



CREATING VALUE BEYOND GOLD

2014 SUSTAINABILITY REPORT



CEO'S MESSAGE

Five years have passed since Argonaut began operations with the El Castillo mine, located in the state of Durango, Mexico. This proved to be a fantastic start for our company and was followed by yet another big achievement two years later with the operation of La Colorada mine began, located in the state of Sonora, Mexico. Additionally, during these five years, Argonaut has continued to strengthen its growth opportunities through its exploration programs and advances in projects such as San Antonio, San Agustín, and Magino. The combination of these three projects, two of them located in Mexico and one in Canada, has the potential for Argonaut to reach its goal of transformation into a medium producer of gold in the Americas.

To create “value beyond gold” has been the company’s philosophy from day one, this being based on its key strategy of stakeholder involvement. During 2014, Argonaut advanced toward its goals, while simultaneously expanding its presence in Mexico through the San Agustín Project.

Even though this is our first sustainability report at corporate level, our team has been extremely dedicated to reach optimal productivity while we meet and often exceed applicable regulations. Since the beginning of our activities in Mexico, our team has exhibited constant improvement in areas such as social corporate sustainability and responsibility. Our operation in Mexico received its first distinction as a Socially Responsible Company (ESR in Spanish) in 2012. Since then, this distinction granted by the Mexican Center for Philanthropy (CEMEFI in Spanish), has been renewed year after year with our operations in Mexico, maintaining our goal for continuous improvement. As proof of this, I am very happy to announce that this year our improvements in corporate social responsibility resulted in our achieving first place in the ESR classification for our operation of La Colorada Mine. As proud as we are of our team we must, at the same time, humbly recognize the need to strengthen our commitment toward sustainability.

I would like to dedicate this first sustainability report to the employees of Argonaut in Mexico, Canada, and the US, as acknowledgement of their continuous efforts contributing to our company’s success story in sustainability. I am especially proud because we have utilized a work force from every country in which we operate, this being one of Argonaut’s fundamental values for great performance.

I am very pleased to continue with our development in 2015, a year in which our ultimate goal is to increase our gold production while increasing our commitment to sustainability excellence.

Peter Dougherty

President & CEO

ARGONAUT GOLD AT A GLANCE

Magino

Location: Ontario, C  nada
Resources: Oro – 4,100,000 Onzas

La Colorada

Location: Hermosillo, M  xico
Resources: Oro – 1,000,000 Onzas
Plata – 14,000,000 Onzas

