Argonaut Gold Announces Second Quarter 2016 Financial Results

Toronto, Ontario - (August 11, 2016) **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, 2016. All dollar amounts are expressed in United States dollars unless otherwise specified.

	3 months ended June 30			6 months ended June 30		
	2016	**2015**	**Change**	**2016**	**2015**	**Change**
Financial Data (in millions except for earnings (loss) per share)						
Revenue	$39.1	$43.5	(10%)	$74.4	$94.5	(21%)
Gross profit (loss)	$7.8	($10.2)	176%	$16.7	($3.5)	577%
Net income (loss)	($0.7)	($10.5)	93%	$3.6	($9.0)	140%
Earnings (loss) per share - basic	($0.00)	($0.07)	100%	$0.02	($0.06)	133%
Adjusted net income[3]	$3.1	$0.9	244%	$4.9	$2.6	88%
Adjusted earnings per share – basic[3]	$0.02	$0.01	100%	$0.03	$0.02	50%
Cash flow from operating activities before changes in non-cash operating working capital and other items	$9.2	$11.4	(19%)	$18.1	$28.2	(36%)
Cash and cash equivalents				$54.1	$43.7	24%
Gold Production and Cost Data						
GEOs loaded to the pads[1]	63,724	55,871	14%	114,726	110,125	4%
GEOs projected recoverable[1,2]	32,125	31,617	2%	59,981	63,251	(5%)
GEOs produced[1]	29,237	36,529	(20%)	61,391	79,784	(23%)
GEOs sold[1]	31,230	36,547	(15%)	61,242	78,965	(22%)
Average realized sales price	$1,258	$1,201	5%	$1,220	$1,206	1%
Cash cost per gold ounce sold[3]	$794	$779	2%	$776	$755	3%
All-in sustaining cost per gold ounce sold[3]	$947	$909	4%	$910	$895	2%

[1]Gold equivalent ounces ("GEO" or "GEOs") are based on a conversion ratio of 65:1 for silver to gold for 2016 and 55:1 for 2015 and are the referenced ratios throughout this release.
[2]Recoverable ounces – 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%; La Colorada expected recovery rates: gold 60% and silver 30%.
[3]Please refer to section "Non-IFRS Measures" below for a discussion of these Non-IFRS Measures.

SECOND QUARTER 2016 FINANCIAL HIGHLIGHTS:

- Revenue of $39.1 million from sales of 30,355 gold ounces at an average price of $1,258 per gold ounce and 56,827 silver ounces at an average price of $17 per silver ounce.
- Adjusted net income of $3.1 million (refer to Non-IFRS section).
- Net increase in cash balance of $7.6 million, including $3.3 million by way of a flow-through share financing.
- Cash flow from operations before changes in non-cash working capital and other items of $9.2 million.
- Capital investments of $7.8 million (mineral properties, plant and equipment).

2016 Q2 and Recent Company Highlights:

- Corporate Highlights:
  - Cash balance at June 30, 2016 was $54.1 million.
  - Completed $3.2 million private placement of flow-through common shares for Magino project drilling.
  - Sold a 100% interest in the mineral claims known as the La Fortuna project located in Durango, Mexico. Received $0.8 million on closing and will receive potential deferred cash consideration of up to $1.2 million, primarily contingent on a construction decision. Also retained a 2.5% net smelter royalty subject to a maximum amount of $4.5 million.
  - Entered into a $30.0 million revolving credit facility.
- Production:
  - Production of 29,237 GEOs.
  - Overall cash cost of $794 per gold ounce sold for the second quarter and $776 for the first six months of 2016 (refer to Non-IFRS Measures section).
  - All-in sustaining cost of $947 per gold ounce sold for the second quarter and $910 for the first six months of 2016 (refer to Non-IFRS Measures section).
- El Castillo:
  - Production of 15,358 GEOs.
  - 35,222 contained gold ounces loaded on the leach pads.
  - Over 76,700 tonnes per day mined and 2.7 million tonnes of ore placed on the leach pads.
- La Colorada:
  - Production of 13,282 gold ounces and 38,819 silver ounces, for 13,879 GEOs.
  - Achieved higher than budgeted crusher throughput of over 13,000 tonnes per day (versus 11,000 tonnes per day budgeted).
  - 20,388 contained gold ounces and 527,398 contained silver ounces loaded on the leach pads.
  - Over 56,300 tonnes per day mined and approximately 1.2 million tonnes of mineralized material placed on the leach pads.
  - Completed construction of Northeast leach pad ahead of schedule and on budget.
- San Agustin
  - Published updated Preliminary Economic Assessment with improved project economics.

