ARGONAUT GOLD INC.

MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

The following Management's Discussion and Analysis ("MD&A") of Argonaut Gold Inc. (the "Company" or "Argonaut") and its subsidiaries has been prepared as at February 25, 2021. All dollar amounts are expressed in United States ("US") dollars unless otherwise stated (CA$ represents Canadian dollars). This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2020. The financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information relating to the Company, including its Annual Information Form, is available under the Company's profile on the SEDAR website at www.sedar.com.

This MD&A contains forward looking information as further described in the "Cautionary Statement" at the end of this MD&A. Reference to the risk factors described in the "Cautionary Statement" and to the other cautionary language under the heading "Technical Information and Qualified Person" at the end of this MD&A is advised.

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FOURTH QUARTER AND ANNUAL FINANCIAL HIGHLIGHTS

- Revenue of $100.8 million in the fourth quarter of 2020 (fourth quarter of 2019 - $72.1 million). Revenue of $319.7 million in 2020 (2019 - $268.9 million).
- Sales of 51,497 ounces of gold in the fourth quarter of 2020 (fourth quarter of 2019 - 47,073). Sales of 172,024 ounces of gold in 2020 (2019 - 187,802) which includes Florida Canyon results from July 1, 2020. Including full year production for Florida Canyon, sales would have been 194,767 ounces of gold in 2020.
- Income from continuing operations of $20.3 million or $0.07 per basic or diluted share in the fourth quarter of 2020 (fourth quarter of 2019 - loss from continuing operations of $107.5 million or $0.60 per share). Income from continuing operations of $17.9 million or $0.08 per basic or diluted share in 2020 (2019 - loss from continuing operations of $93.1 million or $0.52 per share). The Ana Paula project has been classified as a held-for-sale asset as at December 31, 2020 and as a discontinued operation for 2020.
- Net income of $18.0 million or $0.06 per basic or diluted share in the fourth quarter of 2020 (fourth quarter of 2019 - net loss of $107.5 million or $0.60 per share). Net income of $14.2 million or $0.06 per basic or diluted share in 2020 (2019 - net loss of $93.1 million or $0.52 per share).
- Adjusted net income of $20.8 million or $0.07 per basic share in the fourth quarter of 2020 (fourth quarter of 2019 - adjusted net income of $2.7 million or $0.01 per basic share). See "Non-IFRS Measures" section. Adjusted net income of $48.3 million or $0.21 per basic share in 2020 (2019 - adjusted net income of $13.0 million or $0.07 per basic share).
- Cash flows from operating activities before changes in non-cash operating working capital and other items were $39.5 million in the fourth quarter of 2020 (fourth quarter of 2019 - $27.2 million). Cash flows from operating activities before changes in non-cash operating working capital and other items were $95.0 million in 2020 (2019 - $73.8 million).
- Production of 56,985 gold equivalent ounces ("GEO" or "GEOs") (based on a silver to gold ratio of 80:1) in the fourth quarter of 2020 (fourth quarter of 2019 - 47,521 GEOs (based on a silver to gold ratio of 75:1)). Production of 179,003 GEOs (based on a silver to gold ratio of 80:1) in 2020 (2019 - 186,615 GEOs (based on a silver to gold ratio of 75:1)).
- Cash cost per gold ounce sold of $910 in the fourth quarter of 2020 (fourth quarter of 2019 - $1,441). See "Non-IFRS Measures" section. Cash cost per gold ounce sold of $936 in 2020 (2019 - $1,041). During 2019, the Company recognized an impairment write down of $15.4 million at the El Castillo mining complex and $12.1 million at the La Colorada mine related to changes in the expected recovery of gold ounces in work-in-process inventory (see "Critical Accounting Estimates - Work-in-process inventory / Production costs" section).
- All-in sustaining cost per gold ounce sold of $1,189 in the fourth quarter of 2020 (fourth quarter of 2019 - $1,690). See "Non-IFRS Measures" section. All-in sustaining cost per gold ounce sold of $1,244 in 2020 (2019 - $1,299).
- Cash and cash equivalents were $214.2 million as at December 31, 2020 (December 31, 2019 - $38.8 million).
- Net cash was $214.2 million as at December 31, 2020 (December 31, 2019 - $28.8 million). See "Non-IFRS Measures" section.

2020 AND RECENT COMPANY HIGHLIGHTS

- Corporate Highlights:
  - Full year 2020:
    - Record annual revenue of $319.7 million.
    - Record annual cash flow from operating activities before changes in non-cash operating working capital of $95.0 million.
    - Completed at-market merger with Alio Gold Inc. ("Alio") creating a North American, diversified intermediate gold producer.
    - Closed CA$126.5 million bought deal equity financing to fund Magino construction.
  - Fourth quarter 2020
    - Closed $57.5 million bought deal convertible debenture financing to fund Magino construction.
    - Extended and expanded corporate revolving credit facility for up to $125 million, which is fully undrawn.
    - Set new record for quarterly GEO production during the fourth quarter 2020.
    - Entered into a contingent agreement to sell the Ana Paula project.
    - Closed a CA$11.5 million bought deal private placement of flow-through shares to fund further exploration at Magino.
  - Subsequent to year end 2020:
    - Closed a CA$26.5 million bought deal of flow-through shares to fund qualifying development expenditures at Magino.
- Social and Environmental Responsibility:
  - Received nationally awarded Environmental Socially Responsible Company recognition for the ninth consecutive year at both the El Castillo Complex and La Colorada mine.
  - La Colorada mine recognized as a leader in Social Responsibility by Clúster Minero de Sonora A.C.
  - Commenced and continued COVID-19 support for communities in Mexico, including sanitization of homes and businesses and donations of hygiene supplies.
- El Castillo Complex:
  - Produced 110,049 GEOs despite a two-month suspension of mining, crushing and stacking operations due to the Mexican Federal government decree at the onset of the COVID-19 pandemic.
  - Reduced cash cost per gold ounce sold by 24% and cost per tonne of ore processed by 34% at El Castillo compared to 2019 (see "Non-IFRS Measures" section).
  - Reduced cash cost per gold ounce sold by 10% and cost per tonne of ore processed by 10% at San Agustin compared to 2019 (see "Non-IFRS Measures" section).
  - Achieved one year without disabling accidents.
- La Colorada:
  - Produced 46,371 GEOs despite a two-month suspension of mining, crushing and stacking operations due to the Mexican Federal government decree at the onset of the COVID-19 pandemic.
  - Reduced cash cost per gold ounce sold by 11% and cost per tonne of ore processed by 4% compared to 2019 (see "Non-IFRS Measures" section).
- Florida Canyon:
  - Filed updated life-of-mine plan National Instrument ("NI") 43-101 Technical Report demonstrating over $325 million of mine site, after-tax free cash flow at $1,700 per ounce gold.
- Magino:
  - Made decision to advance Magino into construction.
  - Executed a fixed-bid contract for a significant portion of the Magino project initial capital.
  - Continued to intersect high-grade gold mineralization below and adjacent to the planned pit and identified multiple new high-grade structures hosting multiple veins:
    - Elbow and Central zones showing promising high-grade gold continuity.
    - Intersected high-grade gold mineralization in new zones Scotland, #42, Sandy and South.
    - South zone strike length extended to 1.5 kilometers and remains open to the west and at depth.
  - Completed pivoting permitting milestone with the approval of the Schedule 2 process by the Canadian Federal government.
  - Obtained key Species at Risk permit approval.
  - Completed a major milestone with the Magino Closure Plan filing.
- Cerro del Gallo:
  - Submitted and advanced an updated permit application for the project.

DESCRIPTION OF BUSINESS AND NATURE OF OPERATIONS

Argonaut Gold Inc. (the "Company" or "Argonaut") is a Canadian public company listed on the Toronto Stock Exchange ("TSX") and engaged in gold mining, mine development and mineral exploration activities at gold-bearing mineral properties in North America. As at December 31, 2020, the Company owned the producing El Castillo and San Agustin mines (which together form the El Castillo mining complex) in the State of Durango, Mexico, the producing La Colorada mine in the State of Sonora, Mexico, the producing Florida Canyon mine in Nevada, USA, the advanced exploration stage Cerro del Gallo project in the State of Guanajuato, Mexico, the advanced exploration stage Ana Paula project in the State of Guerrero, Mexico, and the construction stage Magino project in the Province of Ontario, Canada. The Company continues to hold several other exploration stage projects, all of which are located in North America.

On July 1, 2020, the Company acquired all of the outstanding common shares of Alio. Through the acquisition, the Company acquired the Florida Canyon mine and the Ana Paula project. On September 11, 2020, the Company announced that it had entered into a definitive agreement to sell the Ana Paula project.

The registered office of the Company is located at Suite 3400, One First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1A4, Canada. The head office and principal address of Argonaut Gold (U.S.) Corp., a subsidiary of the Company providing management services, is 9600 Prototype Ct., Reno, Nevada, 89521, USA.

SELECTED ANNUAL INFORMATION

The following table sets forth selected annual financial information extracted from the Company's audited financial statements, which have been prepared in accordance with IFRS, for the years noted:

	2020	2019	2018[1]
Revenue ($000s)	$ 319,692	$ 268,885	$ 196,056
Inventory reversal (write down) ($000s)	$ 1,611	$ (27,464)	$ (21,482)
Mineral properties, plant and equipment reversal (impairment) ($000s)	$ 6,251	$ (111,291)	$ (2,011)
Income (loss) from continuing operations ($000s)[2]	$ 17,930	$ (93,092)	$ (7,621)
Earnings (loss) from continuing operations per share - basic	$ 0.08	$ (0.52)	$ (0.04)
Earnings (loss) from continuing operations per share - diluted	$ 0.08	$ (0.52)	$ (0.04)
Net income (loss) ($000s)[2]	$ 14,211	$ (93,092)	$ (7,621)
Earnings (loss) per share - basic and diluted	$ 0.06	$ (0.52)	$ (0.04)
Total assets ($000s)	$ 1,053,410	$ 606,625	$ 694,516
Long-term liabilities ($000s)	$ 186,823	$ 34,687	$ 48,979
Gold ounces sold	172,024	187,802	149,695
GEO's produced [3]	179,003	186,615	165,117
Average realized gold price per ounce	$ 1,789	$ 1,390	$ 1,267
Cash cost per gold ounce sold[4]	$ 936	$ 1,041	$ 792
Dividends declared per share	Nil	Nil	Nil

[1] The Company adopted IFRS 16, Leases in the annual period commencing January 1, 2019. The Company elected to apply IFRS 16 using a modified retrospective approach; therefore, the 2018 comparative amounts were not restated.

[2] As at December 31, 2020, the Ana Paula project has been classified as a held for sale asset and presented as a discontinued operation for 2020.

[3] Florida Canyon produced 24,480 GEO's for the first two quarters of 2020 prior to the merger between Alio and Argonaut. Including full year GEO production from Florida Canyon, the total GEO's produced would have been 203,483 (2020 - 80:1 ratio, 2019 - 75:1 ratio and 2018 - 70:1 ratio).

[4] See "Non-IFRS Measures" section.

Annual results are predominantly influenced by the number of gold ounces sold, the average realized price per ounce of gold sold, the cash cost per gold ounce sold (see "Non-IFRS Measures" section) and any unusual matters including impairments (write-downs) reversals of mineral properties, plant and equipment and inventories.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited quarterly financial information for each of the eight most recent quarters:

	2020 Q4	2020 Q3	2020 Q2	2020 Q1	2019 Q4	2019 Q3	2019 Q2	2019 Q1
Revenue ($000s)	$ 100,804	$ 94,382	$ 57,956	$ 66,550	$ 72,130	$ 66,845	$ 55,993	$ 73,917
Inventory reversal (write down) ($000s)	$ 191	$ 1,942	$ (602)	$ 80	$ (32,161)	$ 267	$ 3,904	$ 526
Reversal (Impairment) of mineral properties, plant and equipment ($000s)	$ 311	$ 5,940	$ -	$ -	$ (111,291)	$ -	$ -	$ -
Income (loss) from continuing operations ($000s)	$ 20,272	$ 14,889	$ (7,702)	$ (9,529)	$ (107,459)	$ 4,864	$ 5,440	$ 4,063
Net income (loss) ($000s)	$ 18,007	$ 13,435	$ (7,702)	$ (9,529)	$ (107,459)	$ 4,864	$ 5,440	$ 4,063
Earnings (loss) from continuing operations per share - basic and diluted	$ 0.07	$ 0.05	$ (0.04)	$ (0.05)	$ (0.60)	$ 0.03	$ 0.03	$ 0.02
Earning (loss) per share - basic and diluted	$ 0.06	$ 0.05	$ (0.04)	$ (0.05)	$ (0.60)	$ 0.03	$ 0.03	$ 0.02
Gold ounces sold	51,497	47,651	32,707	40,169	47,073	44,303	41,647	54,779
Average realized gold price per ounce	$ 1,882	$ 1,915	$ 1,713	$ 1,585	$ 1,484	$ 1,474	$ 1,303	$ 1,309
Cash cost per gold ounce sold[1]	$ 910	$ 971	$ 893	$ 967	$ 1,441	$ 901	$ 931	$ 892

[1] See "Non-IFRS Measures" section.

