agustin is between 60,000 to 65,000 GEOs at a cash cost of \$850 to \$950 per gold ounce sold and 45,000 to 50,000 GEOs at a cash cost of \$500 to \$600 per gold ounce sold, respectively.

⁽²⁾ Assumes a MXN:USD exchange rate of 18:1.

⁽³⁾ Please refer to section “Non-IFRS Measures” below for a discussion of these non-IFRS measures.

The Company plans to invest \$50 to \$55 million in capital expenditures during 2018. Table 2 below illustrates the projected capital expenditures for 2018:

Table 2 – 2018 Capital Estimate (\$M)⁽¹⁾

Sustaining	7 – 8
Expansion	23 – 25
Stripping	17 – 18
Exploration	3 – 4
Total	50 – 55

⁽¹⁾ Assumes exchanges rates of MXN:USD of 18.1 and CAD:USD of 1.3:1.

Table 3 below illustrates the projected capital expenditures for 2018 by project:

Table 3 – 2018 Capital Estimate by Project (\$M)⁽¹⁾

² Please refer to section “Non-IFRS Measures” below for a discussion of these non-IFRS measures.

	El Castillo/San Agustin Complex	La Colorada	Magino, San Antonio & Cerro del Gallo	Consolidated
Total	26 – 28	17 – 18	7 – 9	50 – 55

⁽¹⁾ Assumes exchange rates of MXN:USD of 18.1 and CAD:USD of 1.3:1

Three-Year Production Outlook

By 2019, the Company expects to produce over 200,000 GEOs annually from its existing operations, which would reflect over 60% production growth from 2016. This production growth is primarily driven by the ramp up of the El Castillo Complex with the addition of San Agustin and the extension of mine life at El Castillo subsequent to the San Juan concession purchase from Fresnillo Plc (see press release dated February 23, 2017) as well as higher anticipated grades at La Colorada as mining transitions to the El Creston pit. Table 3 illustrates the Company's projected three-year production outlook:

Table 3 – Three-Year GEO Production Outlook

Year	El Castillo/San Agustin Complex GEO Production (000s)	La Colorada GEO Production (000s)	Consolidated GEO Production (000s)
2018	105 – 115	60 – 65	165 – 180
2019	140 – 150	70 – 75	210 – 225
2020	150 – 160	60 – 65	210 – 225

Management Team

The Company is pleased to announce the hiring of Brian Arkell as Vice President, Exploration. Mr. Arkell has over 30 years of worldwide experience in exploration, resource development and mine operations. Mr. Arkell previously served as Chief Executive Officer, President and Director of Caza Gold Corp. from 2014 to 2017. Prior to his role leading Caza Gold, he served as Senior Vice President of Exploration and Corporate Development for Rio Novo Gold Inc. from 2011 through 2013. Prior to this, he held a variety of senior positions at Newmont Mining Co., including Director of Geology Canada & Hope Bay, Director of Geology and Exploration, South America, Geology Manager at the Waihi Gold Project in New Zealand and Manager of Mine Geology for the Yanacocha Mine in Peru. He has also served as Chief Geologist at the Batu Hijau and Mesel Mines in Indonesia, as well as holding various positions in Nevada and the Pacific Northwest. Mr. Arkell studied geology and engineering at New Mexico Institute of Mining and Technology (M.S.) and at the University of Maryland (B.S.). He is a Registered Member of SME, Fellow of AusIMM, and Fellow of SEG. He is a Qualified Person (QP) under Canadian NI 43-101 Standards, as well as a Competent Person under Australian JORC Code.

Pete Dougherty, President and CEO commented: "I'm very pleased to welcome Brian to the Argonaut team. His wealth of experience in exploration and resource development are

tremendous assets for the Company. I also want to extend the Company's gratitude to Tom Burkhart, our former Vice President, Exploration, for remaining on as a consultant following his retirement in March 2017 until a suitable replacement could be found."

Argonaut Gold Fourth Quarter and Year End Financial Results Conference Call and Webcast

The Company anticipates releasing its fourth quarter and year end financial results after market close on February 22, 2018 and will host a conference call and webcast on February 23, 2018 at 8:30 am EST to discuss the results.

Fourth Quarter and Year End Conference Call Information for February 23, 2018:

Toll Free (North America): 1-888-231-8191
International: 1-647-427-7450
Webcast: www.argonautgold.com

Fourth Quarter and Year End Conference Call Replay:

Toll Free Replay Call (North America): 1-855-859-2056
International Replay Call: 1-416-849-0833
Passcode: 5687488

The conference call replay will be available from 11:30 am EST on February 22, 2018 to March 2, 2018.

Non-IFRS Measures

The Company has included certain non-IFRS measures including "Cash cost per gold ounce sold" and "All-in sustaining cost per gold ounce sold" in this press release. 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 expenses, exploration expenses, accretion of reclamation provision and sustaining capital expenditures divided by gold ounces sold. The Company believes that these measures provide investors with an improved ability 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. Please see the management's discussion and analysis ("MD&A") for full disclosure on non-IFRS measures.

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 proposed transaction and the business, operations and financial performance and condition of Argonaut Gold Inc. ("Argonaut" or "Argonaut Gold"). Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to estimated production and mine life of the various mineral projects of Argonaut; synergies and financial impact of completed acquisitions; 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; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; success of exploration activities; 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” 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 changes in market conditions, variations in ore grade or recovery rates, 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, labour disputes and other risks of the mining industry, failure of plant, equipment or processes to operate as anticipated. 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.

About Argonaut Gold

Argonaut Gold is a Canadian gold company engaged in exploration, mine development and production activities. Its primary assets are the production stage El Castillo mine and San Agustin mine, which together form the El Castillo Complex in Durango, Mexico and the production stage La Colorada mine in Sonora, Mexico. Advanced exploration stage projects include the San Antonio project in Baja California Sur, Mexico, the Cerro del Gallo project in Guanajuato, Mexico and the Magino project in Ontario, Canada. The Company also has several exploration stage projects, all of which are located in North America.

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