Argonaut Gold Announces Second Quarter 2018 Operating and Financial Results

Production of 38,441 Gold Equivalent Ounces

Toronto, Ontario - (August 9, 2018) **Argonaut Gold Inc. (TSX: AR)** (the “Company”, “Argonaut Gold” or “Argonaut”) is pleased to announce its financial and operating results for the second quarter ended June 30, 2018. The Company reports a quarterly cash flow from operating activities before changes in operating working capital of $17.0 million, net income of $0.4 million or earnings per share of $0.00, adjusted net income[1] of $7.0 million or adjusted earnings per share[1] of $0.04, net cash[1] increase of $1.5 million and production of 38,441 gold equivalent ounces[2] (“GEO” or “GEOs”). All dollar amounts are expressed in United States dollars, unless otherwise specified (C$ refers to Canadian dollars).

CEO Commentary

Pete Dougherty, President and CEO stated: “As previously reported, we went several weeks without blasting material at our La Colorada mine. I commend the team for its ability to adjust the mine plan temporarily and maintain our 12,000 tonnes per day operation without sacrificing the long term mine plan. Although the use of low-grade stockpiles will ultimately lead to lower 2018 production at La Colorada, with the continued outperformance at our new San Agustin mine, we remain comfortable with our consolidated annual production and cost guidance of between 165,000 and 180,000 GEOs at cash costs between $700 and $800 per gold ounce sold[1].”

Key operating and financial statistics for the second quarter of 2018 are outlined in the following table:

[1]Please refer to the section below entitled “Non-IFRS Measures” for a discussion of these Non-IFRS Measures.

[2]GEOs are based on a conversion ratio of 70:1 for silver to gold. This is the referenced ratio for each year throughout the release.

	3 Months Ended June 30			6 Months Ended June 30		
	2018	2017	Change	2018	2017	Change
Financial Data (in millions except for earning per share)						
Revenue	$50.2	$42.5	18%	$103.1	$87.0	19%
Gross profit	$14.0	$9.5	47%	$31.4	$19.5	61%
Net income	$0.4	$6.2	(94%)	$12.6	$18.2	(31%)
Earnings per share – basic	$0.00	$0.04	(100%)	$0.07	$0.11	(36%)
Adjusted net income[1]	$7.0	$4.1	71%	$14.9	$9.0	66%
Adjusted earnings per share – basic[1]	$0.04	$0.02	100%	$0.08	$0.05	60%
Cash flow from operating activities before changes in non-cash operating working capital	$17.0	$13.5	26%	$38.1	$28.4	34%
Cash and cash equivalents	$22.7	$53.8	(58%)	$22.7	$53.8	(58%)
Net cash[1]	$14.7	$53.8	(73%)	$14.7	$53.8	(73%)
Gold Production and Cost Data						
GEOs loaded to the pads[2]	74,728	53,402	40%	155,647	108,849	43%
GEOs projected recoverable[2, 3]	39,777	31,430	27%	84,169	64,142	31%
GEOs produced[2, 4]	38,441	29,730	29%	79,294	67,437	18%
GEOs sold[2]	38,858	33,747	15%	78,904	69,920	13%
Average realized sales price	$1,295	$1,260	3%	$1,313	$1,244	6%
Cash cost per gold ounce sold[1]	$704	$785	(10%)	$677	$767	(12%)
All-in sustaining cost per gold ounce sold[1]	$832	$906	(8%)	$806	$887	(9%)

[1]Please refer to the section below entitled "Non-IFRS Measures" for a discussion of these Non-IFRS Measures.
[2]GEOs are based on a conversion ratio of 70:1 for silver to gold. This is the referenced ratio for each period throughout the release.
[3]2018: Expected recoverable GEOs are based on the assumptions and parameters as set forth in the El Castillo Complex Technical Report dated March 27, 2018 and the La Colorada Gold/Silver Mine Technical Report dated March 27, 2018. 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. 2017: Expected recoverable GEOs – El Castillo expected recovery rates: ROM oxide 50%, crushed oxide 70%, ROM transition 40%, crushed transition 60%, crushed sulphides argillic 30% and crushed sulphides silicic 17%; San Agustin expected recovery rates: gold 66% and silver 16%; La Colorada expected recovery rates: gold 60% and silver 30%.
[4]Produced ounces are calculated as ounces loaded to carbon.