Quarterly results are predominantly influenced by the number of gold ounces sold, the average realized price per ounce of gold sold, the cash cost per gold ounce sold (see "Non-IFRS Measures" section) and any unusual matters. The quarterly year-over-year increase of $28.7 million in revenue for the fourth quarter of 2020, compared to the fourth quarter of 2019, was primarily due to a higher average realized gold price per ounce of $1,882 for the fourth quarter of 2020, compared to $1,484 for the fourth quarter of 2019, resulting in an $18.7 million increase in revenue; and an increase in gold ounces sold of 51,497 during the fourth quarter of 2020, compared to 47,073 during the fourth quarter of 2019, resulting in a $8.3 million increase in revenue. The increase in gold ounces sold is primarily due to the addition of Florida Canyon during 2020 offset by lower production at the Company's Mexican mines.

The increase in net income in the fourth quarter of 2020 compared to a net loss in the fourth quarter of 2019 was principally due to higher average realized gold price of $1,882 in the fourth quarter of 2020 compared to $1,484 in the fourth quarter of 2019, an increase in gold ounces sold through the addition of Florida Canyon, a non-cash impairment of mineral properties, plant and equipment of $111.3 million in 2019, and lower cash cost per gold ounce sold of $910 in the fourth quarter of 2020 compared to a cash cost per gold ounce sold of $1,441 in the fourth quarter of 2019, which includes the effect of a $32.2 million work-in-process inventory write-down in 2019.

In the fourth quarter of 2019, a non-cash impairment of mineral properties, plant and equipment of $111.3 million was recorded primarily due to the denial of the permit application for the San Antonio project in the fourth quarter of 2019. Additionally, an impairment write-down of work-in-process inventory of $20.1 million at the El Castillo mining complex and $12.1 million at the La Colorada mine was recorded primarily related to changes in the expected recovery of gold ounces.

DISCUSSION OF OPERATIONS

Expressed in $000s	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Revenue	$ 100,804	$ 72,130	$ 319,692	$ 268,885
Cost of sales				
Production costs	50,937	48,019	174,622	181,027
Depreciation, depletion and amortization	17,252	12,663	50,683	45,918
Inventory (reversal) write down	(191)	32,161	(1,611)	27,464
Total cost of sales	67,998	92,843	223,694	254,409
Gross profit (loss)	32,806	(20,713)	95,998	14,476
Exploration expenses	214	249	884	693
General and administrative expenses	3,548	3,297	14,455	13,819
Other operating expense (income)	1,209	(2,356)	1,209	(2,356)
Care and maintenance expenses	-	-	8,201	-
Transaction costs on acquisition	-	-	4,604	-
Impairment (reversal) of mineral properties, plant and equipment	(311)	111,291	(6,251)	111,291
Profit (loss) from operations	28,146	(133,194)	72,896	(108,971)
Finance income	601	35	920	58
Finance expenses	(1,654)	(382)	(3,329)	(1,709)
Losses on derivatives	(2,179)	(2,441)	(25,415)	(1,438)
Other (expense) income	(2,319)	2,713	(986)	3,529
Income (loss) before income taxes	22,595	(133,269)	44,086	(108,531)
Current income tax expense (recovery)	(4,193)	(5,065)	11,931	3,712
Deferred income tax expense (recovery)	6,516	(20,745)	14,225	(19,151)
Income (loss) from continuing operations for the period	$ 20,272	$ (107,459)	$ 17,930	$ (93,092)
Loss from discontinued operations for the period	(2,265)	-	(3,719)	-
Net income (loss) for the period	$ 18,007	$ (107,459)	$ 14,211	$ (93,092)

For the three months ended December 31, 2020, as compared to the three months ended December 31, 2019

Revenue for the fourth quarter of 2020 was $100.8 million, an increase from $72.1 million for the fourth quarter of 2019. During the fourth quarter of 2020, gold ounces sold totaled 51,497 at an average realized price per ounce of $1,882, compared to 47,073 gold ounces sold at an average price per ounce of $1,484 during the same period of 2019. Gold ounces sold for the fourth quarter of 2020 increased compared to the same period in 2019 primarily due to the addition of the gold ounces sold from the Florida Canyon mine offset by decreases in gold ounces produced and sold at the El Castillo mine mostly related to the change from crushing to run-of-mine ("ROM") and San Agustin mines related to lower grades.

Production costs for the fourth quarter of 2020 were $50.9 million, an increase from $48.0 million in the fourth quarter of 2019, primarily due to the increase in gold ounces sold. Cash cost per gold ounce sold (see "Non-IFRS Measures" section) was $910 in the fourth quarter of 2020, a decrease from $1,441 in the same period of 2019, primarily due to inventory adjustments recognized at the end of 2019 (see discussion later in this paragraph). Depreciation, depletion and amortization ("DD&A") expense included in cost of sales for the fourth quarter of 2020 totaled $17.3 million, an increase from $12.7 million in the fourth quarter of 2019, primarily due to an increase in gold ounces sold as a result of the addition of the Florida Canyon mine and by an increase in the average DD&A expense per ounce in work-in-process inventory, as a result of the significant capital additions during the last half of 2019 which increased the depreciable base for 2020. Included in cost of sales in the fourth quarter of 2019 is an impairment write down of work-in-process inventory of $20.1 million at the El Castillo mining complex and $12.1 million at the La Colorada mine primarily related to changes in the expected recovery of gold ounces.

General and administrative expenses for the fourth quarter of 2020 were $3.5 million, an increase from $3.3 million for the same period of 2019 primarily due to additional employee related costs.

Other operating expense for the fourth quarter of 2020 was $1.2 million, compared to other operating income of $2.4 million in the fourth quarter of 2019, primarily due to the downward revision of estimated reclamation costs in 2019 associated with a section of the La Colorada mine where mining activities have ceased.

Impairment reversal of mineral properties, plant and equipment for the fourth quarter of 2020 was $0.3 million, compared to a non-cash impairment of mineral properties, plant and equipment of $111.3 million in the same period last year, primarily due to the denial of the permit application for the San Antonio project in the fourth quarter of 2019.

Losses on derivatives for the fourth quarter of 2020 were $2.2 million, compared to losses of $2.4 million in the fourth quarter of 2019. The $2.2 million loss in the fourth quarter of 2020 was primarily due to a $2.8 million unrealized loss on the change in fair value of the convertible debenture derivative liability component partially offset by the net gain in realized losses and unrealized gains on the Company's zero-cost collar commodity derivative contracts (see "Financial Instruments and Risks - Commodity derivative contracts" section of this MD&A).

Other expense for the fourth quarter of 2020 was $2.3 million, a decrease from other income of $2.7 million in the fourth quarter of 2019, primarily due to differences in foreign currency translation effects and the fair value adjustment to marketable securities.

Income tax expense for the fourth quarter of 2020 was $2.3 million compared to a recovery of $25.8 million in the same period of 2019. The change is primarily due to higher income before income taxes in the fourth quarter of 2020 compared to the loss before income taxes in the same period of 2019, partially offset by use of available deductions in 2020.

Income from continuing operations for the fourth quarter of 2020 was $20.3 million or $0.07 per basic or diluted share compared to a loss from continuing operations of $107.5 million or $0.60 per share in the fourth quarter of 2019. Loss from discontinued operations for the fourth quarter of 2020 was $2.3 million as a result of the Ana Paula project being classified as a held-for-sale asset as at December 31, 2020 and as a discontinued operation for 2020. Net income for the fourth quarter of 2020 was $18.0 million or $0.06 per basic or diluted share compared to a net loss of $107.5 million or $0.60 loss per share for the fourth quarter of 2019.

For the year ended December 31, 2020, as compared to the year ended December 31, 2019

Revenue for 2020 was $319.7 million, an increase from $268.9 million for 2019. Gold ounces sold totaled 172,024 at an average realized price per ounce of $1,789 (compared to 187,802 gold ounces sold at an average price per ounce of $1,390 for 2019). Gold ounces sold for 2020 decreased compared to the same period in 2019, primarily due to a decrease in gold ounces sold at the La Colorada and San Agustin mines due to a reduction in ore grades and a decrease in gold ounces at the El Castillo mine due to the change from crushed material to ROM, offset by an addition of the gold ounces sold from the Florida Canyon mine. All Mexican mines were also impacted by lower ore tonnes to leach pads as a result of the temporary suspension of mining, crushing and stacking activities in response to the Mexican Federal Government decree related to the coronavirus disease ("COVID-19").

Production costs for 2020 were $174.6 million, a decrease from $181.0 million in 2019, primarily due to the decrease in gold ounces sold. Cash cost per gold ounce sold (see "Non-IFRS Measures" section) for 2020 was $936, a decrease from $1,041 in the same period of 2019, primarily due to a negative inventory adjustment recorded at the end of 2019 as described below. DD&A expense included in cost of sales for 2020 totaled $50.7 million, an increase from $45.9 million for 2019, primarily due an increase in the average DD&A expense per ounce in work-in-process inventory at the Company's Mexican mines, as a result of significant capital additions during the last half of 2019 and the addition of Florida Canyon in July 2020, both of which increased the depreciable base for 2020, offset by decreased gold ounces sold in 2020. Included in cost of sales during 2019 is an impairment write down of work-in-process inventory of $15.4 million at the El Castillo mining complex and $12.1 million at the La Colorada mine primarily related to changes in the expected recovery of gold ounces.

General and administrative expenses for 2020 were $14.5 million, an increase from $13.8 million for 2019, primarily due to the addition of Alio in July 2020 and additional employee related costs.

Transaction costs on acquisition for the year ended December 31, 2020 were $4.6 million related to the Alio acquisition.

Care and maintenance expenses for the year ended December 31, 2020 were $8.2 million compared to $nil for the comparative period of 2019. On April 1, 2020, the Company temporarily suspended all mining, crushing, and stacking activities in Mexico due to COVID-19 in response to the Mexican Federal Government decree. All activities resumed on June 1, 2020. Costs incurred during the temporary suspension associated with the suspended activities, that did not generate additional inventory, were separately identified and accounted for as care and maintenance expenses within operating income in the consolidated statements of income (loss).

Other operating expense for 2020 was $1.2 million, a decrease from other operating income of $2.4 million for 2019, primarily due to the downward revision of estimated reclamation costs associated with a section of the La Colorada mine where mining activities have ceased.

Impairment reversal of mineral properties, plant and equipment for 2020 was $6.3 million, primarily due to the increase in mineral reserves and resources at the La Colorada mine and reflected in the updated life-of-mine (" LOM") plan and updates to the long-term gold price per ounce assumption, both used in determining the recoverable amount of the relative cash generating units ("CGUs" or "CGU") for the mine (see "Critical Accounting Estimates - Impairment (Impairment reversal) of non-current assets" section of this MD&A). Impairment of mineral properties, plant and equipment for 2019 was $111.3 million, primarily due to the denial of the permit application for the San Antonio project.

Losses on derivatives during 2020 were $25.4 million, compared to $1.4 million for 2019, primarily due to the large increase in unrealized and realized losses on the Company's zero-cost collar commodity contracts (see "Financial Instruments and Risks - Commodity derivative contracts" section of this MD&A).

Other expense for 2020 was $1.0 million compared to other income of $3.5 million in 2019, primarily due to differences in foreign currency translation effects.

Income tax expense for 2020 was $26.2 million compared to income tax recovery of $15.4 million in the same period of 2019. The change is primarily due to higher taxable income on the Mexican operations in 2020, deferred tax assets that could not be recognized on unrealized losses and the foreign exchange effects of the weakening Mexican peso on the calculation of deferred taxes throughout 2020.

Income from continuing operations for 2020 was $17.9 million or $0.08 per basic or diluted share compared to a loss from continuing operations of $93.1 million or $0.52 per share in 2019. Loss from discontinued operations for 2020 was $3.7 million as a result of the Ana Paula project being classified as a held-for-sale asset as at December 31, 2020 and as a discontinued operation for 2020. Net income for 2020 was $14.2 million or $0.06 per basic or diluted share compared to a net loss of $93.1 million or $0.52 loss per share for 2019.

