



2015



**CREATING VALUE
BEYOND
GOLD**

SUSTAINABILITY
REPORT



ARGONAUT GOLD



Message from the **CEO**

2015 was a major year for our company, it was a year the mining industry endured numerous challenges; also a year in which Argonaut was able to prove their capacity to recover and create value for our stakeholders; likewise, we achieved our goals without compromising our sustainability practices or our community services.

I am very pleased to present to you the Second Argonaut Gold Sustainability Report for our Mexican and Canadian operations, I am glad to share with you the great achievements we have experienced this past year with our workers, communities and everyone else we had to the opportunity to interact with.

I for the most part would like to acknowledge our employees' dedication and hard work in obtaining the distinction of Socially Responsible Company for our operations of El Castillo and La Colorada, and improving their scores at both operations for another consecutive year.

These are the kind of achievements we are proud of, as well as being committed to bringing more benefits to each and every one of those involved in our activities that go from our shareholders to environmental values. In 2016 we are reviewing Green Technologies aimed at our projects as we are eager to enhancing excellence throughout all of our operational aspects.

Our purpose is to become the mining company of shared value that everybody would be happy to have in their region or community. We would like to provide outstanding benefits to both our neighbors and environment. We are satisfied with the progress we have accomplished this past year which is detailed throughout this report, and are inspired by the opportunities that we look forward to in years to come.

Peter Dougherty

President & CEO

IN REGARD TO THIS REPORT Since a large portion of the Argonaut activities in the year of 2015 were developed in Mexico, the data presented in this report are those according to operations in that country, unless indicated otherwise. The Magino project has been isolated in a separate section within this report. No international guidelines for sustainability have been used in order to report our results such as the Global Reporting Initiative (GRI) or any other. This report has not been audited by an independent third party.

ARGONAUT GOLD CONTENT



ARGONAUT GOLD AT A GLANCE

PAG. 04

PAG. 05

OUR PEOPLE



HEALTH AND SAFETY

PAG. 08

PAG. 14

MAGINO



LOCAL COMMUNITIES

PAG. 15

PAG. 19

COLLABORATIONS



ENVIRONMENT

PAG. 20

ARGONAUT GOLD AT A GLANCE



El Castillo

Location: Durango, Mexico
Resources: * Measured and Indicated – 605,000 Gold Ounces –
 Inferred 71,000 Gold Ounces
Annual production: 79,751 Gold Ounces in 2015

La Colorada

Location: Hermosillo, Mexico
Resources: Measured and Indicated – 601,000 Gold ounces, 8,474,000 Silver ounces Silver,
 Inferred – 15,000 Gold ounces Gold, 285,000 Silver ounces
Annual production: 55,056 Ounces Gold Ounces Silver 192.837 in 2015. *



San Antonio

Location: Baja California Sur, Mexico
Resources: Measured and Indicated - 1,735,000 Gold ounces

San Agustín

Location: Durango, Mexico
Resources: *Indicated - 845,000 Gold ounces,
 - 28,263,000 Silver ounces



Magino

Location: Ontario, Canada
Resources: *Indicated - 4,069,000 Gold Ounces

▲ Operating mine
 ○ Advanced Project



ARGONAUT GOLD IN 2015

In 2015 Argonaut Gold produced a total of 139,000 gold equivalent ounces, from its El Castillo and La Colorada operations in Mexico, thereby generating an economic turnover of 1.387 million pesos (\$XX in USD using 18:1 exchange rate) in the States of Durango and Sonora. Likewise, the company advanced its projects in San Antonio Baja California Sur and Magino in Ontario, Canada. In addition, the Company made critical steps forward in permitting and land acquisitions for the San Agustín project, also located in the state of Durango; moving it closer to become the next operating mine for Argonaut Gold. San Agustín would have a USD\$93million initial capital investment, and would generate about one thousand jobs during its first year of operations. The project would generate an estimated \$58 million dollars (USD) in taxes to the Mexican Government during its operating life.

