



Argonaut Gold Provides Updated Magino Construction Capital Estimate and Announces Leadership Change

Conference Call and Webcast Scheduled: December 14, 2021 at 10:00 am EST

Toronto, Ontario – (December 14, 2021) **Argonaut Gold Inc. (TSX: AR)** (the “Company”, “Argonaut Gold” or “Argonaut”) announces that it has completed a review of the estimated construction capital at completion (“EAC”) of its 100%-owned Magino project in Ontario, Canada (“Magino” or the “Project”). The Company also announces a change in leadership. All dollar amounts are expressed in Canadian dollars, unless otherwise specified. “US\$” refers to United States dollars.

Leadership Change

The Company announces that Pete Dougherty has ceased to be the President and Chief Executive Officer of Argonaut Gold effective immediately. The Board of Directors has commenced a search to replace these roles and is working in real time to put interim leadership in place. The Board of Directors believes the existing executive team, with the support and guidance of the Board, is well suited to continue to run the business while a lasting leadership decision is being made.

Argonaut would like to thank Mr. Dougherty for his contributions during his tenure as President and Chief Executive Officer.

James Kofman, Chair of the Board, commented: “Pete Dougherty was the founder of the Company and has taken Argonaut from a small Company to a diversified gold producer operating in three countries. The Board of Directors intends to work actively with and be available to the executive leadership team. Our Board consists of four members with mining CEO experience and a wealth of knowledge in both financing and strategic alternatives. We have full confidence in the existing executive team to step up during this interim period.”

Magino Construction Capital Estimate

After a review of the impacts of cost increases, inflation, COVID-19, adjustments to the development plans and contingencies, the updated Magino EAC is approximately \$800 million. It is forecasted that through December 31, 2021, approximately \$342 million will have been invested into the Project, leaving approximately \$459 million remaining to be invested to complete the Project.

Magino EAC Variance – October 2020 Construction Decision vs. Current (CAD \$M)

Area	October 2020 EAC	Change	Current EAC
Process Facilities	\$193	\$26	\$219

Tailings Management Facility (“TMF”)	\$77	\$53	\$130
Site Development	\$63	\$75	\$138
Site Infrastructure	\$32	(\$8)	\$24
Permanent Power	\$17	\$24	\$41
Owner Pre-Production G&A	\$25	\$30	\$55
Project Indirects	\$75	\$57	\$132
Sub Total	\$482	\$257	\$739
Contingency	\$28	\$33	\$61
Total EAC	\$510	\$290	\$800

While the Project has experienced capital increases in several areas, the largest increases have been related to cost increases, inflation and COVID-19 impacts as well as changes in scope for site development, the TMF and permanent power.

In this press release and the subsequent conference call and webcast, Argonaut aims to walk through the main areas of the Project in detail to provide an understanding of where and why capital has increased in those areas.

EAC Variances by Category (CAD \$M)

Area	Cost/ Inflation /COVID- 19	Scope	Quantities	Schedule Recovery	Contin- gency	Total Variance
Process Facilities	\$3	\$11	-	\$12	-	\$26
TMF	\$17	\$25	\$12	-	-	\$53
Site Development	\$21	\$30	\$24	-	-	\$75
Site Infrastructure	\$7	(\$15)	-	-	-	(\$9)
Permanent Power	-	\$24	-	-	-	\$24
Owner Pre-Production G&A	\$15	\$2	\$5	\$9	-	\$31
Project Indirects	\$31	\$4	\$18	\$4	-	\$57
Contingency	-	-	-	-	\$33	\$33
Total Project	\$94	\$80	\$58	\$25	\$33	\$290

There are several areas that have led to the increase in the Project capital estimate. The Company estimates impacts from cost increases, inflation and COVID-19 account for approximately 32% of the capital increase. Changes in scope account for approximately 28% of the capital increase and primarily relate to site development, the TMF and permanent power. Approximately 20% of the increase in capital is related to increases in quantities, primarily in site development and project indirects areas. Due to the initial challenges in civil works, primarily at the process facilities site, this area of the Project is currently behind schedule. Argonaut is able to recover the schedule in this area due to schedule compression where multiple trades will work in parallel; however, there is a cost associated with compressing the schedule. When the Company examined the cost of schedule recovery compared to delaying the entire project, it was more economic to compress and recover the schedule than delay the overall Project. The Company

estimates 8% of the increase in capital for the Project is due to schedule recovery to meet first gold pour by the end of March 2023. Each of these areas are discuss in detail below.

Process Facilities (CAD \$M)

Process Facilities October 2020 EAC	Schedule Recovery	Scope	Cost /Inflation/ COVID-19	Current EAC
\$193	\$12	\$11	\$2	\$219

Argonaut has been largely shielded from cost increases and inflation in the area of process facilities due to its EPC contract with Ausenco Engineering Canada Inc. (“Ausenco”). The largest increases associated with process facilities capital are related to an increase in earthwork quantities and previously unbudgeted lean concrete and aggregate in order to prepare the foundation for the plant site. The uneven nature of the surface bedrock, once exposed below the glacial till, required much more time and capital to create a suitable foundation area than originally estimated. The additional work to prepare this area led to delays in delivering the plant site to Ausenco. Argonaut and Ausenco have worked together to finalize a recovery schedule for the plant site, and the overall Project remains on schedule for first gold pour by the end of March 2023. Increases in plant and facilities costs are primarily related to the late delivery of the plant site to Ausenco, which required schedule compression and investment into operational readiness.

