



CORPORATE SOCIAL RESPONSIBILITY REPORT

OUR **2016** REPORT



For the third consecutive year, we are publishing a report of the highlights of CSR-related activities from the previous year; covering in this occasion our main achievements for 2016.

Our company has reached an important point in its history, a moment of growth in which we will be concluding the construction of San Agustin, our third operating mine in Mexico. San Agustin concentrated much of our efforts during 2016, from technical-operational work, to public affairs to community relations programs that include important benefits to our neighboring communities.

But we cannot leave without mention the great work our teams have been doing at our El Castillo and La Colorada operations, in Durango and Sonora respectively; both certified again this year as a Socially Responsible Company. It's also important to mention our development projects such as Magino in Ontario, Canada and San Antonio in Baja California Sur, Mexico that represent the future of our Company.

We know of the importance of creating value for all stakeholders, with a special focus on our surrounding communities and the environment, and as we grow as a company, so do our efforts to improve. At Argonaut Gold we take sustainability and innovation seriously as we know this commitment will be key for our future.

Peter Dougherty

President and CEO

CONTENT

04

Argonaut Gold Inc.



07

The Argonaut Family



10

Sustainability and Environment



13

Health and Safety



16

Community



19

Innovation



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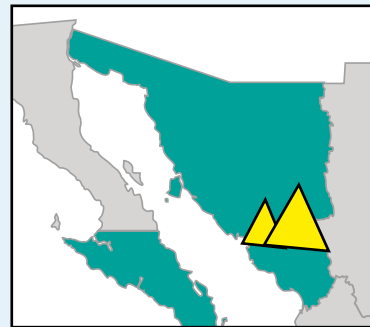
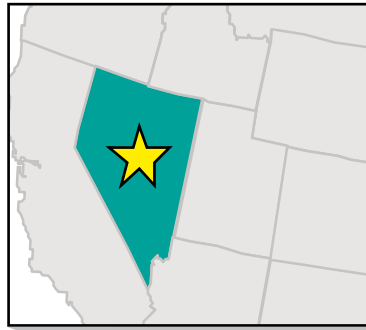
Argonaut Gold is a public company listed in the Toronto Stock Exchange under the symbol TSX:AR. During the last year Argonaut Gold maintained 1,073 jobs with 2 operating mines in Mexico and a third one in construction. In 2016 we produced 122,097 gold-equivalent ounces*.

* The equivalent gold ounces consider the production of silver expressed in ounces of gold.



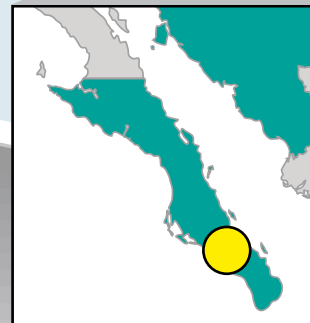
RENO

Nevada, U.S.



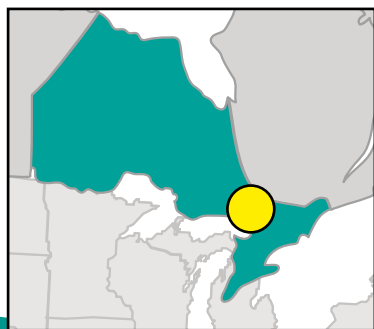
LA COLORADA

Hermosillo, Mexico.



SAN ANTONIO

Baja California Sur, Mexico.



MAGINO

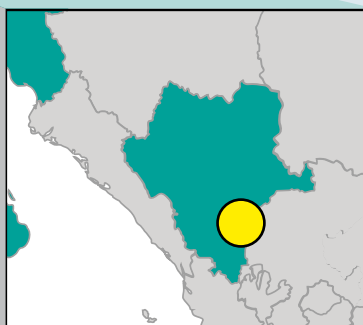
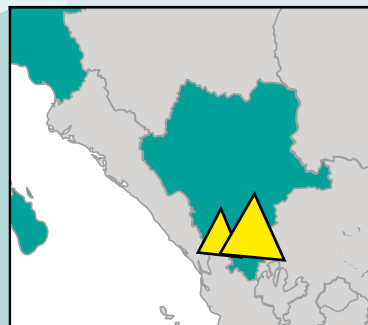
Ontario, Canada.



Toronto,
Canada.

EL CASTILLO

Durango, Mexico.



SAN AGUSTÍN

Durango, Mexico.