The Company provided updated full-year guidance to produce between 200,000 and 215,000 GEOs in 2020 (based on the three-year historical average silver to gold ratio of 80:1). Cash cost per gold ounce sold (see "Non-IFRS measures" section) in 2020 was expected to be between $925 and $1,025. All-in sustaining cost per gold ounce sold (see "Non-IFRS measures" section) in 2020 was expected to be between $1,225 and $1,350. The Company expected to invest between $60.0 million to $63.0 million on capital expenditures and exploration, and between $35.0 million to $40.0 million on Magino construction in 2020. For accounting and financial reporting purposes, Florida Canyon production, costs and capital spend during the first and second quarters of 2020 was under Alio prior to the closing of the merger between Alio and Argonaut on July 1, 2020. For purposes of this paragraph, 2020 GEO production, costs and capital guidance estimated the combined production for the two companies for the full year 2020. In 2020, the Company produced 203,483 GEOs at a cash cost per gold ounce sold of $936 (see "Non-IFRS Measures" section). All-in sustaining cost per gold ounce sold was $1,244 in 2020 (see "Non-IFRS Measures" section). Total spending on capital expenditure and exploration was $59.5 million and Magino construction was $19.4 million. The spending on Magino construction was lower than expected mainly due to timing of ramp up.

El Castillo Mining Complex

Operating Statistics for the El Castillo Mine	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Tonnes ore (000s)	2,910	1,890	8,608	8,914
Tonnes waste (000s)	3,107	3,052	9,531	13,293
Tonnes mined (000s)	6,017	4,942	18,139	22,207
Waste/ore ratio	1.07	1.61	1.11	1.49
Tonnes ore direct to leach pads (000s)	2,911	306	8,420	680
Tonnes crushed (000s)	0	1,469	340	8,187
Gold grade to leach pads (grams per tonne)	0.25	0.52	0.37	0.41
Contained gold ounces to leach pads	23,148	29,584	105,286	118,092
Gold ounces produced	12,390	13,616	45,305	65,145
Gold ounces sold	9,863	14,132	43,815	68,971
Cash cost per gold ounce sold (see "Non-IFRS Measures" section)	$ 875	$ 2,095	$ 908	$ 1,201

During the fourth quarter of 2020, the Company mined 6.0 million tonnes including 2.9 million tonnes of ore from the El Castillo mine. During the same period, El Castillo loaded 2.9 million tonnes to the leach pads, which resulted in an estimated 23,148 contained gold ounces. Total tonnes mined and stacked increased during the fourth quarter of 2020 compared to the fourth quarter of 2019 primarily due to the change from crushing material to ROM and faster mining rates from the mine. During the fourth quarter of 2020, El Castillo produced 12,390 gold ounces, compared to 13,616 gold ounces for the fourth quarter of 2019 as a result of changing from crushed to ROM material. El Castillo sold 9,863 gold ounces during the fourth quarter of 2020, compared to 14,132 gold ounces during the fourth quarter of 2019. Cash cost per gold ounce sold for the fourth quarter of 2020 was $875, a decrease from $2,095 for the fourth quarter of 2019 (see "Non-IFRS Measures" section) primarily due to the inventory write down recognized at the end of 2019 and a lower strip ratio.

During 2020, the Company mined 18.1 million tonnes including 8.6 million tonnes of ore from the El Castillo mine. During the same period, El Castillo loaded 8.8 million tonnes, which resulted in an estimated 105,286 contained gold ounces to the leach pads. During 2020, El Castillo produced 45,305 gold ounces, compared to 65,145 gold ounces for 2019. Lower production during the 2020 as compared to 2019 was a result of lower recoveries for ROM material and lower grades. El Castillo sold 43,815 gold ounces during 2020 at a cash cost per gold ounce sold of $908 (see "Non-IFRS Measures" section), compared to 68,971 gold ounces at a cash cost per gold ounce sold of $1,201 during 2019. The decrease in cash cost per gold ounce sold over the comparable period of 2019 was primarily related to the inventory write down recognized at the end of 2019 and a lower strip ratio.

Capital expenditures at the El Castillo mine during the fourth quarter and year ended December 31, 2020 were $4.4 million and $11.1 million, respectively, primarily related to deferred stripping and leach pad construction. In addition to the above capital expenditures, during the fourth quarter and year ended December 31, 2020, there were $0.4 million and $1.9 million, respectively, in capital expenditures by another subsidiary of the Company that was primarily related to mining equipment currently being used at the El Castillo mine.

Operating Statistics for the San Agustin Mine	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Tonnes ore (000s)	2,807	2,460	9,261	8,453
Tonnes waste (000s)	1,904	1,808	6,171	6,166
Tonnes mined (000s)	4,711	4,268	15,432	14,619
Waste/ore ratio	0.68	0.73	0.67	0.73
Tonnes crushed (000s)	2,888	2,382	9,428	8,291
Gold grade to leach pads (grams per tonne)	0.31	0.35	0.32	0.38
Contained gold ounces to leach pads	28,778	26,815	98,431	100,363
Gold ounces produced	17,265	19,864	59,695	61,842
Gold ounces sold	16,124	20,708	58,189	65,273
Silver ounces produced	108,553	85,449	333,713	219,463
Silver ounces sold	98,029	76,599	324,576	221,429
GEOs produced (2020 - 80:1 ratio; 2019 - 75:1 ratio)	18,621	21,003	63,866	64,768
GEOs sold (2020 - 80:1 ratio; 2019 - 75:1 ratio)	17,349	21,729	62,246	68,225
Cash cost per gold ounce sold (see "Non-IFRS Measures" section)	$ 765	$ 894	$ 780	$ 863

During the fourth quarter of 2020, the Company mined 4.7 million tonnes including 2.8 million tonnes of ore from the San Agustin mine. During the same period, San Agustin loaded 2.9 million tonnes, which resulted in an estimated 28,778 contained gold ounces to the leach pads. Total tonnes mined, crushed and stacked increased during the fourth quarter of 2020 compared to the fourth quarter of 2019 due to the planned higher mining rate in connection with the expansion completed during the first half of 2020. During the three months ended December 31, 2020, San Agustin produced 17,265 gold ounces and 108,553 silver ounces or 18,621 GEOs, a decrease from 19,864 gold ounces and 85,449 silver ounces or 21,003 GEOs for the three months ended December 31, 2019 primarily due to lower grade during 2020. San Agustin sold 16,124 gold ounces during the fourth quarter of 2020, compared to 20,708 gold ounces during the fourth quarter of 2019. Cash cost per gold ounce sold for the fourth quarter of 2020 was $765, a decrease from the $894 for the fourth quarter of 2019 (see "Non-IFRS Measures" section) primarily due to the inventory write down recognized at the end of 2019, a lower waste to ore ratio and improved silver recovery, which results in a lower cost per tonne of ore mined in the period.

During 2020, the Company mined 15.4 million tonnes including 9.3 million tonnes of ore from the San Agustin mine. During the same period, San Agustin loaded 9.4 million tonnes, which resulted in an estimated 98,431 contained gold ounces to the leach pads. Total tonnes mined, crushed and stacked increased during 2020 compared to 2019 due to the planned higher mining rate in connection with the expansion completed during the first half of 2020, offset partially by the temporary suspension of mining and stacking activities in response to the Mexican Federal Government decree related to COVID-19. During 2020, San Agustin produced 59,695 gold ounces and 333,713 silver ounces or 63,866 GEOs, compared to 61,842 gold ounces and 219,463 silver ounces or 64,768 GEOs for 2019. San Agustin sold 58,189 gold ounces during 2020, compared to 65,273 gold ounces during 2019. Cash cost per gold ounce sold for 2020 was $780, a decrease from the $863 for 2019 (see "Non-IFRS Measures" section), primarily due to the inventory write down recognized at the end of 2019, a lower waste to ore ratio and improved silver recovery.

Capital expenditures at the San Agustin mine during the fourth quarter and year ended December 31, 2020 were $1.7 million and $4.3 million, respectively, primarily related to leach pad construction and construction of a Merrill Crowe silver recovery plant.

La Colorada Mine

Operating Statistics	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Tonnes ore (000s)	1,363	1,115	4,019	4,626
Tonnes waste (000s)	3,974	5,778	14,303	23,445
Tonnes mined (000s)	5,337	6,893	18,322	28,071
Waste/ore ratio	2.92	5.18	3.56	5.07
Tonnes ore direct to leach pads (000s)	44	5	44	239
Tonnes crushed (000s)	1,332	1,141	4,058	4,478
Gold grade to leach pads (grams per tonne)	0.45	0.49	0.43	0.51
Contained gold ounces to leach pads	19,872	17,872	56,274	76,969
Gold ounces produced	14,045	12,144	44,340	53,208
Gold ounces sold	14,049	12,233	44,820	53,558
Silver ounces produced	36,570	35,863	162,499	159,737
Silver ounces sold	39,105	35,213	161,644	161,344
GEOs produced (2020 - 80:1 ratio; 2019 - 75:1 ratio)	14,502	12,622	46,371	55,338
GEOs sold (2020 - 80:1 ratio; 2019 - 75:1 ratio)	14,538	12,702	46,841	55,709
Cash cost per gold ounce sold (see "Non-IFRS Measures" section)	$ 756	$ 1,613	$ 937	$ 1,051

During the fourth quarter of 2020, the Company mined 5.3 million tonnes including 1.4 million tonnes of ore from the La Colorada mine. During the same period, La Colorada loaded 1.4 million tonnes, which resulted in an estimated 19,872 contained gold ounces to the leach pads. Total tonnes mined during the fourth quarter of 2020 compared to the fourth quarter of 2019 was lower primarily due to a lower strip ratio requiring less waste to be mined to produce similar ore tonnes. Total ore tonnes mined, crushed and stacked increased during the fourth quarter of 2020 compared to the fourth quarter of 2019 primarily due to increased ore availability and production capacity in the crushing circuit. During the three months ended December 31, 2020, La Colorada produced 14,045 gold ounces and 36,570 silver ounces or 14,502 GEOs, compared to 12,144 gold ounces and 35,863 silver ounces or 12,622 GEOs for the three months ended December 31, 2019. La Colorada sold 14,049 gold ounces in the fourth quarter of 2020, an increase as compared to 12,233 gold ounces in the fourth quarter of 2019 primarily due to additional ore tonnes placed at the beginning of the quarter. Cash cost per gold ounce sold for the fourth quarter of 2020 was $756, a decrease from $1,613 for the fourth quarter of 2019 (see "Non-IFRS Measures" section) primarily due to the inventory write down recognized at the end of 2019.

During 2020, the Company mined 18.3 million tonnes containing 4.0 million tonnes of ore from the La Colorada mine. During the same period, La Colorada loaded 4.1 million tonnes, which resulted in an estimated 56,274 contained gold ounces to the leach pads. During 2020, La Colorada produced 44,340 gold ounces and 162,499 silver ounces or 46,371 GEOs, compared to 53,208 gold ounces and 159,737 silver ounces or 55,338 GEOs for 2019. Total tonnes mined and GEO production decreased during 2020 compared to 2019, as a result of the COVID-19 related suspension of mining, crushing and stacking activities in response to the Mexican Federal Government decree. As of June 1, 2020, all mining, crushing and stacking activities had resumed at all Mexican operations. La Colorada sold 44,820 gold ounces for 2020, compared to 53,558 gold ounces for 2019. Cash cost per gold ounce sold for 2020 was $937, a decrease from $1,051 for 2019 (see "Non-IFRS Measures" section) primarily due to the inventory write down recognized at the end of 2019 although this was offset slightly by lower gold grades.

Capital expenditures at the La Colorada mine during the fourth quarter and year ended December 31, 2020 were $2.0 million and $7.7 million, respectively, primarily for deferred stripping and leach pad construction.