San Antonio

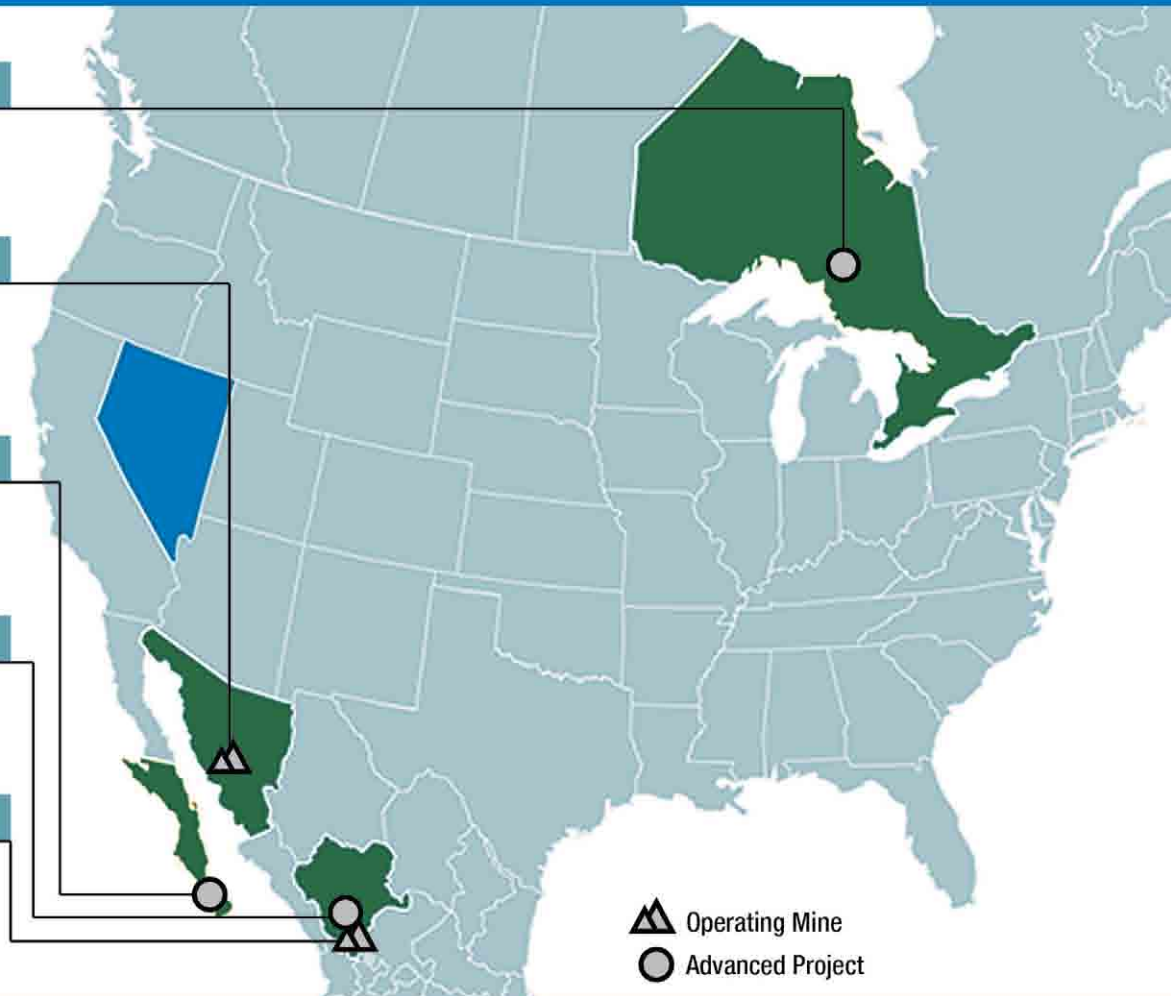
Location: Baja California Sur, M  xico
Resources: Oro – 1,700,000 Onzas

San Agust  n

Location: Durango, M  xico
Resources: Oro – 1,300,000 Onzas

El Castillo

Location: Durango, M  xico
Resources: Oro – 2,700,000 Onzas



The success of Argonaut Gold is based on carefully choosing its projects, focusing on those which have the greatest potential for mining development, and that represent investments of manageable capital, thus resulting in low-risk for potential investors. It is in this sense that the creation of “value beyond gold” begins, which can only be accomplished by working toward sustainability with communities and the environment and holding firm to our values.

For 2015, Argonaut Gold plans to produce between 135,000 and 145,000 ounces of gold at cash costs between \$700 and \$750 dollars per ounce. Additionally, a drilling program will be implemented in Magino and a new preliminary economic study will be prepared. Regarding the San Agust  n Project, Argonaut Gold will be in the permit stage in efforts to move this project forward.



OUR PEOPLE

The rapid growth and elevated standards Argonaut Gold has reached in just a few years of operation is due largely to the qualities, aptitudes, and efforts of its workers. Thus our Company motto, "Value Beyond Gold", is powered by the effort of its people. At the closing of 2014, Argonaut Gold registered 880 workers, 11.5% were female and 100% Mexican; and 66.5% of them were from the towns surrounding its mining operations.

From our Code of Ethics stem the Workers Internal Regulations and the Employee Manual. The policies and procedures contained herein highlight an open door policy, category and salary promotions policy, training, and a clear position respecting child labor and discrimination of any type.



880 Workers | **11.5%** female
66.5% of them were from the towns surrounding.



TRAINING AND DEVELOPMENT

In 2014 the employees of Argonaut Gold received 7,064 man-hours of training. To fortify the preparation of human resources the Company offered courses and workshops such as Management of Human Resources, geostatistics, machinery operation, repair of V-belts, SAP courses, and Mine sight. In addition, it offered lectures focused on managing risk situations as well as health-base actions to prevent problems inside and outside the plant.

During the last year, thanks to the collaboration of the Adult Education Institute of the State of Sonora, 9 employees from different areas concluded their primary education with a desire for continuous improvement.

7,064
man-hours of training.



