Argonaut Gold Denied Environmental Permit for its San Antonio Project

Toronto, Ontario - (December 16, 2016) **Argonaut Gold Inc. (TSX: AR)** (the "Company", "Argonaut Gold" or "Argonaut") announces that, in response to the recent favourable federal court of appeal ruling (see press release dated July 28, 2016), the Mexican Environmental Authority ("SEMARNAT") has denied the Environmental Impact Assessment (Manifiesto de Impacto Ambiental or "MIA") for its San Antonio project in Baja California Sur, Mexico.

SEMARNAT cited the reasons for not approving the MIA as requiring additional information regarding potential identification, description and impacts to the environment; additional information on the construction, operation and closure plans for the project; and additional information regarding the impact on the local aquifer. The Company believes that this information is readily available and it has the ability to respond swiftly.

The Company is evaluating alternatives including legal options, the possible re-submittal of a revised MIA and continuing dialogue.

Pete Dougherty, President & CEO stated: "We are disappointed with SEMARNAT's decision. We will review the factors that led to this decision and determine a path to move this project forward. San Antonio is a project that can have significant benefits to the local and regional economy and also provide important positive impacts to the environment. Our plan calls for a modern approach to mining including cleaning up historical overburden stockpiles and tailings and working to improve the local aquifer. We continue to believe that San Antonio remains one of the best undeveloped projects in the sector and we will continue to seek ways to unlock the benefits and value of this project for the local communities and for our shareholders."

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.

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 estimation of mineral resources at mineral projects of

Argonaut; the realization of mineral reserve and resource estimates; the receipt of necessary permits; 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; synergies and financial impact of completed acquisitions; the benefits of the development potential of the properties of Argonaut; 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 variations in metal grades, permitting delays, changes in market conditions, variations in 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.

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.

For more information please contact:

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