Florida Canyon Mine

Operating Statistics for the Florida Canyon Mine	Three months ended March 31, [1]	Three months ended June 30, [1]	Three months ended September 30,	Three months ended December 31,	Year ended December 31, [1]
	2020	2020	2020	2020	2020
Tonnes ore (000s)	2,005	1,731	2,095	2,251	8,082
Tonnes waste (000s)	3,206	3,278	2,847	3,060	12,391
Tonnes mined (000s)	5,211	5,009	4,942	5,311	20,473
Waste/ore ratio	1.60	1.89	1.36	1.36	1.53
Tonnes ore direct to leach pads (000s)	9	53	228	302	592
Tonnes crushed (000s)	2,027	1,626	1,925	1,965	7,543
Gold grade to leach pads (grams per tonne)	0.31	0.30	0.29	0.29	0.30
Contained gold ounces to leach pads	20,117	15,981	19,757	21,484	77,339
Gold ounces produced	11,182	13,126	11,204	11,202	46,714
Gold ounces sold	9,901	12,842	13,738	11,461	47,942
Silver ounces produced	6,722	7,088	6,798	7,356	27,964
Silver ounces sold	6,214	6,749	8,067	7,109	28,139
GEOs produced (2020 - 80:1 ratio; 2019 - 75:1 ratio)	11,266	13,214	11,289	11,294	47,064
GEOs sold (2020 - 80:1 ratio; 2019 - 75:1 ratio)	9,978	12,926	13,839	11,550	48,294
Cash cost per gold ounce sold (see "Non-IFRS Measures" section)	$ 1,196	$ 1,218	$ 1,353	$ 1,335	$ 1,280

[1] Information provided includes Florida Canyon pre-acquisition statistics

During the fourth quarter of 2020, the Company mined 5.3 million tonnes including 2.3 million tonnes of ore from the Florida Canyon mine. During the same period, Florida Canyon loaded 2.3 million tonnes to the leach pads, which resulted in an estimated 21,484 contained gold ounces. Florida Canyon produced 11,202 gold ounces and 7,356 silver ounces or 11,294 GEOs during the quarter. Florida Canyon sold 11,461 gold ounces during the fourth quarter of 2020.

Cash cost per gold ounce sold for the fourth quarter of 2020 was $1,335. Capital expenditures at Florida Canyon during the fourth quarter and six months ended December 31, 2020 were $4.5 million and $9.9 million, respectively for leach pad construction.

Advanced Exploration and Development Projects

Magino project

Capital expenditures for the Magino project were as follows:

	Three months ended December 31,		Year ended December 31,	
Expressed in $ millions	2020	2019	2020	2019
Assays and geochemistry	$ 0.3	$ 0.2	$ 0.9	$ 0.2
Camp costs, land costs and other	2.7	0.8	4.2	1.6
Technical services and personnel costs	20.7	1.0	25.8	3.5
Drilling and geology	0.7	0.6	3.4	1.0
	$ 24.4	$ 2.6	$ 34.3	$ 6.3

In June 2020, the Company announced the conclusion of the Schedule 2 amendment by the Canadian federal government, a significant permitting milestone for the Magino project.

In July 2020, the Company completed a bought deal public offering for aggregate gross proceeds of CA$126.5 million ($94.5 million). The proceeds are to be used for the Magino project.

In October 2020, the Company approved construction of the Magino project and completed a convertible debenture financing with gross proceeds of $57.5 million. The net proceeds of this financing will be used for the advancement of the Magino project and general corporate purposes. With the Company's construction decision for Magino, payments of both cash and shares, valued in aggregate at approximately $2.4 million, became due under the various community agreements.

Also in October 2020, the Company also completed a flow-through financing with gross proceeds of CA$11.5 million ($8.8 million), which will be used to continue Argonaut's on-going drill program that is targeting high-grade, deep mineralization.

During the year ended December 31, 2020, the Company completed the first phase of the exploration drilling program (20,000 metres) and announced a phase two program consisting of an additional 20,000 metres of drilling on the high-grade targets at Magino as well as 5,000 metres of first pass scout drilling on newly defined district targets. The phase-two program commenced in April 2020. To December 31, 2020, the Company had completed 56 diamond drill holes and approximately 48,000 total metres of drilling for both phases. In November 2020, the Company provided an exploration update and announced it had discovered four new high-grade mineralization gold zones below and west of the planned Magino open pit.

On January 4, 2021, the Company announced it had entered into a fixed bid contract with Ausenco Engineering Canada Inc., a leading engineering and construction management company, for the construction of the Magino processing facility and other parts of the Magino construction. The contract covers approximately 40% of Magino's initial capital estimate of between CA$480 million and CA$510 million.

The use of proceeds from the various financings are summarized as follows:

Expressed in $ millions	Amounts raised	Incurred to December 31, 2020	Remaining	Construction Capital Estimate [1]
Magino Construction [2]	$ 152.0	$ 23.4	$ 128.6	$ 360.0 - 380.0
Magino Exploration [3]	$ 8.8	$ 1.0	$ 7.8	

[1] Upon approval, the construction capital estimates between CA$480 - CA$510 ($360-$380) at an exchange rate of $0.75 per CA$1.00.

[2] Amounts raised is a combination of CA$126.5 million ($94.5 million) from the equity raise in July 2020 at an exchange rate of $0.75 per CA$1.00 and $57.5 million from the convertible debenture raise in October 2020.

[3] Amounts raised is from an equity raise of CA$11.5 million ($8.8 million) related to a private placement for 3,002,650 common shares of the Company that will qualify as flow-through shares at an exchange rate of $0.76 per CA$1.00.

Cerro del Gallo project

Capital expenditures for the Cerro del Gallo project were as follows:

Expressed in $ millions	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Assays and geochemistry	$ -	$ -	$ -	$ 0.1
Camp costs, land costs and other	0.3	0.1	0.6	0.5
Technical services and personnel costs	0.3	0.7	0.6	1.7
	$ 0.6	$ 0.8	$ 1.2	$ 2.3

In February 2020, the Company filed a Pre-Feasibility Study Technical Report for the Cerro del Gallo project prepared in accordance with National Instrument 43-101, Standards of Disclosure for Mineral Projects, of the Canadian Securities Administrators ("NI 43-101"). During the second quarter of 2020, the Company submitted a revised Unified Technical Document that includes an Environmental Impact Assessment, an Environmental Risk Assessment and the Justified Technical Study for a Change of Soil Use. The Company expects to receive a decision from the Secretariat of Environment and Natural Resources ("SEMARNAT") on the revised application during the first half of 2021.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents balance as at December 31, 2020 was $214.2 million, as compared to $38.8 million as at December 31, 2019 and $177.9 million as at September 30, 2020. A summary of the significant financings and certain other activities during 2020 are provided below.

Public offering

In July 2020, the Company completed a bought deal public offering with a syndicate of underwriters, under which the underwriters purchased a total of 49,608,700 common shares of the Company at a price of CA$2.55 per common share for gross proceeds of CA$126.5 million ($94.5 million). Transaction costs related to the public offering (including the underwriter's fee) were approximately CA$6.7 million ($5.0 million), resulting in net proceeds to the Company totaled approximately CA$119.8 million ($89.4 million).

Flow-through common shares

In October 2020, the Company issued 3,002,650 flow-through common shares at a price of CA$3.83 per share by way of private placement for the net proceeds of CA$10.7 million ($8.1 million). Share issuance costs of CA$0.8 million ($0.6 million) were incurred in relation to the offering. The net proceeds were bifurcated between share capital of $6.5 million and flow-through share premium of $1.6 million. Under the terms of the flow-through share agreements, the Company agreed to incur CA$11.5 million ($8.8 million) of qualified Canadian resource expenditures by December 31, 2021 and renounce those expenditures to the investors effective December 31, 2020. During the fourth quarter of 2020, the Company used $1.0 million of the proceeds to fund exploration expenditures near the Magino project and is required to incur the remainder of the expenditures during 2021.

Convertible debentures

On October 30, 2020, the Company closed a bought deal public offering of unsecured convertible debentures with an aggregate amount of $57.5 million (the "Debentures"). The Debentures matures on November 30, 2025 and bear interest at an annual rate of 4.625% payable semi-annually in arrears on May 31 and November 30 of each year, commencing May 31, 2021. At the holder's option, the Debentures may be converted to common shares of the Company ("Common Shares") at any time prior to the close of business on the earlier of the last business day immediately preceding the maturity date and the date fixed for redemption at a conversion rate of 350.1155 per $1,000 principal amount of Debenture (equal to a conversion price of approximately US$2.86 per Common Share), subject to adjustment in certain circumstances in accordance with the debenture indenture. The net proceeds of the Offering are being used for the advancement of the Company's Magino Project and for general corporate purposes.

Asset held for sale

On September 11, 2020, and amended on December 30, 2020, the Company entered into a definitive agreement with 1252201 BC Ltd ("AP Mining") to sell its 100% interest in the Ana Paula project, an exploration and evaluation asset. In accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, the Ana Paula project is a disposal group classified as assets held for sale as at December 31, 2020 and as a discontinued operation for the year ended December 31, 2020. Under the terms of the agreement, Argonaut will receive as consideration $30.0 million on closing, a $1.0 million promissory note due 15 months from closing, a commitment by AP Mining to reimburse the Company for carrying costs incurred from January 1, 2021 to closing, CA$10.0 million upon the announcement of commencement of construction on the Ana Paula project, a 1% net smelter returns royalty upon commercial production, and 9.9% of the issued and outstanding common shares of AP Mining immediately following the completion of the qualifying transaction between AP Mining and Pinehurst Capital II Inc. ("Pinehurst"), a TSX Venture Exchange listed capital pool company together with a proportionate interest in convertible securities issued in connection with the qualifying transaction. The transaction of AP Mining and Pinehurst is being done to create a new publicly traded gold development company. Closing of the transaction set out in the definitive agreement is subject to a number of conditions including regulatory approvals, including TSX Venture Exchange approval, government approvals, approval of the business combination of AP Mining and Pinehurst and successful completion of the capital raising.

Revolving credit facility

To October 14, 2020, the Company had an amended and restated credit agreement (the "Revolving Credit Facility", or "RCF") with a syndicate of banks. The RCF provided for total availability of up to $75.0 million upon execution of the RCF in February 2018 (subject to certain commitment reductions over the term), with a maturity date of March 31, 2021, was secured by all of the Company's assets and had an interest rate of London Inter-bank Offered Rate ("LIBOR") plus 2.25% to 3.25% on drawn amounts and 0.51% to 0.73% on undrawn amounts, based on the Company's consolidated leverage ratio, as defined in the agreement. The RCF was subject to various covenants that required the Company to maintain certain tangible net worth and ratios for leverage and interest coverage. During the period from January 1, 2020 to October 14, 2020, the Company repaid $10.0 million on the RCF. The Company incurred transaction costs and upfront fees on closing of the original and amended RCF, which were being amortized over the term of the RCF. With the repayment of the balance on the RCF, together with the amendment of the RCF as described in the following paragraph, the remaining balance of unamortized costs of $0.1 million related to the RCF were written off.

On October 14, 2020, the RCF lenders agreed to increase the amount of the RCF to $100.0 million with an accordion feature of $25.0 million (the "Amended Revolving Credit Facility" or "ARCF"). The ARCF interest rate is according to the terms described in the agreement and are on a scale ranging from LIBOR plus 2.25% to 3.50% on drawn amounts and 0.56% to 0.79% on undrawn amounts, based on the Company's senior secured debt leverage ratio, as defined in the agreement. The Company incurred transaction costs and upfront fees of $0.5 million on the setup of the ARCF, which are being amortized over the term of the ARCF.

As at December 31, 2020, the Company had utilized $nil of the ARCF. The ARCF is secured by all of the Company's assets and is subject to various covenants including those that require the Company to maintain certain tangible net worth and ratios for leverage and interest coverage. As at December 31, 2020, the Company was in compliance with these covenants.

Expressed in $000s		
Balance at December 31, 2018	$	13,000
Draws on the RCF		1,000
Repayments on the RCF		(4,000)
Balance at December 31, 2019	$	10,000
Draws on the RCF		-
Repayments on the RCF		(10,000)
Balance at December 31, 2020	$	-

The ARCF matures on November 17, 2023. The commitment reduction beginning April 30, 2023 is detailed in the following table:

Commitment Reduction Date	Accordion + Commitment (000's)
Initial	$125,000
30-Apr-23	$115,000
31-May-23	$100,000
30-Jun-23	$85,000
31-Jul-23	$70,000
31-Aug-23	$55,000

Other loans

Upon acquisition of Alio, the Company assumed various loans, including an equipment loan of $0.9 million, an unsecured promissory note of $2.5 million and a three-year $15.0 million loan facility with Sprott Private Resource Lending II (Collector). All of these loans were fully repaid during 2020.

Equipment lease

Upon acquisition of Alio, the Company assumed a Master Services Agreement (the "Lease Agreement") to lease thirteen trucks and three loaders (the "Equipment") employed at the Florida Canyon Mine site.