OUR PEOPLE

NUMBERS

- 880 employees
- 76 are women; that is 11.5%
- 66% of the employees from surrounding towns
- 5.5% of salary increase in 2014
- 7,064 man-hours of training
- 0 child labor; 0 Legal proceedings in the year.

Worthy of mention are an open door policy, category and salary promotions policy, training, and a clear position with respect to child labor and discrimination of any type.

CONSTANCIA DE ESFUERZO

In addition, the fact that subsidiaries received three distinctions as Socially Responsible Companies, Argonaut received a certificate from the labor authority through the official letter 146/00510/2014 as it does not engage in the practices of child or forced labor and, in addition, there are no legal proceedings filed against the Company.

In 2014 our operation of El Castillo received acknowledgment from the State of Durango as a leading company in the area of equal opportunity for women. Our co-worker Cristina Torres Martínez received an award as one of the 100 Better Workers of Durango, a prize awarded by the Ministry of Labor.



Socially Responsible Companies

Leading company in the area of equal opportunity for women



BENEFITS AND FREE UNION AFFILIATION

Last year, Argonaut Gold renewed the Collective Bargaining Agreement of its 462 unionized employees, who belong to Mexican labor organizations, with whom a salary increase of 5.5% was agreed. This resulted in employees having a competitive salary as well as clear growth opportunities, training, and special permits such as birth permits that provide 35 days off to employees who become parents, thus enabling them to be with their children during these important first days of life.

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HEALTH AND SAFETY

From their first contact with the Company, employees of Argonaut Gold learn that safety is first; therefore, during 2014 operations within the Company achieved 664,795 hours without accidents, zero fatalities and zero reportable environmental incidents in addition to an institutional effort in conjunction with health authorities to provide preventative health care to all personnel.

Of the 365 days of 2014, 218 of them were without accidents resulting in lost time. There were only 39 injuries, none having fatal consequences, which resulted in a mere 38 days of medical leaves of absence.

218

Days without accidents resulting in lost time



SAFETY

The course "Induction to Safety Policies and Procedures" that governs mining operations of the Company contains international standards and through the Safety Protocol and Procedure to Respond to Incidents, Accidents, and Fires, the employees of Argonaut know and apply the required steps to respond to any emergency with injuries and/or material damages, therefore, each of the operation areas has proper fire-fighting, rescue and first-aid kits, all in good order, and most importantly, have trained personnel.

In 2014 Argonaut implemented to all management levels and department heads the Program on Work Safety for Preventative Observation, a program that initially registered potential risks in the supervision of cyanide handling. Later, thanks to its efficiency, the program was implemented in other areas and today it helps to guarantee the safety of the facilities, internal roads, signs, and office work. Other safety actions taken include Training in Prevention of Risks to Health due to Intoxication and Cyanide, which covers 100% of plant personnel.





HEALTH AND PREVENTION CAMPAIGNS

Medical care and emergency care is available to the personnel of Argonaut Gold at any time during operations. However, preventative health initiatives play a crucial role as seen by the 2 vaccination campaigns carried out last year that resulted in a total of 122 vaccinations and a completed vaccination booklet. Also, 20 prostate exams were carried out to employees 40 years and older as well as bio density, glucose, and cholesterol examinations for 100% of the personnel. All of this was supported by the Ministry of Health which acknowledged this effort in its official letter SSS-CSUS-415-2014.



Respecting courses on illness prevention and management of health disorders, the personnel participated in the following tasks provided by health and labor authorities:

- First Aid Courses
- Dehydration in extreme labor conditions
- Low temperatures
- Addiction prevention
- Nutrition
- Gastrointestinal illnesses
- Sexually transmitted diseases
- Prostate-Specific Antigen
- Erectile dysfunction



122
Vaccinations
in 2 vaccination
campaigns.



HEALTH AND SAFETY

A record of zero fatalities, zero spills of hazardous substances and more than 664,795 man-hours without reported accidents speaks volumes to the safe environment maintained by Argonaut Gold throughout 2014 due to clear training procedures and protocols.

Regarding health, the preventative courses fostered healthy habits leading to a better lifestyle inside and outside the work environment, preventing illnesses and addictions.

From day one with the Company, Argonaut Gold employees learn that their safety is a priority in addition to the institutional effort in conjunction with health authorities to provide prevention awareness to the personnel.

