



Argonaut Gold Announces Second Quarter 2019 Operating and Financial Results

Toronto, Ontario - (August 7, 2019) **Argonaut Gold Inc. (TSX: AR)** (the “Company”, “Argonaut Gold” or “Argonaut”) announces its operating and financial results for the second quarter ended June 30, 2019. The Company reports quarterly production of 40,213 gold equivalent ounces¹ (“GEO” or “GEOs”), cash flow from operating activities before changes in operating working capital of \$11.3 million and net income of \$5.4 million or earnings per share of \$0.03. 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: “We successfully completed the construction of the crushing and stacking expansion at San Agustin from 20,000 tonnes per day to 30,000 tonnes per day on time and slightly under budget. However, San Agustin production during the quarter was adversely affected by the underperformance of one of our three water wells, and while we have the ability to crush and stack ore at the 30,000 tonne per day rate, we have not done so due to solution constraints. We are currently completing the drilling of a fourth water well at San Agustin, which will be brought online this month. With this additional water well, we anticipate catching up on recovered ounces during the second half of 2019 with sufficient water to meet planned solution flow levels. In terms of our development project pipeline, we remain on track to deliver a pre-feasibility study for our Cerro del Gallo project before the end of the year and continue to advance environmental permitting at both Cerro del Gallo and San Antonio.”

Outlook

The Company remains on track to achieve its 2019 production guidance. However, due to the elevated costs experienced during the first half of the year, primarily due to the shortage of water at the San Agustin mine, the Company is revising its cost guidance. The Company anticipates it will produce between 200,000 and 215,000 GEOs during 2019 at a cash cost of between \$800 to \$900 per gold ounce sold (previously \$775 to \$875 per gold ounce sold) and all-in sustaining costs of between \$1,025 and \$1,125 per gold ounce sold (previously \$975 to \$1,075 per gold ounce sold) (see “Non-IFRS Measures” section). The Company expects costs to trend lower in the second half of the year due to:

- sufficient water at the San Agustin mine to meet planned solution flow rates of the expanded 30,000 tonne per day crushing and stacking rate;

¹ GEOs are based on a conversion ratio of 70:1 for silver to gold for 2018 and 75:1 for 2019. The silver to gold conversion ratio is based on the three-year trailing average silver to gold ratio.

- a reduction of crushing costs at the El Castillo mine due to run-of-mine ore available in Phases 9 and 10 of the pit;
- improved grades and a lower waste to ore ratio at the La Colorada mine; and
- a higher proportion of production from the lower cost San Agustin mine and a lower proportion of production from the higher cost El Castillo mine in the second half of 2019.

Due to savings experienced in the first half of the year with respect to the leach pad construction at the El Castillo Complex and the expansion of the crushing and stacking system at the San Agustin mine, the Company has narrowed its 2019 capital estimate to the lower end of its original guidance range. The Company plans to invest between \$50 million and \$55 million in capital programs during 2019 (previously between \$50 million and \$60 million), of which approximately \$30 million was spent during the first half of 2019.

With approximately 60% of the 2019 capital spend completed during the first half of 2019 and significantly reduced capital requirement in 2020 compared to 2019, as the Company has no leach pad expansion requirements in 2020 and has completed its \$15 million crushing and stacking expansion at San Agustin, the Company expects to generate increased free cash flow through the end of 2020 (see “Non-IFRS Measures” section).

Key operating and financial statistics for the second quarter of 2019 are outlined in the following table:

	3 Months Ended June 30			6 Months Ended June 30		
	2019	2018	Change	2019	2018	Change
Financial Data (in millions except for earning per share)						
Revenue	\$56.0	\$50.2	12%	\$129.9	\$103.1	26%
Gross profit	\$9.2	\$14.0	(34%)	\$20.7	\$31.4	(34%)
Net income	\$5.4	\$0.4	1250%	\$9.5	\$12.6	(25%)
Earnings per share – basic	\$0.03	\$0.00	-	\$0.05	\$0.07	(29%)
Cash flow from operating activities before changes in non-cash operating working capital	\$11.3	\$17.0	(34%)	\$29.4	\$38.1	(23%)
Cash and cash equivalents	\$23.9	\$22.7	5%	\$23.9	\$22.7	5%
Net cash ¹	\$9.9	\$14.7	(33%)	\$9.9	\$14.7	(33%)
Gold Production and Cost Data						
GEOs loaded to the pads ²	82,680	74,728	11%	159,520	155,647	2%
GEOs projected recoverable ^{2,3}	49,763	39,777	25%	97,944	84,169	16%
GEOs produced ^{2,3,4}	40,213	38,441	5%	94,382	79,294	19%
GEOs sold ²	43,185	38,858	11%	99,859	78,904	27%
Average realized sales price	\$1,303	\$1,295	1%	\$1,306	\$1,313	(1%)
Cash cost per gold ounce sold ¹	\$931	\$704	32%	\$909	\$677	34%
All-in sustaining cost per gold ounce sold ^{1,5}	\$1,264	\$911	39%	\$1,184	\$886	34%