For each unit of Equipment, the Lease Agreement stipulates a monthly service fee based on the hourly fees that will be calculated by multiplying the hourly fee for the applicable hour range by the hours used. The monthly service fee is variable and based on the actual usage of hours for each unit of Equipment, subject to a minimum number of hours. Should the actual monthly hours be less than the minimum monthly hours contracted for a given month, then the difference in hours will be tracked as credit hours to be applied in future months when the actual monthly hours exceed the minimum monthly hours. The hourly fees are comprehensive and include the lease charge, the service fees and the financing components. At December 31, 2020, the lease liabilities for the Lease Agreement total $32.7 million, with $9.8 million due within the next year.

Cash Flows

Expressed in $000s	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Operating activities				
Cash flows from operating activities before changes in non-cash operating working capital and other items	$ 39,542	$ 27,217	$ 95,017	$ 73,780
Changes in non-cash operating working capital and other items	(8,074)	(9,522)	16,424	1,003
Net cash provided by operating activities	31,468	17,695	111,441	74,783
Investing activities				
Expenditures on mineral properties, plant and equipment	(34,820)	(11,198)	(63,919)	(51,750)
Transaction costs paid for acquisition	(383)	-	(3,839)	-
Cash acquired through acquisition of Alio	-	-	5,830	-
Other	386	842	4,647	1,086
Net cash used in investing activities	(34,817)	(10,356)	(57,281)	(50,664)
Financing activities				
Proceeds from issuance of common shares, net of share issuance costs	(189)	-	89,439	-
Proceeds from debt, net of issuance costs	53,958	-	53,958	1,000
Debt (repayment)	(22,090)	(4,000)	(28,656)	(4,000)
Proceeds (costs) from issuance of flow-through shares	8,247	(56)	8,247	2,778
(Payments) proceeds from settlement of derivatives	(3,690)	212	(6,204)	934
Other	(2,414)	(230)	(4,865)	(980)
Net cash provided by (used in) financing activities	33,822	(4,074)	111,919	(268)
Effects of exchange rate changes on cash and cash equivalents	5,872	(33)	9,397	(442)
Increase in cash and cash equivalents	36,345	3,232	175,476	23,409
Cash and cash equivalents, beginning of period	177,876	35,555	38,787	15,378
Less: cash related to discontinued operation	(33)	-	(75)	-
Cash and cash equivalents, end of period	$ 214,188	$ 38,787	$ 214,188	$ 38,787

For the three months ended December 31, 2020, as compared to the three months ended December 31, 2019

During the fourth quarter of 2020, cash increased by $36.3 million due primarily to $31.5 million of cash flows from operations, $54.0 million net proceeds from the convertible debentures, and $8.2 million from issuance of flow-through shares, partially offset by $34.8 million of capital expenditures incurred and the repayment of $22.1 million of debt, as compared to the fourth quarter of 2019 in which cash increased by $3.2 million due primarily to $17.7 million of cash flows from operations, partially offset by $11.2 million of capital expenditures incurred and the repayment of $4.0 million of debt.

Cash provided by operating activities totaled $31.5 million in the fourth quarter of 2020, as compared to cash provided by operating activities of $17.7 million in the fourth quarter of 2019. The increase in cash provided by operations compared to the same period last year is primarily related to the increase in average realized gold price, the increase in ounces sold due to the addition of Florida Canyon, and the increase in accounts payable, offset by the increase in inventory, primarily related to a building of inventory after the temporary suspension of mining, crushing, and stacking activities that caused inventory to drop in the second quarter of 2020.

Cash used in investing activities totaled $34.8 million in the fourth quarter of 2020, versus $10.4 million in the fourth quarter of 2019. The cash used in investing activities in the fourth quarter of 2020 primarily relates to capital expenditures including $23.2 million for exploration and construction activities, $4.4 million for leach pad construction, $3.9 million for deferred stripping at the El Castillo and La Colorada mines, $0.9 million for mining equipment and crushing and conveying circuit improvements, and $2.4 million for other capital at the Company's properties. The cash used in investing activities in the fourth quarter of 2019 primarily relates to capital expenditures including $4.0 million for deferred stripping at the El Castillo and La Colorada mines, $3.6 million for exploration and development activities, $1.7 million for mining equipment and crushing and conveying circuit improvements, $1.6 million for leach pad construction, and $0.3 million for other capital at the Company's properties.

Cash provided by financing activities totaled $33.8 million in the fourth quarter of 2020, as compared to cash used in financing activities of $4.1 million in the fourth quarter of 2019. During the fourth quarter of 2020, the Company received net proceeds of $54.0 million from convertible debentures and $8.2 million (CA$10.8 million) from the issuance of 3,002,650 flow-through common shares of the Company at price of CA$3.83 per share by way of a private placement, offset by principal repayments of the Sprott loan of $15.1 million and the RCF of $7.0 million, derivative settlement payments of $3.7 million, principal payments on lease liabilities of $1.8 million, and interest payments of $0.6 million. During the fourth quarter of 2019, the Company repaid $4.0 million on the RCF.

For the year ended December 31, 2020, as compared to the year ended December 31, 2019

During 2020, cash increased by $175.5 million due primarily to $111.7 million of cash flows from operations, $89.4 million from the public offering of shares, $54.0 million from the convertible debentures, and $8.2 million from issuance of flow-through shares, partially offset by $28.7 of debt repayments and $63.9 million of capital expenditures incurred, as compared to 2019 in which cash increased by $23.4 million due primarily to $74.8 million of cash flows from operations, partially offset by $51.8 million of capital expenditures incurred.

Cash provided by operating activities totaled $111.4 million during 2020, as compared to $74.8 million in 2019. The increase in cash provided by operations is primarily related to a higher average realized gold price and the increase of accounts payable as compared to 2019, offset by an increase in work-in-process inventories during 2020.

Cash used in investing activities totaled $57.3 million in 2020, versus $50.7 million in 2019. The cash used in investing activities during 2020 relates to capital expenditures including $32.9 million for exploration, construction and development activities, $12.8 million for leach pad construction, $8.9 million for deferred stripping at the El Castillo and La Colorada mines, $4.8 million for crushing and conveying circuit improvements and mining equipment, $4.5 million for other capital at the Company's properties, and transaction costs of $3.8 million related to the acquisition of Alio, offset by $5.8 million of cash acquired on the acquisition of Alio and $4.2 million for reclamation deposits refunded. The cash used in investing activities during 2019 relates to capital expenditures including $15.9 million for deferred stripping at the El Castillo and La Colorada mines, $10.9 million for exploration and development activities, $10.5 million for crushing and conveying circuit improvements and mining equipment, $10.3 million for leach pad construction, $2.1 million for land acquisitions and $2.1 million for other capital at the Company's properties.

Cash provided by financing activities totaled $111.9 million in 2020, as compared to cash used in financing activities of $0.3 million in 2019. During 2020, the Company received net proceeds of $89.4 million (CA$120.3 million) from the issuance of 49,608,700 common shares of the Company at a price of CA$2.55 per common share by way of a bought deal public offering with a syndicate of underwriters, net proceeds of $54.0 million from convertible debentures, $8.2 million (CA$10.8 million) from the issuance of 3,002,650 flow-through common shares of the Company at price of CA$3.83 per share by way of a private placement and proceeds of $1.8 million from the exercise of stock options, offset by debt repayments of $28.7 million, principal payments on lease liabilities of $4.5 million, derivative settlement payments of $6.2 million and interest payments of $2.2 million. During 2019, the Company made a net repayment of $3.0 million of the drawn amount of the RCF and received $2.8 million from the issuance of 1,176,500 flow-through common shares at a price of CA$3.40 per share by way of a private placement.

Total assets increased to $1,053.4 million as at December 31, 2020, as compared to $606.6 million as at December 31, 2019, principally due to the acquisition of Alio and the increase in cash related to the financing activities. Total liabilities increased to $281.2 million as at December 31, 2020, as compared to $75.7 million as at December 31, 2019, primarily due to the acquisition of Alio and the convertible debentures. Total shareholders' equity increased to $772.2 million as at December 31, 2020, as compared to $530.9 million as at December 31, 2019, primarily due to $113.2 million from the issuance of common shares, options and warrants on the acquisition of Alio, $89.4 million from the issuance of common shares by way of a public offering, $6.5 million from the issuance of flow-through shares by way of private placements, $4.6 million from restricted shares and the exercise of stock options, $14.2 of net income and foreign currency translation effects of $11.1 million.

Liquidity Outlook

Since resuming mining, crushing and stacking activities on June 1, 2020, the Company has not experienced significant disruptions to production or its supply chains due to COVID-19. However, the Company cautions that the global effects of COVID-19 are continuing to evolve and given the uncertainty of the duration and magnitude of the impact of COVID-19, the Company's production and cash cost estimates are subject to a higher-than-normal degree of uncertainty. The guidance discussed below does not reflect any potential for additional suspensions or other significant disruption to operations due to COVID-19.

In 2021, the Company plans to produce between 210,000 and 250,000 GEOs (based on the three-year historical average silver to gold ratio of 85:1). Cash cost per gold ounce sold (see "Non-IFRS measures" section) in 2021 is expected to be between $950 and $1,050. All-in sustaining cost per gold ounce sold (see "Non-IFRS measures" section) in 2021 is expected to be between $1,250 and $1,350.

The Company plans to invest $255.0 million to $275.0 million on capital expenditures and exploration initiatives in 2021. Major capital expenditures in 2021 are expected to include expansionary capital of $180 million to $190.0 million on Magino construction and $3.0 million to $4.0 million on Cerro del Gallo, and sustaining capital of $28.0 million to $30.0 million at Florida Canyon mine, $20.0 million to $22.0 million at La Colorada mine, $9.0 million to $11.0 million at El Castillo, and $5.0 million to $7.0 million at San Agustin mine. In addition, the Company plans to invest $10.0 million to $11.0 million in exploration.

The following table summarizes the Company's payments for commitments and contractual obligations as at December 31, 2020:

Expressed in $000s	2021	2022	2023	2024	2025	Thereafter	Total
Accounts payable and accrued liabilities	$ 54,090	$ -	$ -	$ -	$ -	$ -	$ 54,090
Lease obligations	10,052	10,000	9,928	10,432	534	144	41,090
Land agreement obligations[(1)(3)]	5,684	1,495	4,722	1,820	1,870	9,931	25,522
Purchase obligations[(2)(3)]	211,657	86,385	11,442	79	-	34	309,597
Debt[(4)]	-	-	-	-	57,500	-	57,500
Reclamation provision[(5)]	967	63	9,135	-	12,166	34,980	57,311
	$ 282,450	$ 97,943	$ 35,227	$ 12,331	$ 72,070	$ 45,089	$ 545,110

(1) The Company has entered into agreements for surface and access rights to land associated with operating mines, development projects and exploration projects.

(2) The Company has entered into commitments totaling $151,051 for Magino project, $40,091 for mining services, $110,545 for supplies, $7,241 for flow-through and $669 for other services.

(3) Certain commitments may contain cancellation clauses, however the Company discloses its commitments based on management's intent to fulfill the contracts.

(4) Debt represents the convertible debentures.

(5) Reclamation provision amounts represent management's estimate of when the reclamation expenditures are expected to be paid.

The Company's cash and cash equivalents balance, the cash expected to be generated from the operation of the El Castillo mining complex, the La Colorada mine and the Florida Canyon mine during the next 12 months and undrawn amounts on the Company's ARCF are anticipated to be sufficient to meet obligations and the planned investing and operating activities of the Company for the next 12 months. The Company expects to receive $30.0 million on closing of the agreement for the sale of Ana Paula; however, the receipt of these proceeds are dependent on factors outside of the Company's control. The various financings from 2020 totalling $152.0 million and $8.8 million are planned to be spent on Magino construction and exploration expenses, respectively. During the fourth quarter of 2020, $23.4 million and $1.0 million of the proceeds from those financings were spent, respectively. If required, the Company anticipates it can raise cash from the sale of shares or from the sale of mineral properties or other assets to meet its cash requirements. The Company's results are highly dependent on the price of gold and future changes in the price of gold will therefore impact performance. Readers are encouraged to read the "Cautionary Statement" section and the "Risk Factors" contained in the Company's 2019 Annual Information Form, which is available on SEDAR at www.sedar.com.

The profitability and operating cash flow of Argonaut are affected by various factors, including the amount of gold produced at the mines, the market price of gold, operating costs, interest rates, regulatory and environmental compliance, the level of exploration activity and capital expenditures, general and administrative costs and other discretionary costs and activities. Argonaut is also exposed to fluctuations in currency exchange rates, interest rates, regulatory, licensing and political risks and varying levels of taxation that can impact profitability and cash flow. The Company has announced the sale of Ana Paula; however, there are many risks that can impact the ability to close the transaction. Argonaut seeks to manage the risks associated with its business operations; however, many of the factors affecting these risks are beyond the Company's control.