    - Acquired land necessary to develop project.
    - Submitted Change in Use of Soil permit application.
- San Antonio
    - Received favourable ruling in Federal lawsuit relating to permit.

CEO Commentary

Pete Dougherty, President and CEO of Argonaut Gold stated, "We continued to generate cash from the operations and saw our cash balance grow by $7.6 million during the quarter. At Magino, we have initiated a Feasibility Study to further define and de-risk the project. Key elements of the study include: reserve definition drilling in the starter pit, geotechnical drilling, detailed engineering, capital and operating costs, permitting and First Nation consultation. The estimated investment to complete the study is $7 million to $10 million to be spent over the next twelve to fifteen months.

At the operations, second quarter production did not meet expectations due to mine sequencing leading to more sulphide and transition ore placed on the pads at El Castillo and low grade ore gains at La Colorada; however, we continue to place significant ounces to the pads at both mines. We have now mined through some of the lower grade portions of the pits and expect grades to improve during the second half of 2016, which is expected to contribute to greater production. As we look to the balance of the year, we expect to increase loaded tonnes at El Castillo by bringing the idled CR2 crusher on line, which will help improve the production profile. The combination of these two factors, improved grade and additional crushing, is expected to further increase ounces loaded and subsequent production gains over our most recent quarter. "

Financial Results – Second Quarter 2016

Revenue for the three months ended June 30, 2016 was $39.1 million, a decrease from $43.5 million realized during the three months ended June 30, 2015. During the second quarter of 2016, gold ounces sold totaled 30,355 at an average realized price per ounce of $1,258 (compared to 35,321 gold ounces sold at an average price per ounce of $1,201 during the same period of 2015). Gold ounces sold decreased in the second quarter 2016 due to additional ounces produced in the second quarter of 2015 associated with the re-leach program of previously placed tonnes at the El Castillo mine.

Production costs for the second quarter of 2016 were $25.1 million, a decrease from $28.6 million in the second quarter of 2015, due to the decrease in gold ounces sold. Cash cost per gold ounce sold (refer to Non-IFRS Measures section) was $794 in the second quarter of 2016 compared to $779 in the same period of 2015.

Net loss for the second quarter of 2016 was $0.7 million or $0.00 per basic share, a decrease from the net loss of $10.5 million or $0.07 per basic share for the second quarter of 2015. The decrease in net loss was due principally to the write-down of the leach pad inventory value and ounces totaling $9.3 million, net of tax effects, during the second quarter of 2015.

During the second quarter, cash and cash equivalents grew by $7.6 million, including $3.3 million by way of a flow-through share financing. Cash flow from operating activities before changes in non-cash operating working capital and other items was $9.2 million. Cash spent towards capital expenditures in the second quarter was $7.8 million, primarily for deferred stripping at El Castillo and La Colorada and leach pad construction at La Colorada.