Second Quarter 2018 and Recent Company Highlights:

- Corporate Highlights
  - Received nationally awarded Environmental Socially Responsible Company recognition at both the El Castillo Complex and La Colorada mine. This is the seventh consecutive year that the La Colorada mine has received this recognition and with the introduction of the San Agustin mine within the El Castillo Complex, the first year the El Castillo Complex has received this recognition.
  - Increased net cash (see Non-IFRS Measures section) by $1.5 million during the second quarter 2018.
- El Castillo Complex
  - Second quarter production of 26,518 GEOs.
    - El Castillo production of 10,194 GEOs.

        - San Agustin production of 16,324 GEOs.
    - San Agustin crushing throughput achieved 24% over nameplate capacity of 16,700 tonnes per day.
    - Completed construction of cell 1 of the Phase 8A leach pad at El Castillo.
    - Completed construction of the San Agustin leach pad expansion and currently placing overliner.
    - Completed 15,000 metre drill program at San Agustin.
- La Colorada
    - Second quarter production of 11,923 GEOs.
    - By accessing low-grade stockpiles, maintained crusher throughput of approximately 12,500 tonnes per day in spite of the inability to blast.
    - Experienced a 28% decrease in costs on a per tonne processed basis to $7.85 in the second quarter from $10.94 in the first quarter due to the elimination of costs associated with drilling and blasting and significantly reduced haul distances associated with low-grade stockpiles.
    - Completed construction of the NE Phase Two leach pad.
- Cerro del Gallo
    - Initiated a drill program for metallurgical test work samples.
- Magino
    - Advanced Environmental Assessment process (federal and provincial).
    - Signed the Community Engagement Agreement with the Métis Nation of Ontario.

Financial Results – Second Quarter 2018

Revenue for the three months ended June 30, 2018 was $50.2 million, an increase from $42.5 million for the three months ended June 30, 2017. During the second quarter of 2018, gold ounces sold totaled 37,414 at an average realized price per ounce of $1,295, compared to 32,961 gold ounces sold at an average realized price per ounce of $1,260 during the same period of 2017. Gold ounces sold for the three months ended June 30, 2018 increased compared to the same period in 2017 primarily due to the commencement of commercial production at the San Agustin mine effective October 1, 2017, partially offset by a reduction in gold ounces produced and sold at the El Castillo mine.

Production costs for the second quarter of 2018 were $28.1 million, an increase from $26.8 million in the second quarter of 2017, primarily due to an increase in gold ounces sold, offset by a decrease in cash cost per gold ounce sold. Cash cost per gold ounce sold (see Non-IFRS Measures section) was $704 in the second quarter of 2018, a decrease from $785 in the same period of 2017, primarily due to the commencement of commercial production at the San Agustin mine effective October 1, 2017, which has a lower cash cost per gold ounce sold. Depreciation, depletion and amortization ("DD&A") expense included in cost of sales for the second quarter of 2018 totaled $8.1 million, an increase from $6.2 million in the second quarter of 2017, due to the increase in gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis, and the commencement of commercial production at the San Agustin mine, which has a higher DD&A expense per ounce.

General and administrative expenses for the second quarter of 2018 were $3.5 million, an increase from $2.9 million in the same period of 2017 primarily due to an increase in employee related costs.

Losses on foreign exchange derivatives for the second quarter of 2018 were $0.4 million, a decrease from gains of $0.7 million in the second quarter of 2017, due principally to a decrease in realized gains on the Company's zero-cost collar contracts on the Mexican peso.

Other expense for the second quarter of 2018 was $1.6 million, a decrease from other income of $1.3 million in the second quarter of 2017, primarily due to differences in foreign currency translation effects.

