

SUSTAINABLE DEVELOPMENT & INNOVATION BEYOND THE MINE





ABOUT ARGONAUT GOLD INC.

Argonaut Gold is a Canadian, publicly-traded mining company listed on the Toronto Stock Exchange (AR.TO). The Company is engaged in precious metals 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 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. Formed in 2009, Argonaut is a still a relatively young company, but with leaders that together bring vast technical and operational experience. The Argonaut management team has a proven track record of creating value for all stakeholders through responsible mining.

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MESSAGE FROM THE CEO



2017 was a transformation year for our Company, as we continued to pursue our long-term vision of becoming a 300,000 to 500,000 ounce per year gold producer with all in sustaining costs at or below \$950 per ounce, we are especially proud of our team for their continued commitment to conducting their work in a responsible manner.

At all operations, we saw improvements in our safety record and culture, including zero lost time injuries during the construction of the San Agustin mine and for the entire year at our La Colorada mine. We also maintained our standing as an Environmentally Socially Responsible company at all operations for the fifth consecutive year. Furthermore, precious metal production was achieved near the high end of our guidance and within our all in sustaining cost guidance range.

During the past year we made a significant capital investment of over US\$100 million into our business to fund, among other things, the construction and commissioning of the new San Agustin mine, two separate acquisitions – the first that extends the mine life at our existing El Castillo operation and the second adds a pipeline project the fits very well with our team's proven skill set – and the completion of a Feasibility Study for our Magino development project. We expect these investments to pay dividends

to our stakeholders now and in the future.

In February of 2017, we purchased the San Juan mineral concession adjacent to our El Castillo mine. Absent of this acquisition, this mine was scheduled to cease production by the end of 2019. Now, after increasing our Mineral Reserves at this property by 74%¹, we currently sit with at least four years of mine life at El Castillo and a tremendous opportunity to further increase mine life with an additional 220,000 gold ounces in Measured and Indicated Mineral Resource above and beyond El Castillo's Mineral Reserves.

Ten kilometres from the El Castillo mine, we successfully constructed and commissioned the San Agustin mine, which combined form the El Castillo Complex due to the shared infrastructure and resources. San Agustin's construction was completed on schedule and 28% under budget – a rarity in our industry and a testament to our team's focus and ability.

¹ Based on the Mineral Reserve assumptions in the "Annual Information Form For The Financial Year Ended December 31, 2016" and the technical report: "NI 43-101 Technical Report on Resources and Reserves El Castillo Complex, Durango, Mexico" dated March 27, 2018, available on sedar.com.

We not only focused on these near-term growth objectives, but also laid the groundwork to unlock future value through longer-term growth by de-risking and adding to our project pipeline.

We completed of a positive Feasibility Study for our Magino project in Ontario, Canada and acquired of the Cerro del Gallo project in Guanajuato, Mexico.

Argonaut invested 32.6 million Mexican pesos in its neighbouring communities, including programs that include education, health, infrastructure, sports and culture. Highlights include providing academic scholarships and the sponsorship of Mexican students from San Lucas de Ocampo, neighbours of the El Castillo mine, to participate in the ESI 2017 Science World Cup in Fortaleza, Brazil. We also provided

health consultations and food baskets, repaired roads and drilled waterwells in neighbouring towns. We also hosted our first La Colorada Great Race: The "Challenge within a Mine" was the first large scale race that took place in Sonora, Mexico inside our operating La Colorada mine. This was an excellent opportunity for the public to visit an operating mine and participate in a fantastic event.

We thank all of our stakeholders for your continued support of our shared vision and will continue to work to deliver value through our responsible mining, development and exploration.

Peter Dougherty
President & CEO



“

**WE ARE PROUD OF OUR
TEAMWORK AND EFFORT
THIS PAST YEAR AND
ENCOURAGED BY THE
CONTINUED GROWTH OF
OUR ORGANIZATION.”**

- Peter Dougherty, President & CEO

Scan the barcode to see an
overview video of operations.
You can also view the video at:
<http://l.ead.me/bat7Od>



OUR COMPANY

Argonaut Gold currently operates in Mexico and Canada, with corporate offices in the United States and Canada. The company has three mines in operation: the **El Castillo** mine and the **San Agustin** mine, which together form the **El Castillo Complex** in Durango, Mexico, and the **La Colorada** mine in Sonora, Mexico. It also has three advanced projects: **San Antonio** in Baja California Sur, Mexico, **Cerro del Gallo** in Guanajuato, Mexico and **Magino** in Ontario, Canada.