SECOND QUARTER 2016 El CASTILLO OPERATING STATISTICS

	3 Months Ended June 30			6 Months Ended June 30		
	2016	**2015**	**% Change**	**2016**	**2015**	**% Change**
Mining						
Tonnes ore (000s)	2,774	2,855	(3%)	5,521	5,666	(3%)
Tonnes waste (000s)	4,207	4,401	(4%)	8,370	8,283	1%
Tonnes mined (000s)	6,981	7,256	(4%)	13,891	13,949	0%
Tonnes per day (000s)	77	80	(4%)	76	77	(1%)
Waste/ore ratio	1.52	1.54	(1%)	1.52	1.46	4%
Heap Leach Pad						
Tonnes crushed (000s)	1,365	1,263	8%	2,627	2,660	(1%)
Tonnes overland conveyor (000s)	1,316	1,533	(14%)	2,807	2,948	(5%)
Production						
Gold grade (g/t)[1]	0.41	0.31	32%	0.33	0.32	3%
Gold loaded to leach pad (oz)[2]	35,222	27,954	26%	58,481	58,510	0%
Projected recoverable gold (oz)	17,458	17,143	2%	30,536	36,205	(16%)
Gold produced (oz)[3]	15,195	21,409	(29%)	32,554	46,031	(29%)
Gold sold (oz)	16,287	20,679	(21%)	31,693	44,535	(29%)

[1] "g/t" refers to grams per tonne

[2] "oz" refers to troy ounce

[3] Produced ounces are calculated as ounces loaded to carbon

Summary of Production Results at El Castillo

The gold ounces loaded to the pads in the second quarter of 2016 were 26% higher compared to second quarter of 2015, primarily due to higher grades. Gold production of 15,195 ounces in the second quarter of 2016 was a 29% reduction over second quarter of 2015 due to additional ounces produced in the second quarter of 2015 associated with the re-leach program of previously placed tonnes at the El Castillo mine.

SECOND QUARTER 2016 LA COLORADA OPERATING STATISTICS

	3 Months Ended June 30			6 Months Ended June 30		
	2016	2015	% Change	2016	2015	% Change
Mining						
Mineralized material tonnes (000s)	1,189	578	106%	2,352	1,061	122%
Tonnes waste (000s)	3,935	2,130	85%	7,335	4,674	57%
Total tonnes (000s)	5,124	2,708	89%	9,687	5,735	69%
Waste/mineralized material ratio	3.31	3.68	(10%)	3.12	4.41	(29%)
Tonnes rehandled (000s)	0	767	(100%)	50	1,430	(97%)
Heap Leach Pad						
Crushed mineralized material tonnes to pad (000s)	1,216	1,346	(10%)	2,429	2,486	(2%)
Production						
Gold grade (g/t)[1]	0.52	0.47	11%	0.54	0.48	13%
Gold loaded to leach pad (oz)[2]	20,388	20,331	0%	41,907	38,539	9%
Projected recoverable GEOs loaded (oz)[4]	14,667	14,474	1%	29,445	27,046	9%
Gold produced (oz)[3]	13,282	13,948	(5%)	27,176	31,117	(13%)
Silver produced (oz)	38,819	52,648	(26%)	88,189	120,909	(27%)
GEOs produced (oz)[4]	13,879	14,905	(7%)	28,533	33,315	(14%)
Gold sold (oz)	14,068	14,642	(4%)	27,840	31,760	(12%)
Silver sold (oz)	46,282	55,628	(17%)	91,313	122,762	(26%)
GEOs sold[4]	14,780	15,653	(6%)	29,245	33,992	(14%)

[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] GEOs are based on conversion ratio of 65:1 for silver to gold for 2016 and 55:1 for 2015

Summary of Production Results at La Colorada

Total tonnes mined in the second quarter 2016 increased 89% to 5.1 million tonnes compared to the second quarter of 2015 due to the end of processing of historical material from the old heap leach pads and the ramp up of mining rates from the pit.