The Company's financial performance, including its profitability and cash flow from operations, is tied to the price of gold and cost of inputs to its gold production. The price of gold itself is the greatest factor in profitability and cash flow from operations and should be expected to continue to be impacted by market factors. The price of gold is volatile and subject to price movements which can take place over short periods of time and are affected by multiple macroeconomic and industry factors that are beyond the control of the Company. Some of the major recent factors influencing the price of gold include currency exchange rates, the relative value of the US dollar, supply and demand for gold and more general economic results and projections such as interest rate and inflation projections and assumptions.

Commodity prices in general continue to see volatility. Volatility in the price of gold may impact the Company's revenue, while volatility in the price of other commodities, such as oil, may have an impact on the Company's operating costs and capital expenditure deployment.

CONTINGENCIES

Various tax and legal matters are outstanding from time to time. Judgments and assumptions regarding these matters are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the Company's audited consolidated financial statements on the date such changes occur.

On May 2, 2019, Alio received a Notice of Civil Claim from a former shareholder of Rye Patch Gold Corp. whose shares were acquired by Alio. The plaintiff brought the claim in the Supreme Court of British Columbia pursuant to the Class Proceedings Act and is seeking damages against Alio for alleged misrepresentations with respect to anticipated gold production during the year ended December 31, 2018. The Company and its counsel have reviewed the claim and believe it is without merit. The outcome is not determinable at this time. Accordingly, no additional liability has been recognized in the Company's consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

On February 17, 2021, the Company closed an offering of flow-through common shares of the Company (the "Flow-Through Shares") with a syndicate of underwriters pursuant to which the underwriters purchased, on a bought deal basis, 9,379,515 Flow-Through Shares at CA$2.82 per share for total gross proceeds of CA$26.5 million. The Flow-Through Shares will provide the subscribers a Canadian tax deduction for Canadian development expenditures ("CDE") incurred and renounced by the Company. The offering was completed in two concurrent tranches, whereby: (i) an aggregate of 6,276,515 CDE Flow-Through Shares were issued and qualified for distribution to the public under a prospectus, and (ii) an aggregate of 3,103,000 CDE Flow-Through Shares were issued on a private placement basis. The proceeds from the sale of the Flow-Through Shares will be used on development expenses on the Magino project as permitted under the Income Tax Act (Canada) in order to qualify as CDE. The Company will renounce all the CDE expenses in favor of the subscribers effective on or before December 31, 2021.

FINANCIAL INSTRUMENTS AND RISKS

Overview

The Company's activities expose it to risks, including financial and operational risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks related to financial instruments to which the Company is exposed are credit risk, market price risk, foreign exchange risk, liquidity risk, interest rate risk and commodity price risk. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis.

Emerging infectious diseases or the threat of outbreaks of viruses or other contagions, including the COVID-19 outbreak, could have a material adverse effect on the Company by causing operational and supply chain delays and disruptions, labour shortages and shutdowns, breach of material contracts, the inability to transport or sell gold dore, volatility in the price of precious metals, delays in permitting or approvals, governmental disruptions or other unknown but potentially significant impacts.
Global pandemics could cause a temporary suspension of operations in regions that are significantly impacted by the health crises, or cause governments to impose strict emergency measures in response to the threat or existence of an infectious disease.

The full extent and impact of the ongoing COVID-19 pandemic is unknown and to date has caused extreme volatility in financial markets and has raised the prospect of a global recession. The full impact of the effects of the COVID-19 pandemic on mining operations or financial results may vary significantly due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease and the duration of the outbreak. It is unknown whether and how the Company may be affected if a pandemic, such as COVID-19, persists for an extended period of time.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's policies on an ongoing basis. Readers are encouraged to read and consider the "Cautionary Statement" section of this MD&A and the "Risk Factors" described in the Company's Annual Information Form for the year ended December 31, 2019. The risk factors could materially impact future operating results of the Company and cause events to differ materially from those described in forward-looking information of the Company.

Financial instruments

As at December 31, 2020 and 2019, the carrying amounts of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short-term nature of these instruments. As at December 31, 2020, and 2019, the carrying amounts of other liabilities and debt not arising from the acquisition of Alio are considered to be reasonable approximations of their fair values as either there have been no significant changes in market interest rates since inception or the liability bears interest at a floating rate. The carrying value of other liabilities and debt arising from the acquisition of Alio are considered to be reasonable approximations of their fair value as the fair value has been revalued on acquisition and there have been no significant changes in market interest rates since then.

Credit risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company maintains substantially all of its cash with major financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. The Company manages credit risk for trade and other receivables through established credit monitoring activities. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company currently transacts with highly rated counterparties for the sale of gold and receivables. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Market price risk

Market price risks arise when the Company enters into arrangements whereby the Company receives equity consideration for the sale of its mineral properties and other assets. These equity instruments are held as marketable securities and are subject to market price risk. Marketable securities are recorded at fair value at the respective period ends with the resultant unrealized gains or losses recorded in other income (loss) in the statement of income (loss). The price or value of these investments can vary from period to period.

If equity prices for these marketable securities had increased or decreased by 5% as at December 31, 2020 with all other variables held constant, the Company's marketable securities would have increased or decreased, respectively, by approximately $0.4 million (2019 - $nil). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Foreign exchange risk

Because the Company operates on an international basis, foreign exchange risk exposures arise from transactions and balances denominated in foreign currencies. The Company's foreign exchange risk arises primarily with respect to the Canadian dollar and the Mexican peso. The Company's cash flows from Mexican operations are exposed to foreign exchange risk as commodity sales are denominated in US dollars and the majority of operating expenses and capital expenditures are denominated in Mexican pesos and US dollars. Administrative transactions, and assets under construction and exploration expenditures associated with the Magino project are primarily denominated in Canadian dollars. The Company manages a portion of its exposure to foreign exchange risk by various methods, including entering into foreign currency derivative contracts, and maintaining adequate funds in the Canadian dollars and Mexican pesos.

The Company is exposed to foreign exchange risk through the following financial instruments denominated in currencies other than the US dollar as at December 31:

	US dollar value of Canadian dollar balances		US dollar value of Mexican peso balances	
Expressed in $000s	2020	2019	2020	2019
Cash and cash equivalents	$ 78,573	$ 752	$ 2,361	$ 1,454
Marketable securities	7,998	-	-	-
Other receivables	8	-	(388)	1,912
Accounts payable and accrued liabilities	(3,685)	(1,802)	(17,300)	(16,568)
Other liabilities	-	-	(1,151)	(1,279)
	$ 82,894	$ (1,050)	$ (16,478)	$ (14,481)

Based on the above net exposures as at December 31, 2020, a 10% appreciation in the Canadian dollar would result in a $8.3 million increase in the Company's other comprehensive income for the year ended December 31, 2020 (December 31, 2019 - $0.1 million increase in other comprehensive loss). A 10% appreciation in the Mexican peso would result in a $1.6 million decrease in the Company's income before income taxes for the year ended December 31, 2020 (December 31, 2019 - $1.5 million increase in the Company's loss before income taxes).

Foreign exchange derivative contracts

On November 13, 2018, the Company entered into zero-cost collar contracts whereby it purchased a series of foreign exchange call option contracts and sold a series of foreign exchange put option contracts with equal and offsetting values at inception (referred to as the "foreign exchange contracts"). These contracts were entered into to normalize operating expenses and capital expenditures to be incurred by the Company's Mexican operations as expressed in United States dollar terms. The foreign exchange contracts were classified as Level 2 in the fair value hierarchy.

The details of the contracts were as follows:

Foreign exchange contracts at inception	Amount	Term	Strike price Mexican pesos per US dollar
Foreign exchange call options - purchased	$ 24,000	January 2019 - December 2019	20.00
Foreign exchange put options - sold	$ 24,000	January 2019 - December 2019	23.56

These derivative instruments were not designated as hedges by the Company and were marked-to-market at the end of each reporting period with the mark-to-market adjustment recorded in the statement of income (loss). Details were as follows:

	Three months ended December 31,		Year ended December 31,	
Expressed in $000s	2020	2019	2020	2019
Unrealized gains	$ -	-	$ -	$ 149
Reversal of unrealized gains from prior period	-	(99)	-	(659)
Realized gains	-	212	-	934
Net gains on foreign exchange contracts	$ -	$ 113	$ -	$ 424

As at December 31, 2019, all foreign exchange contracts have expired and the Company has no foreign exchange contracts outstanding as at December 31, 2020.

Liquidity risk

The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances and credit facilities. The Company continuously monitors and reviews both actual and forecasted cash flows, and matches the maturity profile of financial assets and liabilities. As at December 31, 2020, the Company had a cash balance of $214.2 million (December 31, 2019 - $38.8 million), an undrawn ARCF of $125 million (December 31, 2019 - $30.6 million), other current assets of $146.2 million (December 31, 2019 - $81.1 million) and current liabilities of $94.9 million (December 31, 2019 - $41.0 million).

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the financial instruments will fluctuate because of changes in market interest rates. The Company has interest bearing cash balances, which are subject to fluctuations in the interest rate. A 10% increase or decrease in the interest earned from financial institutions on deposits held would result in a nominal increase or decrease in the Company's income (loss) before income taxes in the statement of income (loss). The Company has additional exposure to interest rate risk on the ARCF, which is subject to a floating interest rate. Floating interest rates are based on the LIBOR plus a fixed margin. The Company does not enter into derivative contracts to manage this risk. The Company has not utilized the ARCF as at December 31, 2020.

Commodity price risk

The Company is exposed to commodity price risk as its revenues are derived from the sale of metals, the prices for which have been historically volatile. The Company may manage this risk by entering into agreements with various counterparties to mitigate price risk when management believes it a prudent decision.

Commodity derivative contracts

On August 23, 2019, the Company entered into zero-cost collar contracts whereby it purchased a series of gold put option contracts and sold a series of gold call option contracts with equal and offsetting values at inception (referred to as the "commodity contracts"). The Company's strategy is to remain unhedged on gold production; however, by initiating this price protection program for these ounces over this term and at these prices, the Company was able to ensure it could profitably extend operations at the El Castillo mine.

The details of the commodity contracts that the Company entered into, are as follows:

Commodity contracts at inception		Quantity[2] (Ounces)	Term	Strike price per ounce[1][2]
Gold put options - purchased	Expired	17,100	October 2019 - December 2019	$1,450
Gold call options - sold	Expired	12,825	October 2019 - December 2019	$1,612
Gold call options - sold	Expired	4,275	October 2019 - December 2019	$1,685
Gold put options - purchased	Expired	58,800	January 2020 - December 2020	$1,450
Gold call options - sold	Expired	44,100	January 2020 - December 2020	$1,672
Gold call options - sold	Expired	14,700	January 2020 - December 2020	$1,755
Gold put options - purchased	Active	51,600	January 2021 - December 2021	$1,450
Gold call options - sold	Active	38,700	January 2021 - December 2021	$1,709
Gold call options - sold	Active	12,900	January 2021 - December 2021	$1,785
Gold put options - purchased	Active	18,000	January 2022 - June 2022	$1,450
Gold call options - sold	Active	13,500	January 2022 - June 2022	$1,745
Gold call options - sold	Active	4,500	January 2022 - June 2022	$1,816

[1] Contracts are exercisable based on the average price for the month being below the strike price of the put or above the strike price of the call.
[2] Quantities and strike prices do not fluctuate by month within each calendar year.

The resulting fair values of the outstanding commodity contracts at December 31, 2020 have been recognized, on a net basis, in derivative liabilities on the statement of financial position. These derivative instruments were not designated as hedges by the Company and are marked-to-market at the end of each reporting period with the mark-to-market adjustment recorded in the statement of income (loss). The commodity contracts are marked-to-market using a Levy two moment valuation model which uses quoted observable inputs and are classified as Level 2 in the fair value hierarchy. Details are as follows:

	Three months ended December 31,		Year ended December 31,	
Expressed in $000s	2020	2019	2020	2019
Unrealized gains (losses)	$ 3,822	$ (1,862)	$ (15,775)	$ (1,862)
Reversal of unrealized gains from prior period	-	(692)	-	-
Realized losses	(3,241)	-	(6,880)	-
Net gains (losses) on commodity contracts	$ 581	$ (2,554)	$ (22,655)	$ (1,862)

OUTSTANDING SHARE DATA

As at December 31, 2020, the Company had 294,762,507 common shares issued and outstanding and 4,559,245 stock options, 1,173,790 Alio replacement options, 802,739 Alio warrants, 2,249,323 restricted share units ("RSUs") and 2,297,701 performance share units ("PSUs") granted and outstanding.