* Ounces shown here are Measured and Indicated in category (M&I). For further details of metal resources of Argonaut visit our website at www.argonautgold.com



OUR PEOPLE

In 2015, Argonaut Gold's staff showed a high level of commitment that made it possible to achieve production targets, operational safety and social commitments to communities, which is why the company has taken on the task of improving working conditions for members of the Argonaut family.

At the end of the reporting year, the company had more than 1,000 workers involved in its operations; 570 Argonaut employees and an average of 450 people hired through contractors. In addition, indirect jobs created were estimated to be as many as three times the number of direct jobs.

Progress

In 2015 Argonaut had significant progress in workforce/union relations, 59% of our human resources belongs to a trade union; also a large part of the staff received improved benefits regarding transportation, salary raises above 5%, promotions, scholarships for their children, training, health care, membership in professional organizations, interaction in social, sport and cultural events.

In Argonaut Gold, we ensure best human resource and labor practices by having an Employee Manual, a Code of Ethics, and a Code of Conduct. We enforce the labor policies of no forced labor, no excessive shift hours, no child labor and no to any form of discrimination. We also favor hiring local workers, demonstrated by 66% of the workers living in neighboring communities.

Within our operations 10% of the staff are women,



including key positions through all levels of the organization.

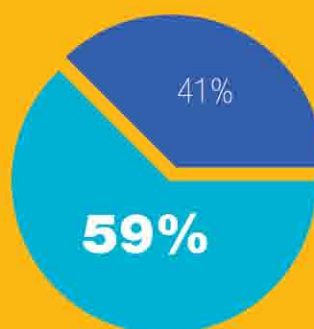
In 2015, a high level of commitment was shown, making it possible to accomplish production targets, operational safety and social commitment to the communities.

570 Direct Jobs

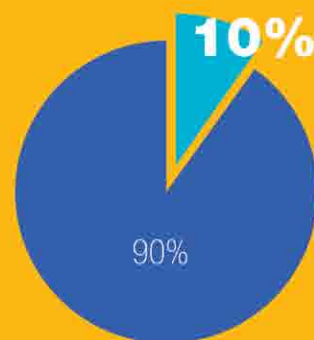
66% of the workers are from neighboring communities.



We maintain the labor policy that stands for No-forced labor, No to excessive shift hours, No to children labor nor any discrimination.



59%
belong to a
trade union



10%
of the staff
are women

OUR PEOPLE

- **5,464 hours** of objective training in 12 different workshops
- **9 Tours** for relatives of employees through the operations
- **Two singing competitions** among staff (from the operation units) that promotes social interaction and cash prizes.
- **Confirmation** of STPS: No work procedures in 2015. Document 146 / 22.01.2016
- Collective contract **renewal**.
- **5%** wage raise.

We provide support to our people in an exceptional way by offering coverage in five private medical services, we created a new training room in El Castillo, we promoted sports and cultural activities such as volleyball and soccer tournaments, as well as singing competitions within the 2 production units; new employees received induction courses and many others were affiliated to the Association of Mining Engineers, in addition to promoting the Women with Purpose Program; also the creation of the Argonautas Quarterly Bulletin plus developing and publishing the first Sustainability Report.

Workforce distribution in Mining Units



* Human Resources
** Safety and Environment

Ethics

- Code of ethics.
- Good corporate governance practices.
- Corporate social responsibility policy.
- Prohibiting discriminatory practices religion, age, sex, race, color.
- Respect for Human Rights.
- Course for organizational values.
- Transparency and Anti-Corruption Workshop.
- Evaluation of employees.