“ARGONAUT GOLD CONSTRUCTED ITS THIRD MINE IN MEXICO DURING 2017 - THE FIRST THAT THE COMPANY HAD BUILT FROM SCRATCH AND IT WAS DONE ON TIME AND 28% UNDER BUDGET.”

- Peter Dougherty, President & CEO

OUR OPERATIONS

El Castillo Complex
2017 Production: 73,418 GEOs¹

El Castillo

Durango, Mexico

Status: Operating Mine

Ownership: 100%

Minerals Produced: Gold, Silver

San Agustin

Durango, Mexico

Status: Operating Mine

Ownership: 100%

Minerals Produced: Gold, Silver

La Colorada

2017 Production: 53,286 GEOs¹

Sonora, Mexico

Status: Operating Mine

Ownership: 100%

Minerals Produced: Gold, Silver

San Antonio

Baja California Sur, Mexico

Status: Advanced Exploration

Ownership: 100%

Minerals: Gold

Cerro del Gallo

Guanajuato, Mexico

Status: Advanced Exploration

Ownership: 100%

Minerals: Gold, Silver, Copper

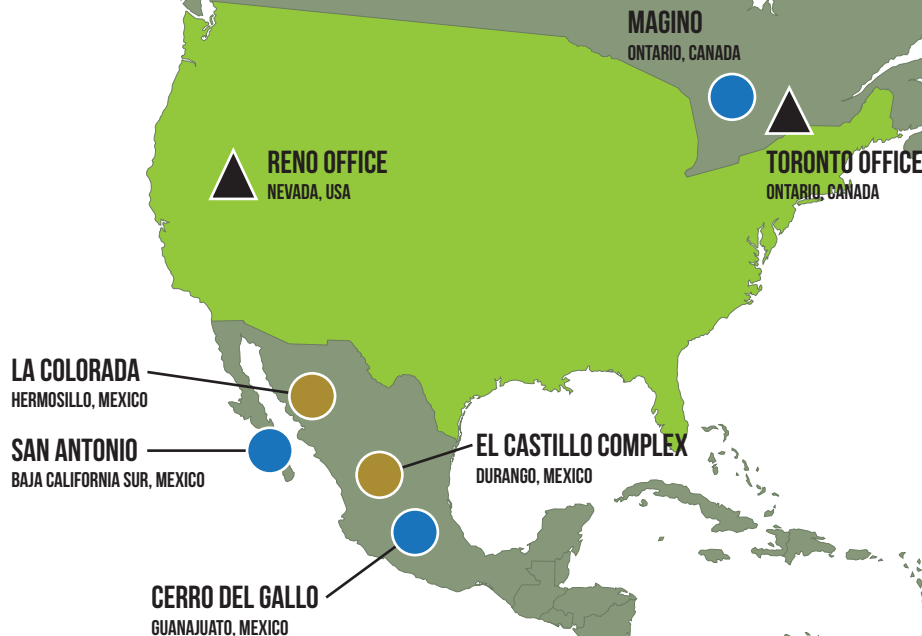
Magino

Ontario, Canada

Status: Advanced Exploration

Ownership: 100%

Minerals: Gold



- **PRODUCING MINE(S)**
- **ADVANCED EXPLORATION PROJECT**
- ▲ **ARGONAUT OFFICE**

¹Gold equivalent ounces ("GEO" or "GEOs") are based on a conversion ratio of 70:1 for silver to gold.

2017 RESULTS

We had several major accomplishments during 2017: San Agustin construction was completed on time and under budget, we produced a positive Feasibility Study for our Magino project and we remain on track to achieve our 65% growth target from 2017's approximate 127,000 GEO¹ production to 2019's projected production of over 210,000 GEOs¹. 2017 was a capital intensive year for the Company, with approximately US\$110 million invested into the business for items such as San Agustin's construction, the purchase of the San Juan mineral concession from Fresnillo Plc and the acquisition of the Cerro del Gallo project.