LOCAL COMMUNITIES

Argonaut Gold's social investment in its projects in Mexico proves fundamental to develop communities and generate value beyond the profits of the company. During 2014 Argonaut invested \$5,675,094 dollars in surrounding towns through a series of programs. One such program provides scholarships, social infrastructure, donations to education institutions, community medical services, food assistance, home-improvement support and the promotion of cultural and sport activities centered around youth as shown in the following.

MEDICAL SUPPORT

Starting in June 2012, Argonaut Gold offered free medical examinations for some of the neighboring towns, in response to the social demand of permanent medical services. Other projects involved donations of medicine, vaccination programs, and prevention of illnesses, all of this through the implementation from Health Committees.

By year-end 2014, Argonaut sponsored 1,684 medical appointments and provided approximately 2,000 medicines both free and prescribed.

SCHOLARSHIPS

Regarding the scholarship program (ongoing since 2011 in an effort to keep children and youth in the communities focused on studying in order to curb drop-outs and working prematurely) the users of the scholarship from Argonaut in Mexico increased from 403 in 2013 to 545 in 2014, a figure that will be maintained up to the end of the school year by mid-2015. These scholarships are provided to both elementary and university students; all of the beneficiaries are students with high grades however experience difficult economic situations.



During 2014, Argonaut Gold in México delivered a total of \$2,965 pesos of financial support to its scholarship beneficiaries, which include monthly and bi-monthly assistance. This financial assistance was delivered to the parents of the beneficiaries during the school year in acknowledgement of their interest in the study to a grand total of \$1,737,600 pesos.

From its inception, the team that is part of this company has been aware of the importance of generating shared value, multiplying social benefits for the regions where Argonaut Gold projects are located, trying to strengthen our neighbors not only with jobs and training but also supporting their production activities, their infrastructure, and the education of their children. Generating development and prosperity for these communities really says that their value is beyond gold's value.

Argonaut Gold's social investment in its projects in Mexico is fundamental to achieving community development and thus generating value beyond the company profits.





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COMMUNITY SUPPORT BRIGADE

Improvement of the social infrastructure and housing in the surrounding towns as well as activities of rehabilitation of public and private construction have been very successful; so through the integration of community support brigades, comprised of employees from the Company, who in many cases volunteered to help their neighbors on their own time.

In 2014 these brigades carried out 35 community services such as the construction of 4 concrete rooms, rehabilitation of 22 houses, upgrading a kindergarten, construction of gates for school shelters, and construction and upgrading of four religious temples.



SUPPORT TO RURAL PRODUCERS

During 2014, as a way to generate shared development, Argonaut Gold successfully partnered with producers from the agriculture zones close to the projects providing seed to grow corn, bean, sorghum, and oats to 258 producers of 5 communities, planting a total of 1918 hectares.

COMMUNITY CARE

In the offices of Argonaut and surrounding towns there are personnel from the department of Community Relations. This department is authorized to link, process, and inform about social programs from the company. Through a series of guidelines issued by a Committee of Community Support, it receives diverse applications for support from groups from both social and public institutions.

Under these guidelines, Community Relation gave positive response to 194 applications for support; gas for medical transportation and school transport, social works, sowing suppliers, accommodation for child athletes during sports competitions, office equipment and air conditioning for schools, air conditioning for children's shelters, surgical expenses, aerial medical transportation, etc.

Additionally the company provided food assistance for impoverished families.

The community awareness area is also responsible of the formation of committees that help to multiply liaison efforts between community-company-authorities. This year, health committees as well as Family Parents, Student Society, the School Transportation Committee, and the Group of Adolescents Who Promote health were kept in operation. At the same time, a relationship of permanent collaboration with the "Comisariados" and Board of Directors of neighboring Ejidos were maintained.

Another remarkable effort was the support provided for the construction of the Park "Todos Juegan" in the community of San Juan del Rio, Durango, work that, along with the state DIF system, makes it possible to provide entertainment for handicapped children.

With respect to the general information of our projects spread between the neighboring towns, during the past year, 1315 individuals were served; around 1000 job applications were received, in addition to 150 information meetings that took place in rural areas, and some training courses were provided with an attendance of 270 people. Another initiative carried out this past year was the Earth Science Workshop designed to bring children closer to the mining world. This workshop was given in six different schools both elementary and junior high, with a total of 329 students.