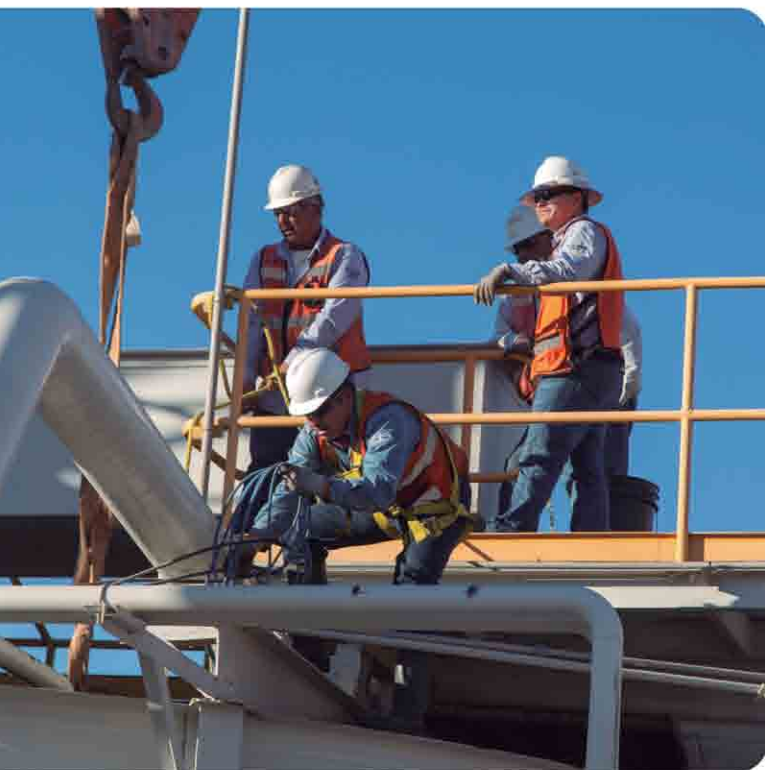
A full-page photograph of a man in his late 20s or early 30s with a short beard, smiling at the camera. He is wearing a white hard hat with a black triangular logo, yellow safety glasses, and an orange high-visibility work jacket over a white t-shirt. A green lanyard is around his neck. The background is a large, dark, textured circular object, possibly a tire or a piece of machinery, with a lighter circular pattern in the center. A blue banner with white text is overlaid on the lower left.

HEALTH AND SAFETY

HEALTH AND SAFETY

In Argonaut Gold, the safety of our employees is worth more than the gold we produce, that is why during 2015 the company invested more than 6.8 million pesos in capital improvements aimed at the efficiency of facilities and equipment, creating a safer working environment, reducing accident risks.

The accident rates at Argonaut's operations dropped 38% in 2015 compared to 2014, going from 90 to 60 incidents. The company accomplished a full year with a record of zero accidents with lost time and subsequently zero fatalities. 182 days were lost due to medical circumstances, with 162 reported incidents and 42 accidents.



The safety of our employees is worth more than the gold we produce.

Capital Investment
Procedure in order to
improve the efficiency
offacilities and equipment

6 million
824 thousand pesos

38% Accident-rate
drop



SAFETY

- **Work effort** of 4,886 individuals
- 996,744 labor **hours worked**
- **23 incidents** by contractors
- **Safety Budget** MRO 430.650 USD
- **Accident frequency** and labor-time loss
2013 - 5.19 | **2014** - 3.63 | **2015** - 1.46
- **Increased** labor-hour training from 10,170 to 40,100.
- **572.317** accident-free labor hours.
- **Talks and workshops:** fires: 81, evacuations: 66 *
- **Training:** hazardous waste storage: 36, fugitive emissions: 48, effects of oil on soil: 42. *
- **Day** with break and meals.
- **1 knee joint replacement surgery** 90,000 pesos. Ricardo Moreno.
- **Major medical** coverage
- **New training room** with a 30-people capacity for induction courses.
- **5 minute** chat
- **Rescue** squad incorporation.

*Numero de Empleados Participantes.