Subsequent to December 31, 2020:

- 9,379,515 common shares were issued as flow through shares;
- 876,663 and 3,128 RSUs were granted and forfeited respectively;
- 992,221 RSUs vested and 664,199 common shares were issued, net of 328,022 RSUs that were withheld to satisfy tax withholdings;
- 541,107 and 333,995 PSUs were granted and forfeited respectively;
- 213,033 PSUs vested and 140,138 common shares were issued, net of 72,895 PSUs that were withheld to satisfy tax withholdings;
- 345,944 deferred share units ("DSUs") were granted;
- 32,980 and nil Alio replacement options were exercised and forfeited respectively; and
- 239,691 and 100,775 stock options were granted and expired, respectively.

As at February 25, 2021, the Company had 304,979,339 common shares issued and outstanding and 4,698,161 stock options, 1,140,810 Alio replacement options, 802,739 Alio warrants, 2,130,637 RSUs, 2,291,780 PSUs and 345,944 DSUs granted and outstanding.

The Company's shares trade on the TSX under the symbol AR.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may vary from those estimates due to inherent uncertainty or other factors. The Company regularly reviews its estimates. Revisions to estimates and the resulting effects on the carrying amounts of the assets and liabilities are accounted for prospectively. Key sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Work-in-process inventory / Production costs

The Company's management makes estimates of the amount and the expected timing of recovery of recoverable ounces in work-in-process inventory, which is used in the determination of the cost of sales during the period. Management relies on internal geological and metallurgical experts to develop estimates. Changes in these estimates can result in a change in the carrying amount of inventories and reported cost of sales. The Company monitors the recovery of gold ounces from the leach pads and may refine its estimate based on these results. Assumptions used in inventory valuation include the gold price, type of ore tonnes mined, rock density, grams of gold per tonne, expected recovery rate based on the type of ore placed on the leach pads, timing of recovery, discount rate, remaining costs of completion to bring inventory into its saleable form and assays of solutions and gold on carbon, among others.

During the year ended December 31, 2020, the Company recognized a non-cash impairment reversal of $1.6 million at the El Castillo mining complex related to the net realizable value of the work-in process inventory, primarily due to a revision in management's estimate of the price of gold, the future recoverable ounces, costs to convert the non-current work-in-process inventory into saleable form and the expected timing of recoveries of the inventory.

During the year ended December 31, 2019, the Company recognized a non-cash impairment write down of $15.4 million at the El Castillo mining complex and $12.1 million at the La Colorada mine related to the net realizable value of the work-in-process inventory, primarily due to a revision in management's estimate of future recoverable ounces, costs to convert the non-current work-in-process inventory into saleable form and the expected timing of recoveries of the inventory.

Mineral properties

The cost of acquiring, exploring and developing mineral properties and the cost to increase future output by providing access to additional reserves or resources, are capitalized. Management relies on internal geological and metallurgical experts to develop estimates of reserves and resources. After a mine commences production, these costs are amortized over the proven and probable reserves to which they relate if available; otherwise, the Company will use its best estimate based on measured and indicated resources or other relevant metric. The determination of reserves and resources is complex and requires the use of estimates and assumptions related to geological sampling and modeling, future commodity prices and costs to extract and process the ore. The mineral reserve or resource is used in estimating the value of the mineral property and in the determination of recoverable ounces which is further used in depletion and depreciation calculations.

As at December 31, 2020, the carrying amount of mineral properties, including assets under construction and exploration and evaluation assets, was $547.9 million (December 31, 2019 - $421.1 million).

Impairment (impairment reversal) of non-current assets

The Company reviews the carrying amounts of non-current assets whenever events or changes in circumstances indicate that the carrying amounts may exceed the estimated recoverable amounts determined by reference to estimated future operating results and discounted future cash flows. An impairment loss is recognized when the carrying amount of those assets is no longer considered recoverable. Non-current assets that have been impaired are

tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Calculating the estimated recoverable amount of the CGUs for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable reserves and resources, estimated future commodity prices, future production and sales volume, the expected future operating, capital and reclamation costs, discount rates and exchange rates. These estimates are subject to various risks and uncertainties which may ultimately influence the estimated recoverability of the carrying amounts of non-current assets.
Future gold prices, exchange rates, discount rates, estimates of recoverable reserves and resources, operating and capital costs, and other key assumptions used in the Company's impairment assessment are subject to greater uncertainty given the current economic environment. Changes in these assumptions could significantly impact the valuation of the Company's assets in the future.

As a result of an increase in mineral reserves and resources at the La Colorada mines, as well as the higher long-term gold price, the Company has observed an increase in the fair value less direct costs of disposal ("FVLCD") of the La Colorada CGU. This increase has resulted in the full reversal of the remaining non-cash impairment of mineral properties, plant and equipment recorded during 2015, that was not already reversed in 2018, less depreciation and depletion that would have been recorded if that impairment had not been recorded. A non-cash impairment reversal of $5.9 million was recorded for the La Colorada mine during 2020.

During 2020, the Company recognized a non-cash impairment reversal of mineral properties, plant and equipment of $6.3 million (2019 – non-cash impairment of $111.3 million), as summarized in the following table:

	2020				2019		
Expressed in $000s	Exploration and evaluation assets	Mineral properties	Plant and equipment	Total	Exploration and evaluation assets	Plant and equipment	Total
La Colorada mine	$ -	$ (3,921)	$ (2,019)	$ (5,940)	$ -	$ -	$ -
San Antonio project	-	-	-	-	111,034	-	111,034
Other	(383)	-	72	(311)	-	257	257
Total impairment (reversal)	$ (383)	$ (3,921)	$ (1,947)	$ (6,251)	$ 111,034	$ 257	$ 111,291

For more information regarding indicators of impairment and impairment reversal, please read note 27 of the Company's audited consolidated financial statements for the year ended December 31, 2020.

Other 2020 impairments

Other impairment (reversal) is mostly comprised of an impairment reversal related to cash received in the amount of $0.4 million from a third party as part of an option agreement entered into in 2020.

Impairment testing: Key assumptions

The projected cash flows used in impairment testing are significantly affected by changes in assumptions for metal prices, estimates of production costs, future capital expenditures, changes in the amount of recoverable reserves, resources, and exploration potential, discount rates, inflation and exchange rates. The determination of FVLCD includes the following key applicable assumptions:

- Long term and short term gold price per ounce: $1,500 and $1,750, respectively;
- Operating and capital costs based on historical costs incurred and estimated forecasts;
- Production volume and recoveries as indicated in the LOM plan; and
- After-tax discount rates: 5%

Sensitivity analysis

As at December 31, 20120, the Company has performed a sensitivity analysis on the CGU's discounted cash flow analysis. The table below indicates the long-term gold price assumption which would cause a CGU's carrying value to equal the recoverable amount while holding all other assumptions constant.

	Long-term price per ounce required for recoverable amount to equal carrying amount
El Castillo	$ 1,430
San Agustin	1,375
La Colorada	1,465
Florida Canyon	1,335
Magino	1,220

The Company believes that adverse changes in metal price assumptions would also impact certain other inputs in the LOM plans which may offset, to a certain extent, the impact of these adverse gold price changes.

Deferred income taxes

The determination of current income tax expense (recovery) and deferred income tax expense (recovery) involves judgment and estimates as to the future taxable earnings and interpretation of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of current or deferred income taxes or the timing of tax payments.

Reclamation provision

Reclamation provision represents the present value of estimated future costs for the reclamation of the Company's mines and properties. These estimates include assumptions as to the future activities, cost of services, timing of the reclamation work to be performed, inflation rates, exchange rates and discount rates. The actual cost to reclaim a mine may vary from the estimated amounts because there are uncertainties in factors used to estimate the cost and potential changes in regulations or laws governing the reclamation of a mine. Management periodically reviews the reclamation requirements and adjusts the liability as new information becomes available and will assess the impact of new regulations and laws as they are enacted.

As at December 31, 2020, the carrying amount of the Company's provision for reclamation and remediation cost obligations was $54.2 million (December 31, 2019 - $17.7 million).

Fair value of assets and liabilities acquired through an acquisition

Judgment and estimates are used to determine the fair value of the assets acquired and liabilities assumed by way of an acquisition. In the determination of the fair value of the assets acquired and liabilities assumed, management makes certain judgments and estimates regarding its production profile, quantities of ore reserves and resources, exploration potential, metallurgical recovery estimates, capital expenditures, commodity prices, operating costs, economic lives, reclamation costs and discount rates, among others.

It may take time to obtain the information necessary to measure the fair values of the assets acquired, and liabilities assumed. Until such time, provisional fair values are assigned. In the case of a business combination, changes to the provisional measurements of assets and liabilities acquired are retrospectively adjusted when new information is obtained until the final values are determined. Final values will be determined within one year of closing the acquisition.

Contingencies

Due to the nature of the Company's operations, various legal and tax matters can arise from time to time that require estimation of amounts and probability of outcome. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements for the period in which such changes occur.

Coronavirus update

On March 11, 2020, the World Health Organization declared the coronavirus disease ("COVID-19") a global pandemic. During the remainder of March 2020 and through to December 31, 2020, the COVID-19 pandemic has negatively impacted global economic and financial markets. Most industries have been impacted by the COVID-19 pandemic and are facing operating challenges associated with the regulations and guidelines resulting from efforts to contain it.

As a direct result of the COVID-19 pandemic, the Company temporarily suspended all mining, crushing and stacking activities at its Mexican mines in response to the Mexican federal government decree on April 1, 2020. Given that the Company's Mexican mines are heap leach operations, the Company continued to process pregnant solution coming from the leach pads for the safety of the environment. Therefore, gold and silver production and sales continued during the temporary suspension of mining activities. Costs incurred during the temporary suspension associated with the suspended activities, that did not generate additional inventory, have been separately identified and accounted for as care and maintenance expenses within operating income in the statement of income (loss). By June 1, 2020, the Company had resumed all operations in Mexico.

The global response to the COVID-19 pandemic has resulted in, among other things, border closures, severe travel restrictions, as well as quarantine, self-isolation, and other emergency measures imposed by various governments. Additional government or regulatory actions or inactions around the world including in jurisdictions where the Company operates may also have potentially significant economic and social impacts. The COVID-19 virus and efforts to contain it may have a significant effect on commodity prices, and the possibility of a prolonged global economic downturn may further impact commodity demand and prices. If the Company's business operations are disrupted or suspended as a result of these or other measures, it may have a material adverse effect on the Company's business, results of operations and financial performance. Factors that may be impacted, among other things, are the Company's operating plan, production, supply chain, construction, and maintenance activities. The Company continues to monitor the situation closely, including any potential impact on its operations. The extent to which COVID-19 may impact the Company's business and operations will depend on future developments that are highly uncertain and cannot be accurately estimated, at this time, including new information which may emerge concerning the severity of and the actions required to contain COVID-19 or remedy its impact.

Change in accounting estimate

Effective July 1, 2020, the Company revised its estimate of the method used in depreciating its mobile equipment from units of production basis to straight-line. The change in accounting estimate was treated prospectively and did not have a material impact on depreciation during the year ended December 31, 2020.

RECENT ACCOUNTING PRONOUNCEMENTS

New and amended standards not yet adopted.

In May 2020, the IASB published a narrow scope amendment to IAS 16 - *Property, Plant and Equipment - Proceeds before Intended Use*. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and related cost in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022, with early adoption permissible. The Company is assessing the effect of the narrow scope amendment on its consolidated financial statements and the possibility of early adoption.

In August 2020, the IASB published an amendment for *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, and IFRS 16*, with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021. The Company believes that this amendment is not expected to have a material impact on the Company's consolidated financial statements.

There are no other IFRS standards or interpretations that are not yet effective that would be expected to have a material impact on the consolidated financial statements of the Company.

DISCLOSURE CONTROLS AND PROCEDURES

The Canadian Securities Administrators have issued National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109") which requires public companies in Canada to submit annual and interim certificates relating to the design and effectiveness of the disclosure controls and procedures that are in use at the Company. The Company's disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, to enable this information to be reviewed and discussed so that appropriate decisions can be made regarding the timely public disclosure of the information. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2020 and have concluded that these controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING

NI 52-109 also requires public companies in Canada to submit interim and annual certificates relating to the design of internal control over financial reporting ("ICFR") and an annual certificate that includes evaluating the effectiveness of ICFR. The Company's ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management is responsible for establishing and maintaining ICFR. The Company used the 2013 Commission of Sponsoring Organizations of the Treadway Commission ("COSO") framework as the basis for designing its ICFR. Due to its inherent limitations, ICFR may not prevent or detect misstatements on a timely basis as such systems can only be designed to provide reasonable as opposed to absolute assurance. Also, projections of any evaluation of the effectiveness of ICFR to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. The Company's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Company's ICFR as at December 31, 2020 and have concluded that these controls and procedures are effective.