In 2014 some sports competitions were organized for children's teams that received equipment. Additionally, educational and chess competitions were held. We helped the elementary school Carmen Preciado to renovate an area to be used for the Museum of La Colorada, Sonora to which some historical mining objects were donated along with information about the roots of this region.

ENVIRONMENT

As an environmentally responsible company, Argonaut Gold has developed within its operations some mining programs and actions focused on discovering sustainability as an industry, daily reducing contaminates generated from its processes and in the consumption of energy, water, and other resources. As a result the company has initiatives to be more efficient in conjunction with government efforts through programs of environmental regulation and audits such as the Voluntary Program of Accounting and Report of Greenhouse Gases, "GEI México". The company registered in this program in 2014.



MAGINO

The Magino Project, located in Ontario, Canada, employs 9 people; among these 3 women. 4 of the 9 are from neighboring towns.

Our employees receive training regarding safety as well as matters of social responsibility and the development of technical tasks related to their work.

In 2014 we registered zero lost-time incidents.

The project has a donation and sponsorship program in local communities, coordinated with charity institutions and civil associations such as the Rotary Club, neighboring schools, organizations of the native tribes and altruistic organizations of the Canadian mining sector.



GEI MÉXICO

The mining operations of Argonaut Gold, El Castillo and La Colorada, officially received from the Undersecretariat of Development and Environmental Regulation from SEMARNAT, the official letters SFNA/CA/0104/2014 and SFNA/CA0121/2014 respectively, by means of which the company is part of the voluntary program of the Mexican government of Accounting and Report of Greenhouse Gases. This program includes a series of actions aimed to upgrade equipment and improve both maintenance and monitoring in the areas of emission of contaminants. Argonaut in Mexico began this initiative with the measurement of its emissions in tons of equivalent carbon dioxide totaling 50,969 units.

CLEAN INDUSTRY

Another program in collaboration with Mexican authorities in favor of the environment is the Program of Voluntary Environmental Audit through which PROFEPA delivers, once accredited, the Certificate of Clean Industry, which most surely the Company will receive in 2015 for its mining, leaching, and crushing processes. Argonaut, through its Mexican subsidiaries was registered in this initiative in October 2014, when it began the environmental audits pursuant to the standard NMX-AA-162-SFCI-2012, which is met observing the environmental management system ISO 14001:2004.



PROGRAMS

During 2014, the personnel of Argonaut Gold permanently focused on the environment as set forth in the Code of Ethics of the company; thus, the following programs and actions were followed-up.

- Environmental Monitoring and Surveillance Program.
- Evaluation of the Air (Monitoring of Suspended Particles).
- Environmental Management System.
- Safety and Environment Manual.
- Residues Management Program (Nom-052-ECOL-1993).
- Energy Efficiency Program.
- Flora and Fauna Rescue Program (NOM-059-SEMARNAT-2010).
- Environmental Diffusion Plan.
- Program of Environmental audit Clean Industry.
- GEI México Initiative.





ROCIO CORDOVA

ENVIRONMENT

2014 RESULTS

- Increase of 7.89% of recycled water.
- Savings of 182,000 liters of Diesel per year with the implementation of the
- System of Synchronization of Generators.
- Efficiency of 100% in the maintenance
- of machinery each 250 hours.
- Increase of the survival rate from 84.90% to 95.65% of flora rescue.
- Collection of 20,000 M3 of fertile soil.
- 11 rescue actions of native wildlife species.
- Construction of 20 filtering dams to recharge the aquifers.
- Collection of gases up to 99% in the process of analysis of metals through FIRE.
- 100 actions of the Health and Safety Committee regarding the Environment within the plants and surrounding towns.
- 21 talks about the environment to workers in the cycle "Safety Dialogs".
- 244 workers trained regarding the environment in collaboration with STyPS.
- 1er national place as ESR in its category for the La Colorada Mine in Sonora. Located in place one of 460 companies that were recognized with the ESR in Mexico, this year in the PYMES category.



ARGONAUT GOLD

El Castillo | La Colorada | Magino
San Agustín | San Antonio

www.argonautgold.com