OPERATIONAL & FINANCIAL HIGHLIGHTS

PRODUCTION

126,704^{1,2}

GOLD EQUIVALENT OUNCES

PRODUCTION GROWTH

65%

THREE YEARS (2017-2019)

\$110M

INVESTED IN 2017

\$24M

**NET INCOME
& \$0.14 EARNING PER SHARE**

**INCREASED
MINERAL RESERVES**

74%³

AT EL CASTILLO MINE

**SAN AGUSTIN
MINE BUILT ON TIME &**

28%

UNDER BUDGET

¹ Actual 2017 GEO Production includes 2,932 pre-commercial production GEOs from San Agustin.

² Gold equivalent ounces ("GEO" or "GEOs") are based on a conversion ratio of 70:1 for silver to gold.

³ Based on the Mineral Reserve assumptions in the "Annual Information Form For The Financial Year Ended December 31, 2016" and the technical report: "NI 43-101 Technical Report on Resources and Reserves El Castillo Complex, Durango, Mexico" dated March 27, 2018, available on sedar.com.



“2017 WAS AN INVESTMENT
YEAR FOR ARGONAUT.
2018 IS THE HARVEST YEAR.”

HEALTH & SAFETY

2 MILLION HOURS

WITHOUT 'LOST TIME' ACCIDENTS

IN 2017, WE SAW VAST IMPROVEMENTS IN OUR SAFETY RECORD WITH A REDUCTION OF WORK INCIDENTS, LOST DAYS WORKED AND THE ACCIDENT FREQUENCY RATE.