TOTAL MAN-HOURS

▶ **1,378,898**
IN 2016

2016 ECONOMIC INCOME*

2,665 ◀
MILLION PESOS



* The economic income is the sum of all costs incurred in Mexico, including capital, payments to providers, salaries and taxes, all of which in the end is integrated into the National economy.

During 2016, Argonaut Gold in Mexico generated an economic impact of 2,665 billion pesos, a figure that will be surpassed in 2017 thanks to the investment generated around San Agustin where up to 500 employees work and that will generate an investment of about 1,800 million pesos during its scheduled operating years. Each year the mine will produce an estimated average of 82,400 gold ounces, as well as a tax contribution of about one billion pesos during its operational lifetime (approximate calculation with the tabulators to 2017)



ARGONAUT GOLD



Argonaut Gold has a deep commitment to its human resources and its achievements inside and outside the company. Personal and technical development will generate better employees, which in turn give better results to the company.

During 2016 and early 2017, Argonaut Gold generated for its workforce:

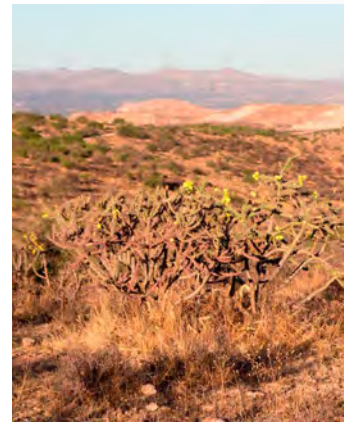
ACTIONS

- **8,339 HOURS** TRAINING HOURS, A **35%** INCREASE COMPARED TO PREVIOUS YEAR.
- **5,000,000** IN INFRASTRUCTURE INVESTMENTS THAT IMPROVED WORK CONDITIONS.
- **62.6% PERSONAL** UNIONIZED WORKERS.
- TRANSPORTATION IMPROVEMENTS.
- **5%** WAGE INCREASE.
- **2,737 MEDICAL** VISITS.
- **180** HEALTH AND ADDICTION-PREVENTION **CAMPAIGNS**.
- **105** ACTIONS FOR PROMOTING SPORTS.
- IMPLEMENTATION OF EDUCATION **PROGRAMS FOR ADULTS**.
- IMPLEMENTATION OF **HEALTHIER MENUS** IN COMPANY DINING AREAS.



RESULTS

- **30.7%** WORKFORCE INCREASE.
- **38.3%** INCREASE IN WORKED MAN-HOURS.
- **52 DAYS** OF INJURY OR MEDICAL LICENSE TIME LOST, AGAINST **180 DAYS** OF THE PREVIOUS YEAR.
- WE KEEP **DOWN THE FREQUENCY** OF LOST TIME.
- **DECREASE** IN INCIDENTS FROM **3.3** TO **3.2%**.



SUSTAINABILITY AND ENVIRONMENT

Building on its commitment to become a mining and environmental leading company, Argonaut Gold generated excellent results in the 2016. Besides important topics such as reforestation, rescue of species, improvements on environmental controls, pollutant emissions reduction and the gradual increase of green energy use, our company is obliged to incorporate sustainability in all its actions, and not only sustainability in operations, but also in our neighboring communities.



- ENVIRONMENTAL MANAGEMENT PROCEDURES MANUAL.
- FLORA RESCUE PROGRAM.
- WILDLIFE RESCUE PROGRAM.
- HAZARDOUS WASTE MANAGEMENT PLAN.
- SPECIAL HANDLING WASTE MANAGEMENT PLAN.
- PM10 PARTICLE MONITORING PROGRAM.
- SUPERFICIAL AND UNDERGROUND WATER QUALITY MONITORING PROGRAM.





- **30% INCREASE** IN WILDLIFE RESCUE.
- **2,885** FLORA INDIVIDUALS RESCUED WITH SUCCESS.
- REMOVAL AND COLLECTION OF **1000 TONS** OF FERTILE SOIL.
- **MONITORING** OF PARTICLES EMITTED TO THE ENVIRONMENT.
- **528** ENVIRONMENTAL **INSPECTIONS** BETWEEN EXTERNAL AND INTERNAL.
- **WATER-SAVING** PROGRAM IN PROGRESS AND A WATER **REUSE PROJECT** IN DEVELOPMENT FOR **PORTABLE BATHS** THAT WOULD SAVE THOUSANDS OF LITERS AND AROUND **3.7 MILLION MXN**.
- **ENERGY** SAVING PROGRAM.
- REDUCTION OF DIESEL USE BY **180,000 LITERS** PER YEAR.
- **CLEANING** CAMPAIGNS.
- **SOLAR CELLS** USE IN OPERATING AREAS.