Health Fairs

In order to prevent and treat both employees' and the neighboring communities' health issues, Argonaut Gold arranged health fairs where medical specialists, clinical exams and medicines are provided, benefiting neighboring communities and nearly 300 workers.

572,317
accident-free labor hours

- Dental treatments.
- Pap tests.
- Electrocardiograms.
- Vaccines.
- Mammograms
- Glucose analysis.
- HIV.
- Vision test.
- Spirometry.
- Clinical laboratory tests.
- Abbe delivered doses.
- Consulting: Nutritionist, general practitioners,
- Dentist, orthopedic, physical therapist, optometrist,
- Epidemiologist, reproductive health, imaging,
- Electrocardiogram.





El Castillo Mine Crushing Circuit, Durango, Mexico.



La Colorada Mine, La Colorada, Sonora, Mexico.



MAGINO

Argonaut's Magino Project community-support program continued during 2015 as it did the previous year both in terms of content and scope.

The main events that have been annually sponsored by Magino and supported by Argonaut and its subsidiary Prodigy Gold are focused on sports, health and cultural events in the region and include:

- **Sponsored Transportation** for the Wawa at Pow-Wow Youth event, this is a celebration of Aboriginal culture in the area and an opportunity to promote multicultural awareness among young people.
- **Corporate sponsorship** for the first Dubreuilville Wild Run Challenge, where 120 runners competed in a 5 Km race with obstacles.
- **Sponsorship** for the Wawa Teenagers P.A.R.T.Y Program Alcohol Prevention and Risk-Related Youth accidents.
- **Frequent donations** to Rotary club involving local businesses.

The events that we annually sponsor are the Wawa Music Festival, the Strong Man Competition of Dubreuilville and Dubreuilville Fishing Derby which contribute significantly to the community, culture and tourism industries in the local communities.

Argonaut Gold coordinated the participation of representatives of native groups in archaeological research.



Argonaut Gold provided resources directed at economic and cultural development activities of Aboriginal groups in the region.

Argonaut Gold contributed in:

- * **Resources for activities.**
- * **Working with the city council on community events.**
- * **Scholarships to students.**

Furthermore, we continued to engage with non-profit organizations and completed the year accident-free.





LOCAL COMMUNITIES

LOCAL COMMUNITIES

The development of the communities neighboring the Argonaut Gold operations and projects is a primary core value in order to be a meaningful contributor and establish a solid base with potential for future growth. Beyond the philanthropy, the Community Care Programs of Argonaut involve creating shared value, which is focused mainly on health and education-related issues where children and young people are our priority; In addition, our efforts drive overall development for those communities where our social responsibility policies strengthen the economic, employment, housing, sports and cultural subjects.



Beyond philanthropy, the Argonaut Community Care Programs involve the creation of shared value, mainly focusing on the issues regarding health and education.

Highlights

- **5600** food provisions
- **610** trainees
- **44** housing proceedings
- **1200** health treatments among those medical, studies and clinical analysis
- **Social support** (3.5 million pesos)
- **1,000** families benefited from social investment
- **We sponsored** Rural Development Programs in conjunction with the Federal Government
- **90 gift certificates** for school supplies and uniforms
- **36** vocational tests
- **28 students** enrolled and one graduated in a high school program (G.E.D.).
- **1500 gifts** to children in communities
- **Physical activity** and sports tournaments: volleyball, soccer, baseball and aerobics
- **Restoration** of 2 churches, 2 schools and one cemetery.

3.5 Million
Invested in social support



2015 in spite of being a difficult year in the mining industry, Argonaut Gold strengthened commitments with communities, education and health, thus the information presented hereby can attest that our scholarship program expanded 12%.





Local communities. Grantees of La Colorada, Sonora.

In other actions just as noteworthy, Argonaut promoted workshops, conferences and actions involving professionals from different disciplines who shared their knowledge for the benefit of communities:

Conferences to battle addictions, nutrition, safety at work and home, mineralogy, craft workshops, sewing, baking, productive projects, nutritious food, parenting and children, incorporation of a rescue brigade and life projects.