0 LOST TIME
INCIDENTS

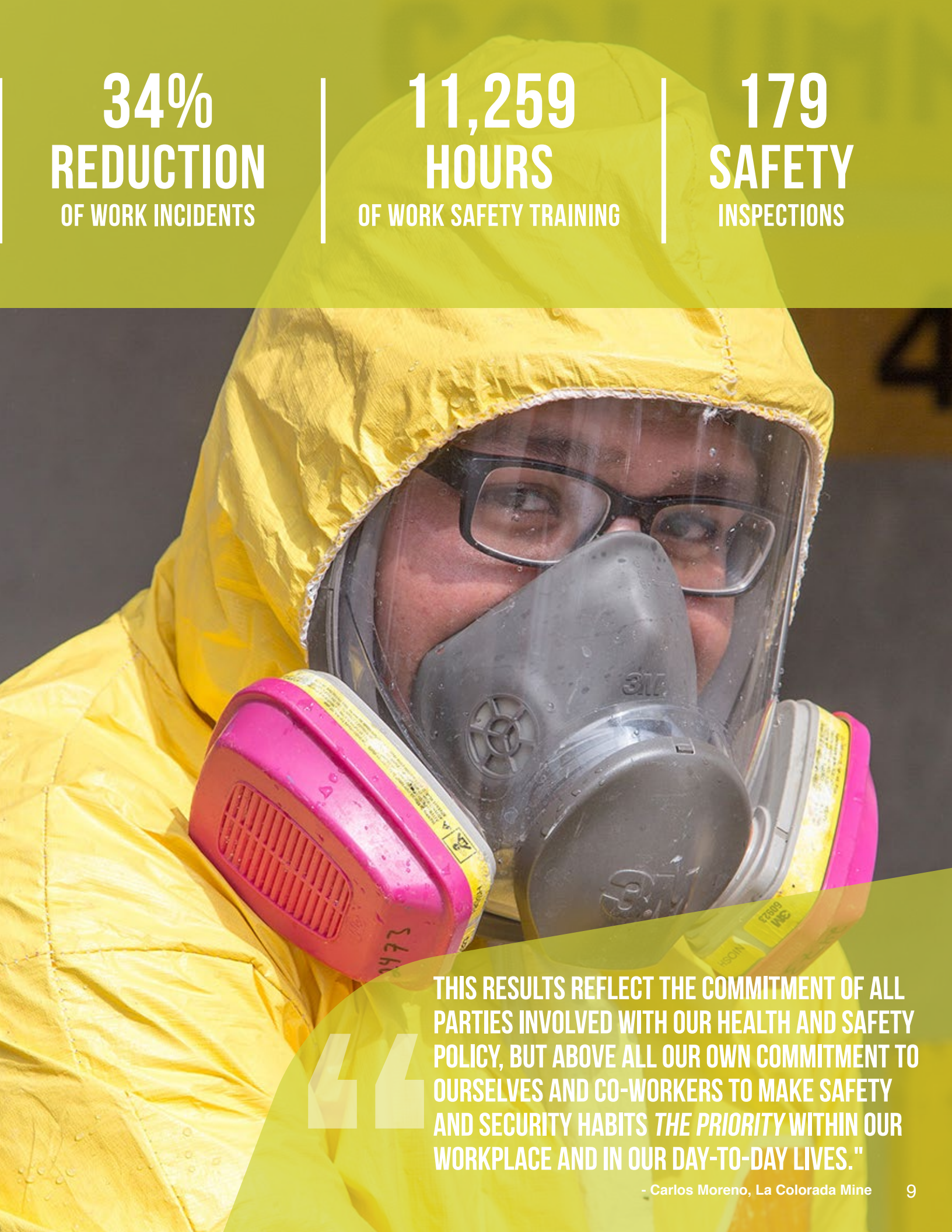
DURING CONSTRUCTION
OF SAN AGUSTIN MINE &
AT THE LA COLORADA MINE
IN 2017



34%
REDUCTION
OF WORK INCIDENTS

11,259
HOURS
OF WORK SAFETY TRAINING

179
SAFETY
INSPECTIONS



“

THIS RESULTS REFLECT THE COMMITMENT OF ALL PARTIES INVOLVED WITH OUR HEALTH AND SAFETY POLICY, BUT ABOVE ALL OUR OWN COMMITMENT TO OURSELVES AND CO-WORKERS TO MAKE SAFETY AND SECURITY HABITS *THE PRIORITY* WITHIN OUR WORKPLACE AND IN OUR DAY-TO-DAY LIVES.”

- Carlos Moreno, La Colorada Mine



OUR PEOPLE

1,238
EMPLOYEES



77%
EMPLOYEES
FROM NEIGHBOURING
COMMUNITIES

**ARGONAUT MAINTAINS THE
PREMISE THAT THE MOST
IMPORTANT KEY TO BUILDING A
SUCCESSFUL AND SUSTAINABLE
COMPANY IS OUR PEOPLE.**





60%
UNIONIZED
STAFF

40%
INCREASE
IN TRAINING
11,689 HOURS

0.55% TO 0.03%
DECREASE
IN LABOUR ABSENTEEISM

With 1,238 employees and contractors working at our operations, projects and offices in Mexico, the United States and Canada, Argonaut Gold maintains the premise that the most important factor to building a successful company is its human resources.

In addition to an increase in training hours, to a decrease in labour absenteeism, we also brought 1,162 health actions to our units. These include: health fairs, vaccination campaigns, nutrition workshops, laboratory studies and medical appointments.

With more than a thousand people in our workforce, we have also sponsored sporting events and annual traditional celebrations for our people and communities.

Scan the barcode to see a video of Argonaut's People.
You can also view the video at:

<http://l.ead.me/batDpk>



**EACH AND EVERY ONE OF
US IS A KEY CONTRIBUTOR
TO ACHIEVING RESULTS,
WHICH IN 2017 WERE
VERY POSITIVE.”**

- Federico Rivera, HR Manager



**WE'VE RECEIVED THE ENVIRONMENTAL
SOCIALY RESPONSIBLE COMPANY
RECOGNITION AT ALL MEXICAN OPERATIONS
FOR THE FIFTH CONSECUTIVE YEAR.**



OUR ENVIRONMENT

403
ENVIRONMENTAL
INSPECTIONS

846 HOURS
ENVIRONMENTAL
MANAGEMENT TRAINING

EMPRESA SOCIALMENTE RESPONSABLE

is an award granted annually in Mexico by the Mexican Center for Philanthropy (CEMEFI), who certifies the socially responsible management of the ESR policy.



