Argonaut Gold Announces Receipt of Change in Use of Soil Permit and Construction Decision for its 100% Owned San Agustin Project

Toronto, Ontario - (November 2, 2016) **Argonaut Gold Inc. (TSX: AR)** (the "Company", "Argonaut Gold" or "Argonaut") is pleased to announce the board of directors has approved to proceed with construction of the San Agustin project in Durango, Mexico (approximately 10 kilometres from the El Castillo mine). The Company also announces receipt of regulatory approval for the Change in Use of Soil permit, the last significant permit required to commence construction. All dollar amounts are expressed in United States dollars unless otherwise specified.

The Company anticipates first gold production from San Agustin during the third quarter of 2017. The Company is able to fund all of its ongoing commitments at its existing operations and San Agustin's initial capital of $43 million through the September 30, 2016 cash balance of $50.4 million, anticipated cash flow from operations and its undrawn $30 million corporate revolving credit facility.

Pete Dougherty, President & CEO stated: "With the receipt of the final major permit for San Agustin and an expected after-tax IRR of 50%, the board approved the construction of the project. We view San Agustin as a low-risk, high-return project where we are able to utilize numerous synergies with our nearby operating El Castillo mine. The El Castillo and San Agustin deposits are very similar geologically, as is the characterization of mineralization. This allows us to incorporate similar mining and processing procedures at San Agustin that we currently utilize at El Castillo."

The Company views the San Agustin project as an extension of its El Castillo mining complex where operations have been running since 2007. Management and the board believe this operating knowledge mitigates the risk of moving forward with a construction decision based on a preliminary economic assessment ("PEA").

San Agustin Project Updated PEA Highlights using $1,200/ounce gold and $15/ounce silver

- After-tax net present value ("NPV") of $89.9 million using a 5% discount rate.
- After-tax internal rate of return ("IRR") of 50%.
- Initial estimated capital expenditure investment of $42.6 million, including $7.3 million in contingency.
- Average annual production of over 80,000 gold equivalent ounces ("GEOs")[1] over the 6.5 year mine life.

[1] Gold equivalent ounces ("GEO" or "GEOs") are based on a conversion ratio of 80:1 for silver to gold, as used in the PEA.

San Agustin Production Specifications

- Total Indicated Mineral Resource proposed to be processed includes 72.4 million tonnes containing 745,000 ounces of gold with an average grade of 0.32 grams gold per tonne ("g/t") and 24.5 million ounces of silver with an average grade of 10.6 g/t.
- Life-of-Mine ("LOM") strip ratio of 0.4:1.
- No Inferred Mineral Resources were included in the mine or production plan.
- Total contemplated LOM production of 488,000 ounces of gold and 3.8 million ounces of silver from the Indicated Mineral Resource.

Production Statistics:	
LOM (years)	6.5
Total Indicated Mineral Resource tonnes processed (000s)	72,400
Total tonnes waste (000s)	28,600
LOM strip ratio (waste: mineralized material)	0.4
Overall average gold grade (g/t)	0.32
Overall average silver grade (g/t)	10.6
Overall average gold recovery – 2-stage crushed material	66%
Overall average gold recovery –1-stage crushed material	57%
Overall average silver recovery – 2-stage crushed material	16%
Overall average silver recovery –1-stage crushed material	9%
Gold ounces recovered (000's)	488
Silver ounces recovered (000's)	3,804
Average annual production GEOs	80,200

Modeled Operating Costs (LOM Average)	
Cost / Tonne Mineralized Material	**$4.79**
Mining	$1.52
Processing	$2.92
G&A	$0.35
Cash Cost Per GEO	$648

Modeled Capital Costs (millions)	
Mine (pre-production)	$2.8
Process	$21.7
Infrastructure	$5.3
Total Capital	**$29.8**
Contingency, EPCM, owner & indirect costs	$12.8
Total Initial Capital	$42.6
Sustaining Capital	$42.2
Total LOM Capital	**$84.8**

For further information on the San Agustin project, please see the Technical Report titled "Technical Report and Updated Preliminary Economic Assessment San Agustin Heap Leach

Project Durango, Mexico" effective date of April 29, 2016 and available on www.sedar.com and on the Company's website, www.argonautgold.com.

Mr. Michael Lechner of Resource Modeling Inc. located in Stites, Idaho who is an "Independent Qualified Person" as defined by NI 43-101 and the lead person responsible for completing the San Agustin resource has reviewed this press release as it relates to the San Agustin project.

Mr. Richard Rhoades, Chief Operating Officer of Argonaut Gold, who is a Qualified Person as defined by NI 43-101 and the person responsible for the mine plan and mining related capital and operating costs, has reviewed this press release as it relates to the San Agustin project.

Mr. Carl Defilippi of Kappes, Cassidy & Associates located in Reno, Nevada who is an "Independent Qualified Person" as defined by NI 43-101 and the lead person responsible for completing the metallurgical work for the San Agustin resource has reviewed this press release as it relates to the San Agustin project and has overseen the metallurgical and recovery methods, infrastructure, and non-mining related operating costs and capital costs.

The release of this information was approved by Thomas Burkhart, Argonaut Gold's Vice President of Exploration and a Qualified Person under NI 43-101.

Cautionary Note Regarding the San Agustin Construction Decision

The Company advises that it has not based its production decision on a feasibility study of mineral reserves, demonstrating economic and technical viability, and, as a result, there may be increased uncertainty of achieving any particular level of recovery of minerals or the cost of such recovery, including increased risks associated with developing a commercially mineable deposit. Historically, such projects have a much higher risk of economic and technical failure. There is no guarantee that production will begin as anticipated or at all or that anticipated production costs will be achieved. Failure to commence production would have a material adverse impact on the Company's ability to generate revenue and cash flow to fund operations. Failure to achieve the anticipated production costs would have a material adverse impact on the Company's cash flow and future profitability. The Company further cautions that the PEA is preliminary in nature. Mineral resources are not mineral reserves and do not have demonstrated economic viability. There is no certainty that the PEA will be realized.

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 the timing and amount of estimated future production; economics of production; estimated production and mine life of the various mineral projects of Argonaut; the future price of gold and silver; estimation of mineral resources at mineral projects of Argonaut; the realization of mineral reserve and resource estimates; the receipt of necessary permits; the benefits of the development potential of the properties of Argonaut 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 variations in metal grades, variations in recovery rates, the possibility of project cost overruns or unanticipated costs and expenses, permitting delays, changes in market conditions, risks relating to international operations, fluctuating metal prices and currency exchange rates, changes in project parameters, 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 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. 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.

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. 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.

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 the construction stage San Agustin project 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, 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 please contact:

Argonaut Gold Inc.
Dan Symons
Vice President, Investor Relations
Phone: 416-915-3107
Email: dan.symons@argonautgold.com