Limitations on scope of design and testing of Internal Controls over Financial Reporting

During 2020, the Company acquired Alio, however the Company has not had sufficient time to fully assess the design of ICFR inherent in the organization and accordingly has limited the scope of the above assessment on the design of ICFR to exclude this operation.

Changes to Internal Controls over Financial Reporting

NI 52-109 also requires public companies in Canada to disclose in their MD&A any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. There were no changes in ICFR during the quarter ended December 31, 2020 that materially affected or are reasonably likely to materially affect the Company's ICFR.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

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", "Adjusted net income", "Adjusted earnings per share - basic" and "Net cash" in this MD&A to supplement its financial statements which are presented in accordance with IFRS. The Company believes that these measures provide investors with an alternate view to evaluate the performance of the Company by providing information on control of production costs, trends in cash costs of the Company and the underlying operating performance of the core mining business. Management also uses these measures to monitor internal performance. 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. The following table provides a reconciliation of production costs per the financial statements to cash cost per gold ounce sold:

El Castillo	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Production costs, as reported ($000s)	$ 9,139	$ 18,169	$ 42,848	$ 72,587
Plus impact of impairment (reversal) write downs related to recoverable ounces in work-in-process inventory ($000s)	-	11,756	-	11,756
Plus impact of non-cash impairment write downs related to the net realizable value of work-in-process inventory ($000s)	(163)	49	(1,681)	94
Less silver sales ($000s)	349	361	1,379	1,633
Net cost of sales ($000s)	$ 8,627	$ 29,613	$ 39,788	$ 82,804
Gold ounces sold	9,863	14,132	43,815	68,971
Cash cost per gold ounce sold	$ 875	$ 2,095	$ 908	$ 1,201

San Agustin	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Production costs, as reported ($000s)	$ 14,743	$ 18,493	$ 52,157	$ 58,549
Plus impact of impairment (reversal) write downs related to recoverable ounces in work-in-process inventory ($000s)	-	1,338	-	1,338
Less silver sales ($000s)	2,413	1,328	6,741	3,578
Net cost of sales ($000s)	$ 12,330	$ 18,503	$ 45,416	$ 56,309
Gold ounces sold	16,124	20,708	58,189	65,273
Cash cost per gold ounce sold	$ 765	$ 894	$ 780	$ 863

La Colorada	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Production costs, as reported ($000s)	$ 11,584	$ 11,357	$ 45,370	$ 49,891
Plus impact of impairment (reversal) write downs related to recoverable ounces in work-in-process inventory ($000s)	-	8,986	-	8,986
Less silver sales ($000s)	968	608	3,382	2,570
Net cost of sales ($000s)	$ 10,616	$ 19,735	$ 41,988	$ 56,307
Gold ounces sold	14,049	12,233	44,820	53,558
Cash cost per gold ounce sold	$ 756	$ 1,613	$ 937	$ 1,051

Florida Canyon	Three months ended December 31,		Year ended December 31, [1]	
	2020	2019	2020	2019
Production costs, as reported ($000s)	$ 15,471	$ -	$ 34,247	$ -
Less silver sales ($000s)	176	-	358	-
Net cost of sales ($000s)	$ 15,295	$ -	$ 33,889	$ -
Gold ounces sold	11,461	-	25,199	-
Cash cost per gold ounce sold	$ 1,335	$ -	$ 1,345	$ -

[1] Information provided includes Florida Canyon pre-acquisition statistics

All Mines	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Production costs, as reported ($000s)	$ 50,937	$ 48,019	$ 174,622	$ 181,027
Plus impact of impairment (reversal) write downs related to recoverable ounces in work-in-process inventory ($000s)	-	22,080	-	22,080
Plus impact of non-cash impairment write downs related to the net realizable value of work-in-process inventory ($000s)	(163)	49	(1,681)	94
Less silver sales ($000s)	3,906	2,297	11,860	7,781
Net cost of sales ($000s)	$ 46,868	$ 67,851	$ 161,081	$ 195,420
Gold ounces sold	51,497	47,073	172,024	187,802
Cash cost per gold ounce sold	$ 910	$ 1,441	$ 936	$ 1,041

All-in sustaining costs include net cost of sales at the Company's mining operations, which forms the basis of the Company's cash cost per gold ounce sold. Additionally, the Company includes general and administrative, exploration, accretion and other expenses and sustaining capital expenditures. Sustaining capital expenditures exclude all expenditures at the Company's pre-production, development stage and advanced exploration stage projects and certain expenditures at the Company's operating sites that are deemed expansionary in nature.

The following table provides a reconciliation of all-in sustaining costs per gold ounce sold to the consolidated financial statements:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net cost of sales ($000s)	$ 46,868	$ 67,851	$ 161,081	$ 195,420
General and administrative expenses ($000s)	3,548	3,297	14,455	13,819
Exploration expenses ($000s)	214	249	884	693
Accretion and other expenses ($000s)	134	192	3,184	723
Sustaining capital expenditures ($000s)	10,445	7,957	34,381	33,274
All-in sustaining cost ($000s)	$ 61,209	$ 79,546	$ 213,985	$ 243,929
Gold ounces sold	51,497	47,073	172,024	187,802
All-in sustaining cost per gold ounce sold	$ 1,189	$ 1,690	$ 1,244	$ 1,299

Adjusted net income and adjusted earnings per share - basic excludes foreign exchange impacts on deferred income taxes, foreign exchange (gains) losses, impairment write down (reversal) of work-in-process inventory, proceeds from legal proceedings, non-cash impairment loss (reversal) on certain non-current assets, unrealized losses (gains) on commodity and debt derivatives, care and maintenance expense, transaction costs related to Alio acquisition and other operating expense (income).

The following table provides a reconciliation of adjusted net income to the consolidated financial statements:

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net income (loss), as reported ($000s)	$ 18,007	$ (107,459)	$ 14,211	$ (93,092)
Loss and comprehensive loss from discontinued operation ($000s)	2,265	-	3,719	-
Impact of foreign exchange on deferred income taxes ($000s)	(3,624)	(6,721)	5,629	(6,918)
Foreign exchange losses (gains), net of tax ($000s)	4,723	(5)	1,081	324
Inventory (reversal) write-down, net of tax ($000s)	(125)	21,075	(1,981)	18,012
Proceeds from legal proceeding, net of tax ($000s)	-	-	-	(405)
Impairment (reversal) of mineral properties, plant and equipment, net of tax ($000s)	(201)	94,886	(4,048)	94,886
Unrealized losses (gains) on commodity and debt derivatives ($000s)	(1,061)	2,554	18,536	1,862
Care and maintenance expense, net of tax ($000s)	-	-	5,741	-
Transaction costs related to Alio acquisition ($000s)	-	-	4,604	-
Other operating expense (income), net of tax ($000s)	846	(1,649)	846	(1,649)
Adjusted net income ($000s)	$ 20,830	$ 2,681	$ 48,339	$ 13,020
Weighted average number of common shares outstanding, as reported	293,757,980	179,495,066	233,204,334	178,585,738
Adjusted earnings per share - basic	$ 0.07	$ 0.01	$ 0.21	$ 0.07

Net cash is calculated as the sum of the cash and cash equivalents balance net of debt as at the statement of financial position date. The net debt calculation excludes the convertible debentures and lease liabilities, due to the nature of the obligations, in order to show the nominal undiscounted debt.

A reconciliation of net cash is provided below:

	December 31, 2020	September 30, 2020	December 31, 2019
Cash and cash equivalents ($000s)	$ 214,188	$ 177,876	$ 38,787
Debt ($000s)	-	(22,090)	(10,000)
Net cash ($000s)	$ 214,188	$ 155,786	$ 28,787

CAUTIONARY STATEMENT

Readers of this MD&A are encouraged to read the "Risk Factors" as more fully described in the Company's filings with the Canadian Securities Administrators, including its Annual Information Form for the year ended December 31, 2019, available on SEDAR at www.sedar.com. The following, while not exhaustive, are important Risk Factors to consider: Commodity Price Volatility; Uncertainty of Exploration and Development; Uncertainty in the Estimation of Mineral Reserves and Mineral Resources; Permitting Risk; Mineral and Surface Rights; Financing Requirements; The Revolving Credit Facility may present certain risks to the Corporation; Operational Risks; The Corporation may not achieve its Production Estimates; Increase in Production Costs; Uncertainty Relating to Mineral Resources; Environmental Risks and Hazards; Fluctuations in Operating Results can cause Common Share Price Decline; Local Legal, Political and Economic Factors; Changes in Climate Conditions; Unsettled First Nations Rights; Governmental Regulation of the Mining Industry; Foreign Subsidiaries; Operations in Mexico; Use of Ejido Owned Land; Competition for Explorations, Development and Operation Rights; Foreign Currency Exchange Rate Fluctuation; Title to Properties; Safety and Security; Infrastructure; Community Relations; Contractors; Labour and Employment Matters; Work Stoppages or Labour Disputes; Attracting and Retaining Talented Personnel; Contract Renegotiation; Construction and Start-up of New Mines; Volatility of Market for Common Shares; Foreign Private Issuer Status; Internal Control over Financial Reporting; Acquisitions and Integration; Risk Management; Insurance and Uninsured Risks; Dilution Risk; Asset Impairment Charges; Write-downs and Impairments; Exchange Controls; Possible Conflicts of Interest of Directors and Officers of the Corporation; Enforcement of Civil Liabilities in the United States; Cybersecurity Risks; Security and Privacy Breaches; Recent Global Financial Conditions; and Foreign Corrupt Practices and Anti-Bribery Legislation.

This MD&A includes certain "forward-looking information" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events, or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's business, operations, plans and other such matters are forward-looking information.

When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking information. This information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information.

Examples of such forward-looking information include statements pertaining to, without limitation, the future price of gold and silver, the estimation of the mineral reserves and resources, the realization of mineral reserve and resource estimates, the timing and amount of estimated future production at the El Castillo mining complex and La Colorada mine, costs of production (including cash cost per ounce of gold sold, see "Non-IFRS Measures" section), expected capital expenditures, costs and timing of development of new deposits, success of exploration activities, permitting requirements, currency fluctuations, the ability to take advantage of forward sales agreements profitably, the ability to recover property potentially impaired by third party insolvency proceedings, requirements for additional capital, government regulation of mining operations, environmental risks and hazards, title disputes or claims and limitations on insurance coverage.

Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, or intended. There can be no assurance that such information will prove to be accurate as actual results may differ materially from those anticipated. Many factors are beyond the Company's ability to predict or control.

Readers of this MD&A are cautioned not to put undue reliance on forward-looking information due to its inherent uncertainty. Argonaut disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as and when required by applicable securities laws. This forward-looking information should not be relied upon as representing management's views as of any date subsequent to the date of this MD&A.

TECHNICAL INFORMATION AND QUALIFIED PERSON

The technical information contained in this document has been prepared under the supervision of, and has been reviewed and approved by, Mr. Brian Arkell, Argonaut's Vice President of Exploration, a qualified person as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects ("NI 43-101").

For further information on the Company's properties please see the reports as listed below on the Company's website www.argonautgold.com or on www.sedar.com:

El Castillo Complex	NI 43-101 Technical Report on Resources and Reserves, El Castillo Complex, Durango, Mexico dated March 27, 2018 and with an 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 and with an effective date of December 8, 2017
Magino Gold Project	Feasibility Study Technical Report on the Magino Project, Ontario, Canada dated December 21, 2017 and with an effective date of November 8, 2017
Cerro del Gallo Project	Pre-Feasibility Study NI 43-101 Technical Report, Cerro del Gallo Heap Leach Project, Guanajuato, Mexico dated January 31, 2020 and with an effective date of October 24, 2019
Florida Canyon Gold Mine	NI 43-101 Technical Report on Resources, Florida Canyon Gold Mine, Pershing County, Nevada, USA dated July 8, 2020 and with an effective date of June 1, 2020

Mineral Resources referenced herein are not Mineral Reserves and do not have demonstrated economic viability. Mineral Resource estimates do not account for mineability, selectivity, mining loss and dilution. The Mineral Resource estimates include Inferred Mineral Resources that are normally considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is also no certainty that these Inferred Mineral Resources will be converted to Measured and Indicated categories through further drilling, or into Mineral Reserves, once economic considerations are applied.