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

²GEOs are based on a conversion ratio of 70:1 for silver to gold for 2018 and 75:1 for 2019. The silver to gold conversion ratio is based on the three-year trailing average silver to gold ratio.

³Expected 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.

⁴Produced ounces are calculated as ounces loaded to carbon.

⁵Three and six months ended June 30, 2018 all-in sustaining cost per gold ounce sold was restated to follow the amended guidance issued by the World Gold Council during the fourth quarter of 2018.

Second Quarter 2019 and Recent Company Highlights:

- El Castillo Complex
 - Second quarter production of 28,017 GEOs.
 - El Castillo production of 14,758 GEOs.
 - San Agustin production of 13,259 GEOs.
 - Completed construction of El Castillo La Victoria 2 and Phase 8D leach pads.
 - Completed construction of San Agustin Phase 3 leach pad.
 - Completed construction of San Agustin crusher and stacking capacity expansion from 20,000 tonnes per day to 30,000 tonnes per day on schedule and slightly under budget.
- La Colorada
 - Second quarter production of 12,196 GEOs.
- Cerro del Gallo
 - Advanced pre-feasibility study.

- Submitted a Unified Technical Document that includes an Environmental Impact Assessment, an Environmental Risk Assessment and the Justified Technical Study for a Change of Soil Use.
- San Antonio
 - Participated in a public information meeting with respect to the Environmental Impact Assessment process.
 - Advanced environmental permitting.
- Magino
 - Advanced remaining Federal and Provincial authorizations.
- Social Responsibility
 - Received nationally awarded Environmental Socially Responsible Company recognition at the El Castillo Complex for the seventh consecutive year (received this recognition at the La Colorada mine during the first quarter 2019).
 - On Earth Day, held an inauguration ceremony of a new plant nursery at San Agustin.
 - Hosted a Children's Day celebration "El Día Del Niño" for the La Colorada community in Sonora, the San Juan del Rio municipality in Durango and the San Antonio community in Baja California Sur ("BCS").
 - In collaboration with the State of Sonora Secretary of Education and Culture, assisted with the rehabilitation of educational facilities in La Colorada and donated computers.
 - Hosted a health and wellness community workshop in La Paz, BCS.
 - Hosted a women's community workshop in La Colorada.

Financial Results – Second Quarter 2019

Revenue for the three months ended June 30, 2019 was \$56.0 million, an increase from \$50.2 million for the three months ended June 30, 2018. During the second quarter of 2019, gold ounces sold totaled 41,647 at an average realized price per ounce of \$1,303, compared to 37,414 gold ounces sold at an average realized price per ounce of \$1,295 during the same period of 2018. Gold ounces sold for the three months ended June 30, 2019 increased compared to the same period in 2018 primarily due to an increase in gold ounces sold at the El Castillo mine as a result of increases in grade, ore tonnes to pad and recovery.

Production costs for the second quarter of 2019 were \$40.5 million, an increase from \$28.1 million in the second quarter of 2018, primarily due to an increase in gold ounces sold and an increase in cash cost per gold ounce sold. Cash cost per gold ounce sold (see "Non-IFRS Measures" section) was \$931 in the second quarter of 2019, an increase from \$704 in the same period of 2018, primarily due to an increase in cash cost per gold ounce sold at the San Agustin and La Colorada mines, as discussed further in the discussion of operations for the respective mine. Depreciation, depletion and amortization ("DD&A") expense included in cost of sales for the second quarter of 2019 totaled \$10.2 million, an increase from \$8.1 million in the second quarter of 2018, due to an increase in gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis. Additionally, included in cost of sales in the second quarter of 2019 is a non-cash impairment reversal of \$3.9 million at the El Castillo mine related to the net realizable value of the work-in-process inventory, primarily due to a revision in

management's estimate of future production costs to convert the non-current work-in-process inventory into saleable form and the expected timing of recoveries of the inventory.