**WE ARE PERMANENTLY FOCUSED ON AN
ENVIRONMENTAL MANAGEMENT SYSTEM DIRECTLY
CORRELATED TO OUR CODE OF ETHICS.”**

- Francisco Albelais, ECC General Manager



44.16M²
FILTERING
DAMS BUILT

10,000
TREES
PLANTED

3,251
PLANTS
SUCCESSFULLY RESCUED

410 TONNES
MATERIAL RECYCLED

FLORA & WILDLIFE RESCUE PROGRAMS

The flora rescue program successfully transplanted 4,188 specimens from 8 different classes of regional plants. In addition, an intense mesquite reforestation program was carried out, in which 10,000 trees were planted, 5,000 by Argonaut Gold personnel. In the wildlife rescue program, 56 individual species were rescued and relocated.



INVESTING IN OUR COMMUNITIES

In 2017, Argonaut Gold invested a total of 32.6 million pesos in programs that include education, health, infrastructure, sports and culture to promote the development of its neighbouring communities.

In Mexico, we provided 526 children and youth with academic scholarships totalling approximately 6.4 million Mexican pesos, including sending students to the ESI 2017 Science World Cup in Brazil.

1,200 community members received workshops: Addiction Prevention, Reproductive Health, Domestic Violence, First Aid, Crafts, and others. More than 250 people attended our health care days where they received medical visits, laboratory access and medical consultancy study information.

We also provided:

- 32 house restorations.
- 4,300 food support actions.
- Construction of a water well for the benefit of 250 residents with an investment of 1.2 million pesos, including 29,839m² of wells and dams dredged.



OUR
COMMUNITY

32.6M
MEXICAN PESOS
INVESTED
IN COMMUNITY
PROGRAMS

526
SCHOLARSHIPS
PROVIDED TO CHILDREN & YOUTH
IN THE AMOUNT OF 6.4M PESOS



1,200
WORKSHOPS
PROVIDED

250
ATTENDED
HEALTH CARE DAYS

33.85km
ROADS REPAIRED
IN 4 NEIGHBOURING TOWNS



Argonaut's first "Great Race La Colorada" in 2017

**NOT ONLY DO WE SAY WE WILL BUILD,
WE CREATE VALUE AND OPPORTUNITIES THROUGH
PRODUCTION TODAY, WHILE CONTINUING TO FOCUS ON THE
FUTURE GROWTH, THROUGH THE DEVELOPMENT OF OUR
PROJECTS AND COMMUNITIES.**

LA COLORADA GREAT RACE

On December 10, 2017, Argonaut Gold successfully launched the first La Colorada Great Race within its La Colorada mine in Sonora, Mexico. The event was presented to the town of La Colorada as a joint opportunity to promote local tourism and sport, and showcased modern mining to the public.

The "Challenge within a Mine", was the first large scale race that took place in Mexico inside an operating mine that was open to the public. 350 runners competed in 5 and 10 kilometre races, opening the doors to athletes through an innovative approach of showcasing modern mining.

OUR COMMUNITY

Scan the barcode to see a video
of our Great Race at La Colorada.
You can also view the video at:

<http://l.ead.me/bat7NJ>





ESI 2017 SCIENCE WORLD CUP

Argonaut Gold sponsored three young students aged 14 and 15, and their advisory professor from San Lucas de Ocampo, neighbours of our El Castillo mine, to participate in the ESI 2017 Science World Cup in Fortaleza, Brazil from August 7th to 12th of 2017. The students focused on developing an ecological brick which helped clean up the community.

With a focus on education in its social programs, Argonaut Gold discovered the opportunity to sponsor the participation of the team from Technical High School #76 in the town of San Lucas de Ocampo.

“ ARGONAUT GOLD MADE IT POSSIBLE FOR THREE YOUNG BOYS FROM A SMALL VILLAGE TO TRAVEL TO BRAZIL TO PARTICIPATE IN THE 2017 SCIENCE WORLD CUP, AN EXPERIENCE AND OPPORTUNITY THEY WILL NEVER FORGET.” ”

- Alberto Orozco, VP External Affairs Mexico

INVESTING IN OUR COMMUNITIES

We also continue to consult and work towards agreements with Indigenous communities surrounding our Magino project in Canada.

During 2017, Argonaut executed a Community Benefits Agreement with the Missanabie Cree First Nation and a Collaborative Agreement with the Red Sky Métis Independent Nation.

During the year, the company continued to provide funding to Indigenous groups in support of community gatherings, annual general meetings and other events hosted by Indigenous groups. Argonaut sponsored the Métis Nation of Ontario's 24th Annual General Assembly in Kenora, Ontario last August.