TMF (CAD \$M)

TMF October 2020 EAC	Scope	Cost/ Inflation/ COVID-19	Quantities	Other	Deferral to Sustaining Capital	Current EAC
\$77	\$25	\$20	\$12	\$3	(\$7)	\$130

Increases in capital for the TMF are primarily related to a change in scope to include bedrock cleaning and slush grout and increased quantities along with higher unit cost for sand cement bentonite. There were also increases in both unit cost and quantities for the embankment filter, which was partially offset by a reduction in embankment mine rock fill due to a lower dam elevation plan at construction completion. The remaining embankment mine rock fill to reach the required dam elevation has been reallocated to sustaining capital, as this work can be completed after start up of operations.

Site Development (CAD \$M)

Site Development October 2020 EAC	Scope	Quantities	Cost/ Inflation/ COVID-19	Other	Current EAC
\$63	\$30	\$24	\$16	\$6	\$138

The largest increases in capital associated with site development were driven by the construction environmental management plan (“CEMP”) and permit requirements with respect to site access. As part

of the CEMP, the Company was required to construct 11 water dams for water management that were not estimated in the October 2020 EAC. Dewatering costs were also not included in the October 2020 EAC.

Site Infrastructure (CAD \$M)

Site Infrastructure October 2020 EAC	Cost/ Inflation/ COVID-19	Scope	Other	Deferral to Sustaining Capital	Current EAC
\$32	\$7	\$2	(\$3)	(\$15)	\$24

The Company has deferred capital associated with the truck shop and site office complex to sustaining capital. Argonaut has instead purchased and renovated a building in the town of Dubreuilville, Ontario near the Magino site that serves as offices. Cost increases and inflation are primarily related to the costs associated with the main camp, plant maintenance building and warehouse.

Permanent Power (CAD \$M)

Permanent Power October 2020 EAC	Scope	Current EAC
\$18	\$24	\$41

After further study, there was significant risk to the Project on timing and cost for delivery of line power by upgrading the existing system. Therefore, there was a scope change from the October 2020 EAC, and the Company now envisions having a liquefied natural gas power plant on site.

Owner Pre-Production G&A (CAD \$M)

Owner Pre-Production G&A October 2020 EAC	Cost/ Inflation/ COVID-19	Schedule Recovery	Quantities	Scope	Other	Current EAC
\$25	\$19	\$9	\$5	\$2	(\$4)	\$55

The largest increase in owner pre-production G&A is primarily related to increased labour cost and cost associated with Argonaut's COVID-19 testing programs. Also, in order to maintain Project schedule, additional headcount is required during construction.

Project Indirects (CAD \$M)

Project Indirects October 2020 EAC	Cost/ Inflation/ COVID-19	Quantities	Scope	Schedule Recovery	Current EAC
\$75	\$31	\$18	\$4	\$4	\$132

The increase in capital in Project indirects is primarily due to additional services required for the main camp and associated with offsite accommodations such as the temporary camp for Argonaut’s earthworks contractor as well as housing in both Dubreuilville and Wawa, Ontario. There were also increases in third-party engineering costs as well as construction management costs.

Magino Technical Report

Argonaut is in the process of preparing an updated National Instrument (“NI”) 43-101 Technical Report for the Magino project, which it expects will be published during the first quarter of 2022. In the interest of finalizing the updated technical report in a timely manner, this updated report will be focused on the Project currently under construction and will not include expansion opportunities, including future potential underground mining. The updated report will include the current EAC and other items including, but not limited to, revised gold price assumptions, an updated mineral resource model which includes all grade control drilling data to date, optimizations to equipment sizing and the processing facilities, updated operating cost and sustaining capital. While the updated report will not contemplate expansion potential and future potential underground mining, Argonaut believes that these are future opportunities for Magino.

Remaining Required Investment to Project Completion (CAD \$M)

Area	Forecasted Spend through December 31, 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Total
Process Facilities	\$110	\$54	\$14	\$23	\$11	\$5	\$3	\$219
TMF	\$45	\$24	\$21	\$15	\$13	\$9	-	\$128
Site Development	\$80	\$21	\$18	\$13	\$8	-	-	\$140
Site Infrastructure	\$1	\$1	\$8	\$10	\$4	-	-	\$24
Permanent Power	\$4	\$10	\$10	\$9	\$9	-	-	\$41
Owner Pre-Production G&A	\$20	\$10	\$5	\$5	\$6	\$9	-	\$55
Project Indirects	\$70	\$16	\$15	\$15	\$11	\$5	-	\$132
Contingency	\$12	\$16	\$11	\$11	\$7	\$3	-	\$61
Total Project	\$342	\$152	\$103	\$101	\$68	\$32	\$3	\$800

Argonaut forecasts it will have invested \$342 million into the Project at the end of 2021. The Company estimates it will invest \$424 million in 2022 and \$35 million during the first half of 2023 to complete the Project.