General and administrative expenses for the second quarter of 2019 were \$3.4 million, comparable to the \$3.5 million for the same period of 2018.

Gains on foreign exchange derivatives for the second quarter of 2019 were \$0.2 million, an increase from losses of \$0.4 million in the second quarter of 2018, due to a decrease in unrealized losses and an increase in realized gains on the Company's outstanding zero-cost collar contracts on the Mexican peso.

Other income for the second quarter of 2019 was \$1.3 million, an increase from other expense of \$1.6 million in the second quarter of 2018, primarily due to differences in foreign currency translation effects.

Income tax expense for the second quarter of 2019 was \$1.3 million, compared to \$7.7 million in the same period of 2018. The decrease is primarily due to the foreign exchange effects of the strengthening Mexican peso on the calculation of deferred taxes.

Net income for the second quarter of 2019 was \$5.4 million or \$0.03 per basic share, an increase from \$0.4 million or \$0.00 per basic share for the second quarter of 2018.

Financial Results – First Half 2019

Revenue for the six months ended June 30, 2019 was \$129.9 million, an increase from \$103.1 million for the six months ended June 30, 2018. During the first half of 2019, gold ounces sold totaled 96,426 at an average realized price per ounce of \$1,306, compared to 75,486 gold ounces sold at an average realized price per ounce of \$1,313 during the same period of 2018. Gold ounces sold for the six months ended June 30, 2019 increased compared to the same period in 2018 primarily due to an increase in gold ounces sold at the El Castillo mine following the expansion of crusher during the first quarter of 2018 and an increase in recovery.

Production costs for the six months ended June 30, 2019 were \$91.5 million, an increase from \$55.1 million in the first half of 2018 primarily due to an increase in gold ounces sold and an increase in cash cost per gold ounce sold. Cash cost per gold ounce sold (see "Non-IFRS Measures" section) was \$909 in the first half of 2019, an increase from \$677 in the same period of 2018, primarily due to an increase in cash cost per gold ounce sold at the San Agustin and La Colorada mines, as discussed further in the discussion of operations for the respective mine. DD&A expense included in cost of sales for the six months ended June 30, 2019 totaled \$22.1 million, an increase from \$16.6 million in the six months ended June 30, 2018, due to the increase in gold ounces sold, as many of the mining assets are amortized on a unit-of-production basis. Additionally, included in cost of sales in the first half of 2019 is a non-cash impairment reversal of \$4.4 million at the El Castillo mine related to the net realizable value of the work-in-process inventory, primarily due to a revision in management's estimate of future production costs to convert the non-current work-in-process inventory into saleable form and the expected timing of recoveries of the inventory.

General and administrative expenses for the six months ended June 30, 2019 were \$7.2 million, comparable to \$6.9 million in the same period of 2018.

Gains on foreign exchange derivatives during the first half of 2019 were \$0.5 million, an increase from \$0.4 million in the first half of 2018, due to an increase in realized gains, offset by a decrease in unrealized gains on the Company's zero-cost collar contracts on the Mexican peso.

Other income for the six months ended June 30, 2019 was \$1.9 million, an increase from other expense of \$1.1 million in the same period of 2018, primarily due to differences in foreign currency translation effects.

Income tax expense for the six months ended June 30, 2019 was \$5.2 million, compared to \$10.3 million in the same period of 2018. The decrease is primarily due to the foreign exchange effects of the strengthening Mexican peso on the calculation of deferred taxes and lower taxable income in the first half of 2019.

Net income for the six months ended June 30, 2019 was \$9.5 million or \$0.05 per basic share, a decrease from \$12.6 million or \$0.07 per basic share for the six months ended June 30, 2018.

Operational Results – Second Quarter 2019

During the second quarter 2019, the Company achieved production of 40,213 GEOs at a cash cost of \$931 per gold ounce sold and all-in sustaining cost of \$1,264 per gold ounce sold compared to 38,441 GEOs at a cash cost of \$704 per gold ounce sold and an all-in sustaining cost of \$911 per gold ounce sold during the second quarter 2018 (see "Non-IFRS Measures" section). Higher production was primarily driven by the West crusher capacity expansion at the El Castillo mine, which was completed during 2018. Higher costs are primarily related to a shortage of water at the San Agustin mine due to the underperformance of the third water well where costs were incurred to drill, blast, mine, crush and stack ore to the heap leach pad, but recovery of ounces has been deferred due to lower than planned solution flow levels. Costs were also higher due to higher waste to ore ratios at both the San Agustin and El Castillo mines.