Income tax expense for the second quarter of 2018 was $7.7 million, compared to $1.9 million in the same period of 2017. The increase is primarily due to the foreign exchange effects of the weakening Mexican peso on the calculation of deferred taxes.

Net income for the second quarter of 2018 was $0.4 million or $0.00 per basic share, a decrease from $6.2 million or $0.04 per basic share for the second quarter of 2017.

Adjusted net income for the second quarter of 2018, which removes foreign exchange translation effects on deferred income taxes, foreign exchange gains and losses and the effects of recognizing/de-recognizing deferred tax assets from net income, was $7.0 million or $0.04 per basic share, an increase from $4.1 million or $0.02 per basic share for the second quarter of 2017 (see Non-IFRS Measures section), primarily due to a higher average realized gold price, an increase in by-product silver sales and a decrease in cash cost per gold ounce sold (see Non-IFRS Measures section) with the commencement of commercial production at the San Agustin mine effective October 1, 2017.

Financial Results – First Half 2018

Revenue for the six months ended June 30, 2018 was $103.1 million, an increase from $87.0 million for the six months ended June 30, 2017. During the first half of 2018, gold ounces sold totaled 75,486 at an average realized price per ounce of $1,313, compared to 67,923 gold ounces sold at an average realized price per ounce of $1,244 during the same period of 2017. Gold ounces sold for the six months ended June 30, 2018 increased compared to the same period in 2017 primarily due to the commencement of commercial production at the San Agustin mine effective October 1, 2017, partially offset by a reduction in gold ounces produced and sold at the El Castillo mine.

Production costs for the six months ended June 30, 2018 were $55.1 million, an increase from $54.6 million in the first half of 2017 primarily due to an increase in gold ounces sold, offset by a decrease in cash cost per gold ounce sold. Cash cost per gold ounce sold (see Non-IFRS Measures section) was $677 in the first half of 2018, a decrease from $767 in the same period of 2017, primarily due to the commencement of commercial production at the San Agustin mine effective October 1, 2017, which has a lower cash cost per gold ounce sold. DD&A expense included in cost of sales for the six months ended June 30, 2018 totaled $16.6 million, an increase from $12.9 million in the six months ended June 30, 2017, due to the increase in gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis, and the commencement of commercial production at the San Agustin mine, which has a higher DD&A expense per ounce.

General and administrative expenses for the six months ended June 30, 2018 were $6.9 million, an increase from $6.1 million in the same period of 2017, primarily due to employee related costs.

Gains on foreign exchange derivatives during the first half of 2018 were $0.4 million, a decrease from $2.4 million in the first half of 2017, due to a decrease in realized and unrealized gains on the Company's zero-cost collar contracts on the Mexican peso.

Other expense for the six months ended June 30, 2018 was $1.1 million, a decrease from other income of $2.9 million in the same period of 2017, primarily due to differences in foreign currency translation effects.

Income tax expense for the six months ended June 30, 2018 was $10.3 million, compared to income tax recovery of $0.2 million in the same period of 2017. The change is primarily due to the foreign exchange effects of the strengthening Mexican peso on the calculation of deferred taxes in 2017 and the recognition of previously unrecognized Mexican deferred tax assets in the first quarter of 2017.

Net income for the six months ended June 30, 2018 was $12.6 million or $0.07 per basic share, a decrease from $18.2 million or $0.11 per basic share for the six months ended June 30, 2017.

Adjusted net income for the six months ended June 30, 2018 was $14.9 million or $0.08 per basic share, an increase from $9.0 million or $0.05 per basic share for the six months ended June 30, 2017 (see Non-IFRS Measures section), primarily due to a higher average realized gold price, an increase in by-product silver sales and a decrease in cash cost per gold ounce sold (see Non-IFRS Measures section) with the commencement of commercial production at the San Agustin mine effective October 1, 2017.

Operational Results – Second Quarter 2018

During the second quarter 2018, the Company achieved production of 38,441 GEOs at a cash cost of $704 per gold ounce sold and all-in sustaining cost of $832 per gold ounce sold compared to 29,730 GEOs at a cash cost of $785 per gold ounce sold and an all-in sustaining cost of $906 per gold ounce sold during the second quarter 2017 (see Non-IFRS Measures section). Higher production and lower costs were driven by the commencement of commercial production at the low-cost San Agustin mine effective October 1, 2017.