Additionally, thanks to the social responsibility policy, within the Community Bonding Plan in the La Colorada community, a psychosocial assessment was conducted to the entire community in order to determine the extent of people's emotional impact by living nearby a mining operation; This project is the first of its kind in the country, it was conducted by Red Sonora AC incorporated by university professors in psychology, the results are applied to the creation of plans for community work and social programs.



Mothers of Families in La Colorada.

COLLABORATIONS

The dynamics of a proactive, socially responsible company that seeks to generate and create shared value has led Argonaut Gold to have a wide network of connections, with which it formally interacted and collaborated with during 2015, some of them are listed below:

- **SEMARNAT**
- **PROFEPA**
- **CONAGUA**
- **RAN**
- **SEDENA**
- **SE**
- **State and Municipal Governments**
- **Rural Communities**
- **Community leaders**
- **UNAM**
- **CONACYT**
- **RED CROSS**
- **CEMEFI**
- **Price Waterhouse Coopers**
- **UNISON**
- **SEC Sonora**
- **Red Sonora**
- **Sonora Health Office**
- **Diabetes Association of Sonora**
- **Integral Medical Center**
- **University of Durango**
- **University of BCS**
- **State Council of Science and Technology**
- **Expansion Magazine**
- **III CYTAI Expo 2015 Argentina**
- **Institute for the Adult Education, Sonora**
- **National Council for the Education for Life and Work**
- **AIMMGM**
- **CAMIMEX**
- **Canadian Embassy in Mexico**
- **Federal Deputies**