The El Castillo Complex produced 28,017 GEOs at a cash cost of \$945 per gold ounce sold during the second quarter of 2019 versus 26,518 GEOs at a cash cost of \$638 per gold ounce sold during the second quarter of 2018 (see "Non-IFRS Measures" section). Higher costs are primarily related to a shortage of water at the San Agustin mine due to the underperformance of the third water well. Costs were also higher due to higher waste to ore ratios at both the San Agustin and El Castillo mines.

La Colorada produced 12,196 GEOs at a cash cost of \$894 per gold ounce sold during the second quarter of 2019 compared to 11,923 GEOs at a cash cost of \$833 per gold ounce sold during the second quarter of 2018 (see "Non-IFRS Measures" section). Higher costs are primarily due to an increase in waste to ore ratio, partially offset by an increase in gold grades.

Bill Zisch, Chief Operating Officer, commented: “It was a challenging quarter for operations at San Agustin where our third water well, which had tested positively for its capacity to meet our solution flow requirements, failed to do so after sustained pumping from the well. We are currently completing the drilling of a fourth water well and expect to bring it online this month. During the second quarter we incurred costs associated with drilling, blasting, mining, crushing and stacking ore on the leach pad and lacked sufficient water get this ore under solution, which therefore impacted planned ounces produced and sold. With the addition of the new water well, we expect to have adequate water to meet solution flow requirements for the increased crushing and stacking rate of up to 30,000 tonnes per day. We will ramp up stacking of ore on the pad at a rate that can be supported by available solution and therefore do not expect to meet 30,000 tonnes per day at San Agustin until the fourth quarter. With this approach, I’m confident that we remain on track to meet our 2019 production guidance of between 200,000 and 215,000 GEOs.”

SECOND QUARTER 2019 EL CASTILLO COMPLEX OPERATING STATISTICS

	3 Months Ended June 30			6 Months Ended June 30		
	2019	2018	% Change	2019	2018	% Change
Mining (in 000s except waste/ore ratio)						
Tonnes ore El Castillo	2,300	2,149	7%	4,588	3,768	22%
Tonnes ore San Agustin	1,961	1,851	6%	3,622	3,577	1%
Tonnes ore	4,261	4,000	7%	8,210	7,345	12%
Tonnes waste El Castillo	3,489	2,223	57%	7,294	5,329	37%
Tonnes waste San Agustin	1,408	618	128%	2,725	974	180%
Tonnes waste	4,897	2,841	72%	10,019	6,303	59%
Tonnes mined El Castillo	5,789	4,372	32%	11,882	9,097	31%
Tonnes mined San Agustin	3,369	2,469	36%	6,347	4,551	39%
Tonnes mined	9,158	6,841	34%	18,229	13,648	34%
Tonnes per day El Castillo	64	48	33%	66	50	32%
Tonnes per day San Agustin	37	27	37%	35	25	40%
Tonnes per day	101	75	35%	101	75	35%
Waste/ore ratio El Castillo	1.52	1.03	48%	1.59	1.41	13%
Waste/ore ratio San Agustin	0.72	0.33	118%	0.75	0.27	178%
Waste/ore ratio	1.15	0.71	62%	1.22	0.86	42%
Leach Pads (in 000s)						
Tonnes crushed to East leach pads El Castillo	1,101	1,171	(6%)	2,174	2,166	0%
Tonnes crushed to West leach pads El Castillo	1,175	952	23%	2,432	1,580	54%
Tonnes crushed to leach pads San Agustin	1,931	1,885	2%	3,622	3,603	1%
Tonnes crushed to leach pads	4,207	4,008	5%	8,228	7,349	12%
Production						