The El Castillo Complex produced 26,518 GEOs at a cash cost of $638 per gold ounce sold during the second quarter of 2018 versus 17,086 GEOs at a cash cost of $893 per gold ounce sold during the second quarter of 2017. Higher production and lower costs were driven by the commencement of commercial production at the low-cost San Agustin mine effective October 1, 2017 (see Non-IFRS Measures section).

La Colorada produced 11,923 GEOs at a cash cost of $833 per gold ounce sold during the second quarter of 2018 compared to 12,644 GEOs at a cash cost of $590 per gold ounce sold during the second quarter of 2017 (see Non-IFRS Measures section). The increase in costs are primarily due to lower deferred stripping. On a cost per tonne processed basis, La Colorada experienced a 28% reduction in costs versus the first quarter 2018 as movement of stockpiled material did not require drilling and blasting.

Bill Zisch, Chief Operating Officer, commented: "For the second straight quarter, San Agustin continued its strong performance and exceeded throughput expectations at the crusher by 24% over nameplate capacity of 16,700 tonnes per day. At El Castillo, we continued to be affected by the height of the leach pads, which continues to delay the timing of recovering ounces. With the completion of two new leach pads and our ability to place ore close to the plastic, we expect to see a reduced timing to recovery. Also at El Castillo, we experienced sub-optimal productivity due to equipment availability and maintenance related issues. We have taken steps to increase equipment availability and continue to take steps to improve our productivity. At La Colorada, despite the inability to blast during the quarter, we maintained mining, crushing, stacking and leaching operations due to the availability of previously blasted ore and low-grade stockpiled ore. While we maintained crusher throughput of slightly above our 12,000 tonnes per day budget, we began to see the impact of the lower grade ore late in the quarter in the form of lower production and expect to see the bulk of the lower grade impact during the third quarter. Without blasting expenses during the second quarter and with reduced haul distances associated with low-grade stockpiles, our cost per tonne processed at La Colorada decreased 28% to $7.85 from $10.94 in the first quarter 2018."

The table below details the El Castillo Complex operating statistics during the three and six months ended June 30, 2018 and 2017. The three and six months ended June 30, 2017 for the San Agustin mine represent pre-commercial production operating statistics. Commercial production at the San Agustin mine was declared on October 1, 2017.

SECOND QUARTER 2018 EL CASTILLO COMPLEX OPERATING STATISTICS

	3 Months Ended June 30			6 Months Ended June 30		
	2018	**2017**	**% Change**	**2018**	**2017**	**% Change**
Mining (in 000s except waste/ore ratio)						
Tonnes ore El Castillo	2,149	2,011	7%	3,768	4,478	(16%)
Tonnes ore San Agustin	1,851	227	715%	3,577	227	1476%
Tonnes ore	**4,000**	**2,238**	**79%**	**7,345**	**4,705**	**56%**
Tonnes waste El Castillo	2,223	2,646	(16%)	5,329	6,035	(12%)
Tonnes waste San Agustin	618	145	326%	974	145	572%
Tonnes waste	**2,841**	**2,791**	**2%**	**6,303**	**6,180**	**2%**