- **50** ENVIRONMENTAL **INSPECTIONS** FROM THE AUTHORITIES.
- PARTICIPATION IN **VOLUNTARY** CLEAN INDUSTRY **PROGRAM**.
- **60%** REDUCTION OF MINOR ENVIRONMENTAL INCIDENTS.
- **17.3 MDP** INVESTED AS ENVIRONMENTAL COMPENSATION FOR SAN AGUSTIN.
- **CLEANING** DAYS IN **COMMUNITIES** NEAR THEIR OPERATIONS.
- OVER EXPLORED **AQUIFER RECOVERY** PROJECT.
- ENVIRONMENTAL-IMPROVEMENT PROJECT FOR SAN ANTONIO REGION RELATED TO HISTORIC, **ARSENIC-BEARING MINING WASTE** DUMPS AND TAILINGS.

MORE OF OUR ENVIRONMENTAL MANAGEMENT POLICY



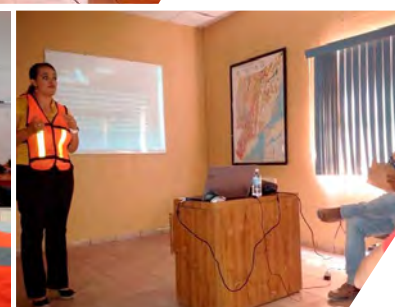
ARGONAUT GOLD



HEALTH AND SECURITY

Certainly the most important lines for the correct development of our operations is the care of the integrity of our people. Inside and outside our work units, Argonaut Gold's staff is constantly monitored, trained and motivated to improve safety; from having the necessary tools and conditions for the best performance of their work to assisting them with the care of their health.

Since our families are waiting for us to return home safely at the end of the day, Argonaut continues to stress among employees the use of safety equipment, keeping safe facilities, being aware of health. In addition we continue to provide a number of workshops and activities that include disease prevention, sports activities and others.





HEALTH AND SECURITY

- **2,737** MEDICAL VISITS.
- **14,624** HOURS OF TRAINING IN OPERATING AREAS, **250% MORE** THAN THE PREVIOUS YEAR
- **6** HEALTH AND VACCINATION **CAMPAIGNS**.
- **180** HEALTH **TALKS**.
- **60%** REDUCTION IN THE ACCIDENT RATE, FROM 22.07 TO 8.70.
- **ACCIDENT** SEVERITY RATE OF **0.04** AGAINST THE PREVIOUS YEAR OF 0.18.
- **70%** LESS DAYS LOST DUE INJURIES OR MEDICAL LICENSES.
- **0** ENVIRONMENTAL **SPILLS** FROM OUR CONTRACTORS.
- **174** AUDIOMETRY, SPIROMETRY AND PHYSICAL **EXAMINATIONS** FOR SHREDDING PERSONNEL.
- BASEBALL, SOCCER, BASKETBALL AND BOWLING **TOURNAMENTS** PROMOTED BY STAFF AND CONTRACTORS.
- EXEMPLARY **UNION ELECTIONS GUARANTEED** BY THE FEDERAL LABOR AUTHORITY.
- **LEADERSHIP AND ORGANIZATIONAL** COURSES WITH THE PARTICIPATION OF ALL DEPARTMENT HEADS AND MANAGERS.
- WAGE INCREASES OF **5%**.
- **46%** OF STAFF RECEIVED LOANS FROM THEIR **SAVINGS FUND**.
- UPDATE OF THE 2016 **HEALTH AND SAFETY PROGRAM**.
- **CREATION** OF THE ARGONAUT TWELVE MINIMUM SECURITY **SYSTEM**, WHICH HAS REDUCED ACCIDENT RATES.
- 5-MINUTE **SAFETY TALK** BEFORE EACH DAY STARTS.

Unfortunately, there was a fatality within our work site, which has driven us to strengthen our commitment to safety with activities that include reviewing and increasing existing security controls and providing further training to our work teams.



HEALTH AND SECURITY



INSPECTIONS AND MONITORING

516
SAFETY EQUIPMENT
INSPECTIONS

578
FATIGUE
MONITORING

401
ALCOHOL
CONSUMPTION
INSPECTIONS

743
CLEANING
INSPECTIONS

626
HEAVY
MACHINERY
INSPECTIONS



- FIRE BRIGADE
- FIRST AID BRIGADE
- EVACUATION BRIGADE
- SEARCH AND RESCUE BRIGADE

These Brigades had an intense training work during 2016 which complemented the Annual Program of Emergency Drills which consisted of carrying out 3 emergency drills in the facilities for the firefighting test and first aid procedures for intoxications.