Gold grade loaded to leach pads El Castillo (g/t) ¹	0.39	0.37	5%	0.39	0.40	(3%)
Gold grade loaded to leach pads San Agustin (g/t) ¹	0.39	0.36	8%	0.43	0.43	0%
Gold grade loaded to leach pads (g/t)¹	0.39	0.37	5%	0.41	0.41	0%
Gold loaded to leach pads El Castillo (oz) ²	28,225	25,456	11%	57,569	48,196	19%
Gold loaded to leach pads San Agustin (oz) ²	24,458	21,813	12%	50,163	49,691	1%
Gold loaded to leach pads (oz)²	52,683	47,269	11%	107,732	97,887	10%
Projected recoverable GEOs loaded El Castillo ⁴	18,635	14,790	26%	38,972	27,670	41%
Projected recoverable GEOs loaded San Agustin ⁴	16,940	15,819	7%	34,966	35,858	(2%)
Projected recoverable GEOs loaded⁴	35,575	30,609	16%	73,938	63,528	16%
Gold produced El Castillo (oz) ^{2,3}	14,361	10,079	42%	37,248	18,736	99%
Gold produced San Agustin (oz) ^{2,3}	12,684	15,528	(18%)	26,768	31,352	(15%)
Gold produced (oz)^{2,3}	27,045	25,607	6%	64,016	50,088	28%
Silver produced El Castillo (oz) ^{2,3}	29,791	8,111	267%	58,001	15,639	271%
Silver produced San Agustin (oz) ^{2,3}	43,097	55,781	(23%)	97,127	136,112	(29%)
Silver produced (oz)^{2,3}	72,888	63,892	14%	155,128	151,751	2%
GEOs produced El Castillo ³	14,758	10,194	45%	38,021	18,959	101%
GEOs produced San Agustin ³	13,259	16,324	(19%)	28,063	33,296	(16%)
GEOs produced³	28,017	26,518	6%	66,084	52,255	26%
Gold sold El Castillo (oz) ²	16,094	9,096	77%	38,884	17,355	124%
Gold sold San Agustin (oz) ²	14,181	15,577	(9%)	30,087	30,310	(1%)
Gold sold (oz)²	30,275	24,673	23%	68,971	47,665	45%
Silver sold El Castillo (oz) ²	29,791	8,111	267%	58,001	15,639	271%
Silver sold San Agustin (oz) ²	50,786	59,186	(14%)	107,420	130,669	(18%)
Silver sold (oz)²	80,577	67,297	20%	165,421	146,308	13%
GEOs sold El Castillo	16,491	9,211	79%	39,657	17,578	126%
GEOs sold San Agustin	14,858	16,423	(10%)	31,519	32,177	(2%)
GEOs sold	31,349	25,634	22%	71,176	49,755	43%
Cash cost per gold ounce sold El Castillo ⁵	\$976	\$992	(2%)	\$942	\$1,005	(6%)
Cash cost per gold ounce sold San Agustin ⁵	\$910	\$431	111%	\$849	\$399	113%
Cash cost per gold ounce sold⁵	\$945	\$638	48%	\$901	\$620	45%

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 Expected recoverable GEOs are based on the assumptions and parameters as set forth in the El Castillo Complex Technical Report dated March 27, 2018.

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 2019, the El Castillo Complex produced 6% more GEOs at a cash cost per gold ounce sold (see “Non-IFRS Measures” section) 48% higher compared to the second quarter 2018. Higher production was driven by increased production from the El Castillo mine due to the 2018 investment to increase crushing capacity at the West crusher. Higher costs are primarily related to a shortage of water at the San Agustin mine due to the underperformance of the third water well. Costs were also higher due to higher waste to ore ratios at both the San Agustin and El Castillo mines.

At El Castillo, a higher than anticipated waste to ore ratio led to inadequate ore to feed to the crushers in some areas of a thin layback. To counter the lack of ore feed in a specific area of the pit (Phase 11), mining re-commenced in other areas of the pit (Phases 9 and 10). However, due to the variability of ore types in Phases 9 and 10 of the pit, a higher application of consumables is required to reach desired recoveries, which led to higher costs.

At San Agustin, production was adversely affected by the ability to provide planned solution flow levels associated with the underperformance of the third water well. A fourth water well is being drilled and will be bought online in August. With the new well, the Company anticipates there will be adequate water available to meet the targeted solution flow rates for the increased crushing and stacking rate of 30,000 tonnes per day. While the current crushing and stacking capacity at San Agustin is now 30,000 tonnes per day, the actual crushing and stacking rate of ore on the pad will be determined by the rate that can be supported by available solution, so as to not incur short cycling of leach times, which would negatively impact recoveries. Therefore, the Company does not expect to ramp up to a regular run rate of 30,000 tonnes per day at San Agustin until the fourth quarter of 2019.