Tonnes mined El Castillo	4,372	4,657	(6%)	9,097	10,513	(13%)
Tonnes mined San Agustin	2,469	372	564%	4,551	372	1123%
Tonnes mined	**6,841**	**5,029**	**36%**	**13,648**	**10,885**	**25%**
Tonnes per day El Castillo	48	51	(6%)	50	58	(14%)
Tonnes per day San Agustin	27	6	350%	25	6	317%
Tonnes per day	**75**	**57**	**32%**	**75**	**64**	**17%**
Waste/ore ratio El Castillo	1.03	1.32	(22%)	1.41	1.35	4%
Waste/ore ratio San Agustin	0.33	0.64	(48%)	0.27	0.64	(58%)
Waste/ore ratio	**0.71**	**1.25**	**(43%)**	**0.86**	**1.31**	**(34%)**
Leach Pads (in 000s)						
Tonnes crushed to East leach pads El Castillo	1,171	1,355	(14%)	2,166	2,656	(18%)
Tonnes crushed to West leach pads El Castillo	952	660	44%	1,580	1,111	42%
Tonnes overland conveyor to leach pads El Castillo	0	0	-	0	769	(100%)
Tonnes crushed to leach pads San Agustin	1,885	85	2118%	3,603	85	4139%
Tonnes crushed to leach pads	**4,008**	**2,100**	**91%**	**7,349**	**4,621**	**59%**
Production						
Gold grade loaded to leach pads El Castillo (g/t)[1]	0.37	0.39	(5%)	0.40	0.39	3%
Gold grade loaded to leach pads San Agustin (g/t)[1]	0.36	0.41	(12%)	0.43	0.41	5%
Gold grade loaded to leach pads (g/t)[1]	**0.37**	**0.39**	**(5%)**	**0.41**	**0.39**	**5%**
Gold loaded to leach pads El Castillo (oz)[2]	25,456	25,004	2%	48,196	56,960	(15%)
Gold loaded to leach pads San Agustin (oz)[2]	21,813	1,122	1844%	49,691	1,122	4329%
Gold loaded to leach pads (oz)[2]	**47,269**	**26,126**	**81%**	**97,887**	**58,082**	**69%**
Projected recoverable GEOs loaded El Castillo[4]	14,790	15,459	(4%)	27,670	34,818	(21%)
Projected recoverable GEOs loaded San Agustin[4]	14,397	741	1843%	32,796	741	4326%
Projected recoverable GEOs loaded[4]	**29,187**	**16,200**	**80%**	**60,466**	**35,559**	**70%**
Gold produced El Castillo (oz)[2,3]	10,079	16,927	(40%)	18,736	39,012	(52%)
Gold produced San Agustin (oz)[2,3]	15,528	0	-	31,352	0	-
Gold produced (oz)[2,3]	**25,607**	**16,927**	**51%**	**50,088**	**39,012**	**28%**
Silver produced El Castillo (oz)[2,3]	8,111	11,152	(27%)	15,639	20,992	(26%)
Silver produced San Agustin (oz)[2,3]	55,781	0	-	136,112	0	-
Silver produced (oz)[2,3]	**63,892**	**11,152**	**473%**	**151,751**	**20,992**	**623%**
GEOs produced El Castillo[3]	10,194	17,086	(40%)	18,959	39,312	(52%)
GEOs produced San Agustin[3]	16,324	0	-	33,296	0	-
GEOs produced[3]	**26,518**	**17,086**	**55%**	**52,255**	**39,312**	**33%**

Gold sold El Castillo (oz)[2]	9,096	21,156	(57%)	17,355	41,219	(58%)
Gold sold San Agustin (oz)[2]	15,577	0	-	30,310	0	-
Gold sold (oz)[2]	**24,673**	**21,156**	**17%**	**47,665**	**41,219**	**16%**
Silver sold El Castillo (oz)[2]	8,111	11,152	(27%)	15,639	20,992	(26%)
Silver sold San Agustin (oz)[2]	59,186	0	-	130,669	0	-
Silver sold (oz)[2]	**67,297**	**11,152**	**503%**	**146,308**	**20,992**	**597%**
GEOs sold El Castillo	9,211	21,315	(57%)	17,578	41,519	(58%)
GEOs sold San Agustin	16,423	0	-	32,177	0	-
GEOs sold	**25,634**	**21,315**	**20%**	**49,755**	**41,519**	**20%**
Cash cost per gold ounce sold El Castillo[5]	$992	$893	11%	$1,005	$889	13%
Cash cost per gold ounce sold San Agustin[5]	$431	$0	-	$399	$0	-
Cash cost per gold ounce sold[5]	**$638**	**$893**	**(29%)**	**$620**	**$889**	**(30%)**

