



ARGONAUT GOLD

Argonaut Gold Announces Second Quarter Production of 31,531 Gold Equivalent Ounces, \$23 Million Increase in Cash from Mexican Operations and Updates 2020 Guidance Including Recently Acquired Florida Canyon and Free Cash Flow Sensitivity Estimate

Toronto, Ontario – (July 6, 2020) **Argonaut Gold Inc. (TSX: AR)** (the “Company”, “Argonaut Gold” or “Argonaut”) is pleased to provide updated 2020 guidance following the temporary suspension of guidance due to uncertainties surrounding the COVID-19 pandemic, including Florida Canyon following the merger with the Alio Gold Inc. on July 1, 2020. The Company expects to produce between 210,000 and 230,000 gold equivalent ounces¹ (“GEO” or “GEOs”), which is anticipated to generate between \$62 million and \$87 million in free cash flow² (“FCF”) at \$1,700 gold, including the recently acquired Florida Canyon mine, during 2020. During the second quarter, Argonaut’s existing Mexican operations generated approximately \$23 million of FCF² and, the Company ended June 30, 2020 with approximately \$65 million in cash and \$7 million drawn on its corporate revolving credit facility. All amounts are US dollars unless otherwise stated.

Pete Dougherty, President and CEO, stated: “Despite the temporary suspension of mining, crushing and stacking activities during April and May due to COVID-19 restrictions, we still managed to produce 31,531 GEOs from our Mexican operations and generate approximately \$23 million of FCF². While we saw daily gold production dip lower during the months of May and June, we successfully ramped up operations back up to normal rates in early June and, with new leach pads available at both El Castillo and La Colorada, have begun to see daily gold production increase again. The strong quarterly free cash flow generation is a testament to the leverage our operating portfolio of mines provides to the gold price.”

2020 FCF² Guidance

Argonaut is well positioned to generate significant FCF² in 2020. The Company’s anticipated FCF² is highly leveraged to the gold price. Between January 1, 2020 and June 30, 2020, Argonaut has generated approximately \$29 million of FCF² from its Mexican operations. Table 1 below outlines Argonaut’s FCF² leverage to the gold price (outside of a construction decision on a development stage project), including Florida Canyon.

Table 1: 2020 FCF² Guidance Sensitivity to Gold Price (\$M)

| \$1,500 | \$1,600 | \$1,700 | \$1,800 | \$1,900 |
|----------------|----------------|----------------|----------------|-----------------|
| 40 – 62 | 51 – 75 | 62 – 87 | 70 – 97 | 78 - 108 |

Pete Dougherty, continued: “Argonaut is a company that is perfectly positioned for the gold market environment we are in today. We offer significant FCF² leverage to the gold price, a strong balance sheet and a superior pipeline of growth assets in Magino, Cerro del Gallo and Ana Paula with some key decision points within the next three to 18 months. We believe we are well-poised to transform Argonaut into a long mine life, lower-cost, intermediate producer over the next few years, as we harvest the cash from our existing higher-cost operating asset portfolio and re-invest in our lower-cost growth asset portfolio.”

2020 Production Guidance

Including the anticipated gold production at the Florida Canyon mine for the full year 2020, Argonaut expects it will produce between 210,000 and 230,000 GEOs in 2020. Table 2 below outlines the anticipated 2020 GEO production estimate.

Table 2: 2020 GEO¹ Production Guidance (in 000s)

| Mine | Q1 Actual | Q2 Actual | H2 Estimate | Full Year 2020 Estimate |
|----------------------|-----------|-----------|------------------|-------------------------|
| El Castillo | 15 | 9 | 21 – 26 | 45 – 50 |
| San Agustin | 14 | 14 | 34 – 40 | 62 – 68 |
| La Colorada | 13 | 8 | 32 – 34 | 53 – 55 |
| Florida Canyon* | 11 | 13 | 26 – 33 | 50 – 57 |
| Consolidated* | 53 | 44 | 113 – 133 | 210 – 230 |

*Florida Canyon production during Q1 2020 and Q2 2020 was under Alio Gold Inc. prior to the closing of the merger between Alio Gold Inc. and Argonaut on July 1, 2020. 2020 GEO production guidance estimates the combined full year 2020 production from the El Castillo Complex, La Colorada and Florida Canyon.