SECOND QUARTER 2019 LA COLORADA OPERATING STATISTICS

	3 Months Ended June 30			6 Months Ended June 30		
	2019	2018	% Change	2019	2018	% Change
Mining (in 000s except for waste/ore ratio)						
Tonnes ore	1,187	1,062	12%	2,059	2,158	(5%)
Tonnes waste	5,934	1,815	227%	11,900	7,946	50%
Total tonnes	7,121	2,877	148%	13,959	10,104	38%
Tonnes per day	78	32	144%	77	56	38%
Waste/mineralized material ratio	5.00	1.71	192%	5.78	3.68	57%
Tonnes rehandled	0	38	(100%)	0	38	(100%)
Leach Pads (in 000s)						
Tonnes crushed to leach pads	1,213	1,140	6%	2,006	2,265	(11%)
Tonnes direct to leach pads	0	0	-	89	0	-
Production						
Gold grade loaded to leach	0.46	0.36	28%	0.45	0.40	13%

pads (g/t) ¹						
Gold loaded to leach pads (oz) ²	18,078	13,347	35%	30,511	28,809	6%
Projected recoverable GEOs loaded ⁴	14,188	9,168	55%	24,006	20,641	16%
Gold produced (oz) ^{2,3}	11,723	11,503	2%	27,095	25,794	5%
Silver produced (oz) ^{2,3}	35,485	29,368	21%	90,258	87,135	4%
GEOs produced ³	12,196	11,923	2%	28,298	27,039	5%
Gold sold (oz) ²	11,372	12,741	(11%)	27,455	27,821	(1%)
Silver sold (oz) ²	34,788	33,842	3%	92,090	92,958	(1%)
GEOs sold	11,836	13,224	(10%)	28,683	29,149	(2%)
Cash cost per gold ounce sold ⁵	\$894	\$833	7%	\$928	\$775	20%

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 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.

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

During the second quarter 2019, La Colorada produced 2% more GEOs at a cash cost per gold ounce sold of 7% higher (see "Non-IFRS Measures" section) than the second quarter 2018, yet 6% lower than the first quarter of 2019. The increase in waste to ore ratio during the second quarter 2019 as compared to the second quarter 2018 is due to the return to a normalized waste to ore stripping ratio in 2019 as, during the second quarter 2018, the mine lacked the ability to blast and therefore mined and processed low grade stockpiles. The increase in cost is primarily related to the higher waste to ore strip partially offset by 28% higher gold grades.

The portion of the El Creston pit being mined in the first half of the year consisted of narrow pushbacks with limited access. As a result, the crusher did not operate at capacity during periods where the mine was waste bound in the pit. To offset the loss of ore being fed from the pit, ore from low-grade stockpiles was used to supplement crusher feed. While this ore is above the cutoff grade, it is below planned grades, which has impacted first half of 2019 production.

The Company is now operating in wider laybacks where there is better access to ore. In addition, with the softness of the ore being encountered in Phase 2 of the El Creston pit, crushing throughput is targeted at 14,000 tonnes per day (from 13,000 tonnes per day) during the second half of 2019.

Argonaut Gold Second Quarter 2019 Operational and Financial Results Conference Call and Webcast:

The Company will host the second quarter 2019 conference call and webcast on Wednesday, August 7, 2019 at 5:30 pm EDT.

Q2 Conference Call Information

Toll Free (North America):	1-888-231-8191
International:	1-647-427-7450
Conference ID:	8496202
Webcast:	<u>www.argonautgold.com</u>

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 8:30 pm EDT on August 7, 2019 until 11:59 pm EDT on August 14, 2019.

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” and “Free Cash Flow” 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 and non-cash impairment write down (reversal) of work-in-process inventory. 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. Free Cash Flow is calculated as the net cash increase or decrease between two specified financial position dates. 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 Company adopted IFRS 16, Leases (“IFRS 16”) in the annual period commencing January 1, 2019. The Company elected to apply IFRS 16 using a modified retrospective approach; therefore, comparative amounts were not restated. The impact as a result of adopting IFRS 16 on cash costs per gold ounce sold and all-in sustaining costs per gold ounce sold for 2019 compared to 2018 was not material.

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 and six months ended June 30, 2019 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 free cash flow estimates; 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 access to water to meet planned solution flow rates, estimates of future capital and operating costs, 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 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.

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. Its primary assets are the El Castillo mine and San Agustin mine, which together form the El Castillo Complex in Durango, Mexico and the La Colorada mine in Sonora, Mexico. Advanced exploration 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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