Liquidity Outlook

The Company forecasts it will end 2021 with approximately US\$230 million (~\$290 million CAD) available between its cash and existing revolving credit facility. As well, Argonaut’s existing consolidated operating portfolio is expected to generate positive cash flow throughout the remainder of the Project at the current gold price. However, at the current gold price, the Company expects there to be a funding shortfall to

complete the Project. Therefore, Argonaut is conducting a review of its financing and strategic alternatives.

Level of Confidence Going Forward

Argonaut has a much higher level of confidence in the current EAC now that it is a year into the Project, has worked through the process facilities’ foundational preparation challenges that were encountered due to rock unevenness, stripped approximately 75% of the TMF area and completed construction of approximately 20% of the TMF. Going forward, many of the unknowns when the Project commenced were in the area of civil works and are now very well known. The bulk of the remaining work is primarily construction-related (i.e. bolting items together). With the remaining civil work is better defined and understood, the Company believes the risk of further significant increases to the EAC are low with a significant contingency in place.

When evaluating the remaining investment required to complete the Project that are critical to schedule and undertaking a detailed risk assessment of all areas that make up the EAC, there were seven areas that accounted for 90% of the risk for variance. It is estimated that these seven areas account for approximately 60% of the remaining capital. Within these seven areas, as detailed below, all have a reasonably high level of confidence after a detailed risk assessment given either the high level of engineering for these Project areas or the low level of complexity for the remaining work.

Critical Areas of Remaining Investment to Project Completion and Level of Engineering

Area	Percentage of Engineering Completed	Level of Confidence in Capital Estimate for Each Area After Detailed Risk Assessment
Process Facilities	65%	90%
TMF	100%	85%
Power Plant	2%	75%
Site Water Management	85%	90%
Fish Habitat Compensation	100%	85%
Camp Facilities	100%	90%
Earthworks Indirects	100%	90%

Dan Symons, Vice President, Corporate Development and Investor Relations stated: “We are all seeing cost increases, inflation and the impacts of COVID-19 in our everyday lives and the Magino construction project is no exception. However, we have a much higher degree of confidence in the updated Magino capital estimate now that we are nearly a year into the Project and have vastly reduced the unknowns around civil works both at the plant site and TMF. We anticipate ending the year with approximately \$290 million (US\$230 million) in liquidity between our cash and existing revolving credit facility, and we also anticipate positive cash flow from the existing operating portfolio through the remainder of the Magino construction project. Yet given the substantial increase in the Magino construction capital estimate, we now expect a funding shortfall to see the Project through to completion, and we are conducting an immediate review of both financing and strategic alternatives.”

Argonaut Gold Magino EAC Conference Call and Webcast:

The Company will host conference call and webcast at 10:00 am EST today, Tuesday, December 14, 2021 to discuss the current Magino EAC.

Conference Call Information

Toll Free (North America): 1-888-664-6392
International: 1-416-764-8659
Conference ID: 63421174
Webcast: www.argonautgold.com

Conference Call Replay:

Toll Free Replay Call (North America): 1-888-390-0541
International Replay Call: 1-416-764-8677
Replay Entry Code: 421174#

The conference call replay will be available from 1:00 pm EST on December 14, 2021 until 11:59 pm EST on December 21, 2021.

Qualified Person, Technical Information and Mineral Properties Reports

Technical information in this release was supervised and approved by Brian Arkell, Argonaut’s Vice President, Exploration and Mine Technical Services, and a Qualified Person under NI 43-101. For further information on the material mineral properties, please see the reports listed below on the Company’s website or on www.sedar.com:

El Castillo Complex Mine	NI 43-101 Technical Report on Resources and Reserves, El Castillo Complex, Durango, Mexico dated March 27, 2018 (effective date of March 7, 2018)
La Colorada Mine	NI 43-101 Technical Report on Resources and Reserves, La Colorada Gold/Silver Mine, Hermosillo, Mexico dated March 27, 2018 (effective date of December 8, 2017)
Florida Canyon Gold Mine	NI 43-101 Technical Report on Mineral Resource and Mineral Reserve Florida Canyon Gold Mine Pershing County, Nevada, USA dated July 8, 2020 (effective date June 1, 2020)
Magino Gold Project	Feasibility Study Technical Report on the Magino Project, Ontario, Canada dated December 21, 2017 (effective date November 8, 2017)
Cerro del Gallo Project	Pre-Feasibility Study Technical Report on the Cerro del Gallo Project, Guanajuato, Mexico dated January 31, 2020 (effective date of October 24, 2019)

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 Magino EAC, the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; estimated production and mine life of the various mineral projects of Argonaut; timing of approval for modifications to existing permits; permitting and legal processes in relation to mining permitting and approval; 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 the possibility of project cost overruns or unanticipated costs and expenses; 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; 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.

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. The Company also holds the construction stage Magino project, the advanced exploration stage Cerro del Gallo project 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, Corporate Development & Investor Relations

Phone: 416-915-3107

Email: dan.symons@argonautgold.com

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