2020 Cost and Capital Guidance

Including the anticipated gold production, cost and capital estimates at the Florida Canyon mine for the full year 2020, Argonaut estimates it will produce between 210,000 and 230,000 GEOs at a cash cost² between \$925 and \$1,025 and all-in sustaining cost² (“AISC”) between \$1,225 and \$1,350. Higher AISC² is largely driven by the estimated capital requirement at Florida Canyon for leach pad construction, crushing and stacking optimization projects and the capitalized leases and maintenance for the mobile mine fleet, which are all included in the AISC² calculation. The Company estimates capital spending of between \$64 million and \$72 million in 2020, including all 2020 capital at Florida Canyon. Table 3 below outlines the anticipated 2020 production, cash cost², AISC² and capital estimates.

Table 3: 2020 Cost and Capital Guidance

| Ω | | | | | Magino, Cerro del Gallo, Ana Paula & Other | Consolidated |
|---|--|---------------------|-------------|----------------|--|--------------|
| | | El Castillo Complex | La Colorada | Florida Canyon | | |

| | | | | | | |
|-------------------------------|---------------------|-----------|-----------|---------------|---------|----------------------|
| GEO Production | <i>In 000s</i> | 107 – 118 | 53 – 55 | 50 – 57 | | 210 – 230 |
| Cash Costs² | <i>\$ per/oz Au</i> | 850 – 950 | 850 – 950 | 1,150 – 1,250 | | 925 – 1,025 |
| Capital | <i>\$M</i> | 12 – 13 | 10 – 11 | 25 – 30 | 17 – 18 | 64 – 72 |
| AISC² | <i>\$ per/oz Au</i> | | | | | 1,225 – 1,350 |

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” and “Free cash flow” in this press release, which are presented in accordance with International Financial Reporting Standards (“IFRS”). Cash cost per gold ounce sold is equal to production costs plus the total impact of impairment write downs related to work-in-process inventory less silver sales divided by gold ounces sold. AISC per gold ounce sold is equal to production costs plus the total impact of impairment write downs related to work-in-process inventory less silver sales plus general and administrative, exploration, accretion and other expenses and sustaining capital expenditures divided by gold ounces sold. Free cash flow is equal to the change in the company’s net cash (cash and cash equivalents less debt), excluding cash increases related to equity financing. 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. Please see most recent the management’s discussion and analysis (“MD&A”) for full disclosure on non-IFRS measures.

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, the La Colorada mine in Sonora, Mexico and the Florida Canyon mine in Nevada, USA. Advanced exploration projects include the Magino project in Ontario, Canada, the Cerro del Gallo project in Guanajuato, Mexico and the Ana Paula project in Guerrero, Mexico. The Company continues to hold the San Antonio advanced exploration project in Baja California Sur, Mexico and several other exploration stage projects, all of which are located in North America.

For more information, contact:

Argonaut Gold Inc.

Dan Symons

Vice President, Investor Relations

Phone: 416-915-3107

Email: dan.symons@argonautgold.com

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 the COVID-19 pandemic, the impact of the pandemic on Argonaut and the impact of government action aimed at ameliorating the pandemic on the workforce, business and operations of Argonaut; 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, the scope, duration and impact of the COVID-19 pandemic, the scope, duration and impact of regulatory responses to the pandemic on the employees, business and operations of Argonaut and the broader market, 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.

Source: Argonaut Gold Inc.

¹ GEOs are based on a conversion ratio of 80:1 for silver to gold. The silver to gold conversion ratio is based on the three-year trailing average silver to gold ratio. This is the referenced ratio throughout the press release.

² Please refer to the “Non-IFRS Measures” section for a description of these non-IFRS measures.