The company is continuing its corporate sponsorship program in Dubreuilville, as well as Wawa and White River, to support community events, activities, facilities and purchases that contribute to community well-being. In the summer of 2017, Argonaut provided funding for the Dubreuilville Strongman Challenge competition and the Dubreuilville Magpie Walleye fishing derby. Argonaut has also provided funding through the Prospectors and Developers Association of Canada's 'Mining Matters' in the Dubreuilville and Wawa schools, and for student bursaries.

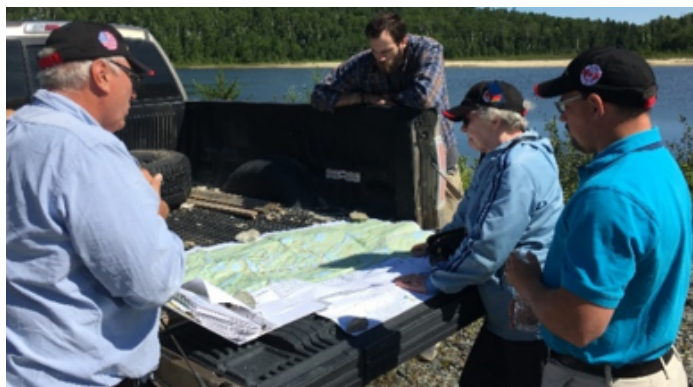
Various opportunities for community involvement in the Magino project Environmental Assessment occurred during 2017. Consultations conducted both before and during the project Environmental Assessment process will continue to assist with project permitting. Reclamation field trials planned for 2018 will enhance community involvement and preparation for anticipated site development in the coming years.



OUR COMMUNITY

ARGONAUT EXECUTED 2 INDIGENOUS AGREEMENTS

COMMUNITY BENEFITS AGREEMENT - MISSANABIE CREE FIRST NATION
COLLABORATIVE AGREEMENT - RED SKY MÉTIS INDEPENDENT NATION



(top left) Red Sky Métis Independent First Nation Site Tour; (top right) Missanabie Cree First Nation Annual Gathering (bottom right) Project Meeting with Batchewana First Nation; (bottom left) Michipicoten First Nation Site Tour.

“

WE ARE VERY FORTUNATE TO BE WORKING WITH DIVERSE AND SUPPORTIVE COMMUNITIES ACROSS NORTHERN ONTARIO. WE WILL CONTINUE TO SUPPORT EACH OF THE LOCAL COMMUNITIES IN COORDINATION WITH THE MAGINO PROJECT ENVIRONMENTAL ASSESSMENT PROCESS, WHICH IS WELL UNDERWAY.”

- Kyle Stanfield, Director, Environment & Community Relations, Magino Project



CORPORATE GOVERNANCE

Argonaut Gold Inc. has been committed to good corporate governance since its formation in 2009. The Board of Directors maintains open and direct communications with management on all the major strategic, investment, operating, and management decisions. The Corporation is best served by an informed and interactive Board which has free access to all levels of management and to all of its operations. Through Board meetings, Board agendas and background briefing materials, monthly operating and financial reports, and frequent conversations, management and operations shared information with the Board. The cumulative experience and expertise of the Corporation's directors enables the Board to bring sound business judgment to its decision making process. The independence of the Corporation's directors has been fostered in order to bring an outside perspective to its deliberations.

NOTES AND DISCLOSURE

QUALIFIED PERSON

Technical information included in this report was supervised and approved by Brian Arkell, Argonaut Gold's Vice President of Exploration, and a Qualified Person under National Instrument 43-101 – Standards of Disclosure for Mineral Projects. ("NI 43-101").

NATIONAL INSTRUMENT 43-101

Brian Arkell, Argonaut Gold's Vice President of Exploration and a Qualified Person under NI 43-101, has read and approved the scientific and technical information in this report as it relates to Argonaut. This report contains information regarding mineral resources that are not mineral reserves and do not have demonstrated economic viability.

NON-IFRS MEASURES

The Company has included certain non-IFRS measures including "All-in sustaining cost per gold ounce sold in this report to supplement its financial statements which are presented in accordance with International Financial Reporting Standards ("IFRS"). 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.

This report should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017 and associated MD&A, 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.



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