[1] "g/t" refers to grams per tonne.
[2] "oz" refers to troy ounce.
[3] Produced ounces are calculated as ounces loaded to carbon.
[4] 2018: Expected recoverable GEOs are based on the assumptions and parameters as set forth in the El Castillo Complex Technical Report dated March 27, 2018. 2017: Expected recoverable GEOs – El Castillo expected recovery rates: ROM oxide 50%, crushed oxide 70%, ROM transition 40%, crushed transition 60%, crushed sulphides argillic 30% and crushed sulphides silicic 17%; San Agustin expected recovery rates: gold 66% and silver 16%.
[5] 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 second quarter 2018, the El Castillo Complex produced 55% more GEOs at a cash cost (see Non-IFRS Measures section) of 29% less compared to the second quarter 2017 due to the introduction of the low cost San Agustin mine to the Complex.

At El Castillo, production was delayed by the additional leach cycle time required from higher leach pads and equipment availability associated with maintenance issues along with lower than expected utilization. Two new leach pad areas were completed during the second quarter, which will increase operating flexibility. The CR2 crusher, which was enhanced during the first quarter of 2018, continues to ramp up towards its nameplate capacity of 14,000 tonnes per day but has not yet consistently maintained this higher throughput level primarily due to maintenance related issues with the conveying line. Also, mobile fleet availability impacted productivity during the quarter. After examining the economic trade off between capital and operating cost, the Company moved the mobile fleet from the San Agustin mine to the El Castillo mine and initiated contract mining at San Agustin effective July 1, 2018.

At San Agustin, the crusher continued to outperform and exceeded nameplate throughput capacity of 16,700 tonnes per day by approximately 24% during the second quarter of 2018. Also during the second quarter, a second water well was drilled and brought on line with the goal of increasing solution flow to match increased ore placement on the leach pad.

SECOND QUARTER 2018 LA COLORADA OPERATING STATISTICS

	3 Months Ended June 30	6 Months Ended June 30

	2018	2017	% Change	2018	2017	% Change
Mining (in 000s except for waste/ore ratio)						
Tonnes mineralized material	1,062	1,225	(13%)	2,158	2,290	(6%)
Tonnes waste	1,815	4,767	(62%)	7,946	9,964	(20%)
Total tonnes	2,877	5,992	(52%)	10,104	12,254	(18%)
Tonnes per day	32	66	(52%)	56	68	(18%)
Waste/mineralized material ratio	1.71	3.89	(56%)	3.68	4.35	(15%)
Tonnes rehandled	38	29	31%	38	29	31%
Leach Pads (in 000s)						
Tonnes crushed to leach pads	1,140	1,110	3%	2,265	2,218	2%
Tonnes direct to leach pads	0	46	(100%)	0	126	(100%)
Production						
Gold grade loaded to leach pads (g/t)[1]	0.36	0.64	(44%)	0.40	0.59	(32%)
Gold loaded to leach pads (oz)[2]	13,347	23,648	(44%)	28,809	44,666	(36%)
Projected recoverable GEOs loaded[4]	9,168	15,176	(40%)	20,641	28,529	(28%)
Gold produced (oz)[2,3]	11,503	12,098	(5%)	25,794	26,499	(3%)
Silver produced (oz)[2,3]	29,368	38,201	(23%)	87,135	113,800	(23%)
GEOs produced[3]	11,923	12,644	(6%)	27,039	28,125	(4%)
Gold sold (oz)[2]	12,741	11,805	8%	27,821	26,704	4%
Silver sold (oz)[2]	33,842	43,865	(23%)	92,958	118,762	(22%)
GEOs sold	13,224	12,432	6%	29,149	28,401	3%
Cash cost per gold ounce sold[5]	$833	$590	41%	$775	$579	34%

[1] "g/t" refers to grams per tonne.
[2] "oz" refers to troy ounce.
[3] Produced ounces are calculated as ounces loaded to carbon.
[4] 2018: Expected recoverable GEOs are based on the assumptions and parameters as set forth in the La Colorada Gold/Silver Mine Technical Report dated March 27, 2018. 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. 2017: Expected recoverable GEOs – recovery rates: gold 60% and silver 30%.
[5] 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