Chief Operating Officer Comments

Richard Rhoades, COO of Argonaut Gold, commenting on the second quarter of 2016, stated,

"At El Castillo, we are moving from mining phase seven to mining phase six, which contains higher grade oxide ore than phase seven of the pit. With phase seven now mined out, we are using this area as an in-pit waste dump to reduce haul distances. In addition to the higher grade oxide ore we expect to mine during the third quarter, we are also installing the CR2 crushing unit, recently relocated from La Colorada, which should be up and running during the third quarter. We also saw an increase in sulphide ore to the leach pads during the second quarter. While this material is higher grade, it yields a much lower recovery than oxide ore. We expect to be mining primarily in oxide ores during the third quarter.

At La Colorada, we continue to achieve better than anticipated throughput rates at the crusher. Since we encountered more low grade material than planned, we saw a reduction in strip ratio but also reduced grade compared to budget."

Capital Investment for 2016

The Company plans to invest a total of $34 million on capital expenditures and exploration initiatives in 2016. Major capital expenditures in 2016 are expected to include approximately $8 million at El Castillo, $13 million at La Colorada, $1 million at San Antonio, $2 million at San Agustin (construction capital is excluded pending a construction decision) and $5 million at Magino. Exploration and other capital expenditures in 2016 are expected to amount to approximately $5 million.

The increase in capital expenditures at El Castillo reflects additional stripping and equipment overhauls to support increased ore placements. Magino capital spending increase is due to the decision to advance permitting and feasibility related activities. The increase in exploration is primarily the drill campaign at Magino to upgrade the mineral resource expected to be mined in the first two years of production.

2016 Capital Budget ($ millions)		
Mine / Project	**Original**	**Revised**
El Castillo	4	8
La Colorada	14	13
San Antonio	1	1
San Agustin	1	2
Magino	1	5
Exploration and other	2	5
Estimated Capital Investment	**23**	**34**

Argonaut Gold Q2 Financial Results Conference Call and Webcast:

The Company will host the Q2 financial results conference call on August 12, 2016 at 8:30 am EDT.

Q2 Conference Call Information

Toll Free (North America):	1-877-291-4570
International:	1-647-788-4919
Conference ID:	27628035

Webcast: **www.argonautgold.com**

Q2 Conference Call Replay:

Toll Free Replay Call (North America):	1-800-585-8367
International Replay Call:	1-416-621-4642

The conference call replay will be available from 11:30 am EDT on August 12, 2016 until 11:59 pm EDT on August 26, 2016.

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 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 Magino project in Ontario, Canada and the San Agustin project in Durango, Mexico. The Company also has several exploration stage projects, all of which are located in North America.

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.

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" and "Adjusted earnings per share – basic" 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 (loss) less foreign exchange impacts on deferred income taxes, foreign exchange (gains) losses, non-cash impairment write down (reversal) related to the net realizable value and changes in the expected recovery of gold ounces from mineralized material in the work-in-process inventory, change in unrecognized Mexican deferred tax assets and other adjustments. Adjusted earnings per share – basic is equal to adjusted net income divided by the basic weighted average number of common shares outstanding. 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 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, 2016 and associated MD&A, for the same period ended, 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.

Qualified Person, Technical Information and Mineral Properties Reports

Technical information included in this release was supervised and approved by Thomas Burkhart, Argonaut Gold's Vice President of 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 Mine	NI 43-101 Technical Report on Resources and Reserves, Argonaut Gold Inc., El Castillo Mine, Durango State, Mexico dated February 24, 2011 (effective date of November 6, 2010)
La Colorada Mine	NI 43-101 Preliminary Economic Assessment La Colorada Project, Sonora, Mexico dated December 30, 2011 (effective date of October 15, 2011)
San Agustin Project	NI 43-101 Technical Report and Preliminary Economic Assessment San Agustin Heap Leach Project, Durango, Mexico dated June 10, 2016 (effective date of Resources April 29, 2016)
Magino Gold Project	Preliminary Feasibility Study Technical Report on the Magino Project, Wawa, Ontario, Canada dated February 22, 2016 (effective date January 18, 2016)
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)

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