COMMUNITY

With an intense activity program for the residents from neighboring communities, Argonaut Gold through the area of Community Relations has consolidated in the attention of important items that drive foster progress in our surrounding communities and supports development of the local youth: Education, Health and Nutrition, Infrastructure, Culture and Sports and Economic Development are the main areas covered.



DURING THE REPORTING PERIOD, ARGONAUT GOLD PROVIDED **2,686 SCHOLARSHIPS** TO **450 BENEFICIARIES** FROM ELEMENTARY TO UNIVERSITY LEVEL.

10

MILLION PESOS

INTENDED FOR THE NEIGHBORING COMMUNITIES OF ARGONAUT GOLD IN 2016

3,720

FOOD SUPPLIES DELIVERED (PANTRIES) TO IMPROVE NUTRITION IN OUR COMMUNITIES

33

KILOMETERS OF REHABILITATED ROADS

3

WATER WELLS BUILT TO BENEFIT THE AGRICULTURAL ACTIVITIES



300
DONATIONS TO
INSTITUTIONS FOR
PROMOTING HEALTH,
EDUCATION AND
ENVIRONMENT ACTIONS

150
MEDICAL
CONSULTATIONS

2,100
SCHOOL BREAKFASTS
INTENDED FOR THE
YOUNGER STUDENTS



OTHER SOCIAL RESPONSIBILITY HIGHLIGHTS



42
HOUSES REHABILITATED
WITH A MORE THAN
1 MILLION PESOS
INVESTMENT

7
LOCAL ENTREPRENEURS
WITH PRODUCTIVE
PROJECTS SUPPORTED

TRANSPORTATION
FOR STUDENTS THAT
GO TO THE CITY DAILY

SUPPORT FOR PATRON
SAINT FESTIVALS AND
OTHER TRADITIONAL
CELEBRATIONS

**COURSES AND
WORKSHOPS**
FOR YOUNG PEOPLE

1.5 MDP
IN JOINT SUPPORTS
WITH FEDERAL
GOVERNMENT FOR
SOCIAL PROGRAM
FOR FARMERS





INNOVATION

In Argonaut Gold we take innovation seriously, not only from the perspective of operational efficiency, but also from looking for opportunities to create value for the stakeholders around our operations. We know that for this, it's key to have an efficient communication with them and to collaborate with civil organizations and government to create true opportunities of shared value. This way of thinking and acting is already starting to generate concrete results, but also to generate projects and discussions of great interest on the mining future and the role of our company to forge it.

BETWEEN THE OPPORTUNITIES THAT HAVE BEEN IDENTIFIED ARE:

- HYDROLOGICAL STUDY IN BAJA CALIFORNIA SUR THAT HAS IDENTIFIED GREAT OPPORTUNITIES TO IMPROVE THE AQUIFER IN THE REGION AROUND THE SAN ANTONIO PROJECT.
- OPPORTUNITY TO IMPROVE OLD MINING ZONES IN BAJA CALIFORNIA SUR THROUGH COLLABORATION WITH LOCAL COMMUNITIES.

WE CONTINUE TO ASSESS OTHER OPTIONS:

- RENEWABLE ENERGIES ROLE FOR OUR OPERATIONS.
- CLOSURE PLAN FOR MINA LA COLORADA, SONORA THAT COULD INCLUDE REGIONAL TOURISM OPPORTUNITIES AND CLEAN ENERGY GENERATION.
- ADDITIONAL WAYS IN WHICH THE SAN ANTONIO PROJECT CAN BE DEVELOPED AS AN EXAMPLE OF SUSTAINABLE MINING WORLDWIDE.
- EVALUATION OF WAYS TO GENERATE SHARED VALUE OPPORTUNITIES AROUND OUR DURANGO OPERATIONS.
- YOUTH TALENT PROGRAM IN WHICH WE WILL SEEK TO DEVELOP THE POTENTIAL OF THE BEST YOUNGSTERS IN SPORT, SCIENCE AND CULTURE IN EACH OF THE COMMUNITIES NEAR OUR OPERATIONS.



EL CASTILLO · LA COLORADA · MAGINO
SAN AGUSTIN · SAN ANTONIO
www.argonautgold.com