As previously disclosed, the Company lacked the ability to blast material during the second quarter due to the temporary suspension of the La Colorada mine's explosives permit. The Company mined previously blasted material and free-dig material in the pit and utilized low-grade stockpiles to maintain its crushing throughput at its budget of 12,000 tonnes per day. As a result, the grade of ore placed on the leach pad during the second quarter 2018 was 44% lower than the second quarter 2017. While the Company began to see the impact of the lower grade ore during the second quarter in the form of lower production, given the nature of the heap leach recovery cycle the Company expects to see the bulk of the impact associated with the lower grade in the third quarter 2018. Since the Company was not incurring costs associated with drilling and blasting during the second quarter, combined with the significantly reduced haul distances associated with utilizing the lower grade stockpiles, costs per tonne of ore processed decreased by 28% to $7.85 from $10.94 during the first quarter.

Operations at La Colorada are ramping up to normal state following the reinstatement of the explosive permit. The Company expects the third quarter 2018 will see lower production due to the lower grades stacked on the leach pad during the second quarter 2018 and also expects higher costs during the third quarter 2018 associated with drilling, blasting and hauling costs for normal state operations.

While the Company's explosives permit has been reinstated at La Colorada, the legal action brought against the Secretary of National Defense and the Municipality of La Colorada continues through the Judiciary court process.

2018 Capital Estimate

The Company plans to invest $40 million to $45 million on capital expenditures and exploration initiatives in 2018, of which $20.1 million has been invested through June 30, 2018. This is a reduction from the previous full year guidance of $50 million to $55 million on capital expenditures and exploration initiatives in 2018. This change is primarily an elimination of capitalized stripping at the La Colorada mine, which is now recognized in mine operating costs.

Argonaut Gold Second Quarter Operational and Financial Results Conference Call and Webcast:

The Company will host the second quarter 2018 conference call and webcast on August 10, 2018 at 9:00 am EDT.

Q2 Conference Call Information

Toll Free (North America):	1-888-231-8191
International:	1-647-427-7450
Conference ID:	1284417
Webcast:	**www.argonautgold.com**

Q2 Conference Call Replay:

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

The conference call replay will be available from 12:00 pm EDT on August 10, 2018 until 11:59 pm EDT on August 17, 2018.

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 expenses, exploration expenses, accretion of reclamation provision 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 and unrecognized (recognition of previously unrecognized) Mexican deferred tax assets. 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. Please see the management's discussion and analysis ("MD&A") for full disclosure on non-IFRS measures.

This press release should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the three months and six months ended June 30, 2018 and associated MD&A, for the same period, which are available from the Company's website, www.argonautgold.com, in the "Investors" section under "Financial Filings", and under the Company's profile on SEDAR at www.sedar.com.

Creating Value Beyond Gold

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 Inc. ("Argonaut" or "Argonaut Gold"). Forward-looking statements and forward-looking information include, but are not limited to statements with respect to permitting and legal processes in relation to mining permitting and approvals; estimated production and mine life of the various mineral projects of Argonaut; the ability to obtain permits for operations; synergies; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; 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; 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", "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 variations in ore grade or recovery rates, changes in market conditions, 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 parametres, 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.

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 National Instrument 43-101 ("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:

El Castillo Complex	NI 43-101 Technical Report on Resources and Reserves, El Castillo Complex, Durango State, Mexico dated March 27, 2018 (effective date of March 7, 2018)
La Colorada Mine	NI 43-101 Technical Report on Resources and Reserve, La Colorada Gold/Silver Mine, Hermosillo, Mexico dated March 27, 2018 (effective date of December 8, 2017)
Magino Gold Project	Feasibility Study Technical Report on the Magino Project, Ontario, Canada dated December 21, 2017 (effective date November 8, 2017)
San Antonio Gold Project	NI 43-101 Technical Report on Resources, San Antonio Project, Baja California Sur, Mexico dated October 10, 2012 (effective date of September 1, 2012)

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.

For more information, contact:

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