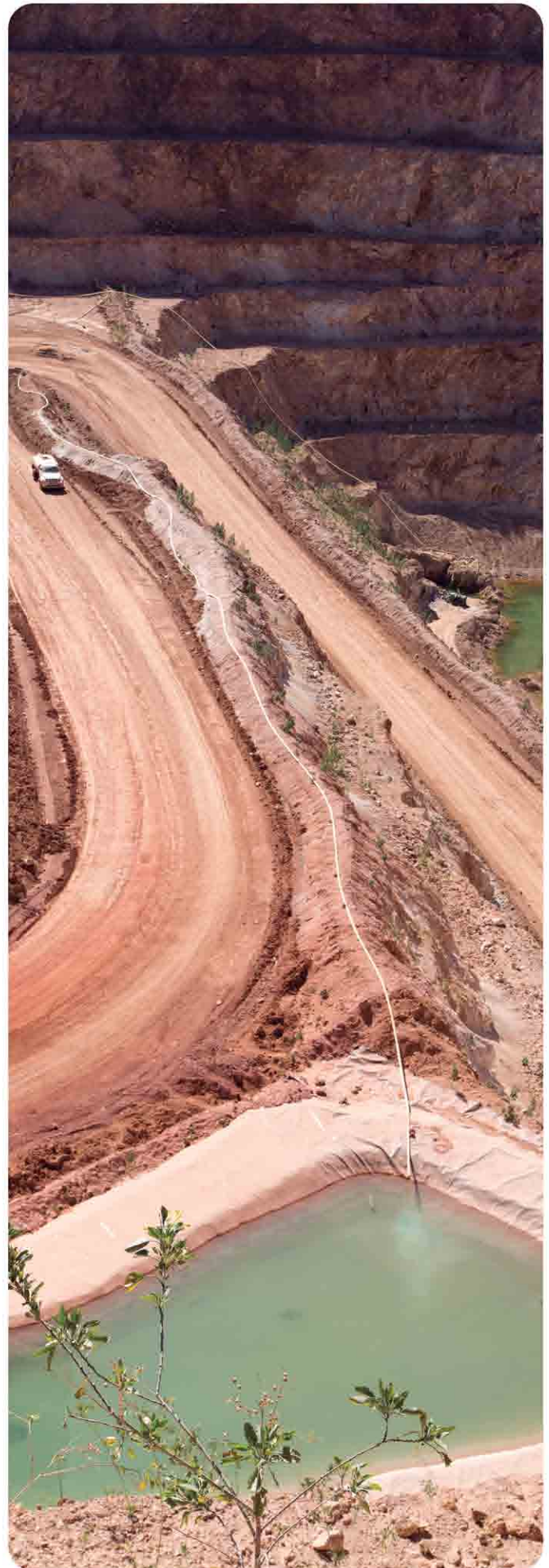
ENVIRONMENT

ENVIRONMENT

Beyond conventional measures in environmental protection and current regulations awareness, Argonaut Gold seeks to go beyond regulation and use industry best practices at its operations and projects, therefore besides investing in more efficient equipment and procedures to reduce the emission of pollutants it's also working on reducing water consumption and increasing the use of renewable energy, the pre-voluntary audit in the Clean Industry Program and the most important and ambitious project for the environment was completed, a solution has been proposed to the authorities to help affected populations in surrounding areas of the San Antonio project with up to 1 million tons of arsenic-contaminated mine tailings from historic mining that occurred in the late 19th and early 20th century that would be remediated and confined.

Also there is a planned project with the plan to save an aquifer from saltwater intrusion caused by overuse from farming in Baja California Sur, by relocating extraction locations.

The environmental management policy in Argonaut Gold notes that the company aims at "becoming a leader in environmental matters ... by exploiting minerals with rational management of natural resources, with careful planning and precise execution that involves continuous appraisal of performance and continuous improvement."





- **232 Environmental Inspections** and 4 internal audits. *
- **Planting and production** of 7,350 plants.
- **6913 flora pieces** successfully rescued
- **80 wildlife specimens** successfully rescued including foxes, skunks, batepis, wild boar, deer, rattlesnakes and other snakes.
- **Reduction of 40%** from Environmental Incidents; 20 to 33 in 2014.
- **10.124 hours** of training in environmental material.
- **New nursery** 200 m².
- **The Monitoring** of Particles smaller than 10 microns in the air remained below 75 particles per cubic meter.
- **In order to limit** the negative impacts there is a Safe Procedures Manual in our operations.
- **The Investment** of 6,824,466.00 (USD or MXP) in order to improve the efficiency of property, plant and equipment,

generating a direct contribution to environmental improvements.

- **Solar pumping system.**
- **Project NaCN** for the efficient use of cyanide.
- **Water saving program**, installing economizers, campaign against misuse and external audit.
- **Reduction of diesel** fuel consumption of 182,000 500 liters less per year.
- **A program for decreasing** fossil fuels to generate electricity and reducing carbon emissions. This program generated an estimated 60,000 additional liters per year in savings.
- **Implementation** of cells and sunlamps generated savings of 7300 kw / h per year.
- **6 cleaning campaigns** in Durango.

* Internal and External.

Other Highlights

- **Construction** of gabions and filter dams.
- **Environmental Pre-Audit** of the Clean Industry Voluntary Program
- **Sampling** of surface water, wells, pit and dams.
- **Measurement** of air quality and Powder Emission Control Compliance attached to NOM 025-SSA-1993 / OFICIO 05-56-UGA-0318-2015
- **SEMARNAT office:** permit issued to perform leaching pad construction, tepetatera field and cutting on 135 hectares, Document. DFS / PAGM / UARRN / 601/2015.
- **Assessment** Procedure of Environmental Aspects: to anticipate the behavior of the environment in compliance with the environmental management standards ISO 14001/2004.
- **Chemical analysis** of water through external source providers.
- **Environmental license** for less than 10-micron particles of atmosphere emission; license number: LAU-26 / 089-2013.

Investment of
6'824,466.00
pesos in 2015
generates improvements
to the environment.



ARGONAUT GOLD

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

www.argonautgold.com

